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Rhode Island's retail market continues to move forward with a slow recovery

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Rhode Island's retail market continues to move forward with a slow recovery from the country's financial low point at the beginning of 2008. The good news is that the number of retailers looking for retail space has increased year-over-year since the economic slow-down, but it is the local/regional retailer, not the national power house searching in the Ocean State. Furthermore, we are seeing most deals completed below 6,500 s/f in size. That being said, it will be the small to mid-sized retailer with local and regional strength that moves the economy along for the next several years. In order to fully complete our recovery, Rhode Island will need to once again bring the national retailers back to the Ocean State.

On a positive note, there was a larger variety of retailers actively looking for space this past year versus the prior year. They include Family Dollar, who recently completed a deal in December 2011 at 919 Manton Avenue in Providence. In addition, T-Mobile will be opening in April at 1235 Oaklawn Ave. in Cranston and Advanced Auto Parts signed a lease in October of 2011 at 228 Atwood Ave. in Cranston. Furthermore, 7-11 convenience stores and several new in-door entertainment centers for kids are also looking to expand their footprint in this market. Lastly, we are seeing a steady flow of local and regional, small and mid-sized restaurants that want to continue their expansions throughout Rhode Island as well. For example, Cilantro Mexican Grill recently opened a fifth location at 1759 Post Rd. in Warwick. Also, Blount Fine Foods will be taking over the Stanley's Famous Burgers location and plans on opening its fourth Blount Clam Shack in April at 371 Richmond St. in Providence. Most of these deals are being completed at relatively low lease rates and Landlords are providing Tenants with either substantial tenant improvement allowances or free rent. In return, the landlords will receive multi-year deals and collect yearly increases throughout the term.

I think some conclusions that we can draw from the leasing activity over the last 12 months are that although we are seeing a diverse group of retailers looking to expand in the Ocean State, they tend to be on the smaller size and are either local or regional in size and scope. The diversity of retailers is a positive sign that people's level of confidence in the local market is rising. However, to fully round out the recovery, large national chains will need to participate in the recovery. Large pockets of vacancy remain for larger retail spaces that are not leasing. For example, in Warwick, the recent closing of Shaw's Supermarket and the continued vacancy of Comp USA, Boaters World, and Petco are examples of this plight. There is also continued vacancy in Johnston at Stonehill Market Place at the intersection of Rte. 295 and Rte. 6.

While it is good news to report that deals are being done, the question remains; are these prospective local and regional tenants enough to get us out of the retail funk we have been experiencing? Unfortunately, Rhode Island did experience the closings of several national chain retailers over the last few years and I see very little evidence of their desire to come back to the

Ocean State. I think it is fair to say a full recovery would need to include a mix of national, regional and local business opening in Rhode Island. The retail vacancy rates throughout Rhode Island did not fluctuate significantly over the last six years, staying between 5% and 8%. On the other hand, the vacancy rates for big box users, especially along Rte. 2, seem to have increased at a higher rate. We can conclude that the smaller tenants have been key in keeping the retail landscape active. Lastly, since the economic slow-down started in 2008, both landlords and tenants have grown accustomed to living within this "new reality." On a positive note, it is important to mention that the activity, variety and diversity of retailers looking to complete deals in the Ocean State has increased over the past year.

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