



New Paul Smith store in downtown Los Angeles

RETAIL Retail-Real-Estate Biz Looks for Ways Through COVID-19 Crisis

By Andrew Asch | Thursday, September 3, 2020

The COVID-19 pandemic has been tough on every sector of business, with the U.S. retail-real-estate sector experiencing its first decline since the Great Recession of the previous decade, according to a recently released report from **CBRE**, a commercial-real-estate services and investment firm.

More than 14.6 million square feet of retail real estate across the U.S. was vacated in the second quarter of 2020. It was the first quarterly decline in retail real estate since the first quarter of 2011, according to the CBRE report, titled “Retail Sales Hard Hit by COVID-19,” which was released in late July. Completed real-estate deals declined 54 percent, or some 5 million square feet in the second quarter compared to the same quarter of the previous year, the national report said.

Some deals are still being made, said Jay Luchs, a prominent Los Angeles commercial real estate broker, who serves as vice chairman at **Newmark Knight Frank**. However, 2020 will be remembered as a year like no other, he said. “First, people thought after three months that we’d be back to normal. Then people realized that there was nothing normal,” Luchs said. Throughout retail streets, shop owners have asked landlords to forgive rents. Landlords have been feeling a lot of pressure as well because banks are demanding that landlords pay their mortgages. So, landlords and tenants continue to negotiate deals. One

Market	Q2 2020	Q2 2019	Q2 2018	Q2 2017	Q2 2016	Q2 2015	Q2 2014	Q2 2013	Q2 2012	Q2 2011	Q2 2010	Q2 2009	Q2 2008	Q2 2007	Q2 2006	Q2 2005	Q2 2004	Q2 2003	Q2 2002	Q2 2001	Q2 2000	Q2 1999	Q2 1998	Q2 1997	Q2 1996	Q2 1995	Q2 1994	Q2 1993	Q2 1992	Q2 1991	Q2 1990	Q2 1989	Q2 1988	Q2 1987	Q2 1986	Q2 1985	Q2 1984	Q2 1983	Q2 1982	Q2 1981	Q2 1980	Q2 1979	Q2 1978	Q2 1977	Q2 1976	Q2 1975	Q2 1974	Q2 1973	Q2 1972	Q2 1971	Q2 1970	Q2 1969	Q2 1968	Q2 1967	Q2 1966	Q2 1965	Q2 1964	Q2 1963	Q2 1962	Q2 1961	Q2 1960	Q2 1959	Q2 1958	Q2 1957	Q2 1956	Q2 1955	Q2 1954	Q2 1953	Q2 1952	Q2 1951	Q2 1950	Q2 1949	Q2 1948	Q2 1947	Q2 1946	Q2 1945	Q2 1944	Q2 1943	Q2 1942	Q2 1941	Q2 1940	Q2 1939	Q2 1938	Q2 1937	Q2 1936	Q2 1935	Q2 1934	Q2 1933	Q2 1932	Q2 1931	Q2 1930	Q2 1929	Q2 1928	Q2 1927	Q2 1926	Q2 1925	Q2 1924	Q2 1923	Q2 1922	Q2 1921	Q2 1920	Q2 1919	Q2 1918	Q2 1917	Q2 1916	Q2 1915	Q2 1914	Q2 1913	Q2 1912	Q2 1911	Q2 1910	Q2 1909	Q2 1908	Q2 1907	Q2 1906	Q2 1905	Q2 1904	Q2 1903	Q2 1902	Q2 1901	Q2 1900	Q2 1899	Q2 1898	Q2 1897	Q2 1896	Q2 1895	Q2 1894	Q2 1893	Q2 1892	Q2 1891	Q2 1890	Q2 1889	Q2 1888	Q2 1887	Q2 1886	Q2 1885	Q2 1884	Q2 1883	Q2 1882	Q2 1881	Q2 1880	Q2 1879	Q2 1878	Q2 1877	Q2 1876	Q2 1875	Q2 1874	Q2 1873	Q2 1872	Q2 1871	Q2 1870	Q2 1869	Q2 1868	Q2 1867	Q2 1866	Q2 1865	Q2 1864	Q2 1863	Q2 1862	Q2 1861	Q2 1860	Q2 1859	Q2 1858	Q2 1857	Q2 1856	Q2 1855	Q2 1854	Q2 1853	Q2 1852	Q2 1851	Q2 1850	Q2 1849	Q2 1848	Q2 1847	Q2 1846	Q2 1845	Q2 1844	Q2 1843	Q2 1842	Q2 1841	Q2 1840	Q2 1839	Q2 1838	Q2 1837	Q2 1836	Q2 1835	Q2 1834	Q2 1833	Q2 1832	Q2 1831	Q2 1830	Q2 1829	Q2 1828	Q2 1827	Q2 1826	Q2 1825	Q2 1824	Q2 1823	Q2 1822	Q2 1821	Q2 1820	Q2 1819	Q2 1818	Q2 1817	Q2 1816	Q2 1815	Q2 1814	Q2 1813	Q2 1812	Q2 1811	Q2 1810	Q2 1809	Q2 1808	Q2 1807	Q2 1806	Q2 1805	Q2 1804	Q2 1803	Q2 1802	Q2 1801	Q2 1800	Q2 1799	Q2 1798	Q2 1797	Q2 1796	Q2 1795	Q2 1794	Q2 1793	Q2 1792	Q2 1791	Q2 1790	Q2 1789	Q2 1788	Q2 1787	Q2 1786	Q2 1785	Q2 1784	Q2 1783	Q2 1782	Q2 1781	Q2 1780	Q2 1779	Q2 1778	Q2 1777	Q2 1776	Q2 1775	Q2 1774	Q2 1773	Q2 1772	Q2 1771	Q2 1770	Q2 1769	Q2 1768	Q2 1767	Q2 1766	Q2 1765	Q2 1764	Q2 1763	Q2 1762	Q2 1761	Q2 1760	Q2 1759	Q2 1758	Q2 1757	Q2 1756	Q2 1755	Q2 1754	Q2 1753	Q2 1752	Q2 1751	Q2 1750	Q2 1749	Q2 1748	Q2 1747	Q2 1746	Q2 1745	Q2 1744	Q2 1743	Q2 1742	Q2 1741	Q2 1740	Q2 1739	Q2 1738	Q2 1737	Q2 1736	Q2 1735	Q2 1734	Q2 1733	Q2 1732	Q2 1731	Q2 1730	Q2 1729	Q2 1728	Q2 1727	Q2 1726	Q2 1725	Q2 1724	Q2 1723	Q2 1722	Q2 1721	Q2 1720	Q2 1719	Q2 1718	Q2 1717	Q2 1716	Q2 1715	Q2 1714	Q2 1713	Q2 1712	Q2 1711	Q2 1710	Q2 1709	Q2 1708	Q2 1707	Q2 1706	Q2 1705	Q2 1704	Q2 1703	Q2 1702	Q2 1701	Q2 1700	Q2 1699	Q2 1698	Q2 1697	Q2 1696	Q2 1695	Q2 1694	Q2 1693	Q2 1692	Q2 1691	Q2 1690	Q2 1689	Q2 1688	Q2 1687	Q2 1686	Q2 1685	Q2 1684	Q2 1683	Q2 1682	Q2 1681	Q2 1680	Q2 1679	Q2 1678	Q2 1677	Q2 1676	Q2 1675	Q2 1674	Q2 1673	Q2 1672	Q2 1671	Q2 1670	Q2 1669	Q2 1668	Q2 1667	Q2 1666	Q2 1665	Q2 1664	Q2 1663	Q2 1662	Q2 1661	Q2 1660	Q2 1659	Q2 1658	Q2 1657	Q2 1656	Q2 1655	Q2 1654	Q2 1653	Q2 1652	Q2 1651	Q2 1650	Q2 1649	Q2 1648	Q2 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1397	Q2 1396	Q2 1395	Q2 1394	Q2 1393	Q2 1392	Q2 1391	Q2 1390	Q2 1389	Q2 1388	Q2 1387	Q2 1386	Q2 1385	Q2 1384	Q2 1383	Q2 1382	Q2 1381	Q2 1380	Q2 1379	Q2 1378	Q2 1377	Q2 1376	Q2 1375	Q2 1374	Q2 1373	Q2 1372	Q2 1371	Q2 1370	Q2 1369	Q2 1368	Q2 1367	Q2 1366	Q2 1365	Q2 1364	Q2 1363	Q2 1362	Q2 1361	Q2 1360	Q2 1359	Q2 1358	Q2 1357	Q2 1356	Q2 1355	Q2 1354	Q2 1353	Q2 1352	Q2 1351	Q2 1350	Q2 1349	Q2 1348	Q2 1347	Q2 1346	Q2 1345	Q2 1344	Q2 1343	Q2 1342	Q2 1341	Q2 1340	Q2 1339	Q2 1338	Q2 1337	Q2 1336	Q2 1335	Q2 1334	Q2 1333	Q2 1332	Q2 1331	Q2 1330	Q2 1329	Q2 1328	Q2 1327	Q2 1326	Q2 1325	Q2 1324	Q2 1323	Q2 1322	Q2 1321	Q2 1320	Q2 1319	Q2 1318	Q2 1317	Q2 1316	Q2 1315	Q2 1314	Q2 1313	Q2 1312	Q2 1311	Q2 1310	Q2 1309	Q2 1308	Q2 1307	Q2 1306	Q2 1305	Q2 1304	Q2 1303	Q2 1302	Q2 1301	Q2 1300	Q2 1299	Q2 1298	Q2 1297	Q2 1296	Q2 1295	Q2 1294	Q2 1293	Q2 1292	Q2 1291	Q2 1290	Q2 1289	Q2 1288	Q2 1287	Q2 1286	Q2 1285	Q2 1284	Q2 1283	Q2 1282	Q2 1281	Q2 1280	Q2 1279	Q2 1278	Q2 1277	Q2 1276	Q2 1275	Q2 1274	Q2 1273	Q2 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template for the few new deals being signed is to receive at least six months of free rent at the beginning of a lease in order to help secure longer terms.

“What I tell my clients is that if you can sign a tenant long term by giving six months of free rent, take it,” Luchs said. “We need to keep the energy of neighborhoods as active as possible so you don’t lose the energy of a neighborhood for good.”

He encourages landlords and tenants to develop sincere partnerships in order to help each other get through the current crisis.

The CBRE report said that the current crisis has hit particularly hard in West Los Angeles. Vacancy in this area grew 2 percent when retailers left their sites or subleased spaces. In the Tri-Cities sections comprising Burbank, Glendale and Pasadena, total occupancy declined 142,000 square feet, said Eric Willett, director of research and thought leadership for CBRE’s Pacific Southwest division.

The crisis also hit hard emerging areas of high-end retail such as downtown Los Angeles. With tourism plummeting and fewer people going to work in offices, fewer people are shopping downtown, according to Matt Siegel, the retail functional leader for CBRE’s Pacific Southwest division.

It’s tough news for an area that was experiencing a long-awaited renaissance of high-end retail, said Brigham Yen, a **Coldwell Banker** real-estate agent and publisher of the blog “DTLA Rising,” which examines downtown Los Angeles commercial real estate.

“It was a renaissance,” Yen said of high-end retailers coming into the once-blighted area. “We got the restaurants, bars, offices, residential, and hotels were coming in. Retail was one of the last critical pieces.”

Downtown Los Angeles has experienced some big coups over the last seven years. Prominent fashion brand **Acne Studios** served as a pioneer to the area when it built a flagship in downtown Los Angeles’ fashion district in 2013. The momentum continued as major brands built stores. In 2019, the **Vans** brand opened a flagship a couple of blocks away from Acne Studios. In 2020, the Danish brand **Ganni** and the U.K.-based brand **Paul Smith** opened boutiques.

Downtown Los Angeles retail has a better chance of surviving the current crisis, Yen said. In the past, there were few downtown Los Angeles locals to support retail. Currently, an estimated 90,000 residents live in the neighborhood and patronize the area. However, to thrive, retail needs more than the support of locals, Yen said.

“DTLA has to provide experiences to attract people who have all of these different options on a daily basis,” he said. “We offer a big-city environment. It is something that many people value. But more people are afraid of big cities now because of the social-distancing culture.”

The CBRE report did note an area of growth in retail real estate, revealing that low-end malls are being repurposed. Currently, a lot of the growth in this trend is taking place in the Midwest. But Larry Kosmont, chairman and chief executive officer of **Kosmont Cos.**, a real-estate and finance advisory firm, forecasted that this trend will find a place in California.

“We’re calling it RE-industrial,” Kosmont said of the transition of retail spaces into warehousing for e-commerce companies. “**Amazon** has spent the last 10 years mapping out the U.S. and putting distribution centers within miles of urban centers.”

Now, Amazon and its competitors are seeking out that “last mile” for distribution centers to enable faster deliveries. With acres of empty **JCPenney** and **Sears** stores available, mall owners and tenants including e-commerce retailers are looking at last-mile distribution centers at malls that are repurposing former department stores and other vacant spaces.

Kosmont also forecasted that malls would be in store for even more repurposing. Mall owners will look to develop more green space and active open spaces at retail centers.

“Outdoors is the new anchor because of how we live now,” Kosmont said. “Planners are studying how they can integrate outdoors with residential, office and ancillary retail.”