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Filing the holes: It is time for true creativity in trying to motivate landlords and entice tenants

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Our market, just like your market I am sure, is not nearly as vibrant as it was 18 months ago, and the deals we are working on are an absolute reflection of this. New developments in this market are a thing of the past. The goal now is to fill the existing spaces and getting the retailers looking for sites with the best space at the best price. It is time for true creativity in trying to motivate landlords and entice tenants.

We operate in a fairly conservative market where spec building has never been the norm. Even so, there is space available now in every submarket, and new opportunities coming on-line every week. With retailers like Linens n' Things and Circuit City closing stores and freeing up space, and the obvious opportunities with various car dealerships, there is significant second generation space available. There are also mixed-use projects in the trade area that have not gotten off the ground and are anxious to find an income stream. They have been brought to shell condition and remain in that condition today. This space represents the lion share of the retail activity and opportunities in our world today.

One positive aspect of retail is that there is always someone making money. These active tenants are the discount retailers such as Family Dollar, Dollar Tree, Auto Zone, Advanced Auto Parts, and other similar operators as well as off-price grocers such as Aldi, Save A Lot and Price Rite. All of these retailers can make use of appropriate second generation space and get themselves into new markets in good locations at a reasonable cost. The grocers offer the added value of acting as a draw that will motivate other retailers to consider a subject property more carefully to play off the added traffic and the synergy that a market as anchor creates.

The landlords are responding to this interest by rolling up their sleeves and making deals with rents and terms they would not have considered a short time ago. There is little to no tenant improvement allowance, no soft costs, and in many cases, some free rent thrown in to get the tenant committed. Rents are very aggressive and landlords are giving tenants time and breaks to help them build their business.

The food warehouses are also interested in deals but it is much harder to find reusable big box space with all the attributes they require. Second generation retail space with parking, access and visibility in the 60,000 - 130,000 s/f range is hard to find. We are currently marketing Johnston Towne Centre with a 63,000 s/f anchor retail building already up and ready to go which is a unique asset in this market and the level of interest in this project reflects this uniqueness.

Fitness has been another category trying to take advantage of the availabilities in the market and with a simple list of requirements, including high ceilings, parking and HVAC, they have opened very successfully. They will take space "as is" and build out with rent escalations that give them time to build up membership.

These are the transactions that are being completed in our market today. With hard work and creative thinking from the brokers, landlords and tenants, there are deals to do in existing space that should be the backbone of activity for the next year at least.

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