

RETAILERS leave the lights on

STORE CLOSINGS PLUMMET IN 2005

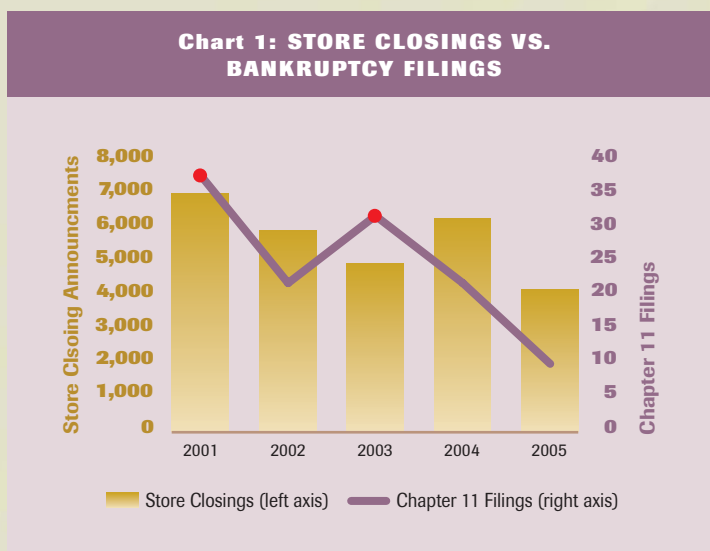
One way to gauge the retail industry's health is by counting how many stores shut doors. Keep in mind though that closings are part of the normal course of business and are more than offset by store openings for both new and existing concepts.

Store closing announcements totaled 4,199 in 2005, down 33% from the preceding year and the lowest level since ICSC Research began compiling these data. (See **Chart 1.**) As we projected, store closings and bankruptcy filings moved in tandem last year. The number of retailers that filed to reorganize under Chapter 11 of the U.S. Bankruptcy Code also fell considerably – 10 in 2005 vs. 22 in 2004.

The retail industry's solid health is underscored by the fact that substantially fewer closings accompanied the Chapter 11s filed last year. As depicted in **Chart 2**, in 2005, only 833 closings were the result of bankruptcies. The rest was part of a strategic option to close underperforming stores. Moreover, two of the 10 retailers that filed Chapter 11 in 2005 did not close a single store.

THE MANY C'S BEHIND CLOSINGS

By merchandise category, **clothing** retailers led the spate of store closings in 2005 as can be seen in **Table 1** on the following page. In fact, apparel reigned for the fourth straight year – the 1,065 announcements in 2005 accounted for 25% of the total, and by far this segment's highest share since the inception of this database.



Source: ICSC Research



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Grocery stores ranked second, as they experienced another tumultuous year in 2005. Winn-Dixie carried the flag for this merchandise group (and placed second by company) as its reorganization under Chapter 11 involved closing some 326 stores.

By company, **Casual Corner Group** – a clothing retailer – reported the largest number of closings, announcing in late November that it will sell or shutter all 525 stores operating under the brands Casual Corner, Petite Sophisticate and August Max. (However, note that in December 2005, Charming Shoppes agreed to assume the leases of 75 Casual Corner Annex stores and convert them to Lane Bryant Outlet stores by April 2006.)

Federated Department Stores – which placed 8th on the roster – accounted for 144 of the 155 store closings in the department store category. In August 2005, Federated finalized its merger with May Department Stores, and this **consolidation** resulted in plans to close 75 duplicate stores.

THE POST-HOLIDAY SHAKEOUT

To date, 329 store closings had already been announced, 75 of which were part of two Chapter 11 filings. Two other retailers filed bankruptcies but have no store closing plans. While this number is higher than the 241 announcements in January 2005, we do not anticipate any shocks beyond the ordinary in the next two months to cause an unwarranted surge in store closings. It is customarily during the first quarter that most closings are announced, after

**Table 1:
STORE CLOSING ANNOUNCEMENTS***

Merchandise Group	Jan-Dec 2005	Share of Total
Apparel	1,065	25.4%
Grocery Stores	524	12.5%
Variety Stores	472	11.2%
Home Entertainment	368	8.8%
Jewelry	328	7.8%
Home Furniture and Furnishings	311	7.4%
Drugstore	303	7.2%
Drug, Healthy & Beauty Products	206	4.9%
Footwear	199	4.7%
Department Stores	155	3.7%
Miscellaneous Retail	62	1.5%
Miscellaneous Others	206	4.9%
TOTAL	4,199	100.0%

*Compiled by ICSC Research

retailers have given their struggling stores the “holiday-period chance” to boost sales. *We believe that the worst is over and store closings will continue to be on a downward trend as the economy gears up and retailers get better at managing their portfolios.*

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