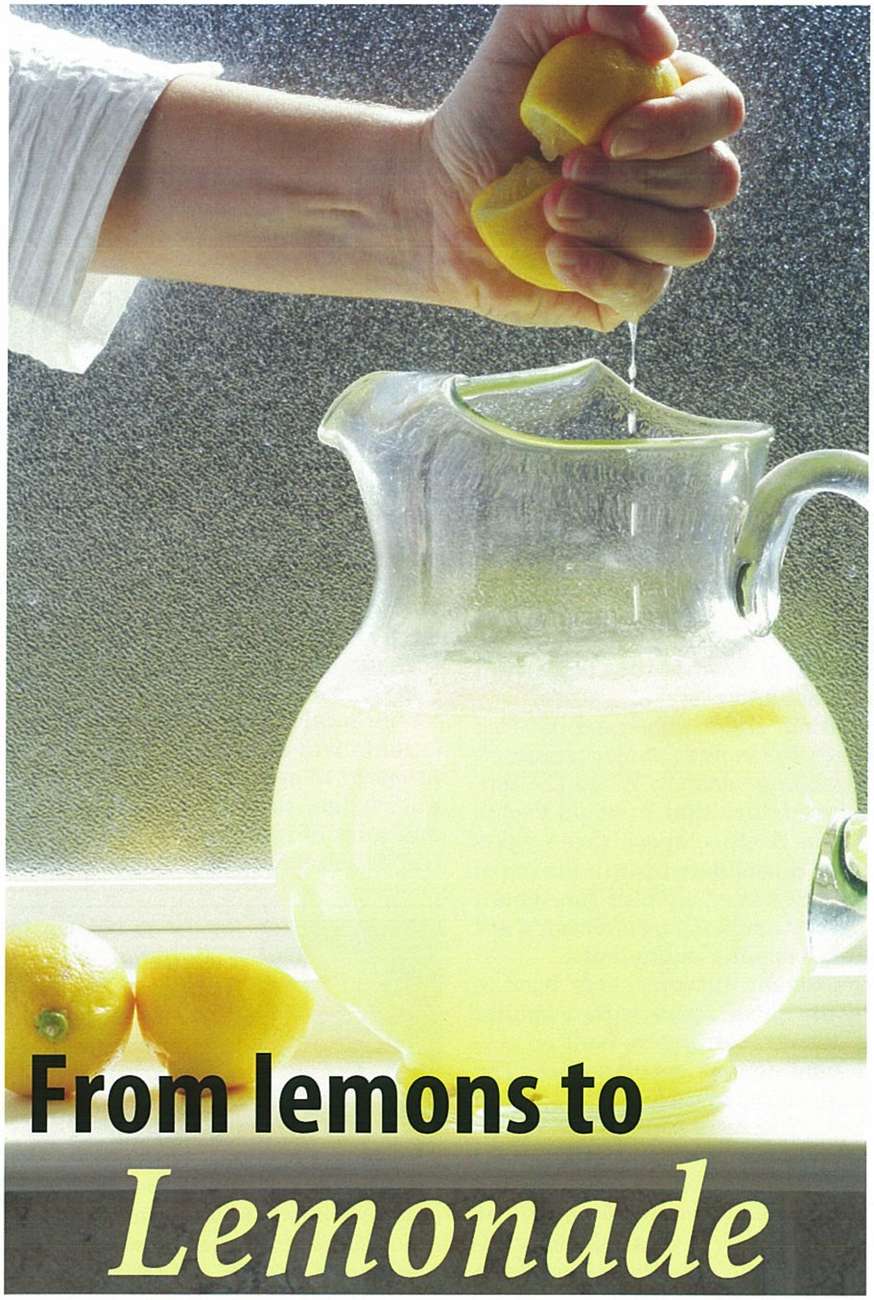
MICHIGAN
LAWYERS WEEKLY

www.milawyersweekly.com

Vol. 22, No. 23
April 21, 2008
DOLAN MEDIA COMPANY



From lemons to *Lemonade*

Successful management of lease termination negotiations can lead to new opportunities for commercial property owners

By Steven D. Sallen

"It's been a wild ride this year in retail real estate."

So began a compendium of major retail real estate news stories from 2007 posted on the CoStar Group's Web site. Reading through it, I was struck by two apparent trends:

- On the mall-owner side, there seemed to be dozens of major mergers, portfolio acquisitions and joint venture deals made by some of the country's largest retail real estate owners and developers.
- On the tenant/retailer side of things, however, major and familiar store and restaurant chains closed thousands of stores and in some cases closed up business altogether. This national outlook of store closings refutes the idea that Michigan is "ground zero" for this kind of thing.

Being a bit of a wordsmith, I also was struck by some of the euphemisms used to describe these major store closings and related transactions (emphasis added on all):

- "Foot Locker Closing 250 Stores, Exploring *Strategic Alternatives*."
- "DJM [a prominent store liquidation firm] announced the successful completion of the Discovery Store *disposition project* in November ..."
- "CompUSA ... finally gave up via an *acquisition by liquidation* ..."

My own experience in 2007 included store-closing and lease-buyout negotiations with some of the tenants and lease "disposition" firms mentioned by CoStar.

While every store closing presents its own unique challenges to the property owner, if handled properly (and with a little luck) they can also present *new opportunities* for the commercial property owner.