

KEYPOINTS

THE RETAIL NEWSLETTER

JULY 2024 ©KEYPOINT PARTNERS, LLC BURLINGTON, MA

ACCELERATING RETAIL

Ollie's Bargain Outlet opened a store in WN, its 31st state. It operates 520 US stores...**ALDI** purchased two **99 Cents only Store** locations in AZ...**Nothing Bundt Cakes** opened its 600th bakery. It plans 1,000 locations by 2027...**Ames** announced June 2026 as the opening for 35 US stores. Stores will include the "Ames Cafe" and pharmacies at select locations...**Boot Barn** opened 55 stores in 2024. Its has grown to 400 stores in 45 states. It plans 500 more stores by fiscal 2030...**Camp** has partnered with Simon Property Group to open 2 locations in Greater Philadelphia this year and in Houston in 2025...**Monos** will open 8 US stores in 2025 in Boston, Chicago and New York City...**BJ's Wholesale Club** will open loca-



Boot Barn is looking toward 500 more stores by 2030

Photo: @digitalreflections@123RF.COM

tions in NJ and NC. BJ's operates 244 clubs and 177 BJ's Gas locations in 20 states...**L.L. Bean** opened a store in Ulster, NY. 3 additional stores will open this fall in PA, IN, and CT. Bean operates 57 stores in 19 states...**Nordstrom Rack** will open 2 stores this fall, and 1 more in spring 2025. Nordstrom plans 22 Rack stores this year, up from 19 last year...**Pret A Manger** opened a store in LA, part of a plan to reach 300 US stores by 2029...A franchisee will open 3 **Le Macaron** stores in Portland, OR. Le Macaron has 67 US stores...Ingka Group, which owns the majority of **Ikea** stores, has taken a stake in 570 5th Ave., NYC. An Ikea store will open in the 80,000 s/f two-story retail space...**Rite Aid** will exit bankruptcy after court approval on a restructuring plan. The pharmacy has closed more than 520 locations...**Wawa** opened its 1st store in OH, part of plan to open 60 stores in the State. The chain operates over 1,050 stores in 8 states... HBC, parent company of **Saks Fifth Avenue** and **Hudson's Bay**, entered an agreement to buy **Neiman Marcus Group** in a deal valued at \$2.65 billion. The combined company, Saks Global, will include Saks Fifth

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Space Odyssey

Chris Cardoni, Editor

Where in space *are* we?

More specifically, what is the status of the retail supply marketplace in terms of retail tenancy right now? Of course, it depends very much on what kind of space you're talking about, and where it is. I pondered this while scanning the news, and as is often the case, I was struck by what appeared to be two very different takes. Here are two opposing propositions, and two recent articles from the industry press in support of each (all italics are mine):

Proposition A: We have too much retail space and too few tenants to lease it.

"We tracked two decades' worth of retail leasing records for seven major U.S. cities. Since 2012... the amount of newly leased retail square feet flatlined and even *declined* in some cities. Also... retail rents have flattened or declined, and retail spaces sit empty longer between tenants.

Altogether, this is strong evidence that the demand for retail spaces has softened over the past decade. Over the same time period, we also found that cities have *increased the amount of square*

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New Business: VP of Investment Sales Jonathan Aron is handling the sale of **665 Cochituate Road**, a free-standing office property located near Speen Street and Route 9 in Framingham, Massachusetts. VP of Retail Brokerage Don Mace is handling the sale of **89 Bridge Street**, a former gas/convenience property close to the Downtown/Elm Street area of Manchester, New Hampshire.



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Avenue, Saks Off 5th, Neiman Marcus and Bergdorf Goodman, each of which will continue under its brand. Neiman Marcus operates 36 stores, 2 Bergdorf Goodman stores, and 5 Last Call outlets. There are 39 Saks Fifth Avenue stores and 95 Saks Off 5th stores.

DECELERATING RETAIL

Hooters closed 41 underperforming restaurants in 14 states, including Maryland, Florida, Kentucky, Rhode Island,



Hooters closed 41 underperforming locations in 14 states

Photo: ©madvideos@123RF.com

Virginia, and 16 in Texas...**Walgreens** will close 91 of its 8,600 US locations as the company looks to reset...**Bob's Stores** is going out of business and closing all stores...**Big Lots** will close 35-40 stores in 2024. It has 1,300+ US stores...**Stop & Shop** will close 32 underperforming stores in New England, New Jersey and New York by November 2.

NEW ENGLAND RETAIL

MarketStreet in Lynnfield will add **Anthropologie**, **Marine Layer**, and **Gorjana**...**Hobby Lobby** opened at Patriot Place in a newly-built space next to **RH** furniture... **Stop & Shop** opened a store at Boston's Allston Yards mixed-use development...**Just Salad** will open 2 CT locations, in Westport and Norwalk, by 2025...**sSmoothie King** is making a major expansion in MA, with 22 commitments from 3 franchisee groups to open in the state...**District Taco** has identified Boston as a key market. It has 17 locations in 5 states, and plans to reach 150 total units by 2030...**Big Y** opened a store in Middletown, CT.

MONTHLY RETAIL SALES: COMMERCE DEPT.

Retail sales were flat in June, the Commerce Dept. said. Excluding gas and auto sales, retail sales rose 0.8%.

Source: U.S. Department of Commerce - commerce.gov

CONSUMER CONFIDENCE INDEX

The Conference Board Consumer Confidence Index® dipped in June to 100.4, down from 101.3 in May.

Source: The Conference Board - www.conference-board.org

80% of retail spaces on the market in the past year leased within 6 months

footage zoned for retail. Why do cities continue to mandate land use where businesses do not want to rent? Especially when demand for a clear alternative use - housing - is soaring?...Zoning for ground-floor retail is practically an act of faith among urban planners.

Jane Jacobs, possibly the most renowned urban planner, documented and promoted the benefits of vibrant streetscapes created by...ground-floor street interfaces. Planners, urban enthusiasts, and even real estate developers have taken up this mantle with vigor...However, the benefits from this type of planning are nullified when those storefronts sit vacant.

Neither our data nor the anecdotes suggest that the brick-and-mortar retail sector is on the verge of a multiyear expansion to help fill the empty retail spaces. This means we will have to accept the *obsolescence of much of the current retail building stock* in cities and be creative about how to repurpose it...A zoning code that is more strategic and restrained in where it requires or allows retail would mean that every developer on the block would no longer default to ground-floor retail."

(Cities planned their way into the retail vacancy crisis, Leah Brooks and Rachel Meltzer, June 20, 2024, Slate.com)

Proposition B: Retail space is at a premium, and tenants are competing to lease it.

"After more than a decade of minimal shopping center development--and still riding the tailwinds of the post-pandemic rise in sales--retail tenants are finding themselves in the unfamiliar position of competing for available space. Demand for retail space has been broad-based, with availability declining across box sizes and regions. At the same time, dozens of large national retailers are pursuing significant store expansions.

More than 80% of retail spaces listed on the market during the past year were leased within six months of becoming available, while 98% were leased within nine months. This is the most rapid pace on record and is more than double the average from the past decade. The landscape has shifted from landlords seeking tenants to tenants competing for space."

(Going, going, gone: Retail space is snapped up at a record pace, Brandon Svec, CoStar, June 26, 2024, CSA.com)

As I'm sure is apparent, these two articles are talking about different things: the first is mainly about *urban street retail*, and how zoning codes still seem to mandate building more of it, while more of it continues to stay empty, due in part to the much-documented decline of downtown CBDs and the flight of retail and restaurant to the suburbs, which to a significant degree accounts for the phenomenon noted in the second article: high demand for *shopping center space*, which is not being zoned or built to anything like the same degree.



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It remains to be seen how this space odyssey will balance out in the larger retail environment.

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