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Retail Industry Optimistic in Face of Recession

We might still have close to 10% unemployment in the United States, and retailers' April sales figures were nothing to brag about, but the retail real estate industry is optimistic that things are going in the right direction. "Shoppers are returning, and they are shopping," said Michael Kercheval, president and chief executive officer of the International Council of Shopping Centers, speaking at the annual RECon show here. "Retailers are recovering, and consumption is coming back." About 35,000 people are at this year's convention, noted Sarah Palin, the former governor of Alaska, keynote speaker at the event. This is an improvement from last year, when attendees drastically dipped from the high point of 2007, which saw a record 50,000 people. Before Palin and Kercheval, a series of workshops took place to assist retail real estate professionals with their day-to-day activities. Joseph Aquino, a broker at New York City-based Prudential Douglas Elliman, said that many foreign retail concepts are looking to make a push into the United States. Store closings during the recession have worked to their advantage. "Retailers that were sitting on the fence decided to get into the market," he said. "You have people jumping into the market taking advantage of it." Among the concepts he mentioned were Kusmi Tea and Kimaya, a furniture chain, both from India. Domestically, J. Crew and Brooks Brothers are also launching new concepts, he said. Meanwhile, networking is as important as ever, said Debra Cole, a development director at New York-based architecture firm Perkins+Will. Her message: Don't let bad economic times get you down. "You just have to get out there and get going," she said. And bring mints. "No stinky breath," Cole emphasized. **(Globest.com)**

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Slow-Motion Recovery Keeps Unemployment High

High unemployment isn't going away. The slow pace of economic growth shows the recovery is too weak to generate enough jobs for 15.3 million unemployed people. Layoffs are contributing to the problem. That's evident from an elevated number of weekly claims for jobless aid. Two government reports Thursday offered new evidence on all of those fronts. For many Americans, it doesn't feel much like a recovery. The unemployed face fierce competition for job openings. Those with jobs are watching their paychecks shrink. A growing number of people are at risk of falling into foreclosure. And only people with the most stellar credit are likely to get a new loan. "We're out of recession, but the recovery is not going to bring a whole lot of smiles," said Joel Naroff, of Naroff Economic Advisors. The economy grew at a 3 percent annual rate from January to March, according to a new estimate released by the Commerce Department Thursday. The new reading, based on more complete information, was slightly weaker than an initial estimate of 3.2 percent a month ago. Consumers spent less than first estimated. Same goes for business spending on equipment and software. And the nation's trade deficit was a bigger drag on economic activity. Those factors led to slower growth last quarter than first estimated. In a separate report, the Labor Department said the number of newly laid off workers filings claims for unemployment benefits fell to 460,000 last week. But the latest level of claims is actually higher than it was at the start of the year. By this point in the recovery, economists had hoped claims would be in the 400,000 to 425,000 range. That would signal more robust job growth was on the way. The economy did add a net 290,000 jobs in April, the most in four years. But much

stronger job growth is needed to drive down the 9.9 percent unemployment rate. Wall Street looked past the disappointing U.S. economic reports and focused on China. Stocks surged after China reassured investors it doesn't plan to sell any of the European debt it holds. The Dow Jones industrial average was up nearly 200 points in afternoon trading. During normal times, expansion in the 3 percent range would be considered healthy for the U.S. economy. But the country is coming out the worst recession since the Great Depression. So growth needs to be stronger—two or three times the current pace—to make a dent in the jobless rate. Economists say it takes about 3 percent growth to create enough jobs just to keep up with the population increase. It would have to be about 5 percent for a full year just to drive the unemployment rate down 1 percentage point. After the last severe recession in the early 1980s, GDP grew at rates of 7 to 9 percent for five straight quarters and the unemployment rate dropped from 10.8 to 7.2 percent in 18 months. Economists don't see that happening this year. In fact, expansion in the first quarter was slower than the 5.6 percent rate in the final quarter of 2009. But economists had predicted that growth spurt would fade. GDP measures the values of all goods and services—from machines to manicures—produced within the United States. It is the best measure of the country's economic health. The National Association for Business Economics predicts moderate economic quarterly growth in the 3 percent range through the rest of this year. The outlook means employers won't feel comfortable about bulking up their work forces. Employers would need more confidence that sales will rise enough for them to ramp up hiring and raise workers' pay, analysts say. Shoppers need to be able and willing to borrow more. And Americans need to rebuild more of their household wealth, especially equity lost from home values that tanked during the recession. Businesses are now faced with new worries about how Europe's debt crisis will affect their sales. Exporters, for example, are expecting to see slower sales from Europe, which could constrain hiring. Wall Street turmoil in response to Europe's woes could make those who have retirement savings invested in the stock market spend less. Housing and commercial real-estate are major weak spots for the economy. Builders cut spending in each by double digits in the first quarter. Christina Romer, head of the White House Council of Economic Advisers, said in Paris Thursday that it would be a mistake for the U.S. to rapidly wind down stimulus measures. Her comments come as federal lawmakers are at odds over a long-term extension of unemployment benefits. Democrats would like to pass the emergency spending measure before they go on vacation next week. But Republicans and conservative Democrats are pushing back over the price tag. House leaders hope to vote Thursday on the bill. The Senate would follow. If Congress doesn't act, thousands of people would begin to lose jobless benefits when an extension of unemployment insurance expires next week. A 65 percent subsidy for health insurance benefits for the unemployed under the COBRA program also expires. Even with the federal relief, economists don't expect the economy to snap back. "Recovery will be a long, drawn-out slog," said Nigel Gault, chief U.S. economist at IHS Global Insight. **(Denver Post)**

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Study Sees Slower Recovery of Denver Retail Real Estate

The recovery of metro Denver's retail real estate market in 2010 will lag that of other markets, largely because of new space being built here this year, according to a Marcus & Millichap report released Thursday. Developers are expected to complete roughly 670,000 square feet of new retail space in metro Denver this year. Even

though that amount of new space is down nearly 56 percent from 2009 — and is the lowest level of local retail construction activity since 1995 — it will cause softness in the metro-area retail market, the report said. Major projects under way include The Shops at Forest Trace in Aurora, which is adding 340,000 square feet, and a new, 200,000-square-foot Walmart Supercenter in the Broomfield area. A two-story, 415,000-square-foot IKEA furniture/home goods store is under construction in Centennial, near Park Meadows mall, but it's not scheduled for completion until 2011. "As owners compete with a limited pool of expanding retailers, though, rents will slip and concessions will continue to rise" this year, the report said. Denver-area asking retail rents are expected to drop 3.7 percent this year, to \$13.34 per square foot per year. Asking rents decreased 5.6 percent in 2009. By submarket, average asking rents for retail space this year are expected to range from \$11.74 in the northwestern suburbs to \$16.23 in downtown Denver. Marcus & Millichap Real Estate Investment Services Inc. of Encino, Calif., provides commercial real estate investment brokerage services. The company has a Denver office, headed by Michael Hoffman. Other retail real estate data from the report:

- Vacancy rate for 2010 is expected to increase 10 basis points from last year to 10.6 percent. (A basis point is a unit related to interest rates, and equals one 100th of a percentage point per year.)
- In the first quarter, retail rent concessions from landlords were 13.6 percent of asking rents, up from 10.6 percent before the recession.
- Sales of retail buildings with single tenants, including drugstores and grocery stores, are expected to drop this year. But competition for properties occupied by tenants with particularly strong credit ratings will intensify.
- Sales velocity for retail buildings with multiple tenants are expected to "rise modestly" this year, as more owners try to sell properties to help pay maturing debt or to reposition their portfolios for an economic upturn.
- Metro Denver's northeastern retail submarket will benefit from the expected opening of two Vestas Wind Systems A/S plants in Brighton later this year, while the southern submarket should get a boost in 2011 from United Launch Alliance's expansion in the Centennial area next year.
- Aurora's retail market is expected to stay soft for the "foreseeable future."

(Denver Business Journal)

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	.25	.25	.25
3 MONTH LIBOR	.54	.34	.67
PRIME RATE	3.25	3.25	3.25
10 YEAR TREASURY	3.31	3.77	3.30
30 YEAR TREASURY	4.22	4.63	4.34