

Sax Realty, Inc. | Innovators in the marketplace

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Since its formation in 1986, Sax Realty, Inc. has provided retail real estate brokerage services throughout the Washington, DC metropolitan area, specializing in the leasing and sale of shopping centers and land for shopping center developments, as well as retail tenant representation. The company's primary focus is within a 75- to 100-mile radius of Washington, DC, including MD, VA, the WV panhandle and parts of DE.



The Washington, DC metropolitan area is one of the strongest markets in the country – a standing that president Les Sax attributes to a combination of factors, including the presence of several corporate headquarters and the federal government, the attractiveness DC holds for young college graduates, and a large number of double-income households creating highly-favorable demographics. “Fairfax and Montgomery counties are two of the top 10 counties income-wise in the whole country; you’ve got a core of over two million people making strong incomes. That provides a strong retail environment,” explained Sax.

Although the DC market remains strong, even in the face of recession, Sax added that there is also a higher barrier of entry for retailers than in other parts of the country, and deals can prove difficult to make due to expense and intense competition over a smaller amount of available space. The region tends to be dominated by office property over retail, he explained, and vertical developments have become increasingly common – a type of structure that not all retailers can or will gravitate toward. “If this is the number one market in the country for sales performance, it’s also near the top of the list in degree of difficulty in getting deals done,” Sax said. “A lot of times, we hear from people that they don’t like the complications of DC, that they could go to Florida or Texas and make deals easier and cheaper,” he said. “And they might be able to, but they won’t get the sales performance that a retailer or restaurateur would get in DC because the demographics are so strong, so you have a lot of competition for any site that becomes available.”

As a boutique firm, Sax Realty is able to provide its clients with personal attention and can handle anything from a large rollout of stores to a “rifle-shot” approach, wherein a company with an existing presence seeks a hole in the market where they can add a location without cannibalizing business from their existing stores. “We can adapt to whatever [a client] wants to do,” Sax said. Many of the retailers the company works with have been with the firm for over 10 years, including clients such as Sterling Jewelers, David’s Bridal, Foot Locker, P.F. Chang’s and Bed Bath & Beyond – one of the company’s oldest clients. “I think what they like is that we’ll go to great lengths to understand their business model, and we don’t push them to make deals that they’re not 100% happy with,” Sax said. “Also, that we do our work with honesty and integrity, which you shouldn’t have to mention, but is important to mention.”

Sax Realty takes its expertise outside of the DC area only in rare circumstances, but as a member of the Retail Brokers Network and the Council of International Real Estate Restaurant Brokers, is able to provide clients with referrals to other firms outside of their area of operations should the need arise. “If a retailer comes to us and just wants to use our networks to expand around the country, we can do that,” explained Sax. “Or if they say, ‘you’ve done a good job for us in DC, can you recommend somebody in Philadelphia?’, we can, with the assurance that these are strong companies who will service the client well.”

Sax has a background in retail himself, having worked for companies such as Payless ShoeSource and Lucky Stores prior to forming Sax Realty, and this experience has served him well. “We understand the corporate philosophy,” he said. “We understand the process that a company goes through with real estate, getting

approvals from operations and other people in the company. We've been through it before, so we can deal with it, whereas other brokers might get frustrated with the corporate process."

Recent projects the firm has handled include a major relocation for Bed Bath & Beyond, as they closed a 25,000 sq.ft. store along Route 7 in Tysons Corner, MD and opened a 56,700 sq.ft. location – the retailer's largest store in the country – along Route 123/Chain Bridge Road in a former Hecinger's site in the city. The company is also looking at the market for potential sites for Christmas Tree Shops, and has recently begun representing Rosa Mexicano, an upscale Mexican restaurant headquartered in NY, in the DC market.

Sax cited the importance of innovation and the ability to adapt to a changing market as necessities for a firm to thrive. "As the world changes and clients' needs get larger or smaller, you have to have a great understanding of every market in the whole metro – which markets are getting stronger, which are getting weaker, and where the growth trends are," he said. For example, the company was recently able to obtain an ideal site for Jared – The Galleria of Jewelry: a freestanding location on a prime corner along Rockville Pike in Rockville, MD, an area trending toward mixed-use vertical and high-rise properties. "To get the right piece of ground, freestanding, with enough of a term to make the deal work, was a challenge," Sax said, "but we worked with them and the landlords and their brokers to make the right deal happen."

In addition to working with retailers, Sax Realty also services landlords in select circumstances. Ideal landlord clients for the company are those that have proven flexible over the past few years in order to keep their tenants in place, Sax said. "You want the right mix of tenants, and you have to be on the watch. I find myself spending a lot of time on the road today, just driving in markets and visiting retailers, looking to see how they're doing. There are obviously going to be retailers who don't make it in this climate, in our market especially. You need to determine which retailers are going to survive, and keep an eye on the ones who are weak and going to fall out and figure out who's going to replace them. It takes an effort from everybody – brokers, landlords and tenants – to try to work through things so that it can be win-win, so tenants can stay in place and owners can be happy with the renewal deals."

Sax said that the economic climate forces everyone – both retailers and landlords – to reexamine what they do and how they negotiate. Although some situations may better serve the tenant over the landlord or vice-versa, neither side is regularly able to demand too much from the other. "Landlords with triple-A properties might think they have a lot of leverage now, because retailers want the A properties more than the B and C properties," he said. "But the strongest retailers, they don't have to make any particular deal if it doesn't work for them. The broker still has to be knowledgeable about every specific market, and have the skills to bring both sides together to make a deal or continue an occupancy, and it's not easy to do that today because both sides seem to think they have the stronger situation now. The answer is that everybody's got to work together to figure it out – landlords need retailers and retailers need landlords."

Overall, Sax said that 2010 had proven a better year than 2009, and that he expects 2011 to be an improvement over last year, but added that the degree to which the economy is recovering is debatable. "It's getting stronger, but there's still a lot of issues out there," he said. "The ICSC meeting in February is a good benchmark, because retailers and landlords are digesting the Christmas results and everybody's trying to figure out their expansion plans for the rest of 2011 and for 2012 and 2013 as well. I think it's going to be slow and steady, myself. I look at 2011 as a kind of Darwinian year for retailers and restaurants, and it'll be interesting to see who survives and who doesn't survive."

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