

THURSDAY, MARCH 24, 2011

Retail Construction Looking Up

■ Houston market has turned corner, expert says

BY DAVID KAPLAN
HOUSTON CHRONICLE

Houston's retail market has "turned the corner," Ed Wulfe said at the annual Retail Forecast Luncheon sponsored by O'Connor & Associates.

Wulfe is projecting 1 million square feet of new retail construction in 2011. Last year, the area added about 825,000 square feet.

Compared to the boom of the early 2000s, that is still modest. But Wulfe, the chairman and CEO of Wulfe & Co. retail development and brokerage company and a longtime observer of the local market, said that for the first time in more than two years the signs are positive.

"Brokers are out

touring again," he said, a term for a retail broker showing space to out-of-town retail clients. "Nobody was touring anybody in 2009 and 2010."

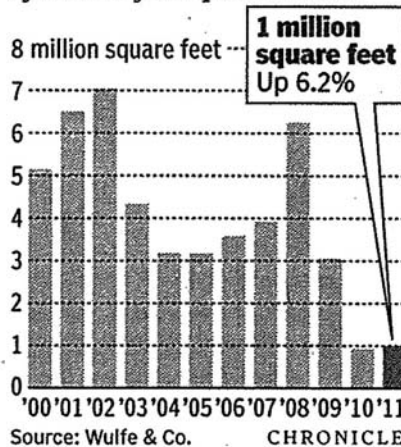
Wulfe said he couldn't recall a time when so many negative forces were at work nationally and locally as from fall 2008 through 2010.

One benefit from the downturn, Wulfe said, is that it allowed developers to absorb overbuilt space. They were also able to recycle space, he said, referring to tenants replacing stores such as Circuit City and Linens 'n Things.

"We've probably absorbed over 1 million square feet of closed stores that left the market, which is about 75 or 80 percent of it," he said. "By not building much, we were catching up."

Tenants were able to negotiate lower rents during the recession,

BUILDING IN STORE
Houston is expected to add 1 million square feet of retail space this year, a rise over last year but below the levels of much of the past decade:



but Wulfe predicted that rental rates will rise in the near future because available space is less abundant.

Houston multi-tenant retail building occupancy is 85.6 percent, a dip from last year, he said, citing O'Connor & Associates figures.

Wulfe said his research shows several major retailers planning to expand in 2011: H-E-B, with three supermar-

kets and two Joe V's Smart Shop discount concepts; Academy Sports + Outdoors, with three stores; and Walmart Supercenter, Kroger, Whole Foods Market and Star Furniture, with one store each. New to the area will be dd's Discounts, which Wulfe said plans to build two stores.

But he said Target, Home Depot, Lowe's, Kohl's and

J.C. Penney will not open any stores in 2011, a sign that growth is relatively modest and that saturation has been reached by some chains.

Wulfe said restaurant leasing is still strong. Restaurants are increasingly taking on anchor roles at some centers.

Large regional malls such as the Galleria are doing well, although problems still remain for other malls, he said.