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Mom and Pops Increase Presence at Malls

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Thenumber of small, independently owned stores has been growing in malls and shopping centers on Long Island as landlords seek to fill shop spaces and diversify the tenant mix.

Since the recession that ended in 2009, large retailers and chains have been slowing their expansion and in some cases reducing the number of their stores, landlords and retail experts say. As a result, landlords of malls and shopping centers have been open to renting out spaces to mom-and-pop shops that would otherwise have gone to national retailers.

“It is supply and demand,” said Jayson Siano, managing principal of Garden City-based Sabre Real Estate Group, which specializes in commercial properties. “If landlords can’t find a national tenant, bank or a franchisee to take the space, they have to take other uses into consideration that may have been less exciting than if they had their choice.”

But landlords of malls and shopping centers look to lease to specialty restaurants, hair salons, nail salons, dry cleaners and other businesses that cannot be easily replaced by the Internet. Moreover, small businesses can provide distinct services and offer the personal attention to customers that most big-box retailers lack.

“Having that mix of large and small tenants really gives you that overall unique experience that you don’t find anywhere else,” said Jesse Tron, spokesman for the International Council of Shopping Centers, a

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Manhattan-based global trade association. "Small mom-and-pops are more localized, so they are reflective of the demographic of their community."

Getting a piece of the heavy foot traffic at malls can make a big difference for small businesses, owners say. And on Long Island, small businesses dominate the economy: About 96.3 percent of the total 96,327 business establishments on Long Island employed fewer than 50 people, according to the most recent census data, from 2013.

Michelle Walrath, co-owner of Organic Krush in the Woodbury Junction Shopping Center, opened a 2,000-square-foot organic eatery selling salads, wraps, smoothies and juices last May. She was attracted to the vacant space because it had a kitchen and was close to fitness and dance studios.

“It is really nice being in a shopping center, because we share clientele from those places,” said Walrath, who has 22 employees. “People can come in and get things accomplished in a day.”

Rent, lease deal a draw

Small-business owners want to get into malls and shopping centers for the high-foot traffic, said Marshal Cohen, retail analyst with The NPD Group, a Port Washington-based market research company. They want a physical store instead of just a kiosk in a mall because a store gives them a better presence and better product display, he said.

“The big brands are looking to get smaller, and the small guy is looking to get bigger,” Cohen said. “A small shop wants the foot traffic in the big places. They won’t get that on Main Street. I can pay less rent, but who is coming in? Nobody. Downtown centers have to find ways to increase foot traffic.”

Kimco Realty Corp., a New Hyde Park-based real estate investment trust, is leasing more to mom-and-pop shops. Its local occupancy rate in spaces suitable for small shops increased from 88.5 percent in 2010 to 92.6 percent in 2015.

Kimco, the largest owner of suburban shopping centers in

Landlords are luring more small, independent stores to fill empty spaces and diversify the retail mix at shopping centers
North America, operates 24 shopping centers in Nassau County and 14 in Suffolk County.

“The tenant mix is important, and we spend a tremendous amount of time thinking about it,” said Joshua Weinkranz, president of the Northeast region for Kimco. “As a landlord, you really want to create the right shopping environment and have all the services people would want. It is about becoming a one-stop shop from daytime to nighttime.”

American Pie pizzeria in Bridgehampton Commons shopping center, a Kimco property, opened in 2009 as the recession was officially coming to an end, said Raj Sainani, who owns the pizzeria with Patrick Penna and Ravi Shahani. The shopping center is anchored by a King Kullen supermarket and has retailers Kmart, T.J. Maxx and Williams-Sonoma.

“Because of the big tenants, it does help the fact that I am a small shop,” said Sainani, whose 1,500-square-foot pizzeria employs seven. “I am lucky to be in a shopping center that brings a lot of shoppers year-round.”

**Incubation programs**

Several of the industry’s biggest landlords, including Kimco, offer incubation programs, counseling and reduced rents to attract startup entrepreneurs and prospective business owners interested in opening their first store, restaurant or service operation.

Kimco’s program called KEYS (Kimco Entrepreneurs Year Start) offers one year free rent and reduced property charges for the first year, the option of exercising a four-year lease after the first year, plus access to Kimco retail-business counselors.

The program was introduced in April 2012 in California and has expanded to 19 states across the United States. It was rolled out last summer for the Northeast, including Long Island.

“We have seen several applications for the program in the Northeast, but less for Long Island,” Weinkranz said. “The program is meant to serve a dual purpose: match up new entrepreneurs seeking to start a business while helping Kimco lease vacant space.” He said the program hasn’t gotten a big response yet on Long Island because “there are fewer small-shop vacancies” at Kimco’s properties here.

Simon Property Group of Indianapolis, the nation’s largest mall operator, which owns Roosevelt Field mall, Smith Haven Mall, and Walt Whitman Shops, offers a speciality leasing program to small and local businesses.

Simon said in a statement it seeks to lease to small businesses “that complement the overall tenant mix and reinforce our place within the community.”

California-based Pacific Retail Capital Partners, which manages the Broadway Mall in Hicksville, also offers a specialty leasing program for small businesses to help them establish temporary tenancy in a store or kiosk in the common area. The mall’s current small-business tenants range from jewelry shops to hair salons to phone repair shops.

The program “gives them a low-risk opportunity to learn and grow as a retailer, in the hopes of, at some point, transitioning to a permanent tenant,” Broadway Mall marketing director Amaka Oweazim said.

**Mall traffic a benefit**

Shopping centers and malls tend to attract shopper traffic throughout the week, while Main Street districts and downtowns mostly attract people on weekends, Siano, of Sabre Real Estate, said. Finding parking also tends to be easier in shopping centers and malls compared with municipal lots or downtown street parking.

On top of that, “the rent in most of the better and more desirable downtowns on Long Island are comparable to the shopping centers near those downtowns,” Siano said.