

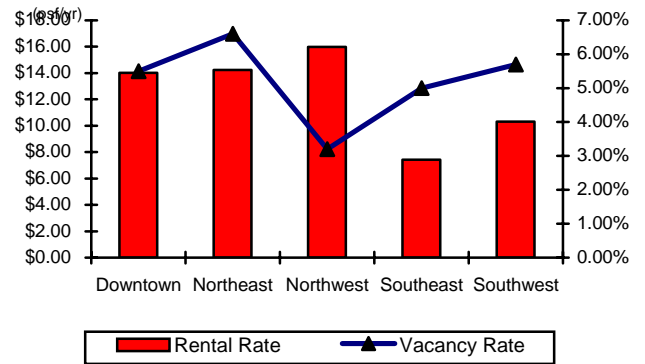
RETAIL OVERVIEW RICHMOND, VIRGINIA

First Quarter 2006

The Richmond retail market continued its significant gains in the first quarter of 2006, which has been the consistent story for the past few years. National retailers have finally found their niche in the market and successful retail activity continues to attract new retailers to the market. The overall vacancy rate is at little more than 5% and rental rates are strong with the overall rates in excess of \$13.00 per square foot on a triple net basis. The northwestern quadrant (NWQ) leads the pack with an overall vacancy rate of 3.5% and an average asking rate of \$17.45 NNN. Another 85,000 square feet of retail space was delivered to the market in the first quarter, yet vacancy rates declined.

In the northwestern quadrant (NWQ), The Shops at Twin Oaks (40,000 sf) completed construction and delivered the space to tenants including new comers to the market, Wild Noodles and Planet Beach. The former Rockola Café building was expanded and converted to retail space and is now known as The Shops at Tripps which delivered space to tenants Cold Stone Creamery and Penn Station Subs. Westgate delivered phase II which includes California Tortilla and Sterling Boutique. The southwestern quadrant (SWQ) is continuing to see activity in several of its submarkets including the South Chesterfield retail submarket where Chili's has opened, Target is expanding, Kroger is under construction and a new Eckerd's and Dollar Tree are in the planning stages. In the Swift Creek submarket, phase II of The Village of Swift Creek is getting off the ground with leases signed with Babies R Us and Ross Dress for Less and Wal-Mart has announced plans to locate at the long awaited Clover Hill MarketPlace. In Midlothian Village West the Watkins Centre project finally received its rezoning approvals

Direct Rental Rates vs. Vacancy Rates



The Northwestern Quadrant leads the pack with an overall vacancy rate of 3.5% and an average asking rate of \$17.45 on a triple net basis.

allowing the planned Westchester project to move forward with finalizing leases with its anchor tenants and an additional 500,000 square feet plus of retail space at the hot new Midlothian interchange with Route 288. Activity in the northeastern quadrant (NEQ) includes Tractor Supply Company leasing nearly 35,000 sf in Hanover Village and TJX has signed a deal to anchor the North phase of Hanover Square. The southeastern quadrant (SEQ) isn't to be left out with interest heating up on the new Forest City project at Laburnum Avenue & I-64 which is rumored to be anchored by Target and a home improvement concept.

Investment interest in the market included the sale of two shopping centers in the SWQ. The desirability of projects along Hull Street Road is highly noticeable as evidenced by the differential in prices between Commonwealth Centre located in the Swift Creek retail submarket and Cross Pointe in the Midlothian E/Hull Street submarket. Although there is little more than a 5-mile distance, they are a world apart in terms of rental rates and desirability reflecting the \$65 psf purchase price differential.

All in all, the continued low vacancy rates and stable rents continue to generate interest by both developers and retailers alike. ■

THALHIMER / CUSHMAN & WAKEFIELD MARKET HIGHLIGHTS**Significant 1Q06 New Lease Transactions**

BUILDING	SUBMARKET	TENANT	SQUARE FEET	CLASS
Hanover Square North	Northeast	Marshall's	±25,000 SF	A
Hanover Village	Northeast	Tractor Supply Company	34,573 SF	C
Clover Hill Market Place	Southwest	Wal-Mart	±200,000 SF	A

Significant 1Q06 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
Commonwealth Centre I	Swift Creek	Four Plus Commonwealth Centre, LLC	122,838 SF	\$14,500,000
Cross Pointe	Midlothian E / Hull St	Cross Pointe Station, Inc.	104,000 SF	\$4,100,000

Significant 1Q06 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Shops at Tripps	Far West End South	Tripps	±12,995 SF	March 2006
Shoppes at Twin Oaks	Broad Street Corridor	Ipanema Grill	±40,000 SF	January 2006
Shoppes at Westgate II	Broad Street Corridor	Sterling Jewelers	±15,000 SF	February 2006

Significant Projects Under Construction

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Willow Lawn	Willow Lawn	Ross Stores, Gold's Gym	±500,000 SF renovation	Fall 2006
Short Pump Station	Short Pump	Pelco	±85,000 SF	Fall 2006
Breckenridge	South Chesterfield	Kroger, Kohl's, KMart	±60,000 SF expansion	Fall 2006

THALHIMER / CUSHMAN & WAKEFIELD MARKET/SUBMARKET STATISTICS

Market/Submarket	Inventory	No. of Bldgs.	Overall Vacancy Rate	Direct Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Direct Absorption	Direct Wtd. Avg. Rental Rate*
Retail									
Downtown	3,523,621	432	6.3%	6.3%	4,350		0	(32,250)	\$13.61
I-95 / Chamberlayne / NE	592,262	64	2.2%	2.2%	1,000		0	1,000	\$13.31
Laburnum / Route 360	3,029,776	418	12.9%	9.6%	7,863		0	(9,982)	\$12.34
Mechanicsville	2,566,179	186	2.3%	2.3%	7,500		0	47,666	\$18.38
Broad St Corridor	2,265,543	119	2.8%	2.8%	19,906		55,000	25,362	\$20.22
Far West End North	218,471	25	7.7%	7.7%	0		0	0	N/A
Far West End South	1,047,527	51	9.4%	9.2%	5,000		12,995	3,700	\$16.33
I-95 Ashland / NW	1,425,357	146	2.6%	2.6%	0		0	(2,850)	\$9.43
Near West End	3,332,270	612	3.3%	3.3%	9,500		0	(41,999)	\$15.84
Regency	2,077,746	82	1.6%	1.6%	7,441		0	3,638	\$18.02
Short Pump	3,386,798	61	2.5%	2.4%	1,326		0	3,019	\$30.51
Staples Mill / Parham	6,943,924	433	2.7%	2.2%	10,734		0	11,284	\$16.23
Willow Lawn	3,075,536	246	6.6%	6.6%	0		0	(1,974)	\$12.89
East End	3,739,641	431	4.7%	4.7%	6,706		0	12,738	\$8.31
Jeff Davis Corridor	3,272,182	497	10.6%	10.6%	0		0	(90,190)	\$2.32
Midlothian E / Hull St	7,847,130	528	7.2%	6.8%	9,868		0	(55,716)	\$9.97
Midlothian Village	834,458	50	16.4%	16.4%	6,600		0	32,668	\$15.20
Midlothian West	6,151,929	241	4.6%	4.3%	7,617		0	(84,174)	\$22.00
South Chesterfield	2,706,047	218	2.7%	2.7%	8,448		0	10,900	\$14.14
Swift Creek	3,543,141	116	5.9%	5.6%	4,600		16,400	11,440	\$15.50
Downtown Retail	3,523,621	432	6.3%	6.3%	4,350		0	(32,250)	\$13.61
Northeast Retail	6,188,217	668	7.5%	5.9%	16,363		0	38,684	\$15.72
Northwest Retail	23,773,172	1,775	3.5%	3.3%	54,464		67,995	180	\$17.45
Southeast Retail	3,739,641	431	4.7%	4.7%	6,706		0	12,738	\$8.31
Southwest Retail	24,354,887	1,650	6.6%	6.4%	37,133		16,400	(175,072)	\$11.20
Total	61,579,538	4,956	5.4%	5.0%	119,016 #		84,395	(155,720)	\$13.01

* Rental rates reflect \$psf/year NNN

For more information, please contact one of our Brokerage Professionals
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