

The KeyPoint Report

Greater Hartford, Connecticut Retail Real Estate Trends & Analysis 2017



KeyPointPartners.com/Retail-Reports

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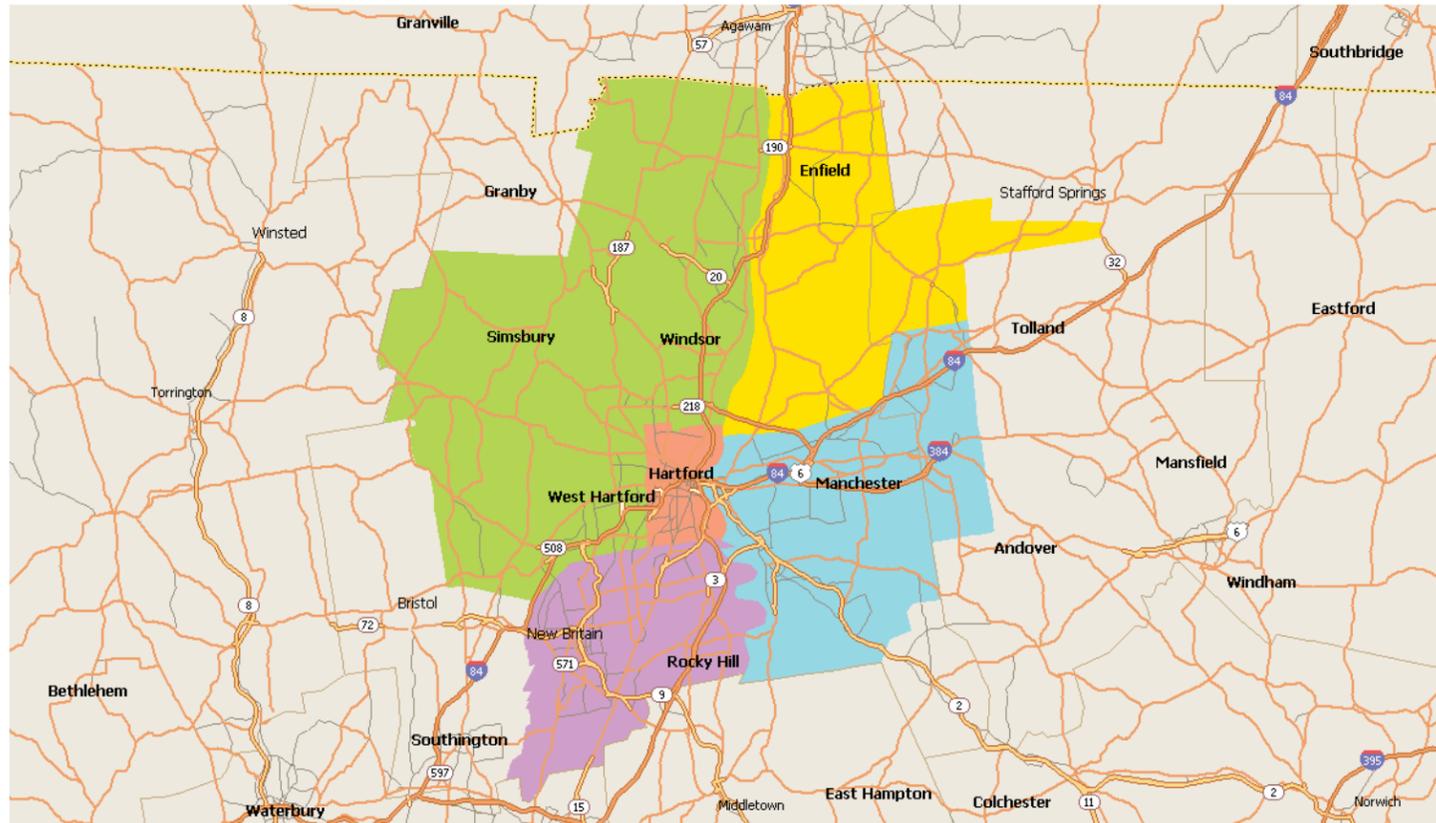
About This Report

This KeyPoint Report examines changes in supply, vacancy and absorption, retailer activity, and market composition by store size and retail categories for the year ending August 2017. This study includes 26 cities and towns representing more than 835 square miles and approximately 810,100 people (23% of the state population).

KeyPoint Partners' GRIID™ database contains detailed information on virtually all retail properties in three key regions: Eastern Massachusetts, Southern New Hampshire and Greater Hartford, Connecticut. These markets encompass approximately 44% of all retail space in New England. GRIID™ has information on nearly 262 million square feet of retail space and nearly 60,000 retail establishments. The KeyPoint Reports contain a summary and analysis of market trends and activity for each studied area.

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Submarkets:



Cities & Towns in the Study Area: Northeast: East Windsor, Ellington, Enfield, South Windsor; Northwest: Avon, Bloomfield, Canton, East Granby, Farmington, Plainville, Simsbury, Suffield, West Hartford, Windsor, Windsor Locks; City of Hartford: Hartford; Southeast: Bolton, East Hartford, Glastonbury, Manchester, Vernon; Southwest: Berlin, New Britain, Newington, Rocky Hill, Wethersfield.

Highlights

Retail Supply



Retail Absorption



Vacancy Rate



City/Town Rank

#1 Space SF: Manchester
#1 Low Vacancy: Newington
#1 High Vacancy: East Windsor

Submarket Rank

#1 Space SF: City of Hartford
#1 Low Vacancy: Northwest
#1 High Vacancy: Northeast

Retail Category Expansion

SF Growth: Health & Fitness
Store Growth: Telephone Equipment

Retailer Expansion

SF Growth: 
Store Growth: 

Observations:

Figure 1: Summary

In August 2017, Total retail space in Greater Hartford is 37.6 million square feet, a nominal increase of only 25,600 square feet from last year - in today's environment, limiting new development should be regarded as means of stabilizing brick and mortar vacancy which has remained at frustratingly high levels in the region for nearly a decade now.

Category	2017	2016	%Change
Total Market Size (Square Feet)	37,603,217	37,577,600	0.1%
Total Number of Retail Properties	3,474	3,500	-0.7%
Total Number of Retail Establishments	8,128	8,100	0.3%
Total Market Vacancy Square Feet	4,177,058	4,176,200	0.0%
Vacancy Rate	11.1%	11.1%	0.0%
Total Retail Space Per Capita	46.4	45.8	1.4%

Vacancy & Absorption:

Vacant retail space within Greater Hartford stood at 4.18 million square feet, reflecting a vacancy rate of 11.1%. This represents virtually no change from a year ago in either square footage or vacancy rate. The increase in inventory, therefore, contributed essentially all of the positive absorption in the region of 24,800 square feet.

Figure 2: Submarkets

The Northwest and Southeast submarkets dominate the region in total retail inventory, each with more than 10 million square feet. The Northwest also is the healthiest sector in the region with a vacancy rate of 8.1%, 300 basis points below the Greater Hartford average vacancy. The Southwest is also under the regional average, coming in at 8.7%. The two smallest submarkets by square footage are the Northeast and the City of Hartford; however, both top the list for highest vacancy rate.

Region	2017 SF	2016 SF	2017 Vacancy	2016 Vacancy
City of Hartford	2,861,300	2,858,200	15.2%	16.0%
Northeast	5,188,400	5,161,000	18.6%	16.8%
Northwest	11,680,600	11,737,800	8.1%	7.5%
Southeast	10,218,900	10,189,800	11.5%	11.2%
Southwest	7,654,000	7,630,800	8.7%	10.9%
Greater Hartford	37,603,200	37,577,600	11.1%	13.5%

Supply, Occupancy, & Absorption (Figure 1, Page 4): Total retail space in Greater Hartford is currently 37.6 million square feet, a nominal increase of only 25,600 square feet from last year - in today's environment, limiting new development should be regarded as means of stabilizing brick and mortar vacancy which has remained at frustratingly high levels for nearly a decade now. Unfortunately, the region was unable to reduce vacant square footage during the past year. While some retailers targeted Greater Hartford in their expansion plans in 2017, this growth was offset by a number of store closings and bankruptcies which resulted in the vacancy rate remaining unchanged at 11.1%. Although significantly below the peak level of 13.1% in 2013, shifting spending habits toward online purchases continue to impact retail real estate in Greater Hartford as it generally has across the U.S. As a result, net absorption in the region was nominally positive this year at 24,800 square feet.

Regional Submarkets (Figure 2, Page 4): The Northwest and Southeast submarkets dominate the region with respect to total retail inventory, each with more than 10 million square feet and together making up 58.2% of all retail space in Greater Hartford. The Northwest is also the healthiest sector in the region with a vacancy rate of 8.1%, 300 basis points below the Greater Hartford average vacancy. The Southwest is the only other sector with a vacancy rate under 11.0%, coming in at 8.7%. The two smallest submarkets with respect to square footage are the Northeast and the City of Hartford but both top the list for highest vacancy rate. The Northeast finished the year at 18.6% this year, impacted considerably by the Sears closing in Enfield at Enfield Mall. Last year it was the Macy's closing at the mall that largely affected the Northeast. The City of Hartford remained in second place at 15.2%, but lowered its 2016 rate of 16.0%.



Manchester retains #1 rank in retail supply

Individual Town Rankings (Figure 3, Page 6): The ten largest retail markets among Greater Hartford communities, based on square feet of retail space supply, remain unchanged. It should be no surprise that the top three towns are Manchester, West Hartford, and Enfield, all regional retail hubs serving Greater Hartford. Manchester dominates the region with 5.4 million square feet of retail space; West Hartford comes in a distant second with 3.0 million square feet. However, it should be noted that the 1.3 million square foot Westfarms regional mall, which straddles the West Hartford/Farmington line, has a Farmington address but is very much rooted in the West Hartford retail hub. Consequently, West Hartford is effectively a 4.0 million square foot market. Among towns with at least 500,000 square feet of retail space, lowest vacancy rates were found in Newington and Rocky Hill, both under 4.0%. Farmington, Plainville, and West Hartford follow, respectively, all at 7.1% or less. Among towns with the highest vacancy rates, only East Windsor finished higher than 20%, a repeat of last year, coming in at 24.6%, although an improvement from last year. The vacant Walmart and Showcase Cinema buildings are the culprits impacting retail vacancy in this community. Enfield just misses that threshold at 19.5%, with the vacant Macy's and Sears buildings at Enfield Square having a substantial effect on results. The ten towns with the highest vacancy all have vacancy rates of 10.0% and higher.

Vacancy by Tenant Size (Figure 4, Page 6): During 2017, changes in vacancy rates among size classification were mixed. The good news is that the two size segments between 10,000 and 49,999 square feet lowered their vacancy rates most significantly, the latter by 3.3 percentage points and now nearing full occupancy. This is particularly notable given numerous bankruptcies and store closings during the past decade among the size classification. The 2,500-4,999 SF vacancy rate also declined by 100 basis points. The bad news is that the 50,000-99,999 SF classification had a jump in the vacancy rate from 8.0% to 10.8%, impacted by two big box closings, Sears in Enfield and Bob's Stores in Manchester. The other segment to experience a significant rise in the vacancy rate was the 5,000-9,999 SF classification, increasing 190 basis points. The remaining three size ranges experienced little to no change.

Continued on page 7

Figure 3: City & Town Rankings

The top ten retail communities in terms of square footage remain in the same order as last year. Manchester continues to top all communities with 5.4 million square feet of retail space. West Hartford ended the year ranked second with 3.0 million square feet, slightly ahead of Enfield which finished with 2.9 million square feet. Among towns with at least 500,000 square feet of retail space, only East Windsor had a vacancy rate over 20%. Eight of 21 towns ended the year higher than the Greater Hartford rate of 11.1%. Among the healthiest retail communities, Newington finished on top with a vacancy rate of 3.4%, followed by Rocky Hill (3.7%) and Farmington (5.8%).

Most Space SF		HighVacancy*		Prior Rank	Low Vacancy*		Prior Rank
Manchester	5,410,600	East Windsor	24.6%	1	Newington	3.4%	2
West Hartford	2,995,000	Enfield	19.5%	6	Rocky Hill	3.7%	1
Enfield	2,916,200	East Hartford	18.0%	2	Farmington	5.8%	4
Hartford	2,861,300	New Britain	17.0%	4	Plainville	6.5%	3
Newington	2,671,800	Hartford	15.2%	5	West Hartford	7.1%	5
Farmington	2,049,900	South Windsor	13.6%	8	Simsbury	8.3%	10
East Hartford	1,959,900	Vernon	12.7%	7	Canton	8.8%	6
New Britain	1,703,500	Berlin	12.4%	3	Glastonbury	8.9%	8
Vernon	1,535,800	Bloomfield	10.5%	15	Avon	9.0%	9
Bloomfield	1,196,500	Windsor	10.0%	10	Manchester	9.5%	11

*For cities and towns with 500,000 square feet or more of retail space. NOTE: For towns with supply close to the threshold, 1 large vacant space can account for high vacancy percentage, without necessarily indicating market health.

Figure 4: Market Composition & Vacancy by Tenant Size

During 2017 changes in vacancy rates among size classification were mixed. The two size segments between 10,000 and 49,999 square feet lowered their vacancy rates most significantly; the latter by 3.3 percentage points and now nearing full occupancy. The 2,500-4,999 SF vacancy rate also declined by 100 basis points. The 50,000-99,999 SF classification had a jump in the vacancy rate from 8.0% to 10.8%. The other segment to experience a significant rise in the vacancy rate was the 5,000-9,999 SF classification, increasing 190 basis points. The remaining three size ranges experienced little to no change.

Tenant Size	Market Share 2017	Market Share 2016	Vacancy 2017	Vacancy 2016
Less Than 2,500 SF	18.3%	18.5%	17.9%	17.7%
2,500 to 4,999 SF	15.5%	15.5%	13.5%	14.5%
5,000 to 9,999 SF	13.4%	13.1%	13.2%	11.3%
10,000 to 24,999 SF	16.2%	15.9%	9.1%	10.6%
25,000 to 49,999 SF	9.6%	9.9%	2.5%	5.8%
50,000 to 99,999 SF	13.7%	13.5%	10.8%	8.0%
100,000 to 199,999 SF	12.7%	13.0%	6.0%	5.8%
200,000 SF and above	0.6%	0.6%	0.0%	0.0%

Top 10 Expanding Retailers*



Weekend Furniture Mart



*By added square footage

Although Sears closed a store in the 100,000-199,999 SF bracket, the site was already earmarked for redevelopment and, as a result, this Sears location in West Hartford is not reflected as vacant space



Key Bank led expansion by SF in the region

in the data.

Retailer Activity (Figure 5, Page 8): The largest retail square footage gain is typically represented by a big box operator; however, this year Key Bank led all retailers adding space by acquiring First Niagara Bank. Included in the 300-branch acquisition were 20 locations in Greater Hartford, including 72,500 square feet. Jump Off Trampoline Park was a distant second, adding a second Connecticut location in Manchester, occupying a former 34,700 square foot Mill Store unit. Dollar General added three stores and 24,500 square feet. Key Bank is also the leader in added store count with its 20 branch locations. Metro PCS added 9 stores, continuing its steady expansion. Dollar General also ranks third in this category with three new stores. Only seven business establishments added more than one location during the year. These results reflect the lack of big box growth in the region in 2017 and is likely the exception and not the rule moving forward. Sears continued its downward spiral, contracting by 242,600 square feet with store closings in Enfield and West Hartford. While the Enfield store remains vacant, West Hartford is under redevelopment and the new project will be called The Corbin Collection, which will include REI, Saks Off 5th, and Buy Buy Baby, among others. The opening is expected in spring 2018. The First Niagara Bank sale removes this namesake and its 72,500 square feet from the region, resulting in a second place finish. The closing of Bob's Stores in Manchester ranks this retailer third in square footage decline. With respect to store contraction, First Niagara also led the pack with 20 locations. Radio Shack closed its remaining four units, placing it in a tie with Ruby Tuesday for second place. The

Continued on page 9

Figure 5: Retailer Activity

The region encompasses approximately 8,100 retail establishments, representing approximately 5,000 unique retailers. The following summarizes these retailers by the degree of expansion and contraction.

Expansion by SF			Contraction by SF		
Retailer	Added	Total	Retailer	Contracted	Total
Key Bank	72,500	72,500	Sears	242,600	141,500
Jump Off Trampoline Park	34,700	34,700	First Niagara Bank	72,500	0
Dollar General	24,500	93,900	Bob's Stores	53,000	127,300
Planet Fitness	21,400	90,200	Eastern Mountain Sports	26,300	9,200
Weekend Furniture Mart	20,500	20,500	Canton Indoor Golf Center	22,500	0
T J Maxx	20,500	130,000	Burlington	22,000	192,200
Petsmart	20,400	109,900	Rocky's - Ace Hardware	20,000	16,000
Cardio Express	20,300	105,500	Ruby Tuesday	18,400	11,600
Clini Sanitas	18,300	18,300	The Limited	13,300	0
Wine Merchants	14,300	20,000	Marco Polo Restaurant	12,800	0

Expansion by # Stores			Contraction by # Stores		
Retailer	Added	Total	Retailer	Contracted	Total
Key Bank	20	20	First Niagara Bank	20	0
Metro PCS	9	17	Radio Shack	4	0
Dollar General	3	10	Ruby Tuesday	4	2
Dunkin Donuts	5	95	Payless ShoeSource	3	8
Sprint	5	12	Papa John's Pizza	3	2
Farmers Insurance	3	5	Battiston's	2	8
Oxford Cleaners	2	2	The Limited	2	0
			Edward Jones Investments	2	6
			Sears	2	1
			The Image Company	2	0

NOTE: All figures shown above are NET

Figure 6: Retail Category Activity

Tenants in GRID™ represent nearly 600 unique business classifications; we have aggregated similar business types into larger retail categories, and summarized these by the degree of expansion and contraction.

Expansion by SF			Contraction by SF		
Category	Added	Total	Category	Contracted	Total
Health & Fitness Services	57,600	1,256,900	Department Stores	-249,400	3,945,100
Medical & Dental Services	52,800	616,900	Eating Places	-47,400	3,824,800
Beer, Wine & Liquor Stores	31,400	857,300	Food Stores - Grocery	-45,600	3,747,000
Variety Stores	27,700	695,700	Sporting Goods	-35,600	793,900
Homefurnishings	24,800	590,700	Apparel - Women's	-28,100	495,900
Telephone Equipment	20,600	181,900	Gift/Novelty/Souvenir Shops	-27,100	264,500
Pet Shops/Pet Supply Stores	19,500	335,700	Banks/Savings Institutions	-22,700	887,300
Auto Services	13,800	226,300	Cleaners & Laundry Services	-15,300	352,100
Amusement & Recreation	11,600	1,182,500	Lawn & Garden Supply	-11,500	144,500
Beauty Supplies/Cosmetics	9,600	157,900	Apparel - Family	-10,800	1,113,900

Expansion by # Stores			Contraction by # Stores		
Category	Added	Total	Category	Contracted	Total
Telephone Equipment	13	94	Food Stores - Grocery	-16	292
Medical & Dental Services	12	152	Gift/Novelty/Souvenir Shops	-13	73
Health & Fitness Services	10	201	Eating Places	-13	1,428
Homefurnishings	6	96	Jewelry	-8	85
Beer, Wine & Liquor Stores	5	254	Apparel - Women's	-7	117
Beauty Salons and Services	4	835	Brokers & Financial Advisors	-5	45
Auto Services	4	71	Lawn & Garden Supply	-5	40
Beauty Supplies/Cosmetics	3	60	Radio, TV and Electronic Stores	-5	15
Tobacco Stores and Stands	3	46	Banks and Savings Institutions	-4	251
Variety Stores	3	114	Apparel - Family	-4	84

latter chain still operates two restaurants in the region.

Retail Categories (Figure 6, Page 9): For the third year in a row, Health & Fitness Services led in incremental square footage once again with an additional 57,600 square feet, the main contributions coming from Planet Fitness and Cardio Express, both located in Wethersfield. Medical & Dental Services continues to gain popularity as viable replacement tenants and ranked second this year with 52,800 square feet, nearly doubling the incremental gain experienced last year. Clini Sanitas was the largest new facility in this category, opening an 18,300 square foot location in Newington and its first location in the region. Beer, Wine & Liquor Stores came in third, largely a result of the Wine Merchants opening in Berlin. On the losing end, Department Stores had the largest decline in retail space, contracting by 249,400 square feet. Sears closings were primarily responsible. Restaurants were a distant second, dropping by 47,400 square feet with the likes of Bertucci's, Bonfish Grill, Carraba's and others closing units. Grocery stores ended in third place as a number of smaller neighborhood markets closed their doors. Telephone Equipment led all categories in the number of additional stores, increasing by 13 units, largely Metro PCS and Sprint locations. Medical & Dental Services and Health & Fitness Services were the only other categories netting double digit gains, adding 12 and 10 locations, respectively. Grocery declined by the highest number of stores, dropping 16 units. Gift, Novelty and Souvenir Shops and Restaurants closely followed, each category decreasing by 13 stores.

Conclusions: Probably the best thing that can be said for Greater Hartford is that the retail market held its ground with no significant change in inventory or vacancy. While there were some retailers expanding in the market there were enough store closings to put a damper on things. We have probably all heard the noise regarding malls and department stores - the two Sears closings in West Hartford and Enfield are certainly evidence of that. What happens with Enfield Mall remains to be seen, particularly in light of a Macy's store that closed last year at this regional shopping center. On a more encouraging note, the strength of the West Hartford market was enough to create an attractive redevelopment opportunity out of the other vacant Sears building in the form of The Corbin Collection, which will include REI, Saks Off 5th, and Buy Buy Baby, among others, upon opening in spring 2018. Other than that, not much stood out in the region.

Although there was relative stability in Greater Hartford this past year,

Continued on page 10

Observations continued:

neither retailers nor landlords can sit around waiting for the other shoe to drop. Amazon and other online retailers have created a sea change in the way people shop. The fallout will continue as many of the store closing announcements that we heard about just this year are still months or even years away from occurring. When we can expect to see stabilization in the spending shift to online is anyone's guess, but it is safe to assume we are nowhere near the end. One can only imagine what Amazon has planned for the newly-acquired Whole Foods Market, but it has to be a top-of-mind concern for the rest of the grocery industry. Right out of the box, the online behemoth indicated that all customers will immediately see "lower prices on a selection of best-selling staples across [Whole Foods] stores." And Amazon promises "more to come." Amazon has already followed through on its initial promise and we are seeing reports already that lower prices at Whole Foods have significantly improved traffic. Time will tell if this is permanent.

We're also coping with a new generation of millennial shoppers that have grown up in a digital age and for whom shopping online is the norm. If retailers are unable to offer them a satisfying omnichannel experience, they'll likely be unable to retain them.

On the bright side, job growth and low unemployment have provided us with a relatively healthy economy which should result in increased spending potential to help weather the storm. Some retailers other than a few off-pricers and dollar store chains are beginning to report same-store sales growth, albeit modest, an indication that brick and mortar stabilization may be taking hold.

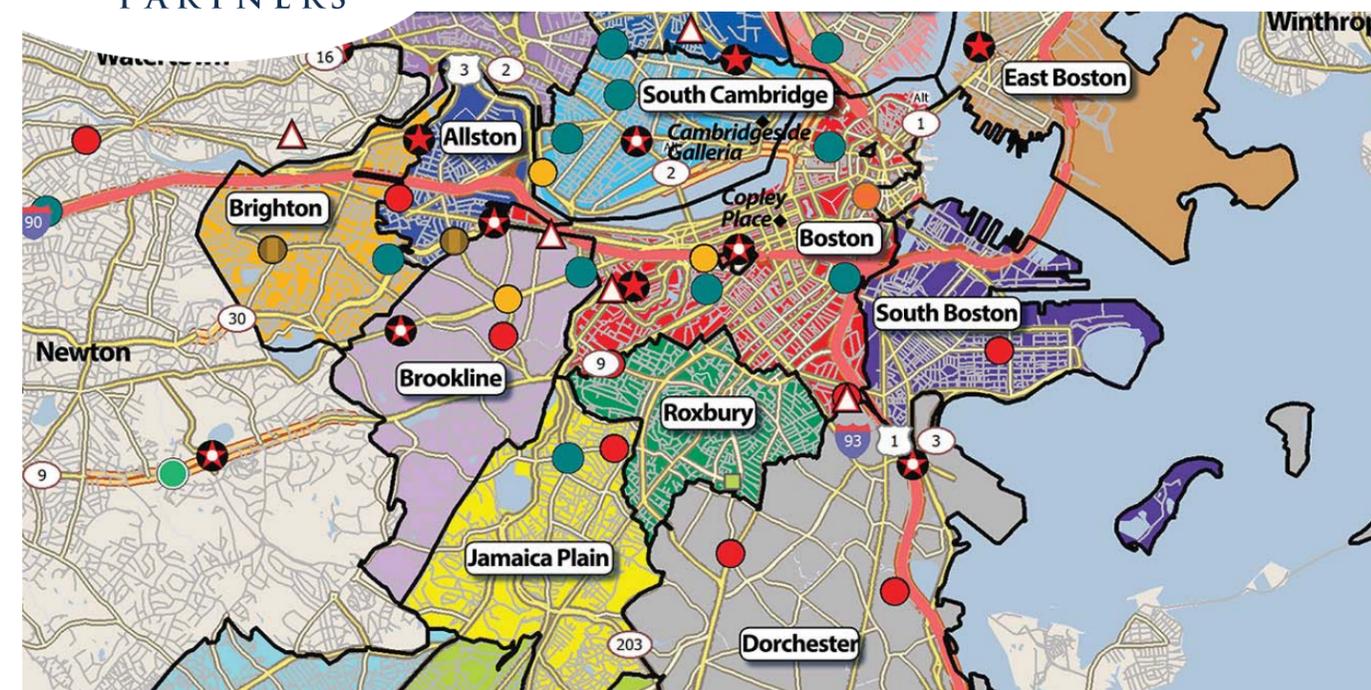
While no brick and mortar retailer is completely immune to online shopping, some have found a way to be more Amazon-proof than others. For the most part, beauty and cosmetics retailers have managed to stay out of harm's way - Ulta Beauty is a perfect example of a retailer that has created a shopping experience unmatched by online retailers. Off price retailers have continued to weather the storm as well auto parts chains. And there is no question that non-retail tenants have become viable replacements in retail shopping centers such as medical and dental services.

It goes without saying, though, that a number of retailers are approaching bankruptcy with little chance to recover. Department stores are under pressure to close more stores, and with several prognosticators aggressively predicting that many malls will close within five years, we expect to see more bankruptcies occur among mall-based apparel retail chains as well. The bottom line is: *survival of the fittest!*

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Retail Market Research



KeyPoint Partners provides customized research from preliminary desktop assessments to comprehensive evaluations, which integrate field investigation and quantitative analysis for a variety of retail location and store types.

The heart of our research superiority is GRID™, which tracks all retail activity including supply, occupancy, demographics, and marketplace trends for nearly 262 million square feet of retail properties and nearly 60,000 retailers and tenants in key markets within our territory - about 44% of the retail space in New England. We use this information in a host of research applications.

Because of our superior research, we're a market leader and a recognized information source. Our news digest, the KeyPoint Retail RoundUp (blog.keypointpartners.com), is updated daily. Our monthly KeyPoints retail newsletter is posted online and to thousands of subscribers. Our annual KeyPoint Reports present a thorough summary of retail real estate activity in key New England retail markets. Our data and insight are regularly solicited by the *Boston Business Journal*, *Boston Globe*, *Hartford Business Journal*, *Shopping Centers Today*, *Shopping Center Business*, *Retail Traffic*, *The Carlson Report*, *The New England Real Estate Journal* and other industry publications. You can see all of our research at KeyPointPartners.com.

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KeyPoint Partners provides retail research consulting services ranging from preliminary desktop assessments to comprehensive evaluations which integrate field investigation and quantitative analysis for a variety of retail location and store types. The heart of our research superiority is our powerful, proprietary GRID™. Is there a custom retail market research project we can do for you? Call Bob Sheehan, Vice President of Research at 781.418.6248, or email him at BSheehan@KeyPointPartners.com.

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Methodology: The data for this study includes all public retail space in the study area except for a few exclusions discussed below. The information in our database has been compiled and/or verified using a variety of sources including, but not limited to, direct contact with tenants and local government, leasing brochures, field checks, and other sources. The area for each space is obtained from sources deemed reliable, such as the owner or leasing agent, is paced off by our researchers or otherwise measured. Retail categories and SIC Codes are obtained from a leading business database, InfoUSA, when available. Each entry is field verified or determined by our research staff. In general, public retail space is characterized as all space currently, or most recently, utilized in selling or renting retail goods and/or services to the public. There are no size restrictions for stores or shopping centers. Certain retail classifications are excluded, including automobile dealerships, gasoline service stations, automobile repair shops and quasi-retail services, such as stock brokers, real estate agents, insurance agents, etc., unless such establishments are located in shopping centers containing typical retail tenants. In some cases wholesale or quasi-retail establishments have been included in the database if information from InfoUSA or our field research indicates that goods and/or services are being offered to the public from the location. Some establishments available to the public but typically serving primarily the needs of other users of a facility, such as a cafeteria in an office building or a beauty salon located inside a hotel, may also be excluded. Demographic information used in this study was provided by Scan/US.