



## **Beige Book reports some growth, tourism fuels optimism**

May 19, 2008 - Shopping Centers

The beginning of 2008 yielded mixed economic results across the nation. Tourism, agriculture and energy propelled regional economies, but a nationwide softening in the real estate and construction sectors has fueled some concerns for the upcoming quarter.

The new Beige Book Report, a regularly released anecdotal report prepared by the Federal Reserve and named for the color of its cover, also revealed that there is further deceleration in loan demand.

Here are some of the specific findings from the Beige Book, by district:

**District 1-Boston:** Economic experts in New England report mixed results with cautious optimism. Retailers cite sales levels ahead of this time last year, although activity is slowing. Manufacturers report revenue growth and tourism in the region is quite robust. As expected, the real estate market remains soft.

**District 2-New York:** The empire state and its surrounding area join the rest of the country in welcoming foreign visitors. New York City retailers indicate a pickup in March business. Across the region, bankers see weakening loan demand, aggravated by tightening credit standards and a receding residential real estate market.

**District 3-Philadelphia:** Sources in the third district are experiencing a decline in manufacturing but modest improvements in the services sector. Retail, particularly the auto sector, has been sluggish. Still, manufacturers plan for increased activity in the coming months and even auto dealers are hopeful about spring sales.

**District 4-Cleveland:** The midwest yet again boasts modest growth, with an increase in both steel shipment and auto production. There is a surge in consumer lending and energy production is on the rise. Staffing firms have more job openings, particularly in health care and professional business services.

**District 5-Richmond:** Although the fifth district reports sluggish retail sales and a weak housing market, there is much good news. Activity in factories and ports has picked up, and tourism levels are quite high. Spring planting is in full swing, supported by seasonal weather in the area.

**District 6-Atlanta:** Down south, the economy has weakened, mostly due to a lackluster real estate and credit market. Tourism is very strong and drought conditions have eased, but rising prices for food and raw materials is a concern for many. Energy, defense and aerospace are faring well, but auto production is declining.

**District 7-Chicago:** Expansion in the seventh district is evident, due in part to favorable employment conditions and heightened business lending. Construction has slowed and cost pressures are plaguing some manufacturers and farmers.

**District 8-St. Louis:** Characterizing the nationwide trend, the eighth district is struggling through a particularly bleak housing market. Manufacturing and auto sales have both remained flat compared to this time last year. Overall lending is up slightly but home sales and construction are still on a

downturn.

District 9-Minneapolis: The ninth district is struggling with decreased residential construction as well as a beleaguered housing market. While consumer spending is slightly lower than the same time last year, services, tourism, mining and agriculture all note success. Employment markets are softening, and prices for food and fuel are higher.

District 10-Kansas City: Experts in district ten report more moderate growth, with gains in the energy and agriculture sectors, largely due to high commodity prices. Wage pressures are lower than last year and consumer spending is steady. Both residential and commercial real estate have weakened.

District 11-Dallas: After a rebound last quarter, district 11 again expanded, albeit at a slow pace. Texas is reportedly outperforming the rest of the country, particularly in the business sector. Energy and agriculture are strong, but factory production declined. In spite of recent gains, firms are being cautious about staffing levels.

District 12-San Francisco: The west coast's economic growth was propelled by agricultural output and manufacturing. Retail sales have weakened and loan demand has flattened. The troubled housing market continues to stunt expansion, but price pressures are easing.

As we reach the height of the spring shopping season, there is much reason for cautious optimism. The power of the consumers-foreign and domestic-has never been more evident, as their confidence can rapidly shift a region's economic landscape. Here's to shoppers and tourists opening their wallets this spring!

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