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Southern N.H. retail market: Local smaller retailers keeping N.H. centers alive

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The Entrepreneurial Spirit exhibited through the American Dream of owning your own business has been evident to me over the past six months, and I believe is going to intensify this spring. We are all painfully aware of the ongoing demise of national and regional retailers shuttering stores as a result of the decline of our economy. There is no sense in listing them all. It's too depressing, reinforces negativity and the doom and gloom mentality that accompanies it. And that's the worst thing that can happen to us in the shopping center business.

Instead, let's focus on the positive. I have been pleasantly surprised by the number of calls I've received from individuals contemplating opening up a business. As well as positive responses to companies I have solicited regarding an additional location. I have heard the same from many of my fellow NH CIBOR brokers as well as tenant reps and leasing professionals from some of the major Boston retail specialists leading me to believe that all-in-all activity levels have been good. I think it's fair to say that it still is taking much longer to work a deal from the first showing through a Letter-of-Intent and a mutually acceptable executed lease-and that for every signed deal that is completed there were two or three others that died on the vine.

Most shopping center owners have come to grips with the reality that there is a pretty large gap between asking rent and what any retailer out there that's ready, able, and willing to open a business is willing to pay these days. In truth there is always a way if you know how to be creative and if you understand what both landlord's and tenant's truly need in structuring a deal to achieve a "win-win" for both parties.

Activity breeds activity and in my opinion an occupied space with a new store adds value in many other ways besides the obvious rent. A new store is a sign of hope and growth and positively affects the other tenant's perspectives in the center. This helps the landlord in discussions with existing tenants-who I'd venture to guess are speaking to each other more now than they might have over the past ten years! Unfortunately they all want rent reductions-which are never a fun conversation for a landlord-but once again-when you look at the whole picture-what is worse-reducing rent for a short term by a few dollars a foot or having a tenant leave? What is the true cost of losing a tenant? The obvious is the base rent, but don't forget about the Cam & Taxes that you will now have to pay out of pocket during the holding period till a new lease is signed. Add in the costs of maintaining the vacant space, renovations to accommodate a new tenant, leasing fees, and the likelihood that your other tenants will be calling looking for relief as well. Now I completely understand this is a real slippery slope. Landlords just can't afford to set that kind of bad precedent that allows all his tenants to go on reduced rent-in addition to the obvious cash flow ramifications the other issue is that their financing was based on a specific rentable income the lender based the loan on.

One thing that I have noticed is that although we constantly hear about the collapse of real estate

values sweeping the nation in the housing market-there seems to be a complete disconnect as it applies to New England shopping centers. I have seen almost no truly listed properties for sale and the few you hear about that might be are still expecting yesteryears prices in the 7 cap range. Not that I blame any shopping center owners for wanting that. But any buyers that are out there know full well that with the risks associated with tenancy, rollover rent, financing requirements, etc. a buyers cap rate is going to be many points above that.

I just completed a site search for a new client. And in touring the various markets I was surprised at the number of secondary (and lower) commercial properties out there. Many of which are really unattractive and off the prime shopping corridors. With so many prime locations now available I don't see who will be attracted to these properties, or where the smaller retailers will come from to fill these older spaces.

So what type of businesses are out there thinking or actually expanding? Are they franchises, start up ventures with a new concept or copying a proven idea only trying to put a new spin on it, or small retailers with two or three locations? I've seen all of the above.

I'm constantly amazed at how many people still want to open a business of their own, i.e. a restaurant, sandwich shop, hair/nail salon, fitness center, massage or other wellness business. Some may think it's risky, in a sense it's job security. Basically buying yourself and family a job.

Discount/thrift stores are popular and are seeking locations -taking advantage of offering lower price points to make products and services more attainable to the masses.

I am hopeful that this spring will bring new growth, tenant interest, consumer demand for new businesses. And those of us in the shopping center leasing and management business will see even more activity so we will be able to assist our clients in strengthening their portfolios.

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