

Factors that play an important role in contributing to a retailer's success

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By Robert Delavale, Breslin Realty Development

The retail industry has long proven to be aggressive and exceedingly competitive. A healthy economy always serves to fan the fire, which is why other industries look to retail for answers because not only are retailers the first to feel the trickle down impact of consumer confidence, the retail industry can actually show us where consumer confidence is, making retailers astute watchers of interest rates and good barometers of stock market trends.

Economic trends however, are not the only factors contributing to a retailer's success or demise. Although the economy may sometimes affect the retailer, let's look at three of the other factors that play an important role.

Finding key employees is the cornerstone of good retail. A merchant's service is only as good as its individual employees, and considering there are limited numbers of good people available, retailers typically all compete for the same workforce. It's important to implement incentive and commission programs, as well as good training programs to create challenging workplace environments, but inevitably all retailers in the market cannibalize the good help.

Typically today both adults in the household work and share the responsibility for raising the family as well as pursuing other interests. Therefore, time for shopping has become limited. Shopping used to be a leisure activity but has evolved into more of a chore, and people have now become very particular about how they spend their leisure time. Developers comply by including amenities such as indoor play areas, food courts and theme restaurants which help, but more importantly should pay close attention to co-tendencies keeping individual product lines such as fashion, casual items and hard goods in designated areas enabling shoppers to become more time efficient.

These good economic times compel competing retailers to target the same markets. The real question is how this phenomenon will play out if and when the industry experiences an economic downturn. In good times smaller retailers typically do not fear competition, even from the Big Boxes, because consumers are more will-

ing to sacrifice lower cost in lieu of customer service, those retailers with a strong niche in customer satisfaction and image are more likely to ride out the down cycles.

With that said, our industry must have been doing something right again last year. Retailers, or at least most, have met their December and year-end expectations. Sales have met the International Council of Shopping Center's forecasted gain of approximately 3%. Curiously though, the luxury chains saw almost a 10% gain, possibly encouraged by continued low interest rates and an apparent easing of fuel prices.

From an owner's perspective, commercial real estate still ranks as one of the best and safest long-term investments, even moderate

signs of stress in occupancies are counter-balanced by moderate-to-good rises in rents. If forecasters are correct, 2005 will be another record-breaking year for commercial real estate transactions, especially in the retail sector. Out of the three commercial markets (retail, industrial and office), retail, and more specifically shopping centers seem to do best. Experts for each center type (mall, strip, lifestyle center, power center) expect rents and occupancy levels, despite over-retailing in some markets, to continue to increase. These retail properties have long been considered the most resilient to economic trends, further enhancing their popularity amongst investors who seem to be gobbling

up these properties at astounding cap rates.

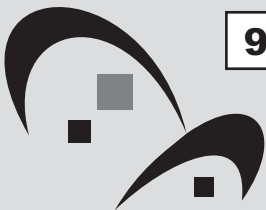
So what's in store for the New Year? Most industry leaders say mergers will be the highlight. Jones Apparel recently announced its plans to purchase the upscale retailer, Barneys. Fortunoff's, Toys "R" Us, and Casual Corner may also be in play. We already know consumers are the most important factor to our economy, and even as gas prices trend up, and consumers pay more of their disposable income on mortgage debt, they keep tapping their high interest credit cards to purchase more goods. So while consumers continue to drive the economy, mergers are typically driven by one of two factors: profitability, as in the case of Barneys,

or as in the case of Toys, windfalls created by undervalued real estate.

A good real estate professional can be useful to the retailer on either level. If profitability levels drive the merger, we need to find and develop new properties to allow the retailer to grow their acquisitions. On an undervalued real estate level, we offer creative assistance in relocating the tenants of poor performing stores as well as downsizing, and re-leasing excess space at higher rents.

What other industry offers a win-win on so many levels?

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