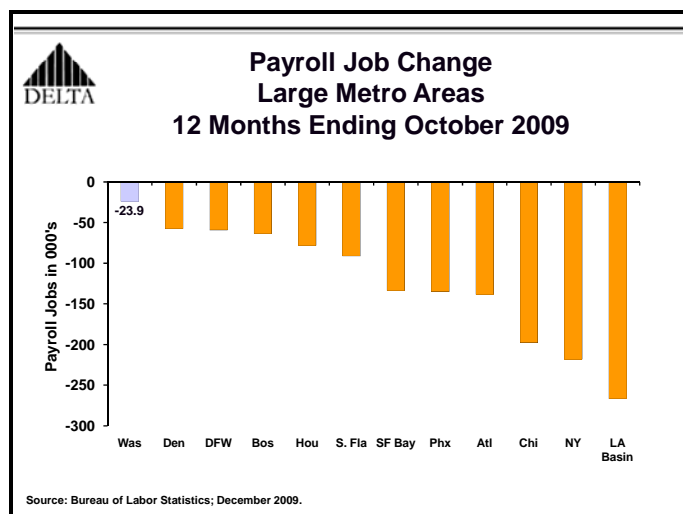


## A SUMMARY AT YEAR-END 2009

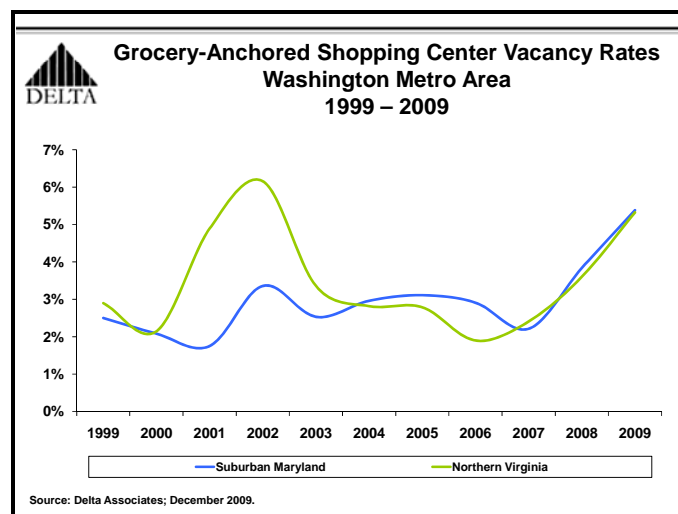
### Washington Area Economy Snapshot

- 12-Month Job Change through October 2009: -23,900
- Unemployment Rate at September 2009: 6.2%



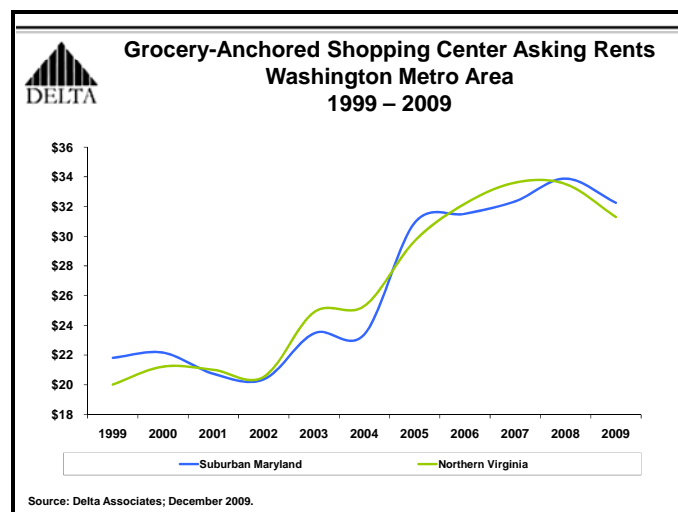
### Washington Area Retail Market Snapshot

- Vacancy: 5.3% at year-end 2009
- Rents: Decreased 5.8% in 2009



Washington Area Job Change Projections	
2009:	-21,000 jobs lost
2010:	23,900 jobs created
2011:	34,900 jobs created
15-year historic average:	52,100 per year

Source: Dr. Stephen Fuller, Delta Associates; December 2009.



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## THE WASHINGTON AREA ECONOMY AND RETAIL MARKET AT YEAR-END 2009

### Economy and Outlook

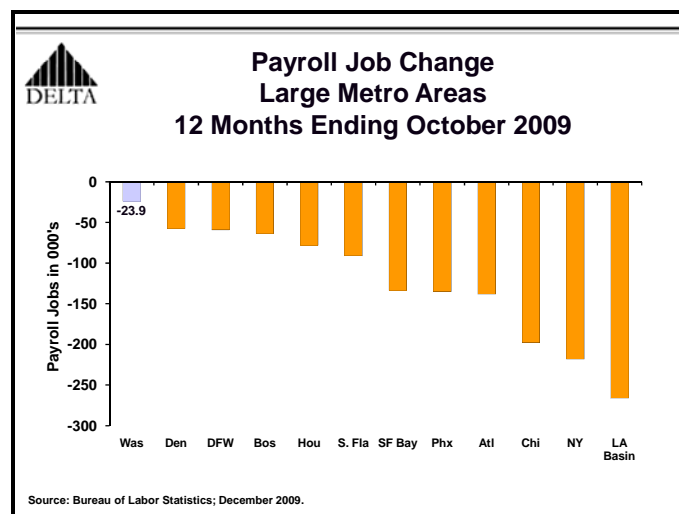
The most recent data available suggests the recession in the Washington metro area ended during the 1<sup>st</sup> quarter of 2009 – coming out of this downturn ahead of nation. Although conditions remain sluggish, the worst conditions are behind us, as a slow recovery is underway. The following indicators point to the end of the recession occurring in the metro area during the 1<sup>st</sup> quarter of the year:

- 40,400 net new jobs have been added since January 31, 2009.
- Retail sales, for nondurable goods, bottomed out during the 1<sup>st</sup> quarter – although still sluggish, sales increased on average 6.5% during the 2<sup>nd</sup> quarter, and 0.6% during the 3<sup>rd</sup> quarter.
- The metro area unemployment rate peaked in June at 6.5% and is currently 6.2% as of September 2009, the most recent data available.
- Although consumer confidence in the South Atlantic region ticked down to 23.9 during the 3<sup>rd</sup> quarter, from 24.4 during the 2<sup>nd</sup> quarter, it is above the low of 20.8 experienced during the 1<sup>st</sup> quarter.
- Manufacturing activity in the central Atlantic region bottomed during the 1<sup>st</sup> quarter, according to the Richmond Federal Reserve, and has since been rising.

Although the recession has come to an end, sluggish conditions remain as a slow growth recovery is underway. Washington maintains one of the strongest economic bases in the nation.

Payroll employment declined 23,900 in the Washington metro area over the 12 months ending October 2009. This represents a decline of 0.8%, compared to the national decline of 4.0% during this period.

Despite job losses that have occurred over the past year, the metro area is holding up well compared to other large metro areas, which have experienced notable declines. Over the past year, the LA Basin and New York metros shed 485,000 jobs – 4.0% and 2.5% of their workforce, respectively.



With sluggish consumer spending, the retail sector cut 13,200 retail jobs in the Washington metro area, a decline of 5.0%, during the 12 months ending October 2009. This compares to a national decline of 3.8%. The Washington decline is greater than the national decline due to above-average retail hiring in the area during 2004 and 2005.

Retail Employment Washington Metro Area		
Year	Retail Employment	Change
2001	254,800	(1,700)
2002	255,500	700
2003	256,600	1,100
2004	263,500	6,900
2005	268,500	5,000
2006	270,200	1,700
2007	270,400	200
2008	265,700	(4,700)
2009*	251,500	(13,200)

\*Employment total at October 2009; change reflects growth during the 12 months ending October 2009.

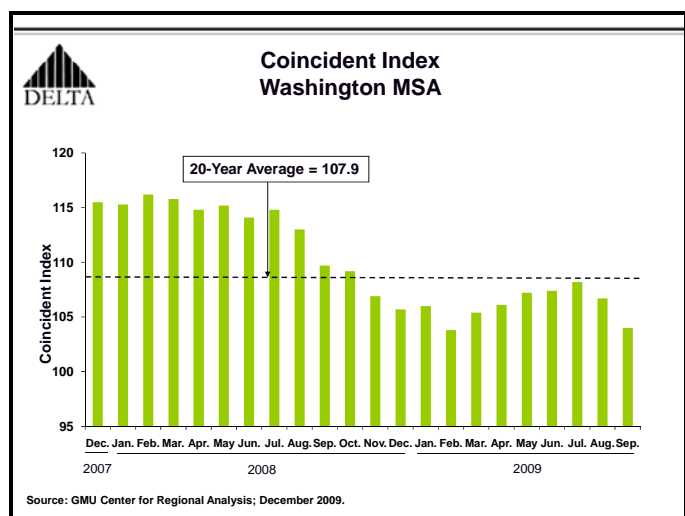
Source: Bureau of Labor Statistics; December 2009.

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The Washington area unemployment rate was 6.2% at September 2009, up from 3.9% one year ago. This compares to the national rate of 9.8% in September 2009. The national rate increased to 10.2% in October 2009.

The Washington metro area has the lowest unemployment rate among comparable metros. Although the metro area unemployment has risen 230 basis points over the past year, the rise is less severe compared to other large metro areas such as San Francisco Bay and Los Angeles, which experienced rises of 470 and 440 basis points during the past 12 months.

The **Washington Coincident Index**, which represents the current state of the Washington metro area economy, was 104.0 in September 2009, below the 20-year average of 107.9. However, the index remains above the low of 103.8 experienced in February.



Overall inflation in the Washington/Baltimore region was -0.8% during the 12 months ending September 2009, compared to the annual average of 4.5% in 2008. However, prices have increased 2.4% since January 31, 2009. Demand for goods is stronger here compared to the nation, as prices decreased 1.3% nationwide during the 12 months ending in September 2009, but have risen 2.3% since January 31, 2009.

Although prices continue to rise for food, shelter, and medical care, prices dropped for gasoline over the past year. We expect prices to rise just slightly during 2009, when the numbers are finalized, as recession-conscious consumers remain cautious about spending.

We expect GRP in the metro area to edge down 0.5% during 2009, when the numbers are finalized. This compares favorably to our projection of the national gross domestic product change of negative 2.7% in 2009.

GRP Change Washington Metro Area		
Substate Area	2008	2009
Northern Virginia	1.6%	-1.0%
Suburban Maryland	1.5%	-0.5%
District	1.4%	1.0%
<b>Total Metro Area</b>	<b>1.5%</b>	<b>-0.5%</b>

Source: Dr. Stephen Fuller; December 2009.

During past national recessionary periods, the Washington metro area has grown. During the last four periods of national GDP contraction, ranging six to sixteen months, the Washington metro area GRP grew 0.2% to 3.1%. We believe this recession will be different, as retail spending and construction – the two hardest hit industries in the metro area – are taking longer to recover than anticipated.

Incomes in the Washington metro area grew by 27.5% from 2000 to 2008, compared to 19.9% nationally. By 2013, the Washington metro area's average household income is projected to rise 15.2%, compared to a rise of 11.6% nationally.

Average Household Income			
Jurisdiction	2000 (Actual)	2008 (Est.)	2013 (Proj.)
Washington Metro Area	\$80,600	\$102,800	\$118,400
U.S.	\$56,600	\$67,900	\$75,800

Source: Claritas Inc; December 2009.

We expect the Washington metro area economy to contract in 2009, when the numbers are finalized. However, we believe the local recession ended during the 1<sup>st</sup> quarter and recovery is now underway. The most striking evidence of the recovery is the turn-around in job growth that occurred early this year: The Washington metro area lost 59,900 jobs in January 2009. Since then job gains have totaled 40,400. In addition, confidence and retail sales are rising, albeit moderately.

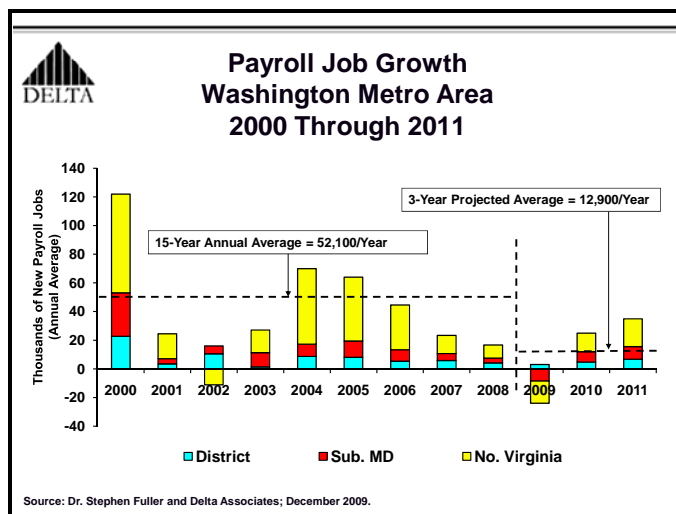
We expect consumer confidence to edge up through 2010, but remain challenged, as uncertainty of the Federal bailout/stimulus effectiveness and state of the economy remains.

Although the Washington metro area has grown during the last four periods of national GDP contraction, we believe GRP will decline 0.5% during this recession. This decline is less severe compared to the national decline of 2.7%.

The decline locally is due to retail spending and construction – the two hardest hit industries in the metro area, which are taking longer to recover. Conditions should stabilize in 2010 with a GRP rise of 2.7%. This compares to a projected national GDP rise of 2.2%.

Given these factors, in consultation with Dr. Stephen Fuller of George Mason University, we project that 21,000 payroll jobs will be eliminated in the metro area in 2009, when the numbers are finalized.

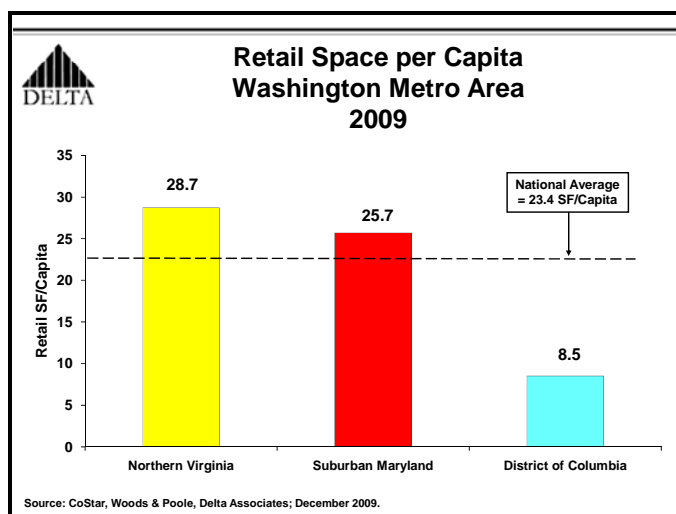
We expect the Suburban Maryland and Northern Virginia substate areas to eliminate 8,500 and 15,500 positions, respectively. The District should add 3,000 new jobs as the government staffs up in 2009. Job growth will resume in 2010, with 24,900 new jobs and gain steam in 2011 with 34,900 new jobs.



## Retail Inventory

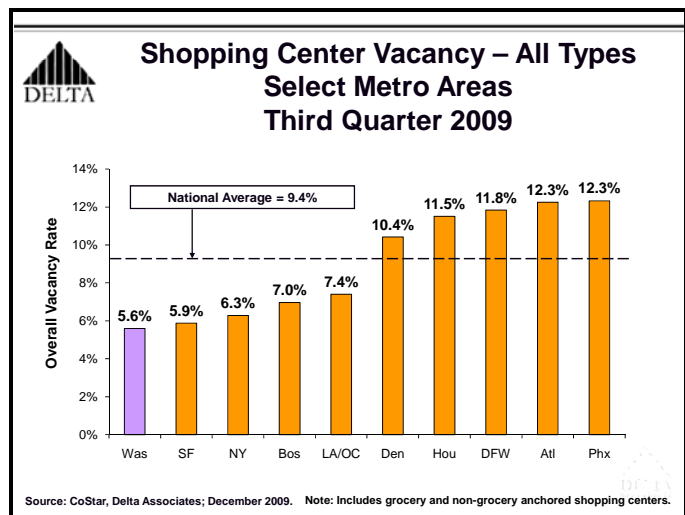
The Washington metro area has over 118 million SF of retail space, inclusive of all types of retail, in over 1,000 shopping centers. Northern Virginia is home to over half of the total metro retail inventory.

The metro area has 25.0 SF of retail space per capita, compared to the national average of 23.4. Although Northern Virginia and Suburban Maryland are above the national average, the District remains underserved at just 8.5 SF of retail space per capita.



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The Washington metro area has the lowest shopping center vacancy among large metro areas at 3<sup>rd</sup> quarter 2009. Overall vacancy for all types of shopping centers was 5.6% in the metro area, up from 4.2% one year ago. This compares favorably to the national average of 9.4% at September 2009.

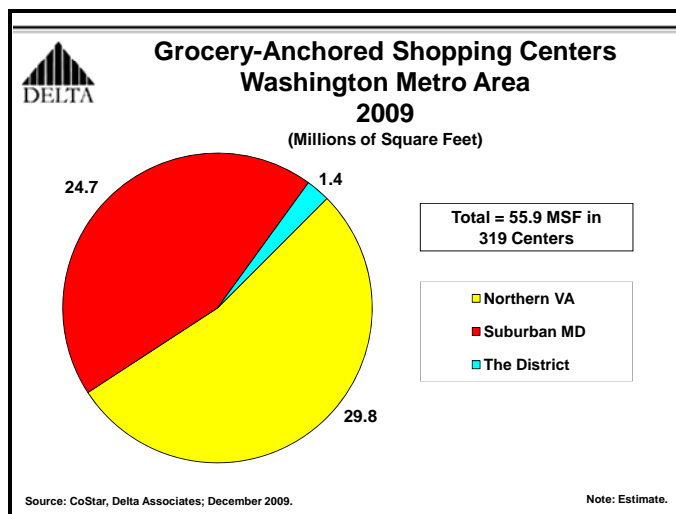


Although vacancy has risen in the metro area due to the economic slowdown, shopping center retail maintains a relatively low vacancy rate. A low vacancy rate is maintained by steady population growth, high incomes, and the fact that the metro area has lost the fewest jobs of all major metro areas.

## Grocery-Anchored Shopping Center Market Conditions

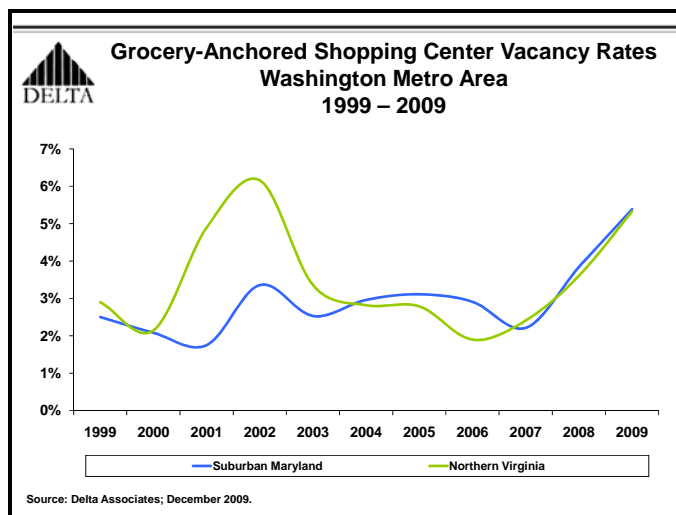
Given the demand for groceries at all points of the economic cycle, grocery-anchored shopping centers maintain the greatest stability compared to other retail property types. Therefore, the bulk of our analysis in this report is focused on grocery-anchored shopping centers.

Of the total retail inventory in the Washington metro area, 55.9 million SF is located in 319 grocery-anchored shopping centers, which is almost half of the total retail inventory in the metro area.



We perform an annual survey of over 300 Washington area grocery-anchored shopping centers, and tabulate vacancy and rent data. The charts following summarize trends from 1999-2009.

**The metro-wide vacancy rate for grocery-anchored shopping centers increased over the past year to 5.3% at year-end 2009**, from 3.7% one year ago. The Suburban Maryland vacancy rate at year-end 2009 was 5.4%, a rise of 160 basis points over the past year. The Northern Virginia vacancy rate was 5.3%, a rise of 170 basis points since year-end 2008.



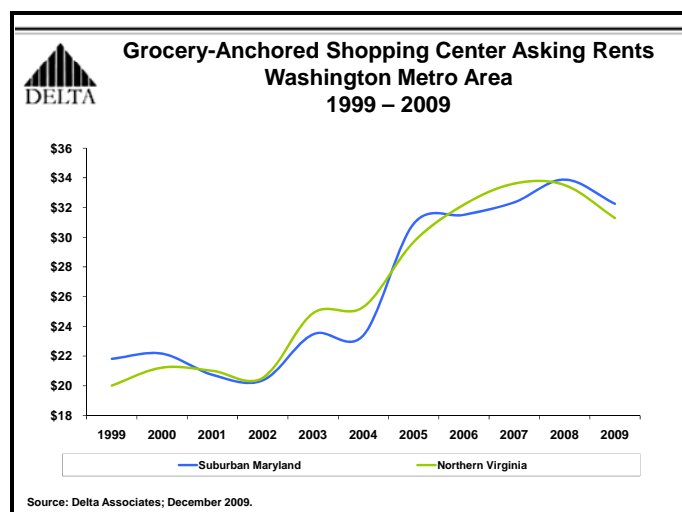
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The inner and outer ring submarkets experienced the steepest rise in vacancy during the year, at 180 and 190 basis points, respectively. The core submarkets experienced only a slight rise in vacancy – at 10 basis points.

Vacancy Rates Grocery-Anchored Shopping Centers Washington Metro Area		
Jurisdiction	2009	2008
Core	4.5%	4.4%
Inner Ring	5.0%	3.2%
Outer Ring	6.9%	5.0%
<b>Washington Metro</b>	<b>5.3%</b>	<b>3.7%</b>
Core = DC, Arlington, Alexandria Inner Ring = Fairfax, Montgomery, Prince George's Outer Ring = Loudoun, Prince William		

Source: Delta Associates; December 2009.

**Rental rates at grocery-anchored centers decreased 5.8% in 2009**, after rising by 1.7% in 2008. Metro-wide average in-line tenant rents were \$31.77/SF at year-end 2009. Suburban Maryland rents were \$32.25/SF, a 4.8% decline from one year ago. Northern Virginia rents were \$31.29/SF, down 6.6% from year-end 2008.



Source: Delta Associates; December 2009.

The core submarkets experienced the least decline in asking rates during 2009, as there continues to be demand within the core and this area has limited availability.

The inner and outer rings experienced steeper rent declines at 5.4% and 7.4%, respectively, as these submarkets have less demand and a greater amount of available inventory.

Asking Rents Grocery-Anchored Shopping Centers Washington Metro Area		
Jurisdiction	2009	Yr % Change
Core	\$37.05	-2.5%
Inner Ring	\$32.90	-5.4%
Outer Ring	\$27.02	-7.4%
<b>Washington Metro</b>	<b>\$31.77</b>	<b>-5.8%</b>
Core = DC, Arlington, Alexandria Inner Ring = Fairfax, Montgomery, Prince George's Outer Ring = Loudoun, Prince William		

Source: Delta Associates; December 2009.

## New Development

There are nine notable grocery-anchored shopping centers, totaling 3.0 million SF, under construction or renovation in the metro area at year-end 2009. Two of the nine projects are creating or renovating shopping centers around existing grocery stores.

There are additional stores in the planning stages that are not included in the adjacent table, some of which may deliver as late as 2013.

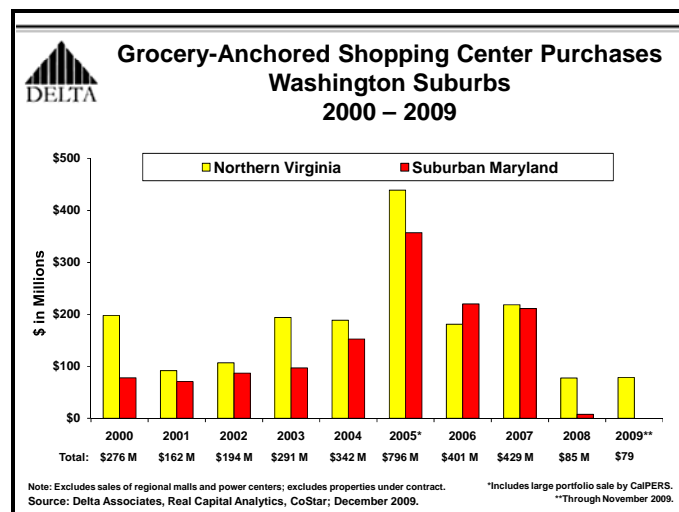
Notable Grocery-Anchored Shopping Centers Under Construction or Under Renovation Washington Metro Area – Year-End 2009		
Shopping Center	RBA	Anchor
Dulles Landing	700,000	Super Wal-Mart
Woodmore Towne Center	685,000	Wegmans
Potomac Town Center	550,000	Wegmans <sup>1</sup>
Village at Leesburg	464,000	Wegmans <sup>1</sup>
North Bethesda Market	230,000	Whole Foods <sup>2</sup>
Moorefield Village	150,000	Harris Teeter
Urbana Village Center	94,000	TBA
Goose Creek Village	73,000	Harris Teeter <sup>3</sup>
Adams Square Shopping Center	60,000	Giant <sup>1</sup>
<b>Total:</b>	<b>3,006,000</b>	
1/ Building/renovating, using existing grocery store as an anchor. 2/ Relocating from existing store at Congressional Plaza. 3/ Phase 1 only.		

Source: CoStar, WBJ, Delta Associates; December 2009.

Construction has halted on shopping center development in the metro area. With lackluster demand and frozen credit markets, developing new projects has become a challenge. At year-end 2009, to construct a shopping center in the Washington metro area, the minimum rent needed was \$27.00/SF, on a triple net basis. The current average asking rent at year-end in the metro area is \$31.77, indicating rents can be met at newly constructed centers. However, limited demand and financing has restricted penciling new projects.

We expect few projects to move forward in the near-term, with the exception of projects with notable pre-leasing and financing in place. However, given the long-term demand for goods in the metro area, we believe developers will look to deliver new product by mid-2012, as the market transitions to landlord conditions.

Spectrum Partners and Potomac Capital Advisors purchased Westgate Shopping Center in Manassas for \$25 million in July 2009. More recently, Kimco Realty purchased Pentagon Center in Arlington for \$53.5 million in November 2009.



Prototypical Development Economics For A Shopping Center Washington Metro Area Year-End 2009 (Per Rentable Square Foot)	
A. Hard Costs	\$144
B. Soft Costs	\$43
C. Sub-Total, Development Costs (Excluding Land)	\$187
D. Land Costs (Per FAR)	\$44
E. Total, All-In Development Costs	\$231
F. Required Rents (NNN) Needed to Support New Development*	\$27
<b>Pro Forma Rent Calculations</b>	
A. Cash on Cost Return Requirement (%)	11.0%
B. Cash on Cost Return Requirement (\$)	\$25.33
C. Divided By Occupancy Rate	95%
D. Equals Required Gross Full Service Rent	\$26.75
<b>Approximate Rent Required per Rentable SF:</b>	<b>\$27</b>

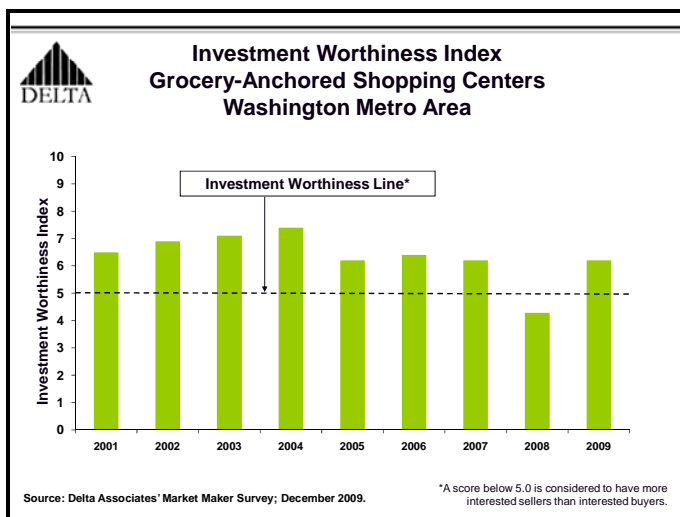
Source: Delta Associates' Market Maker Survey; December 2009.

## Investment Sales

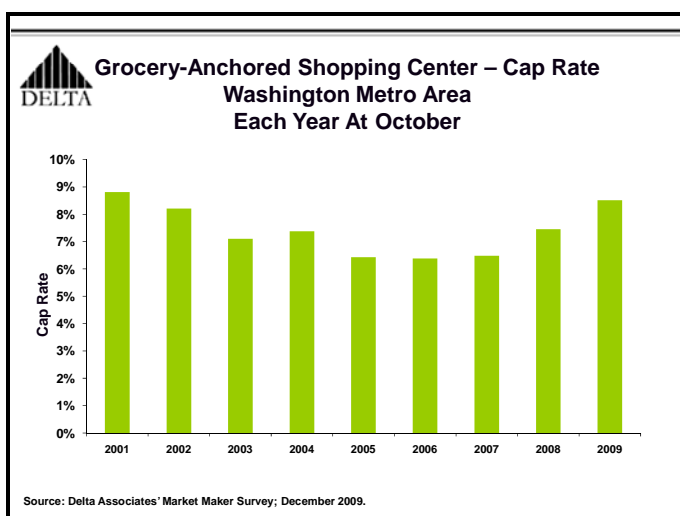
Investment sales of grocery-anchored shopping centers in the Washington metro area suburbs are limited, with only two notable transactions since the start of 2009, as property owners and banks remain hesitant. The total YTD sales volume is \$78.5 million, compared to \$85.5 million on five notable transactions during 2008.

Grocery-anchored shopping centers are typically a favorite with investors during soft economic periods, since everybody still needs groceries and basic goods during lean times. However, as the economy contracted, the retail sector suffered as consumers tightened their spending on both essential and non-essential items. In addition, borrowing is difficult, even with record-low interest rates, simply because risk is being re-priced.

We believe values will edge down during 2010. Buyers with cash can be successful in purchasing assets with low price tags. The investment worthiness of this product type has increased, according to our annual Market Maker survey. Each year we survey those who shape the real estate industry, including developers and financial experts, here in the Washington region. In 2009, our respondents scored grocery-anchored shopping centers in the metro area at 6.2 for investment worthiness, up from 4.3 in 2008. This product type increased two spots to fifth place for investment worthiness out of ten alternatives.



Our Market Maker survey respondents noted that cap rates for grocery-anchored shopping centers have risen to 8.5% at October 2009, from 7.5% one year ago. However, when surveyed at June 2009 respondents noted an 8.6% rate, indicating a modest decline over the past four months. Have cap rates peaked for this cycle?

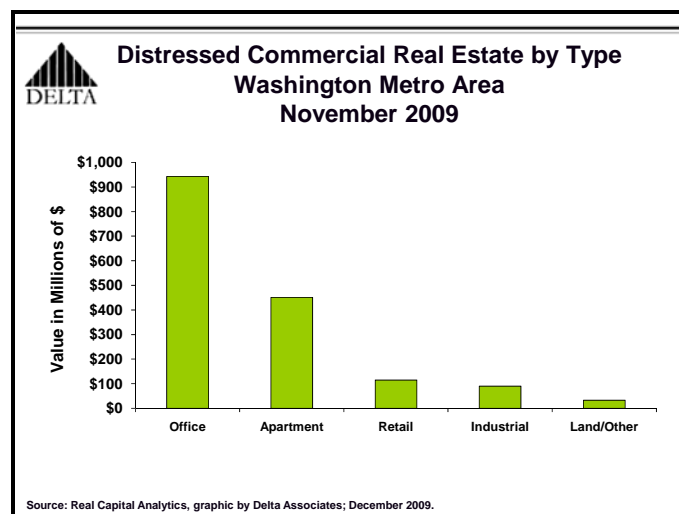


## Distressed Assets

Over half, 57.5%, of our survey respondents believe \$500 million to \$2 billion of distressed assets will enter the Washington metro area market over the next 12 months for all commercial property types combined. 10.4% believe \$2 billion to \$3 billion will hit the market, compared to 11.2% responding with \$3 billion or more.

Currently, \$1.6 billion of distressed assets have hit the market in the Washington metro area, according to Real Capital Analytics. Of all distressed assets in the Washington metro area, retail accounts for only 7.0%. Nationally, retail accounts for 25% of total distressed assets. 80% of respondents believe \$3 billion or less will enter the Washington area market.

We believe the volume of distressed assets in the Washington metro area will be relatively low compared to other metro areas, given the solid fundamentals of the metro economy and cash-laden investors looking for an opportunity in this market.



## Return Rates for Retail Properties

*In the intermediate-term, we expect real estate will remain an attractive option compared to stocks and commodities, as an inflation hedge.*

The NCREIF Property Index declined 22.1%, for all property types during the 12 months ending September 2009. The S&P 500 Index declined 6.9% during this period. Bonds performed best, not surprising given the security they offer.

However, over the longer term (five-year and ten-year periods), real estate outperformed stocks and bonds by healthy margins. Although real estate has lost value in 2009, over the long-term it offers more upside, less volatility, and greater current year yield than bonds and stocks.

We think real estate will continue this track record in the period ahead and therefore will attract investment capital and institutional allocations consistent with the recent past. With low interest rates and lenders wanting to offload foreclosed property, today is a good time to invest in real estate. However, investment attention should focus, of course, on product types that will excel.

*Total returns (cash flow plus appreciation) realized in the Washington retail market were negative 12.72% for 12 months ending September 2009.* Returns have declined for all major metro areas. The Washington area return compares favorably to the national return of negative 15.78%.

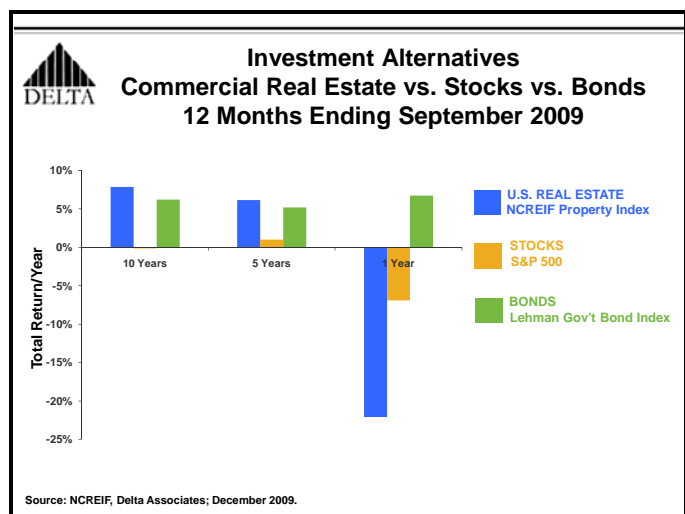
Although Washington area retail property performance has suffered due the national recession, the decline in investor value for Washington assets is less severe compared with other metro areas.

We expect the Washington metro area to remain a desirable destination for investors' cash in the long-run. However, transactions will be very limited through 2010 due to the credit crisis.

NCREIF Return Index <sup>1</sup> – Retail Properties Select Metro Areas	
Metro Area	12-Month Total Return at 3 <sup>rd</sup> Quarter 2009 <sup>1</sup>
<b>Washington</b>	<b>-12.72%</b>
Chicago	-13.88%
Los Angeles	-14.73%
<b>National Average</b>	<b>-15.78%</b>
Dallas	-17.60%
Phoenix	-26.96%

<sup>1</sup> NCREIF compiles return based on its members' \$54.1 billion retail portfolios. The index includes both current income and capital appreciation returns.

Source: NCREIF, Delta Associates; December 2009.



## Grocery Market Review

The per store average sales volume for all grocers in the Washington metro area was \$24.4 million during 2009, a 4.3% increase from \$23.4 million one year ago. Wegmans surpassed all other food retailers, with \$62.2 million per store. However, this is a 24% decline from \$81.4 million during 2008 for Wegmans.

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Average per Store Grocery Sales Volume – Top Five Washington Metro Area 2009	
Store	Sales (in millions)
Wegmans	\$62.2
Costco	\$47.4
Shoppers	\$33.1
Sam's Club	\$31.4
Whole Foods	\$27.6

Note: Includes only grocery stores with \$2 million or more in sales; data through June 2009 annualized.

Source: *Food World*, Delta Associates; December 2009.

Walmart scored top sales growth, as food sales increased by 11.2% in 2009, after a 1.4% rise in 2008. Giant Food experienced a healthy 4.2% rise during 2009.

Average per Store Grocery Sales Growth – Top Five Washington Metro Area 2009	
Store	Sales Increase
Walmart	11.2%
Giant Food	4.2%
Safeway	2.2%
Shoppers	1.1%
Harris Teeter	0.6%

Note: Includes only grocery stores with \$2 million or more in sales; data through June 2009 annualized.

Source: *Food World*, Delta Associates; December 2009.

During 2008, traditional grocers outpaced organic/specialty stores in average per store sales volume growth by 60 basis points, as these companies reinvented themselves in order to compete with the organic/specialty market.

Given current economic conditions, consumers have shifted spending towards super center/club stores in order to save money, however. During 2009, super center/club stores outpaced organic/specialty and traditional stores in average per store sales growth by 130 and 150 basis points, respectively.

Average per Store Sales Volume Growth – By Type Washington Metro Area			
Type	2009 Growth	2008 Growth	2007 Growth
Super Center/Club	3.5%	1.0%	1.6%
Organic/Specialty	2.2%	4.0%	0.6%
Traditional	2.0%	4.6%	1.9%

Note: Includes only grocery stores with \$2 million or more in sales; data through June 2009 annualized.

Source: *Food World*, Delta Associates; December 2009.

Walmart, although not a strong player in the Washington metro area, operates just over 3,500 stores nationwide, with 75% of these stores as supercenters, which includes a full-service grocery store. The company expanded supercenters by 7% nationwide during 2009, compared to shuttering 8% of the traditional format stores. Given supercenters experience better returns, the company has expanded this format by 34% since 2005, compared to shuttering the same amount of the traditional format stores. During 2010, the company plans to add 125-140 supercenter stores.

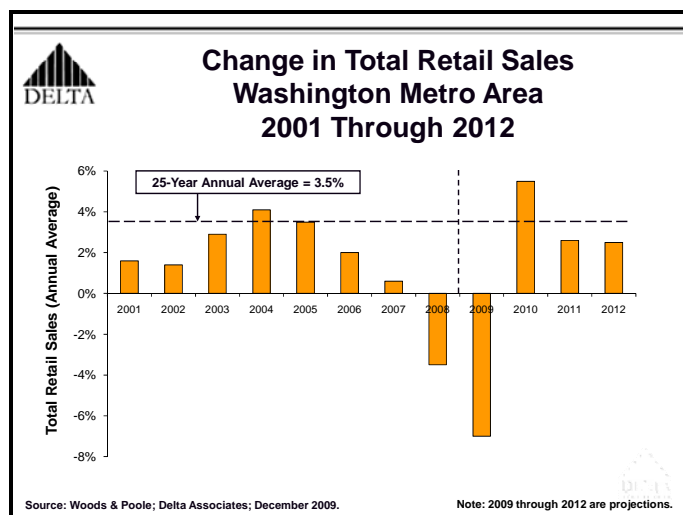
Target operates over 1,600 stores nationwide, with 14% of these stores as SuperTarget, which includes a full-service grocery store. In order to compete with Walmart, Target has expanded food options in 100 stores this year. This expanded food option is labeled "PFresh," which offers about 60% of the items at SuperTarget. During 2010, Target plans to add expanded PFresh food sections to 350 stores.

Overall, grocery-anchored shopping centers weather economic downturns better than centers without a grocery anchor. However, centers with a supercenter/club anchor tend to perform better during slowdowns, as consumers tend to shift preference to bargain goods during lean times to save money.

We expect supercenter/club stores to grab a larger share of shoppers from traditional and organic/specialty stores during 2010, as consumers remain price sensitive.

## Retail Sales: Anticipated Rebound

Retail sales declined 3.5% in the Washington metro area during 2008. This compares to the national decline of 3.7%. Woods & Poole, an economic forecasting firm, projects a 7.0% decline in the metro area during 2009 once the numbers are finalized. This compares to a projected national decline of 7.6%.



With the threat of job loss looming during the recession, the national savings rate climbed. The rate currently resides at 3.3% at September 2009, above the 1.4% rate at the start of the recession in December 2007.

Since December 2007, consumers have harbored a total of \$346 billion from retailers (based on a 1.4% savings rate). During this time, consumers refrained from purchasing non-essential goods, particularly big-ticket items, postponing purchases until the economy improves.

The motor vehicle industry suffered the largest sales decline in the Washington metro area at 14.9% during 2008. The projected decline for this industry during 2009 is 15.9%. Electronics, building supplies, home furnishings and clothing also experienced notable declines during this period, as consumers postponed spending on these goods.

Notably, food/beverage and health/personal care products have remained stable, as consumers continue to demand these items even during an economic slowdown.

With consumers stashing cash during the recession, a rebound in spending is anticipated during 2010 – riding upon the economic recovery and pent-up demand for goods. Retail spending is projected to rise 5.5% in the Washington metro area during 2010, according to Woods & Poole. This is above the 25-year annual average of 3.5%. The 2010 sales total is expected to mirror what spending totaled back in 2004.

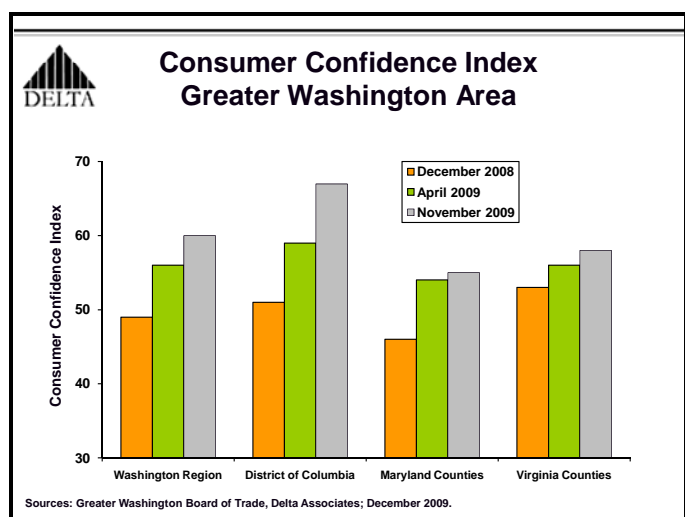
The industries that suffered the greatest decline during the recession should experience notable gains during 2010. The motor vehicle industry should experience a rebound of 12.5% in the metro area, according to Woods & Poole. Building supplies and home furnishings closely follow, as consumers have pent-up demand for goods they postponed purchasing during the downturn.

Retail Sales Washington Metro Area 2010	
Industry	Percent Change
Motor Vehicle	12.5%
Building Supplies	10.3%
Home Furnishing	9.1%
Gas Stations	6.5%
Electronics	4.1%
Clothing	3.5%
Health/Personal Care	3.5%
Food/Beverage	2.1%
<b>Total Retail</b>	<b>5.5%</b>

Source: Woods & Poole, Delta Associates; December 2009.

Although a 5.5% rise in Washington metro area retail sales is projected during 2010, we believe this spending will occur later in 2010, as retail sales during the first six months of the year should remain sluggish. This is reflected in the most recent Washington Region Confidence Index by the Greater Washington Board of Trade.

The consumer confidence index in the Washington region increased four points to 60 at November 2009, from 56 at April 2009. The District experienced the greatest rise, to 67, from 59 in April 2009.



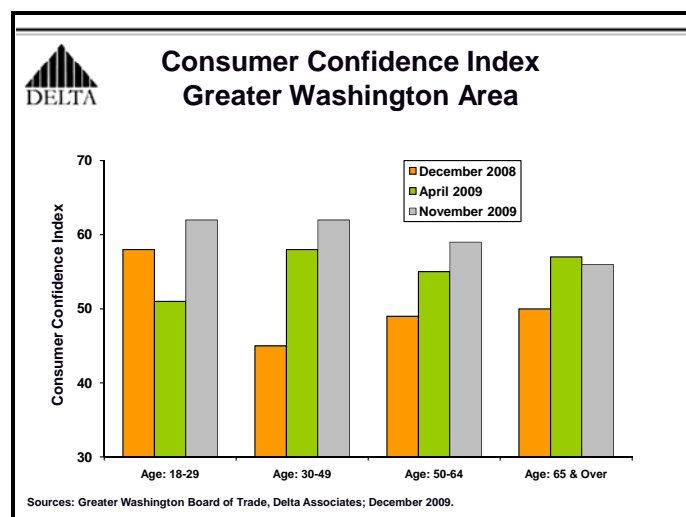
Despite a rise in confidence, few respondents plan to purchase higher-priced items during the next six months according to the survey:

- 29% plan to spend more than \$5,000 on home improvement, up from 25% in April.
- 30% plan to purchase a major item, on par with April results.
- 10% plan to purchase/lease a vehicle, on par with April results.

With unemployment expected to rise further in 2010, as it is a lagging indicator, consumers will remain conservative until they are certain about their job status. Given this, we expect a large portion of consumers to concentrate spending at discounted/wholesale retailers next year to maximize value.

During 2010, we expect shopping centers anchored by a grocer or drug chain to be successful. We also expect centers located in healthy micro-markets, such as Pentagon City and Potomac Yards, to remain stable. Shopping centers with notable vacancies will have a hard time attracting new tenants, unless the center is located in a top performing submarket. If these centers fail to attract tenants over the next year or two, redevelopment into a different use could occur.

Look for the younger consumer to help pull up retail sales over the next couple of years. According to the Greater Washington Board of Trade, younger generations are more confident about the economy compared to older generations. This is expected, as the younger consumer has time to recoup money lost during the recession. We expect those closer to retirement to remain timid about spending in the next two years.



## The Bottom Line

***We believe Washington metro area retail will remain successful, even through economic downturns, if the center is:***

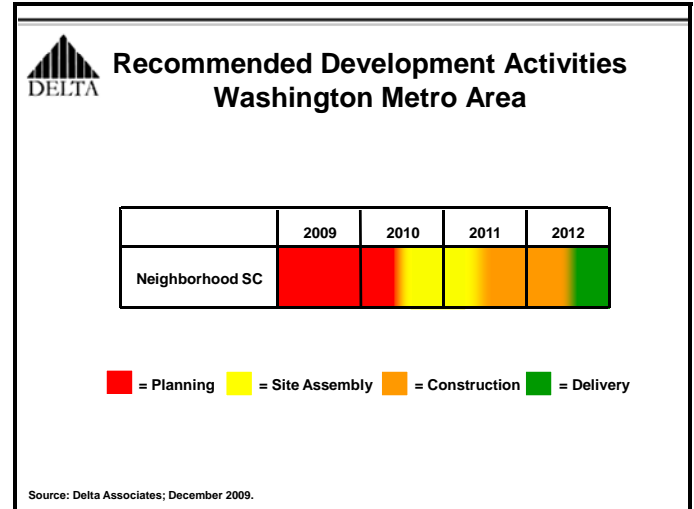
- Located within mixed-use or neighborhood centers in a submarket with solid supply/demand fundamentals.
- Close to transit and jobs.
- Focused on everyday necessities and amenities, such as groceries, banking, and entertainment.

We believe retail is poised for a stronger recovery in the metro area, given high incomes and a projected 23,900 new jobs added to the local economy in 2010. However, we believe retail sales will remain soft through most of 2010, with a modest rise late in the year.

Developers and investors should start planning for the next expansion phase. We expect tenants to control the market through 2011 – a period of increased competition. Owners who have the cash to make substantial upgrades, particularly at strong locations, should consider doing so. Renovating is likely to attract higher-caliber tenants and generate additional cash flow.

Since market conditions will start to transition during 2010-2011 for retail, developers should:

- Start planning for the next expansion now.
- Start site assembly through mid-2011.
- Start construction in mid-2011.
- Deliver product in mid-2012 when the market shifts towards the landlord's favor.



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The Rappaport Companies

# Washington Area Retail Outlook

*A publication of Delta Associates, sponsored by The Rappaport Companies*

## Delta Associates

Delta Associates, the research affiliate of Transwestern, is a firm of experienced professionals offering consulting, valuation, and data services to the commercial real estate industry for over 25 years. The firm's practice is organized in four related areas:

- **Valuation** services for partial interests in commercial real estate assets.
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- **Subscription data** for selected metro regions for office, industrial, retail, condominium, and apartment markets.

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## The Rappaport Companies

For 25 years, The Rappaport Companies has provided the Washington, D.C. area with professional real estate services centered exclusively on the retail segment. Founded in 1984 by Gary D. Rappaport, SCSM/SCMD/SCLS/CDP, The Rappaport Companies owns and develops shopping centers and provides retail leasing, tenant representation, property management, construction management and development services for retail space in shopping center and mixed-use properties throughout the Washington, D.C./Baltimore area. The Rappaport portfolio totals some 13 million square feet of retail space in urban and suburban locations.

Mr. Rappaport is a past Chairman and current Trustee of the International Council of Shopping Centers and was named in the "Power 50" of The Most Influential People in Washington, D.C. Commercial Real Estate in 2008 by the Bisnow on Business Real Estate newsletter.

A division of The Rappaport Companies, **Rappaport Retail Brokerage** provides all facets of retail representation, including both Landlord and Tenant representation services for some of the Washington, D.C. area's most prominent developers and retailers.

Led by Executive Vice President Henry S. Fonvielle, the Rappaport Retail Brokerage team includes the region's top experts in retail representation with demonstrated success in all types of transaction across all retail property types, including mixed-use, lifestyle, neighborhood, as well as development and redevelopment projects. Bill Dickinson, Michael Howard, Melissa Webb, John Hayden, Will Collins, Kristin Off, Fraser Schaufele, Pat O'Meara, and Jim Farrell are members of the Rappaport Retail Brokerage team.

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