

CLEVELAND RETAIL MARKET

One of the hardest hit real estate segments, both in Cleveland and across the nation, has been the retail sector. A dramatic reduction in consumer spending during the past four years has caused significantly lower retail sales and resulted in a long list of bankrupt retailers and struggling retail centers.

While the pullback by the consumer has ultimately led to numerous instances of shuttered stores and bank-owned retail centers across the region,



Pacella

there have also been some noticeable trends that illustrate the underlying resiliency and strength of this segment.

Although the pace of retail development has been at a near standstill for the past few years, some projects have begun to take shape. The furthest along is a new 86,000-square-foot Giant Eagle in Broadview Heights, which is under construction and is slated for an opening in early 2012.

Meanwhile, The South Euclid/



A rendering of Crocker Park, a 1.2 million-square-foot lifestyle center in Westlake, which will be the new home for the headquarters of American Greetings in 2014.

Cleveland Heights area also has emerged as a favored development location with two large-scale projects.

The long-planned expansion and renovation to the northern half of Cedar Center began in the spring with the construction of a new GFS Marketplace. When fully completed in late 2012, this project is expected to contain approximately 60,000 square feet of total retail space as well as resi-

dential and office space.

A much larger development, known as Oakwood Village, is close to breaking ground thanks to the recent successful rezoning of a portion of the project.

This 106-acre, mixed-use development straddles Cleveland Heights and South Euclid, and will include large-format and traditional in-line retail, as well as a residential component and a 21-acre park. Construction is expected to begin in early 2012.

Finally, Crocker Park, a 1.2-million-square-foot lifestyle center in Westlake, was recently selected as the new home for the headquarters of American Greetings.

The project is expected to ultimately encompass 3 million square feet, including new office, retail, residential and hotel components. The American Greetings facility will be completed by 2014.

TRADING UP

Depressed pricing in the general real estate market has provided clear opportunities for several strong retailers to improve their positioning in established, built-out communities.

McDonald's is a great example. The fast-food giant has secured redevelopment sites with much better visibility and accessibility compared to their current locations in the densely populated municipalities of Cleveland Heights and Lakewood.

Cleveland-based KeyBank has also been active, constructing retail branch banks on in-fill locations in Lakewood, Lyndhurst, Highland Heights and Independence during the past 24 months.

Meanwhile, Sonic has continued its slow, but steady, expansion into the region by recently redeveloping a former KFC in Mayfield Heights. Wal-Mart also has stepped up efforts to freshen and expand several of its stores, most notably in Macedonia, Stow and Boardman.

SWITCHING OUT

The storefronts left vacant by bankrupt large-format retailers have provided well-located, high-visibility locations for new retailers new to the market, or for those merchants looking to expand their coverage.

The Borders bankruptcy has opened the door for several different retailers to enter the market, including ULTA (Solon) and Books-A-Million (Cuyahoga Falls and North Canton).

Closed locations of Blockbuster Video have also been popular sites, with Advanced Auto, AutoZone, America's Best Eyeglasses and Anytime Fitness, each snapping up at least one former location of the troubled video rental chain. Advanced Auto and AutoZone had existing locations in Cleveland while America's Best Eyeglasses and Anytime Fitness are new to the market.

Pittsburgh-based Levin Furniture expanded its regional footprint by replacing a former Linens 'n Things junior anchor location in Avon, as did hhGregg, which replaced a former Circuit City in Mentor.

BRANCHING OUT

Despite the continued struggles of many retailers, several chains have made aggressive pushes into the Cleveland market. In an odd paradox, two of the most active categories have been fitness facilities and ice cream/frozen yogurt stores.

Examples of the former include Fitness 19, CrossFit and, as previously mentioned, Anytime Fitness. Examples of the latter include Menchie's, Yogurt Vi and Robeks.

All of these retailers have opened multiple locations during the past 24 months and continue to actively work on new locations. Nearly all of these stores have opened in existing storefronts rather than in new developments.

The retail segment may be down, but these examples illustrate that it certainly is not out. The prolonged shakeout has been difficult, but a healthier, stronger market is emerging. And as the economy begins to improve, this market should be in a much better position for recovery.

— Alec Pacella, CCIM, is a senior vice president specializing in investments with NAI Daus Commercial Real Estate Services in Cleveland.

East State Street Office

4940-60 E. State Street, Rockford, IL 61107

For Sale
or Lease

Property Type: **Office**

Sale Price: **\$3,100,000**

Unit Price: **\$108.34 Per SF**

Building Size (RSF): **28,613 SF**

Tenancy: **Multiple Tenants**

Rental Rate: **\$8.25-\$10.25 NNN**

This is a high quality office property located in a well established office park proximate to Rockford College and Saint Anthony Medical Center. This property consists of two buildings containing a total of 28,613 SF that were built in 1993-94. The buildings are located on a 4.29 acre site with a total of 194 parking spaces or 6.78 spaces per 1,000 SF. 4940 E. State Street contains 14,509 SF with 12,324 SF being occupied by the VA and utilized as a medical clinic. This building is currently offered individually for \$1,720,000. 4960 E. State Street contains 13,704 SF with 2,600 SF being occupied by the VA. The majority of the vacant space was vacated in late 2010. This building is currently offered individually for \$1,380,000. The VA will be vacating upon completion of their new clinic that is scheduled for completion mid 2012.

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For more information, please contact:
Matthew Magdziarz • 815-231-0000 • matt@integrated-realty.com

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Matt Valley, HREB editor
mvalley@francemediainc.com