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Newsletter Archives

## Brown's Rants

Week Ending March 5th, 2022

### Ukraine Crisis Overshadows Everything

We are two weeks into Russia's invasion of Ukraine and the war has clearly entered a new stage. The strength of Ukrainian resistance appears to have been initially vastly underestimated by the Kremlin, which has increasingly doubled down with systemic shelling and greater violence unleashed upon civilian population centers. According to the United Nations (U.N.), [more than 1.7 million Ukrainians had fled their country](#) by Sunday, March 6<sup>th</sup> with those numbers [exponentially growing as the Russian military increases its bombing campaigns](#). The U.N. estimates these numbers could hit 4.4 million (roughly 10% of the total population of Ukraine) by the end of this month. Meanwhile, the [International Monetary Fund \(IMF\) warns that the invasion could have a severe impact on the global economy](#).

The human cost of the invasion aside, [the economic impact of the crisis will hit Europe hardest](#). Europe trades with Russia at roughly 10 times the pace of the United States, which is why European stock prices have fallen by roughly 20% per share vs. a +/- 10% drop in the US. As of this morning, [the price of crude oil stood at \\$116 per barrel](#), with Goldman Sachs economists predicting that a [sustained \\$20 oil rise shock would slow European GDP by 0.6% and US GDP by 0.3%](#). They also warn that sustained price shocks beyond this level could shave GDP economic output numbers by twice those rates. Keep in mind, that before the current (as of the start of day 3/7/22) oil price of \$116 per barrel had hit as high as \$130 per barrel on the previous day of trading before settling at this rate. Meanwhile, while Western sanctions have purposefully avoided the energy sector simply because of the potential damage to European economies that had increasingly become dependent upon Russian natural gas and oil, a de facto ban seems to be emerging. Besides large global players pulling out of Russia at a substantial cost (Shell, BP, etc.), many banks (Credit Suisse, Rabobank, Societe Generale, ING, Bank of China, etc.) are refusing to extend credit to anyone to finance the purchase of Russian oil. Meanwhile, some tankers are refusing to load anything at Russian ports or carry Russian oil while insurance companies are also starting to refuse coverage to tankers visiting those ports.

It all means that U.S. gas prices are climbing and it will get far worse before it gets better. The average price of gas in the U.S. climbed \$4 per gallon for only the second time (the other was in 2008). [Analytical firm GasBuddy predicts that the average price nationally will top \\$4.25 per gallon for Memorial Day](#). Of course, that is the national average. For example, I live in California (the most expensive state) where the current average is \$5.32 per gallon. The cheapest state currently is Iowa, where the price is

averaging \$3.76 per gallon.

All of this is obviously challenging news; inflation is already at a 40-year-high and this will drive it higher. The last reading of the consumer price index (January 2022) had it up 7.5% (with energy and food prices being the biggest drivers). This was before the impact of invasion-related sanctions. So, it will go higher, the question is how much? February numbers will be released shortly, but won't really register the impacts of the crisis yet. It is not outside the realm of possibility that this number could hit the 10.0% mark a few months down the road if the situation worsens or is prolonged. This could prompt a stronger Federal Reserve response than expected—we already anticipated that the Fed would start raising interest rates to rein in inflation numbers with at least three hikes this year beginning at their next meeting. This situation could mean incremental increases are more substantial.

Of course, all this news has overshadowed a full week of happenings in our little sector. First off, as glum as those inflation numbers are, we are a long way from the situation we were in the last time we saw CPI numbers in the +7.0% range. 40 years ago, we were in a stagflation environment; double-digit inflation and double-digit unemployment... hence, a stagnant economy with high inflation. But the latest job numbers came out last week indicating over 670,000 new jobs and an unemployment rate of just 3.8%. Our challenge on the labor front is a worker shortage and (as of the last Job Openings and Labor Turnover Report) a near-record number of available jobs (10.9 million).

Meanwhile, retail sales numbers for February won't be available until next week but they likely will reflect a strong performance. In January we were up 12.7% (year-over-year) despite the challenges of Omicron. With that fading, all metrics around foot traffic, restaurant reservations, and travel have shot up. Expect a strong retail sales report ahead.

This, of course, leads to the other sector news that has been happening in the past week... for the most part, a lot of new store opening announcements and ramped-up growth plans. There is one exception, of course, and that is Amazon's announced closure of all 68 of their Amazon 4-Star and Bookstores in the U.S. and England (58 total in the U.S.). Spencer Soper wrote an interesting article on the topic in Fortune Magazine; [Amazon, Killer of Bookstores, Now is Closing all its Retail Book Locations](#). A more hostile approach was taken by Alex Shepard in the New Republic, [Good Riddance to Amazon's Terrible Bookstores](#). A bit of a harsh take if you ask me and I am a former bookstore guy. I worked my way through school in the early 1990s at an amazing chain, Rizzoli Books. By the way, mall-based bookstores (remember Walden Books, B. Dalton, etc.?) weren't killed by Amazon. They were killed by big-box power center players (Borders, Barnes & Noble). By the way, Barnes & Noble is going to open roughly 35 new stores this year... for most of the last decade, they were averaging between 10 and 15 closures a year.

Regardless, Amazon is closing those stores to focus on grocery and other concepts. Interestingly enough, Albertsons reportedly is considering selling off some of its banners. Could something happen here? Maybe, though Amazon growth has tended to be homegrown and organic as opposed to via acquisitions but we are living in interesting times so who knows.

See you next week.  
Garrick

# Top 10

## Stories of the Week

[Fabletics Opening 30 New Stores This Year](#)

SGB 3/05

[Luxury Powerhouses Join List of Companies Halting Business in Russia](#)

Business Insider 3/05

[Fast Food Chains and Food Producers Stay Open in Russia, and Mostly Quiet About Ukraine](#)

New York Times 3/05

[Economists Expect Bigger Hit to Europe's Economy Than US From Russian Invasion](#)

Costar 3/04

[Amazon to Close Bookstores and 4 Star Shops](#)

Retail Dive 3/03

[Cedar Realty Will Sell in 3 Parts for \\$1.2B](#)

ICSC 3/03

[Kroger Accelerates Digital Delivery Drive with More High-Tech Warehouses](#)

Costar 3/03

[Retail Industry Reacts to Ukraine Invasion](#)

Digital Commerce 360 3/2

[Target Plans \\$5B Investment in Operations and 30 New Stores](#)

Retail Dive 3/02

[Albertson's Could Sell Off Underperforming Banners](#)

Grocery Dive 3/01

# Economic Headlines

## Stories of the Week

[February Jobs Report Shows Another Strong Gain: 678,000](#)

New York Times 3/04

[Unemployment Drops to 3.8%](#)

Market Watch 3/04

[Oil Price Shocks Cause Recessions. Will This One?](#)

CNN 3/03

[Russia's Oil Isn't Sanctioned but No One Wants to Touch it Anyway](#)

CNN 3/03

[Service Sector Moderated Amid Rising Prices and Labor Crunch](#)

Real Economy Blog 3/03

[Consumers Believe Inflation is Higher Than it Actually Is](#)

Grocery Dive 2/28



# Property Trends

## Stories of the Week

[The Dark Side of Outdoor Retail Market Modernization](#)

Market Cities 3/04

[How Marketplaces Factor in as Russia's Attacks on Ukraine Continue](#)

ICSC 3/03

[How to Start a Successful Ghost Kitchen](#)

QSR 3/03

[Foot Traffic Data Suggests Malls are Stabilizing](#)

Costar 3/01

# Retail Headlines

## Stories of the Week

[REI's SoHo Store Employees Vote to Unionize](#)

Sourcing Journal 3/05

[TJX to Sell Minority Stake in Russian Off-Pricer](#)

Retail Dive 3/04

[BJ's Details Plans for Four New Stores](#)

Grocery Dive 3/04

[Fabletics to Open 30 Stores This Year](#)

Chain Store Age 3/03

[How Sneaker and Apparel Marketplace GOAT Plans to Dominate the Worldwide Luxury Apparel Market](#)

Dot.LA 3/03

[Omnichannel Reigns This Week; A Review of New Store Openings](#)

ICSC 3/03

[Build-A-Bear to Open First Adventure Concept Location in Chesterfield MO](#)

St Louis Today 3/03

[Gap Details 2022 Opening/Closing Plans](#)

Chain Store Age 3/03

[Muscle Building Gym Aimed at the 40+ Market Going Nationwide](#)

Chain Store Age 3/02

[Aurate is Opening Stores Again](#)

Retail Dive 3/01

[Banana Republic Launches Baby, Athletics Categories](#)

Retail Dive 2/28

[What Happened to Nordstrom Rack?](#)

Retail Dive 2/28

[Target's New Hourly Wage May Soon be as Much as \\$24](#)

Retail Dive 2/28

# Grocery Headlines

## Stories of the Week

[HEB Breaks Ground on New Store in McKinney TX](#)

Dallas Business Journal 3/04

[New Amazon Fresh Store in Naperville IL to Feature Cashierless Technology](#)

Chicago Business Journal 3/04

[Kroger Moves Into HEB Territory With Online Deliveries in Austin and San Antonio](#)

Dallas Morning News 3/04

[Whole Foods Signs on to Anchor Boynton Beach Marketplace in South Florida](#)

Shopping Center Business 3/03

[Whole Foods Has Launched a Local and Emerging Brands Incubator](#)

Grocery Dive 3/03

[Amazon Closing Bookstores and 4-Star to Focus on Grocery](#)

Grocery Dive 3/03

[Grocery Outlet Sees Brighter Future Amid Inflation, Supply Chain Woes](#)

Grocery Dive 3/02

[Publix Boosts CapEx Budget for 2022](#)

Grocery Dive 3/02

[Piggly Wiggly to Make New York Debut](#)

Supermarket News 3/02

# Restaurant News

## Stories of the Week

[First Vendors for Silver Springs MD Food Hall Announced](#)

WTOP News 3/04

[Rush Bowls Makes Minnesota Debut](#)

FastCasual.com 3/04

[Charley's Cheesesteak and Wings Opens 100<sup>th</sup> Location](#)

FastCasual.com 3/04

[Krystal to Expand in Alabama](#)

QSRWeb 3/03

[Bojangles Planning Major Expansion in the Northeast](#)

Thrillist 3/03

[Bad Ass Coffee of Hawaii Unveils New Prototype](#)

QSR 3/03

[Wetzel's Pretzels Ends 2021 on High Note](#)

QSRWeb 3/03

[Maple Street Biscuit Co. Expansion Slows](#)

Jacksonville Daily Record 3/03

[Chicago's Revival Food Hall Revs Up For Next Chapter](#)

Food Service Director 3/03

[Portillo's Opening First Texas Location](#)

QSR 3/02

[Mooyah's Signs Largest Development Deal to Date](#)

QSR 3/01

[Island Fin Poke Eclipses Milestone of 50 Locations Sold](#)

QSR 3/01

[Dave's Hot Chicken Plots Growth in San Antonio](#)

QSR 3/01



# REITs, Landlord & Development

## Stories of the Week

[Pine Tree Acquires Sunset Esplanade Shopping Center in Metro Portland for \\$65.9M](#)

Shopping Center Business 3/04

[Open Air Shopping Spree: 17 Centers Trade](#)

ICSC 3/03

[Developer Buys Three Building Retail Portfolio in San Diego for \\$165M](#)

Costar 3/03

[First National Acquires Consumer Square West in Columbus OH](#)

Shopping Center Business 3/03

[Sears Spinoff Explores Strategic Alternatives; Eddie Lempert Exits Board](#)

Chain Store Age 3/01

[San Diego Investor Buys Dillards Building as Part of Planned Utah Mall Overhaul](#)

Costar 3/01



# eCommerce / Omnichannel / Retail Tech

## Stories of the Week

[Metaverse Tech Company Plans Virtual Mixed-Use Center](#)

Chain Store Age 3/04

[Six Biggest Retail Tech Stories of the Week](#)

Retail Technology Innovation Hub 3/04

[Tech-Powered Retail is Flourishing in the Food Industry. Everywhere Else, Not so Much](#)

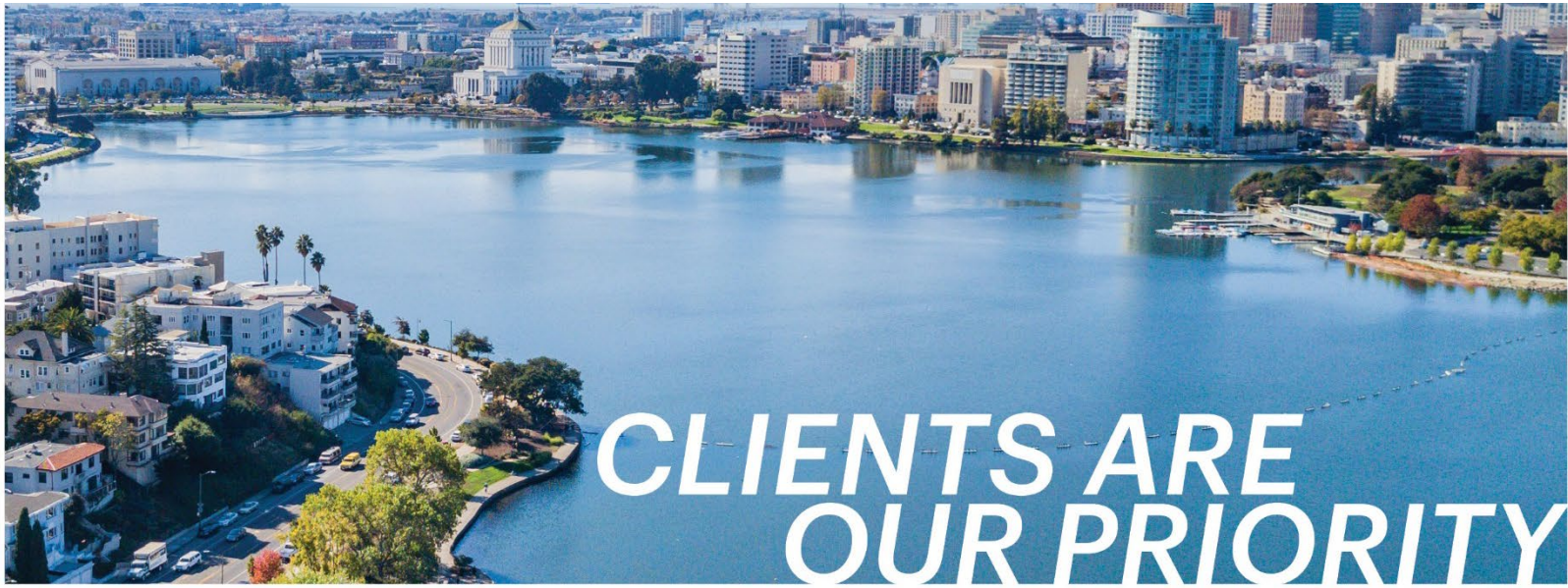
The Spoon 3/03

[New Mobile Grocery Vending Machine to Hit the Streets](#)

Grocery Dive 3/03

[Charts: Global Retail Tech Funding 2021](#)

Practical eCommerce 2/28



# CLIENTS ARE OUR PRIORITY



WE ARE LOCKEHOUSE RETAIL GROUP. IT IS OUR MISSION TO DELIVER EXCEPTIONAL VALUE AND SERVICE TO OUR CLIENTS, INVESTORS AND COMMUNITY.



## SERVICES

- ✓ Retail Leasing
- ✓ Mixed-Use Leasing
- ✓ Investment Sales
- ✓ Property Management
- ✓ Consulting
- ✓ Build Out Management
- ✓ Development Services

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