

# The KeyPoint Report

## Greater Hartford, CT Retail Real Estate Trends & Analysis 2018



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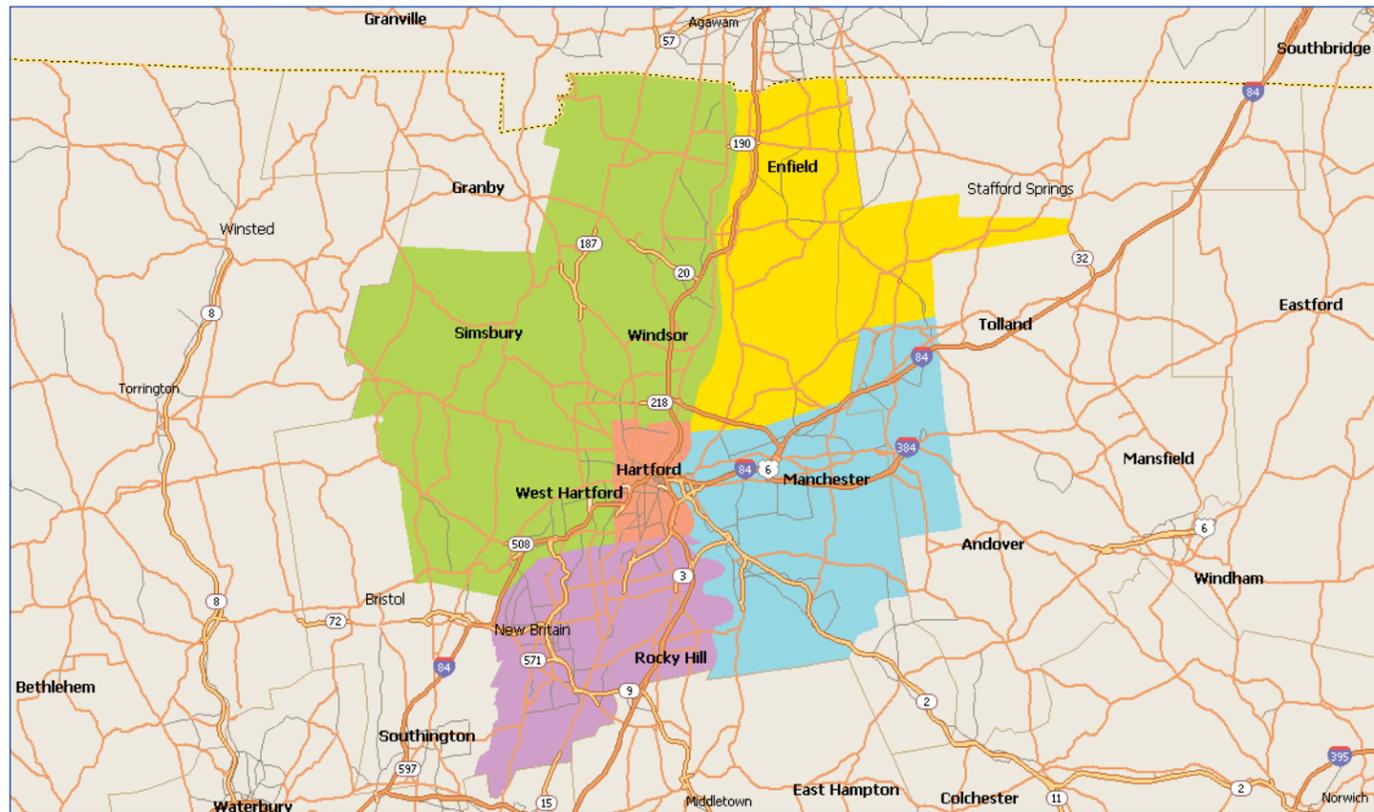
# About This Report

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 2018. This Report includes 26 cities and towns representing more than 835 square miles and approximately 812,500 people (23% of the Connecticut 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 Square Feet: Manchester  
#1 Low Vacancy Rate: Glastonbury  
#1 High Vacancy Rate: Enfield

## Submarket Rank

#1 Square Feet: Northwest  
#1 Low Vacancy Rate: Southwest  
#1 High Vacancy Rate: Northeast

## Retail Category Expansion

+ SF: Department Stores  
+ Stores: Grocery Stores

## Retailer Expansion

+ SF:   
+ Stores: 

# Observations:

Figure 1: Summary

Total retail space in Greater Hartford currently totals 37.6 million square feet, a nominal decrease of 47,200 square feet from last year. The change can be attributed primarily to a low level of new development and a number of conversions to non-retail space. 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 a decade now.

Category	2018	2017	%Change
Total Market Size (SF)	37,556,000	37,603,200	-0.1%
Total Number of Retail Properties	3,300	3,500	-4.6%
Total Number of Retail Establishments	8,200	8,100	0.8%
Total Market Vacancy (SF)	3,965,200	4,177,100	-5.1%
Vacancy Rate	10.6%	11.1%	-5.0%
Total Retail Space Per Capita (SF)	46.2	46.4	-0.4%

### Vacancy & Absorption:

Vacant retail space within Greater Hartford stood at 3.97 million square feet, a reduction in unoccupied space of 211,000 square feet, reflecting a vacancy rate of 10.6%. This is a significant drop from a year ago when the vacancy rate was 11.1%. The vacancy decline, therefore, contributed essentially all of the positive absorption in the region of 164,600 square feet.

Figure 2: Submarkets

The Northwest and Southeast submarkets dominate the region in total retail inventory, each with more than ten million square feet. The Southwest is the healthiest sector in the region with a vacancy rate of 7.5% while the City of Hartford showed the most improvement from last year, dropping from 15.2% to 13.0%. The vacancy rates in the other three submarkets also experienced a drop in the vacancy rate, albeit modest.

Submarket	2018 SF	2017 SF	2018 Vacancy	2017 Vacancy
City of Hartford	2,859,100	2,861,300	13.0%	15.2%
Northeast	5,159,700	5,188,400	18.3%	18.6%
Northwest	11,710,500	11,680,600	7.9%	8.1%
Southeast	10,203,900	10,218,900	11.2%	11.5%
Southwest	7,622,800	7,654,000	7.5%	8.7%
Greater Hartford	37,556,000	37,603,200	10.6%	11.1%

**Supply, Vacancy, & Absorption (Figure 1, Page 4):** Total retail space in Greater Hartford is currently 37.6 million square feet, a nominal decrease of 47,200 square feet from last year. The change can be attributed primarily to a limited level of new development and a number of conversions to non-retail space. In today's environment, limiting new development should be regarded as means of stabilizing brick-and-mortar vacancy which had remained at frustratingly high levels for nearly a decade but this year there was improvement. There were a couple of redevelopment high points, however: an attractive redevelopment of the former Sears building in West Hartford, and the reemergence of The Corbin Collection. This 163,700 square foot lifestyle project is now anchored by REI and Saks Off Fifth, and will add Cost Plus World Market and Buy Buy Baby later this year. The region was notably able to weather the Toys R Us/Babies R Us liquidation, which added more than 172,000 square feet of vacancy to the region, and at the same time benefit from the absorption of other existing vacancy, ending the year with a vacancy rate of 10.6% - a significant decline from the past two years when the vacancy rate was stuck at 11.1%. Furthermore, the resulting absorption rate of 164,600 square feet was the strongest since 2015.

**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 58.4% of all retail space in Greater Hartford. All submarkets in the region experienced improvement in the vacancy rate. The Southwest was the healthiest sector in the region, finishing the year with a vacancy rate of 7.5%, experiencing a significant decline from 8.7% a year ago. The improvement resulted largely from the demolition of a former Walmart store in New Britain, now the site of a new self-storage facility. The City of Hartford showed the greatest improvement, dropping from 15.2% to 13.0%. The Northeast had the highest vacancy rate in the region but did show a modest decline from 18.6% to 18.3%. This is somewhat disappointing, however, since a vacant 59,000+ square foot Showcase Cinema in East Windsor was razed to make way for a 29-acre casino site. Had that space remained vacant, the vacancy rate in the submarket would have increased to 19.4%.



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 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. Regarding vacancy, the lowest rate was found in Glastonbury, coming in at 4.2%. This was a significant improvement from an 8th place finish last year when its rate was 8.9%. Newington and Rocky Hill tied for second although both inched up from sub-4.0% rates last year to 5.4% in 2018. Bloomfield followed, moving into the top ten this year with a 6.0% vacancy rate. Among towns with the highest vacancy rates, Enfield finished the year at 20.6%, impacted largely by vacant Macy's and Sears stores at Enfield Mall. Runner-up was East Windsor at 19.4%, followed by East Hartford at 17.2%. Seven of the ten towns with the highest vacancy had rates exceeding 10.0%.

**Vacancy by Tenant Size (Figure 4, Page 6):** During 2018 changes in vacancy rates among size classification generally show improvement in vacancy. However, the most glaring change occurred in the 25,000-49,999 square foot segment. This particular classification was impacted substantially by the store closings resulting from the Toys R Us liquidation, causing a jump in the vacancy rate from 2.5% in 2017 to a current level of 6.2%. The only other size classification to show an increase was the 100,000-199,999 square foot bracket, singularly impacted by the Sam's Club closing in Manchester. A particularly notable change this year occurred

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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 Enfield had a vacancy rate over 20%. Seven of 21 towns ended the year higher than the Greater Hartford regional rate of 10.6%. Among the healthiest retail communities, Glastonbury finished on top with a vacancy rate of 4.2%, followed by Newington and Rocky Hill, both at 5.4%.

Most Space SF		Highest Vacancy*		Prior Rank	Lowest Vacancy*		Prior Rank
Manchester	5,400,800	Enfield	20.6%	2	Glastonbury	4.2%	8
West Hartford	3,002,000	East Windsor	19.4%	1	Newington	5.4%	1
Enfield	2,931,400	East Hartford	17.2%	3	Rocky Hill	5.4%	2
Hartford	2,859,100	South Windsor	14.4%	6	Bloomfield	6.0%	13
Newington	2,698,100	Hartford	13.0%	5	Plainville	6.3%	4
Farmington	2,036,500	Berlin	12.7%	8	Farmington	6.4%	3
East Hartford	1,936,500	Manchester	11.3%	12	Avon	6.7%	9
New Britain	1,612,100	Canton	9.6%	15	Wethersfield	7.5%	11
Vernon	1,546,700	Vernon	9.3%	7	Simsbury	7.7%	6
Bloomfield	1,207,700	West Hartford	9.1%	17	New Britain	8.8%	18

\*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 2018 changes in vacancy rates among size classifications generally took a positive turn. Only two categories finished the year with rates higher than last year, 25,000-49,999 and 100,000-199,999 square feet. The Under 2,500 square foot classification experienced a decline from 17.9% to 14.9%, the strongest improvement in the region. The 50,000-99,999 square foot segment also showed a significant decline in the vacancy rate from 10.8% to 8.3%.

Tenant Size	Market Share 2018	Market Share 2017	Vacancy 2018	Vacancy 2017
Less Than 2,500 SF	18.5%	18.3%	14.9%	17.9%
2,500 to 4,999 SF	15.5%	15.5%	13.1%	13.5%
5,000 to 9,999 SF	13.4%	13.4%	12.7%	13.2%
10,000 to 24,999 SF	16.2%	16.2%	8.0%	9.1%
25,000 to 49,999 SF	9.6%	9.6%	6.2%	2.5%
50,000 to 99,999 SF	13.2%	13.7%	8.3%	10.8%
100,000 to 199,999 SF	13.0%	12.7%	8.3%	6.0%
200,000 SF and above	0.6%	0.6%	0.0%	0.0%

Top 10 Expanding Retailers\*



\*By added square footage

in the smallest segment, the Under 2,500 square foot classification, which experienced a vacancy rate drop to 14.9% from 17.9%, the strongest improvement in the region. As the largest segment of retail in Greater Hartford, this substantial decrease in vacancy had the most positive effect on the region as a whole. Also showing solid improvement was the 50,000-99,999 square foot size range, which experienced a vacancy rate decline of 240 basis points to 8.3%. This was a case of addition by subtraction following the demolitions of a vacant Showcase Cinema in East Windsor, which is earmarked for a new casino, and a former Walmart store in New Britain, now the site of a new self-storage facility.



At Home led expansion by SF in the region

**Retailer Activity (Figure 5, Page 8):** At Home, the home décor superstore, led all retailers in square footage gain this year, recently opening its first Connecticut store in Manchester. Walgreens followed, converting seven of its newly acquired Rite Aid units to its namesake pharmacies following the purchase of 1,932 stores nationally. Burlington rounded out the top three, adding its fifth store in the region by replacing a vacant Sports Authority in Farmington. Walgreens added seven stores in the region, resulting from Rite Aid conversions. T-Mobile added five locations and was the only other retailer to add more than two locations in 2018. Roz & Ali, Dollar General, and O'Reilly Auto Parts were among numerous names to add two stores. Sam's Club led all retailers in space contraction, closing its store in Manchester. Toys R Us followed with three store closings. Babies R Us was third, shutting down two stores. The two liquidated chains vacated a combined 172,200 square feet. Rite Aid reduced its store count by 10 locations, including the seven converted to Walgreens and three that closed. It has two pharmacies remaining in the region and it is undecided whether they will convert to Walgreens or close. Pizza Hut and Subway each closed four units. It is

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Figure 5: Retailer Activity

The region encompasses approximately 8,200 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	New	Total	Retailer	Contracted	Total
At Home	108,000	108,000	Sam's Club	116,000	134,600
Walgreens	74,900	390,300	Toys R Us	112,400	0
Burlington	51,200	243,400	Babies R Us	59,700	0
Club Fitness	34,300	113,200	Rite Aid	101,700	22,200
Saks Off 5th	27,000	27,000	Pilgrim Furniture	35,100	37,700
REI	25,000	50,600	Gold's Gym	34,300	0
HomeGoods	20,000	71,800	K & G Fashion Superstore	21,500	0
Dollar General	17,100	110,900	Curtain & Bath Outlet	21,400	0
Roz & Ali	15,800	15,800	Dress Barn	15,800	22,900
O'Reilly Auto Parts	15,300	40,200			

Expansion by # Stores			Contraction by # Stores		
Retailer	New	Total	Retailer	Contracted	Total
Walgreens	7	30	Rite Aid	10	2
T-Mobile	4	13	Pizza Hut	4	2
Metro PCS	2	21	Subway	4	69
Dollar General	2	12	Toys R Us	3	0
The Fresh Monkee	2	3	7-Eleven	2	14
Roz & Ali	2	2	Teavana	2	0
European Wax Center	2	5	Midas Mufflers	2	6
Hartford Healthcare	2	16	Dress Barn	2	3
Go Health Urgent Care	2	2	Famous Footwear	2	2
O'Reilly Auto Parts	2	5	Justice	2	3

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	New	Total	Category	Contracted	Total
Department Stores	78,200	4,047,300	Hobby, Toy and Game Shops	-112,200	306,700
Sporting Goods	23,600	835,100	Drug Stores	-57,400	930,700
Health & Fitness Services	22,200	1,326,300	Cleaners & Laundry Services	-34,400	338,200
Telephone Equipment	16,300	202,500	Apparel - Family	-24,000	1,091,800
Beauty Salons and Services	14,800	1,168,000	Pet Shops/Pet Supply Stores	-22,800	314,100
Bakery, Bagel & Doughnut	11,300	338,000	Jewelry	-21,700	130,400
Medical & Dental Services	10,900	638,200	Furniture Stores	-21,100	967,900
Apparel - Men's and Boys'	10,700	91,200	Drinking Places	-20,300	141,200
Electronic Stores	9,300	310,600	Apparel Rental Service	-11,900	20,000
Amusement & Recreation	9,100	1,228,100	Florists	-11,700	70,200

Expansion by # Stores			Contraction by # Stores		
Category	New	Total	Category	Contracted	Total
Food Stores - Grocery	16	326	Jewelry	-10	76
Beauty Salons and Services	15	918	Cleaners & Laundry Services	-9	136
Health & Fitness Services	14	231	Drug Stores	-8	92
Telephone Equipment	12	110	Pet Shops/Pet Supply Stores	-6	43
Bakery, Bagel & Doughnut	9	173	Florists	-6	40
Tobacco Stores and Stands	5	57	Variety Stores	-5	111
Amusement & Recreation	4	64	Drinking Places	-5	49
Gift, Novelty and Souvenir Shops	4	81	Building Materials	-4	38
Apparel - Family	3	89	Apparel - Women's	-4	114
Medical & Dental Services	3	164	Apparel Rental Service	-3	4

noteworthy that with substantial consolidation in the department store industry continuing nationally, no traditional department stores closed in the Greater Hartford region during the past year. The broader category actually added two stores, Burlington in Farmington and Saks Off Fifth in West Hartford.

**Retail Categories (Figure 6, Page 9):** Never have we seen a merchandise category go from worst to first... until now. The Department Store category was the surprise leader in square footage gain within the region this year. It was not the result of traditional department store growth however. Burlington and Saks Off Fifth added new stores to the category. Sporting Goods benefitted from the addition of a new 25,000 square foot REI store in West Hartford, finishing the year at number two. Health & Fitness Services, which had led in the ranking for the past three years, slipped to third, after adding a number of smaller independent health clubs and martial arts studios. Although a 34,342 square foot Club Fitness opened in Windsor, it was a replacement for an existing Gold's Gym. On the losing end, Hobby, Toy and Game Shops had the largest decline in retail space, contracting by 112,200 square feet. Toys R Us closings were primarily responsible. Drug Stores were a distant second, dropping by 57,400 square feet largely resulting from three Rite Aid closings in Berlin, Plainville, and Manchester. Cleaners & Laundry Services finished in third, continuing to be impacted by the popularity of casual dress in the workplace and the subsequent decline of dry cleaning demand.

Grocery stores top the ranking among all categories for store count gain. Numerous convenience stores and neighborhood markets opened and closed during the year but netted on the plus side with 16 new units. Beauty Salons and Services finished the year right behind with 15 new store locations. In addition to hair salons, new massage, nail, and eyebrow threading facilities opened last year. Health & Fitness Services was third on the list with 14 new locations. Among merchandise categories that experienced a contraction in store count, Jewelry Stores declined by ten units, the most in the region. Store closings by independent jewelers in non-mall shopping venues were the primary cause. Cleaners & Laundry Services followed with the loss of nine units and Drug Stores finished third with eight fewer locations including three Rite Aid stores.

**Conclusions:** As the 2018 study year comes to a close, it was a relatively good year when compared to recent history for Greater Hartford. Developers held the line on new construction while a significant number of

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## Observations continued:

vacancies were replaced by growth-oriented retailers or by non-retail conversions. This was enough to lower the vacancy rate in the region to 10.6% after sitting at 11.1% for the past two years, despite contending with a Toys R Us/Babies R Us liquidation and a Sam's Club store closing. It was also a year in which there was no additional department store fallout following two Sears closings in 2017 and a Macy's closing a year earlier. As shopping patterns continue to shift toward online at the expense of brick-and-mortar retail space, it will be interesting to see if the region continues to trend toward higher occupancy or reverts to the downside.

At the same time, vacancy rates would have experienced much stronger improvement this year if not for store closings by only two retail firms, Toys R Us and Walmart. Toys R Us was saddled with debt and online competition was the final nail in the coffin, leading to an entire liquidation of its U.S. operations, including three namesake stores in Greater Hartford as well as two Babies R Us stores. Walmart's Sam's Club division contracted by one store, similar to other region in our GRIID™ database, but unfortunately these closings prevented the region from potentially lowering its vacancy rate below 10.0% this year.

Nevertheless, brick-and-mortar retailers and landlords remain under pressure to defend their turf from the continued onslaught of internet retailing. Walmart, for instance, is making vast strides on the e-commerce side of the business with huge capex investment in internet sales enhancement and acquisitions of online retailers. Both Walmart and Target have recently banded together with Google to drive the e-commerce sales component, entering what they hope is the beginning stages of developing a viable alternative to Amazon. Target and other dominant retailers such as Costco, Kohl's, and Walgreens are making their merchandise available on Google Express and also connecting with Google Assistant to offer a convenient online ordering option.

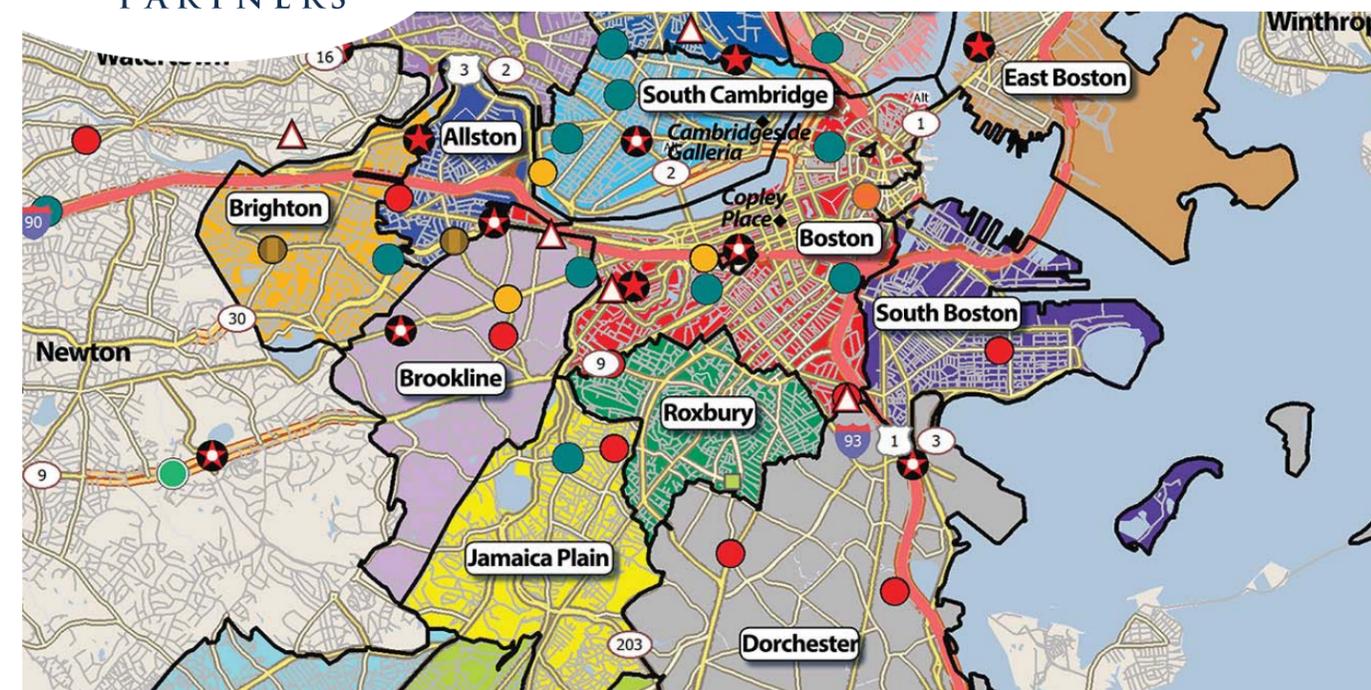
At the same time, while Greater Hartford shopping center development was at a near standstill, the region has been seeing big-box vacancies readily absorbed by growth-minded retailers. That has been the case with the vacant West Hartford Sears store which was redeveloped as The Corbin Collection, which included the first Saks Off Fifth store in the region and the second REI store. The project also will introduce Cost Plus World Market and Buy Buy Baby later this year, both making their entry into the region. Another redevelopment brings another expansion-minded retailer to Greater Hartford: At Home, the home décor superstore chain, recently made its Greater Hartford debut with a 108,000 square foot unit in Manchester at The Plaza at Burr Corners. It replaced a vacant K&G Superstore and Pilgrim Furniture City, with the latter relocating on-site into a vacant Waldbaum's supermarket.

With several new entries to the region and other established retailers such as Auto Zone, Famous Footwear, and Party City absorbing significant vacancy, it only reinforces the fact that a retail apocalypse has been greatly exaggerated. However, Greater Hartford will continue to see the brick and mortar fallout from the strengthening shift toward online shopping. Many sophisticated retailers are forgoing physical growth in order to focus on efforts to enhance their online shopping experience and compete more effectively with Amazon. Shopping center developers need to also adjust to the digital world, and it appears that redevelopment projects occurring in 2018 are a reflection that caution signs have not gone unheeded.

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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 GRIID™, 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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