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Full service and fast-food restaurant resurgence is helping state move towards a healthy recovery

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Rhode Island's retail market shows signs of life as it continues to improve and move towards a healthy recovery from the 2008 debacle. There is a definite increase in the numbers of retailers looking to grow in The Ocean State through new leases and purchases as compared to recent years. This trend has property owners pleasantly surprised and eager to fill vacancies. That being said, most of the retail activity is small to mid-sized local and regional tenants. There continues to be very little activity for big box users in Rhode Island and vacancies for these sites can be difficult to fill, other than the new trampoline fad. This trend has been consistent for the last several years.

At the forefront of activity in Rhode Island are fast-food and full service food establishments. Restaurants seem to have found a resurgence. These establishments are able to find existing restaurants that may only need moderate improvements to open their doors to customers. Some restaurants on the growth path are Five Guys Burgers, Miller's and Walt's Roast Beef, Fat Belly's & Dorherty's Irish Pubs, Chipotle Mexican Grill, Piezoni's, Siena Restaurant as well as several different frozen yogurt concepts.

In addition, we have seen several other mid-sized retailers looking to expand as well. Dollar Tree has begun construction at Airport Plaza in Warwick, 7-Eleven will be taking over a former Friendly's Ice-Cream store on Warwick Ave. in Warwick and Mac-Gray Laundromat will be opening on Hartford Ave. in Providence. We are also seeing pawn shops, auto-part stores, beauty salons and fitness concepts out looking for new locations. While they may not be the most glamorous tenants, they do show evidence of being financially stable and capable for further growth. We continue to see landlords accepting lower rental rates at the beginning of the term with reasonably healthy increases in later years of the lease.

As it relates to large box users, there are virtually no new leases on the immediate horizon and have had virtually no activity in the recent past. What we are seeing is big box prototypes shrinking in size. For example, while in the past Staples, Pet Smart and others were in search of approximately 25,000 s/f, they now look for between 12,000 and 18,000 s/f. This reduction in size is not a positive sign and may curtail the Ocean State from making a full recovery and competing with other neighboring states. The only exception to this is on Bald Hill Rd. in Warwick. Hobby Lobby opened a 50,000 s/f store and is paying in the neighborhood of \$10 per s/f gross and also received a substantial tenant allowance. There are rumors that Michael's on Rte. 6 (currently in 20,000 s/f) is looking to expand into 28,000 s/f at the former Ultimate Electronic site in Seekonk.

Garden City has been able to successfully deal with the vacancy of Circuit City and Borders with the addition of Pottery Barn, LA Fitness, Lululemon Athletica, and Mod Mama. With the absence of a big box user they are sub dividing Circuit City and Linen's N Things to expand the village and adding specialty retail. I think it is safe to say that the economy here in Rhode Island as it relates to retail

real estate is in much better condition than years past. If you look at where we stood in 2008 with the uncertainty and overwhelming bad news that consumed us all, we are certainly in the middle of a recovery. Landlords understood the necessity of lowering rental rates, in some cases by up to 25%, putting money into their shopping centers to improve the quality of the property, and providing tenants with free rent sometimes even after opening for business, they were able to make the last several years more bearable.

Rhode Island retail is moving in the right direction. There is absorption and deals are being finalized. We are moving in the right direction and the state of Rhode Island retail is healthier than previous years.

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