



nerej

Location, location, location: If you build it, they will come – and with growth comes competition - by Dennis Serpone

September 28, 2018 - Spotlights

Dennis Serpone,
New England
Restaurant Brokers

If you build it, they will come!

“Do ya think?”

It's amazing to most of us in the real estate industry to see the height of the activity in our industry. Cranes dot the landscape. New office towers, apartment/condo projects are growing like weeds, and strip centers are rising in so many lots along most numbered routes.

The question is...is it the relaxed regulations encouraged by Trump; is it the change of attitude of the zoning and building boards; is it the over zealot appraisals of banks to do deals; or is it the exuberance of developers that are throwing caution to the wind? Whatever the cause, most subsets of the real estate market are hot. Seems like we were here before...maybe 10 years ago.

What's driving this activity? Still low interest rates, a couple of trillion dollars sitting on the sidelines, homeowners trading up or trading down...to apartments or condos. An interesting side note is the perception, of those conspirator theorists that many of those multi-million dollar condos are being bought by foreign nationals and those looking to launder cash. Who knows?

The interesting fact is that over the last year everyone seems to be doing better. Wages for most people have gone up, government stipends to those not working has gone up, real estate values have shot up across the board, and interestingly enough, who would have guessed, the cost of renting an apartment is significantly higher than carrying a mortgage. So what's going on.

It actually quite simple to explain. With banks, CDs, and treasuries so low, people don't want to tie their money up. Subsequently, the casino-like action of the stock market and it's many derivations of equity is catnip to the masses. Now people are seeing their 401Ks, their mutual funds showing huge gains, so, 'Now we can move...We can go out to dinner more...We can buy better clothes...We're rich.' This euphoria is driving development across the boards. Sellers are selling and buyers are

buying. It's the 'roaring 1920s all over again.

But if everything is so good, why are malls with so many empty stores, why are there vacancies in strip centers that were always busy?

It's the ying and yang all over again. We go through it through every cycle. What goes up, comes down.

With all this development across the board "competition" is the harbinger of reality. Competition is usually fueled by optimism and greed...Opportunity and available financing...by shifting markets and unbridled enthusiasm.

As in most industries, success is a direct function of competitive advantage.

Millions, and probably billions, are spent on me-too products and developments. Apartment buildings with retail on the street level, luxury condos with incredible views, and office parks with gyms. Along with the expansion of primary real estate, you have the stellar growth of restaurant and drinking establishments.

From Boston, you have the "ring"roads—Rte. 128/I-95 and further out, I-495. Along those thoroughfares in particular is an extensive amount of competition. Whether it's the new life-style center in Woburn at Cummings Park, the expansion of Market St. in Lynnfield, or Assembly Row in Somerville and The Point in Westford...competition has never been greater. Each and every one of the developments, whether Boston or the north of Boston ring road areas, they're all anchored by food purveyors. Franchisors are committing to projects, independent chain operators are fighting over the best sites, while the soul of the food industry, the mom & pops are struggling to survive. New England Restaurant Brokers, with 20 active agents, has been overwhelmed with buyers looking for good deals and sellers desperate to get out of the business. The weak are failing the strong are growing. The delineating factor is competitive advantage.

In the most recent issue of The Kiplinger Letter, one of the most respected forecasters of economic trends, recently recognized and wrote that, "Between last year's tax overhaul and the lofty stock market, folks are feeling unusually flush and eager to spend."

I guess the bottom line is that growth will continue unabated in most sectors but with that growth comes competition...competition for the consumer's dollar. The old adage that success is directly related to location, location, location. It could be said that there's competitive advantage in picking the right lifestyle center, the right neighborhood retail center, and the right location within those facilities and greatly enhancing the chances of one's success. The migration of consumers continues from the congestion of Boston to the easy access of the ring roads of Rte. 128/I-95 and I-495. The roaring 1920s are back.

Dennis Serpone is president of New England Restaurant Brokers, Wakefield, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540