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Retailers are buying or building centers for their use and generating additional streams of income

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So much has been said about our recovering economy...it has recovered...it's been a tepid recovery...the recovery is not a recovery, it's just a blip in the Great recession. Who do you believe?

The truth can be seen everywhere. Gasoline prices are up yet you see gas-guzzling trucks, SUV's, and luxury 'road yachts' everywhere. Developers are busy building apartment complexes, office developers are putting up new edifices even though telecommuting has grown significantly over the last decade, and strip centers (neighborhood convenience centers) are lining all the major road systems throughout the state...from Cape Cod to Gloucester...from Boston to Springfield, you'll never be more than a few miles to another brick & mortar retail strip or free standing entrepreneurial outpost.

With all these shopping centers being built, there's a feeding frenzy to buy properly zoned commercial properties along with existing strips...with physical condition being unimportant. Of note is that that tenant-uses have become buyers. It's not just the Fortune 1000 companies, insurance companies, or REITs, but the smaller regional and local retailers who are now getting into the game. It appears that the tight regulations on bank lending has soften and commercial money is readily available.

In addition to the evolution of grocery anchor tenants just having long term leases to now becoming owners, other retailers are buying or building centers for their use and generating additional streams of income from non-competing rentals. Market Basket has been using this model for years. The purchase of shopping centers, malls, and lifestyle centers provides the retailer with a number of advantages such as, in many cases, having the ability to prominently position their own unit, control tenant mix while creating a shopping environment compatible with their own concept.

Obviously there are several tiers of development, for the sake of this discussion, we're referencing the projects under 100,000 s/f. There are a plethora of retail centers that have three to ten stores that dot the landscape. The eventual buildup of equity in the real estate becomes a strong tool in leveraging further growth for the retailer, either in the acquisition of additional real estate or by leveraging the equity to finance future expansion of additional units. As opposed to paying rent, having an equity stake in addition to the value of the respective business, controlling the asset provides for an enviable position for a leaseback, if appropriate, allowing the retailer/owner to pull out cash without reducing units or inventory. This beats the hell out of paying rent to a usual disconnected landlord.

There seems to be a migration of successful food operators moving into their own centers. Look at almost every small strip, and also every large retail project, you'll find a third on the smaller centers to 20% on the larger centers encourage food and beverage operators to help drive daily, consistent traffic. Through the over 30 years representing buyers and sellers of food and liquor businesses, I've witnessed numerous successful fast food operators sell their units and buy a small 6,000 to 10,000 s/f strip. Notice that almost every small strip has a convenience store, a pizzeria, or a liquor store. Now you'll find yogurt shops, Subways, and Starbucks in the adjoining strip or just up the road.

New England Restaurant Brokers has been connecting local and regional foodies with developers for many years but recently we found the need to work with companies on a national scale. Subsequently we're in the process of formerly launching the National Restaurant Exchange.

I believe that it was Will Rogers who said, "invest in land, they're not making any more of it." So too, this carries over, in concept to owning your business space. As an example, with some concentrated planning and effort, that successful operator should be able to sell his pizzeria, buy a small strip and feature his new place...making money from his business and also from his tenant income.

Charlie Doe, founder of the Ninety-Nine chain, surprised me one day when he explained that he was not in the restaurant business (tongue in cheek), he explained that he was in the 'real estate business'...the 'restaurant business' just paid his mortgages.

With 34 years to mature and twenty brokers and sales consultants, New England Restaurant Brokers has grown to be the largest restaurant brokerage and consulting company in the country. "Our experience is priceless."

Dennis Serpone is president of New England Restaurant Brokers and The National Restaurant Exchange, Wakefield, Mass.