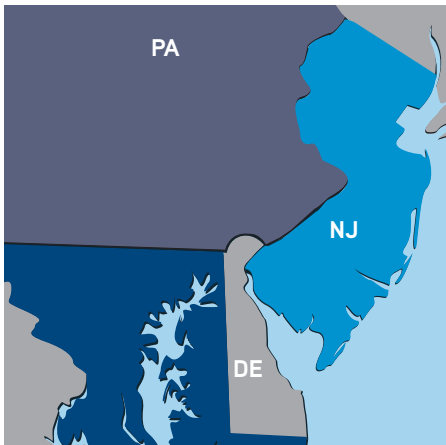




# EASTERN PENNSYLVANIA | SOUTHERN NEW JERSEY | DELAWARE RESEARCH & FORECAST REPORT



## Easing off the Gas Pedal

### REGIONAL OVERVIEW

Retail market conditions in Eastern Pennsylvania, Southern New Jersey and Northern Delaware improved marginally during the first half of 2011. There was activity in the market, but this was partially offset by store closings. Consumer spending stagnated during the second quarter due to the sharp increase in gas prices, which took its toll on retail sales.

The grocery sector remained volatile and Borders' liquidation continues to negatively impact regional shopping centers. Borders and its smaller Waldenbooks and Borders Express stores occupied over 450,000 square feet in the region. The sheer number of stores, and the larger footprint (17,000 to 22,000 square feet), may result in a prolonged lease-up. The Gap also closed several stores in the region, demonstrating the continued "survival of the fittest" trend in the retail apparel sector.

- Tenant instability impacted vacancy
- Discount retailers were most active
- Rents remained flat, but downward pressure from large anchor vacancies continued
- Investor demand was strong and prices for well-located centers were solid
- Most new construction stemmed from renovations and development of in-fill locations

### MARKET INDICATORS

	2011 Q1	2011 Q3
VACANCY	↓	↓
CONSTRUCTION	↔	↔
RENTAL RATE	↔	↔

Arrows compare the current quarter to the previous quarter and forecast the next quarter.

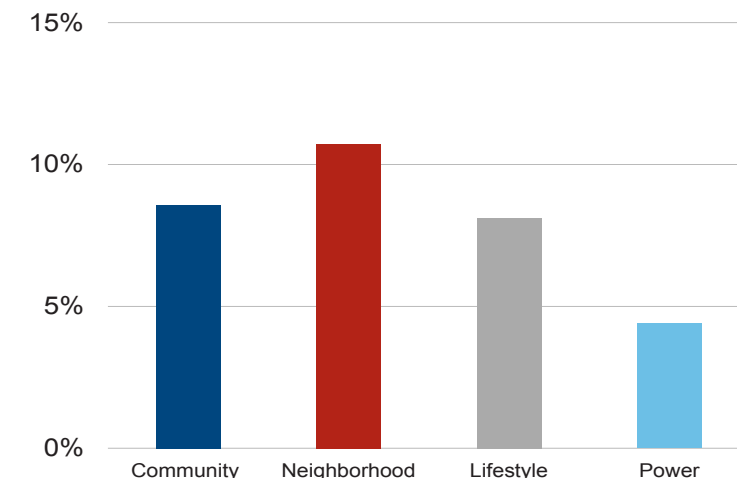
### UPDATE

#### Asking Rental Rates by Center Type

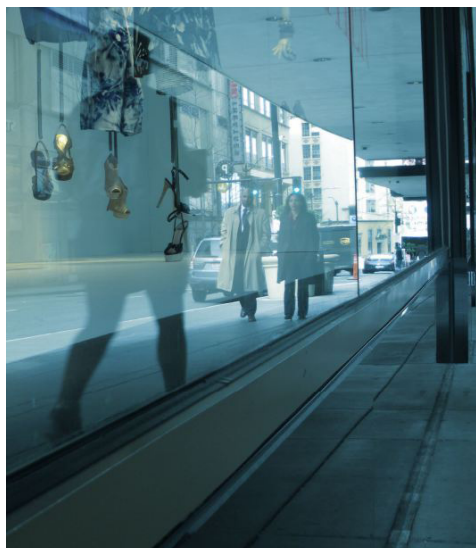
	Average Asking Rents
COMMUNITY	\$14.00-\$25.00
NEIGHBORHOOD	\$12.00-\$24.00
POWER	\$13.00-\$21.50
LIFESTYLE	\$25.00-\$35.00

Asking rents for Community, Neighborhood and Lifestyle Centers are for the typical quoted rent per square foot, triple net, for in-line spaces. For Power Centers, asking rents are for anchor or junior anchor positions, 10,000 to 40,000 SF.

### RETAIL VACANCY - BY TYPE



The vacancy rate decreased slightly to 7.7 percent. Community Centers registered a gain in vacancy while Neighborhood and Power Centers had decreased vacancy



According to the U.S. Census Bureau, retail sales rose one percent in June following a decrease in April and May. Sales were up 8.1 percent from June of 2010.

Great Atlantic & Pacific Tea Company's Chapter 11 status led to the closing of Pathmark stores in Deptford, NJ, Saucon Valley, PA and Glasgow, DE and Superfresh stores in Mt. Holly, NJ and Yardley and Lionville, PA.

However, other supermarket chains have been able to take advantage of market conditions to open new locations. Giant will be taking over two Genuardi's Supermarkets in Warrington and Feasterville, Bucks County.

Bottom Dollar Foods continues to expand, leasing vacant anchor (Glassboro, NJ and Easton, PA) and freestanding locations (Northeast Philadelphia) and acquiring sites for ground-up construction (Reading and Whitehall, PA). Redner's Warehouse Markets will be taking over the former Superfresh in Lionville.

Discount retailers continued to dominate leasing activity. These include supermarkets like Bottom Dollar that appeal to a cost-conscious consumer, apparel-oriented stores such as Forman Mills and Ross Dress for Less, and home decor retailers such as TJX's HomeGoods.

The investment market was extremely active, highlighted by Blackstone's purchase of Centro's U.S. portfolio. This included 33 centers in the region.

Kimco Realty purchased the troubled Garden State Pavilion in Cherry Hill, NJ from the lender and also acquired the majority interest in Richland Marketplace in Quakertown, PA. Cedar Shopping Centers continued to buy and sell centers, acquiring Colonial Commons and the majority interest in Meadows Marketplace in Harrisburg, PA. Morgan Stanley acquired a 50 percent interest in the King of Prussia Mall.

## UPDATE Significant Transactions 1Q and 2Q 2011

### SALES ACTIVITY

PROPERTY ADDRESS	LOCATION	BUYER	SIZE SF	SALES PRICE / SF	TYPE
Colonial Commons	Dauphin County	Cedar Shopping Centers	253,666	\$181.73	Investor
Garden State Pavilion	Camden County	Kimco Realty Corp.	251,474	\$72.78	Investor
Shoppes at Wyomissing	Berks County	Garrison Investment Group	103,000	\$182.00	Investor
Cobbs Creek Plaza	Philadelphia County	Philacobbs Development LP	50,108	\$97.79	Investor

Note: the Blackstone acquisition of Centro's portfolio totaled \$9.4 billion; however there was no available price allocation for the regional centers.

### LEASE ACTIVITY

PROPERTY ADDRESS	LOCATION	TENANT	SIZE SF	TYPE
Dekalb Plaza	Montgomery County	Sears Outlet Center	84,180	New
Ridge Pike Plaza	Montgomery County	Metro Self Storage	82,749	New
4301 N Market Street	New Castle County	Forman Mills	49,500	New
Shops at Lionville	Chester County	Redner's Warehouse Market	45,676	New
Camp Hill Center	Cumberland County	Linens & More For Less	34,180	New
Oakhurst Plaza	Dauphin County	Gold's Gym	28,499	New
Eagle Plaza	Camden County	Ross Dress for Less	24,657	New
Doubletree Shopping Center	Gloucester County	Bottom Dollar Food	24,474	New
Ganttown Plaza	Gloucester County	Furniture Mecca	23,000	New
The Crossroads	York County	HomeGoods	22,802	New
1700 Fruitville Pike	Lancaster County	HomeGoods	22,000	New

## UPDATE Market Comparisons

## MARKET AREA COMPARISON

SUBMARKET	INVENTORY	DIRECT VACANT	SUBLET VACANT	TOTAL VACANT	VACANCY RATE
Philadelphia and Suburbs	83,978,062	5,701,023	568,178	6,269,201	7.5%
Southern New Jersey	32,259,759	2,916,189	212,206	3,128,395	9.7%
Lehigh Valley, PA	14,698,380	770,559	25,000	795,559	5.4%
New Castle County, DE	16,802,726	1,408,313	2,400	1,410,713	8.4%
Central Pennsylvania	47,177,704	3,319,464	92,376	3,411,840	7.2%
<b>TOTAL PA-NJ-DE</b>	<b>194,916,631</b>	<b>14,115,548</b>	<b>900,160</b>	<b>15,015,708</b>	<b>7.7%</b>

## VACANCY COMPARISON BY MAJOR CENTER TYPE

SUBMARKET	COMMUNITY CENTER	NEIGHBORHOOD CENTER	POWER CENTER	LIFESTYLE CENTER
Philadelphia and Suburbs	7.9%	9.1%	4.0%	9.3%
Southern New Jersey	9.7%	15.3%	7.7%	5.2%
Lehigh Valley, PA	7.0%	7.3%	2.1%	4.0%
New Castle County, DE	12.1%	6.3%	3.7%	n/a
Central Pennsylvania	7.9%	12.9%	3.8%	13.1%
<b>TOTAL PA-NJ-DE</b>	<b>8.6%</b>	<b>10.7%</b>	<b>4.4%</b>	<b>8.1%</b>



## METHODOLOGY:

Colliers International Philadelphia survey includes strip retail, neighborhood, community, power, lifestyle and malls over 25,000 square feet. The overall vacancy rates include strip retail centers and malls, but these are not broken out in the center vacancy comparisons.

## SUBMARKET REVIEWS

## Philadelphia County

The shopping center vacancy in Philadelphia County increased to 7.7 from 6.9 percent during the second quarter. This was due to the delivery of new space at the Court at Grant and the closing of a 101,000-square-foot Kmart in Whitman Plaza.

There is a new supply in the pipeline with the development of Bakers Square Shopping Center in Hunting Park and the retail component of the redevelopment of 2040 Market Street downtown.

## Suburban Philadelphia

The inner ring suburban Pennsylvania counties, Bucks, Chester and Delaware counties had decreases in vacancy while Montgomery County remained stable during the second quarter.

The King of Prussia trade area continues to grow with the development of the 425,000-square-foot Village at Valley Forge and the redevelopment of the Wanamaker's site into a two-story, 122,790-square-foot building with 10 stores at the King of Prussia Mall.

## Southern New Jersey

Vacancy trends were mixed in the Southern New Jersey counties during the second quarter. Camden County had an increase in vacancy while Burlington and Gloucester registered decreases. The Camden County market has been oversupplied with a combination of persistent vacancies in older centers and slow-to-lease space in new developments such as the Voorhees Town Center and the Town Place at Garden State.

Two anchor vacancies were absorbed with leases by Bottom Dollar Food at Doubletree Center in Glassboro and Ross in Eagle Plaza.

## New Castle County, DE

The vacancy rate in New Castle County continued on a downward trend from 9.4 to 8.4 percent during the first two quarters. Nordstrom opened a 122,000-square-foot store in the former Strawbridge's in the Christiana Mall.

There are some major shopping centers in the planning pipeline, but community resistance and potential changes in redevelopment ordinances are creating obstacles.

## Lehigh Valley, PA

The Lehigh Valley had a slight uptick in vacancy from 4.9 to 5.4 percent during the second quarter. This was due to multiple store closings such as 47,000-square-foot Pathmark at Saucon Valley Square and Max & Jill and Borders in Whitehall. The current level of activity in the market would indicate that the additional vacancies will be absorbed.

New development projects include a 61,000-square-foot Weis Market in Upper Macungie Township, a Bottom Dollar Food in Lower Nazareth, and additional strip retail, Wawa and CVS locations. The potential developer of the proposed Hamilton Crossings lifestyle center development in Lower Macungie Township is seeking a State infrastructure grant for the planned project that may potentially have a Target, BJ's Wholesale Club and ShopRite.

## Central Pennsylvania

The vacancy rate for the eight surveyed counties decreased to 7.2 percent during the second quarter.

There were new store openings with the delivery of construction projects and more to come with additional projects nearing completion. Walmart opened a 151,000-square-foot store at Newberry Pointe along with a Rite-Aid. Target's store at Gateway Hanover will be opening early in the third quarter, to be joined by Five-Guys, Hobby Lobby, PetSmart, and Ross Dress for Less.

Site work has commenced on Silver Spring Plaza, a planned 70,000-square-foot center in Mechanicsburg, Cumberland County. The center will be anchored by a Toys- R-Us/Babies-R-Us prototype store.

The planning pipeline is very active. Projects in the works include a new center on the former Forbes Chevrolet site near the Capital City Mall, new Weis and Giant supermarkets in Hamden Township and the Westporte Shopping Center in Middletown, and renovation of the existing Middletown Shopping Center. In addition, the Swatara Plaza at The Concourse recently received tax increment financing approval, a key step in the planning process for the 1.0 million-square-foot mixed-use project.

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