

Big-Box Blight: The Spread of Dark Stores



“America is over-stored—too many formats cannibalize each other. . . Dead and dying malls litter the nation’s suburbs. Most [big-box] power centers are risky propositions, as category killers and discounters battle amongst themselves in submarket-by-submarket survival contests. The only sure thing is that owners will be challenged to re-lease empty boxes abandoned by the losers.” —Price-waterhouseCoopers, *Emerging Trends in Real Estate 2002*



“No one knows exactly how much retail space currently sits idle, but the tally is somewhere in the neighborhood of several hundred million—perhaps approaching 1 billion—square feet. That’s not even counting the acres of parking that surround many of these lifeless properties. Retail vacancy is a fast-spreading epidemic and, in the absence of intervention, it will only get worse.” —*Big-Box Swindle* (Beacon Press, 2006)

Thousands of empty big-box stores and vacant shopping centers now litter the U.S. landscape. Many small towns are home to one or more abandoned big-box outlets. Large cities and suburbs often contain dozens. A 2005 tally, for example, found nearly 70 empty big-box stores in Columbus, Ohio (Stacy Mitchell, *Big-Box Swindle*, Beacon Press, 2006, p. 121).

What’s fueling this fast-growing problem? In their quest for market share, chains like Wal-Mart, Target, and Lowe’s have built far more retail space than the market can support. Flooding towns with an excess of retail space makes it easier to capsize small businesses and grab market share from competing chains. Between 1990 and 2005, the amount of retail space per capita in the U.S. doubled, while income grew by only 28 percent (*Big-Box Swindle*, p. 107). The predictable result has been a dramatic increase in the number of derelict shopping outlets.

Also contributing to the problem is that fact that many chains reinvent themselves every decade or so, abandoning their older outlets for new formats. Wal-Mart, for example, has been vacating its earlier generation of 100,000-square-foot stores to build supercenters that

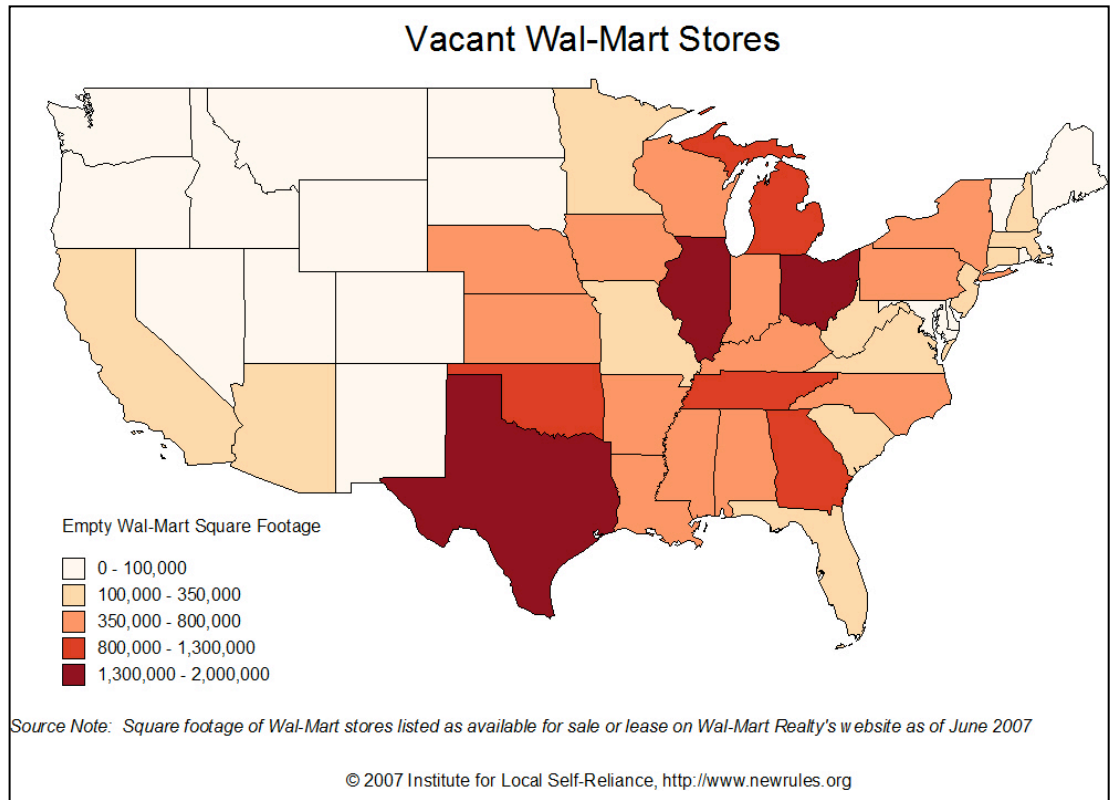
are more than twice as large and include a full grocery department. As of June 2007, Wal-Mart had 246 vacant or soon-to-be-vacant stores (Wal-Mart Realty division). Almost all of these were left empty when the company built a larger store nearby.

The Impact of Empty Boxes

While the big retailers profit, communities are left to bear much of the cost of their abandoned outlets.

Empty big-box stores often remain vacant for years. A 2005 analysis in Texas found that the state’s 30 empty Wal-Mart stores had been idle for an average of three years. Several had been vacant for a decade and one had been closed for seventeen years. (Harold Hunt and John Ginder, “Lights Out: When Wal-Marts Go Dark,” *Tierra Grande*, 1720, Texas A&M, April 2005).

These stores tend to remain vacant because retailers often continue paying rent or take other steps to block competitors from occupying the site. Clauses in many big-box lease agreements forbid property owners from leasing the building to another company without the original tenant’s approval. (*continued*)





Some cities have gone to great lengths to find non-retail uses to take over these abandoned sites, but they rarely succeed. Unlike historic downtown buildings, which have been adapted for many different uses over the years, these massive, windowless single-story buildings are not suitable for much beyond big-box retailing.

Chronically vacant big-box stores can impose high public costs. They often:

- become magnets for crime and vandalism;
- lower property values nearby;
- undermine the vitality of nearby businesses;
- create a negative image of the town that deters new businesses and investment.

These costs have proven so high that some communities have used tax dollars to raze abandoned big-box stores. A Wal-Mart in Bardstown, Kentucky, for example, sat empty for 15 years before the county finally appropriated funds to have it torn down.

Strategies to Prevent Vacant Stores

The key to preventing vacant stores is not allowing more development than the community can absorb. Most cities and towns, unless they are experiencing very rapid population growth, cannot absorb new big-box stores and large shopping centers without significant sales losses to established businesses and ultimately extensive vacancies. A new Wal-Mart super-center often leads to the closure of an existing Wal-Mart, as well as one or more supermarkets and numerous smaller businesses. Specific steps to take to prevent excessive retail development:

- **Limit where and how much land is zoned for retail development.** This forces retailers to redevelop existing shopping centers rather than leaving them vacant and moving on to open space.

- **Adopt a Store Size Cap.** This ensures that new stores are appropriately sized for the community and are not large enough to cause significant vacancies.
- **Insist on multi-story, mixed-use buildings,** which will be more durable and more easily adapted for a range of uses.
- **Create an Economic Impact Review standard** so that the need for new retail space is analyzed prior to the approval of a project.

Because over-development is the root cause of retail vacancy, addressing it is the only real cure. Several cities have developed other strategies that can help to alleviate some of the symptoms. These include:

- Requiring developers to post a **demolition bond** that can be used by the city to demolish the structure and maintain the site should the store become vacant.
- Adopting a **dark store ordinance** that mandates that property owners market empty buildings as soon as they become vacant and voids any clauses in a retailer's lease that constrains the owner from leasing the property to another retailer.

For model ordinances and more information on these strategies, visit newrules.org/retail.

Case Study: Dark Stores in Texas

From an analysis by Harold Hunt and John Ginder, "Lights Out: When Wal-Marts Go Dark," *Tierra Grande*, 1720, Texas A&M, April 2005:

- Between 1987 and 2004, 107 Wal-Mart stores closed in 103 Texas cities.
- The most common motive for closing was to open a supercenter. In 104 of the 107 cases, a new supercenter opened within 20 miles. In 92 of these cases, the new supercenter was built in the same city as the abandoned store.
- Thirty of the 107 closures were still vacant at the end of 2004. Economic development officials and others familiar with the sites reported that Wal-Mart had acted to prevent competing retailers from inhabiting the stores.

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