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long island retail trends

Retailers in the Long Island market continue to outperform their projections and exceed volumes

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By Robert Delavale,
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When speculating or projecting retail trends in a market as diverse as Long Island two things need to be considered. First of all, which retailers are currently knocking on doors to expand their concept; and second, can their needs be accommodated because land is so scarce, and therefore so expensive? The answer is simply yes.

Big boxes such as Wal-Mart and

If the market possesses a tremendous amount of population who are able and willing to pay exorbitant amounts of money for gas, drive to wherever they need to go to shop and eat whatever, as often as they want, will give way to stunning volumes, higher rents. A winning combination for all.

Target, as well as Lowe's and Home Depot remain as active as ever in attempting to continue their growth pattern on Long Island. Wal-Mart is opening its largest store to date on Rte. 110, anchoring a shopping center, which we are developing in Farmingdale, N.Y. Located on the

former site of Long Island Polytechnic University, Wal-Mart is to occupy approximately 160,000 s/f, heralding their largest unit on the Island to date.

Deals such as this Wal-Mart, just confirm what we already know: retailers in this market continue to

outperform their projections and exceed the volumes of comparable stores in similar markets. Therefore, although remaining somewhat reluctant to take the risk it is easier to justify rentals, which continue to rise, based upon the increase in land values as this precious commodity needed for development becomes scarcer.

Smaller retailers will once again continue to briskly expand following the big boxes into new developments and re-developments. They will also continue to seek the locations of outdated concepts or weak retailers who are closing or expiring in existing centers. Banks such as Bank of America, Wachovia and Washington Mutual continue their aggressive ex-

pansion programs on Long Island in an effort to back-fill branches. Local credit unions are also following suit and aggressively seeking sites.

Interesting also is how the older banks such as Chase and Citibank appear to have geared up their expansion plans as well. An effort most likely directed at retaining market share they lost to new competitors in the past few years.

Restaurants also will once again seek to expand as aggressively as ever. However, on Long Island and throughout the Northeast restaurants will continue to be the most difficult to develop because they all require a lengthy approval process by zoning boards and health departments. Most of the fast casual restaurants in the market today will take whatever they can get and pay the rent required to make the developer whole, because they know their approvals are not going to be easy or happen overnight, and the developer requires an incentive to develop for a sector that is going to take twice as long to complete and need twice the land area to park their customers.

The franchise driven restaurant chains such as Panera, Applebees and Uno, for example, will continue to be as active as ever. Their deals however tend to be a double edge sword for the developer. As locals, they have gotten very adept in familiarizing themselves with local demographics and therefore the approval process is shorter and leases can be completed more quickly. However unless the franchisor is willing to guarantee the franchisee's lease, which is very unusual, most lenders will be reluctant to finance the franchisee. Those who are capable of obtaining the parent's backing will continue to have a leg up in the market and allow them to competitively vie for space.

The good retailer in Long Island will continue to make money even if their mark-ups are low. It just goes to show that if the market possesses a tremendous amount of population who are able and willing to pay exorbitant amounts of money for gas, drive to wherever they need to go to shop and eat whatever, as often as they want, will give way to stunning volumes, higher rents. A winning combination for all.



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