

Retail leasing market hangs tough during downturn

Newcomers such as Sprouts are keeping retail market healthy.

By Shonda Novak
AMERICAN-STATESMAN STAFF
Wednesday, August 05, 2009

Central Texas' retail market is holding its own during the recession, with occupancy at midyear at 92 percent, down from 92.5 percent a year ago, a new report says.

The Austin area "continues to see one of the most active leasing markets in Texas," spurred in part by job growth that, until recently, had remained in positive territory during the economic downturn, according to the Weitzman Group, a Dallas-based retail brokerage firm.

While some national retailers have closed Austin-area stores, newcomers have moved in to fill some of the space.

They include Sprouts, a natural foods grocer that plans five Austin-area stores, all in spaces vacated by other retailers.

Sprouts will open its first two stores Sept. 4, in Sunset Valley and Round Rock, followed by an Oct. 16 opening in Rollingwood.

Next year, Sprouts plans to open two more stores. One will be in the Great Hills Station shopping center at Great Hills Trail and Research Boulevard, space formerly occupied by a Borders Books and Music. City permits show another Sprouts is planned for U.S. 183 and Anderson Mill Road. No word yet on exactly when those will open.

"Considering the national economy, I'd say Austin continues to perform very well," said Lance Morris, president of Weitzman's Austin office. "We're definitely seeing new leases signed in 2009, with many of them from local and regional concepts that understand the overall market and know the trade areas."

However, he added that occupancy may decline more as national chains close underperforming stores.

Gail Whitfield, president of the Whitfield Co. retail brokerage, said the available space "is creating opportunities for new retail concepts to flourish."

"The grocery companies are eyeing the market as consumers are cooking more and spending more time at home," Whitfield said. "New developments will likely have a grocery anchor as the driving force."

Newflower Farmers Market, which in February opened its first local store in a former Hobby Lobby in South Austin, plans to open another store in the Shops at the Galleria in Bee Cave in early 2010.

Austin is on track to add about 1.2 million square feet of new retail space this year, down from 2.8 million square feet in 2008, Weitzman said.

In a recent e-mail, retail broker Jeff Townsend said the local market "is hanging tough against the national recession wave."

"We are beginning to see the leasing activity pick up and some loosening of the credit, which will lead to increased activity later this year for an eventual rebound in 2010 and 2011," said Townsend, who is formerly with Endeavor and now a principal and co-founder of Edge Realty Partners.

Courtesy of JB Goodwin