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Who's spending where?

Retailers take the pulse of the local economy

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CHERYL GERBER PHOTOGRAPH

New Orleans-area retailers have been fairly successful.

“Louisiana in general and our area in particular have been among the bright spots for many retailers around the country,” says **Martin Mayer, president and CEO of Covington-based Stirling Properties**, a real estate firm well-connected with many national retailers.

In contrast to states including Arizona, Florida and California, and cities like Las Vegas, where retailers are “just getting pummeled,” retail sales in the local area have been relatively strong, **Mayer says**.

Louisiana has benefited from a better supply-and-demand balance than retailers face in many other states. Because population growth has been slow here in recent decades and available commercial space has been limited, the local area hasn't been at the top of expanding retailers' location wish lists. Those factors now give New Orleans an advantage over markets that experienced rapid growth, **Mayer says**.

Big retailers, particularly those that are publicly owned companies, must continue to grow, even in a slow economy. Though many have sharply curtailed their expansion plans, they continue to shop for sites that can deliver new revenue. “Their sales have been down across the board, so any stores they open have to be home-run stores,” **Mayer says**.

Mayer believes in coming months retailers will begin to seize local opportunities created by troubles in some big chains. Circuit City, for instance, succumbed to bankruptcy and vacated several area stores last year. Household goods retailers Linens 'n Things also checked out, leaving behind several prime local spaces.

Just as Circuit City lost the battle to Best Buy, and Bed, Bath & Beyond bested Linens 'n Things, other categories where two or more big retailers compete will likely see fallout. **Mayer** says bookstores and office supply stores could be next. Barnes & Noble, Borders and Books-A-Million go head-to-head in the first category, and Office Depot faces Office Max and Staples in the latter. In those segments, **Mayer** says: “I don't think all three are going to make it. Maybe even two won't make it.”

Among the companies likely to snap up prime spaces that others vacate, discounters like Walmart and “value-oriented” retailers such as Dollar General, Family Dollar and T.J. Maxx predominate, Mayer says. Auto parts stores also are doing well as car owners opt to repair the old models rather than buy new, and these retailers could be scouting local sites.

In addition to the market's relative consumer strength and the growing availability of prime spaces, the local area offers retailers another enticement: hungry landlords.

“If a landlord has debt on a property that's coming up for maturity anytime soon, and he has to refinance, that's a problem, because getting financing in this environment is very difficult,” Mayer says. “I don't think in Louisiana we have as big a problem as some other states do, but in my opinion we haven't seen the worst of it yet.” The financial pressure on landlords will produce still-better deals for retailers looking to enter the market, he says.

One sign of retail strength appeared here before the national economy officially went south, when Macy's made its post-Hurricane Katrina return to the area. The company not only reopened its anchor store at Esplanade Mall but also built a large new store and parking garage at Lakeside Shopping Center. “It was a huge vote of confidence for our area for Macy's to return and expand,” Mayer says.

In addition, promising news emerged recently from New Orleans Saints football team owner Tom Benson. As he negotiated with the state over extending the Saints' contract at the Louisiana Superdome, Benson announced plans to buy the next-door Dominion Tower office building and former shopping mall New Orleans Centre, and redevelop the area into a sports entertainment center.

“From a real estate perspective, that type of development is excellent for the city,” Mayer says. “There needs to be a complete redevelopment of that area around the Dome. This could be the catalyst to make it finally happen.”

The condition of area shopping malls is a good overall indicator of the health of local retail. Here's how Mayer sizes up several local malls.

The Shops at Canal Place (downtown New Orleans). “I think they're doing well. I think Saks (Fifth Avenue's) sales are doing very well, and I believe they've considered expanding that store.”

Lakeside Shopping Center (Metairie). “It's doing very well. The sales per-square-foot in that mall are probably the best in the state.”

Clearview Mall (Metairie). “I think tenants there are doing well. The mall was repositioned several years ago, with Target and Bed, Bath & Beyond coming in. It's probably the highest-trafficked intersection (Clearview and Veterans Memorial boulevards) in the city. The tenant mix they have is different than Lakeside mall's; it was designed to be more of a ‘power center’ with the (movie) theater upstairs. Clearview is doing well.”

Oakwood Shopping Center (Gretna). (The mall's owner, Chicago-based General Growth Properties Inc., recently sought bankruptcy protection.)

“The West Bank is strong. I think Oakwood is a good property with good retail sales that is owned by a distressed owner, and that's the problem.

General Growth overextended themselves. It's a successful mall that's probably going to end up in somebody else's hands.