

Pockets of Resistance: Where Retail is Expanding in SoCal

LOS ANGELES—Retail may be down, but it's certainly not out. In a series of deals that speak volumes about the state of retail in Southern California, Santa Monica-based Watt Commercial Properties is filling some 157,000 square feet with tenants like Ross Dress for Less and the AJWright division of TJMaxx Cos. The deals are valued at \$44 million. The firm is also investing in the renovation of centers in Los Angeles and Orange counties to accommodate the new tenants.



CHRIS WILSON, Wilson Commercial Real Estate

"The market is like a snow globe with the way things are being shaken up and flying around."

Chris Wilson of Los Angeles-based Wilson Commercial Real Estate calls the locations and the tenants accounting for these signs of improvement a narrow slice of the overall market. But Wilson, who worked as a consultant with Watt's in-house leasing team, says it's a marked improvement over a year ago. "For the first half of 2009, the overall market was dismal," he says. But in the second half and so far into 2010, "We've been very busy."

Much of the action is in the discount and value-oriented retail segment, and location is demonstrating again why it is the mantra of the retail world. "We have great locations," Susan Rorison, president of Watt, says in explaining how the firm has maintained 94% occupancy in its two-million-square-foot portfolio of 39 SoCal retail centers. Watt's properties are primarily urban-infill, needs-based centers, "And that's where the retailers want to be," Rorison says.

While the larger national and local players are active, Wilson relates that the smaller retailers will remain more of a question mark. He expects to see "continued stress on independents and small chain retailers" that will cause more store closings this year, although fewer than in 2009.

It's a market in flux, Wilson says, with some tenants looking for new space, others

looking for space in different configurations from their former stores and some companies looking to shed space. "The market is like a snow globe, and things are being shaken up," he says.—*Bob Howard*

26,400

The number of workers Seattle-area employers are likely to add in 2010, according to Marcus & Millichap.

Fundamentals Remain Challenged In Las Vegas Housing Market

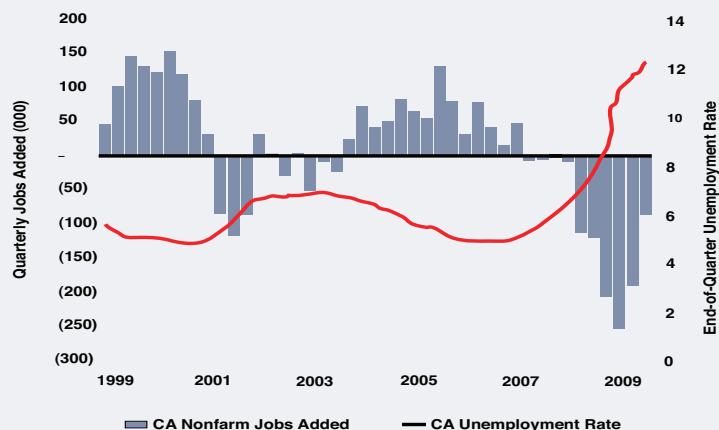
LAS VEGAS—Recovery here will be slow to materialize due to the battered housing market and the metro's dependence on consumer spending, says Marcus & Millichap Real Estate Investment Services Inc.'s 2010 national apartment report. The firm notes that reduced spending will limit hiring in services-oriented industries, particularly real estate, hospitality and retail.

One of the reasons behind the housing market's over-inflation is that "volumes were not supported by demographic growth and conservative second-home assumptions," explains Marta Borsanyi, a founding partner of the Concord Group. In addition, she says, "increasingly, investors were drawn to the market in larger numbers, and builders responded to the demand by delivering large numbers of units at ever-increasing prices before the housing slip began."

Vital Signs

California Records the Highest Monthly Employment Increase

Despite being one of the most financially strapped states in the union, California is starting to see some positive economic indicators. The Golden Gate State recorded the largest monthly employment increase—32,500 jobs—in the country for the month of January, according to the Bureau of Labor Statistics. Still, the state's unemployment rate hovers at 12.5%, surpassing the national average of 9.7%. California has lost quite a lot of jobs in recent years, after experiencing significant growth in the early part of the decade. In many of the state's counties, unemployment is at or more than 10%. Whitley Collins, regional managing director of Los Angeles brokerage at Jones Lang LaSalle Inc., says, "we are in for a three- to four-year process of getting those jobs back."



Source: www.bls.gov