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## **U.S. shopping center industry grows to nearly 105,000 centers**

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The U.S. shopping-center industry grew, albeit slightly, to nearly 105,000 centers in 2009 according to the latest statistics from CoStar Group, Inc. that were compiled on behalf of the International Council of Shopping Centers (ICSC). While both 2009 and the first four months of 2010 were sluggish in terms of growth in number of centers and total leasable area, we believe there is cause for an optimistic outlook on retail real estate during the latter half of 2010 when growth within the industry should pick up markedly.

Michael Niemira, vice president, director of research and chief economist for the ICSC, observed that "this slowdown in shopping-center industry growth - the largest since at least 1971 for which consistent data exist - was not surprising due to the 2007-2009 recession and the difficulty in securing capital from banks and other lending sources." Niemira added, "but the prospects for the retail real estate industry appear to be improving and the sector, in time, will likely regain its investment luster."

Andrew Florance, CoStar Group's founder, CEO and president reinforced this point, noting "the importance of the retail-property market to investors is truly amazing." Florance pointed to new research, sponsored by CoStar, examining the size of the U.S. commercial real estate market and its segments, which suggests "that the retail segment of the property market had the largest market capitalization (\$2.98 trillion) at the end of 2009, more than office (\$1.64 trillion), industrial (\$1.07 trillion), hospitality (\$895 billion) and multi-family properties (\$1.40 trillion)." In the recent quarter retail sales have climbed along with consumer confidence and recent employment gains of nearly 400 thousand jobs in April bode well for improvements in the retail sector in the months ahead.

Norm Miller, vice president of Analytics for CoStar, noted that "unlike industrial and office properties which are still facing rental declines as leases turnover, many retail landlords already renegotiated and dropped rents for existing tenants. Consequently, this flexibility by retail landlords spurred the profit recovery for major retailers and a quicker bottom for rents compared to sectors not as flexible on rents and concessions."

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