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Retailer's choice: Strip center or free-standing building?

Vacancy rate has increased 6 percent in past year, says NAI Harding Dahm president

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Commercial property brokers throughout Allen County are singing the same tune these days: Fort Wayne has retail space galore available.

But while there is a plethora of small space within strip malls or shopping centers, lone standing buildings are not quite as abundant, although in some cases more in demand.

"Over the past 12 months, due to increased construction and vacancies, the overall vacancy rate in retail has increased in the greater Fort Wayne area by 6 percent," said Dan Dickey, president and CEO, NAI Harding Dahm.

"Right now, there is a lot of small shop retail space available that is priced fairly high, but is steadily being filled. The large, vacant free-standing retail buildings also have a high vacancy rate, and the much larger existing properties are more difficult to fill. Of the 116 retail spaces available, we have calculated that we just crossed over 1 million square feet of leasable available space in Fort Wayne."

John Bellio, president of Coldwell Banker Roth Wehrley Graber draws a distinction between clients seeking stand-alone commercial buildings and those needing smaller strip-mall, or in-line, space.

"Yes, there are too many strip centers, but as far as individual parcels there is still a need for those," Bellio said. "The strip center is a low-cost, quick move-in — an easy remedy for somebody who needs space for a business, and there are a lot of small businesses that are just starting up here. Typically, they have a far lower per square foot cost, but some of the new ones are crazy in pricing."

An across-the-board average cost for small in-line properties is between \$8 and \$14 per square foot, he said. However, that price fluctuates greatly depending on location, age of the building, amenities and parking. Bellio added he's seen some Class A spaces in strip centers going for \$18 to \$22 a square foot.

For businesses leasing retail space, there are other costs to consider. There are utility costs, property taxes and costs for services such as snow and trash removal.

Bellio cautioned that business owners should think long and hard about whether the prospective location will benefit the business.

"Small retailers really need to be careful about where they select their location," he warned. "Because what we have learned in the commercial industry is that the location of a business can be so busy that people don't go there. Unless you have to go there, you avoid it like the plague."

There are a considerable number of stand-alone commercial properties across Fort Wayne. Unlike strip-mall spaces, these stand-alone buildings are much harder to fill, primarily because retailers seeking this type of space are far more selective, said David Nugent, a partner with BND Commercial.

They seek a space that conforms to their brand, and in many cases conforms to the franchise they are licensed to represent.



ANDY BARRAND

Space in strip centers is often better suited for small businesses and startup companies. The cost per square foot also is typically lower than at a free-standing building.



ANDY BARRAND

Dave Nugent, a partner at BND Commercial, says retailers seeking stand-alone space are more selective about which building is appropriate for them.

"These are mature retailers, not startup businesses," Nugent said. "They already know their needs and their customers. Eight out of 10 have a clear, very established set of criteria in what they want in a free-standing building."

These tenants don't want to be clustered in a strip-mall center or even a mall setting. They are destination retailers with a targeted customer market.

"When you are in a strip center, you really do not have your own identity," Bellio said. "With your own building, you can customize it for the culture of your business. You can decorate, have customized, individual signage, landscape and have all of the build-out and trim work customized."

"This gives a real sense to the customer that this business is here to stay. They have an established identity for the long haul. It gives a sense of security to the customer, and it really sets the stage for the business."

There may be fewer retailers seeking free-standing buildings, but they generally are long-term tenants, Bellio said.

According to Bellio, the general rule of thumb is if a retailer needs 4,000 to 5,000 square feet of space or more, they need a free-standing building.

While there may be a glut of available retail space in Fort Wayne presently, Dickey said in time the situation should balance itself out.

"The nice thing about Fort Wayne, and some people consider it a negative, but we never really hit the highs and lows," he said. "We don't have those wild swings that other major markets have. Although I do believe we have to be cognizant of not overdeveloping our retail market as we did with our office market. We built and built and didn't concentrate as much on filling existing office space."

"I think in the long run that we will be fine and ... developers will slow down construction and give it time to absorb."