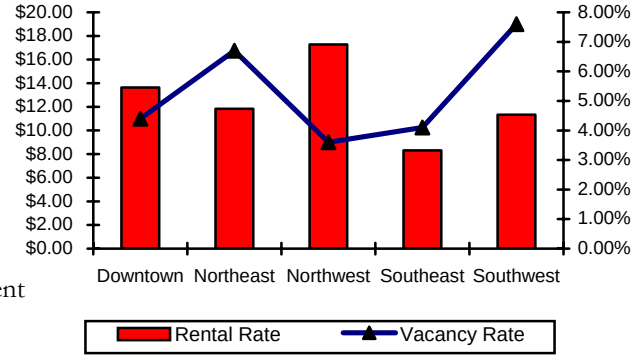
MARKETBEAT SNAPSHOT

RETAIL OVERVIEW
RICHMOND, VIRGINIA

Fourth Quarter 2006

The Richmond retail market continues to perform well with over four million in proposed new development of retail space for the coming New Year. Traditionally, overall vacancy rates are stagnant in the fourth quarter as retailers wait for the end of the holiday season and a successful finish to the height of shopper activity before taking on new projects that will require new marketing. Overall vacancy rates in the Richmond area reflected the trend with almost unchanged numbers, going from 5.7% in the third quarter to 5.8 % in the fourth quarter in line with the healthy local economic market. Most of the NW quadrant continued to perform well with fourth quarter overall vacancy rates of 3.8%, faring particularly well in the Short Pump area with an overall vacancy rate of only 1.4%. New construction has continued near the successful Short Pump Town Center along West Broad Street with the addition of the mixed use West Broad Village at the intersection with I-64 just minutes from the Town Center. The 495,000-sf project will showcase the hotly anticipated Whole Foods Market; the adjoining Short Pump Station anchored by Petco; Town Center West, located on the western side of the outdoor mall offering upscale options such as a new Hilton Hotel and Ethan Allen showroom; and The Corner at Short Pump received unanimous approval from the Henrico County Planning Commission in its plan for a lifestyle center development directly across from Short Pump Town Center. Short Pump Town Center recently added the national retailer, West Elm.

Direct Rental Rates vs. Vacancy Rates



In the SW quadrant along the Midlothian corridor is the highly anticipated Cloverleaf Mall project which will be a public and private joint venture between Chesterfield County and Crosland Developers as an infill redevelopment project. Most of the older Cloverleaf Mall will be bull-dozed to make way for 250,000 sf of new retail space on 25 acres.

Another exciting project is the White Oak Village along the eastern corridor of I-64 which has lacked any large retailers to date, besides grocery stores. The same group that built the successful Short Pump Town Center, Forest City Enterprises, will be developing their new "PowerTown" project that will encompass 134 acres with over 900,000 sf of retail and lifestyle space. So far there is only one proposed project looking to shadow White Oak Village, however, national retailers and developers will be watching to see if White Oak Village and the retailers that land there are successful and if the area will support their use.

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The completion of Rt. 288, connecting the NW quadrant with the SW, has been a bigger success than expected and has led to the proposed development of Watkins Centre Corporate Park and its retail components Westchester Commons and The Shoppes at Westchester. Westchester Commons is planned to be developed in four stages, ultimately consisting of one million sf of retail and The Shoppes at Westchester will add another 250,000 sf of retail to the mix. The Watkins Centre retail component is situated in the SW quadrant at the junction of Rt. 288 and Midlothian Turnpike. Watkins Centre has 3.2 million sf of proposed office space which, once developed, will help support the retail component.

Retailers that are new to the market are Ross Dress for Less at Willow Lawn (with more stores coming soon), REI at West Broad Village, and the recent arrival of another upscale grocer, Fresh Market at Ridge Shopping Center. Recent deals include Target's purchase of land at Staples Mill Square in the NW quadrant, a Wal-Mart Super Center under contract at Hancock Village in the SW quadrant, and a new Best Buy at Bell Creek Commons in Mechanicsville in the east end of the Richmond area. The city of Richmond may see the addition of a movie theater at Boulevard and Leigh Streets in Boulevard Square by Bow Tie Partners, bringing the first multi-screen movie theater into the city limits in decades.

Thalhimer
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THALHIMER MARKET HIGHLIGHTS

Significant 4Q06 New Openings

BUILDING	SUBMARKET	TENANT	SQUARE FEET	ANCHORS
N/A				

Significant 4Q06 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
Harbour Pt. Village	Swift Creek	JP Morgan Investment Mgmt.	26,000	$12,500,000
Harbour Pt. Ukrops	Swift Creek	JP Morgan Investment Mgmt	57,559	$10,665,470

Significant 4Q06 Construction Activity

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	STATUS
West Broad Village	Short Pump	Whole Foods	495,000	Delivers 1/2008
Staples Mill Square	Staples Mill/Parham	Target	200,000	Delivers 10/2007
Town Center West	Short Pump	Ethan Allen & Hilton	110,000	Delivers 1/2008
Short Pump Station	Short Pump	N/A	90,000	Delivers 6/2007
Northcross Center	I-95 Ashland	Home Depot	85,000	Delivers 4/2007

THALHIMER 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	3,579,838	433	4.4%	4.4%	29,851	0	0	23,249	$13.64
I-95 / Chamberlayne / NE	580,689	63	2.4%	2.4%	8,625	0	0	(3,425)	$15.19
Laburnum / Route 360	3,104,816	422	10.7%	10.4%	29,495	0	0	(37,079)	$8.59
Mechanicsville	2,585,466	187	3.3%	3.3%	56,784	75,000	9,702	255	$17.15
Broad St Corridor	2,241,748	122	3.7%	3.5%	42,466	33,400	55,000	25,105	$14.70
Far West End North	477,131	27	3.5%	3.5%	0	0	0	(16,800)	N/A
Far West End South	1,350,686	58	6.6%	6.6%	40,128	0	12,995	(24,233)	$14.95
I-95 Ashland / NW	1,687,932	150	4.5%	4.1%	4,928	242,000	0	210,876	$17.72
Near West End	3,564,142	614	3.0%	3.0%	32,645	0	31,267	6,367	$17.06
Regency	2,172,698	87	3.1%	3.1%	28,516	0	0	(33,224)	$17.08
Short Pump	3,086,871	61	1.4%	1.3%	13,543	695,000	0	8,724	$29.96
Staples Mill / Parham	6,986,529	437	3.2%	3.0%	48,292	218,200	46,210	(44,474)	$18.52
Willow Lawn	3,002,446	247	7.5%	7.0%	25,289	0	0	(7,518)	$12.76
East End	3,500,751	433	4.1%	4.1%	37,546	0	0	48,196	$8.35
Jeff Davis Corridor	3,217,219	492	16.4%	16.4%	74,802	0	0	(162,254)	$4.10
Midlothian E / Hull St	8,026,395	530	8.1%	7.6%	52,983	30,770	0	(68,215)	$8.56
Midlothian Village	667,841	49	18.6%	18.6%	96,014	0	0	13,954	$15.04
Midlothian West	6,109,897	243	4.8%	4.3%	81,748	0	25,000	(34,234)	$16.56
South Chesterfield	2,780,475	227	3.4%	3.4%	42,170	34,641	23,700	(11,337)	$14.09
Swift Creek	3,020,547	119	6.9%	5.9%	55,192	0	36,400	24,460	$14.94
Downtown Retail	3,579,838	433	4.4%	4.4%	29,851	0	0	23,249	$13.64
Northeast Retail	6,270,971	672	6.9%	6.7%	94,904	75,000	9,702	(40,249)	$11.83
Northwest Retail	24,570,183	1,803	3.8%	3.6%	235,807	1,188,600	145,472	124,823	$17.28
Southeast Retail	3,500,751	433	4.1%	4.1%	37,546	0	0	48,196	$8.35
Southwest Retail	23,822,374	1,660	7.9%	7.6%	402,909	65,411	85,100	(237,626)	$11.34
Total	61,744,117	5,001	5.8%	5.5%	801,017 #	1,329,011	240,274	(81,607)	$13.00

* Rental rates reflect $psf/year NNN

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