INDUSTRY NEWS

NATIONAL
According to the National Retail Federation US holiday sales rose 4% from last year, the biggest increase since 2011, amid signs of a consumer-spending slowdown in December. The NRF had forecast holiday spending growth to rise by 4.1% in the period, which spans November and December. Still, the increase was well above the previous year’s 3.1% gain and the 10-year average of 2.9%, the NRF said. Among retailers reporting monthly comp-store sales, L Brands was up 4.0%, Gap was up 1.0%, Rite Aid was up 5.3%, Walgreen’s rose 2.6%, and Costco gained 3.0%. See our sales report on Page 4. NOTE: The ICSC no longer publishes its monthly retail sales trend report.

ACCELERATING
Sherwin-Williams opened its 4,000th retail location, in Sewickley, PA...Dunkin’ Brands Group Inc., parent company of Dunkin’ Donuts and Baskin-Robbins, plans to add between 410 and 440 net new US Dunkin’ Donuts restaurants and five to 10 net new Baskin-Robbins US restaurants in 2015. Globally, the company expects to open between 615 and 750 net new units in the coming year. For full year 2014, Dunkin’ Brands expects to finish near the top end of its growth target of 380 to 410 net new restaurants. The company sees opportunity for 17,000-plus Dunkin' Donuts restaurants in the US and more than 30,000 restaurants for both brands globally...Burger chain Shake Shack Inc. filed a prospectus for an initial public offering that could raise as much as $100 million. The 63-unit better-burger operator it plans to list on the New York Stock Exchange under the ticker symbol “SHAK”...Discount Tire/America’s Tire opened its 900th store last month. Discount Tire opened 25 stores last year and now does business in 27 states...Hooters’ 2015 growth plan includes 30 remodels, at least 5 new corporate restaurants, and upwards of 24 franchise openings internationally...Sprouts Farmers Market will open 10 new stores in the second quarter of 2015, including its first stores in Tennessee and Missouri. Sprouts currently operates more than 190 stores in 10 states...Natural Grocers by Vitamin Cottage will...continued on page 3

COMMENTARY

Millennials Shift Fashion Direction
If you follow the habits of millennials, and wonder where they're shopping these days, a half dozen or so previously successful youth-oriented fashion retailers who have been experiencing plenty of turmoil recently are asking the same question. Some are attempting to regroup or redefine - and some have already lost the battle.

Among those latter are Deb Shops, which is currently liquidating all 287 stores, and Body Central, which closed all 265 locations just this month. Then there's Wet Seal, whose namesake stores and Arden B division recently showed consecutive comp store sales declines of 10.1% and 4.1% respectively. With few exceptions, Wet Seal's quarterly sales comps have been in the red since 2009. Last year, the company announced that it would phase out its Arden B operation; earlier this month, it announced that it would be closing 338 stores, about two-thirds of its remaining units; and as of this writing, Wet Seal finally announced Chapter 11 bankruptcy.

continued on page 2

KEYPOINT PARTNERS COMPANY NEWS

New Leasing Business: Lynne Cohen-Friedman will handle leasing for 767 Beacon St., Newton Centre, MA. Michael Branton will handle leasing for a freestanding building at 320 Warwick Ave., Warwick, RI. Employee News: Ashley Lezama returned to the Brookline, MA Office as an Assistant Property Manager. Brett Yancey in the Burlington, MA office has been promoted to Property Manager. Kirk Semon and Laurie Ouellette joined the Burlington, MA office as Property Managers. Noah Hano has joined the firm as Vice President of Investment Sales, and Robert A. Grady as Vice President of Leasing, both in the Burlington, MA office. Noah has over 20 years of commercial real estate experience, and had been Senior Vice President at the Beal Companies. Rob has over 34 years of experience in commercial real estate, and has worked previously at The Dartmouth Company, among others.

At left: Noah Hano; Rob Grady

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INDICATORS
PML: 55.5%, down from last month
CCI: 92.6, up from last month
Details on Page 4, plus Treasury Matrix, Retail Comp Sales Chart, and Commerce Dept. Sales Report

Extraordinary Commercial Real Estate Services
Aeropostale, another teen retailer without much identity, has been around for decades but was never able to establish itself as a frontrunner in the category. Aeropostale’s sales have declined from $2.3 billion in FY 2011 to $1.6 billion in FY 2014 - its worst year, when it experienced a 15% drop in comp store sales. The fact that during that time frame it added nearly 100 stores only exacerbated the problem. Last month, the company announced it would be closing 75 stores in the current Q4, following 23 closings in Q3. More closings are likely if Aeropostale is going to have any chance of righting the ship.

Even former Wall Street darlings have hit a wall: first Abercrombie & Fitch, then American Eagle Outfitters. Although there were several marketing blunders along the way that didn't help, the most detrimental impact on Abercrombie’s business came from its non-promotional pricing strategy. There was a time when teens had to wear that label regardless of cost, but as less expensive alternatives came into vogue, teens were quick to shift allegiance. Habitual customers still frequented their stores, and Abercrombie continued to turn a respectable profit, with operating income as a percent of sales holding in the mid-to-upper single digits. But last year that number dropped to 1.7%, only $81 million in the black against sales of $4.1 billion. As a result of the company’s misfortunes, Abercrombie announced two years ago that it would be closing 180 stores by 2015. Only a small portion of those stores have closed so far, so look for the pace to increase this year.

Abercrombie’s downturn came at a time when price-sensitive teens began opting for similar fashion at a reduced price in the form of American Eagle. For several years AE became the affordable copycat. But last year total revenue took a dip, although a modest one, for the first time since 2009, and comp store sales declined 6.0%. As a result, AE closed approximately 70 stores in 2014, with another 80 closings scheduled by 2016.

What happened? It appears that fashion-forward teen shoppers have become increasingly less label-conscious and more price-conscious (don’t forget, this particular group needs to save a few dollars in order to upgrade to the newest iPhone). They’ve forsaken the Abercrombie’s and Eagles. But they still want cool clothes. The answer for winning over millennials is affordable fashion, a trend that complacent, image-dependent mall-based merchants like A&F never saw coming. Who’s the beneficiary? Fast fashion, that’s who!

New-school fashion retailers such as Forever 21 and H&M have been rapidly rolling out stores while offering wide selections of trendy, affordable fashion - some might even view them as juniors “category killers”.

Forever 21, a private company, has grown from a single California unit in 1984 to an international chain of more than 480 store locations. Forever 21 is now the fifth largest retailer in the US; the average Forever 21 store is 38,000 square feet. H&M is a Swedish-based firm with more than 3,000 stores worldwide, and more than 300 in the US. This rapidly-growing chain increased its store count by more than 50% between 2009 and year-end 2013, and expansion plans call for a 10-15% increase in stores per year, with China and the US representing the primary growth targets. Typical stores range from 20,000 to 25,000 square feet.

Other fast-fashion retailers are on the horizon. Although Zara entered the US back in 1989 with a New York City location, this Spanish retailer has experienced difficulty growing in the US - its form-fitting European sizing had limited appeal on this side of the ocean. However, it appears this obstacle has been overcome as more and more Zara locations in excess of 20,000 square feet are popping up in major US markets.

Another new entry is Japanese retailer Uniqlo. After a brief hiccup with three poorly-located store openings in New Jersey in 2005 and closed two years later, it rebooted with a Soho store in 2006, resulting in much better traction: Uniqlo now has 21 stores in the Northeast and San Francisco Bay area, and is scheduled to open 18 new locations this year (including one in Boston). Stores average approximately 18,000 square feet, with flagships significantly larger. Uniqlo’s goal is to open 200 US stores by 2020.

Smart, aware millennial shoppers are hungrily seeking fashion and value, and stores like Forever 21, H&M, and Uniqlo are riding the wave of that desire. Let’s see which fast-fashion players are left standing after the wave passes.

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Send comments or questions about this article or any part of KeyPoints to KP@KeyPointPartners.com
open its fourth Arizona store in Tucson this month. Natural Grocers has 91 stores in 15 states. It expects to open 18 stores in fiscal year 2015...Hockey equipment manufacturer Bauer Hockey will open its first-ever retail store this summer, in Burlington, Massachusetts. It will be followed by a second location in the fall, in the Minneapolis area. The Bauer stores will include an indoor ice rink where shoppers can try out equipment. Bauer plans to open 6 to 8 stores in the next several years in key U.S. hockey markets...Auntie Anne’s Pretzels plans 100 new domestic locations in 2015, incorporating the brand’s new store design. Auntie Anne's has more than 1,600 units...Nordstrom plans to open a Nordstrom Rack at Destiny USA mall in Syracuse, New York in fall 2015 and one in Colorado Springs, Colorado in spring 2016...After focusing expansion efforts in Arizona, where all but 2 of the chain’s 31 restaurants are located, Native Grill and Wings plans 8 new restaurants in 2015 and plans to have as many as 100 locations nationwide by 2020...Washington Prime Group Inc., the strip center REIT, has completed its $4.3 billion acquisition of Gl颁发 Realty Trust. The company now goes by the name of WP GLIMCHER. This is the second big shift for Washington Prime, which spun off from Simon Property Group Inc. in 2014. The combined company owns and manages 119 shopping centers totaling more than 68 million s/f...Tokyo-based eyewear brand Jins, a pioneer of “smart” eyewear, will open a 4,900 s/f flagship in San Francisco, and launch a US e-commerce site this spring. Jins operates more than 300 stores in Japan and China. The company specializes in fashion-forward prescription and nonprescription eyewear at affordable prices...Family Dollar shareholders agreed to be acquired by Dollar Tree in a deal that creates a combined company with more than 14,000 locations and estimated annual sales of $19 billion. The deal is expected to close in March.

DECELERATING

Bottom Dollar Food will close its 66 store locations in the greater Philadelphia and greater Pittsburgh markets by Jan. 15 and retire the name. In November 2014, Delhaize Group, the parent company of Bottom Dollar Food, announced that it had entered into a transaction to sell Bottom Dollar to Aldi Inc. and that the transaction would close in first quarter 2015...Apparel and home goods chain C. Wonder is shuttering its remaining stores. The company had quietly closed a number of its 21 stores in November. It is now closing its remaining 11 locations. C. Wonder attracted interest when it opened its first store, in the SoHo section of Manhattan, in 2011...Wet Seal has filed for Chapter 11 bankruptcy, after the struggling teen retailer said it is closing 338 of its stores, leaving it with approximately 173 stores nationwide...J.C. Penney plans to close approximately 40 stores, less than 4% of its total store base, on or about April 4, 2015. The closures will effect about 2,250 employees...Body Central is going out of business and will close all its stores this month. As of Jan. 6, the company had 265 stores in 28 states...Gordon Brothers Group and Hilco Merchant Resources will begin going-out-of-business sales at all 287 Deb Shops locations nationwide. Store locations will remain open until all merchandise has been sold. Store furniture, fixtures, and equipment will also be for sale. Deb Shops gift cards will be honored through March 8...Target is ceasing all operations in Canada and closing all 133 Canadian stores. Stores will remain open during liquidation.

NEW ENGLAND

Landmark Northampton retail store Faces will close its doors for good in early 2015. The funky, friendly clothing and gift shop, known for its ever-changing creative window displays, has been in business for more than 40 years, and has operated at its Northampton location for a quarter-century...Stop & Shop is offering customers a unique and varied assortment from four local restaurants at its Somerville, MA store. Customers can eat in or order food to go from local restaurants Carol Ann's Bake Shop, Fisherman's Net, Salsa's and The Sausage Guy...A 50,000 s/f Whole Foods opened at the former Boston Herald property in the South End in National Development's $200 million Ink Block project. Whole Foods, on the ground floor of the “2 Ink” building, will be the first section to open, followed by apartments on the upper floors and condominium units in a nearby building. The store sports a few unusual touches, such as a frozen yogurt window, a fresh juice bar, and a Cape Cod-style seafood “shack” that fries fish and steams mussels to order...Luxury retailer Louis Boston will close its doors in July after more than 85 years of business. The department store moved to its current 20,000 s/f Fan Pier location in 2010, following several decades on Newbury Street. Louis Boston brought high fashion to Boston. The retailer was among the first in the country to carry pieces from European designers, and was considered an inspiration by many fashion and retail icons. The future of the space on Fan Pier has not yet been announced, but Louis Boston’s annual sale will coincide with its summer closure...O’Reilly Auto Parts plans to open its new Springfield location, its first in Western Massachusetts, sometime in the first quarter of 2015. O’Reilly is planning to open more stores in Western Massachusetts. O’Reilly has 4,311 locations in 43 states...Star Market has signed a long-term lease for a 63,000 s/f grocery store in Boston Properties and Delaware North’s mixed-use TD Garden project at North Station. The supermarket will be downtown Boston’s largest, and will potentially cap a 16-year push by the North End/West End/Beacon Hill Supermarket Committee to bring an affordable grocery to their neighborhoods. An escalator will take shoppers to the new lower-level Star Market, which will carry hot prepared foods, alcohol, cut produce and organics, and include a cheese shop, pizza and salad bars, sushi, a seating area, pharmacy and Starbucks...Talbots will open a new store this month at Wayside, in Burlington, MA. The 9,300 s/f Talbots will feature all of the brand’s concepts - Talbots, Talbots Petites, and the first Talbot Woman in the market.

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Manufacturing expanded in December as the PMI® registered 55.5 percent, a decrease of 3.2 percentage points when compared to November’s reading of 58.7 percent, indicating growth in manufacturing for the 19th consecutive month. A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting.

The Conference Board Consumer Confidence Index®, which had declined in November, improved in December. The Index now stands at 92.6 (1985=100), up from 91.0 in November. The Present Situation Index rose to 98.6 from 93.7, while the Expectations Index decreased to 88.5 from 89.3 in November.

**Treasury Yields**

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Source: Federal Reserve Board, U.S. Department of the Treasury

**Consumer Confidence Index**

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

**Purchasing Managers Index**

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