

Retailers facing rough waters in turbulent economic times

BY TRICIA LYNN SILVA

This year's holiday color scheme: A lot of red, and very little green.

Even before the current credit crisis gripped the nation, the country's retailers were already facing significant challenges, says Michael P. Niemira, chief economist for New York-based industry organization the International Council of Shopping Centers (ICSC).

Those challenges included the bankruptcies of noted retail chains like Sharper Image and Linens n' Things, unseasonably warm weather that kept winter clothes on the racks and rising gas prices. Add to that the cloud of uncertainty that has plagued many consumers for the past several months.

And now there is the federal effort to rescue the nation's financial industry that has been dominating the headlines in recent weeks, Niemira says.

The timing couldn't have been much worse. With the 2008 holiday shopping season set to begin in less than two months, this new level of economic uncertainty has retailers bracing themselves for an unhappy holiday season.

"It's going to be a very un-Merry Christmas," says Tom Rohde, vice president of San Antonio firm Rohde Ottmers Siegel Commercial & Investment Realtors. "We've been bad. We're going to have coal in our stockings."

"It is likely this will not be a good season (for retailers)," says Niemira, who sums up the overall perspective of U.S. retailers as "realistic."

"Their feeling is that the tough times that exist today will continue," he adds, "And that's not a pretty picture."



Rohde

Blue notes

With so much in flux at the moment, retailers are taking a wait-and-see attitude — especially when it comes to decisions about opening new stores.

"Most retailers that I have spoken to are planning for a tough 2008 holiday season," says Rick Carduner, founder of local retail brokerage/consulting firm Carduner Commercial LLC, and the Texas State Director for ICSC. "They are waiting until the first quarter of 2009 to make their 2010 expansion decisions."

The general consensus: There's not going to be a lot of expansion. In fact, what retail markets like San Antonio might see is a lot of contraction.

"You're going to see a lot of stores close in January and February," Rohde says.

In a retail report released this past July, ICSC was projecting that by the year's end, nearly 144,000 stores would be closing their doors.

Indeed, many chains are not waiting for the Christmas season to come and go.

Well-established names like Ann Taylor, Talbot's, Steve & Barry, Home Depot, and the caffeine Kahuna that is Starbucks have already announced plans to shut some locations.

"There will be more (store closings) to come," says Niemira, who points out that with lending markets at a stand-still, gone is the capital once available to struggling retailers. "So much depends on that liquidity," he adds.

The trickle-down effect is that shopping centers here will see an increase in dark space — be it spaces that brokers can't get leased up in the first place, or dark sites left behind in a retailer's exit.

"You have to go back out to the street," says Rohde, who did just that with his Rigsby Shopping Center on the East Side — after financial struggles prompted national chains like Melrose, Shoe Show and Claire's Boutique to exit the center.

In some cases, owners may find themselves in a situation in which the space left behind by a Class A, high-profile tenant now has to be back-filled by a Class B or C tenant — a phenomenon that can change the entire feel of a shopping center, says Tom Sineni, president and principal of United Commercial Realty (UCR) of San Antonio.



Carduner

But change can be a lot better than a vacant center.

In centers like Rigsby, Rohde's firm has begun pursuing service-oriented tenants, restaurants and medical groups — three groups that have continued to do well in the current economy, and thus are on the lookout for new sites.

"I'd rather have a group of doctors (in a shopping center) than a dress shop that's barely making rent," Rohde says.

Check your head

The buzz word in the retail industry is now relief — which needs to come soon.

"Americans will start spending again as soon as they get the feeling that the economy, and therefore they, are going to do better in the near future," says Carduner. "(Getting a good plan in motion) is absolutely paramount to setting the psychological state that all will be better sometime soon."

But even government intervention may not be enough to calm some fears — such as the concern people have that their jobs are not secure in this volatile economy.

"People are not feeling good about spending money for Christmas," Sineni says. "Sales are not going to be good for this Christmas season."

There is, however, some good news to be found — namely that San Antonio is still seeing economic growth.

"San Antonio is an oil-based economy. And we're very well-balanced (in our economic base)," Rohde says.