

MARKETBEAT

RETAIL SNAPSHOT

ROANOKE, VA

A Cushman & Wakefield Alliance Research Publication

Q4 2011



ECONOMIC OVERVIEW

With 2011 coming to a close this presents an opportunity to take a closer look at a few of the economic indicators that have a larger impact on the retail sector.

Businesses are adding employees, despite the current US economy. The nation has seen almost double the jobs in the first three quarters of 2011 than it did in the same 2010 period - 1,074,000 versus 524,000 last year. The unadjusted unemployment rate nationally remains around 9.0%. By comparison, Virginia's unadjusted rate is 8.2%. Unemployment rates are falling in the region faster than both Virginia and the United States. Our regions combined unemployment rates as of October was 6.3% compared to October of 2010 of 6.9%.

Holiday sales are also a contributing factor to the retail sector. The National Retail Federation revised its holiday forecast upward just prior to Christmas and expected holiday sales to rise 3.8% this year to a record \$469.1 billion. The NRF also reported that sales for November rose 4.5% year-over-year.

RETAIL MARKET OVERVIEW

The New River Valley marketplace remained fairly stagnant and maintained a vacancy rate of around 7.0% through the year. Notable transactions included Kool Smiles at Spradlin Farms, Cook Out's first location in the region on Main Street in Blacksburg, Anytime Fitness at First & Main and Verizon Wireless and Firehouse Subs on University Boulevard. Developments to watch in 2012 will be First & Main Shopping Center in Blacksburg, which needs to be stabilized and re-merchandised correctly, and if the area around the New River Valley mall can capitalize on the opportunity of potential new big box retailers that wish to enter the marketplace.

The Roanoke marketplace maintained a trend of positive growth and a strong vacancy rate of only 3.9%. The main driver has been very limited construction. The Valley View mall submarket continues to be the market leader and is currently 100% occupied. Notable transactions included Kirkland's at Towne Square, Longhorn Steakhouse on a pad site at Valley View mall, Kohls backfilling a former Walmart on Rt. 220, Ollies opening their first location in the market at Spartan Square in Salem and a numerous amount of new retailers at Towers SC including Chipotle, Joann Fabrics, and Doctors Express. The market also saw its own local self-service yogurt trend.

The Lynchburg marketplace maintained its health throughout the year and a vacancy rate of around 7.0% to close out 2011. The Wards Road corridor remained very tight with only a few new vacancies that were quickly backfilled position themselves in a way to land new retailers that are looking for a Roanoke location and if Southpeak and Valley View South will be able to gain enough momentum to begin

construction and if the latter can find a developer to move forward. The Riverside project adjacent to Carilion's medical campus also has the potential to draw in a mixture of exciting tenants.

OUTLOOK

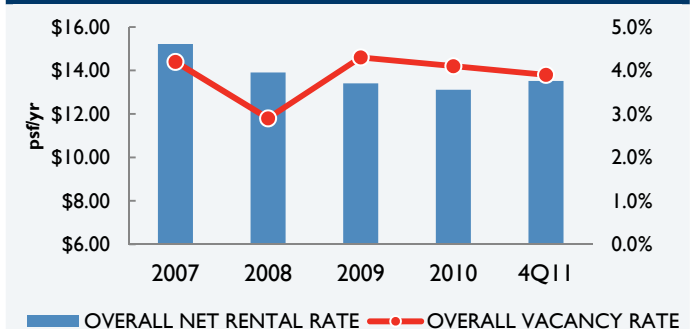
The Western portion of Virginia has trended well when benchmarked against the state and national averages and presents itself as a potential opportunity for new development and expansion for developers and retailers that are comfortable with growth in a tertiary marketplace. Trends that will affect our region in 2012 will revolve around retailers that decide to decrease their current footprint in their existing locations, and retailers that are in a growth mode and have the appetite for tertiary markets and consumer spending.

ECONOMIC INDICATORS

NATIONAL	2010	2011F	2012F
GDP Growth	3.0%	1.8%	2.6%
CPI Growth	1.6%	3.2%	2.1%
Consumer Spending Growth	2.0%	2.2%	2.3%
Retail Sales Growth	6.4%	8.3%	6.1%
REGIONAL	2010	2011F	2012F
Household Income	\$34,166	\$34,500	\$34,902
Population Growth	0.5%	0.3%	0.3%
Unemployment	6.9%	6.1%	6.0%

Source: Moody's Analytics

OVERALL RENTAL VS. VACANCY RATES



Source: CoStar

MARKET HIGHLIGHTS

SIGNIFICANT 2011 LEASE TRANSACTIONS				
	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
1475 W. Main Street	Southwest Roanoke	Ollie's Bargain Outlet	Community Center	28,778
2235 Colonial Avenue	Southwest Roanoke	JoAnn Stores	Community Center	22,980
1455 Towne Square Boulevard	Northeast Roanoke	Hibachi Sushi & Supreme Buffet	Power Center	10,157
SIGNIFICANT 2011 SALE TRANSACTIONS				
	SUBMARKET	BUYER	PURCHASE PRICE	SQUARE FEET
840 West Main Street – Lowe's	Salem City	Cole Real Estate Investments	\$28,600,000	120,000
4208 Franklin Road SW – Hunting Hills	Southwest Roanoke	Brixmor	\$11,300,000	166,207
6800 Gander Way – Gander Mountain	Northeast Roanoke	N/A	\$11,100,000	65,987
161 Electric Road – Lakeside Plaza	Northwest Roanoke	CBRE Global Investors	\$9,000,000	82,033
SIGNIFICANT 2011 CONSTRUCTION COMPLETIONS				
	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
2 Rock Hill Road	South Franklin County	Dollar General	2Q11	9,100
SIGNIFICANT PROJECTS UNDER CONSTRUCTION				
	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
3318 Brandon Avenue SW	Southwest Roanoke	Dollar General	1Q12	8,000

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS

ROANOKE SUBMARKET STATISTICS

SUBMARKET	INVENTORY	QUARTERLY CHANGE IN INVENTORY	VACANCY RATE	DEMAND (OCCUPIED SQUARE FEET)	ASKING RENT	RENT GROWTH	ABSORPTION
Botetourt County	1,309,015	0	7.6%	1,209,415	\$18.86	0.0%	1,700
Craig County	14,050	0	0.0%	14,050	\$0.00	0.0%	0
Downtown Roanoke	2,264,710	0	2.7%	2,202,670	\$9.07	0.0%	(13,851)
North Franklin County	697,240	0	7.5%	645,099	\$9.03	0.0%	600
Northeast Roanoke	6,290,416	0	2.4%	6,140,183	\$13.37	0.8%	(46,253)
Northwest Roanoke	3,116,835	0	3.5%	3,006,364	\$8.49	(3.9%)	(8,105)
Salem City	113,000	0	0.0%	113,000	\$0.00	0.0%	0
South Franklin County	805,690	0	3.0%	781,241	\$11.73	0.0%	2,300
Southeast Roanoke	1,278,867	0	7.0%	1,189,181	\$10.70	(0.1%)	(3,233)
Southwest Roanoke	6,882,913	0	4.5%	6,576,321	\$15.12	(3.0%)	4,136
TOTAL MARKET	22,772,736	0	3.9%	21,877,524	\$13.19	(1.5%)	(62,706)

* RENTAL RATES REFLECT ASKING \$PSF/YEAR