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By Kelsi Maree Borland

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AS ONLINE RETAILERS BEGIN OPENING BRICK-AND-MORTAR LOCATIONS, THE RETAIL MARKET IS SEEING A JUMP IN LEASING ACTIVITY AND RENTS.

By **Kelsi Maree Borland**

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Retail leasing activity and retail rents are starting to rebound. The trend stems from a combination of new, more experience-focused retail concepts and online retailers transitioning into brick-and-mortar locations. As a result, retail leasing is picking up and retail investors are returning to the market.

“A relatively recent phenomenon is that traditional online retailers are starting to operate physical store locations. Online retailers opening physical locations is a sign of the strength of retail,” Scott Grossfeld, partner at [Cox, Castle & Nicholson LLP](#), tells GlobeSt.com. “These

online retailers have recognized the importance of physical stores and they are slowly building out brick-and-mortar footprints, trying to maximize their presence and coverage in the retail industry.”

Amazon is the prime example of online retailers opening physical stores, and it shows the benefits of having a physical presence. “With the abundance of retail space available and withering competition in some categories, the introduction of strong new online retailers in physical locations may well result in a further boon to these businesses,” says Grossfeld. “This new development is also helping to create new leasing activity and accelerate retail absorption.”

As a result, current owners of retail assets are seeing more leasing demand, absorption and rising rental rates. Owners have learned the retailers that are the most successful in attracting consumers. “We are still finding that retail is, and has been, moving towards a more experiential and entertainment-focused dynamic—something that cannot be duplicated by the internet and ecommerce,” says Grossfeld.

While online retailers are becoming a segment of the leasing demand, restaurants, fitness centers and entertainment are driving the majority of the activity. “According to some sources, restaurants, fitness centers and entertainment has doubled over the past 10 years, while the share of apparel space continues to decline. Food and beverage uses are increasing in popularity and number. Food halls in some markets are becoming very popular,” says Grossfeld. “Fitness, health and wellness uses in all forms, including high-end, big box, boutique and value-oriented fitness, continue to expand.”

Innovative office concepts are also entering the retail arena and driving some leasing for existing owners. “Co-working and shared office spaces are also attracting interest from shopping center developers, particularly in malls with spaces vacated by department stores and similar large users,” says Grossfeld.