

COMMERCIAL REAL ESTATE RETAIL RECAP

MAY 2010

Bids sought to redevelop Md. travel plazas

5/7/10, Baltimore Business Journal, Daniel J. Sernovitz

Companies from across the nation are jockeying for the chance to redevelop the Maryland and Chesapeake houses on Interstate 95, a deal worth more than \$110 million. The Maryland Transportation Administration is seeking bidders to lease the I-95 travel plazas for the next 35 years. The winning team will be required to demolish and rebuild the sites. In return, that team would get the exclusive right to handle concessions until 2046. The sites attract 5.4 million visitors a year and bring in between \$30 million and \$35 million annually in food and beverage revenues, according to the administration. Companies have until July 15 to submit proposals, and the MDTA expects to award a contract sometime in mid-2011.

How H&M Keeps Its Cool

5/10/10, Wall Street Journal, Elizabeth Holmes

The trendy company has stores in 37 countries, but none in Texas. Miami shoppers won't find a place to purchase H&M's cheap chic clothes, either. The problem isn't a lack of demand. It's that the chain's Swedish parent company, H&M Hennes & Mauritz AB, isn't sure how to sell clothes in cities that are always warm. H&M now has nearly 200 stores in the U.S. But they are noticeably absent in areas that seem ripe for its colorful tank tops and floral dresses. Consumers love the mix of clothes priced as low as those in big-box discount stores but with much more current style.

Planners see the future in Columbia proposal

5/9/10, The Baltimore Sun, Don Markus

A plan by General Growth Properties to revitalize Columbia mirrors efforts in similar communities across the country, where builders are working to attract residents, retailers and other businesses with urban-style development focused not around city centers but suburban shopping malls. General Growth Properties has proposed building up to 5,500 residential units, 1.25 million square feet of retail space and 4.3 million square feet of office space, plus a couple of hotels, other cultural centers and transportation upgrades around the mall. Saddled with \$27 billion in debt, the company filed for bankruptcy in April 2009, but is close to a reorganization plan, and officials say the Columbia plans are on track.

Retail Sales Gained in April

5/14/10, Wall Street Journal, Meena Thiruvengadam and Jeff Bater

Retail sales rose again in April, but government data indicate an economic stimulus measure might have helped drive the better-than-expected gain. Retail sales climbed 0.4%, the Commerce Department said Friday. Some of that demand, however, might have been driven by the government's homebuyer tax credit, which expired at the end of last month. Building material and garden supply store sales posted the largest gain of any category in April, 6.9%, after rising by 7.8% in March, presumably positive side effects of the tax credit program. Friday's report showed overall March sales surged 2.1%, even better than the previously estimated 1.9%. Retail sales in March rose at their fastest pace this year. March's surprisingly strong gain, due in part to an earlier Easter holiday this year, could have contributed to April's weaker numbers.

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Investors emerge from their corners in search of single-tenant opportunities.

May Edition, Commercial Real Estate Investment Magazine, Beth Mattson-Teig

Given the one-two punch of the credit crisis and the tepid economic recovery, retail investment sales are well off the 2007 peak of \$78 billion. Transaction volume tumbled to \$32 billion in 2008 and fell almost by half again in 2009 to around \$17 billion, according to Marcus & Millichap. Buyers are fighting for well-located properties in major markets and strong in-fill locations that are leased to national credit tenants such as CVS, Walgreens, Burger King, and McDonald's. Retail properties priced between \$1 million and \$10 million represented the lion's share of 2009's retail property sales — 94.5 percent of the 4,554 individual transactions in total retail sales. Overall retail investment activity increased during the early part of 2010 with a rise in both the supply of properties on the market and more interest from buyers. One segment of the market is small investors looking for safety: single-tenant properties structured with triple-net leases. The other group is comprised of opportunistic buyers shopping for value-add deals among distressed assets.

Durable-Goods Orders Surge on Aircraft

5/16/10, Wall Street Journal, Jeff Bater and Darrell A. Hughes

Long-lasting goods orders in April rose above expectations, primarily pushed forward by a huge surge in civilian airplanes. Durable-goods orders increased 2.9% to a seasonally adjusted \$193.9 billion, the Commerce Department said Wednesday. Airplane demand pushed the overall gain, which was bigger than the 2.2% expected. Nondefense aircraft and parts surged 228.0% in April. April capital goods orders increased 7.4%. Non-defense capital goods, items meant to last 10 years or longer, rose 9.2%. Defense-related capital goods orders fell by 2.1%. Excluding defense, all other durables climbed 3.4% in April.

CRE Lending Remains Constricted, but Loosening for Office and Retail

5/26/10, CoStar, Mark Heschmeyer

Overall, first quarter commercial and multifamily mortgage loan originations were 12% higher than during the same period last year. But they were 26% lower than during the fourth quarter of 2009, according to the Mortgage Bankers Association's (MBA) Quarterly Survey of Commercial/Multifamily mortgage originations. The 12% overall increase in commercial/multifamily lending activity during the first quarter was driven by increases in originations for office and retail properties. When compared with the first quarter of 2009, the increase included a 98% increase in loans for retail properties, a 29% increase in loans for office properties, a 5% decrease in loans for multifamily properties, a 28% decrease in loans for industrial properties, a 46% decrease in hotel property loans, and a 68% decrease in health care property loans. Among investor types, loans for conduits for CMBS saw an increase of 657% compared to last year's first quarter. There was also a 131% increase in loans for life insurance companies.

NAR: Commercial Real Estate Vacancies to Peak Near Early 2011

5/27/10, CityBizList, Staff Writer

Vacancy rates continue to rise in most commercial sectors and are not expected to level out in most markets until the end of this year or early 2011, according to the National Association of Realtors. Looking at the overall market, commercial vacancy rates appear to be approaching a plateau, according to NAR's latest COMMERCIAL REAL ESTATE OUTLOOK. Retail vacancy rates should rise modestly from 12.6 percent in the first quarter of this year to 12.8 percent in the first quarter of 2011, and should hold at that level for most of next year. Average retail rent is projected to decline 1.5 percent in 2010, then edge up by 0.4 percent next year. Net absorption of retail space in 53 tracked markets is likely to be a negative 3.7 million square feet this year and then a positive 8.9 million in 2011.