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**FLOCKE &
AVOYER**
Commercial Real Estate

Viewpoint

3rd Quarter 2010

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My Viewpoint

Featured Broker



Bradley S. Williams

Since joining Flocke & Avoyer in early 2007, Brad has been working as a Sales Associate complementing the other 9

brokers in the office. In addition to negotiating lease and sale transactions for his core clientele, he devotes significant energy to generating new leads and showing space in the field, as well as reporting for roughly 20 shopping center properties and developing new business opportunities to respond to the current environment. He prides himself on being a student of the business and providing a high level of service, communication and results to his clients. Some client accounts include: Sudberry Properties, American Assets, and Gatlin Development.

Outside of Flocke & Avoyer, Brad is actively involved with the Youth Ministry program at his church, and serves as a committee member for the American Cancer Society's Downtown Relay for Life. In his spare time, the native San Diegan enjoys running, cycling, and the



Steve Avoyer

President

Colleagues and Friends,

Well, the first half of another year is behind us and its trail has presented as many questions as answers. It seems as if we are in a better place than we have been for the last 24 months (retailers beginning to talk expansion, the word "development" creeping into analyses, proformas showing at least modest NOI growth, construction costs down), but it still doesn't feel great.

With San Diego unemployment still at 10%, CA state at 12.4% and the nation at 9.5%, financial institutions jealously guarding their capital/reserves, and sellers/landlords still struggling with the gap between "bid and ask," and constant rhetoric of an impending "double dip" recession - we are most assuredly in a fluid environment in retail development, leasing and sales.

U.S News and World Report on 7.06.10 has the following view:

"With stock prices spiraling downward and treasury yields tanking, the market has been sending a clear message this week: The fragile economic recovery is in trouble. But just how bad is the outlook? In the aftermath of a bleak second quarter, experts are still divided about the likelihood of a double-dip recession. What's becoming clearer with each new report, though, is that the economy--even if it doesn't double dip--is steadily losing ground. A recent report by the Conference Board shows that consumer confidence is plummeting. In June, the group's Consumer Confidence Index dropped by nearly 10 points, its second-biggest one-month decrease in a year."

beach.

To contact Brad, email him at bwilliams@flockeavoyer.com or call him directly at (858) 875-4668.

Highlighted Listing

VILLAGE WALK at EASTLAKE



Village Walk at Eastlake is a ±157,000 square foot center located on the NEQ of SR 125 and Otay Lakes Road in the award-winning, masterplanned community of Eastlake. The project is located in close proximity to Target, Lowe's, Office Depot, Vons, Rite Aid and Kohl's as well as the Eastlake Business Park and offers over 1,000 feet of frontage along SR 125 toll road.

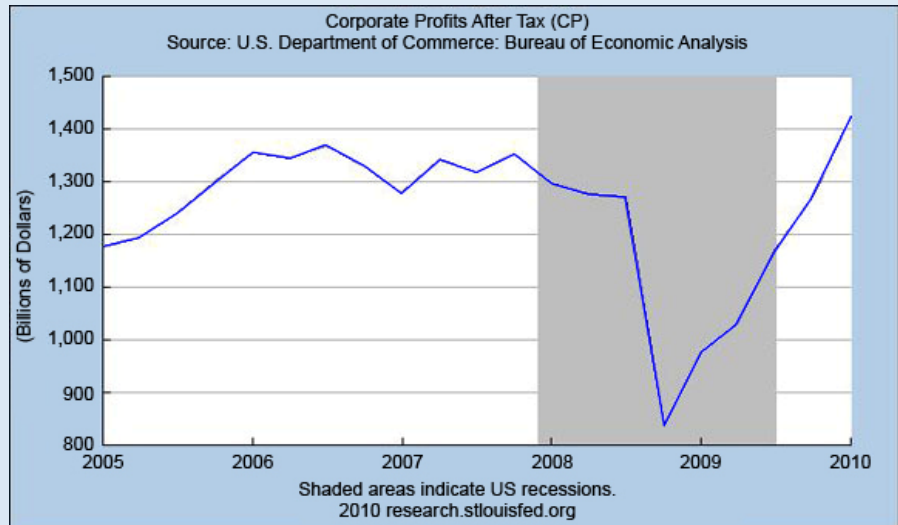
The village-type design of the project includes a grand clock tower, winding pedestrian walkways with music, rose gardens, hedges, flowering trees and shrubs, and a large central water feature complete with fountains, bronze statues, koi and turtles.

Currently at ±97% occupancy, Village Walk is well positioned to be a dominant project in the area for years to come.

For further information, please visit www.shopvillagewalk.com.

CURRENT AVAILABILITIES:

- ± 1,050 SF
- ± 1,033 SF Second Floor Space
- ± 1,493 SF Second Floor Space
- ± 1,502 SF Second Floor



So it is still confusing (at least for me) to bank on any reliable trends of growth, absorption, consumer spending and retail sales, that seem to validate each other. Using stock prices for the period 04.30.09 to 04.30.10, as a common benchmark, yes, most discounters are doing well (Target was up 45%, TJM 57%, Big Lots 66%, however Wal-Mart was up "only" 8%, Costco 22% and BJ's Wholesale 9%). Curiously, so are most department stores (Nordies up 109%, Saks 155% and Macy's 99%) and many specialty retailers have seen their corporate treasuries swell as well during this window of analysis (Tiffany's up 71%, Polo 67%, Liz Claiborne 94%). So I still feel the signals are mixed, but it seems from the stock performance referenced above that at least the American retail investor is betting on a recovery, even if his cousin, the American consumer, isn't quite there yet.

In our shop, for the first time in 18 months, we are seeing positive growth in YTY lease/sale deals made (+26 %) and deal size (+14%). Revenue is still flat, but the indicators are hopeful. It is hopeful that in our existing shopping centers (not including those in development or pre-development) under contract, representing about 10 MM SF of retail space, we are experiencing an overall vacancy factor of only 3.2%.

So the market isn't great - but it could be (and has been!) much worse. Our strategy is to do whatever it takes to retain our good and loyal clients, be creative in our approach to marketing their properties, and try to identify new opportunities borne out of this environment. We are focusing on distressed real estate, discounted loans, well capitalized users attempting to gain market share, cash-rich investors or funds needing to put money out somewhere with a defensible return and developers with the foresight to see that this will not last forever and are now starting to open their pipelines for 2011 and beyond deals.

Love to hear what some of you are experiencing. Have great summer and please drop by our ICSC Western Division booth on September 22-24th in San Diego.

FYI PS - Yahoo 24/7 Wall St. has created a new list of brands that may disappear, which includes Readers Digest, Kia Motors, Dollar Thrifty (NYSE:

Mixed signals	
Year-over-year percentage change in June sales at stores open at least a year	
Company	Change
Nordstrom	+14.1%
Zumiez	+10.9
Abercrombie & Fitch	+9.0
Aeropostale	+8.0
Macy's	+6.5
Limited	+6.0
Kohl's	+5.9
Ross	+5.0
J.C. Penny	+4.5
Costco Wholesale	+4.0
TJX	+3.0
Saks	+2.5
Neiman Marcus	+1.9
Target	+1.7
Gap	0
American Eagle	-1.0
Hot Topic	-2.1
Wet Seal	-3.8

Space

Listing Brokers:

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DTG - News), Zale (NYSE: ZLC - News), Blockbuster (BLOKA.PK - News), T-Mobile, BP Plc (NYSE: BP - News), RadioShack (NYSE: RSH - News), Merrill Lynch and Moody's (NYSE: MCO - News).

Community Involvement

John Still



John Still has served over 8 years on the local Advisory Business Board to HDSA-San Diego Chapter. He assists in the fundraising efforts to help find a cure for Huntington's Disease.



Huntington's Disease Society of America

Highlighted Tenant



Flocke & Avoyer is proud to announce that **Karly Kevane** has been selected as the exclusive tenant representative for **CiCi's Pizza** for San Diego County.

CiCi's Pizza has over 650 locations in 33 states. CiCi's is an all-you-can-eat, affordably-priced buffet featuring endless fresh salads, savory pasta, delicious desserts and fresh-from-the-oven pizzas. **CiCi's** dough is made from scratch everyday, the sauce is a blend of vine-ripened tomatoes and spices, the signature salads are hand tossed with the freshest ingredients and the desserts are simply delicious. **CiCi's** is franchise driven and expects to open 80-100 new units per year over the next five years.

SITE REQUIREMENTS:

- 4,000 - 5,000 SF
- End Caps and pad sites only
- Looking throughout San Diego County and Temecula
- Prefer co-tenants who cater to daily needs

[Click here](#) for **CiCi's Pizza** website.

HDSA-San Diego is one of 31 chapters of the Huntington's Disease Society of America dedicated to the care of HD-affected families, support for at-risk individuals and caregivers, public advocacy, and the search for treatments and a cure of this devastating disease. Our area of service includes all of San Diego and Imperial Counties. We sponsor a monthly support group for affected families, raise money for the care and cure of HD, help support a Center of Excellence for Family Services, publish an annual report, and provide a range of other services to the HD community. We are all volunteers.

Huntington's disease (HD) is a devastating, genetically caused brain disorder that causes brain cells to die and systematically robs people of their ability to walk, talk, eat, and think. Eventually, the person with HD becomes totally dependent upon others for his or her care.

[Click Here](#) to learn more about Huntington's Disease.

Featured Landlord

TERRAMAR RETAIL CENTERS

Terramar Retail Centers is a privately-held commercial investment, management and development company. Following a focused strategy of acquiring, developing and operating well-located retail properties in the western United States, Terramar has become one of the nation's most successful private real estate companies since its founding in 1996.



"Terramar Retail Centers has had a successful relationship with Flocke & Avoyer for more than five years on our San Diego and Murrieta properties. We are appreciative for all of the hard work and market knowledge that Brian brings to the table and have benefitted greatly from his leadership and commitment to leasing our centers. Brian is a valuable part of Terramar's Leasing Team."

Glenn Rosen, Vice President-Leasing
Terramar Retail Centers

Flocke & Avoyer currently represents Terramar on 4 properties that in aggregate total over 906,000 SF including Murrieta Plaza, Camino Village, Lemon Grove plaza and Tierrasanta Town Center. Flocke & Avoyer has worked closely with Pam Aguirre, Glenn Rosen, Felicia Serra and the management team at Terramar for the past 5 years and appreciate the successful long term relationship we have established.

Tenant Representative:

Karly Kevane
kkevane@flockeavoyer.com
858.875.4674

Shopping Habits Report

By: Michael P. Kercheval, ICSC

In an effort to understand how the recession has impacted consumer shopping habits, ICSC launched Phase I of a consumer tracking study with the goal of establishing a benchmark and providing a method by which ICSC could check back in with consumers to track their perceptions and behaviors. Attached is Phase II of this study and its purpose was to see if consumers' attitudes and their shopping habits have changed since the first study was conducted 6 months ago.

I am hopeful that you will find this study informative and that the findings can help you in your business.

Sincerely,
Michael P. Kercheval

[Phase 2 Shopping Habits Report](#)

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Resource Links

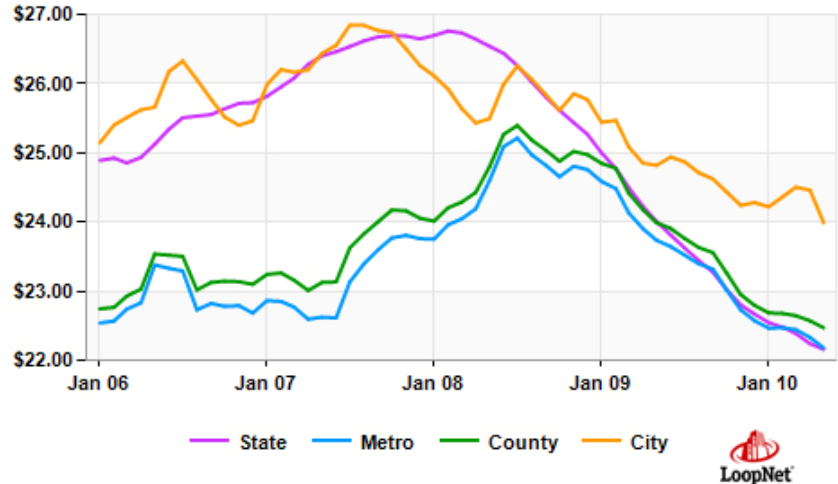
[F&A Listings](#)

[ICSC Western Division](#)

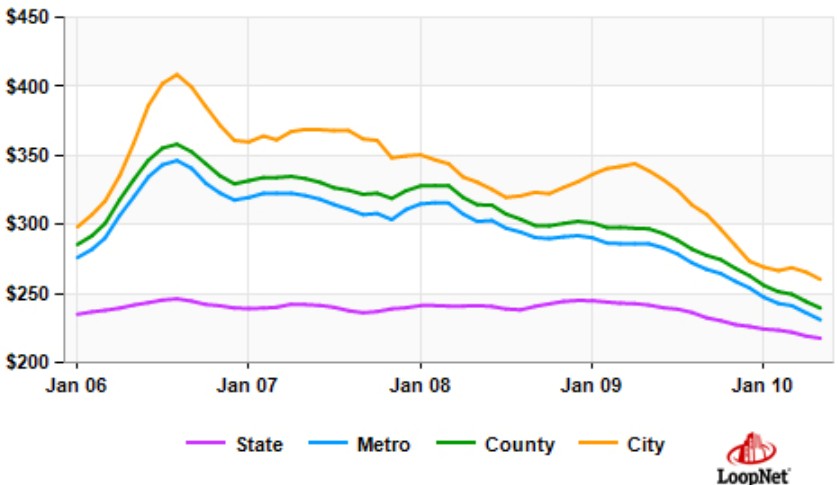
[SD Traffic Counts](#)

San Diego Market Trends

Asking Rent for San Diego, CA Retail for Lease (\$/SF/Year)



Asking Prices for San Diego, CA Retail for Sale (\$/SF)



Source: Loopnet.com

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