

NEWS RELEASE

Mid-America Urban Grocery Study Reveals Growing Food Deserts, Significant Shift to Small Format Stores

Links to charts are listed at end of the release.

CHICAGO (August 15, 2017) – According to **Mid-America Real Estate Corporation**'s biennial **Urban Grocery Study** published this month, the Chicago grocery sector showed a net loss of nine stores from 2015 to 2017 totaling an alarming loss of 544,512 square feet of operating or to-be opened inventory. The average store size continued its downsizing trend as evidenced by the fact that the average size of closed stores over the past 24 months equals 38,000 square feet, while newly opened or proposed grocers average only 25,000 square feet.

“The combination of nearly one million square feet of Dominick’s space being absorbed by the market leaders over the past 24 months, combined with short-term bankruptcies and the ever present threat of Amazon’s launch into grocery, has created a stall and step backwards in urban Chicago,” says **Dan Tausk**, Mid-America principal and director of urban tenant brokerage who is the author of the study along with intern **Dan Maentz**.

The urban market leaders by store count remain **Jewel Osco** with 51 stores and **Aldi** with 49, though based on activity, this is the first time over the study’s history that Jewel has led the count.

THE SHIFT TO SMALL FORMAT STORES

Target is quickly expanding their small format concept and currently have eight committed locations in the Chicagoland area. Four of those eight locations are newly opened or under construction since 2015, and located in the north and northeast city. Their activity has been the only significant net positive from 2015-2017.

Target’s small format of 20,000-30,000 square feet is clearly urban in-fill focused and offering a large variety of grab-and-go grocery, pharmacy/health/beauty, limited apparel and electronics, and

most have in-store cafes, thus nailing the merchandise mix worthy of inclusion as an urban grocery competitor. The company is focusing on convenience for shoppers, and is expected to expand their presence in land-locked urban areas and college populated towns. In the city of Chicago, the stores are currently located in the higher income, tough to penetrate neighborhoods of Lakeview, Lincoln Park, Hyde Park and Streeterville.

Fresh Thyme Farmer's Market has officially opened the doors of their first two urban locations. Both of the gourmet grocery locations are under 30,000 square-feet and located in the north/northeast city and near west suburbs, with the recent opening in the former Dominick's in River Forest. Future urban expansion appears low priority, however, for the Downers Grove, Ill.-based grocer.

SUBMARKET LOSSES WITH MORE TROUBLE ON THE HORIZON

The south/southwest city and near west suburbs have incurred a major hit the past two years. The south/southwest city suffered a net loss of four stores equaling a loss of 153,000 square feet. The west suburbs encountered a net loss of three stores, including two small format Meijer's and a spacious Ultra Foods. These losses totaled 262,000 square feet and the absorption of this space could ultimately only include partial, if any, grocery backfill.

Central Grocer's bankruptcy caused three Ultra Foods and a Strack & Val Til to close in Chicago totaling a loss of 326,720 square feet. However, Supervalu has since acquired the Joliet warehouse facility for Central which could stabilize the supply vortex with other local customers.

“The closing of Ultra Foods in Calumet Park instantly created a food desert, by definition. The market may dictate this +/- 70,000 square feet gets absorbed by only partial grocery, combined with other active non-grocer categories almost guaranteeing a permanent loss of supply here,” predicted **Maentz**.

Meijer has already closed two smaller format locations in the Chicagoland area totaling 181,000 square feet and consumer goods giant Wal-Mart closed all of their Express locations nationally, including two in Chicago, along with two Chicagoland Wal-Mart Neighborhood Market locations, which were primarily grocery, totaling 58,700 square feet. Wal-Mart's inactivity in urban Chicago remains puzzling.

With 25 total store closing across the board from 2015-2017, the number of independent grocers also dropped by five while gaining only two new. The net loss of three independent grocers is not a positive sign for improving the food deserts where these grocers penetrate more regularly.

THE AMAZON EFFECT

As **Amazon** enters the world of grocery with the purchase of **Whole Foods**, consumers continue to anticipate the opening of Amazon Go stores or perhaps “combo” sites of Amazon/Whole Foods part grocery-part fulfillment center. While the acquisition gives Amazon +/- 450 distribution centers nationally, Whole Foods only accounts for +/- 7% of the total urban Chicago market share by square foot. With nine of 13 Whole Foods in primarily higher income urban locations, the repositioning of these sites could offer a prime testing ground for “combos” as these locations match well with the coveted Amazon Prime customer demographic profile.

THE BATTLE OF DISCOUNT GROCERS

Following the closing of three urban locations and a lost development site that failed to get built, **Aldi** fell below the 50 store count benchmark in the urban landscape. Don't count them out though, they have two new proposed urban locations locally along with a planned national investment of \$3.4 billion to bring 2,500 new storefronts to the United States before 2022. We can expect an increase of stores in Chicago over the next few years as they attempt to defend their prime position against the possible incoming rival, German discounter Lidl.

Lidl is in the process of expanding nationally and recently opened its first few U.S locations in the Mid-Atlantic region. If profitable, Lidl could be expanding to the Midwest and Chicago in the near future. Claims from the discounter say they are not worried about Aldi's large existing network of stores and competing directly for sites in the future since Lidl is aiming at a larger format store of 40,000 square feet, while Aldi stores average 15,000-17,000 square feet.

ON THE HORIZON

Two local grocery co-ops plan to open in the city's urban area. **The Dill Pickle** with 13,000 square feet and **Chicago Market** with 10,000 square feet are the first co-ops large enough to enter this study. Although these two co-ops are entering the market, the total number of independent grocery stores has decreased from 46 to 43 from 2015-2017 due to five closings. Independent grocers total

market share declined by 7%, a rate much faster than Major Player's market share drop of 3%. The decline may continue with the rise of Target, Aldi, Mariano's and perhaps Lidl.

H Mart, a full service grocer focused on selling goods to Chicago's Asian community will enter the urban market. With four successful locations in the suburbs, it plans to open a new 20,000-square-foot site in the West Loop. This is the second Asian-based urban grocer since the arrival of Seafood City in the Mayfair neighborhood on the northwest side in 2016. Seafood City is rumored to now be doubling the size of their store by 2019 due to larger than anticipated volumes.

STUDY PARAMETERS

The biennial study originated in 2009 to examine grocery activity in urban Chicago and surrounding suburbs. The boundaries are west to Harlem, north to Touhy and south to 127th. There are eight sub-markets including city center, west city, north and northeast city, north and northwest city, south and southeast city, southwest city, southwest suburbs and west suburbs.

The study includes 3.2 million residents, 1.2 million households and 262 operating or proposed grocery stores that are greater than 10,000 square feet in size and fall within the aforementioned boundaries.

By category, the study defines three segments of the grocery market: full-service, gourmet and discount and further categorizes grocers as "Major Players" or "Independents". The current study data covers activity between September 1, 2015 to August 1, 2017.

Mid-America Real Estate Corporation is a member of Mid-America Real Estate Group, a ChainLinks affiliate headquartered in Oakbrook Terrace, Ill. The company is the Midwest's leading full-service retail real estate organization with offices in Chicago, Milwaukee, Minneapolis and Detroit. For more information, call (630) 954-7300 or visit www.midamericagr.com.

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LINKS:

[Sub-Market Activity Chart \(PDF\)](#)

[Urban Grocery Activity \(PDF\)](#)

[Sub Market Category Breakdown \(PDF\)](#)

[Major Players vs. Independent Grocers \(PDF\)](#)

[Trade Areas Map \(PDF\)](#)

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