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Retail construction outlook registers some optimism

Boston Business Journal - by [Keith Regan](#) Special to the Journal

When it comes to the outlook for the retail construction sector, even the most optimistic insiders hesitate to predict when the next wave of major store-building may occur.

But there appears to be growing consensus that things won't get too much worse.

"In three words, I'd say it's not as bad," said Sheryl Starr, a real estate attorney at **Bernkopf Goodman LLP** in Boston. "Not as bad as we feared. Not as bad as we thought. Not as bad as it could have been. And we've only been able to say that over the last few months. Even in the middle of 2009 we had landlord clients who were getting letters a couple times a week from the likes of Blockbuster or Sleepy's saying they were going to move out unless they got a 20 percent reduction in rent. That's not happening any more."

Starr and others in the industry say that banks are beginning to lend for retail projects once again, that the rash of chain store closings that racked the industry starting in 2008 has at least slowed down and that growth of bank chains, grocery stores and others seeking to use the downturn to grab prime space has helped give the sector some signs of life.

With such high-profile projects as Patriot Place in Foxboro and Legacy Place in Dedham wrapped up, the prospects for construction of major new malls appear to be well in the future. Still, storefronts left vacant when chains such as Linens N' Things and Circuit City shuttered are increasingly being reused, helping to lay the groundwork for new projects.

"At some point, we are going to see some more big projects, but I don't think anybody is building any kinds of significant spec projects today," said David Cary, managing director of **Integra Realty Resource**, a commercial real estate valuation and consulting firm with an office in Boston.

The retail market can vary widely from location to location and even tenant to tenant, Cary added. "There was a lot of mall space built over a 10-year period before things came to a halt," he said.

Now, most growth is opportunistic in nature, with retailers such as grocery chains that want to get footholds in new markets grabbing prime space in growing suburban markets. For instance, Wegman's plans to open a store at an open-air mall under construction at Routes 9 and 20 in Northborough, which would be the New York chain's first in Massachusetts.

Jim Stukel, a vice president with **Delphi Construction** in Waltham, said most of the retail construction work in the market currently is focused on reuse and renovation of existing spaces.

"It feels like things have stabilized and the retail climate has started to work its way back on improved sales and consumer confidence," he said. "It is certainly a buyer's market right now and there are good opportunities out there for retailers that are in a position to grow to take advantage of the down market."

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