



Retail's New Normal

Pandemic is Changing the Operating Ecosystem, Maybe for Good

By KARI HAMANAKA

Reinvention. Retail's always been good at that—and it will need to be once again to survive the effects of the coronavirus.

New policies created by unprecedented recent events have created a domino effect: people are discouraged from going out to

buy, retailers can't pay their rents and landlords are coming up short on their mortgages. Store closures, furloughs and pay cuts in some executive suites have been aimed at warding off damages in the near term.

Longer term, there are still decisions to be made. As Californians settle into week four of Gov. Gavin Newsom's stay-at-home order, an

industry already forced to somersault in the past few years to keep up with e-commerce, the rise of direct-to-consumer digital brands and a move to short-term leases for pop-ups has much more to consider.

Here's a look at how some notable names in Orange County's retail scene are preparing.

► Retail Roundup 38



Kadari: shopping behavior will change

Biomerica Stock Surges On Antibody Tests

HEALTHCARE: Promises results in 10 minutes

By A. LEIGH CORBETT

Interest in **Biomerica Inc.** and its stock has taken off in recent weeks after the Irvine-based maker of medical diagnostics and therapeutic products said it began shipping samples for a 10-minute test to determine if a person has the antibodies to the coronavirus, which means they have already been exposed to it.

Its shares (Nasdaq: BMRA) have tripled to about \$7.45 each and a \$74 million market cap after it said on March 17 it has begun shipping samples of the test that utilizes blood from a finger prick.

The company said it expected to sell these disposable, single-use devices for less than \$10 per test.

► Antibody Testing 31



CEO Irani: test shows coronavirus exposure, if antibodies are produced

UCI Pools Resources For COVID-19 Efforts

INNOVATION: Finds partners for test kits, therapies, ventilators

By JESSIE YOUNT

The **University of California-Irvine** campus is bustling with activity these days, despite social distancing protocols, a ramp down of non-essential research and a move to online instruction for the rest of the academic year.

From its research branch to its off-site medical center, which was one of the first to initiate clinical trials for a vaccine candidate in March, several groups are partnering with industry connections in efforts to combat the coronavirus.

"We have many research groups working on COVID-19 efforts, and some groups that have been working on these issues before the pandemic arrived," UCI Vice Chancellor of Research **Pramod Khargonekar** told the Business Journal. "We want to work with the rest of society to help stop this disease."

► UCI 30



Gillman: 'entire university has mobilized'

Raj Swim, Others Turn Focus to Masks

APPAREL: Growing list of companies address shortage

By KARI HAMANAKA

Raj Swim saw swimsuit orders slow, so it ramped up production for something new: masks in the face of the COVID-19 outbreak.

The Tustin-based firm, among the country's largest swimsuit manufacturers, is one of a growing roster of Orange County companies looking to plug supply gaps in personal protective equipment (PPE) and help flatten the coronavirus infection curve.

It's a quick switch for the company, which makes swimwear under its own labels, in addition to brands such as Splendid and Ella



Finished product; 10-pack sells for \$11

Moss.

"As a family business in Orange County for over 50 years, our employees are very important to us," said Chief Operating Officer **Bira Bhatnal**. "Once order cancellations started coming in for swimwear, we decided to pivot our business model to help solve a national crisis, while also keeping our workers employed and paid."

The company is one of several local manufacturers addressing the PPE supply shortfall. Among apparel makers, Brea-based sportswear firm **AST Inc.** is making masks as part of a consortium linked with the federal government, while Irvine-based luxury knit house **St. John Knits** recently began producing gowns for doctors and nurses. Companies

► Mask Makers 4

MAIL TO:



P. 08 GAMING: Blizzard releases Hearthstone expansion with remote workforce

P. 39 LEADER BOARD: Gregory Scott on local food bank needs

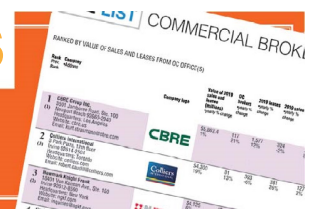
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COMMERCIAL BROKERS

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Retail Roundup

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Manna Kadar Cosmetics The Retailer/Brand

"Behaviors will change. There's so much [negativity] about the economy, the stock market and unemployment, and that makes people very wary to spend because the future is unstable," said **Manna Kadar Beauty Inc.** founder and Chief Executive **Manna Kadar**.

The CEO, who spoke from her Irvine office—the lone employee there—has spent the past few weeks on the phone with her retail partners dealing with canceled orders.

The upside? Her online business, normally about 10% of overall sales, is up 100%. The company made some \$7 million in 2019 and is among OC's fastest-growing retail businesses.

Kadar's company—consisting of two cosmetics lines plus Manna Kadar Bath & Body, Haute Dog, Mason Man Skincare and Beauty & the Bump—touches everyone from traditional retailers such as **Urban Outfitters**, whose parent said two weeks ago it's temporarily suspending rent payments and furloughing store employees, to beauty boxes and TV shopping networks.

That's roughly 6,000 doors all told.

The trickle-down effect of the current environment, she said, will no doubt lead to a more value-conscious consumer.

"I would consider myself a spender. I definitely pump into this Orange County economy and I have to say, other than business expenses and things for my kids and family, I have not purchased any of what you would call 'discretionary' items," Kadar said.

"The market had already shifted to [fashion rental] companies like **Rent the Runway**, so you're not having to purchase as much clothing. I do think off price, **TJ Maxx, Ross**—the lower-cost stores—they're going to be the real winners when we come out of this because they've always provided such great value and it's pretty good quality. You might buy from **HomeGoods**, but you're not necessarily going to go into **Restoration Hardware**, so you might see some of these swaps."

The \$2.2 trillion stimulus package passed last month could help.

"Half the time I'm on the phone with one of my retail partners and the other half of the time I am becoming a specialist on all of these loan programs available out there," Kadar said. "This is a time where leaning into your network is really valuable in that we're all sharing information with one another. So I'm really thankful to some of these organizations where we're getting a lot of the information first so we can prepare."

South Coast Plaza The Luxe Center

Orange County's largest shopping center **South Coast Plaza** is optimistic its mix of tenants and consumers who've spent weeks staying at home and not socializing, shopping or eating out will bring healthy traffic back to the center once it reopens.

"There will no doubt be shifts in consumer behavior following this unprecedented shut-



Cosmetics firm's e-commerce sales up 100%

down of brick-and-mortar retail, but it is impossible to predict the impact at this point," South Coast spokeswoman **Debra Gunn Downing** said.

"What we do know is that shopping is a social experience and many consumers will want that connection and be ready to get back to normal once the stay-at-home order is lifted. We are already hearing from many of our customers who are looking forward to the day when we will reopen. We believe there will be a significant pent-up demand for retail goods."

"South Coast Plaza is fortunate to have so many brands that are exclusive to us in Southern California and we know that will help in bringing back shoppers from a wide geographic area," she said.



Gunn Downing: 'social experience' will return

The center declined to discuss the topic of tenant rent negotiations.

NewMark Merrill Cos. The Property Manager

Sandy Sigal, president and chief executive of **NewMark Merrill Cos.**—a Woodland Hills retail developer and property manager with nearly 685,000 square feet of retail in Orange County—is operating with a near lost voice at this point, taking calls with tenants and others.

NewMark, he said, has contacted everyone in its portfolio of neighborhood centers—including Anaheim Town Square, Bristol Warner Marketplace in Santa Ana and Placentia Town Center—the past few weeks.

"As various tenants tell us what they're individual situations are, we're doing the best we



Sigal: constant calls with tenants

can relative to the fact that we still have a mortgage and bills we have to pay," Sigal said. "So we're trying to live up to our obligations. We have local vendors who live hand to mouth and we have lenders."

The digital revolution supplanting physical stores will not be the bi-product for retail once commerce resumes, in Sigal's view.

"People may change how they shake hands," he said, "but the emotional side will be very, very intact. I don't see us going into a digital-only society."

The situation, if anything has pressed the importance of strong communication, Sigal added.

"Retail [is] always evolving and I think this is a shock to the system, but I don't envision that we're going to all of a sudden have a three-page pandemic addendum to our leases," Sigal said.

"I do think that we've all learned better ways to communicate with each other and make sure we're better communicating with the community."

S&A Management The Downtown Transformer

Ryan Chase, principal at commercial real estate firm **S&A Management LLC**, said he's



Chase: large events long way off

also working with individual tenants and said his firm has taken a large number of calls from companies running the gamut in size, from small to large firms.

The situation will have a lingering effect on the retail ecosystem, said Chase, whose firm has substantial retail holdings in downtown Santa Ana.

What that looks like is anyone's guess.

"The big issue with this whole situation is the uncertainty," Chase said. "If the [stay-at-home order lift] date was, say, Sept. 1, at least we could plan accordingly, from an operator standpoint, to working with lenders to me as the landlord in particular, such as how to restructure leases/loans, set up payment plans, etc."

"Even when the stay-at-home order is lifted, I am thinking June 1 at the earliest and hope I am wrong, then what? I think it could be a slow getting back to 'normal,' if you will—whatever that is," Chase said.

"I think it could be awhile, thinking maybe next year in many cases, before you see larger events resume. Even then, how does that look? It will be very interesting to see how this all shakes out, but the reality is there is going to be a lot more economic suffering along the way and 2020 is going to be a tough year."

"Unfortunately, and by no means want to discount the severity of the health impacts, but I think this will bankrupt more people than will kill, and it's just unfortunate all around." ■

Manna Kadar Beauty Inc. MANNAKADAR BEAUTY

- **FOUNDED:** 2011
- **CEO:** Manna Kadar
- **HEADQUARTERS:** Irvine
- **BUSINESS:** cosmetics, bath and body
- **2019 REVENUE:** \$7M
- **OWNERSHIP:** privately held
- **NOTABLE:** distribution more recently broadened to Ulta, Urban Outfitters; now focused on back-of-house during virus slowdown

South Coast Plaza SOUTH COAST PLAZA

- **BUSINESS:** shopping center
- **CENTER MANAGER:** David Grant
- **OWNER:** C.J. Segerstrom & Sons
- **TAXABLE SALES:** \$1.8B (year ended 6/30/2019)
- **GROSS LEASABLE AREA:** 2.8M
- **ANCHORS:** Bloomingdale's, Nordstrom, Saks Fifth Avenue, Macy's

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