

A Reprint from *Tierra Grande*


# LIGHTS OUT

## When Wal-Marts Go Dark

By Harold D. Hunt and John Ginder

This just in. Prices are falling at Wal-Mart — and so is its popularity with some city officials. One of the many raps leveled against the retailing giant is that it behaves like a prospector who mines a patch of dirt for all it is worth, then moves on to new territory. When Wal-Mart pulls up stakes and leaves, communities are left with what they consider eyesores — big, ugly concrete boxes nobody wants.

But is it true that nobody wants those boxes? Specifically, what fate has befallen the many Wal-Marts that have “gone dark” in Texas? The Real Estate Center surveyed Texas cities to find out.

During the last four months of 2004, the Center telephoned local economic development departments, chambers of commerce and other city officials in more than 500 Texas cities. The survey revealed that 107 Wal-Mart stores had closed in 103 different cities between 1987 and the end of 2004. Although the survey may not account for every closure in Texas during this time, the sample yielded interesting results.

### Supersize that Wal-Mart, Please

By far, the most common motive for closing a Wal-Mart in Texas has been the chain’s steady transition to the newer and larger supercenter format. Of the 107 Texas closures, 92 were because of a supercenter upgrade in the same city.

Supercenters being built today range from 98,000 to more than 200,000 square feet with the average being about 180,000. Because supercenters require approximately 20 acres, many older store sites are too small to allow expansion of the existing stores.

Of the remaining 15 closures, 12 involved a corporate decision to relocate and build a supercenter in a different town; three were same-city relocations necessitated by highway upgrades that negatively affected the existing store location.

Eight of the 12 cities Wal-Mart relocated to were less than ten miles from the city where a store had closed; none of the 12 were more than 20 miles away.

### Whose Priorities Get Priority?

Thirty of the 107 closures were completely vacant at the end of 2004. Five of the 30 had been vacant more than five years, while 13 of the 30 had been dark for six months or less. The average vacancy period was just under three years for all 30 properties.

Survey respondents familiar with the five properties that have been vacant for more than five years cited several reasons for their extended vacancy. Two properties had been rendered inferior sites because of highway upgrades. One property would be too costly to retrofit for any tenants showing an interest thus far. Respondents indicate the last two properties are hampered by a combination of Wal-Mart’s ability to block competing retailers from occupying the vacant space and the cost to retrofit the property for noncompeting tenants.

Wal-Mart officials have stated that they do not attempt to hinder competing retailers from occupying space in their abandoned properties. However, survey respondents from four cities maintained that Wal-Mart is currently preventing or has in the past prevented competing retail from occupying their dark space.

*Other retailers such as  
Hobby Lobby and Tractor  
Supply most often move  
into the space vacated  
by Wal-Mart.*

Wal-Mart's perceived aversion to competitors occupying its vacant buildings may stem from overlapping market areas. The chain has little incentive to turn over its dark properties to a retailer in direct competition with its new stores. Data from this phone survey were insufficient to determine the frequency or degree of overlap between the market areas of Wal-Mart's abandoned stores and its new locations.

Top-level Wal-Mart executives are not unlike those of many other large American corporate entities. Based in a city distant from most of their stores, they are charged with maximizing stock price and shareholder wealth. Unfortunately, this goal can conflict with the more focused concerns of local residents and elected officials living in communities where Wal-Mart stores are located.

One example of conflicting priorities involves the architectural style of Wal-Mart stores. Several survey respondents commented that the unattractive, boring looks of the vacant buildings hurt their marketability and contribute to neighborhood blight. However, it has been to Wal-Mart's advantage to construct fairly basic facilities that minimize construction costs.

### Single-Tenant Occupants

Sixty-five of the 107 closed Wal-Mart stores were fully occupied at the end of 2004. Of these, just over half (33 stores) were occupied by single tenants. Ten of these single-tenant

occupants were nonretail-related entities, primarily call centers, schools or local government offices. Although call centers can continue to contribute to the local property tax base, big boxes converted to educational or government use do not. Additionally, nonretail uses do not generate sales tax revenue.

The retail tenants most often occupying 100 percent of a former Wal-Mart were Hobby Lobby (six stores) followed by Tractor Supply (three stores). Four dark stores were purchased by single-tenant retail users for the land alone. These sites were bulldozed and developed into a car dealership, two big-box home improvement stores and a grocery store. Respondents for the four cities said the sites were in excellent locations, and there was a lack of alternative vacant tracts of sufficient size in the same market area.

A recent trend in some U.S. cities has been to require big-box retailers to take out a "demolition bond" or set up some other similar mechanism to ensure that funds are available to scrape a site if a dark store remains vacant for a designated period. Although this would help reduce blight and enhance the neighborhood's appearance, in some cases, it could reduce the

taxable value of the property. None of the Texas cities surveyed had implemented such a policy.

### Multitenant Occupants

Forty-four of the closed stores were retrofitted to handle multiple tenants. Just under three-fourths of these properties (32 stores) were fully occupied at the end of 2004. Respondents reported only six multitenant properties contained nonretail tenants.

Buildings retrofitted for multitenant use were configured to handle from two to eight tenants. Two-tenant configurations were the most popular (19 properties), followed closely by three-tenant properties (13).

The most prevalent tenant in multitenant properties was Tractor Supply, which occupied space in 16 different properties. Bealls occupied 11 properties and all brands of "dollar

stores" had space in ten. Nonretail space was primarily occupied by medical offices, government offices or call centers.

### Small Cities Dominate Statistics

The population of cities that have experienced a Wal-Mart closure varies widely, ranging from 2,000 residents to more than one million. However, about two-thirds of the cities (68) had a 2004 population of less than 30,000 based on recent Texas State Data Center estimates. The

five cities with stores that have been vacant for at least five years have populations less than 30,000.

Population decline in a city did not appear to be a major factor in store closings. Only 12 of the 103 cities experiencing closures have declined in population during the last five years. Only ten lost population during the last 15 years. Surprisingly, since 1990, population declined in just two of the 12 cities that Wal-Mart left.

About 100 of the older, smaller Wal-Mart discount stores are still in operation across the state. At some point, these stores will become ripe for the switch to a supercenter. When that happens, more Texas cities will face the challenge of putting empty concrete boxes back into productive use. Conflicts between affected parties are bound to occur. Ideally, the outcome will benefit both Wal-Mart and the community. ♣



**WHEN WAL-MARTS CLOSE**, Wal-Mart Supercenters usually open nearby. The larger stores require tracts of at least 20 acres, making new sites necessary.

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