



## NAI Global Retail Real Estate Trends April

### April 2023

In mid-April, retail real estate professionals from multiple NAI Global markets met virtually to discuss the latest trends in the retail industry, store openings, closures and related trends impacting the commercial real estate vertical.

**Dick's Sporting Goods** is rolling out a new concept and said it plans to open as many as 75 to 100 new stores over the next five years. The company's new and larger than normal format, called **House of Sports**, is a retail concept that provides interaction and experiences including putting greens, rock walls, batting cages and turf baseball fields, along with sports-related apparel and equipment for sale. There are currently three House of Sports stores in Rochester, N.Y.; Knoxville, Tenn.; and Minnetonka, Minn. Phoenix appears to be one of the first markets it will saturate with the new format, as it is working on three projects in the desert city – each of which are about 100,000 square feet. There are currently three traditional Dick's Sporting Goods in the Phoenix area that range between 45,000 square feet and 60,000 square feet. It remains to be seen if the company will keep or close its existing locations once the new facilities open. During the virtual meeting, it was mentioned that Dick's is rumored to be in the market for a site near Wilmington, DE.

In Bend, OR, **Anthropologie** is new to the market and taking up space in the Mill District near Bend's downtown – one of the community's upscale and destination shopping, dining and drinking spots. The chain that sells boho-chic womenswear, shoes, accessories and home décor (some feature wedding attire) is taking over space previously occupied by **Chico's** and **White House Black Market**, both of which are brands of **Chico's FAS Inc.** and also cater mostly to women. During the pandemic, Chico's and White House Black Market signed lease amendments with the landlord that allows either party – tenant or landlord, to cancel the lease with a 90-day notice. Intended for flexibility, the deal structure also exposes both parties to the risk of losing the space, or losing the tenant. Now, Chico's and White House Black Market are out, and Anthropologie is in.

Ironically, both White House Black Market and Chico's were popular with shoppers in the Bend area but inventory is so limited that for now, the retailers do not have many relocation opportunities.

Related to retail news in Bend, in our previous report, it was noted that downtown Portland retailers are fleeing for the suburbs. Unfortunately for the Portland market, there is more.

**Cracker Barrel Old Country Store Inc.**, which operates a chain of restaurants under the Cracker Barrel flag, announced in late March it would close all three of its stores in the Portland area as well as the one in Bend, OR, which is 3.5 hours south of the metro. The Lebanon, TN-



based company cited that the stores had never recovered from the Covid-19 pandemic. It has also been observed, however, that Cracker Barrel's concept may not be an ideal fit for the Pacific Northwest area's orientation for non-chain restaurants, as well as conflicting vibes and food cultures.

The news came on the heels that **Walmart** was closing its last (two) remaining stores in Portland, though the company continues to operate in the Greater Portland area and throughout Oregon. Walmart said the store closings were because they failed to meet financial expectations, but also said there were several other factors, including rampant, record-breaking theft. The country's largest retailer by revenue closed a store earlier this year in Washington, D.C. and announced in mid-April it would close four stores in Chicago. Walmart said the four urban stores have not been profitable since it opened the first one 17 years ago, and losses "nearly doubled in the last five years." Walmart will keep its suburban Chicago stores, which are profitable, open.

The Cracker Barrel locations in the Portland area are in Jantzen Beach Center, in Beaverton and in Tualatin. **George Macoubray, Nick Stanton, Emmy Johnston and Matthew Sichel with NAI Elliott** have the listings, and are co-listing the Bend restaurant with **NAI Cascade**. The restaurants are standalone buildings and average about 9,000 square feet. There are 665 Cracker Barrel restaurants in the U.S. as of mid-March.

In Billings, MT, the former **Costco** was recently put on the market for lease and the 140,000-square-foot building is getting intense local interest, in part because it is divisible and has appeal to numerous retail formats as well as developers interesting in doing the redevelopment. The warehouse-retailer is building a new warehouse and store that is much larger and closer to the interstate highway.

In other Montana retail news, the Bozeman's biggest mall – the **Gallatin Valley Mall**, is currently undergoing a \$50 million dollar renovation. The mall has been southwest Montana's premier shopping center for the past 40 years. Owned by Gallatin Mall Group, the corporation is collaborating with Boston Realty Advisors, Grossman Development Group and The Broadway Company—all headquartered in Boston, to repurpose the 37.4-acre property. Macy's, JoAnn Fabrics, Regal Cinemas, Barnes & Noble and Whole Foods Market anchor the 365,000-square-foot center.

**Les Schwab Tire Centers** recently entered the Montana market and has already opened at least six stores and is working on others. **Mike Walker with NAI Business Properties** is running with the Les Schwab Tires account in Montana. The company is a subsidiary of Plains Tire Company and headquartered in Bend, OR, nearby where Les Schwab originally founded the company in a small Central Oregon community in 1952.

**First Interstate Bank**, based in Billings, Montana, acquired Great Western Bancorp Inc. in February, 2022, and is now expanding in Phoenix and Tucson, AZ. The bank already has three



locations in the Phoenix area and **Shelby Tworek with NAI Horizon** is working on identifying and leasing six locations in those two Arizona markets. First Interstate operates in Montana, Utah, Oregon, Colorado, Nebraska, South Dakota, North Dakota and now Arizona.

#### This and That

**Nike** is opening more stores in the Phoenix market but with a twist and instead of traditional shopping centers, the iconic footwear company is going for power center locations.

Huntsville has a 30,000-square-foot vacancy ideally suited for a grocery store. The group offered numerous names (other than Kroger) that could be a nice fit, one of which is **Hy-Vee Grocery Store**, based in Beaconsfield, IA. The employee-owned chain has more than 280 locations throughout the Midwest and Southern U.S. and is expanding in Alabama, among other states.

San Antonio, TX based **H.E.B. Grocery** is opening stores in the Dallas area. **Universal Studios** also announced it would open an entertainment venue in North Dallas/McKinney area in the next year or two.

Lease annual increases: historically lease contracts call for 2% to 3% annual rental rate increases to cover inflation. With inflation running north of 8% last year, landlords are starting to ask tenants for CPI-based (consumer price index) annual increases, or 'bumps,' but so far retailers are pushing back.

**Jaguar:** a rumor is floating around that Jaguar may be filing bankruptcy, which could generate some churn with its car dealerships throughout the U.S., including store closures. In recent years the luxury car company expanded many of its dealerships at a time of plummeting car sales due to the pandemic.

On May 22, NAI Global will be hosting a breakfast to kick-off the **ICSC RECon** convention in Las Vegas. The venue is slated for the Renaissance Hotel next to the South Hall of the Las Vegas Convention Center on Paradise Drive. The breakfast is a networking and lead generation event and open to all NAI Global brokers attending the conference.

#### **Thought Leaders:**

- Karen Koppel, CCIM, NAI Cascade, Bend, OR
- Jim O'Hara, NAI Emory Hill, Wilmington, DE
- Katelyn Panella, NAI Business Properties, Billings, MT
- Robert Render, NAI Robert Lynn, Dallas, TX
- Bhagyesha Darji, NAI Chase Commercial, Huntsville, AL
- Shelby Tworek, NAI Horizon, Phoenix, AZ
- Dan Hiffman, NAI Hiffman, Chicago, IL

