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Big Box Stores Recycle Empty Buildings in Portland, Ore.

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Dec. 21--CLACKAMAS, Ore.--In the back of Oregon's newest and largest Home Depot store, empty boxes sit inside a large machine that will crush the cardboard into 500-pound bales ready for recycling.

But this nationwide home improvement giant recycles more than cardboard boxes. By moving a few blocks to its new location along Southeast 82nd Avenue, Home Depot has recycled the biggest box of all -- a 158,000- square-foot former HomeBase store.

Within a three-mile strip near the Clackamas Town Center, more big-box sites are being recycled. Wal-Mart is eyeing the old Home Depot site. Home Depot's staunch competitor, Lowe's, plans to build a new store at a site to be vacated by Levitz Furniture Co. Levitz already has moved its showroom to a building once occupied by Home Life Furniture.

Unlike other regions in the nation, where large empty retail tombs, known as "dark stores," blight the landscape, Portland's tight land-use restrictions and a scarcity of vacant land are allowing big boxes to find new life.

On the rare occasion when the swap is a perfect fit, such as Home Depot moving to the HomeBase site, not only is the land reused but also the building itself.

"Portland is a unique market," said **Tom Hanacek**, a senior adviser at Sperry Van Ness, a retail leasing and investment sales company with an office in Portland. "Because of strict zoning laws, we have zoned ourselves into a shortage of commercial land. This is a very difficult market for retailers to get in, and once they are in, it is difficult to find what you want." Portland's low vacancy rate Nationally, big-box stores -- a loose category describing large discount-oriented retail outlets -- began gaining prominence in the 1980s.

Since then, big boxes have become ubiquitous. But they're not all alike. At first, stores grew in size -- topping out at more than 200,000 square feet. Of late, big-box retailers have been forced to think smaller as they move from the saturated suburbs to urban locations, said Malachy Kavanagh, a spokesman for the International Council of Shopping Centers, based in New York.

As they respond to changing sales trends, retailers often change locations or types of stores -- leading to vacancies. The national average of vacant shopping center anchor stores, which include big boxes, is 7.7 percent, according to Reis, a national real estate data company based in New York. The Portland area's vacancy rate is 4.8 percent, based on third-quarter figures.

Reis did not have vacancy figures for stand-alone big boxes. But Tom Dwyer, a manager at the firm, said the figures would be comparable.

The tough economy in recent years has led retailers such as Kmart and Montgomery Ward stores to file for bankruptcy. Of the 207 Montgomery Ward stores in shopping centers that closed two years ago, 61 still remained empty. The majority of them were located in the Midwest and South, according to the International Council of Shopping Centers study.

The three Portland stores tracked in the study are now occupied by two Targets, a Meier & Frank Home Store and a Copeland's Sports.

While Wards closed stores because of financial troubles, companies such as Wal-Mart have vacated stores to build bigger boxes in new locations. About 200 Wal-Mart stores remain empty nationwide, company spokeswoman Amy Hill said.

Currently, none of the vacant Wal-Marts is located in Oregon. The company is looking to move out of its Lebanon store, but already has sold it to a new tenant -- a church. When Wal-Mart started building Supercenters, stores that average about 185,000 square feet, in Oregon, the company expanded its existing stores, Hill said.

The lack of vacant big boxes in Oregon can be explained easily, real estate experts say.

"My quick answer is, 'Location, location, location,'" said Janet Bernards, president of Investment Property Advisors, which is based in Portland. Bernards and other Portland real estate experts say companies look to former big-box sites because the stores are usually centrally located in populated areas with good visibility and good access.

Earlier this year, a Winco opened at a former HomeBase site on Northeast 122nd Avenue in Portland. In Beaverton, Home Depot opened a new store at the former Montgomery Ward site right near Oregon 217.

Even in the Portland area, when stores close, they seem to remain vacant for months. That's because the turnover from one retailer to the next takes time, as legalities are worked through and paperwork is finalized.

"Turning it from A retailer to B retailer is a long process," said Mark New, co-owner of New & Neville Real Estate Service in Portland. "So while it might look like there is blight going on, there is a process going on internally."

The few sites that do linger on the market "are in bad locations," said Mike Heerman of HSM Pacific in Portland. Chains often build anew. Reusing retail space is not a new concept. Smaller stores of about 30,000 square feet, such as supermarkets, have transformed into paint ball courses, craft stores and even churches, said Bob Dunn, first vice president of retail property for CB Richard Ellis, a Portland real estate firm.

But some big-box chains are in a different league. Companies such as Home Depot and Wal-Mart prefer to build from the ground up. Both companies say the majority of their stores are new. In many cases, the site is recycled, but the existing building is demolished in favor of a new one.

"We do a fair amount of recycling of one type or another," said John Simley, a Home Depot spokesman based in Atlanta.

Sometimes, Home Depot will keep the store but pour a thicker floor that meets the needs of a warehouse and home improvement store. If an existing building has "leaky walls," which make it expensive to heat up or cool down, Home Depot may raze it and construct a new store.

In Clackamas, Home Depot bought the former HomeBase site for \$16.5 million in 2001, according to county tax records. Home Depot was able to keep both the former home improvement store's floor and walls but did major renovations inside.

Wal-Mart spokeswoman Hill said her company is talking with Home Depot about buying its old store a few blocks away from the new one. The property is valued at \$8.5 million on the county tax rolls. It is unclear whether Wal-Mart would recycle the former Home Depot or tear it down.

"It's a great opportunity for us," she said. "In addition to serving an area we are not currently serving, we are also helping with an infill project and taking over what would have been a vacant building."

More than 90 percent of her company's stores are new construction, she said. Wal-Mart has reused some former Kmart stores in California.

"I think, frankly, our preference is to build from ground up because we can then make it our prototypical store," Hill said. "Sometimes it is easier to tear down and start over."

Doug Molder, a Home Depot district manager in Oregon, said the company had eyed the former HomeBase site for some time. Customers coming off Interstate 205 would drive by HomeBase before they reached the Home Depot. "I felt like HomeBase had a competitive advantage on us," he said.

Not anymore.

The new Home Depot store boasts customer conveniences including self-service checkout lines, a covered drive-through lumber section that's three feet short of a football field, brighter lighting, cleaner floors, shorter shelves and thousands of more items.

Further down the road, the old Home Depot's trademark orange letters have been removed from the storefront, leaving dusty black shadows. Inside the store, shoppers last week rummaged through leftover wallpaper and tiles during the liquidation sale.

Soon, one more big box will be ready for recycling.

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