

Retail real estate vacancy rates bump up in third quarter of '09

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BY: Tyler Graf

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Chuck Alleman with S&S Drywall hangs drywall on the ceiling of the entrance to the former Joe's Sports & Outdoors store in Gresham. The building is being renovated to serve Dick's Sporting Goods.

Retail real estate saw another rise in total vacancy in the third quarter of 2009, inching up to 8 percent for all submarkets averaged, according to a Norris, Beggs & Simpson report.

It was a 1-percent increase over the second quarter and the latest indication that an economic recovery should not be expected until well into 2010, said Jack Gallagher, a vice president of Norris, Beggs and Simpson.

Gallagher said the suburban submarkets have been affected by the bankruptcies of Joe's Sports & Outdoors, Linens 'n Things and Circuit City. However, he added that those spaces will likely be filled by other discount stores within the year.

One mid-size retailer, Dick's Sporting Goods, has already taken advantage. In the Portland-metro area it is moving into a total of 150,000 square feet of space at three former Joe's stores. A bonus for general contractors is that the transition is requiring renovations. Robertson & Olson Construction, a Vancouver, Wash., firm, is performing two of the projects.

S.D. Deacon has been angling for many of the eight Dick's projects in Oregon and Washington; it is presently working on one in Bend and one in Eugene, said Molly Land, a project manager for the company. S.D. Deacon also has bid on another store conversion project in Puyallup, Wash.

"These jobs keep contractors busy, too," Land said.

There is less to cheer about in the downtown retail sector, however. "The holidays are probably not going to be as strong as people would like them to be and will probably not perform as well as past years," Gallagher said.

General Growth Properties, which ~~owned~~ owns Pioneer Place, filed for bankruptcy earlier this year and subsequently put the downtown mall up for sale.

The third quarter was fine for downtown retail, said Megan Doern, spokeswoman for the Portland Business Alliance.

"A lot of the larger retailers that closed over the last few months were not in downtown, which was helpful," she said.

Doern also noted that the city plans to move forward with its Downtown Retail Strategy.

The retail strategy is part of the city's more comprehensive Economic Development Strategy, which is intended to create 10,000 new jobs along the corridor in the next five years.

The city intends to create new jobs by subsidizing development activity, possibly through the creation of a downtown urban renewal area or with low-interest loans. The city has also considered using public matching funds to be used on development projects.

The city's justification for placing emphasis on the downtown retail core is that it accounts for 13 percent of the regional employment base and generates 15 percent of the city's property tax revenues.

Gallagher added that he expects other regional and national chains to enter the Portland-metro market in 2010. These companies, he added, are waiting for the economy to turn around.