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HAMPTON ROADS 2006

RETAIL
MARKET SURVEY

Acknowledgements

Authors:
Christopher C. Read
CB Richard Ellis of Virginia, Inc.

Susan P. Pender
NAI Harvey Lindsay

David Machupa
Thalhimer Commercial Real Estate

R. Troy Parker
S.L. Nusbaum Realty Co.

Anne Millar Wright
Divaris Real Estate

Data Analysis/Layout:
R. Troy Parker
Kay J. Warren
S.L. Nusbaum Realty Co.

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GENERAL OVERVIEW

This report analyzes the 2005 retail real estate conditions within the Virginia portion of the Virginia Beach–Norfolk–Newport News, Virginia Metropolitan Statistical Area (the "MSA"), which is commonly known as Hampton Roads. It provides supply, vacancy, construction, absorption and rent data for the MSA to include a comparison of the Southside and Peninsula areas of Hampton Roads with statistical data for specific submarkets and product types. The survey includes properties from the Southside of Hampton Roads located in the cities of Chesapeake, Norfolk, Portsmouth, Smithfield, Suffolk and Virginia Beach. Properties are also included from the Peninsula of Hampton Roads in the cities of Gloucester, Hampton, Newport News, Poquoson, Williamsburg and in York County.

This survey is believed to be the most comprehensive analysis of retail real estate trends in the MSA. The report includes information on all retail product types including regional malls, freestanding buildings and strip centers of various classifications. The scope of the report also includes a summary of new retail construction, an analysis of absorption, and a review of retail investment sales that have occurred in the region.

METHODOLOGY

This survey gathered information about strip shopping centers and regional malls located in the MSA that were at least 30,000 square feet in size. Information on retail-oriented freestanding buildings that were at least 23,000 square feet was also collected. Freestanding buildings that contained furniture stores, discounters, grocery stores or category killer retailers that met the established size criteria were included in the survey. Automotive uses and buildings containing "downtown storefronts" were not included. Although available retail space in many submarkets (e.g., Ghent) is best described as collections of small specialty shops, storefronts or freestanding buildings, practical limitations dictated that the focus of the survey be on larger product types.

The survey data was collected between October 2005 and December 2005. A questionnaire was mailed to owners, leasing agents and property managers responsible for retail properties meeting the selection criteria. Direct phone contact was utilized as a follow-up to the mailing to encourage participation. The return rate for mailed questionnaires was approximately 95%. The data for the remaining 5% of identified retail properties was estimated. Information on square footage for freestanding buildings was obtained from building owners, tax records, store managers and retail real estate representatives. Sales information was obtained from property owners, real estate agents, appraisers, and real estate assessors.

DEFINITIONS OF TERMS

Asking Rates: The marketing rate per square foot of a retail property (excluding freestanding buildings and malls), exclusive of additional rents that may be paid under a triple net lease. Interpretation of average retail rates in different product types and submarkets should be viewed cautiously given the tremendous variability in rates for like product types and for properties located within the same submarket. Factors such as visibility, co-tenancy and accessibility are some of the many sources of variation in market rates which should also be considered.

Big boxes: Big boxes were defined as contiguous retail space that is at least 23,000 square feet and located in any one of the identified product types. Retailers occupying big boxes include, but are not limited to, the following: category killers, specialty stores, discounters, furniture stores, grocery stores and theaters. Bowling alleys, automotive uses, roller rinks and ice-skating rinks were not included.

C.A.M.: Common Area Maintenance

Product Types: Properties were classified according to one of the following nine retail product types. The International Council of Shopping Centers defined the first six categories. Three additional categories were included to accurately categorize the remaining properties.

Neighborhood Center	30,000 to 150,000 square feet; supermarket anchored
Community Center	100,000 to 350,000 square feet; discount department store, supermarket or drug store anchored
Fashion/Specialty Center	80,000 to 250,000 square feet; fashion anchored
Power Center	250,000 to 600,000 square feet; category killer, home improvement and discount department store anchored
Theme Festival Center	80,000 to 250,000 square feet; restaurants, entertainment anchored
Outlet Center	50,000 to 400,000 square feet; manufacturer's outlet store anchored
Freestanding	Individual building not considered a shopping center
Mall	Shopping center with area designed for pedestrian use only
Other	Any center that does not fit into a typical category

Regional Mall Node: Submarket anchored by regional mall.

Small Shop: In-line retail space usually less than 10,000 square feet located in a multi-tenanted shopping center.

Submarkets: Hampton Roads was divided into thirty-five retail submarkets (twenty-five Southside submarkets and ten Peninsula submarkets) which reflected general concentrations, pockets or corridors of retail product type. Geographical boundaries of the retail submarkets were influenced by density of existing retail product, physical or geographical obstacles, existing transportation networks, municipality boundaries, population concentrations and retailers' perceptions of the MSA. Final determination of specific boundaries of each submarket was made by a subcommittee of the E. V. Williams Center for Real Estate & Economic Development Advisory Board comprised of retail real estate professionals who are actively involved in the MSA. Also highlighted were specific submarkets that are anchored by regional malls. A map which identifies the general location of each submarket is included in the centerfold of this report.

Triple Net Lease: Type of lease under which a tenant pays its pro-rata share of real estate taxes, insurance and common area maintenance.

YEAR IN REVIEW

The Hampton Roads market experienced strong retail real estate activity throughout the year. Overall vacancy continued to decline and large desirable blocks of retail space were virtually non-existent. National and local retailers were extremely active in the market. Although transaction activity was very brisk, many retailers had a difficult time finding desirable locations.

Several large retail development projects that were under construction last year opened during 2005. Jefferson Commons in the Patrick Henry submarket of Newport News was developed by The Goodman Company and is anchored by Kohl's, Ross Dress for Less, TJ Maxx, Petco, Trader Joe's and MovieStop; restaurant tenants include Silver Diner, Smokey Bones, Chili's and Panera. WindsorMeade Marketplace in Williamsburg also opened at Monticello Avenue and Route 199; its anchors include Belk, PetsMart, Office Depot, Bed Bath and Beyond, and Pier 1 Imports.

The Virginia Beach Town Center, a mixed-use project which is being developed by Armada Hoffler, continues to progress with the opening of the new 341-unit apartment building, The Cosmopolitan. Ruth's Chris Steak House also opened in the project in 2005. The City of Virginia Beach has committed $47 million to a 1,200 seat performing arts auditorium that is under construction and Armada Hoffler is also building a 30-story tower in the project to house a Westin Hotel and over 100 upscale condominiums. Another mixed use development, The City Center at Oyster Point, is under construction in Newport News. Retail tenants signed to the project include: Ann Taylor Loft, J. Jill, Jos. A. Bank, Talbot's, Coldwater Creek, Chico's, Red Star Tavern, and Firkin Pubs.

The largest retail real estate transaction reported during 2005 was the acquisition by Cedar Shopping Centers, Inc. of RVG's Farm Fresh portfolio for over $96 million. The transaction follows last year's sale of Greenbrier Mall to CBL and Associates for over $100 million.

Grocery store expansion in Hampton Roads increased over what has been seen in the market during the last several years. Farm Fresh is under construction in Downtown Norfolk, Great Bridge at Mount Pleasant Road, and Suffolk at Shoulder's Hill Road. Farm Fresh signed a lease in the Haygood Shopping Center in Virginia Beach and also opened stores in Yorktown and in the Berkley section of Norfolk. Harris Teeter opened a location in Virginia Beach at Nimmo Parkway at Princess Anne and has another under construction in Chesapeake at the Hanbury Road interchange of the Great Bridge Bypass. Ukrop's is under construction at Mooretown Road in Williamsburg. A Wal-Mart Supercenter is under construction in Norfolk at the Tidewater Drive and Little Creek Road intersection and at Dominion Boulevard in Southern Chesapeake. Wal-Mart also announced a new supercenter at the former site of Mid City Shopping Center in Portsmouth.

Big box retailers remain active in the region, including Target, Wal-Mart, Best Buy, Dick's, Ross, and TJX. Consolidated Theaters opened a 40,000 square foot multiplex in Williamsburg's New Town development. Barnes and Noble announced a new location in New Town. Dick's is under construction at Patrick Henry Mall. Yankee Candle has a 40,000 square foot store in Williamsburg. Trader Joe's opened in Newport News, and Home Depot opened in the Edinburgh section of Chesapeake.

Infill of second generation and third generation boxes continued throughout the MSA. Cinema Café signed a lease at Riverdale Shopping Center in Hampton. Old Navy and Ross opened in a former Wal-Mart store in Chesapeake Square. Grand Furniture opened in a former Farm Fresh store in Greenbrier. BJ's signed a lease at Janaf Shopping Center in Norfolk and in a former Super K-Mart box in the Power Plant in Hampton. A portion of a former Winn Dixie store was leased to Care-a-Lot Pet Supplies in Newport News, and half of a Winn Dixie that was vacated last year in Hampton was re-leased to Ace Hardware.

Other new retailers that entered the market included: J. Jill, Baja Fresh, Smokey Bones, Carrabba's, Red Robin, McFadden's, H & M, Ulta Salon, Coldwater Creek, and Salsarita's.

HAMPTON ROADS MARKET SURVEY

The Hampton Roads Retail Market was stellar in 2005. In fact, 2005 outperformed all previous years driving rental rates up and vacancy rates down. New tenants continue to enter Hampton Roads while existing tenants flourish and seek to increase market presence. In areas such as Portsmouth and Norfolk where land is scarce, older projects are being redeveloped. Investors are seeing and paying aggressive prices for both single tenant projects as well as shopping centers. The Hampton Roads market, comprising approximately 47,189,668 square feet of gross leasable area ("GLA"), added seven properties to the retail survey bringing the total number of properties to 375 with 246 on the Southside and 129 on the Peninsula.

Survey information was obtained on 30,852,210 square feet of retail property located in Southside Hampton Roads, accounting for approximately 65% of the total square footage in the market. The average asking rent for small shop space on the Southside was $14.84 per square foot, triple net, and was $0.96 higher than the calendar year 2004 average. The reported size of the Peninsula was 16,337,458 square feet with an average small shop rent of $14.02 per square foot, triple net. This, too, was an increase over calendar year 2004's average rate of $13.18.

The Hampton Roads vacancy rate, which is down 1.86% from last year, is the lowest observed in the history of the ODU Market Survey. Overall vacancy is in the single digits on both sides of the water with a market total of 7.55%. The Southside vacancy rate dropped 2.18% to 6.69% while the Peninsula rate fell from 10.44% to 9.18%.

In order for new retail construction to be included in this year's report, it must be substantially completed by year-end 2005. Having stated that, Hampton Roads welcomed 1,211,699 square feet of retail space to the market. More impressive is the fact that a total of 2,394,022 square feet of property was absorbed during 2005, further indicating the strength of the market.

The coming year looks exciting. While multiple developments are in the works, the following are a sampling of those underway: Ukrop's is expanding its presence in Williamsburg, Harris Teeter in Chesapeake, and Farm Fresh in Chesapeake, Suffolk and Norfolk. The Town Center concepts in Chesapeake, Newport News, Williamsburg and Virginia Beach will add to the overall size of the market in the coming year as will Wal-Mart's opening of super centers in Portsmouth and Norfolk. Target is anchoring the next phase of the Edinburgh project in Chesapeake, while BJ's will open in the former HQ in Janaf Shopping Center in Norfolk and is expected to announce that they are taking a large portion of the box at The Power Plant in Hampton. We will see several new developments and tenants in Hampton Roads next year.

MARKET OVERVIEW

	Number of Properties	GLA in SF	Vacant SF	% Vacant	New Construction in SF	Occupied in SF	Absorption in SF
2006							
Southside	246	30,852,210	2,063,087	6.69%	593,520	28,789,123	1,280,869
Peninsula	129	16,337,458	1,499,357	9.18%	618,179	14,838,101	687,097
TOTAL	**375**	**47,189,668**	**3,562,444**	**7.55%**	**1,211,699**	**43,627,224**	**1,967,966**
2005							
Southside	243	30,184,395	2,676,141	8.87%	271,610	27,508,254	341,736
Peninsula	125	15,799,778	1,648,774	10.44%	185,000	14,151,004	496,338
TOTAL	**368**	**45,984,173**	**4,324,915**	**9.41%**	**456,610**	**41,659,258**	**838,074**
2004							
Southside	243	30,336,266	3,169,748	10.45%	419,458	27,166,518	419,138
Peninsula	127	16,094,161	2,027,477	12.60%	330,000	14,066,684	412,018
TOTAL	**370**	**46,430,427**	**5,197,225**	**11.19%**	**749,458**	**41,233,202**	**831,156**
2003							
Southside	245	30,180,691	3,433,311	11.38%	574,400	26,747,380	535,167
Peninsula	126	15,546,085	1,891,419	12.17%	676,000	13,654,666	932,008
TOTAL	**371**	**45,726,776**	**5,324,730**	**11.64%**	**1,250,400**	**40,402,046**	**1,467,175**
2002							
Southside	239	29,760,443	3,548,230	11.92%	828,800	26,212,213	1,185,818
Peninsula	123	14,906,530	2,183,872	14.65%	202,750	12,722,658	242,563
TOTAL	**362**	**44,666,973**	**5,732,102**	**12.83%**	**1,031,550**	**38,934,871**	**1,428,381**
2001							
Southside	230	29,436,515	3,760,087	12.77%	918,100	25,676,428	(158,181)
Peninsula	121	14,477,970	1,997,875	13.80%	212,229	12,480,095	147,115
TOTAL	**351**	**43,914,485**	**5,757,962**	**13.11%**	**1,130,329**	**38,156,523**	**(11,066)**
2000							
Southside	220	28,816,383	2,933,294	10.18%	2,064,727	25,883,089	1,344,209
Peninsula	118	15,249,617	2,012,637	13.20%	758,370	13,236,980	292,785
TOTAL	**338**	**44,066,000**	**4,945,931**	**11.22%**	**2,823,097**	**39,120,069**	**1,636,994**
1999							
Southside	208	27,089,939	2,551,059	9.42%	1,414,805	24,538,880	1,961,927
Peninsula	112	14,548,482	1,604,287	11.03%	1,253,342	12,944,195	1,592,805
TOTAL	**320**	**41,638,421**	**4,155,346**	**9.98%**	**2,668,147**	**37,483,075**	**3,554,732**
1998							
Southside	195	25,463,588	2,886,635	11.34%	No Data	22,576,953	No Data
Peninsula	102	12,952,845	1,601,455	12.36%	No Data	11,351,390	No Data
TOTAL	**297**	**38,416,433**	**4,488,090**	**11.68%**	**No Data**	**33,928,343**	**No Data**

* 302,000 SF of unoccupied space was removed from the inventory during 2002 as a result of demolition or reletting to alternative use.

RETAIL SUBMARKETS

SOUTHSIDE SUBMARKETS

There were 25 retail submarkets on the Southside this year, up from 24 last year with the addition of the ODU submarket. The average size of the submarkets was 1,207,375 square feet. The largest Southside submarkets were Greenbrier and Military Highway each with over 3 million square feet of retail space and each anchored by a regional mall. The Southside has six regional mall nodes totaling 14,964,115 square feet.

Vacancy rates in the Southside submarkets range from 0.40% in Dam Neck to 29.04% in the ODU submarket. A trend seen in most Southside submarkets was a decrease in vacancy accompanied by an increase in asking small shop rates. New construction in Southside submarkets totaled 593,520 square feet this year.

SOUTHSIDE BY SUBMARKET

	Number of Properties	GLA in SF	Vacant SF	% Vacant	Average Small Shop Rate PSF
Bay Front	4	213,821	3,720	1.74%	$15.33
Birdneck/Oceanfront	4	191,655	886	0.46%	$11.00
Campostella	5	269,511	41,480	15.39%	$11.50
Chesapeake Square*	9	2,132,552	98,900	4.64%	$14.00
Churchland-Portsmouth/Harbourview	14	1,034,680	69,651	6.73%	$13.77
Dam Neck	6	1,056,122	4,200	0.40%	$19.08
Downtown Norfolk*	3	1,281,338	54,132	4.22%	$12.50
Ghent	9	406,812	65,702	16.15%	$14.17
Great Bridge	14	1,117,024	18,934	1.70%	$15.83
Greenbrier/Battlefield Boulevard*	21	3,818,324	107,654	2.82%	$17.62
Hilltop/Great Neck	13	1,594,209	51,401	3.22%	$19.38
Holland/Green Run1	9	1,014,004	12,754	1.26%	$12.88
Indian River/College Park	4	482,309	35,440	7.35%	$12.75
Kempsville	11	1,223,002	51,462	4.21%	$14.75
Little Creek Road/Wards Corner	17	1,672,263	238,771	14.28%	$12.54
Little Neck	9	1,254,306	142,137	11.33%	$14.36
Lynnhaven*	8	1,820,224	191,475	10.52%	$16.50
Middle Portsmouth	12	1,241,872	124,340	10.01%	$12.50
Military Highway/Janaf*	15	3,450,602	159,245	4.61%	$12.99
Newtown	10	529,854	135,913	25.65%	$12.05
ODU	1	36,500	10,600	29.04%	$23.00
Pembroke*	22	2,479,075	322,200	13.00%	$14.70
Princess Anne	12	1,376,539	31,033	2.25%	$16.80
Smithfield	3	231,764	15,030	6.49%	$14.67
Suffolk	11	923,848	76,027	8.23%	$16.22
TOTAL	**246**	**30,852,210**	**2,063,087**	**6.69%**	**$14.84**

* Indicates regional mall node

PENINSULA SUBMARKETS

There were 10 retail submarkets on the Peninsula with an average size of 1,633,745 square feet. The two largest Peninsula submarkets are still Patrick Henry and Coliseum Central, each anchored by a regional mall and with a combined square footage of 7,410,509 square feet.

Vacancy rates range from 1.17% at Patrick Henry to 23.56% in the Newmarket/Main submarket. The Peninsula had 618,179 square feet of new construction in 2005. Vacancy was down in several Peninsula submarkets and average asking rents were up in most submarkets.

PENINSULA BY SUBMARKET

	Number of Properties	GLA in SF	Vacant SF	% Vacant	Average Small Shop Rate PSF
Bay Front	4	213,821	3,720	1.74%	$15.33
Coliseum Central*	15	3,307,633	323,287	9.77%	$16.70
Denbigh	14	1,458,959	227,179	15.57%	$12.00
Fox Hill / Buckroe	7	703,961	63,631	9.04%	$13.20
Gloucester	9	1,083,504	230,473	21.27%	$10.80
Hampton Miscellaneous	2	118,882	20,435	17.19%	$11.00
Newmarket/Main	13	1,514,147	356,779	23.56%	$10.69
Patrick Henry*	29	4,102,876	47,950	1.17%	$17.53
Poquoson	3	168,192	17,200	10.23%	$14.00
Williamsburg	28	3,018,802	124,668	4.13%	$21.36
York County	9	860,502	87,755	10.20%	$12.88
TOTAL	**129**	**16,337,458**	**1,499,357**	**9.18%**	**$14.02**

* Indicates regional mall node

RETAIL PRODUCT TYPE

The Neighborhood Center was the predominant product type with 147 properties totaling over 11 million square feet of leasable area or 23% of the total retail market. Community centers comprised 21% of the available retail supply, which equated to just under 10 million square feet. Market composition for the predominant product types is depicted in the adjacent graph. Vacancy rates range from 0% in Theme-Festival and Outlet Centers to 11.59% in Community Centers.

Neighborhood Center vacancy decreased to 8.74% (down from 9.84% in the 2005 Report). This decrease can mainly be attributed to a very strong small shop leasing market. The largest decrease in vacancy was in Power Centers, which dropped to 4.7% this year down from 13.46% last year. Power Center leasing continues to be a strong market.

TOTAL RETAIL PRODUCT BY TYPE

	Number of Properties	GLA in SF	New Construction in SF	Vacant SF	% Vacant	Average Small Shop Rate PSF	Average CAM PSF
Community Centers	54	9,787,944	41,000	1,134,780	11.59%	$16.11	$2.11
Fashion / Specialty	6	573,012	720	2,775	0.48%	$19.00	$3.00
Freestanding	74	7,267,472	87,000	354,689	4.88%	No Data	No Data
Mall	10	7,344,393	0	549,881	7.49%	No Data	No Data
Neighborhood Centers	147	11,074,076	138,600	968,176	8.74%	$13.42	$1.98
Outlet Center	1	280,491	0	–	0.00%	No Data	No Data
Power Centers	26	8,569,821	919,179	405,560	4.73%	$18.15	$2.72
Theme Festival	1	120,000	0	–	0.00%	No Data	No Data
Other	56	2,172,459	25,200	146,583	6.75%	$14.84	$2.19
TOTAL	**375**	**47,189,668**	**1,211,699**	**3,562,444**	**7.55%**	**$16.30**	**$2.40**

SOUTHSIDE BY TYPE

	Number of Properties	GLA in SF	Vacant SF	% Vacant	Average Small Shop Rate PSF	Average CAM PSF
Community Center	37	6,152,601	650,520	10.57%	$15.34	$2.29
Fashion / Specialty	6	573,012	2,775	0.48%	$19.00	$3.00
Freestanding	42	3,991,421	140,000	3.51%	No Data	No Data
Mall	7	5,558,997	372,232	6.70%	No Data	No Data
Neighborhood Center	101	7,697,443	621,448	8.07%	$13.83	$2.12
Power Center	17	5,475,471	190,617	3.48%	$17.86	$3.00
Theme Festival	1	120,000	-	0.00%	No Data	No Data
Other	35	1,283,265	85,495	6.66%	$14.68	$2.39
TOTAL	**246**	**30,852,210**	**2,063,087**	**6.69%**	**$14.26**	**$2.17**

PENINSULA BY TYPE

	Number of Properties	GLA in SF	Vacant SF	% Vacant	Average Small Shop Rate PSF	Average CAM PSF
Community Center	17	3,635,343	484,260	13.32%	$16.88	$1.94
Freestanding	32	3,276,051	214,689	6.55%	No Data	No Data
Mall	3	1,785,396	177,649	9.95%	No Data	No Data
Neighborhood Center	46	3,376,633	346,728	10.27%	$13.02	$1.84
Outlet Center	1	280,491	-	0.00%	No Data	No Data
Power Center	9	3,094,350	214,943	6.95%	$18.44	$2.44
Other	21	889,194	61,088	6.87%	$15.00	$2.00
TOTAL	**129**	**16,337,458**	**1,499,357**	**9.18%**	**$13.93**	**$1.89**

GLOUCESTER
WILLIAMSBURG
64
YORK COUNTY
DENBIGH
POQUOSON
PATRICK HENRY
COLISEUM CENTRAL
FOXHILL/BUCKROE/
EAST MERCURY
NEWMARKET
HAMPTON MISC.
SMITHFIELD
CHESAPEAKE BAY BRIDGE TUNNEL
LITTLE CREEK
WARDS CORNER
BAYFRONT
MILITARY/&
VA BEACH BLVD
NEWTOWN
CHURCHLAND/
HARBOURVIEW
GHENT
DOWNTOWN
NORFOLK
PEMBROKE
LITTLE
NECK
HILLTOP
264
CHESAPEAKE
SQUARE
COLLEGE
PARK
OCEANFRONT
CAMPOSTELLA
LYNNHAVEN
MIDDLE
PORTSMOUTH
464
KEMPSVILLE
HOLLAND
PRINCESS
ANNE
DAM NECK
64
GREENBRIER
SUFFOLK
GREAT BRIDGE
NORTH CAROLINA

RETAIL SUBMARKETS

Southside

Bayfront
Birdneck/Oceanfront
Campostella
Chesapeake Square
Churchland/Harbourview
Dam Neck
Downtown Norfolk
Ghent
Great Bridge
Greenbrier/Battlefield Boulevard
Hilltop/Great Neck
Holland/Green Run
Indian River/College Park
Kempsville
Little Creek Road/Wards Corner
Little Neck
Lynnhaven
Middle Portsmouth
Military Highway/Janaf
Newtown
Pembroke
Princess Anne
Smithfield
Suffolk

Peninsula

Coliseum Central
Denbigh
Foxhill/Buckroe
Gloucester
Hampton Miscellaneous
Patrick Henry
Poquoson
Newmarket/Main
Williamsburg
York County

BIG BOX VACANCY

Big box vacancy in Hampton Roads totaled 2,124,582 square feet for 2005. This number represents 59% of total retail vacancy in the market. Square footage of big box vacancy continued to decrease with redevelopment of boxes and retailers expanding into second generation space. On the Southside, big box vacancies of 1,142,319 square feet accounted for 55% of all Southside retail vacancy. However, on the Peninsula, the 982,270 square feet of big box vacancy accounted for 65% of all Peninsula retail vacancy.

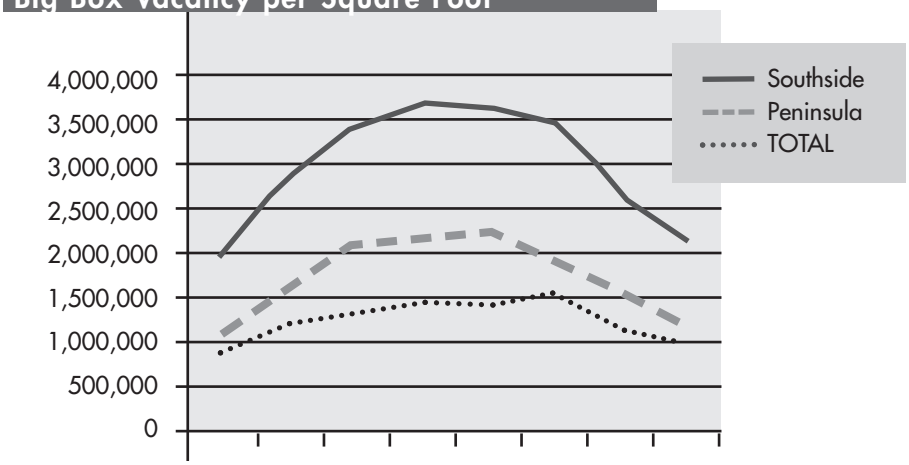
Big box retailers aggressively expanded in 2005 resulting in the highest rate of absorption in six years. Best Buy, Ross Dress for Less, and Old Navy opened at Crossroads Shopping Center in the Chesapeake Square area filling the vacancy left by Wal-Mart's relocation.

In 2006, big box absorption will continue with several area redevelopments. Plans for the former HQ Warehouse on Virginia Beach Boulevard are being drawn to turn 100,000 square feet of big box vacancy into a mixed use development with several smaller boxes, restaurants, grocery and multi-family. As demand continues to grow from big box retailers eager for Hampton Roads locations and developers looking for redevelopment opportunities, we should expect a continual decrease in vacancy and a demand for further development.

PENINSULA BY SUBMARKET

	1998	1999	2000	2001	2002	2003	2004	2005
Southside	1,316,595	1,607,323	2,073,115	2,207,416	2,220,935	1,906,391	1,513,523	1,142,319
Peninsula	864,474	1,232,255	1,328,841	1,435,489	1,407,021	1,556,029	1,141,207	982,263
TOTAL	**2,181,069**	**2,839,578**	**3,401,956**	**3,642,905**	**3,627,956**	**3,462,420**	**2,654,730**	**2,124,582**

Big Box Vacancy per Square Foot



2005 RETAIL INVESTMENT SALES

In 2005, retail investment sales of $172.7 million were slightly higher than the $166.5 million in 2004. The dominant shopping center categories in sales per square foot were grocery anchored shopping centers and shadow anchored retail centers adjacent to Wal-Mart Supercenters.

A portfolio of eight properties, six from Hampton Roads, consisting of three Farm Fresh anchored shopping centers, three freestanding Farm Fresh Grocery Stores, and two Giant Grocery Stores in Pennsylvania represented the largest transaction in 2005 which totaled $96,500,000 for 574,818 square feet or $168 per square foot.

Also, the Kroger Plaza anchored by Kroger, off Laskin Road, in Virginia Beach was part of a rare hybrid of a sale – lease back of nine Kroger anchored shopping centers worth $79.9 million for 810,000 square feet. Kroger signed a new 15-year lease in each of the nine locations. The Kroger Plaza in Virginia Beach sold for $6,246,912 for 63,324 square feet or $98.65 per square foot.

Two Wal-Mart Supercenter shadow anchored retail centers generated the highest sales per square foot at $287 per square foot for Lynnhaven Square in Virginia Beach and $242 per square foot for Walmart Way Crossing in Chesapeake.

It is interesting to note that Lynnhaven Square and Walmart Way Crossing were a result of a 1031 Tenants In Common Exchange. An IRS ruling in 2002 greatly expanded the pool of available properties, particularly for individual investors. This ruling pertains to joint tenant in common legal structures, which quite simply allows individuals to own a fractional interest in a property, such as an office building, apartment complex, or shopping center. Basically, this ruling has permitted investors to pool their resources and purchase larger, higher valued and better positional properties than they might otherwise have access.

Other major retail investment sales that occurred in 2005 include the purchase of vacant or dark grocery anchored centers, unanchored retail strip centers, and older centers purchased for the land only.

Two former Winn-Dixie grocery anchored centers sold in 2005 to investors who had a tenant to back fill a portion of the vacant grocery store space. These sales averaged about $79 per square foot.

Two former shopping centers were purchased for redevelopment purposes. Wal-Mart purchased the former Tidewater Shopping Center for a new Wal-Mart Supercenter; Wal-Mart also purchased land from the City of Norfolk to have enough land to accommodate this 220,000 square foot Wal-Mart Supercenter. The Hampton Marketplace on Mercury Boulevard was purchased for a car dealership.

REPRESENTATIVE 2005 - SALES TRANSACTIONS

	City	GLA in SF	Purchase Price	Price Per SF
Shopping Centers				
Farm Fresh Portfolio in Hampton Roads included	Various	574,818	$96,500,000	$167.88
the following shopping centers:				
• Coliseum Marketplace 104,941	Hampton			
• General Booth Plaza 73,320	Virginia Beach			
• Kempsville Crossing 94,477	Virginia Beach			
• East Little Creek-Farm Fresh 69,620	Norfolk			
• Smithfield Plaza-Farm Fresh 45,544	Smithfield			
• Suffolk Farm Fresh 67,216	Suffolk			
Sub-total: 455,118				
• Two Giant Grocery Stores in Pennsylvania totaling 119,700				
Total: 574,700				
Walmart Way Crossing	Chesapeake	80,160	$19,399,669	$242.01
Tidewater Shopping Center	Norfolk	128,412	$8,628,670	$67.20
Lynnhaven Square	Virginia Beach	22,933	$6,592,738	$287.48
Kroger Plaza	Virginia Beach	63,324	$6,246,912	$98.65
Oyster Point Market Center	Newport News	65,700	$5,400,000	$82.19
Nickerson Plaza	Hampton	65,900	$5,200,000	$78.91
Newtown Baker Crossing	Norfolk	92,000	$5,050,000	$54.89
Richneck Shopping Center	Newport News	63,925	$4,650,000	$72.74
Oak Ridge Shopping Center	Suffolk	38,700	$4,137,000	$106.90
Hampton Marketplace	Hampton	147,000	$3,500,000	$23.81
Lightfoot Crossing	York County	20,900	$3,200,000	$153.11
Meadow Brook Shopping Center	Norfolk	27,620	$2,378,000	$86.10
Pavilion Shopping Center	Hampton	16,000	$1,900,000	$118.75
TOTAL		**1,407,392**	**$172,782,989**	

New Development

A tremendous amount of retail development continued in 2005 in Hampton Roads. Leading the way are the cities of Chesapeake and Virginia Beach. They are as follows:

Chesapeake

1. Edinburgh Commons - Ellis Gibson Development (Planned) (Home Depot Open)
2. Dominion Commons - Crescent Development (Under Construction)
3. Hanbury Commons - Armada Hoffler (Under Construction)
4. Mount Pleasant Marketplace - Stanton Partners (Under Construction)

Virginia Beach

1. Courthouse Marketplace - Armada Hoffler (Complete)
2. Redmill Walk - Ellis Gibson Development (Planned)
3. Shops at Town Center - Sifen & Co. (Planned)

Newport News has two new centers planned.

Newport News

1. Jefferson Commons - Goodman Company (Complete)
2. The Village of Stoney Run - The Breeden Company (Under Construction)

Isle of Wight, Suffolk, York County and Williamsburg each have one center planned.

Isle of Wight

Benn's Church - Armada Hoffler (Planned)
The Shoppes at Eagle Harbor - The Breeden Company

Suffolk

Bennett's Creek Shopping Center - Stanton Partners (Planned)

York County

Williamsburg Market Center - Robert Brown & Associates (Under Construction)

Williamsburg

High Street - (Planned)
Settlers Market - AIG (Planned)
Windsor Meade - S.L. Nusbaum Realty Co. (Complete)

The following is a list of the properties included in this year's survey listed by submarket with a code representing the type of property. The GLA of the property is also listed.

A Neighborhood Center
B Community Center
C Fashion/Specialty Center
D Power Center
E Theme Festival
F Outlet Center
G Other
H Freestanding
I Mall

SOUTH SIDE

BAYFRONT

Bayside I & II	A	79,397
Cape Henry Plaza	A	58,424
Kroger	H	47,000
Marina Shores	G	29,000

BIRDNECK/OCEANFRONT

Birdneck SC	A	65,460
Farm Fresh	H	29,296
Harris Teeter	H	48,000
Linkhorn Shops	A	48,899

CAMPOSTELLA

Bainbridge Marketplace	A	46,444
Campostella Corner	A	43,375
George Washington Commons	A	44,942
Holly Point SC	A	65,321
Southgate Plaza	A	69,429

CHESAPEAKE SQUARE

BJ's	H	115,660
Chesapeake Center	B	296,832
Chesapeake Square Mall	I	800,000
Crossroads @ Chesp. Sq.	D	220,000
Food Lion @ Chesp. Sq.	H	45,000
Home Depot	H	130,060
Lowes	H	115,000
Taylor Road Plaza	A	60,000
Wal-Mart Supercenter/ Sam's Club	H	350,000

CHURCHLAND-PORTSMOUTH HARBOURVIEW

Academy Crossing	G	45,483
Churchland Blvd SC (Formerly Farmco Plaza)	A	52,966
Churchland Place	G	21,000
Churchland SC	A	149,741
Churchland Square	A	64,989
Grand	H	30,000
Harbourview Station East	D	217,308
Harbourview Station West	D	83,007
Lowes (Churchland)	H	55,000
Marketcenter at Harbourview	A	65,750
Marketplace Square	A	12,461
Poplar Hill Plaza	B	102,326
Sterling Creek	A	75,660
Town Point Square	A	58,989

DAM NECK

Dam Neck Square	A	67,917
General Booth Plaza	A	73,320
K-Mart Plaza/Dam Neck Crossing	B	135,656
Red Mill Commons	D	540,000
Sandbridge SC	A	66,800
Strawbridge Marketplace	A	172,429

DOWNTOWN

Church Street Crossing	A	51,000
MacArthur Center Mall	I	1,100,000
Waterside Festival Marketplace	I	130,338

GHENT

21st Street Pavilion	G	21,000
Center Shops	A	129,966
Colley Village	A	44,585
Farm Fresh	H	40,000
Ghent Market Shoppes	G	37,955
Ghent Place	G	13,000
Harris Teeter	H	27,000
Palace Shops I, II	C	71,794
The Corner Shops	G	21,512

GREAT BRIDGE

Cedar Lake	A	28,297
Centerville Crossing	A	55,000
Crossings at Deep Creek	A	68,970
Dominion Commons	D	215,000
Dominion Marketplace	A	73,103
Dominion Plaza SC	A	63,733
Former Winn Dixie	H	50,000
Glenwood Square	A	73,859
Great Bridge SC	A	158,000
Las Gaviotas	A	82,000
Millwood Plaza	G	16,969
Mount Pleasant Village	A	39,970
Wilson Village	A	52,500
Woodford Square	B	139,623

GREENBRIER/BATTLEFIELD BLVD

Battlefield Marketplace	G	30,000
Chesapeake Crossing	B	287,679
Crossways Center I & Eden Way Shops	D	438,725
Crossways II	D	152,686
Edinburgh Commons	D	133,000
Gainsborough Square	A	88,838
Greenbrier Mall	I	809,017
Greenbrier Market Center	D	487,580
Greenbrier South SC	A	97,500
Home Depot	H	130,060
K-Mart/OfficeMax	H	165,000
Knell's Ridge Square	G	40,000
Lowes	H	114,000
Orchard Square	A	88,910
Parkview @ Greenbrier	A	83,711
Regal Cinemas	H	60,763
The Shoppes at Greenbrier	G	40,000
Village Square	G	15,000
Volvo Parkway SC	G	41,874
Walmart Way Crossing	G	80,160
Wal-Mart/Sam's Club/Kohl's	D	433,821

HILLTOP/GREAT NECK

Great Neck Square	A	86,248
Great Neck Village	A	73,836
Hilltop East	C	100,000
Hilltop North	B	202,511
Hilltop Plaza	B	152,025
Hilltop Square	B	270,093
Hilltop West	G	60,000
Kroger Plaza	A	59,000
La Promenade	C	63,280
Marketplace at Hilltop	C	121,000
Regency Hilltop	B	236,549
Renaissance Place	G	47,667
Target	H	122,000

HOLLAND/GREEN RUN

Auburn Place	A	44,846
Chimney Hill	B	207,175
Green Run Square	A	60,000
Holland Plaza SC	A	151,967
Holland Windsor Crossing (Super K-Mart)	B	237,000
Lowes	H	125,323
Lynnhaven Green	A	50,838
Shipps Corner	A	63,355
Timberlake SC	A	73,500

INDIAN RIVER/COLLEGE PARK

College Park I & II	B	181,902
Indian River Plaza	B	126,017
Indian River SC	A	123,752
Tidewater Plaza	A	50,638

KEMPSVILLE

Arrowhead Plaza	A	97,006
Fairfield SC	B	239,763
Kemps Corner Shoppes	G	25,929
Kemps River Center	A	57,907
Kemps River Crossing	B	245,268
Kempsville Crossing	A	111,394
Kempsville Plaza	A	60,778
Parkway Marketplace	A	72,863
Providence Square SC	A	135,915
University Shoppes	A	26,100
Woods Corner	A	150,079

LITTLE CREEK

Ames/Kroger	B	140,568
Dollar Tree Shopping Center	A	54,415
East Beach Shoppes	A	63,000
Farm Fresh - Little Creek	H	66,000
Glenwood Shoppes	A	53,255
Little Creek East SC	B	189,815
Little Creek Square	A	82,300
Meadowbrook S C	G	27,260
Mid-Town SC	A	75,768
Mid-Way SC	G	31,000
Ocean View SC	A	73,658
Roosevelt Gardens SC	A	109,175
Southern SC	B	260,847
Suburban Park	B	127,450
Tidewater I & II SC	B	126,212
Wards Corner Strip	A	61,540
Wedgewood SC	A	130,000

LITTLE NECK

Home Depot	H	130,060
Ames Plaza	B	177,549
Birchwood SC	A	358,635
Kroger	H	45,000
London Bridge Plaza	B	120,000
Lynnhaven Convenience	G	36,900
Princess Anne Plaza West	C	77,558
Regatta Bay Shops	G	60,000
Sam's Club Plaza	D	248,604

LYNNHAVEN

Farm Fresh Center - Parkway Plaza	B	42,000
Lynnhaven Crossing	G	55,550
Lynnhaven East	B	97,303
Lynnhaven Mall	I	1,293,100
Lynnhaven N./N. Mall	B	176,254
Lynnshores Shopping Center	B	12,692
Lynnway Place	G	30,213
Wal-Mart	H	113,112

MIDDLE PORTSMOUTH

Afton SC	A	106,500
Airline Plaza	A	99,549
Elmhurst Square	A	45,842
Gilmerton Square	G	43,236
Manor Commerce Center	G	67,060
Manor Shops	A	14,573
Olde Towne Market Place	A	38,200
Rodman SC	A	45,000
Triangle SC	A	82,382
Victory Crossing	D	356,000
Victory West Shopping Center	A	128,791
Williams Court	B	214,739

MILITARY HIGHWAY/JANAF

Best Square	B	140,030
Broad Creek SC	D	364,000
Bromley SC	A	55,330
CostCo	H	110,000
Dump/Mega Office	G	115,854
Farm Fresh	H	60,000
Food Lion #170	H	41,000
Grand Outlet	H	35,000
Janaf	D	836,809
Lowes	H	115,000
Military Crossing	D	216,524
Northampton Business Center (former 5760 North Hampton Blvd.)	G	80,000
Super K-Mart & Shoppes	B	200,000
The Gallery @ Military Circle	I	856,542
Wal-Mart	H	224,513

NEWTOWN

Cypress Plaza SC	A	59,012
Cypress Point	A	117,958
Diamond Springs Shoppes	G	18,840
Newpointe SC	A	92,978
Newtown Baker Crossing	A	91,687
Newtown Center	G	19,876
Newtown Convenience Center	A	19,800
Thomas Corner SC	G	23,557
Weblin Square	G	31,552
Wesleyan Commons	A	54,594

ODU

University Village	G	36,500

PEMBROKE

Aragona SC	A	69,700
Best Buy	H	45,000
Bloom Brothers Furniture	H	58,000
Circuit City	H	38,414
Collins Square	A	111,370
Columbus Village East	A	63,000
Columbus Village Entertainment Center	E	100,000
Dean Plaza (Former HQ)	D	140,000
Former Kroger	H	45,000
Giant Square	B	150,000
Goodwill	H	34,000
Haverty's	H	55,000
Haygood SC	B	160,129
Haynes	H	228,000
Hunter's Mill Shoppes	G	22,827
Loehmann's Plaza	C	139,380
Northern Super Center	G	36,588
Pembroke Mall	I	570,000
Pembroke Meadows SC	A	81,592
Pembroke Pl. & East Shps	B	186,075
Roomstore	H	50,000
Value City	H	95,000

PRINCESS ANNE

Courthouse Marketplace	A	122,000
Home Depot	H	130,000
Kempsville Marketplace	A	71,460
Lynnhaven Square S C	G	22,933
Parkway SC	A	64,820
Pleasant Valley Marketplace	A	86,107
Princess Anne Marketplace	B	209,500
Princess One SC	A	84,725
Salem Crossing	D	392,407
Salem Lakes SC	A	37,087
Woodtide SC	A	25,500

SMITHFIELD

Eagle Harbor	A	77,400
Smithfield Plaza	B	89,120
Smithfield Square	A	65,244

SUFFOLK

Bennett's Creek Food Lion	A	64,544
Holland Plaza	A	69,345
Kensington Square	A	60,000
Lowes	H	150,000
Oak Ridge SC	A	38,700
Suffolk Plaza	B	174,221
Suffolk Plaza West	A	60,000
Suffolk SC	B	85,803
Suffolk Specialty Shops	G	15,200
Suffolk Village SC	B	11,875
Wal-Mart Supercenter	H	194,160