

Retail developers ease up on the throttle in face of challenging economy

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This year's flood of Clark County retail store openings is expected to slow to less than a trickle in 2009.

The about-face could leave more than \$600 million worth of local retail projects on hold, as the local and national economies grapple with recession that threatens to cripple all but the hardiest of retailers. Projects on hold in Clark County include everything from a \$20 million Home Depot in Battle Ground to a \$215 million complex of upscale boutiques planned for Vancouver's former Evergreen Airport and a \$160 million four-block redevelopment project in downtown Vancouver.

Even if shoppers would support the planned stores and restaurants, the financing to build them has all but vanished, according to experts who say very few retail developments will break ground here next year.

"Most believe 2010 is the earliest we can hope for any significant turnaround," said Blake Hering Jr., executive vice president of Norris Beggs & Simpson Financial Services, a Portland firm that finances commercial projects such as stores and offices.

Hering's forecast for a slow 2009 would be quite a change from 2008. The year ushered in more than \$66 million worth of store openings in Clark County, such as the \$40 million Fred Meyer-anchored Grand Central complex near downtown Vancouver and a new J.C. Penney outlet and a Lowe's Home Improvement store on the city's eastern border.

"That's all coming to a head right now. I'd like to say everything is rosy, but retail sales are down," said Deborah Ewing, a vice president of Eric Fuller & Associates Inc. commercial real estate firm in Vancouver. And things could get worse before they get better for Clark County retailers, who saw healthy fourth-quarter growth until 2007. That's when sales slipped by 0.2 percent to a total of \$561.8 million for the three months ending Dec. 31, according to the Washington state Department of Revenue.

Store sales are expected to drop by up to 10 percent in the final quarter this year. It would drain more than \$56 million from the local economy and make it hard to justify building any new projects.

"Until the consumption patterns change, it's very hard to make these huge investments in more space," said Jan Teague, president and chief executive officer of the Washington Retail Association. "It just makes sense to wait, for how long we don't know."

Wal-Mart postponement

Even Wal-Mart is hunkering down and has tabled its long-awaited supercenter in Orchards.

No longer in a mode of aggressive expansion, the Bentonville, Ark.-based retailer expects to build new stores in Salmon Creek and Woodland, while pushing back plans for the Orchards location, said Jennifer Spall, company spokeswoman.

Spall said the project was bogged down by “negotiations between developers that took at least three years. In the meantime, Wal-Mart has changed its focus and found other sites,” she said. Construction was to have started this year on the \$80 million Wal-Mart-anchored Eastgate Plaza, south of Northeast Fourth Plain Boulevard between 137th and 147th avenues.

“Eastgate will come online later,” Spall said of the project’s delay, despite Wal-Mart’s continued sales gains through October.

Anchors crucial

Wal-Mart’s reluctance will likely stall the entire Eastgate development without its main anchor, a crucial component to all successful retail projects, according to retail developers.

“Anchors are fundamental to the success of certain types of retail development projects,” said Lance Killian, a commercial developer with Vancouver-based Killian Pacific.

Anchor stores, like the Fred Meyer store that anchors Killian’s new Grand Central retail development, attract customers to the site’s smaller shops. Killian expects to move ahead with development of its Brush Prairie retail center anchored by a Winco store at state Highway 503 and Northeast 119th Street.

Anchors also lease the most space in a center, which helps developers meet the pre-leasing requirements issued by the banks that lend for new retail construction.

“Typically, you need to have 50 percent of the project pre-leased” before a lender will finance construction, said Tom Kemper, one of three developers from Portland-based ELD Development LLC.

The group purchased the former Evergreen Airport one year ago for \$14.5 million. Its plans to develop The Village at Evergreen are also on hold, as developers have been unable to secure the three anchor store tenants needed for the upscale project that is also planned to include boutiques such as Chico’s and Crate & Barrel.

Kemper seemed skeptical about whether his company would break ground on the proposed 340,000-square-foot “power lifestyle” center next year.

“Even if you had the commitments from tenants, you couldn’t get a loan,” Kemper said. “That’s just the reality.”

Everyday living

Still other developers say grocery store projects with service-based retail spaces are poised to move forward next year.

“You won’t see the enclosed malls, regional centers and power centers with soft goods (apparel) and electronics stores,” said David Copenhaver, vice president of development for Tualatin, Ore.-based Gramor Development.

The company has developed dozens of shopping centers, including Hazel Dell Square, which opened last year at Hazel Dell Avenue and Northeast 78th Street.

Copenhaver predicted neighborhood retail center projects would move forward, regardless of the retail climate, especially grocery store-anchored developments.

“Those centers will be developed sooner than their counterparts,” he said. “It’s about discretionary spending versus spending on food and the items necessary for everyday living.”

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