

ACE Hardware is making push to open more outlets in the city

BY TRICIA LYNN SILVA

The name has been around for 85 years. Former NFL coach and sports commentator John Madden was a spokesman for the chain at one time.

And now, Chicago-based ACE Hardware Corp. is taking another crack at what has proven to be one of the most impenetrable markets for the company: San Antonio.

"That's a frontier we've never been able to crack," says Alberto Vidal, market developer manager for the South Central Texas and South Florida regions of ACE.

To date, one of the few remaining stores left from ACE's initial San Antonio roll-out is the site at Sunset Square shopping center, off of North New Braunfels in North Central San Antonio.

Vidal, however, is determined to change that.

San Antonio's affordability factor when it comes to lease rates and its track record of residential growth over the last few years makes the city a ripe market for ACE, Vidal says.

"We could easily do 12 stores in San Antonio," he adds. "The market is wide open for us."

Different tack

Unlike the behemoth, 100,000-square-foot-plus warehouses that have become the norm in the home-improvement industry, ACE's stores range in size from 6,000 square feet, to a maximum of about 40,000 square feet — depending on the given sub-market the chain is targeting, Vidal says.

ACE's urban stores, which range in size from roughly 6,000 to 7,500 square feet are designed for more vertically dense developments — typically properties in the center of a city.

The company also has a rural format for smaller markets needing one store that can bring several services under one roof. Case in point is the new 40,000-square-foot outlet in Lamesa, which is located 60 miles south of Lubbock, in the Texas Panhandle.

The third format, the suburban prototype, ranges in size from 8,000 to 12,000 square feet. It is this style that ACE plans to roll out in San Antonio, Vidal adds.

To that end, ACE has tagged locally based Rohde Ottmers Siegel Commercial & Investment Realtors, which will represent ACE in its lease negotiations for stores in the greater San Antonio area.

Chuck Siegel, who is the president of the brokerage firm, says ACE would be a good fit for San Antonio.

Asked why, he answers: "Two words — convenience and service," Siegel says. "That is their reason for being."

Siegel recently visited the new ACE store in The Woodlands — a suburb of Houston.

"It's quite an interesting experience," says Siegel of the store — which features a mix of garden wares, gift items for the home, barbecue grills and an enclosed garden/patio area.

"I was really, really surprised. The presentation of their product was just great," Siegel adds.

Vidal describes ACE as a more repair-driven concept in the home-improvement



ROHDE OTTMERS SIEGEL COMMERCIAL & INVESTMENT REALTORS
ACE Hardware is out to sell customers on its convenience and attention to service.

game — versus the more project-driven set up of the big boxes.

That's not to say that ACE can't be the place for the home-project warrior. But the chain has built its niche as the neighborhood hardware store.

"We own the convenience and service markets," Vidal adds.

One of the few

And at a time when many retailers are either setting their heels in or pulling up stakes, ACE is one of those rare retailers that is actually increasing its presence.

The company opened 125 stores last year. Another 100 are set to open over the course of 2009, Vidal says.

Nationwide, ACE currently boasts 4,400 stores. Recent accolades for the company include taking the No. 10 spot on the Customer Service Champs top 10 list — an annual feature of the publication *BusinessWeek*. To qualify for ranking, businesses must have at least \$1 billion in revenue.

All of the stores in the chain are owned and operated under franchise agreements, says Vidal, who adds that he is anxious to get a franchisee up and running for the San Antonio market.

Franchisees are required to bring \$250,000 in cash to a deal. The balance of the capital is usually financed via an SBA loan.

ACE, meanwhile, also brings some skin into the game — fronting up to \$255,000 worth of open stock for a store. For a 10,000-square-foot site, that amounts to about 65 percent of the store's merchandise, Vidal adds.

"We're ready to get some excitement going (for ACE)," Vidal says.

And though it may seem counter-intuitive, now is the time for the more opportunistic retailers to stake their real estate claims, industry observers say.

Per recent statistics compiled by Encino, Calif.-based Marcus & Millichap Real Estate Investment Services, overall vacancy rates for the country's retail centers are expected to climb to 10.2 percent in 2009. By comparison, at the end of the fourth quarter of 2008, the national retail market was reporting a vacancy rate of 8.5 percent.

It is a scenario that makes for some very aggressive landlords, and for some good opportunities when it comes to lease agreements say Siegel and Vidal.