

Survival of the Fittest

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Walmart*

LOWE'S

THE HOME DEPOT



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In doing a little research for this article, and expounding on what we are seeing in the market as it relates to shopping center leasing activity, it is increasingly becoming "Survival of the Fittest." The number of inquiries and overall demand for shopping center space has declined by virtue of a decrease in store openings and square footage reductions along with bankruptcies, mergers etc. While these circumstances have lessened the amount of active tenants, the caliber and quality of tenants that are expanding today is markedly higher. The strong survive; they adapt to customers ever changing needs and deliver on providing an excellent customer experience.

One example is the discount department store category. It used to be a 3 or 4 tenant race that has evolved into Wal-Mart vs. Target. Lowe's and Home Depot are the dominant players in home improvement as other lesser players have gone away. The list goes on in most retail categories. According to David Berliner of consulting firm BDO on store closings and others emerging, "It doesn't mean retail is going away. It's a repositioning of retail."

As some retail and restaurant formats have grown stale or lackluster in presentation, it has created an

opportunity for others to penetrate the market with new "fresh" concepts and for other established tenants to expand their footprint. Like most things in any competitive arena, it's survival of the fittest.

Typically, it's the centers in thriving trade areas with strong residential density, daytime employment and traffic generating anchor tenants that still command the highest levels of interest. Whether it's Chula Vista, Carlsbad, San Marcos, Mission Valley to El Cajon, it's the same mantra - own and operate the best center(s) in the trade area by attracting the best tenants. It is important to be the #1 or #2 best performing centers in any given trade area. Further, most retailers and restaurants business/financial models want "best in class" centers as they tend to yield the most consistent sales and are often among chains best performing units. Not surprisingly, it's the best in class tenants in a given category that are expanding and signing new leases.

With the fast changing pace of retail companies, brands, concepts considering all facets of retail from traditional neighborhood and community centers to mixed use, high street retail and new retail concepts- both digital and brick/mortar, the possibilities to be best in class have never been more apparent.