

Whole Foods to expand in Austin area as rivals encroach

Austin-based grocer will add stores in Bee Cave and Southwest Austin.

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AMERICAN-STATESMAN STAFF

Tuesday, Aug. 3, 2010

In what is to be one of Whole Foods Market Inc.'s biggest hometown expansions, the natural-food grocer plans to add stores in Bee Cave and Southwest Austin in the next two years.

"Austin's been under-stored, from Whole Foods' perspective, compared to most of the markets we're in," Whole Foods CEO John Mackey said. "So we're just catching up."

The stores will be at the Hill Country Galleria, on Texas 71 and RM 620, and at the Arbor Trails Shopping Center at South MoPac Boulevard (Loop 1) and William Cannon Drive, executives said Tuesday.

The Bee Cave store will be a new building constructed near Dick's Sporting Goods, with an estimated opening of spring 2012. The Southwest Austin store is expected to open in fall 2011.

The company also said it expects to open a previously announced North Austin store in 2013, to replace a store in the Gateway Shopping Center.

The expansion comes as rivals, including Sprouts Farmers Market and Newflower Farmers Market, have come to town, promoting themselves as less-expensive alternatives to Whole Foods.

Sprouts has opened four Austin-area stores in the past year and has said it's scouting for more locations.

One of Newflower's two area stores is in the shopping center across Texas 71 from the Galleria.

Additionally, traditional grocers, including H-E-B and Randalls, have continued to expand their organic and natural foods offerings.

Both new Whole Foods stores will be about 35,000 square feet and will employ 150 to 200 people, Mackey said. Each will be on a major roadway, which will make them regional draws, he said.

The increased footprint represents a "deepening of our roots" in Austin, Mackey said.

"This is where we started," he said. "It's our hometown; this is where we live."

There are two Whole Foods stores now in the Austin area. The flagship downtown store opened in 2005, replacing a smaller downtown store. The Gateway store opened in 1995.

"We're very thrilled," said Adrian Overstreet, an owner of the Galleria, which he and other partners purchased in a bankruptcy auction last year. "We think it's a great opportunity to

attract additional tenants to the center. Whole Foods is obviously the best of breed, and that's exactly the kind of tenants we want to attract to this center."

Whole Foods announced the planned North Austin store in 2008, but that project was put on hold when the economy hit the skids.

The store will be at MoPac and Burnet Road, in a part of the Domain mixed-use project being developed by Endeavor Real Estate Group .

Meanwhile, the company continued to show sales growth in its third-quarter earnings report.

Whole Foods reported a 15 percent increase in sales, to \$2.2 billion . Profit rose to \$65.7 million, or 38 cents per share , from \$35 million, or 25 cents per share, in the same quarter last year.

It was the company's fifth consecutive quarter of sales growth, which officials attributed to the company's success in focusing on value. Sales at stores open for at least one year were up 8.8 percent.

The results exceeded analysts' expectations of 38 cents per share on revenue of \$2.1 billion.

Whole Foods raised its full-year outlook, saying it expects to earn \$1.37 to \$1.39 per share for the year, in line with analysts' \$1.37 expectations.

But the company said it expects sales to temper in the fourth quarter because of the economy, competition and the fact that the company is beginning to lap some gains it made last year.

That news spooked some investors, who sent shares down more than 5.5 percent to \$37.29 in after-hours trading.

The new Austin stores are part of six leases that the company recently signed. The other stores will be in San Francisco, Minneapolis, Washington and Boise, Idaho.

In all, Whole Foods plans to open 17 stores in fiscal 2011 and 19 in fiscal 2012.

Andrew Wolf, an analyst with BB&T Capital Markets , called the earnings report "very solid" and attributable to the adjustments the company made in its value image.

"I think that they're doing about as good as a company can do in this economy," he said.

Courtesy of JB Goodwin