MARKETBEAT SNAPSHOT

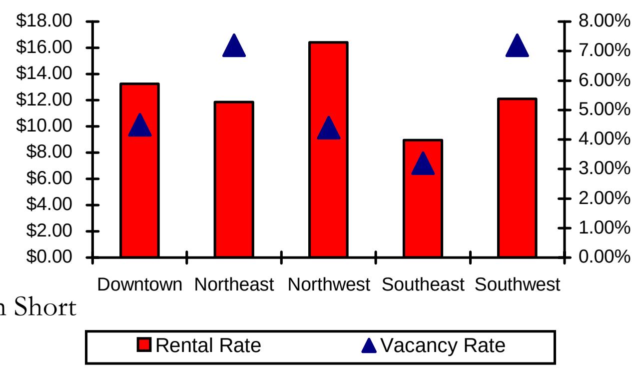
RETAIL OVERVIEW
RICHMOND, VIRGINIA

Second Quarter 2007

Economic indicators are positive for the Richmond retail market as over four million square feet of retail space continues to come on-line and new jobs are added to the area. "Per capita, we have more retail space than the national average," said Jim Dunn, president and CEO of the Greater Richmond Chamber. "The question will be if the Richmond region can support that level of retail." However, we have continued to enjoy a steady influx of people and we continue to add new employment opportunities that have sustained consumer confidence in our area, he added.

While many economic analysts are watching the residential housing market with some trepidation over the spike in foreclosures due to loose lending practices in the sub-prime market in recent years, the Richmond market is still showing some dollar appreciation with a healthier turn-over due to more reasonable housing prices and less investor speculation in the past. "The residential sector here was not terribly over-built or over-priced," said Dunn. "Prices of resales are up about 4% from last year. We're still enjoying some dollar appreciation." Since the residential housing market directly affects consumers, this is good news for Richmond retailers.

Direct Rental Rates vs. Vacancy Rates



Overall vacancy rates in the Richmond retail market are relatively unchanged from the second quarter of 2006 at 5.8% to the second quarter of 2007 at 5.9% with the Short Pump corridor showing a decrease from 1.9% in the second quarter of 2006 to 1.3% in the second quarter of 2007 despite additional square footage coming to market.

American Family has broken ground on their new facility at Short Pump Town Center and will be vacating their old location nearby. At Short Pump Station walls are finally going up with Petco, Shane Company and Longhorn announced as tenants. The development of Town Center West in Short Pump has created the domino effect. Ethan Allen will be relocating from the Far West End to a freestanding facility at the entrance to Town Center West, Richmond Piano will be relocating from Carytown to Ethan Allen's location and a local investor is purchasing Richmond Piano's Carytown location for $925,000. Bloom Brothers Furniture has announced it will close its stores and will replace them with a new concept.

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Staples Mill Centre in the Willow Lawn submarket has received its zoning for mixed use on 79+ acres with 75,000 square feet (sf) of expected retail space. The first phase is expected to be complete in the first quarter of 2009. Staples Mill Road just north of E. Parham Road is home to several new projects. Staples Mill Square has announced Target, Office Max, Famous Footwear and The Avenue as tenants. East Parham Place will house a Panera Bread Bakery Café, FedEx/Kinko's and Starbucks. All of the new retail activity is helping to make the Staples Mill and Willow Lawn corridors more of a shopping destination.

The CBD has some new activity with the BlackFinn Saloon opening at Riverside on the James and Toad's Place opening at the historic Lady Byrd Hat Factory. Expanded growth in the CBD retail market is spilling over into the nearby Manchester area with the Plant Zero project and the Cheek Neal Warehouse Buildings.

In the Swift Creek submarket, Hancock Village on Hull Street has broken ground with anchors expected to be J.C. Penney, Wal-Mart and Bed, Bath & Beyond and an expected opening of first quarter 2009. In the Midlothian West corridor, Westchester Commons has broken ground with an anticipated line-up to include Target, Regal Cinemas, Boscov's, JoAnn's, Petco and Office Max and a planned March 2009 opening. The Shoppes at Westchester have also broken ground with CVS, SunTrust and BB&T announced and to be open in the same timeframe.■

THALHIMER MARKET HIGHLIGHTS

Significant 2Q07 New Openings

BUILDING	SUBMARKET	TENANT	SQUARE FEET	ANCHORS
Shoppes at River Forest	South Chesterfield	N/A	30,000	Wal-Mart
Hanover Square North	Mechanicsville	Old Navy	15,000	Marshall's, Old Navy
Riverside on the James	CBD	BlackFinn Saloon	7,000	N/A
Lady Byrd Hat Factory	Downtown	Toad's Place	20,000	N/A

Significant 2Q07 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
Merchant's Walk	Staples Mill/Parham	Solomon Organization	220,506	$20,500,000
Genito Crossing	Midlothian E/Hull St	Phillips Edison and Co.	79,407	$8,109,136
Harbourside Centre	Swift Creek	Hardrock	23,955	$6,260,000

Significant 2Q07 Construction Activity

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	STATUS
White Oak Village	East End	Sam's Club, Target	900,000	Fall 2008
Westchester Commons	Midlothian Village Ret	Target, Regal Cinema, JoAnn's	975,000	Spring 2009
West Broad Village	Short Pump	Whole Foods	495,000	Spring 2008
Hancock Village	Swift Creek	WalMart, JC Penney	428,000	Spring 2009
The Shoppes at Westchester	Midlothian Village Ret	CVS	300,000	Spring 2009
Staples Mill Square	Staples Mill/Parham	Target, Office Max	182,500	Fall 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	3,596,182	434	4.5%	4.5%	14,140	0	27,000	731	$13.24
I-95 / Chamberlayne / NE	582,782	66	1.4%	1.4%	4,703	0	0	7,247	$17.36
Laburnum / Route 360	2,880,710	425	11.6%	11.4%	43,115	0	0	(165,063)	$8.88
Mechanicsville	2,482,930	185	3.8%	3.8%	13,715	75,000	0	(13,692)	$15.90
Broad St Corridor	2,249,876	129	6.1%	5.9%	25,494	30,000	3,400	(49,927)	$17.96
Far West End North	477,131	27	3.5%	3.5%	0	0	0	0	N/A
Far West End South	1,297,059	58	10.4%	10.3%	29,140	0	0	(44,690)	$14.70
I-95 Ashland / NW	1,564,671	155	2.1%	1.6%	15,273	25,000	0	9,125	$9.00
Near West End	3,455,921	613	3.6%	3.6%	13,687	0	27,360	(7,173)	$17.06
Regency	2,104,163	85	4.0%	4.0%	7,714	0	0	(21,247)	$16.76
Short Pump	3,135,351	63	1.3%	1.2%	22,238	739,480	0	(2,388)	$29.93
Staples Mill / Parham	6,967,661	443	3.3%	3.1%	40,644	218,200	0	(12,756)	$17.18
Willow Lawn	3,059,954	251	10.1%	10.0%	32,893	0	0	(89,063)	$12.04
East End	3,408,542	439	3.5%	3.2%	79,104	909,600	0	(32,893)	$8.95
Jeff Davis Corridor	3,144,957	495	17.3%	17.3%	103,267	0	0	(193,910)	$3.69
Midlothian E / Hull St	7,698,924	534	7.0%	6.9%	46,719	50,000	30,770	105,248	$9.46
Midlothian Village	680,042	80	4.0%	4.0%	12,976	1,282,000	0	11,806	$15.09
Midlothian West	5,976,795	249	4.6%	4.2%	45,167	32,892	0	(11,896)	$17.36
South Chesterfield	2,838,756	236	7.3%	7.1%	17,217	23,608	60,930	(44,082)	$16.11
Swift Creek	2,983,009	127	4.9%	3.9%	14,963	452,046	0	58,539	$15.91
Downtown Retail	3,596,182	434	4.5%	4.5%	14,140	0	27,000	731	$13.24
Northeast Retail	5,946,422	676	7.3%	7.2%	61,533	75,000	0	(171,508)	$11.85
Northwest Retail	24,311,787	1,824	4.6%	4.4%	187,083	1,012,680	30,760	(218,119)	$16.42
Southeast Retail	3,408,542	439	3.5%	3.2%	79,104	909,600	0	(32,893)	$8.95
Southwest Retail	23,322,483	1,721	7.5%	7.2%	240,309	1,840,546	91,700	(74,295)	$12.10
Total	60,585,416	5,094	5.9%	5.7%	582,169	3,837,826	149,460	(496,084)	$13.19

* Rental rates reflect $psf/year NNN

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