

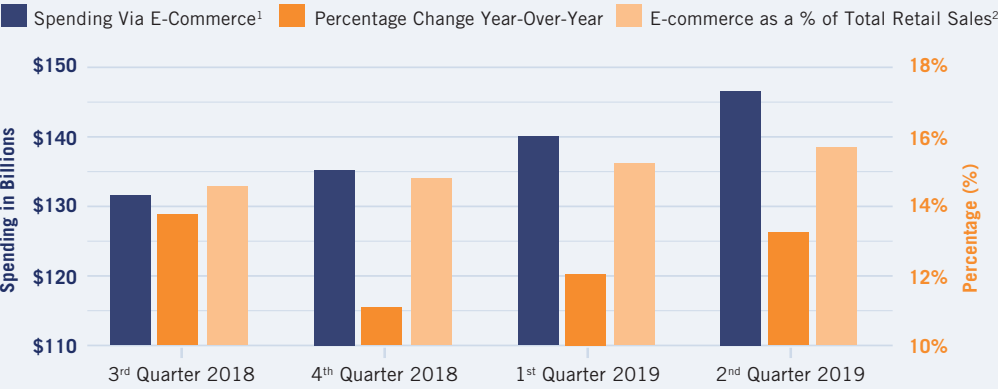
THE BRICK-AND-MORTAR APOCALYPSE

NOVEMBER 2019 

Brick-and-mortar retail has faced significant challenges over the past few years. Some industry experts believe this downward spiral could continue for the foreseeable future, and there are signs of the “four horsemen” that could ultimately lead to the brick-and-mortar “retail apocalypse.”

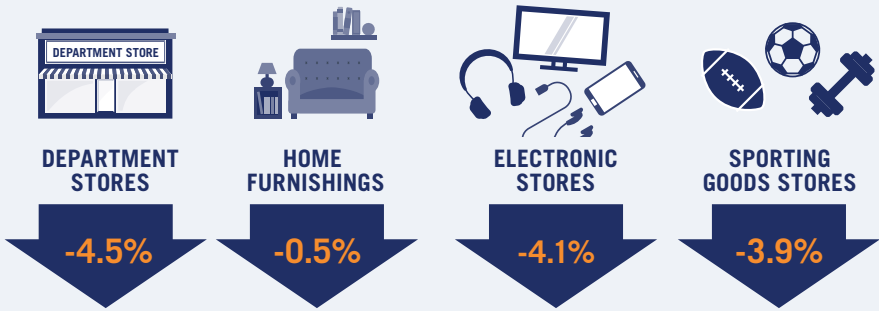
HORSEMAN #1: SALES SHIFT

Consumer spending continues to shift away from brick-and-mortar and towards e-commerce.



Source: www.census.gov/retail
Note(s): (1) Results are revised estimates as outlined in the most recent press release for the second quarter of 2019.
(2) Total retail sales exclude sales of automobiles, gasoline, and restaurants.

DECLINES IN UNADJUSTED RETAIL SALES*



Retailers have reported mixed results in recent quarters, with many specialty apparel retailers, department stores and other retailers reporting declining comparable store sales.

Source: U.S. Census Bureau

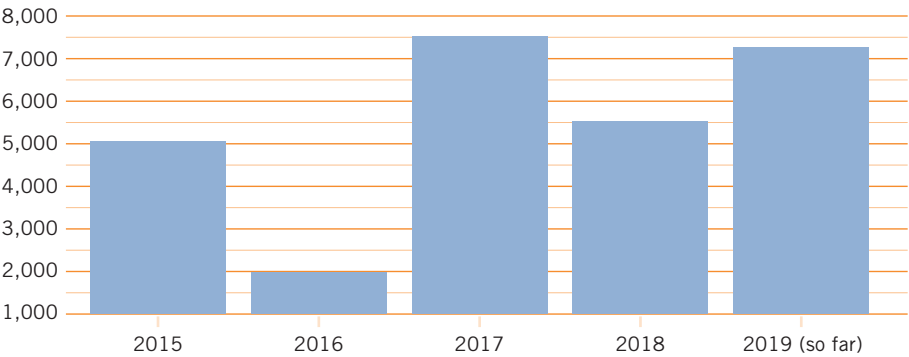
*YTD through August 2019.

HORSEMAN #2: OVER-STORED AMERICA

Many retailers are operating too many stores, especially with the recent shift to e-commerce spending. Retailers affected by this shift are right-sizing locations across the U.S. In some instances, retailers have shuttered under-performing locations, while other chains have liquidated entirely. Most of the store closings are in B and C level malls.

Sources: UBS, Coresight Research

NUMBER OF RETAIL STORE CLOSURES



HORSEMAN #3: DEBT

High levels of debt have caused many bankruptcies, which have affected brick-and-mortar businesses. But not all who have filed for bankruptcy have closed their doors; some have adapted by right-sizing their store base.



Sources: www.cbinsights.com, www.cnn.com, www.nytimes.com, www.nbcnews.com, www.wsj.com
*Reflects Gymboree's 2017 filing; subsequent filing in 2019

HORSEMAN #4: TARIFFS

The U.S. has announced tariffs on virtually all goods imported from China, representing approximately \$550B in goods.

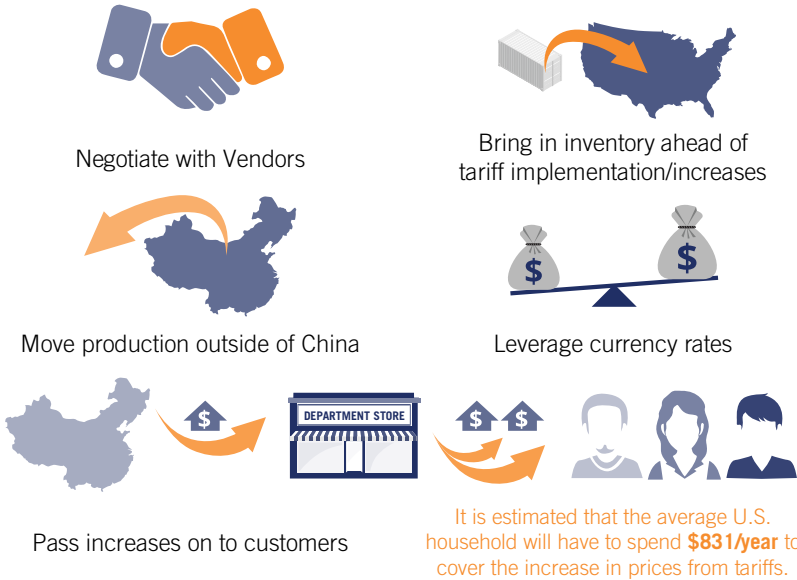


25% tariffs on ~\$250B of Chinese imports*.

On September 1, 2019, the U.S. placed a 10% tariff on an additional \$125B of Chinese imports, with a 10% tariff slated for December on an additional \$160B in goods.

* As of May 2019.

STRATEGIES TO OFFSET TARIFFS



Sources: Federal Reserve Bank of New York, Wall Street Journal.

HAVOC ON THE HORIZON

With the four horsemen advancing in what is a growing economy, it remains to be seen how retailers will fare if a recession were to hit. Store closures will likely continue in the coming years, with some predicting as much as 30% of retail space shuttering as companies brace for a potential retail apocalypse. Store closures result in lost jobs and decreased spending power. Tariffs drive prices up, and all of this combined could wreak havoc on retail sales and the fate of brick-and-mortar.

TO LEARN MORE, DOWNLOAD GA'S RETAIL MONITOR AT GREATAMERICAN.COM/MONITOR

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