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Demand up from business start-ups waiting on the side-lines getting ready to jump into the game

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Spring forecasts are always more uplifting than the fall forecast. By the time this goes to print for the most part winter will soon be behind us (yes I know there have been times when we've had freak snowstorms in April & May). Most of us are happily counting the days when we will be replacing snow banks with green lawns, snow-blowers with lawnmowers, and skis with golf clubs.

To those of us in the shopping center business this will be a good stretch of leasing activity. Potential deals from last fall & winters pipeline will start to bear fruit. Save for a few exceptions most retailers have survived the past two horrible years. Many believe we are about to turn the corner with a healthier economy beginning to emerge. Being the eternal optimist (a pre-requisite for surviving in the brokerage business) I believe this to be true.

The reality is no one knows for sure and there are as many questions as answers. The market is spotty at best, up and down. Every time we start feeling that we are breaking through we see the stock market drop and a quote on MSN like this one on Feb. 23rd "Americans' outlook on the economy went into relapse in February. Rising job worries sent a key barometer of confidence to its lowest point in 10 months, raising concerns about the U.S. economic recovery. The increasing pessimism, which erased three months of improvement, is a big blow to hopes that consumer spending will power an economic recovery. As we know-retailers survive and thrive on consumer confidence. That is what fills the malls and makes the cash register sing.

More often than not I get the sense there is pent-up demand from business start-ups waiting on the side-lines getting ready to jump into the game, regional and national retailers, and existing small businesses willing to look at new locations. I have seen increased interest on several of my listings. Other brokers I've spoken to agree. Others commented "It has been too quiet to keep us brokers happy, but there is optimism on the horizon that deals are getting done-slowly...

I think few would argue that it is still a tenant's market. Aggressive terms can be willingly negotiated, including landlord build-out, free and or discounted rent, and TI Allowances. It's still a better time to be a tenant rep-than a landlord's. Is this changing-or starting to? Haven't heard of many higher rent leases being signed with fewer concessions. The time to complete a transaction seems as long as ever. There are as many tire kickers, start ups, and restaurateur wannabee's that don't make it to the finish line. Are we finally seeing a loosening of credit becoming available (truly obtainable) to finance start-up and expansion businesses? Last year I lost several deals from sincerely interested prospects with a solid business plan that could not raise sufficient funds either through a bank loan, home equity line of credit or even SBA baked loans.

Is the gap of deal expectations between tenants and landlords any closer to narrowing? Have market conditions changed significantly over these last few years? Where is the market with respect to vacancies, rent, planned development projects that were either put on hold or scratched

altogether, and most importantly-completed leases?

In the last two years the prevailing understanding was that there are more opportunities today (and possibly more coming with additional retail store closings) that were not available just a few years ago with respect to location, size, and lower rent and more favorable terms.

What has become to the stores vacated by Circuit City, Tweeter Etc., Linens & Things, and most recently Blockbuster Video, Movie Gallery, and Pizzeria Uno's. Let's take a moment and see what transactions have occurred, and which companies are growing full speed ahead.

According to Roger Dieker at CBRE the Circuit City in Manchester has been sold and the Nashua location leased. Portsmouth is still available.

Adam Conviser has secured two prime locations for 5 Guys Burgers. The Amherst St., Nashua location is open and exceeding sales projections. The Manchester location on South Willow St. in an endcap of the former Tweeter Etc. building is under construction.

The fitness industry is still growing not only with the large dominant players but with new smaller franchise chains as well. Planet Fitness has opened several new locations in Lee and Stratham and has two under construction in Nashua. One next to Market Basket on Amherst St, and the other next to Chunky's Movie Cinema at the Nashua Mall.

According to Chris Norwood and Perry Snow, Get in Shape for Women Now has entered New Hampshire with their first location under construction in Nashua at Linear Retail Properties center on Amherst St. next to Walgreen's. Other chains such as Snap Fitness, Koko Fit Club, and Anytime Fitness are reportedly out looking.

According to Jeff Bruk of Boylston Realty Advisors, Aspen Dental plans to open new locations in 2010, and Hobby Lobby a new entry into New England is negotiating on several 60,000 s/f boxes. Ed Gerwig and Harmon Lewis of National Commercial Brokers are looking for sites for Panera Bread (corporate) and Supercuts (corporate) in Southern NH.

Great Clips is seeking additional sites after opening at TJ Max Plaza on South Willow St. in Manchester, and at the Hudson Mall on Rte. 102.

The largest new construction development that comes to mind is Waterstone Retail Development's Brickyard Sq. project in Epping at 274,150 s/f located at the intersection of Rtes. 125 & 101. Market Basket is under construction and O'Neil's Cinema will begin construction of a 12 screen stadium seating at one end of the center.

It was just announced that CVS acquired the parcel in front of the plaza and obtained planning board approval for a 13,225 s/f free standing building.

Market Basket has also obtained planning board approval for another supermarket in Hooksett at Exit 10 in close range of Wal Marts new Superstore which recently opened. Also in Hooksett, Ocean State Job Lots has taken a sizeable portion of the vacant WalMart at the Hooksett Village Shops.

Dan Connolly of Lerner Real Estate Group is looking for locations for Family Dollar Stores in New Hampshire, and has just completed a new lease for busy downtown Nashua. Mike Reed of Stebbins Commercial leased the former Ritz Camera on Second St. in Manchester to Freedom Fish. Based in Maine they are already establishing a loyal following and reputation for offering the freshest fish possible.

I completed leases at Epping Commons on Rte. 125 for Epping Meats & Marketplace, offering prime meats and Boars Head Delicatessen cold cuts in 3,600 s/f New England Coach leased 1,250 s/f at the Raymond Shopping Center. Fitz Vogt secured a new facility on Manchester St., in Manchester. Certainly all this activity is indicative of a healthy market with renewed activity, and there are many

deals not reported and others under negotiation.

With respect to retail properties for sale I still haven't noticed many commercial properties especially shopping centers hitting the market. Where is this huge shake-out of billions of dollars of mortgage resets that will force properties into foreclosure and eventually onto the market?

There appears to be many deep pocket serious players with cash in hand waiting for this to happen. The underlying understanding has been that lenders are continuing to work with owners on troubled assets instead of taking them back. Pricing on fair market non-distressed properties still suffers from a huge value disconnect between owners and buyers. Buyers are looking at conservative valuation in the 12% Cap range. Sellers hoping for sales in the 6.5 to 7% Cap range are realizing that is no longer attainable. How much faith can you put on existing NOI cash flow? How many of these tenants will survive? How many are already in rent reduction mode or delinquency? Perhaps most important what is the true attainable rollover rent an owner will achieve if he has to replace a tenant? The exception to the above is the continued activity of investors acquiring some of the newly built CVS, Walgreen's and Rite Aid drug stores. These NNN credit deals are still in high demand.

In summary we are just beginning to see signs of recovery in our economy, and remain hopeful that the Spring will bring continued tenant interest, and increased consumer demand for that is the key to all of our survival.

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