



MANY RETAILERS EXPANDING DESPITE ECONOMIC DOWNTURN

With so many major U.S. retailers like Best Buy and Circuit City either downsizing or closing up shop, it's hard to believe the commercial real estate market will be on an upswing anytime soon. But according to the International Council of Shopping Centers (ICSC), there are quite a number of retailers who are expanding due to the recovering economy and easing credit markets. They include Wal-Mart, Target, Costco, Toys 'R' Us Express, T.J. Maxx and Subway.

The ICSC delivers the latest news in commercial real estate through its on-going Retail Update and Forecast webinars. It recently released two reports through the webinars that projected significant growth in the industry: one from CB Richard Ellis (CBRE) and another from Colliers International.

The CBRE report included a survey of U.S. retailers that showed that 92 percent are planning to increase store openings in 2011 and that 70

percent believe the economy is improving. The majority believed their rents would either remain flat or fall throughout the rest of the year.

Thirty-seven of the 54 surveyed markets recorded rental rate declines during the first nine months of 2010. Fifteen of those markets experienced a decline of at least 5.0 percent. Markets that experienced the sharpest declines included Las Vegas (-16.14 percent), Los Angeles-Inland Empire (-13.48 percent) and Houston (-10.03 percent).

Most of those surveyed by CRBE believed it would take another six to 18 months for the economic recovery to affect their market segments. Thirty-four percent of retailers said business was already picking up, including those in apparel and accessories, telecommunications and electronics, and home improvement, the survey showed.

The Colliers report claimed the retail market slump appeared to be over and that still-climbing storefront vacancies are expected to level off throughout 2011 and 2012. While consumers still aren't spending like

they used to, Colliers said capital and credit are returning and merger and acquisition activity is increasing.

Quiznos backs up Colliers' findings. The Denver-based toasted sandwich chain is developing 600 new stores through the end of this year. According to Colliers, that expansion was made possible by a successful recapitalization in which the chain was able to revamp its existing debt and equity structure. That points to loosening capital and credit markets -- at least for highly successful retailers such as Quiznos.

Other popular retailers who continue to open new locations include Steinmart, Starbucks, Sam's Club, Rubios, Sephora, Sherwin-Williams, Souplantation, Smart & Final, Staples, Walgreens and WinCo Foods.

Along with Best Buy and Circuit City, retailers who have closed some or all of their stores include Home Depot, Pep Boys, J.C. Penney, Mervyn's, Pier I, Lane Bryant, Zales, Footlocker, Borders Books, Blockbuster and Dillards.

Your Two Cents

How was 2010 for your business?

- Best Year Ever
- Slightly Improved
- The Same
- Slightly Decreased
- Decreased Substantially



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WHITTIER TAKES STEP TO WEATHER ECONOMIC STORM

Whittier Assistant City Manager Jeff Collier admits his city was hit hard by the recession and commercial activity has been quiet, to say the least. Over the last couple of years, seven auto dealers in Whittier shut down, as well as a number of local retailers.

But Collier says despite all the closures, he is confident that over time Whittier can come back bigger and stronger than ever. To that end, the city has taken measures to help its existing businesses weather the economic storm and remain solvent.

According to Collier, one way Whittier has been able to help existing business is by easing up on some of the city's signage regulations. It also has cut the cost of building permits by half for those businesses located in redevelopment areas.

"Whittier is a very close-knit, family-oriented community and our residents really do care about the folks who have invested here," said Collier. "It's important to hold on to them and

help them make it through. That is our primary goal right now."

While taking care of the businesses in Whittier is of the utmost importance, Collier says his city is looking forward to future growth. Along with taking steps to sell the vacant auto dealership buildings to new commercial enterprises, Collier and his staff have been involved in the redevelopment of the Fred C. Nelles site.

The 74-acre property was the location of a youth correctional facility that closed in 2005. Plans for its redevelopment include a housing community and approximately 20 acres of retail space. The estimated year for completion is 2014, according to Collier.

"We're looking to see a community of 650 homes and quite a few new stores," said Collier. "And I anticipate those plans will continue to evolve over the next few years. It's a big opportunity for growth in Whittier and has been a long-time coming."

LOCAL PORT ACTIVITY POINTS TO COMMERCIAL MARKET GROWTH THROUGH 2011

As of December, commercial real estate prices had fallen 40 percent from 2007, according to a report issued by the commercial real estate advisory firm of Grubb and Ellis. And the firm predicts there should be little change through the second quarter of 2011 as the market fights to stay afloat in what is hoped to be the end of the recession. However, Grubb & Ellis does say that while hitting bottom isn't exactly news to cheer about, it offers growth opportunities for the market in general.

The company reports seeing some positive signs in coastal area port activity – especially Southern California. According to its recent findings, activity at the ports has been steadily increasing. The company credits the surge to the fact that many countries are gradually recovering from the recession and stateside retailers are replenishing their inventory.

Additionally, sales and leasing activity of warehouse and other industrial space at the ports rose 95 percent last year, according to Grubb & Ellis.

The IFW Freight and Logistics News Service agrees with those statistics. It reports that with retailers' confidence returning, U.S. ports are expected to see import volumes rise by 6 percent through the middle of this year. According to the latest Global Port Tracker report

from the National Retail Federation and Hackett Associates, U.S. imports will hit 7.3 million TEUs by the end of June.

"Strong growth in 2010 has retailers cautiously optimistic that the economic recovery is finally taking hold," said Jonathan Gold, NRF's vice president for supply chain and customs policy.

"While high unemployment and rising commodity prices are cause for concern, retailers are encouraged by six consecutive months of retail sales gains and improved consumer confidence."

U.S. ports handled 1.14 million TEUs in December, according to Hackett Associates. In January, import volumes rose approximately 6 percent and volumes at major U.S. retail container ports are forecasted to increase modestly through the end of this year.

"This year will see the return of the consumer as the main driving force of liner imports, despite lingering high unemployment rates," said Ben Hackett, founder of Hackett Associates, a consulting, research and advisory service to the international maritime industry.

"The short-term indicators that drive our model suggest that there will be solid growth this year, but our caution is that the rate of growth seen in 2010 will not be repeated. We are projecting that annual growth will be in the 7 to 8 percent range."



Available: 13809 Whittier Blvd., Whittier, CA

Size: 20,000 sq. ft. Former auto dealership, with 600 feet of prime Whittier Boulevard frontage.
Lot: 76,666 sq. ft.
Zoning: C2

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