money

TRENDSETTER

Amazon started the warehouse robot craze

Story, F-2

Gauging markets often yields mixed messages

By Luke Kawa
Bloomberg News

If you're using financial markets to take the pulse of the global economy, your chart's telling you the patient's ready to run a marathon while in need of a stint in the ICU at the same time.

It all depends on the asset class you're reading. The strong first-quarter performance of traditional safe-haven assets such as gold and yen implies caution. Meanwhile, the resilience of emerging-market assets sends the opposite signal.

Across commodity, foreign exchange, derivatives, bond and equity sectors, here's what markets are saying about the well-being of the U.S. and global economies.

Dollar doldrums: After being one of the biggest beneficiaries of the reflation trade following the election of Donald Trump, King Dollar was dethroned in the first quarter — falling against every major currency tracked by Bloomberg.

A strong dollar tends to have a negative effect on credit growth globally, a key impetus for an increase in economic activity. A lofty greenback also raises the cost of servicing dollar-denominated debt held abroad. As such, its retreat reflects firming growth outside the U.S. and serves as a source of support for the global expansion.

The dollar hasn't been weaponized yet by any measures intended to encourage domestic production, namely, a border adjustment tax, and the cost of hedging dollar obligations has been trending lower.

Oil breathes life into inflation, drilling activity: West Texas Intermediate oil prices have rallied over the past two weeks as major OPEC and non-OPEC producers indicated their willingness to extend production cuts.

The stabilization in prices has helped crude-producing regions in North America find their footing. It also provided a jolt to market-based measures of inflation expectations and has supported other commodity prices, reducing fears about bond defaults in the energy and materials sectors.

In Canada, the worst of the shock has clearly passed — the country's economic surprise index recently hit its highest level since 2010 amid job growth that's exceeded analysts' expectations for seven consecutive months. In the U.S., the rise in prices has bolstered the fundamentals behind the pick-up in the number of active rigs.

Stocks say EMs doing better than U.S.: Benchmark U.S. equity indexes remain within reach of all-time highs as earnings expectations climb, reflecting the anticipation that the long American expansion hasn't reached its expiration date.

However, segments of the market expected to be key beneficiaries of fiscal changes sought by the Trump administration, such as infrastructure stocks and banks, have lagged the broader market.

MARKETS continues on F-3

This place is really GROWING

The first units of The Pointe at Town Center on Gate Parkway are scheduled to be ready later this year.

Gate Parkway south from Butler is taking off

sunday notebook
roger bull

I took a tour of the IKEA building that's under construction at Gate Parkway and Interstate 295 last week. The story ran in Friday's paper, but I will recap the most important updates:

Opening is planned for fall, but no date has been set. It will hire more than 250 people, with managerial positions posted this month, and hiring for other positions starting this summer.

But that drive down Gate Parkway south from Butler Boulevard certainly gives you a quick view at how fast that area of Jacksonville is growing. It seems just about every bit of land that doesn't have a building on it has a sign about something coming or a sign letting you know it's for sale, just in case you wanted to build something.

Just south of Butler, at the corner of Gate Parkway and Deerwood Park Boulevard, is where **Gateway Village at Town Center** is going. I wrote about that in Wednesday's paper, but here are the numbers: Up to 300 multifamily units, 50,000 square feet of retail, 25,000 square feet of office space and a hotel. The total price tag is around $75 million.

Town Centre One is just a sign right now. But it's a planned 160,000-square-foot office building next to the FBI building. Van Trust Realty paid $4.6 million for the 10.6 acres last year and is developing the project.

The slabs have been poured for **The Point at Town Center**, a 246-unit apartment complex going in at the intersection with Burnt Mill Road. The first units should be ready this fall, with completion in summer 2018.

And then there's the **Southside Quarter**, a 105-acre mixed-use project being developed by Hines. There are no buildings yet, but the numbers are big. Planned for the first phase are two 125,000-square-foot office buildings, 300 multifamily units as well as single-family homes.

WAWA!

OK, I admit I have a little fun with the interest over Wawa coming to town. It's a convenience store and gas station, after all. But there does seem to be a lot of interest. The company had groundbreaking for its first two stores in the area on Thursday. I didn't go.

The Residents Club at Tamaya, which includes two pools, opens this week.

But Wawa did give approximate opening dates for eight area locations:

- Town Center and Gate parkways, November/December.
- Wilson Boulevard and Lane Avenue, November/December.
- Beach Boulevard and Central Parkway, spring 2018.
- Argyle Forest Boulevard and Old Middleburg Road, spring 2018.
- Beach and Southside boulevards, summer 2018.
- Blanding Boulevard and Filmore Street, Orange Park, November/December.
- Blanding Boulevard and Henley Road, between Orange Park and Middleburg, spring 2018.
- Park Avenue and Wells Road, Orange Park, summer 2018.

TAMAYA

Here are a few updates on Tamaya, the big housing development going in at Beach and Kernan boulevards. Phase I of Bella Nina, 171 homes, is sold out. The next phase, Bella Nika, has 146 homesites.

The average sales price so far is $525,000, but two homes are being built on estate lots: $980,000 and more than $1 million.

The $11-million Residents Club is completed with a opening this week.

LAKE GRAY

Robbins Electra has purchased its fourth apartment

NOTEBOOK continues on F-3

If you build it, they will stay; 'aging in place'

More baby boomers are remodeling their homes rather than moving

By Joyce M. Rosenberg
Associated Press

NEW YORK | If you build it, they will stay.

The small businesses that dominate the home remodeling industry are expecting robust growth in the next few years, thanks partly to baby boomers who want to remain in their homes.

Home remodelers say they've had a pickup in projects from boomers who are in or approaching retirement and are seeking to modify their houses. It's a trend known as "aging in place," an alternative to moving to smaller quarters or a warmer climate.

Many of these homeowners are hoping to make their surroundings easier to manage and safer in case they have health problems.

They're replacing bathtubs with walk-in showers, installing safety rails, widening doorways and building ramps — features known as "universal design" since they can be used by anyone, regardless of physical ability. Boomers are also redoing their kitchens and sprucing up other areas — since they're staying put, they want to enjoy their surroundings.

Zach Tyson estimates 30 to 40 percent of his revenue is now coming from boomer renovations, up from 15 to 20 percent five years ago. Most of the projects come from homeowners who are healthy and mobile now, but want to be prepared if illness or injury hits.

Besides making bathrooms safer, they're enlarging rooms so wheelchairs or walkers can be used more easily, and also to give the rooms a more open feel.

The oldest of the 76.4 million boomers, the U.S. generation born after World War II, are turning 71 this year. As more of them retire and make de-

REMODEL continues on F-3

Chris Piazza, an electrician with Tasch Electric, works on a home being built by Zach Tyson of Tyson Construction, in Destrahan, La. (AP Photo/Gerald Herbert)

Rapid disappearance of retailers means pain for shopping malls

By Lindsey Rupp, Lauren Coleman-Lochner & Nick Turner
Bloomberg News

The battered American retail industry took a few more lumps this week, with stores at both ends of the price spectrum preparing to close their doors.

At the bottom, the seemingly ubiquitous Payless shoe chain filed for bankruptcy and announced plans to shutter hundreds of locations. Ralph Lauren, meanwhile, said it will close its flagship Fifth Avenue Polo store — a symbol of old-fashioned luxury that no longer resonates with today's shoppers.

And the teen-apparel retailer Rue21 Inc. could be the next casualty. The chain, which has about 1,000 stores, is preparing to file for bankruptcy as soon as this month, according to people familiar with the situation. Just a few years ago, it was sold to private equity firm Apax Partners for about a billion dollars.

"It's an industry that's still in search for answers," said Noel Hebert, an analyst at Bloomberg Intelligence. "I don't know how many malls can reinvent themselves."

The rapid descent of so many retailers has left shopping malls with hundreds of slots to fill, and the pain could be just beginning. More than 10 percent of U.S. retail space, or nearly 1 billion square feet, may need to be closed, converted to other uses or renegotiated for lower rent in coming years, according to data provided to Bloomberg by CoStar Group.

The blight also is taking a toll on jobs. According to Labor Department figures released on Friday, retailers cut around 30,000 positions in March. That was about the same total as in February and marked the worst two-month showing since 2009.

Urban Outfitters Chief Executive Officer Richard Hayne didn't mince words when he sized up the situation last month. Malls added way too many stores in recent years — and way

RETAILERS continues on F-3

General contractors and other small businesses in the remodeling industry can look forward to strong growth in the coming years, thanks to baby boomers. Zach Tyson, left, owner of Tyson Construction, estimates between 30 percent and 40 percent of his revenue is coming from boomer renovations. (Photos by Gerald Herbert/Associated Press)

REMODEL

Continued from F-1

cisions about where they want to live, there will be a great need for accessible housing, according to a report released in February by Harvard University's Joint Center for Housing Studies.

"A large share of these households live in older homes in the Northeast and Midwest, where the housing stocks have few, if any, universal design features," the study said.

The report predicts home improvement spending by homeowners 65 and older will account for nearly a third of the total amount of remodeling dollars by 2025, more than twice the portion that group spent in 1995-2005. Owners age 55 and over already account for just over half of all home improvement spending.

"The boomer activity seems to be driving the market," says Abbe Will, a research analyst at the Harvard center.

That's a change from the past, when older homeowners generally handled maintenance, repairs and landscaping, but tended not to renovate. And some of the boomer-driven remodeling is coming from younger homeowners who expect their parents might later come to live with them and want to be ready, Tyson says.

Most of the remodeling projects come from homeowners who are healthy and mobile now, but want to be prepared if illness or injury hits. It's a trend known as "aging in place."

The requests Tiffany and Bryan Peters get from boomer customers include replacing traditional turning doorknobs with lever handles that can be pushed down. Homeowners want motion-sensor light switches and faucets, and non-slip flooring. In bathrooms, they're replacing fixtures with models that are designed for people with disabilities — showers than can accommodate wheelchairs and toilets at the same height as wheelchairs, Tiffany Peters says.

"We've definitely experienced an increase in requests for aging-in-place work," says Peters, who, with her husband, owns a Handyman Connection franchise business in Winchester, Virginia. "We get several requests a month."

Home remodeling companies began seeing an increase in boomer spending about 18 months ago and expect it to contribute to their growth in the next few years, says Fred Ulreich, CEO of the National Association of the Remodeling Industry, a trade group.

"We see this as something that is dramatically affecting the marketplace," Ulreich says.

Boomers typically live in homes that are several decades old, prime targets for remodeling, Ulreich says. Unless they move to a brand-new home that's designed for aging in place, their decision is likely to mean remodeling.

Sal Ferro says boomers are his biggest group of customers, but he's not getting many requests for aging-in-place projects. It's more renovations to make their homes more enjoyable.

"They're finally getting the projects done that they always wanted. They're getting that kitchen or bathroom," says Ferro, owner of Alure Home Improvements, based in East Meadow, New York.

Some remodeling companies are specifically marketing to boomers, sending salespeople to trade expos and events those customers are likely to attend.

Miracle Method, a franchise business that refinishes kitchens and bathrooms, has increased its outreach to boomers, says Erin Gilliam, the company's marketing manager. Franchise owners say much of the 11 percent growth in the franchise's overall business in the past year was driven by boomers, she says.

Gilliam's husband, Gabriel, sees the trend in the franchise he owns in Salt Lake City. He estimates revenue from boomers has risen between 10 and 20 percent, and the growth is prompting him to hire more workers. He has five staffers now, having added one per month the past three months, and expects to reach 10 in the next year.

"I'm hiring as quickly as I can," he says.

NOTEBOOK

Continued from F-1

complex in the area this year alone. The Tampa-based company paid $30.9 million for the Lake Gray complex, **6500 Lake Gray Blvd.,** and renamed it Landings at Lake Gray.

The 300-unit complex was built in 2005 and sold for $28.3 million the next year.

Robbins Electra of Tampa paid $30.9 million for the Lake Gray apartments and renamed them Landings at Lake Gray.

PERMITS

4796 Hodges Blvd., new office building for **Las Vegas Self Storage**, $131,806, 22,712 square feet, Infinity Design Builders.

4906 Town Center Pkwy., new building for **PGA Tour Superstore**, $1,375,000, 25,538 square feet, Hoar Construction. It's the chain's first store in Jacksonville and, in addition to golf retail, it will have swing simulators, hitting bays, a putting green and an in-house club-making and repair facility. It's going into The Strand, one of the new developments across the street from St. Johns Town Center.

1000 Riverside Ave., build-out of **River & Post** restaurant on 1st and 9th floors, $1 million, 7,182 square feet, Summit Commercial Group. The restaurant is going on the roof of the building at the corner of Riverside Avenue and Post Street. The first-floor entry to the building is also being redone.

1515 Prudential Drive, repair and common area renovation at **Lexington**

Rendering shows the planned marketplace at Southside Quarter on Gate Parkway.

Hotel and Conference Center, $890,000, 191,627 square feet, PIP Management.

2631 Jammes Road, tenant build-out for **Blue Sky Gift & Arcade**, $17,500, 1,800 square feet, Prism Design & Construction.

14866 Old St. Augustine Road, tenant build-out for **Lavish Nails**, $62,000, 1,697 square feet, Ovation Construction.

4490 Southside Blvd., tenant build-out for **AT&T** store, $90,000, 1,689 square feet, Skyline Construction.

16236 Normandy Blvd., 1-million-gallon storage tank for **Eagle LNG** production facility, $9.1 million, Matrix Service. Eagle will take natural gas from a line that runs into the facility, process it into liquified natural gas and then truck it to JaxPort where it will be used by ships as well as exported.

1 Imeson Park Blvd., renovations to **Venus Fashion**, $451,539, 224,179 square feet, Richard Claude Haskew.

14035 Beach Blvd., tenant improvement for **Cold Stone Creamery**, $125,000, 2,400 square feet, Coastal Atlantic.

11230 Old St. Augustine Road, renovations to **McDonald's**, $271,000, 4,745 square feet, Stansell Properties & Development.

1818 N. Davis St., tenant build-out for **8th Street Fast Café**, $21,500, 1,604 square feet, Blue Ocean Construction.

14866 Old St. Augustine Road, tenant build-out for **North Florida Vision** in Shoppes of Flagler Center, $140,012, 2,038 square feet, Paterson Construction Group.

9703 San Jose Blvd., interior demolition of former Steamin' restaurant for new **Graffiti Junktion Burger Bar**, $123,987, 2,507 square feet, PPD Construction Services.

4578 Tropea Way, new **Texas Roadhouse** restaurant, $800,000, 7,163 square feet, Buffalo Construction. It's going in The Strand, across from St. Johns Town Center.

4490 Southside Blvd., finish building for new Pet Supermarket, $180,137, 6,900 square feet, Skyline Construction.

Sales

Capview Income & Value Fund IV LP of Dallas paid $4,299,400 for the **La-Z-Boy** store building at **10452 Philips Hwy**. It was built in 1995 and last sold for $2.1 million in 2014.

Lake Park Colonial 54 LLC of Jacksonville paid $2,175,000 for the **Lake Colonial Apartments** at **1865 W. Edgewood Ave.** The 54-unit complex was built in 1967 and sold for $1 million in 2015.

Han W. Tun and Win H. Thu paid $1.2 million for a 5,655-square-foot home at **4477 E. Glen Kernan Pkwy.** in **Glen Kernan Golf & Country Club.** It was built in 2002.

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MARKETS

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The rally in emerging-market indexes suggests the backdrop outside the U.S. has improved by more than it has domestically, a testament to the reflation trade's global foundation.

"We are seeing EM stocks outperform U.S. equities," writes Neil Dutta, head of U.S. economics at Renaissance Macro Research. "This indicates improving growth outside the U.S."

A more realistic curve: Differences between yields on short- and long-term U.S. Treasury bonds have declined from post-election peaks as investors temper expectations surrounding how much pro-growth fiscal policies can be expected to buoy domestic activity.

The spreads between two- and 10-year Treasury yields, as well as the gap between the five- and 30-year maturities, closer reflect the expectations of relatively modest growth and inflation that have guided the market since the global financial crisis, rather than the risk of a reflationary boom under Trump's pro-growth policies.

"Reflation expectations got ahead of themselves, and we've seen a retracement of that," said Michael Dolega, senior economist at Toronto-Dominion Bank. "Some of this is probably linked to soft data that came in way above expectations, but hasn't materialized in the hard data yet."

Even so, Dolega said he doesn't expect a falter yield curve will be a sufficient disincentive for the provision of providing credit, anticipating more constructive rate and regulatory environments for lenders going forward.

Safe havens: Gold turned in a stellar first-quarter performance, as rising inflation expectations buoyed the appeal of the precious metal. The rally has continued into the second quarter even as those expectations ease.

The trade faltered Wednesday for the first time this week as ADP data on job growth added to signs of strength in the U.S. economy and bolstered the outlook for a steeper interest rate increase path for the Federal Reserve.

The Japanese yen, another asset that tends to gain when market participants are risk-averse, also turned in a strong first-quarter — but that advance may soon falter.

Currency strategists at Morgan Stanley contend the currency's strength relative to the greenback is "unsustainable and is likely to be reversed within the coming weeks," pointing to a more hawkish Fed and a looming rise in hedging costs. In addition, a bevy of technical indicators suggest the yen is due to retrace its gains.

RETAILERS

Continued from F-1

too many of them sell the same thing: apparel.

"This created a bubble, and like housing, that bubble has now burst," he said. "We are seeing the results: Doors shuttering and rents retreating. This trend will continue for the foreseeable future and may even accelerate."

"It's an industry that's still in search for answers. I don't know how many malls can reinvent themselves."

Noel Hebert, Analyst at Bloomberg Intelligence

Year-to-date store closings are already outpacing those of 2008, when the last U.S. recession was raging, according to Credit Suisse Group analyst Christian Buss. About 2,880 have been announced so far this year, compared with 1,153 for this period of 2016, he said in a report.

Extrapolating out to the full year, there could be 8,640 store closings in 2017, Buss said. That would be higher than the 2008 peak of about 6,200.

Retail defaults are contributing to the trend. Payless is closing 400 stores as part of a bankruptcy plan announced on Tuesday. The mammoth chain had roughly 4,000 locations and 22,000 employees — more than it needs to handle sluggish demand.

HHGregg, Gordmans Stores and Gander Mountain all entered bankruptcy this year. RadioShack, meanwhile, filed for Chapter 11 for the second time in two years.

Other companies are plowing ahead with store closures outside of bankruptcy court. Sears, Macy's and J.C. Penney are shutting hundreds of locations combined, reeling from an especially punishing slump in the department-store industry.

Others are trying to re-emerge as e-commerce brands. Kenneth Cole Productions said in November that it would close almost all of its locations. Bebe Stores Inc., a women's apparel chain, is planning to take a similar step, people familiar with the situation said last month.

"Today, convenience is sitting at home in your underwear on your phone or iPad," Buss said. "The types of trips you'll take to the mall and the number of trips you'll take are going to be different."

But even brands moving aggressively online have struggled to match the growth of market leader Amazon.com.

The Seattle-based company accounted for 53 percent of e-commerce sales growth last year, with the rest of the industry sharing the remaining 47 percent, according to EMarketer Inc.

While high-end malls continue to perform well, the exodus away from brick-and-mortar stores is taking a toll on so-called C- and D-class shopping centers, according to Oliver Chen, an analyst at Cowen & Co. There are roughly 1,200 malls in the U.S., and those classes represent about 30 percent of the total, he said.

The glut of stores is far worse in the U.S. than in other countries.

"Retail square feet per capita in the United States is more than six times that of Europe or Japan," Urban Outfitters' Hayne said last month. "And this doesn't count digital commerce."

Still, the Class A malls continue to thrive, Chen said. And most Americans continue to do shopping in person: Customers prefer physical stores 75 percent of the time, according to Cowen research.

The key is creating the right experience, whether it's online or off.

Retailers should "refocus on customers," Chen said. "Management needs to be fixated on speed of delivery, speed of supply chain, and be able to test read and react to new and emerging trends."

Payless ShoeSource Inc. filed for bankruptcy Tuesday and announced plans to close hundreds of locations. (Bloomberg photo by Scott Eells)