2009 HAMPTON ROADS REAL ESTATE MARKET REVIEW AND FORECAST

CONSUMER SPENDING AS SHARE OF GDP

RETAILING IN U.S. ECONOMY

- Retailing = 70%+ of U.S. GDP
- “Hiccups” have major implications
- “Perfect Storm” for consumers
  2008/2009:
  - Wealth evaporated
  - Credit over-extended
  - Jobs uncertain

U.S. RETAILING STATISTICS

- 148,000 stores CLOSED in 2008
- 73,000 stores projected to close during first half of 2009
- Net decline of 40,000 stores in 2009

FAREWELL OLD FRIENDS

- Mervyn’s
- Boscov’s
- Linens n Things
- Steve & Barry’s
- A & N Stores
- Geoffrey Beene
- The Sharper Image
- CompUSA
- Movie Gallery
- B. Moss
- Bombay Company
- Circuit City
- Value City
- KB Toys

RETAIL INDUSTRY DYNAMICS

- Operate fewer stores to maximize profitability per unit
- Eliminate marginal units
- Pressure on every deal:
  - Downward pressure on rent
  - Upward pressure on tenant allowance
  - Caps on CAM charges and extra fees
  - Store sizes decreasing
**RETAILERS’ WOES**

- Reduced capital for expansion hurts public companies where stock value is based on sales growth fueled by unit growth.

- Curtailed consumer spending hurts ALL retailers and shifts focus to “profit margin.” This is problematic since U.S. retailing model is “high volume/low margin.”

<table>
<thead>
<tr>
<th>TOTAL TAXABLE RETAIL SALES</th>
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<tbody>
<tr>
<td><strong>MILLIONS</strong></td>
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<tr>
<td><strong>SOUTHSIDE</strong></td>
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<tr>
<td>2006</td>
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<td>2007</td>
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<tr>
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<tr>
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<td>2008</td>
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2008 TOTAL TAXABLE SALES

2008 BY QUARTER

2009 MARKET STUDY DATA
- 50.37 million SF (+157,800 SF)
- Net absorption: 128,600 SF
- Average rent: $16.41 PSF
  - Southside rent: $16.78 (+$0.10 PSF)
  - Peninsula rent: $15.63 (+$0.22 PSF)

2009 MARKET STUDY DATA
- Vacancy: 7.67% = 3.86 million SF
  - Southside vacancy: 6.48% (-0.22%)
  - Peninsula vacancy: 9.97% (+0.53%)
- Big Box vacancy: 1.78 million SF
  (Unchanged from 2008 and at lowest point since 1998)

TOP 5 SOUTHSIDE NODES

<table>
<thead>
<tr>
<th>NODE</th>
<th>SQ FT</th>
<th>VACANCY</th>
</tr>
</thead>
<tbody>
<tr>
<td>GREENBRIER</td>
<td>4,140,568</td>
<td>3.7%</td>
</tr>
<tr>
<td>MILITARY HIGHWAY / JANAF</td>
<td>3,373,001</td>
<td>3.4%</td>
</tr>
<tr>
<td>PEMBROKE</td>
<td>2,753,504</td>
<td>8.7%</td>
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<tr>
<td>CHESAPEAKE SQUARE</td>
<td>2,111,322</td>
<td>2.8%</td>
</tr>
<tr>
<td>LITTLE CREEK ROAD / WARDS CORNER</td>
<td>2,023,794</td>
<td>11.8%</td>
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</table>

TOP 5 PENINSULA NODES

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<tr>
<th>NODE</th>
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</tr>
</thead>
<tbody>
<tr>
<td>PATRICK HENRY / OYSTER POINT</td>
<td>4,534,709</td>
<td>3.4%</td>
</tr>
<tr>
<td>WILLIAMSBURG</td>
<td>4,385,688</td>
<td>9.6%</td>
</tr>
<tr>
<td>COLISEUM CENTRAL</td>
<td>2,510,870</td>
<td>9.0%</td>
</tr>
<tr>
<td>DENBIGH</td>
<td>1,458,959</td>
<td>19.2%</td>
</tr>
<tr>
<td>NEWMARKET / MAIN</td>
<td>1,389,156</td>
<td>16.8%</td>
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WORDS TO LIVE BY

2008 = PRUDENCE

2009 = PATIENCE, PERSISTENCE

RETAIL ALLIANCE

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