When Tenants Take a Fall
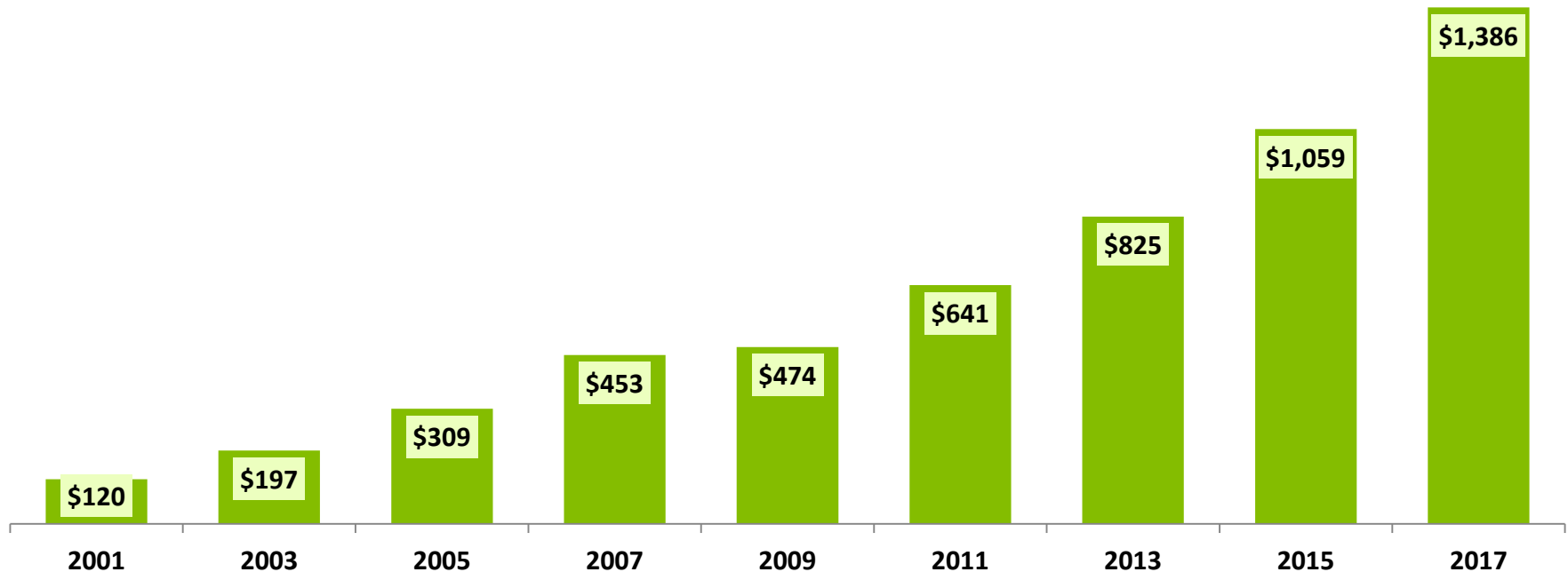# Adaptive Reuse of Vacant Retail

AECOM

January 26, 2018

National Retail Trends

E-Commerce Trends

– In 2017, e-commerce sales reached 8.9% of total U.S. retail sales

– Amazon supports 4% of retail sales in 2017 / 44% of U.S. e-commerce sales.

– Total e-commerce spend per capita has "slowed" since 2010; 15% y-o-y.

E-Commerce Dollar Spend per Capita

| Year	Value
2001	$120
2003	$197
2005	$309
2007	$453
2009	$474
2011	$641
2013	$825
2015	$1,059
2017	$1,386

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E-Commerce Trends

– Amazon grabbed 23.1% of the total e-commerce market in 2016 while Walmart represented 3.7%.

– Walmart holds a total retail market share of 7.5%. Amazon has 1.9% of the total retail market.

Total Retail Market Share

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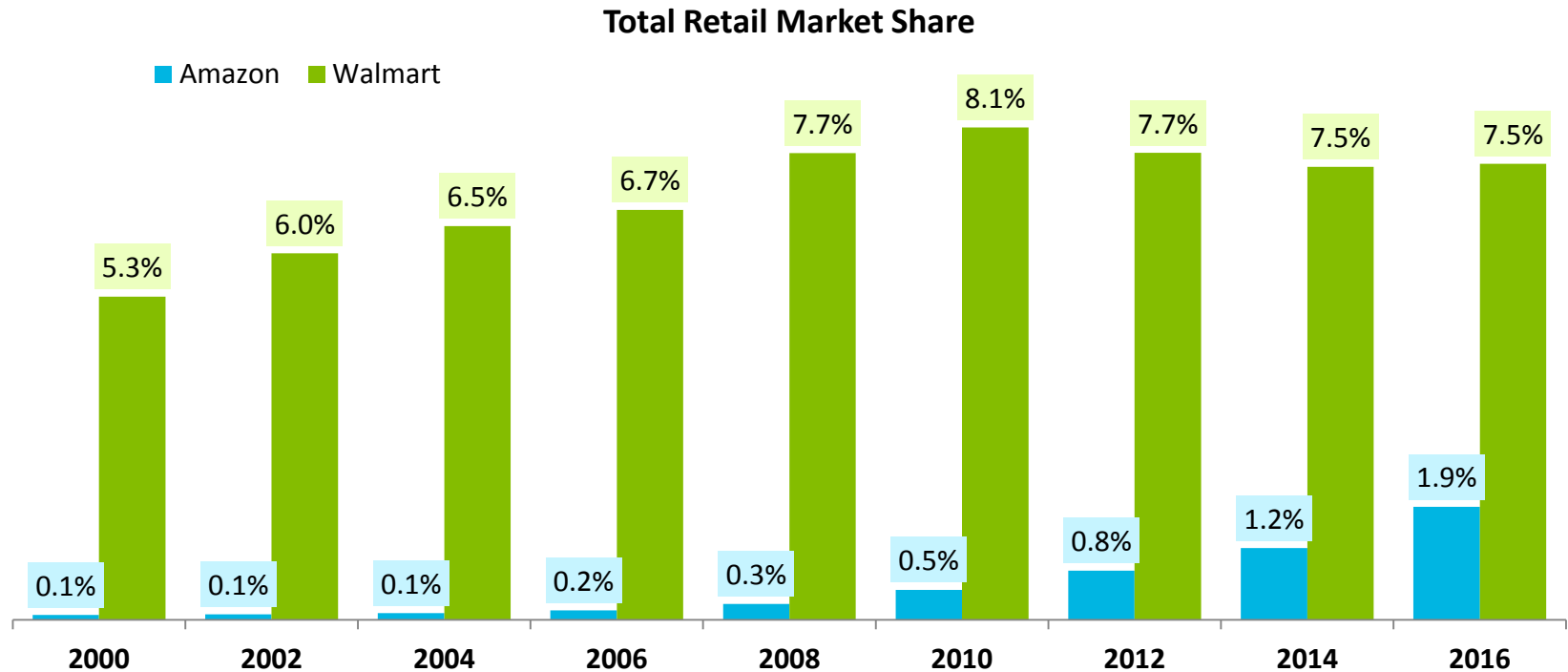
Food Trends

– Post-recession, restaurant spend has increased, while grocery spend has remained relatively consistent

– Warehouse clubs / superstores - significant decreases in sales since 2008

– Amazon / Whole Foods impact remains to be seen (is Target next?)

Year-Over-Year Change in Per Capita Spend
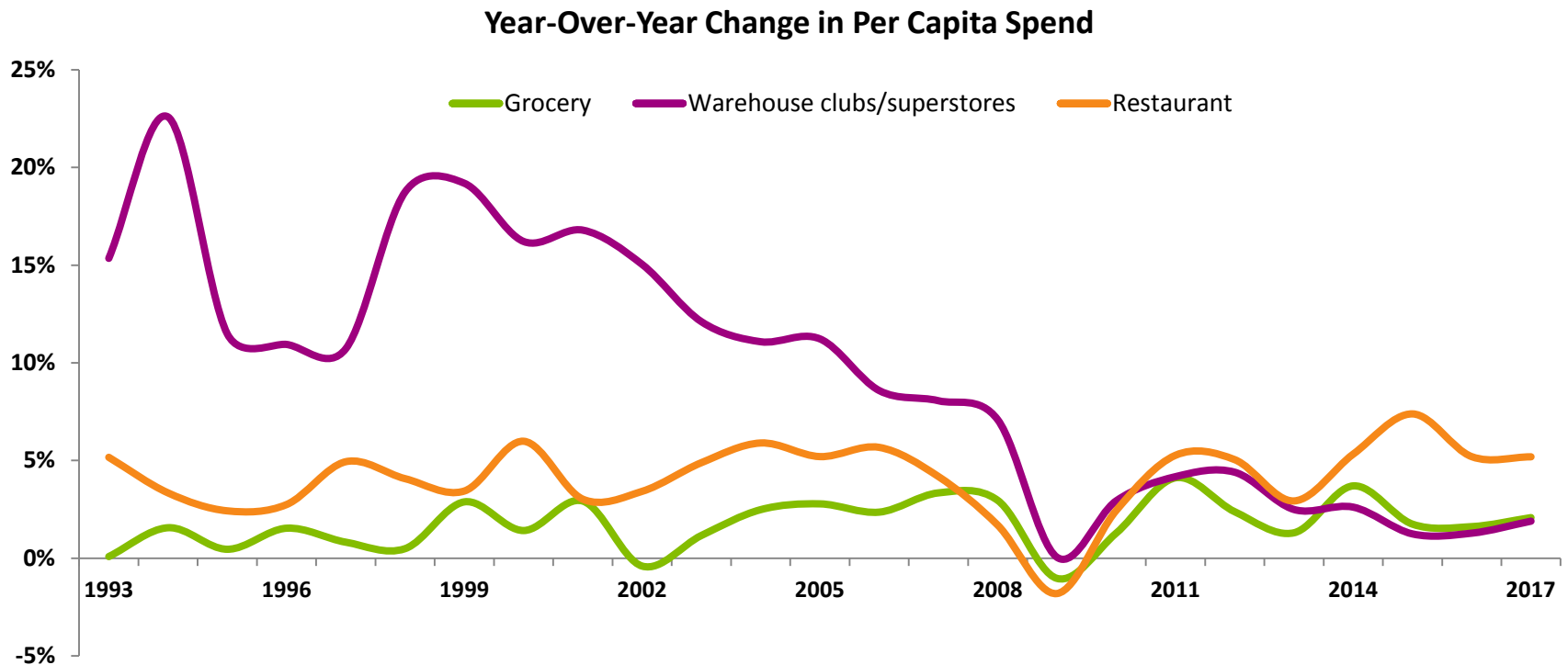
# Chicago Area Retail Sales Trends

City of Chicago High-Income Cluster

- Focus on Tract-Level Income density per acre

- Cluster comprises 25% of income in Chicago; 4% of land area

Cluster stats:

- 10 sq. miles

- 277,000 people

- $20 billion in income

- 32 million SF retail
  - 1.3 million available (4%)

- 115 retail SF per person

- $636 income per SF

- $663 income per occupied SF

City stats:

- 225 sq. miles

- 2.7 million people

- $78 billion in income

- 144 million SF retail
  - 35 million available (5%)

- 52 retail SF per person

- $551 income per SF

- $578 income per occupied SF

Tract Income per acre

- Under $200K
- $200K - $400K
- $400K - $800K
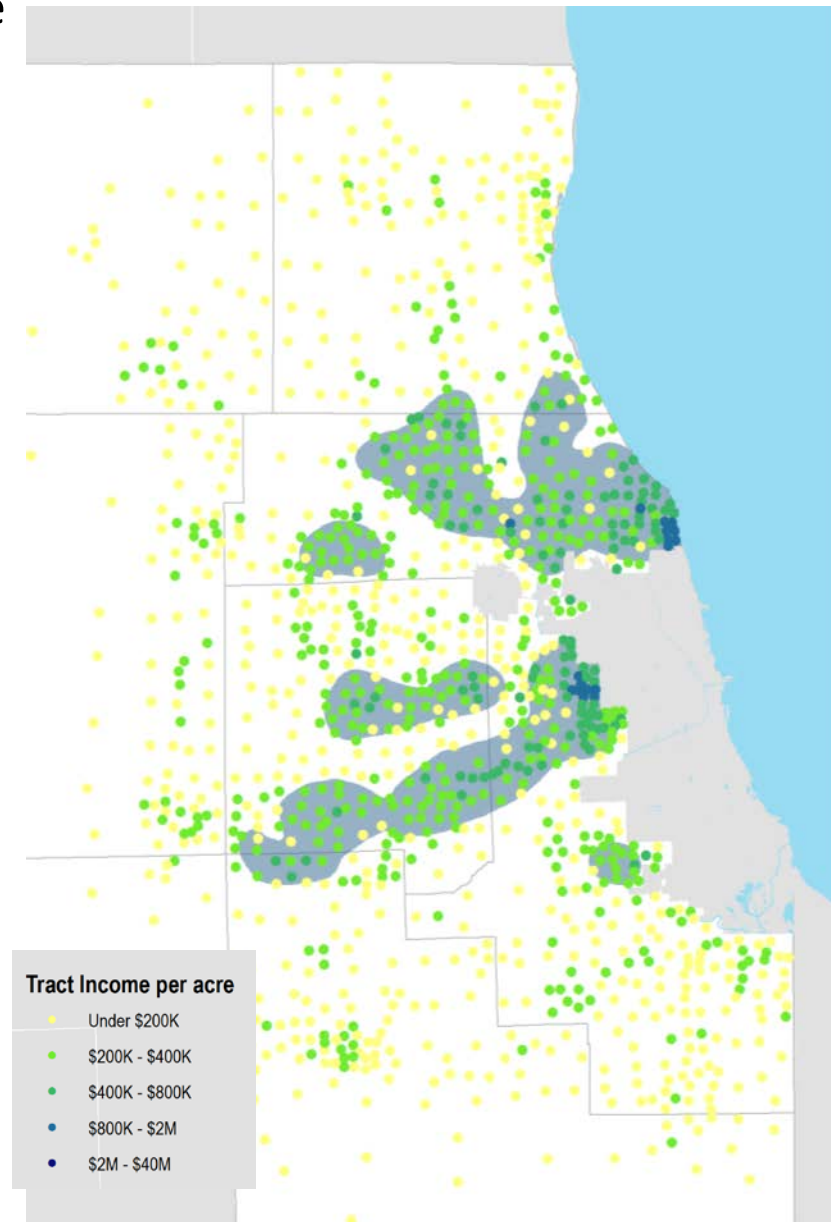- $800K - $2M
- $2M - $40M
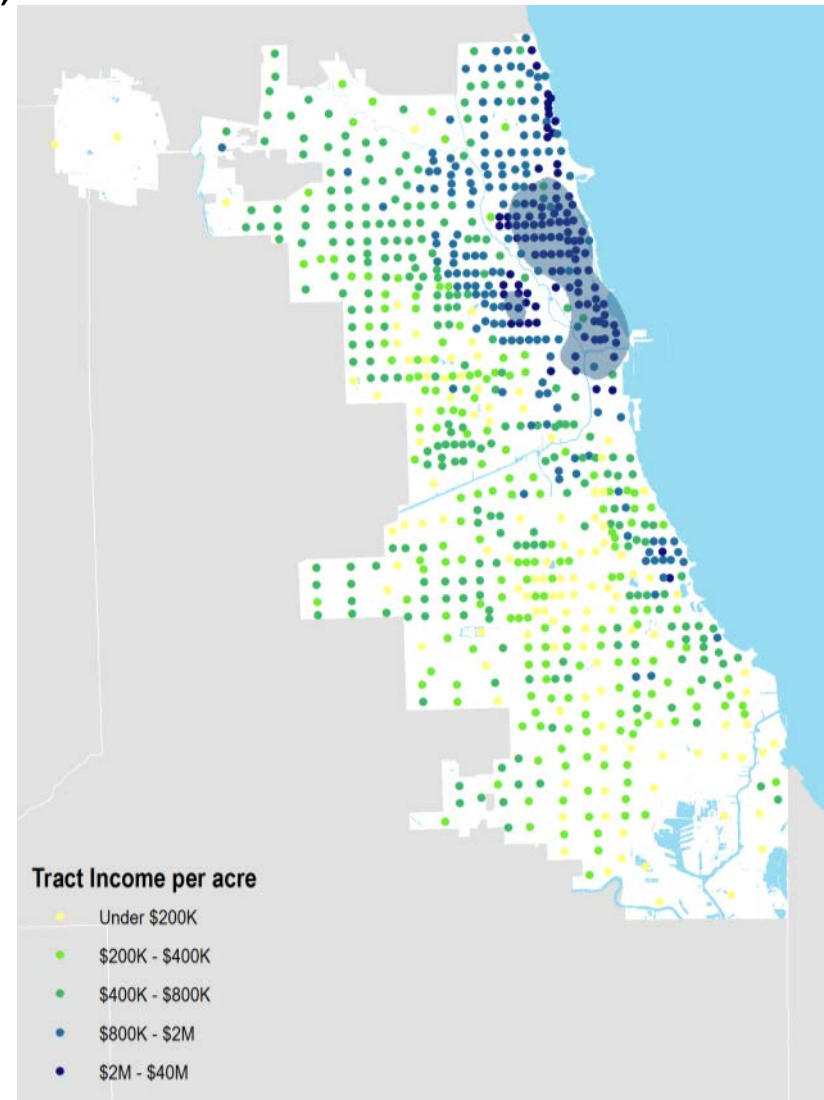
Suburban High-Income Clusters

- Clusters comprise 25% of the income in the non-Chicago CMAP region; 8% of land area

Cluster stats:

- 325 sq. miles

- 1.7 million people

- $70.6 billion in income

- 90 million SF retail
  - 9.5 million available (11%)

- 53 retail SF per person
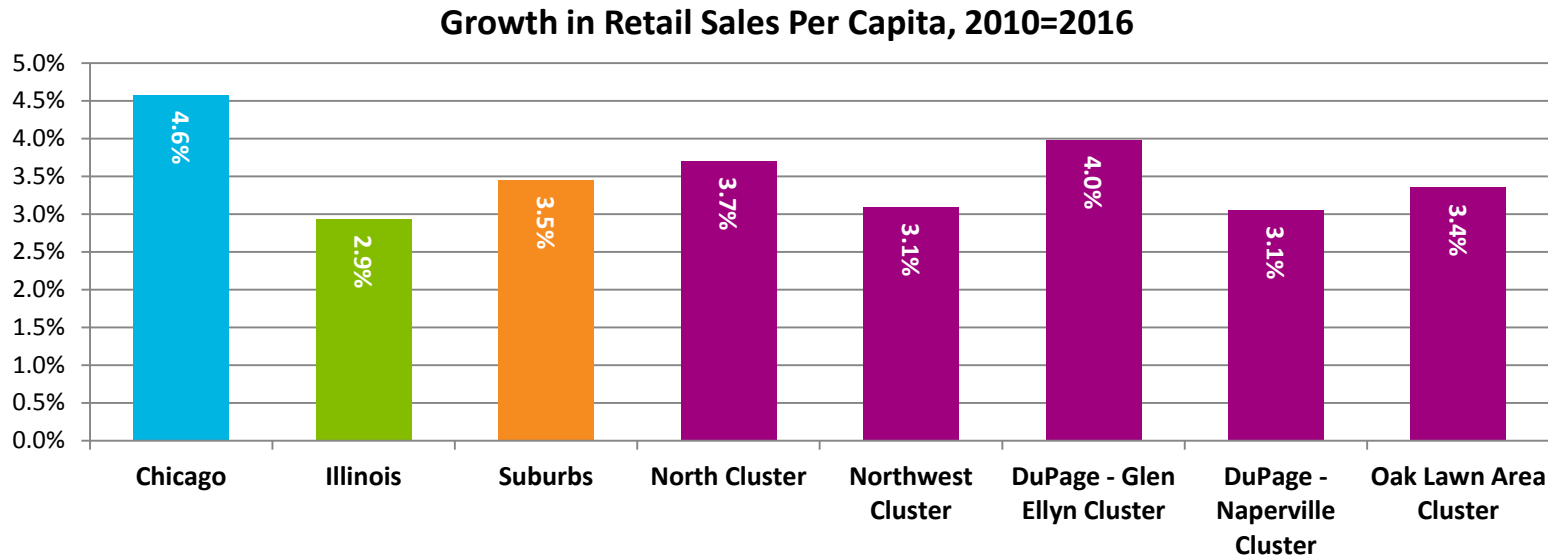
- $780 income per SF

- $874 income per occupied SF

Suburban 7-county stats:

- 3,846 sq. miles

- 5.8 million people

- $205 billion in income

- 445 million SF retail
  - 35 million available (8%)

- 76 retail SF per person

- $461 income per SF

- $500 income per occupied SF

Tract Income per acre
- Under $200K
- $200K - $400K
- $400K - $800K
- $800K - $2M
- $2M - $40M

Municipal Retail

Growth in Retail Sales Per Capita, 2010=2016

- Since 2010, retail sales per capita in the City of Chicago has grown at a faster rate than the Chicago suburbs and State of Illinois.

- The DuPage / Glen Ellyn Cluster – including Elmhurst, Lombard and Wheaton – is the fastest growing suburban cluster since 2010.

- Data reflects retail sales, not collected retail taxes (i.e. local option taxes)

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Chicago Area Distressed Retail

Chicago Area Retail in Decline

Estimated 7-County retail inventory in decline = 18 million sf

- Retail brands in decline are defined as retailers that have filed for bankruptcy, are at risk for bankruptcy, or have announced store closures.

- 18.7 million square feet of retail in decline in the 7-county Chicago region,

- about 3.8% of the total retail inventory in the region.

- Table 1 includes > 70% of total retail square footage in decline regionally.

Top Chicago Area Retailers in Decline by Estimated Square Footage

Rank	Company Name	Total SF in Decline	Decline Type
1	Carson's	2,290,076	Announced Store Closures
2	Sears	2,246,000	Announced Store Closures
3	Macy's	2,101,000	Announced Store Closures
4	Burlington	1,900,000	Risk of Bankruptcy
5	JC Penney	1,631,589	Announced Store Closures
6	Sam's Club	804,000	Announced Store Closures
7	Kmart	665,000	Announced Store Closures
8	Toys R Us	628,900	Filed for Bankruptcy
9	Lord & Taylor	551,840	Risk of Bankruptcy
10	Savers	525,000	Risk of Bankruptcy

Chicago 7-County Metrics

Total Retail Inventory (SF)	489,150,421
Retail Inventory in Decline (SF)	18,658,302
% of Retail Inventory In Decline	3.8%
Total Population	8,604,974
Retail Inventory per Capita (SF)	57
Retail Inventory in Decline per Capita (SF)	2
Annual Retail Gross Absorption (SF)	18,854,250
Annual Retail Inventory Growth (SF)	2,514,194

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# "Store in Decline" Inventory

– 1,400 store locations belonging to "troubled" retail chains comprise 20 million SF inventory

  • 2.5 million SF (13%) in City of Chicago

  • 17.6 million SF (87%) outside

– 45% of Chicago's "troubled" store inventory is in the high-income cluster (1.1 million SF)

– 26% of the suburbs are in high-income clusters (4.5 million SF)

– Implication = 13.2 million sf of potentially excess space, in a market with 76 sf per person.

Declining Stores Inventory

- 0 - 50,000
- 50,001 - 250,000
- 250,001 - 500,000
- 500,001 - 900,000
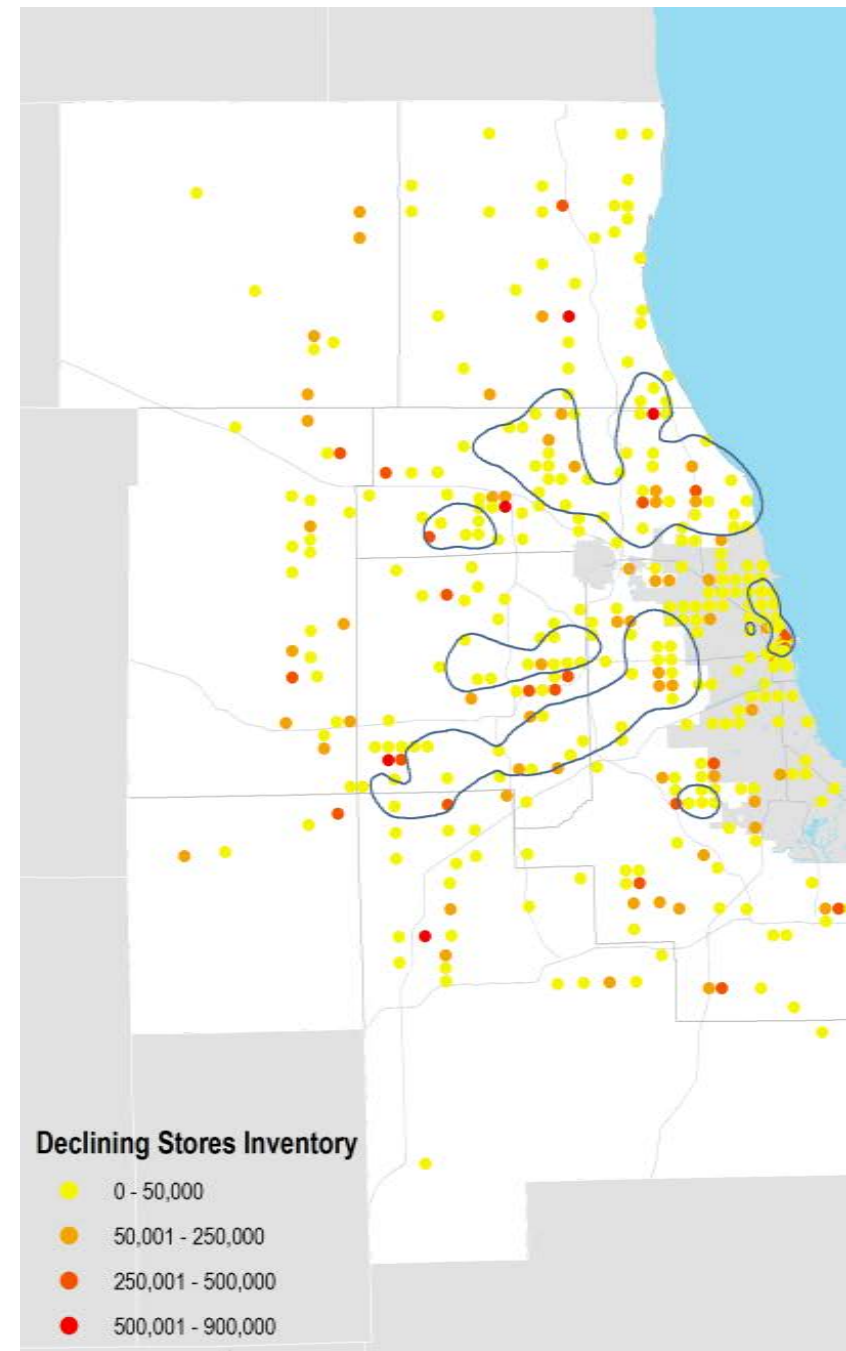
"Troubled" Store Inventory and Total Vacancy Density

Blue circles highlight clustering of vacancy and troubled store inventory just outside high-income clusters
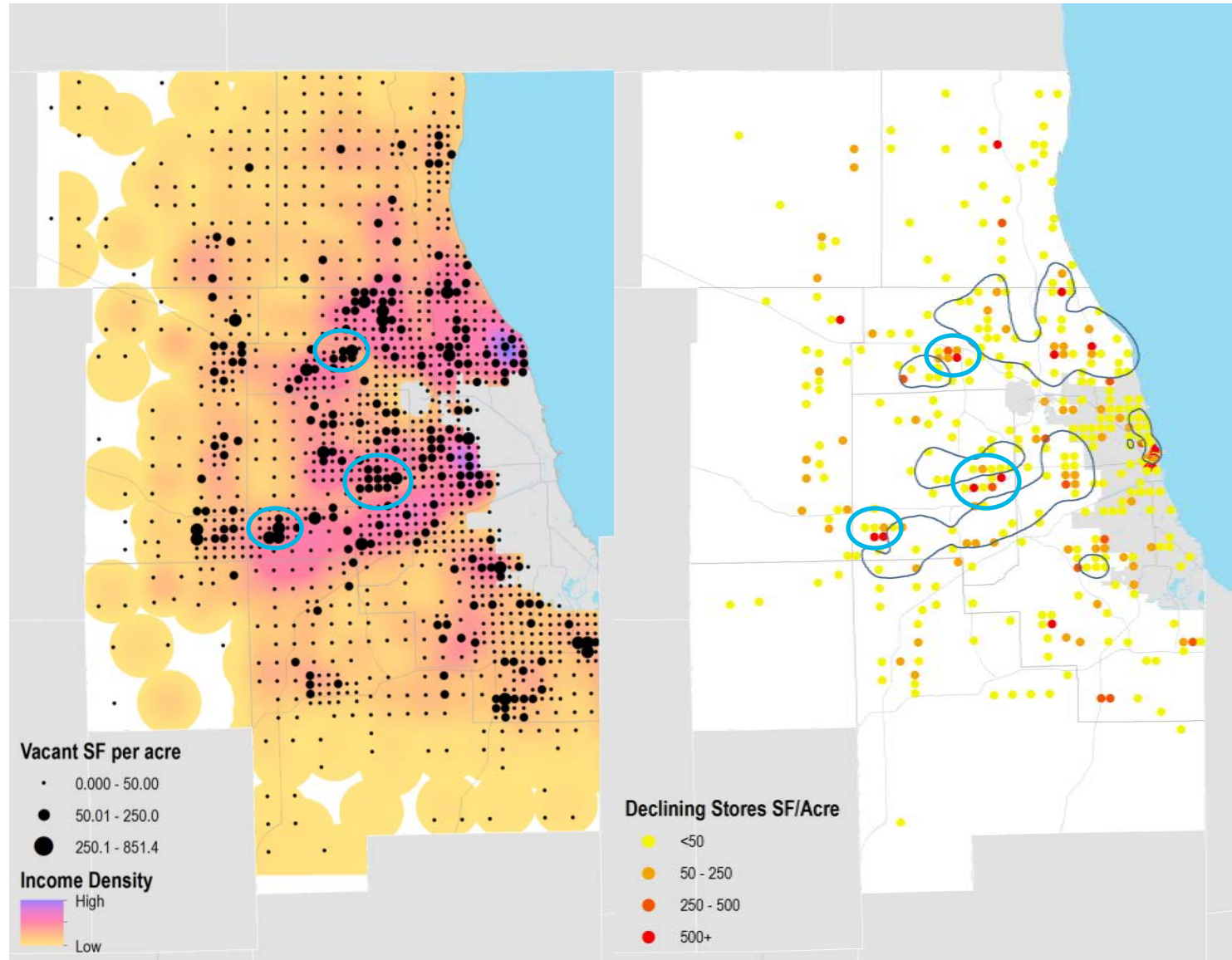
Downers Grove – 75th St and Lemont Road

– 1.49 million square feet

– 9% vacant / 15% available

– Avg. Rent $16/SF NNN

– Lots of parking

Implications

- Chicago: Still leaking, but dramatic improvement in retail sales per capita

- Suburbs – too much retail space

- Higher income areas in Chicago are seeing slightly better retail occupancy compared to suburbs
  - 45% of Chicago's "troubled" store inventory is in the high-income cluster (1.1 million SF)
  - 26% of suburban "troubled" is in high-income clusters (4.5 million SF)

- Department stores and malls in lower density areas are a primary concern

- Expectation for malls; pivot to mixed use & health care

- Fiscal impact on retail-reliant municipalities with constrained local option sales tax

Vacant SF per person

- 1 - 5
- 6 - 15
- 16 - 3,745

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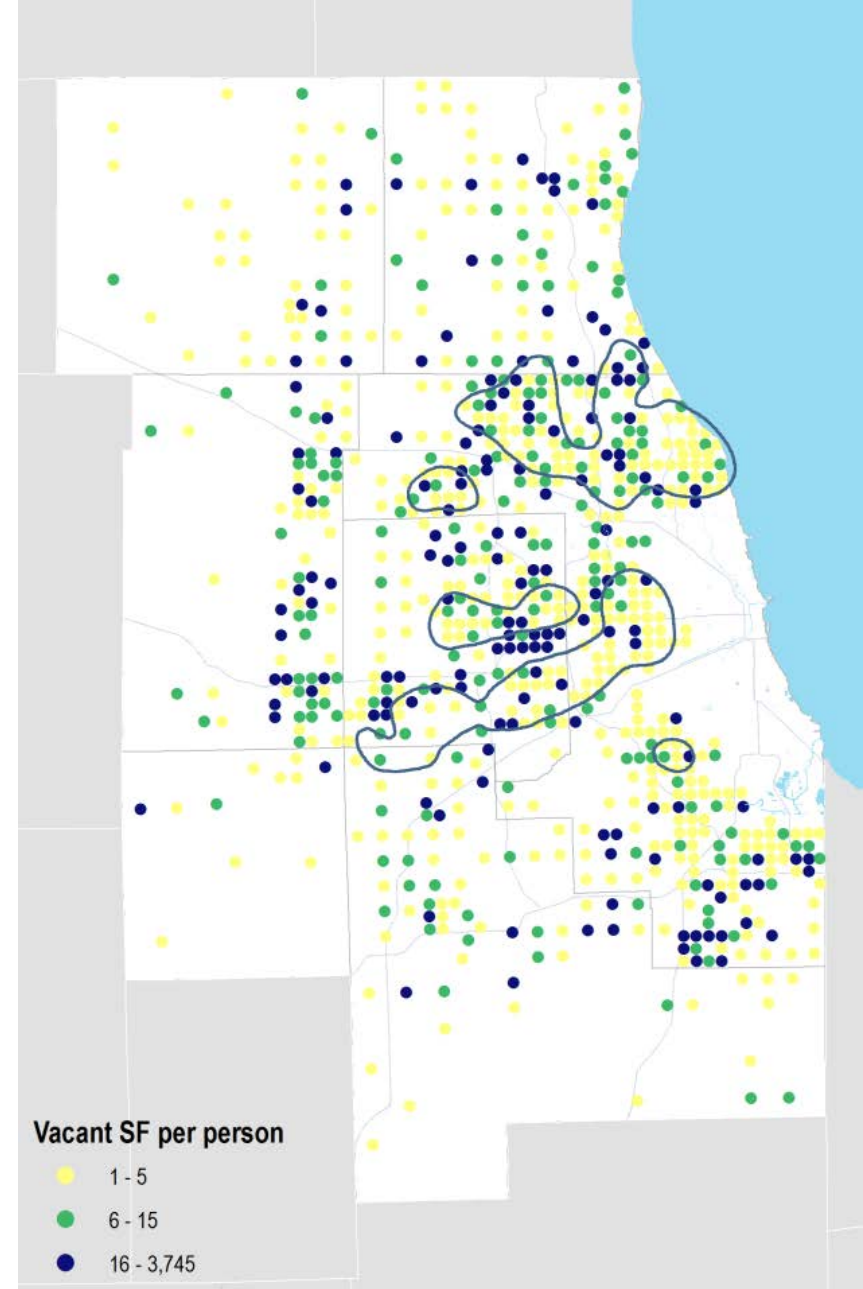
Redefining Commercial Spaces in Aurora
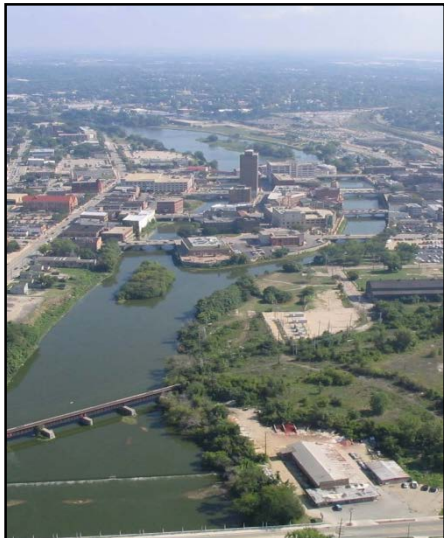
Stephane A. Phifer

Director of Sustainability and Urban Planning

City of Aurora Illinois

2nd most populous city in Illinois

200,907 population based on 2016 Census Estimates

46 square miles, four counties, seven townships, six school districts, five park districts and two Meta Stations

Downtown

Northgate

Fox Valley Mall

Fox Valley Mall

Aurora, Naperville economies cashing in along retail corridor

By Erika Wurst For Chronicle Media — August 16, 2017

Fox Valley Mall

Sears is closing over 100 more stores
CNBC - Jan 4, 2018
Sears Holdings, parent company of Sears and Kmart stores, told its Thursday that it will be closing more than 100 additional stores this consists of 64 Kmart stores and 39 Sears stores, all of which are ex between early March and April. "We will continue to close some ...

JC Penney Is Quietly Closing a Few More Stores
Yahoo Finance - Jan 23, 2018
Last year, struggling department store operator J.C. Penney (NY several major retailers to close stores en masse in response to (designed to attract younger and more fashion-conscious custor showrooms (designed to capture sales from Sears).

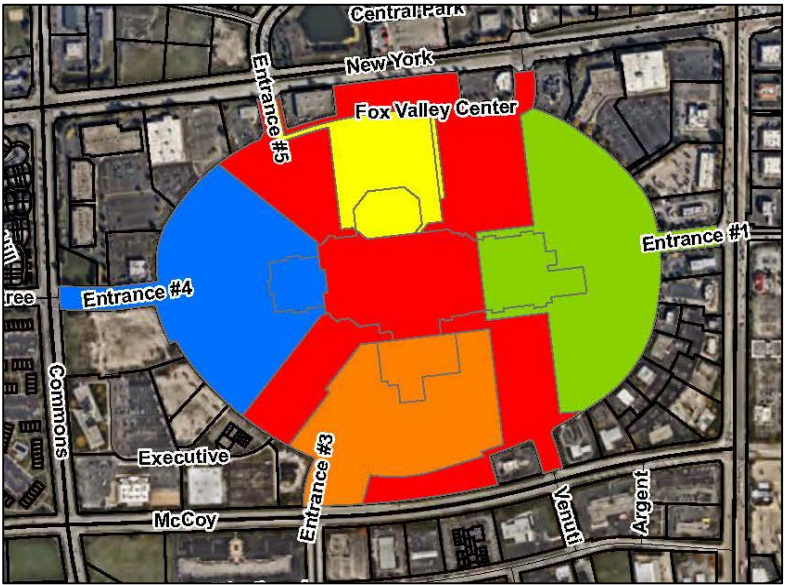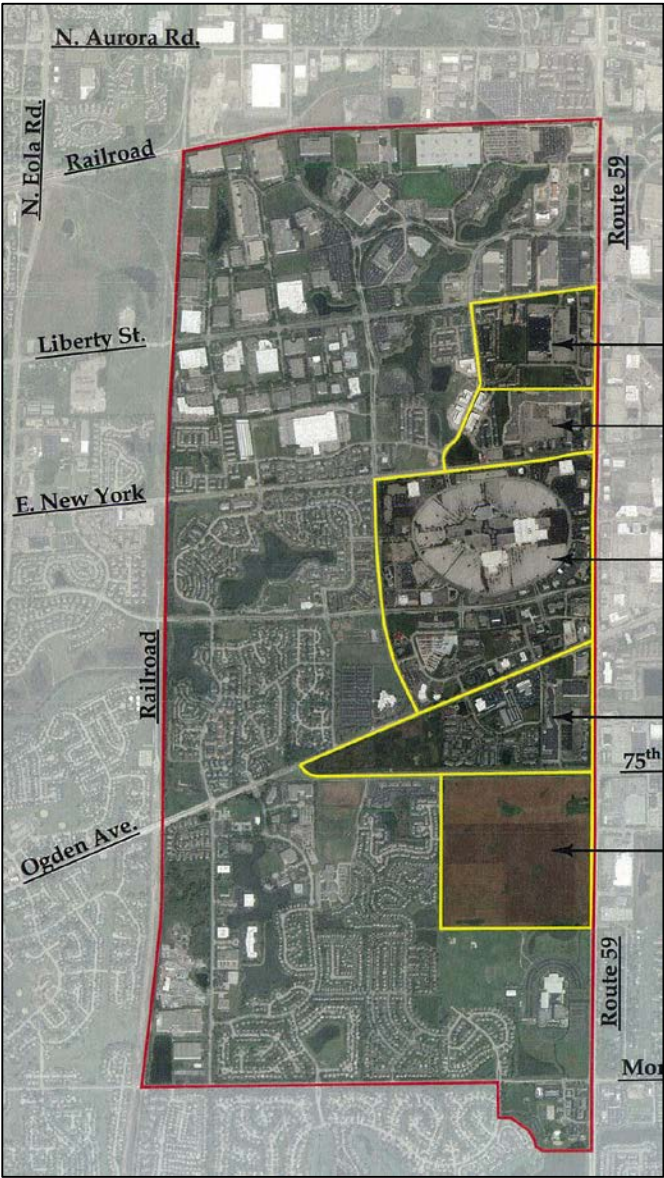**Here Are The 180 Toys 'R' Us Stores That Are Closing**
Fortune - Jan 24, 2018
The closures, which include one in its hometown of Wayne, N.J., will February and conclude by April and nearly half of the locations will be stores. Baby products generated 45% of company revenues in the fir of the fiscal year. Much like the steady drumbeat of Sears ...

Fox Valley Mall

Questions?

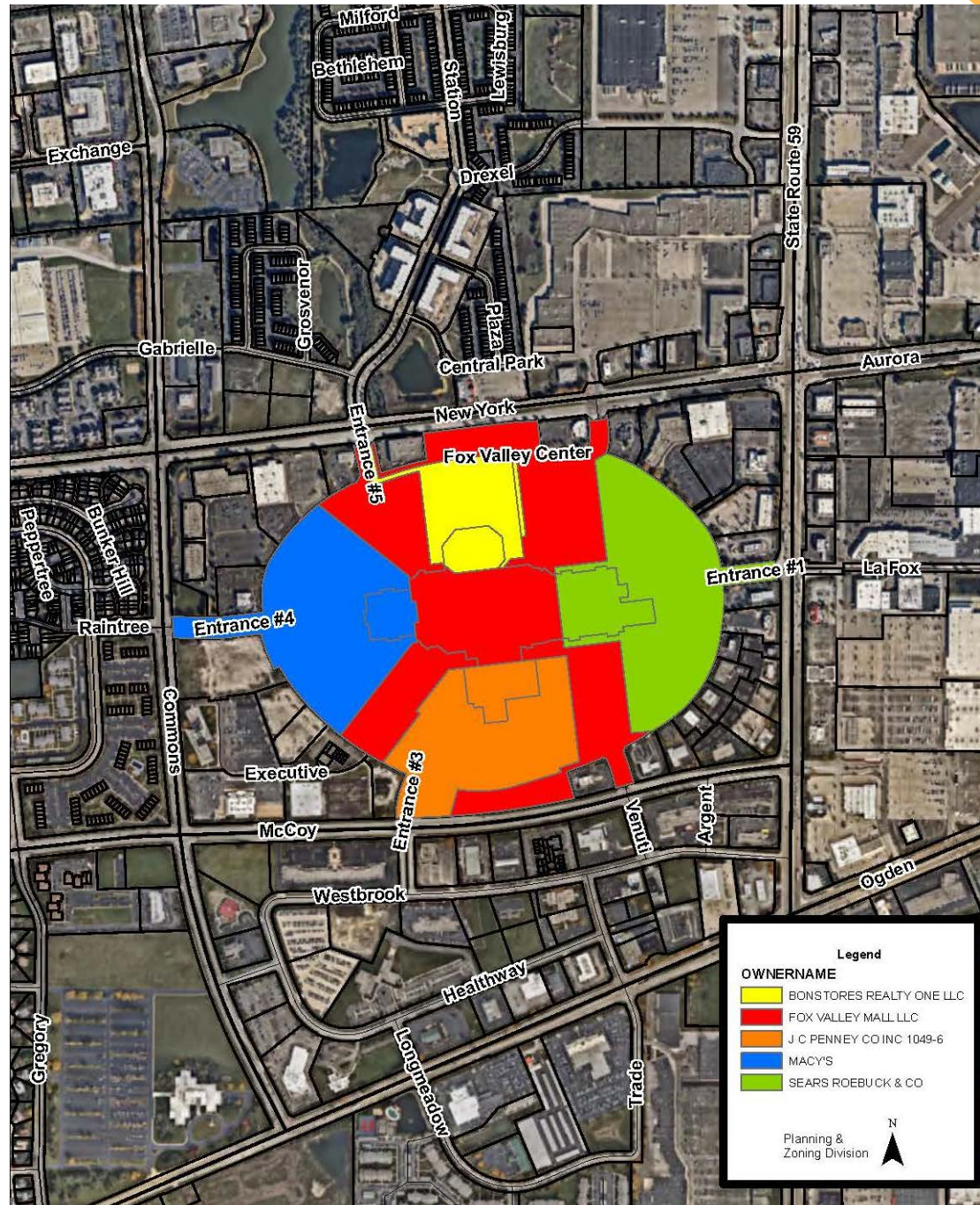Stephane A. Phifer

Director of Sustainability and Urban Planning

City of Aurora, Illinois

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630-256-3100

Fox Valley Mall

Yorkshire Plaza

Chicago Building Reuse: An Overview

Paul Shadle
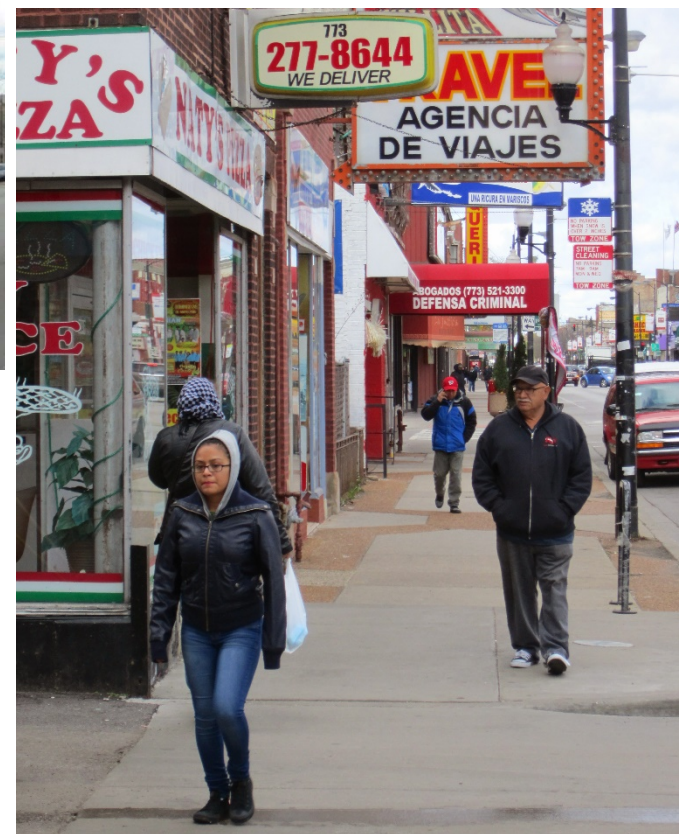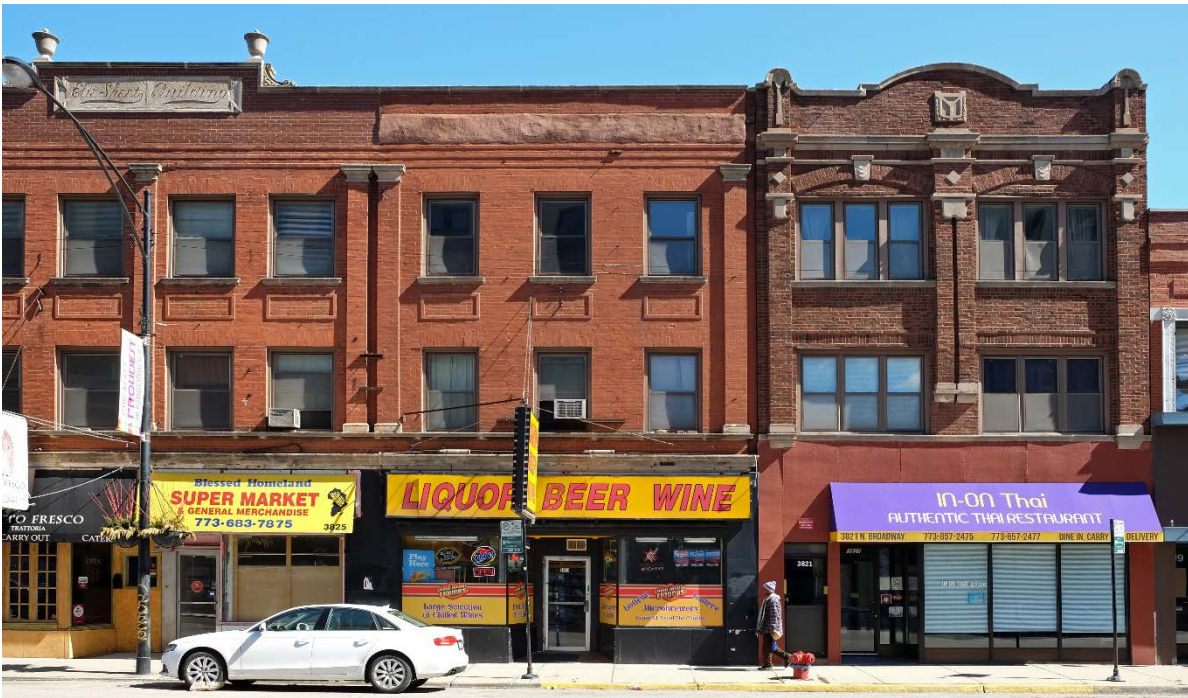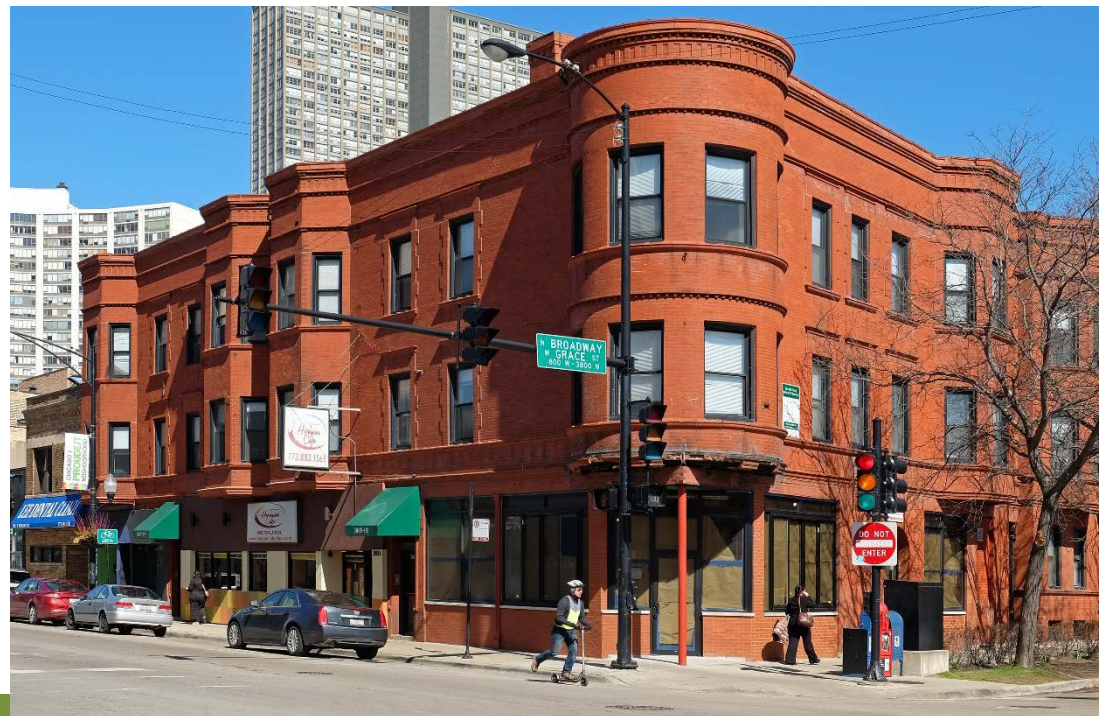Partner, DLA Piper

North Broadway, Uptown

Pilsen

North Halsted

The Forum Building, 43rd and Calumet

Chicago's Building Stock

Data Analysis and Mapping by
Preservation Green Lab,
National Trust for Historic Preservation
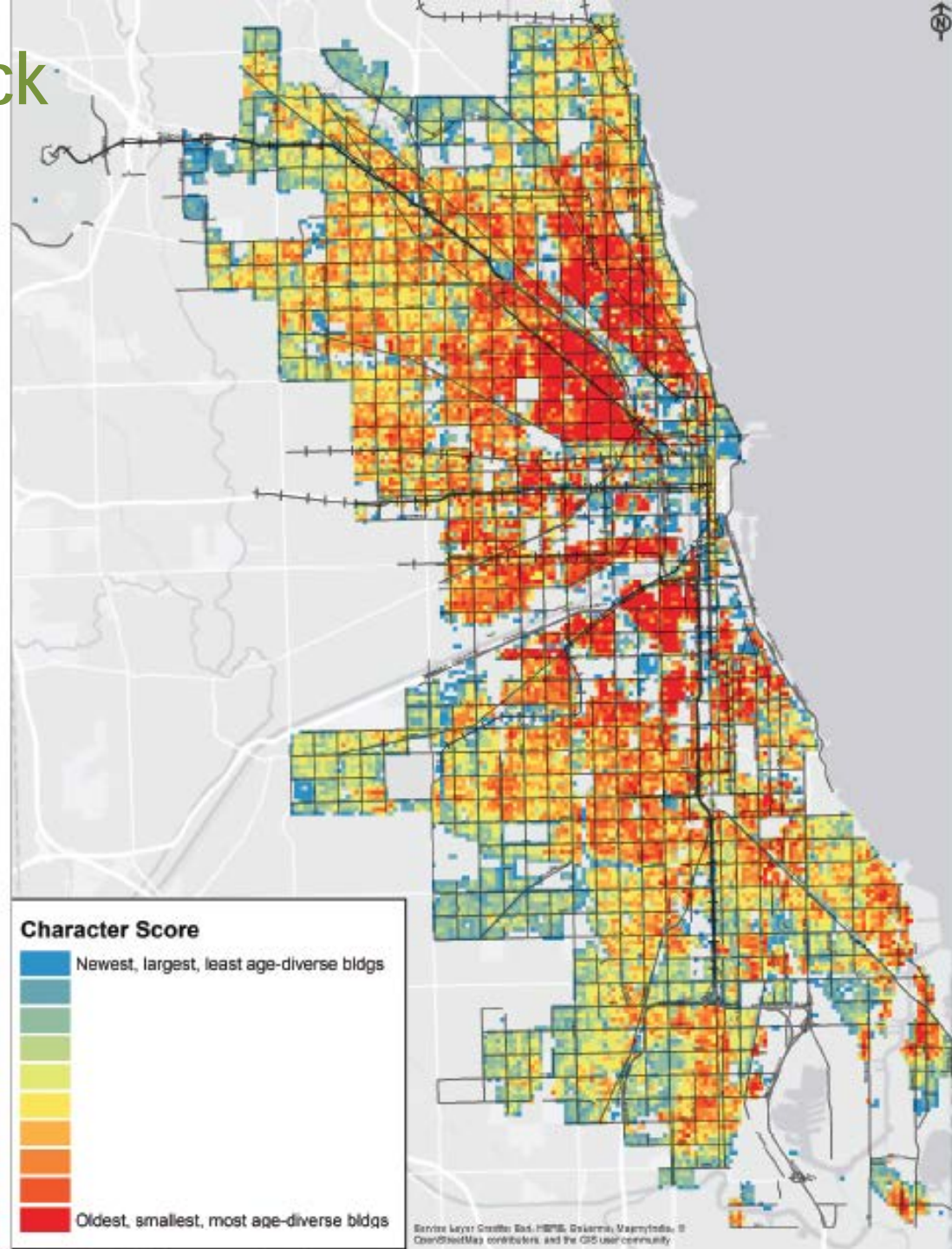
Character Map

Red squares represent areas of the city where buildings are older and smaller and where the diversity of building age is greatest.

The Character Score is calculated by:

- Overlaying a 200-meter-by-200-meter grid over the city
- Calculating the median year built, the granularity or number of buildings per grid square, and the diversity of building age for each individual square

PGL's Atlas of ReUrbanism:

http://forum.savingplaces.org/act/pgl/atlas

Character Score

Newest, largest, least age-diverse bldgs

Oldest, smallest, most age-diverse bldgs

Reuse Opportunity Areas

Data Analysis and Mapping by
Preservation Green Lab,
National Trust for Historic Preservation

The colored squares shown on this map are areas of high opportunity for successful building reuse.

- **Blue squares** indicate strong opportunities for building reuse in **cooler markets**.

- **Green squares** indicate strong opportunities in **hotter** real estate markets.

- **Pink squares** indicate areas where a **mix of for-profit and nonprofit development** could be most effective.

Opportunity model for building reuse accounts for 16 socio-economic criteria including proximity to L stops, good schools, population and job change

Strong Opportunity for Reuse - Warm Markets
Strong Opportunity for Reuse - Cool Markets
Strong Opportunity for Mixed-Approach to Reuse

Service Layer Credits: Esri, HERE, DeLorme, MapmyIndia, © OpenStreetMap contributors, and the GIS user community