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Closing Up Shop

Major Retailers Paring Stores at a Rapid Pace

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With major retailers closing their doors in the past few months and more expected to follow in 2009, commercial brokers are scrambling to fill storefronts left empty at area shopping malls.

Bruce Schiff, a broker in the Carlsbad office of Grubb & Ellis|BRE Commercial, said 2009 will be a tough year, given that more store operators are expected to close and file bankruptcy in the wake of the worst holiday shopping season in decades.



Commercial real estate broker Bruce Schiff says 2009 will be a tough year for the area's chain store retailers.

Of the 137 million square feet of retail space in the county, 4.6 million square feet was available for lease as of Sept. 30, a number that is expected to increase in 2009.

Retail vacancy rates jumped to 4.1 percent in fourth quarter compared to 3.8 percent in the third quarter, according to Colliers International San Diego region researcher Chris Reutz.

Net absorption of retail space was a negative 430,000 square feet or about enough space to hold six Mervyns or 24 CVS stores.

"Once the final numbers are tallied for holiday season sales, tenants are going to make decisions about closures," Schiff said, adding, "There just aren't as many replacement tenants roaming the market as there once was."

Failing retailers Circuit City, Linens 'N Things and Mervyns all closed stores in the past few months.

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Schiff said he's looking to fill 30,000 square feet of space left behind by Linens 'N Things in North County's Vista Village shopping center.

However, the situation was not all negative.

PetSmart, Marshalls, Big Lots and Smart & Final all signed leases for new space last year, and Best Buy and CVS are reportedly looking for new store sites in the county.

Wisconsin-based department store Kohl's and Los Angeles-based apparel chain Forever 21 will take over the leases of 46 former Mervyn's sites.

Kohl's, which has seven stores in the county, said it will open 50 stores this year nationwide, including two more locally. It operates 1,004 stores in 48 states, including 90 in California.

Kohl's spokeswoman Kristen Cunningham said the chain assessed the Mervyns' portfolio and chose sites where it doesn't have existing stores.

"We feel that these locations would be hard to duplicate ... and (would) provide opportunities to be more convenient to our customers," she said.

Meanwhile, Kirk Allison, an executive with Colliers International in Carlsbad, said the expected closings of so many retailers will undoubtedly affect vacancy rates. But he would not estimate how long it will take for this space to be absorbed.

"The question I can't answer is over what time. That is the \$64,000 questions," he said.

Allison said he is searching for tenants for the now-closed Circuit City store in Vista for Paskin Properties.

He said he's optimistic about filling the space, which became available Dec. 31.

The list of retailers filing for bankruptcy in 2008 include the Disney Store North America, high-tech gadget shop San Francisco-based Sharper Image and Sherman Oaks-based Shoe Pavilion.

Others include:

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- KB Toys, which filed for bankruptcy just days before Christmas and will close all stores, including five in the county.
- CompUSA, which said it will close 112 underperforming stores by March 31, including four in the county.
- Women's clothing retailer Ann Taylor, which is expected to close 117 stores by 2010. It has stores at Otay Ranch Town Center in Chula Vista and at Westfield UTC.
- Charming Shoppes (owner of Fashion Bug, Lane Bryant and several other clothing retailers), which said it plans to close as many as 100 stores beginning in February. This operator said it is already closing 150 stores by Jan. 31, but did not say which, if any, of the five Lane Bryant and one Fashion Bug stores in the county would be affected.

"Obviously anytime a retailer closes it is not good. It is job loss and sale tax loss. But it also creates opportunities for other retailers to come into the market," said Schiff.

"Mervyns has a lot of good real estate as does Circuit City. I am sure there are (potential) tenants out there that are analyzing those locations."

Westfield once leased several stores to Mervyns, including space at Horton Plaza downtown and 90,000 square feet at Westfield Plaza Bonita in National City. Westfield is one of the largest retail owners in the county with seven malls countywide totaling 8.1 million square feet.

Westfield spokeswoman Katy Dickey said there is significant interest in the former Mervyn's space in National City but nothing to announce as of Jan. 6.