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# Retailers group says there's hope on the horizon

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By Gretchen Metz, Journal Register News Service

UPPER MERION — The International Council of Shopping Centers thinks there is a glimmer of hope when it comes to consumer spending and the economy, but, of course, retailers will need patience.

That was the message Steven H. Gartner gave to ICSC members at the the group's 2009 Pennsylvania Economic Forecast event, held at the Court of King of Prussia on Monday.

Gartner, the first speaker, is president of Metro Commercial Real Estate in Conshohocken, as well as director of the ICSC's Pennsylvania, South Jersey and Delaware region.

He was followed by Peter Linneman, principal of Linneman Associates, who serves as the Albert Sussman Professor of Real Estate, Finance and Public Policy at the Wharton School of Business of the University of Pennsylvania.

"We're like the canary in the mineshaft," Gartner told the retailers, commercial real estate professionals and finance executives. "We felt the cold winds blow as early as 2007."

The year 2008 was a down time, Gartner said. Consumers backed away from discretionary spending. In the region, both Pennsylvania and Delaware had a decrease in personal income, with Pennsylvania posting a decrease of 27,000 jobs.

In December, the critical holiday spending period, the only bright spot was a slight increase in revenues at drug stores, discounters and supermarkets, Gartner said. High-end and luxury retailers were the hardest hit.

The shopping center vacancy rate was 6.7 percent in the fourth quarter of 2008, up from 6.5 percent in the previous quarter, he said.

Retailers nationwide shed underperforming stores in 2008 by closing 148,000 doors. While it was bad, 2001 was worse, Gartner pointed out, noting 151,000 stores were closed that year.

"This will continue into 2009, the result of dismal Christmas sales," Gartner said.

But if retailers can weather early 2009, there will be improvement in the second half and a solid 2010, predicted Gartner. While there may be increased unemployment, 93 percent of Americans are still working and will continue to shop, he pointed out.

Gartner said the downturn will not be long term. The U.S. population is at 300 million and is expected to grow to 440 million by 2040, which means demand will continue to grow, he reasoned.

But retailers and mall developers will have to grow, too.

"A lot of conventional wisdom has gone by the wayside," Gartner said. "(Shopping) centers have to be more dramatic, more diverse."

The ICSC is doing its part, too. Linneman discussed at length the Bush administration, which he said turned the economy into a card game without rules.

"Would you want to play that card game?" he asked attendees. "Would you want to bet without knowing the rules?"

After forcing Wachovia into a merger and pumping billions into Citibank, the economy got worse, Linneman said.

"Is it coincidence or cause and effect?" Linneman asked, with a message to lawmakers. "Stop helping us and the economy will do better."

Linneman's assessment of the Obama administration was not much better. Barack Obama is not interested in finance; he was an activist, Linneman said. But at least he is providing rules so people know how to play the game.

"Any policy is better than no policy," Linneman said.

As for a bailout, Linneman is not a fan. When there was a recession led by real estate, there were no bailouts. When there was a down economy led by the dot-com bubble burst in the early 2000s, there was no bailout, Linneman pointed out. Bailouts mean giving money to idiots, Linneman said.

Has any bailout in the history of the U.S. made the economy better, he asked.

"Bailout is like giving blood to the dead," Linneman said, calling it a waste of resources.

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