



Stay focused, spring thaw will be here soon enough and things will return to normal

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It's been a tough winter on the commercial real estate industry, especially as it pertains to retail shopping centers. No matter the weather, customers still need to visit shopping centers to pick up necessities and complete their weekly shopping trips. That means the walkways must be cleared, parking lots plowed and salted, and stores need to be clean. This creates stress on retailers and asset managers as they keep any eye out for roof leaks, clean constantly and deal with delivery/parking headaches associated with all this snow. Despite these challenges, shopping center traffic remains busy and leasing interest is strong. Dealmakers are putting up a good fight and staying focused amongst all the weather distractions. One would think high snow banks and inclement weather would keep prospects indoors but inquiries just keep coming in. That's why I say, stay focused, better times lay ahead, especially when we get rid of all this snow.

As a result of many factors, we can expect retail real estate to continue its upward trend this spring. The economy continues to improve, jobs are being added, and gasoline prices have fallen and stabilized in the low to mid \$2/gallon which is freeing up extra consumer cash. Retailers and restaurants are working hard to pick up those extra dollars that have suddenly appeared in consumers pockets. Sometimes, the best way to do this is through expansion and opening new units. We've seen some interesting changes in the retail landscape since the fall with Dollar Tree winning the bid to acquire Family Dollar and Radio Shack filing for bankruptcy. Both of these noteworthy events will have an impact on real estate in the Northern NE market this spring. The upcoming International Council of Shopping Center's (ICSC) Global Retail Real Estate Convention held in Las Vegas this May will be a strong indication of the times that lay ahead for the year. Typically the better the retail real estate market, the more attendees - last year drew over 34,000 attendees.

Personally, I am hopeful that 2015 is the year we see some of these "chronic" vacancies get leased up. I am referring to those spaces that have been sitting empty for 3+ years. It seems we have a fair amount of these in Northern NE as specific centers are just being overlooked by expanding businesses. Perhaps retailers will come to terms with their first choice real estate

not being available and say, "okay, we'll go with an inferior location and upgrade when something better comes available." Then what happens once these spaces get leased up? Demand for new development? That would certainly be exciting and would be helpful for some of our clients with very specific site selection criteria. I think we can expect developers to plan carefully as a project being planned in 2015 may not actually open for several years. With technology and the way the retail landscape is changing it is important for developers to plan ahead and make sure that their planned retail projects will still be relevant in a couple years.

Demand is strong for very well located retail spaces which has been mostly leased up over the past couple years. Smart retailers, restaurants and their brokers are busy watching trends that could lead to downsizing of certain retailers or even closure so they can be in the right position to strike when something is announced. A good example is Radio Shack who just recently announced its long anticipated bankruptcy. Now, what does that mean for retail landlords and those retailers and restaurants scouring for prime space? Essentially Radio Shack is auctioning off about 1,800 leases for spaces that it no longer wants to occupy. We'll see what the end result is of the process is; my guess is that maybe a quarter to a third of the actual leases will be purchased with the remainder of the spaces returned to Landlords so they can hire their brokers and put the spaces on the market for lease. That is a lot of 1800-3000 s/f retail spaces. So, we'll see what happens over the next few weeks and months when the winter weather thaws and things start to return to normal. I think we can expect national, regional and local businesses and entrepreneurs alike to hit the ground running this spring seeking spaces and opening more locations.

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