



# **Commercial Real Estate**

## Lesson 10

### Commercial Real Estate - I

45 Hour Louisiana Post-Licensing

## Commercial Real Estate

### **Understanding the Contrasts and Complexities of Commercial Real Estate (CRE): Making the Transition**

As a newly licensed sales agent you have a wide range of career opportunities in the real estate field as you gain experience and settle into your own niche. Most everyone in real estate develops a particular niche or specialty building upon their own unique experience, education, interest, skill sets, personalities and networks of business, personal and professional contacts. The niche chosen could very well be within the residential sector of the market but within targeted price ranges or neighborhoods in which you believe you can be most effective, productive and most of all successful and satisfied. Many extremely successful residential agents do just that by becoming specialists or the “go to” experts for their part of the market; however you want to define part. They get to know everything about the life and “ecology” of a neighborhood and become walking encyclopedias about everything that is going on in their little part of the world such as who’s getting married, who’s getting divorced, who’s having children, who’s brining an older parent home to live and who’s about to become a widow or widower. All of these conditions are changes in the cycle of life which very often translate to a need for different housing accommodations, sometimes very quickly. Networking, community involvement and good listening skills are keys to developing the neighborhood intelligence that allows savvy agents to be first in line with offers to help families and individuals through their transitions when changes of housing venue are inevitable. The early bird might get the worm, but the informed agent is the one who gets the deal and the commissions that accompany it. Agents and brokers have been known to make very healthy livings following strategies such as these while remaining niche focused in the residential sector of the real estate market.

At the same time, many gravitate to the non-residential sector of the market, finding themselves drawn to sales and leasing activities involving retail, office or industrial space. The path to success in these sectors also leads to one or more niche specializations in sub-sets of property types or geographic sectors of a particular market. These niche specializations very often require securing additional training, education and experience to better navigate the nuances of market transactions that are decidedly more complex, professional demanding and time-consuming. Over time your niche specialization could become more finely tuned and honed as you discover how your abilities and talents best match the needs of those engaged in commercial real estate transactions. In so doing, you will also discover how your particular skill sets and interests give you a comparative advantage to fuel your career success.

When making the transition to CRE, there are number of issues you need to consider and work through. The materials which follow are designed to help facilitate this thought process should you consider CRE as a career path. This material merely scratches the surface but will, if nothing else, raise questions that point you in the appropriate direction for informed responses and input. At a minimum as a first step, you might discuss your interests with your broker and seek references to others who have already traveled this path. You might also consider attending one or more professional development seminars, workshops or courses dealing with commercial real estate to gain exposure to important terms and concepts as well as to interact with those already very active in CRE. Depending on your particular property-type interest, you can select from a wide variety of professional organizations such as SIOR (Society of Industrial and Office Realtors), IREM (Institute of Real Estate Management) or CCIM (Certified Commercial Investment Member). Attending such events also helps you to develop a network of contacts who can be valuable resources as you work your way through the decision-making process and possibly development a close working relationship with an experienced professional who would be willing to serve as a mentor and “guidance counselor” on your journey into CRE.

For now, we will address the basics of CRE as an important first step in helping you navigate yourself into this challenging field within the real estate industry. In the end, many will likely chose to stay the course in the residential arena and in the process become very successful real estate agents. For those seriously considering one of the many tracks in CRE, consider the following material the hors d'oeuvres before a full five course meal.

## **Practical Understanding and Not Applied Competence**

Practical understanding and not applied competence is the goal of the following material focused on CRE. In many respects the material mostly introduces terms and concepts and leaves the vetting of them to another time when you can pursue more thorough classroom or online instruction. At this point, the goal is to make you aware and not make you an expert. The former is a necessary condition for the latter which only comes with intense training and seasoned experience. A sage CRE broker with 50+ years of experience credited his success and longevity in the industry to one fundamental principle: “know what you don’t know”. In other words don’t be embarrassed or shy about asking questions. The sage’s comments focused on his early reluctance to ask questions of others as he was learning the industry and the “disasters” he created as a result. He further observed that after barely surviving several transactions that had all the earmarks of a “train wreck”, he got over the fear of asking questions, sucked up his pride and vowed always to “know what you don’t know”. In his case, the rest, as they say is history, a history marked by millions of dollars of sales and leasing activity in CRE.

Additionally, it is also crucial to know when to ask questions as well as what questions to ask. For new entrants into CRE, the when is fairly simple: whenever the answer is necessary to moving further ahead with the learning experience. As one matures and hopefully learns from an experienced mentor, the when of a question can very often be critical to successfully completing a transaction. Some when questions need to be voiced early while others are better left unattended until the transaction has had time to ripen. As for the what questions, they tend to be many and multi-faceted for new entrants into CRE. Transactions are complex, involving multiple players and ever-changing market conditions. So asking what becomes integral to assembling facts and information that are necessary to bring a CRE transaction to a successful conclusion. CRE agents typically function as essential data gathering and disseminating resources that provide multiple parties to a transaction with information necessary to make sound decisions. In gathering such information it becomes very necessary to grasp concepts and terminology that are particular to CRE.

It is also important, particularly for those new to CRE, to know to whom certain questions should be addressed and whether specialized counsel or advice may be necessary. The who of inquiring could be a person, institution or even an online resource. Networking with CRE professionals is important not only to identify particular individuals who may be a storehouse of information of a particular type, but also to identify who they know and rely upon for factual information or insights that can be helpful to complete a transaction. Also, since information in the generic sense is available in tidal wave proportions on the Internet, it is useful and very often valuable to have one or more individuals in your contact list who can navigate this resource to transform data into useful knowledge. Very often this can be an experienced CRE agent or broker as well as experts who function in one of many research and consulting capacities, including those found on university campuses. Although the latter’s practical experience may be somewhat limited in CRE, they often have the ability to sift through lots of what looks like unrelated facts and figures to discern trends or patterns that might be useful to a CRE opportunity or transaction. Accessing these kinds of resources is usually more important for CRE transactions by virtue of the very nature of the property type involved or the complexity of the transaction undertaken. If nothing else, gestation periods for CRE projects and transactions are longer and thus subject to more risk CRE agents and brokers are very often called upon to provide information and insights during this gestation period to help mitigate or reduce risks and ultimately build value for the transaction itself. More will be said about this later.

## **Understanding and Recognizing CRE Opportunities as a Residential Agent**

Understanding and recognizing CRE opportunities as a residential agent is usually a matter of being attentive to one's business environment and the activities therein. More than a few doors to CRE have been opened as a result of a simple referral from an agent in one local market to an agent in another locale. Although the prime focus of the referral is a residential transaction, sometimes such relocations also encompass the need to find and secure a place to do business of some type such as a professional office, a retail store front or a metal industrial building. The residential agent at that point can either pass the CRE link of the referral to another or work the referral themselves usually in association with a more experienced CRE agent or broker. This creates a learning experience for the residential agent and opens new opportunities for pursuing CRE as a career path. If the experience is enjoyable and productive, then the course may be set. If the experience proved to be less than satisfying, then staying the course in residential transactions is probably the lesson learned.

Reciprocal or complimentary business contacts developed by residential agents over time are another avenue for testing the CRE waters. Very often these contacts are a result of referrals, but may also evolve just because residential and commercial agents sometimes find themselves in the same social or professional development and civic engagement circles. These relationships build confidence in one another's professional and personal capabilities and can very often result in serving the mutual interests of the same client or business associate. For both, the experience is a process of learning and opening additional doors of opportunity and professional advancement.

Broadening the scope and geographic reach of professional networks is another approach to becoming more aware and informed about CRE while at the same time communicating that interest to others with whom you might associate or affiliate in making a transition from the residential to commercial field. There are several possibilities which usually present themselves in the normal course of conducting business but very often revolve around gatherings of likeminded individuals engaged in some form of educational or professional development activity. Brokers and agents, for example, are encouraged and required to pursue continuing education to maintain licensing status or pursue specific designations/recognitions or both. While some offerings are somewhat general in scope, others very often focus on issues or technical content particular to CRE. As such, many involved in CRE as brokers or agents are in attendance not just to secure their CE credit and worthwhile information, but also to network with others and possibly attempting to recruit promising agents whose interests have shifted to the commercial side of the business. Attendance is but one indication of interest, but it is at least a starting point for discussion purposes and allows one to make valuable contacts aside from learning a significant amount of valuable material which can either help to spark more interest or help one decide not to pursue CRE as a career field.

In addition to brokers and agents who might be in attendance, these gatherings very often attract individuals engaged primarily as CRE lenders as well as active investors and prospective buyers. The former are very often there to network and make contacts to promote their institutional lending services to CRE brokers and agents with clients searching for resources to either purchase or refinance property. This is particularly true for investors/owners with fairly large portfolios who prefer to work through intermediaries and maintain a somewhat lower profile. Lender representatives can offer valuable insights regarding the cost and availability of capital in local markets as well as provide insights and guidance regarding criteria being used to evaluate funding opportunities. Their perspective and the criteria they use are usually quite different than the residential finance sector and help inquisitive agents gain understanding that can be very useful and professionally rewarding.

In addition to representative of large property owning entities, these professional gatherings also sometimes attract investor/owners and prospective buyers with somewhat smaller or modest property holdings. They usually attend to network with lenders with sources of capital they need and CRE agents and brokers who have listings for specific properties or knowledge about areas or groups of properties in which they have a specific interest. In either case, their interest is to secure resources and information which they can possibly use to execute a successful transaction. Interacting with such individuals can provide residential agents sifting through CRE opportunities valuable insights just by listening to their questions and observing those with whom they seem to have the most interest.

In addition to local real estate boards, local chapters of several professional real estate associations offer seminars and workshops that aside from being a venue for networking and making valuable contacts, can also be instrumental in helping agents diversify their interests and ultimately their sources of commission income. Although some local chapters give first preference to their members, others may also attend these events usually for a slightly higher non-member fee. These trainings can last for a few hours to possibly one or two days depending on the topic. They may also include a mix of professional instructors drawn from the local market as well as from other regions of the U.S. In either case, the quality of instruction is usually very high and the coverage of material is typically very thorough. As such, the expenditure of time and money is usually well worth the investment.

The following is a list of national organizations which typically offer such professional development and training activities through their local or state chapters. They also typically offer annual conferences at which a wide range of training activities are made available as are networking and exhibition events and supplemental field tours and learning experiences. For more information contact the organizations through their websites where scheduled events and chapter contacts are usually listed.

CCIM Institute (CCIM)	<a href="http://www.ccim.com">www.ccim.com</a>
Counselors of Real Estate (CRE®)	<a href="http://www.cre.org">www.cre.org</a>
Institute of Real Estate Management (CPM®)	<a href="http://www.irem.com">www.irem.com</a>
REALTORS® Land Institute (ALC)	<a href="http://www.rliland.com">www.rliland.com</a>
Society of Industrial & Office Realtors® (SIOR)	<a href="http://www.sior.com">www.sior.com</a>
National Association of Realtors® (NAR)	<a href="http://www.realtor.org">www.realtor.org</a>
REALTORS® Commercial Alliance (RCA)	<a href="http://www.REALTOR.org/rca">www.REALTOR.org/rca</a>
International Council of Shopping Centers (CSM, CMD, CLS)	<a href="http://www.icsc.org">www.icsc.org</a>
Building Owners and Managers Association (RPA)	<a href="http://www.BOMA.org">www.BOMA.org</a>
Urban Land Institute (ULI)	<a href="http://www.uli.org">www.uli.org</a>
Commercial Real Estate Women (CREW)	<a href="http://www.nncrew.org">www.nncrew.org</a>
National Association of Industrial and Office Properties (NAIOP)	<a href="http://www.naiop.org">www.naiop.org</a>

It should become increasingly apparent that CRE's inherent complexity implies certain standards for those entering the field. It is not a professional pursuit to be taken lightly and it is one that requires different skill sets, more formal training and heavy doses of experience under the guidance of active and well-seasoned professionals. The training and professional development can be accomplished through one or more of the organizations listed above and in some cases through specialized degree programs offered by colleges and universities. These degree programs are usually quite demanding and no doubt more costly than most courses of instruction offered through professional organizations and associations. And, very often they may also only be offered at the graduate levels as tracks or majors within colleges or departments of business, planning or architecture. As such, admission requirements are usually highly selective and often beyond the reach of many whose undergraduate field of study was not within one of these major disciplines. University degree programs may also be somewhat isolated from the practical side of the discipline although many now offer or require students to participate in internships, practicums or service learning assignments which provide a basis for some experiential engagement. For many, these experienced based learning initiatives create opportunities for employment beyond the granting of a degree and may even be affiliated in some way with one or more of the professional organizations listed above. In some cases, these organizations offer scholarships that help fund internships for one or two semesters.

No matter how the professional CRE experience is gained, it is all a necessary step in the process of familiarizing oneself with the complexities of the field and for honing one's sights on the appropriate specialization sectors or niches. Although some making the move to CRE have already chosen one or two sectors of interest, the experiential phase of the professional development is essential to matching interests with skills and personal attributes.

Aside from the product type or geographic specialization one might pursue, there is also the possibility of refining one's particular activities within these niche areas. This usually means concentrating one's activities in CRE brokerage (sales and/or leasing), property management or development. Very often these tend to overlap, but many CRE agents will tend to develop particular expertise in one or two. Commercial agents engaged in brokerage typically represent buyers or sellers, assisting them with the sale or purchase of a commercial property. Such agents are typically independent contractors and not employees of a company, and work strictly on commission.

Another area of the business involves leasing, and agents may represent either the tenant or landlord in negotiating a lease. Again, depending upon the size and depth of a particular market, agents may specialize in a certain product types (retail, office, industrial, or apartment) or certain geographic area such as a city or metropolitan area.

There are many ways an owner or buyer may use a commercial real estate broker or agent's services. Unless buyers or sellers are in the business or know the market well, it is probably better for them to secure the advice of a qualified broker. While most CRE agents and brokers can offer an array of services, most will be willing to contract for only those actually needed by the principals. Not all brokers may offer the same services and in CRE most specialize and offer unique services for their market niche or industry sector. The following is a listing of the types of services CRE brokers and agents may offer. This is certainly not exhaustive but fairly representative.

- Marketing property for sale, including advertising, calling prospects or other brokers who represent potential buyers, posting the property in a listing service such as a commercial information exchange (CIE) or site sponsored by local and regional real estate boards.
- Recommending a listing price based on market comparables and a competitive market analysis.
- Negotiating a contract or lease agreement.

- Recommending other professionals, such as mortgage bankers and brokers, architects, engineers, land-use specialists, attorneys, contractors, appraisers and others necessary to complete the transaction.
- Sharing knowledge about local laws and ordinances, such as zoning and building codes and identifying appropriate steps particular to the jurisdiction.
- Providing information about the local economy, industries, and market trends and connecting principals with appropriate experts and resources.
- Finding suitable property available for sale, particularly unlisted property.
- Recommending an offering price and terms to best suit the needs, resources and limitations of the principal.
- Locating suitable tenants for vacant space.
- Locating suitable space for tenants based upon specified location criteria.
- Identifying property for investors based upon investors criteria.
- Identifying investors to invest in a principal's property.
- Assisting in the performance of due diligence inspection items where appropriate.

Once the property is acquired or developed, it then needs to be effectively managed to sustain and increase its value over time. The sub-field of Property Management focuses on this and is a particularly useful, valuable and strategic service for owners and investors who cannot or wish not to operate and manage their property themselves. Absentee and institutional property owners (i.e. REIT's pension funds, insurance companies and lenders with foreclosed real estate owned) are significant users of property management services. Since their portfolios tend to be diverse by both product class and geography, they may secure the services of more than one property management company in a local market, depending upon the depth and breadth of experience that may be available. Property managers are responsible for the day in and day out activities associated with operating an income producing real estate asset. This would include, but not necessarily be limited to, collecting rents, assuring the property is maintained, repaired or refurbished as necessary, over-seeing tenancy change overs and construction of new tenant improvements, periodically assessing the property's position in the marketplace and marketing vacant space as it becomes available. Most property managers are paid a salary from the fees earned by the property management company for which they work. Property management is a field within CRE where the security of a salary versus commission income is particularly attractive.

Development is another door through which some agents and brokers enter the CRE field. It may start at a relatively small scale as one undertakes the creation of new space or renovation and adaptive use of existing space for one's own account or on behalf of another party. Or, the door could open by working in an advisory capacity to another who requires the particular experience and insights you possess about a local market product type or demand segment. Whatever the route, the end result is the same and the CRE agent or broker is enmeshed in the development process with a stake in its outcome and success. In fact, even if the development route is not actively pursued, it is good to have some basic understanding of the steps and potential pitfalls or barriers that may have to be addressed.

The development process usually involves a team of people assembled by a developer/entrepreneur with a concept or plan ready for introduction into a local market environment. CRE agents and brokers are one of many specialized disciplines the developer needs to successfully carry out a development strategy for one or more sites in a local market and the CRE professional may be engaged for multiple steps in the process. However, brokers and agents can be particularly useful to the developer early in the development timeline for activities such as land acquisition, entitlement (i.e. planning and zoning) and the market and feasibility analysis. These early stages of the development process are critically important to

the success of a project and can benefit greatly from the ongoing consultation and input that can be provided by a CRE broker or agent. These services become even more important and valuable when the developer is not familiar with a local market and reducing the slope on the learning curve is important to a project's financial viability. Consider, for example, just the initial step in many development projects, the acquisition of a suitable site or existing structure.

Developers focused on acquiring a parcel of land or improved site generally have a development plan or tenant in mind. They know what they want to build and where, but need the best site available in the local market to execute their plan. They have generally established a range of prices they can afford to pay for the property and have researched the local land-use entitlement issues. Experienced commercial brokers should be able to provide all of the needed local information regarding zoning and land-use policies, economic issues, political dynamics as well as access to information and reliable resources addressing the competitive environment and supply/demand market forces.

Through careful questioning, a broker should be able to assess the developer's particular needs and then search the market to identify sites that match those needs. In many cases there may be only a few sites that meet a developer's requirements and some of these may not currently be listed for sale. The broker would then review the possible sites with the developer and then pursue those that best meet the needs. It would be the broker's responsibility to contact the owner or owner's representative to determine if a property is available for sale and to discuss the target price and terms. Typically, all of this must be in writing, with the broker disclosing to the owner that the broker is representing a potential buyer. The broker should also caution the seller and avoid disclosing anything considered confidential. At this point, the broker may or may not negotiate on behalf of the developer or may be one of several parties engaged in this process.

Just as a developer requires access to a broad range of professional talents to be successful, so too does the CRE broker or agent for most of the transactions in which they are involved. More complex transactions will require input from more advisors than those that might be less complex. The issue is to be sure one has access to the expertise in some capacity. Building such a team is typically a function of networking and developing contacts with professionals when working through a sale, purchase, lease, exchange, etc. These interactions create a comfort level with the quality and timeliness of the services these individuals provide. Aside from the obvious areas of legal, accounting and finance, it is also good for CRE brokers and agents to have good working relationships with those engaged in engineering, planning/design/architecture and environmental assessment.

Contracts used in CRE transactions are very complex and challenging to design, navigate and interpret. This particularly true of purchase agreements, leases, property management contracts as well as documents used for development and construction. CRE leases, for example, are typically longer than those used in residential transactions and may have five to six pages alone devoted to determining how rents are calculated and another four or five describing what constitutes a default and remedies for addressing such a situation. Additionally, there are usually very specific clauses addressing the calculation of certain expenses and what portion of these expenses are passed through to the tenant in net, double net or triple net leases agreements. In certain retail leases, co-tenancy clauses allowing tenants rent relief or release from the contract if certain other tenants vacate the premises are subject to different interpretations and thus require very specific wording to bring clarity and understanding for all parties to the transaction. These and innumerable additional lease clauses and details necessitate careful legal review of such documents even if the so called "standard" form is being used. Standard forms are useful and convenient and are the basis for countless real estate transactions. And, in some instances, for agreements may be appropriate for a CRE transaction. However, the simplicity associated with form agreements should not mask the serious nature of the legal and financial commitments being agreed to by all parties.



As such, even form agreements should be subjected to careful review by an attorney well versed in real estate law and contracts. This too is an area of specialization within the legal profession and is one which is extremely important to brokers and agents involved in CRE transactions. In these instances, the CRE professional is not looking for a good litigator but an attorney steeped in contract law so that the transaction goes smoothly and the need for a litigator is minimized if not eliminated.

Specialized legal counsel for the CRE professional is also strategically useful during the development and construction process. Attorneys specializing in land use and zoning law, for example, are very important in navigating the entitlement process to secure the necessary approvals to move a project forward. Very often these attorneys not only provide counsel and guidance but may very well serve as the spokesperson for the developer/principal in public forums and meetings that are part of the vetting process in local jurisdictions. It is even more valuable to the process when the attorney is from the local area and intimately familiar with the nuances of the local governing process and political climate. These attorneys would also interface with others on the CRE professional's expert team such as those responsible for planning and architectural design. The give and take characterizes the entitlement process inevitably requires changes to the development concept and plans and specifications of proposed new construction or renovation or refurbishing of existing structures. The professionals responsible for these elements of the development process must be responsive to the legal realities encompassed within the entitlement procedures and thus willing to communicate in a timely manner with legal counsel.

Once entitlements have been secured another legal professional with expertise in construction contracts will become an important contributor to the process. Attorneys within this field of expertise are well versed in various forms of construction agreements (i.e. design-build) and have the practical experience to confect an agreement that best suits the needs of a particular project and its various principals. The CRE professional's legal counsel may also be called upon to provide advice and guidance in areas that cross over into several other disciplines and fields of expertise. Two very prominent areas important to many CRE transactions are environmental and archeological/historical. Issues arising in either of these areas, can and often do, kill deals faster than just about anything else. If they do not stop a CRE transaction they can slow them significantly and thus impair their market feasibility and financial viability. Attorneys with specialized experience and training in resolving such matters can be invaluable resources in navigating legal and regulatory nightmares usually associated with having to address environmental concerns or ensure the protection/preservation of identified archeological and/or historically significant assets.

The complexities of the CRE market require those engaged in transaction to remain well informed about supply and demand forces as well as to keep abreast of timely information regarding the structure and performance of the competitive environment. This means maintaining current information relevant to understanding demand drivers for the various product sectors within the market as well as the forces and conditions influencing the entry of new product into the supply pipeline. It is also important for CRE professionals to understand trends at the national and global levels that are most likely to impact local or regional market dynamics and thus properties they lease, broker or manage on behalf of a third party.

If the CRE professional is to become and remain well informed about relevant market trends and dynamics, developing the ability to access, use and interpret information is absolutely essential. This might involve gathering and organizing information for a site location study as well as preparing a market/trade area analysis using one of several GIS (Geographic Information System) based economic and demographic platforms. The latter can be a particularly useful tool for quickly and efficiently preparing materials to use to advising prospective purchasers/investors on the depth and breadth of demand for existing or proposed uses at one or more locations or to assist in preparing marketing materials to broker a particular site or building. Much of this information is available in a somewhat raw and basic format and readily available through the Internet from state and federal agencies and in many cases from local or regional planning authorities and research centers at public or private college and universities. A seemingly endless quantity of data is available from federal agencies such as the U.S.

Census Bureau within the Department of Commerce through their user friendly web portal called American Fact finder. Other data rich federal sources particularly useful to real estate professionals includes the U.S. Department of Labor, the U.S. Department of Housing and Urban Development (HUD), the Federal Housing Finance Agency (FHFA), the Federal Deposit Insurance Corporation (FDIC) as well as each of the twelve FED District Banks which all have research departments and exclusive offerings of publications covering a wide range of topics focusing on real estate, housing, finance, community and economic development and the like. The following is a suggested list of web-based resources that can assist the CRE professional in gathering basic information on demographic and economic/employment trends. Although many are free and provided by public agencies, others may require a per use or subscription fee as noted on the list.

- **U.S Census Bureau** ([www.factfinder.census.gov](http://www.factfinder.census.gov)) – American Fact finder is the portal to decennial census, American Community Survey and a wealth of specialized reports. It includes data on population, age distribution, household and family characteristics, mobility and income. Summary tables and customized data searches are available as are census tract maps.
- **Claritas** ([www.claritas.com](http://www.claritas.com)) – This system provides decennial census data, estimates of current-year population, household, age, and income as well as five-year projections. It also provides more detailed age-by-income cross-tabulations. Information is available for states, counties, MSAs, municipalities, ZIP codes, and customized geographies defined by the user.
- **ESRI** ([www.esri.com](http://www.esri.com)) (Fee) is similar to Claritas and provides decennial census data; current-year population, household, age, and income estimates and five-year projections including age-by-income cross-tabulations. It is also available in stores, counties, MSAs, municipalities, ZIP codes, and customized geographies, and also includes Tapestry lifestyle clusters.
- **Woods & Poole** ([www.woodsandpoole.com](http://www.woodsandpoole.com)) (Fee) – This service provides state, county, and metropolitan area forecasts for 900 demographic and economic variables to the year 2040, and is updated annually.
- **U.S. Department of Labor, Bureau of Labor Statistics** ([www.bls.gov](http://www.bls.gov)) – This is a significant portal to data on labor force by place of residence, unemployment rates, at-place employment by industry, as well as wages and location quotients. Data is available by state, county, and MSA, and in some cases for larger municipalities.
- **U.S. Census Bureau** ([www.census.gov/epcd/cbp/view/intro.html](http://www.census.gov/epcd/cbp/view/intro.html)) – This is the portal to County Business Patterns showing establishments and employment for counties, larger municipalities, and ZIP codes, by NAICS industry codes.
- **InfoUSA** ([www.infousa.com](http://www.infousa.com)) (Fee) – This platform provides employment and descriptive information for businesses and is available for census tracts, ZIP codes, municipalities and counties. Additionally, the data is sortable by NAICS industry codes.

### **The Physical Complexity of Commercial Real Estate**

As previously discussed one of the primary motivations for specialization within the CRE field is the sheer complexity of the product types which encompass this major sector of the industry. Space is offered in a wide variety of packages, at seemingly infinite numbers of locations under a range of tenure choices. When these options are mixed and matched so to speak, the combinations and possibilities can, and often do, become somewhat overwhelming particularly if one does not take time to break them down into manageable or bite sized elements. The material which follows is intended as a primer on basic terminology and descriptive facts about sever sectors of CRE to assist in a assimilating and understanding some of the complexities that inevitably present themselves to those acting as brokers or agents.

CRE investment and development typically involve larger more diverse real estate assets, such as they are usually impacted by market forces that may be more difficult or challenging to measure and subject to a mix of more complicated financial structures and legal requirements, restrictions and obligations. An office building, for example, might be influenced by demand forces that are regional and possibly national in scope and involve layers of finance that encompass private, public or quasi-public funding sources to enhance or ensure its viability and feasibility.

Another aspect of size or scale is time. By virtue of their size and inherent complexity, CRE takes longer to develop and requires considerably more front-end investment to gather information to make critical decisions and in the process reduce risk profiles. Time can be a help but it can also be a hindrance and a costly one at that, if CRE transactions are not expedited. More time usually implies more risk and both raise caution flags for investors and lenders. As time extends, the need to compensate investors at a higher return rises as does the cost of debt financing. In fact, as timeframes stretch, the risk of default on debt obligations increases and the patience of lenders become strained. There are several possible outcomes to such a situation and unfortunately few of them are favorable to the parties involved in the CRE transaction.

The extended timeframes and related complexities for many CRE transactions also imply more need for external evolution and analysis. This may be demanded by investors, lenders or both and typically requires front end investment for conducting market and financial feasibility studies, preliminary site or concept planning studies and possibly one or more appraisals of the property. The information produced by these various levels of analysis provide valuable information so that parties to the CRE transaction can better assess their risks and formulate mitigation strategies that give them an acceptable comfort level. Very often, a CRE broker or agent representing one or more principals in the transaction may be called upon to provide information or insights that can improve the quality, accuracy and relevance of the outcomes produced by these additional levels of analysis.

CRE encompasses multiple disaggregated supply or product sectors which are targeted to satisfy and meet the needs of one or more demand segments in a given market area. The following is a brief overview of four major supply or product sectors that are very often at the center of a significant CRE transaction. These include residential multi-family, retail commercial centers, office buildings and warehouse and industrial space. In each instance, the CRE broker or agent could be involved in one of three primary roles: representing buyers or investors; representing owners or sellers; or representing a bank or other financial intermediary as part of an REO (Real Estate Owned) workout. As previously discussed, the first two categories of representation might involve brokering for sale or lease as well as engagement in some property management capacity. It is also worth noting that in each property category, the geographic scope of market representation could very well extent from the local, regional, national or global levels depending upon the type, size and location of the property. As such, the CRE professional's applied competencies could very well engage the entirety of the expertise previously discussed embodied within the support team and possibly beyond. This would be particularly true of transactions involving parties that are international in scope.

## **Residential Multi-Family Sector**

The residential multi-family sector of the market involves a range of building styles offered in one or more types of tenure status. Building varieties can include single-story as well as two-to three-story garden-style building to mid or high rise structures. The varieties tend to be wider in larger metropolitan and urban areas, particularly where land is at a premium or in relative short supply and somewhat narrower as one moves from urban to suburban to ex-urban or rural environments. In some jurisdictional cases, the relative shortage or space for multi-family residential products is less physical and more legal in that local zoning codes and land use approval processes are more restrictive and demanding. This limits the supply of land suitable for multi-family dwellings, irrespective of their tenure status, and thus very often puts upward bias on prices and rents. Local communities can exercise this type of control on supply as long as its actions are not construed or judged to be exclusionary or discriminatory against protected classes under Civil Rights and Fair Housing Legislation.

Tenure status can include a variety of rental arrangements (i.e., market rate or rent assisted) as well as ownership as a condominium, cooperative or some form of fractional regime (i.e. time share). In some cases, the same building type could mix tenure status as in a second home or destination resort setting where condominium and fractional ownership could be accompanied by rentals, including those of a very short term nature (i.e. daily to weekly). To some extent, the tenure and tenure mix of housing may be dictated by its development or locational context. Some of these contexts are considered in material which follows.

### Master-Planned Communities

Master-Planned Communities are common development types which usually include a range of housing types along with recreational amenities, supporting retail, and other commercial activities. Large master-planned communities could encompass several thousand acres and include schools, libraries, other public facilities, and a substantial amount of office and retail space so that they become recognized as cities or edge cities in themselves. Irvine, California, and Reston, Virginia are two such master-planned communities from the 1970's and 1980's. More recent examples are Summerlin, outside Las Vegas, and Anthem, near Phoenix. In these communities, the amenity packages are a consideration for potential buyers and usually represent significant up front infrastructure investments.

New urbanist developments are particular types of master-planned communities that emphasize compact, mixed-use, pedestrian-oriented site plans where residents trade large lots for a more urban lifestyle. Tree-shaded streets are usually narrow and arranged in grids, with short blocks containing a mix of housing types and supporting commercial and institutional uses in street-facing buildings. The concept fits well with the push for sustainability and "green" construction.

### Infill Development

Both urban and suburban occurs increasingly, as prime developable land becomes scarce and developers turn to passed over sites for new projects. Infill parcels may have been leap frogged over during previous phases of development because they may have been physically difficult to develop, lacked full utility service, had delinquent tax obligations, ownership could not be clearly traced or owners could not be convinced to sell or was subject to some type of environmental contamination that had to be remediated. These parcels may be entirely vacant or have derelict buildings that need to be removed before redevelopment can begin.

The advantages of infill development include fewer competitors, the ability to use existing infrastructure, community services, and facilities and a market of residents in the surrounding neighborhoods. Infill sites are typically smaller than suburban greenfields, so absorption periods may be shorter and thus less risky.

Infill development can be difficult as developers are challenged to establish a legal justification for redevelopment, assemble small parcels that may have multiple owners, remove environmental contaminants, demolish existing structures and possibly provide additional public services and infrastructure. Existing residents may object to redevelopment activity that increases housing density, traffic or put additional strain on community services such as schools.

### Second-Home Communities

Second-Home Communities depend on discretionary buyers who can afford the cost of owning more than one home. Second home property types include luxury single-family homes, condominiums in beachfront or ski communities, lakefront and oceanfront properties with boat slips, golf course communities and modest cabins in rural locations.

Demand can be regional, national, or even international in scope and is typically made up of households headed by someone in their 40s and early 50s with incomes in the top 10 of all households. In general, only a small portion of affluent middle-aged households actually buy second homes, with accessibility being a major factor in the purchase decision. At the upper end of the market, access by air and thus proximity to small airports that serve private planes are important considerations. For most second home buyers, however, driving time from their primary residence is a pivotal consideration.

Among the target age and income segments, the motivation for buying a second home varies and may include: buyers drawn from large metropolitan areas looking for a relief from the stress of everyday life; families with children who want to pursue outdoor sports or hobbies or have a getaway place for weekends and vacations; or buyers expecting to use their second home as an eventual retirement location.

### Affordable Housing

Affordable Housing is a category of the residential market where the definition of eligible population segments is based on criteria dictated by government funding programs. The federal low-income housing tax credit program (LIHTC) produces the largest number of new and rehabilitated rental units and works in concert with HUD's Section 8 Voucher program. Occupancy is limited to households whose incomes are less than 60 percent of a metropolitan area's median income, adjusted for household size, although some units with such projects may be restricted to households with incomes as low as 30 percent of the area median. In some cases, LIHTC projects are targeted to households age 55 or older, while others target requiring those, age 62 or older, or the disabled supportive living services.

State housing finance agencies oversee their LIHTC programs and competition for an award of credits that provide the greatest subsidies is intense in most locations.

States and local governments also have affordable or workforce housing programs for prospective homeowners, particularly first-time buyers. Projects vary in scale and can include a mix of housing types and households at different income levels. In mixed income communities with for sale units, buyers must have incomes that fall between 80 percent to 120 percent of area median income and also may be eligible for down payment assistance. The nature of incentives provided to both developers and buyers is determined by state and local policies, programs and funding resources.

## Age-Restricted Housing

Age-Restricted Housing or housing for seniors who are able to live independently can include both rental and for sale units. Rentals for seniors available in the private market generally include one or two bedrooms and full kitchens in buildings that have lounges, libraries, and activity and meeting rooms. Services can range from scheduled transportation to social and recreational activities, wellness programs, and sometimes meals and housekeeping, either optional or included in the rent. This product is targeted primarily to middle- and upper-income households age 62 and older, although most residents are generally over age 65 and in good health. Properties with affordable rents developed using LIHTC or other government programs may have income as well as age restrictions.

In the for-sale segment of the market, active adult communities offer traditional homeownership in single-family detached homes, townhouses or multi-level condominiums targeted to households that have at least one member age 55 or above. These communities often have extensive recreation amenities, such as tennis courts, biking and hiking trails, and clubhouses with a pool, gym, and space for social events. Some may also have golf courses.

Older seniors may be drawn to congregate housing or continuing care retirement communities (CCRCs) that include a range of housing types and the same mix of facilities and services found in active adult rental or ownership communities. Congregate properties usually offer personal care, laundry services, housekeeping, emergency call systems, and at least one daily meal, at an additional cost. They may require an entry fee or endowment. Many congregate buildings are affiliated with local hospitals and nursing homes. Typical residents in congregate housing are single (usually a woman), age 75 to 85, who is generally in good health, able to live independently, but who may require periodic medical care.

In most CCRCs, independent living, assisted living, and skilled nursing accommodations are all available in a campus setting, allowing residents to move within the community from one to the other as they need more supportive services. Most CCRCs are sponsored by nonprofit religious organizations or fraternal groups as well as universities as a way to attract alumni who may want to take advantage of classes, cultural offerings and sporting events.

## Market-Rate Rental Communities

Market-Rate Rental Communities can take many forms, ranging from two-story walkups to mid-rise and high-rise buildings in urban areas or suburban area. Due to the high cost associated with installing elevators, mid- and high-rise properties tend to locate in areas where multifamily sites are scarce, land prices are high, and rents justify the costs. The supply of apartments includes older properties, many of which are rated as Class B or C and would not be truly competitive with new products. Renovating older properties, however, sometimes brings them up to current standards, making them competitive with new buildings. Units in the newest communities may be smaller than those in older complexes, but new apartments have more amenities and features, both inside the unit and in common areas shared by all residents. Typically this may include an outdoor swimming pool and a clubhouse with exercise equipment, party room, kitchen, fireplace, and business and media centers. Upscale apartment communities usually feature covered parking in either a single-car garage or carport offered at an additional cost to the tenant.

## **Retail Commercial Space**

Retail commercial space also comes in a variety of shapes, sizes and “flavors” which are usually dictated by geographic scope of the market they are intended to serve, the location of the property itself and the mix and type of businesses that become tenants. In general, the tighter the geographic reach the smaller the property and thus the more constrained the tenant mix and thus the more limited the variety and mix of products and services offered by tenant businesses. Retail and consumer services business can be found in a number of locational venues ranging from the individual freestanding building to a superregional mall with over 200 other business tenants to a mixed use property encompassing residential, office and retail space and very often a hotel and multi-level parking garage.

Since about the late 1950's, the shopping center has emerged as a dominant property type to house retail establishments. This was driven largely by suburbanization as residential development pushed farther from traditional urban cores along growth corridors defined largely by the unfolding of the Interstate highway system. The system itself was not designed to encourage suburbanization but was established as a Cold War mechanism to facilitate evacuation from the cities in the event of an enemy attack and to accommodate the rapid movement of military assets and personnel from one region of the U.S. to another. Thankfully, enemy invasions in the traditional sense did not materialize and the threat of nuclear attacks largely subsided as the Cold War fizzled following the collapse and dismantling of the Soviet Union. Construction of the interstate highway system continued and the emergence of the post-WWII baby boom fueled unprecedented levels of new housing demand which could be readily accommodated by new supply built on increasingly accessible “greenfields” in the rapidly expanding suburbs. As the roof tops grew so too did the demand for more conveniently located consumer goods and services. The real estate industry readily responded with the introduction of suburban shopping districts and centers. A pioneer in this regard was the Country Club Plaza Shopping Center developed in the 1920's by J.C. Nichols in the suburbs of Kansas City. This concept was quickly copied and the rest is history.

By definition a shopping center as a group or combination of business establishments planned, developed, owned and managed as a simple unit. Store space, whether in malls, strip centers, or shopping districts is usually measured as gross leasable area (GLA) or the total floor area that a tenant occupies exclusive, including space used for storage, offices or other non-sales area. It does not include common area, management office space and other space that is not leased to individual tenants.

## **Retail Business Sectors**

Retail Business Sectors are generally classified as either GAFO or convenience. GAFO refers to stores selling General merchandise (discount and conventional department stores, warehouse clubs, supercenters); Apparel and accessories (including shoes); Furniture and home furnishings (including electronics); and Other goods (specialty shops which carry books, toys, luggage, jewelry, sporting goods, and a wide range of other items. On the other hand, convenience stores include supermarkets and other food stores (such as bakeries, fruit and vegetable markets and the like) and drugstores. Home improvement, hardware, and building supply stores are also classified as convenience stores, but this is evolving with the increasingly varied array of merchandise sold at stores such as Lowe's, Home Depot and other home improvement superstores.

Restaurants and bars and other such establishments are also classified as a convenience outlet and include two sub-categories of restaurant. These are full service (where customers are served by wait staff and pay after finishing their meal) and limited service (where customers place orders and pay before eating). The former has further categories, such as white cloth fine dining, family, etc. While the latter covers a wide range of full food options.

## Shopping Centers

Shopping Centers classifications have evolved since the 1960's based upon certain basic characteristics. Most, but not all shopping centers typically have a mix of *anchor tenants* and *in-line* or *mall shop* space consisting of small tenants representing a mix of national, regional, and local retailers and various service businesses. A shopping center's classification is generally based on its tenant mix and the size of the trade area it serves and not necessarily on the square footage of the facility itself. Although a majority of the retail space in the U.S. is located in a planned shopping center, free-standing retail (in individual buildings or street front business corridors) are also quite evident in most regional markets and urban areas. In large market areas, just about every type and variety of retail offering can be found including centers which fit into the following descriptive categories.

### Neighborhood Center

Neighborhood center business tenants typically sell convenience goods such as food, drugs, toiletries, cards, flowers or provide personal services like dry cleaning, banking, package, shipping, hair and nail care, shoe repair, and video rentals. These products and services meet the day to day living needs of households living in the immediate surrounding trade area. Take-out food and small sit down restaurants may also be found in neighborhood centers. This is particularly true in neighborhoods with high ethnic population concentrations which can support restaurants with specialty menu offerings. Neighborhood centers tend to be under 100,000 square feet in size and are usually anchored by a supermarket. Larger neighborhood centers serve a two to three mile radius and require ten to fifteen acres of land to accommodate the building footprint and parking. A convenience center with less than 30,000 square feet, serves the same purpose but does not have a full size grocery store, but will be anchored by a minimarket (usually under 3,000 square feet) offering limited assortment of staple items, snacks, beverages, prepared foods, and deli items. In many urban areas these minimarkets may also offer special food for targeted ethnic groups. Some larger convenience centers may also include gasoline service stations selling soft drinks, snacks, a limited selection of groceries and other convenience items.

### Community or Super Community Shopping Centers

Community or super community shopping centers also provide for daily necessities but include more apparel and specialty retailers. They do not include traditional full-line department stores and they generally serve a smaller trade area than a larger regional or super regional mall. A typical community center's mix includes many of the convenience tenants found in a neighborhood center but also includes a wider range of hardware, home furnishings and other specialty stores not otherwise represented in the trade area. Many community centers are anchored by a discount department store, as well as a supermarket or drugstore. Home improvement, hardware, lawn and garden, and gift stores, as well as banks, professional offices, and larger eating establishments also tend to locate in community shopping centers. Also some stores, service outlets, and restaurants may locate on out parcel pad sites within the parking lot. Community centers typically range from 100,000 to over 300,000 square feet of GLA and usually occupy 30 or more acres. Trade areas for these centers usually extend from three to five miles, but this can vary widely depending on the local market.



### Power Centers

Power centers were developed primarily between the mid-1980s and early 2000s and are also referred to as super community centers. They can range in size from 250,000 to over 1 million square feet of GLA, and include at least three to four big box or “category killer” stores, each with at least 20,000 square feet of space. Such stores offer in-depth merchandise selection at discount prices. Relative few power centers include small stores and many have no in-line space at all. These open-air centers tend to be in locations near large malls and draw shoppers from a radius of five to seven miles or more.

### Outlet Centers

Outlet centers are groupings of discount stores directly operated by brand manufacturers or store chains selling non seasonal items and production overruns. Many outlet centers also include discount stores or closeout or liquidator operators. Most are new construction, single-story, open-air strips, although some occupy renovated older buildings. Outlet centers usually have under 400,000 square feet of GLA and no traditional anchor tenants. Some outlet malls, however, have grown to over 1.0 million square feet, particularly those serving large visitor populations in or near vacation or resort destinations. Outlet malls may also include a food court or a collection of restaurants in its tenant roster, with a few having an entertainment component. Although most factory outlet centers were focused on tourist destinations and busy highway locations distant from regional malls, they can now be found on the fringes of many large metropolitan areas or strategically placed between two or more relatively nearby urban market areas.

### Regional Centers

Regional centers focus primarily on general merchandise, apparel, furniture and home furnishing and are typically enclosed, with two or three department stores serving as anchors. They may also include movie theatres and food courts, restaurants and other entertainment venues and typically range from 250,000 to over 900, 000 square feet of GLA. Anchor stores typically have at least 50,000 square feet each, but very often reach 100,000 to 150,000 square feet.

Regional malls usually serve a trade area of five to ten miles, depending on population density, the transportation network and location of the nearest comparable agglomeration of retail facilities. Trade areas in smaller cities can cover a much larger geography again based on the presence of competing facilities. Regional shopping centers are being transformed, as smaller two or three anchor malls are redeveloped as open air centers or becoming hybrid centers that combine traditional enclosed mall tenants, big box stores, entertainment and eating establishments.

### Super Regional Shopping Malls

Super regional shopping malls usually have at least 800,000 square feet of GLA, three or more anchor department stores, as well as a range of entertainment and food outlets. These centers usually have 1 million square feet, and very often expand to over 2 million in larger metropolitan regions. Each department store contains 75,000 to 100, 000 square feet of space. Most super regional malls require over 100 acres of land to accommodate parking demand and large anchor tenants may require more parking than is required by local zoning. Trade areas for super regional malls can be as small as five miles to 10 miles in somewhat densely populated regions, but often reach ten miles when located on an urban fringe. Many super regional malls now include a variety of retail offerings as vacated department store space is taken over by big box stores as non-retail uses. Extensive surface parking is now being used more intensively and creatively in conjunction with retrofitting strategies for many obsolete and underutilized mall properties. The addition of decked parking at more successful centers frees land for out parcel uses, such as movie theatres, restaurants, office space, housing and medical services.

### Value-Oriented or “Hybrid” Malls

Value-oriented or “hybrid” malls combine large discount and off-price anchors with smaller factory outlet stores. These centers emerged as popular formats in the 1990s and early 2000s and can be as large as 2 million square feet, although most are smaller. The better hybrid malls are usually enclosed and can draw shoppers from an hour or more away. Typically, however, their primary trade area extends to about a 30 to 45 minute drive.

### Lifestyle Centers

Lifestyle centers are a somewhat newer variety shopping venue offering upscale apparel, housewares, and gift shops, as well as restaurants, specialty food stores, movie theatres, music venues, and community gathering space. They generally do not have a traditional department store anchor, but are visually anchored by bookstores, movie theatres and large restaurants. They appeal to shoppers who do not want to walk through a large mall to reach one or two stores and thus are designed to reflect a more appealing pedestrian-oriented neighborhood business district. Lifestyle centers range in size from 150,000 to 500,000 square feet and need about ten acres of land at a minimum. Their primary trade areas can extend for 10 to 15 miles from the location and may include office space in the second floor of some buildings.

### Town Centers

Town centers are basically open air, walkable neighborhood business districts, suburban downtowns, and small town retail cores that contain many of the store types found in lifestyle centers. They may also include pharmacies, hardware store, dry cleaners, florist, banks, post offices, as well as plazas and similar public space. These shopping venues are very often incorporated into transit oriented development (TOD) strategies and also include professional offices of doctors, attorneys, insurance agents, stockbrokers, real estate agents and the like. In many cases, upper level office and residential uses accompany the retail space in the town center.

### Fashion Centers

Fashion centers are typically not anchored by a full-line department store, but offer a concentration of apparel shops, boutiques, and custom specialty shops carrying merchandise that is usually high quality and high priced. Their target market segments are attracted by quality, taste, status and price. Fashion centers may include one or more small specialty or “resort” department stores, as well as gourmet food and food service outlets or a “gourmet” supermarket. High fashion centers also draw from a wide rather than limited trade area particularly when high income neighborhoods are more geographically scattered. Fashion centers can in fact scale themselves in such a way to serve a neighborhood, community, or regional center size trade areas. When they serve trade areas of neighborhood or community scale, they will include small clothing and gift shops, while the traditional supermarket might be represented by a gourmet food specialty shop, a butcher or fresh market grocery. When such centers reach community and regional size, they very often have as an “anchor tenant” a group of small specialty department stores. Very often these centers also serve some tourist and conventional trade.

## Festival Centers

Festival centers were first created by the Rouse Company with opening of Faneuil Hall Marketplace in Boston. A limited number of festival centers were built in the 1970s and 1980s and because of their significant dependence on tourist visitors, their success was confined to large markets such as Boston, New York, Baltimore, and San Francisco. By and large they are forerunners to urban entertainment centers, and some of their characteristics have been incorporated into this newer form of shopping center. As its name suggest, this type of shopping center was intended to create a special, festive experience, with a high percentage of festival center GLA devoted to specialty restaurants and food vendors. Food vendors typically are concentrated like they are in typical food courts, but with much greater emphasis placed on ethnic authenticity and distinctive offerings. Retail goods at a festival center tend to be impulse and specialty items including artwork, collectibles, jewelry, pottery, leather goods and unique home furnishings. Festival centers also include a strong entertainment component with regular informal events featuring street mimes, jugglers, dancers, strolling musicians, and other "oddities". The trade area for festival centers must be large, since a significant portion of its business activity is generated by tourists as well as conventions, professional meetings and commercial travelers. As such, most festival centers are categorized as being regional due to their scale of the market and then as festival centers since they do not include department store anchors. Typical of the festival center are their unique architecture and relationship to other significant land uses, as well as to waterfronts, historic areas and the like.

Free standing shopping venues have become more important to retailers over the past 10 to 20 years with the rapid expansion of chains such as Wal-Mart, Sam's and Costco offering the more traditional lines of food and general merchandise. This has been mirrored somewhat by the expansion of specialty chains such as Bass Pro Shops and Cabello's offering one stop destinations for every imaginable sporting good item one could want or need. Although some of these stores may serve as an anchor to say a resort destination located lifestyle shopping center, they typically maintain some degree of physical separation and thus identity from the rest of the shopping environment.

Three other emerging trends among free standing retailers involve the near explosive growth of "dollar" variety stores (a throw-back somewhat to the five and dime stores of the 1950's and 1960's); the proliferation of specialty restaurant chains and franchises that prefer out parcel locations on shopping center property but at a distance with their own designated parking; and the maturing of the drugstore into a shopping venue offering limited lines of supermarket and household cleaning and hardware items, as well as an ever expanding variety of health and beauty products. Dollar stores cater to price conscious customers with limited income to spend on necessities such as food, paper products and personal care items. Dollar store business models respond accordingly by offering specially packaged merchandise that limits quantity while satisfying price points for the customer. In some cases, large drugstore chains are copying elements of this strategy as reflected by the type and quantities of merchandise offered in locations more likely to draw from low to moderate income neighborhoods. Restaurants on out parcels typically achieve better highway visibility and are typically assured of having sufficient parking space to accommodate customers at peak periods during their business day.