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## **New England Retail Properties continues to thrive after upswings and downturns of economy**

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New England Retail Properties, Inc. (NERP), is a full-service commercial real estate company founded in 1987 by partners Mark D'Addabbo and Matt Halprin based in Wethersfield, Connecticut. NERP specializes in retail properties throughout Connecticut, Massachusetts and Rhode Island, currently exclusively representing more than two million s/f of shopping centers. The firm also specializes in the marketing of various retail-related investment properties and land for development. Having experienced both the upswings and downturns of the economy through the past 27 years, the firm continues to thrive experiencing earnings growth every year other than 2008 (recession year). The uniqueness of the current recession in the retail sector is due to very few new retail concepts expanding into New England. In contrast, during the late '80s, shortly after experiencing our first recession, we witnessed a breakthrough in retail. National retailers such as Target, Whole Foods, Walmart, Lowe's, Best Buy, Bed, Bath & Beyond, PetSmart and Kohl's were entering New England absorbing some of the vacancies that were created by the recession. During the most recent recession we have seen very few new retail junior box or big box concepts expanding into New England. During the past year, Connecticut has witnessed retail activity increases with leases being signed by health clubs, restaurant concepts, specialty retailers, urgent care/medical uses and discount retailers. Walmart has opened their neighborhood grocery concept in Bristol and West Hartford and have expanded their superstore concept in East Windsor, Putnam, Brooklyn and Cromwell. Tractor Supply Store has opened stores in Vernon and Colchester and continues their aggressive expansion regionally and nationally. The major regional shopping areas such as Buckland Hills, Westfarms, Stamford Town Center and Milford have seen repositioning as some national tenants and restaurants solidify their positions. One of the most significant sale transactions involved Starwood Capital purchasing Blue Back Square in West Hartford, Conn. for \$104.9 million. The 472,000 s/f mixed-use development was developed in 2008 and includes national retailers such as Crate & Barrel, REI, Cheesecake Factory and Barnes & Noble.

Litchfield Crossing in New Milford, Conn. has been the most significant new project in recent years for northern Litchfield County with more than 180,000 s/f of retail space being constructed for national tenants such as PetSmart, HomeGoods, Famous Footwear and Big Lots comprising it's roster. BJ's opened in Brookfield with the first Chick-Fil-A in Connecticut planned to open on an outparcel later this year, while Tile Shop, a Minneapolis based retailer, opened their first stores in New England in Norwalk and Brookfield, Conn.

For the value retail area, concepts such as Dollar General, Family Dollar, Price Rite, Deals, Sav-A-Lot and Aldi continue to pursue deals and open stores both in existing space and through ground up deals.

The health club sector sees LA Fitness just completing their WestFarms opening in the KIMCO

center in Farmington, Conn. That center has experienced an incredible transformation since Nordstrom Rack opened last year with Panera Bread, Vitamin Shoppes, TJ Maxx, Children's Place and Sports Authority becoming part of the tenant roster. Anytime Fitness, Edge Fitness, Orange Theory Fitness, Planet Fitness and other specialty personal training and yoga studios have also expanded in 2013.

In another significant transaction brokered by SRS out of New York, GGP announced their purchase of a major parcel at the intersection of I-95 and Rte. 7 in Norwalk, Conn. They will be developing a 1.1 million s/f mixed-use retail, residential and hotel complex.

As relates to the quick-service restaurant sector, Five Guys, Burger Fi, Taco Bell, Chipotle Grill and Pancho's are growing.

The frozen yogurt craze may have peaked with Sweet Frog, Cherry Berry, Yogurt City, Kiwi Spoon, Peachwave and more companies with almost 100 openings in Connecticut in 2013.

The 2014 expansion of retail includes both casinos (Mohegan Sun and Foxwoods) announcing more retail. Foxwoods is planning a retail outlet expansion with Tanger Outlets of up to 200,000 s/f and Mohegan Sun is adding to their current 130,000 s/f of retail and restaurants.

WS Development, a major Boston-based developer, has announced plans in Cheshire for 480,000 s/f of outlets and restaurants while Dave & Busters is opening their first Conn. location in Buckland Hills, Manchester.

Jordan's Furniture, a Boston based furniture retailer, has secured the former New Haven Register property along I-95 in New Haven, Conn. to build a 250,000 s/f furniture and retail project.

In Bridgeport, the Steelpointe Harbor project has secured WalMart Supercenter and Bass Pro Shops for a development which will consist of 2.8 million s/f of urban oriented, mixed-use retail, hotel, restaurants, office and residential.

On the investment side, specifically in the net lease sector, cap rates are sliding upward as interest rates rise and construction costs increase. There have been a number of large refinances of shopping centers at year end as interest rates are still very low for long term money.

Older retail centers still see some significant vacancies that will need to be absorbed and rents are starting to increase after remaining flat for the past several years.

Connecticut's overall economic performance has been slow although steady. The job growth by year end is reported to end up with about 15,000 new jobs. 2015 should show continued improvement as vacancies will be absorbed. NERP looks forward to 2014 and continued property growth through this era.

Mark D'Addabbo is president and principal and Matt Halprin is vice president and principal of New England Retail Properties, Inc., Wethersfield, Conn.