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## **Eastern Mass./Greater Boston and southern New Hampshire retail marketplace update**

July 23, 2008 - Spotlights

KeyPoint Partners, LLC has published its "KeyPoint Reports for Eastern Massachusetts/Greater Boston and Southern New Hampshire". This year's reports cover a 17-month period from October 1, 2006 through March 1, 2008. The reports include these key observations:

Eastern Massachusetts vacancy increased modestly, from 6.9% to 7%. However, the prior study period included 1.6 million s/f of Federated/Macy's space vacated as a result of its merger with May Company. As of March 1, 2008, only 73,400 s/f of vacant Macy's space remained. With virtually all of this space filled or redeveloped, eastern Mass. ended up with an increase in vacancy of 288,000 s/f. Discounting Macy's, the vacancy rate increased from 6.1% to 6.9%.

The economy has taken the heaviest toll on smaller space users. Tenants under 2,500 s/f, make up 21.4% of retail in eastern Mass.; vacancy in this category increased from 8.4% in 2006 to 9.9% in 2008. While vacancy in most size categories increased, big box users over 100,000 s/f actually improved their occupancy rate. Less than 1% of these were vacant.

Several nameplates disappeared during the study period, including Brooks Pharmacy, Off Track Bedding, Comp USA, Decathlon USA, Jasmine Sola, Alpha Omega, LA Weight Loss, and Strawberries Records & Tapes. Others experiencing significant location declines include Nextel, Curves for Women, Baskin Robbins, Work 'n Gear, Movie Gallery, and Applebee's.

While some retailers experienced declines, others increased market share. With the completion of its acquisition in June 2007, Rite Aid replaced Brooks as the number three drug store with 117 stores. Other significant expansions included Fitness Together, which added 30 locations. Citibank entered the market and now operates 18 locations. Sleepy's Mattress locations nearly doubled, up to 33 stores, while Quizno's Subs expanded to 44 units with 10 new locations. Aside from Rite Aid and Macy's, the big gainers in square footage are Lowe's Home Improvement stores, which added 876,000 s/f (6 new stores), Target with 374,000 s/f, JC Penney with 204,000 s/f, and Best Buy with 191,000 s/f.

By business category, department stores led in incremental space with 998,400 new s/f. Primary contributors included Target, Nordstrom, Neiman Marcus, and JCPenney. Wal-Mart and Kohl's also added stores. Other categories that added significant square footage included building materials, benefiting from Lowe's expansion, and Women's Apparel, the result of major development, most notably the Natick Collection, the Burlington Mall expansion, Mansfield Crossing, and The Village at Colony Place. Women's Apparel led in the number of new stores, adding 56 units. Shoe stores and banks and savings institutions followed with 37 and 35 new locations, respectively.

The greatest loss in square footage and number of stores came from video rental, as online rental and on-demand seized market share. Independent retailers comprised the bulk of the loss although Movie Gallery exhibited the largest chainwide decline by seven locations. Computer & software

stores experienced the second largest s/f loss, largely from the demise of Comp USA. By number of stores, gift, novelty and souvenir shops, dry cleaners and laundry services, and furniture store categories all declined by 40 locations or more.

In southern N.H., vacant retail space increased 15.8% to over 2 million s/f, a net gain of 279,000 s/f. However, the closing of Furniture World, the region's largest furniture retailer, was the primary contributor to the vacancy rise, closing 407,000 s/f of space. Had this retailer remained in operation, the vacancy rate would have been reduced to 5.9%, an improvement from the 6.4% level of 2006.

As in Mass., small stores less than 2,500 s/f were the major contributor to the number of new vacant stores. Of the 226 stores that remained vacant, 62% were in this size range. Regional population gains offset the rise in retail space, resulting in a slight decline in space per capita from 49 to 48.8 s/f.

Rite Aid, through its Brooks takeover, ranks number one in new retail space, adding almost 205,000 s/f. Last year's leader, Lowe's, added only one store, but the 143,000 s/f Nashua location was enough to bring the retailer to second place.

The Brooks acquisition moves Rite Aid to the top in unit growth, adding 16 locations. Its current store count of 25 units moves it ahead of CVS and Walgreens, which trail with 19 and 15 stores, respectively. Walgreens, in second place, added six. Check 'n Go, specializing in cash advances and installment loans, doubled its store count by adding four stores and ranked third in new store growth. However, this growth is likely short-lived as new legislation will cap rates for short-term, small-dollar loans, making it difficult for such lenders to operate in New Hampshire.

Other notable retailers no longer operating in the region include Eddie Bauer, Strawberries Records & Tapes, and Hooters restaurant, each closing three locations.

Bob Sheehan is vice president of research for KeyPoint Partners, LLC, Burlington, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540