

Big-Box Retail Report

Philadelphia Region



H2 2022



Market Recap

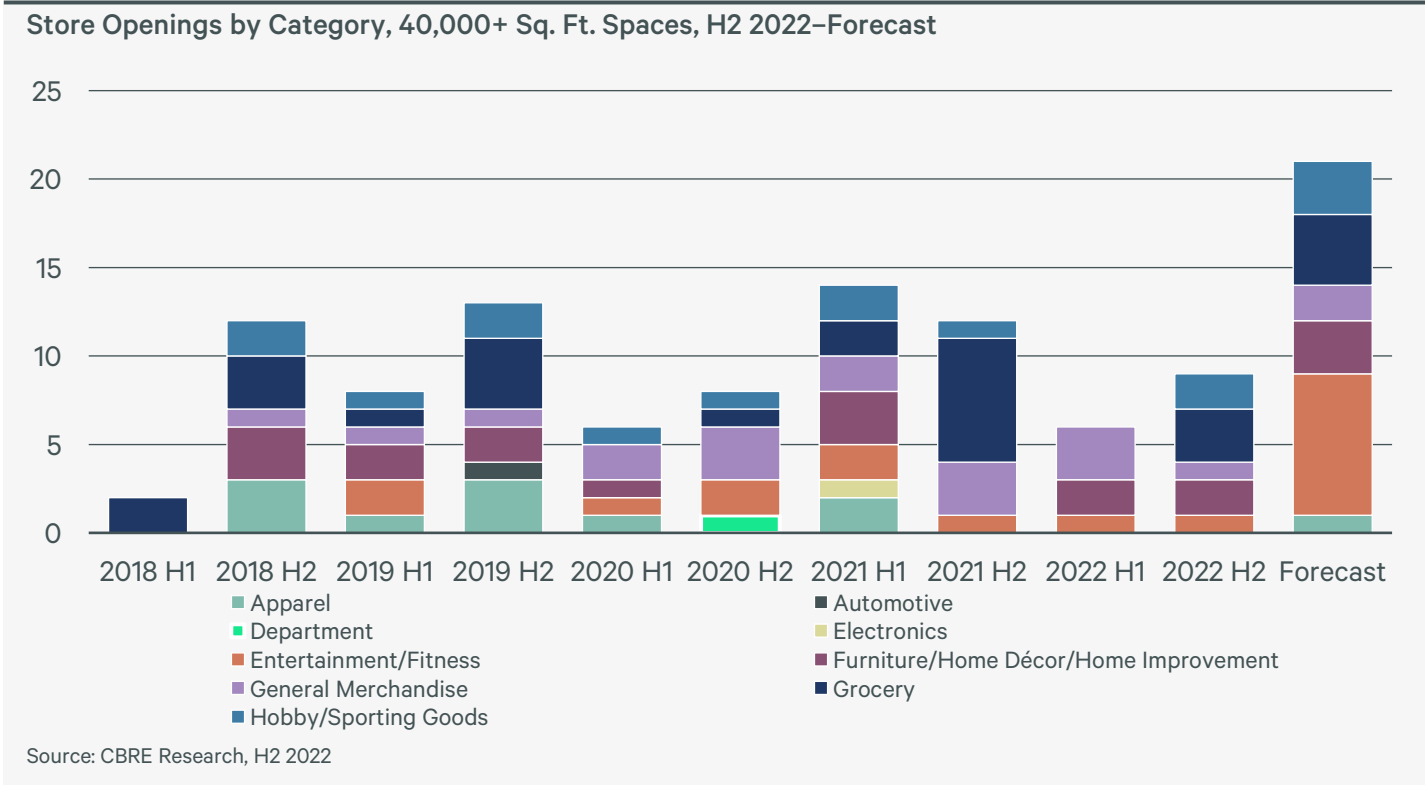
In the face of economic adversity, the Greater Philadelphia market maintained strong market fundamentals through the second half of 2022. Despite the long-term trend away from traditional large-format retail, specifically department stores, the post-pandemic upswing in demand for desirable big-box space remained prevalent. While some traditional metrics appeared to show minimal activity in the big-box market during the second half of 2022, the reality is that big-box retailers were starved for opportunities, specifically in primary markets where there was little availability and stiff competition from growing retailers.

Available spaces that created potential opportunities within the big-box market have essentially been divided into two categories; obsolete space that has been sitting on the market for years and will likely continue as such if and until it is slated for redevelopment, or space that is newer to the market and has been deemed highly desirable due primarily to its location. Furthermore, the quality of an available space matters more than ever. This created a market where landlords hold a great deal of leverage over tenants as retailers competed over the limited spaces. Previously, it was common for landlords to deliver a space built out to a tenant's specifications. However, rising interest rates, supply chain disruptions and high material and labor costs associated with these buildouts made landlords unwilling to take on added risk, forcing retailers to find creative solutions in order to achieve new store growth while containing growing costs. These solutions included retailers being more flexible in terms of fit-out specifications and reusing existing big-ticket items such as HVAC equipment. While both local and national retailers persisted with their expansion plans, prime available space proved to be almost unattainable.

With so much of the Philadelphia big-box market's narrative built on the lack of supply, perhaps the biggest news in 2022 was the delivery of a newly constructed Wegmans in Wilmington, DE, a location the retailer had been targeting for years. This was the region's first big-box delivery since 2020. While there are few big-box construction projects in the pipeline, this is not indicative of a large market shift toward a significant uptick in new development. Lack of new supply has and will continue to be a central theme driving the big-box market. These difficult conditions have spurred a new outlook on the big-box retail market. Rather than a sign of negativity, for the first time ever, the announcing of store closures is looked upon favorably as creating opportunities.

Leasing Trends

Despite ongoing challenges from low inventory, supply chain disruptions and inflation, some retailers were still able to grow. With nine new openings, the second half of 2022 saw a healthy mix of activity from different big-box retail types. Representing the highest category of big-box openings in H2 2022, the grocery sector accounted for one third of all openings. This was the continuation of a dominant trend seen during the post-pandemic boom of openings in 2021. Following just behind were the hobby/sporting goods and furniture/home décor/home improvement categories which each account for another 22% of openings.



Big-Box Retail Availabilities

40,000+ Sq. Ft.

83

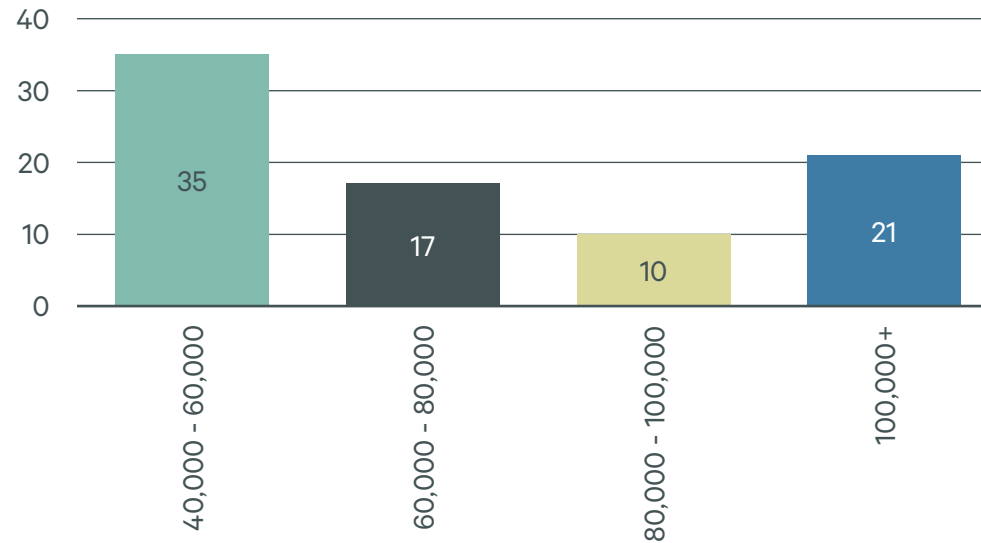
Spaces

6.8 million

Sq. Ft.

Source: CBRE Research

Available Spaces By Size (Sq. Ft.)



Source: CBRE Research, H2 2022

The amount of available big-box space by square footage and number of spaces decreased by just 6% and 5% year-over-year, respectively. Although minimal, this decrease is evidence of the strong demand for big-box space. The largest quantity of available space has long been the 40,000 to 60,000 sq. ft. category which currently accounts for 42% of all available big-box spaces. While several spaces in this size range were taken off the market this half, they were quickly replaced by alternate spaces including the highly anticipated Bed Bath & Beyond closures.

Availability by Region

Southeastern PA

21 Spaces | 1,694,989 Sq. Ft.

Southern NJ

12 Spaces | 1,044,331 Sq. Ft.

Lehigh Valley PA

12 Spaces | 1,096,742 Sq. Ft.

Central PA

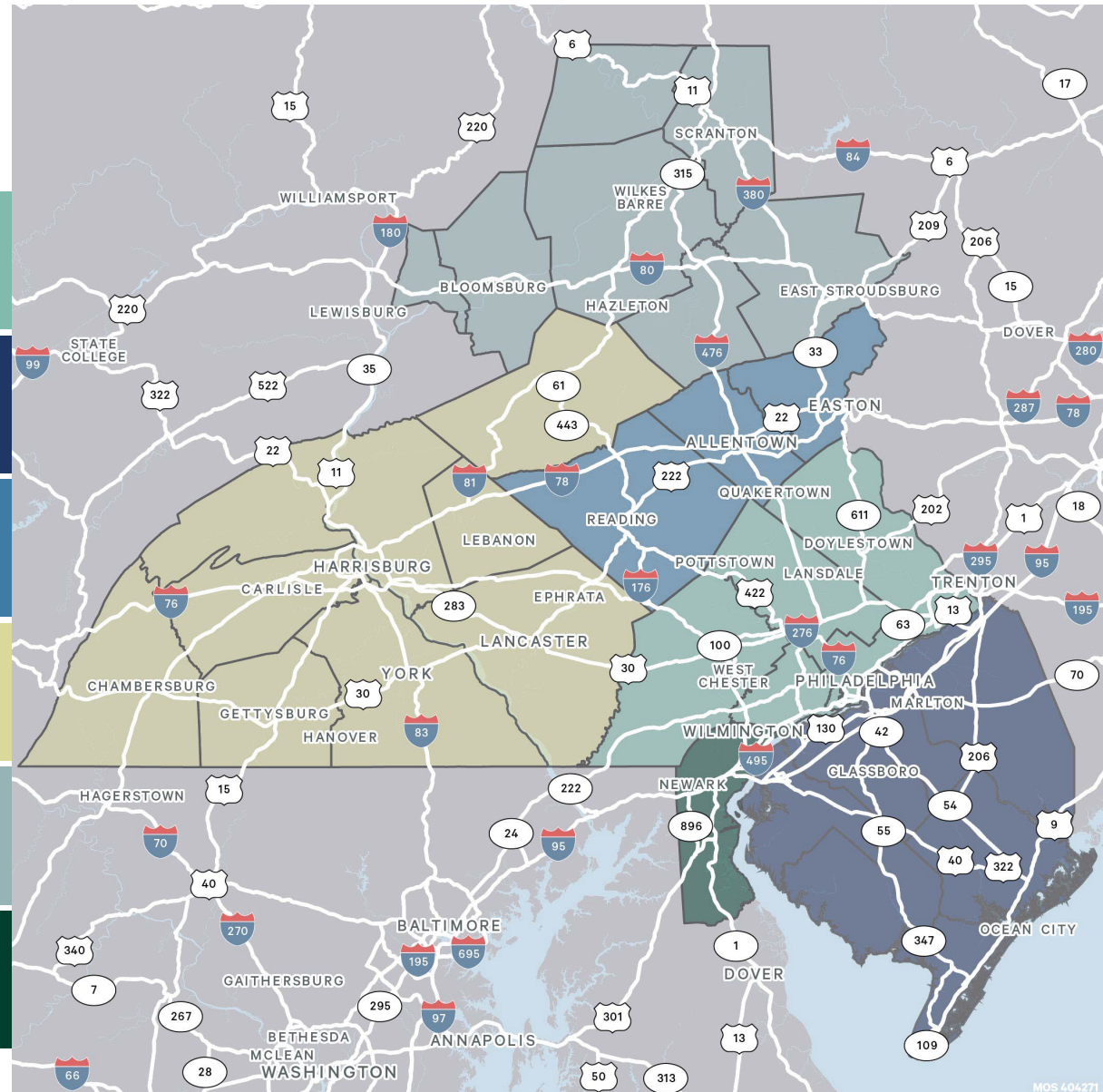
25 Spaces | 1,877,721 Sq. Ft.

Northeastern PA

8 Spaces | 6742,276 Sq. Ft.

Delaware








5 Spaces | 408,023 Sq. Ft.

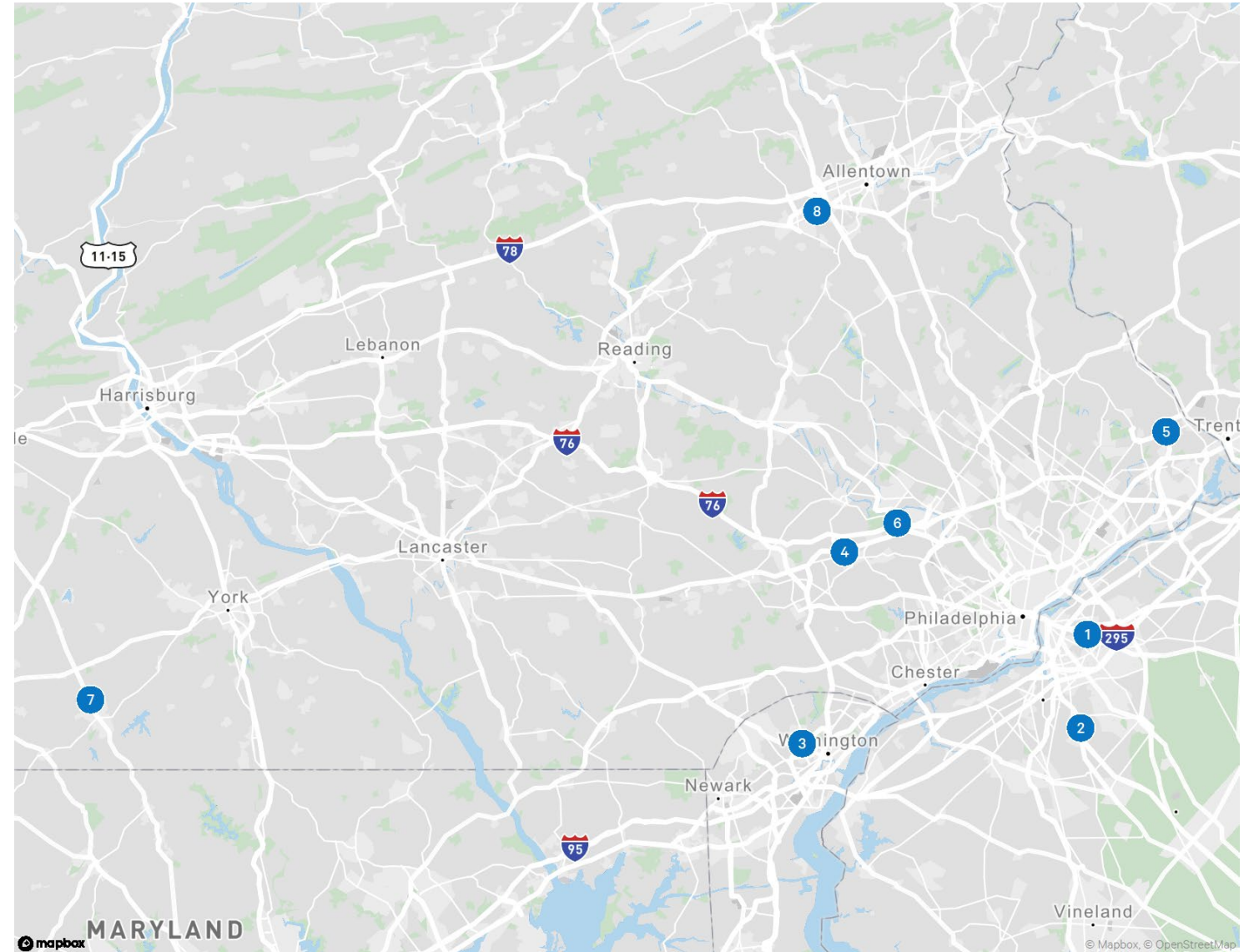


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New Construction

>40,000 Sq. Ft., H1 2020–H2 2022/Future

H2 2020	1		650 Garden Park Blvd Cherry Hill, NJ 08002	159,000 SF
	2		Gloucester Premium Outlets 100 Premium Outlet Dr Blackwood, NJ 08012	40,000 SF
H2 2022	3		Barley Mill Plaza 4417 Lancaster Pk Wilmington, DE 19805	84,000 SF
Future	4		Uptown Worthington Phase IV 455 Carnegie Blvd Malvern, PA 19355	50,000 SF
	5		Prickett Preserve at Edgewood 930 Stony Hill Rd Yardley, PA 19067	100,000 SF
	6		Topgolf 588 N Gulf Rd King of Prussia, PA 19406	52,000 SF
	7		Gateway Hanover 1301 Carlisle St Hanover, PA 17331	50,000 SF
	8		Macungie Crossing 5877 Hamilton Blvd Trexlerstown, PA 18087	136,058 SF
TOTAL				671,058 SF





Looking Ahead

Following the post-pandemic boom in big-box retail openings during 2021, the big-box market recalibrated during 2022 as it was forced to face the realities of a supply-constrained market. After years of desirable big-box spaces being leased by national retailers and little new development, retailers had few options for their expanding footprints. Furthermore, rising construction costs made landlords less amenable to breaking up boxes or delivering finished spaces to tenants per their buildout specifications. Despite record high demand, with all of these challenges it is not surprising that there was a slowdown in big-box openings as compared to 2021. With market conditions expected to continue on their current trajectory, the future of big-box retail will be determined by the opportunities retailers are able to seize.

A function of opportunities in the market, the defining characteristics of big-box retail are evolving. The shift away from large-format retail has been an established trend for years but several retailers are now taking it to a new level. While some retailers are sticking with or even growing their footprints, many others are changing the very definition of big-box as many retailers have been right sizing their footprints for years. Everything from grocery to apparel stores have been modifying their footprints to meet a smaller size. A significant 47% of all big-box openings this year fell within the 40,000 to 60,000 sq. ft. category while only 13% were 100,000+ sq. ft.

As the market continues to be shaped by its lack of supply, growing big-box retailers and landlords alike are eagerly awaiting new opportunities presented by the closure of other retailers. A prime example is the market's response to the announcement of hundreds of Bed Bath & Beyond store closures. What would once have been seen as a sign of distress in the market is now being looked upon favorably as creating opportunities for landlords to collect higher rents and retailers to capitalize on prime locations they otherwise would not have been able to find—a win-win situation.

H2 2022 Store Openings

New Tenant	Previous Tenant	Sq. Ft.	City
Hung Vuong Food Market	Toys "R" Us	46,788	Newark
Wegmans	New Construction	84,000	Wilmington
Ocean State Job Lot	Kmart	50,000	Willow Street
Urban Air Adventure Park	Wolf Furniture	60,510	Lancaster
Pike Creek Community Hardware	Kmart	40,000	Wilmington
JoAnn Fabric	Babies "R" Us	40,003	Deptford
Amazon Fresh	Giant	44,597	Broomall
Décor Home Furniture	Bon-Ton	122,125	Easton
Raymour & Flanigan	Wolf Furniture	60,200	York
H2 2022 Total		548,223	



Future Store Openings

Opening Date	New Tenant	Previous Tenant	Sq. Ft.	City
2023 H1	Nova Trampoline Park	Bon-Ton	64,000	Wyoming
2023 H1	TJX Concepts (2)	Giant	50,127	Doylestown
2023 H1	Hobby Lobby	Burlington (downsize)	50,000	Newark
2023 H1	At Home	Frank Theaters	85,985	Media
2023 H1	Edge Fitness	Kmart	40,000	Wilmington
2023 H1	Undisclosed	Kmart	51,583	Berwick
2023 H1	Hobby Lobby	AC Moore	52,000	Lancaster
2023 H1	Monaco Indoor Karting	Kmart	62,000	Berlin
2023 H1	Fusion Gyms	Mealey's Furniture	61,912	Fairless Hills
2023 H1	Ocean State Job Lot	Kmart	46,836	Shillington
2023 H1	Tilted 10	JCPenney	104,000	Willow Grove
2023 H1	Asian Grocer	Mealey's Furniture	60,000	Berwyn
2023 H1	Ocean State Job Lot	Kmart	55,000	Elizabethtown
2023 H1	Vision Solar	Burlington	41,500	Blackwood
2023 H1	Dick's Sporting Goods	New Construction	50,000	Hanover
2023 H2	Topgolf	New Construction	52,000	King of Prussia
2023 H2	Home Depot	New Construction	136,058	Trexlerstown
2023 H2	ShopRite	Kmart	75,000	Clementon
2023 H2	Undisclosed Entertainment Venue	Revolutions	40,000	Bethlehem
2023 H2	Fun City Adventure Park	Dick's Sporting Goods	40,000	Millville
2024 H1	Wegmans	New Construction	100,000	Yardley
2025 H1	ShopRite	New Construction	81,550	Galloway
Forecasted Total			1,399,551	



Available Spaces

Southeastern PA

21 Spaces | 1,414,527 Sq. Ft.

Previous Tenant	Sq. Ft.	County	City
Walmart	118,389	Bucks	Bristol
Bon-Ton	61,915	Bucks	Doylestown
Macy's	42,049	Bucks	Fairless Hills
Giant	50,658	Bucks	Jamison
Bon-Ton	84,405	Bucks	Quakertown
Sam's Club	128,820	Chester	Exton
Kmart	110,000	Chester	West Chester
Giant	42,073	Delaware	Broomall
Kmart	105,569	Delaware	Holmes
Sears	70,808	Delaware	Upper Darby
Lord & Taylor	120,000	Montgomery	Bala Cynwyd
JCPenney	104,605	Montgomery	King of Prussia
Best Buy	43,405	Montgomery	King of Prussia
Saks Off 5th Avenue	41,589	Montgomery	King of Prussia
Sears	181,736	Montgomery	North Wales
Giant	57,200	Montgomery	Pottstown
Bed Bath & Beyond	56,658	Montgomery	Wynnewood
Mealey's Furniture	82,345	Philadelphia	Philadelphia
United Artists	77,700	Philadelphia	Philadelphia
Kmart	70,110	Philadelphia	Philadelphia
Burlington	44,955	Philadelphia	Philadelphia

Southern NJ

12 Spaces | 1,044,331 Sq. Ft.

Previous Tenant	Sq. Ft.	County	City
Fhan	60,667	Atlantic	Egg Harbor Twp
ShopRite	55,100	Atlantic	Galloway
Incollingo's Marketplace	40,000	Atlantic	Galloway
Sears	206,924	Atlantic	Mays Landing
JCPenney	79,368	Atlantic	Mays Landing
Kmart	67,770	Atlantic	Pleasantville
Pathmark	69,131	Burlington	Beverly
Ames	100,000	Burlington	Wrightstown
Oskar Huber	46,220	Camden	Cherry Hill
Big Lots	47,201	Camden	Clementon
Macy's	223,450	Camden	Voorhees
Burlington	48,500	Gloucester	Blackwood

Available Spaces

Lehigh Valley PA

12 Spaces | 1,096,742 Sq. Ft.

Previous Tenant	Sq. Ft.	County	City
Kmart	108,445	Berks	Reading
Giant	71,825	Berks	Reading
Kmart	45,531	Berks	Reading
Bon-Ton	175,004	Berks	Wyomissing
Sears	156,065	Berks	Wyomissing
Bon-Ton	101,841	Lehigh	Allentown
Kmart	86,540	Lehigh	Allentown
Weis	50,000	Lehigh	Coopersburg
Kmart	87,000	Lehigh	Easton
Sears	55,000	Lehigh	Whitehall
Mealey's Furniture	54,491	Lehigh	Whitehall
Kmart	105,000	Northampton	Bethlehem

Central PA

25 Spaces | 1,877,721 Sq. Ft.

Previous Tenant	Sq. Ft.	County	City
Acme	55,000	Cumberland	Bridgeton
Bon-Ton	59,925	Cumberland	Carlisle
Sears	76,412	Cumberland	Vineland
Macy's	188,244	Dauphin	Harrisburg
Bon-Ton	137,000	Dauphin	Harrisburg
Weis	65,043	Dauphin	Harrisburg
Toys "R" Us	57,645	Dauphin	Harrisburg
Boscov's	53,250	Dauphin	Harrisburg
	42,000	Dauphin	Harrisburg
JCPenney	70,070	Franklin	Chambersburg
Burlington	60,770	Franklin	Chambersburg
Bon-Ton	54,824	Franklin	Chambersburg
Bon-Ton	179,000	Lancaster	Lancaster
Community Services Group	43,446	Lancaster	Lancaster
Kmart	44,399	Lancaster	Willow Street
Kmart	94,000	New Castle	Bear
Nell's Market Fresh Foods	47,439	York	Dallastown
JCPenney	99,008	York	Hanover
Bon-Ton	71,462	York	Hanover
Weis	45,496	York	Hanover
Jamesway	50,000	York	Red Lion
Burlington	99,596	York	York
Kmart	82,033	York	York
Giant	56,659	York	York
LA Fitness	45,000	York	York

Available Spaces

Northeastern PA

8 Spaces | 6742,276 Sq. Ft.

Previous Tenant	Sq. Ft.	County	City
Burlington	130,000	Lackawanna	Archbald
Ollie's	40,000	Luzerne	Hazleton
Kmart	88,477	Luzerne	Pittston
Conyngham Builders Supply	41,500	Luzerne	Sugarloaf
Ames	79,969	Luzerne	West Hazleton
Bon-Ton	155,301	Luzerne	Wilkes Barre
Sears	97,429	Luzerne	Wilkes Barre
Beiter's Home Center	41,600	Luzerne	Wilkes Barre

Delaware

5 Spaces | 408,023 Sq. Ft.

Previous Tenant	Sq. Ft.	County	City
Kmart	45,050	New Castle	Newark
Sears	174,172	New Castle	Wilmington
Access Group	76,458	New Castle	Wilmington
Sears	65,000	New Castle	Wilmington
Safeway	47,343	New Castle	Wilmington

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