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ICSC Participants Report More Optimism Among Show Attendees, but Mood Remains Cautious

M Elaine Misonzhnik December 8, 2009

At a meeting this morning one high-level real estate executive summed up his team's feelings about the success of the trip to New York: "We are having a very good show. But, then again, our expectations were really low, so it doesn't take much to exceed them." This might as well serve as a slogan for the 2009 ICSC New York National Conference and Dealmaking.

Consistent with the trend we've seen throughout the year, participating companies have sent a limited number of representatives to the show—only those who have a reason to come have taken the trip. That might account for the light traffic during the first day of the conference. But those who have come say they've been busy.

By and large, people report there are more retailers present at the conference than last year and many of them are looking at the possibility of expansion in 2010. In 2009, most of the positive leasing momentum came from supermarkets, discounters and health club operators. But during Monday's Retailer Runway portion of the program, it became clear that tenants that rely more on discretionary spending—for example arts and crafts seller Hobby Lobby and outdoor equipment seller REI—are planning to invest in new stores as well. The problem is that the pace of expansion is still very conservative—"if a tenant opened 15 stores in 2009, they maybe plan to open 20 in 2010," says one leasing executive. Most of the discussions taking place involve renewals rather than brand new leases.

Plus, we can't be sure the retail sector is out of the woods until the holiday sales results come in. And while the official prognosis is that sales will be flat to slightly positive compared to last year, there is a chance sales might actually be down 2 percent, says Mitchel S. Friedman, senior vice president with RCS Real Estate Advisors, a New York-based advisory firm.

The most pressing concern, however, remains the overhang of commercial real estate debt that's not being resolved through discount sales. Not everyone is happy with the government's approach to the problem, which centers on encouraging lenders to work out the loans rather than forcing them to sell the properties.

Plenty of people are interested in investing in good quality shopping centers, said Simon Ziff, president of the Ackman-Ziff Real Estate Group, during the general session on Monday. But because lenders don't feel pressure to dispose of the assets on their books, the investment sales sector remains moribund, explains a high level Jones Lang LaSalle executive. And if the industry won't see a significant uptick in sales activity by the second quarter of 2010, he's worried we might be in for another recession. "When there are sales taking place, you create jobs," he says. "And we need jobs."