

U.S. developers cut 2008 pipeline by one-third

The U.S. retail real estate industry is slashing its new retail development and additions this year. There will always be some "new" supply even as some of the "old" retail stock is retired or replaced, but the rate of new space being generated in 2008 is down sharply from previous years,

according to McGraw-Hill Construction data through July. From January through July of this year, all retail subclasses slowed by more than a third (down 37.4 percent year on year). The only category that is still seeing impressive growth is freestanding drugstores, growing 18.5 percent faster this year than last.

Supermarkets are clawing on with a 0.9 percent increase in new square footage this year. Those two categories represent consumer spending staples, of course. Retail in mixed-use properties is down about 40 percent, meanwhile.

The Midwest has taken the biggest hit for the year, with retail space slashed 45 percent from a year ago. The Northeast was off the least (down 23.2 percent), while the reduction in the space additions in the South and West moved in lockstep with the nation.

By project count, McGraw-Hill recorded nearly 3,700 retail properties so far that are either being built or are part of an existing property that is being expanded. This includes 19 mall properties, 74 community centers and 223 neighborhood centers.



Although big-box additions still account for the lion's share of the new supply, that dropped to 28.9 percent between January and July, versus 31.6 percent a year ago and 40.2 percent for the same period in 2005. In lieu of that supply, the supermarket share rose to 6.4 percent this year, from 4.8 percent last year; drugstores rose to 4.6 percent from 2.9 percent a year back.

Modest share gains were scattered throughout most of the other categories this year. "Although these data give only

a sketchy picture of the retail supply story, the message is clear. Retail space continues to expand, even in 2008, but the rate of new space being added has been pared dramatically," said Michael P. Niemira, ICSC's chief economist and director of research. "Moreover, most retail segments have been touched by the commercial real estate slowdown."