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Rhode Island retail market rebounds: One category at a time

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As we all know, 2009 was a tough year. It was a slow and painful year by almost in measure. Good riddance!

As we enter the 4th quarter of 2010, the world in general and retail in particular, is on the mend. Consumer confidence is up (somewhat), the stock market is showing signs of life and the phone is ringing again. Deals take time and patience, but they are being successfully completed. However, at this time in our market, the rebound seems to be category specific.

One benefit of retailers is they are quick to reinvent themselves and sophisticated enough to attack opportunities. This is what we are seeing in Rhode Island.

The first category to take advantage of the weak economy has been the supermarkets and most specifically, off-price markets. Aldi, Save-A-Lot and Price Rite have all done a good job penetrating our market and opening stores. This market is demographically dense with a healthy blue collar population vying for the pricing and these supermarkets that range from 16,000 to 35,000 s/f can get into markets with density restrictions because of their relatively small size. They are also not afraid of second generation space which adds to the flexibility. The fact that many households stayed home with greater regularity gave markets a 10%-20% bump in sales and profit, a natural maturation for growth. We hope they continue to push into this market into 2011 and beyond.

The dollar stores have also taken advantage of the down economy to strike, and we have seen activity from Dollar Tree and Family Dollar around our market. They are willing to build now if the price is right, but again are very comfortable taking existing boxes and making them work. 5 Below has also just entered the market with stores at RK Newport Centre and Lincoln Mall and more to come hopefully. Landlords are happy to fill vacancies with these 8,000 - 12,000 s/f tenants and grateful for the traffic they generate.

Fitness is the next category that has shown healthy growth in our market. This business is taking advantage of good inventory and also a more health conscious population and hopefully a stronger relationship with the healthcare industry in the near future. Two years ago Boston Sports Club opened two successful fitness centers in Providence and they continue to look for more opportunities in the market. This concept is the upscale option in our market.

More recently Planet Fitness has been making a push in the Providence Metro area and is actively looking for more. With a very competitive price point, they have proven to be very successful in the trade areas they have opened. Again, landlords are happy to make a deal and more willing to do business with fitness centers and their excessive parking requirements in shopping centers and lifestyle centers as well.

The local operators are also looking to grow whether they are franchise operators or local operators. The latest entry into our market is Retro Fitness looking to open stores featuring a clean, upscale operation with a very reasonable monthly rate.

Auto parts is the next category on my list. We all know what happened in Detroit and the slowdown in car sales in the United States. These retailers have taken advantage of this trend by opening stores to help the population care for their used cars and manage car care costs more effectively. Auto Zone and Advanced Auto Parts have both opened more stores in our market and continue to look for more sites today.

The next category that is growing is the quick, casual food operators. These tenants can do end cap, in-line or pad stores and are generally in the 2,000 - 3,000 s/f range. They don't need drive-thrus, for the most part, and have limited lunch service, if any at all. Chipotle, 5 Guys Burgers and Friendly's Express are each looking for Rhode Island sites to grow the concept. Boloco, Qdoba, Moe's Southwest Grill and Pollo Tropical are also rumored to be in the market at this time, good news for all.

The last category to show significant growth in our market has been banking. There has been an obvious opportunity to take market share from the big banks in the market and many are trying to do just that. Local banks that are looking to grow and opening new branches include Pawtucket Credit Union, Bank Rhode Island, Coastway Credit Union, Newport Federal Savings Bank, Washington Trust, Bank Newport and Citizens Union Bank. There are others that are looking to grow in the next year as well. From outside our market, Webster Bank has come in and opened multiple branches in the last two years, and TD Bank is planning on opening four branches in the next three months with many more to come. These banks offer landlords strong rent, long term leases and a popular use. As we head into a new year in 2011, we believe there will be continuing opportunities to do deals in the categories we discussed, but we also hope for a more complete recovery illustrated by a full-range of retail activity in our market.

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