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## **Cautiously optimistic describes the state of the New England retail market**

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With the Patriots season officially over, it looks like we can all finally close the book on a healthier than anticipated 2010. During the year, I found myself using the phrase "cautiously optimistic" whenever I was asked to describe the state of the New England retail market; and it still applies. The retail market overall was much improved over 2009. We saw healthy tenant activity across most retail sectors, no major retail bankruptcies, the entry of several new retailers to New England, and even the ground-breaking of some major new retail projects. Although the sum total of this activity does not approach the "boom years", I think "cautious optimism" is an appropriate assessment as we push forward in 2011.

The market is certainly not back to pre-recession activity. The Westwood Station project continues to make headlines for turmoil rather than grand openings. Big-box anchors such as Target, Lowe's and Home Depot and market leader "category killers" such as Best Buy and Dick's Sporting Goods slowed their expansion to a crawl during the economic downturn. While there has been, and will continue to be, some activity amongst these retailers, it will be primarily in the denser suburban core as well as the occasional repositioning of older stores. These tenants are vital to the overall health of the retail market, particularly for development, and without a resumption of their prior growth, we will certainly be in a "new normal".

With the recent announcement that Shaw's will be closing five more New England stores speculation will continue about the relative health of the chain vis-à-vis its competition. We anticipate that more closings will come in 2011 as Shaw's and others continue to shed low performers. Among them, Borders Books will be closely watched as rumors of their impending bankruptcy continue to swirl.

Yet, compared to what might have been predicted as recently as twelve months ago, we are in a remarkably healthy period. Of the more than 90 Linens 'N Things and Circuit City boxes in New England, over 75% were re-tenanted within 12 months, a great sign for the overall health of the market. These vacancies paved the way for retailers such as P.C. Richard & Sons, Golftown, Ultimate Electronics, Nordstrom Rack and Buy Buy Baby to make their first entry into New England or to enhance their fledgling New England expansion. Deep discounters such as Savers, Big Lots, and Ocean State Job Lot saw the opportunity to expand into retail markets previously unavailable to them. Maybe more notable, we saw some major shifting in the grocery business. At the high end, Wegman's will open in Northborough, The Fresh Market recently opened in Hingham and Westport, Conn. and Whole Foods announced a new store in Jamaica Plain. Of more concern to the traditional New England grocers has been the significant growth among the price competitive operators. Market Basket, WalMart, Aldi and Price Rite have separately laid foundations for major growth across eastern New England.

Activity among small-shop retailers was as brisk in 2010 as pre-recession times and it will continue in 2011. Look for retailers such as Hair Cuttery, Supercuts, Gamestop, GNC, Aspen Dental, Verizon, and CosmoProf to continue to absorb quality small space as it becomes available. Larger tenants such as Five Below, Advance Auto Parts, Planet Fitness, Ulta Cosmetics and Dollar Tree will also continue the steady growth they experienced in 2010. Despite their modest size, these tenants provide credit and play an important role in absorbing vacancy to maintain the health of the overall market. Restaurants such as Five Guys, Chipotle, and Starbucks will continue their expansion limited only by availability of opportunity. However, the casual-theme restaurants are still struggling to find footing with the increasingly competitive environment and customers focused on the check. Big regional banks will continue to expand in 2011. During 2010 TD Bank opened several new branches in New England, including its first three in Rhode Island. That activity will continue as TD strengthens its position in both Greater Providence and Greater Boston. We expect that Chase and People's will also expand their existing footprints and enter new markets through both acquisition and organic growth.

Finally, there will be new projects to come out of the ground in 2011. Last year saw the ground breaking of The Loop in Northborough, Mass. and the Chelsea Outlets in Merrimack, N.H. as well as several other smaller retail projects. This year, The Congress Group will break ground on its 400,000 s/f Target/BJ's anchored Sharon Commons in Sharon, Mass., Emmes will complete a total redevelopment of the Bedford Mall in Bedford, N.H., and Sam Park & Company has filed plans for the much anticipated redevelopment of the former Polaroid Campus in Waltham. These projects signify tangible signs of life for retail development here and should support the forecast for more cautious optimism.

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