



Brunswick Properties.

A PRACTICAL FIELD GUIDE TO NEIGHBORHOOD RETAIL INVESTMENT

Strip Malls

A to Z.

Twenty-six essential concepts for investors, operators, and anyone serious about neighborhood commercial real estate.

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10+ Years · New Jersey Commercial Real Estate · brunswickproperties.com

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Before the Deal, There Was a Counter

June 2009. 5 AM. Eighty degrees and muggy in Trenton, New Jersey. I had just finished sophomore year at St. Joe's, and like every summer before it, I had a job. My co-worker, an older woman who lived nearby, would pick me up and drive me down to 828 North Olden Avenue. We'd pull into the parking lot, and there it was — the old, tired facade wearing its signature red, green, and orange stripes. The Trenton 7-Eleven. My dad and uncle owned it.

They did not work in it. They just owned it. And every month, without standing behind a single register, they collected. That summer, I was behind the register — greeting government officials, truckers, and blue-collar workers heading into their days; learning that every single person in the world, regardless of circumstance, has basic needs that a neighborhood store exists to fill.

By the end of most shifts, the registers had already rung north of \$4,000. This was a 24/7 operation running \$10,000 to \$20,000 in daily revenue. To a sixteen-year-old who had been told that a good college degree led to a job paying \$50,000 a year — per year — the number was staggering. Before Wednesday, this store had already matched that.

At home, my dad would sit down with me monthly and go over the numbers. The P&L.; Sales. Cost of goods. Payroll. And then the corporations' share. The take-home was less — a lot less — but enough to have made him a very wealthy man by his thirties. He owned liquor stores, laundromats, dry cleaners, independent convenience stores. Each business its own LLC, its own P&L.; I learned them all.

And one thing became undeniably clear: no matter how different these businesses were, no matter how good or bad the month — they all made rent. And in some cases, the rent was close to the EBITDA. I was seventeen years old when I understood, in my bones, what that meant. Why work all day in a store when you can own the building — and make the same money without lifting a finger?

That insight became Brunswick Properties. Ten years of acquiring, developing, and managing neighborhood strip malls across New Jersey. The same fundamentals I learned behind that counter — what makes a good operator, how to read a P&L.; why location matters, what drives foot traffic — still apply every single day. I am just sitting at the landlord's table now.

This book is everything I know about the asset class, organized from A to Z. It is written for investors who are curious about commercial real estate, operators who are building their first

portfolio, and anyone who wants to understand what actually drives returns in neighborhood retail. I hope it is useful.

Kish Patel

Founder & Managing Principal, Brunswick Properties

A

Acquisition

How to find strip malls worth buying

Most strip mall deals don't come from LoopNet. They come from a phone call, a letter, or a conversation — initiated by an operator who did their homework before anyone else knew a deal was available. If you're waiting for a broker to bring you something, you're seeing it at the same time as everyone else. That's not an edge.

The tax record is your best sourcing tool. Every county in New Jersey maintains public property records with the owner's name, mailing address, assessed value, annual taxes, and transaction history. It costs nothing to look. A strip center that last sold in 1994 for a nominal amount, assessed well below market value, with out-of-state ownership — that's a conversation worth having.

"The tax record is your best sourcing tool. Every piece of information you need is publicly available before you spend a dollar."

Here's what I look for before I pick up the phone: How long has the current owner held it? Long holds mean low basis, likely no mortgage, and potentially an owner who is aging, tired, or simply ready for liquidity. Out-of-state owners of small NJ strip malls are almost always passive and under-attentive. Is there visible deferred maintenance in the satellite imagery? Faded signage, cracked parking lots, and dark storefronts are management problems — which means they're solvable. Is the property listed anywhere? If there's no LoopNet listing, no CoStar record, no broker involved — you have a true off-market opportunity.

The acquisition conversation itself is not a negotiation — at least not at first. It's a relationship. Many of these owners have never sold a commercial property and don't know where to start. If you approach as a knowledgeable local operator who understands their asset and can move without lengthy due diligence drama, you become the path of least resistance. That's the position you want to be in.

In our own portfolio, some of the best acquisitions came from direct outreach — a letter, a call, a mutual introduction. Not a single one of them was brokered.

B

Below-Market Rents

Where the value actually lives

In commercial real estate, below-market rents are not a problem. They are the opportunity. The gap between what a tenant is paying today and what the market actually supports is where most value-add returns are generated — and if you understand how to measure it, you can underwrite a deal with precision before you ever walk the property.

Here's how to find the gap: pull comparable lease rates for similar-sized spaces in similar-quality centers along the same corridor. If Class B and C neighborhood retail on Route 27 is leasing at \$38–\$42 PSF and your acquisition target has in-place leases averaging \$24 PSF — you are looking at a 60% rent upside, one lease renewal at a time.

"Below-market rents are not a problem. They are the opportunity. The gap between in-place rents and market rents is where returns are generated."

The key word is patience. You cannot force a below-market tenant out of their lease — nor should you want to. A paying tenant in a space is worth more than a vacant space, even at a submarket rate. What you can do is model the mark-to-market upside tenant by tenant, understand when each lease expires, and build a forward-looking rent roll that shows your investors what the asset looks like fully stabilized at market rents.

There are two scenarios where below-market rents accelerate into value: natural lease expiration, where the tenant simply renews at market — or early termination, where an underperforming tenant vacates and you backfill at market with a stronger operator. The second scenario is often better. A fresh lease at market rent with a quality tenant is more valuable than a rolling extension from a legacy tenant who negotiated their rate in 2008.

The cap rate compression this creates is significant. If you acquire at a 7% cap on in-place income and stabilize to market rents — now running at a 5.5% cap equivalent — you have created equity without a single capital improvement. That spread is the business.



CAM

Common Area Maintenance — who pays for what

CAM stands for Common Area Maintenance, and it is one of the most important concepts in commercial real estate — and one of the least understood by first-time investors. In a properly structured commercial lease, CAM charges pass through the costs of maintaining shared property areas directly to tenants on a pro-rata basis. Understanding CAM is understanding how commercial real estate protects your cash flow.

What CAM typically covers: parking lot maintenance, snow removal, landscaping, exterior lighting, dumpster service, security, common area cleaning, and property insurance. In a NNN (triple net) lease structure — which is standard in neighborhood retail — property taxes are also passed through. The combined effect is that the landlord's actual net operating income is substantially protected from inflation in operating costs.

"CAM means that property tax increases, insurance spikes, and rising contractor costs do not come out of your NOI. They are absorbed by the tenants."

How it works in practice: at the beginning of each year, you estimate CAM expenses and bill each tenant their pro-rata share monthly as a CAM advance. At year end, you reconcile actual expenses to actual charges. If you spent more than estimated, tenants pay the difference. If you spent less, you credit the difference forward. Transparency is key — most commercial leases require you to provide an annual CAM reconciliation statement.

Tenants will negotiate CAM. Common pushback includes CAM caps (limiting year-over-year increases), CAM exclusions (removing certain expense categories from passthrough), and audit rights (the tenant's right to review your CAM expense documentation). Understand what you are agreeing to before you sign. A broad CAM exclusion on a 10-year lease can be costly.

The bottom line for investors: CAM is your friend. It means that property tax increases, insurance spikes, and rising contractor costs do not come out of your NOI. They are absorbed by the people using the property to operate their businesses. This structural protection does not exist in

residential real estate — and it is one of the most underappreciated advantages of commercial ownership.



Demographics

Why rooftops matter more than traffic counts

Traffic counts get talked about a lot in retail real estate. A site on a 30,000 vehicle per day corridor sounds compelling — and it matters. But the metric I care about most is rooftops. Dense, established residential population surrounding a neighborhood strip center is the single most reliable predictor of long-term performance. People are the customers. Houses are the demand.

Here is the relationship I've observed consistently in central New Jersey: the denser the residential housing within a two-mile radius of a strip center, the stronger the demographics, the higher the household incomes, and the more resilient the occupancy through economic cycles. More rooftops means more customers for every tenant in the center. It is a simple equation with compounding returns over time.

"Dense, established residential population within two miles is the single most reliable predictor of long-term strip mall performance."

What I look at in a demographic report: population within a one and three-mile radius, median household income, population growth trend over the past decade, and owner-occupied vs. renter-occupied housing. Owner-occupancy correlates with household stability and discretionary spending. High-growth corridors — areas where residential development is actively occurring nearby — are particularly favorable because future demand is effectively built into the asset.

The Route 27 corridor through South Brunswick and North Brunswick is one of the clearest examples I know. It runs through some of Middlesex County's fastest-growing residential markets, with dense single-family and multifamily housing on both sides of the road. The demographics serve a substantial South Asian population with high household incomes and strong preferences for neighborhood service retail. Every new apartment complex permitted nearby is a direct tailwind for the strip centers serving that corridor.

The practical implication: when you are evaluating an acquisition, pull the demographic report early. If the numbers are weak — low income, declining population, high vacancy in surrounding housing — walk away before you underwrite the deal. Great operations cannot overcome bad

demographics. But strong demographics will forgive a surprising number of operational imperfections.



E-Commerce

The misconception — and why it doesn't apply here

Let me be direct about this one: the 'e-commerce is killing retail' narrative applies to a very specific category of retail. Big-box stores selling commoditized goods. Soft goods retailers competing on price with Amazon. Category killers in electronics, books, and home goods. None of these businesses anchor neighborhood strip malls. None of them are in our portfolio. The narrative is real — it just has nothing to do with us.

Think about what actually fills a well-run neighborhood strip center: nail salons, barbershops, medical offices, dental practices, urgent care centers, physical therapists, daycares, tutoring centers, music schools, restaurants, pizza shops, liquor stores, smoke shops, insurance agents. Ask yourself honestly: which of these businesses can be replaced by an app?

"You cannot get a haircut delivered to your door. The service economy is structurally immune to e-commerce disruption."

You cannot get a haircut delivered to your door. You cannot outsource your child's dental checkup to a website. You cannot have your massage therapist arrive via algorithm. The service economy — personal care, food service, professional services, healthcare — is structurally immune to e-commerce disruption because the service itself requires a physical location and a human being.

Several tenant categories not only survive digitalization — they benefit from it. Liquor stores and grocery concepts now offer delivery as an incremental revenue channel layered on top of their existing in-store business. Cannabis retailers operate in a regulated environment where online sales are legally constrained in most states. The physical store is not a liability for these operators — it is a regulatory moat.

And the category is expanding. Experience-based retail — pickleball clubs, indoor golf simulators, escape rooms, axe throwing venues — is actively filling larger vacancies that traditional soft goods retailers left behind. These businesses are not only internet-proof; the entire premise of their existence is that people prefer to do them in person. The strip mall of 2026 is more resilient to e-commerce than the strip mall of 2016. The operators and investors who understand this have a

lasting edge.



Facade

First impressions drive occupancy and rent

A strip center's facade is its resume. Before a prospective tenant walks in, before a customer pulls into the parking lot, before an investor drives by — the building is making a first impression. A dated, tired facade signals passive ownership. A clean, modernized exterior signals an operator who cares. That signal directly affects the rents you can charge and the quality of tenants you can attract.

The ROI on facade investment is one of the most consistently strong returns in commercial real estate — because it reprices the entire property, not just one unit. When you modernize a 30-year-old strip center with new stone, stucco, updated storefronts, fresh landscaping, and new lighting, you are not just improving aesthetics. You are repositioning every lease in the building. Tenants in a Class B+ center pay Class B+ rents. The same footprint, renovated, commands meaningfully more per square foot.

"A facade renovation reprices every lease in the building. The same footprint, modernized, commands meaningfully more per square foot."

At Finnegans Plaza, our North Brunswick property, we completed a full facade modernization in 2017. The project was significant — not just a paint job, but a complete exterior transformation with new stone and stucco cladding, updated storefronts, and the addition of a steel-reinforced second story that added 6,000 SF of leasable office space. The total project cost was \$800,000. The increase in stabilized asset value was \$1.2 million — before accounting for the new income generated by the second floor.

The secondary effect of a facade renovation is often underestimated: tenant pride. When a landlord invests visibly in the physical plant, tenants take better care of their own spaces. It creates a standard. Tenants upgrade their own signage. They keep their storefronts cleaner. The center improves organically because the physical environment signals that the ownership is paying attention.

If you are evaluating an acquisition with a tired facade, do not see it as a deterrent. See it as latent value waiting to be unlocked. The renovation is the play.



Gross vs. Net Leases

Understanding what you're actually agreeing to

The difference between a gross lease and a net lease is the difference between a landlord who bears all operating risk and a landlord who passes that risk to the tenant. Understanding the spectrum between these two structures — and knowing what you want before you negotiate — is foundational to commercial real estate ownership.

A gross lease (sometimes called a full-service lease) means the landlord receives a fixed rent payment and pays all property operating expenses from that amount — including property taxes, insurance, maintenance, and utilities. The tenant writes one check. The landlord manages everything. This structure is common in office buildings and some older retail leases. It is not the structure you want in a neighborhood strip.

"In a NNN lease, the landlord's NOI is genuinely net. Property tax increases, insurance spikes, maintenance cost inflation — all absorbed by the tenant."

A net lease means operating expenses — or a portion of them — are passed through to the tenant in addition to base rent. There are three variations: single net (N), where the tenant pays property taxes; double net (NN), where the tenant pays taxes and insurance; and triple net (NNN), where the tenant pays taxes, insurance, and maintenance. Triple net is the gold standard for neighborhood retail.

In a NNN lease, the tenant's obligation is clear: they pay their base rent plus their pro-rata share of taxes, insurance, and CAM — calculated separately and reconciled annually. The landlord's NOI is genuinely net of these major expense categories. Property tax increases, insurance spikes, and maintenance cost inflation do not erode your income — they are absorbed by the tenant.

Modified gross leases occupy the middle ground: the tenant pays base rent plus some but not all expense categories. These are common in multi-tenant buildings and require careful negotiation. Know precisely which expenses you are retaining and which you are passing through before you execute.

The practical advice: always push for NNN in neighborhood retail. Every operating expense you retain is a risk you carry. Every operating expense you pass through is a structural protection of your cash flow.



Hold Period

The compounding power of long-term ownership

Real estate is not a trading asset. It is a compounding asset. The investors who generate the best long-term returns in neighborhood retail are almost never the ones who flip the most deals — they are the ones who hold the best assets the longest, let the rent roll compound through regular escalations, and refinance strategically to access equity without triggering a taxable sale.

Here is what happens to a well-run strip center over a long hold: rents escalate annually, typically 2–3% per year contractually, or through mark-to-market adjustments at lease renewal. A center generating \$500,000 in NOI at acquisition becomes a \$650,000 NOI center a decade later through nothing more than contractual rent growth. The mortgage is being paid down. The asset is appreciating. And because the operating costs are largely passing through to tenants via NNN, your net income is growing faster than your expenses.

"Real estate is not a trading asset. It is a compounding asset. Hold the best ones the longest and let the rent roll compound."

The case against a short hold period: every transaction is a capital event. You pay transaction costs on the way in and on the way out. You owe taxes on gains at sale. You lose the compounding effect of an asset running smoothly. The only reason to sell early is if you have identified a better use of the capital — or if the market offers you a price you cannot refuse.

The refinance as an exit substitute: one of the most powerful tools in the strip mall operator's arsenal is the cash-out refinance. When a value-add project is complete and the asset has been stabilized at a higher NOI, the property can support a larger loan than it originally carried. The difference between the new loan proceeds and the old loan balance is cash in your pocket — tax-free, because it is debt, not income. Your investors get capital back. You retain ownership. The asset keeps compounding.

At Brunswick Properties, our default posture is to hold quality assets through multiple cycles, refinance at stabilization, and only sell when the disposition serves a specific capital allocation objective.

Internet-Proof Tenants

Building a center around businesses that cannot be disrupted

The concept of an internet-proof business sounds simple but is worth examining carefully, because not all physical businesses are equally immune to online competition — and the distinction matters when you are deciding who to lease to.

The clearest internet-proof category is personal care services. Barbershops, nail salons, waxing studios, hair salons, massage therapists, and tattoo studios require physical presence, trained practitioners, and human contact. There is no algorithmic substitute for a skilled barber who has been cutting your hair for ten years. The service cannot be digitized. The appointment cannot be fulfilled remotely. These businesses will always need a storefront.

"Barbershops, nail salons, medical offices, restaurants, liquor stores — the service that cannot be digitized, the appointment that cannot be fulfilled remotely."

The next tier is healthcare and wellness: medical offices, dental practices, optometrists, urgent care centers, physical therapists, chiropractors, and mental health counselors. While telehealth has taken some volume from in-person healthcare, the vast majority of medical services still require a physical exam room. And as the population ages and suburban healthcare infrastructure expands, demand for medical tenants in neighborhood retail settings is growing.

Food and beverage is the category that deserves the most nuance. A restaurant cannot be replaced by e-commerce, but delivery platforms have fragmented food service revenue and reduced average ticket sizes for some concepts. The operators who perform best in neighborhood strips are those with strong in-person dining cultures — the pizza shop where regulars eat three times a week, the Indian restaurant that serves the local community, the breakfast spot that has been there for twenty years.

Finally: regulated-use tenants. Liquor stores, smoke shops, cannabis dispensaries, and lottery retailers operate in regulatory environments that restrict or prohibit online sales in many jurisdictions. The physical location is not just a preference — it is often a legal requirement. These

businesses pay reliably, turn over rarely, and tend to treat their spaces well because the storefront is their license.

Build your tenant roster deliberately around these categories and you have a center that will outlast every e-commerce cycle.



Joint Ventures

Structuring deals with outside capital

At some point, most strip mall operators outgrow their personal capital. The deal flow is there. The track record is there. The opportunity is real. What is not there — yet — is a balance sheet large enough to fund every acquisition at the size and pace the market offers. That is when joint ventures and outside capital become the accelerant.

The basic structure of a commercial real estate joint venture: an operating partner (you) contributes expertise, deal sourcing, and day-to-day management. Capital partners contribute equity. The deal is held in a purpose-formed LLC. Cash flows are distributed according to an agreed waterfall. At disposition or refinance, proceeds are split per the operating agreement.

"The track record, the specific deal, the business plan, the exit strategy — answer these four questions before anyone writes a check."

The most common waterfall structure in neighborhood retail JVs: capital partners receive a preferred return — typically 6–8% annually on their invested capital — before the operating partner participates in profits. After the preferred return is met, remaining distributions split between capital partners and the operating partner at an agreed ratio, often 70/30 or 80/20 in favor of capital partners until a defined return threshold is hit. Above that threshold, the operating partner may receive a larger share — called the promote or carried interest. This is the operator's reward for execution.

What investors want to understand before they commit: your track record (do you have proof that you can execute?), the specific deal (what are you buying, at what price, and why?), the business plan (what is the value-add thesis and the timeline?), and the exit strategy (how and when do they get their money back?). Answer these questions clearly and in writing before anyone writes a check.

Quarterly investor reporting is not optional. It is the foundation of the trust that allows you to raise capital for the next deal. Investors who receive consistent, transparent updates — occupancy, rent collections, capex, market notes — become your most reliable source of repeat capital and

referrals.



Key Performance Metrics

The numbers that matter and what they tell you

Commercial real estate has its own vocabulary of metrics, and understanding them is the difference between evaluating a deal and guessing at one. These are the numbers every strip mall operator and investor should know cold.

Net Operating Income (NOI) is the starting point for everything. It is the total rental income from the property minus operating expenses — before debt service, depreciation, and income taxes. NOI is the number that drives valuation. A higher NOI, all else equal, means a more valuable asset.

"Know your market rate. Know your in-place rents. The spread between them is your value-add pipeline."

Capitalization Rate (Cap Rate) is NOI divided by property value. If a property generates \$400,000 in NOI and trades at \$5,000,000, the cap rate is 8%. Cap rates are the market's shorthand for risk and return — lower cap rates mean lower perceived risk (and more competition for the asset), higher cap rates mean higher perceived risk (and more potential upside). Neighborhood retail in central New Jersey currently trades in the 6–8% range depending on quality, location, and tenant mix.

Cash-on-Cash Return measures annual pre-tax cash flow divided by total equity invested. It tells you what your actual cash yield is on the capital you deployed — which is different from your total return, which also includes appreciation and principal paydown. A cash-on-cash return of 8–10% on a neighborhood retail deal is strong.

Rent Per Square Foot (PSF) is the most useful metric for benchmarking individual leases against market comparables. Know your market rate. Know your in-place rents. The spread between them is your value-add pipeline.

Occupancy Cost Ratio is a tenant-level metric: the tenant's annual rent plus NNN charges divided by their annual gross sales. A tenant whose occupancy cost exceeds 10–12% of gross sales is under stress. Monitoring this helps you identify tenants at risk of default before they miss rent.

Debt Service Coverage Ratio (DSCR) is NOI divided by annual debt payments. Lenders require a minimum DSCR — typically 1.25x — meaning the property generates 25% more income than is needed to cover the mortgage. Understanding this helps you size your debt correctly at acquisition.



Leasing

How to fill a vacancy and build a center that works

Leasing is the operating heartbeat of a strip mall. Every other decision — acquisition price, renovation scope, financing structure — ultimately comes down to whether you can sign leases, at what rent, and with what quality of tenant. It is the skill that separates operators from owners.

The first decision in leasing a vacancy: broker or direct? Brokers bring marketing reach and a network of tenants actively looking for space. They also cost money — typically 4–6% of total lease value — and they do not always know your center as well as you do. At Brunswick Properties, we have leased significant amounts of space without brokers — including the entire Riya Commons pad site re-leasing after COVID, where direct outreach, relationship-based tenant conversations, and local market knowledge produced better results faster than any co-broker arrangement would have.

"Leasing is not just about filling spaces — it is about building a center where tenants drive traffic for each other."

The letter of intent (LOI) comes before the lease. It is a non-binding document that outlines the key terms: rent, lease term, TI allowance, commencement date, options to renew, and use clause. Spending time negotiating the LOI carefully saves significant time in the formal lease negotiation — most of the commercial decisions get made at the LOI stage.

TI allowances — tenant improvement allowances — are the landlord's contribution to the tenant's buildout. In a strong market with a desirable space, you can lease with zero TI and let the tenant fund their own improvements. In a softer market or a challenging vacancy, a well-structured TI is an investment in a lease that generates returns for 5–10 years. Evaluate TI as you would any capital investment: what is the payback period relative to the incremental rent?

The ecosystem play: leasing is not just about filling spaces — it is about building a center that drives its own traffic. A barbershop next to a smoke shop. A liquor store next to a pizza restaurant. A daycare next to a coffee shop. Intentional co-tenancy creates symbiotic traffic patterns that benefit every operator in the center — and make your center stickier for everyone who is in it.

M

Management

Where most landlords quietly lose money

Property management is where the gap between good operators and bad operators is widest — and where the most value is quietly lost over time. A well-managed strip center runs smoothly, generates predictable cash flow, and maintains tenant relationships that produce renewals and referrals. A poorly managed one defers maintenance, loses good tenants, and slowly deteriorates in both occupancy and physical condition.

The day-to-day reality of managing a neighborhood strip center is less dramatic than people imagine. The routine work — landscaping contracts, snow removal, parking lot sweeping, dumpster service, common area lighting — is handled by third-party contractors on a schedule. Because commercial tenants handle their own interior maintenance under the lease, the landlord's responsibility is limited to the shell, the roof, and the common areas. The volume of reactive maintenance calls is a fraction of what a residential landlord experiences.

"The best operators know every tenant, walk every center regularly, and are not delegating their competitive advantage to a third party."

What good management actually looks like: proactive lease tracking, so you know 12–18 months before every expiration that a renewal conversation needs to happen. Regular property inspections to catch deferred maintenance before it becomes expensive. Tenant relationship management — knowing your tenants, their businesses, and their circumstances — so you can identify problems early and solve them before they become vacancies. Accurate financial reporting, so your NOI is exactly what you think it is.

In-house vs. third-party management is a strategic decision. Third-party managers typically charge 4–8% of collected rents plus markups on contractor work. For a small portfolio, this may make sense. For an operator with scale and systems, in-house management keeps that fee in the business and — more importantly — keeps the owner close to the asset. The best operators I know are deeply involved in their properties. They know every tenant. They walk every center regularly. They are not delegating their competitive advantage.

At Brunswick Properties, management is a core competency, not an overhead cost. It is how we maintain 97% occupancy across the portfolio.



NNN Leases

The structure that changes the investment math

The triple net lease is the defining financial instrument of neighborhood retail investment. Understanding it fully — not just conceptually, but in its practical application — is what separates investors who build durable wealth in commercial real estate from those who get surprised by expense creep over time.

In a triple net lease, the tenant pays three things beyond base rent: property taxes, building insurance, and common area maintenance. These three categories represent the bulk of a landlord's variable operating costs — the expenses that grow with inflation, municipal decisions, and general cost pressures. By passing them through to tenants, the NNN structure creates a remarkably stable NOI for the landlord.

"In a NNN lease, property tax increases, insurance spikes, and maintenance cost inflation are absorbed by the tenant. Your income is protected at the structural level."

The mechanics in practice: the landlord estimates annual property taxes, insurance premiums, and CAM expenses at the beginning of each year and bills each tenant their pro-rata share (their percentage of total leasable area) as a monthly advance. At year end, actual costs are reconciled against billings, and any difference is adjusted in the following year. The landlord is essentially a pass-through for these expenses — collecting and disbursing, not absorbing.

The inflation protection this provides is significant and underappreciated. Municipalities increase property tax assessments. Insurance premiums rise with construction costs and market conditions. Landscaping, snow removal, and parking lot maintenance all trend upward over time. In a gross lease, all of this erodes the landlord's NOI. In a NNN lease, all of it is absorbed by the tenants. Your income is protected at the structural level, not just through negotiation.

Important nuance: NNN leases still require negotiation. Tenants will push for CAM caps, carve-outs for structural repairs, and audit rights. Read every clause carefully. A seemingly minor CAM exclusion on a 10-year lease can represent tens of thousands of dollars over the lease term.

Know what you are agreeing to before you sign.



Occupancy

The real cost of a dark storefront

Occupancy is the most visible metric in strip mall management — and vacancy is more expensive than most landlords calculate. The obvious cost is the lost rent. But there are costs beyond the missing rent check that compound over time and make the financial damage of a dark storefront worse than it appears on the surface.

First: a vacant storefront signals distress to other tenants. This is perhaps the most underappreciated dynamic in retail leasing. Tenants in a center with one or two dark spaces start asking questions at their next renewal: is this center declining? Will my traffic suffer? Do I want to renew at this location? Vacancy is contagious — not because of anything structural, but because of perception. A dark storefront is not just a missing rent check. It is a threat to every other lease in the building.

"A dark storefront is not just a missing rent check. It is a threat to every other lease in the building."

Second: CAM collections decline with vacancy. The occupied tenants cover the full CAM expense of the property, but their denominator — the total leasable SF — now includes the vacant space. Depending on your lease terms, this can mean your occupied tenants are effectively subsidizing the common areas adjacent to the vacancy, which creates friction at renewal.

Third: a vacant space deteriorates. HVAC systems that are not running, utilities that are off, spaces that are not being maintained — they develop problems over time. Returning a long-vacant space to leasable condition costs more than maintaining it through consistent occupancy.

The implication for operations: never treat occupancy as a trailing metric. Manage it proactively — know every lease expiration 18 months in advance, have a tenant in mind before you need one, and make renewal easy for tenants who are performing. The fastest path to a new lease is almost always a renewal. The second fastest is a referral from an existing tenant. The slowest and most expensive path is starting from zero in a cold leasing market with a dark space that has been sitting for three months.

P

Parking

Your most underutilized asset

Most strip mall landlords think about parking as a necessity — something you provide to tenants and customers so that their space meets code and people can get in and out easily. That is the minimum. A more sophisticated operator looks at the parking lot as an asset: a large, underutilized physical space with multiple monetization opportunities that most competitors never pursue.

The basics: parking ratios in neighborhood retail typically run 4–5 spaces per 1,000 SF of leasable area. Most centers have excess parking relative to peak demand — which means there is often meaningful idle square footage in the lot. That idle space is not generating income. It does not have to stay that way.

"Treat the parking lot as an asset, not an overhead. ATMs, EV chargers, vendors, pop-ups — incremental income on space that was generating zero."

Here is a real example from our own portfolio. Every year, a fireworks vendor leases a 20×20 section of underutilized parking lot at Finnegans Plaza during Diwali. For four weeks, that operator secures their own permits, sets up their own tent, and pays a fixed license fee. We do nothing. No construction, no approvals on our end, no management overhead. The space was sitting empty — now it is generating income. That payment gets distributed to our investors. It is a one-time, once-a-year event — but it is entirely outside the defined rent roll. Pure incremental return on a space that was generating zero.

Permanent parking lot income sources are even more compelling: ATM machines (the ATM operator pays a monthly fee and splits transaction revenue), EV charging stations (utility income plus potential credit revenue), vending machines, Amazon package lockers, food truck licensing fees, seasonal pop-up vendor spots, and building-mounted signage facing the street.

Tenants also pay for parking privileges beyond standard customer parking: commercial vehicle parking for delivery trucks, branded vans, or service vehicles, charged at a monthly rate. This is especially relevant in centers with food service, service business, and contractor tenants.

The parking lot is not overhead. Treated properly, it is a revenue stream sitting on top of your base rent roll.



Quiet Due Diligence

What to know before you approach a seller

The best due diligence happens before you are under contract — ideally, before the seller even knows you are interested. Quiet due diligence is the practice of gathering as much information as possible about a target property from public records and observable sources, so that when you do make contact, you already understand the asset better than most buyers ever will.

Start with the tax record. The county tax assessor's database gives you the owner's name, mailing address, assessed value, annual tax obligation, and last transaction date and price. This tells you who you are dealing with, what their basis is likely to be, how long they have held the asset, and whether their taxes suggest the property is over- or under-assessed relative to market value. This information is free and available to anyone who asks.

"Walk in informed. Know the ownership history, the tax assessment, the lease profile, and the deferred maintenance before you make first contact."

Next, satellite and street view reconnaissance. Google Maps and Google Street View provide current and historical imagery of the property. You can see parking lot condition, visible deferred maintenance, the tenant lineup, signage quality, and landscaping care — all without leaving your desk. Historical Street View images (accessible through the clock icon) allow you to see how the property has changed, or not changed, over time. A center that looks identical in 2016 and 2026 has likely had very little capital investment.

Online review aggregation: read every Google review of every tenant in the center. Collectively, they tell you far more than a pro forma. Positive reviews across multiple tenants suggest a well-functioning center. Negative patterns — complaints about parking, dark spaces, seedy clientele, or general neglect — are management and occupancy signals. A center with mixed reviews from diverse tenants is a center being run passively.

LoopNet and CoStar search: if the property has been listed, you can see asking prices, days on market, and prior listing history. A property that was listed in 2015, pulled, and relisted in 2023 suggests a seller who has been motivated before and may be more flexible than the asking price

indicates.

Know all of this before you pick up the phone. Walk in informed.

R

Refinancing

How to access equity without selling

The cash-out refinance is one of the most powerful tools in the commercial real estate operator's toolkit — and it is fundamentally misunderstood by investors who come from a residential background. In residential investing, refinancing is a financial management tool. In commercial real estate, it is often the primary mechanism by which value-add returns are realized and capital is recycled into the next deal.

Here is how it works in a value-add context: you acquire an underperforming strip center at a price reflecting its distressed economics — say, a 8% cap on in-place income. You execute the value-add plan: fill vacancies, renovate the facade, replace underperforming tenants, and stabilize at market rents. The NOI increases. At the new, higher NOI, the property supports a larger loan. You refinance at the stabilized value, extract the equity created by the value-add work, and distribute it to investors.

"The refinance proceeds are tax-free. Debt is not income. Investors receive a distribution without triggering a taxable sale — and you retain the asset."

The critical insight: the refinance proceeds are tax-free. Debt is not income. Your investors receive a cash distribution without triggering a taxable sale event. You retain ownership of a now-stabilized asset generating improved cash flow. The asset continues to compound — rent escalations, NNN inflation protection, long-term appreciation — while the investors have already received a meaningful portion of their return.

At Finnegans Plaza, the facade modernization and second-story addition created \$1.2 million in value against an \$800,000 construction cost. The differential justified a cash-out refinancing event that returned every dollar of construction capital to the project — while permanently improving net cash flow. The 6,000 SF of new office space was effectively acquired at a zero cost basis.

The practical requirements for a successful cash-out refi: a stabilized, well-leased property with documented NOI, a lender who understands the asset class, and a property value that supports the desired loan amount at your lender's LTV and DSCR requirements. Work toward these

milestones from the day you acquire.



Syndication

Raising capital from investors for a deal

Syndication is the process of pooling capital from multiple investors to acquire a property that none of them could — or would — buy individually. It is how most serious commercial real estate operators scale beyond their personal balance sheet, and it is a legitimate, well-established structure with decades of legal and operational precedent.

The basic mechanics: the operator (or sponsor) identifies a deal, negotiates the acquisition, and forms an LLC to hold the property. Investors contribute equity capital in exchange for membership interests in the LLC. The operating agreement defines how cash flows are distributed, what decisions require investor approval, and how proceeds are split at sale or refinance. The sponsor typically manages the day-to-day operations and receives a management fee plus a promote — a disproportionate share of profits above a certain return threshold — in exchange for sourcing and executing the deal.

"Treat investors like partners. Communicate proactively. Report quarterly. Deliver on what you promised, and the capital for your next deal takes care of itself."

Securities law matters here. Depending on the structure and the investor profile, a syndication may constitute a securities offering subject to SEC regulation. The two most common exemptions for private real estate syndications are Rule 506(b) and Rule 506(c) under Regulation D. 506(b) allows up to 35 sophisticated (non-accredited) investors but prohibits general solicitation. 506(c) requires all investors to be accredited but permits general marketing. Get qualified legal counsel before you syndicate — this is not the area to improvise.

What investors evaluate before committing to a syndication: the sponsor's track record (have you done this before?), the deal itself (does the underwriting hold up to scrutiny?), the terms (are the fees and promote structure reasonable?), and the exit thesis (how and when do they get their capital back?). Prepare clear, honest answers to all four questions. A detailed but readable deal summary — not a 40-page offering memorandum — is often more effective at the early conversation stage.

Treat your investors like partners. Communicate proactively. Report quarterly. Deliver on what you promised, and the capital for your next deal takes care of itself.



Tenant Mix

The art of intentional leasing

Filling vacancies is one skill. Building a tenant mix that makes your center a destination is another. The difference between a strip mall that hums along at 95% occupancy with reliable tenants who renew perpetually and one that churns through operators and struggles with persistent vacancies is often not location, not building quality, not market conditions — it is the intentionality of the leasing strategy.

Start with the anchor. Every neighborhood strip center has one or two tenants that drive the majority of traffic. In food-anchored centers, it is the busy restaurant or grocery concept. In service-anchored centers, it is the medical office, the pharmacy, or the busy beauty salon. The anchor tenant's success is the foundation for everyone else's success — so choose carefully. A strong anchor brings foot traffic that benefits every other tenant in the center.

"A barbershop and a smoke shop. A liquor store and a pizzeria. A daycare and a coffee shop. Intentional co-tenancy drives traffic for everyone."

Now think about the ecosystem. Certain neighborhood businesses have symbiotic relationships that are not accidental — they actively benefit from proximity to each other. A barbershop and a smoke shop share a demographic of customers who often do both errands in the same visit. A liquor store and a pizzeria drive each other's evening traffic. A daycare and a coffee shop serve parents dropping off and picking up children. A sit-down restaurant and an ice cream parlor complete a dining experience. Placing these operators next to each other is not just convenient for customers — it makes the center stickier for the operators, because their success is partly a function of their neighbor's business.

What to avoid: competing uses that cannibalize each other (two pizza restaurants in the same strip rarely works), uses that generate negative externalities for other tenants (auto repair next to a pediatric dentist), and tenants whose customer profile conflicts with the surrounding residential demographic.

The final principle: a full center is easier to keep full than an empty one. Occupancy builds on itself because strong tenants attract other strong tenants. Lease the right operators, manage the relationships well, and your center becomes self-sustaining.



Underwriting a Deal

Step by step: how to evaluate a strip mall acquisition

Underwriting is the discipline of converting a property's financial reality into a clear investment thesis — supported by numbers, not assumptions. Every acquisition decision should be preceded by a thorough underwrite. Here is how we approach it.

Step one: build the rent roll. List every tenant, their square footage, their current rent, their lease expiration date, and any renewal options. Then build a parallel column showing market rent for each space based on current comparable leases in the submarket. The gap between in-place rent and market rent — aggregated across all tenants — is your mark-to-market upside.

"If the deal only works when everything goes right, you have a bet, not an investment. Stress test before you commit."

Step two: build the expense model. Identify all operating expenses: property taxes, insurance, CAM, management fees, capital reserves. In a NNN lease structure, taxes, insurance, and CAM are recoverable from tenants. The expenses that remain on the landlord are management fees (if any) and capital reserves. Reserve 1–2% of gross revenues annually for capital expenditures on roof, HVAC, and structural items.

Step three: calculate in-place NOI and stabilized NOI. In-place NOI reflects current economics — actual rents, actual expenses. Stabilized NOI reflects market rents at full occupancy. The difference is your value-add upside, modeled over the hold period.

Step four: apply a market cap rate to your stabilized NOI to derive a stabilized value. Compare this to your total cost basis (acquisition price plus renovation budget plus transaction costs). The difference is your projected equity creation.

Step five: stress test. What happens if one major tenant does not renew? What if renovation costs run 20% over budget? What if cap rates expand by 100 basis points at your projected exit? If the deal still works under conservative scenarios, you have a real investment. If it only works if everything goes right, you have a bet.

Discipline in underwriting protects you from deals that look attractive and are not. It also gives you the confidence to move quickly when a genuinely compelling deal appears.



Value-Add

The four levers of strip mall value creation

Value-add is the strategy of acquiring an asset below its stabilized potential and actively closing the gap through operations, capital deployment, and leasing. In neighborhood strip retail, value-add is not a complex thesis. There are four levers. Pull one effectively and you have a good deal. Pull all four simultaneously and you have an exceptional one.

Lever 1: Below-market rents. This is the most common and most accessible value-add opportunity. An asset with in-place rents averaging 20–40% below market rates contains latent income that will be realized as leases roll. The operator's job is to preserve the existing tenancy, manage relationships carefully through the renewal process, and execute at market rates when leases expire.

"Pull one value-add lever effectively and you have a good deal. Pull all four with discipline, sequenced correctly, and you have an exceptional one."

Lever 2: Vacancy. A center with 70% occupancy purchased at a yield reflecting that vacancy is an asset priced for failure. The operator who fills those spaces transforms the income profile — and with it, the cap rate and the valuation. Strong leasing execution on a partially vacant asset is one of the most reliable ways to manufacture equity in commercial real estate.

Lever 3: Deferred maintenance and physical condition. A facade renovation, parking lot repaving, new landscaping, updated signage — these investments improve tenant quality, support higher rents, and increase the asset's appeal to both tenants and buyers. Physical neglect is a management problem, and management problems are solvable.

Lever 4: Management quality. Some of the best value-add plays in strip retail are not about physical improvements at all — they are about replacing passive, inattentive ownership with active, professional management. Tightening leasing, improving tenant relationships, professionalizing financial reporting, right-sizing service contracts — these things cost very little and often produce meaningful NOI improvement in the first year of ownership.

The sequence matters: establish operational control first, then execute capital improvements, then push rents at renewal. Running all four levers simultaneously without operational foundation is a fast path to chaos and cost overruns.

W What to Avoid

Red flags that experienced operators walk away from

Ten years of operating in New Jersey commercial real estate teaches you as much about what to avoid as what to pursue. The deals that looked compelling but were not. The locations that checked boxes but did not perform. The tenants who seemed great on paper and were not. Here is what I have learned to walk away from.

Bad locations cannot be fixed. A strip center on a road with poor visibility, difficult access, or insufficient traffic is fighting a permanent headwind. The best operators in the world cannot turn a bad location into a good one through superior management. If the physical location is structurally compromised — buried behind a residential street, accessible only through a difficult intersection, facing away from traffic flow — pass.

"Bad locations cannot be fixed. Single-tenant dependency is a structural risk. Deals that only work on paper are models, not investments."

Single-tenant dependency is a structural risk, not a feature. A property whose entire income depends on one tenant's continued occupancy is a bond, not a real estate asset. When that tenant leaves — and they always eventually leave — you have a vacant building, not a strip mall with one vacancy. Multi-tenant properties with diverse income streams are structurally more resilient.

Undisclosed environmental issues are deal killers. Phase I and Phase II environmental reports exist for a reason. Former dry cleaners, gas stations, and auto repair operations near or on your site can carry liability that far exceeds the value of the acquisition. Never skip environmental due diligence in New Jersey.

Seller financing with balloon payments and aggressive terms is often a signal that the seller cannot get conventional financing, which usually means the conventional lender sees something you have not found yet. Understand why the seller needs to carry paper before you accept it.

And finally: deals that only work on paper. If the underwriting requires below-market interest rates, peak market cap rates, zero renovation overruns, and instant full occupancy to produce acceptable returns — it is not a deal. It is a model. The real world is less cooperative than the

spreadsheet. Buy assets that work under conservative assumptions, and the upside takes care of itself.



Exit Strategies

How and when to realize your returns

Every acquisition deserves a clearly articulated exit strategy — not because you have to follow it rigidly, but because thinking through the exit at entry forces you to underwrite the deal correctly. If you cannot articulate how and when investors get their money back, you are not ready to acquire the asset.

Exit Option 1: Sell stabilized. Acquire at distressed economics, execute the value-add plan, stabilize at market rents and occupancy, and sell at a cap rate that reflects a well-run, fully-leased neighborhood retail asset. This is the most common playbook in value-add commercial real estate. The return is generated through the spread between the acquisition cap rate and the disposition cap rate, amplified by the NOI growth you created.

"Think through the exit at entry. If you cannot articulate how and when investors get their money back, you are not ready to acquire the asset."

Exit Option 2: Refinance and hold. In many cases — particularly when an asset is performing well, market conditions are favorable, and the operating outlook is strong — the better decision is to stay in the deal. A cash-out refinance at stabilization returns investor capital and restarts the clock. You retain ownership of a compounding asset, investors receive a meaningful distribution, and the ongoing cash flow continues. This is our preferred approach at Brunswick Properties when the fundamentals support it.

Exit Option 3: Sell with entitlements. For development sites and underbuilt parcels, sometimes the highest-value exit is selling the land or property with entitlements in place — approved plans, permits, and zoning variances that allow a buyer to proceed directly to construction. This is the strategy we executed at 490 Elizabeth Avenue in Somerset: we secured approval for a 50,000 SF warehouse and sold to a fragrance distributor who needed the entitled site. Without building a single SF, we returned 300% over three years.

Exit Option 4: 1031 Exchange. When selling, deferring the capital gain through a 1031 exchange into a like-kind replacement property preserves capital that would otherwise go to taxes —

compounding the benefit of reinvestment. Work with a qualified intermediary and understand the timeline requirements.



Yield

Understanding your return in plain language

Yield is the return generated by an asset relative to its cost. In commercial real estate, yield is expressed in several ways — and understanding the relationship between them is essential for comparing deals, communicating with investors, and evaluating your own performance.

Cap rate yield: the most commonly used measure of asset-level return. NOI divided by purchase price. A strip center generating \$350,000 in NOI purchased for \$5,000,000 carries a 7% cap rate. This tells you the unlevered yield on the asset — what it earns relative to its value, before financing costs.

"Class B/C apartments in central NJ: ~\$25 PSF gross. Class B/C retail in the same corridor: \$40+ PSF gross, plus NNN adjustments on top."

Cash-on-cash yield: the most relevant measure for equity investors. Annual pre-tax cash flow after debt service divided by total equity invested. If you put in \$1,500,000 of equity on the above deal and receive \$120,000 in annual cash distributions after the mortgage payment, your cash-on-cash yield is 8%. This is the number your investors care most about — it tells them what their money is actually earning each year.

Total return: the full picture, including cash-on-cash distributions, principal paydown by the mortgage, and appreciation at disposition. In a strong deal held over a 7–10 year period, the total return is typically meaningfully higher than the cash-on-cash yield alone, because appreciation and principal paydown are compounding in the background.

A concrete benchmark from our core market: Class B and C residential apartments in the Route 27 corridor generate approximately \$25 PSF in annual gross rent. Comparable Class B and C neighborhood retail generates \$40+ PSF gross, with NNN adjustments on top. At equivalent cap rates, the commercial asset generates dramatically more income per dollar of building cost — and that is before factoring in the NNN structural protection that makes the net income more durable than the gross income on a residential property.

Yield is not just a number — it is a reflection of the quality of the deal, the structure of the leases, and the skill of the operator. Understand all three.



Zoning & Entitlements

The permanent edge of understanding municipal process

Zoning and entitlements is the most complex chapter in this book — and the one that creates the most durable competitive advantage for operators who master it. In New Jersey, municipal land use law is among the most intricate in the country. Most investors treat it as a barrier. Smart operators treat it as a moat.

Zoning determines what you can build, how large, how tall, where on the lot, and for what use. Most commercial parcels in established retail corridors are already zoned for retail use — which means the zoning is not the obstacle. The obstacles are dimensional variances (building too close to a property line), use variances (operating a use not listed as permitted), and subdivision approvals (dividing a parcel into smaller lots). Each of these requires a hearing before the local planning or zoning board, supported by professional engineers, attorneys, and architects.

"Most investors treat zoning as a barrier. Smart operators treat it as a moat. Master the municipal process and unlock opportunities others cannot see."

The entitlement process is how you convert a piece of land from theoretical development potential to actual permitted, shovel-ready development value. Securing entitlements — approved plans, variance approvals, site plan approvals — is a time-consuming process that most buyers will not attempt. Which means that a seller who has already obtained entitlements is offering something that the market values at a significant premium to raw land.

At 490 Elizabeth Avenue in Somerset, we acquired a 4-acre light industrial parcel in 2021, navigated the full entitlement process for a 50,000 SF warehouse, and sold the entitled site to a fragrance distributor. We never broke ground. The return on the entitlement value alone was 300% over three years. The expertise required was not construction — it was regulatory navigation, municipal relationships, and the patience to see the approval process through.

At Tulip Drive in North Brunswick, we acquired a commercially zoned parcel and successfully rezoned it to residential, then obtained subdivision approval for four single-family home lots. Two homes have been built and sold. The zoning expertise that made that project possible is the same

expertise that drives value in our retail portfolio.

Master the municipal process and you will find opportunities that other investors cannot see, in assets that other investors cannot unlock.

ABOUT THE AUTHOR

Kish Patel

Founder & Managing Principal, Brunswick Properties

Kish Patel is the founder and managing principal of Brunswick Properties, a vertically integrated commercial real estate firm specializing in neighborhood strip malls across New Jersey. With over 10 years of experience acquiring, developing, and managing commercial properties in the central NJ market, Kish oversees a portfolio of neighborhood retail centers with 97% occupancy and \$65M+ in total assets.

Brunswick Properties operates a fully in-house platform — acquisition, development, leasing, construction management, and property management — without reliance on third-party operators. The firm's investment focus is neighborhood service and food-anchored strip retail in dense, high-income residential markets along the Route 27 corridor and surrounding New Jersey communities.

Prior to founding Brunswick Properties, Kish built his foundational understanding of retail real estate working in his family's portfolio of franchise and independent businesses across New Jersey — a background that continues to inform his operator-first approach to investment and management.

Brunswick Properties is a subsidiary of KP Consulting Group LLC.

GET IN TOUCH

Interested in investing alongside Brunswick Properties?

We work with a select group of accredited investors on neighborhood retail acquisitions in central New Jersey. If you have capital seeking commercial real estate exposure — or if you simply want to learn more about the asset class — we would enjoy the conversation.

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