

**Loved by the Neighborhood,
Hounded by the Bank: Real
Stories of Bookstore's P&L**

*The Thin-Margin Truth about Independent Bookstores,
and How the Ones That Last Make It Work*

Scott Rauvers

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Published October 2026

ISBN# 9798162601357

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Similar books by Scott:

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- **A Marketing Guide to Getting Your Idea Published using Amazon & CreateSpace POD** (Published June 30, 2015; 334 pages).
- **A POD Publishing Manual: Free Marketing Strategies for Experienced Amazon Authors** (Published June 6, 2015; 336 pages).

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Foreword

This book is the record of what I went looking for, what I read, what I calculated, what I concluded and from years of personal business experience. From 1997 to about 2015 I had my various businesses in California, Oregon and Hawaii. During that time I had the opportunity to talk in person with hundreds of other business owners.

From this I also owe you a plain account of how the evidence in this book is distributed based on not only my own personal experiences, but on the raw facts and data. Some of what follows is established: government survival tables, central-bank reports on card fees, others a peer-reviewed study of customer rudeness. Some is advocacy, from trade groups, think tanks, and activists on every side of the commercial-rent debate, and advocacy tends to choose its numbers. I marked each source where possible as a solid reference that you can fact check for yourself.

Introduction: The Register Is a Measuring Instrument

A cash register does very little. It records what was sold, adds the tax, and opens a drawer. Yet it is the place where nearly every pressure on a small shop meets in one number. Rent, wages, the price of stock, the fee a card network takes, the repair bill that arrived on Tuesday, and the neighbor who said she loves the store but bought online anyway: all of it has to be paid for out of the receipts that pass through that drawer, and none of it waits for a good month.



The register as a measuring instrument: the place where every pressure on a small shop meets in one number.

This book is about that edge. The title, *Loved by the Neighborhood, Hounded by the Bank: Real Stories of Bookstore's P&L*, points to the boundary between what a shop earns and what it owes, and it asks a simple question that turns out to have a complicated answer: why is it so hard for an independent storefront to stay open, and why do people keep opening them anyway?

The answer I arrived at has four parts. First, the arithmetic of a small shop is unforgiving, because the largest costs are fixed or semi-fixed and the margin left after them is thin. Second, shocks arrive on a schedule the owner does not control, and a thin margin leaves little room to absorb them. Third, the work is physically and emotionally demanding in ways that spreadsheets cannot ever capture. Fourth, the shops that last tend to be the ones that change what they sell, how they sell it, or how they hold their space, and sometimes the right change is to close on purpose. None of these claims is original, and I found that each has more evidence behind it than a skeptic might expect.

How the book is built

The book has four parts. Part I, "The Dream Meets the P&L," covers the economics of opening: how many new establishments survive, what a month of real bookstore accounts looks like, and how a commercial lease works. Part II, "The Cash Flow Tightrope," covers the repair that arrives uninvited, the problem of cash tied up in stock, and the difference between people walking past a shop and people paying in it. Part III, "The Human & Physical Cost," covers the owner who does every job, the regulars and the difficult customers, and the gap between neighborhood affection and neighborhood spending. Part IV, "Adapting or Closing," covers the ways shops have changed, the argument for treating closure as a legitimate decision, and the case for keeping local storefronts alive at all.

A limit I want to state early

The most detailed public financial evidence about independent retail that I found comes from independent bookstores. One bookstore in Ithaca, New York called Buffalo Street

Books, has published its monthly accounts in a serialized online memoir. The American Booksellers Association also publishes its benchmark data.

Also I cover in this book details from a Harvard Business School researcher, and also discuss where public radio talks about its economics about a bookstore. I lean on these sources heavily because they exist.

Bookstores are a particular trade, with returnable inventory, fixed cover prices, and a devoted customer base, and a hardware store or a flower shop will differ.

Why I write about the bookstore

Let's begin with a well-known example.

For nearly four decades, the Bodhi Tree Bookstore in Los Angeles, California stood as a vibrant sanctuary for spiritual seekers, free thinkers, and literary wanderers in West Hollywood. Founded in 1970 by Stan Madson

and Phil Thompson—two former aerospace engineers who abandoned the defense industry to pursue a deeper calling—the bookstore was named after the ancient sacred fig tree under which Siddhartha Gautama attained enlightenment. Nestled on Melrose Avenue, the shop was far more than a commercial enterprise; it was a peaceful, tea-scented oasis where visitors were encouraged to linger, browse, and engage in quiet contemplation amidst shelves stocked with thousands of titles on Eastern and Western philosophy, metaphysics, esoteric traditions, and holistic health.

Throughout the 1970s and 1980s, the Bodhi Tree grew in tandem with Southern California's expanding counterculture and New Age movements. It quickly established itself as a premier cultural landmark and intellectual hub, drawing an eclectic clientele that ranged from local neighborhood residents to prominent cultural figures, including Shirley MacLaine, who famously credited the bookstore in her best-selling memoir *Out on a Limb*. Beyond its extensive library of books, incense, and

meditation supplies, the bookstore fostered a vibrant community by hosting regular author readings, lectures, and workshops, serving as a pivotal node in the global dissemination of spiritual and alternative thought.

The closure of the Bodhi Tree Bookstore was primarily driven by a shift in retail culture, changing consumer habits, and financial realities. Co-owners Stan Madson and Phil Thompson noted that their store's loss of market share was an unintended consequence of their own success: when they first opened in 1970, books on Eastern spirituality, alternative healing, and metaphysics were obscure, hard-to-find niche items. However, over the course of four decades, these topics moved into the mainstream. Major chain stores like Barnes & Noble began stocking large sections of New Age literature, and the rise of online giants like Amazon made obscure spiritual texts accessible with a click. As Madson once wryly observed, the store had effectively "proselytized itself out of business" as its specialized material became widely dispersed across the mainstream market.

Compounding the loss of retail volume was a steady, fifteen-year decline in sales, coupled with the rising costs of maintaining a large physical footprint and rising international shipping rates. At its height in the late 1980s, the store employed around 100 people, but as profits eroded, that number shrank significantly, and the bottom line became increasingly difficult to sustain. Additionally, both owners were approaching retirement age and felt that guiding the bookstore into a digitally dominated era required a new generation's energy and vision rather than their own traditional, "old-school" approach to bookselling.

Ultimately, Madson and Thompson made the bittersweet choice to sell the valuable Melrose Avenue property to a commercial real estate developer. Embracing the core Buddhist principle of impermanence, they viewed the store's end not as a failure, but as a natural evolution. The iconic physical location shuttered its doors on December 31, 2011, marking the peaceful conclusion of a transformative chapter in Los Angeles history.

The gradual decline and 2011 closure of West Hollywood's Bodhi Tree Bookstore offers a classic case study in how cultural dominance can mask a terminal erosion of retail fundamentals. Founded in 1970 on Melrose Avenue, the store spent decades operating as a premier destination for metaphysics, Eastern philosophy, and alternative health. Yet its eventual closure highlights two distinct pressure points that routinely break independent storefronts:

Market Dispersion & Niche Erosion

When the Bodhi Tree opened, its inventory was highly specialized and nearly impossible to source elsewhere. Over four decades, however, mainstream retailers (such as Barnes & Noble) and online platforms systematically co-opted these categories. Co-owner Stan Madson famously noted that the store had effectively "proselytized itself out of business." When a boutique retailer succeeds in mainstreaming a niche, it paradoxically loses its primary moat, leaving it vulnerable to competitors who can operate on lower margins or scale online shipping.

The Fixed-Footprint Trap

At its peak, the Bodhi Tree expanded its footprint and staff to match peak 1980s demand. As digital competition and changing consumer habits initiated a 15-year slide in foot traffic, the store's fixed overhead—specifically the cost of maintaining a substantial physical property in a rising commercial real estate corridor—became unsustainable.

Ultimately, the Bodhi Tree's story illustrates that even unmatched brand equity and a half-century of community goodwill cannot overcome a widening gap between fixed spatial overhead and declining retail gross margins.

Frameworks for Adaptive Merchandising:

Strategies for identifying when a niche is becoming commoditized, along with protocols for pivoting inventory mix toward high-margin, non-replicable experiences and curated offerings before market share is lost.

Capital Protection & Lease Negotiation Strategies: Direct guidance on structuring flexible commercial terms, identifying predatory

lease clauses, and managing capital reserves to withstand economic contractions.

Hybrid Operational Models: Actionable blueprints for integrating lean digital operations alongside physical storefronts, allowing owners to capture online demand while keeping physical overhead low.

The "Exit or Pivot" Protocol: Clear financial triggers and diagnostic tools that help owners make objective, data-driven decisions about downsizing, restructuring, or exiting before reaching a state of financial ruin.

By grounding its recommendations in the harsh financial realities of the storefront, *Loved by the Neighborhood, Hounded by the Bank: Real Stories of Bookstore's P&L* transforms the cautionary tales of fallen retail giants into a survival guide for the next generation of independent business owners.

There is a second reason for focusing this book on independent bookstores, which is that they have been through a full cycle of the story I will be sharing with you. Independent bookstores were widely declared finished by the early 2000s. A trade-association count that I return to later on in this book shows the number of member stores rising by about half between 2009 and 2018, and the same association reported more than six hundred openings in 2025. A sector that was pronounced dead and then grew again, while still operating on margins that barely cover its costs, struck me as a useful place to look for the mechanics of survival in this particular sector. Whether the lessons carry over is a question I kept asking.

Part I: The Dream Meets the P&L (*profit and loss*)

Chapter 1: Key in the Lock

From 1997 until about 2015, I travelled all throughout the west coast of the United States and Hawaii, speaking to independent business owners. During that time I had launched businesses of my own. Some which were very successful and others which failed. In this book I want to share not only what I learned, but also from the in person feedback I received from the hundreds of business owners I have talked to in person over the last decade and a half.

Opening a shop is an act of optimism, and I do not think optimism is a flaw. Nobody signs a lease expecting to fail. The question I wanted to answer in this chapter was how optimism should be sized against the arithmetic that waits on the other side of the door, and the first piece of arithmetic is the plainest: how many new businesses are still open after a few years.

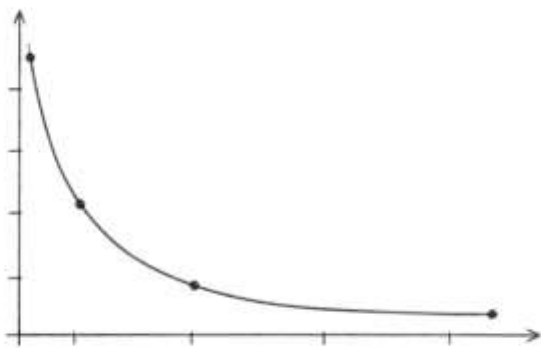
What the survival tables told me

The United States Bureau of Labor Statistics follows every new private-sector establishment

that appears in the unemployment-insurance records and counts how many are still present as the years pass. I went to its published table for establishments of all kinds. Of those that opened in the twelve months ending in March 1994, about 79.6 percent were still operating a year later, 49.6 percent after five years, and 33.6 percent after ten ⁽¹⁾. The same table let me look at more recent cohorts. Of establishments that opened in the twelve months ending March 2019, 79.2 percent were operating a year later and 51.5 percent were still operating five years later, in March 2024. For the cohort that began a year after that, the five-year figure, measured in March 2025, was 51.4 percent ⁽¹⁾. Even the cohort that opened into the 2008 financial crisis, which had 75.2 percent alive after one year, had 47.8 percent alive after five ⁽¹⁾.

Two features of these numbers stood out to me. The first is how stable they are. Across three decades and several very different economic climates, roughly half of new establishments are gone within five years. That stability told me something: the churn reflects something structural about starting small enterprises and

not merely the accidents of one decade. The second is the shape of the curve. The sharpest losses come early. Of the 2019 cohort, about one in five was gone after twelve months, and the survivors disappeared more slowly afterward (1).



The shape of survival: the sharpest losses come early, and roughly half of new establishments are gone within five years.

The caveats matter as much as the figures, and I want you to have them. The table counts establishments, not owners, and it covers every private industry, not retail alone. A closed establishment may have been sold, merged into another location, or replaced by a successor at the same address. The BLS series therefore cannot tell me how many of those closures were failures in the sense a shopkeeper would use the

word. An older study by an author at the Small Business Administration, reached a related conclusion by a different route: about half of new employer firms survive four or more years, and roughly a third of the businesses that closed were successful at the time they closed ⁽⁸⁾. I return to that finding in Chapter 11, because it complicates the simple equation of closure with failure.

What small-business owners reported
Survival tables describe outcomes. I wanted to hear what owners say about their operating conditions, so I turned to the Federal Reserve Banks' Small Business Credit Survey. Its 2026 report on employer firms, published in March 2026 from responses collected in the autumn of 2025, drew 6,525 responses ⁽²⁾.

I found that the report fits the picture the survival tables suggest. Respondents named reaching customers and growing sales as their leading operational challenge, and rising costs as their leading financial challenge. More than four in ten firms reported that tariffs had affected them, and 77 percent reported tariffs, rising

costs, or both. Tariff challenges were especially common among retail firms, at 69 percent ⁽²⁾. When owners wanted outside money, they did not always get it: 60 percent of firms had applied for financing, and 42 percent of those applicants received the full amount they sought. Among firms that carried debt, 59 percent had given a personal guarantee, which means the owner's own assets stood behind the business's obligations ⁽²⁾.



This explained something to me about the psychology of the person turning the key in the lock. For a large share of owners the business's liabilities are not wholly separable from the owner's household, and the distinction between a bad quarter for the shop and a bad quarter for the family can be thin.



How little cash a shop holds

The most striking evidence I found about how

close small shops sit to the edge came from a bank rather than a government. In 2016 the JPMorgan Chase Institute published an analysis of the deposit accounts of about 597,000 small businesses that banked with Chase, using transactions from 2015. It measured each business's "cash buffer," the number of days it could continue to pay its usual outflows from its deposit balance without taking in any revenue. The median across businesses was 27 days. For retail it was 19 days, for restaurants 16, and for personal services 21, while healthcare businesses held a median of 30 and real-estate businesses 47 ⁽³⁾.

The report also measured the daily flows themselves. The typical business in the sample had median average daily outflows of about \$374, inflows of about \$381, and a median average daily balance of roughly \$12,100 ⁽³⁾. Those figures describe all kinds of small businesses together, and a bookshop or a boutique would sit at a different point on the distribution, so I use them to illustrate scale and not to describe any particular shop. The limits are real: the data cover only Chase customers,

only 2015, and only money in deposit accounts, so credit lines and owner loans do not appear ⁽³⁾.

Still, the pattern is the useful part. A business with a median daily outflow of a few hundred dollars and a balance of twelve thousand is not poor, but it is never far from the point where one unexpected bill becomes a conversation with a lender. Retail, with its inventory and fixed rent, sits below the all-business median. I take this as the first quantitative expression of the collision between naive optimism and fixed overhead: the business is open and the till is ringing, and the balance in the account, measured in days of ordinary spending, is smaller than most customers would guess.

The optimism is also data

I would be misreading these numbers if I took them as an argument against opening. The trade association for independent bookstores reported in May 2026 that 605 independent bookstores opened in 2025, that its membership had grown by 19 percent, and that it was the fifth consecutive year with more than 200 openings ⁽¹⁸⁾. This is slightly less than 200 stores opening

shown in the Raffaelli study. The same release said that 106 of the new stores were pop-ups and 77 were mobile, which may indicate that some new owners are choosing formats that limit their exposure, a reading of mine that I take up in Chapter 10. It is a trade association's own announcement and carries the promotional purpose of such releases. It gives no figure for closures, and a count of openings without a count of closures is only half a ledger ⁽¹⁸⁾.

My honest reading is that both pictures are true at once. New shops do open in large numbers, and a large fraction of new establishments of every kind do not last five years. The optimism is a rational response to an economy in which some do last, and in which a lasting shop can be among the most valued places on a street. What the data do not support is the version of optimism that treats a good location and a good product as sufficient. The rest of this part tries to show what else has to be true.

What fixed overhead does to a good month

To see why fixed overhead is unforgiving, I used the only set of full monthly accounts for a real independent shop that I was able to find in public: the Buffalo Street Books ledger, discussed more fully in the next chapter. In February 2023 that Ithaca, New York, bookstore recorded sales of \$33,171. Its rent that month was \$3,545, which is about 10.7 percent of sales, a figure I calculated myself from the published numbers ⁽⁴⁾. Over the whole of 2021 the same store's rent was about 7 percent of net sales ⁽⁴⁾. The share moved by almost four percentage points because the rent did not change and the sales did.

That small observation is the heart of the matter for me. When a cost is fixed, the share of revenue it consumes rises in a quiet month and falls in a busy one. A shopkeeper in the first month of trading, with no regulars yet, is exposed to the high end of that range. No amount of enthusiasm changes the fact that the landlord is paid on the first of the month whether or not people came in. The dream

arrives as a feeling; the overhead arrives as a schedule.

Chapter 2: The Math of Micro-Margins

If Chapter 1 asked whether a new shop will survive, this chapter asks what is left in a shop's receipts after the necessary costs are paid. What I found, in independent bookselling at least, is that the answer is very little, and the best way I know to see how little is to follow the money through a real month.

One month, in full

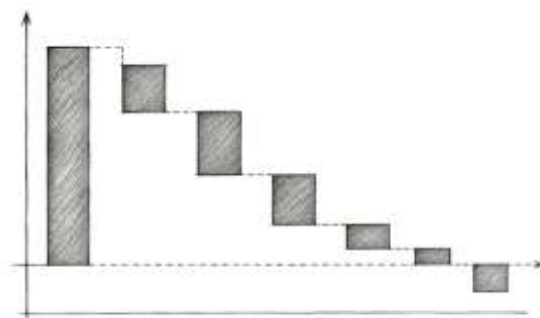
Amy Reading, a writer connected to the worker-owned Buffalo Street Books in Ithaca, New York, has published a serialized account of the store on Substack titled *Open Book*. She states that she is not an expert; she describes herself as someone with a seat at the table ⁽⁴⁾. In the second chapter, "Profit and Mostly Loss," published in April 2023, she walks readers through the store's profit-and-loss statement for February 2023 ⁽⁴⁾. I rely on it because it is rare for a shop to publish its accounts at all, and because I could check the numbers against a

published industry benchmark.

Fast Fact

In that month the store recorded sales of \$33,171. The cost of goods sold, the wholesale price of the books it sold, was \$18,761. Payroll was \$11,374, rent \$3,545, and other expenses \$5,163. Gifts and donations added \$692. The result was a net operating loss of \$4,980 ⁽⁴⁾.

I ran the percentages myself. The cost of goods was 56.6 percent of sales, leaving a gross margin of about 43.4 percent, or \$14,410. Payroll took about 34.3 percent of sales and rent about 10.7 percent. When I subtracted payroll and rent from the gross margin, the store was already \$509 short before a single other expense was paid. The "other" category took another 15.6 percent. The arithmetic is mine; the inputs are the store's ⁽⁴⁾.



One month, in full: sales of \$33,171 fall through cost of goods, payroll, rent, and other expenses to a net loss of \$4,980.

Reading notes that the cost of goods that month was higher than the store's own target of 53 to 54 percent, and that February 2022 had produced a loss of \$7,136, while February 2019 had lost \$2,247 on \$37,228 in sales ⁽⁴⁾. A single winter month is not the whole year, and I would not extend these figures beyond that. They are nevertheless instructive because they show a store that someone connected to it describes in detail, with figures for several different years, recording a loss in a month when sales did not cover its fixed commitments.

Against a benchmark

For the full year the picture is less severe but

still thin. Reading reports that in 2021 Buffalo Street Books had net sales of \$594,693, and she compares its ratios with the American Booksellers Association's benchmark survey, known as ABACUS, for stores in the same sales band of \$500,000 to \$999,000. The store's cost of goods was 56.5 percent against a benchmark average of 55.2 percent. Personnel costs were 28.9 percent against 24.8 percent. Rent was 7 percent against 6.3 percent. Net income was 0.1 percent of sales for the store against an average of 6.2 percent ⁽⁴⁾. Net income here includes pandemic relief funds and is before tax, as Reading notes ⁽⁴⁾.

Those numbers can look discouraging in isolation, but the comparison told me something more specific. The store was not wildly different from its peers on cost of goods or rent. Where it differed was personnel. Reading reports that, in the benchmark data, the most profitable stores owe their advantage mainly to lower personnel costs and slightly higher gross margins, and she lists several hidden advantages she associates with profitable stores: a wealthy owner, wages below a living

standard, no debt, an owned building, and sidelines such as coffee or alcohol ⁽⁴⁾. Her list is the observation of one participant and not a statistical finding. My own reading, which the data do not prove, is that margins in the trade are thin enough that the difference between profit and loss can be a single choice about wages.

Other evidence pointed the same way. The benchmark average of 6.2 percent comes from a voluntary survey. Raffaelli at Harvard Business School, whose working paper I discuss in Chapter 10, cites a *Publishers Weekly* editorial that put the net operating margin of independent bookstores in the range of zero to four percent ⁽⁵⁾. Those figures are close enough that I treat the range from roughly zero to six percent as the plausible band for a stable, well-run independent bookstore ⁽⁵⁾.

What the supplier takes

The largest single cost in a bookstore is the books. Public radio's *Planet Money* explained the mechanics in a 2026 episode about a Louisville, Kentucky, bookseller named Fisher Nash, a

buyer for Carmichael's, which operates two independent stores. Stores in the trade typically pay roughly half to sixty percent of the list price, so a book listed at \$39.99 costs the store about \$20 ⁽²¹⁾. A literary agent who says he spent more than a decade in the Christian bookstore business gives a similar illustration on his blog: a \$10 book bought at a 40 to 50 percent discount leaves a gross margin of about \$4 ⁽²²⁾. I treat the blog as anecdote, but it agrees with the radio account and with Reading's cost-of-goods percentage.

If a store gives a customer a 20 percent discount on that \$10 book, its \$4 gross margin falls to \$2, so the store must sell two copies to earn what it would have earned from one ⁽²²⁾. A discount that feels like a small gesture to the customer halves the gross margin on the item. This is exactly the kind of mechanical force I set out to understand, and it convinced me that shops competing on price against much larger sellers are fighting on the wrong ground.

The fee on every swipe

The next cost is one that most customers never see. Every card payment carries fees, and the Federal Reserve Board publishes data on the part of them that is called interchange. In its report on 2023, the Board found that debit interchange totaled \$34.12 billion across all debit and prepaid transactions. For issuers large enough to be covered by the federal cap, the average interchange fee per transaction was about \$0.22 to \$0.24; for smaller, exempt issuers it was about \$0.52. The average debit transaction was \$46.26 ⁽⁶⁾. The cap itself is set at 21 cents plus 0.05 percent of the transaction plus a one-cent fraud adjustment ⁽⁶⁾.

Two things stood out to me. On a typical debit purchase the interchange is a fraction of a percent, around 0.47 percent of the transaction value for covered issuers, and the report puts the average for exempt issuers at 1.21 percent ⁽⁶⁾. Network fees add roughly another 0.28 percent of transaction value on average, and the report finds that merchants and their processors paid about 65 percent of network fees and absorbed about half of fraud losses on covered

transactions ⁽⁶⁾.

Credit cards cost more. The payments research firm Nilson reported that U.S. merchants paid a record \$160.70 billion in processing fees in 2022 on \$10.589 trillion of card volume, an increase of 16.7 percent over 2021, with credit cards accounting for \$126.35 billion of the total ⁽⁷⁾. When I divided the one by the other, I got an overall average of about 1.5 percent of volume, a figure I calculated and that blends all card types.

The source's estimate that card fees run from 1 percent to nearly 3 percent of a sale falls in the plausible range, though it is a casual estimate and not a measurement ⁽²²⁾. Whatever the true figure for a given shop, I would put the processing cost at somewhere between one and three percent of card sales, and I cannot narrow it further without an individual merchant's statement. For a store with \$33,171 in monthly sales, one and a half percent is about \$500 a month, a number that illustrates the scale. It is smaller than rent and payroll, but in a month where the whole operating result is negative, it is

the difference between a loss of \$4,980 and one of \$4,480.

Tribute, utilities, and the shape of the problem

I use the word "tribute" for the rent a shop pays to its landlord, loosely and with some irony. Rent is not tribute in the strict sense, because it buys the right to occupy a space that someone else paid to build. But it behaves like tribute in one respect: it is owed regardless of results. I could not find a credible, public, retail-specific series on utility cost as a share of sales. Reading's published summary does not break out utilities, so I cannot say how much of the store's "other" category, 15.6 percent of sales in the February 2023 calculation above, they represent ⁽⁴⁾.

Stepping back, I see three consequences from this arithmetic. First, there are only a few places where a shop has discretion: how much it pays staff, how much it keeps in stock, how it prices, and what it adds beyond its core product. Second, because gross margin on the core

product is nearly fixed by suppliers, the levers that remain are all small. Third, the margin of safety, to borrow an investor's phrase, is a few percentage points of sales. A store that earns 4 percent on \$600,000 keeps about \$24,000 in a year. As Chapter 4 shows, one bad repair can take a large share of that.

Chapter 3: The Lease Trap

The lease is the binding legal document that decides how much room a shop has to maneuver. It is also the document least likely to be read carefully by a first-time owner, because it arrives at the moment of greatest enthusiasm and is written in the vocabulary of commercial real estate. In this chapter I explain what I learned about how a typical retail lease can work, what the main hidden charges are, and why the position of a small tenant before a large or distant landlord is weaker than it looks.

Base rent is the start of the bill

Many retail leases are written as what the industry calls triple-net, or NNN, leases. In a triple-net arrangement the tenant pays a base rent and also a pro rata share of three categories of the building's costs: property taxes, insurance, and common-area maintenance, which the trade abbreviates as CAM. The base rent in such a lease is usually lower than it would be in a gross lease, because the tenant is taking on those costs directly ⁽¹²⁾.

A triple-net (NNN) lease shifts property taxes, building insurance, and maintenance or common area expenses (CAM) from the landlord to the tenant alongside base rent

According to that page, CAM charges are typically estimated at the start of the year, billed monthly on top of base rent, and then reconciled after the year closes. The reconciliation can produce a bill for the difference between the estimate and the actual costs, and the page calls a year-end CAM true-up one of the most common cost shocks for tenants ⁽¹²⁾. A tenant's share is generally the tenant's square footage divided by the gross leasable area of the property.



Fast Fact

If a property has \$250,000 in annual CAM costs and 50,000 square feet of leasable space, a tenant occupying 5,000 square feet would owe 10 percent, or \$25,000 a year, which is about \$2,083 a month ⁽¹²⁾.

That example raised a question for me. A shop's rent as quoted in conversation, a number per square foot, may not include the charges that sit on top of it. Someone comparing two spaces by base rent alone is comparing numbers that are not comparable.

The protections that exist, and their limits

There are also a handful of terms that can limit a tenant's exposure. Some leases cap annual increases in CAM, and caps in the range of 3 to 5 percent are common. But caps often apply only to controllable costs, not to taxes,

insurance, or utilities, and they can be structured in several ways, including year-over-year, over a base year, cumulative, or compounded ⁽¹²⁾. A tenant who is told there is a "cap" should ask what it applies to and how it is measured.

Audit rights, meaning the tenant's right to inspect the landlord's records behind the CAM bill, are described as not automatic and must be negotiated into the lease ⁽¹²⁾. The way a landlord counts occupied space also matters. If the denominator in the pro rata formula is occupied square footage and not total leasable square footage, then a building with vacancies pushes a larger share of costs onto the remaining tenants ⁽¹²⁾. This is a technical point, but it deserves attention, since vacancy is exactly the condition that a struggling commercial street produces.

Finally, major capital expenditures, such as a roof replacement or the overhaul of a building's heating and cooling system, are generally excluded from CAM, though some leases permit the landlord to pass through an amortized portion ⁽¹²⁾. This matters in Chapter 4, because the question of who pays when a major system

fails depends heavily on lease language, and I cannot tell any business owner what their own lease says.

The rent increase

Rent itself is the other half of the trap. A lease runs for a term, and at the end of the term the landlord and tenant must agree again. Double-digit rent hikes occur mostly from anecdote and from advocacy.

The story told by the former Christian bookstore operator relates two secondhand stories of closure: a friend's store that lost about 40 percent of its Christmas sales after light-rail construction disrupted access and later went bankrupt, and another friend's store that faced a 30 percent rent increase along with escalators and closed ⁽²²⁾.

A forum's view of ownership

An online discussion gave me a view into how people outside the trade are talking about this. In March 2024 a thread on the technology-news forum Hacker News discussed a newspaper

article about a Salt Lake City bookstore that has survived for ninety years ^(23, 24). The most popular discussion suggested that a retailer that owns its building, with no lease and no mortgage, can weather almost any financial storm. Others pushed back. One said property taxes eventually push owners out of some urban neighborhoods; another replied that the tax is paid whether the owner is a tenant or a landlord, since a landlord passes it through in the rent. A commenter who said he had worked at a used bookstore for years reported that the owner credited ownership of the building for four decades of survival, adding that moving stock is painful ⁽²³⁾.

The thread was useful because it raised, in lay terms, the same question Amy Reading raised in her list of hidden advantages, the owned building ⁽⁴⁾. The newspaper article behind the thread supports the point only partly. It reports that the Weller family's store was founded in 1929, spent about fifty years in a large downtown building, and moved in 2012 to a smaller space in a different location, and the owners credit survival to continual change:

growing when it was time to grow and contracting when it was time to contract ⁽²⁴⁾.

It is worth computing what a 30 percent increase would mean on the only set of real figures I have. If a store paying \$3,545 a month faced a 30 percent increase, the new rent would be about \$4,609, an added \$1,064 a month or about \$12,760 a year. At Buffalo Street's 2021 net income of 0.1 percent of \$594,693, which is about \$595, that added cost would turn a break-even year into a loss of more than \$12,000.

Not only a small-shop problem: what vacancies look like

At the scale of a city, the same dynamics show up as vacant storefronts. In June 2026 the New York City Comptroller published a report, *Who's Minding the Storefronts?*, counting about 142,000 storefronts in the city, of which about 15,700 were vacant, a rate of 11.0 percent as of April 2026. That rate was 10.5 percent in early 2020 and 11.6 percent in late 2023 ⁽⁴³⁾. A storefront

within 250 feet of a vacant one was about 30 to 40 percent more likely to be vacant itself, 15.4 percent against 11.0 percent ⁽¹³⁾.

The report also gives a more encouraging reading of small business turnover. Of roughly 96,500 small-business storefronts in 2020, about 84 percent were either still the same business or had been replaced by another small business, and about 10,700 storefronts that had been vacant in 2019 were by 2026 occupied by new small businesses ⁽¹³⁾. The authors define a small business by a proxy, a unique business name at fewer than five locations, and the data contain no revenue information, so the figures speak to occupancy and not to business health ⁽¹³⁾. And New York is unusual: national retail vacancy was about 4 percent in 2024, close to its 2019 level, according to the report's citation of Brookings and CoStar data ⁽¹³⁾.

Who sets the price of a vacancy

The harder question is why vacancies persist when rents are, in principle, negotiable. A July 2026 article in the news outlet *City Limits* reports an advocacy group's argument that vacant

storefronts in New York rose by about 30 percent between 2020 and 2024 while commercial rents fell by only 6.5 percent, which the advocates read as landlords holding out for higher rents ⁽¹⁴⁾. That is an interpretation by advocacy organizations that favor a policy, a proposed Small Business Rent Stabilization Act, and the article notes that an organization representing small property owners disputes the premise, arguing that owners' costs are real and that tax relief would be a better remedy than a blanket rule ⁽¹⁴⁾.

I could not reconcile the two sides with the evidence I have. What I can say is that both describe a gap between the rent a small tenant can sustain and the rent a landlord, lender, or appraiser considers realistic. One bar owner put it as a gap between affordable rent and what the landlord and lenders consider realistic, and a studio owner said he was afraid to sign any lease at all ⁽¹⁴⁾.

The distant landlord

I also wanted to understand negotiation with non-local landlords. I could not find a rigorous

study of whether absentee ownership makes leasing worse for small tenants. The reasoning I can offer, labeled as mine, is structural: a landlord who owns many properties, or who answers to lenders or investors, may have less discretion to trade a lower rent for the benefit of a neighborhood than a local owner who lives nearby. The advocacy debate above touches this, but the evidence is not there to prove it. If you are negotiating a lease, treat the point as a question to ask, not a conclusion.

Lessons learned about leasing

If there is one lesson to learn, it is that the lease sets the shop's baseline and not just its monthly cost. The rent figure on a listing is the beginning of the bill. The reconciliation, the caps, the audit rights, the vacancy denominator, the capital-expenditure language, and the renewal terms all determine how much room the owner has left. Nothing in this chapter is legal advice. A first-time tenant should ask an attorney who represents tenants to read the document that actually sits on the table.

Part II: The Cash Flow Tightrope

