

Survey: Retail Lease Negotiations Creating Ill Will

By Erika Morphy



WASHINGTON, DC-A survey sponsored by local firm Green Light Retail of retail leasing trends in the Mid-Atlantic reveals disturbing trends that could have long term implications. Green Light Retail, headed by Peter Framson, a former Trammell Crow director, had the survey conducted during the recent regional International Council of Shopping Centers conference in Washington, DC

Much of the findings were not surprising, given the economy. For example, the time spent on lease renegotiating by respondents more than doubled in 2009 compared to 2008, with nearly 50% of the respondents stating they are spending more than 10 hours a week on lease renegotiation issues. Survey respondents also weighed in with their opinion on how retail will perform in the coming months with few surprises.

For instance, 43% responded that the retail environment would stabilize in 12 to 24 months; 13% were more pessimistic and predicted some date beyond 24 months. Also, 77% believe that sales/tenant activity levels, when the market recovers, will be below pre-recession levels; 70% projected that project net operating incomes for 2009 will be below 2008 levels. And in a near unanimous finding, 99% believe average store volume for 2009 will be down from 2008 same store volumes.

The survey also pointed to deepening hostilities between tenants who are seeking the best deal in a down market and landlords who are finding fundamentals eroding faster than ever expected. The survey found that almost 33% of those surveyed are worried that lease renegotiations are creating ill will between the parties. Almost 70% said they are concerned that renegotiations are taking away from their primary business.

Hopes that this economic cycle is nearing the bottom were also dashed by the survey; 73% said the US is not at bottom of the recessionary cycle; 17% said the country is "not even close to bottom". Sixty-one percent predicted the low point of the recession would occur in 2010 or later.