



## The state of retail real estate NOW! - by Ron Koenigsberg

February 02, 2021 - Long Island

Ron Koenigsberg  
American Inv.  
Properties

Right now retail real estate is facing many challenges. "Hello, Houston? We have a problem."

1. Unemployment is rising on Long Island and throughout the country.
2. Demand for retail real estate space is slowing. Absorption of vacant spaces is negative, we are getting more vacancies than newly leased spaces.
3. Vacancy rates are rising.
4. Shopping center sales have slowed.
5. Values of retail properties are decreasing. The Sunrise Mall has been sold to Urban Edge Properties for \$29.7 million. The seller, Westfield, purchased the mall in 2005 for \$143 million. This is a loss of over \$113 million and 79% loss of investment. Malls are a real question mark as no new enclosed malls have been built since 2006 and many feel the mega mall concept popular from 1956 to 2005 is antiquated.

Retail has been hit in all directions, the Internet has hurt retailers as more and more money is being spent online vs. brick and mortar stores. Retailers responded beautifully, quickly and aggressively into experience retail (experiential real estate). Pre-pandemic retailers determined to get customers back into stores they needed to provide unique and memorable experiences. The pandemic destroyed in person retail so this idea of experiential retail has been delayed or postponed. Now we see a bifurcation of retail, necessity based retail vs. discretionary based retail. Pharmacies and groceries are all hiring and growing. Department stores, hair and nail salons, theaters and restaurants are seeing the greatest negative impact.

6. Century 21 Department Store at 1085 Old Country Rd. in Westbury closed and the property is

being redeveloped and downgraded (upgraded?) to light industrial space.

Actions:

I have two awesome young sons Drew (age 8) and Chase (age 7). Drew often taps his index finger on his face and says, "Daddy, I have an idea."

Here are some of my ideas and thoughts:

1. Retail real estate is very management intensive in 2021.

As a commercial real estate broker I have a very unique and I believe very insightful perspective. I speak to 10 to 30 commercial real estate owners daily.

2. In my opinion, the best landlords are counter intuitive.

They are reinvesting in their properties by offering rental concessions to assure their tenants can get through to the end of the corona virus business slowdown. I believe this a 6 month to 12 month period.

3. I think retail landlords need to speak to their tenants and assess how they can help each individual tenants survive the pandemic.

I don't think this is one size fits all approach. I think each individual tenant faces individual difficulties and there are no uniform solutions.

4. There is a huge separation between those landlords with a lot of debt vs those without.

Those landlords with a lot of debt simply cannot offer rent concessions to their tenants. Many banks will not allow it and landlords need the rental income to pay debt service.

5. I do not think landlords should defer rents for a large balloon payment or much higher rents after the pandemic, I see this as too large a burden for the mom and pop retailers to absorb. It's just too big a burden.

6. I think now is the time for landlords to get creative with all sorts of programs and incentives to help their tenants and get creative with rental discounts. I don't think now is the time for vacancies.

Results:

1. I applaud those retailers and landlords that have gotten creative.

Panera offers a \$8.99 monthly subscription for unlimited coffee. I subscribe and customers line up for near free coffee.

2. Retailers are getting creative and opening new businesses.

Hard to believe but there is a near record amount of retailers opening new businesses. Yesterday I saw lots of new tenants in Roosevelt Field Mall including a 20-minute teeth whitening center and The Doughnuttery, featuring hot, fresh, uniquely sugared mini donuts. You pick your quantity, choose your sugar flavors and enjoy. Honestly, I was smiling ear to ear.

3. I believe this is the time of landlord involvement and the most critical time in my lifetime (age 56, born 1964) of involved management for all commercial real estate owners.

### Takeaways

1. I believe retail has more problems than a 10th grade math book. Internet sales rising at double digit annual rate, the pandemic, and perhaps permanent changes in how people shop due to the pandemic are problematic.

2. I believe those landlords that have little debt and are grocery or pharmacy anchored will continue to thrive, the unanchored centers I believe should be carefully monitored by active and involved landlords.

These are my thoughts, what are yours? I would love to hear. My email is ron@aiprops.com and on Instagram you can find me as RealEstateRon. Feel free to tell me exactly how you feel. I'm from New York—I can handle it. Besides I'm a Mets and Jets fan—if I had feelings, they were already destroyed this season as my New York Jets finished with a 2-14 record.

Ron Koenigsberg is the president of American Investment Properties, Garden City, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540