



## What are you doing to help your tenants prosper?

April 27, 2009 - Shopping Centers

There's been a lot of chatter of late in the commercial real estate world regarding the wave of retail tenants looking to their landlords for help during these slow times. What, if anything, are you doing to help your tenants prosper in this challenging retail environment?

I've always worked hard to encourage all of my tenants to be forthright with me regarding any challenges they are facing in the marketplace so that I am best positioned to help them overcome those challenges and I intend to continue to do that even more vigorously going forward. I firmly believe that the landlord and tenants of a successful shopping center must act as a team and advocate for each other wherever possible. Every situation is different and open communication is the key ingredient to reaching a solution that works for everyone involved.

This definitely has been a hot topic lately and the focus is usually on base rent reductions. It's definitely a challenge for me when a tenant comes looking for a reduction in response to a slowdown in business. There really is no rule book for these situations. My first move is to sit in person with the tenant to discuss the challenges they are facing and why they feel a rent reduction is a necessary component of their survival plan. I will always request the business' detailed financials for the last few years as well as their income and expense projections for the next few quarters. I do an analysis of the business's prospects for success and the impact the requested reduction would have on its bottom line. While I'm usually not inclined to make rent concessions in situations like these, I'm also hesitant to be the metaphorical straw that breaks the camel's back. As a basic rule, any base rent concession we'd agree to give during tough times would be in exchange for better profit sharing terms during better times. Generally speaking we think there are other things we can do to help our tenants through these times that are better for them in the long run than trading future profits for current concessions.

Specifically, we are currently working on two different initiatives that we think will help our tenants' top and bottom lines and make our centers more attractive places for businesses to operate and people to shop. The simple goal is to eliminate the need for any rent concessions.

First, we are actively looking for creative opportunities to distinguish our shopping centers from our neighbors by participating in local fundraisers and hosting community events. We expect that participating in these sorts of "place-making" events will engender good will within the community and will drive traffic to our tenants' storefronts. Of course we will encourage our tenants to contribute to, and get involved in, these events as well.

Second, we are examining all of our service contracts and maintenance agreements and pushing all of our vendors for concessions wherever possible. We will maintain the same level of quality service that we have delivered to date but with a renewed focus on cutting costs and passing savings through to our tenants.

We believe that this dual approach of cutting costs while maintaining a strong focus on quality,

service and community involvement will not only help our tenants weather the current storm, but will also put them in the position to shine and take away market share from competitors in their respective businesses as the storm settles and consumer confidence begins to rise again.

Daniel Katz is the principal of Katz Properties, New York, N.Y.

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