

By Donna Drew, Metro Commercial Real Estate

# Dollar stores thrive in troubled economy

Like so many other industries across the nation, retail real estate has felt the impact of slower consumer spending.

According to a forward-looking index for the commercial real estate sectors published by the National Association of Realtors, retail real estate activity is expected to decline moderately with fewer business opportunities for commercial practitioners in the months ahead.

While there is no question that many retailers have to strap in for a very tough 2009, it doesn't necessarily spell trouble for everyone.

Chains like Dollar Tree and Family Dollar are continuing to grow at a rapid pace and expand into new regions despite a fragile and uncertain economy. In fact, many dollar stores are raking in dollars faster and offering consumers more brand name products than ever before.

According to a recent report by Retail Forward Inc., a market research and consulting firm, dollar stores and other small-format value retailers, including one-price general merchandise stores, are one of the hottest retail sectors of the decade. Dollar stores are taking advantage and capitalizing on the current state of the economy.

Analysts agree and say that



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consumer frugality during tough economic times can actually be a good thing for some merchants. The industry calls it "trading down," and it means that more mid-income families will try to stretch their dollar by turning to discount stores, value-priced retailers and wholesale chains in the months ahead.

While such activity will also benefit discount stores like Wal-Mart and Costco, small-format value retailers and dollar stores like Dollar Tree will probably see the greatest gains.

Dollar Tree is one of the nation's largest discount retailers with nearly 3,500 stores in 48 states. The company also operates a coast-to-coast logistics network of nine distribution centers. Metro Commercial Real Estate of Philadelphia, PA, has seen first-hand the rapid growth of discount stores like Dollar Tree as it represents the retailer in the Philadelphia regional market. Metro Commercial is also representing Dollar Tree's newly acquired dollar store called Deal\$. This is \$5-and-under concept that has the benefit of increasing the average baskets price of spending through Dollar Tree.

Dollar Tree reported that total sales for its fiscal second quarter of 2008 were \$1.093 billion, a 12.5% increase compared to \$971.2 million in last year's fiscal second quarter. Comparable-store sales for the quarter increased 6.5%. In the second quarter last year, comparable-store sales increased 4.4%.

Many industry experts are saying that the dollar store concept is proving to be recession-proof. When times are bad, more people will patronize the stores. And when times are good, the people who may have a little higher income will also patronize the stores.

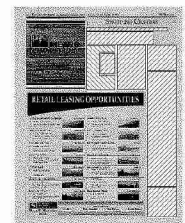
And it's more than just a few pennies being saved. Family Dollar, another retailer that

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focuses on meeting the needs of its customer base for good, low-cost, basic merchandise, reported that its sales increased nearly 7% for the four weeks ending August

2. Its revenue grew to \$527.1 million from \$491.7 million in the comparable period last year. Family Dollar says it expects comparable-store sales to increase over the summer.

As consumers continue to feel the pinch from a troubled economy, many retailers have been forced to close up shop altogether. However, as dollar stores gain recognition as legitimate retailers and create more cost-conscious consumers in both low and high-income households, they're doing more than just surviving, they're thriving!

**Metro Commercial Real Estate broker Donna Drew has over 20 years of experience in the real estate industry and focuses primarily on tenant**



**representation. Drew has represented the site selection needs of such prominent retailers as TJ Maxx, Marshalls, Home Goods, AJ Wright, Dollar Tree, EB Games and Dots. She also has extensive knowledge in restaurant leasing and has inked transactions for Cracker Barrel and Brinker International (Macaroni Grill, On the Border and Corner Bakery Cafe). Drew is a member of the International Council of Shopping Centers (ICSC) and Realty Resources, and resides in Philadelphia, PA. ■**