

UNITED STATES

Cushman & Wakefield

Global Cities Retail Guide



Long called the cultural melting pot, the United States of America (the U.S.) is the world's largest economy and remains at the forefront of retail market trends.

U.S. retailers and shopping center owners are now global companies setting the standard for consumer business worldwide. The high streets of New York, Chicago, San Francisco, and Los Angeles are shopping destinations for local residents and international visitors alike.

With access to a mature and diverse range of retail property types – from luxury high streets like Fifth Avenue (New York City) and Rodeo Drive (Los Angeles), to enclosed shopping malls, to open air centers – U.S. markets offer a variety of retail schemes.

The U.S. is home to many of the world's best known brands such as Nike, GAP, Abercrombie & Fitch, and Apple that started in malls and high streets of the United States. And while the U.S. may be best known for the burger, it continues to produce great restaurants whose diversity of cuisines matches the country's multi-cultural population.

With annual retail sales greater than US\$6.0 trillion, the opportunities of the US market will continue to produce homegrown brands and attract foreign concepts looking for new consumers.



UNITED STATES OVERVIEW

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ECONOMIC OVERVIEW

ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2018E	2019F	2020F	2021F	2022F
GDP Growth	2.9	2.6	1.7	2.1	2.8
Personal Consumption Expenditure Growth	2.6	2.4	1.5	1.4	2.6
Investment	5.9	3.6	2.2	3.7	5.1
Unemployment Rate (%)	3.9	3.7	3.7	4.3	4.5
Inflation	2.4	1.9	2.1	2.3	2.3
US\$/€ (average)	1.2	1.1	1.3	1.3	1.3
Interest rates 3-month (%)	1.94	2.28	2.12	2.30	2.69
Interest rates 10-year (%)	2.91	2.40	2.80	3.27	3.97
Consumer Confidence Index	130.1	123.4	99.6	97.9	106.7

ECONOMIC BREAKDOWN

Population	327.8 Million (2018E)
GDP	US\$ 20.9 Trillion (2018E)
Political Breakdown	Two-Party Democratic-Republican Coalition
Executive Branch	President/Vice President Donald Trump/Michael Pence (Rep)
Legislative Branch	Congress: Senate/House (Dem/Rep)
Judiciary Branch	Supreme Court (Appointed Non-Partisan)
Election Date	2020

RETAIL SALES GROWTH: % CHANGE ON PREVIOUS YEAR

UNITED STATES	2018F	2019F	2020F	2021F	2022F
Retail & Food Sales	4.8	3.4	2.9	2.8	4.2
eCommerce	14.2	10.1	6.2	5.0	6.5
GAFO	2.6	0.9	2.5	2.3	3.1

NOTE: Annual % growth rate unless otherwise indicated. Figures are based on local currency and real terms. E estimate F forecast.

SOURCES: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, U.S. Census Bureau, Standard & Poor's, The Conference Board, U.S. Board of Governors of the Federal Reserve System, Moody's Analytics, Oxford Economics

CITY	POPULATION (2018)
New York	8,398,748
Los Angeles	3,990,456
Chicago	2,705,994
Houston	2,325,502
Phoenix	1,660,272
Philadelphia	1,584,138
San Antonio	1,532,233
San Diego	1,425,976
Dallas	1,345,047
San Jose	1,030,119

SOURCE: U.S. CENSUS BUREAU



UNITED STATES LARGEST CITIES

UNITED STATES

RETAIL OVERVIEW

MAJOR DOMESTIC FOOD RETAILERS

Walmart, Kroger, Costco, Target, Albertsons, Publix, Amazon, H-E-B, Southeastern Grocers, Wegmans, Giant Eagle

MAJOR INTERNATIONAL FOOD RETAILERS

Aldi, Lidl, Ahold Delhaize

MAJOR DOMESTIC NON-FOOD RETAILERS

Walmart, Target, Home Depot, Costco, CVS, Lowe's, Apple, Best Buy, Macy's, Kohl's, JC Penney, TJX, Ross Stores, Dollar General, Dollar Tree, Gap, Nordstrom, Bed Bath & Beyond

INTERNATIONAL RETAILERS IN THE UNITED STATES (Selection)

IKEA, Zara, H&M, Uniqlo, Louis Vuitton, Cartier, Burberry, Gucci, Diesel, Mango, Sephora, Lululemon

FOOD AND BEVERAGE OPERATORS

McDonald's, Starbucks, Subway, Burger King, Taco Bell, Pizza Hut, KFC, Dunkin' Donuts, Baskin-Robbins, Panera Bread, Wendy's, Jack in the Box, Chipotle Mexican Grill, Chili's, Olive Garden, IHOP

TYPICAL HOURS*

MONDAY-SATURDAY

9:00/10:00AM-9:00/10:00PM (non-food)
7:00AM-11:00PM/12:00AM (food)
(Supermarkets & Drugstores up to 24 Hrs)

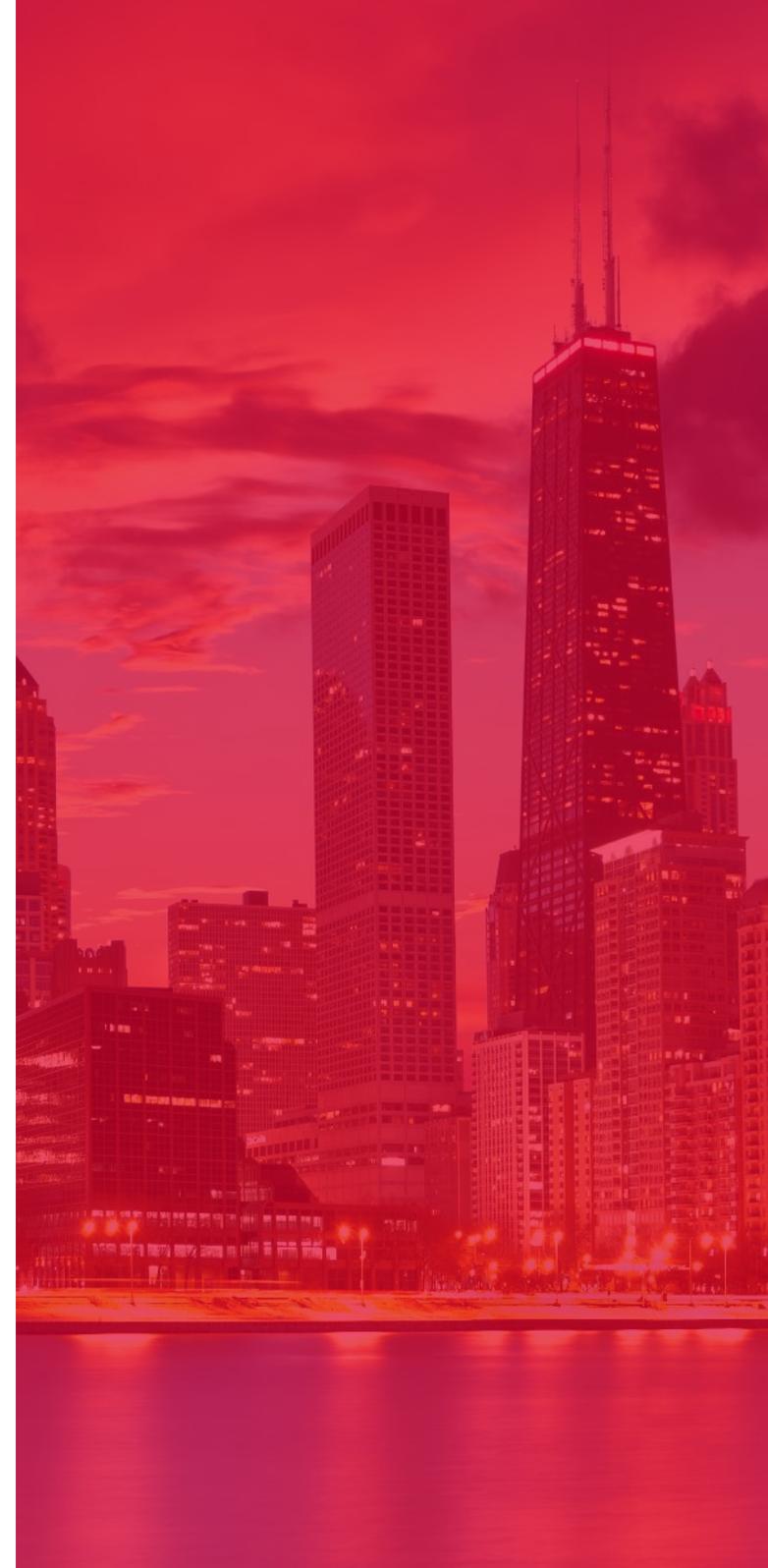
SUNDAY

12:00PM-6:00PM (non-food) .
11:00AM-10:00/11:00PM (food)
(Supermarkets & Drugstores up to 24 Hrs)

**note that trading hours may vary depending on location and retailer type*

NEW ENTRANTS TO MARKET

Innisfree Gabriela Hearst Ralph & Russo DECIEM Joe Bananas Alexandre Birman



UNITED STATES

RETAIL SCENE

The U.S. is a relatively mature and competitive retail market where consumers have traditionally been very receptive to new concepts and formats.

The United States is the world's largest retail market with personal consumption expenditures of 11.2 trillion annually roughly \$34,848 per person for its 321.8 million citizens.

The U.S. leads the world in shopping center Gross Leasable Area (GLA) per capita at nearly 23 square feet per person, well ahead of other countries.

Retail space in the U.S. totals 14.2 billion square feet, including nearly 85,000 shopping centers with an aggregate GLA of 5.4 billion square feet, accounting for roughly 48% of the U.S. total retail space. (Source: CoStar Group, Inc.)

The U.S. has some of the most expensive street retail space in the world. New York's Upper 5th Avenue holds the top spot as the world's most expensive retail location with rental rates reaching \$2,250 per square foot on an annual basis (as of 2018). New York's Times Square Bowtie and Madison Avenue also remain among the most expensive, with rents as high as \$1,750 and \$1,100 per square foot per year, respectively.

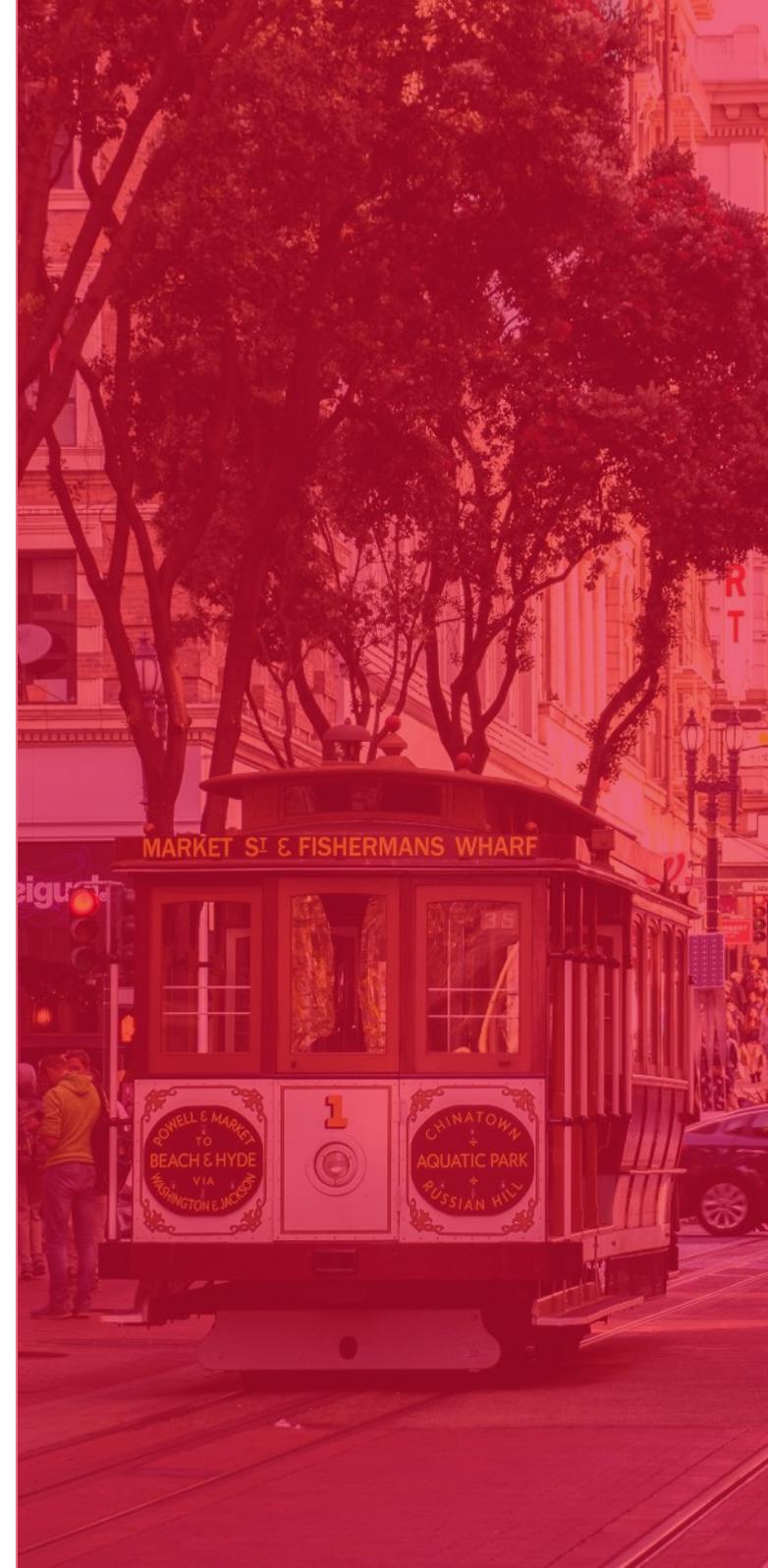
Technology continues to influence consumer purchasing behavior and online purchases continue to grow. In 2018, online retail captured 9.9% share of total retail sales.

Due in part to technological advances in retailing, traditional Big Box retailers are shrinking store sizes and footprints to enhance profitability.

Retailers continue to experiment with formats of every size and shape as they look to better compete. This even goes for digitally native retailers that are increasingly going omni-channel as well and opening physical stores to serve as embassies of their brands.

Retail expansion in the U.S. is currently being driven by concepts that don't compete with online retailers, such as food (grocery or restaurant), entertainment and service-related retail.

One of the hottest trends right now in the restaurant business, and retail in general, is the food hall. Food halls are popping up around the United States at a breakneck pace; and are projected to reach over 450 by 2020.





UNITED STATES

SHOPPING CENTERS

LARGEST MALLS

NAME	METRO AREA	SIZE (GLA SF)	YEAR OPENED
KING OF PRUSSIA	PHILADELPHIA	2.8 MSF	1962
MALL OF AMERICA	MINNEAPOLIS	2.8 MSF	1992
AVENTURA MALL	MIAMI	2.7 MSF	1983
SOUTH COAST PLAZA	ORANGE COUNTY	2.6 MSF	1967
DEL AMO FASHION CENTER	LOS ANGELES	2.6 MSF	1961
DESTINY USA	SYRACUSE	2.4 MSF	1990
ALA MOANA CENTER	HONOLULU	2.4 MSF	1959
THE GALLERIA	HOUSTON	2.4 MSF	1969
SAWGRASS MILLS	FT. LAUDERDALE	2.4 MSF	1990
ROOSEVELT FIELD	LONG ISLAND	2.4 MSF	1956



UNITED STATES

KEY FEATURES OF LEASE STRUCTURE

KEY FEATURES OF LEASE	
ITEM	COMMENT
Lease Terms	Lease terms in the United States typically range between 3-10 years, with fair market options extending the term for an additional 5 or 15 years. Average terms for anchor-type tenants (100,000+ sf) can average around 20 years. Rents are quoted in US \$ on a per square foot (psf) per year or per month basis. Rent is quoted exclusive of property taxes and common area maintenance (service charge) which are charged separately. There are several options to renew the lease after the first term. The rent for these option periods can be agreed on at lease commencement or based on benchmark adjustments such as the Consumer Price Index (CPI). Concessions in the form of tenant improvement allowances and free rent may be offered depending on the size and credit quality of the tenant.
Rental Payment	Rents are payable monthly. Percentage rent deals are common only in restaurant transactions, and then typically only when a landlord has contributed meaningfully to a tenant's initial build-out. A security deposit is not required if the tenant signing the lease is a credit worthy entity, but it is common to see shell corporations or single-purpose entities signing the lease to limit exposure, in which case a substantial security deposit would be required, in the amount of up to a year's rent. Personal guarantees and/or letters of credit may also be required, especially for higher risk tenants.
Rent Review	Rental escalations are common practice, ranging anywhere from an average of 2% - 3% per annum. They can be fixed or tied to inflation. Those increases can be annualized or every three or five years. Escalations are based on contracts between the landlord and tenant. There is no judicial review of the increases.
Service Charges, Repairs and Insurance	Tenants are typically responsible for all expenses in addition to base rental payments and taxes (see below). This generally includes the cost of CAM (common area maintenance), taxes and insurance. CAM typically covers management fees, security, cleaning, landscaping, internal maintenance of common thoroughfares, external maintenance and insurance, servicing of elevators, water, heating, and air conditioning. Retail tenants are generally responsible for their own direct operating expenses, including HVAC, electric and water, and typically are metered for those utilities directly. Alterations to the shop's interior/exterior usually require the landlord's consent which can generally not be withheld. The terms of the lease will detail these provisions.
Property Taxes and other costs	Retail tenants typically pay a pro-rata share of real estate taxes, with the pro-rata share being determined by the tenant's share of square footage in the building. Retailers who occupy an entire building usually are responsible for all taxes.

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KEY FEATURES OF LEASE STRUCTURE

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Disposal of a Lease	Sub-letting and lease assignments are usually possible under the terms of the lease, subject to landlord's approval. Early termination is only by break clause, to be negotiated at outset of lease. For an early termination of a lease, the fee is approximately equal to the unamortized cost of the tenant improvements. At the end of the lease, tenant is required to leave the space in "broom clean" condition with all personal property removed. All tenant improvements must be approved by the landlord subject to the alteration covenant in the lease.
Valuation Methods	Stores are not valued using a government index, but rather in a more subjective way, using recent comparable transactions as a guide, but without specific guidelines as to valuation.
Legislation	A memorandum of lease is required in some jurisdictions. Tenants are required to submit to building inspections during construction and to obtain a Certificate of Occupancy prior to opening.

ERIKA SCHANKE

Managing Director

Americas Retail Services

1290 Avenue of the Americas

New York, NY 10104, USA

Tel: +1 212 841 5024

Mob: +1 404 680 4363

erika.schanke@cushwake.com



WHAT'S NEXT

IN RETAIL



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