

# Monitor

## Retail

VOLUME  
**347**



## A RIPPLE EFFECT

### THE CHAIN IS BROKEN

Factory shutdowns, container shortages, delays at ports, and labor shortages have disrupted the supply chain for many retailers

### WALLET WOES

Both the cost of products as well as transportation costs have been rising, leading many retailers to pass on increases to consumers

### WILL SHELVES BE STOCKED?

Retailers will have to overcome supply chain problems to capitalize on demand this holiday season

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# Monitor Information

B. Riley Advisory Services' *Retail Monitor* highlights key industry drivers within the retail sector and how they relate to B. Riley Advisory Services' valuation process and current trends in recovery values. As the retail industry is impacted by consumer spending patterns and various macro and microeconomic factors, timely and accurate information is essential. B. Riley Advisory Services strives to contextualize important indicators to provide an informed perspective of the market for our clients' needs. Such indicators include general industry trends, comparable store sales trends, gross margin changes, and discounting activity. Any comparable store sales illustrated in this monitor reflect figures as they have been reported by public retailers. The methodology for calculating comparable store sales may vary by company.

B. Riley Advisory Services welcomes the opportunity to make our expertise available to you.

Should you need any further information or wish to discuss recovery ranges for a particular segment, please feel free to contact your B. Riley Advisory Services Business Development Officer using the contact information shown in all *Retail Monitor* issues.

B. Riley Advisory Services' *Retail Monitor* provides an overview highlighting specific sectors of the retail industry. The information contained herein is based on a composite of B. Riley Advisory Services' industry expertise, contact with industry personnel, liquidation and appraisal experience, and data compiled from a variety of well-respected sources believed to be reliable. B. Riley Advisory Services does not make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this issue. Neither B. Riley Advisory Services nor any of its representatives shall be liable for use of any of the information in this issue or any errors therein or omissions therefrom.

# Top Trends

- 1 Many companies have faced supply chain issues resulting in delays in product receipts and price increases.
- 2 As vaccines became more widely available, brick-and-mortar shopping saw a resurgence; however, e-commerce has exhibited staying power.
- 3 Dollar stores and mass merchants continue to report strong sales growth and expand their store bases.
- 4 In 2021, grocery retailers have been up against tough sales comparisons to the pandemic-fueled increases of 2020; however, sales continue to remain significantly above 2019 levels.



# Overview

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Over a year after non-essential retailers faced unprecedented disruption because of COVID-19, many retailers now have to balance consumers that are willing to spend with supply chain constraints and rising costs.

During the first two quarters of 2021, many retailers found that there was so much upheaval in 2020 because of the COVID-19 pandemic, that year-over-year comparisons were misleading or not meaningful. In many cases, brick-and-mortar sales at non-essential retailers were up significantly in the first half of the year, compared to weeks or months last year when stores were closed or experiencing extremely low levels of customer traffic. Conversely, e-commerce and sectors that were deemed essential, such as grocery, are facing comparisons to periods when demand increased exponentially. Some companies are reporting continued sales gains in recent months on top of significant growth last year, indicating that indeed some shifts in consumer spending are here to stay. Buy online, pick up in store (BOPIS), which had previously been offered by some retailers, became common practice, with many retailers also implementing curbside pickup. Even as consumers become increasingly more comfortable visiting physical store locations, the convenience of options such as these, as well as e-commerce in general, are likely to remain for the longer term.

Overall, consumer spending has exhibited growth in recent quarters, both in stores and online, with many retailers reporting positive sales growth not only compared to 2020, but also versus 2019. Spending in 2021 has been buoyed by government stimulus payments and residual effects of changing consumer spending habits, such as reduced air travel or restaurant trips.

However, there are many issues that retailers have been grappling with and will continue to be faced with during the fourth quarter and critical holiday shopping period. These issues start with the supply chain, as nearly every link has been impacted. Firstly, companies that source products from

overseas were initially impacted by factory closures at the onset of the pandemic. While China was one of the first areas to be impacted by the virus, it was also one of the first to recover and reopen. Other countries, however, have not fared as well. Vietnam, for example, has been a source of stress for companies reliant on products that originate there. While many companies continue to rely heavily on China for many goods, some companies shifted a portion of their sourcing to alternate countries in light of the punitive tariffs imposed on certain products from China during the last administration. Vietnam was one such country to pick up some market share, with U.S. imports from Vietnam increasing over 30% from January through August 2021 compared to the prior year, according to data from the U.S. Census. Vietnam has faced outbreaks of COVID-19 in 2021, which has resulted in temporary factory shutdowns even as recently as late summer and early fall. Even once reopening, some have been at reduced capacity. This has delayed production.

Once goods have been manufactured, further delays have been experienced due to the global container shortage and the lack of shipping containers in the right places at the right times. Once aboard a container and on a ship, congestion at U.S. ports has resulted in even further delays. As of September 2021, there have been 60 to 70 container ships waiting to unload at a given time at certain West Coast ports. Then, once goods have made it into port, in some cases further delays have resulted due to a trucker shortage.

With all of the issues straining the supply chain, prices have increased on several fronts. What once cost companies on average \$2,000 to \$4,000, a shipping container can now cost upwards of \$20,000 or even more than \$30,000 according to many companies. Ground shipping costs and air freight costs



# Overview

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have also increased. As such, many companies have reported significant increases in both lead times and freight costs in recent months.

Not only has the cost to transport goods increased, but the actual cost of products has increased as well. The Consumer Price Index for all items except food and energy products was up 4.0% for the 12 months ended September 2021 compared to the same time in the prior year, according to the Bureau of Labor Statistics. Many companies have reported passing on price increases to consumers where possible, resulting in increased retail prices for many items, from food to apparel and others.

The retail sector has also been grappling with labor issues. The COVID-19 pandemic upended the general labor market, with many workers initially ousted due to temporary closures in various sectors, particularly hospitality and retail sectors, in an effort to slow the spread of the virus. Once businesses resumed operations, some workers were slow to come back due to a number of factors, such as concerns over health and personal safety, as well as complications with childcare due to remote learning. Government benefits in some cases outweighed the risk of returning to the workforce right away.

As such, many companies have reported a labor shortage, and have been working to ensure staffing levels are adequate not only for retail stores but also for distribution and fulfillment centers. Some companies have reportedly raised wages to attract workers. According to the Aon U.S. Retail Labor Market Dashboard, for the six months ended March 2021, the median wages offered for retail jobs was up 3.8%, while up 3.9% for distribution center fulfillment jobs and 7.4% for delivery jobs. To aid growth and meet expected holiday demand, retailers have been posting jobs and hiring additional staff. In addition to higher wages, a number of retailers are also offering signing bonuses, updated health benefits, and tuition benefits, among other incentives.

Going into the critical holiday period, retailers have been working to offset all of these issues however possible. Some companies have switched to air freight when possible, and are buying ahead if able to avoid being out-of-stock. Some have also raised prices to consumers to avoid gross margin declines.

In general, the retail sector is expected to see strong demand from consumers during the shopping season, with holiday sales expected to increase anywhere from between 3% and 9%, with some sources forecasting even higher gains. Regarding overall 2021 results, the National Retail Federation ("NRF") forecasts that retail sales will total between \$4.4 trillion and \$4.6 trillion for the year, up from \$4.0 trillion in 2020 and approximately \$3.7 trillion in 2019.

Retailers that are able to ensure adequate stock is available will likely be able to avoid excessive discounting as consumers are ready to spend. E-commerce will likely remain a popular purchasing method, and consumers may have to expect shipping surcharges as the holidays get closer to ensure products arrive on time. According to Deloitte's annual holiday retail forecast, e-commerce sales are expected to be up between 11% and 15% versus the prior year during the months of November 2021 to January 2022. Consumer spending levels are projected to remain high for the holidays, especially as concerns regarding health and safety have eased since the last holiday season. For one, the roll-outs of vaccines will enable more people to travel and spend time with family this holiday season as opposed to 2020. This is expected to lead to more gift-giving, and thus, more shopping.

# E-Commerce

## KEY INDUSTRY DRIVERS

- **Supply chain:** With all of the issues in the supply chain, including container and trucker shortages and delays at the port, it will be even more critical for retailers to leverage brick-and-mortar stores for options such as buy online, pick up in store or curbside pickup in order to get products to consumers, particularly as the holidays get closer. Several retailers have partnered with services such as Shipt, Instacart, and Lyft for that last mile delivery option. Pure e-commerce players will face more of a challenge and will have to work with shipping providers to ensure timely delivery of goods.
- **Staying power:** During the brunt of the pandemic, e-commerce experienced significant growth as a result of COVID-19, as consumers shifted away from brick-and-mortar shopping. As vaccines became more widely available, brick-and-mortar shopping saw a resurgence, as consumers were more willing to visit stores; however, e-commerce has shown its staying power, with many companies continuing to report e-commerce gains in recent quarters, on top of exponential gains last year.
- **Shopify:** Shopify, a software company that facilitates online stores to be set up, saw expansive growth in 2020, as many new online stores were created on the online platform. It reported revenue growth of 86% in 2020, and further gains are expected in 2021.
- **Subscriptions:** The online subscription model has gained in popularity, with items spanning many industries offered on a monthly basis gaining traction particularly due to COVID-19.
- **Shipping:** Shipping costs continue to increase, and during the holiday season there will likely be additional fees placed on some orders by third-party carriers such as FedEx and UPS to account for the increase in demand.

## TREND TRACKER

NOLVs	Increasing	▲
Sales Trends	Increasing	▲
Gross Margin	Mixed	▲▼
Discounting	Mixed	▲▼

Note: Represents results through the e-commerce channel for companies that are primarily e-commerce, or the e-commerce channel only of multi-channel retailers.

## SALES TRENDS

	Second Quarter 2021	First Quarter 2021	Fourth Quarter 2020	Third Quarter 2020
% of Retail Sales	19.6%	19.5%	19.4%	19.5%
Change Year Over Year	9.1%	39.3%	32.0%	36.1%

Source: [www.census.gov/retail](http://www.census.gov/retail). Results are revised estimates, calculated using information in the most recent press release for the second quarter of 2021, excluding sales of automobiles and gasoline.

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Amazon	15.0%	27.0%	44.0%	44.0%
Walmart U.S. E-commerce	6.0%	37.0%	69.0%	79.0%
Wayfair	(18.7%)	(10.4%)	49.2%	44.9%
Target Digital	10.0%	50.0%	118.0%	155.0%
Overstock	(4.0%)	4.0%	94.0%	84.0%

\*Note(s): The most recent quarter reported for Amazon, Overstock, and Wayfair ended September 30, 2021; these represent total net sales/revenue. Walmart ended July 31, 2021 and represents U.S. e-commerce sales including grocery delivery. Target ended July 31, 2021 and represents digital sales.

- **Pricing:** Similar to many other industries, the e-commerce sector has seen prices rise for many items. Whereas historically customers were able to snag a better deal by shopping online, the tables have turned and prices have been on the rise for many products.

# Department Stores

## KEY INDUSTRY DRIVERS

- **Supply chain:** Many department store retailers have been working to bring in inventory earlier to offset disruptions in the supply chain. Many continue to offer the buy online, pick up in store (BOPIS) option as well as curbside pickup. Offerings such as these could help department stores leverage physical store locations should transportation issues disrupt e-commerce deliveries as the holidays near.
- **Evolution:** The department store sector has fared better than most anticipated coming into the new normal of the retail landscape during a pandemic. While many department stores have reported sales gains in recent quarters due to comparisons to virtually non-existent sales during the brunt of the pandemic, some are also comping positively versus 2019 as well. Department stores in many instances have culled underproductive store locations since that time, and many used 2020 as an opportunity to sell through excess inventory, improve store appearance, and in general reinvent the product assortment and store locations to attract customers. Some have also shifted away from typical mall locations, and some have unveiled new store concepts, such as Bloomingdale's' "Bloomies" and Market by Macy's. Off-price and outlet concepts also remain a focus for many. Regionally, downtown and urban stores in many cases have fared worse than suburban shopping centers, due to the decline in tourism from other countries and a lack of workers commuting to cities, among other factors.
- **Partnerships:** In recent quarters, many department stores have announced key partnerships with certain brands in order to attract customers, often in the form of shop-in-shop formats. Examples include Macy's announced partnership with Toys 'R Us, Sephora's partnership with Kohl's, and Nordstrom adding Tonal shops, among others.
- **Competition:** During 2020, the department store sector

## TREND TRACKER

	Versus 2020	Versus 2019
<b>NOLVs</b>	Increasing ▲	Consistent —
<b>Sales Trends</b>	Increasing ▲	Increasing ▲
<b>Gross Margin</b>	Increasing ▲	Mixed ▲▼
<b>Discounting</b>	Decreasing ▼	Mixed ▲▼

## SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
<b>Nordstrom vs. 2020</b>	127.0%	37.0%	(19.0%)	(7.0%)
<b>versus 2019</b>	(5.0%)	(13.0%)	-	-
<b>Macy's vs. 2020</b>	61.2%	62.5%	(17.0%)	(21.0%)
<b>versus 2019</b>	5.8%	(10.5%)	-	-
<b>Dillard's vs. 2020</b>	72.0%	73.0%	(17.0%)	(24.0%)
<b>versus 2019</b>	12.0%	(9.0%)	-	-
<b>Kohl's vs. 2020</b>	31.4%	69.5%	(10.1%)	(13.3%)

\*Note(s): Some retailers reported results compared to both 2020 and 2019, which B. Riley has illustrated when possible. The most recent quarter reported for all companies ended July 31, 2021. Some retailers report results including e-commerce sales or change in net sales as opposed to comparable stores; Kohl's' and Nordstrom's most recent quarter represents net sales; Dillard's most recent two quarters represent total retail sales.

saw several bankruptcy filings. Some players emerged and continue to operate, while others liquidated entire store fleets, resulting in a changing landscape of competitors. Going forward, the sector could see a new player enter the brick-and-mortar space. There have been rumors that Amazon could potentially open retail stores that resemble department stores, in that the stores could offer items such as household products and apparel, among other items.

# Specialty Apparel Stores

## KEY INDUSTRY DRIVERS

- **Supply chain:** Similar to department stores, many specialty apparel retailers have been working to bring in inventory earlier to offset disruptions in the supply chain. Some retailers have also shifted sourcing to South America to overcome issues such as container shortages and production delays due to factories shutting down.
- **Store locations:** In general during the pandemic, specialty apparel retailers located within outdoor shopping centers seemed to experience higher levels of shopper traffic than indoor malls. This includes outlet centers as well as strip centers. Moving more toward outdoor shopping centers instead of malls remains a focus for some retailers. Many specialty apparel retailers have also been working in general to right-size store bases over the past few years, closing underperforming stores when possible.
- **Pricing pressure:** Similar to other industries, specialty apparel retailers have faced inflation due to rising product and transportation costs related to higher freight and container charges. While gross margin for many retailers has remained strong in recent months due to well-managed inventory, increased consumer demand, and a general lack of the need to discount to sell through product, pricing pressures could ultimately start to impact retailers' bottom lines. Moreover, many specialty apparel retailers have faced labor issues, and have had to raise starting wages to attract workers.
- **Apparel trends:** During the pandemic, athleisure and more casual attire outperformed dressier items. This was due to several factors, including the fact that the majority of office workers shifted to working remotely, and many major events were cancelled or moved to virtual settings in 2020. While some of these trends persisted into 2021, social gatherings such as weddings and other special events became more prevalent once vaccine distribution

## TREND TRACKER

	Versus 2020	Versus 2019
<b>NOLVs</b>	Increasing ▲	Decreasing ▼
<b>Sales Trends</b>	Increasing ▲	Mixed ▲▼
<b>Gross Margin</b>	Increasing ▲	Mixed ▲▼
<b>Discounting</b>	Decreasing ▼	Mixed ▲▼

accelerated and restrictions loosened in certain areas of the country. This resulted in an uptick in demand for new apparel amongst consumers, many of which found themselves not having updated their wardrobes in a meaningful way in over a year. In addition, many school districts resumed in-person learning in the fall of 2021, sparking growth in children's apparel.

- **Ways to shop:** Many specialty apparel retailers have experienced increased sales through the e-commerce channel, and have highlighted the buy online, pick up in store (BOPIS) option. In addition, some continue to offer rental programs, whereby consumers can rent a certain number of garments per month, which are sent in somewhat of a subscription model. Some players in the specialty apparel sector have recognized the importance of sustainability and transparency in the eyes of today's consumer. This includes tapping into the re-sale market, such as Lululemon's "Like New" trade in program which sells used product as well. Some specialty apparel retailers have also partnered with thredUP, a reseller.



# Specialty Apparel Stores

## SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Urban Outfitters vs. 2020	*	42.0%	(6.0%)	4.0%
vs. 2019	20.0%	9.0%	-	-
Banana Republic vs. 2020	41.0%	(4.0%)	(22.0%)	(30.0%)
vs. 2019	(5.0%)	(22.0%)	-	-
Gap vs. 2020	(5.0%)	29.0%	(6.0%)	(5.0%)
vs. 2019	3.0%	(1.0%)	-	-
Old Navy vs. 2020	0.0%	35.0%	7.0%	17.0%
vs. 2019	18.0%	25.0%	-	-
White House/Black Market vs. 2020	48.0%	*	(36.0%)	(28.7%)
vs. 2019	(5.4%)	-	-	-
Chicos vs. 2020	59.0%	*	(34.4%)	(32.3%)
vs. 2019	(14.3%)	-	-	-
Athleta vs. 2020	13.0%	27.0%	26.0%	37.0%
vs. 2019	27.0%	46.0%	-	-
Express vs. 2020	42.0%	5.0%	(27.0%)	(30.0%)
vs. 2019	3.0%	-	-	-
Anthropologie vs. 2020	*	50.0%	(11.0%)	(9.0%)
vs. 2019	14.0%	1.0%	-	-
Free People vs. 2020	*	77.0%	6.0%	17.0%
vs. 2019	53.0%	44.0%	-	-
Lululemon (North America) vs. 2020	63.0%	82.0%	21.0%	19.0%
Victoria's Secret vs. 2020	*	*	(3.0%)	(10.0%)
vs. 2019	(3.0%)	9.0%	-	-
Soma vs. 2020	53.0%	65.0%	15.2%	10.5%
vs. 2019	38.1%	39.0%	-	-
DXL vs. 2020	*	*	(23.4%)	(20.5%)
vs. 2019	21.6%	3.7%	-	-
Abercrombie & Fitch vs. 2020	24.0%	61.0%	(5.0%)	(5.0%)
vs. 2019	3.0%	6.0%	-	-
American Eagle vs. 2020	35.0%	*	(1.0%)	(3.0%)
The Buckle vs. 2020	36.6%	159.2%	18.0%	12.4%
vs. 2019	44.8%	48.6%	-	-
Zumiez vs. 2020	7.3%	102.6%	4.7%	8.1%
vs. 2019	17.6%	31.1%	-	-
The Children's Place vs. 2020	14.1%	83.0%	1.0%	(19.0%)
Carter's/OshKosh Retail vs. 2020	5.9%	31.0%	27.0%	(9.0%)









Note(s): Asterisk (\*) indicates that the company did not report comparable sales in that quarter as they were deemed not meaningful comparisons to the prior year; a dash (-) indicates that the comparisons to two years ago were not reported. Some retailers represent net sales if comparable store sales were not reported. The most recent quarter reported for Lululemon ended August 1, 2021 and represents North America; Carter's ended October 2, 2021; all other companies ended July 31, 2021. Banana Republic, Gap, and Old Navy represent global sales.

# Off-Price/Dollar Stores/Mass Merchants

## KEY INDUSTRY DRIVERS

- Supply chain:** To offset delays and increased prices, some companies in the off-price/dollar store/mass merchant sector have been bringing transportation in-house, including expanding private fleets of trucks and even chartering their own freight ships. Some dollar stores have been raising retail prices.
- Positive results:** Dollar stores have continued to thrive as lower price points aid shoppers on a budget, and their off-mall locations have become more popular than malls. Similarly, mass merchants outperformed most retail sectors amid the onset of the pandemic and top players Target, Walmart, and Costco continue to perform well. E-commerce growth, which skyrocketed at the onset of pandemic, is now becoming more normalized as consumers transition back to in-store shopping. The off-price sector has more recently been doing well after declines at the onset of pandemic.
- Labor:** Labor shortages have also caused issues for the industry, and industry players have been hiring en masse ahead of the upcoming holiday season. To attract workers, most retailers have been offering increased wages, signing bonuses, increased discounts, updated health benefits, and other incentives.
- Store activity:** Off-price and dollar stores continue to expand. Ross Stores, Dollar General, Family Dollar, Dollar Tree, Burlington, TJX, Big Lots, and Five Below have all reported store openings throughout 2021.
- Partnerships:** Some retailers in this sector have leveraged key partnerships. Target is opening shop-in-shop concepts with Ulta Beauty, and Walmart increasingly partners with celebrities/influencers to launch private label lines.

## TREND TRACKER

	Dollar Stores/ Mass Merchants	Off-price Retailers
<b>NOLVs: vs. 2020</b> <b>NOLVs: vs. 2019</b>	Mixed Increasing 	Mixed 
<b>Sales Trends: vs. 2020</b> <b>and 2019</b>	Increasing 	Increasing 
<b>Gross Margin: vs. 2020</b> <b>Gross Margin: vs. 2019</b>	Decreasing Consistent 	Mixed Consistent 
<b>Discounting: vs. 2020</b> <b>Discounting: vs. 2019</b>	Decreasing Consistent 	Decreasing 

## COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
<b>TJX</b>	20.0%	16.0%	(3.0%)	(5.0%)
<b>Ross Stores</b>	15.0%	13.0%	(6.0%)	(3.0%)
<b>Burlington Stores</b>	19.0%	20.0%	0.0%	(11.0%)
<b>Nordstrom Rack</b>	61.0%	59.0%	(23.0%)	(32.0%)
<b>Walmart</b>	5.2%	6.0%	8.6%	6.4%
<b>Target</b>	8.7%	18.0%	6.9%	9.9%
<b>Costco</b>	10.3%	15.2%	12.6%	17.0%
<b>Dollar General</b>	14.1%	17.1%	12.7%	12.2%
<b>Dollar Tree</b>	(0.2%)	4.7%	2.4%	4.0%
<b>Family Dollar</b>	(2.1%)	(2.8%)	8.1%	6.4%
<b>Five Below</b>	39.2%	162.0%	13.8%	12.8%
<b>Big Lots</b>	(13.2%)	11.3%	7.9%	17.8%

\*Note(s): The most recent quarter reported for Costco ended August 29, 2021 and excludes fuel; Walmart and Dollar General ended July 30, 2021; all other companies ended July 31, 2021; Walmart excludes Sam's Club and fuel; Dollar Tree excludes Family Dollar; Family Dollar excludes Dollar Tree. Nordstrom Rack represents net sales. For the most recent two quarters: TJX represents only-open stores versus 2019; Ross and Burlington are versus 2019; Dollar General most recent two quarters are two-year stacked comps; all others are versus 2020.

# Sporting Goods

## KEY INDUSTRY DRIVERS

- Strong demand/supply chain:** Sporting goods retailers continue to benefit from the sustained demand for industry products during the pandemic. Industry experts are unsure how long the demand for products will last. Many sporting goods retailers have been impacted by the supply chain issues experienced throughout the world. This, coupled with sustained demand, has resulted in lower-than desired inventory levels for many retailers, stockouts, and sometimes missed sales. Some brands, such as Nike, have been heavily impacted by supply chain disruptions. Nike has also pulled its product out of certain retailers to prioritize bigger customers and its own direct-to-consumer channel.
- Products and participation:** Popular activities that saw increased participation during the pandemic included skateboarding, surfing, tennis, hiking, and camping. Further, the resumption of team sports resulted in an increase in demand for new equipment, as many opted not to purchase gear last year. Equipment and programs that allowed individuals to digitally-connect to trainers and classes, such as Peloton, Tonal, and Beachbody, were a saving grace for many athletes during the pandemic while gyms and fitness centers were closed or operating with tight restrictions for a large portion of the pandemic.
- Firearms and ammunition:** Firearms continue to see heightened demand in the social and political environment. The pandemic, social unrest, a new Democratic president, and mass shootings supported demand for firearms. Background checks began to slow in April 2021 and have decreased in the proceeding months, though were still at elevated levels compared to last year. Despite declines in recent months compared to the prior year, 2021 is still on track to be a record year for the number of background checks. The attempt to introduce legislation that will enforce stricter gun control

## TREND TRACKER

NOLVs	Increasing	▲
Sales Trends	Increasing	▲
Gross Margin	Increasing	▲
Discounting	Decreasing	▼

## COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Dick's	19.2%	115%	19.3%	23.2%
Big 5	(0.7%)	31.2%	31.8%	10.5%
Sportsman's Warehouse	(9.9%)	24.1%	57.7%	40.9%
Sturm, Ruger & Company	22.3%	53.6%	49.1%	61.1%
Peloton	6%	54%	141%	128%
Academy	11.4%	38.9%	16.1%	16.5%

\*Note(s): Results for Dick's include Dick's Sporting Goods stores, Golf Galaxy, and the e-commerce business. The most recent quarter for Dick's Sporting Goods, Sportsman's Warehouse, and Academy ended July 31, 2021; Big 5 ended October 3, 2021; Sturm Ruger ended October 2, 2021; Peloton Interactive, Inc. ended September 30, 2021. Sturm, Ruger & Company represents total revenue growth versus the prior quarter; Peloton represents total revenue growth versus the prior year.

reentered the political arena following a series of mass shootings throughout the U.S. in recent months.

- Industry activity:** The sporting goods sector continues to see activity; Sportsman's Warehouse entered an agreement to join privately-held Great American Outdoors Group. Dick's Sporting Goods opened two Dick's House of Sports stores; it is opening its first Public Lands store and its first off-price concept store, Going, Going, Gone! Sportsman's Warehouse will be acquiring some Field and Stream stores.

# Footwear

## KEY INDUSTRY DRIVERS

- Supply chain:** Global supply chain disruptions have impacted every facet of the footwear industry, which has led to decreases in inventory throughout the sector. Retail prices across the industry have also increased as a result. Disruptions and tight inventory levels are expected to last throughout 2021 and into 2022. Athletic brands including Nike, Under Armour, Adidas, and Deckers have been facing more headwinds than fashion brands; Nike had almost two months of no unit production in Vietnam due to shutdowns. Most brands are starting to reallocate sourcing and production to other regions; some are also using airfreight to offset shipping delays. Conversely, some fashion brands have been moving away from Asian countries for production in favor of Central/South American production.
- Shifting trends:** Sales of comfort and athletic styles have continued to perform well amid the pandemic as more people work-from-home and have additional time to partake in outdoor activities and exercise. Early in the pandemic, canceled events such as weddings, graduations, and business trips led to sharp declines in fashion sales; although, this trend is starting to reverse as the economy reopens and events are reinstated. More retailers have taken their omni-channel operations to new heights. With many retailers, sales can now be generated via stores, e-commerce websites, BOPIS options, and at times, marketplaces. Particularly successful companies have expanded sales to all channels and placed more emphasis on their own platforms, including the addition or expansions of loyalty programs.
- Sustainability:** Several footwear brands, including Aldo, Vans, Clarks, Crocs, Adidas, Allbirds, Keds, Salvatore Ferragamo, Timberland, Merrell, and others, are prioritizing environmental and sustainability initiatives, including concepts with a focus on durability, recyclable

## TREND TRACKER

NOLVs	Consistent Increasing	▲
Sales Trends	Increasing	▲
Gross Margin	Increasing	▲
Discounting	Decreasing	▼

## COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Designer Brands Inc.	84.9%	52.2%	(20.1%)	(30.4%)
Johnston & Murphy	154.0%	26.0%	(35.0%)	(43.0%)
Foot Locker	6.9%	80.3%	(2.7%)	7.7%
Crocs (Americas)	78.3%	128.1%	100.0%	54.4%
Famous Footwear	(1.1%)	3.3%	(1.8%)	(9.1%)
Journeys	25.0%	123.0%	2.0%	(6.0%)
Skechers U.S.	33.7%	95.6%	25.7%	(9.8%)
Deckers	1.0%	14.7%	76.3%	33.8%

\*Note(s): Designer Brands Inc. is formerly DSW. The most recent quarter for Skechers, Deckers, and Crocs ended September 30, 2021; all other companies ended July 31, 2021. For the most recent two quarters: Johnston & Murphy and Journeys represent overall sales versus 2020; Crocs represents total DTC sales; Deckers most recent quarter represents net sales.

or renewable materials, and biodegradability. Vegan sneakers have seen the most demand, especially following Nike's launch of the vegan Air Jordan with Billie Eilish. Industry experts wonder if the trend will last as competition increases, and prices continue to increase.

# Consumer Electronics

## KEY INDUSTRY DRIVERS

- **Supply chain/chip shortage:** The consumer electronics industry has experienced supply chain issues as a result of the COVID-19 pandemic. A continued global computer chip shortage in particular has been driving up prices of products such as laptops, printers, and smartphones, among others.
- **Demand:** In general, demand for technology has remained strong as people spend more time at home, and consumer spending increased due to government stimulus payments. Though it would be expected that e-commerce sales would decline as customers return to in-person shopping, it has been reported that online sales remain relatively strong within the consumer electronics industry, even as brick-and-mortar shoppers return to stores.
- **Fitness and home health:** With gyms closed during the start of the pandemic and many people working remotely, the demand for in-home fitness equipment grew, and remains popular even as vaccinations have been rolled out and restrictions have eased in certain areas. Home workout devices such as the Peloton and Tonal products are increasing in popularity. Though gyms have begun to reopen, the convenience of digital classes and internet-enabled fitness devices has continued to increase the prevalence of home workouts. Demand has also been strong for wearable devices that track activity and fitness. Samsung released the Galaxy Watch 4 in August 2021, which includes several fitness features such as body fat and skeletal muscle measurements. Apple began shipping the Apple Watch 7 in October 2021, which has similar features, and Fitbit released the Charge 5 this year as well.

## TREND TRACKER

NOLVs	Mixed	▲▼
Sales Trends	Mixed	▲▼
Gross Margin	Mixed	▲▼
Discounting	Mixed	▲▼

## COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Best Buy	20.8%	37.9%	12.4%	22.6%
Conn's	16.7%	22.9%	(7.5%)	(8.7%)

\*Note(s): The most recent quarter for Best Buy ended July 31, 2021 and represents domestic sales, excluding installment billing; Conn's ended July 31, 2021 and represents product sales only.

- **Cell phones:** In September 2021, Apple announced four models of its iPhone 13: the standard model, the Mini, the Pro, and the Pro Max. While the new models are not drastically different design-wise, they offer faster processing, better battery life, and better cameras than previous models. The 13 Pro is sold for \$999 while the standard model starts at \$699. In July 2021, Samsung announced that the Galaxy Note 21 would not be released this year and that the Galaxy Z Fold 3, which features a folding screen and S Pen support, would be the company's flagship phone for 2021.











# Grocery

## KEY INDUSTRY DRIVERS

- Sales retreat, but remain above pre-pandemic levels:** In 2021, grocery retailers have been up against tough sales comparisons to the pandemic-fueled increases of 2020, and many have reported declines in comparable store sales compared to 2020. However, sales continue to remain significantly above 2019 levels and the benefit of the pandemic has lasted longer than initially predicted. Even though restaurants are now open, most Americans are still eating the majority of their meals at home, particularly given that many are still working from home.
- Inflation:** When COVID-19 was declared a national pandemic, consumers rushed to grocery stores, which caused widespread shortages of key products. At the same time, the virus caused a significant disruption to the supply chain, making restocking the shelves difficult. This translated to skyrocketing prices in many categories. According to the USDA, food at home prices were up 3.5% for the 12 months ended December 2020. This was higher than both 2018 and 2019. Year-to-date August 2021, food at home prices are up 2.1%. The largest increases are being seen in the meat, chicken, and seafood categories. Grocery stores have been passing on the cost increases to consumers. The USDA predicts that food at home prices in 2021 will increase between 2.5% and 3.5%.
- E-commerce remains strong:** According to estimates, online grocery sales represented just under 5% of sales in 2019 and this rose to 10% in 2020 and is projected to reach 12.5% in 2021. Although online sales soared in 2020, profitability did not follow suit. Significant challenges still remain in areas such as product spoilage, labor, delivery costs, and third-party fees. Even Amazon, the world's largest online retailer, is now adding delivery fees for Prime members who order from Whole Foods.

## TREND TRACKER

	Versus 2020	Versus 2019
<b>NOLVs</b>	Consistent 	Increasing 
<b>Sales Trends</b>	Decreasing 	Increasing 
<b>Gross Margin</b>	Consistent 	Increasing 
<b>Discounting</b>	Consistent 	Decreasing 

## COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
<b>Kroger</b>	(0.6%)	(4.1%)	10.6%	10.9%
<b>Ahold Delhaize</b>	(1.5%)	1.7%	11.2%	12.4%
<b>Publix</b>	6.3%	2.3%	2.4%	13.4%
<b>Ingles</b>	(0.9%)	2.6%	15.2%	15.1%
<b>Weis Markets</b>	(7.7%)	1.4%	14.1%	14.8%

\*Note(s): All sales exclude fuel, except for Weis Markets. The most recent quarter for Kroger ended August 14, 2021; Ahold Delhaize ended July 4, 2021; Publix ended September 25, 2021; Ingles and Weis Markets ended June 26, 2021.





- Inventory position improves:** In 2020, grocers grappled with widespread product shortages due to panic buying by customers and supply chain disruptions. Supply has improved in most categories, though stock outs are still prevalent throughout stores.

# Pharmacy and Drug Stores

## KEY INDUSTRY DRIVERS

- COVID-19 drives sales:** Drug stores have been at the forefront of the COVID-19 testing and vaccination effort, leading to hundreds of millions of dollars in additional revenue. CVS reported COVID-19 products and services would add approximately \$400 million in revenue in 2021. CVS had administered more than 38 million vaccines as of October 2021 and 26 million COVID-19 tests year-to-date. Walgreens raised its full year guidance for 2021 citing revenue from vaccines and tests. The retailer had administered more than 40 million COVID-19 vaccines in the U.S. as of August 2021. Rite Aid had administered approximately eight million vaccines as of August 2021. The extra revenue is not the only benefit these retailers are seeing. They have been able to capitalize on increased traffic, which boosted front-end sales, and some customers moved their prescriptions to the store where they received their shot. It is expected they will also benefit from the patient data collected as customers registered for their tests and shots.
- Pharmacy sales slowly recover:** Sales for new scripts dropped during the early months of the pandemic as individuals put off doctors' visits and medical procedures and transitioned to 90-day refills. A mild 2020 cold and flu season further impacted pharmacy sales. More recently, pharmacy sales have started to recover, aided by COVID-19 vaccines, though are not yet back to pre-pandemic levels.
- New players:** In November 2020, Amazon unveiled Amazon Pharmacy. It is expected that customers will use Amazon Pharmacy primarily for maintenance medications, similar to existing mail order services. In May 2020, it was reported that Amazon was considering opening its own physical drug stores or potentially opening pharmacies within Whole Foods stores, which would be a natural progression of the company's drug strategy. Dollar General is also becoming a larger player within the space. The discount retailer recently unveiled plans to expand

## TREND TRACKER

	Pharmacy	Front-End
<b>NOLVs</b>	Consistent —	Consistent —
<b>Sales Trends</b>	Mixed 	Mixed 
<b>Gross Margin</b>	Mixed 	Mixed 
<b>Scripts</b>	Consistent —	

## COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
<b>Walgreens</b>				
Pharmacy	8.9%	8.4%	4.5%	5.0%
Front-End	6.2%	1.7%	(3.5%)	0.4%
Total	8.1%	6.4%	2.0%	3.7%
<b>CVS</b>				
Pharmacy	8.8%	12.4%	4.1%	7.5%
Front-End	12.3%	12.0%	(11.4%)	(1.8%)
Total	9.6%	12.3%	0.4%	5.3%
<b>Rite Aid</b>				
Pharmacy	5.0%	8.2%	2.0%	6.1%
Front-End	(2.8%)	(12.0%)	(5.6%)	(0.7%)
Total	2.6%	1.4%	(0.3%)	4.3%

\*Note(s): The most recent quarter for Walgreens ended August 31, 2021; CVS ended September 30, 2021; Rite Aid ended August 28, 2021.

its healthcare offerings, particularly in rural areas. This includes a wider assortment of cough and cold, dental, nutritional, medical, and similar health products. Dollar General recently hired its first Chief Medical Officer to help lead this initiative.

# Furniture and Home Furnishings

## KEY INDUSTRY DRIVERS

- Supply chain:** Furniture and home furnishings benefited from consumers spending a significant amount of time at home working remotely and adhering to stay-at-home orders in 2020, and the strong demand for industry products has persisted into 2021. Like many other industries, the furniture and home furnishings industry has been faced with supply chain issues, including delays in availability of raw materials, as well as production and shipping delays, which have led to increased lead times, delays in fulfilling written orders, and increased costs. Though retailers were initially unsure of how long the delays and cost increases would last, many have now determined that the issues will not resolve in the near future and have taken steps to counteract the impacts, such as increasing manufacturing capacity and increasing prices to customers.
- Technology:** In order to keep up with increased demands and a changing retail landscape impacted by the COVID-19 pandemic, as well as customers' desire to be able to quickly receive and experience products they have purchased, furniture retailers have been focusing on technological improvements to improve shopping experiences for customers. While many retailers operate websites and e-commerce, the sites were designed to encourage consumers to visit brick-and-mortar showrooms. However, customers now desire to make the purchases online directly, so retailers are finding ways to present products to customers in an online setting. These advancements include detailed images that allow customers to see products from all sides and angles, as well as augmented reality features that would allow customers to see the pieces in their own homes. Retailers have also been providing fewer options for upholstery with ready-to-ship products in order to have more inventory on hand.

## TREND TRACKER

NOLVs	Mixed	▲▼
Sales Trends	Mixed	▲▼
Gross Margin	Mixed	▲▼
Discounting	Mixed	▲▼

## COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Bed Bath & Beyond	(1.0%)	86.0%	4.0%	2.0%
HomeGoods	36.0%	40.0%	12.0%	15.0%
Williams-Sonoma	29.8%	40.4%	25.7%	24.4%
Kirkland's	(5.2%)	75.3%	1.8%	8.9%
La-Z-Boy	10.4%	100.0%	6.3%	34.0%

\*Note(s): The most recent quarter for Bed Bath & Beyond ended August 28, 2021; Williams-Sonoma ended August 1, 2021; Kirkland's and HomeGoods ended July 31, 2021; La-Z-Boy ended July 24, 2021. HomeGoods represents comparable sales for open stores only.

- Housing market:** Existing home sales have climbed throughout 2020 and 2021. Single family housing starts have also exhibited year-over-year increases in most months so far in 2021, though often have decreased on a month-to-month basis. Low mortgage rates and a high number of buyers are expected to keep sales growing; however, in many cases demand has outweighed supply for homes, driving prices up even further. Increased home purchases spur sales of furniture and home furnishings.

# Arts and Crafts

## KEY INDUSTRY DRIVERS

- **Supply chain:** While the arts and crafts industry has experienced a resurgence amid the pandemic, there have been recent headwinds in the form of supply chain disruptions and slowing sales compared to 2020 record-highs. Increased vaccine rollouts and the return to more normalized routines have caused pandemic-crafters to slow production. Consumers are returning to pre-COVID ways of life and making up for lost time by partaking in fewer home activities such as crafting.
- **Trends:** The arts and crafts industry is impacted by popular trends at any given time. Recent industry trends include pottery; needling and other fabric crafts like yarn weaving and crocheting; comforting neutrals and nature-inspired colors; upcycling projects; terrarium and gardening projects; and kids arts and education products. Crafting projects have continued to be driven by social media, including on Instagram and TikTok, which have given crafters new audiences. These apps have often turned into YouTube subscribers and eventually customers for small arts and craft businesses/Etsy sellers.
- **Industry transactions:** The industry has seen some notable transactions recently. For example, JOANN, Inc. filed for an IPO on February 16, 2021 and made its NASDAQ trading debut on March 12, 2021 under the symbol JOAN. Shares rose 4.6% on the retailer's opening day, selling 10.9 million shares to raise \$130.8 million. JOANN, Inc. introduced a revamped store format, tailored to be more customer-centric with omni-channel operations such as a fabric counter where customers can leave a phone number at which to be contacted to be notified when a fabric cutting order is ready for pickup, rather than waiting in line. JOANN, Inc. launched its

## TREND TRACKER

NOLVs	Increasing	▲
Sales Trends	Mixed	◀▶
Gross Margin	Increasing	▲
Discounting	Decreasing	▼

## COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
JOANN vs. 2020	(29.9%)	15.0%	21.2%	N/A
JOANN 2-yr. stacked	8.1%	13.0%	-	-
Etsy	17.9%	23.4%	141.5%	128.7%

\*Note(s): The most recent quarter for JOANN ended July 31, 2021 and only the most recent three quarters are available as it went public in March 2021; a dash (-) indicates that the comparisons to two years ago were not reported.. The most recent quarter for Etsy ended September 30, 2021, and represents comparable revenue.

international e-commerce platform, and now ships to 29 countries. Michaels is now private, as of April 2021, as it was acquired by private equity firm Apollo Global Management Inc.

- **Staffing:** Retailers have been undergoing hiring sprees amid labor shortages with the upcoming holiday season. Michaels announced in September 2021 that it is hiring more than 20,000 workers in stores and distribution centers, an increase of 25% from this time last year. JOANN, Inc. and Hobby Lobby are also hiring.

# Office Supplies

## KEY INDUSTRY DRIVERS

- Contract sales remain depressed:** Sales through office supply companies' contract/commercial divisions suffered in the wake of COVID-19. Office closures and the large number of employees working from home led to reduced consumption of office supplies. This particularly affected core office supply categories like paper, writing instruments, and toner, as well as breakroom categories. Although companies experienced strong sales of cleaning and sanitation products, it was not enough to offset the decline in office supplies. Revenue from services also took a hit as businesses delayed projects. More recently, companies have seen sales slowly begin to improve as more businesses open up and return to in-person work. However, the Delta variant and resurgence in cases has caused more companies to delay opening their offices and sales will likely remain challenged. Moreover, given that more businesses are embracing work from home as a permanent part of their operations, it is unclear whether sales of office supplies will ever return to historical levels.
- Retail sales remain strong:** Sales of office supplies through retail stores (deemed essential) spiked during the early weeks of the pandemic as workers set up their home offices and students transitioned to remote learning. Technology products in particular saw strong demand. However, the 2020 back-to-school season was disappointing given that many schools remained in a remote or hybrid model. Even so, retail sales generally remain above 2019 levels, driven by individuals who are working at home and visiting stores to pick up supplies. It is expected that retailers will report a strong 2021 back-to-school season given the lower than normal sales last year. In addition, some companies have reported strong sales within printing and shipping services given the significant increase in online shopping.

## TREND TRACKER

NOLVs	Decreasing	▼
Sales Trends	Decreasing	▼
Gross Margin	Increasing	▲
Discounting	Decreasing	▼

## SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Office Depot NA Business Solutions	(2.0%)	12.0%	(16.0%)	(10.0%)

\*Note(s): The most recent quarter for Office Depot ended September 25, 2021. The company did not report comparable store sales due to the impact of COVID-19 and store closure activity.

- Potential consolidation on the horizon:** In 2021, Staples made two offers to purchase Office Depot, which were both rejected. In its third attempt made in June 2021, Staples offered Office Depot \$1.0 billion for the consumer-facing business. Office Depot announced its receipt of the offer, indicating its Board of Directors will carefully review the proposal. Office Depot then released a statement in August 2021 confirming plans to separate into two independent, publicly traded entities by the first half of 2022. The first will be The ODP Corporation, which will include the contract sales channel of the Business Solutions Division, the Company's B2B digital platform technology business, and the Company's global sourcing office. The second will be Office Depot, Inc., which will include the Office Depot and OfficeMax retail locations as well as the e-commerce business [www.officedepot.com](http://www.officedepot.com). This spin-off is reported to be a step forward in coming to an agreement with Staples.



# Pet Supplies

## KEY INDUSTRY DRIVERS

- Pet ownership:** The market for pet supplies has benefited from increased pet ownership during the pandemic. According to data from Packaged Facts, the number of U.S. households with pets was projected to grow 4% last year. As consumers found themselves at home for longer stretches of time during the initial stages of the government-mandated shutdowns, many consumers found themselves with more time to care for a pet. Many animal shelters reported pet adoptions increased significantly during this time. However, shelter pet adoptions decreased 25% from mid-March 2021 to mid-September, according to animal shelter data management firm PetPoint. As individuals return to work and the post-COVID environment normalizes, consumers may shift their spending back to other categories, such as travel and entertainment.
- Categorical spending:** According to a report from the American Pet Products Association, in 2020, spending on pets by Americans totaled \$103.6 billion. The American Pet Products Association predicts that spending will reach \$109.6 billion in 2021. Per the American Pet Products Association, food continues to represent the category of the highest expenditures, followed by vet care and related product sales. In recent years, there has been a trend amongst consumers to treat pets as family members. As such, consumers are increasingly willing to pay premium prices to provide them with all-natural and organic foods and treats; high-quality bedding; and specialized shampoos and conditioners, as well as technologies such as GPS pet collars, pet cameras, smart feeders, automated litter boxes, and CBD products. Subscription boxes and online e-tailers such as Chewy have also grown in popularity.

## TREND TRACKER

NOLVs	Increasing	▲
Sales Trends	Increasing	▲
Gross Margin	Consistent	—
Discounting	Decreasing	▼

## COMPARABLE STORE SALES TRENDS

	Most Recent Quarter	Prior Quarter	Two Quarters Ago	Three Quarters Ago
Petco	20.0%	28.0%	16.0%	-
Chewy	26.8%	31.7%	51.0%	45.0%
Bark	57.2%	-	-	-

\*Note(s): The most recent quarter for Petco ended July 31, 2021; Petco became public in January 2021. The most recent quarter for Chewy ended August 1, 2021. The most recent quarter for Bark ended June 30, 2021; Bark went public June 2021. Chewy and Bark represent year-over-year net sales comparisons.

- Pet services:** In an effort to drive customer traffic in stores, retailers have expanded service offerings and are working to embody a health and wellness ideology. Petco is opening 18 vet hospitals in its second quarter, bringing its total to 155. In 2020, Chewy launched "Connect with a Vet" telehealth services.

# Real Estate

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Despite the economic turbulence of the last 18 months, the U.S. retail market continues to exhibit solid fundamentals since emerging from the initial stages of the pandemic. While these solid fundamentals have certainly buoyed the retail sector in recent months, the severe economic impacts experienced during the initial stages of the pandemic proved catastrophic for many distressed retailers that already faced operational challenges pre-pandemic. As such, the pandemic has had wide-ranging levels of impact across retail, depending not only on pre-pandemic retailer's financial strength but also on whether specific retail categories benefitted or were severely impacted by shifting consumer behavior during the pandemic. Outlined below are several key retail real estate indicators that provide insight into both current and future market trends:

## RETAIL REAL ESTATE MARKET FUNDAMENTALS

### Supply/Demand Fundamentals

- Lighter retail supply is expected to continue as construction activity remains limited.
- Most new construction is focused on mixed-use developments that combine multi-family housing communities and cultural elements, alongside retail components to help drive stronger, more stable foot traffic.
- Given the significant economic pressure placed upon retail landlords during the pandemic, owners are currently heavily focused on consolidating their positions rather than engaging in new retail development activity, particularly given the ongoing uncertainty within the broader retail market.

### Vacancy Rate Fundamentals

- Due in part to strong retail performance during the latter stages of the pandemic, retail vacancy has trended slightly down year over year.

- Strong leasing activity, coupled with a decrease in construction, has led to solid net absorption dynamics driving retail vacancy rates below 5%. These market dynamics are projected to continue into early next year, leading to continued retail vacancy stability.

### Rent Fundamentals

- Driven by strong retail real estate supply and demand market dynamics, retail asking rents have edged higher by almost 2% over the past year, despite the macroeconomic headwinds experienced.
- Neighborhood and strip centers have exhibited the strongest asking rent growth over the past year at approximately 2.4%, while mall asking rents have experienced the weakest increase at approximately 1.4%.
- In general, larger urban markets have shown negative rent growth compared to rent level increases seen in more mid-tier, faster growing markets. From a geographic perspective, asking rates have seen strong increases in both the Southeast and Western regions of the United States over the past year.

### Retail Investment Market Fundamentals

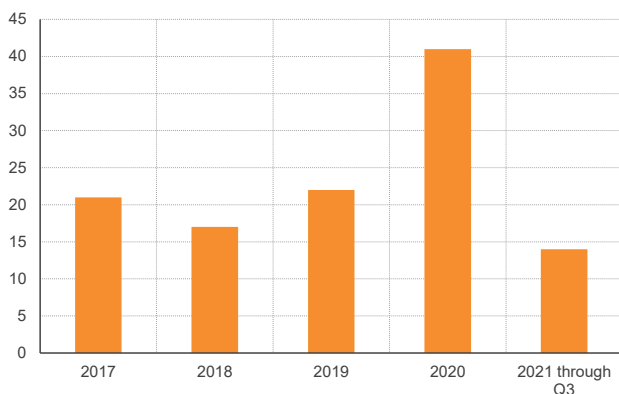
- Following a slowdown in retail investment sales activity during the pandemic, retail investment sales volume has stabilized in 2021. Second quarter retail investment sales volumes were at their highest level since 2016, with the exception of the fourth quarter of 2019. Given the ongoing uncertainty in the retail leasing market, investors continue to prefer high quality single-tenant net-leased assets, as well as the stability offered by resilient grocery-anchored shopping center assets.

# Real Estate

## RETAIL BANKRUPTCY FILING ACTIVITY

- U.S. retail bankruptcy filings hit a multi-year high in 2020, driven primarily by the pandemic-related downturn. Given the severity of store closures and retail traffic losses during the height of the pandemic in the first and second quarters of 2020, COVID-19 sharply accelerated the volume of retail filings as many distressed retailers were forced to move up Chapter 11 filings into 2020.
- This acceleration of filings into 2020, coupled with stronger than projected retail sales performance in later 2020/early 2021, the ability to secure favorable terms with lenders, and booming capital markets that have provided relatively easy access to financing and refinancing capital, has led to historically low bankruptcy filing volume in 2021.
- With limited retail filings year-to-date, and the holiday shopping season on the horizon, retail bankruptcy activity should remain low through the balance of 2021, resulting in a bankruptcy filing volume roughly half that of the lowest level experienced over the past five years.

### 1 Retail bankruptcy filings



Source: CBInsights

- While activity is historically low in 2021, distressed retailers who have benefitted from short-term financial assistance from their lenders and/or occupancy cost reductions from their landlords, will likely find themselves back in distressed situations as these short-term solutions

burn off. This dynamic should see retail filing activity return to typical levels in 2022 and beyond.

- Given the supply chain challenges ramping up throughout the retail sector as well as other external factors, pressure on margins and retail lending facilities, alongside broader inflationary trends, will certainly threaten to disrupt the retail market, potentially causing a dramatic increase in retail filings should these issues remain unresolved.

## RETAIL STORE TRENDS - MAJOR U.S. MARKETS

- With the acceleration of numerous retail bankruptcy filings into 2020, many retail store closings projected for 2021 were shifted into 2020. This dynamic, coupled with stronger than anticipated retail sales fundamentals in late 2020/early 2021, have reduced retail store closure announcements to their lowest level since 2016.
- Several retail categories have thrived in the pandemic environment including grocery, discount stores, and home/building supplies. Overall, these categories have sustained relatively consistent brick-and-mortar retail network growth throughout the economic downturn with strong increases observed in the faster growing metros of the Southern and Western United States.
- Other retail categories have been severely challenged during the pandemic as changes in consumer behaviors and broader economic impacts driven by the pandemic have impacted retail sales performance. These retail categories include apparel, fitness clubs, and department stores, among others.
- Across the hardest hit retail categories, large store count reductions were driven predominantly by distressed retailers forced to accelerate filing activities into 2020, restructuring their real estate portfolios and closing brick-and-mortar units prior to capitalizing on the benefits provided by the stronger than anticipated recovery in the latter stages of the pandemic.

# Experience

B. Riley Advisory Services' affiliate, B. Riley Retail Solutions, is one of the largest liquidators of retail inventory and has been involved in a variety of liquidations, ranging from the disposition of excess inventory and the closing of under-performing stores, to full-scale liquidations of national retailers with hundreds of stores. B. Riley Retail Solutions has experience with full and partial liquidations of companies throughout a variety of retail sectors, some of which are detailed below:

<b>Sur La Table</b>	<b>Modell's Sporting Goods</b>	<b>RTW Retailwinds (New York and Co.)</b>	<b>Tuesday Morning</b>	<b>Kirkland's</b>	<b>Stein Mart</b>
<b>Bon-Ton</b>	<b>Payless</b>	<b>JC Penney</b>	<b>Target Canada</b>	<b>Sears Canada</b>	<b>Macy's</b>
<b>Gymboree</b>	<b>Toys "R" Us</b>	<b>Gap</b>	<b>Borders</b>	<b>Hancock Fabrics</b>	<b>RadioShack</b>
<b>Gander Mountain</b>	<b>Linens 'N Things</b>	<b>Naartjie</b>	<b>Game Stop</b>	<b>Masters (Australia)</b>	<b>Barney's</b>

These experiences, in addition to numerous others, provide B. Riley Advisory Services with valuable insight into the market trends and the consumer response that can be expected in a liquidation. They give us an understanding as to recovery values that can be achieved for retailers within these industries. In addition to this liquidation experience, B. Riley Advisory Services has worked with and appraised numerous retailers, including industry leaders within each sector. While our clients remain confidential, B. Riley Advisory Services' extensive list of appraisal experience includes:

- Numerous retailers of apparel and accessories, including major department store retailers and a variety of specialty retailers that are found in malls throughout the country.
- Several e-commerce and multi-channel retailers, as well as flash sale websites and auction websites.
- Leading off-price retailers of apparel and accessories, including major national and regional chains.
- Retailers of consumer electronics, including smaller, more localized chains, as well as regional, national, and international retailers with close to 4,500 store locations.
- Many jewelry retailers, including one of the largest in the U.S., with locations throughout the country and net sales exceeding \$1.4 billion annually.
- Major national and regional discount and dollar stores, including one of the country's largest chains, with over 10,000 stores.
- Leading book retailers, including one with over 700 store locations and sales of upwards of \$4.5 billion.
- Sporting goods retailers that specialize in a number of products, including those for outdoor sports, recreational ball sports, hunting, camping, and fishing, and a variety of other equipment for outdoor enthusiasts.
- Major regional grocery store chains including one with a store base of upwards of 800 and net sales in excess of \$10.0 billion, as well as smaller local grocery store retailers and pharmacies.
- Several regional pharmacy retailers, pharmacy and service providers to long term care facilities, supermarkets with pharmacy operations, and wholesalers of pharmaceuticals, for which B. Riley Advisory Services valued both the pharmacy inventory and prescription lists ("scripts").

In addition to our internal personnel, B. Riley Advisory Services maintains contacts within the retail industry that we utilize for insight and perspective on recovery values.

# Meet The Team

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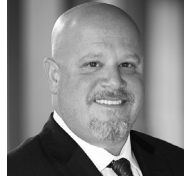
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# About B. Riley Advisory Services

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In February 2021, B. Riley acquired National Holdings Corporation. The combination created an enhanced wealth management platform, and as a result of the acquisition, B. Riley has a synergistic footprint with offices now expanding from coast to coast.

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Provides specialty financial advisory services to address complex business problems and board level agenda items.

- Appraisal & Valuation Services
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- Forensic Accounting & Litigation Support
- Operations Management Services
- Restructuring & Turnaround Management
- Transaction Support

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Provides a full suite of investment banking, corporate finance, advisory, research, and sales and trading services for middle-market public and private companies.

- Capital Markets
- Restructuring & Recapitalization
- Mergers & Acquisitions (M&A)
- Sales & Trading
- Equity Research

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- Real Estate Advisory Services
- Capital Solutions & Acquisitions
- Financial Advisory Services

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- Inventory Clearance
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Provides dedicated resources that drive value with the firm’s alternative asset manager clients by developing and maintaining relationships with middle market financial sponsors.

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Invests in late-stage private growth companies with a path towards public markets.

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