

MarketView Charlotte Retail

Quick Stats

	Current	Change from last	
		Yr.	Qtr.
Vacancy	7.5%	↑	↑
Lease Rates	\$21.13	↑	↓
Net Absorption*	-273,958	↓	↓
Construction	20,000	↓	↓

* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- Chima Brazilian Steakhouse will open their first North Carolina location at the Trust Building in downtown Charlotte and total 17,000 SF.
- Kannapolis' Afton Ridge Shopping recently sold for \$50M. The 174,000 SF Super Target was not included in the sale. The 470,288 SF center is currently 94% leased.
- The EpiCentre's new restaurants and retailers (Fleming's, Blackfinn, Jason's Deli, and Cold Stone Creamery) have opened to long lines downtown. Soon to follow will be Strike City Lanes and a movie theatre.
- The Northwest submarket's Northlake Mall area continues to add impressive retailers. Adjacent to the mall, NorthCrest has opened with Charlotte's second REI and second Super Target.

Charlotte's retail market saw an increase in vacancy during the third quarter of 2008, which was primarily attributed to speculative deliveries with vacant space. Vacancy increased to 7.5% from 6.5% in the second quarter.

Construction starts were down this quarter with just 20,000 sq. ft. underway, compared to 421,700 sq. ft. last quarter. This is the lowest amount recorded since CBRE started tracking the retail market. Given the current market conditions, we anticipate that anchors will continue delaying store openings and force developers to further delay construction starts. In addition, gun shy lenders are attempting to impose stringent pre-leasing requirements that will also delay starts.

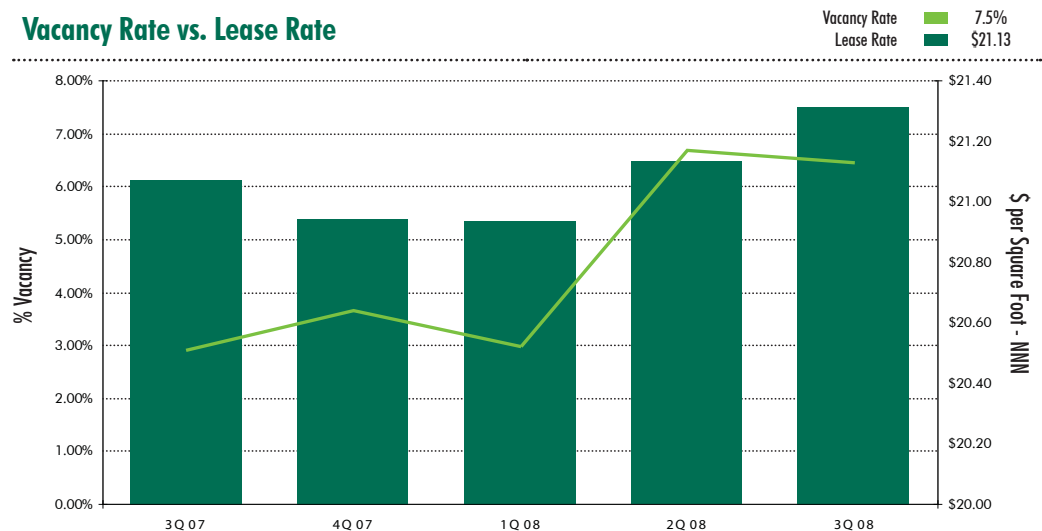
Large retailers and developers are continuing to hesitate with commitments to the market. We are anticipating more announcements of store closings. Some retailers, such as Starbucks, hope to consolidate and reduce locations to bolster sales. Similarly, Steve & Barry's, under new ownership after filing bankruptcy, intends to

close half of its store locations nationwide. Still, other household names, like Linen 'N Things, will disappear completely. In addition, Lowe's Home Improvement announced plans to reduce their store openings in 2009 by approximately 25%. The continued uncertainty in the market will likely cause additional retailers to follow suit and scale back store development.

The news is not all bad given the recent surveys citing Charlotte as one of the best markets for power centers. These centers are typically dominated by big-box and discount retailers, two groups that have continued to outperform traditional retailers in same store sales and sales growth. When retailers look across the entire country for locations and roll outs, the Charlotte metro area is affordable, has good product available, and continues to be a growing market.

When market conditions change and the housing market improves, we anticipate Charlotte to be one of the first cities to recover.

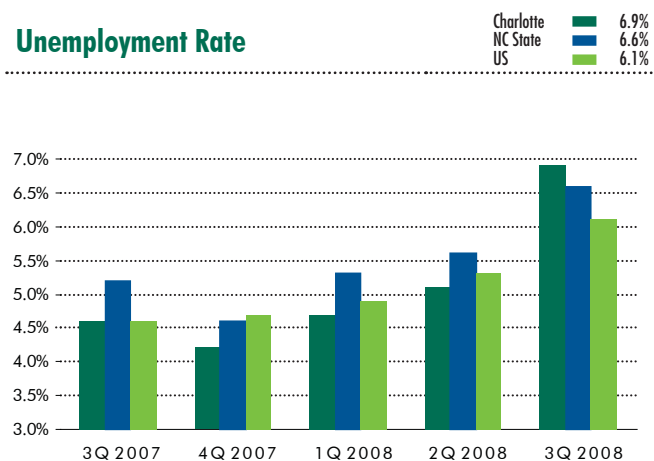
Vacancy Rate vs. Lease Rate



Market Statistics

Market	Rentable Area	Vacancy Rate %	Net Absorption SF	Under Construction SF	Average Asking Lease Rate - \$ SF/YR	Availability Rate %
Uptown	1,001,580	8.9%	(47)	0	\$27.09	8.9%
East	7,073,104	8.8%	(146,138)	0	\$16.60	8.8%
Outer Southeast	6,707,195	3.2%	(14,289)	0	\$27.04	3.2%
Inner Southeast	4,321,794	6.0%	(94,058)	0	\$24.53	6.0%
Southwest	1,570,077	7.3%	(36,352)	20,000	\$23.25	7.3%
Northwest	2,672,811	15.2%	182,537	0	\$12.95	15.2%
Northeast	1,441,535	11.6%	(93,873)	0	\$17.45	11.6%
North	3,608,869	7.3%	(71,738)	0	\$22.64	7.3%
Market Totals	28,396,965	7.5%	(273,958)	20,000	\$21.13	7.5%

Unemployment Rate



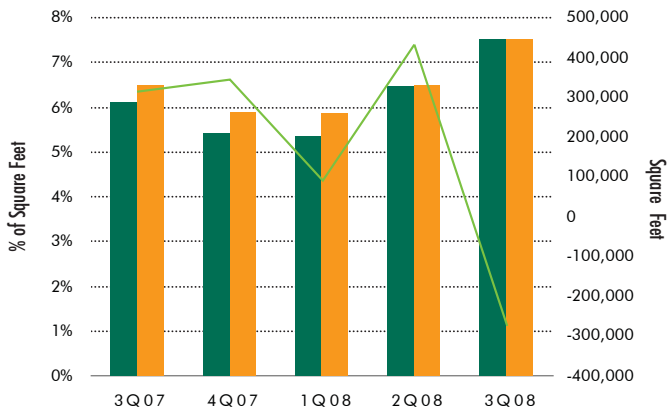
Charlotte's unemployment rate increased in the second quarter to 6.9% in July from 5.1% in May. Regionally, layoffs in the mortgage and financial industries have been the primary cause of this increase.

Significant job announcements this quarter included:

- Fluor Corp, an international engineering firm that services power plants, moved into 73,000 sq. ft. in the One SouthPark Center in May, doubling the size of its Charlotte office. Fluor plans to hire 133 employees in the next six months.
- Time Warner Entertainment Company will expand its Charlotte operations, adding 200 jobs. The Company is in the process of constructing an additional building at the Charlotte Corporate Campus on Crescent Executive Drive. The four-story building, with 103,500 sq. ft. of space, is expected to be complete in May 2009.

Vacancy / Availability / Net Absorption

Vacancy 7.5%
 Availability 7.5%
 Absorption (273,958)

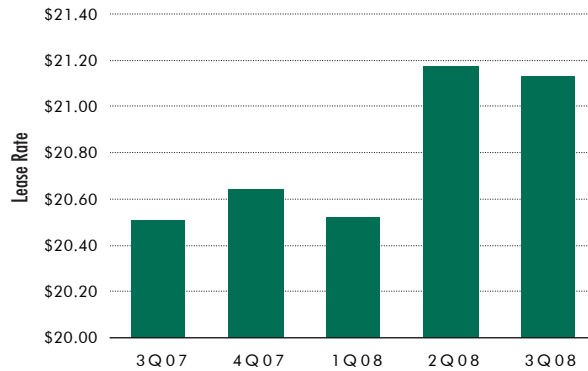


Charlotte's retail vacancy rate increased to 7.5%, from 6.5% in the second quarter.

Net absorption was a negative 273,958 sq. ft., the first quarter to register negative absorption, after eight consecutive quarters of positive absorption. The decline is primarily attributed to the preleasing of new buildings that were delivered this quarter.

Average Asking Lease Rates

Average Asking (G) Lease Rent \$21.13

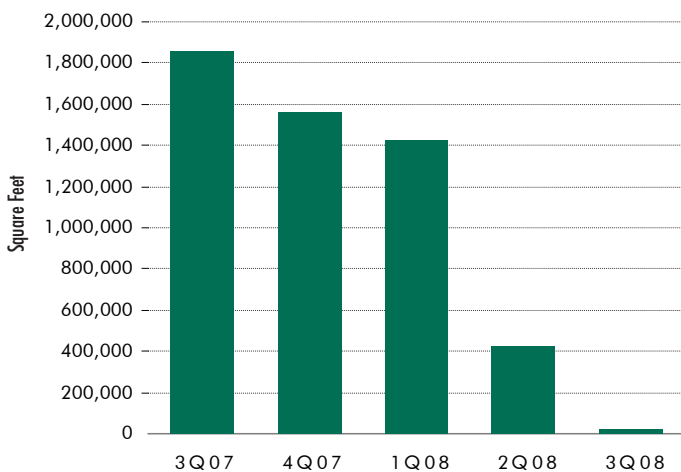


Average asking NNN lease rates increased in the second quarter from \$20.52 per sq. ft. last quarter to \$21.17 per sq. ft. this quarter.

Rates are the highest in Uptown (27.35), Outer Southeast (\$27.02), Inner Southeast (\$24.53) and the Southwest (\$23.25).

Construction Activity

SF Under Construction 20,000



As of the third quarter of 2008, approximately 20,000 sq. ft. was under construction. Two retail centers, The Shoppes at Ardrey Kell (107,700 sq. ft) and NorthCrest (294,000 sq. ft) were delivered during the third quarter. The products were 90% and 88%, respectively, preleased.

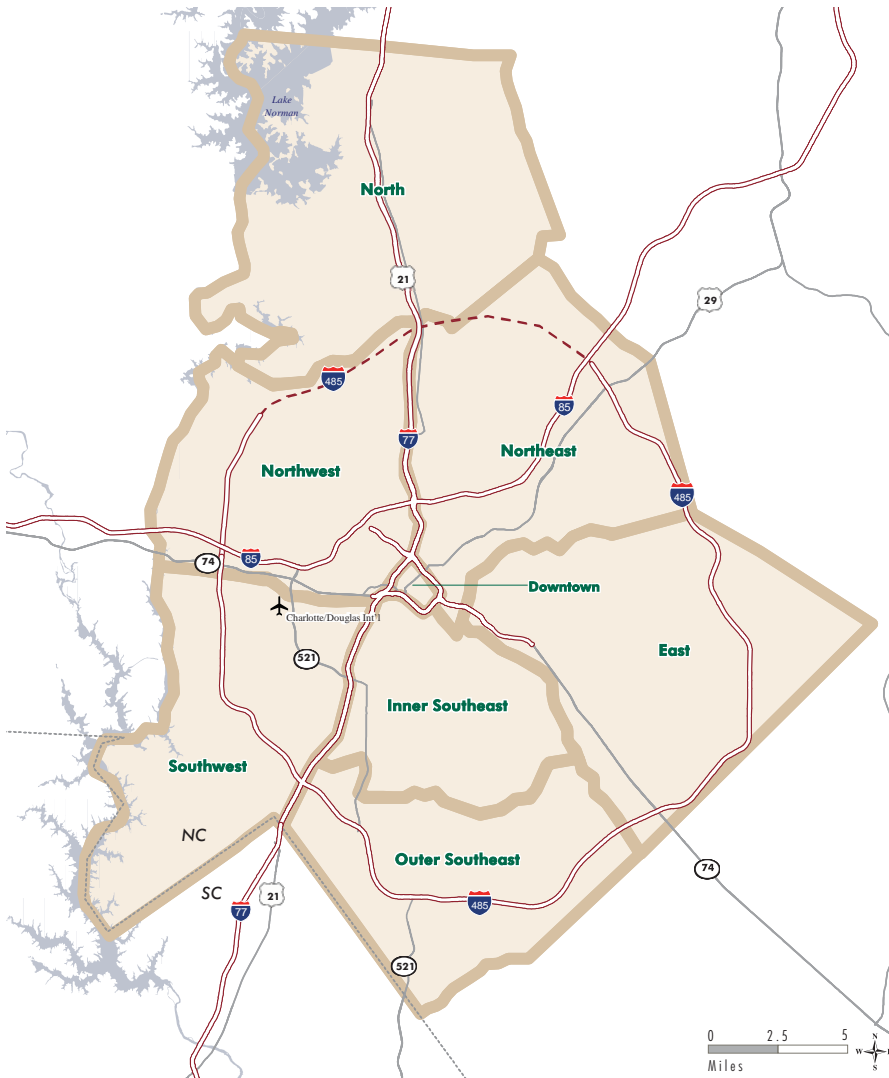
Market Outlook

Vacancy rates in all three property sectors (industrial, office, and retail) increased slightly in the second quarter of 2008. Office vacancy was 11.8%, industrial vacancy was 7.1%, and retail vacancy was 7.5%. Decreases in the office and retail vacancy rates are primarily attributed to new speculative deliveries that were vacant.

Analysts will continue to watch the market closely the remaining of the year as the banks continue to announce layoffs.

MarketView Charlotte Retail

Submarket Map



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Average Asking Lease Rate

Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

Net Leases

Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

Market Coverage

Includes all competitive retail buildings 20,000 square feet and greater in size.

Net Absorption

The change in occupied square feet from one period to the next.

Net Rentable Area

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

Occupied Area (Square Feet)

Building area not considered vacant.

Under Construction

Buildings which have begun construction as evidenced by site excavation or foundation work.

Available Area (Square Feet)

Available Building Area which is either physically vacant or occupied.

Availability Rate

Available Square Feet divided by the Net Rentable Area.

Vacant Area (Square Feet)

Existing Building Area which is physically vacant or immediately available.

Vacancy Rate

Vacant Building Feet divided by the Net Rentable Area.

Normalization

Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

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