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News/ Business

Pop-Up Stores Fill Retail Space As Vacancies Hit Decade Highs

By Patrick Seitz, Investor's Business Daily

Pop-up stores are sprouting like mushrooms as the holiday shopping season approaches. And just as mushrooms feed off dead plants, pop-up stores arise from the vacant locations of dead retailers. Pop-up stores are temporary stores that remain open for several months or less, usually during peak shopping seasons.

Vacancies at regional malls nationwide are at their highest level in at least a decade. Real estate research firm Reis says 8.6% of available mall space was vacant in the third quarter. Local strip malls and big-box stores are doing worse, with a vacancy rate of 10.3%.

Consulting firm Grant Thornton expects 10,000 stores to close nationwide this year, with clothing the hardest-hit sector. Last year, the firm counted 5,004 store closings. Chains that have gone belly-up in the last year include Circuit City, Linens 'n Things and Steve & Barry's.

Vacancies Abound

Commercial real estate companies have embraced pop-up stores to fill empty spaces in strip malls, shopping centers and street-level shops.

"There's never been so much vacant (retail) space. And the prices are reasonable," said Faith Hope Consolo, chairman of the retail division of Prudential Douglas Elliman, the largest real estate services company in New York.

Retailers have the opportunity to test stores in neighborhoods they couldn't get into before, such as SoHo and Madison Avenue in the Big Apple, Consolo says.

Pop-up stores have been around for years. But now major brands use them to move merchandise and try out new retail concepts.

Toys "R" Us is the poster child for pop-up stores this year, opening 80 of the units. Many are located in former KB Toys locations. The Toys "R" Us Holiday Express stores will be open from October through mid-January.

Product manufacturers use pop-up stores to experiment with person-to-person retailing. For instance, iRobot ([IRBT](#)), the maker of Roomba robotic vacuum cleaners, on Nov. 1 opened two pop-up stores for the holiday season: one in Atlanta, one in Indianapolis.

The Bedford, Mass.-based maker of household cleaning robots is using the temporary stores to demonstrate and sell its devices directly to consumers. At the pop-up stores, it's showing off Roomba robotic vacuums, Scooba floor-washing robots and Looj gutter-cleaning robots.

"This gives us an opportunity to get out in front of customers and answer questions," said Nancy Dussault Smith, iRobot's vice president of marketing communications. "The whole idea for us was to make it a brand environment for people to come in and experience the products."