

Appraisal Institute - DC Chapter Retail Real Estate Market Update November 2011

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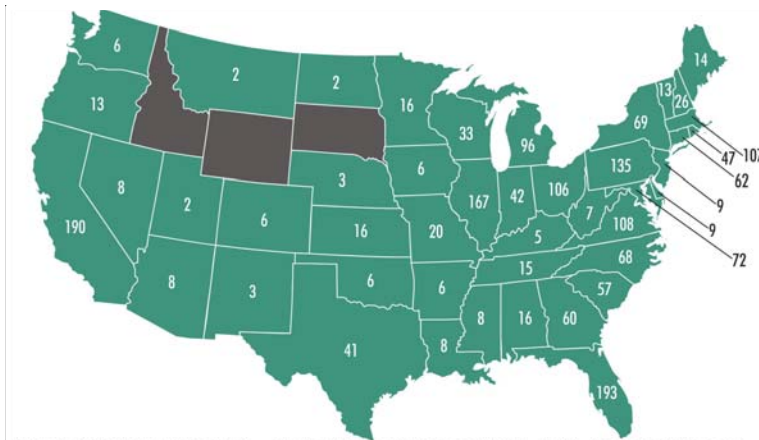
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Capital Markets | National Retail Investment Group
Atlanta :: Boston :: Charlotte :: Chicago :: Dallas :: Miami :: Newport Beach :: Washington, D.C.



CBRE National Retail Investment Group Track Record

Total Number of Sales by State



TOTAL CONSIDERATION: \$24,610,948,608 TOTAL SQUARE FOOTAGE: 210,985,759 SF TOTAL # OF PROPERTIES: 1,882

Retail Real Estate Market Update 1

Market Overall Stats

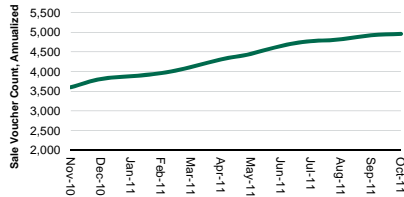
2011 National Investment Sales Likely to Hit 2003-2004 Benchmarks

	APARTMENT	HOTEL	INDUSTRIAL	OFFICE	RETAIL	TOTAL	%CHANGE
2003	\$30.0	\$1.2	\$14.2	\$46.6	\$28.2	\$120.3	n/a
	\$38.0	\$15.2	\$16.0	\$47.3	\$29.5	\$145.9	
2004	\$51.4	\$16.5	\$21.8	\$76.1	\$50.4	\$216.2	79.7%
2005	\$92.0	\$28.6	\$39.6	\$108.9	\$51.8	\$320.9	48.4%
2006	\$89.8	\$36.7	\$45.0	\$137.0	\$51.3	\$359.8	12.1%
2007	\$96.6	\$61.4	\$51.9	\$209.2	\$64.9	\$484.0	34.5%
2008	\$39.0	\$11.9	\$23.5	\$57.1	\$20.7	\$152.3	-68.5%
2009	\$16.3	\$3.3	\$9.3	\$17.7	\$12.2	\$58.8	-61.4%
2010	\$33.9	\$12.7	\$17.7	\$45.1	\$20.0	\$129.4	119.8%
Q3 2011	\$35.2	\$13.8	\$15.1	\$42.8	\$26.6	\$133.6	
YE 2011*	\$38.0	\$15.2	\$16.0	\$47.3	\$29.5	\$145.9	12.8%

2011 Projected Totals

Source: Real Capital Analytics *Annualized Projections

CBRE Trailing 12 Months - # of Sales



In October, trailing 12 month aggregate was 4,959 sales, still off 2007 trailing 12-month peak of 8,000.

Source: CBRE Sale Voucher Data

Retail Real Estate Market Update 2

Retail

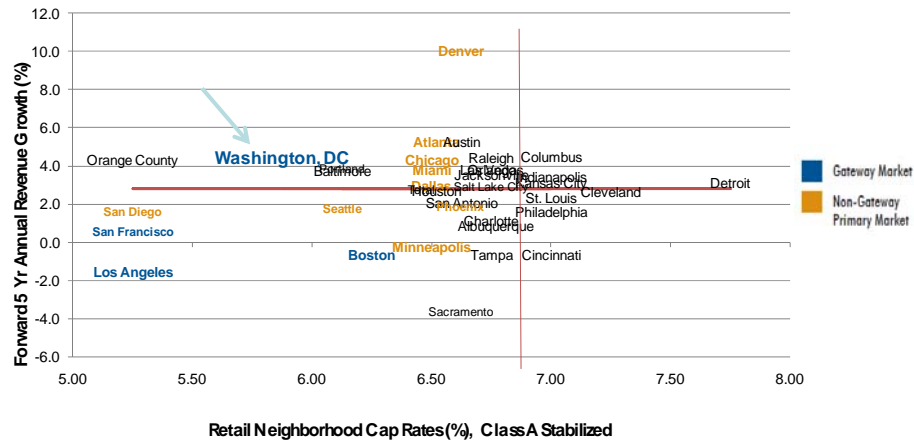
2011 Sales (through Q3)	# of Transactions	Total Value	Average Size	Average Price PSF
Baltimore	16	\$296,350,398	\$18,521,900	\$253
Washington, DC	8	\$50,250,827	\$6,281,353	\$516
DC / MD Suburbs	16	\$515,935,953	\$32,245,997	\$328
DC / VA Suburbs	24	\$312,961,535	\$13,040,064	\$419
TOTAL	64	\$1,175,498,713	\$18,367,167	\$367

Source: Real Capital Analytics, Q3 2011

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Retail - Average Annual Top Line Revenue Growth

(Rent*Occupancy) Next 5 Years



Source: CBRE EA Outlooks, 2011 Q2

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Capital Markets Overview

- Cap rates compressing to record 2005–2006 levels for the very best Class A core quality shopping centers offered for sale
 - Very small percentage of shopping centers fall into this category
 - Only a few major markets qualify – Washington DC Metro is at the top of everyone’s list
 - Demand for these “no risk” centers far exceeds supply
- Distressed assets slowly trickling into the market from banks and special servicers and available assets are clearing the market

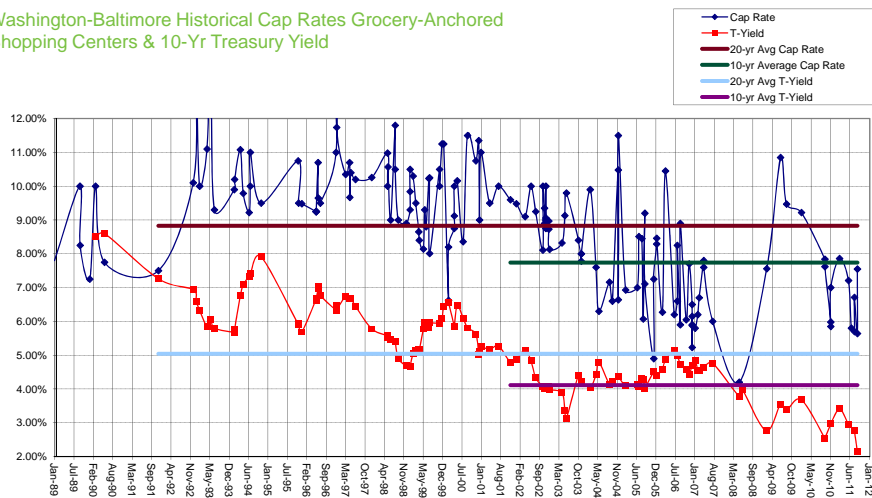
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Capital Markets Overview

- Class B and C assets not fairing as well
 - Buyer and seller can't agree on how to price risk
 - Short-term rollover
 - Market rents
 - Refinancing exposure when assuming high LTV , short remaining term debt
 - New acquisition debt may require recourse
 - Less cap rate compression in this space

Grocery-Anchored Center Cap Rates

Washington-Baltimore Historical Cap Rates Grocery-Anchored Shopping Centers & 10-Yr Treasury Yield



Capital Markets Overview

- Most public REIT's solved short term balance sheet issues, raised new capital in the public markets and are bidding aggressively
- Private REIT's continue to raise money and are active bidders for shopping centers
- Many domestic pension funds are now underweighted in real estate and have raised retail to the #2 most wanted asset class behind multi-housing
- Offshore equity targets US retail – Canadians are particularly active bidders

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Capital Markets Overview

- Major life company lenders targeting the few very best Class A core quality shopping centers
 - Spreads are dropping due to competition for limited Class A product
 - Interest rates still at or near historic lows
 - LTV's increasing due to competition for limited Class A product
 - I/O is back for lower LTV loans
 - Enables public and private REIT's and private equity investors to be more competitive with the all cash pension funds

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CBRE Recent Sales



Kentlands Square Shopping Center
 209-295 Kentlands Boulevard
 Gaithersburg, MD

Property Type:	Grocery-Anchored Community Shopping Center
Key Tenants:	Giant, Kmart
Total Gross Leaseable Area:	240,683 SF
Occupancy:	100%
Year Built:	1993
Sale Price:	\$74,5000,000
Financing:	All Cash
Cap Rate:	5.30%
Seller:	Lasalle Investment Management, Inc.
Buyer:	Saul Centers, Inc.
Sale Date:	September 2011

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CBRE Recent Sales



Olney Village Center
 18250 Village Mart Drive
 Olney, Maryland

Property Type:	Grocery-Anchored Community Shopping Center
Key Tenants:	Shoppers Food Warehouse, TJ Maxx, HomeGoods
Total Gross Leaseable Area:	197,917 SF
Occupancy:	100%
Year Built/Renovated:	1979/2003
Sale Price:	\$58,000,000
Financing:	Existing loan assumption
Cap Rate:	6.71%
Initial ROE:	3.45%
Seller:	Carl M. Freeman Companies
Buyer:	Washington Real Estate Investment Trust
Sale Date:	August 2011

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CBRE Recent Sales



Winchester Station Shopping Center
2540 South Pleasant Valley Road
Winchester, Virginia

Property Type:	Community Shopping Center
Key Tenants:	hgregg, Michaels, Old Navy, Ross Dress for Less, Bed, Bath & Beyond, Shadow-Anchored by Walmart
Total Gross Leaseable Area:	168,283 SF
Occupancy:	98%
Year Built:	2007
Sale Price:	\$32,400,000
Financing:	All Cash
Cap Rate:	7.48%
Seller:	Trout, Segall & Doyle Winchester Properties, LLC
Buyer:	Cole Real Estate Investments
Sale Date:	September 2011

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CBRE Recent Sales



Fair Lakes Promenade
12169 Fair Lakes Promenade Drive
Fairfax, Virginia

Property Type:	Community Shopping Center
Key Tenants:	Nordstrom Rack, Barnes & Noble, hgregg, Old Navy
Total Gross Leaseable Area:	137,150 SF
Occupancy:	100%
Year Built:	1996
Sale Price:	\$39,500,000
Financing:	All Cash
Cap Rate:	6.27%
Seller:	12189-12249 Fair Lakes Promenade Drive Holdings, LLC c/o CW Capital Asset Management
Buyer:	LaSalle Investment Management
Sale Date:	February 2011

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