The New York Times

St. Vincent's Is Putting Building On Market

Mon Apr 26 2010
Page: 21
Section: Metropolitan
Byline: CHRISTINE HAUGHNEY

Less than two weeks after St. Vincent's Hospital Manhattanfiled for bankruptcy, the hospital is officially putting on the market the first of many buildings in its valuable Greenwich Village real estate portfolio.

Grubb & Ellis, a brokerage, is expected to release the marketing materials on Monday morning to sell the property at 555 Avenue of the Americas, which is known as Staff House. The property, near 15th Street, is a 180,000-square- foot building with 178 apartments, a 90-car parking garage and potential store space along the avenue.

St. Vincent's, which has informally been trying to sell this building for several years, already has one offer; the commercial property owner Taconic Investment Partners signed a contract on Wednesday to buy the building for $48 million. That means any other prospective bidder would have to offer more than $49.37 million, when taking in account all other fees, court documents say.

Charles R. Bendit, co-chief executive officer of Taconic, declined to comment about the specific terms of the deal except to confirm that Taconic is the "contract vendee" on the building.

According to bankruptcy filings, it houses 160 graduate medical residents and staff members who are expected to move out by June 30. After that, the building should be empty except for three rent-stabilized tenants and a company leasing the parking garage; the latter is expected to move out by May 31, 2012.

Vincent Carrega, the broker overseeing the building's sale, said he expected the building to attract bids from developers who want to turn it into condos or rentals and academic institutions that could use the building for dormitories. He added that St. Vincent's had taken care of the property over the years, so it was in relatively good condition.

"This is not a building that has been sitting around empty for years," he said. "We're going to have wide interest."

Three creditors who are owed well more than $400 million already have lined up seeking profits from the sale.

It remains unclear what will happen to the broader medical campus, which is in a landmark district. In 2007, St. Vincent's tried to emerge from a bankruptcy by reaching an agreement with the developer Rudin Management to buy most of the campus for $300 million. Rudin had been successfully getting approvals to renovate four hospital buildings, demolish four other properties, and build luxury town houses and apartment buildings in their place. But now, Suzanne Halpin, a spokeswoman for Rudin, said that these sales "will be determined by the bankruptcy judge and St. Vincent's."

The Washington Post

'The government's landlord' is spreading out, going green

Mon Apr 26 2010
Page: A13
Section: Asection
Byline: Dana Hedgpeth

With 362 million square feet of owned and leased office space -- enough to fill more than 5,600 football fields -- Robert A. Peck, the commissioner of public buildings for the General Services Administration, runs one of the biggest real estate portfolios in the country.

He oversees the construction and operations of the federal government's courthouses, border stations and office buildings for dozens of agencies, including the FBI, the departments of Health and Human Services and Homeland Security, and the Environmental Protection Agency. After serving five years in the job, Peck left for the private sector, where he worked as a commercial real estate broker. In August 2009, he came back to his spot at the GSA. Here are snippets from a recent 30-minute interview with Peck in his headquarters office at 18th and F streets NW.

Q How do you describe your job?

We're the government's landlord. I always remind people: That's really great until you remember that most everybody hates their landlord.

What are some of the big deals you're working on?

Health and Human Services is going to need more space in Baltimore and in the D.C. area, as they'll be hiring more people to carry out the health-care law over the next year or two. Baltimore is where they carry out Medicare and Medicaid, and those programs will expand in some form.

What's your favorite type of building to deal with? Border stations. They combine all the attributes of a highway toll booth and a jail, and they have the added mission of being a "welcome to the USA" signpost. That's what we tell architects they have to do in building them. People have to drive through, get searched. Some get detained, and for most everybody else, you want to put a friendly face on it.

You've been in this job, for the second time around, for six months. What are your priorities?

We're trying to re-engineer our leasing process.

What does that mean?

There are dozens of steps we take in doing a lease the "government way." . . . We have a lot of steps. We have a lot of people looking over our shoulder at whether we're doing this right and spending taxpayers' dollars well. All of that is very appropriate, but you know what happens in the government. Over the years, every time someone sees an opportunity for something to go wrong, they add another step or another piece of oversight.

What's the problem with that?

After a while, the lease you might be able to negotiate in nine months takes 18 months. . . . There is a cost to that. A GSA leasing specialist can handle less of a workload and landlords say, 'Boy you are difficult to negotiate with. It takes me so much longer to negotiate a lease with you guys.' We want to try to streamline the process to do a deal with us.

Are you trying any other new things?

We're trying to be a 'green' proving ground.

What does that mean?

Well, in Denver, we have about 4 million square feet of space there. Electricity is real cheap, but the reason it is cheap is that they're burning coal. It is polluting, so we're trying out 20,000 to 30,000 solar cells to go on our roofs and in solar fields there to power the buildings. . . . We'd like to try new ideas of using green energy. If someone's got an idea, we've got enough buildings to try it out, vet it and see how they work or not.

What keeps you up at night?

Security. We can talk about running buildings efficiently, but our first job is making sure people are safe and secure when they come to work. We have to balance between securing a building and making it accessible and inviting to the public. It's concerning when you get a text message that someone has flown a plane into a building in Austin, Texas, and hit the IRS [an employee was killed and several others injured in such an incident in February]. That was one of our leased buildings.

Is there any way to prevent that kind of thing?

Not really. It is impractical to build buildings that can withstand a blow from an airplane.

Has doing deals with the federal government become more attractive these days, as the private sector market has slowed down its rate of leasing office space?

Yes. There is no better tenant than the federal government. We're not going anywhere. We're not going under, and we pay our bills on time. That's pretty important for landlords these days. . . . There are people I know who were anti- doing deals with the federal government who have had a change of heart.

Why?

Money talks. And at the moment, we have it, and unfortunately a lot of other people don't.

The New York Times

From the Mall To the Docks, Positive Signs

Mon Apr 26 2010
Page: 1
Section: Business/Financial
Byline: PETER S. GOODMAN; Stephanie Rosenbloom contributed reporting from Paramus, N.J., Ashlee Vance from San Francisco, and Michael Parrish from Los Angeles.
Illustrations: PHOTOS: Above, a longshoreman in Portland, Ore., Kevin Weldon, preparing to unload soda ash for export. Left, shoppers at a Gap store in Manhattan. Spending by American consumers and rising exports to strong overseas economies are raising expectations for an economic rebound. (PHOTOGRAPHS BY LEAH NASH FOR THE NEW YORK TIMES

MICHAEL FALCO FOR THE NEW YORK TIMES) (A14)

PORTLAND, Ore. -- The docks are humming again at this sprawling Pacific port, with clouds of golden dust billowing off the piles of grain spilling into the bellies of giant tankers.

"Things are looking up," said Dan Broadie, a longshoreman. No longer killing time at the union hall while waiting for work, instead he is guiding a mechanized spout pouring 44,000 tons of wheat into the Arion SB, bound for the Philippines.

At malls from New Jersey to California, shoppers are snapping up electronics and furniture, as fears of joblessness yield to exuberance over rising stock prices. Tractor trailers and railroad cars haul swelling quantities of goods through transportation corridors, generating paychecks for truckers and repair crews.

On the factory floor, production is expanding, a point underscored by government data released Friday showing a hefty increase in March for orders of long-lasting manufactured items. In apartment towers and on cul-de-sacs, sales of new homes surged in March, climbing by 27 percent, amplifying hopes that a wrenching real estate disaster may finally be releasing its grip on the national economy.

After the worst downturn since the Great Depression, signs of recovery are mounting -- albeit tinged with ambiguity. Despite worries that American consumers might hunker down for years -- spooked by debt, lost savings and unemployment -- thriftiness has given way to the outlines of a new shopping spree: households are replacing cars, upgrading home furnishings and amassing gadgets.

Many economists estimate that consumer spending -- which makes up some 70 percent of American economic activity -- swelled by 4 percent during the first three months of the year, more than the double the pace once anticipated. Some have nudged upward their estimates for economic growth to more than 3 percent this year.

"Consumers are showing extraordinary resilience," said Bernard Baumohl, chief global economist at the Economic Outlook Group. "There's a lot of pent-up demand out there that is now being unleashed. The whole supply chain system is now being revitalized."

While few dispute signs of recovery across much of the economy, significant debate remains on how robust and sustained it will be. The lingering effects of the financial crisis have some economists envisioning a long stretch of sluggish growth.

But recent months have delivered a stream of news bolstering the notion of a more vigorous recovery. Technology companies have racked up substantial sales. After a decade of painful decline, manufacturing is tentatively adding jobs. Retail sales increased by 9.1 percent in March at established stores compared with a year earlier, according to Thomson Reuters, marking the seventh consecutive month of growth. Exports swelled in the first two months of the year by nearly 15 percent compared with a year earlier, according to the Commerce Department.

Still, much of the improvement appears the result of the nearly $800 billion government stimulus program. As that package is largely exhausted late this year, further expansion may hinge on whether consumers keep spending. That probably depends on the job market, which remains weak.

"The recovery is under way, and it's better than expected, but it hasn't become self-sustaining because the job market hasn't developed yet," said Mark Zandi, chief economist at Moody'sEconomy.com. "I don't think we're there yet."

In a sign of the anxieties still gnawing at households, the University of Michigan Consumer Sentiment Index this month plunged to a preliminary level of 69.5 compared with 73.6 in March.

Still, even that number represented a substantial gain over the record low of 55.3 reached in November 2008. And many economists dismiss such surveys as indicative of what people think, as opposed to what they do.

What they are doing increasingly is shopping.

"I'm certainly interested in spending now that the stock market seems so relaxed," said Dan Schrenk, an information technology consultant, as he stood outside a Best Buy store in the Portland suburb of Beaverton.

Last year, Mr. Schrenk's income declined as local companies put off servicing computer systems. He and his wife cut back on dinners out and purchases.

But in recent weeks, Mr. Schrenk's stock portfolio has expanded. He has picked up five new clients.

"I'm feeling very optimistic," he said. "People are just far more interested in spending money."

So, there he was, shopping for an iPad.

On the other side of the country, at the Garden State Plaza mall in Paramus, N.J., Marie Bauer, who sells clothing for a living, was feeling similarly emboldened.

"I'm working more now," she said. "I bought myself a watch."

As John D. Morris, a retail analyst with BMO Capital Markets, wandered past stores like Gap and J. Crew on his weekly "mall check," he spotted large numbers of women 25 to 45 years of age -- prime earning years.

"The mainstay of the mall is back," he said. "That's your signal that we're in a more meaningful recovery with staying power."

A year ago, Columbia Sportswear, the Portland-based apparel brand, was turning away some retail customers whose finances seemed worrisome. Now, Columbia has one of its largest order backlogs.

"People saw that the world didn't come to an end," said Timothy P. Boyle, Columbia's president and chief executive. "Maybe they just said, 'Hey, I can at least spend a little bit of money.' "

Spending power has been enhanced by a monumental reduction in household debt, which has shrunk by about $600 billion since the fall of 2008, according to Equifax credit data analyzed by Economy.com. That amounts to about $6,300 a household.

"Household deleveraging is clearing the decks for better consumer spending going forward," said Mr. Zandi. Still, some economists note that many consumers are reaching into savings to finance spending, suggesting consumption could run out of fuel.

"Look at employment and income," said Brian Bethune, chief United States financial economist at the economic analysis firm, IHS Global Insight. "It's glacial. If we don't get strong growth in employment and income, we're really just building this up as a house of cards."

The American savings rate climbed during the recession but has recently fallen. Among households in the top fifth of American incomes -- those earning $98,000 a year and up -- the savings rate dropped to 2 percent of income in the first half of 2007 and then spiked above 14 percent by the middle of 2008, according to an analysis of Federal Reserve data by Economy.com. By the end of last year, the savings rate of this group had slipped back to 3.5 percent.

Since the end of World War II, the first year after a recession tends to feature growth at roughly twice the pace of the decline during the downturn, implying a current pace exceeding 7 percent. Yet even optimistic economists assume the economy is growing at perhaps half that rate.

"I keep calling it a half-speed recovery, not the full-speed-ahead recovery that we typically get after deep, prolonged recessions," said Stuart Hoffman, chief economist at PNC Financial Services Group in Pittsburgh.

But at a Porsche dealership in downtown Los Angeles, the sales manager, Victor Ghassemi, has seen sales rise by about 5 percent in recent weeks, a trend he attributes to rising stock portfolios.

"People get tired of holding on to their money, or just sitting at home and not doing anything," he said. "People love to shop. And you take that privilege away from somebody, it lasts about a year. Eventually, people want to come back. They want to buy new merchandise, a new product, to make them feel really good about themselves."

The key question is whether this burst of consumption will prompt businesses to hire, adding paychecks needed to amplify economic growth and replace the eight million net jobs lost in the course of the recession.

Optimists suggest this is already unfolding, pointing to the addition of 162,000 net jobs in March, the biggest surge of hiring in over two years. In this view, job growth amounts to a corrective after excessive layoffs during the worst of the crisis.

"You didn't fire people because you had a judicious plan about how to run your company," said Robert Barbera, chief economist at the research and trading firm ITG. "You fired pell-mell, because you were afraid you were going to lose access to credit."

Now, he argues, companies are guided by a new anxiety that demands hiring: fear of missing out on the profits of fresh growth.

Still to come, he added, is a wave of spending from American businesses.

"They are awash in cash," Mr. Barbera said. "They're in a position to step up spending across the board."

Technology companies are already benefiting from strong consumer growth. Sales of PCs rose more than 5 percent last year, trumping analysts' predictions of double-digit declines.

This month, Intel, the world's largest chip maker, reported its highest first-quarter revenue in history. Google added about 800 jobs over the first three months of this year, and Amazon has added 1,800. Intel plans to hire 1,000 to 2,000 employees this year.

Silicon Valley is already cashing in on the return of Wall Street, as trading houses fold profits into new high-speed computer systems aimed at securing a competitive edge.

Global trade holds promise. At the Port of Portland -- a major shipping point for commodities harvested as far east as the Great Plains -- the tonnage of goods swelled by 42 percent during the first three months of the year compared with a year earlier. Minerals like soda ash -- an important industrial ingredient to make glass and detergent -- increased by 93 percent.

Activity here and at ports along the Pacific coast is generating business through related industries. Rail freight traffic was up nearly 8 percent in March from a year earlier, according to the Association of American Railroads. That has bolstered revenue for Greenbrier, a Portland-based maker of rail cars that was hard hit during the recession.

At Diversified Services Inc., a truck repair business in Mira Loma, Calif., general manager Dave Pilarcik is contemplating hiring, as customers put their fleets back on the road.

"For the first time in a long time," he said, "I've seen a little bit more movement."

The Globe And Mail

ALL EYES ON FED'S RATE DECISION UNEASY / ALL EYES ON FED'S RATE DECISION; Any hawkish tone from the Fed, suggesting rates will rise in the near- term future could cause markets to dip even if the rate stays at its rock- bottom level

Mon Apr 26 2010
Page: B7
Section: Report On Business: Globe Investor Markets
Byline: Simon Avery And David Milstead

The question staring the market in the face this week: Does the economy still need rock bottom interest rates?

The U.S. Federal Reserve had to wrangle with the same issue in March and decided to keep rates low, despite some internal dissent. Now, it's time to do it again.

Most Fed-watchers expect little change when the Open Market Committee makes its policy announcement this week, but everyone will be looking to see if hawkish governor Thomas Hoenig can persuade anyone else to join his camp.

"There's talk the language might be tweaked," say analysts at research firm Action Economics. "But we still believe the essence of an accommodative posture for some time will be maintained."

If that language takes on more of Mr. Hoenig's tone, however, expect a negative blip in the markets even if the rate remains the same.

The market's mood without that sort of nudge is likely to remain muted.

Companies are churning out profits and the first quarter appears to have been a blowout - 80 per cent of the 173 companies on the Standard & Poor's 500 index that have reported results to date have topped earnings estimates. But the S&P crept up just 2 per cent on the news.

There are some signs that the battered retail investor is stepping back into the stock market. U.S investors pumped nearly $7-billion (U.S.) into equity funds in the first two weeks of the month. But there is an uneasy feeling among some professional managers that the bull rally is getting tired and risks loom.

"The market at this point has a lot of good news priced into it," says Roland Chalupka, chief investment officer and portfolio manager with Fiduciary Trust Co. of Canada, a subsidiary of Franklin Templeton Investments that manages portfolios of high-net-worth investors. "Being a little cautious is not necessarily a bad idea."

And there will be a lot of news to look at this week.

Tomorrow's numbers should show U.S. consumer confidence edging up slightly compared to March.

Bank of Canada Governor Mark Carney speaks to the House of Commons on Tuesday and the Fed interest-rate decision follows Wednesday afternoon. The next day, the U.S. Department of Labor releases data on initial jobless claims for last week.

On Friday, Statistics Canada publishes gross domestic product data for February and the U.S. Department of Commerce will provide its first calculation of first-quarter GDP.

Canadian earnings get under way with Canadian National Railway on Monday. Canadian Pacific Railway and Barrick Gold follow Wednesday, joined by Jean Coutu, Shoppers Drug Mart and Rogers Communications, all giving insight into consumer spending. Thursday sees numbers from Potash Corp. of Saskatchewan and Canadian Oil Sands Trust.

Caterpillar Inc., closely watched for its signals into the health of worldwide capital spending, posts its results Monday. United Parcel Service pre-announced a big profit gain, but it should shed some more light on the global economy in its full report Tuesday.

Other U.S. biggies: Ford Motor Co. and United States Steel Corp. on Tuesday; Comcast Corp. and Visa on Wednesday; Colgate-Palmolive, Exxon Mobil Corp. and Procter& Gamble Co. on Thursday.