



# The New World of Commercial Real Estate: Location, Liquidity, Luck

By Andy Hochberg  
Managing Principal, Next Realty LLC

The age-old precept in commercial real estate has been based on location. To reinforce the importance of location on the success of a property, the word was repeated three times and became the adage that everyone in real estate can recite, "Location, Location, Location."

The whole premise was that if you had a AAA rated location, all else was unimportant. With the right location, success would be a foregone conclusion.

It is a whole new world in commercial real estate; a world that is turning everything inside out.

As I was preparing to speak at the IREJ Real Estate Forecast conference in January, I considered success factors in the current environment and created an adage to accurately reflect my consideration of this new world. What has been the time-honored formula for success – even as little as nine months ago – has been amended. With that, Location, Location, Location is giving way, at least in the short run, to my adage: The new three Ls in real estate have become "Location, Liquidity and Luck."



## Location

There are some things current economic conditions can't and won't change. Location remains one of the basic and most critical fundamentals of real estate. However, in this day, no one can rely on the concept of "build it and they will come", regardless of location. While it doesn't have to be a "Main and Main" site, an appealing location attracts developers. A well-located, appropriately designed retail center attracts retailers. A strong retail tenant roster brings in the consumer.

Among the key questions that must be asked and answered when selecting a site, particularly from a retailer's perspective, are:

Will tenants/retailers pick your location as the best among available sites in the immediate trade area?

Will tenants overlook other shortcomings because your center is in fact the best located?

Will they remain committed to that selection even if there is a premium

attached for that site – either on a lease or acquisition basis – versus other sites that are not as well located and offering big incentives?

## Liquidity

With the crashing of the credit markets last fall, liquidity has become increasingly important for developers, owners and retailers alike. Liquidity – having cash reserves or easy access to inexpensive capital – allows an owner/developer to endure difficult times.

Liquidity may allow an owner flexibility in filling vacancies and negotiating renewals, marketing available spaces, and maintaining a previously established program for property maintenance and capital improvements.

Thus, the relevant questions to be asked and answered about liquidity include:

Are your loans due, and do you have the cash flow, from operations or reserves, to meet those financial obligations?

Do you have the access to capital sources to make an acquisition?



# The New World of Commercial Real Estate: Location, Liquidity, Luck

Can you meet the tenant improvement requests and requirements of tenants?

Are your pockets deep enough to weather negative cash flow situations?  
Are tenants confident in your viability?

## Luck

As another popular saying goes, "Sometimes it is better to be lucky than good". Whether you believe that or not, success in today's marketplace requires a certain degree of luck. Even the best-conceived, well thought out projects and concepts can struggle - are struggling - in a constricted business environment.

Questions that need to be asked and answered include:

Was a project funded before or after the credit crunch clamped the life out of real estate acquisitions and development?

Are your relationships with banks that are weathering the storm?

Did you somehow have the ability to know it would be Circuit City and not Best Buy, or Mervyn's and not Kohl's, that would struggle, file for bankruptcy and/or liquidate its assets (and real estate positions)?

These are interesting times for the commercial real estate industry. For some, these times create extreme challenges. For others, those who can use Location and Liquidity to their advantage, along with a healthy dose of

Luck, it creates opportunities and hopefully minimizes downside.

At Next Realty, we look forward to these opportunities.

*Andy Hochberg is the Founder and Managing Principal of Next Realty, LLC.*



## WE'RE INTERESTED.

**Principals** seeking well-located shopping centers, retail land and parking structures valued up to \$50 million.

**Looking to buy:** Seeking early model Ford

**Seeking** downtown apartment for two proximity to public transit preferred. Contact

**Actively searching**

**We are aggressive buyers. We can close quickly.  
As market conditions change and opportunities arise, think of us.**

RETAIL

**ANDY HOCHBERG**

847.881.2001

[ahochberg@nextrealty.com](mailto:ahochberg@nextrealty.com)

An Illinois Licensed Real Estate Broker

PARKING

**ROBERT CAPLIN**

847.881.2004

[rcaplin@nextrealty.com](mailto:rcaplin@nextrealty.com)

An Illinois Licensed Real Estate Broker

**Next**  
REALTY