



City Manager Lorie Tinfow contributes a regular column to the *Pacifica Tribune* to connect with local residents and keep Pacificans informed on issues that are of current interest in the City of Pacifica. Economic Development Manager Anne Stedler contributed this submission for the October 7, 2015 edition of the *Pacifica Tribune*, which focuses on the economics and reasons for retail vacancies and what we can do to encourage businesses in Pacifica.

**Pacifica Tribune
October 7, 2015**

Economic Development Manager Anne Stedler

I want to share a few thoughts, as resident and economic development practitioner, about big economic reasons for retail vacancies. Prompted by concerns about vacancies at Kimco centers, and formerly at Eureka Square, my comments are general because I can't speak for retail property owners. However, retail issues and perspectives merit discussion, because the industry plays an important role in our city.

Economics & Today's Retail Vacancies

Retail decisions are affected by economic cycles and customer-buying behavior. The swings of these two large market forces affect whether retail prospers or declines at any point in time, but are beyond the control of an individual, a city, or retailer.

America was shaken in September 2008 when Lehman Brothers collapsed due to subprime mortgage losses. The crisis brought plummeting home values, upside-down mortgages and job losses to neighborhoods and families we know. We consumers postponed big ticket purchases and discretionary spending. Sales of cars, gas, restaurant meals and more dropped nationwide. No retailer could stop these sweeping changes.

As a result of reduced customer-buying, many retailers nationwide reacted: they closed stores, stopped plans for new stores, and laid-off staff. In turn, retail property owners carried costly vacant space. We still see empty storefronts, partly because retail is still recovering from the deepest, longest economic downturn since the Great Depression.

Eventually, the tech sector fueled a strong upward economic cycle in the Bay Area. Regional employment rose; consumer confidence and customer-buying returned. By 2013, new stores were opening in the Bay Area, but only in densely populated areas. Now, in 2015, retailers appear to be considering new stores in areas with smaller populations and fewer customers, like Pacifica. While this strong economic cycle lasts, Pacifica retail property owners may have the best market conditions for leasing since the 2008 crisis.

Why are there still Vacancies?

There are at least three big picture reasons:

1. The retailer still has MANY choices. Storefronts are still available in densely populated areas that will give a retailer strong sales, for example.
2. There are probably long, confidential negotiations, approvals and funding decisions underway that take months, sometimes well over a year or more. During that time the space will remain vacant, and there will be no public announcement.
3. Not all spaces have strong retailer interest due to changing customer and retail needs. For example, some store sizes that were popular 15 years ago may not be popular now. They will be slow to lease.

However, retail vacancies are much more likely to be leasing up now than three, four or five years ago.

How We Encourage New Store Leases

- First, **as Pacificans, let's buy from existing stores.** A prospective retailer wants evidence that buying habits in Pacifica will support the cost of a new store, and be competitive with other locations they are considering outside Pacifica. Our individual purchases help this number.
- Second, **as Pacificans, let's be business friendly** and welcome new stores to the mix. Sales improve when retail stores are next to each other, uninterrupted by vacant space. And, looking long term, Pacifica's chance to attract additional retail stores, perhaps a retailer we so much want, improves as we patronize and strengthen our retail base.
- Third, **as a City team, we'll provide clear, predictable services and permitting.** Retailers prefer locations where cities help businesses open legally and quickly.

We CAN help fill vacancies. Let's do it!

Questions and comments welcome: stedlera@ci.pacifica.ca.us
