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## Five Below grabs more space for its HQ at Lit Brothers

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Five Below Inc. is expanding its headquarters at the Lit Brothers building by nearly 43,000 square feet just three years after having signed on to relocate to the Philadelphia office property.

The company had an option to expand within the building if space came available and once it did, the company decided to exercise that option early, said Steve Perna of Perna Frederick Commercial Real Estate who represents Five Below.

“The company is looking to make sure it has adequate space to meet its expected growth,” Perna said.

The space Five Below took had been occupied by the Internal Revenue Service, which had 39,000 square feet in Lit Brothers at 701 E. Market St. The IRS relocated to 600 Arch St., an office building adjacent to the John A. Byrne U.S. Courthouse. By combining the IRS space along with some common areas and corridors, meant that the space Five Below (NASDAQ: FIVE) took totaled 42,900 square feet, said Mark Merlini of Brickstone Cos., which owns the office property. The space is being demolished and the company is expected to occupy it next year.

Five Below also has a two-story, 14,000-square-foot flagship store at Lit Brothers that fronts Market Street. A representative from Five Below couldn't be reached for comment. At a total of about 200,000 square feet of office space, it is one of the biggest tenants in Center City.

Since the company signed its lease at the building during the summer of 2016, it has grown from just over 300 stores to 894 in 36 states as of Nov. 2, according to its third quarter report filed with Securities and Exchange Commission. Last November, it had 745 stores.



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Five Below is based on Market Street in Philadelphia.

The company is also expanding beyond its retail empire. In October, Philadelphia esports venue developer Nerd Street Gamers completed a [\\$12 million equity financing led by Five Below](#) that is expected to give Nerd Street an expanded national footprint. Under the arrangement between the two Philadelphia companies, Five Below and Nerd Street Gamers plan to build 3,000-square-foot Nerd Street Localhost spaces for esports trainings and events connected to select Five Below stores, beginning with a multi-store pilot scheduled for 2020.

The companies said at that time that if the pilot program proved successful, they could establish another 70, or more, Localhost locations — designed to connect the gaming community through live, in-person events played on pro-level equipment — over the next several years.

While the partnership may at first glance seem to diverge from its retail strategy, it's an avenue to retain and capture more market share.

"Gaming is a trend our younger customers are actively enjoying, and working with Nerd Street Gamers will help us to provide an exciting gaming experience that appeals to our core customers and beyond, while also showcasing our extreme value technology-related products and accessories," said [Joel Anderson](#) in a statement at the time.

The expansion of Five Below into space vacated by the IRS has provided a boost to Lit Brothers. It leaves just about 35,000 square feet of empty space in the building, a feat that may have seemed daunting four years ago when around 120,000 square feet was vacant. Five Below came along to shore up that vacancy, initially signing to occupy 160,000 square feet in phases over time. And, now the company backfilled a hole that was set to come available.

"We got lucky," Merlini said. "I'd like to say it was strategic planning."

Brickstone is putting the finishing touches on a multi-year interior and exterior improvement project that included adding benches, planters and other streetscaping. It plans new lighting at the entrance of the building and is working on incorporating a mural or some other art for the interior concourse level. Brickstone is also exploring putting in a brew pub in some retail space that is expected to come available.

While the fourth quarter is a telling one for retailers, Five Below reported third quarter results on Dec. 4 that showed an increase in sales though a drop in income. The company saw a 20.7% increase in sales to \$377.4 million from \$312.8 million when compared with the same period last year. Net income was \$10.2 million compared with \$13.5 million, or 18 cents a per share compared with 24 cents per share.

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