

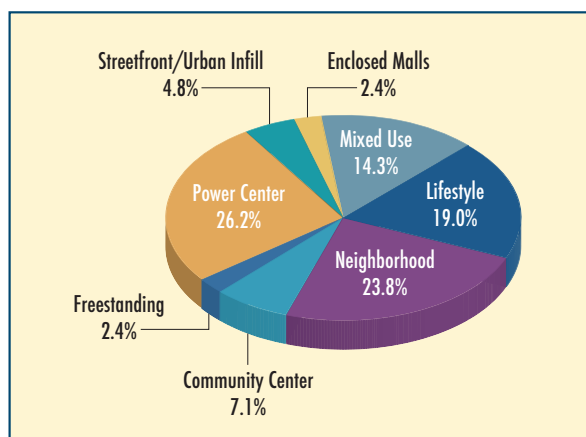
Prospects for Retail Real Estate Look Less Certain as Challenges Mount

Over the past five years owners of retail property have enjoyed a very strong run with consistently strong fundamentals and a very deep pool of investment capital. Beginning in 2005 and continuing into 2006, however, investors began to question the strength of consumer spending in the face of rising interest rates, a softening housing market and high gasoline prices. However, as of midyear 2006, retail sales were proving to be resilient to all of these headwinds with healthy gains seen in most sectors and most regions. Rents, as result continue to increase at a 3% to 4% annual rate, similar to that recorded a year ago. Retailers and investors continue to monitor conditions, particularly rising interest rates, but with the economy slated to show modest growth and a still healthy labor market no material change is anticipated for the balance of 2006 and into 2007.

Despite substantial challenges, consumers continue to spend. – Echoing comments from last year's report, retail sales continue to surprise on the

upside. Despite many good reasons why consumer spending should falter, steady growth continues reflected by May retail sales up 8.0% year-to-date (YTD). This, even though interest rates have increased significantly over the past few years, energy prices have risen substantially and the housing market has lost much of its momentum relative to a year ago. Growth continues to be led by building materials and garden equipment stores with YTD growth of 15.5%. Another housing related sector is furnishings which posted above average growth of 9.3%. The bellwether general merchandise group registered YTD gains of 6.6% signaling good growth for the retail sector in general. Supporting our own internal findings, restaurants, as defined as food services and drinking places, continues to show robust growth increasing 8.6% YTD. Going forward retail sales are expected to return to more "normal" levels as the effects of higher interest rates and slower house price appreciation forces consumers to change their spending habits.

Metropolitan Areas Indicating Dominant Form of Development



Source: Colliers Research • NB: Based on 42 Metros (US only)

Discount retailers and restaurants remain the two most active retailers. – Expansion amongst discount retailers and restaurant chains continued unabated ranking one and two in our listing of active retailers. Rounding out the top five were drug stores, banks and grocery stores. Absent from this year's top five list were home improvement and home furnishing retailers possibly reflecting a more sluggish housing market. Picking up on one of retail's major themes is the growth amongst high-end and low-end retailers with the middle feeling downward pressure. Warehouse retailers, such as Costco, continued to reflect this trend with steady sales growth while luxury retailers such as Nordstrom's, Neiman Marcus and Coach also posted healthy sales.

(continued on page 3)



Market	Community Ctr. Rent (US\$PSF)		Neighborhood Ctr. Rent (US\$PSF)		Lifestyle Ctr. Rent (US\$PSF)		Power Ctr. Rent (US\$PSF)		Premier Fashion Streetfront	Rent (US\$PSF)
	High	Low	High	Low	High	Low	High	Low		
Atlanta, GA	32.00	6.00	35.00	8.50	38.00	12.00	27.25	8.00	Peachtree St.	40.00
Bakersfield, CA	30.00	18.00	24.00	15.00	30.00	27.00	34.20	24.00	-	-
Boise, ID	28.00	12.00	18.00	7.50	28.00	24.00	32.00	22.00	8th St.	21.00
Charleston, SC	16.00	8.00	25.00	12.00	35.00	30.00	22.00	15.00	King St.	50.00
Chicago, IL	40.00	20.00	30.00	15.00	45.00	35.00	18.00	10.00	North Michigan Ave.	245.00
Cincinnati, OH	25.00	7.00	40.00	7.00	45.00	21.00	42.00	18.00	Rookwood	42.00
Cleveland, OH	23.00	12.00	26.00	14.00	38.00	26.00	26.00	18.00	Chagrin Blvd	40.00
Columbia, SC	25.00	11.00	20.00	10.00	30.00	18.00	22.00	14.00	Devine St.	16.00
Dallas/Ft. Worth, TX	36.00	10.00	30.00	10.00	40.00	20.00	24.00	11.00	Mockingbird Lane/Preston Rd.	65.00
Denver, CO	30.00	12.00	28.00	8.00	28.00	8.00	24.00	11.00	Cherry Creek North	32.00
Detroit, MI	22.00	15.00	18.00	10.00	22.00	12.00	18.00	12.00	Haggerty Rd & Novi Rd Corridors	23.00
Fresno, CA	33.00	18.00	27.00	12.00	24.00	15.00	21.00	15.00	-	-
Ft. Lauderdale, FL	37.00	6.00	38.00	6.00	-	-	35.00	22.00	Las Olas Blvd	35.00
Hartford, CT	40.00	10.00	30.00	10.00	40.00	25.00	35.00	20.00	Farmington Ave.	40.00
Honolulu, HI	51.85	32.90	34.10	26.65	152.00	30.95	51.85	32.90	Kalakaua Ave.	360.00
Houston, TX	27.00	12.00	20.00	12.00	35.00	18.00	50.00	15.00	Westheimer	150.00
Indianapolis, IN	26.00	12.00	25.00	10.00	35.00	20.00	22.00	13.00	82nd St. East and Keystone Ave.	24.00
Jacksonville, FL	35.00	15.00	35.00	15.00	42.00	28.00	28.00	25.00	-	-
Kansas City, MO-KS	25.00	15.00	20.00	10.00	25.00	20.00	15.00	10.00	JC Nichols Parkway	45.00
Las Vegas, NV	27.00	12.95	30.60	11.40	-	-	30.00	14.40	Las Vegas Blvd	210.00
Los Angeles, CA	60.00	27.00	40.00	27.00	72.00	36.00	50.00	30.00	Rodeo Dr. (300 Block), Beverly Hills	360.00
Memphis, TN	24.00	9.00	22.00	11.00	32.00	25.00	19.00	13.00	-	-
Miami, FL	34.00	5.00	50.00	12.00	-	-	45.00	22.00	-	34.00
Milwaukee, WI	30.00	19.00	20.00	19.00	30.00	19.00	19.00	14.00	Bluemound Rd	30.00
Minneapolis, MN	18.00	12.00	22.00	15.00	30.00	24.00	35.00	24.00	50th and France	35.00
Nashville, TN	30.00	12.00	18.00	12.00	14.00	8.00	14.00	8.00	West End Ave.	40.00
New York, NY	-	-	-	-	-	-	-	-	Fifth Ave.	1,000.00
Orlando, FL	30.00	22.00	30.00	20.00	25.00	13.00	25.00	13.00	Park Ave	40.00
Philadelphia, PA	32.00	16.00	24.00	14.00	35.00	24.00	22.00	14.00	Walnut St.	100.00
Phoenix, AZ	24.85	13.00	27.95	13.20	45.00	22.00	31.65	13.60	Kierland Commons	45.00
Pittsburgh, PA	25.00	12.00	31.00	10.00	25.00	21.00	25.00	7.00	Walnut St.	45.00
Portland, OR	35.00	28.00	24.00	16.00	40.00	35.00	18.00	10.00	Streets of Tanasbourne	31.50
Reno, NV	30.00	13.80	30.00	17.40	42.00	27.00	33.00	15.00	-	-
Sacramento, CA	42.00	21.00	42.00	18.00	42.00	30.00	46.00	33.00	Roseville	36.00
San Diego, CA	42.00	21.00	42.00	21.00	30.00	18.00	30.00	18.00	Prospect/Girard	90.00
San Francisco, CA	-	-	-	-	-	-	-	-	Union Square	475.00
Seattle, WA - Puget Sound	38.00	21.00	30.00	14.00	28.00	20.00	30.00	18.00	5th Ave.	50.00
San Jose, CA - Silicon Valley	54.00	30.00	54.00	30.00	42.00	27.00	36.00	24.00	Stevens Creek Blvd	120.00
St. Louis, MO	40.00	12.00	25.00	10.00	40.00	25.00	30.00	18.00	Clayton/Lindbergh	40.00
Tampa, FL	32.00	14.00	30.00	14.00	45.00	24.00	35.00	25.00	Swann Ave. - Hyde Park Village	43.00
Walnut Creek, CA	42.00	24.00	48.00	24.00	36.00	30.00	42.00	18.00	Main Street/Mt. Diablo Blvd.	66.00
West Palm Beach, FL	35.00	9.00	49.00	10.00	-	-	35.00	20.00	Mizner Blvd	33.00

Market	Community Ctr. Rent (C\$PSF)		Neighborhood Ctr. Rent (C\$PSF)		Lifestyle Ctr. Rent (C\$PSF)		Power Ctr. Rent (C\$PSF)		Premier Fashion Streetfront	Rent (C\$PSF)
	High	Low	High	Low	High	Low	High	Low		
Calgary, AB	28.00	21.00	26.00	21.00	-	-	24.00	16.00	17th Avenue SW	70.00
Edmonton, AB	28.00	15.00	28.00	15.00	22.00	12.00	22.00	12.00	Poplar/Germantown Road	35.00
Halifax, NS	25.00	15.00	20.00	14.00	25.00	20.00	16.00	10.00	Spring Garden Road	45.00
Montreal, QC	20.00	16.00	16.00	10.00	-	-	35.00	25.00	St Catherine Street	135.00
Ottawa, ON	24.00	16.50	26.00	16.00	-	-	26.00	19.00	York Street	34.00
Regina, SK	28.00	20.00	16.00	10.00	26.00	22.00	28.00	22.00	Victoria Avenue East	24.00
Toronto, ON	30.00	12.00	25.00	10.00	30.00	20.00	31.00	17.00	Bloor Street West	200.00
Vancouver, BC	40.00	16.00	34.00	14.00	35.00	20.00	25.00	13.00	Robson Street	203.00
Victoria, BC	25.00	23.00	28.00	9.00	-	-	28.00	18.00	Government Street	70.00
Winnipeg, MB	22.00	16.00	20.00	16.00	-	-	20.00	16.00	-	-

Finding prime streetfront space continues to get more expensive. – Even though strip centers, regional malls and lifestyle centers continue to prosper, retailers, and in particular luxury retailers, continue to covet prime streetfront locations. As a result, rents again went up for most high-end retail locations. The top five cities remained the same, however the order changed with Waikiki's Kalakaua Avenue jumping from fifth place to tie with Rodeo Drive at \$360 per square foot (PSF). This reflected a doubling of rents in Honolulu's most sought after retail strip. New York city again ranked number one with Fifth Avenue increasing by \$50 PSF to register \$1,000 PSF followed by Union Square in San Francisco at \$475 PSF. Somewhat surprisingly, Chicago's North Michigan Avenue saw little change during the past 12 months with rents holding steady at \$245 PSF. Canada's most expensive retail strip is now found in Vancouver with Robson Street rents jumping C\$33 to register C\$203 PSF.

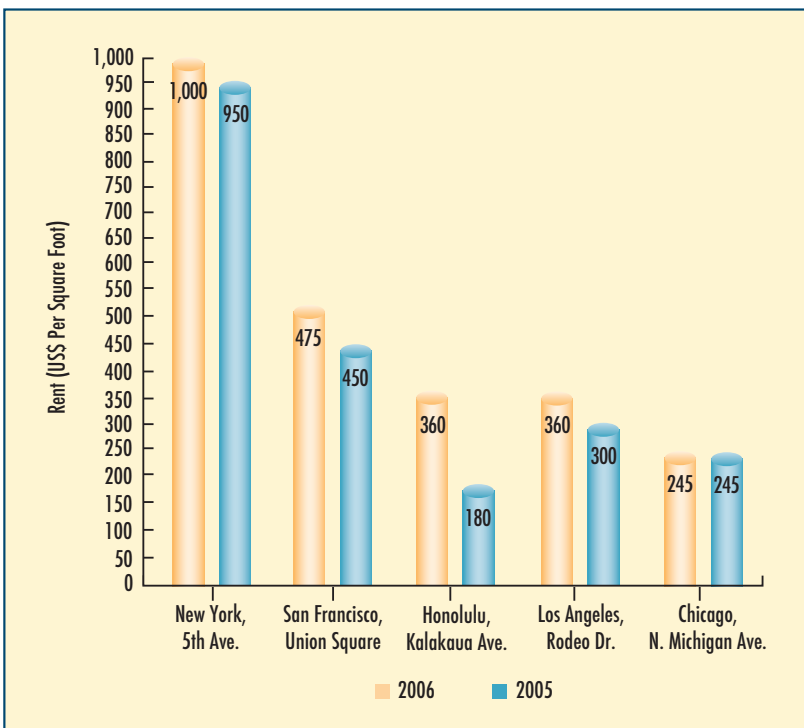
New retail development reflects changing marketplace. – Consistent with the above list of active retailers; power centers, neighborhood centers and lifestyle centers are now the dominant formats for new retail development. Power centers continue to capitalize on the trend towards value retailers while neighborhood centers are benefiting from the growth of drug stores and grocers represented by retailers such as Walgreens and Whole Foods. The third format, lifestyle

centers, continue to profit from spending on the home and luxury goods, a long with restaurants as indicated above, remain in a high growth mode. In fourth position is mixed-use which is quickly becoming a favorite format with many service type retailers. This ties in with the trend towards urban, high density residential development seen across the country.

Three quarters of US cities report growing urban retail marketplace. – Reflecting a whole range of macro economic and demographic factors, retailers are increasingly targeting downtown, or urban locations to grow sales. While not turning their back on suburban retail, retailers are choosing to open new stores in an urban environment in an effort to capture retail spending from two important groups: baby boomers and echo boomers. Both groups are gravitating to downtown residential condominium living with the advantages of little or no commute and easy access to a variety of services. Internal findings show 75% of metropolitan areas across the country show urban retail continue to grow while 18% indicated little change and only 7% show urban retail on the decline. Some surprising cities enjoying a renaissance in downtown retail include Atlanta, Dallas, Denver, Kansas City, Los Angeles, Minneapolis, Phoenix and Sacramento.

After five strong years, investors viewing retail properties with caution. – With interest rates on the rise and consumer spending in question, investors have become increasingly concerned with the future prospects for retail real estate. As a result, retail REIT's were the worst performing property type in 2005 and as of June 2006 had the worst YTD returns of the four major property types with total returns of just 1.5%. In terms of the private market, cap rates continue to resist any upward movement; however, YTD 2006 sales volume was down 33% relative to the first five months of 2005. This was due mostly to portfolio sales which were off 65% relative to 2005, while individual sales were down 14%. Until interest rates show signs of leveling off, pressure on retail pricing is likely to remain.

Top Streetfront Rents

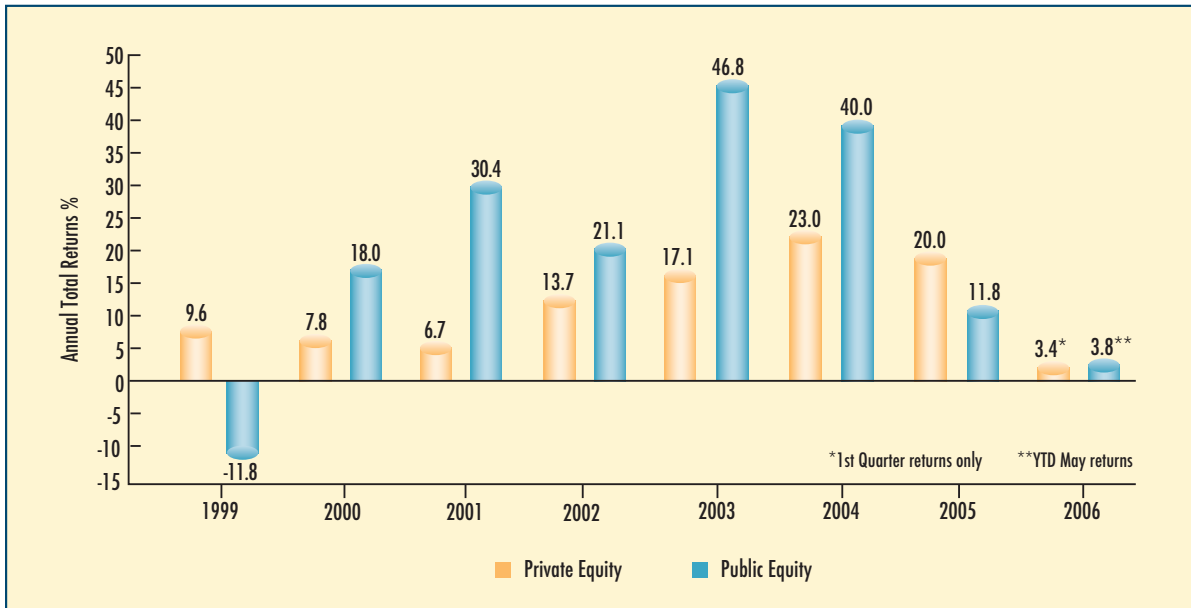


Source: Colliers Research



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US Retail Real Estate Investment Performance (1999-2006)



Source: National Council of Real Estate Investment Fiduciaries, National Association of Real Estate Investment Trusts

Retail Sales by Store Category

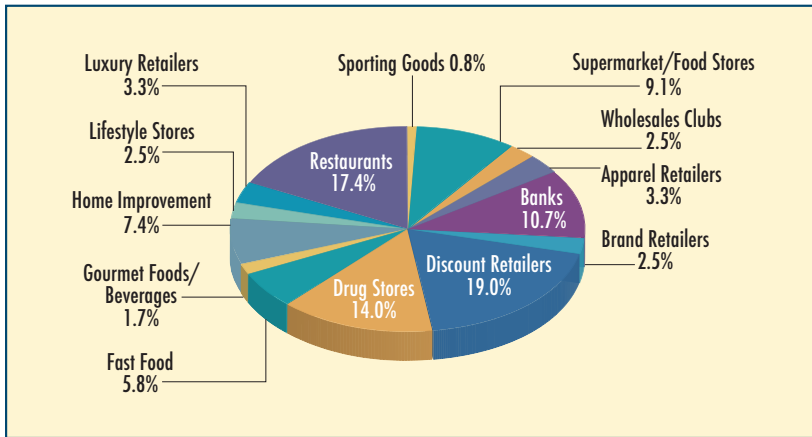
Year-to-Date Sales Ending May	2006	2005	2006/2005
All Stores	1,744,907	1,616,282	8.0%
Motor Vehicle and Parts Dealers	378,394	368,121	2.8%
Gasoline Stations	171,381	144,385	18.7%
Food and Beverage Stores	217,540	207,887	4.6%
– Grocery Stores	194,436	187,365	3.8%
Health and Personal Care Stores	90,727	85,259	6.4%
Building Material and Garden Equipment Stores	148,674	128,716	15.5%
General Merchandise Stores	210,638	197,620	6.6%
– Department Stores (excluding leased departments)	79,000	79,175	-0.2%
Clothing and Accessories Stores	78,003	73,520	6.1%
Furniture, Home Furnishings, Electronics and Appliance Stores	86,363	79,905	8.1%
– Furniture and Home Furnishing Stores	46,298	42,343	9.3%
– Electronics and Appliance Stores	40,065	37,562	6.7%
Sporting Goods, Hobby, Book and Music Stores	32,122	29,846	7.6%
Miscellaneous Store Retailers	47,197	43,326	8.9%
Nonstore Retailers	110,695	98,276	12.6%
Food Services and Drinking Places	173,173	159,421	8.6%

Source: US Census Bureau. All values are expressed in millions of US dollars and are not seasonally adjusted.

Market	Neighborhood Center Sales Price (US\$PSF)	Neighborhood Center Cap Rate (%)	Power Center Sales Price (US\$PSF)	Power Center Cap Rate (%)	Land – Price (US\$PSF)
Atlanta, GA	132	8.00	151	7.30	9.50
Bakersfield, CA	125	8.00	273	N/A	11.50
Boise, ID	-	-	-	-	6.50
Charleston, SC	240	7.00	300	6.50	17.50
Chicago, IL	175	7.00	200	7.50	25.00
Cincinnati, OH	117	8.20	-	-	7.00
Cleveland, OH	110	8.00	140	8.00	8.05
Columbia, SC	70	7.50	115	7.00	4.75
Dallas/Ft. Worth, TX	200	7.50	175	7.15	7.50
Denver, CO	300	6.65	300	6.75	7.00
Detroit, MI	120	8.50	155	7.40	-
Fresno, CA	180	7.25	-	-	11.00
Ft. Lauderdale, FL	150	6.65	-	-	20.00
Hartford, CT	75	8.50	125	7.50	60.00
Honolulu, HI	250	6.25	275	6.25	73.00
Houston, TX	242	7.50	380	6.20	6.00
Indianapolis, IN	163	14.50	150	7.00	10.00
Jacksonville, FL	145	8.00	145	8.00	12.00
Kansas City, MO-KS	100	8.50	150	7.75	7.50
Las Vegas, NV	187	6.80	188	-	-
Los Angeles, CA	300	6.00	280	6.00	18.00
Memphis, TN	113	-	150	-	7.00
Miami, FL	179	7.50	-	-	20.00
Milwaukee, WI	175	8.00	338	7.00	6.00
Minneapolis, MN	218	8.00	206	6.75	14.00
Nashville, TN	170	8.50	215	6.00	8.00
New York, NY	-	-	-	-	-
Orlando, FL	164	6.50	-	7.50	-
Philadelphia, PA	191	6.50	170	6.50	14.00
Phoenix, AZ	173	7.00	211	-	25.50
Pittsburgh, PA	74	6.60	-	-	7.50
Portland, OR	148	6.80	-	-	13.50
Reno, NV	207	7.00	180	7.00	12.00
Sacramento, CA	195	6.00	-	-	15.00
San Diego, CA	288	5.75	250	6.25	18.00
San Francisco, CA	-	-	-	-	-
Seattle, WA - Puget Sound	210	6.80	200	6.50	22.00
San Jose, CA - Silicon Valley	350	6.00	300	5.50	32.00
St. Louis, MO	215	7.90	250	7.50	21.00
Tampa, FL	150	6.75	150	8.50	-
Walnut Creek, CA	300	6.25	180	6.00	22.00
West Palm Beach, FL	145	6.50	-	-	20.00

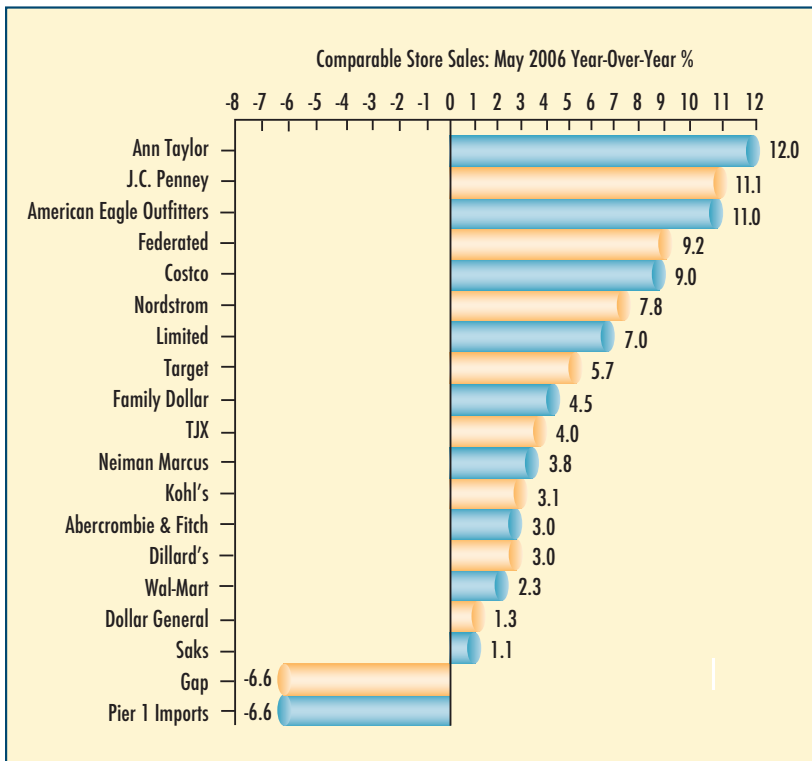
Market	Neighborhood Center Sales Price (C\$PSF)	Neighborhood Center Cap Rate (%)	Power Center Sales Price (C\$PSF)	Power Center Cap Rate (%)	Land – Price (C\$PSF)
Calgary, AB	325	6.75	300	6.50	17.00
Edmonton, AB	-	8.00	-	7.50	12.00
Halifax, NS	100	9.50	-	-	12.00
Montreal, QC	120	7.50	283	6.25	-
Ottawa, ON	160	8.50	200	8.00	7.00
Regina, SK	100	8.50	160	10.00	8.00
Toronto, ON	200	8.00	220	7.50	17.00
Vancouver, BC	280	6.25	245	6.50	23.00
Victoria, BC	135	9.00	-	-	110.00
Winnipeg, MB	120	9.00	180	8.00	10.00

Retailers Ranked by Activity



Source: Colliers Research • NB: Based on 42 Metros (US only)

Winners and Losers



The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

Glossary

Community Shopping Center – Usually configured as a strip often in a straight line or “L” or “U” shape. Anchor tenant is typically a discount department store (i.e. Wal-Mart, Target), supermarket or super drug store. A community center typically offers a wider range of apparel and other soft goods than a neighborhood center does. Total gross leasable area is often between 100,000 and 400,000 square feet.

Neighborhood Shopping Center – These centers are designed to provide convenience shopping for the day-to-day needs of consumers in the immediate neighborhood. Anchors are likely to be supermarkets or drugstores. Other tenants might include stores providing sundries, snacks and personal services. Generally, neighborhood centers are 30,000 – 150,000 SF in size and are configured as strip centers without an enclosed walkway or mall area, but may possibly have a canopy to connect the storefronts.

Power Center – These centers are designed to provide tremendous selection in a particular merchandise category at low prices. Anchors are likely to be category killers, home improvement stores, discount department stores, warehouse clubs or off-price stores. Generally, regional centers are 250,000-600,000 SF in size and are configured with several freestanding (unconnected) anchors and a minimal number of small specialty tenants.

Lifestyle Center – Nonanchored open-air specialty center with high concentration of mall type fashion, home, restaurant and entertainment retailers.

Premier Fashion Streetfront – Destination retail corridor in urban center typically occupied by fashion retailers and able to command top rents.

Rents – All retail rents in this report are quoted on an annual, triple net per square foot basis.

Cap Rate – (Or going-in cap rate) Capitalization rates in this survey are based on multi-tenant institutional grade buildings fully leased at market rents. Cap rates are calculated by dividing net operating income (NOI) by purchase price.

Land – Price per square foot for typical grocery anchored neighborhood center (fully serviced & entitled/zoned).

Note: SF = Square Feet PSF = Per Square Foot



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