



RETAIL OVERVIEW RICHMOND, VIRGINIA

First Quarter 2007

The robust Richmond retail market continued its boom through the first quarter of 2007 as new retail construction continued and national retailers looked to duplicate their success in the market with additional locations. A healthy U.S. economy, interest rates which have held steady despite outside predictions, and a low unemployment rate of only 3.2% in Virginia helped dispel consumer concerns over rising fuel prices even with a colder than average February. The Gross Domestic Product (GDP) also continued to grow at a fast-paced 5.6% for the first quarter indicating a surge in consumer spending, particularly when compared to the sluggish fourth quarter performance of only 1.7%.

The Far West End North market remained steady at a rate of 3.5% while the Far West End South tightened further with an overall vacancy rate that went from 6.6% to 5.9% in the first quarter. Developer's continue to have interest in the Short Pump market with new projects breaking ground, getting zoned and being planned...all centered around the successful Short Pump Town Center mall. Petco and Shane Co. will anchor the 90,000 sf Short Pump Station which is expected to open at the end of the third quarter, followed quickly by the openings of Whole Foods in West Broad Village, and Ethan Allen and a full-service Hilton Hotel in Town Center West in the first quarter of next year. The Corner at Short Pump received zoning approval for a 250,000-sf mixed-use project directly across from Short Pump Town Center.

The White Oak Village project along I-64 at Laburnum Avenue in the city's East End plans to accommodate over 900,000 sf of retail and lifestyle space. This announcement has prompted another developer to place 14 acres under contract nearby to accommodate the "spill-over" effect.

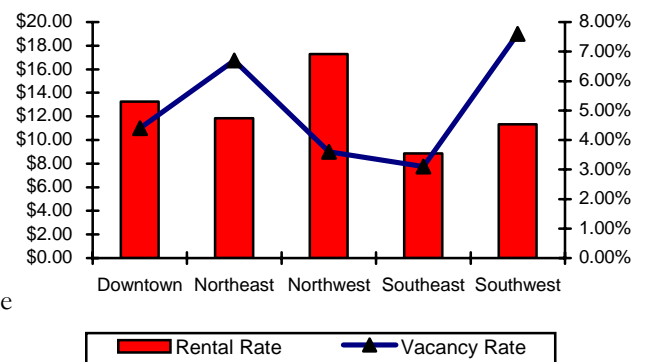
Also out in the South East quadrant is The Vineyards at New Kent, a mixed-use project with a retail component on 100 acres. The project includes plans for vineyards, polo fields and upscale rooftops. Located in the middle of these two large projects is the long-overlooked Varina area which could finally benefit in the future with retail and residential fill-in.

The I-95 Ashland market saw an improvement in overall vacancy rates in the first quarter of this year dropping from 4.5% to 2.6%. The area retail markets remained statistically unchanged in overall vacancy rates except for the Southeast retail market which showed improvement going from 4.1% to 3.1% in the first quarter.

Other news across the Richmond retail market is the opening of a new 86,700 sf luxury Kroger Supermarket at Ivymont Square. This store is the largest Kroger in Virginia and includes a 30-seat Starbucks, drive-through prescription window, a large specialty cheese selection and a temperature controlled wine cellar. Another Kroger is currently under construction at Breckenridge at Rt 1 and Route 10 in Chester.

Other significant openings in the first quarter of this year include Ross, Petco and Babies 'R Us in the Swift Creek submarket. Chipotle opened a 2,500 sf store at West Broad Street and Willow Lawn Drive. A "mini" Wal-Mart Super Center of 115,000 sf opened on Parham Road and adjacent in Regency Mall Texas De Brazil opened its first restaurant in the market. Marshall's added another store with 28,000 sf at Hanover Square North and a WaWa station opened on West Broad Street near Rt. 288. Bell Creek Commons, to be anchored by Best Buy, has broken ground in the Mechanicsville area. A new Target will be added to the retail scene at Staples Mill Square in the Staples Mill/Parham market in October of this year. Lowes and another Target are among the multiple anchors slated to anchor White Oak Village which recently broke ground in the Laburnum / 360 submarket.

Direct Rental Rates vs. Vacancy Rates



THALHIMER MARKET HIGHLIGHTS

Significant 1Q07 New Openings

BUILDING	SUBMARKET	TENANT	SQUARE FEET	ANCHORS
Parham Plaza	Regency	Wal-Mart	115,000	Wal-Mart, Staples
Ivymont Square	Rt. 288 Corridor	Kroger	86,700	Kroger
Village at Swift Creek	Swift Creek	Ross, Petco, Babies 'R Us	74,000	Kroger, Petco
Commonwealth Centre	Swift Creek	Best Buy	42,300	Best Buy, TJ Maxx
Hanover Square North	Mechanicsville	Marshall's	28,000	Old Navy, BJ's Wholesale

Significant 1Q07 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
Inland Mid-Atlantic Portfolio	Various	Developers Diversified	637,096	\$87,693,088
Cloverleaf Mall	Midlothian E/Hull St.	Crosland	804,000	\$9,200,000
The Shops at Stonehenge	Midlothian West	HFI Real Estate	31,170	\$6,950,000

Significant 1Q07 Construction Activity

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	STATUS
White Oak Village	Laburnum/Rt. 360	Target, Lowes	1,000,000	Delivers 8/2008
West Broad Village	Short Pump	Whole Foods	495,000	Delivers 1/2008
Staples Mill Square	Staples Mill/Parham	Target	200,000	Delivers 10/2007
Short Pump Station	Short Pump	Petco, Shane Co.	90,000	Delivers 6/2007

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	3,586,620	435	5.0%	5.0%	4,400	0	0	(15,888)	\$13.26
I-95 / Chamberlayne / NE	580,598	65	1.6%	1.6%	0	0	0	9,872	\$17.38
Laburnum / Route 360	2,873,389	423	11.6%	11.6%	30,687	0	0	(169,752)	\$8.88
Mechanicsville	2,490,637	186	4.5%	4.5%	5,440	75,000	0	(26,437)	\$15.90
Broad St Corridor	2,237,108	128	6.7%	6.6%	19,370	30,000	3,400	(74,166)	\$16.21
Far West End North	477,131	27	3.5%	3.5%	0	0	0	0	N/A
Far West End South	1,286,337	57	5.9%	5.8%	24,510	0	0	2,992	\$15.41
I-95 Ashland / NW	1,564,671	155	2.6%	2.2%	4,800	242,000	0	11,125	\$9.25
Near West End	3,428,261	612	3.1%	3.1%	5,100	0	0	3,562	\$17.11
Regency	2,102,003	84	3.3%	3.3%	0	0	0	(3,229)	\$16.74
Short Pump	3,193,351	63	1.5%	1.4%	7,364	695,000	0	(7,917)	\$29.65
Staples Mill / Parham	6,969,528	444	3.6%	3.3%	9,753	218,200	0	(28,545)	\$17.20
Willow Lawn	3,006,706	249	9.0%	8.5%	2,700	0	0	(38,740)	\$11.34
East End	3,473,622	433	3.1%	3.1%	69,704	0	0	(32,841)	\$8.85
Jeff Davis Corridor	3,144,259	494	18.8%	18.8%	37,625	0	0	(166,298)	\$4.17
Midlothian E / Hull St	7,692,924	533	7.8%	7.3%	17,652	0	30,770	67,409	\$9.07
Midlothian Village	698,201	50	4.5%	4.5%	5,520	0	0	(1,200)	\$14.96
Midlothian West	5,984,855	242	5.2%	4.8%	13,406	0	0	(23,742)	\$16.57
South Chesterfield	2,775,241	233	3.9%	3.9%	13,017	17,441	17,200	1,509	\$13.98
Swift Creek	3,025,835	122	4.8%	3.8%	9,471	0	0	25,500	\$16.94
Downtown Retail	3,586,620	435	4.4%	4.4%	4,400	0	0	(15,888)	\$13.26
Northeast Retail	5,944,624	674	6.9%	6.7%	36,127	75,000	0	(186,317)	\$11.83
Northwest Retail	24,265,096	1,819	3.8%	3.6%	73,597	1,185,200	3,400	(134,918)	\$17.28
Southeast Retail	3,473,622	433	3.1%	3.1%	69,704	0	0	(32,841)	\$8.85
Southwest Retail	23,321,315	1,674	7.9%	7.6%	96,691	17,441	85,100	(96,822)	\$11.34
Total	60,591,277	5,035	5.9%	5.6%	280,519 #	1,277,641	88,500	(466,786)	\$12.96

* Rental rates reflect \$psf/year NNN