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Maximizing redevelopment opportunities in retail leases

Redeveloping and expanding an existing shopping center is a common method of increasing the value of a shopping center. As an owner of a shopping center, it is important to plan for future construction and expansion. In addition to complying with all governmental approvals, restrictions and other requirements, an owner of a shopping center also must look carefully at the existing tenant leases at the shopping center, and draft future leases with construction and expansion in mind. To have maximum flexibility on future redevelopment or expansion, an owner should confirm that existing leases permit additions and remodeling of the shopping center, and should draft future leases with provisions benefiting the owner.

Specifically, an owner should draft its leases to provide the owner with the right to determine the extent of and to change the common areas (including the right to determine and alter



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the location, size and amount of driveways, entrances, exits, parking spaces and landscaped areas). The owner should also include provisions which allow alterations or additions to any buildings or other improvements located in the shopping center, including the ability to construct additional buildings in the common areas, build additional stories on any existing buildings, and construct additional parking facilities. Finally, a lease should allow the owner the right to add more land to the shopping center to give the owner the ability to purchase an adjacent parcel for a future expansion.

In order to facilitate the construction and expansion, the lease should provide the owner with the right to relocate the tenant's equipment and sign-age, and erect temporary scaffolds and any other matters that will ease the burden of owner's construction. An owner should also reserve the right to close temporarily any portion of the common areas, and should have access to all areas outside of the interior surfaces of a tenant's premises for the installation and use of ducts, pipes, wires and other facilities.

Depending on the strength of a tenant's negotiating power, many tenants will require certain protections in their leases. They might request that the access to and visibility of their premises are not affected by any redevelopment, or that certain portions of the shopping center are not altered (i.e., the parking field immediately in front of their space and the access and drive aisles thereto). They may also request that the number of parking spaces in the

shopping center not be decreased in size or number. In granting these protections, an owner must take into consideration any potential for the development of pad sites or extensions to existing buildings.

It is important for an owner of a shopping center to have as much flexibility in its leases as possible. Even if an owner is not planning any immediate redevelopment, a future purchaser's price for the shopping center may depend upon the ability to create value through a redevelopment or expansion of the shopping center.

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