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ECONOMIC NEWS & TRENDS

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*This edition includes excerpts from articles, studies, and focused economic research through the date of publication. Readers should note that some of the sources may require a subscription for a full review. MuniServices also publishes legislative reports that include bills related to economic development and revenues. Please contact your Client Services Manager for a local perspective on economic trends or with questions or comments regarding this report.*

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**SECTION 1 - U.S. ECONOMY (INDICATORS, OUTLOOK, TRENDS, INFLATION GAP BETWEEN GOODS AND SERVICES)****Economic Indicators**

Source: *The Bureau of Economic Analysis (September, 2015)*

**Real Gross National Product (GNP)** is goods and services produced: increased at an annual rate of 3.9 percent in 2015Q2; in 2015Q1, the real GDP increased 0.6 percent.

**Real Gross Domestic Purchases (GDP)** is purchases of goods and services regardless of where produced: increased at an annual rate of 3.6 percent in 2015Q2; in 2015Q1, the real GDP increased 3.6 percent.

**Current-Dollar Gross Domestic Purchases (GDP)** is goods and services regardless of where produced: increased by 6.1 percent in 2015Q2, in contrast to an increase of 0.8 in 2015Q1.

**Real Gross Domestic Income (GDI)** is income earned by the production of goods and services: increased 0.7 percent in 2015Q2, compared to an increase of 0.4 percent in 2015Q1. Estimates of GDP and GDI may vary in a given quarter, but they tend to follow similar patterns of change over time.

**Real Personal Consumption Expenditures (PCE)** is expenditures for goods and services: increased by 0.4 percent in 2015Q2, compared with an increase of 1.8 percent in 2015Q1.

**Economic Outlook**

Source: *Kiplinger Economic Outlooks (October, 2015); Anderson Forecast (September, 2015);*

<http://www.usatoday.com/story/money/business/2015/10/06/us-trade-deficit-china-japan-imports-exports/73441758/>  
(October, 2015)

**Gross Domestic Product:** 2.7% in second half of 2015; 2.5% for the year

**Interest Rates:** By end 2015, 10-year notes at 2.3%; mortgages, 4.1%

**Business Spending:** Increasing by 4% in 2015

**Housing:** Single-family starts rising 12% in second half of 2015 (1.14 million units in 2015, 1.42 in 2016 and 1.44 in 2017)

**Unemployment:** Falling to 5% by year-end

**Inflation:** 2.5% for 2016, up from 1.5% in 2015

**Retail Sales:** Up 4.5% to 5% this year, excluding gasoline sales

**US Trade Deficit:** Increased 15.6% to \$48.3 billion in August. Exports of goods and services dropped 2% to \$185.1 billion, while imports rose 1.2% to \$233.4 billion. The drop in exports reflected lower sales of manufactured goods such as computers, industrial machinery and autos and a drop in exports of U.S. energy products, and to a stronger dollar.

**The Gap in Inflation Between Goods and Services May Widen**

Source: <https://www.clevelandfed.org/en/newsroom-and-events/publications/economic-trends/2015-economic-trends/et-20150602-the-gap-between-services-inflation-and-goods-inflation.aspx>

Because goods account for the bulk of international trade, a stronger dollar keeps prices for goods lower. Sharp appreciation of the dollar over the last three quarters may push the prices of goods even lower in the next few months, widening the gap and impacting sales tax revenues (Federal Reserve Bank of Cleveland). So a strong dollar is a double edged sword that may actually hurt sales tax revenues.

## Trends / “Picking Up Steam and Watching the Headwinds”

Source: [https://beaconecon.com/archive/presentations/2015.8.5\\_NCSL2015Thornberg.pdf](https://beaconecon.com/archive/presentations/2015.8.5_NCSL2015Thornberg.pdf) (August, 2015)

**Picking up steam:** Slower start to year transitory; solid acceleration in domestic demand; labor markets turned a corner; worker wages *about* to start rising; credit expanding on many levels; asset markets/ tech is not in a bubble yet; interest rates aren’t going anywhere; commodity prices down; housing market bouncing.

**Watch the headwinds:** State and local budgets still stressed; global economy has slowed, particularly in Asia; housing and housing policy in California; frothy markets could start becoming an issue; growing inequality/ political gridlock.

### What not to worry about the economy

The stronger US dollar  
Student debt  
Asset bubbles  
Drought  
Consumer spending  
Labor markets  
California business  
Taxes  
Politics

### What to worry about the economy

China  
Educational choices  
Bad financial regulation  
Water policy  
Savings rates  
Growing inequality  
California housing  
Lack of public investment  
A lack of engagement

## SECTION 2 - CALIFORNIA’S ECONOMY (INDICATORS, REVENUE, REAL ESTATE, DROUGHT)

### California Economy (Indicators)

Source: *Fast Facts, by the Assembly Committee on Jobs, Economic Development and the Economy (September, 2015)*

- **California GDP:** In 2014 grew from \$2.2 billion to \$2.3 billion; California is the eighth largest in the world, larger than Russia, Italy, India, and Canada.
- **Largest private industry sectors:** Finance, insurance, real estate, rental, and leasing (20.2% of state GDP); trade, transportation, and utilities (12.7% of total GDP); professional and business services (12.0% of state GDP); and manufacturing (12.0% of state GDP).
- **Employment/ Workers:** 19 million workers in the California labor force in August 2015 with 17.8 million individuals employed. A month over increase of 12,000 jobs, and represents a 425,000 (2.4%) increase in jobs over the prior year.
- **Employment/ Sectors:** For August, 2015, non-farm employment rose in seven industry sectors: largest gains were in the government (+31,300); leisure and hospitality (+10,600); trade, transportation, and utilities (+7,900); education and health services (+3,800); financial activities (+1,600); construction (+700); and information (+300) (Source: EDD Labor Market Review, August 2015).
- **Per Capita Personal Income (PCPI):** The population of California in 2014 was 38,802,500 (rank is 1st in the nation). In 2014, California had a PCPI of \$49,985. This PCPI ranked 11th in the US and was 109 percent of the national average, \$46,049. The 2014 PCPI reflected an increase of 3.9 percent from 2013. The 2013-2014 national change was 3.6 percent. In 2004, the PCPI of California was \$37,244 and ranked 9th in the US. The 2004-2014 compound annual growth rate of PCPI was 3.0 percent. The compound annual growth rate for the nation was 3.0 percent.

### California's Economic Update (Revenues)

Source: Department of Finance, Finance Bulletin (September, 2015)

**Revenues:** August year-to-date revenues are \$474 million *above* the forecast of \$13.364 billion. Preliminary agency cash for August total revenues was \$108 million above the 2015-16 Budget forecast.

**Personal income tax:** \$33 million *above* the month's forecast of \$4.142 billion. Proposition 63 requires that 1.76 percent of the total personal income tax collections be transferred to the Mental Health Services Fund; the amount transferred in August was \$1 million higher than the forecast of \$74 million. Year to date revenues are \$162 above the forecast.

**Sales and use tax:** \$42 million *above* the month's forecast of \$1.96 billion. Year-to-date, sales tax cash is \$5 million *above* forecast. August cash includes the remaining portion of the final payment for the second quarter sales, which was due July 31. August receipts also include the first prepayment for third quarter sales.

**Corporation tax:** \$25 million *below* the month's forecast of \$123 million. Prepayments were \$8 million above the forecast of \$88 million and other payments were \$24 million higher than the \$93 million forecast. Total refunds for the month were double the forecast of \$57 million. Year-to-date revenues are \$42 million below forecast.

**Insurance tax:** \$25 million *above* the \$432 million estimated for August. Year-to-date revenues are \$48 million *above* the forecasted \$407 million.

**Revenues from the estate, alcoholic beverage and tobacco taxes, and pooled money interest:** came in \$1 million *below* the \$37 million that was expected.

### California's Employment, Homeownership, and Real Estate Economy

Sources: UCLA Anderson, Beacon Economics, Department of Finance, Legislative Analyst Office

**Employment Forecast:** Total employment growth at 2.7% in 2015; 2.2% in 2016; and 1.4% in 2017. Real personal income is estimated to be 4.6% in 2015 and forecast to be 4.5% in 2016, and 4.2% in 2017. Unemployment should drop below 6.0% through balance of 2015.

**Housing:** Starts of 1.14 million units this year, 1.42 in 2016 and 1.44 million in 2017; home prices in California will become increasingly less affordable over the next two years, as the amount of building will not meet new demand.

**Rental Housing:** Declining homeownership rate is a rise in renting. Multi-family housing starts, which bottomed in 2009 at 112,000 units, will exceed 400,000 in 2015; and average 460,000 units over the next two years.

**Homeownership:** 40 percent of those born in 1960 owned a home at age 30, 27 percent of those born in 1980 did.

**Housing costs:** 46% of renters, compared to 40% ten years ago paying more than 30% of their income on rent.

**Real Estate Sales:** July sales of existing single-family homes increased 2.7 percent from June and 12.7 percent from July 2014 to 449,530 homes.

**Median Home Price:** The statewide median home price in July was \$488,260, down 0.3 percent from June but up by 5.4 percent from a year earlier.

### California's Drought and Impact on Agriculture

Source: Center for Business and Policy Research at the University of the Pacific

The severe drought has had limited statewide economic costs for the past two years, reducing state GDP by about 0.1% in 2014 and 2015. Strong market conditions have more than offset water shortages for farms. The value of agricultural production increased in 2014 even though about 5% of irrigated acres were fallowed. While the broad economic impacts of the drought have been modest, the environmental and community impacts have been severe in some areas as evidenced by destructive wildfires, fish species on the brink of extinction, and thousands of dry wells.

### California's Drought / Downstream Impacts on California's Economy

Source: [https://watershed.ucdavis.edu/files/biblio/Final\\_Drought%20Report\\_08182015\\_Full\\_Report\\_WithAppendices.pdf](https://watershed.ucdavis.edu/files/biblio/Final_Drought%20Report_08182015_Full_Report_WithAppendices.pdf)

California's ongoing drought will cost the economy an estimated \$2.74 billion in 2015 and lead to the loss of 10,000 seasonal farm jobs, despite overall health in the state's agricultural sector. Agricultural economists at the University of California, Davis, said the drought, entering its fourth year, would impact the state more in 2015 than in 2014, when the total cost to the economy was estimated to be \$2.2 billion. The focus of the report is on agricultural production including crops, livestock and dairies. Products from agriculture serve as production inputs for much larger value added sectors like food processing which have a higher share in the economy.

### California's Industry Impacted if China's Economic Growth Slows

Sources: [CapRadio.org](http://CapRadio.org)

**California Exports to China:** California goods will be more expensive in Chinese markets; a weaker Chinese economy will mean less demand for California exports.

**Agriculture and high-tech goods are California's largest exports to China.** Apple products are made in China, but they're shipped back to California to be sold from the United States.

**The Service Sector in California:** More than one million Chinese tourists visited California in 2014 and spent \$2.5 billion.

**Education in California:** UC and CSU are banking on filling budget holes by enrolling more international students.

International student enrollment in UC increased nearly fivefold from 2007 to 2014/2015, from 1.8 percent to 8.5 percent.

### SECTION 3 - CALIFORNIA'S EMPLOYMENT AND LABOR (INDICATORS, JOBS, MINIMUM WAGE)

#### California Labor Market Indicators

Source: <http://www.labormarketinfo.edd.ca.gov>

**Unemployment rate:** 6.1 (August) / 6.2 (July); **Drop Change -0.1**

**Labor Force:** 19,035,200 (August) / 19,039,600 (July); **Drop Change -4,400**

**Employment:** 17,872,100 (August) / 17,859,900 (July); **Increase Change 12,200**

**Unemployment:** 1,163,100 (August) / 1,179,700 (July); **Drop Change -16,600**

**Non Farm Jobs:** 16,185,100 (August) / 16,148,800 (July); **Increase Change 36,300**

**UI Initial Claims:** 181,893 (August) / 214,100 (July); **Drop Change -32,207**

#### Minimum Wage Increase on January 1, 2016

Source: <http://www.sacbee.com>; [https://beaconecon.com/products/employment\\_report](https://beaconecon.com/products/employment_report)

Advocates for a statewide \$15 per hour minimum wage are moving to November 2016 initiative. The Fair Wage Act of 2016 will raise the minimum wage for all California workers by \$1 annually, effective January 2017. Once the minimum wage reaches \$15, it will automatically go up each year to match the cost of living. The state's minimum wage is \$9 an hour and will rise to \$10 on January 1, 2016. Cities will have the option of setting higher local minimum wages.

**Benefits:** Higher wages for workers (net loss of public support services); increased local spending

**Cost:** Higher labor costs, reduced profits & investments for businesses; reduced employment & higher costs for consumers

**Industry shift:** High for low skilled labor substitution

**Low margin businesses:** Small businesses in low income neighborhoods may be forced out of business

**Impact:** Projected job losses including one third of job losses will occur for workers under 25; and for those without a high school diploma; reduced business investment, reduced educational attainment; some reduction in need for public benefits

**SECTION 4 - BUILDING AND URBANIZATION (COMMERCIAL, URBAN GROWTH, MALL TRENDS)****California's Commercial Real Estate**

Source: <http://www.anderson.ucla.edu/media-relations/2015/allen-matkinsucla-forecast-summer-survey> (August, 2015)

Commercial construction activity in California has risen to its highest level since 2001. Available financing, low cap rates, an increasingly high demand from technology, advertising, media and information companies, and a shortage of multi-family housing have sparked the industry boom. The outlook for the next three years is for continued growth in commercial property development.

**Urbanization's Impact**

Source: [http://www.globest.com/reforum/69\\_16/national/development/Urbanizations-Impact-362240-1.html?page=4](http://www.globest.com/reforum/69_16/national/development/Urbanizations-Impact-362240-1.html?page=4)

In 2013, 2.3 million more people were living in metro areas than in 2012; 269.9 million people are living in and around cities. McKinsey & Company research concludes that urban expansion is unprecedented and could inject up to \$30 trillion a year into the world economy by 2025.

**The Great Outdoors: Key to Success for Today's Malls**

Source: <http://www.globest.com/blogs/counterculture/retail/The-Great-Outdoors-The-Key-to-Success-for-Todays-Malls-361698-1.html>

Mall owners and operators are beginning to understand that outdoor spaces deliver tremendous value when it comes to driving traffic and increasing length of stay. For this reason, many once-traditional indoor malls are being redeveloped and revitalized in order to add outdoor dining and socialization hubs where consumers can relax and spend time.

**SECTION 5 - SHARED ECONOMY (DEMOGRAPHICS)****The Sharing Economy / Demographics**

Source: <http://www.pwc.com/us/en/industry/entertainment-media/publications/consumer-intelligence-series/assets/pwc-cis-sharing-economy.pdf>

PricewaterhouseCoopers' 2015 study is a snapshot of the business of sharing (automotive, retail and consumer goods, hospitality, entertainment, media and communications). Airbnb averages 425,000 guests per night, totaling more than 155 million guests stay annually, nearly 22% more than Hilton Worldwide, which served 127 million guests in 2014. Uber operates in more than 250 cities worldwide and as of February 2015 was valued at \$41.2 billion, that exceeds the market capitalization of companies such as Delta Air Lines, American Airlines and United Continental. PwC's projections show that five key sharing sectors, travel, car sharing, finance, staffing, and music and video streaming, have the potential to increase global revenues from roughly \$15 billion today to around \$335 billion by 2025. The study found 19 percent of U.S. adults have engaged in the sharing economy as either a buyer or a seller. 1 in 4 sellers are over 55. A recent Airbnb company survey found that among the hosts who are 50-plus, about half of them rely on their Airbnb income to make ends meet, and more than 30 percent say hosting helps them afford to stay in their homes. The hosts set their own rates. The typical hosts over age 50 earn about \$7,500 a year from renting out their property through the site.

**SECTION 6 - ON-LINE SALES (QUARTERLY RETAIL ECOMMERCE SALES FOR 2ND Q 2015)****Quarterly Retail E-Commerce Sales / 2nd Q 2015**

Source: <http://www.census.gov> (CB15 - 133)

- **Estimate:** Adjusted for seasonal variation, but not for price changes, was \$83.9 billion, an increase of 4.2 percent ( $\pm 0.9\%$ ) from the first quarter of 2015.
- **Total retail sales:** Estimated at \$1,171.5 billion, an increase of 1.6 percent ( $\pm 0.2\%$ ) from the first quarter of 2015.
- **Increase in estimates:** Increased 14.1 percent ( $\pm 1.1\%$ ) from the second quarter of 2014 while total retail sales increased 1.0 percent ( $\pm 0.4\%$ ) in the same period.
- **E-commerce sales:** Accounted for 7.2 percent of total sales.
- **Not adjusted basis:** Totaled \$78.8 billion, an increase of 5.1 percent ( $\pm 0.9\%$ ) from the first quarter of 2015. The second quarter 2015 e-commerce estimate increased 14.4 percent ( $\pm 1.1\%$ ) from the second quarter of 2014 while total retail sales increased 0.9 percent ( $\pm 0.4\%$ ) in the same period. E-commerce sales in the second quarter of 2015 accounted for 6.6 percent of total sales.
- **Next release:** 3Q2015 Quarterly Retail E-Commerce sales estimate is released 11.17.15

**SECTION 7 - SERVICES SPENDING (THE CHANGING ECONOMY)****The Changing Economy - Gap Between Goods and Services / Expect Proposed Legislation in 2016**

“Don’t Be Fooled – Services Should Be Subject to Sales Tax” an article in *Tax Analysts* by Deputy Publisher David Brunori captures a national perspective on the issue are reasons why services should be subjected to tax. Foremost, the sales tax should fall on all final consumption preferably at a very low rate and everything we buy should be subject to tax.

- There is no economic or tax policy reason to tax the purchase of a toaster oven, but exempt the purchase of a haircut or accounting service. They’re both consumption.
- Exempting services narrows the base and results in higher taxes on everything else.
- Exempting services creates a government-led incentive to spend money on services over things that are taxable. The tax laws shouldn’t be used to mess with markets in that manner.
- Taxing services would make the system less regressive; rich people buy more services than poor people.
- The exemption in a service-dominated economy is very expensive.

The *Wall Street Journal* cited of the change for related products and services for the five years ended in May 2015:

- Television set (-57.7); cable / satellite service (13.7)
- Bottle of wine @ home(-0.6); bottle of wine @ restaurant (12.0)
- Men’s suits and coats (-3.7); dry cleaning (9.2)
- Household cleaning products (0.3); household domestic service (7.8)
- Stationary (-1.4); postage for mail delivery (19.2)
- Sports equipment (-15.3); tickets to sporting event (17.3)

Senator Hertzberg introduced SB 8 in 2015 to broaden the tax base by imposing a sales tax on services. This bill did not allow an increase sales tax on services for local voter-approved district taxes and did not lower the sales tax rate. The discussion and action on a bill is expected to continue during the 2016 Legislative Session. Although MuniServices has not seen draft language we are told a proposal would be comprehensive, capturing most services. Assuming there is no rate decrease a proposal would is expected to raise over \$120 billion a year.

**SECTION 8 - AUTO SALES (CALIFORNIA AUTO OUTLOOK AND 2ND Q 2015 RESULTS)****California Auto Outlook/ 2nd Q 2015 / Released August 2015**

Source: <http://www.cncda.org/CMS/Pubs/Cal%20Covering%20Q%2015%20Ver%202.pdf>

**New Car Registrations:** New light vehicle registrations exceeded one million units during the first six months of 2015 and improved 11.5 percent versus the first half of 2014. The market was up 105 percent from the recession low-point in 2009.

**Reasons:** Strong consumer affordability, pent-up-demand, and the impressive array of advanced technologies being offered on new cars and trucks boost the state's new vehicle market.

**Forecast:** The momentum should continue into 2016, as well. Registrations for all of this year are expected to approach two million units, with another increase likely in 2016.

**Trends in the State Market**

- **The top 15 selling brands:** Jeep, Subaru, Mazda, Lexus, Chevrolet, and Mercedes had the biggest percentage increases during the first six months of 2015
- **Passenger car registrations:** Increased 7.3 percent in the first half of this year, while market share fell 2.3 points
- **Light truck registrations:** Improved 18.4 percent; used vehicle registrations increased by less than one percent
- **Car Registrations:** Used registrations were up 0.9 percent in the first half of this year, versus a year earlier. The new vehicle market continued to post larger percentage gains. New registrations increased 11.5 percent so far this year. New vehicle registrations have remained well above six-year old used registrations. Used car registrations were up 0.9 percent, while light trucks increased 0.8 percent. Korean brand used registrations improved 17.8 percent. The three year old or newer market was up 13.8 percent, while the four to six year old market fell 6.6 percent.
- **Tracking the used car vehicle market:** Franchised dealership share use vehicle market remains above 20 percent

**Hybrid and Electric New Vehicle Registrations**

Year	2011	2012	2013	2014	2015 YTD
Hybrid Registration	58,563	94,878	11,692	115,544	<b>56,117</b>
Plug-In Hybrid Registration	1662	14,103	20,633	29,949	<b>12,022</b>
Electric Registration	5,302	5,990	21,912	29,536	<b>16,930</b>

**Market Share**

**Toyota 20%** (Toyota, Lexus, and Scion), **Honda 12.4%** (Honda and Acura), **Ford 10.5%** (Ford and Lincoln), **GM 10.0%** (Buick, Cadillac, Chevrolet, and GMC), **Nissan 9.1%** (Nissan and Infiniti), **Hyundai 7.8%** (Hyundai and Kia), **FCA 6.5%** (Chrysler, Dodge, Fiat, Jeep, and Ram), **VW 4.9%** (Audi, Bentley, Volkswagen, and Porsche), **BMW 4.5%** (BMW, Rolls Royce, and MINI), **MB 3.9%** (Mercedes Benz and smart), **Other 9.4%** (all other brands).

**SECTION 9 - GASOLINE PRICES (PREDICTIONS, NATIONAL AVERAGE)****California Gas Could Reach \$4 a Gallon in Month**

Source: [http://www.mercurynews.com/bay-area-news/ci\\_25115475/california-gas-could-reach-4-gallon-month](http://www.mercurynews.com/bay-area-news/ci_25115475/california-gas-could-reach-4-gallon-month)

**The prediction:** Energy experts predict a 50-cent rise in prices as supplies tighten, an annual event as refineries scale back production for maintenance,

**The record:** Even the high end of the prediction is far below the record \$4.67 a gallon set in California on October 9, 2012, following a fire at the Chevron refinery in Richmond and pipeline disruptions between Northern and Southern California. Big price spikes this time of year are common.

**National average:** Last year the national average jumped 49 cents from Jan. 1 to Feb. 27, peaking at \$3.79. In 2012 pump prices surged 66 cents from the same date to a peak of \$3.94 on April 5. In 2011 prices soared 91 cents to a peak of \$3.98 on May 5. But over the course of the year, prices may stay relatively low.

**Crude oil:** The Federal Energy Information Administration reports that crude oil will average \$93.22 a barrel in 2014, 11 cents less than the September outlook.

**SECTION 10 - RETAIL NEWS (STORE OPENINGS, POP-UP RETAIL, EARLY HOLIDAY FORECASTS)****Retailers Raise Number of Store Openings Planned for the Next Two Years**

Source: <http://nreionline.com>, September 29, 2015

Nationwide, there were 42,554 stores on the board for the next year and 79,655 stores on the board for the next two years to open as per the *National Retailer Demand Monthly*. **Top:** Subway, Dollar General, Five Guys Burgers and Fries, Family Dollar and Pizza Hot taking the top spots. **Expansion in store openings:** The top four include entertainment, crafts, childcare/learning centers and restaurants. **Shrinkage in store openings:** Toy stores, laundromats, book stores and car care and car service establishments.

**Pop Up Retail Stores**

Source: <http://www.inquisitr.com>, September 25, 2015

There are many types of pop-up stores and they range from the modular retail establishments up to those that are housed in shipping containers. **Impact on the economy:** Pop-up stores spur spontaneous purchases, because the temporary nature of pop-up stores creates a good sense of urgency among the customers to purchase what they want. Unlike the traditional retail establishments, these types of stores have presented themselves as the limited edition.

**A Case that Costco and Other Warehouse Clubs have Transformed Retail More than Amazon**

Source: [www.washingtonpost.com](http://www.washingtonpost.com)

From the arrival of e-books and digital music in the 1990's to the recent explosion of online subscription services such as Stitch Fix or Birchbox, it's easy to see just how dramatically e-commerce has changed our shopping routines. There's a shopping trend that has had a transformative effect on the retail industry during the last two decades: The rise of Costco, Sam's Club and other warehouse clubs. A University of Chicago study on how the structure of the retail sector has changed over the last 15 to 20 years, and, in a new National Bureau of Economic Research working paper, make the case that warehouse clubs have had a greater effect on the retail landscape than e-commerce.

**Retail Stores**

Source: [www.plainvanillashsell.com](http://www.plainvanillashsell.com) (July, August, September and October)

**Macys:** Closing up to 40 stores

**American Apparel:** Filed for bankruptcy protection

**Dollar Store:** Entering new markets and adding new locations

**Uniqlo:** Reducing expansion from a goal to open 15 new stores to five, for a total of 44

**Costco:** To build 32 new stores in the U.S. and abroad

**Herman Miller:** Will open 6 Design Within Reach stores in fiscal 2016; the first two will open in Scottsdale and Berkeley

**Quiksilver:** Closing 27 stores including three in Orange County

**Forever 21:** Contemplating downsizing some of its biggest stores, according to people familiar with the matter.

**Goodwill:** Going upscale with boutiques; currently in Orange County; 60 stores nationwide

**Stein Mart:** 9 new store openings fall of 2015; new sites planned for 2016

**DSW Inc.:** Plans the opening of 22 new stores in the fall of 2015; including California locations

**H&M:** Expanding Collection of Style line with 27 new stores globally, including in the U.S, specifically in Costa Mesa

**Staples/ Office Depot:** Staples will acquire Office Depot which is on track to close by the end of 2015

**Sportsman's Warehouse:** Expanding to four new retail locations including Rohnert Park

**Holiday Spending/ Forecasts (ShopperTrak, Deloitte and AlixPartners)**

Source: <http://www.cnn.com/2015/10/05/holiday-spending-forecasts-the-real-story.html> (October 10, 2015)

- According to PwC's survey, which polled more than 2,000 consumers and 230 retailers and manufacturers between July and August, shoppers plan to spend on average \$1,018 during the holidays.
- Retailers should brace themselves for another year of tepid growth, predicting slower sales growth than in 2014.
- 67 percent of shoppers with an annual income of less than \$50,000 indicate they plan to spend the same or less than they did in 2014, compared to 64 percent of those making \$50,000 or more.
- Consumers who earn at least \$50,000 will spend on average \$1,331 which is double that of the \$681 shoppers who earn less than \$50,000 plan to spend.
- Millennials are the "retail prize" this holiday season, with 47 percent of consumers between 18 and 34 planning to spend more. That compares to 25 percent of older shoppers.
- Much of the \$63 billion that PwC estimates millennials will spend this year won't go toward traditional holiday categories like apparel or consumer electronics. Instead, the group plans to spend 52 percent of its holiday dollars on experience-related purchases including travel and entertainment, compared to 39 percent of older shoppers.

**Holiday Spending/ Forecasts (National Retail Federation)**

Source:

[http://www.philly.com/philly/business/retail/20151009\\_National\\_retail\\_trade\\_group\\_predicts\\_slight\\_decline\\_in\\_holiday\\_season\\_sales.html](http://www.philly.com/philly/business/retail/20151009_National_retail_trade_group_predicts_slight_decline_in_holiday_season_sales.html) (October 9, 2015)

- NRF reports holiday-season sales are forecast to increase 3.7 percent
- Online sales on mobile devices are expected to rise 6 percent, up from last year's 5.8 percent gain
- Retailers to hire about 750,000 seasonal workers nationwide, up from last year's 715,000

**SECTION 11 - GROCERY STORES (EXPANSIONS, CLOSURES AND NEWS)****Expansions, Closures and News**

Source: <http://www.theshelbyreport.com>

**Fresh & Easy:** Closing 14 stores in Southern California (Fountain Valley, Lake Forest, Seal Beach, San Diego and Los Angeles)

**Fresh Market:** Pulled out of Southern California

**Sprouts:** Opening 12 locations including areas in California (Alhambra, Los Angeles and San Clemente, Clovis and Oakland)

**Hagen:** Will sell 36 stores in California and Nevada (Smart and Final and Gelsons expected to purchase)

**Smart & Final:** Plans to open 100 new stores over the next four years; includes its "Extra!" and "Cash & Carry" formats

**Grocery Outlet Bargain Market:** Plans to open 14 stores in the greater Los Angeles area beginning in December; the goal is to open 20 to 30 stores each year in Southern California over the next several years

**Aldi's:** In March 2016 will open in Southern California

**Dash In's:** Adding six to 10 new stores per year over the next several years

**Whole Foods:** Laying off about 1,500 employees; will stop selling goods made by prison labor by April 2016, if not sooner

**SECTION 12 - RESTAURANTS (IMPACT ON THE ECONOMY, CONSUMER SPENDING)****Impact on the Economy and Consumer Spending**

Source: <http://www.businessinsider.com/average-american-family-is-going-to-be-700-richer-this-year-and-thats-good-news-for-the-economy-2015-10>

For most Americans, trying to cut back on bills involves a mix of discipline and sacrifices. Drivers around the country have been getting a reprieve due to falling gas prices. It's been estimated that in 2015, Americans will save about \$700 from the dip. According to the J.P. Morgan Institute, Americans spend about 80 cents for every dollar they've saved. They're going out to restaurants, which accounted for nearly 20 percent of gas savings, shopping for clothes, and buying groceries, electronics, and appliances.

**David's Tea:** Has a current base of 168 stores and North American potential for 550 stores

**Dave & Buster's:** Plans to have added eight to nine new locations this year, an increase of one unit from earlier projections

**Del Taco:** To expand in Central California by 27 stores

**McDonald's Corporation:** Cutting 225 jobs; more than half of them at the company headquarters in Illinois

**Slapfish:** A Huntington Beach-based fast-casual seafood restaurant opened at Los Angeles International Airport; expansion in 2015 includes both franchise and corporate locations including Orange County

**LaBoulange:** In mid-June announced by Starbucks the closing of 23 stores

**Planet Fitness:** Continues to expand, adding 38 new locations