Retail Trends & Opportunities | USA | 2010

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Contents

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2010 Retail Trends & Opportunities

QUICK FACTS

U.S. RETAIL MARKET INDICATORS

	Fall 2009	Spring 2010*
VACANCY	↑	↑
OCCUPANCY/ ABSORPTION	↓	↔
CONSTRUCTION	↓	↓
RENTAL RATE	↓	↓
CONSUMER SPENDING	↓	↑

**Projected, relative to prior period*

The Economy

- After reaching record lows in early 2009, consumer confidence levels have improved but will only grow if employment does the same.
- The U.S. lost 4 million jobs in 2009 on top of 3.1 million jobs lost in 2008. National unemployment stood at 10 percent as of the start of 2010. Job losses will likely bottom out sometime during the first quarter, but growth will be minimal.
- "The fear factor," which reduced consumer spending in 2009, increased the personal savings rate and lowered household debt, will dissipate in 2010.The National Retail Federation (NRF) predicts retail sales will increase by 2.5 percent in 2010.
- Credit card companies pulled back, reducing the availability of consumer credit, a trend that will continue as credit card companies limit their exposure. The credit markets, nearly frozen at the beginning of the year, improved but remain tight. Many retailers "on the edge" will face challenges in refinancing. The accelerating rate of small bank failures remains a threat. Before the commercial real estate foreclosure crisis is over, we expect a minimum of 1,000 U.S. bank failures.
- Once hot growth areas like Arizona, California's Central Valley, Florida, Las Vegas and a handful of other markets were suddenly both overbuilt with housing and under-demand on retail. Retail recovery will be tied to housing recovery in every market.

Transactional Activity

- In 2009, commercial real estate leasing and sales activity was off by as much as 70 percent in some U.S. markets. But in 2010 "deal paralysis" ends, decision makers are back, leasing market will improve and investment activity will increase steadily.
- Sale pricing for retail properties has dropped roughly 40 percent from peak values due to the impact of distressed properties and weakened market fundamentals. Pricing for retail properties will take further hits, but there will be a clear separation between values for distressed assets and stabilized properties with strong occupancy. The strongest assets will likely see only minimal further price depreciation.
- More distressed properties will be brought to the marketplace in 2010, but the commercial real estate foreclosure crisis will not play out as a tsunami that further crashes real estate values in one giant wave. Cap

rates increased from the seven percent range to the eights and continue to rise, but many would-be buyers (especially vulture funds) were holding out for nine caps or greater. Look for cap rates to move from the eights to the nines and to stay there for stabilized core assets with strong occupancy. Distressed properties may transact at ten caps and above.

- Investors holding out for fire sale pricing on distressed assets helped to increase the gulf between bids and asking prices. Vulture funds held out for a flood of distressed properties to hit the market and further crash values. Most REITs can now be classified as either bankrupt or "ready." The "ready" REITs raised war chests through public offerings (over $18 billion in 2009) to both shore up balance sheets and prepare for acquisition sprees.
- Note sales, short sales, the return of CMBS, and moves by REITs will help mitigate the issue of distressed commercial properties, but only somewhat, and likely just at the top end of the scale.

Market Trends

- While retail vacancies will stabilize in many markets, we are not done with contraction. New retail construction has virtually disappeared—currently at a 25-year low and will remain at record lows.
- Depending on the market, lease rates have dropped 25 to 40 percent from 2005/2006 peak levels of 2005/2006. Downward pressure will remain on lease rates. Urban storefront retail may begin to show signs of stabilization by year end.
- Rent relief, renegotiated leases and early renewal/ "blend & extend" deals will continue in 2010.
- Urban storefronts and regional malls were the beneficiary as "pop-up," or temporary stores, became increasingly popular with retailers. Pop-ups allowed retailers to experiment with new concepts, possible permanent sites and to greater exploit seasonal sales at lower occupancy costs.
- Major retailers who had previously been priced out of space in top U.S. urban markets (e.g. Manhattan, Chicago) found deals on storefront rents in major downtown areas.
- Regional malls and grocery or drug-store anchored neighborhood/community centers have fared best. Strip centers have been especially hard-hit due to the disappearance of mom-and-pop retailers (overly reliant on non-existent home equity and small business lending) and overbuilding in many markets.
- Conditions are ripe for "flight to quality." With rents down on average at least a third, top retail locations are where the few active space users are looking for deals.

Retailer Trends

- The "New Frugality" is here for at least five years. Necessity and off-price retailers will continue to fare best.
- Ethnic-themed retailers will continue to expand and drugstores will prosper as America's demographics shift.
- Store closings were actually down slightly in 2009 from 2008. Though credit remains stringent, many retailers "on the edge" were able to refinance "lights out" debt. Meanwhile, "white knight buyers" also helped to mitigate retail failures/closures in 2009.
- Retailers drastically cut costs and paid down debt in 2009. Landlords were the big loser here as one of the primary ways retailers cut costs was to aggressively renegotiate leases.
- Mom and pop retailers have been failing and the pipeline of new start-ups has virtually disappeared. Many of these businesses are reliant on virtually non-existent home equity and small business lending.
- Competition drove down retailer margins in 2009, especially in the grocery sector due to Walmart and warehouse stores. More retailers will look to grab a piece of the grocery pie, but price deflation has shrunk the slices. Look for grocery consolidation.
- Fast food and fast casual restaurants (concept burger, wings and yogurt stores) are doing well. Casual dining and upscale restaurants will feel the pain, though 2010 will be a year of improvement. Restaurant growth will be franchise-driven, but tight lending could hamper this.

2010 Retail Trends & Opportunities

USA RETAIL OUTLOOK

Garrick H. S. Brown | National Retail Research Director

The 'Not So Fast…' Recovery

It is no secret that 2009 was one of the most challenging years for retailers in decades.

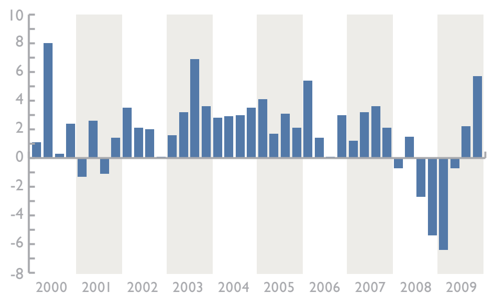
By third quarter 2009, the U.S. economy had recorded GDP growth of 2.2 percent. The U.S. Bureau of Economic Analysis' (BEA) fourth quarter 2009 GDP numbers indicated a growth rate of 5.9 percent—the highest growth rate since 2003. So clearly, this downturn is over, right? Not so fast… while "The Great Recession" may technically be over in terms of the standard economic measurements, recovery is an entirely different thing. Good economic news aside, we are entering into what will be, plain and simple, a "not so fast" recovery.

Dude, Where's My Job?

Despite the encouraging economic news that marked the latter half of 2009, there has been little in the way of good news on the job front. The U.S. lost more than four million jobs in 2009, adding to the 3.1 million jobs lost in 2008. And though the hemorrhaging has slowed considerably, it is not over. In fact, as we entered 2010, the most recent announcements of job cuts have come from retailers.

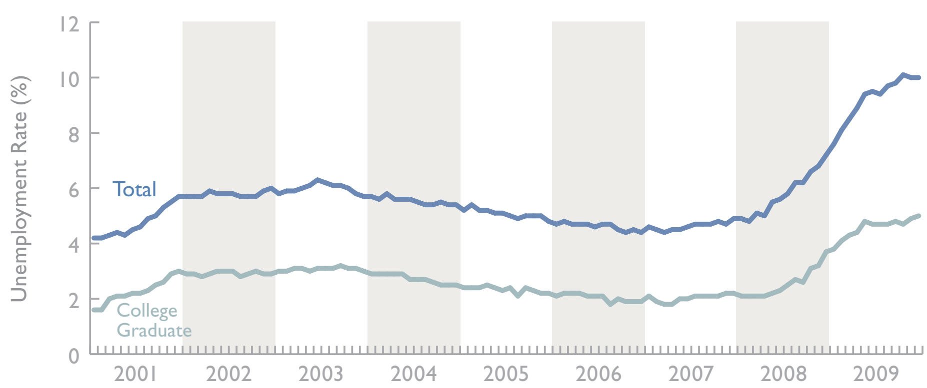
In January, Walmart announced that they would be cutting approximately 11,200 jobs

U.S. ANNUAL GDP GROWTH RATE (%)



Source: U.S. Bureau of Economic Analysis.
Latest data available: 4th Qtr 2009

U.S. UNEMPLOYMENT RATE



Source: U.S. Bureau of Labor Statistics at Sam's Club, Home Depot is slashing 1,000 positions—100 at three underperforming stores it is closing and another 900 corporate jobs. Macy's also recently announced plans to cut up to 1,500 jobs at the store level. Meanwhile, Borders also announced plans to cut 10 percent of its corporate staff, or about 124 employees.

The national unemployment rate currently stands in the ten percent range but under-employment —which includes the jobless, those who have given up looking for work and those who have taken part-time employment—could be as high as 18 percent. Most of the reputable economic forecasts predict a return to unemployment rates below the seven percent mark around 2016.

So long as unemployment is above the eight percent range (and we expect this to be the case for at least the next three to four years), consumer spending will remain restrained.

Year of the Pop-Up

One of the bright spots in the current retail malaise has been the emergence of "pop-up" or temporary retail space. Pop-ups have always been a player in the holiday sales season—Hickory Farms stores have been mining this territory for decades. Though pop-ups used to carry a negative connotation for landlords, the entry of trendier retailers into the pop-up game has bolstered landlords' willingness to do very short-term leases.

A Toys"R"Us pop-up store in New Jersey. The chain opened more than 80 of these temporary locations in both mall and urban streetfront locations over the holiday season.

While typical retail leases are usually for a minimum of five years and feature expense pass-throughs to the lessee—most of the pop-up leases that we have seen have been for flat fees.

While most of the pop-up deals done over the past year were still seasonal deals in nature (Toys R 'Us opened more than 80 pop-ups in vacated mall space for the holiday), many other retailers experimented with pop-ups as a way to test run potential locations. For example, American Eagle was so pleased with its 77kids pop-up concept that it will be developing permanent brick and mortar sites in 2010.

Most of the pop-up deals that were transacted in 2009 were either within regional malls or in urban street front locations. For example, in December sports apparel retailer Under Armour recently opened a 3,300 square foot pop-up store (its first) in New York City. The site was not just geared towards Christmas shopping, but also to capitalize on the 2010 Winter Olympics.

Cheaper Rents Translate Into More Urban Activity

Now that urban storefront rents are down across the board, many retailers who had been priced out are finding plenty of opportunities, especially in New York City, where streetfront rents dropped by as much as 40 percent. JCPenney, Kohl's, Michael's, Costco and Aldi have all been acquiring new sites in the Big Apple. Walmart and Target have both been active in Chicago and both retailers are exploring a new small store format that will almost exclusively be used in urban settings. Walmart has also announced plans to explore smaller formats, as have a number of other chains. Look for this trend to continue in 2010 and to play a role in downtown retail markets being among the first to recover.

Ghost Boxes and Black Hole Space

The collapse of big box chains Circuit City, Linens N' Things, Mervyn's and Gottschalk's in 2008/2009 helped send vacancy rates skyward in most U.S. markets and added some new terms to the real estate lexicon: "Ghost boxes" (vacant big box) and "black hole" space" (big box space for which demolition is the best option). At a center in Northern California where a vacated Circuit City location, combined with other big box vacancies, helped to bring occupancy levels below the 50 percent mark, most of the remaining leases in place had vacancy clauses that allowed tenants to terminate their leases should occupancy fall beneath this mark. Rather than lose more tenants, the landlord was faced with a terrible dilemma. Ultimately he chose to tear down the vacant Circuit City, reducing the center's overall gross leasable area and keeping occupancy

Target is expected to replace the century-old Carson Pirie Scott store in this Louis Sullivan-designed building in Chicago.

above the tipping point that would have almost certainly cost him more tenants.

Another challenge is that most tenants signing shopping center leases today insist upon the inclusion of co-tenancy clauses to release tenants from their leases entirely should anchor space go dark. In other cases, co-tenancy clauses can specify reduced rent or other further landlord concessions. Vacancy clauses, though less common, are just as problematic.

Much has been made over the potential creative re-use of big-box space. In the upscale Sacramento suburb of Rocklin, California, an 80,000 square foot vacant Mervyn's store is currently being converted to theater space. Meanwhile, vacated boxes in Rohnert Park, California (former Linens N' Things), Austin, Minnesota (former K-Mart) and Round Rock, Texas (former Walmart) were all recently converted to indoor go-kart racing facilities. We also have heard of former K-Marts converted into libraries, a CompUSA converted into temporary museum space and have heard stories of boxes being used for indoor swap meets, churches or Department of Motor Vehicles offices.

These cases are rare because in nearly every case of a creative re-use scenario there is a requirement of capital for retrofits. And most owners are simply strapped. While we will certainly continue to see more creative re-use of vacant box space in the years to come, the best option for most landlords still remains finding a way to lease the space… even if that means at a steeply discounted rental rate.

Steeply discounted rates played a huge factor in bringing a new round of expansion from users looking for deals. Bed, Bath & Beyond, Best Buy, Dollar Tree, Forever 21, Kohl's, Marshalls, Ross Dress for Less, and TJ Maxx have all been aggressively pursuing vacant big boxes. A number of health clubs and grocery store chains are also signing big box deals. For example, during the third quarter of 2009 Kimco reported that 66 percent of all the new leases it signed (just under half a million square feet) were for junior anchor tenants using box space.

The deals have been enough to be the focal point of some retailers' growth strategies. One year ago, Indianapolis-based HHGregg was a regional electronics chain that few shoppers had heard of outside of the Midwest. The chain saw the opportunity presented by the glut of big box space and has seized upon it to grow into a national player. HHGregg opened about 20 stores last year and will open as many as 45 in 2010 while expanding into new markets. With a typical footprint of about 30,000 square feet, former Circuit City stores are proving to be ideal locations for the chain. The same can be said of Dollar Tree, another user in the 8,000 to 12,000 square foot range. But as good as this news is, expansion from these players will not be enough to backfill all of the currently vacant big box space in the market. And we will likely see additional big box space returned to the marketplace in the coming year. More major U.S. chains could very well fail in the coming months and chains will continue to shutter underperforming stores.

A recently opened HHGregg store in a former Circuit City space in the Orlando, Florida market.

2010: The Year When 'Not As Bad' Becomes the New Good

With the arrival of 2010 came a slew of bad retail news. Macy's announced that it would be closing five underperforming stores. Sam's Club announced the closure of ten warehouse stores. Foot Locker plans on shuttering at least 117 stores as it seeks to internally reorganize. And the challenges faced by video rental stores alone could easily translate into over 13 million square feet of additional vacancy in the marketplace over the next two years. Certainly there will be more retail failures, more bankruptcies and more store closures ahead. The good news is that against this challenging backdrop, consumer sentiment and spending will begin to improve. And deal activity will be on an upward trajectory in 2010—there are more space users making moves in the market today than there were a year ago and we expect these numbers to increase going forward.

Dominated by Distress

With the arrival of 2010, it has become more apparent that the commercial real estate foreclosure crisis will not likely play out with a tidal wave of foreclosed commercial properties that will crash property values even further. Instead, the ongoing banking strategy of "pretend & extend," a sharp increase in note sales, the return of the CMBS market and a gradual increase in refinance activity and loan workouts will prevent the market from enduring a short, but extremely painful, correction.

> 'Pretend & extend,' a sharp increase in note sales, the return of the CMBS market and a gradual increase in refinances and workouts will help to prevent an even more painful correction.

Instead, it appears that the market will likely face a period of years in which wave after wave of troubled assets will gradually be returned to the marketplace. This will result in further pricing decreases, but commercial real estate values have already taken the lion's share of the declines that can be expected. These waves are already starting to hit. Not surprisingly, this is due to the rapid acceleration of bank failures that is occurring.

Credit Key to Retail Failures in 2010

The rapid acceleration of U.S. bank failures holds a few other potentially negative implications for the marketplace. Most of the banks we expect to fail are small local or regional players. This will not have much of an impact on major retailers with large $50 million+ credit facilities through major financial institutions. But it could be potentially devastating to the types of small business lending that (along with home equity loans) have traditionally been the initial line of funding for mom-and-pop retailers.

UserTrends 2010

Department Store Players Shift to Outlet Mode

With most major department store players booking 2009 same-store sale decreases in the double-digit range, and off-price apparel chains like Ross Dress for Less and T.J. Maxx reporting gains, it should come as no surprise that players such as Nordstrom and Bloomingdale's are suddenly looking to get a piece of the off-price action.

Macy's-owned Bloomingdale's is the latest to enter the fray, with four outlet stores planned for 2010. The chain is expected to boost outlet store openings further in 2011. Bloomingdale's outlet stores will take approximately 25,000 square feet of space. The chain has openings planned for Bergen Town Center (Paramus, NJ), Dolphin Mall (Miami), Potomac Mills (Washington DC area) and Sawgrass Mills (Sunrise, FL).

Nordstrom was one of the first players to shift towards off-price growth. The Seattle-based chain plans on adding at least 16 new Nordstrom Rack stores in 2010, and this number may go up. Nordstrom added 12 Rack stores in 2009 (including two in Manhattan) as it quickly shifted its development focus away from its traditional department stores towards its off-price concept. Rack stores take between 35,000 and 42,000 square feet of space and typically offer price points that are about 50 percent lower than those offered in Nordstrom's traditional department stores. The chain is actively seeking both urban and suburban sites and has signed a number of deals in big-box space vacated over the past 18 months. For example, Nordstrom Rack recently inked a deal for 36,000 square feet of former Circuit City space on Chicago's Magnificent Mile.

Such moves are now the norm for department store players. Neiman Marcus will be opening between one and two of its full-line department stores annually through 2013. The Dallas-based chain is expected to put most of its expansion emphasis behind its outlet concept, Last Call, over the next couple of years, though full details were not available as this report went to press. Neiman opened three new Last Call stores in 2009. Last Call's preferred template is roughly 28,000 square feet in outlet centers.

Saks opened a number of Off 5th stores over the last half of 2009, including new stores in the Cincinnati, Los Angeles, Raleigh/Durham, Reno, San Antonio and San Francisco Bay markets. Off 5th stores typically take 30,000 square feet of space. We are currently aware of one new Off 5th store planned in the Dallas market, however, our sources advise us that as many as four more stores will likely be added over the course of 2010. Going forward, look for Saks to add a maximum of just one or two of its department stores annually through 2013. Meanwhile, the chain plans on rolling out a minimum of five Off 5th stores annually over the next few years.

Even smaller department store chain Lord & Taylor is getting into the mix, with a 15,000 square foot outlet store slated for a mid-February opening in the Jersey Gardens Outlet Mall in Elizabeth, New Jersey.

Bloomingdale's will test its new outlet store concept at Miami's Dolphin Mall.

Besides the obvious fact that consumers are in frugal mode and will likely remain there for at least the next five years, the moves make sense on a number of levels. Outlet malls have emerged as a strong point in an otherwise weak retail market. Despite this, stores in outlet malls typically cost about 30 percent less to lease than full-priced regional mall space. Because outlet malls are generally known for their no-frills atmosphere, build-out costs are also usually significantly cheaper.

Dollar Tree plans at least 300 new stores in 2010, including planned relocations. As many as 1,500 new dollar stores will open this year in the U.S.

Dollar Dazed

Nowhere in the retail world are we seeing more growth than from the dollar store sector. Between different concepts, as many as 1,500 new dollar stores may be opening in the United States over the next year. Dollar General plans to open 600 stores in 2010, and to remodel or relocate up to 500. The Goodlettsville, Tennessee-based chain added 500 new stores in 2009. The chain has no presence on the West Coast and less than a handful of stores in New England—both areas of the U.S. where we expect to see a significant push for market share over the next couple of years. Dollar General's ideal format is about 9,000 square feet.

Family Dollar stores typically range between 7,500 and 9,500 square feet. The chain is increasingly looking for more suburban sites, thanks to improving sales from middle-class demographics. The chain opened 43 stores in just the final quarter of last year and roughly 130 new units over the course of 2009. Our sources tell us that the Matthews, North Carolina-based chain will be boosting growth levels in 2010, perhaps by as many as 200 new stores in the months to come.

Dollar Tree Stores currently operate over 3,700 stores nationally under the Dollar Tree, Only One Dollar, Deal$ and Dollar Bill's banners. Its preferred format is between 8,000 and 12,000 square feet. The Chesapeake, Virginia-based chain prefers to be in major shopping centers with grocery or big box anchors and plans to add as many as 220 new stores in 2010. Another 80 Dollar Tree stores are slated to be relocated or expanded in the coming year. Its Deal$ concept will account for 25 of these new stores. Deal$ stores carry items priced at about $1 with few items in the store topping the $10 mark.

Look for dollar store chains to emerge as the strongest growth sector in retail (at least in terms of unit counts) over the coming year. But consumers are fickle and the current "thrift is in" mentality will eventually transform into something else as the economy slowly improves. In the past, dollar stores have struggled to maintain a client base with middle income consumers.

One trend we are seeing that could have strong implications (both for the success of dollar store chains and for challenges to the grocery sector) is the continued addition of food items by many chains, requiring remodeling. All of these are positive signs, yet we are also seeing some players hedging their bets. There are a few chains that are opting to sign shorter-term leases of just three to five years. Many of these deals feature renewal clauses for just a year at a time. It's a smart play. It will give many operators the leeway to cut back in a few years, assuming that consumers eventually tire of thrift.

Drug Stores to Enter Grocery Fray?

In January, Walgreens dropped a bombshell with the announcement that it was going to explore the sale of fresh foods and prepared meals. Most Walgreens stores already feature a limited grocery assortment, but this marks the first time that the drugstore chain has taken on traditional grocers directly. Among the items Walgreens is reportedly planning to offer are salads, ready-to-bake pizzas, fresh-cut fruits and sandwiches. The chain has already increased its beer and wine offerings. It should come as no surprise that these moves follow Walgreens' hiring of a former executive with Tesco's Fresh & Easy who helped launch the brand in the U.S. just a few years ago.

Walgreens is reportedly planning to test the concept in a few key markets over the first half of 2010. If the plan succeeds, the chain could be rolling out expanded food sections to all of its 7,100+ locations in all 50 states by next year. This is a potential game changer, not just for the drug store sector, but for the highly competitive grocery sector. Should Walgreens' experiment succeed, and we think it likely will, expect intense pressure on both CVS and Rite-Aid to duplicate the success. Look for Walgreens to continue growing both organically as well as through strategic acquisitions, equating to as many as 550 new stores, though it is unclear how many will be new sites versus acquisitions. In January, Walgreens closed on the sale of the 12-unit Eaton Apothecary chain in the Boston market. It also acquired the 25-unit Snyder's drug store chain in Minnesota. The chain followed that move up with the February acquisition of New York's Duane Reade chain for over $1.1 billion.

Walgreens' 2011 plans call for about a three percent growth rate as the chain increasingly focuses on an ambitious program to remodel as many as 4,000 stores over the next few years. The chain will increase its lucrative liquor departments while cutting the amount of space dedicated to seasonal items and impulse buys. Walgreens stores typically take between 15,000 and 20,000 square feet, though the chain throws the cookie cutter away for the right urban space. Most recent ground-up suburban stores have been in the 15,000 square foot range and feature two drive-thru pharmacy windows.

It has been one year since CVS acquired Longs Drugs and the rebranding of those stores is now complete. Our sources tell us that CVS plans to grow at about a three percent growth rate in 2010—or as many as 300 new stores now that the chain has surpassed the 7,000 unit count. The chain opened over 200 stores in 2009, even as it re-branded over 400 Longs Drugs locations. CVS' preferred format is build-to-suits on high visibility two-acre pad sites that allow for a roughly 13,000 square foot building with dual drive-thru window access and parking for up to 80 cars.

In 2009, Rite Aid was able to refinance what could best be described as over $1.2 billion in "lights out" debt. At the beginning of last year, the Camp Hill, Pennsylvania-based drug store chain's survival was a question mark at best, despite its standing as the 13th largest U.S. retailer. Although questions remain as to the long-term health of Rite Aid, the chain has been aggressively slashing its debt-load. It should come as no surprise that instead of major expansion in 2010, the chain is only opening about 18 new stores and relocating about 40 more. Rite Aid has approximately

In February, Walgreens acquired the nation's fourth largest drug store chain and dominant New York City player, Duane Reade, for $1.1 billion.

200 store leases set to expire over the next three years. Many of these stores are underperforming and likely to be closed unless the chain can secure significant rent reductions. Rite Aid has aggressively pursued rental relief from landlords as it struggles to return to profitability (it reportedly has succeeded in at least 20 percent of its locations). Still, the chain announced plans to close 134 stores this year during a recent conference call—so expect Rite Aid's overall unit count to be on a downward trajectory for at least the next 12 to 24 months. The chain currently is a distant third in the drug-store race with about 4,800 stores.

More Players Grabbing for Shrinking Piece of Grocery Pie

Dollar stores and drug stores are not the only ones increasing their grocery offerings. Convenience store segment leader 7-Eleven also has plans to increase its food offerings. And it's no secret that category killer Target has been aggressively adding grocery components to its stores.

The problem? Of the largest publicly-traded national grocery chains, only Kroger has recorded positive same-store sales, but even those numbers have faltered as of late. Though they still remain in positive territory (1.3% in the third quarter), the impacts of extreme price competition are taking their toll on nearly every grocery store chain. In early December, Kroger cut guidance for the year sending shares of its own stock (and most other publicly traded grocers) downward. The chain also cut $1 billion from its capital expenditures budget, leaving less than $2 billion in the pipeline over the next three years for new stores or store remodels.

Price competition from Walmart, warehouse stores and discounters has continued to be an issue for traditional grocery players. Most of these players are not unionized—a factor that puts traditional grocery chains at an immense disadvantage. Meanwhile, the intrusion into grocery sales of more non-traditional players will likely heighten grocery price wars in 2010. This may be good news for cash-strapped consumers, but we expect industry consolidation by the end of the year, especially among weaker regional chains.

Strip Center Landlords Thank Heaven for 7-Eleven

7-Eleven is the clear national leader in terms of store count (7,800 stores in North America alone), and the Dallas, Texas-based chain only operates in 20 states. But outside of Florida, the chain has no presence in the Southeast U.S. or most Midwestern states. The chain has plans to add as many as 750 stores nationally in 2010, with a big push in California and the Pacific Northwest. The chain is also looking to increase its presence in Baltimore, Chicago, Dallas, Denver and Detroit. 7-Eleven stores typically use between 2,400 and 3,000 square feet.

7-Eleven's expansion plans for 2010 currently call for 750 new stores throughout the U.S.

Unlike many other convenience store operators, 7-Eleven stores do not necessarily feature gas station components. This allows for 7-Eleven to move quickly into second-generation space, where it is hoping to capitalize on favorable rents to rapidly boost market share. The chain is looking for both urban and suburban locations and will consider inline space at shopping centers as well as freestanding sites. This should come as good news for beleaguered strip mall landlords, where 7-Eleven can serve a vital role as a "mini anchor" tenant.

Target Ramping Up Grocery Rollout

While Target will slow its new store expansion rate in 2010 (right now there are 12 new stores in the works), it is significantly ramping up its grocery rollout efforts. The chain recently announced plans to invest roughly $1 billion over the coming year in renovating 340 stores. At the center of these renovations will be significantly expanded grocery sections. The chain added over 100 of these in 2009 and many analysts credit this move with playing a role in boosting sales growth by the end of the year. Target also has announced that it will explore a smaller store concept that will allow it to more freely capitalize on urban growth opportunities with footprints as low as 25,000 square feet.

Supermarkets Continue to Grow and Diversify Footprints

When Tesco launched its Fresh & Easy concept in a few select Southwestern U.S. markets a couple of years ago, the market was abuzz until its initial rollout choices (Phoenix, Las Vegas and Southern California) were hit hard by the recession. Walmart—always slow to tinker with its already strong formula—softened its rollout schedule for its Neighborhood Market concept. Meanwhile, other players with smaller prototypes in the works also put the brakes on expanding these concepts.

But a lot has changed over the last two years.

Tesco has already selected over 20 sites in the greater San Francisco Bay Area and an additional 20 or so in the Sacramento market. It has identified about 20 more sites chosen throughout California's Central Valley and Northern Nevada's Reno market. In some cases, these storefronts have been ready to go for months and, in many instances, Tesco has been paying rent for some time. The chain is reportedly starting to scout a number of new U.S. markets for its next wave of growth—though this may be a few years down the road. Our sources tell us the Chicago market is of particular interest.

Organic chains have been particularly active in picking up smaller format grocery sites. Scottsdale-based Sprouts Organic Grocery has plans for as many as 12 new stores over the next 15 months throughout California, Colorado and Texas. The chain uses between 23,000 and 28,000 square feet and will look at former Circuit City space. Meanwhile, Smart & Final's organic concept, Henry's Farmers Market, has also been inking deals at vacant box space. Henry's, active on the West Coast, takes between 25,000 and 28,000 square feet and may add as many as 15 new stores in the coming year. Sunflowers Farmers Market is another West Coast player looking to take vacant box space (Linens 'N Things), and plans to add seven new stores this year (Arizona, Colorado, Nevada, Texas and Utah).

Meanwhile, grocery giant Supervalu operates the roughly 1,200-unit Save-A-Lot chain—one of the bright spots in the portfolio of Eden Prairie, a Minnesota-based chain. Save-A-Lot stores use roughly 15,000 square feet of space. The chain has typically averaged about 50 new stores per year. Supervalu reportedly plans on doubling the size of the chain over the next five years—which would equate to about 240 new stores annually.

Duckwall-ALCO stores typically take 20,000 square feet of space. The chain's strategy is simple: go where the superstores won't. The chain is particularly strong in rural areas throughout the Midwest and Mountain states, and plans on opening at least 42 new stores over the next two years.

Cousins Aldi and Trader Joe's both plan on growth in 2010. Aldi currently operates in 30 states—primarily east of the Mississippi, and 2010 plans call for as many as 100 openings, 30 in Texas and a focus on Florida. The chain has infill plans for the Chicago market as well, where it already has about 150 stores. Aldi stores typically use about 17,000 square feet of space. Trader Joe's has about 350 stores—roughly half of which are in California. The chain typically uses between 10,000 and 14,000 square feet.

Not all of the footprint tweaking in the grocery world has come in the form of 20,000 square foot formats. Midwest big box superstore user Meijer, for example, has developed a new 100,000 square foot concept that it is testing in a few Midwestern markets. The Walker, Michigan-based chain typically was a 200,000 square foot user, but this left it few opportunities to expand within urban markets. The new 100,000 square foot prototype is one it particularly hopes can compete with Supervalu's Jewel-Osco brand in the Chicago market. Kroger is also experimenting with a larger format store, the Kroger Marketplace. Kroger Marketplace stores take between 100,000 and 130,000 square feet and look to go head-to-head with Walmart and Target in the superstore category. In the coming year, Kroger plans expanding this concept in the Southeast.

Fresh & Easy has over 50 stores ready to launch throughout Northern California and Nevada, but so far has been quiet on opening dates.

Publix continues to be on a roll in the Southeast. Though the Lakeland, Florida-based chain is only in five states (Alabama, Florida, Georgia, South Carolina and Tennessee), it has a commanding presence within those markets with about 1,030 stores. The chain ranks as the nation's fourth largest pure grocery chain and the 15th largest retailer. It is currently on target to have opened a total of 31 stores in 2009 and is planning on opening as many as 50 stores in existing markets in 2010. Publix continues to experiment with different formats. The chain has used four prototype sizes; 28,000, 39,000, 45,000 and 54,000 square feet. In 2008, Publix purchased 49 former Albertson's stores which added a number of 60,000+ square foot stores into the mix. Sources say its Publix Sabor concept aimed at Hispanic consumers, as well as its new organic hybrid, Greenwise/Publix will be at the forefront of growth plans for the coming year.

Look for regional grocery players to increasingly expand organic and ethnic-themed concepts, such as Publix's Greenwise Market, to battle the intrusion of non-traditional players into the grocery arena.

Technological advances and a sour economy are killing video stores.

Food Lion continues to grow in the sunbelt, but it is shifting its emphasis towards its discount concept, Bottom Dollar. In fact, Food Lion has plans to close 15 of its underperforming namesake stores in the coming years, but our sources tell us that expansion of the Bottom Dollar concept will likely more than make up for these closures. The chain is owned by the Belgian grocery giant Delhaize Group. Food Lion operates with a number of different footprints ranging from 18,000 to 50,000 square feet. New sites include stores in the Carolinas, Georgia and Tennessee.

Jacksonville, Florida-based Winn-Dixie expects to remodel all of its 515 current locations through the end of 2013 and plans for up to ten new store openings this year in Alabama, Florida, Georgia, Louisiana and Mississippi. Winn-Dixie's preferred template is about 50,000 square feet. Our sources tell us that the chain plans on about ten new stores for each of the next four years.

Shuttered Video Stores Could Add Over 14.3 Million Square Feet of Vacancy

Netflix and streaming video are killing the video store.

Blockbuster continues to position itself for a post-retail world through a mix of moves. The Dallas, Texas-based chain is ramping up its expansion into the video rental kiosk business where it intends on going head-to-head with Redbox. It is also converting as many as 300 existing stores to outlet locations that will only sell used DVDs. That being said, it announced plans late last year to close as many as 960 retail stores through 2011. In February, Blockbuster boosted that tally by another 500 stores. This will effectively shrink the roughly 4,350-store chain by about 33%. The move should help the chain conserve cash and could play a role in helping Blockbuster find new financing as it moves away from its bricks and mortar retail presence. In addition to these plans, our sources tell us that the chain is trying to terminate the leases on as many as an additional 300 stores. With an average footprint of 5,000 square feet, these moves could result in 7.3 million square feet of additional retail vacancy throughout the U.S. over the next few years.

While most analysts expect Blockbuster to survive (at least in the near-term), the fate of Hollywood Video is much more questionable. As this report went to press, Hollywood Video owner Movie Gallery, Inc. had just filed for Chapter 11 protection. Current plans call for 760 stores to be shuttered. However, under one possible restructuring plan that had previously been proposed the chain would close 1,800 stores, or roughly two thirds of its 2,700 units, dumping another seven million square feet of space on the market.

Bookstores Continue to Struggle

Borders is closing 200 of its small-format Waldenbooks in early 2010, with 130 Waldenbooks remaining. Though Waldenbooks' same-store declines have not been as great as Borders', the fact remains that the mall-based concept was generally less profitable. Rents certainly are a factor in this, but not the only one. Waldenbooks typically use about 3,000 square feet of space. This move alone will increase overall U.S. mall vacancy by about 600,000 square feet.

Borders has aggressively been working on reducing its reported $300 million+ debt and recently pushed back some of its loans to 2010. But the Ann Arbor, Michigan-based chain remains on a lot of bankruptcy watch lists. In the short-term, Borders' focus is on survival with only two openings this year forced by contractual obligations. Borders is significantly reducing its movie inventories and reallocating floor space in its stores to expanded assortments of children's books, educational toys and games.

Barnes & Noble is facing the same challenges—except that it has no debt and over $80 million in cash. Still, don't look for any major growth – just relocations. The chain expects to open no more than a dozen new stores that were already in the development pipeline. Barnes & Noble stores use 25,000 to 30,000 square feet of space.

For specific retailer expansion notes, see Appendix.

Restaurant Improvement Expected by Late 2010

As part of the "new frugality," fast-food and fast casual operators with lower price points have fared better and will be in expansion mode—albeit mostly franchise-driven. The strongest concepts will face little problems finding strong private capital groups to achieve their growth plans. Concepts hoping to tap into mom-and-pop franchise growth may face difficulties thanks to a tight credit market.

M&A Activity Likely to Jump in 2010

We see this trend at play for both ends of the spectrum. For example, one of the strongest players throughout the downturn has been San Diego-based Rubio's Fresh Mexican Grill, the target of a buyout bid. Rubio's opened nine of its 195 restaurants in 2009 and plans to grow its units by as much as 15 percent in 2010 where it already has a presence in Arizona, California, Colorado, Nevada and Utah. Rubio's typical footprint runs between 2,300 and 2,600 square feet.

Mergers and acquisitions will also be on the increase for strong new concepts. Bajio Mexican Grill was recently acquired by one of its major franchisees, Abundance Brands, which plans to add as many as 25 stores in 2010 in Arizona, California and Utah. Bajio prefers end cap units in the 1,800 to 2,400 square foot range.

Franchise Frenzy

A recent SunTrust Robinson Humphrey survey of 5,000 franchise restaurants found that 46 percent of them expect to add to their unit counts (19 percent expect to reduce) in 2010. The strongest growth will be fast-food and fast casual operators but tight credit will impact mom-and-pop franchises.

Smart players are adjusting. Papa John's recently rolled out an incentive plan that dropped the $25,000 franchise fee, reduced its royalty rates and reduced the cost of pizza ovens. Meanwhile, other operators are experimenting with smaller concepts in order to cut initial start-up costs. For example, Johnny Rockets' typical format required 1,800 to 2,000 square feet of space. The chain is launching a new prototype, Johnny Rockets FAST!, that will feature about half the space, a smaller menu and have half the footprint costs, providing opportunities to grow in urban areas and nontraditional locations.

There will also be an uglier side to this trend as struggling franchisees of major chains will likely sell units back to stronger corporate players at a song. For example, McDonald's just bought four units in New York City back from a 40-year franchisee. We expect this from Burger King, Jack in the Box, KFC, Pizza Hut, etc.

Restaurant Winners

Last year Seattle-based coffee giant Starbucks was the victim of overaggressive expansion that had increasingly been driven more by Wall Street demands for rapid growth than by prudent site selection. After targeting 960 closures worldwide (800 in the U.S.) it has turned around its balance sheet and has 300 new stores planned for 2010, 100 of which will be in the U.S. Starbucks has roughly 11,300 locations in the states and typically looks for between 1,400 and 1,750 square feet of space.

Panera Bread Company has consistently reported sales growth and added 20 new restaurants during the fourth quarter of this year. The Richmond Heights, Missouri-based chain currently has over 1,360 units throughout the U.S. and has plans to open as many as 90 additional stores in 2010.

Of Chipotle Mexican Grill's 130 new stores in 2009, 50 opened during the fourth quarter and as many as 130 stores will open in 2010, mostly in secondary markets and with 1,800 and 2,200 square foot footprints, compared to its typical 2,400 square feet.

Two burger joints stand out. Denver-based Smashburger opened its first restaurant in 2007, crossed

In February, CKE Restaurants—parent to the Hardee's and Carl's Jr. fast food chains, was acquired by Boston-based private equity group Thomas H. Lee Partners for $619 million.

the 45-unit mark and has as many as 250 more units in the pipeline. At least 100 of these will be opening in 2010 in Arkansas, northern Colorado, Dayton, Houston, Kansas City, Kentucky, Las Vegas, Louisiana, Minneapolis, New Jersey, Orlando, Phoenix, Sacramento and Wyoming.

Five Guys Burgers and Fries, based in Lorton, Virginia, has kept a similar expansion pace, focusing on Boston, Charleston, Florida, Nashville, New York, Northern California, Ohio, Oregon, Providence, Washington state and Wisconsin.

Other winners: Buffalo wing shops are hot and frozen yogurt stores are still popular.

For a more detailed report on these two trends, see Appendix.

Casual Dining Expansion on Hold

The overbuilt casual dining sector will account for little growth in the coming year as operators struggle to deal with a consumer that has scaled.

Darden opened over 60 new restaurants over the past year throughout North America, including five Capital Grilles, 11 Red Lobsters, 14 Longhorn Steakhouses and 33 Olive Gardens. Olive Garden remains Darden's best performer and is the company's focal point for growth. Still, growth levels for 2009 came in at less than half of the levels of 2008 and our sources tell us that the Orlando, Florida-based operator will likely add fewer restaurants in 2010. Darden will open between 55 and 60 new restaurants in 2010—about half of which will be Olive Gardens. Instead of expansion, look for Darden to continue to focus on working its debt levels down. As this report went to press, Darden had just over $165 million in debt.

Brinker (Chili's, On The Border, and Maggiano's Little Italy) is adopting the same approach in 2010. With roughly $340 million in debt, the Dallas, Texas-based operator is hoping to pay down as much as $150 million in 2010. Look for between 44 and 54 new restaurants in the coming year.

Cheesecake Factory has dropped expansion levels as well. Our sources tell us that four new sites are in the works. P.F. Chang's will likely open just ten restaurants in the coming year—half will be namesake concept P.F. Chang's China Bistro, the other will be the chain's quick-service concept, Pei Wei.

An exception is DineEquity's International House of Pancakes (IHOP) brand. On the verge of bankruptcy a few years ago, IHOP has moved away from corporate-owned to franchising (about 60 new ones in 2009) bringing its total unit count to 1,433 restaurants. IHOP has commitments in place from franchisees to build at least 307 new restaurants over the next nine years. The chain should see at least 66 new restaurants in 2010 and currently has plans for another 50 in 2011. That being said, these numbers may increase with the addition of more franchisees, which we expect as IHOPs continue to perform better than most other casual dining chains.

DineEquity also operates the largest casual dining concept, Applebee's Neighborhood Grill & Bar. With roughly 2,000 restaurants worldwide, Applebee's will increase its franchises from 80 percent 98 percent of the total. Applebee's will close 2009 with roughly 30 new restaurants, but the chain has also closed about 25 stores during this time. The chain currently has agreements in place to add about 15 new restaurants in 2010.

For more detailed restaurant expansion notes, see Appendix.

APPENDIX

Retailer Expansion Notes

Alphabetical by retailer

Aaron's, a rent-to-own furniture chain, may open as many as 150 new stores this year. The Atlanta, Georgia-based chain has seen its same-store sales on an upward trajectory as cash-strapped consumers have increasingly looked to alternative methods of furnishing their homes. New franchisees have exploded as a source of growth for the chain—our sources tell us that over 80 new franchise agreements have been signed in 2009 alone. Growth is planned for most major U.S. markets, though our sources tell us that the Carolinas, Midwest and West Coast will see the lion's share of new store development. Aaron's typically prefers pad sites in regional or power centers with 9,000 square feet.

Aeropostale may roll out as many as 25 of its namesake stores in 2010. The New York City-based chain tested out a new children's concept, PS Kids stores, in pop up locations in 2009 and was pleased with the results. It plans to roll out as many as 30 permanent locations for PS Kids in 2010.

Alco-Duckwall is looking to open as many as 20 new stores in the coming year.

Aldi plans on as many as 75 new stores in 2010.

Aerie, an American Eagle concept, initially had plans for as many as 60 new stores in 2010, but a strong late-year performance could mean more. The lingerie and sleepwear concept has about 135 stores throughout North America, but would like to reach the 500. Its preferred format is between 2,200 and 2,800 square feet, with mall and lifestyle centers still its preferred locale.

All Saints, an edgy British concept, opened its first U.S. store in Los Angeles last November. The chain also has plans for Miami and New York City, where it will open a 13,600 square foot flagship location.

American Eagle also tested a kids concept, **77kids,** in 2009 that it is ready to take permanent. Look for 77kids to start landing permanent storefronts in both malls and lifestyle centers in 2010.

Anna's Linens plans at least 30 new stores in 2010, tripling its expansion pace from last year. The roughly 260-store chain ultimately wants to hit the 1,000 unit mark.

Apple plans as many as 25 new U.S. stores in the coming year.

Ashley Furniture is testing a new prototype in Las Vegas that will use 5,000 square feet or less. The chain expects to open as many as 300 of these stores in 2010 and at least another 200 in 2011.

Bass Pro Shops plans to open as many as eight new stores annually over the next two years. Most will be the chain's **Bass Pro Outdoor World** concept, which takes between 140,000 and 150,000 square feet. Planned openings include: Augusta (GA), Bakersfield, Buffalo, Decatur (AL), Memphis and Montreal.

Bealls Outlets plans on as many as 40 new stores annually for this year and next. The chain is looking to expand in Sunbelt states from California to Florida. **Bealls** uses between 20,000 and 25,000 square feet.

Bebe has plans for at least six new stores in 2010.

Bed Bath & Beyond (BB&B) will continue its rollout of its buybuy Baby format. While the chain is cooling growth of its namesake concept, buybuy Baby will open as many as 12 freestanding locations in 2010, ranging from 28,000 to 60,000 square feet, with growth focused on the Midwest and South. BB&B also plans on expanding its buybuby Baby and Christmas Tree Store concepts with store-within-a-store locations throughout the year.

Best Buy will open about 22 of its namesake big box stores in 2010. The chain will also amp up expansion plans for its cellular store concept, Best Buy Mobile, which opened roughly 40 stores in 2009 and has a long-term goal of achieving a 15% market share (compared to its current 3% to 4%). **Best Buy Mobile** stores take about 3,000 square feet—mall sites and strong urban storefronts are the preferred locations.

BJ's Wholesale Club plans to add as many as ten stores annually for each of the next three years. The chain continues to pursue infill growth within its Northeast home base.

Boost Mobile plans on as many as 50 new stores in the U.S. over the next year.

The Buckle may have started in Kearney, Nebraska in 1948 as a men's apparel store, but has since slowly evolved to a leading tween apparel stop for both boys and girls. The company currently operates about 400 stores in 41 states and has long-term plans to top 550. In the near-term, its growth plans are conservative with plans to open about 20 new stores next year while remodeling another 20. The Buckle has a 5,000 square foot sweet spot and will look at both mall and the right non-mall sites.

Burlington Coat Factory is expected to add as many as 30 new stores in 2010. Burlington stores take as much as 80,000 square feet of space.

Carter's also continues to grow at a measured pace. It currently operates about 270 stores with plans to add as many as 25 stores in 2010. Its preferred footprint is in the 4,000 to 5,000 square foot range.

Casual Male Retail Group (operator of **Casual Male XL** and **Rochester Big & Tall** concepts) has struggled with same-store sales declines in the negative 10 percent range for the past three quarters, but remains bullish on its new hybrid concept, **Destination XL Superstores.** The chain has been aggressively cutting costs and positioning itself for a rebound in 2010—with its new hybrid store format at the center of its strategy. The typical footprints of Rochester and Casual Male XL stores have generally come in at 9,000 square feet or less. Destination XL Superstores, by comparison, start at about 11,000 square feet. The chain had converted five Casual Male locations to the new hybrid format during the second quarter. By the close of the third quarter these hybrid locations were reporting average store volume improving by 50 percent as well as a higher rate of profitability than Casual Male's stand-alone locations. Look for between five and ten new Destination XL stores to be opened in 2010. The concept is still officially in the test phase and Casual Male Retail Group is on the record as stating that a full rollout or conversion to the new hybrid format could take as long as five years.

Catherines Plus Sizes has plans to open 33 new stores in outlet centers in 2010.

Charlotte Russe will open at least 11 new stores in 2010.

Chico's plans on as many as 40 new stores in 2010 and will aggressively grow its lingerie/sleepwear concept, Soma. Chico's is tweaking its site selection and will increasingly look to lifestyle centers for sites. Meanwhile, Chico's concept **White House/Black Market** will shift away from lifestyle centers and towards malls with upscale department store anchors. Chico's has aggressively sought to renegotiate rents and has reportedly secured more than $8 million in rent relief through 2012. The typical Chico's store takes about 3,300 square feet.

Christopher & Banks opened its first Christopher & Banks/CJ Banks store at The Shops at Montage in Moosic, Pennsylvania. The combination concept boosts Banks' usual footprint from 3,600 to 5,000 square feet. The chain is still working to cut expenses and boost profitability, so expansion will be minimal—our sources tell us five stores at most—in 2010.

Citi Trends operated 403 stores at the end of November, having opened 11 stores in just that month alone. Citi Trends continues to rack up positive same-store comparables (6.3% during the third quarter), thanks to its focus on off-price urban apparel. Citi Trends plans on boosting its store count by as much as 15 percent (60 stores) in 2010. California, Detroit, Kansas City, South Florida and Texas are all in its expansion plans. Citi Trends prefers sites with a strong African-American demographic and likes the deals it is seeing on second generation space in shopping centers. Citi Trends stores typically run between 11,000 and 15,000 square feet.

Claire's looks to open new stores again in 2010, after closing over 25 stores in the past year. The teen accessory chain plans on opening at least 17 new locations in the next year, however, it also continues to seek rent relief and is reviewing roughly 500 leases coming up for renewal over the next year. Typical footprint ranges from 800 to 1,300 square feet in either mall or off-mall sites.

Coach plans as many as 20 stores throughout North America in 2010.

Costco has cut planned new store openings for 2010 to 14 stores, but is actively seeking sites for 2011. Look for Costco to significantly increase its growth rate next year. The chain also plans to expand its Costco Business store concept in 2010 and is experimenting with adding car washes to its gas station pad sites.

Cotton On is an Australian retail chain that plans to grow by as many as 400 units over the next five years.

Crazy 8 is the latest concept to join **Gymboree's** family of 925 stores throughout the U.S. and Canada (including Gymboree and **Janie & Jack**). Crazy 8 is focused on lower-priced apparel and where the San Francisco, California-based parent company has pinned most expansion plans for the coming year. As this report went to press, Crazy 8, with 50 stores, plans as many as 60 openings in 2010. The stores typically take 2,000 to 2,500 square feet in mall or off-mall locations.

David's Bridal is planning on opening as many as 15 new stores in the coming year. The chain prefers either strong streetfront locations or malls.

Deal$/Dollar Tree plans as many as 235 new stores in 2010.

dELiA's has plans to open 12 new stores in 2010—all of which will be at mall sites. Preferred footprint is about 3,800 square feet.

Destination Maternity may open as many as 17 new stores in 2010.

Dick's Sporting Goods continues to expand, both under the Dick's moniker, as well as through its **Golf Galaxy** concept. The Pittsburgh, Pennsylvania-based chain plans for 24 new Dick's stores this year, including six new stores in the Pacific Northwest. The chain has a long-term goal of adding about 390 stores over the next few years. Most of this growth—about 230 stores—will be in the West. Golf Galaxy has plans for five new stores after putting expansion on the shelf in 2009. Its preferred footprints are 50,000 square feet or 80,000 square feet.

Disney Store plans to renovate and expand its roughly 340 existing locations, adding interactive components, participation features and movie theaters to existing stores. Parent The Walt Disney Company is considering rebranding the concept as **Imagination Park.** The first U.S. unveiling of this new concept will come in May 2010 at stores in Southern California and Long Island, New York. The chain recently inked a deal for a flagship store in Manhattan's Times Square that will reportedly be part of the launch as well.

Dots plans on up to 25 new stores in 2010 as well as a total of 10 to 15 remodels. The 41-unit chain uses between 4,000 and 6,000 square feet and hopes to eventually reach the 1,000 unit level. The East Coast, Colorado and Midwest will be its primary focus of growth over the coming year.

Dressbarn plans for at least 15 new Dressbarn and as many as 35 maurices stores in the coming year.

DSW plans on as many as 10 new stores in 2010. The shoe chain uses roughly 16,000 square feet of space.

Express is in growth mode and recently filed an IPO to go public. The chain hopes to raise $200 million in the process. The chain's current plans call for 30 new stores annually over each of the next five years.

Famous Labels plans up to 30 stores annually through both 2010 and 2011. The Las Vegas-based off-price retailer currently has 35 stores in 20 states. It has no cookie-cutter format and prefers deals in second-generation space at outlet centers, regional malls and grocery-anchored properties, and uses between 15,000 and 35,000 square feet.

Fantastic Sam's plans to double its current size (roughly 1,340 locations) over the next five to seven years. It has plans for as many as 75 new stores in 2010 and possibly more than 100 openings in 2011. Fantastic Sam's typically use between 1,000 and 1,400 square feet. The Memphis, Tennessee-based chain is expanding in Los Angeles and New York, and is hoping to double its unit count in the Atlanta, Dallas/Fort Worth and Houston markets over the next 24 months.

Five Below, a tween-oriented value apparel retailer, may be one of the chains to watch in the coming year. The chain recently signed a lease for its 100th store. The company currently operates in nine eastern states from Virginia to New Hampshire. It plans to add as many as 100 new stores over the next two years, with a minimum of 40 in 2010. In the Pittsburgh market alone, it plans to open as many as 15 stores. The Carolinas, New England and New York will also be focal points for growth, with a preference for malls, regional or lifestyle centers anchored by national box tenants.

Free People, an Urban Outfitters' women's apparel concept, has increased its growth plans for 2010. The Philadelphia, Pennsylvania-based chain is looking to open 15 stores in the coming year—up from the ten locations it had originally planned. Free People stores typically take between 2,500 and 3,000 square feet of space. The chain looks at both mall and off-mall sites, including urban storefronts.

GameStop, the video game sector leader, now counts over 6,300 stores worldwide and will close the year with about 200 new U.S. locations (and about 400 new stores worldwide). The chain had previously averaged about 300 new U.S. stores per year, but don't look for the Grapevine, Texas-based chain to top that in 2010 as the long-term outlook for this sector remains cloudy due to the possibility of direct downloads and other tech advances. Still, look for at least 150 new stores from Gamestop.

Genesco is looking to open as many as 70 new stores across its multiple brands (**Journeys, Journeys Kidz, Johnston & Murphy, Lids, Shi by Journeys, Sports Fanatic and Underground Station**).

Golfsmith plans on opening four new stores in 2010, including a 28,000 square foot former Circuit City space in the upscale Kansas City suburb of Overland Park, Kansas. It also plans a Naples, Florida location in the fall and two additional sites to be announced shortly.

Great Clips added about 150 stores in 2009, and its growth plans for 2010 call for as many as 100 new stores in places such as Massachusetts, New York and Texas. The Minneapolis, Minnesota-based chain prefers 900 to 1,200 square foot inline sites in grocery anchored shopping centers, enclosed malls or regional/power centers. They particularly like co-tenancy opportunities with Wal-Mart or Target, but will not rule out stronger unanchored strip centers.

Grocery Outlet, a West Coast discount chain, plans on adding as many as 100 stores over the next few years. The chain has 136 stores ranging in size from 10,000 to 36,000 square feet, though its typical footprint comes in at about 16,000 square feet. Grocery Outlet plans on expansion in California, Oregon and Washington in 2010. The chain is interested in second generation space.

Guess plans on rolling out a new accessory concept in 2010 that could see as many as 60 new stores.

Gymboree is planning on opening a minimum of 50 Crazy 8 stores in the coming year. *See "Crazy 8" listing for more details.*

H&M currently operates about 17,500 stores in 28 countries. The Toronto, Ontario-based retailer has about 250 stores in the U.S., but is aggressively expanding. H&M is aggressively pursuing urban streetfront retail and mall sites and is currently on track to add about 240 new stores worldwide this year. H&M's sweet spot is 15,000 square feet; however, some mall locations are as small as 10,000 square feet while urban storefront flagship stores can be as large as 40,000 square feet.

Hair Cuttery, a regional player with 760 units, plans to open as many as 26 new stores in the eastern U.S. in 2010, averaging 1,200 square feet.

Helly Hansen plans on opening as many as 15 new stores in the U.S. over the next four years. The Norwegian chain—which carries a mix of outdoor gear and sporting goods equipment—had previously counted on U.S. exposure thanks to its relationships with **Sports Chalet** and **Sportsman's Warehouse.** With both of those chains struggling and retail rents at once-in-a-generation lows, Helly Hansen has decided instead to ramp up its development plans. The chain is now looking to open as many as 150 stores worldwide over the next ten years. Its average footprint is 2,500 square feet.

Henri Bendel plans to expand in the U.S. in 2010.

Hhgregg plans to open at least 45 new stores in 2010. The chain is actively pursuing vacant big box space and uses 30,000 to 40,000 square feet.

Hibbett Sports, the growth leader in small format sporting goods stores, likes to shadow Walmart stores. Its optimal sites are 5,000 square feet in Walmart-anchored or shadow-anchored centers. The chain opened about 65 stores in 2009. Most of its current growth is focused on Texas and the Southeast U.S. Looking ahead, the chain has plans to add as many as 80 new stores over the next couple of years in just Alabama, Georgia and the Lone Star State. The chain has over 750 locations and would like to have 1,200.

Hobby Lobby has traditionally had its strongest presence east of the Rockies. The Oklahoma City-based retailer currently has about 434 stores in 35 states. It plans to open as many as 30 stores in 2010, actively looking for sites in Arizona, Idaho, Montana, Nevada and Utah and has not ruled out the possibility of California by year-end. Meanwhile, Hobby Lobby will also continue to grow east of the Mississippi; the Carolinas, Connecticut, Florida, Massachusetts, New York, Pennsylvania and Virginia will all likely see new stores. Hobby Lobby typically inks 10-year deals and takes between 40,000 and 60,000 square feet of space.

Home Depot plans four new U.S. stores in 2010.

It's Fashion Metro has a 2010 target of 40 new stores. This Cato Corporation concept looks for space in off-mall locations and prefers sites in the 10,000 square foot range.

Jo-Ann Stores plan to add 20 units in 2010, most will be in the form of a new 24,000 square foot prototype. The chain is also planning on remodeling about 30 stores.

Joe's Jeans will be opening at least nine new outlet stores in 2010. Expansion is planned for California, Georgia, Massachusetts, Nevada, Ohio, Texas, Virginia and Washington. Footprints range between 1,400 and 3,200 square feet.

Jos. A. Bank will open as many as 40 new stores in the coming year. Bank generally prefers open-air lifestyle centers, downtown streetfronts, mall or larger shopping center locations, with a preferred footprint of 4,500 square feet.

Kirkland's will be opening as many as 40 stores in the coming year, even as it closes as many as 20 underperformers. The chain prefers off-mall sites and typically uses between 7,000 and 10,000 square feet. The chain is targeting Sunbelt states from California to Florida for growth, but also is looking to the Baltimore, Chicago, Philadelphia, Pittsburgh and Washington DC markets.

Kohl's opened over 31 West Coast stores (former Mervyn's sites) in early October, and now operates over 1,000 stores in 48 states. For 2010, the company has reserved about $225 million for as many as 25 new stores. The Menominee Falls, Wisconsin-based retailer is looking to nab sites from struggling retailers. Kohl's floor plans range between 68,000 and 133,000 square feet.

Leifsdottir, an upscale **Anthropologie** spinoff brand which is currently sold in Bloomingdale's, Nordstrom and Nieman Marcus stores, is reportedly looking into locking up bricks-and-mortar retail space in 2010. Parent Urban Outfitters is reportedly looking into expanding the concept.

Liz Claiborne will be rolling out a new concept, **LCNY,** over the next 18 months. As last year came to a close, the Liz Claiborne retail group had just under $900 million in debt on its books. The good news is that about $200 million of that amount has since been paid down. Despite the fact that Claiborne's concepts (**Juicy Couture, Kate Spade, Lucky Brand**) are all struggling with negative same-store comps, Claiborne continues to work considerable obligations off its books.

Lowe's opened roughly 65 stores in 2009. This largely reflects a deal pipeline, so it should come as no surprise that the Mooresville, North Carolina-based home improvement giant is slowing its growth to about 35 to 45 stores annually over the next five years. The chain currently operates about 1,700 stores throughout the U.S. and Canada. Its sweet spot remains about 116,000 square feet, with an additional 30,000 square feet for locations with garden centers.

Lululemon Athletica plans on accelerating growth in 2010. This Vancouver-based chain had previously been expanding through a mix of regional mall and lifestyle center sites, but is increasingly questioning this policy. Lululemon plans on as many as 15 new stores in 2010 and 25 stores annually for at least the next few years. Northern California is one of its expansion markets, but the chain is looking for lifestyle centers that have held up in the recent turmoil, otherwise, premier mall sites or prime urban storefronts are the preferred venue for 2010.

Madewell—J. Crew's concept that targets 20 to 40-year-old females—is planning on keeping the same rate of expansion with as many as eight new stores in the coming year. The chain had originally planned for as many as 15 stores in 2009, but backed away from those totals over the course of the year. The format has been tweaked over the past few months as it lowered price points to remain competitive. Madewell stores use between 2,900 and 3,500 square feet of space.

Martin + Osa, an American Eagle concept, had planned on as many as eight new stores in 2010 after putting all expansion plans on hold in 2009, but as this report went to press rumors were circulating that American Eagle may have done an about-face. Instead, American Eagle may be shutting down the 28-unit chain despite recent strong same-store sales.

Michael's has ten new stores in the works. While the number may increase heading into 2010, it is unlikely that Michael's will match the 45 units that it reached last year. One thing to watch will be the performance of Michael's first two urban design stores in New York City. Though suburban Michael's stores typically take about 24,000 square feet of space, the new Manhattan prototype is reportedly just 14,700 square feet. Should these prove successful, expect not only additional urban units from Michael's, but also from its competitors.

Nordstrom has plans for three full department stores to open in the coming year, but has shifted most growth to its off-price concept, **Nordstrom Rack.** At least 15 new Rack stores will be opened in the coming year.

Olympia Sports would like to open as many as 15 stores annually over the next few years. The small format sporting goods chain is looking for infill growth in its home base of New England. It uses 4,000 square feet.

Pet Food Express may open as many as four San Francisco Bay Area stores in 2010. The chain works with footprints between 6,000 and 10,000 square feet and prefers grocery-anchored neighborhood centers.

Petland, a Midwest regional player, has just under 200 stores in 30 states, but also has been actively franchising territories in Canada, China, Japan, Mexico and South Africa as of late. Petland stores can take anywhere from 2,000 to 12,000 square feet. The chain hopes to open as many as 15 new stores in 2010.

PetSmart plans to pick up its expansion pace in 2010, with as many as 60 new stores in the pipeline. PetSmart looks for 20,000 square foot spaces in either power or neighborhood centers. The chain also has roughly 100 leases expiring in the coming year—landlords should expect to play hardball if they want to renew as there remain plenty of options available for junior box space in most U.S. markets.

Pet Supplies Plus is looking to open as many as 25 stores in 2010. The Carolinas, Florida, Georgia, Oklahoma and Texas are at the forefront in its growth strategy.

Pet Supermarket, a Southern player, is one of the most active small format pet supply chains. The Sunrise, Florida-based chain has about 115 units throughout the Southeast and plans to open as many as 20 stores in 2010. Expansion plans are limited to markets where the chain already has a presence: Alabama, the Carolinas, Florida, Georgia and Tennessee. Pet Supermarket uses an average of about 7,500 square feet of space.

Planet Fitness is looking to open as many as 85 new health clubs in the coming year, with a preference for sites within strip centers.

PostNet plans on expanding in the Northeast U.S. in 2010 with as many as ten new stores.

PriceRite is looking to open as many as eight new stores in the coming year. PriceRite will consider former Circuit City space and uses between 30,000 and 40,000 square feet. Upstate New York is where it is concentrating its growth.

Publix markets plans on adding up to 50 stores per year in its Southeast stronghold. The chain will also continue to expand its Hispanic-themed grocery concept Sabor, with most new growth planned for Florida markets.

With roughly 12,800 locations worldwide, **Regis Corporation** is the world's largest hair salon chain. It operates **Supercuts, Cost Cutters, MasterCuts, Pro-Cuts, Cool Cuts 4 Kids** and a number of other concepts. Supercuts alone accounts for over 2,100 salons worldwide. Though Regis expects to open between 50 and 100 new franchise store openings in the coming year, this marks a reduction in the expansion levels that we have previously seen from the Edina, Minnesota-based operator.

Rent-A-Center is looking to open as many as 40 new furniture rental stores throughout the U.S. in the coming year.

Restoration Hardware will be rolling out a new baby & child concept in 2010.

Rooms To Go plans 16 new stores over the next 18 months. The chain's new prototype takes between 35,000 and 40,000 square feet. Roughly half of the chain's planned growth will be in Texas; Alabama, Florida and Georgia will account for the remainder.

Rue21 also looks to expand its presence by as many as 400 stores over the next five years, including 100 stores in 2010. Most of the near-term expansion will take place in the South, Midwest and Northeast. Rue21 takes about 4,000 square feet and is considering both mall and off-mall locations.

Sally Beauty's plans for 2010 include boosting growth to the four/five percent range (roughly 90 to 115 new stores), although it remains unclear whether the chain will be able to reach that goal. Sally Beauty prefers stores in the 1,200 to 1,800 square foot range in larger shopping centers. Both mall and off-mall sites are considered, given that overall center size is above 100,000 square feet and that strong anchor tenants are in place.

Sam's Club recently announced that it was closing ten underperforming stores in early 2010, and slowed its pace of growth to about 15 new stores this year and five to ten stores in 2011. The chain will increasingly shift its focus towards renovating existing locations. Sam's plans to overhaul as many as 55 stores this year and up to 90 in 2011.

Sephora, a division of Moet Hennessy Louis Vuitton, continues to grow its presence both with stand-alone stores as well as with leased locations within JCPenney stores. As 2009 came to a close, Sephora had over 140 of these roughly 1,500 square foot store-within-a-store locations in play, with plans to open as many as 50 more. The chain operates about 250 stand-alone locations throughout North America with plans for as many as 25 more in 2010. Sephora has been actively seeking deals on second-generation space (typically ranging between 4,500 and 7,000 square feet) and has six stores slated to open during the first quarter of 2010 alone, including locations on State Street in Chicago and a new 12,000 square foot Times Square storefront in Manhattan.

Shoe Carnival plans as many as 15 new stores in 2010. The chain uses between 12,000 and 15,000 square feet and is looking for deals on second generation space.

Shoe Show plans on as many as 35 new stores in the coming year.

ShopRite is looking to open as many as eight new stores in 2010. The chain uses between 65,000 and 70,000 square feet and will consider former Linens n' Things stores. ShopRite is looking for sites in Maryland and New York.

Simply Fashions will develop as many as 25 new stores in the coming year.

Skechers plans on up to 25 new stores in 2010. The chain will look at mall or off-mall sites and has multiple prototypes ranging from 2,000 to 7,000 square feet.

Sperry Top Sider plans to open its first retail stores. The chain will offer new boating shoes, apparel and accessories in a setting designed to look like an authentic boathouse. Initial openings are planned for Dallas, Florida (Boca Raton, Orlando and Tampa) and Kansas City.

Sport Clips, a men's salon, plans to add as many as 100 new stores annually through 2012. The Georgetown, Texas-based chain plans on expanding within existing market strongholds as well as branching out into new markets: Delaware, the Dakotas and Washington, D.C. Typical footprints range from 1,000 to 1,400 square feet in off-mall shopping centers.

Stage Stores has plans to grow by at least 250 units through 2014. At least 25 stores are in the works for 2010 throughout the South.

Staples opened 50 stores in 2009 and plans on another 50 stores in 2010. The chain is looking to grow with a mix of infill growth in established markets as well as expand into new trade areas. Staples will also roll out a small format store, Staples Express, for urban expansion.

TJX, Inc. plans on opening a minimum of 130 new stores between its **T.J. Maxx** and **Marshalls** brands in 2010. Long-term goals for the chain include doubling its store-count over the next few years to 4,200 units. The chain is aggressively pursuing second generation box space and can utilize footprints between 20,000 and 40,000 square feet depending upon the location. It also is preparing the launch of a new smaller store concept in 2011. So far, TJX is mum on this rollout, other than disclosing that this new chain could account for another 100 stores over the next few years.

Topshop has one confirmed new store in New York slated for 2010 opening, and as many as 15 stores throughout the U.S. over the next four years.

Tractor Supply Company plans on beefing up expansion in the coming year to the tune of as many as 80 new stores. California, the upper Midwest, New England and South are among the markets where the brand would like to grow.

True Religion will reportedly add as many as 25 new stores in the coming year. The chain currently has roughly 70 units with a typical footprint between 1,200 and 1,500 square feet. Outlet locations typically double that amount. True Religion prefers malls and lifestyle centers.

Ulta, a beauty supply retailer, plans on adding up to 35 stores in 2010. The Romeoville, Illinois-based chain uses roughly 10,000 square feet and prefers sites in power, neighborhood or lifestyle centers, as well as prime urban storefronts. Ulta is currently in 26 states with a total of 333 stores. Its long-term goal is to reach 1,000 units, but it will be some time before it approaches that plateau.

UPS Store plans to add as many as 100 stores in 2010. The chain typically uses about 1,400 square feet of space.

Urban Outfitters plans on 50 new stores in 2010. The chain opened about 35 new stores in 2009, but has no debt, over $150 million in cash and overall positive same-store sales (though sales at lifestyle locations have reportedly showed some cooling recently). Malls, lifestyle centers and urban storefronts remain its preferred sites. Urban Outfitters ultimately believes that 200 stores nationally is where it will hit the saturation point—it currently has just over 130 stores. Urban Outfitters' typical footprint is about 9,000 square feet, though it recently opened a 15,000 square foot New York City flagship.

Walgreens has plans to open as many as 350 new stores in 2010, or nearly one new location per day.

Walmart will increasingly shift its expansion focus to Brazil and China in 2010. The chain plans on boosting its overall square footage by 38 million square feet in the coming year—23 million square feet of this growth will be outside the U.S. The chain has remodeled approximately 30 percent of its roughly 3,540 U.S. stores. By the end of 2012, Walmart expects to have completed renovations on 70 percent of its stores.

Wet Seal was on ice in 2009—the Foothill Ranch, California-based chain added 17 stores while shuttering 16. However, the chain's long-term goal is to grow the roughly 415-unit brand to as many as 750 stores. While Wet Seal had previously focused exclusively on mall-sites, recently opened power center locations in Fresno and Sacramento have turned in strong results. Our sources tell us that Wet Seal will increasingly look to off-mall locations for its future growth plans.

Who.A.U. plans to hit the 50-unit mark by 2012 and is looking to the Northeast U.S. to achieve this goal.

Zara, a Spanish apparel chain, is another newcomer to the U.S. in growth mode. Zara typically uses between 10,000 and 14,000 square feet and prefers mall or urban storefront locations. The chain is planning for as many as 10 new U.S. stores in 2010. California, Florida, Georgia, Illinois, Nevada, New Jersey, New York and Texas are the focal points for growth in the coming year. Worldwide expansion plans for Zara call for 450 new stores over the next two years.

Zumiez plans to end the year with 36 new stores. The Northeast U.S. is its focus of growth in 2010.

Restaurant Expansion Notes

Baja Fresh Mexican Grill is expanding in the Atlanta market.

bd's Mongolian Grill is planning on six new restaurants in 2010. The Burnsville, Minnesota-based chain has typically worked with spaces in the 5,000 to 6,000 square foot range, but recently opened stores in shuttered Macaroni Grill. The chain is looking for deals on built-out second-generation restaurant space and certainly won't have much trouble finding vacant space to choose from in most markets. Maryland, Minnesota, Pennsylvania, Tennessee and Virginia are all in the 37-unit chain's sites for 2010.

Beef O'Brady's is planning on opening as many as 26 new stores east of the Rockies in the coming year.

Biggby Coffee, based in East Lansing, Michigan, is another franchise-driven concept looking to expand in the Lone Star State. The 105-unit company has traditionally focused on its home base of the Midwest. In recent years it has been growing in the Southeast U.S., but Texas is proving to be irresistible for retailers looking for markets where local economies are holding their own. Biggby prefers sites in the 1,400 to 1,600 square foot range.

BJ's Restaurant & Brewhouse has plans for as many as 11 new restaurants in 2010.

Bruegger's plans on as many as 27 new restaurants in the Southeast U.S. this year, with a minimum of 15 stores likely.

Buffalo Wild Wings has consistently reported strong same store sales and has been on an expansion tear. The chain will close the final three months of 2009 with about 30 new stores. The chain recently expanded into the Honolulu, El Paso and Pensacola, Florida markets and recently inked a deal to open as many as 20 units in various airports over the next five years. The chain now has over 630 stores and plans to open as many as 95 new stores in 2010 as it strives for a 15% growth rate. Expansion in the coming year will be through a mix of about 40% company-owned and 60% franchised locations. Buffalo Wild Wings' preferred sites are 4,000 to 7,000 square foot end cap spaces in big-box anchored centers.

Buffalo Wings N Rings has just over 55 units but is looking to grow that amount by 25 percent or more in 2010, focusing on Florida, Texas and Northern California where it recently lost a few stores. It also will be entering the Nebraska and Nevada markets. The chain has about 15 new stores in the works, but has signed contracts with franchisees that could mean more than 60 new stores over the next few years.

Burger King is planning up to 300 locations internationally in the coming year.

Cheesecake Factory has four new locations on tap for 2010, but also plans to rollout two new concepts, Grand Lux and Rock Pan Asian Kitchen.

Capriotti's Sandwich Shop will start 2010 with an expansion blitz in Wisconsin (five stores with planned first quarter openings in the Madison and Milwaukee markets alone), but also has plans in the works to move into a mix of new markets. The chain is looking to open stores and/or sign franchise agreements in Las Vegas, Los Angeles, Nashville and Portland, Oregon. The chain prefers 1,200 to 1,600 square foot storefronts.

Carl's Jr. and **Hardee's** restaurants plan to add 119 new locations over the next year. Parent CKE wants to boost its unit count by 370 through 2014. Hardee's will account for most of the Eastern growth and is looking to expand in the Carolinas, Georgia and Virginia. Carl's Jr. will account for Western expansion. Much of this growth will be focused in Texas. Carl's Jr. plans on doubling its presence in the Lone Star State in the next few years from its 34 locations there. It recently signed franchise deals that will add at least 31 new stores over the next nine years.

Checkers is looking to add as many as 68 new restaurants east of the Mississippi over the next year. Florida and New York will see a major expansion push, but the chain is looking for sites in virtually every major Eastern market.

Chick-fil-A is planning on 78 new restaurants in the coming year. The chain opened 83 new restaurants last year. Growth will be in a mix of existing markets, as well as a few new ones like Chicago. The typical Chick fil-A location is a 4,300 square foot freestanding building with a drive-thru.

Chipotle opened 121 new restaurants in 2009 and is looking to add as many as 130 new restaurants in 2010.

Chuck E. Cheese's only opened three new restaurants in 2009, but will double this amount in the coming year. Plans currently call for new stores in Arizona, California and Texas. The chain prefers 10,000 to 12,000 square foot sites. Expansion plans for 2011 currently call for up to seven new restaurants, more depending on performance.

Corner Bakery Café has plans for as many as ten new stores in 2010.

The Counter Burger is a Santa Monica, California-based fast casual gourmet burger concept that currently has about 25 stores. While The Counter is strongest in the Golden State, the chain has opened franchises in the Atlanta, Chicago, Honolulu, Seattle and Washington DC metros over the past 24 months as well as added sites in Ireland and Australia. Plans for 2010 are in the 12 and 15 store range. The Counter will continue to expand beyond its home base in the coming year, with restaurants in the Boston, Chicago, Florida and New York markets all in the works, as well as a number of locations in Las Vegas, Los Angeles and San Diego. The typical footprint for a Counter Burger is between 2,600 and 3,000 square feet in lifestyle or power centers.

Cracker Barrel plans on seven new restaurants in 2010.

Culver's plans up to 30 new locations of its fast-food burger and ice cream concept in 2010, with most of the growth targeting its Midwest roots. However, the Wisconsin-based chain also recently began looking for franchisees in Utah and Tennessee. Typical footprint is a 4,000 square foot freestanding building with a drive-thru window.

Darden, operator of the **Olive Garden, Red Lobster** and **Longhorn Steakhouse** chains, is planning for as many as 55 new restaurants in the coming year, though the chain has not detailed how many of these will be within the U.S. The chain is eyeing expansion into Mexico and the Persian Gulf States in 2010. Our sources tell us that U.S. sites will likely account for just under half of all new restaurants that Darden opens over the next twelve months.

Dunkin' Donuts has aggressive growth plans in the works. While the chain already has an iconic presence in the Northeast, it hopes to create similar strongholds in Las Vegas, Phoenix and Dallas. The Southeast is also a region in the Quincy, Massachusetts-based chain's sights. Florida, in particular, should see an explosion of growth from Dunkin' franchisees. Look for Dunkin' to go head to head with Canadian donut giant Tim Hortons in a number of Eastern U.S. markets in the coming year.

Dutch Brothers Coffee plans on opening ten new stores in existing markets (Arizona, California, Colorado, Idaho, Nevada, Oregon, Washington) over the next year. Stores are typically in the 2,000 square foot range.

Edible Arrangements has plans to increase its store count by as many as 100 units in the coming year.

Einstein Brothers Bagels could add as many as 45 stores in 2010 throughout its various divisions (Einstein Brothers, Manhattan Bagels, Chesapeake Bagel Bakery and Noah's New York Bagels). The chain has approximately 430 stores in 32 states and uses about 3,200 square feet.

Famous Famiglia is looking to open as many as 20 new restaurants in 2010 in places such as Las Vegas, Milwaukee, and New York. A typical footprint is 1,500 square feet, though an 800 square foot prototype is possible for unique locations such as airports.

Fazoli's has at least seven new Midwest units on tap, as well as a new prototype. The Lexington, Kentucky-based chain recently rolled out its new look at a new store in the St. Louis market. Whereas the chain had previously preferred stand-alone buildings in the 3,000 square foot range, deals for inline space are simply too good to pass up. The new prototype is about 2,100 square feet and designed to work in existing shopping centers. Start-up costs for the new prototype are reportedly about $500,000, compared with as much as $1.7 million or more for stand-alone locations.

Firehouse Subs is planning on opening as many as 40 stores in 2010 and up to 70 in 2011. The chain is looking to expand in Baltimore, Chicago, Columbus (OH), Denver, Kansas City, Las Vegas, Philadelphia, Phoenix and Salt Lake City.

Freddy's Frozen Custard is planning on at least 40 new stores in the Midwest

FreshBerry, Beautiful Brand's fro-yo concept, plans for strong growth in 2010. The chain plans to add to its current nine units with openings in Arizona, California, the Carolinas, Nevada, New York, Oklahoma and Texas over the coming year. Ideal spaces is 600 to 900 square feet.

Freshii has plans to open as many as 40 new restaurants (California, Chicago, Denver, Houston, Nashville, New Jersey, New York, Philadelphia and Washington DC).

Friendly's Ice Cream is looking to open as many as 65 franchised locations in 2010.

Garbanzo Mediterranean Grill plans on ten new stores in 2010 in Colorado, and prefers 2,000 square foot end-cap spots in big-box anchored retail centers.

The Habit Burger has eight new restaurants in the works in California.

Honey Dew Donuts is hoping to add 20 units in New England this year.

Jack in the Box plans on as many as 50 new restaurants through September 2010. In addition to infill expansion within existing markets, the chain is growing in Colorado, Kansas, New Mexico, Oklahoma and Texas.

Jamba Juice has as many as 27 new stores planned for the coming year.

Jason's Deli has plans for as many as 20 new restaurants in Baltimore, Chicago, Florida and Washington DC.

Jersey Mike's sub shops are looking to open as many as 60 new stores in 2010, with a focus on Chicago and Southern California.

Lime Fresh Mexican Grill has five restaurants in the works in Florida and plans for ten more in 2011.

L&L Hawaiian Barbecue plans up to 10 new stores this year in Alaska, Hawaii and the Pacific Northwest.

Marco's Pizza plans on up to 60 new stores in the coming year. The chain is looking to the Midwest and South for most of its growth. Marco's uses anywhere from 1,200 to 2,400 square feet.

McDonald's, despite strong sales, has reduced expansion plans this year simply because of the shortage of 50,000 square foot pad sites (4,500 square foot building with drive thru windows) in prime retail corridors near rooftops and workplaces. McDonald's closed 2009 with roughly 150 new U.S. restaurants. 2010 growth will likely come in at or near the same levels, though we expect the Golden Arches to be active in buying back some franchised sites as well.

Mr. Goodcents Subs & Pasta, based in Desoto, Kansas, is another franchise-driven chain looking for multiunit operators to help support its growth plans in 2010. It prefers to work with operators who can open between five and ten stores per market as it seeks to expand outside of its Midwest base. The chain recently opened a new store in Phoenix and will be adding another three to that total by the close of first quarter 2010. It also has aggressive growth plans in the works for the Dallas/Fort Worth market. The chain currently has about 110 units, but plans to open as many as 70 new stores in 2010. Mr. Goodcents' preferred format runs about 1,500 square feet.

Muscle Maker Grill would like to open as many as 200 restaurants in 2010.

NAKEDPizza plans on up to 8 new units in Colorado, 50 in Florida and 10 in Kentucky. All told, the chain has 92 units under various states of development throughout the U.S. and continues to ink new franchise deals.

Noodles & Company is hoping to add as many as 30 new stores this year in California, Colorado, Illinois, Kansas City, Minnesota and Washington DC.

NYPD Pizza is looking to open up to 10 new restaurants in Florida and Utah.

Original SoupMan plans on opening about 60 new stores in the Eastern U.S. over the next 12 months.

Paciugo Gelato & Caffè plans to open as many as 100 franchise shops in 2010 with expansion in its Texas home-base, as well as throughout California and the East. The chain currently has 41 units and typically takes about 1,200 square feet.

Panera Bread plans on as many as 105 new restaurants in the coming year.

Papa John's expects a net gain of as many as 80 units worldwide in 2010. The chain expects to open as many as 180 stores internationally, while also expecting up to 100 closures of franchised units. Our sources advise us that roughly half of the coming year's growth will be overseas, with the United Kingdom, Middle East and Asia to increasingly account for growth. Typical stores range between 1,100 and 1,500 square feet.

Pinkberry launched in Southern California in 2009 and then expanded within California, Chicago and New York. The chain recently debuted in Dallas and is also actively looking for sites in Atlanta, Austin, Boston, Colorado, Miami, New Orleans, Orlando, Philadelphia and Washington DC among other markets.

Pizza Patron has plans for 40 new restaurants in the coming year. Atlanta, Chicago, Dallas, New Mexico and Utah are top target markets.

Pizza Fusion plans on as many as 75 new restaurants in 2010.

Pluckers Wing Bar has plans for seven new stores through 2011—all of which will be in the chain's home state of Texas. Unlike most of the other players in the wing game, Pluckers prefers a corporate model over franchising and also prefers larger stores. The chain's sweet spot is between 7,000 and 10,000 square feet. Dallas, Houston and San Antonio are key markets over the next 12 months.

Qdoba plans on as many as 40 new restaurants in the coming year.

Red Mango, based in Sherman Oaks, California, has been one of the fastest growing fro-yo concepts, having recently reached the 50 unit plateau. The chain has plans in the works for as many as 219 new stores over the next 12 months (Carolinas, Florida and Atlanta as well as Arkansas, California, Colorado, Illinois, Indiana, Kansas, Louisiana, Massachusetts, Minnesota, Nevada, New Jersey, New York, the Pacific Northwest, Utah, Virginia, Washington DC, and Wisconsin). The chain prefers to be in lifestyle centers or streetfront urban retail locations with 700 to 1,200 feet.

Red Robin plans on developing up to 15 new company-owned restaurants in 2010—as many as 13 of these may be open by the end of the year. The Greenwood Village, Colorado-based chain also expects to open as many as five new franchise-owned locations over the coming year.

Robek's, a franchise-driven juice concept with footprints of about 1,000 square feet, remains bullish on expansion, with growth plans in the works for 2010 in the Pacific Northwest, Texas and Washington DC. The chain currently has just under 150 units, but is hoping to add 20 new stores in the coming year focusing on multi-unit franchisees for growth. Expansion will depend largely upon finance issues.

Salsarita's Fresh Cantina plans for at least 20 new restaurants this year, though this number could go up if the chain is successful in its current franchising drive. Most growth is slated for the Carolinas, though the chain also has aggressive growth on tap in 2010 for Baltimore, Birmingham, Detroit, Jacksonville, Memphis, Nashville and upstate New York. The chain, with about 100 units, wants 200 stores by 2014.

Shane's Rib Shack has plans for up to 15 new restaurants this year in Arizona and Georgia.

Sonic plans to close its fiscal year in August 2010 with as many as 125 new restaurants. The Northeast United States has been the focal point of most of this growth.

Spicy Pickle plans 15 stores this year, in Austin, Chicago, Houston, Las Vegas, Reno and San Diego markets, as well as deals in the works at LAX and Denver International. As 2009 came to a close, the chain's unit count included just under 40 Spicy Pickle restaurants in the U.S. and about 15 **Bread Garden** restaurants north of the border. The chain's preferred format runs about 1,800 square feet.

Stevi B's Pizza plans on as many as 15 new restaurants in 2010 with a focus on Florida and Wisconsin.

Submarina California Subs has plans for at least 30 new restaurants in the coming year in California, Florida, Georgia and Texas.

Subway opened 2,000 restaurants in 2009 and plans to continue aggressive franchise-driven expansion in the coming year. For example, in the Boston market alone the chain is planning on opening as many as 130 new stores over the next five years. Subway stores typically take about 1,200 square feet.

TacoTime is planning on 10 new restaurants in Montana, Nevada, Oregon and Utah.

Tasti D-Lite has a goal of 45 new stores this year in Atlanta, Boston, Dallas, Florida, Seattle and Southern California.

Tim Hortons is beefing up U.S. expansion. The chain ended 2009 with about 40 new U.S. stores bringing its domestic unit county to over 535. The chain continues to look to the Mid-Atlantic, Midwest and New England for growth. Its typical prototype is 3,000 square feet, but alternate footprints drop as low as 1,600 square feet.

Tossed is looking to expand its fast casual salad concept in the Chicago, Los Angeles and Washington DC markets, with as many as six new restaurants in 2010. Typical footprint is 2,000 square feet.

Teriyaki Experience plans on adding as many as 20 new units in 2010. The chain is looking to Arizona, Florida, Georgia, the Midwest, Northern California and Texas for growth. The preferred footprint ranges between 1,200 and 1,600 square feet.

Villa Fresh Italian Kitchen may add as many as 20 units in the coming year. The chain may be co-branded with sister concepts **South Philly Steak & Fries** or **Green Leaf's/Bananas.**

Wingstop has plans for 69 new stores in 2010. The chain has plans to expand at a rate of about 16 percent next year and is looking to boost its presence in Baltimore, New Jersey, New York, Pennsylvania and Washington DC. The chain currently has over 435 stores and is also looking to expand in Midwest markets like Chicago where it already has a presence. Its preferred sites run about 1,500 square feet in neighborhood or strip centers located in ethnically diverse urban neighborhoods.

Wing Zone—previously a delivery/takeout concept—will be testing a larger prototype of up to 2,000 square feet in 2010 that will offer full dining areas and beer and wine menu items. The chain's traditional small format stores range between 1,000 and 1,500 square feet. The chain has plans for as many as 15 new stores in the coming year, with most growth slated for the Carolinas, Virginia and the Washington DC market.

WOW Café and Wingery is planning for as many as 20 new units in 2010. The chain currently has just under 70 units and works with three different footprints: a 4,800 square foot full-scale dining format, a 2,800 square foot format and a takeout-oriented small format store in the 1,500 square foot range. Expansion plans for the coming year include Alabama, Florida, Georgia, Kentucky, Louisiana, Maryland, Pennsylvania, Texas and Washington DC.

Yogen Fruz, based in Markham, Ontario, plans on expanding its presence in the U.S. with as many as 50 new stores in 2010. The chain currently has 1,100 units worldwide, with roughly 35 in the U.S. Growth is planned for Arizona, Florida, Hawaii, Illinois, Nevada, New York, Ohio, Pennsylvania, Texas and Washington state. The concept considers 400 square foot kiosks, small inline mall units up to 500 square feet and 800 to 1,500 square foot streetfront sites.

Yogurtland started 2009 with 32 stores and doubled that count by year end. The chain has a goal of 70 new stores in 2010 and is looking to grow in Arizona, California, Florida, Hawaii, Nevada and Texas. The chain plans as many as ten stores each in the Austin/San Antonio, Colorado, Dallas/Fort Worth, Florida, Houston and Utah markets. Yogurtland locations use between 1,200 and 1,600 square feet.

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