

# RETAIL ROUNDUP: PANDEMIC EDITION

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transition, though Randall W. Lewis, executive vice president of marketing at Lewis Retail Centers in Upland, Calif., would argue that the new buzzword is, well, “new.”

“Finding new ways to serve the needs of the community will be paramount for the retail sector from now on,” he says. “Those brick-and-mortar retailers and shopping center owners who are astute and innovative in their approach to challenges like COVID-19 will be best prepared for success no matter what the future holds.”



Lewis

## Amping Up Online, Delivery

One of the biggest ramifications for brick-and-mortar retail throughout this pandemic has been the public’s almost overnight shift to online shopping. Whether out of convenience or necessity, Americans turned to the internet in droves, spending \$211.5 billion on ecommerce during the second quarter of 2020 alone, the Census Bureau notes. This was a 31.8 percent

quarter-over-quarter increase, though these numbers don’t tell the full picture.

Best Buy, for example, experienced a 242 percent increase in its online sales during the second quarter, with many big box retailers reporting similar triple-digit growth. Then, there’s Amazon.

“Amazon enjoyed year-over-year revenue growth of 28 percent for the second quarter of 2020,” says Victor Sahn, partner at SulmeyerKupetz, a Los Angeles-based financial restructuring and litigation firm. “I suggest that for the third quarter, their year-over-year revenue growth will be considerably higher than that. There is likely a close correlation between Amazon’s revenue growth and the corresponding decline in brick-and-mortar sales. COVID-19 has supercharged that trend.”

In response, retailers and restaurants have beefed up their own online offerings, oftentimes working with landlords and city officials to provide

safe and convenient methods for pick up and delivery.

“The city has worked with restaurants to help them with their delivery and takeout components,” says Christopher Kennedy, economic development manager for the City of Chino in the Inland Empire. “By allowing outdoor open tents, many businesses can operate and serve the needs of the community. Parking spots and drive aisles were also allowed to be designated as touchless pick-up locations.”

The City of Moreno Valley, Calif., in Riverside County, took a similar approach. The city provided webinars to its nearly 4,500 businesses on everything from online sales to marketing, business finance, and leases and landlords. It also created a free permit with 24-hour approval times to allow restaurants, gyms, salons and others to safely deliver services in an outdoor setting. Perhaps its most creative endeavor, however, was the city’s partnership with local restaurants to address the needs of those most vulnerable to COVID-19.

“We modified a state initiative by working with local Moreno Valley restaurants to deliver two meals a day to senior residents,” says Mike Lee, Moreno Valley’s city manager. “This protected an at-risk population while providing critically needed business for restaurants struggling to stay afloat.”

Lewis believes efforts like these may not only allow some businesses to survive during the pandemic, but may set them up for greater success once these restrictions are behind us. That’s because COVID-19 has been a sort of trial by fire for many restaurants and retailers that may not have had a strong digital infrastructure, or may have neglected to create efficient pick-up and delivery methods.

“Those retailers and centers that offer home delivery and curbside pick-up have been able to survive and even thrive during the crisis,” he states. “COVID-19 has simply accelerated the growth of ecommerce.”

## Talking It Out

Sahn agrees that the pandemic hasn’t so much altered retail (minus the short-term shifts in demand), but rather sped up the inevitable. Take bankruptcies, for example.

“I think all of the retailers who filed bankruptcy since COVID-19 started — Lucky, Brooks Brothers, Ascena Retail Group [Ann Taylor], J. Crew, Neiman Marcus, JCPenney and some others — were going to file bankruptcies eventually,” he asserts. “Some of them

were probably planning to file before COVID-19 came, but with COVID and a virtual cessation of revenues, the time for them to file accelerated tremendously because of the precipitous decline in business that the pandemic has caused.”

Certain activities may be speeding up in the current environment, but that doesn’t mean the fates of retailers and shopping centers are sealed. It simply means these players have to take a proactive approach to ensure their survival.

As a financial restructuring and bankruptcy expert, for Sahn, this starts with impeccable accounting.

“Your accounting personnel have never been more important,” he says. “Do not cut them in order to cut costs. Make sure that your financial reporting is first rate, accurate, up to date and available.”

Cities like Moreno Valley are offering webinars that address leases and landlords because they know there are discussions that need to take place right now. This sentiment is also found in the nearby City of Chino, which has offered grant programs that include free rent, though Kennedy hopes the two parties can collaborate without the city’s intervention.

“The city has done a good job of encouraging the tenants and landlords to work together to help everyone recover during this difficult time,” he says. “Chino did not mandate a commercial no-eviction policy like other cities. Our desire was for tenants and landlords to work on modifying leases, lowering payments, or perhaps deferring rent for a period of time and re-cooping it on the backend.”

As a landlord, Rosalind J. Schurgin, CEO of the Festival Companies in Los Angeles, has tried to do exactly that.

“Festival gave guidance and support to all of the small businesses in our portfolio so they could apply and receive governmental support in a timely manner,” she says. “We worked with every small business within our portfolio.

We have been flexible with operating hours, and we’ve worked with restaurant tenants so they can use portions of our common areas for additional outside seating. Festival has also, where appropriate, provided rent relief to ensure businesses would be able to survive post-COVID.”

John Hunter, senior vice president and director of development at Majestic Realty Co. in Los Angeles, has undertaken similar efforts.

“During the business closure periods, we worked with our tenants to temporarily allow an increase in ban-



Sahn



Lee



Schurgin

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