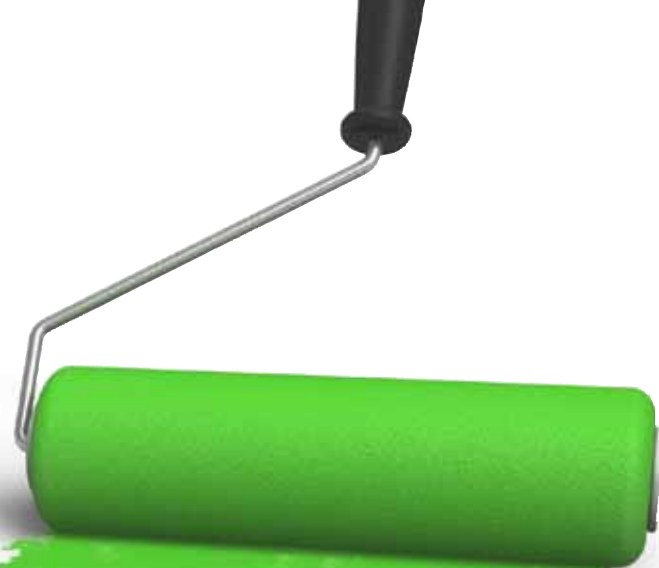


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ANNUAL STORE CONSTRUCTION & OUTFITTING SURVEY

By Marianne Wilson

SPECS

store planning, equipment, construction and facilities services

For the second year in a row, retailers' expansion plans are on an upward trajectory, according to *Chain Store Age's* 2011 Store Construction & Outfitting Survey, an annual survey of retail

building activity and development costs. In other findings, the cost of lighting, signage, roofing and other store-outfitting systems decreased compared with last year. The good news, however, was tempered by concerns over the rising costs of construction materials and labor.

The exclusive survey, conducted by Leo J. Shapiro & Associates, compiled results from retail chains across the country. The study examined such items as expansion plans, construction costs, store size and energy costs. It also tracked the costs of store outfitting and support systems, including lighting, flooring, signage, fixtures, heating, ventilation and air-conditioning (HVAC).

At A Glance

- ✓ Expansion plans edge up
- ✓ Construction costs for freestanding stores average \$43.48 per sq. ft.; fit-out costs for in-line tenants average \$40.47
- ✓ Costs of store equipment/outfitting systems decrease
- ✓ Energy efficiency and life-cycle cost are top concerns

The retailers that participated in the survey were divided into five different categories: convenience stores, supermarkets, home centers, specialty apparel and big box (includes department stores).

Among the participating supermarkets were Stew Leonard's, Roche Bros. Supermarkets, Raley's and Price Chopper. Home centers included The Home Depot, True Value Co. and The Andersons.

The specialty apparel category was represented by such chains as Wet Seal, Kenneth Cole Productions, Cato Corp. and Lane Bryant. The big-box category included J.C. Penney, Value City, Macy's and Recreational Equipment Inc. The convenience store segment included Circle K, United Dairy Farmers, GasAmerica and Warren Equities.

EXPANSION: Among all retailers surveyed, the average number of new stores planned for 2011 was 15, up from 11 in 2010. (The number of new stores is per chain, and all comparisons regarding expansion plans are based on information collected only in this year's survey.)

Looking at the individual sectors, specialty stores are on track to open an average of 36 stores in 2010, up from 27 last year. Big-box retailers plan to open 13, compared with nine last year, and supermarkets plan to open 10 on average, up from six,

Home center operators plan to open nine new stores

this year, up from seven in 2010. Convenience store retailers plan to open six, up from four.

The planned expansion ratio (new stores planned as a percentage of stores currently in operation) averaged 3.9% for all retailers surveyed. Specialty stores, coming in at 5.7%, had the greatest expansion rate among the five retail categories.

The pace of remodeling, or the number of years before a store is remodeled, has remained fairly steady for the past several years. In this year's survey, remodeling time averaged 8.5 years for all retailers surveyed.

CONSTRUCTION COSTS: Construction costs were divided into two categories: tenant fit-out costs (for stores in malls and other types of centers), and building-shell construction costs (for freestanding locations).

For stores in shopping centers, fit-out costs (includes drywall, ceiling, floor, wall finishes and interior construction; excludes fixture package) averaged \$40.47 per square foot for all chains surveyed. This compares with \$37.36 in last year's survey. (While the chains that participate in the survey vary year by year, comparisons can be used to suggest general trends.)

Supermarkets had the highest building costs, at \$47.15 per square foot, followed by specialty apparel, at \$41.50. Big-box stores averaged \$33.90 per square foot. In-line home centers had the lowest costs, at \$28.00 per square foot. >

COMPANY EXPANSION

	Total	Convenience	Supermarket	Home Center	Specialty Apparel	Big Box
Average (mean) number of:						
Stores in operation during 2010	383	266	287	397	632	361
New stores opened in 2010	11	4	6	7	27	9
Years before a store is remodeled	8.5	10.8	7.4	8.3	7.8	9.4
New stores plan to open in 2011	15	6	10	9	36	13
Expansion Ratio:						
(New stores planned as a percent of stores currently in operation)	3.9	2.3	3.4	2.2	5.7	3.7
Building Schedule (Mean Days to Complete)						
...Shell construction	67	46	78	60	76	68
...Inside preparation	68	43	85	61	55	76
Total new store preparation time	135	89	164	122	130	144

Source: Leo J. Shapiro & Associates

CONSTRUCTION COSTS PER SQUARE FOOT

	Total	Convenience	Supermarket	Home Center	Specialty Apparel	Big Box
Tenant fit-out in a shopping center	\$40.47	NA	\$47.15	\$28.00	\$41.50	\$33.90
Building shell in freestanding location	\$43.48	\$55.00	\$41.94	\$39.83	NA	\$34.75
Combined average	\$41.97	\$27.50	\$44.54	\$33.92	\$20.75	\$34.33

Source: Leo J. Shapiro & Associates

In the freestanding category, construction costs (includes concrete, structural steel, structural masonry, roof, HVAC, exterior wall assembly, insulation; excludes interior fit-out) averaged \$43.48 per square foot for all retailers surveyed, down from \$50.21 in last year's survey.

apparel stores averaged 8,864 sq. ft. Convenience stores averaged 5,000 sq. ft.

OUTFITTING COSTS: On average, store-outfitting or equipment costs were down nearly across the board when compared with last year's results. Display fixtures

Store outfitting and equipment costs fell nearly across the board, when compared with last year's results.

Convenience stores reported the highest costs, at \$55.00 per square foot, followed by supermarkets at \$41.94 per square foot.

Home centers averaged \$39.93 per square foot. Big-box stores had the lowest construction costs, at \$34.75.

In a trend that has been noted throughout the industry, 83.3% of all retailers surveyed agreed that costs related to construction materials are increasing. And 65% of all retailers said that the cost of construction labor is on the rise.

STORE SIZE: For all retailers surveyed, new stores (locations opened within the past 12 months) averaged 38,915 sq. ft., compared with an average 40,542 sq. ft. for existing units.

In the big-box category, new stores averaged 65,893 sq. ft., followed by supermarkets, at 55,000 sq. ft. Home centers averaged 30,313 sq. ft., and specialty

held onto its long-standing status as the most expensive category, averaging \$8.24 per square foot for all retailers surveyed. It was also the only category whose costs were up over last year (\$8.14 per square foot).

Flooring was the second most costly category, averaging \$2.99 per square foot for all retailers, down from \$3.17 last year. It was followed by roofing, which averaged \$2.67 per square foot, down from \$2.76 per square foot last year.

Interior lighting (including lamps, ballasts and fixtures) averaged \$2.54 per square foot, down from \$2.94 per square foot last year. The cost of HVAC equipment averaged \$1.54 per square foot, down from \$2.04.

The least expensive categories were exterior signage (signage only, not decor art), which averaged \$1.21 per square foot (down from \$1.35 last year), and interior signage, which averaged \$0.79 per square foot,

STORE SIZE						
	Total	Convenience	Supermarket	Home Center	Specialty Apparel	Big Box
Size of existing stores: average gross square feet	40,542	12,500	53,824	37,500	11,591	65,357
Among those who...						
...Did not build in 2010	48,026	20,000	60,000	32,500	NA	82,500
...Built any in 2010	37,073	10,000	48,333	49,167	11,591	62,500
Stores Opened in past 12 months	38,915	5,000	55,000	30,313	8,864	65,893
Percentage change in size	5.0	-50.0	13.8	-38.3	-23.5	5.4

Source: Leo J. Shapiro & Associates

AVERAGE COST PER SQUARE FOOT OF OUTFITTING SYSTEMS (MEAN DOLLARS)						
	Total	Convenience	Supermarket	Home Center	Specialty Apparel	Big Box
Flooring	\$2.99	\$4.69	\$1.66	\$2.08	\$3.64	\$3.50
Ceilings	\$1.53	\$2.00	\$1.79	\$1.54	\$1.50	\$0.93
Display Fixtures	\$8.24	\$9.64	\$7.97	\$6.67	\$7.91	\$9.25
Interior Lighting	\$2.54	\$3.25	\$2.51	\$1.94	\$3.14	\$2.13
Interior Signage	\$0.79	\$0.90	\$0.67	\$0.72	\$0.98	\$0.74
Roofing	\$2.67	\$2.96	\$2.85	\$2.53	\$1.40	\$2.98
HVAC	\$1.54	\$2.03	\$1.70	\$0.99	\$2.01	\$0.98
Exterior Signage	\$1.21	\$1.75	\$0.63	\$0.99	\$1.93	\$1.15

Source: Leo J. Shapiro & Associates

compared with \$0.82 last year.

Energy costs averaged \$1.72 per square foot for all retailers surveyed. Costs were highest in supermarkets, at \$2.54 per square foot, followed by specialty apparel, at \$2.38 per square foot

Big-box stores spent \$1.35 per square foot on energy; convenience stores averaged \$1.31. Home centers reported the lowest costs, at \$1.15 per square foot.

For a breakdown of outfitting and equipment costs by retail category, see chart on page 36.

When it comes to selecting store outfitting systems and equipment, energy efficiency (when applicable) ranked as the top concern (43.3%) for all retailers surveyed,

The survey also provided details on the types of systems used by retail chains. In the lighting category, for example, fluorescent lamps are most common, used by nearly 97% of all retailers surveyed. In flooring, vinyl/resilient flooring and ceramic tile remain the standard, used by 70% and 60%, respectively, of all retailers surveyed. For more information on the systems used by retailers, go to chainstorage.com/resources.

GREEN: Retailers' interest in using environmentally friendly materials edged down from last year, with 76.7% of all retailers surveyed reporting they use green materials (compared with 81.7% last year), and another

Supermarkets and big-box stores ranked energy efficiency as the top consideration when selecting store-outfitting systems and equipment.

followed by life-cycle cost (40%) and durability (35%). Other major considerations: first cost (33.3%), maintenance concerns (31.7%) and aesthetics (13.3%).

But the results varied by category. Supermarkets are most concerned with energy efficiency, with 58.8% ranking it as the top consideration, followed by first costs. Big-box stores also put a high premium on energy efficiency, with 50% citing it as the top concern, tied with life-cycle costs.

Convenience stores, however, ranked durability and maintenance as their top consideration. For home centers, life-cycle costs and durability are most important. Specialty apparel retailers are most concerned about life-cycle costs and first costs.

For a more complete breakdown of considerations in purchasing equipment, see chart on page 37.

8.3% planning to use them in the future.

The use of green materials is strongest in supermarkets, with 94.1% of all surveyed chains on board, followed by big-box stores (85.7%) and specialty apparel stores (72.7%).

Of all retailers surveyed, 26.7% reported having LEED (Leadership in Energy & Environmental Design) registered or certified stores, with another 13.3% planning to do so in the future.

The specialty apparel category ranked highest in LEED stores (36.4%), followed by supermarkets (35.3%) and big-box stores (28.5%).

None of the convenience store chains that participated in the survey have LEED-registered or certified stores, and only 12.5% plan on pursuing this route going forward.

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TOP CONCERNS IN PURCHASING

	Total	Convenience	Supermarket	Home Center	Specialty Apparel	Big Box
Energy Efficiency, When Applicable	43.3%	25.0%	58.8%	40.0%	27.3%	50.0%
Life-cycle Costs	40.0%	25.0%	29.4%	50.0%	45.5%	50.0%
Durability	35.0%	62.5%	35.3%	50.0%	27.3%	14.3%
First Costs	33.3%	25.0%	41.2%	20.0%	45.5%	28.6%
Maintenance Concerns	31.7%	50.0%	35.3%	30.0%	18.2%	28.6%
Aesthetics	13.3%	0.0%	0.0%	10.0%	36.4%	21.4%

Source: Leo J. Shapiro & Associates

ANNUAL ENERGY EXPENDITURES FOR TOTAL CHAIN

	Total	Convenience	Supermarket	Home Center	Specialty Apparel	Big Box
Average energy cost per square foot (mean dollars)	\$1.72	\$1.31	\$2.54	\$1.15	\$2.38	\$1.35

Source: Leo J. Shapiro & Associates

CONSTRUCTION MATERIALS AND LABOR COSTS						
	Total	Convenience	Supermarket	Home Center	Specialty Apparel	Big Box
Cost of construction materials:						
Increasing	83.3%	75.0%	88.2%	80.0%	90.9%	78.6%
Decreasing	16.7%	25.0%	11.8%	20.0%	9.1%	21.4%
Cost of construction labor:						
Increasing	65.0%	37.5%	47.1%	70.0%	90.9%	78.6%
Decreasing	33.3%	62.5%	47.1%	30.0%	9.1%	21.4%
Not answering	1.7%	0.0%	5.9%	0.0%	0.0%	0.0%

Source: Leo J. Shapiro & Associates

USAGE OF ENVIRONMENTALLY FRIENDLY MATERIALS AND LEED CERTIFICATION						
	Total	Convenience	Supermarket	Home Center	Specialty Apparel	Big Box
Use "Green" Materials:						
Yes	76.7%	50.0%	94.1%	60.0%	72.7%	85.7%
No...Plan to in the future?	23.3%	50.0%	5.9%	40.0%	27.3%	14.3%
Yes	8.3%	25.0%	0.0%	10.0%	9.1%	7.1%
No	15.0%	25.0%	5.9%	30.0%	18.2%	7.1%
Net: Use/Plan To Use "Green"	85.0%	75.0%	94.1%	70.0%	81.8%	92.9%
Has LEED-Registered or Certified Stores:						
Yes	26.7%	0.0%	35.3%	20.0%	36.4%	28.6%
No...Plan to in the future?	68.3%	87.5%	58.8%	70.0%	63.6%	71.4%
Yes	13.3%	12.5%	11.8%	20.0%	27.3%	0.0%
No	46.7%	50.0%	47.1%	50.0%	36.4%	50.0%
Don't know/not answering	5.0%	12.5%	5.9%	10.0%	0.0%	0.0%
Net: Have/plan to pursue LEED certification	40.0%	12.5%	47.1%	40.0%	63.6%	28.6%

Source: Leo J. Shapiro & Associates

TYPES OF LIGHTING USED

	Total	Convenience	Supermarket	Home Center	Specialty Apparel	Big Box
Fluorescent	96.7%	100.0%	94.1%	100.0%	100.0%	92.9%
Track And Spot Lighting	76.7%	50.0%	88.2%	60.0%	100.0%	71.4%
L.E.D.s	71.7%	87.5%	88.2%	60.0%	63.6%	57.1%
Day Lighting System	51.7%	37.5%	70.6%	50.0%	36.4%	50.0%
Metal Halide/Hid	48.3%	37.5%	29.4%	50.0%	72.7%	57.1%
Halogen	43.3%	37.5%	35.3%	50.0%	72.7%	28.6%
Incandescent	40.0%	37.5%	29.4%	50.0%	63.6%	28.6%
Other	3.3%	12.5%	0.0%	0.0%	9.1%	0.0%

Source: Leo J. Shapiro & Associates

TYPES OF FLOORING USED

	Total	Convenience	Supermarket	Home Center	Specialty Apparel	Big Box
Vinyl or Resilient	70.0%	37.5%	82.4%	60.0%	90.9%	64.3%
Ceramic Tile	60.0%	75.0%	76.5%	50.0%	54.5%	42.9%
Carpet	51.7%	0.0%	35.3%	60.0%	90.9%	64.3%
Polished Concrete	46.7%	25.0%	58.8%	70.0%	36.4%	35.7%
Wood	36.7%	0.0%	47.1%	40.0%	45.5%	35.7%
Stone	13.3%	12.5%	5.9%	10.0%	27.3%	14.3%
Bamboo	3.3%	0.0%	0.0%	0.0%	0.0%	14.3%
Other	3.3%	0.0%	11.8%	0.0%	0.0%	0.0%

Source: Leo J. Shapiro & Associates

TYPES OF CEILINGS USED

	Total	Convenience	Supermarket	Home Center	Specialty Apparel	Big Box
2 X 4 ft. Acoustical Panels	80.0%	87.5%	82.4%	60.0%	81.8%	85.7%
Open Deck Ceilings	68.3%	25.0%	76.5%	70.0%	63.6%	85.7%
Drywall/Plaster	60.0%	50.0%	58.8%	70.0%	72.7%	50.0%
2 X 2 ft. Acoustical Panels	48.3%	12.5%	47.1%	60.0%	72.7%	42.9%
Vinyl	1.7%	12.5%	0.0%	0.0%	0.0%	0.0%
Other	1.7%	0.0%	5.9%	0.0%	0.0%	0.0%
None	1.7%	0.0%	5.9%	0.0%	0.0%	0.0%

Source: Leo J. Shapiro & Associates

TYPES OF ROOFING USED

	Total	Convenience	Supermarket	Home Center	Specialty Apparel	Big Box
Single-Ply Roofing System	58.3%	62.5%	94.1%	40.0%	18.2%	57.1%
Metal	40.0%	62.5%	58.8%	70.0%	9.1%	7.1%
Bur [Built-Up Roof]	25.0%	12.5%	11.8%	60.0%	18.2%	28.6%
Asphalt Shingles	21.7%	50.0%	11.8%	40.0%	9.1%	14.3%
Slate	1.7%	0.0%	0.0%	0.0%	9.1%	0.0%
Other	3.3%	12.5%	5.9%	0.0%	0.0%	0.0%
None/Leased Out	21.7%	0.0%	5.9%	0.0%	81.8%	21.4%
Not Reporting	1.7%	0.0%	0.0%	0.0%	0.0%	7.1%

Source: Leo J. Shapiro & Associates