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RETAIL LEASING ATTORNEY

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State of the retail industry – The good, the bad and the ugly

As a dedicated Penn Stater, the news is generally not good these days. The tragic circus that has engulfed a name and place previously associated with stability and goodness is about the only thing deflecting the other news of the day, which is the following: from where I sit, the real estate market is not getting any better.



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The fundamental problem is the shrinking universe of tenants leasing space in shopping centers. Even before the more dramatic changes in the economy in the late 2000s, the number of tenants was on the decline. In the late 1990s and early 2000s, there were at least two, and maybe more, national or regional tenants in each category of retailing (such as home improvement, electronics, books etc). Now, most categories have been reduced to one retailer, and in many instances that retailer has reduced the square

footage it requires. In today's world, new shopping center deals consist mainly of restaurants and other service users. The deals with merchants selling goods are few and far between. It seems that the only retailers flourishing in this market are those that offer goods or services that cannot be purchased over the internet.

The obvious consequence of this indisputable fact is that empty centers remain vacant, and the ability to develop new centers is greatly diminished. Even if an owner is fortunate enough to secure a national grocer or department store anchor, the owner faces a very difficult road in trying to fill the rest of the center. While restaurant and services uses are great for shopping centers, many anchor tenants limit the number or square footage of restaurants and service uses due to parking constraints or use issues.

On the positive side, empty stores have generated some redevelopment opportunities, and some of the bigger retailers appear to be fairly nimble in adapting to space that may not be pro-

totype. Redevelopments are a boon for existing tenants and for communities otherwise staring at dark centers.

Another positive note is that quick-service restaurants (QSRs) seem to be faring very well in this economy. Some QSRs that had slowed growth in the past have picked up their new store counts, and others are continuing to move forward in new or expanded markets.

Additionally, it appears that lenders are making loans. Borrowers now appear to be used to the newer, stricter lending criteria and lenders are back in the game. The lack of new projects has certainly resulted in less volume, but construction loans (few as they are) and permanent loans are getting done.

In summary, while there is some positive news to report, the news on most fronts is less than spectacular. Let's hope all things turn around soon.

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