

The KeyPoint Report

Southern New Hampshire Retail Real Estate Trends & Analysis 2019



[KeyPointPartners.com/Retail-Reports](https://www.KeyPointPartners.com/Retail-Reports)

KEYPOINT[®]
PARTNERS

KeyPoint Partners, LLC
One Burlington Woods Drive, Burlington, MA 01803
Tel 781.273.5555 Fax 781.272.8408

KeyPointPartners.com
Info@KeyPointPartners.com



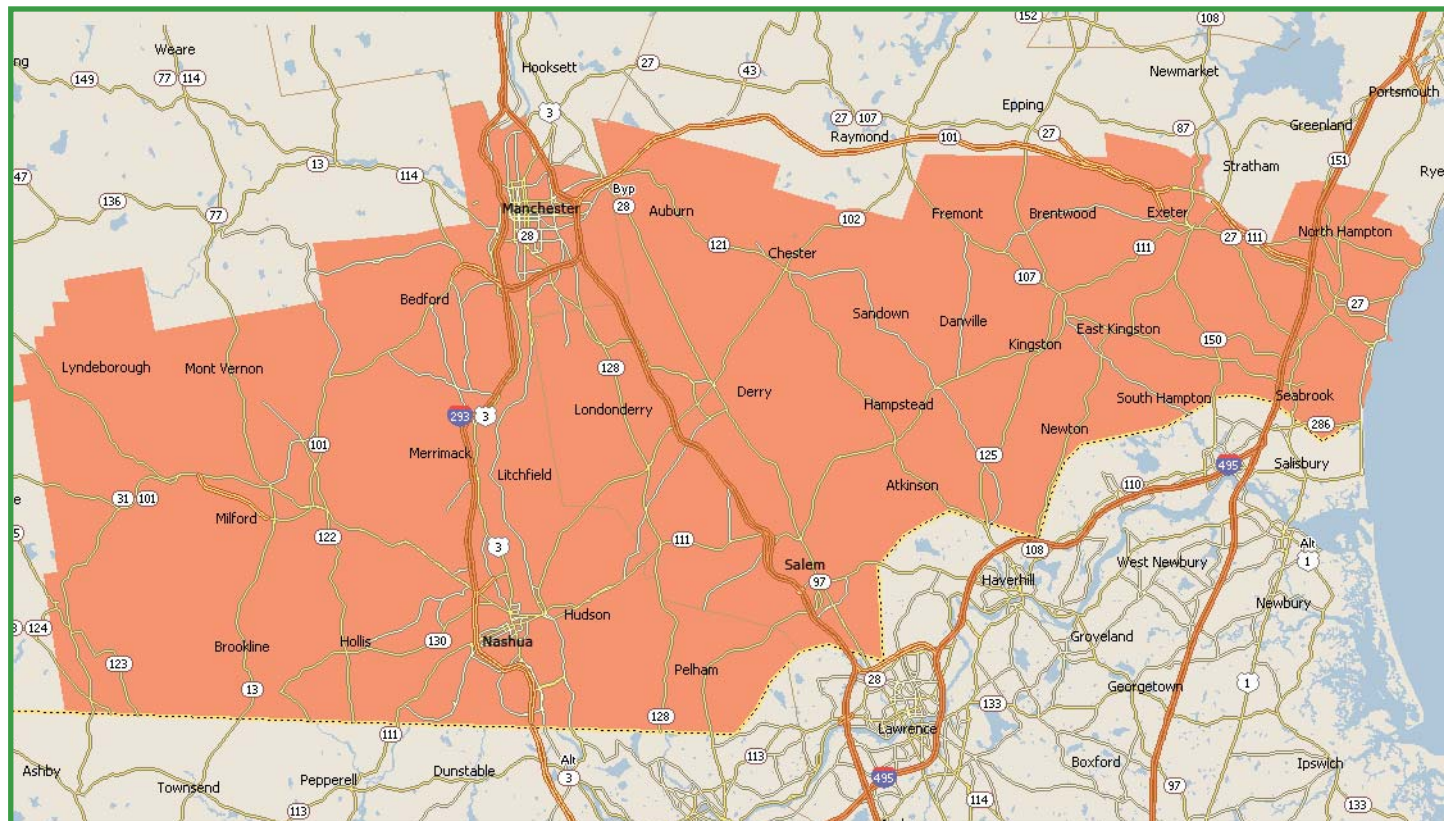
About This Report

This KeyPoint Report examines the retail marketplace, noting changes in supply, vacancy and absorption, retailer activity, and market composition by store size and retail categories during the period from July 2018 to July 2019. The study includes 39 cities and towns, representing more than 835 square miles and approximately 567,600 people (42% of the state population).

KeyPoint Partners' GRIID™ database maintains 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 detailed summary and analysis of market trends and activity for each studied area.

Copyright KeyPoint Partners, LLC, 2019

Studied Towns:



Cities & Towns in the Study Area: Amherst, Atkinson, Auburn, Bedford, Brentwood, Brookline, Chester, Danville, Derry, East Kingston, Exeter, Fremont, Greenville, Hampstead, Hampton, Hampton Falls, Hollis, Hudson, Kensington, Kingston, Litchfield, Londonderry, Lyndeborough, Manchester, Mason, Merrimack, Milford, Mont Vernon, Nashua, Newton, North Hampton, Pelham, Plaistow, Salem, Sandown, Seabrook, South Hampton, Wilton, Windham

Highlights

Retail Supply



Retail Absorption



Occupancy Rate



City/Town Rank

Largest Retail Market: Nashua
Lowest Vacancy Rate: Derry
Highest Vacancy Rate: Seabrook

Retail Category Expansion

+ SF: Amusement/Recreation
+ Stores: Health/Fitness

Retailer Expansion

+ SF:
+ Stores:

Observations:

Figure 1: Supply, Vacancy & Absorption:

The retail inventory in Southern New Hampshire included 29.9 million square feet in 2019, indicating a modest gain of 107,800 square feet from a year ago. Vacancy increased 130,600 square feet, equating to a vacancy rate of 9.7% compared to 9.3% last year. Consequently the absorption rate for the year in Southern New Hampshire was a nominally negative 22,800 square feet.

Category	2019	2018	%Change
Total Market Size (Square Feet)	29,922,100	29,814,300	0.4%
Total Number of Retail Properties	2,000	2,000	0.0%
Total Number of Retail Establishments	5,300	5,300	0.0%
Average Store Size	5,700	5,700	0.0%
Vacancy (Square Feet)	2,892,100	2,761,500	4.7%
Vacant Stores	700	700	0.0%
Vacancy Rate	9.7%	9.3%	4.4%
Total Retail Space Per Capita	52.7	52.5	0.4%



Here are our comments and observations on activity during the last year:

Supply, Occupancy, & Absorption (Figure 1, Page 4): The retail inventory in Southern New Hampshire included 29.9 million square feet in 2019, indicating a modest gain of 107,800 square feet from a year ago. Vacancy increased 130,600 square feet, equating to a vacancy rate of 9.7% compared to 9.3% last year. The higher vacancy rate can be attributed largely to the closings of Sears in Salem, and a Walmart in Bedford. Another vacant Sears in Manchester will be occupied by Dick's Sporting Goods later this year, and Dave & Buster's in early 2020. Additional smaller shops will also be added. Therefore the vacant Sears at Mall of New Hampshire is not included in our reported vacancy level. Staples also closed one of its two stores in Nashua, while Mattress Firm vacated four stores.

Offsetting these vacancies were new stores that now occupy a number of large format vacancies. Ocean State Job Lot moved into a vacant Toys 'R' Us box in Salem, while Bed Bath & Beyond joined Boston Interiors in occupying the former Hannaford store in Bedford. XtremeCraze, a trampoline and laser tag entertainment venue, opened in the former TJMaxx store at Apple Tree Mall in Londonderry, which had been vacant since 2016. Another backfill occurred in Nashua, where HomeGoods and Sierra Trading Post, its first store in New Hampshire, opened in a vacant Sports Authority store. As a result of the offsetting changes, the absorption rate for the year in Southern New Hampshire was a nominally negative 22,800 square feet.



Nashua retains #1 rank in retail supply

Individual Town Rankings (Figure 2, Page 6): There has been no change in the top ten largest regional markets for the second year in a row: Nashua continues to rank first with 6.4 million square feet of inventory; Manchester follows at 5.3 million square feet; and Salem is a distant third at 3.9 million square feet. Seabrook and Bedford follow with 2.0 million square feet and 1.5 million square feet, respectively.

Among towns with at least 500,000 square feet of retail space, Derry had the lowest vacancy rate at 5.5% after finishing last year in the runner-up position. Hudson moved to the second spot with a 5.7% vacancy rate. Merrimack remained in third place again this year at 6.2%. The Merrimack 360 project in Merrimack, a 67,300 square foot redevelopment of the former Shaw's anchored shopping center, reduced the vacancy level in this town.

Among towns with the highest vacancy rate, Seabrook remained in the top spot with a vacancy rate of 15.7%; the Sam's Club vacancy was largely to blame for the high level. Bedford jumped from 10th to 2nd place on the heels of the Walmart closing. Manchester remains in third place at 12.1%.

Vacancy by Tenant Size (Figure 3, Page 6): Although the vacancy rate in Southern New Hampshire ticked upward this year, there was one size classification that showed remarkable improvement and that was the 25,000-49,999 SF segment, declining from a vacancy rate of 14.1% to 10.9% this year. Much of that was attributed to the large format backfilling of vacant stores such as Toys R Us, Sports Authority, and TJMaxx mentioned above. In addition, entertainment venues also filled up vacant units in Southern New Hampshire. XtmeCraze, a multi-faceted complex offering laser tag, escape rooms, game room, and airpark, filled the TJMaxx box at Apple Tree Mall in Londonderry. Altitude Trampoline Park now occupies the vacant Shaw's box in Merrimack along with Planet Fitness, part of Shaw's Plaza redevelopment project now known as Merrimack 360. The 10,000-24,999 SF classification also made significant improvement. Conversely, the 100,000-199,999 SF segment was hit hard by department store closings, resulting in a rise in the vacancy rate from 2.5% to 6.8%. The 5,000-9,999 SF size range was the only other size bracket that was adversely impacted by more than 100 basis points.

Retailer Activity (Figure 4, Page 8): With respect to expansion by store count, no retailer added more than two stores in the region this year; in fact, there were only two that added that many: Verizon Wireless and California Burritos. D'Angelo's closed six sandwich shops. Payless ShoeSource closed five stores following its announcement to liquidate. Mattress Firm closed four stores. Nevertheless, there were some larger format retailers with notable store openings.

Continued on page 7

Figure 2: City & Town Rankings

The three state border communities of Nashua, Salem, and Seabrook, in addition to Manchester, continue to dominate the retail scene in Southern New Hampshire. These four retail hubs encompass 59% of the retail space in a region comprised of 39 cities and towns. The top ten communities represent 84% of the retail inventory in Southern New Hampshire. Among jurisdictions with 500,000 square feet, Derry has the lowest vacancy rate at 5.5% after finishing in the runner-up position a year ago. The Seabrook vacancy rate remained the highest at 15.7% although but moderately lower than last year.

Most Space SF		Lowest Vacancy*		Prior Rank		Highest Vacancy*		Prior Rank	
Nashua	6,450,600	Derry	5.5%	2	Seabrook	15.7%	1		
Manchester	5,264,800	Hudson	5.7%	6	Bedford	12.6%	10		
Salem	3,898,700	Merrimack	6.2%	3	Manchester	12.1%	3		
Seabrook	1,984,300	Plaistow	6.6%	4	North Hampton	11.5%	7		
Bedford	1,552,000	Salem	7.5%	1	Amherst	10.6%	5		
Merrimack	1,436,900								
Plaistow	1,259,200								
Derry	1,225,800								
Londonderry	1,072,000								
Hudson	910,300								

*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 3: Market Composition & Vacancy by Tenant Size

Although the vacancy rate in Southern New Hampshire ticked upward this year, there was one size classification that showed remarkable improvement and that was the 25,000-49,999 SF segment, declining from a vacancy rate of 14.1% to 10.9% this year. Overall, vacancy increased 130,600 square feet, equating to a vacancy rate of 9.7% compared to 9.3% last year.

Tenant Size	Market Square Feet	Vacant Square Feet	Vacancy Rate	Share of Total
Less Than 2,500 SF	4,308,700	657,400	15.3%	14.4%
2,500 to 4,999 SF	4,407,700	539,800	12.2%	14.7%
5,000 to 9,999 SF	3,880,200	470,800	12.1%	13.0%
10,000 to 24,999 SF	4,627,700	224,800	4.9%	15.5%
25,000 to 49,999 SF	3,243,500	352,600	10.9%	10.8%
50,000 to 99,999 SF	3,666,200	267,400	7.3%	12.3%
100,000 to 199,999 SF	5,588,100	379,300	6.8%	18.7%
200,000 SF and above	200,000	0	0.0%	0.7%

Top 10 Expanding Retailers*



*By added square footage



Ocean State Job Lot led expansion by SF in the region

Expanding the most by square footage was Ocean State Job Lot, which took over the former Toys R Us unit in Salem. Bed Bath & Beyond followed by filling the remainder of the vacant Hannaford store in Bedford, now sharing that space with Boston Interiors, which opened in 2017. Core Medical Group, a medical staffing agency, came in third, opening as an anchor to The Shoppes at 655 South Willow, a new mixed-use project located on a site that formerly housed Osram Sylvania, a light bulb manufacturing plant. Retail shops and a self-storage business will round out this development. Sears heads the list in space contraction after closing two stores in Manchester and Salem. The Mall of New Hampshire location has already been earmarked for a Dick's Sporting Goods store, Dave & Buster's, and smaller shops. Walmart is next on the list, vacating a store in Bedford which was only two miles west of a relatively new Walmart Supercenter. Staples was third following the closing of one of its Amherst Street store in Nashua, one of two locations in the city.

Retail Categories (Figure 5, Page 9): As we have been suggesting for a while now, Amazon-proof categories rule the day. Amusement & Recreation led the way in incremental square footage with the addition of XtremeCraze and Altitude Trampoline Park, adding 54,300 square feet of retail space. Closely behind was Health & Fitness Services, gaining 53,400 square feet, with a new Planet Fitness in Salem largely contributing. Home Furnishings managed to slip in at third this year, boosted by the addition of a new Bed Bath & Beyond store in Bedford and a HomeGoods store in Nashua.

Among categories losing space, Department Stores ended the year having contracted by more than 300,000 square feet, resulting from two Sears and a Walmart closing. Gift, Novelty and Souvenir Shops was next in the rankings, but incurred a loss of only 34,000 square feet. Brookstone, Party City, and Things Remembered were some of the more notable store closings in this category. Office & Stationery Supplies closely followed with a

Continued on page 9

Figure 4: Retailer Activity

The region encompasses more than 5,300 retail establishments, representing approximately 3,200 unique retailers. The following summarizes these by the degree of expansion or contraction.

Expansion by SF			Contraction by SF		
Retailer	New	Total	Retailer	Contracted	Total
Ocean State Job Lot	41,000	220,900	Sears	-258,100	165,400
Bed Bath & Beyond	35,900	129,900	Wal-Mart	-119,100	1,147,500
Core Medical Group	30,300	30,300	Staples	-29,100	158,800
XtremeCraze	25,000	25,000	Mattress Firm	-26,000	55,300
Planet Fitness	24,500	161,300	Payless ShoeSource	-18,300	0
HomeGoods	23,800	127,000	Dress Barn	-14,100	28,400
Ashley HomeStore	22,800	135,900	D'Angelo's Sandwich Shop	-12,600	5,200
Eastern Mountain Sports	22,200	27,400	Party City	-11,700	50,600
Altitude Trampoline Park	20,300	42,300	Charlotte Russe	-11,600	0
Sierra Trading Post	18,000	18,000	Papa Gino's	-10,600	19,400

Expansion by # Stores			Contraction by # Stores		
Retailer	New	Total	Retailer	Contracted	Total
Metro by T-Mobile	6	6	D'Angelo's	-6	2
Verizon Wireless	2	12	Payless ShoeSource	-5	0
Xfinity Store	3	3	Mattress Firm	-4	9
Thin Blue Line Driving School	2	2	Papa Gino's	-3	7
Bar Harbor Bank & Trust	2	2	Charlotte Russe	-3	0
Sbarro Italian Eatery	2	2	Gymboree	-3	0
Boost Mobile	2	5	Crazy 8	-2	0
California Burritos	2	3	Cartridge World	-2	2
Sherwin-Williams Company	2	8	Sears	-2	1
			Olympia Sports	-2	6

NOTE: All figures shown above are NET

Figure 5: 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 or contraction.

Expansion by SF			Contraction by SF		
Category	New	Total	Category	Contracted	Total
Amusement/Recreation	54,300	703,300	Department Stores	-336,200	3,805,600
Health/Fitness Services	53,400	1,153,400	Gift, Novelty Souvenir Shops	-34,000	368,400
Homefurnishings - Total	49,600	510,400	Office & Stationery Supplies	-31,400	163,600
Apparel/Accessory - Misc.	39,900	154,500	Hardware	-13,900	189,700
Professional Services	27,900	117,400	Apparel - Children & Infants	-13,800	79,600
Food Stores - Grocery	9,600	2,900,200	Lawn & Garden Supply	-9,200	88,400
Computer/Software Stores	7,900	69,200	Hobby, Toy and Game Shops	-8,200	397,500
Bakery, Bagel & Doughnut	7,400	170,500	Optical Goods Stores	-8,500	79,000
Variety Stores	6,300	379,300	Furniture Stores	-7,200	885,900
Apparel - Family	5,400	860,500	Household Appliances	-5,300	86,400

Expansion by # Stores			Contraction by # Stores		
Category	New	Total	Category	Contracted	Total
Health/Fitness Services	9	197	Gift, Novelty and Souvenir Shops	-11	69
Amusement/Recreation	8	46	Apparel - Children & Infants	-7	15
Apparel & Accessory	6	51	Hobby, Toy and Game Shops	-6	45
Educational & School Services	3	30	Furniture Stores	-5	64
Bakery, Bagel & Doughnut	3	92	Sporting Goods	-5	78
Tobacco Stores and Stands	2	55	Banks and Savings Institutions	-4	166
Radio, TV and Electronic Stores	2	10	Office & Stationery Supplies	-3	11
Apparel - Family	2	77	Optical Goods Stores	-3	31
Building Materials	2	49	Shoe Stores	-3	53
Medical & Dental Services	2	96	Department Stores	-2	37

Staples store closing representing the bulk of the space.

Regarding expansion by store count, Health & Fitness Services added nine units, the largest of which is the Planet Fitness in Salem. Close behind was Amusement & Recreation, adding eight locations. In addition to XtremeCraze and Altitude, some of the other concepts include an escape room, virtual reality, and an indoor playground. Netting six additional stores was Apparel & Accessory, adding Sierra Trading Post, Lululemon, and Tilly's stores among others.

Gift, Novelty and Souvenir Shops declined by 11 units, followed by Children's Apparel, which netted a loss of seven units including Gymboree, Crazy 8, and Jack & Jill stores. Hobby, Toy and Game Shops decreased by six stores.

Conclusions: As the 2019 study year comes to a close, shopping patterns continue to shift toward online purchasing at the expense of brick-and-mortar retail. It has been reported nationally that planned store closings in 2019 have already surpassed the total for all of 2018. Notable in the region were two Sears stores, a traditional Walmart store, and a Staples unit. Restaurant chains also experienced considerable consolidation, led by Subway, Papa Gino's, and D'Angelo's. Liquidations continue to mount, with Payless ShoeSource, Gymboree, and Charlotte Russe added to the list this year. The fact that all three are largely regional mall-based stores should be of little surprise to anyone. Fortunately there were several expansion-minded retailers that filled significant space left in the region, holding down the rise in the vacancy rate.

In addition there were a few new projects that opened this year. The Merrimack 360 project in Merrimack, a 67,300 square foot redevelopment of the former Shaw's anchored shopping center, now offers a Planet Fitness and Altitude Trampoline Park and several shops and restaurants. Market & Main began opening this year in Bedford, including just the third Trader Joe's location in New Hampshire and will add the first REI store in the state later in the year. Also opening was The Shoppes at 655 South Willow, a new mixed-use project in Manchester. The other significant development in the region involves the vacated Sears store at The Mall of New Hampshire. Dick's Sporting Goods and Dave & Buster's will headline this remerchandising effort of the vacant space when they open next year.

Nevertheless, it's undeniable that developers and brick and mortar retailers alike are feeling the pinch of internet retailing. We were hoping to see more stabilization between brick and mortar sales and online shopping, but the reality is the latter is strengthening - although more and more smart retailers are responding. Walmart, for example, is matching Amazon stride for stride. Ever since its acquisition of Jet.com, the retail behemoth has been on a tear: last year the company grew its e-commerce business by 40% and still isn't satisfied. It continues to improve online profitability by improving merchandise mix. Target is another powerhouse player in e-commerce today as well. In 2018, Target comp sales in the

Continued on page 10

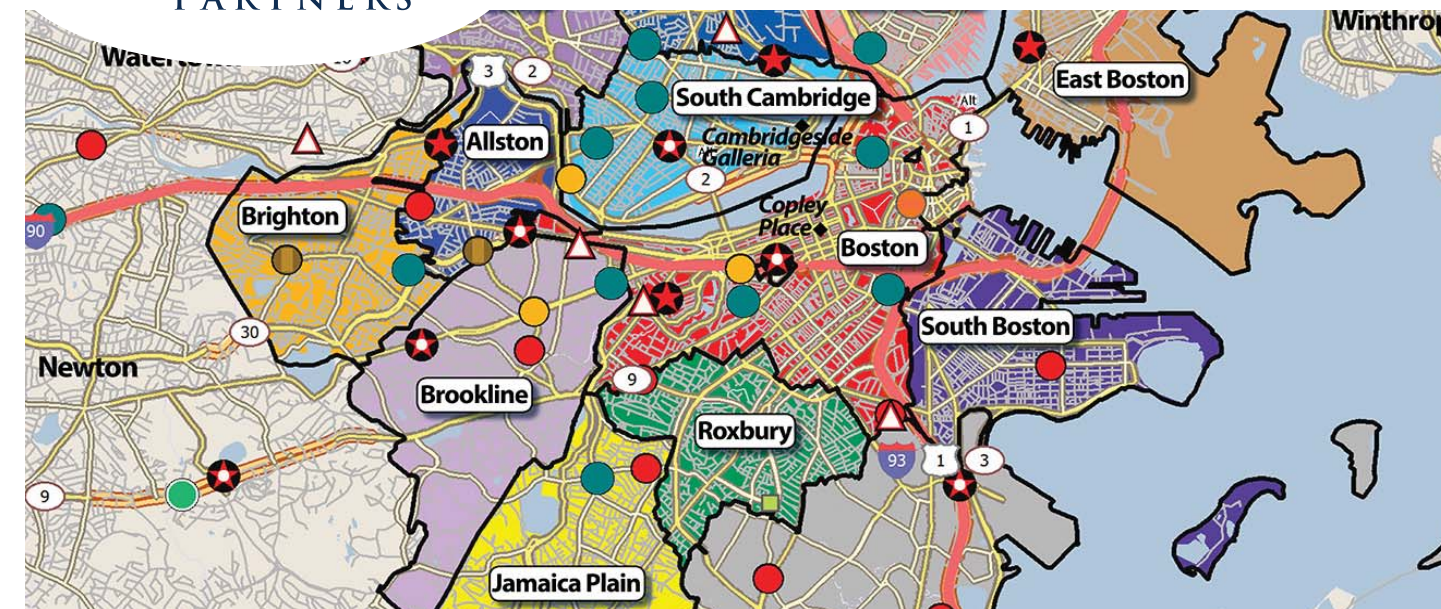
Observations continued:

Retail Market Research

all-important Q4 were up by 5.3%, aided by a 31% boost in online orders. Three quarters of all online orders were fulfilled at store level, a decided advantage over Amazon. Kohl's, however is now assisting Amazon by processing returns for purchases made at the online giant. Both Target and Kohl's are building smaller stores and offering easier ways to pick up online purchases. Many other retailers are finding ways to compete online because they have no choice: retailers will not survive by executing only a brick and mortar strategy. As noted, there are signs that many are realizing this, and executing accordingly.

The region should expect to see more fallout from the impact of e-commerce and the inability of retailers to react to it. Too many retailers are facing high debt issues such as JCPenney, Neiman Marcus, Rite Aid, PetSmart, Petco, and Pier 1. Mall-based tenants such as J.Crew, Gap, Claire's, Things Remembered, Ann Taylor, Loft, and others continue to experience weakening market share. However, other types of tenants are beginning to absorb mall space. While there are undoubtedly some major bright spots, it will likely be another volatile year.

Bob Sheehan
 Vice President of Research
 BSheehan@KeyPointPartners.com



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.

Is there a custom retail market research project we can do for you? Contact:
 Bob Sheehan
 Vice President of Research
 781.418.6248
 BSheehan@KeyPointPartners.com

Extraordinary Commercial Real Estate Services

What can we do for you?



The KeyPoint Report

We also create KeyPoint Reports for Eastern Massachusetts/Greater Boston, available now at KeyPointPartners.com, & Greater Hartford, Connecticut - available soon

Custom Retail Market Research

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.

Read the daily retail news at
KeyPoint Retail RoundUp

Read and subscribe to our
monthly *KeyPoints* newsletter

Read our annual *KeyPoint Reports* on retail real estate

All are available at at
KeyPointPartners.com



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.