

Business

Last Updated: July 20, 2011 1:00AM

Borders' demise to ripple through Metro economy

Jaclyn Trop and Andrea Rumbaugh/ The Detroit News

The effects of liquidating 40-year-old Borders Group Inc. will trickle down throughout communities in Metro Detroit and nationwide, boosting unemployment and vacancy rates, experts said Tuesday.

As Borders and its liquidators prepare for a Thursday bankruptcy hearing that could pave the way for the bookstore chain's demise, about 340 store employees in the four-county region as well as 408 workers at the Ann Arbor headquarters face tough re-employment prospects. Landlords face challenges in leasing space in the 18 stores to close in the Metro area.



Tony Brown of Southfield browses at Borders in Birmingham on Monday. The chain will likely close all its stores. (Elizabeth Conley / The Detroit News)

But those likely soon-to-be-shuttered outlets also could give a boost to other big box retailers looking to expand. Officials in communities such as Beverly Hills and Roseville remain optimistic that other businesses will fill the void — especially since their stores are in prime locations. The liquidation could begin at some of the company's 399 stores as early as Friday, with a phased rollout to conclude by the end of September, Borders said Monday.

The company has a total of 466 workers at 26 stores across Michigan.

Borders workers will be hurt because retail employment has stalled and it could be difficult to find a new job, says John Challenger, chief executive at Challenger, Gray & Christmas, a Chicago job outplacement consulting firm.

Borders will lose its 10,700 employees nationwide, which represent just less than 0.1 percent of the country's roughly 14.5 million retail workers, Challenger said.

"That's a big loss of jobs," Challenger said. "We haven't seen five-figure mega-layoffs in a while."

It takes a retail worker three to four months on average to find another job in the sector, he said.

Landlords will be hurt

Real estate companies and landlords will be hurt because they may need to give rent concessions and renovate facilities to fill the empty space, said Howard Schwartz, principal at Howard Schwartz Commercial Real Estate LLC in Farmington Hills.

This may explain, in part, why some landlords filed objections to the liquidation plan late Monday. In one case, attorneys representing Agree Realty Corp. of Farmington Hills said they are owed more money than Borders is claiming in its court filing.

While stores in some malls may be tougher to fill, Border's demise will present good real estate opportunities to growing mid-sized big box stores such as Bed, Bath & Beyond and Whole Foods, as well as book-selling competitors including Barnes & Noble Inc. and the Birmingham, Ala.-based Books-A-Million bookstore chain, Schwartz said.

"Borders has very good real estate, some of the best mid-sized box real estate in the U.S.," he said.

The superstores, which average 24,800 square feet, are usually visible from highways and thoroughfares, have ample parking and are conveniently located near other retail and restaurants, Schwartz said. The stores often are also in areas with pockets particularly flush with disposable income and highly educated people, he said.

Two examples are the Beverly Hills store at the intersection of 13 Mile and Southfield Road and the Birmingham store along Woodward Avenue. Officials in Beverly Hills and Birmingham are optimistic their superstores will be filled because the stores are in prime locations.

"It's disappointing for a number of other reasons, but it's not going to affect the city's bottom line," said Robert Bruner, city manager of Birmingham, adding he doesn't think the two-story superstore will sit empty for long.

The impact of closing the Beverly Hills store is small. It would cost the municipality about \$2,000 in 2011 summer and winter personal property taxes for the village and township together, said Sharon Tischler, township clerk.

Although it might be a little more difficult to fill the location compared with five or six years ago, Village Manager Chris Wilson said it shouldn't be hard to find a new tenant.

"Borders was a good client to have, and it's sad to see them leaving," Wilson said. "However, it is a viable location."

Roseville officials had a similar reaction to the possible closing of the store on Gratiot. The tax revenue loss will be minimal at a couple of hundred dollars from the city's portion of personal property taxes, Roseville Treasurer Catherine Haugh said.

"We always hate to lose a business," she said. Filling shopping malls might be more difficult.

Nationwide vacancies to rise

Borders' closings are estimated to increase the collective nationwide vacancy rate of shopping centers that contained a Borders to nearly 19 percent from 4.2 percent before the Feb. 16 bankruptcy filing, said Chris Macke, senior real estate strategist at CoStar Group, a provider of real estate data. But mall stores tend to be much smaller than the superstores. Four of the five mall stores in Metro Detroit range from 4,000 to 8,000 square feet, according to Publishers Weekly.

The closings also could have a psychological effect, Farmington Hills-based retail analyst Ken Dalto argued.

"Maybe the biggest effect will be on the depression mentality of southeastern Michigan citizens who, in addition to being further underserved in the marketplace, will witness yet another in a long line of national companies headquartered in Michigan that have gone out of business, moved or got bought out," Dalto said. "Not good for the most depressed state in the United States."

jtrop@detnews.com

(313) 222-2575

From The Detroit News: <http://detnews.com/article/20110720/BIZ/107200359/Borders'-demise-to-ripple-through-Metro-economy#ixzz1SeUyD3iv>