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Best of class properties are in high demand but the property next door is being passed over

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Real estate has always been about location, location, location. As the economy slowly recovers nationally and regionally and Rhode Island lags the trend, it has never been more true. The retail world we live in today is all but void of new product in our market and new trade areas to infiltrate with the latest or the fastest moving retailers. We are a dense market, but we are also a mature market. Therefore, the best of class properties in the most mature and successful trade areas get all the activity while other solid centers with strong access and visibility and other attributes retailers appreciate are being passed over for the time being. A+ has never been more important.

We are seeing this in our market today. Multiple users fight for the last location in the best in class property while virtually ignoring the next best location in the market even if they lose out to a competitor for the space they covet. It seems our confidence level is only halfway back. We are seeing retailers pay some significant rents for the space they "have to have" but they are unwilling to even consider the property next door.

The landlords of the best of the best properties, with their corner at the light locations and strong traffic generating anchors, are obviously pleased with the attention they are getting and the rents they are achieving.

The landlord next door is shaking his/her head wondering where the activity is and hoping for the spill-over that is bound to come, but has not to this point. They are understandably frustrated and upset by the lack of activity.

An example of this would be the multiple frozen yogurt operators we had fight over the last available space in a trophy property in a certain specific trade area. These retailers fought hard for this space and after offers, second offers, and last and final offers, the space was leased "as is" for about 50% more than the traditional market rent for the property.

Is this the beginning of a real recovery? Is this what it looks like? We hope so. The market in Rhode Island tends to trail Boston and the rest of the first tier New England markets in recovery, particularly after a hard fall. For the sake of a healthy trade area and a balanced portfolio of properties we are cautiously optimistic that things are headed the right way and these retailers will start considering more locations as they gain confidence in their product and in their consumers through 4th Quarter 2012 and into the next new year.

However, it bears repeating and is an important reminder -- as valuable as the best real estate is in a strong economy, it is arguably much more valuable in a poor economy. Lastly, if today's activity is any indicator, this best in class retail space might be most valuable in a recovering economy.

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