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Temporary stores popping up amid tough retail leasing market

By Special to The Oregonian
 November 04, 2009, 4:00PM



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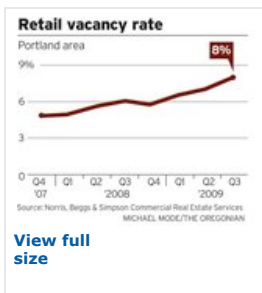
Isabel Symes of Solestruck, an online shoe retailer based in Wilsonville, sets up a display at the company's "pop-up" store -- or temporary location -- in the Pearl District. "We wouldn't have done this type of thing two years ago," says Bryce Morrow, director of operations. "In another two to five years, I don't think this opportunity would be here again."

Internet shoe-seller **Solestruck** stepped cautiously into a traditional storefront last week, with the door held open by a reeling retail market.

Solestruck would have kept its 60-plus shoe brands in its **Wilsonville warehouse** had a **plum Pearl District space** not been available going headlong into the holidays.

More retailers leery of long-term commitments are flirting with short leases, while some property owners who once shunned anything less than a five-year deal are welcoming temporary tenants such as Solestruck. Such tenants bring modest income for owners and new customers to their buildings as the economy -- particularly the commercial real estate sector -- is still trying to shake off the recession.

"We are seeing more short-term leases than we were when the market was hot," said Natalie Butler, a broker with **New & Neville Real Estate Services** in downtown Portland.



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Landlords are probably more willing to discuss short-term leases now, said Sue Miller, a vice president overseeing retail negotiations for **Hoyt Street Properties**, which agreed to a three-month lease with Solestruck in part to bring foot traffic to dormant square footage.

Solestruck is among so-called pop-up stores -- retailers that open a storefront for a limited time, then shut down. While the approach isn't new, the current economic climate is more favorable to such operations.

Seasonal companies such as **Spirit Halloween** that have long sought limited-duration spaces for their large stores had more options this year, including recently vacated Joe's, Linens 'N Things and the Good Guys sites.



[View full size](#) Ross William Hamilton/The Oregonian

Solestruck sells more than 60 brands of shoes. It just opened a temporary store in the Pearl District.

Retail vacancies have been rising in the Portland area since late last year. Average vacancy rates in the Portland area climbed to 8 percent in the third quarter of 2009, up about a percentage point from the previous quarter and up from 6 percent in the year-ago quarter, according to

Norris, Beggs & Simpson Commercial Real Estate Services.

For Bryce Morrow, Solestruck's director of operations, such vacancies brought unexpected opportunity.

"We wouldn't have done this type of thing two years ago," he said. "In another two to five years, I don't think this opportunity would be here again."

In developing the pop-up store in part to draw customers to Solestruck's Web site, Morrow was in the odd position of planning a grand opening for Saturday while at the same time scheduling the store's demise. It will close Jan. 31, unless sales soundly beat expectations.

A quick opening was possible because Solestruck has a warehouse loaded with shoes and the storefront at 718 N.W. 11th Ave., previously a Shoefly store, was set up for sales. That's critical because short lease terms vary widely in rent, but they almost universally exclude significant site improvements. Many contracts also allow landlords to evict temporary tenants if another retailer signs a long lease for the space.

Other retailers are trying the temporary tactic, including Noskinny, which sells clothing for teenage girls and young women in sizes 10 to 24. Its first stores opened in Lloyd Center and Clackamas Town Center earlier this year after owner Chris Teeuwen was able to negotiate leases of two years or less.

This fall, Teeuwen is taking short-term to the extreme with a series of pop-up stores that operate a few days and shut down in places like Bend; Kelso, Wash.; and this weekend in Keizer.

Once retail sales recover, he hopes to locate permanent Noskinny stores in markets that proved themselves with pop-ups.

"When I started the negotiations a year or so ago, malls didn't even want to talk to me," Teeuwen said. Now landlords not only talk to Teeuwen but sign lower-cost leases for short spans. "To our surprise, it's not working out too bad," he said.

Major pop-up stores -- often designed more for getting attention than moving product -- are set on the biggest stages. Target made a splash when it rolled out fashion designer Isaac Mizrahi's new clothing line in a pop-up in New York City's Rockefeller Center in 2003. Three years later, Nike brought the spotlight to a LeBron James shoe by selling out its inventory of just 250 pairs in Manhattan's swanky SoHo shopping district, then promptly closing shop.

Even if Solestruck closes as planned, Morrow would consider it a successful campaign if the storefront boosts online sales in its home state, which doesn't rank among the company's top 10 shipping destinations. And the company may learn whether Solestruck's future includes the brick-and-mortar past.

"We're able to come in and test it out," Morrow said. "I don't have any disillusion about the current retail climate."

-- Eric Apalategui, special to The Oregonian

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