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## Retail giant slumbering for now

Plans for big-box chains cool as wallets tighten nationwide

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By Kate Moran

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As a Georgia real estate company accumulated a wide sweep of land for a major retail project in Mid-City last year, neighborhood groups grew fearful that an outsized development of chain stores would degrade their historic and largely residential corner of the city.

development that was so recently a source of neighborhood disquiet appears to have fallen dormant. After gathering land for much of last year, Victory Real Estate Investments recently offered to divest 39 acres to the U.S. Department of Veterans Affairs for its new hospital.

Victory declined to comment for this story, but local real estate experts said the climate for new retail developments has parched in the past year. Shaken by the loss of equity in their homes, consumers have become more cautious in their spending. Retailers have responded by rationing the number of new stores they open.

Jennifer Weishaupt, president of the Mid-City Neighborhood Organization, said Victory told her group the project would remain inactive for two to three years, or until the national economy improves. She said Victory blamed the project's delay on "the downturn in housing, retail and credit markets over the past year."

Although Victory's project has idled, retail expansion remains relatively strong in New Orleans. Nike and the local outfitter Massey's have both opened new stores within the past year on Carrollton Avenue, not far from the Victory site. The owners of the massive Carrollton Shopping Center along that same corridor also have signaled they plan to rebuild.

Mega-development comparable in size to Victory's plan is largely taking place on the north shore. Construction began this summer on a 400-acre residential and retail project in Slidell, and the Nord du Lac mall south of Covington should open next year with more than a million square feet of retail space. Developers are also doubling the size of the Hammond Square Mall.

Marty Mayer, chief executive of Stirling Properties and state director of the International Council of Shopping Centers, said urban areas like Mid-City can suffer when national chains pare the number of stores they plan to open or expand. The permitting process in cities tends to be more complex, and retailers might choose a path of less resistance in the suburbs.

--- Hit by housing slump ---

Mayer traced the national slowdown in new big-box development to the precipitous drop in home values in states like California, Florida and Nevada, where buoyant home values once gave people

the confidence to spend.

"The combination of the housing slump and the high gas prices has caused major changes in people's buying habits," he said. "Up until the last year, a lot of retail was driven by people's feeling wealthy. They had a lot of equity in their homes and used their houses like ATM machines. It was a huge stimulus to the economy.

"With the housing slump in many parts of the country -- though not so much in Louisiana -- people's equity is not only gone, but in many cases they're underwater. Certainly people aren't feeling as wealthy, and they're not spending as much money," Mayer continued.

Many of Wall Street's investment houses sustained losses as home values crashed and owners began defaulting en masse on their mortgages late last year. The turmoil in the financial markets has made it harder and more expensive for developers to secure financing for major retail projects, said Don Schwarcz, a principal in the Metairie firm SRSA Commercial Real Estate.

"This is an extremely challenging time for any sort of large retail development from two perspectives," Schwarcz said. "The retailers themselves have curtailed or slowed down new store openings for the next year or so. Secondly, the ability to borrow sums for development have either dried up, or the underwriting has become much more stringent."

--- Open to selling land ---

One of the first signals that the Victory project was on hold came earlier this year, when the Georgia company sold a store and attached parking lot on North Carrollton to the Rouses grocery chain, which previously held a long-term lease.

Then, in late July, the company offered to sell 39 acres to the VA for its new hospital. The acres are roughly bounded by North Carrollton, Toulouse, Bienville and Jefferson Davis Parkway, and they include the vacant and deteriorating Lindy Boggs hospital and a number of nearby warehouses. The Rouses supermarket that Victory sold is also within the footprint offered to the federal government.

Donald Rouse, owner of the grocery chain, said his company would be willing to sell the Carrollton store to the VA if the agency wanted to build its hospital there. He said Victory has made available eight acres on the other side of Carrollton, where the vacant Bohn Ford building now stands, where Rouses could design a new, high-end store from scratch.

"Whatever's best for the community is fine with us," Rouse said.

The veterans administration has planned for some time to build a new hospital on the edge of downtown, next to Louisiana State University's proposed teaching and research hospital. But a neighborhood of nearly 200 privately held properties stands on that downtown site, and the VA has agreed to consider the Victory land and several other sites as an alternative.

In a recent e-mail to the federal agency, Victory's executive vice president argued that the Mid-City land presented a distinct advantage: The VA would have to deal with only a handful of willing sellers as opposed to a neighborhood full of residents reluctant to go.

Kent Cost, the vice president, said his company owns most of the 39 acres in question. The Norfolk Southern Railroad owns about eight acres of land that runs parallel to Lindy Boggs, as well as

"internal rights of way to be abandoned."

--- Willing to wait ---

Victory would not comment for the record on what it plans to do with the property if the VA builds its hospital downtown, but the company has owned land in the area for at least a decade and appears willing to sit on it until the climate for retail turns around.

"If sites other than the Lindy Boggs site were selected, then our expectation would be that Victory would continue to be on hold," said Weishaupt, the leader of the neighborhood group. "If we observed any changes in the national economy, we would certainly approach them again and see when they plan to move forward with a retail development."

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