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## Pop-up stores help fill mall space during economic slump

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By Jack Gruber, USA TODA

Clerks at 25 of about 750 Spirit Halloween stores will go from saying "Boo" this weekend to "Ho ho ho" in a couple of weeks as the temporary locations transform into ToyZam for the winter holiday season.

And then, just like that, they'll be gone.

Unlike the vacancies created by bad luck and a bad economy, these and other stores — including Calendar Club, Hickory Farms and some [Gucci](#) sneaker shops — are set up to close up. These "pop-up," or temporary, stores actually benefit from the downturn as mall owners and other landlords are often happy to have a two- or three-month tenant rather than

no one to fill voids left by the departures of [Linens 'n Things](#), [Circuit City](#) and other retailers. Some mall companies even have people whose full-time jobs are to fill temporary store space.

"Mall owners have discovered they can line malls with kiosks and fill up empty stores with short-term merchants," says Jim Bieri, a Detroit-based retail real estate consultant. "It's hard to do the temporary merchandising, but companies figure out how to do it short term for Christmas because the lines are so long."

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Locking into a multiyear, \$8,000-a-month lease for a midsize store in an average mall is a far scarier proposition in this economy than it used to be. Sometimes, it just doesn't make sense to sell year-round. And, often, concepts that seemed like incredible hits in the short term can fizzle.

"If a pop-up becomes a permanent kiosk, it can lose its panache," says Janet Hoffman, retail practice leader for consulting firm [Accenture](#). "The key is putting it in the right place at the right time."



Hickory Farms started running only-temporary stores and kiosks about 15 years ago when it realized almost all of its business was around the holidays. This year, as the chain is working on improving the quality of its product line, it has

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found the real estate choices are better than usual, too.

"It's allowed us to be very selective about the stores we want to take," says CEO Mark Rodriguez.

Bieri, who runs The Bieri Co., says retail vacancy rates are the worst he's seen in the almost 40 years he's been in business. CoStar, a commercial real estate research and marketing company, says the amount of new retail space built is at the lowest since 1983. The U.S. retail vacancy rate increased from 6.7% at the end of the fourth quarter of 2008 to 7.6% at the end of the third quarter of 2009, says CoStar, and is at the highest level since it started tracking it in 2006.

What's been popping up instead:

- [Toys R Us](#) opened more than 80 temporary Holiday Express toy stores this month, some filling the spots where [KB Toys](#) once operated.
- [J.C. Penney](#) highlighted its denim in pop-ups in vacant retail spaces in six California malls for the back-to-school season this year.
- Spirit Halloween's 750 store locations include 49 Linens 'n Things and 83 Circuit City locations. Spencer's has been operating the stores for five years, and the chain has grown almost five times in size in that time, CEO Steven Silverstein says.

Wei Grandon, co-owner of two Party Mania stores near Tysons Corner, Va., found customers expected her to carry costumes, but it was too costly to rent a larger store year-round. So she signed a temporary lease for the huge former [CompUSA](#) store next door.

It isn't easy to find leasable space everywhere, however. Tara Riceberg began looking for a space to open a temporary \$99-or-less store in Beverly Hills in August and didn't find one until mid-October. Tweak 99 will open in about a week, the latest in the six years Riceberg has been operating pop-ups.

"You would think in Beverly Hills, where every other store is available, it would be easy," Riceberg says. "But landlords are waiting for their next big 10-year, \$12,000-a-month lease."

There is a perceptual benefit to temporary leasing, says **Faith Hope Consolo**, **chairman of Prudential Douglas Elliman's retail leasing**, marketing and sales division. It makes malls and blocks look, well, less pathetic.

"You go up and down the street and think, 'What is this? It looks like a demolition project,' " says **Consolo**, who is based in Manhattan. "So part of it is the psychology."

**Consolo**, who calls the trend "pop and shop," says short-term leases that last three months or even just two years have become "more fashionable." It allows brands and stores to test concepts and neighborhoods to see if they are good fits.

Still, retailers are "not opening as many (pop-ups) as the market can accommodate," says Hoffman. "I'm surprised more aren't doing it, because it does create the sense of urgency to buy."