



AB RYAN PÉCOT
DEVELOPMENT

Flat — It's the New Up

Lafayette might be in a prime position to take advantage of the current economic conditions, especially when it comes to the struggling retail marketplace.

There is evidence all around us that the Lafayette area's real estate market has not changed as rapidly, nor as dramatically, as many other communities across the nation. The question on everyone's mind is how we've managed to hold on — with the more burning question: how long will our insulation last? I don't trust anyone on the streets of New Orleans toting a crystal ball, and unfortunately some of the commercial real estate world's brightest minds don't have a clue as to that answer either.

After attending both national and regional conventions that mix retailers with developers and lenders, it became very clear what the new tag line of today is: "Flat is the new up." This is specifically regarding comparable store sales for the national retailers. Lafayette's 2008 retail sales were not flat, but rather up by almost 3 percent. And while our retail sales will probably flatten some, and maybe even dip in the coming months, we're likely to stay ahead of most of the country.

Rest assured, our retail strength has caught the eye of the nation's brokerage and retail communities at all levels.

A company that is not tightening its belt by looking internally for cost savings, cutting back spending and inventories, or reducing its geographical foot print

is either an anomaly or has just filed for bankruptcy protection. Unfortunately, that is the reality of today's economic climate. If you look closely, however, there are some savvy companies out there that have strategically expanded over the last handful of years and see the current conditions as a golden opportunity. These are the retailers that stayed within their business model and did not succumb to the temptations of locating in every flashy new development, or pop up across the street from their competitor just to say, "We think our product is better than yours." These retailers, and those somewhat immune to the economic cycle, have taken notice of what Louisiana and more specifically Lafayette are doing in the small world the rest of the nation knows as the Gulf South.

What I'm experiencing on a daily basis from these companies is a lot of tire kicking — a consistent stream of incoming calls, all asking the right questions. What they see is a market that has not deteriorated along with so many other regions across the country. A market that still has some underlying confidence, although many of those who lived through the bust of the mid-80s are beginning to get skeptical. A market that is growing rather than contracting. A smart market with experienced local banks that didn't make

the same mistakes that many of their larger, supposedly smarter, colleagues across the country made. The nation's retailers cannot go into full contraction mode, as they have investors they must continue to satisfy, whether on Wall Street or in their own home town. That means they have to get smarter when it comes to site selection. And smarter might just equal Lafayette.

The people in the corporate real estate departments of these national retailers are like most of us who don't want to make a bad decision at our workplace that might upset our clients or bosses. Many of the individuals who work in these real estate departments are some of the most risk-adverse people I've ever met. The amount of research each company does prior to moving forward on a specific site is tremendous. But often times it is just not enough for the company to pull the trigger, even when all indicators meet the required criteria. Lucky for us, the positive economic indicators Lafayette continues to produce might be just enough to push the decision-makers to open their next store in Lafayette.

People I respect most in my industry predict an ever-so-slight shift in retailers' attitudes toward the state of Louisiana as a whole. Once frowned upon, we are getting

some much-deserved positive attention, with Lafayette one of the state's brightest stars. Retailers rank states, cities, and specific trade areas within a city no differently than a child's school work. Lafayette has always been a 'B' or 'C' market, mainly because of its size and Louisiana's reputation. But because of our recent economic indicators and the fact that our population is consistently growing, we are moving up on the scale and attracting some new attention. This attention will likely translate into more store openings — both from retailers that already have a presence in our market and brand new merchants with us now on their radar.

Even with the cautious nature of the big retailers out there, especially with today's scrutiny of every move, it is much easier for a real estate department to convince its company's board of directors that flat, which is what we think will be the case for retail sales in Lafayette Parish for much of 2009, is definitely the new up. **AB**

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