

EDITORS' PICK

Westfield Mall Joins The Mass Retail Exodus Out Of San Francisco

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SAN FRANCISCO, CA - NOVEMBER 30: Pedestrians walk past a store with boarded up windows near Union ... [+] GETTY IMAGES

The Westfield San Francisco Centre, previously a downtown San Francisco shopping mecca that once housed over 70 top-tier retail

brands, is pulling the plug and turning the keys back over to its lenders after defaulting on its \$558 million loan, according to the [San Francisco Chronicle](#).

“For more than 20 years, Westfield has proudly and successfully operated San Francisco Centre, investing significantly over that time in the vitality of the property. Given the challenging operating conditions in downtown San Francisco, which have led to declines in sales, occupancy and foot traffic, we have made the difficult decision to begin the process to transfer management of the shopping center to our lender to allow them to appoint a receiver to operate the property going forward,” the company said in a statement to the paper.

Westfield is owned by Unibail-Rodamco-Westfield, which operates 78 shopping centres in 12 countries, including 20 in the states. The company did not respond to my request for comment.

This move follows closely behind Nordstrom’s [JWN -0.7%](#) decision to close its over 300,000 square-foot anchor store in August, which will leave the mall only 55% leased, as well as its Nordstrom Rack location across the street. The mall, however, will remain open in the meantime, with the mall’s receivers making the final call.

This is only the latest blow to San Francisco’s once vibrant retail center. Westfield and Nordstrom join Whole Foods, Saks Off 5th, Anthropologie, Office Depot [ODP +0.5%](#), Brooks Brothers, Ray Ban, Christian Louboutin, Lululemon, H&M, Marshall’s, Crate & Barrel and Disney are among 95 retailers making their escape from the downtown Union Square area with [Old Navy](#) closing later this year and [Williams-Sonoma](#) [WSM +1.2%](#) next.

Crime Doesn’t Pay For Retailers

Rampant street crime and aggressive shoplifting are driving shoppers away and threatening the safety of retail employees. For example, Target TGT +3.3% remains open, but its products are under lock and key, which doesn't bode well for its future.

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Downtown office workers are also thin on the ground, impacted by tech layoffs and employers letting those who remain work from home. It's a toxic brew that keeps the city center spiraling downward with no end in sight.

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Yearly visits to downtown San Francisco dropped from 7.5 million in 2019 to 2.2 million in 2022 and visitors from 118k to 62k, according to the [Downtown SF Partnership](#).

If location, location, location is the key to retail success, then San Francisco is doomed as a destination for shoppers, visitors and guests from near or far.

San Francisco A Bellwether For Other Cities

The threat of crime is causing shoppers, workers and prospective retail tenants to steer clear of downtown, and it's growing not just in San Francisco but across the country.

The National Retail Federation puts the cost of retail shrink nationwide at nearly [\\$100 billion in 2022](#), most of it attributed to external retail theft. Retail thieves have been aided and abetted by a California law where the retail theft of less than [\\$950 in goods](#) is deemed a nonviolent misdemeanor which has been effectively “decriminalized” because it is rarely investigated or prosecuted.

However, retailers see it otherwise. The NRF’s National Retail Security Survey [found](#) nearly 80% of retailers experienced increased risk and threat from guest-on-associate violence, and 58% were increasingly concerned about mass violence/active assailant threats.

That threat is real. [Retail Dive](#) reported there were 37 retail mass public shootings in 2022, ahead of 26 in bars/restaurants and 25 in a factory or warehouses.

San Francisco may be the bellwether for increased safety concerns among shoppers across the country. Another [NRF survey](#) conducted among some 5,000 consumers from May 16-24 found more than half (53%) feel retail crimes such as shoplifting and store looting have increased in their community since the pandemic.

Of special concern is an increase in gang-related shoplifting (64%) overall and 75% among consumers in urban communities. And a majority (51%) believe law enforcement and the courts are too lenient on retail thieves.

Grass Is Greener In The Burbs

While retailers are abandoning their downtown San Francisco locations left, right and center, the greater San Francisco Bay area remains a [hot spot for customers](#) that retailers thrive on.

In 2021, San Jose-Sunny Vale-Santa Clara metropolitan areas ranked number one nationally in per capita income (\$64,169), and San Francisco-Oakland-Berkeley was number two (\$62,070), according to Statista.

So as retailers pick up sticks downtown, they are likely to make tracks to the suburbs, like Nordstrom, which remains committed to the greater San Francisco Bay area.

Jamie Nordstrom, chief stores officer, said in the May 2 statement announcing the closing of its downtown flagship and Rack locations:

“We’ve spent more than 35 years serving customers in downtown San Francisco, building relationships with them and investing in the local community. But as many of you know, the dynamics of the downtown San Francisco market have changed dramatically over the past several years, impacting customer foot traffic to our stores and our ability to operate successfully.”

“With both leases set to expire, and after looking closely at our opportunities in the region, we believe we can better serve our customers there by focusing on our 16 nearby Nordstrom and Nordstrom Rack locations, as well as online.”

That’s the position the few remaining San Francisco retailers are likely to take as their leases expire and they can make a smooth exit to greener pastures.

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