



FALL / WINTER 2011

THE 2011 TOURISM SEASON ENDED with mixed reviews. Retailers reported slightly lower numbers than last year, while tour operators reported 2011 as “a very good year” compared to 2010. One of the problems that continues to plague retailers is the competition among the large number of high-end jewelry stores. Many Tenants in both Juneau and Skagway report that rents are coming down for some in renewal agreements; other tenants must ride-out the high end rates they have negotiated in previous years. There is universal agreement that retail rents in Juneau may never return to pre-2008 levels.

LEASING ACTIVITY IS UP primarily in office spaces that are older, and priced between \$1.75 psf and \$2.25 psf as our 2010 prediction of the softening of rates has now become reality. Other spaces leasing well are those that have adjusted their rates downward in response to changing market conditions. Meanwhile, we are seeing substantial vacancies in higher end space, with nearly 8,000 sf of B+ to “A” space now available for lease in downtown Juneau. Vacancies of this type of space are the result of renewals not being negotiated at higher rates that owners of high end space have expected to be “automatic” over time. With oil hovering near \$4 per gallon and a recent 23% increase in electric rates, most landlords are using expense stop provisions in their leases that allow them to recover from spikes in these costs.

THE PLANNED “NEW” STATE OFFICE BUILDING appears to be delayed at least for this year, in view of the new analysis of remodeling the Fish and Game facility in downtown Douglas. Replacement of the Department of Labor building, and the Public Safety building are also being studied. At the same time, momentum appears to be building for the “LAMB” project near downtown Juneau. This 100,000 plus square foot building, at an estimated cost of \$125,000,000 will house the new State Museum, Library, and Archives. When funded by the legislature, this building is expected to launch a new core of activity off of Willoughby Avenue, just west of the Capitol Complex.

NATIONAL TENANTS SEEKING RETAIL SPACE ARE BACK LOOKING AT JUNEAU, after taking a two year break. Not since the 2008 downturn have we seen such renewed interest in creating new Juneau locations for fast food, auto parts retailers, communications companies and auto dealerships. Soon to open in newly constructed walk-up space at the Nugget Mall with exterior entries only are Office Max and PETCO. Both franchises had difficulty finding their own stand-alone locations, so they negotiated new exterior entries at the Mall. Because this is a trend nation-wide-- for national tenants to control 100% of their space, we see slow modifications to the Nugget Mall to continue, but other Mall space will have little appeal for new entrants to the Juneau market.

WITH JUNEAU’S AVAILABLE SUPPLY OF LAND FOR DEVELOPMENT NOW AT A PREMIUM, it is clear that new projects will have to demonstrate a high degree of advance planning and in particular, they will have to attract the kinds of tenants and users that must be carefully assembled if successful projects are to be financed and built. Juneau appears ready for a master-planned development that will take advantage of increasing demand from both local consumers and from those coming to Juneau from other communities to purchase goods and services.

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