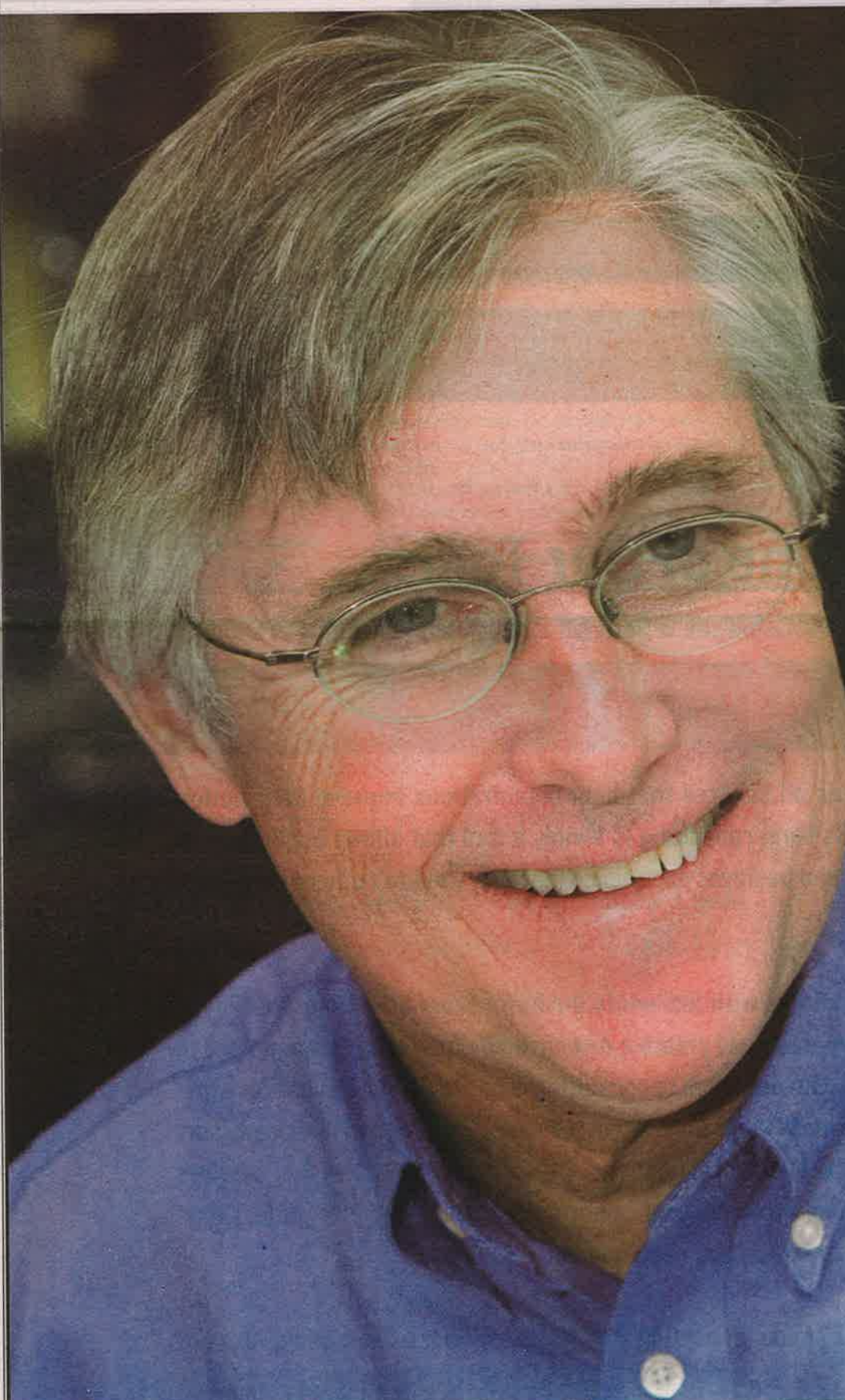


A C A D I A N A

# BUSINESS

NEWS & ANALYSIS on COMMERCE in SOUTH LOUISIANA

~ ENTREPRENEUR OF THE YEAR ~

A close-up portrait of Dr. Kip Schumacher, an older man with short, light-colored hair and glasses, smiling warmly. He is wearing a blue button-down shirt. The background is dark and out of focus.

## Doing It His Way

**From his first apartment-based business to running one of the largest emergency medicine management companies in the nation, Dr. Kip Schumacher embodies the entrepreneurial spirit of Acadiana.**

**By Jeremy Alford**

**STANFORD INVESTORS'  
FUNDS RELEASED**

by Leslie Turk

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**WANTED:  
DISTRESSED ASSETS**

by Ryan Pécot

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**A DIFFERENT LOOK  
AT CAP AND TRADE**

by Jeremy Alford

page 11



# Wanted: Distressed Assets

*Retailers are turning their attention from stable economies like Lafayette's to landlords offering long-term sweetheart deals in distressed areas.*

The commercial real estate world we live in changes on a day-to-day basis, and any attempts to stabilize it seem futile. To me it almost seems like the wild, wild west out there, with gunslingers everywhere you look and no one quite knowing the new rules of the game. There is no question that today's cowboys are searching for the same gold (i.e., return on investment), and with a lot of determination, skill, and some dumb luck it can be had. But it is definitely more difficult to dig up.

For the most part, Lafayette's retail landscape hasn't changed all that much since the recession officially started in December of '07. In fact, we've actually seen decent growth as related to new development, especially when compared to other areas throughout the country. Outside of some of the dark big-boxes that are left over from the national retailers that have folded their cards and filed for Chapter 7 bankruptcy during this time, we fortunately haven't seen massive failures from our local retailers, restaurants and banks. Heck, even a couple of the newly vacant properties have been reoccupied already. For the most part, the above is true for the majority of our neighboring cities in each direction, such as Lake Charles, Alexandria, Baton Rouge and Houma.

As I mentioned in my April develop-

ment article, "Flat - It's the New Up," once retail sales figures across the country started to dip, the retailers started a frantic search to find where numbers were the best. Initially the Gulf Coast region was getting a decent amount of attention since our sales numbers were still solid, and a few deals were eventually done in the strongest areas. Once that first wave of development was complete, however, the brokerage community started to notice a disturbing trend: the risk averse retailers started focusing the few new stores they were planning to open in '09 in some of the more distressed areas of the country. Initially this did not make much sense, but the picture became clearer as the retailers finally started to show their poker cards as if they were sitting in a Dodge City saloon.

Rather than expand into areas weathering the economic "dust" storm the best, they decided to seek out distressed property owners across the country to lock in long-term sweetheart deals while these landlords were on their knees bleeding from the vacancies and reduced income. Understand that the vast majority of large national tenant anchored shopping centers have co-tenancy clauses that dictate what type of retail store will be a respective neighbor to the other retailers in that center. In addition, it also controls the rent



subsidies in the event a specific anchor tenant, or amount of square footage, is vacant.

Because of the compounded effect of no income from the vacant spaces and the reduced rent from the remaining tenants as a result of these clauses, many landlords were operating in the red each month and doing anything they could to get the existing tenants back to full rent. This position of weakness allowed retailers to negotiate rent structures that were often half as much, or less, as compared to a market in which the property ownership

wasn't hurting as badly. What this did to Lafayette and the Gulf Coast was drive some of the promising expansion opportunities to other markets while many of our dark boxes remain unlit.

What scares me is that most, if not all, retailers have substantially reduced the amount of yearly new store openings for 2010 and beyond. With fewer deals to be had, how long will our available properties remain vacant? How long will our landlords survive? When they finally get distressed enough will there be enough deals still out there that can be put together to at least allow them to tread water until the dust settles?

Thankfully our fundamentals are fairly strong, and our diversification will see us through the gun fight, but there are still some stray bullets out there, and someone might get hit. As indicators on the national horizon begin to slowly improve and confidence is restored, hopefully our dip will only be short lived — and the Lafayette cowboy can ride off into the sunset.

Ryan Pécot is a commercial broker with Stirling Properties. Since 2001 he has worked out of the firm's Lafayette and New Orleans offices, specializing in retail brokerage, with a focus in tenant representation. He also covers the Lake Charles, Alexandria and Houma markets.

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