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Who will foot the bill for shopping center safety measures?

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Little leaguers are practicing, traffic congestion is returning, patrons are dining and drinking on restaurant patios and shoppers are venturing into nonessential stores. But reminders that times are not normal are everywhere: hand sanitation stations, latex gloves, social distancing markers, masks and Plexiglass. Lots of Plexiglass.

"We've seen a massive increase in business volume, and we're not able to keep up with demand," said Professional Plastics director of corporate operations

Jeremy Kietzke. The Plexiglass supplier has locations in 13 states, Taiwan and Singapore. "As soon as we get a 40-foot container full of material, it's immediately emptied. Nothing sits on the shelves."

Such COVID-19 safety accouterments come at a price. A single sheet of Plexiglass costs $65 to $150, depending on customizations like thickness, cutout, framing and stands. A no-frills, three-by-four-foot sheet with legs may cost less than $100, Kietzke says, but the larger and more elaborate designs some chains want can cost much more.

For the most part, retailers are responsible for safety measures within their space, including Plexiglass, air filtration and masks. Landlords generally pass signage, electrostatic sprayers, extra cleaning supplies and other solutions through to tenants via Common Area Maintenance, or CAM, charges. A typical electrostatic sprayer, for example, costs $200 to $350.

How much of these extra costs tenants can absorb, though, remains a question, especially considering that many just now are reopening after being shuttered for months. The immediate focus on reopening and generating revenue eventually will turn to a focus on longer-term safety solutions, says David Greensfelder, founder of Greensfelder Real Estate Strategy, which provides planning, market analysis and development services for occupiers, communities and investors nationally. "Tenants at some point may say: 'I've been out
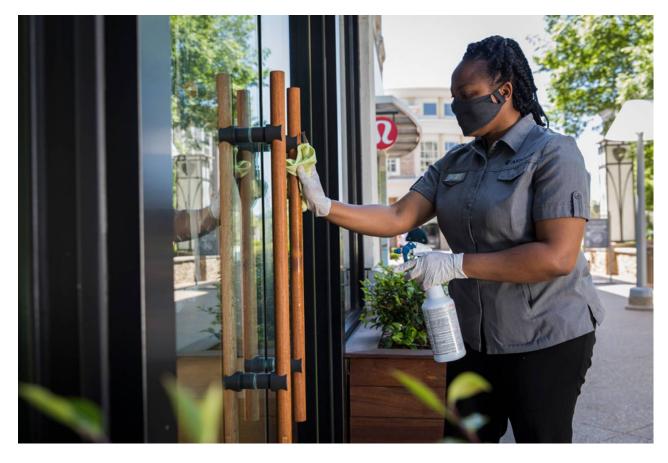
of business for two or three months, and my sales are a fraction of what they were before. I can't afford these new CAM charges.' On the other hand, without tenants, there is no shopping center, and landlords still have operating costs."

Shopping center experts anticipate that, if necessary, landlords and tenants will address these costs during negotiations around back rent. Rod Yates, developer of the 410,000-square-foot Nebraska Crossing shopping center, anticipates CAM charges will increase $50,000 annually. That's about 13 cents per square foot to pay for medical-grade hand sanitizer, electrostatic sprayers and other cleaning supplies. The developer is absorbing one-time expenses to provide tenants with Plexiglass shields at about $200 each and infrared thermometers at about $100 each.

The outdoor outlet center between Omaha and Lincoln reopened in early May. Ninety-six percent of tenants are operating, and traffic averages 4,100 on Friday and nearly double that on Saturday and Sunday. "Right now, the collection of rent and CAM are secondary," he said. "The goal has been to create a safe and comfortable environment for store employees and our customers while we get tenants open and rebuild traffic."

Others say tenants are unlikely to see much change in CAM charges. JLL retail president and CEO Greg Maloney says the expense of extra cleaning supplies, thermometers and other mitigants are minimal.

North American Properties managing partner Tim Perry says that at big properties, closure-related cutbacks on security, janitorial services, utilities, events and will offset material and labor expenses related to reopening. At properties like Alpharetta, Georgia's Avalon mixed-use community, the developer is separating these expenditures to better track them. "We're motivated to manage expenses carefully and keep them reasonable," he said. "Primary operating expenses passed through to tenants are going to be marginal. It's not going to be a huge number that comes out of the blue."

Avalon in Alpharetta, Georgia

By Joe Gose

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