Where is the Remedy for Retail?

Retail has recently been and continues to be the real estate industry’s most lagging sector. With over 12,000 ‘brick & mortar’ retail stores anticipated to close in 2018, the Phoenix Chapter of Lambda Alpha International had to look further into this growing dilemma. On February 21st, in collaboration with the Turnaround Management Association, LAI hosted a panel discussion with prominent retail real estate experts on ‘Finding the Remedy for Retail’. The Moderator was Hillary Barnes; an experienced commercial bankruptcy attorney with Alan Barnes, & Jones, PLC. The three expert panelists included Drew Reich, a retail consultant with Clear Vision Business Advisors whose career spans executive positions at Louis Vuitton Moet Hennessey and Macy’s. Craig Gantz, an attorney with Ballard Spahr who has been involved in cases with Radio Shack, Toys ‘r’ us, Joe’s Crab Shack, and Gander Mountain. Lastly, local real estate retail developer Josh Simon with Simon CRE who has developed over 120 retail projects.

Mrs. Barnes began the discussion by informing both the panelists and the audience on how more than 300 retailers have gone bankrupt with the majority being clothing apparel companies, and 12,000 retail stores are anticipated to close this year. Not including the ‘retail bankruptcy watch list’ with companies like Neiman Marcus, Macy’s Guitar Center, Clair’s and Sears to name a few. “Is it a retail apocalypse or an evolution of retail?” Josh Simon quickly agreed that the United States has ‘too much retail on a per capita base.’ 24 sqft per capita compared to 6 sqft per capita in Europe. “There are 8000 store closures in 2018 but there are also 4000 store openings as well” Mr. Simon continues by stating “There is a fundamental way on how millennials spend money compared to the baby boomer generation.”

Craig Gantz’s reason for the decline of retail was told to the audience as “the late 1990’s to early 2000’s when private equity firms acquired multiple retail companies and overleveraged them, which has led to the retail crisis today’. His logical explanation, was that private equity companies have ‘squeezed’ all the value left in these retail companies and with interest rates creeping up, the spread of value that used to be there is diminishing. Drew Reich is optimistic with the advances of technology that retail is “in an evolution, a changing, a rebirth; 4th quarter of last year has been the best year retailers have had for a decade.” Mr. Reich continued his argument with “80% of retail is still done at brick & mortar; local retailers need to work with companies like Amazon to bring a better experience to the consumer. Fulfillment by Amazon is one such technological tool. It is no longer just about the product, but the information, convenience, and speed that the customer expects now.”

Mr. Simon discussed his focus on Baby Boomers rather than Millennials, as Baby Boomers have more purchasing power than Millennials. Mr. Reich expressed Kohl’s as a good example of a company that now caters to baby boomers, while also providing Walmart as a good example of a company collaborating with technology by their recent acquisition of Jet.com. With his vast experience of retail law, Mr. Gantz informed the audience that “litigations have become more prominent between retail stores and the private equity companies that own them”.

Mrs. Barnes presented another slide to the audience of showing the companies that are expected to have the most openings in 2018; Dollar Tree, Dollar General, Family Dollar, Aldi, Lidl, H&M, O’Reilly, and AutoZone. Mr. Simon replied that “most of the companies have value price points and are for low economic demographics. People don’t care for brands as they once did, Millennials want cool,
new, and hip. There is a move from retail for less branding and a more personalized experience to the customer”.

In answering the question for the remedy to retail, Mr. Gantz responded “Bankruptcy is a remedy for retail. Sears is a great example. A successful bankruptcy will show if retailers are a viable product in the marketplace.” Mrs. Barnes informed the audience that “…because of the 2005 amendments to the bankruptcy code…the landlord holds so much more leverage to retailers after these new amendments.” The informed retail discussion ended with the trend in retailing heading towards technological advances. Mr. Simon addressed ‘Chat Boxes’ as an exciting new retail experience. While Mr. Reich discussed the ‘Omni Channel’ of the collaboration of ‘brick & mortar’ with online. With the advances of technology, the future of retail seems less of a competition between ‘brick & mortar’ and online, and more of a collaboration between the two.

*Lambda Alpha International’s members represent a diverse group of professional disciplines in fields related to the ownership and use of land and buildings. The Society’s original goal of “fostering a closer association with academia and professionals involved with land economics and related fields”, while still valid today, has expanded. The Society is now a catalyst for the advancement of land economics by facilitating the interaction of members who have distinguished themselves in their professions, their communities and through academic achievements. For more information visit [www.lai-phx.org](http://www.lai-phx.org).*

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