



# RETAIL PHARMACIES

JENNIFER EVANS  
research associate

report  
**1298**  
APRIL 1999

 REAL ESTATE CENTER

## **Real Estate Center**

### **Director**

#### **Dr. R. Malcolm Richards**

The Real Estate Center was created in 1971 by the Texas Legislature and placed at Texas A&M University.

The Center conducts a comprehensive program of research and education to meet the needs of many audiences, including the real estate industry, instructors and the general public.

A catalog describing hundreds of publications and computer programs is free for the asking. Write the Real Estate Center, Texas A&M University, College Station, Texas 77843-2115 or telephone 1-800-244-2144. Timely real estate information also is available on the Internet at <http://recenter.tamu.edu>.

### **Advisory Committee**

Gloria Van Zandt, Arlington, chairman; Joseph A. Adame, Corpus Christi, vice chairman; Celia Goode-Haddock, College Station; Carlos Madrid, Jr., San Antonio; Catherine Miller, Fort Worth; Kay Moore, Big Spring; Angela S. Myres, Houston; Jerry L. Schaffner, Lubbock; John P. Schneider, Jr., Austin; and Jay C. Brummett, Austin, ex-officio representing the Texas Real Estate Commission.

© 1999, Real Estate Center. All rights reserved.

**Solutions Through Research**

# Contents

Summary .....	1
Publicly Traded Traditional Pharmacies .....	2
Pharmacies with Stores in Texas Metropolitan Areas .....	2
Site Location Specifications for Retail Pharmacies .....	3
Horizon Pharmacies .....	4
CVS .....	4
Rite-Aid .....	4
Duane Reade Inc. ....	5
Walgreen .....	5
Longs .....	6
Genovese .....	6
Eckerd .....	6
Phar-Mor & Pharmhouse .....	7
Drug Emporium .....	7

## **Summary**

To gather data for the review, the Real Estate Center staff studied the 1997 annual reports for the top publicly traded pharmacies in the nation. Pharmacies were selected for this analysis because of recent changes in store styles. There are two primary types of pharmacy retailers. First, there are traditional drug stores that provide primarily drugs but also provide medical supplies and grocery items. Then, there are larger discount drugstores, such as Drug Emporium, which have larger facilities and provide a wider variety of products.

This report identifies which drug store chains are located in Texas, where the companies are growing and what site specifications companies are choosing for new locations. Many of the companies are relocating stores from strip centers to freestanding locations. This means that many pharmacy companies are actively looking for retail sites throughout the country.

Currently, there are four publicly traded, traditional pharmacies that have Texas stores. Eckerd and Walgreen have the most Texas stores. Rite-Aid operates stores in East Texas only. Horizon has stores through-

out the state in smaller cities and towns. The discount drug stores include Phar-Mor and Drug Emporium. Of these, only Drug Emporium has Texas locations.

### Publicly Traded Traditional Pharmacies

	CVS	Duane Reade	Eckerd	Genovese	Horizon	Longs	Rite-Aid	Walgreen
<b>Total Stores</b>	4,000	67	2,778	141	45	337	3,975	2,547
<b>Texas Stores</b>	0	0	420	0	19	0	5	261

Source: Company annual reports

Of the pharmacies and discount drug stores that operate in Texas, there are locations in every metropolitan area except Laredo and San

Angelo. Many of these retailers operate multiple stores within metropolitan areas. Some operate stores in small towns as well.

### Pharmacies with Stores in Texas Metropolitan Areas

	Drug Emporium	Eckerd	Horizon	Rite-Aid	Walgreen
Abilene	X	X			
Amarillo	X	X			
Austin	X	X			X
Beaumont		X			X
Brazoria					X
Brownsville	X				X
Bryan-College Station		X			
Corpus Christi		X			X
Dallas-Fort Worth	X	X	X		X
El Paso					X
Galveston		X			X
Houston	X	X			X
Laredo					
Longview-Marshall	X	X		X	
Lubbock	X	X			X
McAllen					X
Midland-Odessa					X
San Angelo					
San Antonio	X	X			X
Sherman		X			
Temple-Killeen		X			X
Texarkana		X			
Tyler	X	X			
Victoria	X	X			X
Waco	X	X			X
Wichita Falls		X			X

Source: Company annual reports

Each retail pharmacy company has different site specifications for their locations. Today, most companies are looking for freestanding

sites, and signalized intersections are preferred. All pharmacies are moving to larger stores rather than the usual strip centers.

### Site Location Specifications for Retail Pharmacies

	Acreage	Square Feet of Building	Parking	Type of Store	Other
CVS	1.25	10,125	40-60 spaces	Freestanding for 50% of new store openings	Only traffic-controlled intersections
Drug Emporium	Unknown	27,000	Unknown	Unknown	Unknown
Duane Reade	Unknown	6,900	Unknown	Varies	Willing to work with the location and will vary store size.
Eckerd	1.3	11,200	50 spaces	Freestanding preferred	Only traffic-controlled intersections
Genovese	Unknown	11,000 average	Unknown	Varies	Lease space only
Horizon	Unknown	Unknown	3,000-22,000 square feet	Freestanding preferred	Prefer to locate in cities with less than 50,000 people
Longs	Unknown	15,000	Unknown	Unknown	Unknown
Phar-Mor	2.84	50,000	Ample	Freestanding or strip center	Unknown
Rite-Aid	Unknown	10,752	Unknown	Freestanding for majority of new stores	Unknown
Walgreen	1.72	13,905 or 15,930	90 spaces	Freestanding for all new stores	Only traffic-controlled intersections

Source: Company annual reports

The new larger stores offer more services, including larger retail sales space, photo labs and other services. The following pages

highlight retail pharmacy operations and future plans.

**Horizon Pharmacies**

Denison, Texas

Total Sales: \$49 million (1998)

45 stores

19 Texas stores

In 1999, Horizon Pharmacy relocated its corporate headquarters from Princeton, Texas, to Denison. Horizon's strategy appears to be acquiring existing pharmacies in smaller cities and towns.

Since March 1998, the company has acquired one store in Arizona, two in Illinois, one in New Mexico, and they acquired Barrett Drug in Denison (which is a full-service store including a hardware store, a post office and a drug store). The company plans to continue acquiring Texas properties.

Texas Locations:

- Bonham
- Cuero
- Cleburne
- Dallas
- Denison
- Ennis
- Floresville
- Lockhart
- McKinney
- Mesquite
- Mineola
- Mount Vernon
- Princeton
- Uvalde
- Winnsboro

**CVS**

Rhode Island

Total Sales: \$11 billion (1998)

4,000 stores

No Texas stores

CVS is a drugstore chain specializing in prescription drugs, over-the-counter drugs, photo finishing services and film, greeting cards, beauty and cosmetics, convenience foods and seasonal merchandise.

In March 1998, the company merged with Arbor. The CVS/Arbor merger established the company as the nation's top drug retailer chain with a count of 4,095 stores in 24 states. The combined company was expected to have net sales of approximately \$15 billion in 1998 and was expected to dispense approximately 12 percent of the retail prescriptions in the United States. In 1997, the company merged with

Revco, a drugstore chain based in North Carolina. The company is focusing on the Mid-Atlantic and Northeast regions and is trying to dominate the markets in those locations. They also are opening stores in the Midwest and Southeast.

The company operated stores in the following locales as of year-end 1997:

Alabama	164
Connecticut	118
Delaware	3
District of Columbia	46
Florida	23
Georgia	316
Illinois	69
Indiana	298
Kentucky	68
Maine	20
Maryland	170
Massachusetts	314
Mississippi	4
New Hampshire	30
New Jersey	175
New York	340
North Carolina	309
Ohio	395
Pennsylvania	317
Rhode Island	50
South Carolina	188
Tennessee	148
Vermont	2
Virginia	258
West Virginia	63

Through the third quarter of 1998, CVS opened 274 stores, including 132 relocations, and closed 141 stores. The company is considering accelerating its 1999 store development program from 375 new and relocated stores to approximately 400 (approximately two-thirds of which would be relocations). As of September 26, 1998, the company operated 4,095 stores in 24 states and the District of Columbia. Management expects that relocations of existing strip center stores to freestanding locations will account for approximately 50 percent of store openings over the next several years, but the company has not specified where the new stores will be located.

**Rite-Aid**

Pennsylvania

Total Sales: \$11 billion (fiscal year 1998)

3,975 stores

Five Texas stores

Rite Aid operates 3,975 stores in 32 states and in the District of Columbia. The company purchased the two largest privately held drugstore chains in the United States: Harco, Inc., based in Alabama, and K&B, Inc., the predominant chain in Louisiana. The 332 stores are currently being integrated into Rite-Aid. The five Texas stores are located in the eastern portion of the state.

The company operates stores in the following locations:

Alabama	126
Alaska	10
Arizona	3
California	684
Colorado	32
Connecticut	50
Delaware	17
District of Columbia	6
Florida	18
Georgia	64
Idaho	21
Indiana	35
Kentucky	138
Louisiana	109
Maine	88
Maryland	174
Michigan	378
Mississippi	31
Nevada	13
New Hampshire	38
New Jersey	192
New York	375
Ohio	329
Oregon	79
Pennsylvania	411
Tennessee	54
Texas	5
Utah	27
Vermont	12
Virginia	172
Washington	151
West Virginia	132
Wyoming	1

The company plans to build 1,500 new stores by February 2001. Most of these stores will be freestanding with drive-through pharmacy windows. Real estate efforts are focusing on the Western and Southern United States.

In Texas, the company, operating under the K&B name also markets home health care and prescription plans.

#### **Duane Reade Inc.**

New York  
Total Sales: \$398.7 million (through 9/98); \$429 million (fiscal year 1997)  
67 New York City stores

Duane Reade, Inc., went public in the spring of 1998. The stores range from 2,600 to 12,300 square feet, with an average of 6,900 square feet. In 1998, the company purchased Rock Bottom Stores, Inc., a health and beauty aid retailer, operating 38 stores in New York City.

Duane Reade, Inc., at \$1,010 per square foot in 1997, was the leading drugstore chain in the United States in terms of sales per square foot. This was more than twice the national average for drugstore chains. The company operates stores using a wide variety of store configurations and sizes to compete in the New York market. There are no plans to expand into Texas.

#### **Walgreen**

Illinois  
Total Sales: \$15 billion (fiscal year 1998)  
2,547 stores  
261 Texas stores

As of August 1998, Walgreen operated 2,547 retail drugstores and two mail service facilities in 35 states and Puerto Rico. In fiscal year 1998, 304 new stores opened, and 113 were closed. In fiscal year 1999, the company expects to open 365 new stores. By 2010, the company hopes to operate 6,000 stores and plans to continue relocating stores from strip centers to freestanding locations.

The company operates stores in the following states:

Alabama	1
Arizona	137
Arkansas	9
California	196
Colorado	53
Connecticut	32
Florida	412
Illinois	345
Indiana	103
Iowa	33
Kansas	20
Kentucky	39
Louisiana	55
Massachusetts	73
Michigan	40
Minnesota	64

Mississippi	7
Missouri	82
Nebraska	30
Nevada	16
New Hampshire	9
New Jersey	40
New Mexico	40
New York	34
North Dakota	1
Ohio	76
Oklahoma	26
Oregon	12
Pennsylvania	7
Rhode Island	14
Tennessee	85
Texas	261
Virginia	12
Washington	22
Wisconsin	119
Puerto Rico	44

### **Longs**

California  
 Total Sales: \$3 billion (fiscal year 1998)  
 349 stores  
 No Texas stores

Longs Drug Stores Corporation is one of the largest drug store chains, with 349 stores, as of January 1998. The company primarily operates stores on the West Coast of the United States.

The company operates stores in the following states:

California	297
Hawaii	32
Nevada	12
Colorado	8

Varying in size, the stores typically range from 15,000 to 25,000 square feet. New stores average 15,000 square feet.

Longs opened a total of 14 new stores in fiscal year 1998. A letter of intent was signed to acquire a 20-store retail drug chain located in Washington and Oregon to expand Longs' presence in the West. The company has no immediate plans to open stores in Texas.

### **Genovese**

New York  
 Total Sales: \$769 million (fiscal year 1998)  
 141 stores  
 No Texas stores

Genovese Drug Stores, Inc., primarily operates a chain of retail drug and general merchandise stores. Stores typically are located in suburban areas of New York City and Long Island. The company also has stores in southeastern New York, New Jersey and Connecticut.

In fiscal year 1998, the company opened ten new stores. Genovese acquires primarily independent drug stores ranging from 4,000 to 22,000 square feet, with an average of 11,000 square feet of floor space per store.

In November 1998, JC Penney announced plans to buy Genovese for \$432 million to boost its share of the drugstore industry. The Genovese chain will become part of the Eckerd drugstore operation, creating a chain with about 2,900 stores in 20 states.

### **Eckerd**

Plano, Texas  
 Total Sales: \$7.5 billion (fiscal year 1998)  
 2,778 stores  
 420 Texas stores

As of January 1, 1998, JC Penney's Eckerd operated 2,778 stores in 20 states across the Northeast, Midwest and Sunbelt in the third quarter of 1998. This was a net increase from 2,699 at the beginning of 1997. The net decline in drugstores was related to the conversion of the company's multiple drugstore chains to the Eckerd format. Eckerd's new store opening activity continues to be focused on relocating existing stores to more productive, free-standing locations. During the first nine months of 1998, Eckerd relocated 121 drugstores, compared with the relocation of 94 stores in the comparable 1997 period and closed 40 stores. Eckerd owns a total of 417 stores in Texas within 45 miles of a metropolitan area.

The company owns stores in the following Texas cities:

Abilene  
 Amarillo  
 Austin  
 Bryan-College Station  
 Beaumont  
 Corpus Christi  
 Dallas-Fort Worth  
 El Paso  
 Galveston  
 Harlingen  
 Houston

Laredo  
 Lubbock  
 McAllen  
 Midland  
 San Angelo  
 San Antonio  
 Sherman  
 Tyler-Longview  
 Texarkana  
 Victoria  
 Waco-Killeen  
 Wichita Falls

North Carolina 9  
 Ohio 16  
 Oklahoma 1  
 Pennsylvania 35  
 South Carolina 4  
 Virginia 11  
 West Virginia 4  
 Wisconsin 1

The company owns stores in the following states:

Alabama  
 Delaware  
 Florida  
 Georgia  
 Louisiana  
 Maryland  
 Mississippi  
 Oklahoma  
 New Jersey  
 North Carolina  
 Pennsylvania  
 South Carolina  
 Tennessee  
 Texas

Pharmhouse stores average 35,000 square feet, and The Rx Place stores average 25,000 square feet. The company opened three new stores in fiscal year 1998 and plans to open two more new stores in fiscal year 1999. Near-future expansion is expected to be minimal and in existing markets in core areas of Pennsylvania, Ohio and West Virginia. The company has no plans to open stores in Texas.

Some stores are free-standing and others are located in strip centers. The sites may vary, depending on the location of a store, with averages by type of location as follows: free-standing stores are located on sites averaging 2.84 acres; stores located in strip centers are found on sites averaging 23.7 acres; and stores in malls are on sites averaging 46.8 acres. A proto-typical store includes approximately 50,000 square feet and ample off-street parking. The typical trade area for a store includes approximately 105,000 people in 41,000 households within a radius of five and seven miles.

**Phar-Mor & Pharmhouse**

Total Sales: \$1 billion (fiscal year 1998)  
 106 stores  
 No Texas stores

Phar-Mor operated 74 deep discount drug stores as of June 1998. Phar-Mor acquired Pharmhouse in November 1998. Pharmhouse, based in New York City, operates 32 discount drug stores in eight Mid-Atlantic and New England states under the names *Pharmhouse* and *The Rx Place*.

The company owns stores in the following states:

Alabama 1  
 Colorado 2  
 Florida 5  
 Georgia 3  
 Illinois 4  
 Indiana 3  
 Iowa 2  
 Kansas 2  
 Kentucky 1  
 Missouri 1  
 New Jersey 1

**Drug Emporium**

Ohio  
 Total Sales: \$836 million (fiscal year 1998)  
 226 stores  
 30 Texas stores

Drug Emporium is a national chain of 135 company-owned stores operating as Drug Emporium and F&M Super Drug Stores. In addition, there are 84 franchised Drug Emporium store locations. All stores operate full-service pharmacies and specialize in discount-priced merchandise, including health and beauty aids, vitamins, cosmetics and greeting cards.

The company owns stores in the following Texas cities:

Abilene  
 Amarillo  
 Arlington  
 Austin  
 Brownsville  
 Carrollton

Dallas  
 Denton  
 Fort Worth  
 Garland  
 Houston  
 Hurst  
 Irving  
 Longview  
 Lubbock  
 Plano  
 Richardson  
 San Antonio  
 Tyler  
 Victoria  
 Waco

Drug Emporium owns stores and has franchise stores. Below are the states where they operate.

Franchise

Arizona  
 Arkansas  
 Kansas  
 Louisiana  
 Missouri  
 Nebraska

New Jersey  
 North Carolina  
 Texas  
 Virginia  
 Washington  
 West Virginia

Wholly Owned

California	21
Georgia	19
Kentucky	4
Maryland	9
Michigan	16
Minnesota	4
Missouri	4
Ohio	23
Oklahoma	1
Pennsylvania	28
Wisconsin	6

One franchise store opened in 1998 in Kansas City, Missouri. In 1999, there are plans for 12 new stores, corporate and franchise. Six stores were closed during 1998. Drug Emporium is a national chain of stores averaging 27,000 square feet.