

Column: The new DNA for commercial real estate

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Every year, real estate brokers, developers, architects, financiers and retail representatives from around the world converge at the annual International Council of Shopping Centers' RECon trade show in Las Vegas. An impressive display of brute real estate development force, the event is important on several levels.

Why invest in the expense of cross-country travel when we can make phone calls and send e-mails instead? As we begin to recover from economic vertigo in Central Pennsylvania, our trip to Las Vegas proved valuable for seven reasons:

1. **It makes good marketing sense.** As the landowners and property managers, we can deliver a personal message that none of our brochures, websites, e-mails or social media messages can convey. When you want people to know your company and your service, when you want national retailers and anchor tenants to value your reputation, it summons a face-to-face introduction. More than 30,000 people walked the halls of the Leasing Mall, and no event can effectively measure the barometer of commercial real estate development like three days at [ICSC RECon](#).
2. **Although the forces in commercial real estate have changed — property values evaporated and credit markets constricted — the mood and attitude were more positive and confident than during the year prior.** That may have arisen from an unspoken acknowledgement that most attendees were survivors of the past 24 months. Our tenacity, experience and conservative “cash is king” business principles proved life-saving. The 30,000 attendees had one commonality: present and prepared to do business.
3. **In addition to a branding benefit, it's good core business practice to meet decision makers, fellow retail and office developers, and landowners “in real life.”** The immediacy of social media for listening and sharing information is indisputable; but from our 40 years of experience, real dealmaking is best done eye-to-eye and handshake-to-handshake. Up or down cycles, 1,200 square feet or 1 million square feet, no technology can imitate a personal conversation.
4. **Who we saw tells a story.** CVS, Rite Aid and Walgreens were all very active, with robust traffic at their booths. Those are good signs for developers. AutoZone, Giant Food Stores, Costco, Lowes, Dots, Dunkin' Donuts, Domino's and Marriott also were noticeably on the radar. Discount retailers like Dollar Tree continue to dominate the market.
5. **Financing remains a thorn.** There is still plenty of troubled retail space and tenants behind on their payments. That said, there appeared to be forward movement of deals — mostly triple net — and that means that financing is starting to loosen. Banks appeared to be more proactive in working with people, as opposed to blowing deals up at the last minute. From experience and time on the floor in Vegas, cash is still king with a 75-80 percent loan-to-value. Confidence may be slowly returning, but risk-taking is not — yet.
6. **The optics and the conversations.** It's important to see the activity and equally important to listen to the conversations (we followed the tweet stream at [#ICSC](#), although we were unable to make the tweetup). One national retailer said, “It's not a question of doing more deals, but when are the deals going to be done.” Retailers seemed to be waiting for the other guy to take the first step; and developers still are not over-anxious to own the stage, either. Only if there was a relevant property with a reasonable cost-structure were developers confident and aggressive.
7. **The market has bottomed out.** That was the consensus among the attendees with whom we networked. There are rough roads ahead for buyers and developers who came late to the game and are left with an upside-down dilemma, but there are good deals to be done. Commercial real estate stakeholders are focused on new ways to attract consumers to retail destinations, and that includes retail experiential marketing and place-based apps for mobile marketing and social media.

Our takeaway? Tenants will drive the deals — there is plenty of opportunity for new market players to fill empty spaces left by the Circuit Cities, Linens N Things and Bombay Companies. HHGregg already is filling anchor vacancies in Central Pennsylvania.

We predict that 2011 will be the bellwether. The financing pipeline will continue to loosen and developers of well-positioned, approved projects will start to attract leases. A good sign in Central Pennsylvania is an increase in development plans submitted to local municipalities, marking a move toward job creation, regional ballast and renewed growth.