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## **Spring 2011 forecast: Southern New Hampshire retail market will continue to shine**

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Are there better days are right around the corner? This may be more wishful thinking than concrete fact but it could be a combination of both. I believe that 2011 will start showing positive signs of growth with increased retail leasing, new tenants entering New Hampshire markets, existing tenants looking for new store locations, less store closings, and ground breaking on new development projects.

This year started off with some decent new inquiries. I am amazed at how many folks out there last year were hoping to start a hair salon, nail salon, pizza, sandwich, or Asian restaurant. Unfortunately, many of these prospects have already disappeared but others are fighting hard to make deals that work for them. These potential tenants are very savvy and tough negotiators. They want concessions: shorter term low rent, TI, etc.

Landlords have realized they need to and are now willing to make concessions in order to make deals. I have found most willing to do so. Two months free rent or 50 cents per s/f never seemed like such a huge barrier to overcome, but that's what I've been experiencing.

No one wants to lock rent in under market but what is market? It used to be everyone would agree on CPI annual increases. That's not so easy anymore. Some landlord's want a premium i.e. CPI +1%. Tenants want caps on CPI with a "not to exceed" number. In some cases its best to just do a short term deal and see where the market is two years from now. This seems to work best for smaller tenants.

Over the past few years there were numerous chain retail store closings. Will there be less of that in 2011? Then just last week Borders Books announced it was filing for bankruptcy protection and closing stores including the store in Nashua. Ultimate Electronics which just leased and open in 2010 on South Broadway in Salem, filed for bankruptcy. All Care Dental suddenly closed two NH locations during 2010, and one of Manchester's oldest family owned businesses, Tiny Totland, just closed its doors. On a positive note, the big boxes have been successfully re-leased. Restaurant chains like Pizzeria Uno's (i.e. Plaza Azteca in Methuen on the Salem line and LaCaretta's on South Willow St. in Manchester are re-leased. There are some remnant leftover spaces from Blockbuster Video and Movie Gallery closing.

Financing has been an obstacle to new business development. Financing needs to become more readily available and obtainable to particularly help finance start-up and expansion businesses. Many deals were lost 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 SBA loans.

I have reached out to my fellow brokers to help answer the questions of where the market is with respect to vacancies, rent, and most important completed leases. For the most part there has been a general infill in many centers, but there are still vacancies in most.

Let's take a moment and review what transactions have occurred and which companies are growing. Health clubs and restaurants are still proliferating. Focus on Fitness announced a new Bedford location on Rte. 101 according to Judy Niles Simmons of NAI Norwood Group and Anytime Fitness will open on Rte. 111 in Windham. Get in Shape for Women have opened their second location in Salem at the Salem Marketplace, with other locations planned. Planet Fitness opened a new location at the Nashua Mall.

Wings Your Way opened in 8,000 s/f at the corner of Elm and Bridge Sts. in Manchester according to Mike Reed of Stebbins Commercial. NH's first Portland Pie opened at the corner of Merrimack and Elm Sts. and Hanover St. has a new fish restaurant. In Portsmouth the Beach Plum will be opening their second location at the former Wendy's at the Heritage Commons Shopping Center, according to Chris McMahon of NAI Norwood Group, Adam Conviser has secured another prime location for 5 Guys Burgers & Fries in Derry, and Chipotle Mexican Grille is under construction on South Willow St. Judy Tinkham leased space to Klemm's Bakery at Connie's Plaza in Hudson. Batteries Plus has opened their new free standing store on South Willow St. and Massage Heights has opened their first NH location next to Panera Bread at the Bedford Grove.

Advanced Auto has opened their first store in Salem, and The Salvation Army purchased the former KIA dealership on Lafayette Rd. in Portsmouth according to The Kane Company. New Hampshire's first MINI COOPER is under construction on Rte. 3 in Bedford. Nashua will see a new 20,000 s/f state liquor & wine outlet. Laconia Savings Bank is at the ZBA for a new branch on DWH in Manchester, Bellwether Credit Union just announced they will be breaking ground soon for their new branch in Bedford off of Rte. 101. This is part of a mixed use project that will include assisted living units, a restaurant, a pharmacy and a medical office building.

According to Jeff Bruk of Boylston Realty Advisors, Aspen Dental plans to open new locations in 2011. Most exciting is the news that Hobby Lobby will be opening their first NH store at the former Burlington Coat Factory across from the Mall of New Hampshire, with others planned. Great Clips already opened 4 locations and is seeking additional sites. Autozone is working on new sites in Hooksett and Hudson, and Dollar General is working on its first New Hampshire location in Nashua. According to Michael Alberico of Eastern Retail Properties, Verizon Wireless agents are aggressively expanding throughout NH and Main. My client, 7-Eleven Inc., is actively seeking high density retail locations in shopping center end caps, free standing buildings, or re-development opportunities at signalized intersections south of Concord.

As if all of the above isn't significant in its own right, there have been some really tremendous large scale leases and development announcements. McKinnon's Super Butcher & Marketplace has signed a lease with Waterstone Retail to take over the former Shaw's Supermarket on Rte. 1 in Portsmouth. After years of planning The Bedford Mall will begin a total renovation and expansion with the addition of Kohl's this spring. Lexus is building a new showroom in Bedford, at the former site owned by CR Sparks.

Market Basket has emerged as the single most dominant grocery retailer with expansion fever. A store has opened in Epping and others are under construction in Londonderry, Salem, and Hooksett. Others that are planned include downtown Elm St. in Manchester, and Rte. 114 in Bedford.

Waterstone Retail Development's Brickyard Square project in Epping at 274,150 s/f located at the intersection of Rtes. 125 & 101 will soon announce its junior anchor tenants. Last year Market Basket opened and this year construction will start for O'Neil's Cinema 12 screen stadium seating at

one end of the center. CVS acquired the parcel in front of the plaza, obtained planning board approval and is building a 13,225 s/f free standing building. A new CVS is also under construction in Windham on Rte. 111.

Lastly, it is rumored that the new Super WalMart in Derry is only a few planning board meetings away from approval. Next door the former Allen Motors site has been sold and a conceptual plan to develop 49,000 s/f of retail space has been presented to the planning board. A prime 10 acre retail development site that has just seen a major price reduction is still available in front of the proposed WalMart.

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 retail survival. I predict that spring 2011 in NH will continue to shine.

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