Is Curbside Pickup a Long-Term Strategy or Short-Term Fix?

More retail landlords are rolling out the option for mom-and-pop tenants. The trend is expected to stick.

Liz Wolf | May 13, 2020
As the COVID-19 pandemic continues to wreak havoc on the U.S. retail sector and alter the way people shop, big retail landlords are implementing curbside pickup programs to help their tenants ramp up sales as the economy begins to reopen.

Kimco Realty Corp. and Federal Realty Investment Trust are two large shopping center owners designating curbside pickup areas at their centers for essential retailers that are currently open and non-essential retailers that will reopen as government restrictions are eased.

These landlords say they want to help retailers and their customers adapt to the changing shopping habits caused by the pandemic.

Jericho, N.Y.-based- Kimco, which owns 409 U.S. shopping centers and mixed-use properties totaling 72.4 million sq. ft., rolled out its Curbside Pickup program at 23 centers in Texas. Many of its properties are open-air, grocery-anchored centers.

Kimco plans to add these designated curbside pick-up spaces to its retail centers nationwide to be used by all tenants and their customers. Kimco executives say it’s a way for customers to ease back into a daily shopping routine while feeling safe and comfortable.
it in the trunk.

The program was launched at Grand Parkway Marketplace in Spring, Texas, with 60 parking spots dedicated for curbside pickup.

“We started with our whole portfolio across Texas, because that was really the first state to reopen their doors,” says Conor Flynn, Kimco CEO.

Starting April 24, Texas began allowing non-essential retailers to start offering curbside pickup of online and phoned-in orders.

“That will quickly be followed by Georgia and then it will be taken nationally,” Flynn says. He notes that curbside pickup was a trend that was accelerating before the pandemic, but has picked up momentum.

“It’s a natural extension of what the consumer is looking for today, which is convenience, value and just having a suite of amenities that are available to them.”

Proof is in the pudding

During the pandemic, more consumers have turned to online shopping.

Buy online/pick-up in store orders surged 208 percent between April 1 and April 20 compared with a year ago, as consumers continued applying social distancing to shopping to limit their exposure to COVID-19, reported Adobe Analytics, which measures the buying power of digital consumers.
Essential retailers like grocers, Target, Walmart and Lowes have been offering curbside pickup successfully during the pandemic as they’ve been allowed to remain open.

Kimco’s program now formalizes the process and expands it beyond the national retailers to local mom-and-pop businesses.

“The concept originally was one where we saw a lot of our national retailers really doing a nice job,” Flynn says.

Essential retailers operating through the pandemic have been offering curbside as a way to keep shopping centers busy and get consumers comfortable with coming back to the center. “So, we thought long and hard about it,” Flynn notes. “Okay, if our national retailers are doing this and are successful, we should quickly move so that we can make sure that this becomes a best practice across all of the retailers in the shopping center.”

Non-essential retailers haven’t had the luxury of operating during the pandemic, so
Curbside Pickup Gains in Popularity with Retail Landlords

Kimco also established the Tenant Assistance Program (TAP) to help tenants apply for government-sponsored COVID-19 aid programs.

“We’ve been trying to act quickly and be nimble recognizing that certain retailers are well-positioned and can use their balance sheets to weather the storm, but there are a whole bunch of small shops that need help—from curbside pick up to legal advice and services to help them get to the PPP program,” Flynn adds.

**Curbside is ‘here to stay’**

Because of how simple it is, you see how quickly it can become adopted as a new normal, Flynn notes.

“That’s why we think it’s here to stay,” he says. “A lot of people were buying online, but electing to pick it up in-store. With this pandemic, I think there are going to be a lot of people who just elect for curbside pickup from here on out.”

Similarly, Rockville, Md.-based Federal Realty, which owns 104 shopping centers totaling roughly 24 million sq. ft., is rolling out its curbside program dubbed The Pick-Up on May 15. It will provide a contactless exchange for its centers in anticipation of a phased reopening for retail tenants in the coming weeks. The service is for retailers and restaurants of all sizes.

“The Pick-Up takes what is already a growing trend and builds a scalable platform, making it easier for merchants and customers to coordinate the quick, contactless exchange of products to help our tenants drive demand,” said Don Wood, president
Curbside Pickup Gains in Popularity with Retail Landlords

Row to Go Program. It’s an expansion of work the landlord previously did with grocers to accommodate pickup programs.

Growing trend

Real estate services firm JLL is receiving more requests from tenants wanting to offer curbside pickup, says Greg Maloney, president and CEO of the firm’s Americas retail division.

“We’re working with them and converting spaces for curbside pickup. We’re putting up cones and signage,” he says. “We’re putting tents out there. We’re trying to do anything for the customer so that when they come in, they go, ‘Ahh. Here’s where we go [to pick up orders].’”

Maloney believes curbside pickup will become a long-term strategy for many retailers and restaurants, but not all might be able to keep up with orders when in-store businesses fully reopen, particularly restaurants.

“These restaurants that are doing it just to keep their doors open, when they get busy again, they’re saying we can’t do it,” he notes.

Curbside pickup is an effective strategy

“It has been a game changer and it will stay at higher levels,” notes Deb Carlson, a director in the Twin Cities office of real estate services firm Cushman & Wakefield. “Not as high as it is now, but certainly higher than it has ever been, because it just works so well. It’s just another way—even when the world is reopened again—to shop.”
the pandemic. “I think it has become so easy and so nice to have, that consumers are going to keep up with it,” she says, adding it won’t just be grocers but other retailers as well.

Carlson believes that that world might not “right itself” until there’s a vaccine.

“Nothing happens until people aren’t scared anymore,” she notes. “People are going to be scared for a long time. As long as there’s some fear out there, curbside pickup is just going to make a whole lot of people feel better.”

Eventually, however, people will return to in-store shopping.

People will say, “I need to see what’s new. I need to look and see the product. I need to get back into my routine,” Carlson points out. “So those who’ve done [curbside pickup] 100 percent of the time might start to do it 50 percent of the time.”

Carlson also notes that curbside pickup assumes consumers have previously shopped online.

“Your online brand has to be really good and work really well,” she says. “And you have to have consumers that are really comfortable with that.”

The disadvantage for retailers of curbside pickup, is there’s less impulse buying and not everything in the store is online.

“And it’s less of an experience,” Carlson adds.
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U.S. Existing-Home Sales Increase to Fastest Pace Since 2006

Closing transactions in August increased 2.4 percent from the prior month to a 6 million annualized rate.

Bloomberg | Sep 22, 2020

(Bloomberg)—Sales of previously owned U.S. homes remained brisk in August as
Realtors data issued Tuesday. The figure matched the median estimate in a Bloomberg survey of economists. Prices jumped 11.4% from a year earlier on an unadjusted basis to a record.

While the increase in existing home sales in August was smaller than the record 24.7% jump a month earlier, the level is consistent with steady growth. The housing sector has been one of the strongest parts of the economic rebound, in part because of ultra-low mortgage rates, as well as cooped-up urbanites looking for homes and yards outside of city centers during the pandemic.

If Congress fails to pass an additional virus-relief package, “it doesn’t help” but the housing market “will remain strong” because of near record-low rates, Lawrence Yun, NAR’s chief economist, said on a call with reporters. “I do expect a further increase in sales for the remainder of the year. There’s plenty of buyers in the pipeline.”

There were 1.49 million existing homes for sale last month, down 18.6% from August 2019, the 15th straight year-over-year decline. The inventory of houses would last three months at the current sales pace. Anything below five months is seen as a tight market.

Running Even Leaner

“While low mortgage rates and solid demand are supportive of home sales, a lack of inventory and rising prices will constrain sales, particularly as/if the recovery in the labor market falters,” Nancy Vanden Houten and Gregory Daco, economists at Oxford Economics, said in a note.
“The imbalance of supply and demand will hurt affordability soon,” so builders need to step up construction, Yun said. “The homeownership rate may decline if prices rise too fast. That’s why it’s critical to have the supply.”

Builders in August began work on the most new single-family homes since February, according to Commerce Department data last week. The figure also reflected a decline in the tropical storm-hit South, though a rise in permits signals the region will see a pickup in construction in coming months.

Purchases of previously owned single-family homes rose 1.7%, while sales of condominiums increased 8.6% from a month earlier, according to the NAR data.

Existing-home sales increased all regions. Sales in the South, the largest U.S. region, rose to the highest since May 2006. Purchases in the West were strongest in six months and Northeast sales were the best in three years. Midwest sales climbed to the highest level since the end of 2006.

Previously owned home sales account for roughly 90% of U.S. transactions and are calculated when a contract closes.

--With assistance from Jordan Yadoo and Jarrell Dillard.

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