

# MARKETBEAT

## WESTERN VIRGINIA RETAIL REPORT

### Overview

The first quarter of 2011 has ushered in the year with a flourish of new activity.

**In Salem,** Super Shoes and Goodwill have both opened their doors in the former Mitsubishi dealership on Main Street. Five Guys Burgers has closed their only location in the Roanoke market and MovieStarz will be closing their Salem location in the near future.

**On Electric Road,** Plato's Closet is relocating from Towne Square and expanding to 6,000 square feet (sf) in Madison Square. Chocolate Paper will be relocating from Promenade Park to West Village for better visibility and co-tenancy. DirectBuy has closed their only location at Madison Square. N'telos has closed at Keagy Village and Black Forest has closed at Promenade Park. Provisions Gourmet and RSVP will be relocating from Piccadilly Square into the former S&K store across from Tanglewood Mall. Mill Mountain Coffee will be relocating from the Forum shops and has purchased a former bank branch on Ogden Road. Chico's will open their first Roanoke location at the Forum shops by mid-April.

**On Rt.220/Franklin Road,** Wal-Mart opened their newly constructed Supercenter and Kohls has signed their lease to backfill the former Wal-Mart at Hunting Hills.

**In the Towers and Downtown areas,** Thelma's Chicken & Waffles has relocated from Orange Avenue. The renovation of the Patrick Henry will be adding the First & Sixth Restaurant as well as additional retail and office users. The Market Building is still under renovation and is in the process of accepting applications for its vendor opportunities. Dollar General will be constructing a new building West of Towers Shopping Center.

**For Towne Square and Valley View,** the area remains strong with only Birkenstock closing their doors and several interested parties looking to backfill the location. Hibachi Supreme Buffet has opened their doors at Towne Square. Firehouse Subs and Supercuts will each be adding a location in the strip center under construction at the Towne Square Kroger. Steak n Shake still has plans to move forward with their first Roanoke location in front of Crossroads Mall and the former Suntrust in front of Crossroads has also been successfully rezoned allowing for further retail pad site development. Longhorn Steakhouse, a Darden concept, will be constructing a location near to the current Red Robin in the parking lot of the mall.

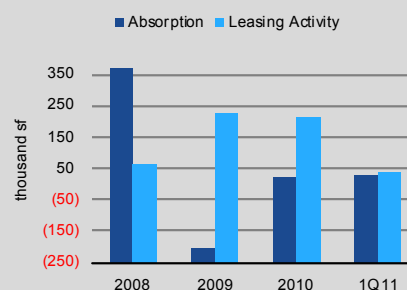
**In the New River Valley,** Petsmart has closed their Pet Hospital, Banfield, located in the space adjacent to their retail location near the New River Valley Mall. A former KFC on University City Boulevard has sold for \$1,020,000 for a future Kroger brand gas pump location. The former Blockbuster video has sold for \$950,000 to an out of town investor and the building will be redeveloped into a multitenant property with a Verizon Wireless authorized agent and Firehouse Subs location. The First & Main development on South Main Street is under new management and will also be adding an Anytime Fitness location.

**In Lynchburg,** Sweet Frog Yogurt has added a second location in the Forest area of that market. The Wal-Mart shopping center on Old Forest Road is close to delivering spaces for the small shop portion of the development and has completed transactions with Great Clips and Gamestop. Liberty University will be using the former Circuit City at Candler's Station for a conference center and the former PharMor as an indoor skating park for their students. Liberty University also owns the shopping center.

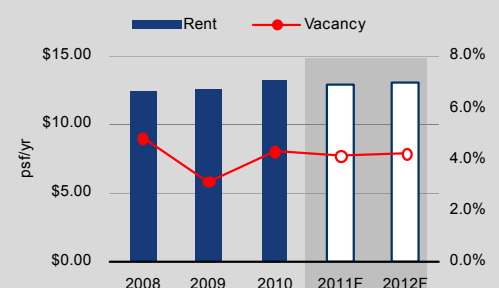
### Stats on the Go

	1Q10	1Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	4.3%	4.1%	-4.7 pp	◀▶
Direct Asking Rents	\$13.18	\$12.87	-2.4%	▲
YTD Leasing Activity (sf)	37,906	34,896	-7.9%	▲

### Absorption vs. Overall Leasing Activity



### Overall Rental vs. Vacancy Rates



## Investment Transactions

Phillips Edison has purchased Lakeside Plaza shopping center on Electric Road in Salem for \$8,750,000, almost \$2 million dollars more than the previous purchase price recorded in 2009. Rivercrest Realty Investors has purchased Wytheville Commons in Wytheville, VA from Developers Diversified. The most notable investment news to date was the announcement that New York based Blackstone Group will be purchasing Centro Properties retail assets. Specific details of the proposed transaction is still unknown, Centro Properties currently has seven shopping centers located in the Western portion of Virginia.

## Outlook

It should also be noted that trends that were discussed in 2010 are now showing new activity in 2011. The movie rental and book concepts are still showing signs of increased stress and will continue to expand into kiosk locations and online sales to replace their brick and mortar formats. In this area of Virginia we are also beginning to see a similar trend with older generation mattress and fast food retail locations. Food and dessert concepts and more specifically yogurt and quick service restaurant formats are beginning to show a positive trend of activity for western Virginia.

While there has been a strong amount of activity across most of the markets in the western portion of the state this activity has mainly revolved around relocations of existing tenants currently in the marketplace. This is mainly explained by the fact that retailers are still in a position to upgrade their real estate locations as well as negotiate with competing properties to create the best transaction and a healthy occupancy cost. This is also the case because of the continued lack of new construction for the western portion of Virginia.

From the investment side, the leasing up of vacant spaces and freeing up of capital has encouraged investors waiting on the sidelines for the recovery to invest their funds. There are properties now available that are either lender owned or are close to this outcome. There are several notable areas of potential development for retailers and developers who are ready to look at new construction opportunities. It will be interesting to see if landlords and investors will choose to build new construction or acquire an existing opportunity.