

# Urban crime and safety concerns push retailers to close stores

Article

**The trend:** Nordstrom is closing its downtown San Francisco department store and Nordstrom Rack locations due to crime and safety concerns, as well as a dearth in foot traffic as a significant share of consumers continues to work from home, per Bloomberg.

- **Anthropologie, Office Depot, and Whole Foods Market** also recently announced plans to shutter their downtown San Francisco locations.
- **REI** last month cited safety concerns and a rise in crime over the past few years as reasons it will close its store in Portland's Pearl District early next year.
- While **Nike** did not give a reason for shuttering its downtown Seattle location earlier this year, local officials told the Seattle Times that street crime was one concern.
- **Target** is closing stores in Minneapolis, Philadelphia, and the Washington, DC, metro areas that faced unique challenges. For example, the Minneapolis store is located in the Uptown neighborhood, which has experienced riot damage and protests throughout the past few years, according to the Star Tribune.

**A slow recovery:** Downtown areas are still bouncing back from the pandemic.

- **There are fewer people in most cities' downtown areas as a significant share of consumers continue to work from home.** The office occupancy rate in major US cities was just 49.8% in the last week of April, per Kastle Systems.
- **Rent is high.** Operating costs, both in terms of leases and labor, are higher in urban centers than other areas.
- **Organized retail crime is on the rise.** Incidents of organized retail crime (which often occurs in urban environments) increased by an average of 26.5% in 2021, according to a National Retail Federation report.
- **The uptick in organized crime is hurting retailers' profitability.** For example, Target in November said shrink led to over \$400 million in profit losses in the first three quarters of 2022.

**Looking ahead:** Retailers have to navigate a difficult balancing act as they seek to minimize shrink without hindering the customer experience.

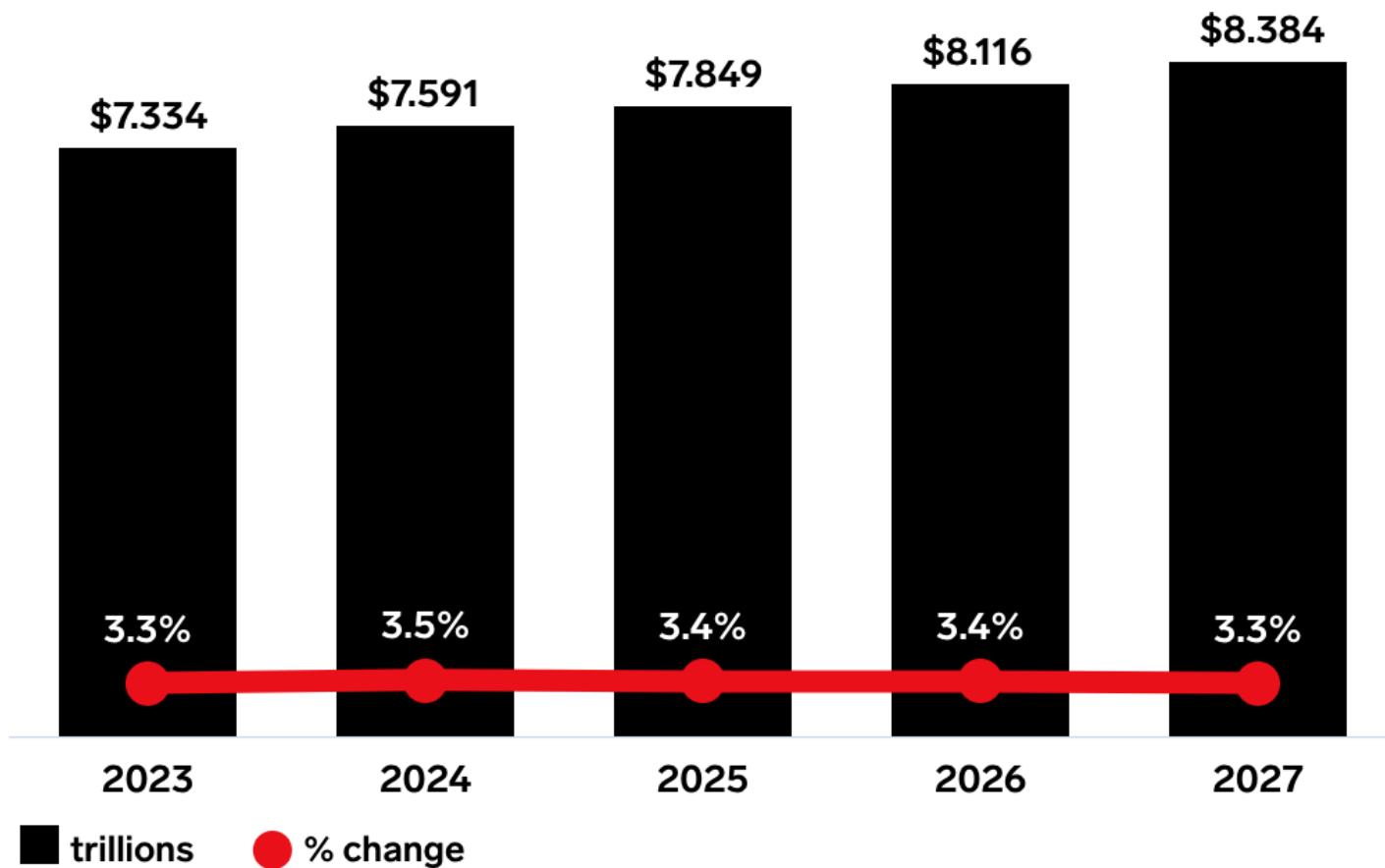
- For example, retailers such as **CVS** and **Ulta** are placing more items in locked cases. But locked cases can hinder the customer experience, decreasing sales because shoppers have to find an associate to assist them. That can create significant frustrations given that many stores are understaffed.
- Others are adding security guards. But doing so can add to the perception that the store and neighborhood are unsafe.

**The big takeaway:** Where people live and work has changed significantly over the past few years. That's unlikely to shift in the near future.

- With consumers pulling back on discretionary spending and many retailers (and our [US Retail Sales forecast](#)) expecting retail sales growth to slow, many merchants are examining their portfolios of stores to evaluate their growth prospects.
- That will likely lead to more flagship stores in urban centers closing their doors as the economy slows.

## Retail Sales

US, 2023-2027



Note: excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, restaurant sales, food services and drinking place sales, gambling and other vice goods sales

Source: eMarketer, February 2023

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