



LEFT TO RIGHT: CBL & ASSOCIATES PROPERTIES' STEVEN LBOVITZ AND CHARLES B. LBOVITZ SHARE IDEAS AT RECON WITH WEINGARTEN REALTY'S STANFORD ALEXANDER.

EXPERIENCE TELLS

EXECS WITH A RECESSION OR TWO UNDER THEIR BELTS OFFER TIPS ON SURVIVING THIS ONE
BY STEVE McLINDEN

JAMES E. MAURIN CAN SEE THE UPSIDE EVEN OF TIMES AS bleak as the current recession. This is because Maurin, chairman of Covington, La.-based Stirling Properties and a 30-year real estate veteran, lived through a worse slump in the Gulf South and managed to come out ahead.

“Recessions are part of life,” said Maurin, SCSM, an ICSC trustee and past chairman. “Having been through three or four of them, there is one thing I know as gospel: They create tremendous opportunity as things begin to turn around.”

Indeed, Maurin and others are relying on lessons learned in past

Landlords having difficulty filling retail space might consider turning to non-traditional tenants such as municipal offices, veteran executives suggest.



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downturns to position their companies to emerge stronger when the economy recovers. At the general session, which runs from 10:45 a.m. to noon today, Maurin will preside over a panel of industry leaders who will compare previous downturns to the current one and discuss strategies for surviving and then prospering on the other side.

Joining Maurin for the discussion are Charles B. Lebovitz, CEO of CBL & Associates, Chattanooga, Tenn., an ICSC trustee and past chairman; Christopher J. Niehaus, vice chairman of the real estate group at Morgan Stanley, New York City, and an ICSC trustee; and Donald P. Wright, senior vice president of Safe-

way, Pleasanton, Calif., and an ICSC past trustee.

Many say the current recession is the worst one they have experienced, given its broad scope and global reach. They say previous recessions were characterized by such factors as a dearth of credit and double-digit interest rates. This one came on like a tsunami and left virtually no segment unscathed.

“If you look at things like unemployment, the duration of the recession and the depth of the decline, they are the worst we have seen since the Great Depression or World War II,” said Niehaus. “It is very severe, and the healing of the economy will take years.” For many companies,

survival will depend on the ability to manage liquidity, control costs and extend loan maturities, he says.

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Some shopping center executives stress the importance of diversification as a survival tool. Maurin became a proponent of diversification in the late 1980s, when the Gulf South was hit particularly hard by the recession that lasted through the early 1990s. That recession was more painful for the Gulf South than for other regions because it coincided with a crash in the oil sector.

Maurin decided that his



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shopping center company, the former Maurin-Ogden Properties, needed to diversify into a real estate services firm. In 1988 he merged the company with brokerage firm Stirling & Associates to form **Stirling Properties**.

This time around, he says, the Gulf South is holding up relatively well, thanks to federal aid that poured in after Hurricane Katrina, but he takes nothing for granted. “One of our greatest accomplishments was reinventing ourselves in the late ’80s and early ’90s,” said **Maurin**. “We built a platform that is a more stable platform for both good times and bad. That said, our survival strategy is based on getting lean.”

In Canada the real estate companies that survived the recession of the late 1980s, which was much more severe there than the current one has been, share two things in common: They had diversified sources of revenue and relatively low levels of debt, says Edward Sonshine, CEO of RioCan, Canada’s largest REIT specializing in retail real

estate. RioCan took that lesson to heart and has worked hard in recent years to ensure that its tenant mixes, sources of capital and loan maturities are diversified, he says. The firm’s biggest tenant, Metro, accounts for only about 5 percent of overall rental revenue.

Others say the current recession, like previous ones, offers landlords and retailers an opportunity to sharpen their competitive edge. Landlords who have lost major tenants, for instance, must get creative about finding new uses for vacant space, a strategy that can breathe new life into their properties, says Lebovitz. Given the diminished pool of potential replacement retailers for big-box and department stores, CBL has expanded its leasing efforts to include large nonprofit organizations, such as community colleges or the YMCA. The firm is currently negotiating a 10-year lease with one community college serving 500 students, to fill the bulk of a department store vacancy at a regional mall.

Such nontraditional tenants will help make malls and

shopping centers more competitive by addressing what Lebovitz calls “the syndrome of sameness” that has resulted from years of rapid expansion by chains. If “your properties are well located and competitive in their markets, this downturn will open the door for a revitalization of many of those properties through new retailers and new types of [tenants],” said Lebovitz.

Wright says he remembers a time when things seemed nearly as bleak as today. In the early 1980s, inflation was “the scourge of the economy” and interest rates were nearly 20 percent, he recalls. “It seemed relentless and almost unfixable.”

Yet he too learned that downturns give rise to opportunity, as long as executives mind the fundamentals of their business. For supermarket retailers, this means tight controls on expenses, including labor, shrinkage and inventory, he says.

This recession is an opportunity to enter mature markets that might have been off limits in the past owing to community opposition and

entitlement issues, and to take advantage of lower land and construction costs.

Many communities are more willing to allow commercial development during recessions because of the jobs and tax revenues it can create, says Wright, whose duties at Safeway include overseeing its shopping center development arm. But developers should proceed only with “projects you would bet your life on,” he cautioned. To take part in a new cycle of economic growth, “you have to prepare to win by getting back to the business fundamentals.”

Leaders of shopping center companies must also work harder than ever during recessions to reach out to lenders, retailers and employees, keep everyone abreast of their plans for managing through the storm. “You spend more time as a leader of your company with your people, your most important asset,” said **Maurin**. “You don’t want to sugarcoat anything, but you have to care for them, and sometimes their perception is worse than reality.” **sct**