

## What are the key ingredients to realizing success in today's marketplace?

April 21, 2009 - Retail

What a difference a year can make (or even 6 months)! It didn't seem like too long ago when developers and investors looked at potential opportunities and asked questions such as "What's the cap rate?" or "Do I have to put more than 15-20% equity into this deal"? But the world around us continues to change. Key operative questions today are those such as "OK, what's the real NOI here? Not the NOI when this plaza is 95% occupied but the existing (i.e. I can honestly count on) NOI" and "Do I have to put so much equity into this deal that it no longer makes sense..."?

While it's easy to get discouraged with the drastic economic doldrums that we each face every day, we must all keep in mind certain things to be successful. First and foremost, history teaches us that the market will recover and good times will again abound. We must all be committed to sticking out the cycle! Second, history further teaches us that in times such as these, great opportunities exist for those few who look for them and are willing to play the game a little differently!

In realty, the game has changed immensely. For we retail investor/developers, past practice confirmed that identifying a good piece of dirt or a well-sited plaza was a primary driver for success. While those are certainly still important, today it's less about the land and more about the retailer! The opportunities lie today in understanding those retailers who are succeeding in this economy and identifying those retailers who continue to expand. Focusing on key relationships can bring tremendous opportunities. So many of us have tied up properties we thought were great, having invested time and money only to have our prospective tenants tell us they really don't care for that location. To a certain extent, this cannot be avoided. Knowledge and awareness of those who are expanding and having solid underlying relationships affords us a better opportunity to evaluate acquisition opportunities. Knowing that a particular retailer is looking to expand in a particular area is crucial when we're looking at purchasing a plaza that has 30,000 s/f of vacant space. That's the opportunity, not the drag on the deal ... and this philosophy is not limited to the retail sector. We all know that speculative commercial development of any kind has become non-existent. However, understanding tenants and end users who are looking to expand or relocate, whether retailers, doctors, industrial users, etc. creates great opportunities now and in the future.

Success in today's marketplace clearly requires a full understanding and appreciation of the debt and equity markets. Equity and debt are still available, albeit on significantly different terms than in recent years, even as the hope of fully non-recourse loans remain but an exaggerated dream. Lenders certainly feel more secure with a borrower having more skin in the game. But for those investors who understand the markets, have access to debt and equity and are patient, terrific deals exist. While there are certainly vacancies in all commercial product types, opportunities do exist in the marketplace. Purchase today at NOIs that reflect the reality of today. The "what ifs" are not for us. Recognize the upside and realistically evaluate how to get from here to there ... that's a key

ingredient for success today! As in any time, hard work, preparation, diligence, persistence and creativity remain the key elements in identifying opportunities and bringing real estate deals to completion.

At The Simon Konover Company, we benefit from the vision and foresight that our founder and principal, Simon Konover, has anticipated for over 50 years. We are a diverse, horizontally and vertically integrated real estate company, concentrating in ownership and operation, both for our own account and for third parties, in the hotel, office and industrial, market-rate and affordable housing (including student housing), and retail development. While our portfolio diversity offers some insulation from the deep trough in any one real estate sector, by no means can we ignore the indicators in the marketplace. We embrace what the marketplace has to tell us and we acknowledge that a bit of good luck can never be discounted. We embrace our relationships as "safe harbors" in this turbulent sea of recession and remain optimistic that the latter parts of 2009 and the years to follow will once again invite the success of the deal.

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