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## Retail market remains active for the smaller tenants

April 06, 2010 - Rhode Island

Just because the national retail real estate market has been stuck in reverse for a while, it does not mean that there are no deals being put together in the Rhode Island market. On the contrary, since the slowdown a few years ago, there have been pockets of real growth. Coming out of the recent International Council of Shopping Centers (ICSC) conference in Hartford there are numerous examples of retailers showcasing their concepts for expansion. Both Raymour & Flanigan and Ultimate Electronics presented to the retail community about how they have grown their concepts and will continue to look for new locations in today's economy. The good news is that both companies demonstrated that they are willing and able to sign leases.

In addition to value driven concepts like Dollar Tree and Family Dollar, smaller sized restaurants that market themselves as good quality, quick food like Chipotle, Moe's Southwest Grille and Panda Express have development teams in place throughout the country including expansion plans in the Northeast including Rhode Island. In addition, several regional mid-sized casual dining restaurants in the 5,000 - 6,000 s/f range have their eyes and ears open for new sites in Rhode Island as well. Furthermore, although most banking institutions have come to a halt with their growth, there are still a few out there looking for new sites (i.e. TD Bank, Pawtucket Credit and Webster looking to open in RI). Convenience stores with gas stations and automotive type retailers, such as Advance Auto Parts, have their people on the ground scoping out new opportunities.

What all of these retailers have in common is that they understand there is little room for error in what they can pay for a land site or for a lease. With unemployment high and sales forecasts down, the real estate departments for all of these companies are being mandated to get the very best deals available. Often the initial proposals/offers are drastically lower than what they have been in the past causing Landlords to be unwilling to strike a deal. It is not so much a lack of activity, but that there remains a disconnect between the retailer and the owner when it comes to agreeing on what is a fair market sale price or lease rate.

I am here to tell you there is activity out there. I am here to tell you that the light can be seen at the end of the tunnel. But we cannot move ahead with blinders on. If you are reading this and you are a property owner you must accept the fact that the market has gone through a re-pricing. In order to get new tenants you must be willing to be flexible with your rent structure at least for the short term. If you are a tenant and you are demanding a relatively low lease rate, you must be willing to allow the rental rate to increase as the years pass.

As the vacancy rates increase and the pain begins to sharpen, and as retailers are able to reposition themselves for new growth opportunities, all parties will learn to navigate themselves through these new economic realities, I am convinced we will move ahead leaner and stronger. In today's retail market we are beginning to see a revitalization of smaller sized tenants - in the 1,000 - 3,000 s/f size - both local and national tenants looking for locations and beginning to sign leases. For example,

Scottrade is about to expand into Carpionato's Greenwood Shops in Warwick, Little Caesars is opening up to ten new locations in RI, and Check 'N Go is looking aggressively to open a few stores in RI. Some deals are relocations but most others, such as we mentioned above, are bona fide expansions. In terms of larger sized tenants, Aldis Supermarkets has been successful with their expansion locally. Furthermore, RI has seen the addition of Whole Foods Market in Sockanosett Crossroads in Cranston and not too long ago Trader Joes opened on Rte. 2 in Warwick.

As 2010 moves on, the retail market in Rhode Island remains on average flat, but with specific tenants active in this trade area, which creates optimism about the business, that hopefully will attract other new retailers to get into this market.

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