

CHECKLIST: Evaluating Retail Real Estate

Choosing the right location for a retail business is vital to its success, if not its survival. This checklist will assist you in doing the necessary research to make an informed choice.

- _____ **Find out where the competition is.** Where is your competition? Are any similar businesses located near your potential site? Will competition in the area be detrimental to your business or favorable to it? Some businesses will do better where there is no competition nearby, while others hope to draw customers from an established competitor in the area. Whatever your goals are, knowing where those stores are located will guide your decision.

- _____ **Determine the trading area.** Every retail location has an area from which it draws its business. It may be only a few blocks around the store, or it may be several miles. The type of business and the location of competitors will determine its trading area. If all similar businesses provided equivalent goods and services, customers would choose the location most convenient to them. A good way to start figuring out where your customers are likely to come from and where you may have the largest draw is to mark off your possible locations and your competitors' locations on a map. Surveying cars around the potential locations for school bumper stickers or team logos, or even what states their license plates come from, can give you an idea about how far potential customers will travel to shop in that area.

- _____ **Learn the demographics of the trading area.** Census information is readily available on the Internet and at public libraries. Among other things, it can tell you about the average family incomes and sizes near your possible locations. This information can help you decide how well your business may do. For example, if your products are aimed toward seniors, it would make little sense to open a store in an area populated mostly by young families. Other information, such as consumer buying habits, may be obtainable from academic or commercial marketing studies. Local merchants are also a good source for anecdotal information about who shops in the area.

- _____ **Determine whether the community is growing, and how fast.** Communities keep records on population, tax revenue, and other information which indicates their health and growth. Opening a store in an established commercial center may cost top dollar. However, opening a business in an area that is growing quickly may serve just as well without paying a rental premium. Some small business owners should think hard before

deciding to open a store in a growing community—it can be risky if the growth trend does not occur, or occurs more slowly than predicted.

Watch traffic in the area. At first glance, an area with heavy traffic might seem like an ideal place to open a business. However, actually observing traffic patterns may yield greater insights. Where does traffic come from, and where is it going? Are the cars just passing through, or are commuters stopping to shop? What about public transportation? The type of vehicles parked in commercial zones can also tell you about the type of people who are coming to buy. Is the parking lot populated by luxury cars or family mini-vans? Your business will need a customer base that is both sizeable and appropriate to your business.

Watch traffic into the particular section where you may locate. Having learned about the general traffic in and out of the area, you should turn your eye to the specific street or parking lot next to your potential location. Is traffic flowing in and out easily, or is that section mostly abandoned because it is difficult for customers to access it? Convenience is a major factor in whether customers will visit your shop.

Determine whether parking is available. Adequate parking can be essential to a business. Is there a parking lot nearby, and if so, is it easy to access and are there open spaces for your customers to park?

Find out if there is an anchor store in the area. An anchor store can be either helpful or detrimental. Smaller retailers often locate near a large and well-established chain store because they bring in traffic that spills over to other businesses. However, if a nearby anchor store is in the same business as a small specialty retailer, such as a home remodeling superstore and a small hardware store, chances are that the small business will suffer in that area.

Capitalize on real estate companies' familiarity with the area. Many commercial real estate companies track the factors discussed here. A real estate agent may be able to simplify your information gathering.