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Northern New England fundamentals are strong, but retail is under siege - by Chris McMahon

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The annual spring preview for retail real estate in Northern New England is always a nice reminder that we are nearing the end of winter and close to getting back to the look of well-manicured shopping centers, outdoor dining, and hassle free open-air shopping experiences.

By all accounts, 2017 is off to a solid start for Northern New England. The Patriots won Super Bowl 51, the ski areas are thriving with strong snowfall, and on the economic front – unemployment is low and companies continue to grow. A recent report by CBRE showed unemployment rates in New England at 4% for Maine, 2.7% for New Hampshire, 2.9% for Massachusetts, versus 4.6% for the country as a whole. This bodes very well for the retail real estate industry in our market as people with jobs tend to spend money!

A combination of the strong economy, new administration in the white house, robust consumer confidence and the steadily climbing stock market is having a profound effect on the retail real estate business. Retail spaces are leasing, shopping centers are selling, and new developments are planned or underway. With all of these positive attributes however, our industry does have its headwinds. Some examples include: brick & mortar retail real estate being under siege by the media who continue to report on the demise of retail; e-commerce continues to gain market share, the proposed import taxation by the government (border adjustability) and a lack of decision making from the federal government as it relates to a uniform code for online sales tax (e-fairness).

Retail real estate is an industry that changes quickly. There are constantly new consumer trends that shopping centers and retailers must keep up with. It seems that shopping centers in Northern New England are doing fairly well with adapting to the latest trends. In fact, some of the newer shopping centers are stepping up their game to attract the best concepts and their customers. One example is The Ridge, by Waterstone, in Rochester, N.H. This project has a well-executed and diverse tenant mix including a regional supermarket industry leader (Market Basket), relevant concepts like restaurants (110 Grill), pet stores (Petco), beauty supply (Ulta), and off-price apparel (Marshalls). While the tenant mix is sure to keep the parking lots filled, the design of the shopping center was completed in such a way that the consumer wants to go back for more. Throw a few shopping center sponsored events on top, smile and waive hello to the naysayers out there who say brick & mortar is losing relevance.

Our company has been involved in several important transactions recently in Northern New England which demonstrates that our industry is alive and well. We just finalized a 55,000 s/f lease with Hobby Lobby to take over the vacant Shaw's in Tilton, N.H. We successfully expanded Planet Fitness from 12,000 to 15,500 s/f in Rochester, N.H. In Keene, N.H. we finalized a lease for 6,600 s/f with a regional pet store and are getting very close to finalizing leases with a national jewelry

store and a specialty retailer that will kick off the development of a new 10,500 s/f outparcel building. Orange Theory Fitness has kept us busy throughout Northern New England as well – we've now opened 4 studios in N.H., 1 in ME, and have at least 3 more studios slated to open in 2017. This concept takes advantage of a major shopping center trend and consumer preference for boutique style instructor lead fitness classes. In Haverhill, Mass. we recently leased space to Plaster Fun Time and a Japanese restaurant while Aubuchon Hardware is expanding their premises and RMV has selected our shopping center for their new location. In Methuen, Mass. we recently leased space to a nail salon and a furniture rental company called Family Rentals.

With all of this activity, it is hard to imagine that the retail real estate industry is on the decline. If anything, it appears to be thriving. Sure, there are enclosed malls that are losing anchors and as a result in-line retailers at those same malls are suffering. But, these malls have had a nice long run and many of the anchors have failed to innovate and stay relevant. Some mall owners, like General Growth Properties are capitalizing on this trend as they use their plentiful cash reserves to attract new businesses (like supermarkets) to take former anchor spaces and turn malls into community centers. Consumers want new, they want trendy and most of all, they want good customer service. Thus why Wegman's continues to build 120,000 s/f grocery stores – they have a product and a shopping experience people want!

I'll leave you with a few facts provided by the International Council of Shopping Centers:

- Nearly 22% of shopping center tenants are non-retail;
- 88% of U.S. shopping centers are neighborhood / community centers and almost half of these are occupied by locally owned businesses;
- 1 out of every 11 jobs in the U.S. are shopping center related (12.8m); and
- The current value of shopping center real estate in the U.S. is 1.3 trillion.

Remember, mediocracy just won't do. Best wishes to you this year, let's make it one for the record books!

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