

Business

MARKETS

▲ 269.25 **Dow** 26,412.30
 ▲ 36.81 **Nasdaq** 7,984.16
 ▲ 19.09 **S&P 500** 2,907.41
 ▲ 0.06 **10-yr. T-note** 2.56%
 ▲ \$0.31 **Oil** \$63.89
 ▲ \$2.00 **Gold** \$1,290.60
 ▲ \$0.10 **Silver** \$14.92

Euro 0.8853 • **Peso** 18.7521

THIRD STRAIGHT WEEK OF GAINS: The Standard & Poor's 500 gained for a third straight week as it punched through the key 2,900 level for the first time in six months.

BRIEFLY

FCC TO HOLD 5G AUCTION: The U.S. government will hold a massive auction later this year to bolster 5G service, the next generation of mobile networks. President Donald Trump showcased the announcement Friday, declaring that the race to stand up these faster, more powerful networks is a competition "America must win." 5G will mean faster wireless speeds and has implications for technologies like self-driving cars and augmented reality. The auction is set for Dec. 10, and will be the agency's third for 5G, said FCC Chairman Ajit Pai, who joined Trump for the announcement.

DELTA ENTERS SEAT RECLINE WARS: Delta Air Lines will reduce the amount that seats recline on some planes by about 2 inches, aiming to preserve the workspace of multitasking business travelers. The first Airbus A320s to get the modified seats will debut this weekend, the carrier said Friday. The distance that seats recline will drop to 3.5 inches from 5.4 in first class, and to 2 inches from 4 in Comfort Plus and coach. The A320s generally are used on flights of two hours or less. Altering the seats can be done overnight and will take two months for all of Delta's 62 A320s. Delta isn't reducing the space between rows on the single-aisle jet, which seats 157 passengers. Feedback from travelers and employees will help determine whether Delta retrofits other aircraft.

TESLA ENDS MODEL 3 ONLINE OPTION: Tesla's standard Model 3 costing \$35,000 just became harder for customers to actually order. Deliveries of the vehicle at that price point are beginning this weekend. Customers who want this version from now on won't be able to get it from Tesla's online ordering menu — they will have to call or visit a store instead. All Tesla vehicles now come with the Autopilot driver-assistance system as standard, the company said in a blog post. The Model 3 with Standard Plus battery range used to cost \$37,500, plus \$3,000 for Autopilot. It now costs \$39,500 with Autopilot included.

FISHER-PRICE RECALLS SLEEPERS: Fisher-Price is recalling nearly 5 million infant sleepers after more than 30 babies rolled over in them and died since the product was introduced in 2009. The U.S. Consumer Product Safety Commission says that anyone who bought any models of the Fisher-Price Rock 'n Play sleeper should stop using it and contact Fisher-Price for a refund. The recall covers about 4.7 million of the sleepers.

DIGITS

4.12%

The average rate on the 30-year, fixed-rate mortgage increased, from 4.08 percent last week, Freddie Mac reports.

U-T NEWS SERVICES

QUALCOMM SEEKS TO EXPAND AI USE

Company wants to implement artificial intelligence processor in data centers with new chip technology

BY MIKE FREEMAN

Qualcomm aims to bring some of the artificial intelligence know-how it developed for smartphones into data centers, targeting voice recognition, computer vision and personalized content with a new processor. The San Diego mobile technol-

ogy company this week unveiled the Cloud AI 100 chip for accelerating artificial intelligence processing tasks in data centers.

The chip taps into machine learning and artificial intelligence technologies Qualcomm bakes into its mobile chips that power smartphones.

But the new Cloud AI 100 was specifically built for artificial intelligence processing task in the Internet cloud rather than on handsets.

"Some will ask me are we just re-using a mobile chip in the data center," said Keith Kressin, a senior vice president for Qualcomm. "We are not doing that."

Qualcomm announced the new data center chip at a conference touting its artificial intelligence technologies. As part of the event, Qualcomm unveiled two mobile platforms that

bring artificial intelligence capabilities typically found on top-of-the-line smartphones to more affordable devices. The new platforms help improve photos and mobile gaming, among other things.

Artificial intelligence technology has grabbed headlines thanks to the popularity of personal assistants such as Amazon Alexa, which taps artificial intelligence algorithms to recognize voice commands.

While some of computing power
SEE QUALCOMM • C4

"I'm really excited. It's totally outside the sphere of where we've done business in the past." Tracy Borkum • Urban Kitchen Group



HOWARD OULLETTE

A rendering shows the new Watermark retail, commercial and hospitality center in Scripps Ranch.

CUCINA SPREADS TO SUBURBS

Bankers Hill's Urbana owner to open sixth restaurant in Scripps Ranch's The Watermark development

BY MICHELE PARENTE

Maybe they should call it Cucina Suburbana. A spinoff of Bankers Hill's popular Cucina Urbana is going in at a major new development project in Scripps Ranch. Cucina Enoteca at The Watermark marks the first time owner Tracy Borkum has launched a restaurant in the San Diego suburbs.

Borkum, whose Cucina empire will now have six locations — Bankers Hill, Del Mar, Kensington, Scripps Ranch, Irvine and Newport Beach — said she chose to open in Scripps Ranch because it's undergoing a residential and commercial boom.

"I'm really excited. It's totally outside the sphere of where we've done business in the past," she said.

But it's also not like she's moving into a small strip mall. The Watermark is a mega project aimed at an affluent clientele from Scripps Ranch, Poway, Rancho Bernardo, 4S Ranch, Del Sur and Sabre Springs. The 35-acre site is being developed by Sudberry Properties, which is also responsible for projects like Civita and Fenton Marketplace in Mission Valley, The SoCal Sports Complex in Oceanside and Eastlake Village Marketplace.

The Watermark is being built on a swath east



COURTESY PHOTO

Tracy Borkum will venture to the suburbs for the first time with Cucina Enoteca.

of Interstate 15 at Scripps Poway Parkway and features 275,000 square feet of retail, 420,000 square feet of office space — 100 percent of which is already leased — and a 140-room Element hotel by Westin. Besides Cucina Enoteca, among the retail spots going in are Whole Foods, The Lot Luxury Cinemas, Sur La Table, Sephora and Shake Shack.

A ground-breaking on the project is scheduled for this summer, and it's expected to be completed in late 2020. Cucina Enoteca will have a footprint of 6,500 square feet — 5,000 inside and a 1,500-square-foot outdoor patio. The restaurant will be behind the Element hotel but will have its own distinct, street-facing entrance.

With its significant dining cred and high name recognition, the Cal-Italian Cucina Enoteca will be the culinary anchor at The Watermark. Other eateries include Pacific Catch Westcoast Fish House, Urban Plates, Mikko Sushi, Frost Gelato and Cava Grill, a rapidly expanding Washington, D.C.-based fast-casual Mediterranean chain with multiple outposts planned for San Diego County.

"They're curating a pretty awesome agenda there, with Whole Foods, The Lot, the retail, the restaurants, the hotel," Borkum said.

"In that area, there's both residential and in-

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NATION'S HOUSING

IS THIS A GOLDILOCKS MOMENT?

BY KENNETH R. HARNEY

Have we arrived at one of those rare Goldilocks moments in real estate, where the market works well for sellers and buyers, strongly favoring neither?

Maybe. Based on the latest national consumer-sentiment survey by mortgage investor Fannie Mae, American consumers appear to think so. They're more positive about the overall direction of the housing market than they've been in nearly a year. Growing numbers think it's a good time to sell and a good time to buy. They expect their own personal financial situations will improve this year, and they believe that interest rates for home loans will continue to remain relatively affordable.

Housing and mortgage economists tend to agree. As Michael Fratantoni, chief economist of the Mortgage Bankers Association, told me: Six months ago, "I was guardedly optimistic. Now I'm just plain

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VALERIE CHIANG NYT

A liquidation sale draws customers to Gymboree in New York City on Friday. The children's clothing store chain is in the process of closing 749 locations.

STORES' PLANNED CLOSINGS ALREADY EXCEED 2018 TOTAL

Nearly 6,000 retail locations among several chains

BY SAPNA MAHESHWARI

As an executive vice president at Great American Group, a firm that helps liquidate the merchandise, clothing racks and mannequins at stores that are closing, Ryan Mulcunry has been watching booms and busts in the retail industry for almost two decades.

Companies like his have been busy in recent years, but lately

one thing has been missing.

"In all the other cycles, including 2008, a lot of people would come in and buy racking, circular racks and so on," Mulcunry said. "They'd buy it all and warehouse it and wait until somebody wanted to reopen a store and sell it back to them. Those people have gone away."

He added, "People don't think retail is going to grow

SEE CLOSING • C4

DISNEY STOCK AT NEW HIGH ON STREAM SERVICE NEWS

More detail given than expected about strategy, boosting shares by 11.5%

BY RYAN FAUGHNDER

Walt Disney Co. stock surged Friday to a record high after the entertainment company offered more information than expected about its strategy to succeed in the burgeoning streaming video market.

Disney's stock shot up 11.5 percent to \$130.06 a share — an all-time high — on Friday, representing its biggest one-day jump in a decade.

The leap follows Thursday's investor meeting on the company's Burbank lot where executives shared plans for Disney Plus, an ad-free subscription service intended to compete with Netflix.

In a 3½-hour presentation, the company announced a robust lineup of original shows and movies for the service, which is to cost \$6.99 a month and launch Nov. 12. Disney

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COURTESY PHOTO

Cucina Sorella's deep-dish chicken bianca pizza.

CUCINA • 10 years after Urbana's successful splash

FROM C1

dustrial growth and that's really attractive to us. This way, we can do lunch and dinner. You just can't rely on only one of them these days."

Expanding to a high-traffic retail area isn't new to Borkum. She debuted the casual yet elegant Cucina Urbana (Urban Kitchen) to rave reviews nearly 10 years ago on Fifth Avenue in Bankers Hill and it can still be a tough dinner reservation to score. Borkum moved north to Orange County's bustling Irvine Spectrum Center in 2011, tweaking the Cucina brand by calling her new restaurant Cucina Enoteca, or wine bar in Italian. The second and third Cucina Enotecas opened in 2013 at Del Mar's Flower Hill Promenade and at Fashion Island, in Newport Beach, in 2014.

In 2016, Borkum converted her faltering seafood restaurant in Kensington — long the site of her beloved Kensington Grill — into Cucina Sorella, or sister. At that time, Borkum made the decision to not have pizza on Cucina Sorella's menu — a signature offering at all of the other Cucinas — in deference to her Adams Avenue neighbor, The Haven Pizzeria.

Now, however, she's reversing her decision and shaking up the menu in order to boost midweek business.

"The weekends are great, but during the week it can be really hit and miss," Borkum said. "Things have very much changed in the neigh-

borhood over the years. We really needed to gear ourselves toward a family-oriented menu. And I'm not so sure we did that, with the pasta focus and designed menu items."

Customers regularly told general manager Gracie Valtierra and sous chef Tara May that they wanted pizza and to also be able to customize their pasta, combining the shape from one dish with the sauce from another, Borkum said.

She said that led to about a year and half — and 10 added pounds — of experimentation of crafting pizza without a pizza oven and not with a thin-crispy crust, à la The Haven.

Cucina Sorella's culinary revamp resulted in a more streamlined lineup, with five deep-dish pizzas, a "pasta your way" option (six shapes, six sauces and six add-ons), a dedicated kids menu, a selection of small plates, but only three traditional entrée choices.

"It's a simpler menu. Not having the pizza was a really big deal. It set a tone for the restaurant, and I think it's why people thought it was a little more precious," Borkum said.

She said she thinks the deep-dish pizza is different enough, "more like a pie," that it won't compete directly with her neighbor.

"I hope it's understandable," Borkum said, "but in business, you've got to do what you've got to do."

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QUALCOMM

FROM C1

to recognize speech or serve up recommendations can occur on smartphones, much of it occurs in data centers. High data speeds from new 5G wireless networks are expected to spark even more processing in the Internet cloud.

Nvidia dominates the

market for artificial intelligence processors in data centers, followed by Intel. According to ABI Research, the cloud artificial intelligence market that Qualcomm is targeting is nascent today, but it's expected to reach \$7.5 billion in revenues by 2023.

"Competition in this space is expected to heat up within the coming years, mainly with the emergence of more specialized hard-

ware like the platform announced by Qualcomm," said Lian Jye Su, principal analyst at ABI Research.

Kressin said Qualcomm is seeking to set itself apart by offering artificial intelligence accelerators that deliver better performance per watt of power.

"There is no question there are new chips coming, but we are pretty confident we will be the power/per-

formance leader for AI processing in the data center," said Kressin.

Qualcomm is testing the chips and expects them to be commercially available in 2020. The company's share ended trading Friday up nearly 2 percent at \$56.95 on the Nasdaq exchange.

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DISNEY

FROM C1

also said the new app would become the streaming home of Disney animated classics, films from Pixar, Marvel and the "Star Wars" saga, as well as "The Simpsons" and National Geographic programming.

The company expects the service to reach 60 million to 90 million subscribers and become profitable in 2024.

"The aggressive numbers are a direct result of us being all in from the beginning," said Chairman and Chief Executive Officer Robert Iger.

The projections came as a pleasant surprise to analysts who have been waiting months for Disney to offer more clarity about its streaming ambitions.

"We didn't think Disney would give guidance," Bernstein & Co. analyst Todd Juenger said in a research note. "Boy were we wrong."

Meanwhile, Netflix stock tumbled amid the intensifying competition. The Los Gatos streaming giant's shares fell 3.9 percent to \$353.42.

Netflix's standard pricing plan charges users \$13 a month for ad-free access to a wide selection of original shows and films, plus licensed content from other studios. The tech firm has a



RICHARD DREW AP

Shares of Walt Disney Co. took off Friday as the entertainment giant unveiled its ad-free subscription streaming service with original shows and movies, available beginning in November for \$6.99 a month.

significant head start in the subscription space, with nearly 150 million subscribers worldwide.

Disney Plus will launch first in the United States, followed by a steady global rollout. Reflecting its aggressive plans to stay relevant in the fast-changing media landscape, Disney plans to spend more than \$1 billion on original content for the streaming service in fiscal 2020.

The company expects one-third of its subscribers to be in the United States, with the rest coming from international markets.

CFRA analyst Tuna Amobi said the service could be a major draw. Disney, coming off the acquisition of 21st Century Fox, has a deep selection of popular family-friendly brands that could be powerfully attractive, especially to people with children.

"With a seemingly aggressive price point of \$6.99 per month, Disney Plus could be a potential game changer in a rapidly evolving streaming landscape, with possible bundling options with its complementary ESPN+ and Hulu streaming offerings," Amobi said in a research note.

Faughnder writes for Los Angeles Times.



EMMA HOWELLS NYT

A liquidation sale came before the Toys R Us in Woodbridge, N.J., closed last year, along with hundreds of other company stores as the chain imploded.

CLOSING • Discount stores bucking trend

FROM C1

again from a bricks-and-mortar perspective."

As the Internet continues to change shopping habits, stores across the United States continue to close. Less than halfway through April, U.S. retailers have announced plans to shut 5,994 stores, exceeding the 5,854 announced in all of 2018, according to data from CoreSight Research.

Retailers in good financial shape are paring locations as their leases expire, while brands like Payless ShoeSource and Charlotte Russe are filing for bankruptcy and shutting hundreds of stores within months. Payless and Gymboree, which both filed for bankruptcy this year for a second time, account for almost half of the announced closings.

"For a long time, companies have talked about the squeeze in the middle of retail, but then you see the closure of a Payless," said John Mercer, a senior analyst at Coresight, a research and advisory firm. "There's just so much choice now that it's not so much always the middle."

Stores that are surviving tend to offer consumers more compelling experiences and better complement online shopping options, Mercer added. The announced closings still have a ways to go before they reach the 2017 record of more than 8,000. And openings and renovations are still taking place. Coresight has tracked announcements of 2,641 store openings by retailers in the United States this year, compared with



VALERIE CHIANG NYT

Payless plans to close 2,300 stores in North America by the end of May, in what is expected to be the biggest liquidation of a retailer by store count.

3,239 for all of 2018. Many of this year's openings are dollar stores and other discount chains — areas that are less threatened by e-commerce. Online retailers like Warby Parker are also opening stores, though on a small scale.

Struggling stores can slog on for years, as shopper traffic declines and their 40-percent-off sales begin to feel permanent. But when companies file for bankruptcy, closings often move at lightning speed. In the past year, liquidation sales have happened at Bon-Ton, Toys R Us, Charlotte Russe, Gymboree and Payless, shaking up the lives of employees.

Great American Group and Tiger Capital Group are among a handful of businesses that have managed store liquidations for years, hired to wring as much value from them as they can. Both worked on the Bon-Ton and Toys R Us closings last year.

Usually, the money they extract will help pay cred-

itors. Tiger Capital's website said it had sold \$5 billion in assets from chainwide liquidations and strategic retail closings in 2018.

"When we're doing a liquidation sale, it's all about recovery versus time — the longer you are open, the more expensive it is," said Michael McGrail, chief operating officer of Tiger Capital. "It's all about getting this thing moving, moving it fast, starting on a certain day and being out by a certain day."

And even during the liquidation process, e-commerce looms large. "The biggest thing we've had to do is figure out how to sell stuff online," Mulcunry said. Great American has been exploring ways to maximize sales through company websites, ads on Facebook and Instagram, and by offers on Amazon.

"A going-out-of-business sale is exciting: People want to go, it's fun and drives energy, and that's what we made money on for a long period of time," he said. "But if the customer changes, so must the liquidator."

McGrail views the power shifts in retail as a "slow and steady" evolution. "Even though we're seeing this bump of store closures now, it'll slow down a bit and then we'll see another wave," he said. Still, he said that he expected retail square footage to continue to shrink and a widening of the gap between the best malls and more mediocre locations.

Many retailers have been exiting their least profitable mall locations. Gap recently said that it would close 230 stores in the next two years, mostly as leases expire, as it tries to balance its online, outlet and regular sales. Victoria's Secret plans to close 53 stores in North America this year, up from its usual culling of about 15 stores annually. The chain will still have more than 900 stores.

Payless plans to close 2,300 stores in North America by the end of May, in what is expected to be the biggest liquidation of a retailer by store count. Gymboree started closing 749 Gymboree and Crazy 8 stores in the United States in January. The personalized engraving retailer Things Remembered, which filed for bankruptcy this year, has closed more than 200 stores.

"It's not really a recession-driven or, even to an extent, management-driven change — it's a change in the way people are buying," Mulcunry said. "Retail is not dying. It's just changing, so we're a part of that change."

Mareshwari writes for New York Times.

HOUSING • At end of day, buyers have advantage

FROM C1

optimistic." Mark Fleming, chief economist of First American Title Insurance, says: "So far in 2019, we've seen mortgage rates decline and wages rise — both trends work to boost home-buying power and fuel greater market potential for home sales, setting the stage for a stronger than expected" season.

Yet some economists warn that things are not necessarily as rosy as Fannie's consumer survey would suggest. They point to troubling signs: Total home sales on a national basis continue to decline. That pattern historically has been a leading indicator that prices could actually fall during the year ahead, ending years of nonstop appreciation. Plus, houses are taking longer to sell — many owners are having to cut their asking prices. The days of widespread bidding wars are over.

So what's really going on, and how do you relate it to your own situation, either as a potential buyer or seller? Some hard facts:

- Prices are still rising, but at a slower rate than in recent years past. The median home listing price hit \$300,000 last month for the first time ever, a 7 percent jump over the previous year, according to Realtor.com. Fratantoni predicts price increases will moderate to an average of just 4 percent this year, 3 percent next year and 2.5 percent in 2021.

A notable percentage of sellers' asking prices are being reduced. In the four weeks ending March 24, prices on nearly 21 percent of all listings nationwide were cut, according to Redfin. Just 16 percent of offers written by Redfin agents encountered bidding wars during the first three weeks of March, compared with 61 percent during the same weeks in 2018.

- Interest rates have been a great stimulus and are key

to a strong spring. Lower rates are good for buyers, good for sellers. Last fall, average rates for a fixed-rate 30-year mortgage hovered near 5 percent, according to data from investor Freddie Mac, but are now closer to 4 percent.

- Inventories of available homes for sale continue to rise — meaning more choices for shoppers, according to National Association of Realtors researcher Michael Hyman. Listings nationwide were up by 3.2 percent year-over-year in February. That's generally a good sign for buyers because it helps keep price pressures down. But homes for sale in the primary entry segment for first-time home buyers — houses priced under \$200,000 — dropped by 9 percent year-over-year, according to Realtor.com, while they grew by 11 percent in the upper price brackets over \$750,000.

All this is well and good, says Issi Romem, chief economist for realty marketing and data site Trulia, but the reality is that the housing market is in cyclical slowdown mode. Inventories of available homes may be increasing, but part of the reason is that houses are staying on the market unsold for longer times in many areas. The price cuts and longer days-on-market times reveal that significant numbers of "sellers are facing greater difficulties in selling."

Romem and Trulia Senior Economist Cheryl Young issued a report last week that runs counter to the cheery outlook prevailing in the industry. "[It] is possible," they say, that "by fall or next year prices might modestly decline."

What that means is that the Goldilocks theory and perceptions of balance between sellers and buyers may not be quite right.

Advantage: buyers.

Harney writes for Washington Post.