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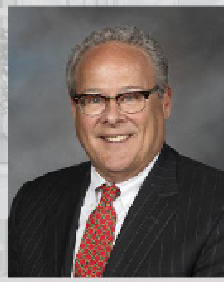
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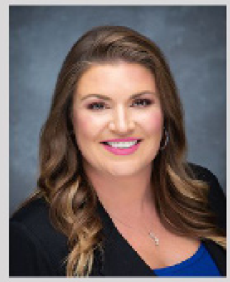
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OCTOBER 2023

Opportunities In Commercial Properties

There are a wide range of opportunities out there in commercial properties. Commercial properties provide space for businesses, and the kinds of properties are as diverse as the businesses.

Following are the major categories of commercial properties:

Retail

In this category are properties that are rented to tenants who sell goods directly to the public. Under this main classification are the following:

Strip Center. A retail center with a straight line of stores.

Neighborhood Center. A small shopping center with a supermarket or drug store, typically having up to 50,000 square feet of rental space.

Community Center. A medium-size center, with about 50 stores and up to 150,000 square feet of rental space.

Regional Center. A large center, usually enclosed, with two to five department stores and from 400,000 to 1 million square feet of rental space with food courts, and recreation centers.

Super Regional Center. A large regional center, with 750,000 to 2 million square feet of rental space with much more than the average center with high-end restaurants & movie theaters.

Theme Center

A retail center designed around a common theme. Under this group are the following:

Off-Price Center: A retail center that caters to tenants offering merchandise at discount prices.

Factory Outlet. A retail center that caters to manufacturers who sell their goods directly to the public.

Fashion Center. A retail center that deals in high-priced, high fashion merchandise.

Car-Care Center. A retail center that caters to tenants who deal in automobiles and the automobile aftermarket business.

Office Buildings

Office Buildings that are rented to non-retail commercial users. These buildings are designed as garden, mid-rise, or high-rise structures.

Business Park

A group of rental buildings designed for office, manufacturing and warehouse users.

Warehouses

Buildings that provide rental space to users of bulk storage. There are two types:

Light Industrial. Buildings that cater to storage users.

Heavy Industrial. Buildings that cater to manufacturers.

(continued)

Self Storage Units

Buildings designed to rent space to small storage users. Usually 25 square feet to 500 square feet.

Lodging

Properties that lease living space to individuals on a daily basis or longer. These properties can have price ranges from budget to mid-range to luxury. They may be marketed toward the transient, resort, convention, or commercial user. Under this category are the following:

Motel. A property in which a renter can park his automobile adjacent to his rental unit. This type of property is usually a garden type building with few amenities.

Hotel. A higher quality property, with more amenities than a motel. These properties can be garden-style, mid-rise, or high-rise in design. They usually contain such amenities as food and beverage services, conference areas, or health facilities.

Suites. A lodging property that offers a living and bedroom area.

Multi-Use

Properties that combine two or more of the following uses: residential, commercial (retail or office), or lodging.

Condominium

Commercial properties that are either converted or developed to be sold to the individual users. These can be either retail, office or industrial properties.

Single Purpose Buildings

Properties designed for a specific purpose, for example, a theater or a bowling alley.

Your Investment

Successful commercial properties give their users what they want and what they need. Some properties can be upgraded by renovation and a change to a different use. For example, an old industrial building can be converted to a retail or office property. ❑

Closing The Commercial Lease

When all of the negotiations have been completed, the broker and tenant have agreed to the terms of the lease. Now all that is left is the lease closing. Often there are so many back-up papers that must be produced, examined and approved, the closing can be held up because of a forgotten document.

Following is a list that provides basic information on typical documents that may be required at a closing. It is a starter list, and may be expanded so that it is complete for your particular property.

- **Lease.** Be certain that there are enough copies of the lease, fully prepared and ready to be signed.
- **Signatures.** Be sure that you have all necessary signatories present.
- **Bill of Sale.** If personal property is being sold when the property is leased, your lessee will want a bill of sale for items conveyed.
- **Property Data.** Bring appropriate maps, surveys, and diagrams to the closing, as they may contain information that will be useful to the tenant.
- **Additional Data.** Be prepared in case any questions might arise at the closing, so bring copies of: title abstracts, certificates and guarantees, certificates of occupancy and inspection, and mortgage data.
- **A Notary if required.**
- **Costs.** You should have any tax receipts, assessments as well as bills for water, fuel, utilities and any other expenses that may be apportioned when the premises are leased.
- **Maintenance Contracts.**
- **Insurance Policies.**
- **Forms for Consenting to Alterations and Repairs.**
- **Leasing Material.** You should bring subordinate leases as well as necessary information about security deposits.
- **Receipts.** Be sure to have receipts for documents and money delivered to you or to the lessee.
- **Miscellaneous.** Before the closing meeting, you may wish to write a letter to the prospective lessee reminding him to bring necessary documents such as power of attorney or other authorizations he will need. You may want to remind him to bring cash or a check for rent, security or adjustments. ❑

The Small Shopping Center–A Good Investment

When you are looking at shopping centers, bigger is not necessarily better. While a well-run regional or super-regional shopping center can produce a good financial return, so can a successful small-market shopping center. In many cases, the small town center can turn out a better return. One of the benefits is the control that the owners can have by being "the only game in town".

Good Customers and Stable Tenants

In a small town center (10,000 to 100,000 people within a 5-mile radius), there is usually little tenant turnover. The tenants are attuned to shifts in the local economy and can be flexible when economic change occurs.

The stores in the small-town shopping centers have a stable business because they concentrate on basic necessities (food, clothing, dry cleaning services, a coin laundry, mailbox & shipping center, a real estate company, dental & medical care etc.), thereby insulating themselves from economic downturn which can often spell disaster for merchants of luxury items.

These centers can also benefit from the nature of the customers. They are loyal and want to help their neighbors, who are often the store owners. Further, the small-town shopping center is viewed as a community asset. It can be where community activity takes place–the July 4th parade forms there, band concerts are held there, holiday promotions are celebrated there. For investors, these community events bring additional traffic and sales.

The Successful Center

A small-town shopping center needs "hands-on" investors who carefully plan the investment.

The successful center should:

- **Dominate the market.** The key factors are consumer habits, surrounding businesses, and accessibility. Consumers must habitually look to the shopping center as the place to go for their needs. The surrounding businesses must complement the wares offered at the shopping center. And the center must be readily accessible via a good roadway system with safe entrances off the highway. The minimum size for market dominance usually is 75,000 square feet.
- **Be in a stable market.** Employment base and local industry should be strong and diversified.
- **Locate in an area with the right demographics.** Young families, with growing children who need and want lots of products, are "right". Analyze the growth potential for the market.
- **Have a good tenant mix.** There should be a strong anchor, usually a department store or a nationally known grocery chain, with at least 10 years remaining on its lease. The remaining store tenants should offer products or services in special demand in this particular locale. Sporting goods, for example, usually are popular in small town shopping centers. Expensive jewelry stores typically are not. While electronics, department stores and clothing stores generally attract customers, sophisticated and costly gift shops do not.

Revitalize The Center

After about ten years, a small-town shopping center may need something to revitalize it. Expanding the center with a national retailer might help invigorate the tenant mix. Enclosing an open mall can be a good renovation to attract new interest. Simply giving the shopping center a face-lift might insure its dominate role in the area. ❑

Legal Definition Of A Shopping Center

There are all kinds of shopping centers from the smallest strip center up to the super centers. In a case in a federal bankruptcy court, the court was required to distinguish between a "shopping center" and other types of retail properties. The federal bankruptcy code did not define the term. The Third Circuit provided the following 14 elements to be used in determining whether a property is a shopping center.

- A combination of leases;
- All leases held by a single landlord;
- All tenants engaged in the commercial retail distribution of goods;
- The presence of a common parking area;
- Contractual interdependence of the tenants as evidenced by restrictive use provisions in the leases;
- The purposeful development of the premises as a shopping center;
- The existence of a master lease;
- The existence of fixed hours during which all stores are open;
- The existence of joint advertising;
- The existence of percentage rent provisions in the leases;
- The right of the tenants to terminate their leases if the anchor tenant terminates its lease;
- Joint participation by tenants in trash removal and other maintenance;
- The existence of a tenant mix; and
- The contiguity of the store. ❑

The Type Of Buyer For Commercial Property

When we represent a seller of a commercial property, we try to determine, as soon as possible in the marketing process, what type of buyer is most likely to be interested in this particular property. We then focus the main appeal on those elements that are most important to that type of buyer.

Normally there are three types of buyers for commercial property:

- **Investors,** who seek an income-producing investment in which to place their surplus funds.
- **Speculators,** who buy so they can sell when the market goes up.
- **Users,** who seek sites for their businesses.

The seller's agent will appeal to the special interests of each of the three types of buyers. Advertising and marketing materials should develop each appeal and furnish supporting facts, realistic projections, and professional information.

For the primarily income-seeking buyers, we focus on the financial data, concentrating on rentals from the property, terms of the leases, maintenance charges, mortgage information, and net income. We will also demonstrate the probability of income growth from the property.

For the speculator-buyer, the stress is on the potential for a resale profit. We might show that the property is in the line of future development (new public transportation is planned or being built, or there are other newly built or renovated commercial properties as neighbors). Demonstrate that the property is in a growing, vital locale.

Since income is of only a secondary interest to the speculator-buyer, we'll go no further than the current income status. The focus will be on the potential for profitable resale.

The location will be of greatest interest to the user-buyer. Is it right for the user's business? Is the building in good physical condition, or must it first be remodeled, improved, or up-dated? We must demonstrate the wealth and habits of the surrounding population.

With each type of potential buyer, the marketing effort will focus where it is most likely to produce a prompt, successful sale. ❑

CCIM Institute
Commercial Real Estate's Global Standard for Professional Achievement

A CCIM is a professional real estate practitioner with proven technical expertise in commercial property. A CCIM is a person truly committed to the fundamentals of effective commercial-investment brokerage. The CCIM has completed a full schedule of Post Graduate Level Courses in investments, taxation, development and marketing all types of commercial-investment properties. The designation of Certified Commercial-Investment Member is unquestionably the highest degree awarded in the commercial-investment real estate practice.