

Local Toys R Us Stores May Not Be Empty For Long



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The pending liquidation of the Toys R Us and Babies R Us chains will create some vacancies in local retail centers, but not necessarily for long.

Observers of the retail property market said grocery stores and growing “experiential” retailers could backfill many of the spaces.

“The space will be backfilled more easily because most is Class A,” said [Garrick Brown](#), a vice president of retail intelligence with brokerage Cushman & Wakefield. Toys R Us stores, typically 20,000 to 40,000 square feet, are in the same space range many grocery stores are now looking for, he said in an email.

As Whole Foods shifts back into expansion mode after last year’s acquisition by [Amazon](#), it could be a logical backfill candidate, he said.

In the Sacramento area, the Toys R Us and Babies R Us chains have seven stores combined, including one with both brands in Elk Grove. Amid crushing debt and competition from both brick-and-mortar and online stores, Toys R Us announced last week it would [liquidate both brands](#) entirely this year, closing about 700 stores in the U.S.

Brown said the chain only owns about 20 percent of its store locations, many of which are now being auctioned. [Jon Gianulias](#) of Core Commercial Real Estate in Sacramento said in at least one case, the two-in-one store in Elk Grove, the store has a ground lease for the space, a condition of the original retail property’s developer.

That rent, Gianulias said in an email, is less than what it would be if the current landlord had to build the site now.

“Current rent can be higher than the ground rent. Of course, landlords have to factor in downtime, tenant improvement costs, commissions and legal and oftentimes significant upgrades to land the next tenant,” he said. But if the landlord can sell the lease to another user, it can sometimes happen quickly enough that the landlord doesn’t miss a beat, he said.

Gianulias said the stores could be filled with retailers offering direct experiences, such as [trampoline parks](#) and indoor go-kart tracks.

Brown, who lives in the Sacramento region, said for the retail industry overall, Toys R Us' pending demise is another body blow. While more bankruptcies and closures are likely, he said, he believed this year would also be the peak of them.

In addition to the Elk Grove store, Toys R Us has local sites in Citrus Heights, the Arden area, Roseville and the Folsom Premium Outlets. There are Babies R Us stores in Folsom and Roseville.