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## **Salem's changing retail market: higher-end stores paying higher rents**

By Tom Dalton Staff writer

SALEM — It wasn't long ago that A Touch of the Past on Washington Street was a hub of retail activity in the city. A long-standing gift store with eye-catching window displays, it was overseen by a hustling, bustling owner, Kathie Driscoll-Gauthier, the former voluntary chairwoman of the Haunted Happenings celebration.

A Touch of the Past closed its doors a few days ago, almost 16 years after it opened. A new owner, Goldberg Properties of Beverly, had bought the building, started renovations and raised the rent

Driscoll is the first to admit that she was paying an artificially low rent, that the Goldbergs tried hard to work with her, and that keeping a business afloat is a constant struggle. But in the end, A Touch of the Past is gone, another sign of the changing retail scene in downtown Salem.

In fact, the other three ground-floor stores and offices at 81 Washington St., which is next to City Hall, are also gone, leaving the building temporarily vacant.

Bill Goldberg, one of four brothers behind Goldberg Properties, said he has already been approached by several businesses that want to move in.

"I've had a lawyer call about renting on the first floor," he said. "We respectfully said no."

Goldberg said he has a vision for this building, and it doesn't include offices or tourist-related businesses. "We're going in a different direction — quality retail."

Although downtown Salem wouldn't be mistaken for Newbury Street in Boston, upscale retailers are slowly moving into storefronts that were once vacant, rented out as offices or opened in new buildings. Although the retail market itself may be the driving force, two developers are helping steer the ship: Goldberg Properties and RCG, a Somerville company.

Between them, they own or have developed about 45 storefronts in the downtown with more on the way — RCG is putting up a building at the old Salem Evening News site that will have stores on the first floor.

Goldberg has attracted several new retailers to cobblestoned Front Street, including J. Mode, a women's clothing store, and Beadworks, which also has a store in Harvard Square. RCG has brought in Rouge Cosmetics, the maternity and baby store Chulamama, and, just recently, the clothing store Sacred

Gear, which targets hip, young professionals.

Even the food offerings are going more upscale with the likes of A&J King Artisan Bakers and Upper Crust Pizza — both in RCG buildings.

### **A boost from condos**

The developers say this isn't so much a strategy as an attempt to build on the momentum started by the condominium boom and the new restaurants that have opened in the past few years.

"The reason rents are higher in downtown Salem ... has nothing to do with us," said Goldberg. "It has everything to do with housing and the master plan the city has created. ... Quality housing in downtown Salem is the primary driving force. ... People are living downtown and they want services."

The restaurants, they also say, prove that Salem can draw customers from around the region.

"The trade area is much larger than just Salem," said Matt Picarsic, a principal at RCG. "And while it's important that the retail in Salem caters to the local residents, it's also important we create a regional product offering."

Picarsic is repeating points made in a retail study done last year by Karl Seidman Consulting Services of Cambridge, which concluded that Salem should become a "unique shopping center" that draws from the whole North Shore.

Open less than a year, Rouge Cosmetics has found it is drawing well from Salem — 30 percent of its business — but also from other towns. About 20 percent of its customers, for example, come from Marblehead.

"I think there's a lot of shopping power on the North Shore," said Ann Massey, the owner of Rouge.

While it offers higher-end products, some of its best-sellers, Massey said, are mineral makeup items that are moderately priced but difficult to find in area malls. The goal, she said, is to fill a retail niche and offer quality shopping close to home with a high level of personal service.

### **Retail rents climbing**

But as the number of new retailers has climbed, so have rents.

Over the past five years, rents have gone up across the downtown — not just at Goldberg and RCG properties. Retailers who were once paying \$10 to \$15 a square foot for retail space are now paying in the high teens. Some properties are even renting in the low 20s, according to local realtors and the real estate Web site LoopNet. (Translated into real dollars, that means a store with 1,000 square feet will pay \$1,000 more in annual rent for every \$1 hike.)

"In the last five years or so, the availability of quality retail space has shrunk and, as a result, you're seeing a somewhat tighter rental market," said Picarsic.

But those rents are still much lower than the choice locations in Marblehead and Vinnin Square, which are at least \$10 per square foot higher, and nothing like the \$100-per-square-foot rents in Harvard Square and parts of Boston, a realtor said.

"I think (the downtown Salem rents) are very reasonable," said David Hark of The Drumlin Group, a commercial real estate firm in Salem.

Driscoll-Gauthier, who is moving her business to Hamilton, wonders if the trend is a good one. She says a lot of local businesses have been able to make it here, and survive the long, dark winters, because of "reasonable" rents. She questions whether higher-end businesses paying higher rents is a winning formula.

"Local customers aren't going to buy higher-end things," she said. "That's not the market in Salem. I also don't think it's a low market. You've got to hit it somewhere in the middle. I'd love to see these new stores do well, but I don't know."

The times are changing, other retailers say. There are more people moving into downtown condos and apartments, more young professionals living in the city, and more women's shops and restaurants all within walking distance of each other that are drawing customers from other towns.

And the items being sold, they say, vary in price to appeal to a broad spectrum of customers.

"I believe that Salem has turned the corner," said Massey.

A sampling of new Salem stores

**Clothing/Accessories:**

J. Mode, 17 Front St.

Sacred Gear, 118 Washington St.

Quintessentials, 96 Wharf St.

**Food/Liquor:**

Sixty2 on Wharf, 62 Wharf St.

Salem Wine Imports, 32 Church St.

Upper Crust Pizza, 118 Washington St.

Gulu-Gulu, 247 Essex St.

A&J King Artisan Bakery, 48 Central St.

**Furniture:**

Cabin Fever, 281 Essex St.

**Maternity/Baby:**

Chulamama, 320 Derby St.

Crunchy Granola Baby, 72 Washington St.

**Spas/Beauty/Organic:**

Living Well, 207 Washington St.

Rouge Cosmetics, 322 Derby St.

Radiance Aveda, 316 Derby St.

Salem Naturals, 78 Wharf St.

**Crafts/Flowers/Gifts:**

Fiddlehead, 24 Front St.

Beadworks, 10 Front St.