# Costs Going Up

## Annual study tracks cost of building and outfitting stores

By Marianne Wilson

The cost of building and outfitting stores is on the rise, according to *Chain Store Age's* 2013 Store Construction and Outfitting Survey.

The annual survey, conducted by Leo J. Shapiro & Associates, Chicago, is based on results from retail companies across the country. Along with building costs, it examined store size, expansion plans, energy expenditures and the cost of store outfitting systems, including lighting, signage, fixtures, roofing, flooring, and heating, ventilation and air conditioning (HVAC).

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

**CONSTRUCTION COSTS:** The cost of building stores was divided into two categories: building shell construction costs for freestanding locations, and tenant fit-out costs for stores in malls and other types of centers. For the second consecutive year, costs increased in both categories.

In the freestanding store category, the cost for building a store shell (includes concrete slabs, structural steel, structured masonry, roof, HVAC, exterior wall assembly and insulation, but excludes dirt work, utilities and interior fit-out) averaged $62.77 per square foot for all retailers surveyed.

**COMPANY EXPANSION**

| | Total | Convenience | Supermarket | Home Center | Specialty Apparel | Big Box |
|---|---|---|---|---|---|---|
| Average (mean) number of: | | | | | | |
| Stores in operation during 2013 | 393 | 371 | 233 | 547 | 578 | 239 |
| New stores opened in 2012 | 15 | 15 | 2 | 11 | 34 | 6 |
| New stores plan to open in the coming 12 months | 13 | 14 | 4 | 13 | 26 | 6 |
| Expansion ratio: | | | | | | |
| (New stores planned as a percent of stores currently in operation) | 3.4 | 3.7 | 1.6 | 2.4 | 4.6 | 2.6 |

Source: Leo J. Shapiro & Associates

By retail sector, supermarkets had the highest building costs, at $77.06 per square foot, followed by convenience stores, at $60.45 per square foot.

Big-box stores averaged $48.00 per square foot, while home centers had the lowest building costs, at $44.25 per square foot.

The cost of tenant fit-out work for stores in shopping centers (includes drywall, ceiling, floor, wall finishes and interior construction, but excludes the fixture package) averaged $56.53 per square foot for all retailers surveyed.

Specialty apparel retailers averaged $57.61 per square foot, followed by big-box stores, at $49.00 per square foot. Building costs both for home centers and convenience stores averaged $33.00 per square foot.

**OUTFITTING COSTS:** Store-outfitting costs were up compared with last year in a majority of the surveyed categories,

## AT A GLANCE

- Construction costs for freestanding stores average $62.77 per sq. ft.
- Building shell/fit-out costs for in-line tenants average $56.53 per sq. ft.
- Energy costs average $2.03 per sq. ft.
- Life-cycle costs and energy efficiency top concerns in purchasing store outfitting systems

### CONSTRUCTION COSTS

| | Total | Convenience | Supermarket | Home Center | Specialty Apparel | Big Box |
|---|---|---|---|---|---|---|
| Tenant fit-out in a shopping center | $56.53 | $33.00 | $65.00 | $33.00 | $57.61 | $49.00 |
| Building shell in freestanding location | $62.77 | $60.45 | $77.06 | $44.25 | — | $48.00 |
| Combined average | $59.65 | $46.73 | $71.03 | $38.63 | $57.61 | $48.50 |

Source: Leo J. Shapiro & Associates

### COST OF STORE OUTFITTING SYSTEMS
(Construction costs per square foot)

| | Total | Convenience | Supermarket | Home Center | Specialty Apparel | Big Box |
|---|---|---|---|---|---|---|
| Flooring | $2.76 | $2.77 | $3.06 | $1.37 | $3.77 | $1.34 |
| Ceilings | $1.81 | $1.33 | $2.30 | $0.42 | $2.72 | $0.83 |
| Display fixtures | $9.17 | $7.60 | $8.86 | $7.00 | $11.57 | $9.07 |
| Interior lighting | $3.20 | $4.22 | $3.85 | $1.18 | $3.16 | $2.27 |
| Interior signage | $0.93 | $1.33 | $1.18 | $0.35 | $1.01 | $0.33 |
| Roofing | $3.59 | $4.18 | $4.06 | $2.00 | $2.50 | $4.41 |
| HVAC | $2.61 | $2.57 | $2.55 | $2.65 | $2.60 | $2.75 |
| Exterior signage | $1.43 | $2.12 | $1.20 | $1.34 | $1.16 | $1.47 |

Source: Leo J. Shapiro & Associates

### TOP CONCERNS IN PURCHASING

| | Total | Convenience | Supermarket | Home Center | Specialty Apparel | Big Box |
|---|---|---|---|---|---|---|
| Life-cycle costs | 47.5% | 33.3% | 46.7% | 57.1% | 50.0% | 55.6% |
| Energy efficiency, when applicable | 33.9% | 25.0% | 33.3% | 71.4% | 25.0% | 33.3% |
| Maintenance concerns | 33.9% | 33.3% | 40.0% | 14.3% | 37.5% | 33.3% |
| Durability | 30.5% | 58.3% | 20.0% | 42.9% | 18.8% | 22.2% |
| Aesthetics | 27.1% | 25.0% | 33.3% | — | 31.3% | 33.3% |
| First Costs | 22.0% | 16.7% | 26.7% | 14.3% | 25.0% | 22.2% |
| None | 1.7% | — | — | — | 6.3% | — |

Note: Totals more than 100% due to multiple responses; for all store outfitting systems except lighting

Source: Leo J. Shapiro & Associates

including ceilings, display fixtures, interior signage, roofing, HVAC and exterior signage. Flooring and lighting costs were flat compared with last year. (While the chains that participate in the survey vary year to year, comparisons are used to suggest general trends.)

Display fixtures held on to their standing as the most costly physical-support system, averaging $9.17 per square foot for all retailers surveyed, versus $8.09 per square foot last year. Specialty apparel retailers paid the most, averaging $11.57 per square foot. Home centers averaged $7.00 per square foot.

Heating, ventilation and air-conditioning costs averaged $2.61 per square foot, up from $1.81 per square foot last year.

Roofing costs also saw an increase, averaging $3.59 per square foot, compared with $3.20 last year. Big-box retailers averaged $4.41 per square foot.

Ceiling costs averaged $1.81 per square foot, up from $1.51 in last year's survey. Home centers had the lowest costs, at $0.42 per square foot.

Interior signage averaged $0.93 per square foot, inching up from $0.84 last year. Exterior signage averaged $1.43 per square foot, compared with $1.11.

The cost of interior lighting was flat compared with last year, with an average of $3.20 per square foot for all retailers surveyed. Supermarkets had the highest costs, paying an average $3.85 per square foot.

Flooring costs were also flat, averaging $2.76 per square foot for

**STORE SIZE**

| | Total | Convenience | Supermarket | Home Center | Specialty Apparel | Big Box |
|---|---|---|---|---|---|---|
| Size of existing stores: average (mean) gross square feet | 35,819 | 7,955 | 48,333 | 44,286 | 14,688 | 80,000 |
| Among those who ... | | | | | | |
| ... Did not build in past year | 48,636 | 5,000 | 48,333 | 11,250 | 7,500 | 116,667 |
| ... Built any in past year | 32,819 | 8,611 | 48,333 | 57,500 | 15,167 | 61,667 |
| Stores opened in past 12 months | 33,246 | 7,708 | 47,000 | 50,417 | 8,438 | 82,500 |

Source: Leo J. Shapiro & Associates

**USAGE OF GREEN MATERIALS AND LEED/ENERGY STAR CERTIFICATION**

| | Total | Convenience | Supermarket | Home Center | Specialty Apparel | Big Box |
|---|---|---|---|---|---|---|
| Use "green" materials: | | | | | | |
| Yes | 69.5% | 66.7% | 80.0% | 71.4% | 50.0% | 88.9% |
| No | 30.5% | 33.3% | 20.0% | 28.6% | 50.0% | 11.1% |
| Pursuing certification: | | | | | | |
| Leed certification | 8.5% | 16.7% | — | 28.6% | — | 11.1% |
| Energy Star certification | 10.2% | — | 26.7% | 14.3% | 6.3% | — |
| Both | 18.6% | 16.7% | 26.7% | 28.6% | 6.3% | 22.2% |
| Neither | 62.7% | 66.7% | 46.7% | 28.6% | 87.5% | 66.7% |

Source: Leo J. Shapiro & Associates

**ENERGY EXPENDITURES AND USE OF RENEWABLE SOURCES**

| | Total | Convenience | Supermarket | Home Center | Specialty Apparel | Big Box |
|---|---|---|---|---|---|---|
| Average energy cost per square foot° | $2.03 | $1.58 | $1.98 | $1.30 | $2.69 | $2.36 |
| Use any alternative energy source (net) | 18.6% | 8.3% | 33.3% | 42.9% | 6.3% | 11.1% |
| Solar power | 11.9% | — | 20.0% | 42.9% | — | 11.1% |
| Geothermal power | 5.1% | 8.3% | 6.7% | — | — | 11.1% |
| Wind power | 1.7% | — | — | — | 6.3% | — |
| Biomass | — | — | — | — | — | — |
| Other | 3.4% | — | 13.3% | — | — | — |
| Not reporting any alternative energy source usage | 81.4% | 91.7% | 66.7% | 57.1% | 93.8% | 88.9% |

Source: Leo J. Shapiro & Associates

| MAIN LIGHTING SOURCES | | | | | | |
|---|---|---|---|---|---|---|
| | Total | Convenience | Supermarket | Home Center | Specialty Apparel | Big Box |
| Fluorescent | 81.4% | 66.7% | 93.3% | 100.0% | 75.0% | 77.8% |
| LEDs | 62.7% | 75.0% | 66.7% | 14.3% | 68.8% | 66.7% |
| Metal halide | 15.3% | 8.3% | 13.3% | 14.3% | 25.0% | 11.1% |
| Incandescent | 11.9% | — | 6.7% | 28.6% | 6.3% | 33.3% |
| HID | 8.5% | 16.7% | 6.7% | — | 6.3% | 11.1% |
| Natural/Daylight | 5.1% | 8.3% | 6.7% | 14.3% | — | — |
| Compact fluorescent/CFL | 3.4% | — | — | — | 12.5% | — |

Note: Totals more than 100% due to multiple responses

Source: Leo J. Shapiro & Associates

| TOP CONCERNS IN PURCHASING LIGHTING | | | | | | |
|---|---|---|---|---|---|---|
| | Total | Convenience | Supermarket | Home Center | Specialty Apparel | Big Box |
| Which two factors are most important when selecting new lighting?: (net) | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Energy efficiency | 59.3% | 75.0% | 80.0% | 85.7% | 31.3% | 33.3% |
| Lifecycle cost | 44.1% | 25.0% | 53.3% | 42.9% | 43.8% | 55.6% |
| Most light output | 33.9% | 33.3% | 33.3% | 28.6% | 43.8% | 22.2% |
| Overall Aesthetics | 28.8% | 16.7% | 13.3% | -- | 43.8% | 66.7% |
| Low maintenance | 23.7% | 33.3% | 6.7% | 42.9% | 31.3% | 11.1% |
| Cheapest product | 10.2% | 16.7% | 13.3% | -- | 6.3% | 11.1% |

Note: Totals more than 100% due to multiple responses.

Source: Leo J. Shapiro & Associates

all retailers. Specialty apparel retailers, however, averaged $3.77 per square foot.

**STORE SIZE:** In the supermarket category, new stores (defined as locations opened during the past 12 months or those presently under construction) averaged 47,000 sq. ft. By comparison, size of existing supermarkets averaged 48,333 sq. ft.

New convenience stores averaged 7,708 sq. ft., while existing stores averaged 7,955 sq. ft.

Big-box retailers are building bigger. New construction averaged 82,500 sq. ft., versus an average store size of 80,000 sq. ft. New home centers also had a larger footprint, at 50,417 sq. ft., while existing stores had an average of 44,286 sq. ft.

**ENERGY:** Energy costs averaged $2.03 per square foot for all retailers surveyed, up from $1.94 per square foot last year. Specialty stores once again had the highest energy costs, at $2.69 per square foot, followed by big-box stores at $2.36 per square foot.

Energy costs per square foot averaged $1.98 for supermarkets and $1.58 for convenience stores. The lowest energy costs were in home centers, at $1.30 per square foot.

Some retailers are utilizing alternative energy as a way to combat rising costs and help the environment. For all chains surveyed, 18.6% report using some type of alternative or renewable source. By category, the use of alternative sources was most prevalent in home centers (42.9%) and supermarkets (33.3%).

Solar power ranked as the most common renewable energy source, used by 11.9% of all surveyed chains, followed by geothermal power (5.1%) and wind power (1.7%).

**GREEN:** The majority of retailers are still building green, but their numbers are on the decline, according to the survey results. Nearly 70% (69.5%) of all chains report using environmentally friendly materials and practices in construction, down from 78.3% last year.

The use of green materials was strongest in big-box stores, with 88.9% of surveyed retailers on board, followed by supermarkets (80%), home centers (71.4%) and convenience stores (66.7%). Specialty stores were the laggards, at 50%.

Similar to last year, retailers do not show much interest in LEED (Leadership in Energy and Environmental Design) certification. Only 8.5% said they were pursuing certification, on par with last year.

By retail sector, interest in LEED was greatest among home centers, with 28.6% pursuing certification, and convenience stores (16.7%). In the big-box category, 11.1% are going for LEED certification.

The EPA's Energy Star certification program, which focuses on energy efficiency, fared slightly better, with 10.2% of all retailers in the survey pursuing certification.

Not surprisingly, Energy Star certification was most widespread in the supermarket category, where 26.7% of retailers are seeking it, and in home centers, at 14.3%.

**PURCHASING CRITERIA:** When it comes to the criteria that go into selecting flooring, roofing, signage, ceilings and HVAC (but not including lighting), life-cycle costs ranked as the top concern for all retailers surveyed (47.5%), followed by energy concerns (33.9%), maintenance concerns (33.9%) and durability (30.5%).

Less important concerns were aesthetics (27.1%) and first costs (22%).

Looking at the results by category, life-cycle costs was the top criteria for supermarkets, specialty apparel and big-box stores. Durability, however, was the top (58.3%) consideration in convenience stores, while 71.4% of home centers ranked energy efficiency as their top priority.

Looking at lighting specifically, energy efficiency ranked as the most important factor in selecting new equipment for all retailers surveyed (70%), followed by life-cycle costs (44.1%).

By category, convenience stores (75%), supermarkets (80%) and home centers (85.7%) all ranked energy efficiency as most important in purchasing new lighting. But aesthetics came out on top in big-box stores (66.7%) and specialty apparel (43.8%).

*All the charts from the 2013 Store Construction & Outfitting Survey, including some not featured here, can be found online at chainstoreage.com.*

### TYPES OF ROOFING USED

| | Total | Convenience | Supermarket | Home Center | Specialty Apparel | Big Box |
|---|---|---|---|---|---|---|
| Single-Ply roofing system/Membrane | 59.3% | 66.7% | 66.7% | 57.1% | 31.3% | 88.9% |
| BUR [Built-up roof] | 44.1% | 33.3% | 66.7% | 42.9% | 25.0% | 55.6% |
| Metal | 40.7% | 66.7% | 53.3% | 71.4% | 12.5% | 11.1% |
| Asphalt shingles | 18.6% | 25.0% | 20.0% | 42.9% | 6.3% | 11.1% |
| Rubber/EPDM* | 6.8% | 8.3% | 6.7% | 14.3% | 6.3% | — |
| Slate | 1.7% | — | — | — | 6.3% | — |
| Other | 1.7% | 8.3% | — | — | — | — |
| None/Leased out | 15.3% | — | — | — | 56.3% | — |

* Ethylene Propylene Diene Monomer Rubber; Note: Totals more than 100% due to multiple responses.

Source: Leo J. Shapiro & Associates

### TYPES OF CEILINGS USED

| | Total | Convenience | Supermarket | Home Center | Specialty Apparel | Big Box |
|---|---|---|---|---|---|---|
| 2 X 4 Ft. Acoustical Panels | 78.0% | 75.0% | 86.7% | 71.4% | 68.8% | 88.9% |
| 2 X 2 Ft. Acoustical Panels | 62.7% | 66.7% | 60.0% | 57.1% | 75.0% | 44.4% |
| Open Deck Ceilings | 62.7% | 25.0% | 86.7% | 100.0% | 50.0% | 66.7% |
| Drywall/Plaster | 54.2% | 41.7% | 46.7% | 57.1% | 68.8% | 55.6% |
| Suspended Ceilings | 1.7% | — | — | 14.3% | — | — |
| Vinyl | 1.7% | 8.3% | — | — | — | — |

Note: Totals more than 100% due to multiple responses.

Source: Leo J. Shapiro & Associates

### TYPES OF FLOORING USED

| | Total | Convenience | Supermarket | Home Center | Specialty Apparel | Big Box |
|---|---|---|---|---|---|---|
| Vinyl or resilient (VCT) | 84.7% | 66.7% | 100.0% | 57.1% | 93.8% | 88.9% |
| Ceramic Tile | 71.2% | 91.7% | 93.3% | 28.6% | 62.5% | 55.6% |
| Carpet | 52.5% | 8.3% | 53.3% | 28.6% | 87.5% | 66.7% |
| Polished Concrete | 47.5% | 33.3% | 73.3% | 71.4% | 25.0% | 44.4% |
| Wood | 37.3% | 8.3% | 40.0% | 28.6% | 50.0% | 55.6% |
| Stone/Marble | 11.9% | — | — | 28.6% | 31.3% | — |
| Bamboo | 6.8% | — | 6.7% | 14.3% | 12.5% | — |
| Other | 3.4% | 8.3% | 6.7% | — | — | — |

Note: Totals more than 100% due to multiple responses.

Source: Leo J. Shapiro & Associates