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TOP WAYS RETAIL PROPERTY  
OWNERS CAN HELP TENANTS

**REOPEN THEIR BUSINESSES**

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While the majority of businesses have been affected by COVID-19, retail tenants and restaurants have taken the brunt of the impact. Every state is different and the corresponding rules, phased lock-downs and reopening timetables should be adjusted as needed. Retail businesses are grappling with social distancing, safety precautions and customers who are a little more apprehensive than before. While most consumers are tired of being cooped up at home and using online ordering and take out, they are ready to get out of the house and spend.

However, with many of the new requirements and businesses operating at less than full capacity, it can be difficult for retail tenants to turn a profit. Retail commercial property owners should offer a bit of compassion and look for innovative solutions to keep existing tenants in place. Landlords should be cheering for their tenants to succeed and help drive traffic to their spaces again.

## COST TO ACQUIRE NEW TENANTS

Before delving into ways that commercial real estate property owners can help tenants, it is a helpful reminder how important they are to your operations. Finding a new tenant requires a significant investment of time and money just to get them in the door. These expenses include property flyers, leasing signs, professional photos, a property page on management company websites, legal fees, tenant improvements, advertisements and so on. Yet this obviously isn't the ideal time for most entrepreneurs to open a business, so the odds of finding a new retail tenant in this market drop significantly. Therefore, landlords have a better chance of working to find a solution with their existing tenants, rather than attempting to replace rental income with a new tenant.

## IDEAS LANDLORDS CAN IMPLEMENT TO HELP RETAIL TENANTS

### Rent Abatements

The cost to replace an existing tenant with a new one is much higher than simply working to find a solution and come to a short-term arrangement. Landlords can help retail tenants by providing temporary rent relief during this transition period. There are several options available. Landlords can opt to use security deposits to offset rents, rent deferrals, paying only NNN expenses or a percentage of lower sales. The lost revenue is typically added to the end of the term of the lease, but can certainly be negotiated and added throughout the lease in future years. Tenants who still have months of "free" rent left in their contracts can have these periods removed as well. Property owners should also be sure to include sales reporting as a requirement for any rent relief provided. An addendum to the existing lease should be signed by both parties once an agreement is reached.



### Bridge Loans

Another potential solution is a bridge loan to the businesses. This is a finance-based solution that can be considered for businesses that were successful in the past and simply need to get through this temporary situation. Bridge loans are more common in the real estate industry and are short-term loans from 6 months to 2 years in duration. These loans are secured by assets and provide funding for gap, or "bridging" between revenue or financing loans. In this instance, a bridge loan is an option best used when a tenant is expecting PPP or EDIL funding from the SBA. While this may not be a viable option for some real estate owners, it is certainly one worth considering for tenants with considerable assets that need assistance.

### Local Community Support

Helping retail tenants doesn't only have to be in the form of monetary compensation. Reaching out to local consumers and ensure them that it is safe to return to their tenants' businesses can help increase traffic to the space. Small businesses typically have a more loyal following, so reminding and encouraging customers to support their local businesses can have a significant impact. Actionable ideas to spur traffic include putting up banners near roadways, social media campaigns, taking out media ads and sending out press releases to local outlets. Retail tenants rely upon those in the community for their businesses to succeed. Sending out a reminder will help spur traffic, increase spending and provide a sense of community.



### Setup or Enhance Outdoor Areas

This idea is particularly relevant for restaurant tenants. After the pandemic, in-house dining has been reduced on average by 50%. By allowing or helping to expand outdoor areas for tenants, they can be in compliance with municipality restrictions, while operating at a normal level again. Parking lots and sidewalks are great options for expansion areas that are typically underutilized. These newly established outdoor spaces should be cordoned off and clearly marked for retail patrons. Adding canopy tents and other related accessories can help provide a more definitive and professional appearance.

### Staggering Operation Hours

Another innovative idea for retail tenants is to offset operating hours. Retail businesses can fully open at their busiest times of the day, while other tenants can focus on curb-side pickup or delivery. This allows businesses to maximize their potential revenues while promoting social distancing and other safety precautions. This approach can alternatively be implemented by having businesses off-setting days such as every other day or three days on, two days off so that each business has the opportunity to open again and serve its customers.

### Encourage Fewer Menu Items Or Product Offerings

While more established retail chains have a menu offering the size of a book, smaller restaurants and other retail businesses would be wise to pare down their menus or product offerings. This will help reduce expenses, eliminate some inventory expenses and help businesses become more profitable. Retail stores can focus on the most popular products to sell and opt to provide a broader selection online if they choose to do so. Service businesses, like yoga or Pilates studios can implement this as well by focusing on core or more popular classes for their customers, minimize the number of instructors and consolidate their schedules.

### Labor Cost Reductions

While commercial property owners cannot dictate staff hours, encouraging retail businesses to reduce staff hours can help them increase their profitability. Done properly, this significant overhead expense can be pared down with minimal impact to revenues. Labor choices can be a delicate matter for business owners who have loyalty to their staff, but during this time the focus on weathering out the slowdown and surviving should take precedence.

### Customer Traffic Pattern Analysis

Another similar step is to review the customer traffic patterns and optimize staffing. If there is a significant boost in traffic during certain times of the day, staff accordingly. Business owners should already be operating with this in mind and should seek to formalize and record the patterns. Instead of an educated guess, business owners are optimizing their businesses for rush periods. Times with lower demand can allow businesses to reduce staff and focus on periods of higher revenues.

### Increase Customer Turnover

Another way to recapture lost sales is to accelerate the serving time. Customers observing social distancing are reluctant to ask for help from employees and are often well informed before they enter a store to buy a product. Retail stores can implement items such as touch screen menus, retail kiosks and modify facility layouts to become more efficient. Anywhere that paper can be eliminated, while simultaneously improving shopping or checkout processes should be implemented as well. Online orders, curb-side pickups, and self-serve kiosks should all be implemented whenever feasible, to increase customer turnover. This helps businesses increase sales and accelerate revenues while they are reopening.

### Appeal Tax Valuations

Another way retail property owners can sustain their own businesses is by appealing the tax valuation on their properties. This can provide landlords with breathing room on their properties to accommodate tenants with concessions and help get them up and running again. Tax assessments are one of the main ways local municipalities collect revenues and it is often in their best interest to keep valuations high. Pushing back on their valuations forces them to justify their assessment, and can result in reductions. The appeal process varies by each county, so be sure to review the local regulations and processes before proceeding. If you have a tax or real estate attorney, then they can also assist you in appealing the assessment. The savings can be significant, so it is definitely worth pursuing if your area has been severely impacted by COVID-19.

## CONCLUSION

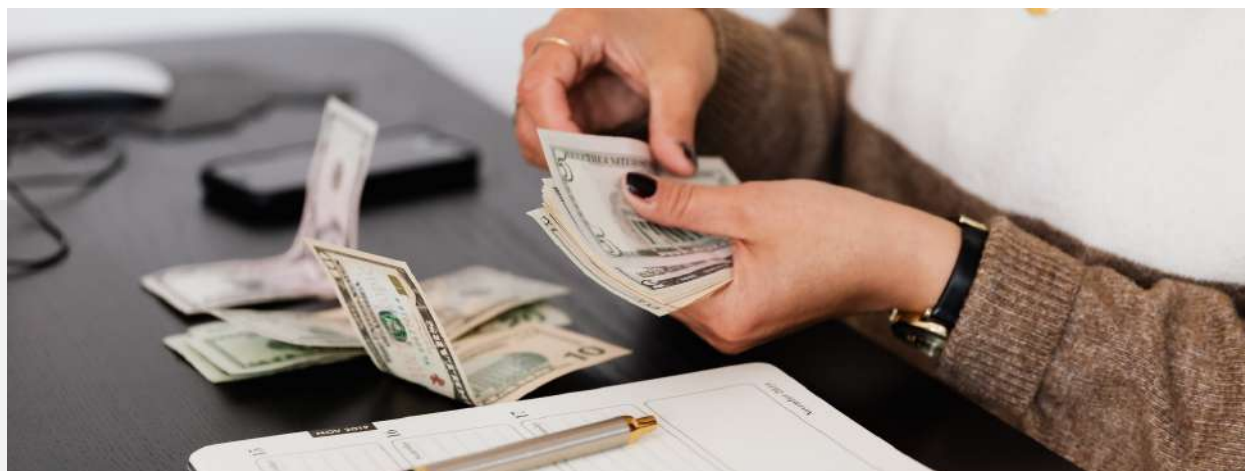
While this is a challenging time for many, retail businesses can get back up and running again with a little help from their landlords. While some landlords may be reluctant to help, it is in their best interest to keep and retain their existing tenants rather than looking for new ones who may never materialize. Cost reductions, smart scheduling, optimizing operations and even modifying existing layouts are some of the ways retail businesses can reopen their businesses and thrive again. These are unprecedented times, but now that the economy is revving up again, it is in everyone's best interest to work together and get back to work.

## ABOUT CIVE®

CIVE® is an upscale Design-Build firm, specializing in top-down build process driven by value engineering – from state-of-the-art design, leading-edge engineering, high-quality construction, and elite project management.

Our strengths lie in a rich mix of talent, experience and ingenuity. Our clients can depend on us to anticipate industry changes and plan for the future, while providing most practical and cost-effective solutions. CIVE® devotes customized, individual service to all its clients, whether large or small.

Specialties: Residential, commercial & industrial design, civil engineering, structural engineering, mechanical engineering, electrical engineering, construction management & project management.



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