

March 2020

Views and News

AmCap 40 YEARS

Transforming Retail Properties.



The View From the Shopping Center

Since the proliferation of COVID-19 across the country last week, consumers have been changing their behavior in an attempt to limit exposure and prepare for uncertain times. Retailers have had to adapt in turn, and will continue to face fundamental challenges to their businesses as the crisis persists and intensifies.

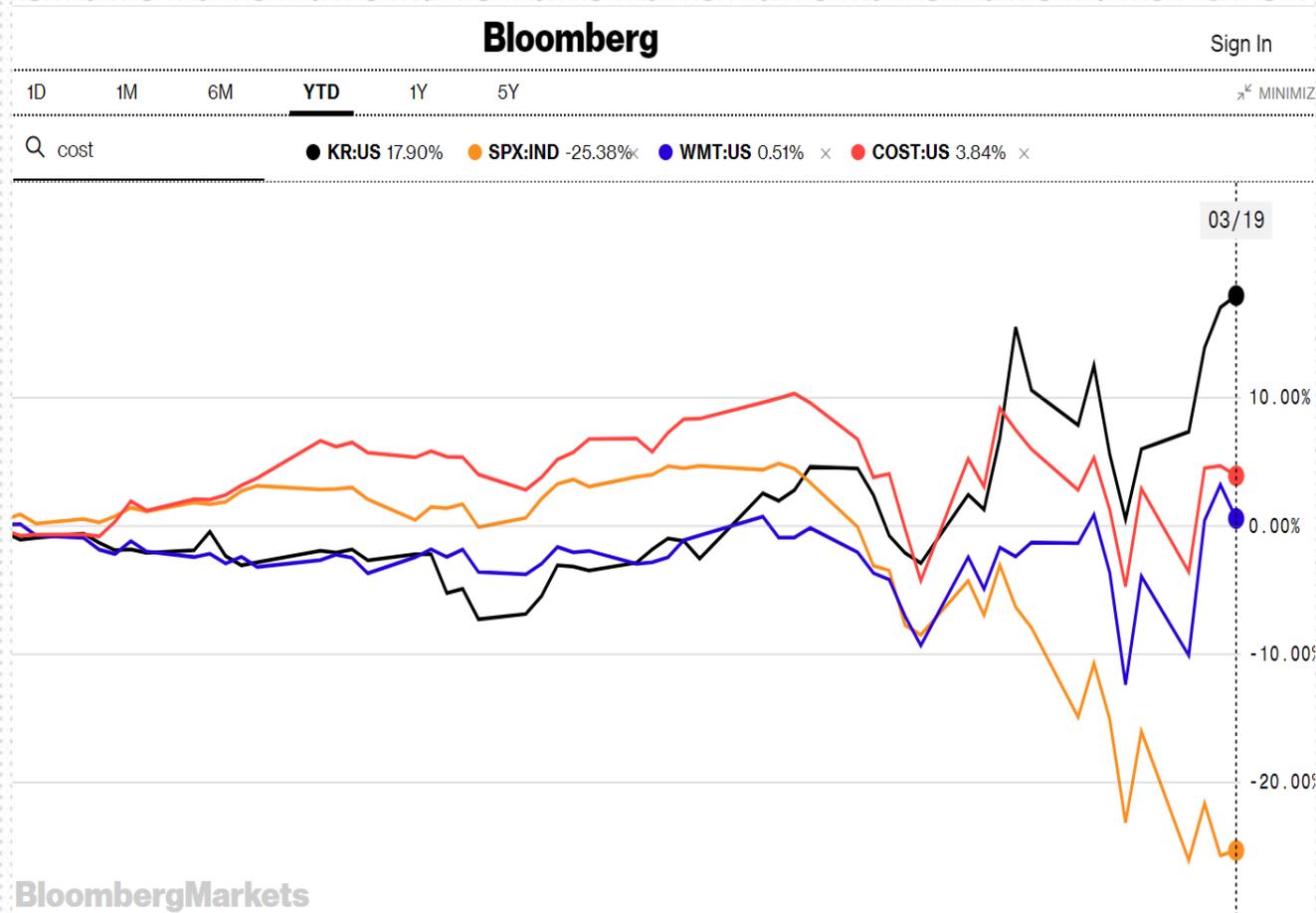
While the crisis has affected AmCap centers differently across the portfolio, there has been a precipitous uptick in traffic at all grocery stores. We saw a dramatic surge in activity at the portfolio's grocery stores as early as the afternoon of Thursday, March 12. The surge in demand is not limited to emergency supplies such as disinfectants, toilet paper and canned goods. Shortages have extended to anything customers deem necessary for an extended stay at home. We've had multiple grocers inquire as to what their maximum capacity may be in their stores – a first for us.

At our Colorado centers last Thursday and Friday, King Soopers reached capacity in pick-up slots, averaging over 20 per hour and reservations were unavailable through the weekend. While many grocers offer home delivery, the wait times from most of these grocers have extended to multiple days, while others have suspended service altogether because of overwhelmed systems.

The concentration of customers at grocery stores has led companies to take extensive measures to limit contamination. Many grocers have begun to institute limited hours in order to deep clean stores and restock shelves. King Soopers cut daily store hours from 5AM - midnight to 7AM - 8PM. It has yet to be seen what the consumer reaction will be to these reduced hours, though it could concentrate traffic and increase activity when stores are open. As many of you may know, many grocers, including Stop & Shop in the Northeast, are offering early shopping hours just for people aged 60 or over to limit this at-risk population from exposure to the broader population.

In the public markets, grocers have consistently outperformed other industries as stocks have plummeted by over 20% in aggregate. Walmart, Kroger, and Costco all remain within a 10% range of their position at year-end 2019. As local and state governments begin to restrict consumer behavior to curb infection, supermarkets will remain open and thriving. Consequently, market confidence remains high in the core of AmCap's business.

The Market Speaks



Stock performance YTD: Kroger, Costco, Walmart, S&P 500
Bloomberg, March 19, 2020

The View...Continued

Though there has been a tremendous surge in the number of customers in AmCap centers at both peak and non-peak hours, the traffic has been near-uniformly focused on the grocer. Quick service restaurants and those with established take-out service such as Chipotle and Chik-fil-A are humming along. Our drug store tenants are busy. However, in-line tenants have struggled to varying extents based on the goods and services offered. As the virus continued to spread through the week, gyms, clothing stores and restaurants alike were closing, whether by choice or edict. Some of this is very location dependent; the variability of response varies state by state. Apparel chains such as TJ Maxx and Lululemon have announced blanket store closings through the end of March to protect employees and avoid a falloff in traffic.

We anticipate that there will be tenants looking for rent abatements over the coming weeks. It will be important for AmCap to distinguish between opportunism and genuine retailer distress as to preserve the long-term viability of its tenant base over the coming weeks. There will be tenants who can't survive or choose not to, using the impact of the virus as a means out of lease obligations; we've already seen that over the week. While AmCap certainly didn't foresee something of the magnitude of COVID-19, we have experience navigating troubled waters. First and foremost, an internally-managed leasing effort which focuses on the credit and durability of all of our tenants is incumbent to the well-being of our shopping centers and investors' capital. We will manage through those conversations, with the support of a broad portfolio and depth of experience, but there may well be many owners who do not.

AmCap Is Growing

+We would like to welcome Adam Freindlich, the newest member of our team. Adam had the misfortune of joining AmCap the week we chose to go remote as a result of COVID-19. All systems are working well, we are fully functional, but he's meeting the team by Zoom instead – looking forward to normal times!

+Adam joined as a Senior Analyst in the Acquisitions department. Prior to joining AmCap, Adam served as an Analyst on the investment team at Roseland Residential, the multifamily development and asset management arm of Mack-Cali Realty Corporation. At Roseland, he worked on an array of acquisitions, joint venture consolidations and financings. Adam graduated Cum Laude from the Wharton School of Business at the University of Pennsylvania in 2017. He holds a Bachelor of Science degree in Economics with concentrations in Real Estate and Finance.





Contact Us

We are happy to share our thoughts and perspectives in more detail.

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