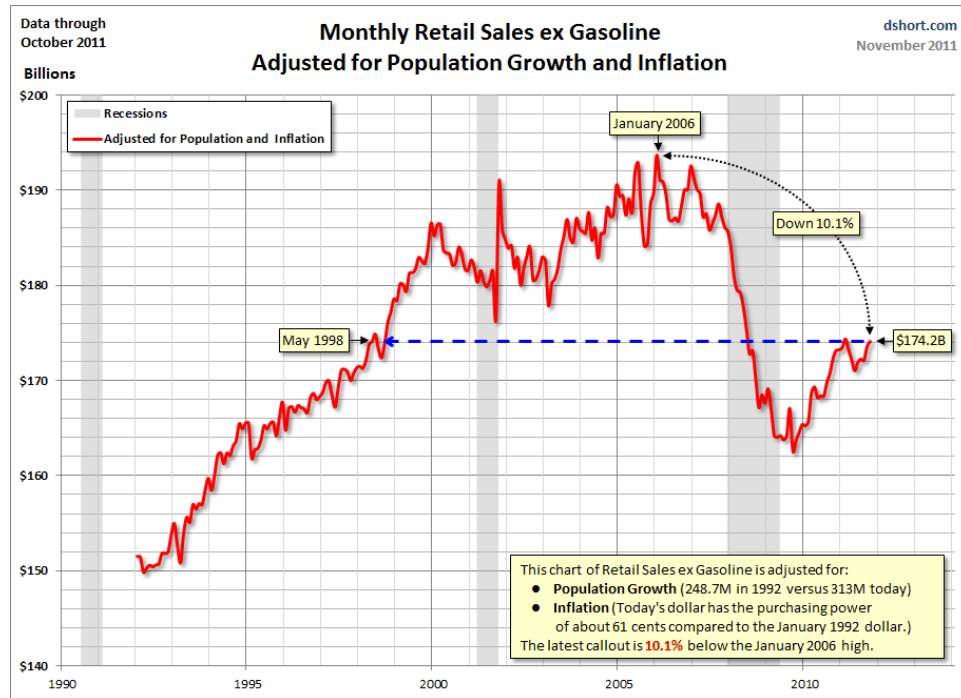


RETAIL SALES LEAVE MUCH TO BE DESIRED WEB BUZZ 2011.11.28

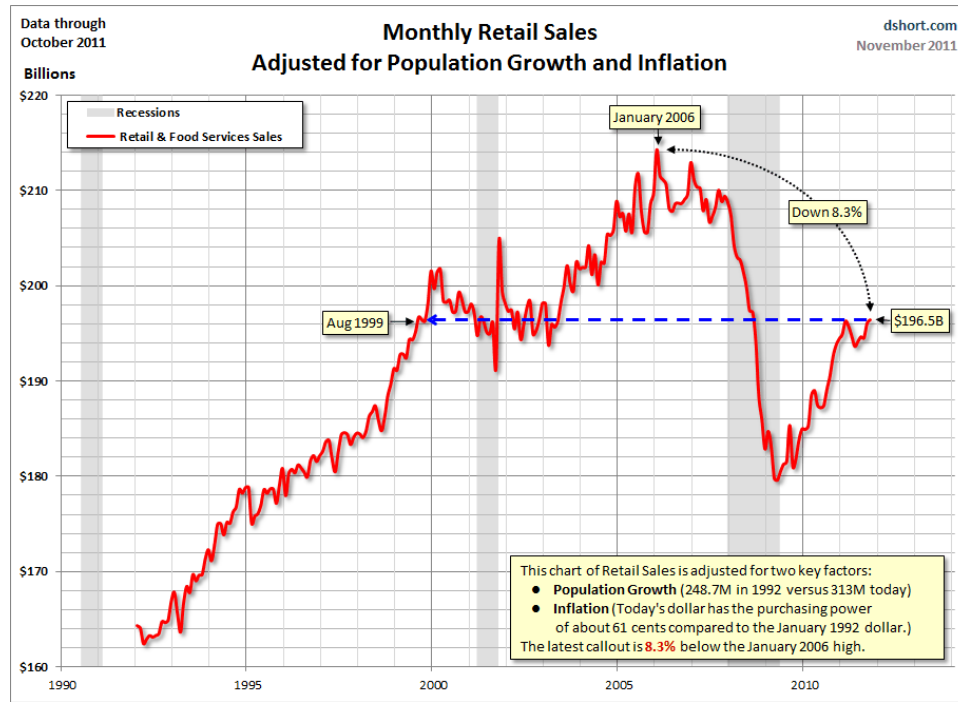
On a real basis (minus inflation) and adjusted for population growth (per capita), retail sales minus gasoline, which we believe constitutes a tax, are at the same level as May 1998 - some 13 years ago. Please note the chart below.



Adapted from dshort.com

Portrayed in this manner, it gives one a general idea as to why we see so many strip shopping centers and large malls with large numbers of vacancies. As you can see, the peak in sales occurred in January 2006 and has been trending downward ever since. The question becomes - when will this ever get back to the good old days? Our guess (and that's all it is) is it will take at least five more years, which will seem like a lifetime to those who own the vacant properties. The upward movement until 2006 was fueled by consumer debt, which is now being liquidated at a snail's pace. How long will it be before debt returns to "normal" levels? Once again our guess would be somewhere in the neighborhood of five years.

Some might say that one should not exclude gasoline sales from the chart. After all, it does constitute a retail sale. Ok, then please note the following chart that includes such sales.



Adapted from dshort.com

From the peak, sales per capita are down 8.3% instead of 10.1%. It is slow out there folks and, in our opinion, will get more so as we move forward.