

March 29, 2010

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Retail Markets Will Show Signs of Stabilization in 2010, But Contraction Is Not Over

Colliers International has issued its 2010 Retail Trends and Opportunities report, and per the report, while retail vacancies will stabilize in many markets, the market is not out of the woods yet, as new retail construction has virtually disappeared and lease rates have dropped 25-40 percent from peak levels. At the outset of 2010, it became clear that the commercial real estate foreclosure crisis will not play out as the tsunami many forecasters predicted, and as such, Colliers has dubbed 2010 as the year in which "not as bad is the new good." Challenges abound in the retail marketplace, and we'll witness more retail failures, more bankruptcies, and more store closures ahead. But the good news is that amid this landscape, consumer sentiment and spending will begin to improve, thus bolstering the retail sector and re-igniting deal activity. According to Colliers' research, there are more retail space-users making moves in the market today than there were a year ago, and Colliers predicts these numbers will only increase going forward. "It appears that retailers will likely face a period of years during which wave after wave of troubled assets will gradually be returned to the marketplace," remarked Garrick Brown, Colliers International's U.S. retail research director and compiler of 2010 Retail Trends & Opportunities. "This will result in further pricing drops, but retail space values have already taken the lion's share of the declines that can be expected. Retail real estate is entering into what's best described as a 'not so fast recovery.'" Top-line findings from Colliers International's 2010 Retail Trends & Opportunities follow.

- Year of the Pop-up: one of the bright spots in retail has been the emergence of pop-up or temporary retail space. The entry of trendier retailers into the pop-up game has bolstered landlords' willingness to do very short-term leases.
- Cheaper rents translate into more urban activity: Urban storefront rents have dropped across the board, and consequently, many retailers previously priced out of such markets are uncovering opportunities, especially in New York City, where street-front rents have dropped as much as 40 percent.
- "Ghost boxes" and "black hole space" join the lexicon; increase in creative use for such dark spaces: The collapse of big-box retailers such as Circuit City and Mervyn's has left these spaces empty, and we're witnessing creative re-use of empty big-box spaces, including conversions into theaters, libraries and indoor go-kart facilities.
- Department store players shift to outlet mode: In the face of most major department stores booking 2009 losses in the double-digits, and the fact that American consumers remain in frugal mode, it's not surprising that players such as Nordstrom and Bloomingdale's are seeking a piece of the off-price action.
- Dollar Daze! Nowhere in the retail world are we seeing more growth than from the dollar stores, and dollar store chains such as Dollar General, Family Dollar and Dollar Tree should emerge as the strongest growth sector in retail over the course of the year. One trend that could have strong implications for the success of the dollar stores (and the challenges for traditional grocers) is the continued addition of food items by many chains.
- Drug stores and Target will enter grocery fray: Adding to the dollar store pressure just noted, drug stores such as Walgreens, convenience store leader 7-Eleven and category-killer Target have all been aggressively adding grocery store components to their stores. Speaking of Target, it will also explore a smaller-store concept so it can capitalize on urban growth opportunities.

- Strip center landlords thank heaven for 7-Eleven, the clear U.S. leader in retail store count by sheer number of stores. While serving a vital role as a strip center "mini anchor", 7-Eleven is also making moves to expand into both additional urban and suburban spaces.
- Shuttered video stores add to retail vacancy, and bookstores continue to struggle: The result of these flailing formats could add millions of square feet of additional retail vacancy throughout the U.S. over the next few years.
- Restaurants (especially quick service and casual) a bright spot: As part of the new frugality, fast-food and fast casual operators with lower price points have fared better and will be in expansion mode throughout 2010. M&A will be on the rise, and a significant number of restaurants that operate within the franchise model are expected to add to their unit numbers. **(Colliers International)**

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Colorado Unemployment Rate Now Up to 7.7 Percent

The unemployment rate in Colorado crept up to 7.7 percent last month. That's up from 7.4 percent in January and 7.3 percent from February 2009. Colorado Department of Labor and Employment head Donald Mares says he expects moderate fluctuations in the labor market through the first part of the year as the state moves past the Great Recession. The department said Friday that the number of working Coloradans, adjusted for seasonal differences, was about 2.4 million, a drop of about 90,500 from a year ago. There were about 202,900 Coloradans unsuccessfully looking for work in February, up from about 198,900 a year earlier. The national unemployment rate held steady at 9.7 percent for February. **(Denver Post)**

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Initial Jobless Claims Dip for Week; Hiring Recovery "On the Cusp"

New claims for unemployment benefits fell more than expected last week as layoffs ease and hiring slowly recovers. The decline brought the four-week average of claims, which smooths volatility, to its lowest level since September 2008, when the financial crisis intensified. The report is an encouraging sign that the economy is getting closer to generating job gains, economists said. "We're on the cusp of a hiring recovery," said Zach Pandl, an economist at Nomura Securities. The Labor Department said Thursday that first-time claims for jobless benefits dropped by 14,000 to a seasonally adjusted 442,000. That's below analysts' estimates of 450,000, according to Thomson Reuters. Most of the drop resulted from a change in the calculations the department makes to seasonally adjust the data, a Labor Department analyst said. The department updates its seasonal adjustment methods every year and revises its data for the previous five years. Seasonal adjustment attempts to filter out expected changes in employment such as the layoff of temporary retail employees after the winter holidays. The goal of seasonally adjusted figures is to provide a more accurate picture of underlying trends. Excluding seasonal adjustment, initial claims fell by more than 30,000 last week to 405,557. Initial claims dropped in three of the past four weeks, wiping out most of the jump that took place in 2010's first two months. Analysts forecast the nation will gain more than 150,000 jobs in March, partly due to temporary hiring for the census. **(Denver Post)**

Denver Area Lost 49,400 Jobs in a Year

The Denver metro area lost 49,400 private-sector jobs -- 4.78 percent of the total -- in the 12 months ending in January, according to an analysis of new federal jobs data. The Denver-Aurora-Broomfield area had 1,033,800 workers in the private sector in January 2009, and 12 months later it had 984,400, Thomas' analysis of U.S. Bureau of Labor Statistics data indicates. Denver's total private-sector job loss over the 12-month span ranked 16th highest among the nation's top 100 metro areas, Thomas reported. Its percentage of job loss ranked 27th highest of the 100 metros. The Los Angeles area suffered the nation's sharpest decline in raw numbers, with 226,100 private-sector jobs slipping away over the 12-month period. The New York and Chicago metro areas followed with losses of 206,500 and 176,000 jobs, respectively, Thomas reported. In terms of percentage of jobs lost, Wichita, Kan., led with 7.73 percent, followed by Las Vegas with 7.52 percent and Riverside-San Bernardino, Calif., with 7.16 percent. None of the top 100 metros saw private-sector job gains over the 12-month period, Thomas reported. Augusta, Ga., saw the smallest total job loss (1,100) and percentage of loss (0.66 percent). **(Denver Business Journal)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	.25	.25	.25
3 MONTH LIBOR	.29	.25	1.23
PRIME RATE	3.25	3.25	3.25
10 YEAR TREASURY	3.86	3.69	2.74
30 YEAR TREASURY	4.75	4.63	3.87