



Colliers International: U.S. retailers poised for expansion

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Backed by an improving economy, a recent surge in jobs and ten consecutive months of rising retail sales, a broad range of retailers are poised to fill up empty retail spaces over the next 12 to 18 months, according to Colliers International.

Continuing the momentum from the International Council of Shopping Centers (ICSC) annual convention in Las Vegas, retailers are actively discussing new store openings—including construction of new stores in select markets. In particular, luxury retail, restaurants and value and discount retailers—including discount apparel and dollar stores—are the sectors most likely to expand.

Colliers International also suggests that if a perfect storm materializes this year—declining gas prices, stabilizing home prices and improving employment figures—the retail market could generate as much as a 4.5% increase in consumer sales for the 2011 winter holiday season, a rate that would signal a considerable return to market health.

Further, Colliers International contends that while the retail recovery will likely be uneven across sectors and regions, an increasing number of retail real estate owners, operators and investors are returning to a more fundamentals-based approach, again basing financial decisions and expansion plans on the strength of the retail operations' core underlying business.

"Retailers across the country came to ICSC excited to do business," said Mark Keschl, national director of retail for Colliers International. "Some sectors are stronger than others and we probably won't see growth universally, but for the first time in several years retailers unveiled expansion plans through a combination of leasing space and new construction."

National retail vacancy now stands at roughly 11%, essentially flat on a year-over-year basis. And despite some improving leasing activity over the past several months, total absorption has remained under 2 million s/f nationally, as several big box retailers have put more than 65 million s/f of space back on the market. But with several improving sectors and densely populated urban markets rebounding more quickly, the retail market is loaded with potential.

"The national retail market is poised for a return to sound fundamentals and good credit retailers," said Ross Moore, chief economist in the U.S for Colliers International. "There is polarization in the sector, with the high-end market on one end and discount retailers on the other. Overall, mid-range retailers have yet to see the impact of an improving economy, but there is more strength in the retail market than is being reported."

Colliers International also notes that:

* The strongest retail markets are predominantly in gateway cities—New York, Boston, Washington, DC and West Los Angeles—while Dallas and Houston also boast vibrant retail

sectors.

* Polarization is also occurring within the shopping center segment, where high-quality, well-located retail assets are reporting consistent leasing activity, while poorly located, marginal centers continue to struggle.

* Rents in high-end retail corridors appear to have stabilized and in many cases are beginning to rise, with New York City's Fifth Avenue and Madison Avenue, Chicago's Michigan Avenue and San Francisco's Union Square leading the way.

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