



UNITED STATES HIGHLIGHTS



Retail Real Estate Faring Better, But Many Challenges Still Exist

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Compared to the dismal conditions of two years ago, the retail leasing market is considerably better as the first half of 2011 comes to a close. Yet, for many retailers and landlords, the retail landscape still remains very challenging. While retail sales have been inching higher for much of the past year, the gains have been exceptionally uneven with discount and high end retailers thriving, while mid-range retailers continue to struggle in the face of lackluster job growth, stagnant wages, restrictive credit conditions, higher input costs, falling house values and sharply higher gas prices. However, the economy continues to grow, new entrants are entering the market and many existing retailers are poised for growth.

LATEST CONSUMER CONFIDENCE INDEX FALLS TO 60.8 IN MAY FROM 66.0 IN APRIL

Reflecting the fragile nature of the U.S. consumer, the Conference Board's Consumer Confidence Index (CCI) still remains well below its long-term average. For the first five months of 2011 the CCI has vacillated between 60 and 70. While this represents a considerable improvement from the lows experienced in 2009, it is still below 90 that is regarded as a healthy level.

MARKET INDICATORS

	Spring 2011	Fall 2011*
VACANCY	↑	↓
NET ABSORPTION	↓	↑
CONSTRUCTION	↓	↔
RENTAL RATE	↓	↔

*Projected, relative to prior period

U.S. RETAIL MARKET SUMMARY STATISTICS, Q1 2011

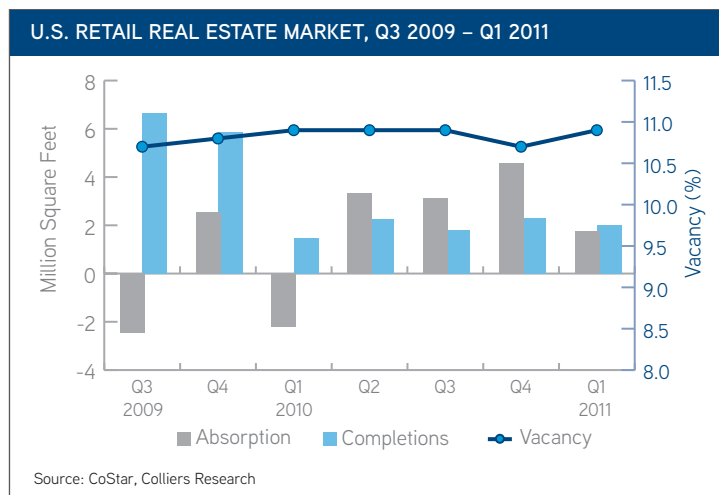
Vacancy Rate: **10.88%**
Change from Q4 2010: **0.19**

Absorption:
1.8 Million Square Feet

New Construction:
2.0 Million Square Feet

Under Construction:
4.0 Million Square Feet

Asking Rents Per Square Foot
Shopping Center Space: **\$15.86**
Change from Q4 2010: **-1.15%**



Temper demand is keeping vacancy rates elevated, but over the coming quarters vacancies are sure to shrink.

Source: CoStar, Colliers Research

UNITED STATES | SHOPPING CENTER MARKET STATISTICS

MARKET	INVENTORY* MAR. 31, 2011 (SF)	NEW SUPPLY Q1 2011 (SF)	UNDER CONSTRUCTION (SF)	VACANCY RATE (%) DEC. 31, 2010	VACANCY RATE (%) MAR. 31, 2011	ABSORPTION Q1 2011 (SF)	QUOTED RENT (USD PSF) MAR. 31, 2011	YTD CHANGE IN RENT (%)
Atlanta, GA	141,927,000	0	329,571	14.70	14.40	401,566	13.33	-1.2
Bakersfield, CA	8,902,000	0	35,000	8.30	8.50	31,173	15.27	1.2
Baltimore, MD	47,368,000	20,904	28,555	7.50	7.90	-99,930	18.58	0.5
Boise, ID	12,494,000	8,000	6,000	12.00	11.90	11,413	12.27	-0.4
Boston, MA	86,977,000	7,200	135,000	7.00	6.90	169,961	15.48	-3.0
Charleston, SC	12,770,000	11,500	4,860	11.00	10.00	135,652	13.62	-0.1
Charlotte, NC	52,259,000	70,000	0	11.90	12.10	-80,779	13.00	-0.8
Chicago, IL	164,143,000	47,000	0	12.40	12.20	217,640	15.87	2.5
Cincinnati, OH	35,099,000	0	0	14.30	14.40	-47,692	10.88	-3.3
Cleveland, OH	49,571,000	20,966	0	12.40	12.90	-127,812	11.25	-2.2
Columbia, SC	15,512,000	0	0	8.30	8.20	5,675	11.42	-3.4
Columbus, OH	29,726,000	67,600	15,318	13.60	13.70	82,926	12.70	4.3
Dallas/Ft. Worth, TX	151,862,000	6,400	195,595	13.10	13.30	-108,591	13.14	1.0
Denver, CO	70,221,000	206,930	280,303	10.50	10.40	314,098	14.10	-1.9
Detroit, MI	69,313,000	7,250	33,644	16.10	15.90	31,584	12.56	1.2
Fresno, CA	24,904,000	0	0	11.20	11.50	-110,011	13.26	-2.9
Ft. Lauderdale-Broward Co., FL	48,363,000	0	0	10.50	11.00	-84,391	17.34	-0.4
Greenville/Spartanburg, SC	29,238,000	187,545	28,800	11.90	11.50	230,911	9.44	-1.8
Hartford, CT	41,858,000	90,500	18,742	8.60	8.70	27,413	13.70	0.9
Hawaii	17,296,045	0	0	4.10	3.90	2,173	32.58	1.6
Houston, TX	151,704,000	48,600	124,211	10.40	10.30	155,333	14.07	-1.0
Indianapolis, IN	39,741,000	9,000	0	12.90	12.90	-138,163	11.76	-1.0
Jacksonville, FL	35,476,000	0	23,495	13.60	13.00	108,301	13.74	-0.4
Kansas City, MO-KS	39,386,000	0	11,060	15.10	14.60	8,368	11.79	0.6
Las Vegas, NV	49,962,000	0	29,400	15.40	15.90	-208,755	17.33	-3.7
Little Rock, AK	14,963,000	0	0	8.20	8.20	-33,883	9.20	5.9
Long Island, NY	50,013,000	284,960	44,907	4.70	4.90	317,357	24.04	-0.7
Los Angeles - Inland Empire, CA	84,842,000	32,554	69,383	11.60	11.80	-216,872	18.05	1.0
Los Angeles, CA	146,699,000	4,745	101,507	6.90	6.70	-123,454	23.11	-3.3
Louisville, KY	27,729,000	405	5,500	12.70	11.60	301,718	10.88	-2.8
Memphis, TN	30,607,000	313	0	12.50	13.00	-38,858	10.66	-2.1
Miami/Dade County, FL	44,299,000	0	52,780	6.50	6.10	153,626	21.65	-2.0
Milwaukee, WI	33,572,000	9,140	0	11.50	11.90	-14,006	12.06	-2.1
Minneapolis, MN	53,827,000	1,479	190,000	9.60	9.70	-114,756	13.51	-2.2
Nashville, TN	30,068,000	0	0	10.70	10.60	89,907	13.62	-0.4
New Jersey - Northern	91,183,000	37,974	227,956	8.70	8.90	-70,824	19.72	-0.2
Oakland/East Bay, CA	41,526,000	4,500	39,078	7.30	7.10	89,027	21.65	-3.0
Oklahoma City, OK	29,157,000	25,000	257,541	11.20	11.2	-78,23	10.12	0.3
Omaha, NE	16,180,000	43,000	0	12.10	12.2	23,315	11.04	-4.3
Orange County, CA	63,238,000	0	15,000	6.60	6.20	199,313	22.54	-3.0
Orlando, FL	62,960,000	18,038	36,218	11.80	12.00	-55,940	15.34	-0.8
Palm Beach County, FL	35,726,000	0	0	11.30	11.20	108,839	17.53	-1.7
Philadelphia, PA	149,415,000	54,824	578,604	9.70	9.60	142,191	14.38	-1.0
Phoenix, AZ	103,779,000	1,504	51,284	15.30	16.00	-430,105	14.89	-3.0
Portland, OR	33,932,000	24,000	276,286	8.10	8.50	-32,818	18.20	-0.8
Raleigh/Durham/Chapel Hill, NC	37,847,000	345,933	145,165	8.90	8.50	417,597	14.33	-5.4
Reno, NV	10,337,000	0	0	14.60	14.60	11,608	15.89	-1.1
Sacramento, CA	50,407,000	0	0	13.80	13.80	-31,821	17.55	-2.2
San Diego, CA	54,688,000	34,288	3,500	7.70	7.70	45,320	21.25	-0.8
San Francisco, CA	10,181,000	0	0	4.80	5.10	-45,140	28.43	-5.9
San Jose/South Bay, CA	31,666,000	32,067	137,177	7.30	7.20	13,033	26.22	-3.1
Savannah, GA	6,747,000	0	36,023	8.00	7.80	18,423	14.75	2.0
Seattle/Puget Sound, WA	56,006,000	8,288	45,987	10.40	10.70	-74,620	18.25	-0.7
St. Louis, MO-KS	52,864,000	14,947	231,535	11.00	10.80	157,975	12.41	-0.9
Stockton, CA	18,982,000	0	0	11.10	11.30	-20,722	15.35	-1.7
Tampa/St. Petersburg, FL	87,569,000	85,781	0	11.00	11.00	122,147	13.27	-0.9
Washington, DC	83,843,000	144,734	51,353	7.40	7.50	-54,994	22.67	1.3
Westchester County, NY	31,712,978	0	152,900	6.40	6.40	-5,649	18.62	0.0
U.S. TOTAL/AVERAGE	3,070,924,045	2,017,869	4,049,238	10.69	10.88	1,767,174	15.86	-1.15

*Community and Neighborhood Centers. Source: CoStar, Colliers Research

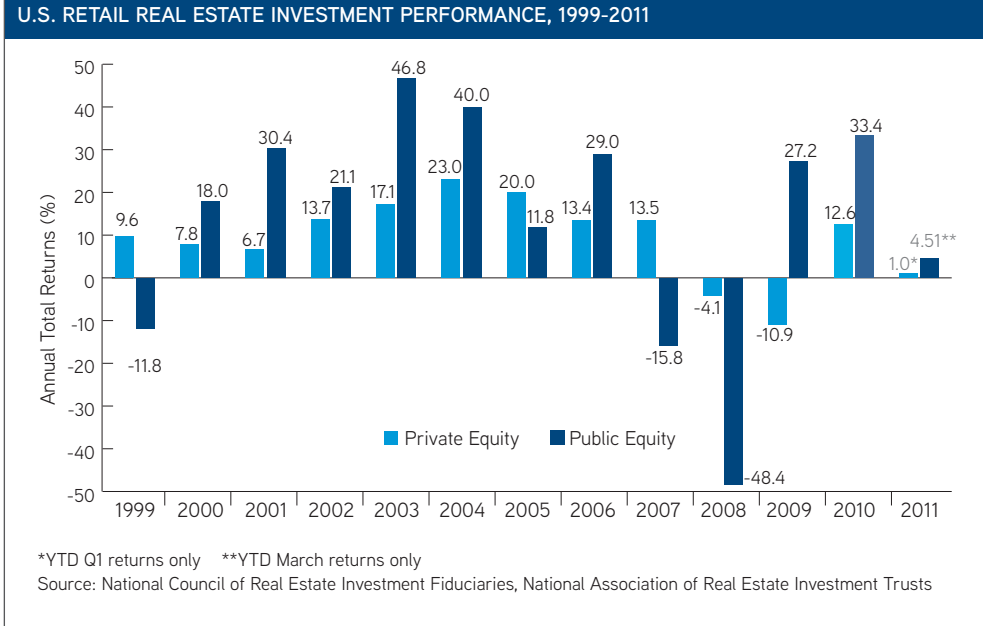
Consumer confidence is a key variable which can act as an important barometer for retailers and landlords. The soft labor market and still-uncertain economic backdrop are both preventing consumers from increasing their spending behavior. Until consumers feel more confident about job security and see a drop in gas and food prices, it is hard to foresee the CCI moving above the 60 to 70 level. At these levels, most consumers will be hesitant to make big purchases and will be preoccupied with a search for value at the best possible price.

UNEMPLOYMENT IS EXPECTED TO REMAIN ELEVATED THROUGH AT LEAST 2015

U.S. unemployment is forecast to finish the year at 8.6 percent and is not expected to drop below 7.0 percent until 2015 (IHS Global Insight). The May jobs report shows the national unemployment rate was 9.1 percent, with many states and metros still registering double-digit unemployment. The latest data shows stubbornly high unemployment rates in states such as Nevada, California, Michigan and Florida in particular. Major metropolitan areas with double-digit unemployment rates include Charlotte, Detroit, Las Vegas, Los Angeles, Memphis, Miami, Sacramento, San Jose and Tampa.

A weak labor market is not the only factor negatively impacting consumer spending. The latest Commerce Department data shows personal incomes are up 4.4 percent for the year ending April; however, real disposable incomes are up a more modest 1.2 percent. With a relatively weak labor market, incomes after inflation are unlikely to grow any more than 1.0 or 2.0 percent. This is a significant headwind, and not one that is expected to disappear anytime soon.

Simultaneously, based on the last few months, the savings rate appears to have leveled out near 5.0 percent. For the past year the savings rate has ranged between 5.0 and 6.0 percent. According to statistics from the U.S. Bureau of Economic Analysis, the personal savings rate in the U.S. hovered in the 0.0 percent to 1.0 percent range from 2005 to early 2008. While this newfound prudence is something that is good for consumers in the long run, it is yet another factor behind reduced consumer spending.

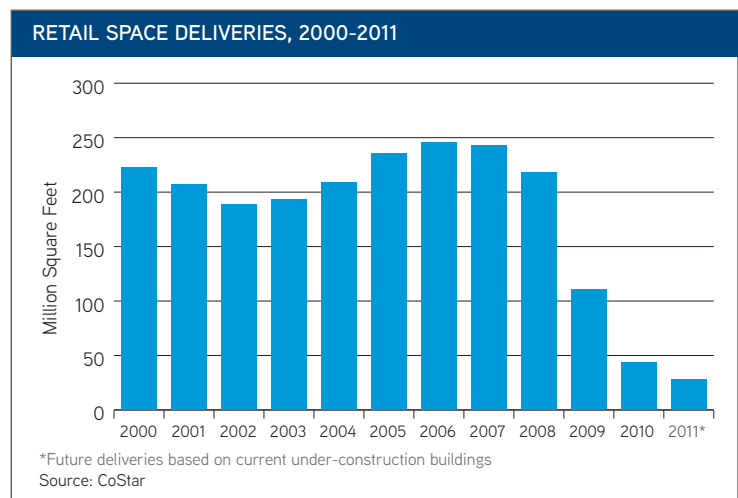


With so many headwinds, the retail landscape remains a broad mix of winners and losers. Bankruptcies continue to be a feature of an uncertain market landscape. In the past year the market has had to digest many retailers seeking Chapter 11 bankruptcy protection, including Borders Group, Blockbuster Video, Great Atlantic & Pacific Tea (A&P), Sbarro Pizza and recently, the Perkins & Marie Callender's restaurant chains. These bankruptcies are primarily due to competition from wholesale clubs, the entry of drug stores in new retail categories and the continued expansion of supercenters. Rising input costs, technology and changing spending habits have also contributed. These most recent bankruptcies come on the heels of Circuit City and Linens 'n Things, both of which filed for Chapter 11 protection in 2008, but also have yet to lease up many of the empty stores scattered across the country.

One positive change over the past 12 months has been the gradual return of credit in the wake of the global financial crisis of 2008/2009. May 2011 data from

the Federal Reserve shows that outstanding commercial loans and industrial leases have increased for the seventh consecutive month, after shrinking for much of 2008, 2009 and 2010. Publicly traded retailers have also seen a surge in their share price, allowing many to raise new equity and once again have access to the capital markets. However, small businesses—often family-owned—continue to face a very restrictive lending environment, restricting new concepts and franchise opportunities.

After a surge in store closings in 2008 and 2009, retailers' shutting stores appears to have moderated. Data from the International Council of Shopping Centers (ICSC) indicates



YEAR-TO-DATE SALES ENDING APRIL 2011 – U.S. CONSUMER

	2011	2010	ANNUAL CHANGE (%)
All Stores	1,471,037	1,361,222	8.1
Motor Vehicle and Parts Dealers	268,412	234,189	14.6
Gasoline Stations	166,213	142,195	16.9
All Stores less Automotive	1,036,412	984,838	5.2
Food and Beverage Stores	195,947	187,111	4.7
Grocery Stores	177,249	168,767	5.0
Health and Personal Care Stores	90,433	85,523	5.7
All Stores Less Automotive, Food, Pharmacies	750,032	712,204	5.3
Building Material and Garden Equipment Stores	87,287	84,913	2.8
General Merchandise Stores	191,726	186,735	2.7
Department Stores (excluding leased departments)	53,224	54,393	-2.1
Clothing and Accessories Stores	66,150	62,752	5.4
Furniture, Home Furnishings, Electronics and Appliance Stores	58,759	58,601	0.3
Furniture and Home Furnishing Stores	27,757	27,720	0.1
Electronics and Appliance Stores	31,002	30,881	0.4
Sporting Goods, Hobby, Book and Music Stores	25,935	24,769	4.7
Miscellaneous Store Retailers	35,778	33,211	7.7
Nonstore Retailers	126,681	111,267	13.9
Food Services and Drinking Places	157,716	149,956	5.2

Source: U.S. Census Bureau. All values are expressed in millions of U.S. dollars and are not seasonally adjusted.

that a total of 146,000 stores closed in both 2008 and 2009, while preliminary data suggests 2010 closings fell to approximately 130,000. This number is expected to stay near this level, highlighting the challenging nature of retail.

URBAN RETAIL

Urban retail continues to be a bright spot relative to suburban retail—however, even the country's premier streets are finding leasing markets fairly challenging. New York, and in particular Fifth Avenue, is a clear exception, buoyed by a bounce-back in the financial services sector and a surge in tourism. Beyond New York, however, landlords continue to struggle to push rents higher. Supporting urban retail and keeping vacancy low is the lack of new construction, with only modest new supply coming on line, often in the form of mixed use. Critical to many downtown retail leasing markets is the preference by many new non-U.S. retailers to locate in more familiar urban environments. Vibrant urban retail markets such as New York, Boston, Los Angeles (West), Chicago,

Honolulu (Waikiki), Seattle, Greenwich, Washington, D.C., San Francisco, San Jose (Santana Row) and Miami continue to perform better than their suburban counterparts.

The average rent for Manhattan's Fifth Avenue surged over the past year, rising by \$900.00 to register \$2,150.00 per square foot. New York's Madison Avenue also jumped higher, increasing by \$118.00 to average \$708.00 per square foot. Storefront retail rents on Los Angeles' Rodeo Drive largely held steady at \$425.00 per square foot. Miami's Lincoln Road shopping district (South Beach) saw rents increase by \$35.00, with current average asking rents standing at \$135.00 per square foot. Post Street, in San Francisco's Union Square shopping district, saw rents increase by 6.3% to \$340.00 per square foot.

VACANCY SURVEY

First-quarter data indicates a current national vacancy rate of 10.88 percent for neighborhood/community centers—an increase of 19 basis points during the quarter, broadly in line with Q1 2010. Despite many of these

shopping centers being anchored by more stable retailers such as grocery and drug stores, vacancies remain elevated by historic standards.

With retail vacancies staying stubbornly high, a significant number of markets still have retail vacancy rates above the 12-percent mark. Phoenix, Detroit and Las Vegas in particular have vacancies over 15 percent, but in descending order all of the following markets have vacancies of 12 percent or higher: Reno (14.6%), Kansas City (14.6%), Atlanta (14.4%), Cincinnati (14.4%), Sacramento (13.8%), Columbus (13.7%), Dallas/Ft. Worth (13.3%), Jacksonville (13.0%), Memphis (13.0%), Cleveland (12.9%), Indianapolis (12.9%), Chicago (12.2%), Omaha (12.2%) and Charlotte (12.1%). Cities that have seen vacancies drop below 12 percent in the last year include Bakersfield (8.5%), Fresno (11.5%), Greenville/Spartanburg (11.5%), St. Louis (10.8%), and Houston (10.3%).

Some of the strongest U.S. markets in terms of low vacancy are those that are land-constrained and have seen a pronounced bounce-back in their local economy. San Francisco, a city of just 49 square miles with only a handful of neighborhood/community centers, serves as a poster child for this scenario with a vacancy rate of just 5.1%. That being said, there were a number of markets that recorded vacancy levels of 7.0% or less—namely Los Angeles (6.7%), Miami/Dade County (6.1%), Boston (6.9%), Hawaii (3.9%), Long Island (4.9%), Orange County (6.2%) and Westchester County (6.4%).

OCCUPANCY GROWTH/ ABSORPTION TRENDS

In terms of occupancy growth, positive net absorption was recorded in 32 of the 58 markets tracked, with the balance returning space to the market. For the 58 markets, first-quarter absorption totaled 1.9 million square feet. This compares with 4.6 million square feet in the fourth quarter and a contraction of 2.2 million square feet in the same period a year ago.

In contrast to a few years ago, very few markets are posting significant occupancy losses, with the exception of Phoenix, where occupied space contracted by 430,000 square

feet. Of the five markets registering significant positive net absorption, Raleigh-Durham led the way with occupied space increasing by 418,000 square feet, followed by Atlanta (402,000 square feet), Long Island (318,000 square feet), Denver (314,000 square feet) and St. Louis (302,000 square feet).

CONSTRUCTION OUTLOOK

The outlook for retail construction remains extremely subdued. During the first quarter, just 2.0 million square feet was brought to the market. This was broadly in line with the prior quarter and only marginally up from a year ago. Compared to the 2005–2007 period, however, current construction is just a fraction of what it was—approximately 10 percent.

Looking toward the balance of 2011 and into 2012, there is little likelihood of development increasing anytime soon. Only 4.0 million square feet of development was underway at the end of the first quarter, compared with 6.9 million square feet a year ago. Construction financing remains very difficult to secure, and rents remain too low to justify new construction. Of the new retail development taking place, most will be power or outlet centers, mixed-use or stand-alone.

RENTAL RATE TRENDS

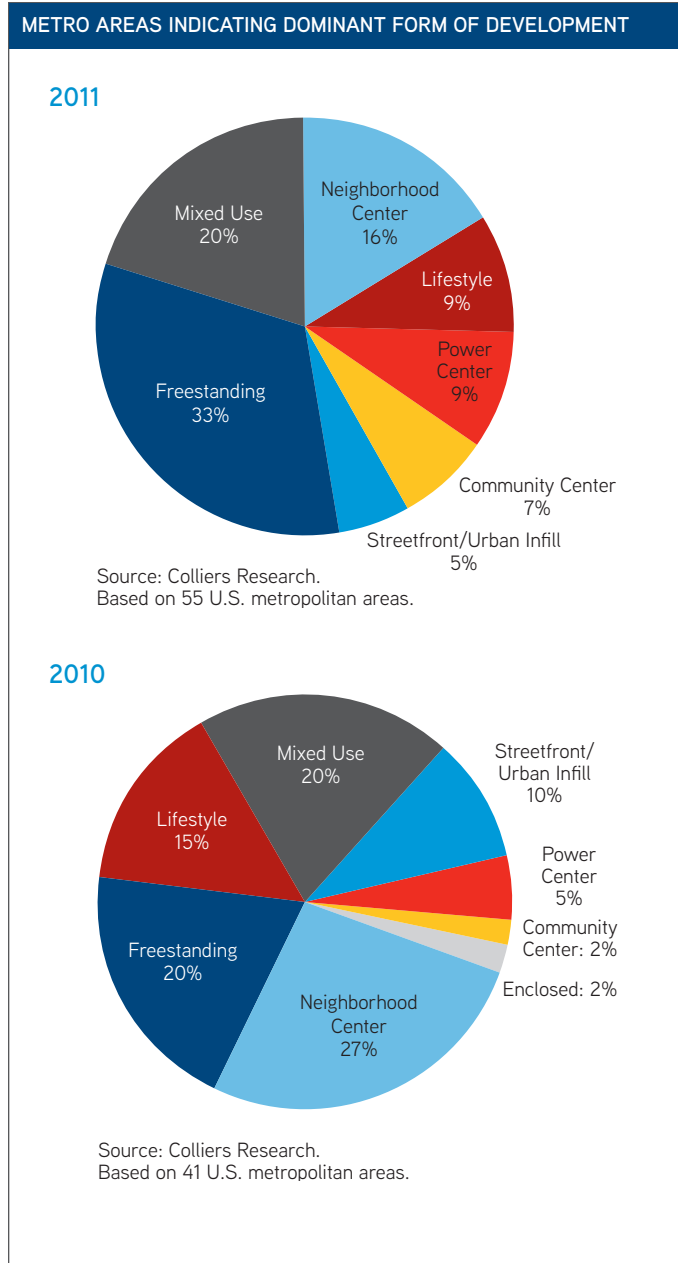
Despite a general improvement in leasing conditions, rents continue to drift lower. During the first quarter, shopping center (neighborhood and community) rents fell a further 1.2 percent to average \$15.86 per square foot. This is the tenth consecutive quarter rents have declined and are now 14.3 percent below levels recorded in the third quarter of 2008. This masks the fact that many markets have seen rents fall by more than twice this amount and even more once concessions are taken into account.

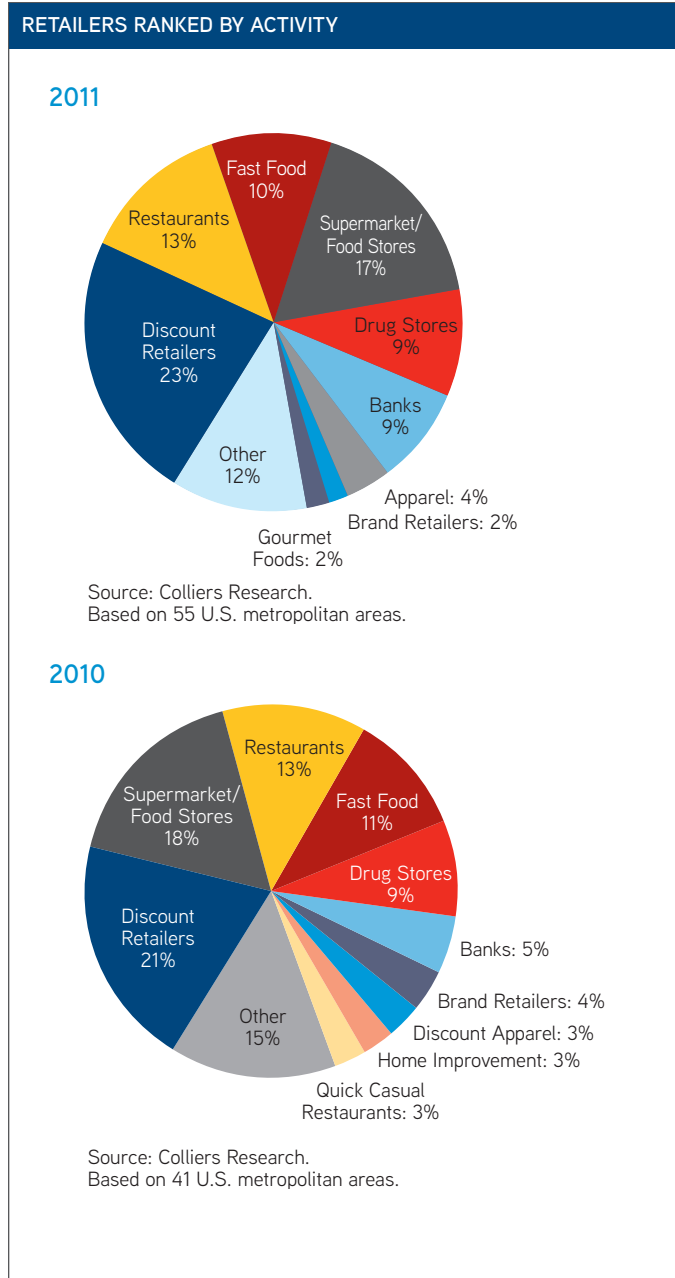
EXPANDING CONCEPTS

A more challenging economy has not been without some winners. Deep discount retailers are expanding aggressively and new entrants in the high-fashion, low price-point sector are opening new stores wherever possible. Discounters including dollar stores, Costco, Winners and Sam’s Club have thrived over the past several years.

Drug stores, restaurants, fast food and grocery stores remain the most active retail categories. Changing demographics continue to help the drug store sector even during the recent downturn in the economy. Drug stores are viewed as recession-resistant for two reasons: first, the aging boomer generation ensures more demand for healthcare; and second, advances in medicine—as well as strong marketing from pharmaceutical companies—has helped to significantly boost prescription drug consumption.

Just as consumers are moving toward the discounter ranks, the same is true for dining. Continued steady same-store sale increases recorded by McDonald’s highlight the growth of the entire fast food sector. Within the fast-food dining sector, burger operators such as In-N-Out, Smashburger and Five Guys are particular standouts. Fast food users are the third-most active user group in our national survey.





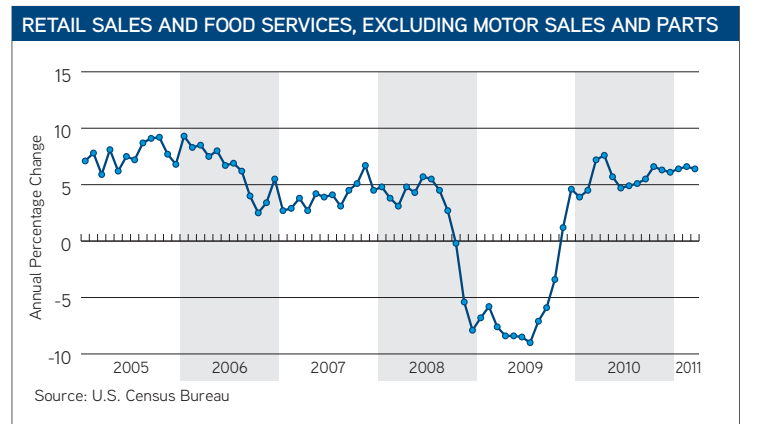
LOOKING AHEAD

The overall retail landscape should broadly improve with the economy, even if recovery is sluggish. Job growth is frustratingly slow, but job creation is focused on high-skill, high-pay jobs. This partly explains the dichotomy that exists in retail today where high-end retailers such as Saks, Neiman Marcus and Nordstrom are posting double-digit same-store sales growth, while discounters such as Dollar Tree, Dollar General and Family Dollar are also recording robust sales.

Online sales are also becoming a significant feature of the retail sector, and an accepted sales channel for almost all retailers, including department stores.; for instance, Macy's May sales numbers were highlighted by a 38 percent increase in online sales year-over-year.

One key trend that will significantly reduce demand in coming quarters is the move to reduce store size by many big box retailers, such as Best Buy. Many traditional big retailers have indicated they no longer believe the ideal store size is 30,000 to 50,000 square feet. Their preference going forward will likely be 15,000 to 30,000 square-foot boxes as online sales continue to grow. The recent rise in gas prices is also spurring growth in online shopping. While prices are unlikely to stay at levels experienced in April, May and June, a return to cheap gas is also probably not a reasonable prospect; as a result, retailers increasingly view online sales as one way to combat higher driving costs.

Lastly, Apple is to a degree redefining the shopping experience, and best reflects some of the changes underway in retail. Apple Stores, with sales now averaging \$4,400.00 per square foot, have quickly become the gold standard in retailing, and almost every center that has an Apple Store is quickly viewed as a premier retail destination. This raising of the bar by Apple should be viewed as a window into the future of retail, and retail space. Not every retail property should look like an Apple Store, but the Apple experience is something that retail property owners should probably try to emulate in varying degrees. Now as ever, retail is constantly changing; the consumer is still much-challenged and is very selective in where they shop.





512 offices in
61 countries on
6 continents

United States: 125
Canada: 38
Latin America: 18
Asia Pacific: 214
EMEA: 117

- \$1.5 billion in annual revenue
- 979 million square feet under management
- Over 12,500 professionals and staff

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Glossary

Community Shopping Center – Usually configured as a strip often in a straight line or “L” or “U” shape. Anchor tenant is typically a discount department store (i.e. Wal-Mart, Target), supermarket or super drug store. A community center typically offers a wider range of apparel and other soft goods than a neighborhood center does. Total gross leasable area is often between 100,000 and 400,000 square feet.

Neighborhood Shopping Center – These centers are designed to provide convenience shopping for the day-to-day needs of consumers in the immediate neighborhood. Anchors are likely to be supermarkets or drugstores. Other tenants might include stores providing sundries, snacks and personal services. Generally, neighborhood centers are 30,000-150,000 SF in size and are configured as strip centers without an enclosed walkway or mall area, but may possibly have a canopy to connect the storefronts.

Power Center – These centers are designed to provide tremendous selection in a particular merchandise category at low prices. Anchors are likely to be category killers, home improvement stores, discount department stores, warehouse clubs or

off-price stores. Generally, regional centers are 250,000-600,000 SF in size and are configured with several freestanding (unconnected) anchors and a minimal number of small specialty tenants.

Lifestyle Center – Non-anchored, open-air specialty center with high concentration of mall type fashion, home, restaurant and entertainment retailers.

Rents – All retail rents in this report are quoted on an annual, triple net per square foot basis.

Cap Rate – (Or going-in cap rate) Capitalization rates in this survey are based on multi-tenant institutional grade buildings fully leased at market rents. Cap rates are calculated by dividing net operating income (NOI) by purchase price.

Land – Price per square foot for typical grocery anchored neighborhood center (fully serviced & entitled/zoned).

Note: **SF** = Square Feet
PSF = Per Square Foot



Accelerating success.