



Beige Book: Mass-market stores gain; sales even overall

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The latest Beige Book Report, an anecdotal report prepared and released at regular intervals by the Federal Reserve, shows a general flatness in retailing across the country, but not the doomsday scenario that some prognosticators had expected. Inflation, rather than unemployment, appears to be the main hazard in most markets. Tourism remains strong and employment seems stable. Consumer confidence made a rebound in July, its first increase of the year after six months of declines. The most common opinion is that the situation is bound to improve-expectations going forward were brighter! Here are the latest findings from the Beige Book, by district:

District 1, Boston: Many Beige Book contacts in this district reported a decline in sales for May and June, but on a same-store basis, sales tended to be up slightly from the same period of 2007. Retailers are scaling back their inventories in response to reduced consumer spending, and some stores have reduced personnel.

District 2, New York: Retail sales are surprisingly strong here-close to projections, and up a little over last year. New York City reports no decrease in tourism, and theatre attendance and revenues seem to be recovering from the spring. Hotel occupancy rates remain high, with rates about 6% above 2007 levels. Summer apparel seems to account for much of the retail sales increase.

District 3, Philadelphia: Retailers report that lower-end stores are experiencing increases in sales, particularly in appliances and consumer electronics. Overall, though, sales are down over the same period last year. Store traffic has declined; so has restaurant spending; car dealers also report a downward overall sales trend.

District 4, Cleveland: Sales of groceries are reported flat or declining in this district, but sales are steady or up slightly in most retail categories. Many retailers expect further slowdowns in the next few months, but so far there's been no decline in wages or employment levels. Prices are mainly steady, but up slightly for food and paper items.

District 5, Richmond: While sales are picking up at discount stores, retail sales in general have fallen in the past few weeks. Rising supplier prices and excessive inventory are reported in several merchandise categories, although several retailers report increased foot traffic, which they attribute to the recent government stimulus checks. Sales of automobiles, especially domestic vehicles, are down.

District 6, Atlanta: Tourism seems to be in slight decline here, but the area's popularity as a convention destination keeps visitor traffic heavy. Still, residential and commercial development are both weak, and retailers generally report lower-than-expected sales for June and early July. Consumer and commercial credit are both tight. The employment situation is weak, but wages don't appear to be in decline.

District 7, Chicago: Consumer spending has been slow of late, as consumers try to control their food and energy expenses. Recent inclement weather, coupled with rising fuel prices, has hurt tourism.

Weather has also hurt crop production, although the agricultural situation was improving in July. Demand for light cars and trucks is outrunning supply.

District 8, St. Louis: The district seems to have stabilized in June, with mixed reports on retail activity and other businesses. Support services such as call centers are hiring, but the healthcare industry appears to be cutting employment. Recent flooding may reduce crop harvests in the area, and this might have further impact on the overall economy.

District 9, Minneapolis: The northern part of the midwest is attracting more tourists from the U.S. and overseas. Overall consumer spending rose only 0.4% in the area in June, compared to June 2007, and store traffic reports are mixed. Auto sales are in slight decline, but demand remains solid for smaller foreign-made cars.

District 10, Kansas City: While retail sales have not actually gone down from the same period in 2007, they are lower than most retailers had expected. The steepest declines are related to new home construction. Tourism remains strong, but restaurant activity is flat.

District 11, Dallas: Excepting discount stores, retailers in this district reported flat or slightly declining sales, but reports on inventories were generally positive and employment numbers are mixed, with some retailers adding employees in new locations and others cutting back per-store personnel. Demand is high for smaller cars, but supply is limited.

District 12, San Francisco: Declining sales and rising inventories have been the rule recently, although a few retailers reported slight upticks which they attributed to Federal tax rebates. Due to a slow housing market, sales of furniture and home appliances have been especially weak. Travel, tourism, and auto sales are down, but discount stores report slight increases.

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