

Reveling in retail:

Attendees share their takeaways from ICSC's Red River States Conference

BY BRANDI SMITH



Nathalia Naipaul, XAG Group



Randy Summers, Davis Equities



Bob Ayoub, MIMCO



Rafael Tapia, Alamo EDC

Each year when Rafael Tapia attends ICSC's Red River States Conference, he goes in with the goal of having as many face-to-face meetings as he can. As the executive director of the Alamo Economic Development Corporation in Alamo, Texas, he's working to bring new retailers to his community.

"ICSC allows for one-on-one meetings with these contacts, which creates a sort of familiarity," Tapia says.

Just five minutes from McAllen on the Texas border, Alamo is quickly becoming one of the most vibrant cities in South Texas. The area boasts a robust economy, low cost of living, as well as a skilled and bilingual workforce.

"Since 2014, the city has seen at least an estimated \$21 million of private investment in commercial projects," Tapia says.

The list is impressive for a city its size. A fast food franchise and Goodwill recently opened locations in Alamo. Also of note: the relocation of a small distribution company into a new 12,000-square-foot facility, the establishment of a 130-bed, 51,000-square-foot skilled nursing facility and the repurposing of a 97,000-square-foot facility for distribution.

"Alamo offers plenty of opportunity for growth," emphasizes Tapia.

South Texas overall continues to grow at a very steady, stable and sustainable rate, according to

Randy Summers, CCIM, managing broker of Davis Equity Realty.

"There is still lots of land to develop on and with the Rio Grande River being our southern border, we can only move and develop north," he says. "As new roadways are being planned and built, growth opportunities will abound."

In the next five years, Summers predicts "nothing but good."

"Although there has been a lot of negative focus on South Texas due to the immigration issue, it has brought a lot of attention as to how vibrant the market really is and the opportunities that are here," he says. "With Space-X, the final passing of USMCA, continued higher education and medical growth, the coming together of the four counties to form one MPO to speak with one voice on transportation issues, the next 5 years should be really busy."

Summers believes the next step in that growth is getting the Rio Grande Valley designated as one MSA instead of the three that overlap. That, he says, will put South Texas in the top 100 MSAs and open many more doors of opportunities.

Those doors are already opening, according to Tapia.

"Over the past 12 to 24 months, the City of Alamo, as well as other small communities around it, have attracted the attention of name brand chains. I am talking about sister communities of 6,000 attracting a Jack in the Box or a second Subway to

their community when the community is already served by a Whataburger and Dairy Queen. For our area, this is probably the result of Walmart adding locations in the region," he boasts. "Alamo is currently looking at five national brand projects to call the city home. This includes three fast food chains, a full service restaurant and a car wash. There is also a potential for the city to host a 14-acre commercial development."

That information is incredibly valuable for professionals from other segments of the industry, especially as retailers start to look at smaller markets.

"I have enjoyed meeting the economic development committees for smaller growing towns, to review potential growth and gauge opportunities for development and partnership," says Nathalia Naipaul, CCIM, director of investments and leasing for XAG Group.

Developers, like El Paso-based MIMCO, Inc. have the same intent when attending ICSC events: finding potential partners for whom they can develop product.

"We have a great track record of doing lots of deals with the same tenant, so our focus is finding a newcomer to the market to build that new relationship," explains Bob Ayoub, MIMCO's chief public relations officer. "We have so much presence in the El Paso market that we can probably satisfy a majority of their needs when they're coming here."

But ICSC's Red River States Conference is about more than just networking; it's an opportunity to learn from industry experts what the future holds for retail and commercial real estate.

"I was impressed with how optimistic everybody was," Ayoub says. "Generally all the retailers that we talked to had plans for expansion. A lot of the neighborhood retailers with whom we work, such as AutoZone, Dollar Tree and Dollar General, all had expansion plans."

He adds some retailers hadn't expanded in the El Paso market for years. They add several stores, Ayoub explains, then won't come back for three to four years.

"Several of those kinds of tenants are in the market, looking at new places to develop," he says. "So we're pretty confident we're going to have a pretty good year this year."

From West Texas to South Texas, ICSC attendees say the message was clear: retail is alive and well.

"For our area, retail seems to be entering an expansion phase. Our community was able to have some really good meetings at Red River this year," says Tapia.

As that expansion happens, though, it comes with challenges.

Summers explains that higher development costs are causing developers to be cautious and make sure the market rents can support the costs.

"This is having the effect of smaller footprint centers being developed," he says, adding, "Even though there has been some considerable backfill in some retail centers and large boxes, those spaces are being absorbed, creating need for new retail in certain markets."

Most of the new construction will be in the form of neighborhood retail centers and single-tenant construction, Summers predicts.

"We're still looking for shopping centers to buy in all our markets," Ayoub says. "That's probably the toughest thing for brokers right now and I think that's pretty consistent for everybody across the state."

Demand is there. A recent report revealed El Paso retail occupancy is hovering around 94 percent.

"Everything we're building is filling up," says Ayoub.

He attributes that to steady growth in West Texas, a market that has changed dramatically in the past 20 years.

"There's just a lot of different components to the El Paso economy that are all working well and they're all moving forward in a very solid fashion," Ayoub says, citing construction of

the new William Beaumont Army Medical Center complex at Fort Bliss, expansion at The University of Texas at El Paso and cross-border manufacturing.

It's a dynamic market that can still offer affordable housing and reasonable development costs, allowing companies like MIMCO to continue building steadily.

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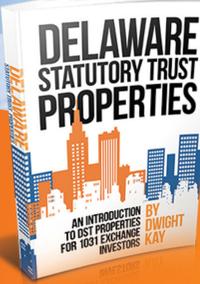
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“We just added a shopping center to a large 35-acre development. Out of the 35 acres, we’re down to three pad sites and one 1,200 sf in the shopping center. That development has really done well,” says Ayoub. “We’re also developing a 12-acre site at the corner of Kenworthy and Transmountain near a Super Walmart in Northeast El Paso. We have several pad deals that we’re negotiating at a small strip center there.”

What MIMCO is developing now, though, is filling up differently than it did even a few years ago.

“In years past, we had probably a little or no medical in our shopping centers. Today, there’s medical in centers of any size. Even our smaller neighborhood centers have tenants like massage therapists or optometrists,” Ayoub says. “There’ll be some medical component in just about every one of our centers.”

Another trend he’s seen in El Paso, which has been observed throughout Texas, is that there’s a shift from traditional retail to more service- or experiential-based retail.

as the community gets more diverse, commercial developments have sprung up that cater to those specific segments of the population.

“Most of our centers have very few retailers from which you’ll carry out a bag,” explains Ayoub. “Many tenants have a service component: hair, nails, barbershops, tax, insurance. In conjunction with that, we have a lot of restaurant users of every size in our centers.”

It’s something Naipaul has noted, serving the communities west and southwest of Houston.

“We are seeing a transitional shift to the service and entertainment businesses and a noticeable decrease in e-commerce type businesses,” she says.

Like El Paso, the vacancy rate around Katy, Texas is near 6 percent, indicating a strong retail sector. It’s driving industrial growth as well, as retailers scramble to serve the growing community. Bel Furniture, Rooms to Go, Amazon Distribution Center, Domino’s Supply Chain Supply and American Furniture Warehouse have all built major store and warehouse-type branches west of Houston.

“These are associated with an increase in population. As people move closer to fill job roles, that propels retail growth,” says Naipaul. “As a result of this, mixed-use facilities are also showing major growth. The fitness market

segment has also responded similarly, showing growth, but on a smaller scale.” She also points out that as the community gets more diverse, commercial developments have sprung up that cater to those specific segments of the population.

“A prime example of this is the Katy Asian Town Center, which is anchored by the H Mart, a Korean grocery chain,” Naipaul says.

While Katy and communities southwest and west of it, such as Fulshear and Brookshire, are the current focus of developers looking to take advantage of the population boom, XAG Group has its eye on development to the south.

“We are currently developing a 10-acre plot on the corner of Bryan Rd and FM 2977 in Rosenberg. This is surrounded by approximately 13,000 homes that are built and 1,000 that are under-construction or will be built in the near future,” says Naipaul. “Our development currently includes a site that will be occupied by a Chevron gas station and we are in the process of completing construction on a 20,000-square-foot retail center, with national tenants like Domino’s Pizza, Anytime Fitness Gym, other restaurants and service-oriented tenants, which has almost been completely leased out.”

The company also owns a 25-acre plot on FM 359 adjacent to Foster High School, which it would like to see developed as a multi-family, office and retail mixed-use site.

Those are opportunities Naipaul was able to share with fellow attendees of ICSC’s Red River States Conference.

“ICSC has also been hugely responsible for allowing me to establish a multitude of new relationships with developers and other commercial vendors, giving us the ability to join and collaborate on in-flight and future developments,” she says.

Tapia echoes that, saying, “ICSC remains, in my opinion at least, as the one of the best platforms for EDCs in terms of recruitment of commercial development and retail. I base this in terms of total time allowed for deal making, number of events and quality of the events. For small communities with limited staff and budgets, an ICSC membership is essential for understanding the private sector.”

He’s looking forward to next year, which will be his 11th time attending, when the event is slated for the end of January. It will be another valued opportunity for him to connect with the nearly 4,000 registered professionals and help boost Alamo’s growth.

“Each year, our business recruitment efforts, which are leveraged with meetings at ICSC, are beginning to bear fruit,” says Tapia. ■