

NELSON

COVID-19 IMPACT ASSESSMENT

*Outlook & Implications
for Retail Centers & Mixed-Use Environments*



Our NELSON teammates are thinking beyond the built environment and delivering thought leadership to help problem solve, knit together related project types, and help our clients focus on what is important moving forward.

NELSON Worldwide conducted a comprehensive evaluation of COVID-19's impact across industries to arm our clients and partners with short- and long-term solutions to best respond, adapt, and innovate.

Our Impact Assessment identifies macro trends and implications that will drive shifts in business models, brand development, and the design of built environments—and ultimately, shape the human experience.

As an integrated architecture, design, and strategy firm that works across mixed-use, retail, restaurant, hospitality, workplace, industrial, healthcare, and public sector industries, NELSON is uniquely positioned to leverage our collective expertise to:

- Analyze user behavior, attitudes, and values
- Synthesize emerging patterns into actionable opportunities
- Develop relevant innovation and implementation strategies
- Partner with clients to navigate this unprecedented landscape

INDUSTRY SNAPSHOT: IMPACT ON SECTORS



MALLS

Continuously challenged to retain relevance, enclosed malls will be hit the hardest as they face more dead space due to tenants re-evaluating brick & mortar locations in the wake of COVID-19.



OPEN-AIR RETAIL CENTERS

As non-essential specialty retail regains its footing, shoppers will seek out open-air developments for BOPIS, quick needs and a taste of the “new” normal shopping experiences.



STRIP/SHOPPING CENTERS

Grocery and mass retail paired with service providers will reinvigorate stale norms for how everyday shopping centers should function as more active community participants.



LIFESTYLE MIXED USE

The growth of this sector—and the role of “local” within—will prevail as both urban and suburban centers activate uniquely positioned propositions and programs in their neighborhoods.



SPORTS-ANCHORED DEVELOPMENTS

As safety is redefined in the context of large crowds and events, developments centered around sports venues will need to assess capacity and flow while maintaining a spirit of entertainment.



OUTLETS

Discount-driven retail may have an advantage as the economy recovers post-COVID-19. Most outlet centers, however, need to strategically invest to ensure they’re truly destination-worthy.

INDUSTRY SNAPSHOT: IMPACT ON CORE COMPONENTS



MASTER PLANNING & E-COMMERCE

Fulfillment has forever shifted, for both consumers and brands, driving a revolution in distribution methods that will permanently alter the make-up of developments—inside and out.



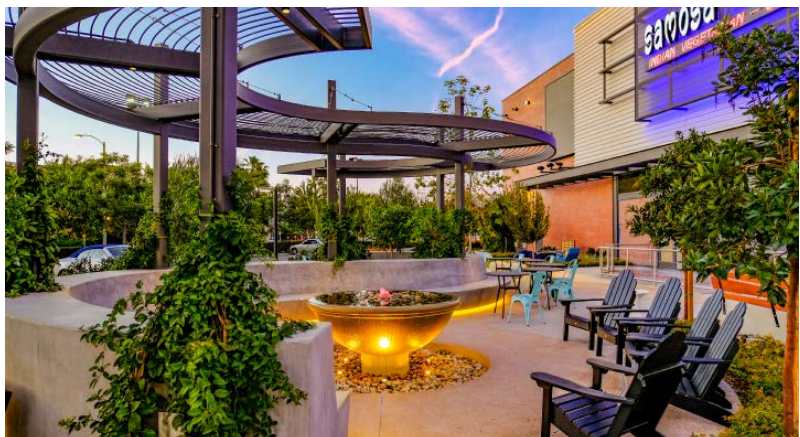
PUBLIC & COMMUNAL SPACES

In the short-term, safety and distance will be paramount. Moving forward, public spaces will be reframed as outdoor escape and respite with implications on wellness and sustainability.



TENANT MIX

Dark anchors and failed traditional retailers will proliferate; health, wellness and service tenants will be in the spotlight; DTC brands will be reconsidered; and local brands will be elevated.



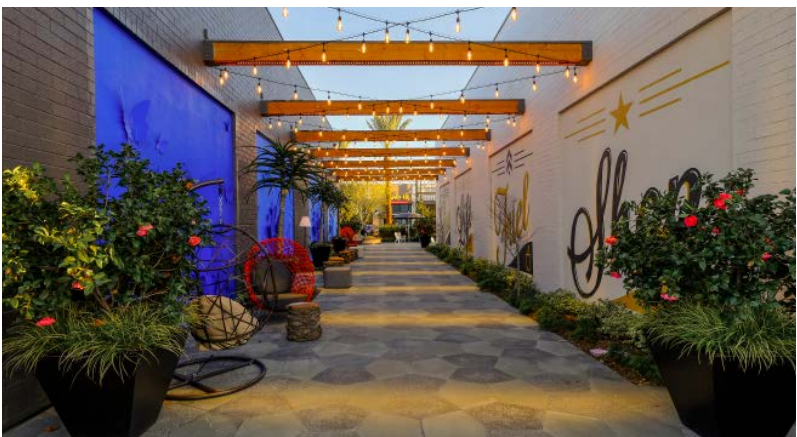
AMENITIES

From public bathrooms to interactive directories, co-working lounges to fitness rooms, shared amenities will be under the microscope for hygiene—but ultimately, will remain.



PARKING LOTS & GARAGES

Perhaps the most long-overdue reinvention will lie in parking lots/garages as BOPIS behavior and transportation continues to evolve. Underutilized space will also be repurposed.



ENVIRONMENTAL GRAPHIC DESIGN

In the immediate landscape, graphics will be fundamental in conveying new safety protocols. In the long-term, brand activation will ensure property differentiation and relevance.

In This Assessment:

IMMEDIATE IMPACT

Considerations, tactics, and solutions for short-term implementation in the built environment as businesses reopen

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04 | CONCIERGE MINDSET

05 | RESPONSIVE RELEVANCE

Manifestation: tangible examples of how a trend is coming to life

EXPANDED INFLUENCE

Long-term shifts in attitudes, beliefs, and values that will shape the future of retail and mixed-use developments

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02 | EXPERIENCE CURATORS

03 | RESIDENTIAL REFRESH

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Driver: sociocultural or consumer influence

Implication: resulting outcome for brands & businesses



IMMEDIATE IMPACT

*Considerations, tactics, and solutions
for short-term implementation in the built
environment as businesses reopen*

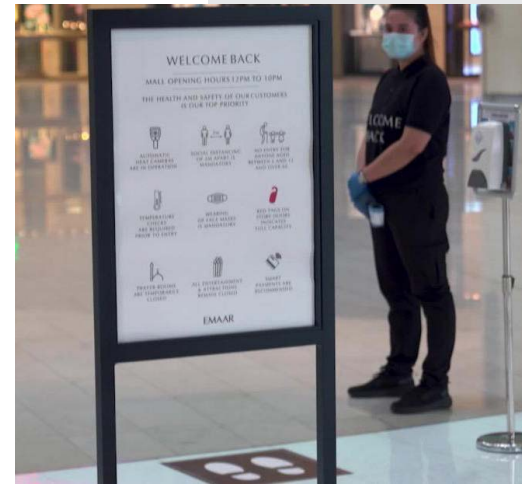


SEEING CLEAN

Clearly visible solutions that signal the new cost-of-entry for sanitation and germ mitigation—reassuring consumers and employees they are safe

MANIFESTATIONS

- Establishing a new design aesthetic that signals clean
- More outdoor spaces and a purposeful integration between indoors and outdoors
- More, and highly visible, sanitation stations
- Staff dedicated to the task of cleaning
- Separation mechanisms that enable distancing while retaining engagement
- Screening of guests and employees at entry points
- A return to disposable, resulting in a short-term tension with sustainability
- Prominent graphics and messaging to communicate and reinforce protocols, safety, and efficacy



*Malls across the world (The **Dubai Mall** pictured on the left) are implementing sanitation stations for both guests and employees—upon entry and throughout the concourses. Dedicated employees are also tasked with sanitizing public areas frequently.*

***Geometry**, a WPP-owned agency, is relaunching *Handle on Hygiene*—a device designed to clean shopping cart handles in between uses. First launched in 2015 through a partnership with **Unilever**, the product is resurging due to COVID-19 relevance.*

*Developers, like **Simon Property Group**, are leveraging signage to assure shoppers of their safety protocols and provide best practice guidelines.*

INVISIBLE INSURANCE

A concerted investment in behind-the-scenes solutions, systems, and infrastructures that create resilient environments

MANIFESTATIONS

- Smart buildings that enable automation
- Contactless interactions and payments
- Anti-microbial materials and finishes
- High-performing HVAC systems
- Camera and tracking technology
- Germ-killing lighting
- Self-cleaning mechanisms



The Pittsburgh International Airport is experimenting with automated UV scrubbers to clean its floors in an attempt to eradicate COVID-19 from surfaces.



Publix, among other retailers, announced a contactless payment program that allows shoppers to use existing providers as well as implementing a payment option in their branded app.



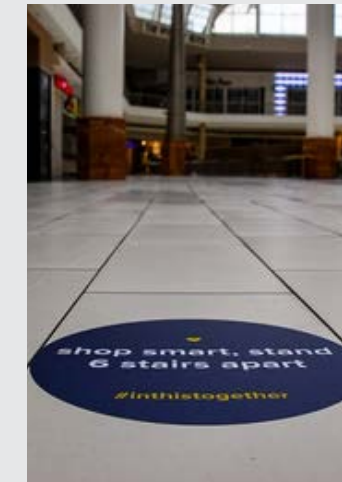
Smart solutions will infiltrate all public environments moving forward—from automatic doors to responsive shades.

DECOMPRESSED DENSITY

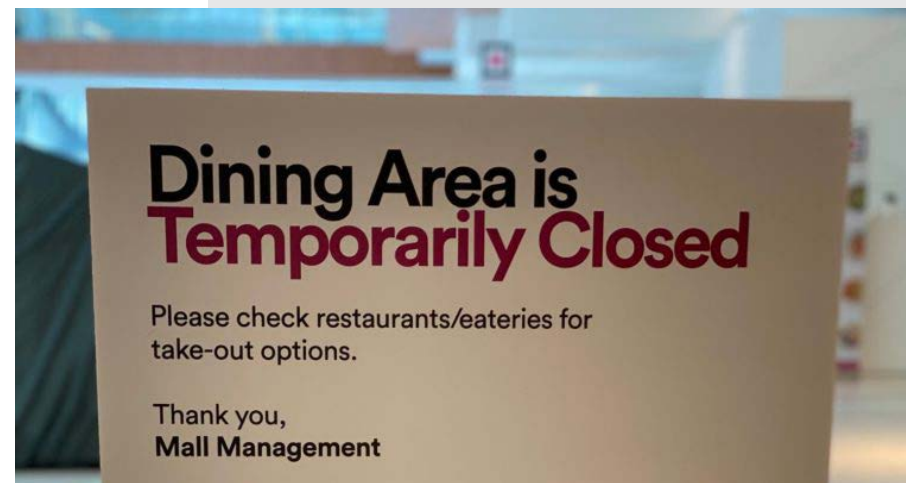
Proactive management of personal space between guests, employees, and each other

MANIFESTATIONS

- A short-term reevaluation of best practices for space planning
- Limiting capacity
- Guided journeys
- Social distancing communication
- Less merchandise, furniture, and clutter
- Tech-enabled solutions to detect proximity
- Evolution of established metrics beyond conventional baselines



From floor graphics to integrated carpets, visual cues help to guide shopper journeys and maintain recommended social distancing.



Malls are closing certain communal areas, including food courts and kid playscapes, to mitigate the potential spread of germs in highly dense spaces.



***Mediamatic ETEN**, a vegan restaurant in Amsterdam, is experimenting with “separate greenhouses” as a way to socially distance dining groups up to three people. Reservations through the end of June are already booked.*

CONCIERGE MINDSET

Elevating previously “luxury” convenience models to the expected, everyday normal

MANIFESTATIONS

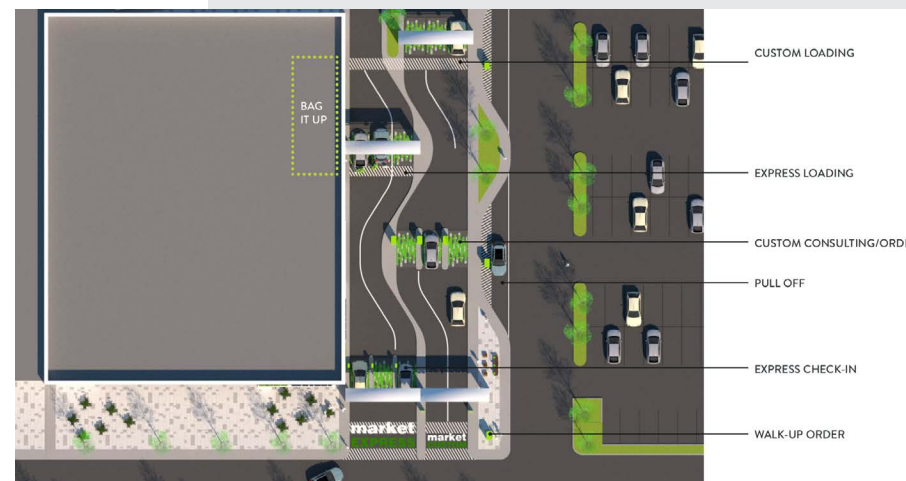
- Initiating or elevating delivery
- Curbside pick-up services
- Walk-up or drive-thru activations
- Easy-drop returns
- 24/7 customer service
- Designated spaces and zones for public vs. private



Retailers and restaurants galore are evolving their pick-up and delivery touchpoints, with some launching new services, like **Michael's** curbside pick-up. **KFC's** drive-through-only concept in Australia demonstrates how concierge-driven experiences may continue to evolve in the future.



Mall of America and **Kimco Realty** are also beginning to latch onto this trend, dedicating certain parking spots or curb locations for curbside service.



As curbside pick-up has dominated the market amidst COVID-19, our team at **NELSON** considered what the future of those services might look like—from express loading to custom consultation—all from the comfort of your car.

RESPONSIVE RELEVANCE

Ensuring the business and its corresponding offerings, experiences, and environments can evolve nimbly, quickly, and effectively

MANIFESTATIONS

- Pivot to provide other products or services relevant to new need states
- Flex into adjacent offerings that blur category lines
- Convert and transform spaces for other purposes
- Cater the experience to specific audiences in need
- Reinvent real estate contracts and propositions



Panera Bread quickly pivoted to reposition its cafes into local grocers where produce, dairy, and other pantry staples are available for pick-up or delivery.



*Brixmor is partnering with local businesses, including **Napa Flats Wood-Fired Kitchen** who was an inline tenant that is now operating a food truck and makeshift drive-thru in a Texas shopping center parking lot.*



*Texas shopping centers announced they'll be partnering with **Kilburn Media** to convert their parking lots into drive-in movie theaters as a way to monetize currently underutilized space.*



EXPANDED INFLUENCE

*Long-term shifts in attitudes, beliefs,
and values that will shape the future
of retail and mixed-use developments*

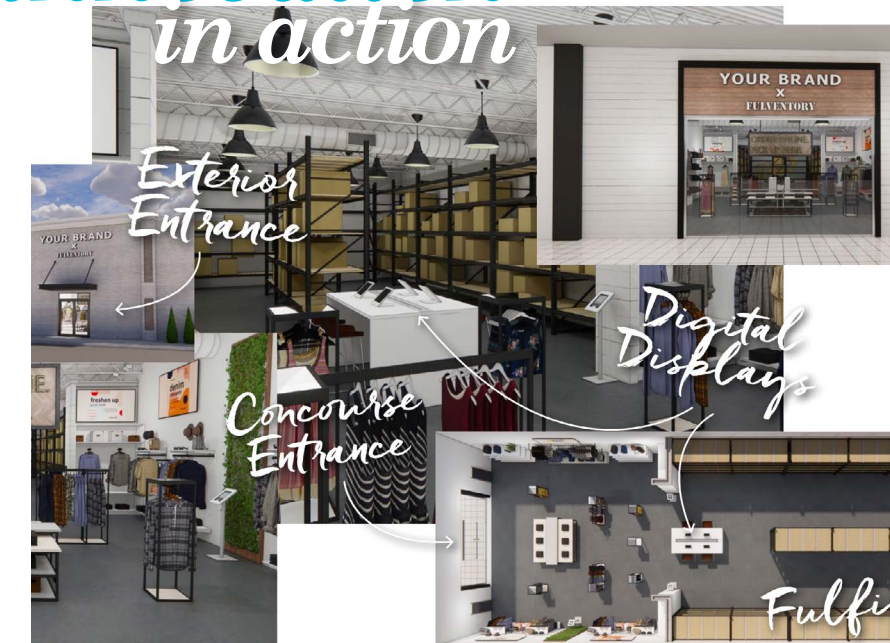
#1

DEVELOPER INFLUENCE

More than ever before, developers and property owners will take on a more active and externally-facing role. Brand development and storytelling will make their oft-hidden names more prominent in the context of the guest experience as consumers crave to know the businesses behind every commercial entity they support. They'll also amp up their business-to-business presence as they look to attract and galvanize partners and tenants in an increasingly competitive marketplace.

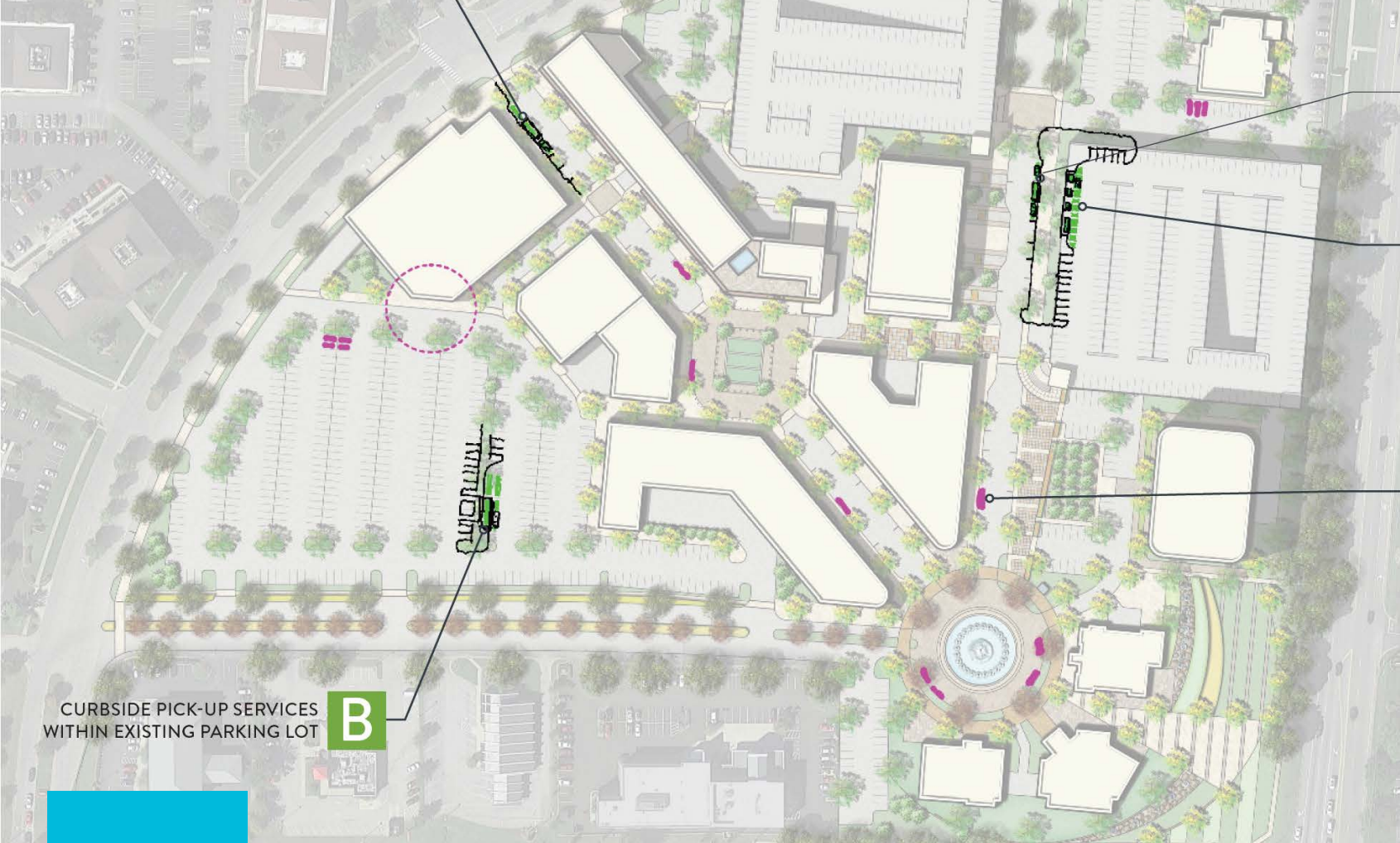
“Consumers will start to see developers emerge as brand names they recognize, attaching value and perceptions to their actions.” —Tori Tasch, NELSON Brand Strategy & Insights

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in action*



WPG Fulventory

Washington Prime Group recently launched its Fulventory program, enabling its retail tenants to rent additional, separate spaces in its centers at a reduced rate. Designated for fulfillment and inventory management, the developer suggests leveraging these locations for last mile fulfillment, BOPIS/BORIS purchases or the distinct marketing of discounted merchandise.



A

CONCIERGE BOX REPLACES
PARALLEL PARKING SPACES

C

CURBSIDE PICK-UP SERVICES
WITHIN EXISTING GARAGE

P

POTENTIAL CURBSIDE
SERVICES BY INDIVIDUAL
RETAILERS

B

CURBSIDE PICK-UP SERVICES
WITHIN EXISTING PARKING LOT

#2

EXPERIENCE CURATORS

Master planning will take on a whole new meaning as developments become the hub where countless businesses and brands attempt to navigate a new normal. From reconfiguring parking lots to reinventing shared amenities, convenience will be the primary driver. Properties will also be empowered to create meaning and connection across these new touchpoints and experiences. Crafting purposeful journeys through curated zones—some may even be completely dark as fulfillment centers surge—will differentiate leaders.

“Developers will need to see beyond the quick fix to collaborate on experiential convenience that will both accommodate tenants’ service models as well as introduce their own.” —Graham Post, NELSON Senior Architect

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Box by Posti

A surprising innovator, Finland’s postal service, Posti, has created an all-in-one destination that reinvents how consumers engage with e-commerce orders. Elevated parcel lockers enable shoppers to pick-up purchases within a dynamic environment that also lets them try on items, return unwanted ones and even recycle packaging. A showroom completes the space, allowing new brands to debut products, host events and conduct live research with visitors.



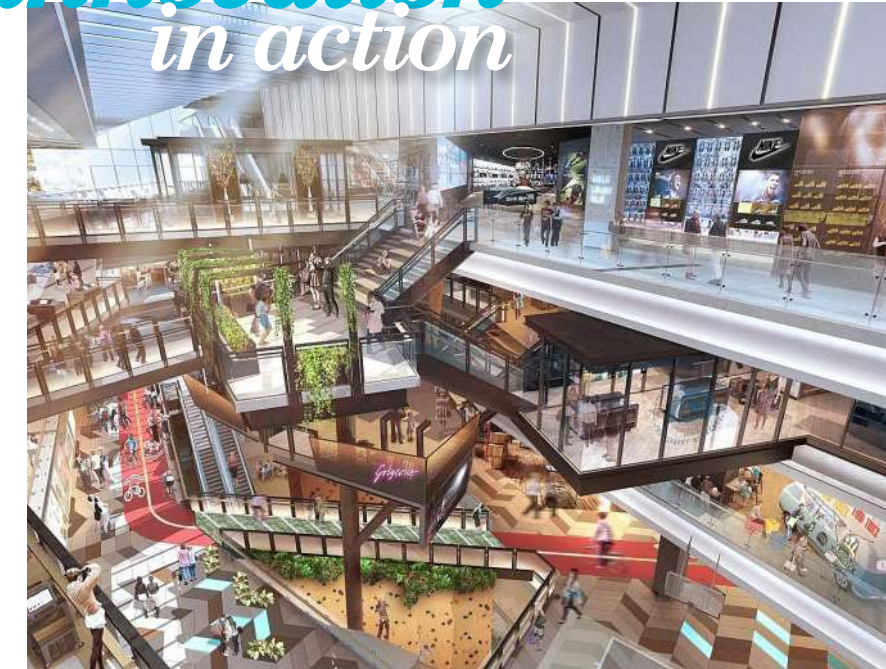
#3

RESIDENTIAL REFRESH

As dark anchors proliferate and drive the conversation around demalling, residential proves to be a viable and reliable solution for unused space. COVID-19 may also cause corporations to leverage more remote work, freeing up offices that could be repurposed to solve affordable housing shortages. The incorporation of residential will force properties to be truly lifestyle-driven and prioritize the unique needs of residents vs. visiting shoppers—resulting in a diversity of uses from entertainment to dining, healthcare to fitness, services to education.

50% of the 1,000 department stores in U.S. malls are vulnerable to permanent closure by the end of 2021 (Green Street Advisors)

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Funan Mall

This major mall in Singapore boasts six floors of living and co-working spaces, and six more of shopping and entertainment. Fitness is purposely integrated throughout, including a track for bicycling, a rock climbing wall and a rooftop football field. The ground floor resembles a modern town square and 60% of its tenants are local brands, directly connecting the mixed-use center to its surrounding community.



#4

COMMITMENT TO COMMUNITY

A heightened appreciation for immediate proximities will continue to influence consumer behavior following COVID-19. Deepened emotional ties to local communities and businesses will shape an unprecedented demand for brands, programming and experiences with an authentic local or regional relevance. A shared sense of connection and solidarity with peers and neighbors will also dissolve perceived boundaries and amplify opportunities for partnerships and collective initiatives that uplift and support each other.

“The dial of aspiration that was set on global, then went glocal, will now shift back to local.” (Stylus)

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Well
Picked
Goods

PRESENTED BY
WASHINGTON PRIME GROUP

Washington Prime Group

An innovator worthy of another mention! Washington Prime Group instituted Well Picked Goods—a program that enabled local town centers to curate and sell merchandise from top retailers online during COVID-19 mandated closures. WPG also partnered with The University Chicago and the Institute for Justice to create the Open for Small Business initiative that offered tools and resources that helped small businesses navigate topics like lease renegotiations, advertising and leadership.



\$10_{tn}

The global healthcare industry is expected to exceed ten trillion dollars by 2022 (Deloitte)

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#5

WIDESPREAD **WELLNESS**

Public health has never previously impacted the global economy to this extent which will drive a collective pursuit to prioritize wellness as a central tenet to our lifestyles. The previous focus on health-driven tenants will only magnify, with a specific purpose to cater to a spectrum of emotional, physical and mental wellness needs. Developments will also need to signal sustainable choices throughout experiences by fostering a purposeful integration with the outdoors. Dynamic, and truly functional, communal spaces will also be highly sought-out destinations for wellness.

Westfield Century City

This acclaimed mall from URW features several next-gen healthcare and fitness brands—One Medical (primary healthcare), Forward (preventative healthcare), Theragun Reset (percussive therapy), Next Health (cryotherapy), Gloveworx (boxing gym, Mirror (fitness tech) and Tonal (home fitness systems)—to respond to evolving consumer interests.



“REAs and co-tenancy will need to transform from an obstacle position to one of cooperation for the greater health of the mall or mixed-use development.”

—Jim Harkin, NELSON SVP, Mixed Use Practice Leader

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#6

EVOLUTION OF REAs + CO-TENANCY

In the wake of COVID-19 and uncertain economic conditions related to the retail industry, the REA and co-tenancy relationships between the developer/owner and retail tenants will need to fundamentally evolve. This will be critical for any property to be successfully repositioned. Co-location and flexible contracts may infuse novelty into centers, and solve for short-term tenancy needs. Accelerated innovation will also reinvent anchor pads as malls attempt to emerge with mixed-use relevancy, respond to shifting business realities (i.e. higher focus on fulfillment) and attract a new kind of consumer.

Macerich BrandBox

A pre-COVID-19 initiative from Macerich, BrandBox offers short-term real estate contracts and modular store designs. It was a progressive example and signpost of how real estate solutions will continue to shift and influence the conventional dynamics of mixed-use centers and shopping malls.

NELSON

LET'S TALK.

Looking for strategies, ideas and solutions for your retail or mixed-use development amidst COVID-19? Reach out to explore how we can partner to solve today and tomorrow's challenges.

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