



Thursday, October 24, 2019
9:30 AM – 10:45AM

Seminar 11

The Active Ingredients in Grocery Store Leases

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- Goals for Today:
 - Focus on the active ingredients in grocery store leases
 - Stimulate discussion
 - Provide attorneys and real estate stakeholders with useful tools for approaching/resolving issues in supermarket lease negotiations





In our quest to explore the “active ingredients” of grocery store leases, we asked experienced professionals four open-ended questions:

1. ***What 3 supermarket lease clauses do you care about the most?***
2. ***What supermarket lease clauses do you think will change the most over the next decade?***
3. ***Will robots really come and eat all of our jobs? Or, more precisely, will robotic technologies render the big box supermarket a thing of the past?***
4. ***What question did I not ask you that I ought to have?***

What does the future hold for grocery stores?



vs.



Online Grocery Sales

The Kroger/Ocado exclusive arrangement may turn out to be the most important shopping center "exclusive" clause signed in 2019: after all, all of Kroger's competitors are, for now, locked out of using the Ocado e-commerce solution for grocery sales in the US



- The Technology Effect
 - We now need to view every lease clause through the "filter" of competition with e-commerce.
- Let's Take a Look at Some Examples from (i) the past, (ii) the present and then let's discuss possibilities for the (iii) future

Term Clause

- **Past**
- **Present**
- **Future?**

Thoughts:

- Not much has changed, except that some supermarket leases in the past few years contain a 25-year initial term in order to attract more favorable financing – and therefore cheaper rent for the supermarket

- Given the rise of e-commerce competitors in the grocery sector, will the at-least 20-year initial term lease soon become a thing of the past?



- **Past**
 - *The initial term shall commence on the date hereof and shall continue for a period of **20 years** after the first day of the first month which commences on or after the commencement date of the initial term. At the expiration of the initial term of this lease, Tenant shall have the **right or option to renew this lease for seven (7) additional terms of five (5) years each**, upon the same terms and conditions as herein contained except that the rent shall be ...*

Present:

Unless sooner terminated, the Term shall continue to and shall include the date (such date, or, if the Term is renewed, the date of expiration of the latest Renewal Period, as hereinafter defined, for which Tenant shall have exercised its option to renew, being hereinafter called the "Expiration Date") that is:

- 1. twenty-five (25) years following the day before the Rent Commencement Date if the Rent Commencement Date is the first day of a month, or*
- 2. twenty-five (25) years following the last day of the month in which the Rent Commencement Date occurs if the Rent Commencement Date is not the first day of a month.*

Provided that no Uncured Tenant Default exists at the time of the exercise of the applicable Renewal Period, Tenant shall have five (5) successive options to renew the Term from the dates upon which it would otherwise expire, for successive periods of five (5) years each (each such period, a "Renewal Period").

- Future
 - How this drop in initial term will affect the financing of supermarket-anchored shopping centers?

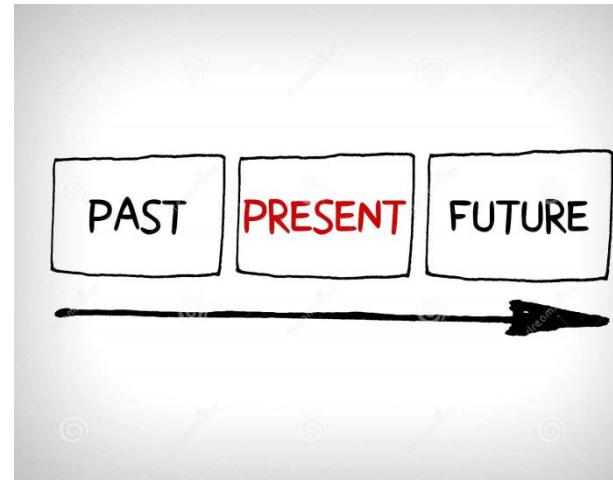
Lease Premises

- Past
- Present
- Future?

Thoughts:

- The grocery store building grew by 20% from the Malaise Era to today.
- Median Grocery Store Size In:
 - 1994 = 35,100
 - 2006 = 48,750
 - 2015 = 41,300

- Will e-commerce reduce the size of supermarkets?



- **Past**

- *Certain store premises containing approximately 55,268 square feet of gross floor area of space built on a portion of the shopping center located at [ADDRESS]*

- **Present**
 - *a one (1) story building in the location and with the dimensions shown on the Lease Site Plan and containing approximately 66,100 square feet of first floor Gross Floor Area (plus Mezzanine and Vestibule).*



- **Future**
 - Do you think I'm really going to need 65,000+ sf of space for this supermarket business 10 years from now?

Rent & Occupancy Costs

- Past
- Present
- Future?

Thoughts

- Downward pressure on rents stronger than ever?



- **Past** • A typical supermarket lease during the Malaise Era might have required Landlord to construct a new 55,000 sf supermarket building for Tenant in return for (i) Base Rent that began at \$1.50 per square foot per annum (i.e., \$82,500), plus (ii) Percentage Rent equal to 1% of the amount by which gross sales exceed the "natural breakpoint" of \$8,250,000), plus (iii) Tenant's pro rata share of common area maintenance (all set forth in a single paragraph containing 3 short sentences, plus (iv) Tenant's pro rata share of real estate taxes (all set forth in 5 short paragraphs).



- **Present**
 - (i) require Base Rent that begins at \$18.00 per square foot or more per annum, and (ii) contain 3 full lease pages on Common Area Maintenance costs alone, another 4+ full lease pages on real estate taxes alone, and another paragraph on reimbursement of Landlord's insurance premiums. It will almost certainly not contain percentage rent.

- **Future**

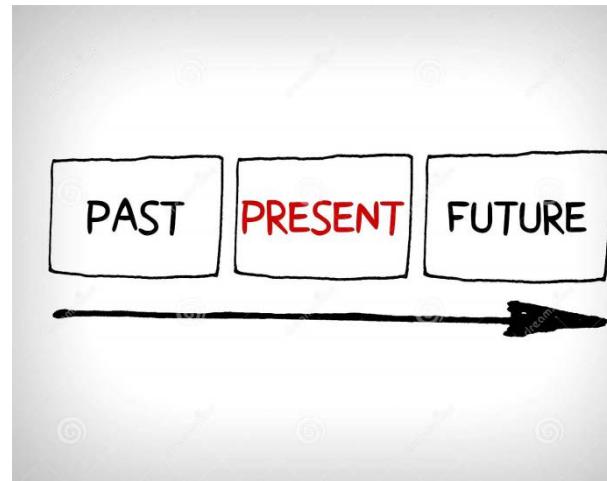
- We need to keep a careful eye out for "mark-to-market" occupancy cost provisions in supermarket leases, examples of which include (i) percentage rent clauses, (ii) cost of living increases, and (iii) any limitations or restrictions on the exercising of fixed-rent renewal options (e.g., provisions that say that only the "original tenant" is entitled to exercise any renewal options).
- The problem: (A) in a world of declining retail store volumes, ***rents that automatically "grow" will soon grow out-of-whack with store volumes that do not grow***, and (B) ***the unit price of occupancy costs associated with competing e-commerce facilities***

Exclusive Uses

- **Past**
- **Present**
- **Future?**

Thoughts:

- No longer is the supermarket seeking a restriction only on the sale of food for off-premises consumption
- Will we continue to spend lots of time drafting and negotiating supermarket exclusives and restrictive covenants?



- **Past**

Landlord agrees not to use, let or sublet the use, letting or subletting of ***any other store in the Shopping Center or on any other ground owned, leased or controlled by Landlord within 3,000 feet of the boundary of the Shopping Center for the sale or storage of food***, or for parking of motor vehicles in connection with the sale or storage of food, and Landlord agrees that this restriction will run with the land and be binding upon Landlord and Landlord's heirs, personal representatives, grantees, successors and assigns and shall be incorporated in any deed or deeds covering the sale or other disposition of said restricted premises by Landlord. ***This restriction shall not apply to the AAA rated department store (K-Mart) located in the Shopping Center.*** This restriction shall ***not apply to a luncheon counter, soda fountain, restaurant or of any eating place where the restricted items are consumed on the premises of such business***, provided no drive-in restaurant shall be located in the shopping center without Tenant's written approval. This restriction shall ***not apply to the sale of food for off-premises consumption by one drug store which devotes no more than 1,000 square feet to the sale and offering for sale of foods for off-premise consumption***, and to parking in connection therewith.

Present

(Exclusive Uses

Slide 1 of 5)

1. *Landlord covenants and agrees that neither Landlord nor any Affiliate or Related Entity of Landlord (collectively, the "Landlord Parties;" each, singly, a "Landlord Party") shall, directly or indirectly, lease, rent, sell, or permit to be occupied:*
 - 1.1. *any premises within the "Restricted Area" (defined as the Shopping Center, together with any other premises owned, leased, controlled, or occupied by any Landlord Party within a radius of _____ (____) miles from the Shopping Center), as a drugstore, pharmacy, a super drugstore or super pharmacy, or combination drugstore or pharmacy and food mart (including CVS, Walgreen's and/or Rite Aid) (collectively, a "**Pharmacy**"), hyper market, supermarket, mini supermarket, convenience food, or grocery store (including **Shaw's Supermarket, Stop & Shop, Giant, Acme, Fresh Grocer, Aldi's, Save-A-Lot, Bottom Dollar, Cumberland Farms, Wawa, and/or 7-11**) (collectively, a "Supermarket/Grocery"), club store commonly known as warehouse club, membership club, and/or wholesale club (including BJ's Wholesale Club, Sam's, Costco, and/or Wholesale Depot) (collectively, a "**Club Store**"), combination discount department store/supermarket (including Wal-Mart Supercenter and/or Super KMart and/or Super Target) (collectively, a "Supercenter"), and/or any combination of the foregoing; or*
 - 1.2. *any premises within the Shopping Center as a **discount department store** (including Wal-Mart, KMart, and/or Target) or unit price store, including what is commonly known as a **dollar store or ninety-nine cent store** or other store with a unit price lower than a dollar or ninety-nine cents (including **Dollar General, \$.99 Store and/or Dollar Express**), and/or any combination of the foregoing.*

Present

(Exclusive Uses
Slide 2 of 5)

2. ... Tenant shall have the exclusive right in the Shopping Center to sell:
 - 2.1. prescription drugs ("**Prescription Drug Items**"); provided that the foregoing shall not prohibit any doctor, dentist, or other such professional, from providing medical, dental, or other such professional services to their patients;
 - 2.2. all pet products, including cat food, dog food, cat litter, and other pet foods ("**Supermarket Pet Items**");
 - 2.3. **human edibles** for off-premises consumption (whether fresh, frozen, packaged, bottled, canned or otherwise), including fish, meat, produce, poultry, baked goods, dairy and egg products, delicatessen and appetizing foods, non-alcoholic beverages (whether canned, bottled, frozen, powdered, or otherwise, including soda, juice, drinks, water, coffee and tea), beer, wines and all other types of alcoholic beverages (collectively, "**Supermarket Food Items**"), and the Other Grocery Items listed in the "Other Grocery Items Exhibit" ("**Other Grocery Items**," the Supermarket Food Items and the Other Grocery Items, collectively, the "**Supermarket Food and Other Grocery Items**"); or
 - 2.4. health and beauty aids and non-prescription drugs (collectively, "**Supermarket HBA Items**"). The sale of Prescription Drug Items, Supermarket Pet Items, Supermarket Food and Other Grocery Items, and Supermarket HBA Items, as described in this Article 2, are herein collectively referred to as the "**Competing Primary Uses**."

Present

(Exclusive Uses
Slide 3 of 5)

Other Grocery Items Exhibit

- 1. All paper goods** typically carried in a supermarket, including paper napkins, paper towels, toilet paper, cups and plates. This does not include writing paper, greeting cards and other such paper goods typically carried in a stationery store.
- 2. All cleaning and freshening products** typically carried in a supermarket, including detergents, soaps, drain/bowl cleaners, floor cleaners, laundry products, window, wall and counter cleaners, oven cleaners, furniture polish, air fresheners and related items such as, by way of example, but not limitation, scouring pads, sponges, mops, brooms and the like.
- 3. All packaging and other wrapping products** typically carried in a supermarket, including aluminum foil, plastic wrap, food and sandwich bags, lawn/leaf/trash bags, sealable containers and the like.
- 4. All non food baby products** typically carried in a supermarket, including diapers/training pants, wipes, and related accessories.
- 5. All herbs, spices, extracts, oils, powders and other items utilized in the preparation of food** and typically carried in a supermarket.

Present

(Exclusive Uses
Slide 4 of 5)

(a) *Landlord may permit restaurants, sandwich shops, fast food restaurants, diners, and luncheonettes, other than a “Bakery” (defined below) (“Restaurants”); provided that:*

(i) *the aggregate Gross Floor Area of all Restaurants shall not exceed _____ square feet;*

(ii) *no Restaurant may sell “Perishables” for off-premises consumption; provided, however, that:*

(A) *the sale by a Restaurant of any such item of Perishables as a component of a sandwich or other meal for on- or off-premises consumption shall be permitted (by way of example, and not of limitation, the sale of bread and tomato as part of a sandwich; the sale of cookies or fresh fruit as dessert items for on- or off-premises consumption; or the sale of sushi for on- or off-premises consumption);*

(B) *“Perishables” means produce, baked goods, or uncooked (fresh, frozen, or otherwise) meat, fish, or poultry, typical deli, appy, or other delicatessen foods or dairy products (i.e., milk, cheese, butter and yogurt, it being understood that a food item containing a dairy product as one of its ingredients [such as milk chocolate or pizza] shall not be deemed to be a dairy product for the purposes hereof), except for ice cream, frozen yogurt and individual servings of dairy drinks (i.e., a serving packaged in a container holding not more than sixteen (16) ounces); and*

Present

(Exclusive Uses
Slide 5 of 5)

*(iii) Landlord shall not permit any occupant or occupants of the Shopping Center to operate any retail sales establishment of any size that is identified or described in print, internet, television, radio, or other media as a bakery (collectively, a "Bakery"); provided that a **bagel store** ... , a **doughnut store** ... and a **Restaurant operated and merchandized similar to a Panera Bread are permitted**, and do not constitute a "Bakery" for purposes of this provision;*

(b) Landlord may permit the sale of candy and/or nuts such as, by means of example and not of limitation, Loft's, Godiva, or Fanny Farmer;

(c) Landlord may permit the sale of ice cream, frozen yogurt, smoothies, and other such frozen items, such as, by means of example and not of limitation, Baskin Robbins, Carvel, or Smoothie King; and

*(d) Landlord may lease, rent, sell or permit to be occupied within the Shopping Center a single store by a single tenant for operation as a discount merchandise store selling youth-oriented products such as those stores currently operated under the trade name "**Five Below**", provided that (i) such store may not sell any Perishables, (ii) no more than 1,200 linear feet of shelf space, combined, of such store shall be used at any time for the sale or display of Supermarket Food and Other Grocery Items, Supermarket Pet Items, and Supermarket HBA Items, and (iii) the sale of any such Supermarket Food and Other Grocery Items, Supermarket Pet Items, and Supermarket HBA Items shall be incidental to the primary business of such store;*

- **Future**



- There was broad consensus among our participants that we who labor in the vineyards with supermarket leases will continue to spend lots of time drafting and negotiating supermarket exclusives and restrictive covenants. After that observation, consensus tends to break down.
- Another supermarket participant predicts that landlords will eventually eliminate or whittle down supermarket exclusives and restrictive covenants significantly as landlords and their capital sources find that they hamper the ability to lease up a project.
- You'll want to make sure that your anti-storage locker/returns language doesn't inadvertently prohibit storage locker/returns activities that your client needs to put into the supermarket!**

Prohibited Uses

- Past
- Present
- Future?



- **Past**

*Landlord shall have no right to construct a discount house, bowling alley, drive-in restaurant or a theatre in the area shown on Exhibit "A" until Tenant has previously consented in writing to the location and construction of such discount house, bowling alley, drive-in restaurant or theatre. **(emphasis added)***

Present

(Prohibited Uses

Slide 1 of 4)

1. *Landlord covenants and agrees that Landlord shall not, without the prior written consent of Tenant, which such consent may be withheld in Tenant's sole and absolute discretion, lease, sell, or permit all or any portion of the Shopping Center to be occupied for any one or more of the following uses (the "Prohibited Uses") :*
... 1.2. any residential (including hotels, living quarters, apartments or residences); industrial or manufacturing, assembling, distilling, refining, smelting, agricultural, mining or quarrying use, or warehouse or storage use (other than such activities as are customary and ancillary to the operation of retail, entertainment, and/or service uses of the type permitted from time to time in comparable shopping centers);

Present (Prohibited Uses Slide 2 of 4)

... 1.11. bar, tavern, restaurant, nightclub, discotheque or other establishment whose reasonably projected annual gross revenues from the sale of alcoholic beverages for on premises consumption exceeds fifty percent (50%) of the gross revenues of such business;

1.12. offices ; provided that (a) retail office use or (b) office space used by Tenant or any subtenant or other occupant of the Shopping Center for administrative purposes ancillary to Tenant's, subtenant's or such other occupant's retail use, and which is not open to the general public, shall not be considered "offices" for the purpose of this limitation

Present

(Prohibited Uses
Slide 3 of 4)

... 1.16. *the operation of a “head shop”, so-called, or other business devoted to the sale of articles or merchandise normally used or associated with illegal or unlawful activities, such as but not limited to the sale of paraphernalia used in connection with marijuana, cocaine or other controlled drugs or substances*

... 1.19. *church, school, day care center or related religious or education facility*

Present (Prohibited Uses Slide 4 of 4)

... 1.24. *living quarters, sleeping apartments, or lodging rooms;*

... 1.27. *cinema or movie theater;*

1.28. *health club, health spa, or exercise facility;* and

1.29 *medical/dental offices or health care facilities.;*

● Future

Prohibited Uses (Slide 1 of 2)



- Several of our participants were adamant that the "Prohibited Uses" clauses of supermarket leases are ripe for extensive change over the next decade:
- More and more prohibited uses will be limited in size rather than subjected to outright prohibition. For example, stores that sell legal marijuana and marijuana derivatives are thriving in Scottsdale, Arizona, and other markets, and will continue to expand into the affluent centers. "Fancy" cannabis stores will move out of the run-down strip malls of yesterday and into the "first-class shopping centers" of tomorrow. Landlords will attempt to keep control via architectural and other subjective standards to protect their investment.

- ## Future

Prohibited Uses (Slide 2 of 2)

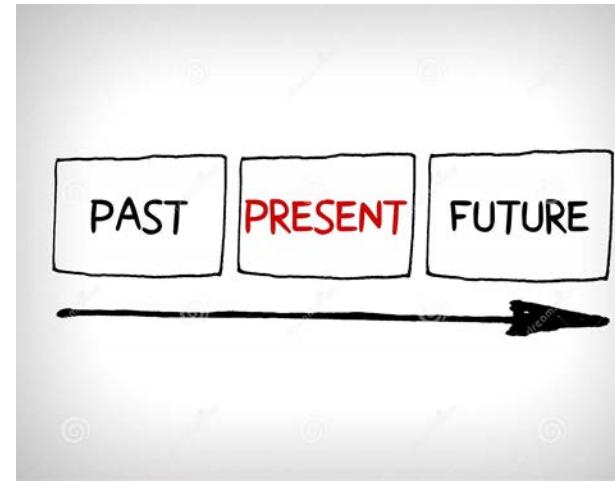


*"Planet 13 Holdings is a vertically integrated dispensary operator [whose] approach is completely unique. The company's off-strip SuperStore in Las Vegas, Nevada, is already the **largest cannabis store in the country, and will grow even further by the time it's fully built out. Currently spanning 16,200 square feet, the Planet 13 SuperStore will eventually feature a coffee shop, pizzeria bistro, events center, and consumer-facing production facility with about a dozen windows for viewing**, all of which should be complete by the third quarter of this year. When fully complete, Planet 13's flagship store will span 112,000 square feet. For added context, the average **Walmart** spans 105,000 square feet."* "The Disneyland of Cannabis Stores Is Set to Open... Near Disneyland," Sean Williams, June 11, 2019

(<https://www.fool.com/investing/2019/06/11/the-disneyland-of-cannabis-stores-is-set-to-open-n.aspx>, accessed June 11, 2019).

Permitted Uses

- Past
- Present
- Future?



- **Past**

Landlord agrees that nothing in this lease shall be construed as compelling Tenant to keep the store in or upon the demised premises open for business, but Tenant shall have the privilege of closing said store at any time, provided Tenant shall continue to pay the minimum monthly rental as set forth in this lease and performs its other obligations under this lease. In the event after the commencement of the initial term, Tenant permanently closes its demised store for business, Landlord, at its option, may terminate this lease by written notice to Tenant provided that Tenant, at the time of receipt of said notice has not sublet all or any portion of the demised premises. Tenant shall not be deemed to have permanently closed its demised store for business when closed because of casualty damage, restoration of damage, repairs, alterations, strikes, or for any reason beyond the control of Tenant.

- **Present**
Use clause
(Slide 1 of 3)

The Demised Premises shall be used and occupied for the operation of a food supermarket and any one or more of the Incidental Supermarket Uses defined below (collectively, the “Permitted Supermarket Uses”), or, following the Mandatory Operating Period, for any other lawful retail use or purpose. The term “Incidental Supermarket Uses” means and includes any or all of the following uses that shall be incidental to Tenant’s use of the Demised Premises as a food supermarket: Gas Station; in-store pharmacy; health and beauty aids and non-prescription drugs (collectively, “Supermarket HBA Items”); store selling alcoholic beverages for off-premises consumption; in-store mini-bank with ATM; drop-off dry cleaner; in-store medical clinic; baby sitting and/or child care services; children’s nursery; florist; sale of videotapes; sale of donuts, bagels and other baked goods; health food store; in-store sit-down restaurants (including Supermarket Buffets) and franchises, such as Cinnabon and Rita’s Water Ice; the sale of merchandise, goods or services now or hereafter sold or rendered in food supermarkets in [STATE], including those operated by Tenant; and, if permitted by Law, the sale of beer and wines, liquor and all other types of alcoholic beverages.

- **Present**
Use clause
(Slide 2 of 3)

Anything to the contrary set forth herein notwithstanding, Tenant may enter into agreements to license, sublease, sublicense, grant concessions or otherwise permit the occupancy of portions of its food supermarket sales floor area for the Incidental Supermarket Uses. Tenant shall have the right, at all times throughout the Term, to operate within the Demised Premises one (1) Permitted Take Out Restaurant (it being the understanding that, subject to the limitations set forth below, Landlord shall have the exclusive right to operate or permit the operation of the remaining three (3) Permitted Take Out Restaurants currently permitted under applicable zoning law in the remainder of the Shopping Center outside of the Demised Premises).

- **Present**
Use clause
(Slide 3 of 3)

Notwithstanding anything contained in this Lease to the contrary, under no circumstances will Tenant use or permit the use of the Demised Premises for a Prohibited Use or a use in violation of any Exclusive granted by Landlord to another tenant in the Shopping Center during the initial lease-up of the Shopping Center (each, a "Future Exclusive"), *provided* that no Future Exclusive shall be binding upon Tenant, Tenant shall have no obligation to recognize any Future Exclusive, and Tenant may use the Demised Premises for a use in violation of such Future Exclusive in (a) any portion of the Demised Premises being used for the Permitted Supermarket Uses and/or (b) any portion of the Demised Premises containing in excess of fifteen thousand (15,000) square feet of Gross Floor Area in which a use other than the Permitted Supermarket Uses is being operated (it being understood that each Future Exclusive shall bind Tenant, Tenant shall recognize each Future Exclusive and Tenant may not use the Demised Premises for a use in violation of each Future Exclusive in any portion of the Demised Premises containing less than fifteen thousand (15,000) square feet of Gross Floor Area that is not being used for the Permitted Supermarket Uses). Landlord shall give written notice to Tenant of each Future Exclusive.

- **Future**



One supermarket participant emphasizes the importance of having a broad permitted use in order to have flexibility with the evolving supermarket business, especially with respect to what the supermarket can sell, and having flexibility with how the supermarket can advertise/promote at the location.

Having a broadly defined permitted use is also important if the supermarket can assign the lease or sublet a portion of the space, so as to provide more flexibility for the operation of the supermarket business into the future.

A developer participant expects to see more retailers seeking to add customer returns of online purchases as a free service that will drive more customer traffic into their stores.

Assignment and Subletting

- Past
- Present
- Future?



- **Past**

Tenant shall not assign this lease except as set forth below without the written approval of Landlord, which approval shall not be unreasonably withheld by Landlord. Tenant shall have the right to sublet the whole or any part of the premises herein demised, along with appurtenant parking and access rights. Notwithstanding the foregoing, Tenant shall have the right to assign this Lease without Landlord's consent provided that the assignee assumes this Lease in writing, a copy of the assignment and the assumption of the Lease are delivered to Landlord, and the Tenant remains primarily liable for the full performance of this Lease. This Lease shall, without Landlord's consent, survive a merger or consolidation to which the Tenant is a party or to which any subsidiary or affiliated corporation to which Tenant has assigned this Lease is a party.¶

- **Present**
(Assignment,
Slide 1 of 3)

1. **ASSIGNMENT AND SUBLetting.**
 - 1.1. *Except as expressly set forth in this Article 1, Tenant may not assign its interest in this Lease, sublet the whole or any part of the Demised Premises, or permit any subtenant to further sublet any part of the Demised Premises without Landlord's consent, which consent shall not be unreasonably, withheld, delayed or conditioned, but in all events any such assignment or sublease shall be subject to all of the terms and conditions of this Lease, including the provisions and limitations contained in this Article 1. For purposes of this Article 1, any transfer of ownership interests in Tenant and any assignment by operation of law shall constitute an "assignment" of the Lease that requires Landlord's consent.*

- **Present
(Assignment,
Slide 2 of 3)**

1.2. Subject to the provisions and limitations contained in this Article 1, Tenant may assign this Lease (but only after the expiration of the Mandatory Operating Period), and sublet, grant concessions or license the whole or any portion of the Demised Premises for any retail use not prohibited by the terms of this Lease; provided, however, that (a) Tenant shall remain liable under the terms of this Lease, and (b) Tenant shall forward a copy of all relevant assignment documents to Landlord within a reasonable time thereafter. Notwithstanding the foregoing, Tenant shall have the right to make a Permitted Assignment and a Permitted Sublease (both hereinafter defined) without Landlord's consent. Any assignment made a part of a sale or transfer to a purchaser of fewer than five (5) of the stores then being operated as a "TRADE NAME" shall require Landlord's prior consent, which consent may be withheld in Landlord's sole and absolute discretion, and, if Landlord consents, then any consideration paid to Tenant by such purchaser shall be due and payable immediately by Tenant to Landlord upon Tenant's receipt of such consideration.

- **Present
(Assignment,
Slide 3 of 3)**

1.3. *At any time during the Term, Tenant, without Landlord's consent, shall have the right to make an assignment (a) made a part of a sale or transfer to a purchaser of at least five (5) of the stores then being operated as a "TRADE NAME" or (b) to any corporation or entity controlling, controlled by, or under common control with Tenant or another corporation or entity into or with which Tenant is merged or consolidated (each a "Permitted Assignment").*

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- **Future**



- More than one of our participants observed that the future is likely to bring ***more consolidation within the supermarket industry.***
- A large part of ***the growth of the supermarket industry over the past few years has been acquiring and redeveloping existing boxes*** rather than building new stores from the ground up.
- The benefits include:
 - More predictable (and favorable) *zoning/land use/entitlements environment;*
 - More predictable (and favorable) *construction cost* profile;
 - *More opportunities:* Many supermarket sites that enjoy good real estate attributes failed as supermarkets mostly due to poor management performance by prior operators. A good operator can come into many existing sites and turn them into performing stores.

Conclusion

(Slide 1 of 2)

- *Big box leases continue to become more complicated.*
- *Landlord and Tenant want to protect against every circumstance but is this sustainable?*
 - *This slows down deals.*
- *“The solution lies in creating more of a regionally accepted lease form (similar to the residential market). This will ultimately put all parties in a better position.”*

Conclusion

(Slide 2 of 2)

- As Developers/Owners feel the crunch of softer leasing markets on their grocery store centers, **developers and owners will always look for ways to increase value/earnings.**
 - *Sometimes, those ways will increase traffic flow and complement the grocery store business; however, sometimes they will detrimentally affect the grocery store use. As such, the more control the grocery store has in the property's uses, the more the grocery store can protect their significant investment.*
 - *However, it is a balancing act with concessions and cooperation on both sides.*
- *But as grocery stores have become more important tenants of more varieties of retail locations, grocery stores should attempt to protect themselves as best they can for the **expected changes that are coming as well as the “unforeseeable” in the future.***



THANK YOU!





**Make Your Voice Heard,
Complete the Session-Specific Surveys!**

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