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Why so many changes are happening in Five Points South

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Sometimes it can seem difficult to keep up with what's going on in Five Points South.

The historic area on Birmingham's Southside near UAB has recently seen a strange mixture of both new investment and development and also longtime restaurants and retail moving or closing.

But for the neighborhood which is celebrating its 130th year in 2017, experts say it could just be an awkward phase in its overall upward trajectory.

In just the past month, two national brands—Starbucks and Firehouse Subs—both closed their Five Points South locations. The retail spots are located across from each other on 11th Avenue South.

The stores closing follow a few other longtime neighborhood staples to move out over the past couple of years, including Cosmos Pizza, Fuego Cantina, [Bailey Brothers Music](#), World of Beer and others.



Firehouse Subs last week closed its location in Five Points South.

So why is this happening now, especially as construction has begun on the Vesta apartment project nearby on Highland Avenue and plans are in the works for another 17-story apartment tower on 20th Street?

"I think what you're seeing is the natural course of retail real estate at play in a submarket," said Brooks Corr of Retail Specialists. "Sometimes you'll get multiple vacancies at once that are unrelated to overall market conditions. I believe this is the case here in Five Points. Five Points has always had a solid population demographic to pull from, and I think the continued redevelopment of Southside and Parkside can only help."

Corr said he thinks the additions of the Vesta project, the apartment tower planned at the current site of The Break, and the social bowling concept planned by Orchestra Partners at the former Bailey Brothers Music building will only help further define Five Points as a desirable destination within the market and an enticing location for entertainment, dining, and shopping – a rising tide lifts all boats mentality.

"We are currently working on a number of retail deals in the immediate submarket that will be great for the neighborhood and fill some of the vacancy that has popped up," Corr said. "We look forward to revealing those names soon."

Chip Watts of Watts Realty, which manages several buildings near Five Points, says there could be multiple reasons for the closures.

"National credit tenants like Starbucks and Firehouse Subs would not be closing their doors at the end of their lease terms unless they simply could not justify maintaining the store," Watts said, in an email to the BBJ. "There could be multiple reasons for the closures – with the first and foremost being lack of business. Other items that could be contributing factors include vagrancy issues, perceived lack of parking or no drive through opportunities (this was a central issue with Chik-Fil-A)."

Watts said another real possibility could be that the original lease terms were favorable to the tenant but the rental rate may have increased significantly for the renewal terms – and that, if business was good, such tenants would accept the increases rates and remain open. Otherwise, they cut bait and move on. He said for Starbucks, the popular drive-thru option at 20 Midtown may have significantly cut into the business in Five Points South.

"In addition, as developers purchase properties in the area for investment purposes, the new cost basis usually forces new rental rates that are higher than the previous rates due to purchase proformas," Watts said. "In the case of property slated to be redeveloped, the redevelopment may hinge on finding a tenant that is willing to pay the new rental rates

required after redeveloping a property. New purchasers that leverage a high loan-to-value can't afford lower rates. Purchasers that have significant equity built into the purchase can usually reduce the amount of rental income necessary to make the deal work."

Several properties in and around Five Points South have been purchased by investors with the intent of redevelopment, as we have reported. This has been spurred by growth at UAB as well as by mega projects like Vesta and a future redevelopment of the Southtown public housing site.

But as far as leasing the now empty Five Points spaces, Watts said it really depends on the property owners. He said the effect of Vesta and other projects won't really be known until they open.

Watts and others have stated that a new master plan for Five Points South and the possibility of CAP (city action partnership) coming to the neighborhood could help turn the tide of move-outs.

Five Points Alliance and REV Birmingham hosted a broker tour of available properties in the area this week for real estate professionals, business owners or real estate investors to see what opportunities the neighborhood holds.

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