



With no time for summer vacation, fall retail activity is expected to be strong

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With the summer season almost behind us, it's time to look ahead to what this fall has in store for retail real estate in the Northern New England market. Before we go there, it is important to look back at the year so far and consider the significant industry news and activity affecting the region. Back in January, I had the opportunity to write a forecast focused on the year ahead and it seems that my predictions were relatively accurate. Job growth has been steady, consumer confidence continues to rise, and as a direct result, retailers and restaurants are continuing their search for perfect real estate opportunities to expand their presence. Investors have also proven that their healthy appetite for retail real estate has not waned and the "grocery wars" have continued with a unique twist.

Evidence exists in a variety of examples. The Bureau of Labor Statistics reported job growth of 209,000 which demonstrates continued improvement and the Conference Board Consumer Index increased again in July. NEREJ just recently published a story about a investment sale transaction that Marcus & Millichap completed in South Portland, ME at a 6.75% cap rate which shows that investors are willing to pay for well-located assets in strong northern NE markets (Starbucks and Mattress Firm certainly helped the cap rate as well). The "grocery wars" saga continues as Market Basket's operations start up again after being stalled for almost two months when employees and customers rallied in support for the former CEO, Arthur T. Demoulas. The effects of this situation on the retail industry have been dramatic. Over the past couple months, other grocers such as Hannaford, Stop & Shop, Shaws, Walmart and co-tenants of such realized a benefit from the increased traffic to their stores and shopping centers while the retailers and restaurants occupying space adjacent to or near Market Basket suffered. It will be interesting to watch Market Basket come back to life. Whether or not they gain back the entire market share that went elsewhere over the past two months remains to be seen.

Another good sign that things have improved over the past year is the International Council of Shopping Centers (ICSC) New England Idea Exchange (NEIDEX) drawing 1,350 +/- industry professionals at the end of July which is up significantly from the previous year. As the

economy improves, more professionals attend these educational, networking and deal making sessions. One relevant takeaway from the NEIDEX was a panel of developers and architects including Douglas Karp, Richard Askin, David Chilinski, and David Manfredi who engaged an audience of 200+ attendees through a "rapid fire presentation" to speak on the evolution of shopping centers. The presentation offered important insight into today's retail landscape as developers and landlords compete to get retailers into their shopping centers. It seems that there is a trend of retail tenants overlooking outdated properties and focusing their search on newer and more relevant retail destinations. It is important for developers, landlords, brokers, and design professionals alike to recognize this new and ever evolving demand so brick and mortar retail can stay competitive with internet retail.

So, here is what I think we can expect for the rest of the year. We are going to see a very busy fall as it relates to deal making from both a leasing and investment sales standpoint. There are many retailers and restaurants out there that are still trying to hit their quota's for new units this year and 2015. Those who need to get stores open want to get leases signed and doors open as soon as possible. Some, like PetSmart, are even planning so far ahead that they are bringing leases into committee for 2016 store openings. This requires precise planning by their brokers and their in-house real estate teams. It also puts pressure on developers and landlords to time their projects appropriately. There continues to be a strong market for retail owners to sell assets with the low interest rate environment and significant equity and debt sources ready to spend. My guess is we will see the year finish strong with several investment sale closings.

Back to school shoppers will have a new option for purchasing products in southern N.H. this fall with DDR's new 380,000 s/f Seabrook Commons anchored by a massive Super Walmart with other retailers like Dicks Sporting Goods, Ulta, PetSmart, and Michael's. Reports are that the shopping center is 96% leased which is another example that there is pent-up demand in the northern NE market for quality retail space by both tenants and consumers. Next up is Waterstone Retail's 300,000 s/f open-air center coined "Granite Ridge Marketplace" in Rochester, N.H. which is slated to open in 2015. There are a variety of other retail developments underway throughout the region but Seabrook Commons and Granite Ridge Marketplace are certainly the biggest.

Other big news in the region includes recent leases in Derry, N.H. at the former Walmart property where Monkey Sports and Aldi will join Ocean State Job Lot. Whole Foods finally opened their first New Hampshire location in Nashua with two more stores announced for Portsmouth and Bedford. Wine'ing Butcher took over two of the former Meat House locations

in N.H., one in Bedford and one in Pembroke. Cumberland Farms continues on its path to reinvent and dominate the convenience and gas station markets throughout New England. Every time I get on the road, it seems I see one of their new prototypes under construction.

Although it appears that the velocity of the market is here to stay, it is important to remember that basic fundamentals are still in play. Landlords and tenants, buyers and sellers need to move quickly on opportunities that present themselves as there is a lot of competition for transactions on both the leasing and sales side. Buyers and developers need to be careful on site selection, purchase price, underwriting and so on. Just because one shopping center in a specific market is commanding a premium on rent doesn't necessarily mean another nearby can demand the same. There are many factors involved that experienced professionals can help evaluate.

So, we'll see what happens over the next few weeks and months with Market Baskets attempt to return to normal, the bidding war for Family Dollar by Dollar Tree and its rival bidder Dollar General, and the pending acquisition of Canada's Tim Horton's by Burger King. All of this major news will certainly impact the retail real estate market - especially in the northern NE region. One thing is clear, its time to put our heads down and get to work. See you in the spring!

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