



# Field Summary Report

## I. SUBJECT LOCATION INFORMATION

Bruegger's Bagel, Store #999999, XXXX, ID. 2,250 SF, \$17.00 NNN. The store's original five-year lease term will expire on June 2, 2001. However, the lease document provides for two renewal options of five years each. To be exercised in writing by February 2, 2001, fixed minimum rent during each year will increase based upon CPI. Assuming that CPI will be 2.5% over the next five years, rent will be \$17.43, \$17.86, \$18.31, \$18.77, and \$19.24 SF per year respectively.



This average volume store is situated in an out parcel building in the Avest Plaza Shopping Center. The inline portion of the center, located directed behind the store, is anchored by Fred Meyer Grocery. Other tenants in that portion of the center include Starbucks Coffee, Hair Masters & Baskin Robins. Tenants in the out parcel building are Subway Sandwich Shop, Martinizing Cleaners and Mountain States Cellular. From the exterior, this appears to be a well maintained property. Although there is no signage on the main pylon, the building Bruegger's occupies sits close to the road. This allows individual store signage to be very effective and overall store visibility high. Fred Meyer is considered to be the main traffic generator for the center and a strong draw for Bruegger's. Despite the presence of many other eating and snacking establishments in the center, including Subway, McDonald's, Hometown Pizza, TCBY and Baskin Robins, the store manager feels that this is a great location for the store. Customers have responded very well to ongoing promotions (typically coupon circulation) and there are no direct competitors in the immediate market.

The store manager also commented on the center's flaws. To start, customers often complaint about gaining access to the center. While there are great benefits from being located at the well trafficked intersection of XXXXXXXX and XXXXXXXX, the heavy traffic makes exiting the site especially difficult. Secondly customers complain that there is not enough parking. In fact, there is enough parking in the center but there is a limited amount directly in front of the portion of the center where Bruegger's is located. The parking facilities found directly behind the building provide more than enough space but are not practical for those customers who want to visit the out parcel only. It is important to note that both sections of the parking facilities are kept in good repair and well lit. Lastly there is an ongoing problem with the store's plumbing. According to the manager, the bathroom pipes clog quite frequently. Of course, this causes a major interruption for employees leading to interference in daily operations. Having said all of this, the store continues to perform well. Overall exposure of the site is excellent and the repeat customer rate is high, averaging better than 90%. For the most part, customers live in the store's immediate trade area. In addition, many also have business in the near vicinity. The income levels of those residents are classified to be upper-middle class and the area is considered to be safe during all hours.

At present the landlord has no vacant space in the center. However, he will have a 1,125 SF vacancy in the spring and a second 1,250 SF bay mid summer. These are contiguous space and the landlord would be willing to combine the bays to produce a total of 2,300 SF. Found in the building anchored by Fred Meyer and therefore receiving less visibility than the subject, the landlord is asking \$17.00 SF plus an estimated \$4.50 NNN. Depending on the strength and needs of the tenant, the landlord would consider offering rent abatement or tenant improvement allowances. Totaling 400,000 SF, vacancy rates in the shopping center have been averaging less than 1%.

## **II. RENTAL MARKET**

There is a great deal of new commercial development taking place in the store's immediate trade area. Of the four alternative properties that we reviewed, three were built within the past six months and all have space available. Of the four, the BATNA would be the Meridian Crossroads Shopping Center. Located at another extremely well trafficked intersection, South Eagle and Fairview, tenants in this newly developed property are Office Depot, Bed, Bath & Beyond, Old Navy, Ross and Sheplers. As in the case of the subject, this is a very attractive shopping center. Due to a number of strong draws, traffic in the center is always steady and usually heavy. Fortunately parking facilities provide sufficient space to accommodate these customers in addition to being in excellent condition and well lit. While there is some concern regarding congestion at the intersection, it is believed that access to this property is more easily obtained than that of the subject. Servicing the same upper-middle income neighborhood as the subject, this is an excellent alternative.

At present the landlord is marketing several new spaces. The landlord can provide 2,500 SF of new space. Asking rent for in line space is \$19.00 SF plus \$3.00 NNN. In the process of building a pad, which would also accommodate a 2,500 SF tenant, asking rent for the more visible bays will be \$25.00 NNN. Throughout the market, space is being leased for \$13.50 to \$19.00 SF with average additional rent charges of \$2.50 to \$3.00 SF. The fixed minimum rent on the space has a direct relation to the visibility of the bay as well as the strength of the anchor tenants. Due to the great deal of growth in the area, vacancy rates are difficult to judge but can be estimated to be less than 5%.

In the next three to five years, City Planners anticipate the bulk of future growth to occur in the area approximately two to four miles west of the subject. At present Planners reported a pending commercial development at the southeast corner of Linder and Cherry Lane as well as a pending apartment complex along Fairview. As mentioned above, there has been a great deal of new growth in the area and therefore many infrastructure changes. Presently there is just one proposal of an infrastructure change that may have an indirect effect on the subject, a traffic light at the intersection of Fairview and Hickory. It is also important to note the Tax Assessor's Office stated that there is a possibility that taxes will increase by 25% starting in February 2001.

## **III. KEY FINDINGS**

1. There are concerns with the subject center include a lack of parking, difficult accessibility and plumbing issues. However, the store continues to perform well.
2. The store, at its present location, receives great visibility. The repeat customer rate is presently better than 90%.
3. The BATNA is an extremely desirable alternate location. New space at the BATNA is being marketed for \$19.00 SF plus \$3.00 NNN with the potential for improvement and allowances.
4. Market rates are \$13.50 to \$19.00 SF plus \$2.50 to \$3.00 NNN. The fixed minimum rent on the space has a direct relation to the visibility of the bay as well as the strength of the anchor tenants.
5. There is a great deal of new development in the immediate area. Planners anticipate that future growth will occur two to four miles west of the subject.
6. The Tax Assessor's Office stated that there is a possibility that taxes will increase by 25% starting in February 2001.

## **IV. CONCLUSIONS**

1. You should not exercise the option.
2. Rent Research Consultants should begin negotiations with your landlord.
3. Rent Research Consultants should address parking and maintenance concerns during the negotiation.

The landlord has stated he anticipates vacancies in the subject in the near future. Since the subject is roughly four years old, it is likely that a good portion of tenants will be renewing their leases in the very near future. Considering this and the amount of new construction occurring in the market, the option rent is a bit high. We believe we can leverage vacancies in competing properties into a lower option rent at the subject property. While the landlord most likely will do nothing to change the current parking configuration, we expect to be able to use this fact to create doubt in the landlord's mind that you intend to renew at your current location.