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## More stores struggle as recession has people buying only necessities

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With most retailers reporting dismal December sales Thursday, analysts expect a swelling number of store closings that will leave many malls with gaping holes.

Already, area malls are trying to fill spaces left by retailers such as Steve & Barry's, Linens 'N Things, Mervyn's, KB Toys, Value City, Starbucks, Moonstruck Chocolate and others. This week, Macy's said it would close 11 stores, but none in Michigan.

The recession is expected to cut deeper than any before it as consumers stick to necessities and deeply discounted apparel and accessories.

The International Council of Shopping Centers predicts that 148,000 stores closed in 2008 and another 73,000 stores will close in the first half of 2009. It would mark the largest number of store closings since 2001 when 151,000 stores closed.

Discounter Wal-Mart Stores Inc. reported Thursday its sales at stores open at least a year rose 1.7%, lower than the expected 2.8% gain for December.

Other retailers that are the backbone of metro Detroit malls didn't fare as well. Gap had a 14% decline in sales at stores open at least a year. Sears was down 12.8%, Macy's was down 4%, JC Penney dropped 8.1% and Kohl's was down 1.4%.

Upscale retailers were hit hard as well with Neiman Marcus same-store sales down 27.5%, Saks off 19.8% and Nordstrom down 10.6%.

Some bright spots were Hot Topic, with a 4.3% rise in same-store sales, Aéropostale, with a 12% rise, Buckle Inc., with a 13.5% jump and the Children's Place, with flat same-store sales.

And gift cards, which have plumped January retail sales in recent years, were on the wane this holiday season.

Todd Slater, a retail analyst for Lazard Capital Markets in New York, said Thursday that the first quarter would likely remain negative for many retailers including Nordstrom, Ann Taylor, Gap, Pac Sun, Costco, JC Penney and Target.

Catherine O'Malley, general manager at Fairlane Town Center in Dearborn, said in her 30 years in retail, she has never seen a slowdown like this one. The mall, near Ford Motor Co. headquarters, sees a lot of business from Ford workers.

"When we had a slowdown before, it was one industry impacting it and that was the auto industry," she said. "These past few years, it has been the housing industry, the credit crunch and automotive."

Ken Dalto, a Farmington Hills-based turnaround expert, predicts that marginal area malls will lose up to 20% of retailers this year as consumers continue to clamp down on spending.

"I think this next two to three months will be the worst quarter in 30 years for retailers," Dalto said. "Everybody is scared. The economic signs keep getting worse. So why buy? You will see a number of bankruptcies."

Local malls that Dalto says are most likely to remain destinations include Somerset Collection in Troy, Partridge Creek in Clinton Township, Twelve Oaks in Novi and Laurel Park Place in Livonia.

Malls under pressure that may lose more retailers include Northland Center, Livonia Mall, Universal Mall in Warren, Summit Place in Pontiac, Lakeside Mall in Sterling Heights and Oakland Mall in Troy, Dalto said.

Livonia Mall mostly closed this summer pending a redevelopment. Its only stores are Sears and Jo-Ann Fabrics. Universal Mall and Summit Place also are awaiting redevelopment.

"The problem with Livonia Mall is you have Laurel Park Place and Twelve Oaks nearby. Partridge Creek is hurting Lakeside. It's bound to," he said. Oakland and Lakeside can survive, "but I think they will lose 20% of their business."

"Dark stores are scary and unappetizing," Dalto said. "People are going to drive the extra 20 minutes to better malls."

C. Britt Beemer, chairman of America's Research Group, said mall traffic was down significantly this year and has been falling for years.

Mall traffic in the weekend before Christmas dropped by 24%, according to ShopperTrak.

While Beemer says Sears and Macy's are among the weakest mall-based retailers, no one is safe.

"Any mall-based apparel retailer should be worried. I think the whole model is broken," Beemer said.

Southfield-based AlixPartners LLP predicts that 25.8% of the 182 major retailers it tracks face major financial distress or are at risk of filing for bankruptcy in the next two years. That's a marked increase from the 7% range of retailers in major financial distress in 2007.

TNS Retail Forward, a retail-consulting firm based in Columbus, Ohio, expects sales to remain weak in 2009, with a 2% growth rate for the year. The rebound is expected to start in 2010, with a 5% annual growth beginning in 2013.