

BLOOMING CONCEPTS

Some retailers are taking advantage of favorable conditions to expand existing brands or launch new ones.

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Landlords on the prowl for new tenants have reason for optimism.

Although vacancy rates in all retail property types continue to creep higher, retailers that were knocked down by the recession are pulling themselves off the floor and restarting the expansion pipeline. Moreover, there is a growing cadre of up-and-coming retailers that operate handfuls of stores today, but are looking to make the leap to becoming larger chains.

As a result, the attitude has changed a bit in leasing circles. Recently, most emerging and expanding retailers sold necessity products or were value oriented, says Doug Healey, senior vice president of leasing for the East Coast with the Macerich Co., a Santa Monica, Calif.-based regional mall REIT. But the tenants coming onto the scene now increasingly sell discretionary goods, Healey says.

For example, some retailers have succeeded by going after parents' wallets with concepts aimed at preschoolers and tweens. Among these is the new Crazy 8 chain from the Gymboree Corp. and P.S. from Aeropostale from Aeropostale Inc.

Then there are concepts that might sell stuff for kids, but also offer relief for stressed-out parents. For instance, WONDER!, a new-to-market emporium that will sell everything anyone needs for a child under seven years of age, was originally conceived as a stress-free place where parents could do all of their shopping and grab a bite while their children run around an in-store playground.

Meanwhile, a much smaller, but relative in spirit concept, has emerged in the form of Little Monkey Bizness, a new chain of playgrounds that also sell gourmet coffee and snacks. Little Monkey Bizness recently signed leases for its seventh and eighth stores in Wheaton, Ill. and Tampa Bay, Fla.

Among the fastest growing categories in the next year or two will be fast-food operators that take spaces under 5,000 square feet, according to the June edition

of a monthly retailer demand report put together by Rich Moore, an analyst with RBC Capital Markets, that includes data from Retail Lease Trac.

One such retailer is Freshii, a newcomer to the quick service sector that concentrates on fresh, healthy, custom-built menus. Freshii's founder, Matthew Corrin, hopes to eventually have a North American fleet of at least 1,000 stores. The chain opened its first location in Toronto in 2005, but it's already considering expanding worldwide. It currently operates stores in the U.S., Canada, Austria and Dubai. "If Subway has 30,000 [stores], I believe we can achieve 10 percent of that number," Corrin says.

Another growth area is the market for organic, environmentally-conscious products. Freshii touts its fresh, preservative-free offerings and biodegradable packaging as some of its selling points. Two other new retailers—Melvita and Rain—are building their concepts around organic offerings. Melvita, a French chain run by the same company that owns L'Occitane en Provence, focuses on selling beauty and hygiene products made with natural ingredients.

"The U.S. is the perfect market for Melvita because there is such a need for clarity in the marketplace about whether personal care products are actually organic and to what extent they are organic," notes Deanna Elstrom, vice president of Melvita U.S.A.

Finally, the current market environment has provided an opportunity for some regional chains to start mulling national expansion. Among these is apparel seller Body Central, which has previously operated stores primarily in the West and Southeast, and Hibbett Sports, a Southeastern retailer trying to enter new states.

"We are still profitable and our stores are making money and our year-over-year comps are still positive," says Jeff Gray, vice president of real estate with the chain. "The reason we slowed down our growth [in 2008 and 2009] was because of lack of development, we just didn't have places to go."

Desigual

Category: Apparel

Coming from: Spain

Current stores: 5

Planned openings: Unknown

Average store size: 4,000 to 6,000 square feet, but the chain is flexible

Target audience: Desigual means "different" in Spanish and that's what the retailer tries to offer, something different for everyone, says Cheryl Rose-Mack, principal of Columbus, Ohio-based CM&R Group, Desigual's U.S. broker.

Buzz: The chain sells colorful, fashion-forward apparel and so far, shows major expansion potential, says Healey. Desigual will consider locations in malls and on urban streets, as long as they boast a high fashion, high traffic image, adds Rose-Mack.



Rain

Category: Bath and beauty products, gifts

Parent: Rain Africa

Coming from: South Africa

Current stores: None; one is coming on line later this year in New York City

Planned openings: Unknown

Average store size: 1,000 to 1,500 sq. ft.

Target audience: Women between the ages of 25 and 45

Buzz: Rain sells natural, handmade bath and body products ranging from soaps to candles to back scrubbers. "All their packaging is recyclable and they support ethical trading, which is a big issue in Africa," says Michael Stone, senior director with Cushman & Wakefield, who's representing Rain in the United States. Rain plans to take locations in tourist areas and regional malls.

Crazy 8

Category: Children's apparel

Parent: The Gymboree Corp.

Current stores: 91

Planned openings: 28 during the second quarter of fiscal 2010 alone, 75 to 100 by the end of the year

Average store size: Approximately 2,200 sq. ft.

Target audience: Children, from newborns to early teens

Buzz: Janet LaFevre, senior marketing director with the Glendale Galleria in Glendale, Calif., where Crazy 8 recently signed a new lease, says the chain offers fashionable clothes at lower price points than Gymboree stores. A pair of jeans at a Crazy 8 store costs \$6.99, versus \$28.75 at Gymboree.

Zoup!

Category: Food

Parent: Zoup! Fresh Soup Company

Current stores: 26

Planned openings: 34 stores by the end of 2010, 70 by the end of 2013 and more than 100 by 2015

Average store size: 2,000 to 2,200 sq. ft.

Target audience: White collar office workers and support staff, busy moms

Buzz: Zoup! is an upscale fast casual chain that has developed hundreds of soup recipes by testing them on friends and family, says Eric Ersher, the company's founder and managing partner. Flavor choices run from Lobster Bisque to Sicilian Pizza and there are options available for people with diet restrictions and allergies.