



MINNESOTA SHOPPING
CENTER ASSOCIATION

COVID-19's Impact on Minnesota's Brick & Mortar Retail

For Minnesota's retail community, 2020 was a year like no other. **Already the growing count of national retail bankruptcies exceeds that of the Great Financial Crises, indicating 2020's impact will extend beyond 2021.** The root cause of this upheaval is well known: a global pandemic and widespread economic shutdown that shifted consumer shopping patterns. Minnesotans now direct more of their time, activities, and discretionary income towards domestic activities. Unfortunately, **this shift bifurcates the retail community into groups of winners and losers.** Grocery stores, retailers with a strong online presence, and those deemed "essential" emerged relatively unscathed. Experience driven retailers (restaurants, fitness, & movie theaters, for instance), small businesses unable to pivot to an online-only model, and those without resources to maintain economies of scale are up against the ropes, taking hit after hit in a series of knock-out worthy punches.

Unfortunately, the statistics by which we measure and determine retail's overall success do not necessarily account for this bifurcation. A panic induced run on toilet paper at Costco isn't separated from the sale of handmade "get well soon" cards at the local corner store. Those new yoga pants purchased online at Target aren't distinguishable from jeans sold by the neighborhood boutique. Therefore **the indicators we normally use to gauge retail's health aren't necessarily indicative of what is happening on the ground at Minnesota's shopping centers.**

The Minnesota Shopping Center Association (MSCA) has been an active industry advocate for 33 years. Founded in 1988, MSCA members represent a broad spectrum of industry participants, including owners, retailers, developers, property managers, appraisers, and vendors. To help provide a more complete picture of the on-the-ground reality in our industry, we've asked our members, tenants, and partners to share their 2020 experiences. **While Minnesota's legislature convenes to craft new policy in the Covid-era, MSCA's goal is to provide some additional clarity for our leaders. As a supplement to the normal metrics, we thank you for keeping the following stories in mind.**

This is what retailers from around the state have to say:

"2020 was certainly a challenge, as all of our locations in Minnesota were shuttered or restricted on capacity by the government for the bulk of the year. We continue to do all that we can to ensure the leaders in our state and across all markets understand the profound impact these measures can have on our franchise partners, and highlight the fact that very little COVID transmission has been found to originate in a health or fitness club environment that is doing all the right things to keep their staff and clients safe. People need the ability to work out and take care of themselves, as this year has also highlighted how important your health is, as aside from all the other necessary precautions, it remains your best defense against illness."

Chuck Runyon



CEO - Self Esteem Brands - Woodbury, MN

Anytime Fitness, Basecamp Fitness, The Bar Method, and Waxing the City

"It has been a nightmare. If you are losing \$40,000 a month, a \$10,000 grant will not fill the gap. We laid off 111 employees for the first lockdown and we can't handle another, especially on short notice."



Tobin Korpi

Green Mill Franchisee Lakeville MN

"Minnesota executive orders and restrictions had our five Club Pilates studios closed for nearly 5 months and operating at 25% occupancy for an additional 5 months in 2020. The results were devastating for our business and employees. Our 4 comp studios had a 42% year over year decline in sales, and our new Edina studio, which opened March 5th, missed budget by more than 60%. Over 90% of our employees were furloughed during the closures and had reduced hours due to occupancy restrictions for the other 5 months. COVID-19 restrictions for our business did not stop any of our obligations, as more than \$50k per month in rent, utilities, and other fixed expenses continued to increase our losses for the year."

Steve Bounds



Franchise Owner

CLUB PILATES - Eden Prairie | Edina | Lakeville | Minnetonka | Savage MN

"I can't say that 2020 was an easy first full year to start a business. We were closed for the better part of three months in the Spring as part of the executive orders for non-essential businesses. We recognize that the sacrifices we made were to ensure the safety and health of our community and beyond. As a new business that does not sell online, we were faced with a hard choice to pivot our business or risk not surviving through the closures. We moved quickly to using social media and shifting to a "try before you buy" via shipping or delivery business model. It was certainly a lot of hard work, but we saw that we had not put enough effort in at the outset of our business to connect with our customers and the community through social media and other channels. We have made long term changes how we do business and how we connect with our customers. We opened our store with our premise being that we #thinkdifferently about the brick and mortar experience. We embraced that in 2020 and we have persevered as a result. We humbly sang, danced (literally) and drove miles and miles. Some days it seemed like the hill was just too high, but with the support of our amazing community Jaxon Grey is ready to take on 2021 and challenges that continue to face all of us."



Michael Druskin

Founder & Owner

Jaxon Grey

"Brookfield Properties shopping centers serve Minnesotans at Ridgedale Center in Minnetonka, River Hills Mall in Mankato, Crossroads Center in St. Cloud, and Apache Mall in Rochester, our shopping centers support nearly 7,000 full and part-time jobs and contribute more than \$84 million in payroll, sales, and real estate taxes. We have proudly invested in our communities by committing extensive resources to our COVID-19 health and sanitation programs. Retail, like many industries, has experienced devastating losses due to COVID-19. As a result our tenants and vendors were in an extremely precarious financial position, if not forced into bankruptcy. The strain inflicted on these businesses in turn led to significant job losses and decreased tax revenues for each of our Minnesota communities. Brookfield Properties worked closely with every tenant in our malls, partnering with them to modify lease agreement to ensure the long-term viability of their businesses. This partnership resulted in a significant loss of revenue for Brookfield and increased leverage on our business for many years to come. Our shopping centers are places where people can come together, creating happy memories. We hope to continue with that mission for decades to come."

Andy Wilke

**RIVER HILLS
MALL**

General Manager

River Hills Mall – Mankato, MN

Brookfield Properties



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