

REDNews Visits with Bob Ayoub:



Bob Ayoub, President, MIMCO, Inc.

About how his company will be handling their retail portfolio in 2017

RN: In light of the number of stores closing and downsizing recently, has your investment criteria changed?

BA: Actually it has not. We are primarily neighborhood retail center developer /managers. At the retail level with the retail shopping center in the neighborhoods we haven't seen that many closings, but we're seeing some new tenants coming into the market. We're also pretty optimistic that as some of the bigger retailers start to shrink they start looking at neighborhood locations for their expansion.

RN: What locations and neighborhood center size do you focus on?

BA: Our preference is around 100,000 sf, but we own centers from 30,000 sf up to 250,000 sf. We now have centers in 17 cities in Texas but our focus is the primary markets in Texas including El Paso, San Antonio, Austin, Dallas, McAllen and Brownsville.

RN: Is your investment & leasing strategy the same throughout each of those cities?

BA: We're looking for neighborhood shopping centers in neighborhoods that are heavily Hispanic. That's been the focus of our development work here in El Paso for the 40 or so years we've been doing it. We extended that strategy into San Antonio around 1998. Since then we've continued to expand in San Antonio and, in the recent past, expanded into Austin, Dallas, McAllen, Brownsville, Hidalgo, and other Texas markets.

RN: How have you been affected by the downsizing of box retailers?

BA: We haven't seen a great negative impact because we don't have a lot of them as anchors. We have taken the opportunity to buy some closed big box locations which we have renovated, divided up and re-tenanted. The negative we have seen is in the smaller box locations; for example, we had a bunch of Blockbuster spaces become available, but we were able to re-lease all of them. In some respects, though, downsizing can work well for us if a large box retailer is looking for a smaller, neighborhood presence. We just have to

be open to change. When a dentist came in and wanted to rent space, we talked to him. We never thought about putting a dentist in a shopping center and now we have many of them. Our tenant mixes are changing, but as long as we have a stable neighborhood we feel we can do well.

RN: Who filled the Blockbuster spaces?

BA: There were all kinds of tenants including Dollar stores, urgent care clinics, dentists, or we split them up for smaller retailers. These were good locations in good neighborhoods so they leased up quickly. They were all great locations, high traffic corners, and in that respect they were all great real estate. Typically that's what we've tried to do, just buy good real estate. Fix it up. Clean it up. Market it well. Between our leasing team and the brokerage community, if we have a good solid neighborhood behind us, we're able to fill up the properties.

RN: Do you have a lot of medical tenants?

BA: In all of our markets we had never had a dentist until maybe six or seven years ago. Now we've probably got about a dozen of them or more. Urgent cares, dentists, eye doctors, home health care. We're seeing all types of medical really want to be closer to the neighborhoods because it provides service to the neighborhoods close to people's homes. We also have several hospital groups doing outreach facilities in the neighborhoods. When they have a teen center, a women's care center or something they wanted close to people's homes our centers are the answer. People really would rather obtain medical services in neighborhood facilities than having to go to some central medical center. They are a good fit for our centers.

RN: Has your tenant mix been consistent or has it changed over the years?

BA: Our tenant mix is changing all the time. Generally, our tenant mix is retail, general retail, restaurants, and service businesses. We typically don't have a grocery anchor (but we do have some) and most of our larger centers are really focused on the junior box kind of anchors such as dds, Fallas, Melrose, and others for clothing anchors. We also

have Subways, Peter Piper Pizza, Burger King and Whataburger in our centers but the big change is the move to the service businesses like the tax preparers, insurance agents, UPS, Fed Ex offices, doctors, dentists, and other medical uses that you never used to see in strip centers. They all want to be close to the customer in the neighborhoods.

RN: You mentioned national retailers trying to find their market. Have your apparel stores changed?

BA: They've held in there, but they are value oriented retailers like the Fallas stores and dds, Melrose, and Forever21. Because they are value oriented retailers we've been pretty fortunate to have them and they still seem to be doing well..

RN: You're not finding the need to have grocery anchors?

BA: Well, we'd love to have a grocery anchor, but in our El Paso market, there weren't a lot of opportunities for that, so we learned to develop without them. In the other markets the kind of grocery anchors that we're getting are more neighborhood oriented, like La Michoacana or Culebra Meat Markets, Arlan's, La Fiesta, or our newest tenant, El Rio Grande, that just opened in our newly renovated center in Mesquite. If we don't have a grocer we like being close to an HEB, if possible, or to have a major shadow anchor.

RN: Are you doing more buying than selling?

BA: That's what we're trying to do. We're long term holders. We buy and keep. We do very little selling, unless we're selling something we bought that really doesn't fit our core retail market. We'd love to buy a lot more. We're really focused on San Antonio, Austin, and Dallas in our expansion plans and are looking for opportunities in those markets.

RN: Why not Houston?

BA: For us to go into Houston by ourselves, we think would probably not be very smart. If we had an established partner with a presence in the market, and market knowledge that could work with us, we would definitely look at Houston. To try and tackle a market that size without someone

with on-the-ground knowledge, I think, would be very difficult.

RN: Would you call it a seller's market more than a buyer's market today?

BA: Definitely. What we're seeing across all our markets in Texas is there's a tremendous amount of demand and there's still a lot of financing available. It's a matter of trying to find product you're comfortable with, the tenant mix you're comfortable with, and something that's available for purchase.

RN: Do you anticipate financing to become more challenging?

BA: I think if you're trying to leverage something heavily you probably would have trouble. Our model has never been to leverage our projects heavily. We have a very large portfolio that doesn't have a lot of debt, and as a result we've always been able to get the kind of financing we need for any of our projects.

RN: Where do you see a hot market, an area where you would like to increase your portfolio?

BA: We're very dominant in El Paso. We'd like to have a much bigger presence in San Antonio, Austin and Dallas. Although the Austin and Dallas markets are extremely difficult to break into, we have found projects in both of those markets that we have been able to buy, renovate, and re-tenant successfully.

RN: Are you concerned about the potential wall along the US & Mexican border?

BA: We are definitely concerned for all of our border projects: Brownsville, McAllen, El Paso and, to some extent, San Antonio. We can't really believe the government will implement anything like that. There is so much trade between our two countries. Just in El Paso alone there's about 50 to 60 million border crossings a year. That's people, cars, everything. There's billions of dollars of trade going back and forth between El Paso and the rest

of the country. I saw a study recently that said approximately five million jobs in the United States are dependent on trade with Mexico and much of Texas benefits greatly from that trade. I just can't imagine our Texas legislators would let something like that happen. Anyone who really works on the border or studies the border knows how important Mexico is to Texas and the United States. Mexico and all of South America need to be the focus of the United States.

I would much rather we worry about how we're going to sell more stuff to Mexico and all of South America than how we're going to build a wall. We have the ability to manufacture and sell to those markets. We can buy from them, they can buy from us, and I am sure they'll buy a lot more from us than we're going to buy from them if we really pursue that business. ●

RETAILER CLOSINGS 2015 – 2017*

NREIONLINE.com noted over 5000 stores have closed over the past 18 months including the following:

- Abercrombie & Fitch – n/a
- Aeropostale – 570 closings
- American Eagle – 150 closings
- BCBG Max Azria – 400 closings
- Bob's Stores/Eastern Mountain Sports – 35 Stores – (Bankruptcy)
- Chico's – 120 closings
- Children's Place – 200 closings
- Claire's – n/a
- CVS – 70 closings
- Finish Line – 150 closings
- Gander Mountain – 160 stores (bankruptcy)
- Golfsmith – 59 closings
- Guess – n/a
- Gymboree – n/a
- Hancock Fabrics – 255 closings
- J Crew – n/a
- JCPenney – 700 closings
- Kenneth Cole – 63 closings
- Luke's Locker – 5 closings
- Macy's – 68 closings
- Men's Warehouse/Jos. A. Bank – 250 closings
- My Fit Foods closes all Texas locations – 50 closings
- Neiman Marcus – n/a
- Office Depot/Office Max – 400 closings
- Payless - +/- 1000 closings
- Ralph Lauren – 50 closings
- Sears & Kmart - 250 closings
- Sports Authority – 460 closings (bankruptcy)
- The Limited – 250 closings
- Walgreens – 200 closings
- Walmart – 269 closings (154 U.S. locations)
- Wet Seal - 171 closings
- Wolverine World Wide – 100 closings

**Information was compiled from NREIonline.com and other sources deemed to be accurate and reliable as of the date of publication; however, REDNews does not assume any liability whatsoever for the accuracy and completeness of the above information*