The Lee Retail Brief

Closing 2014 with a glance to 2015

Q4

2014

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transaction volume
2013

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agents
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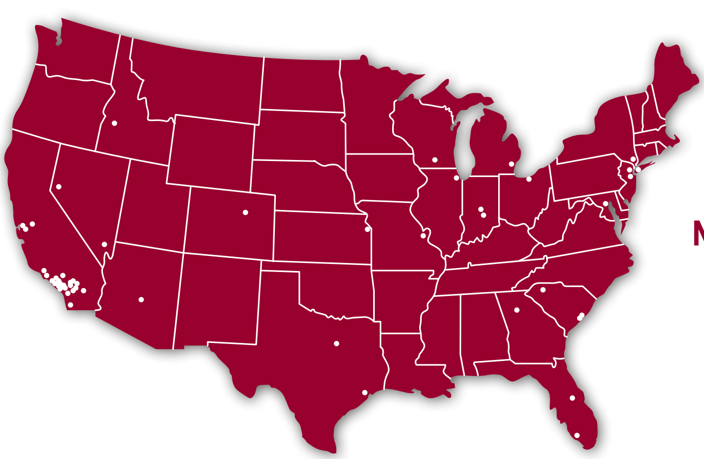

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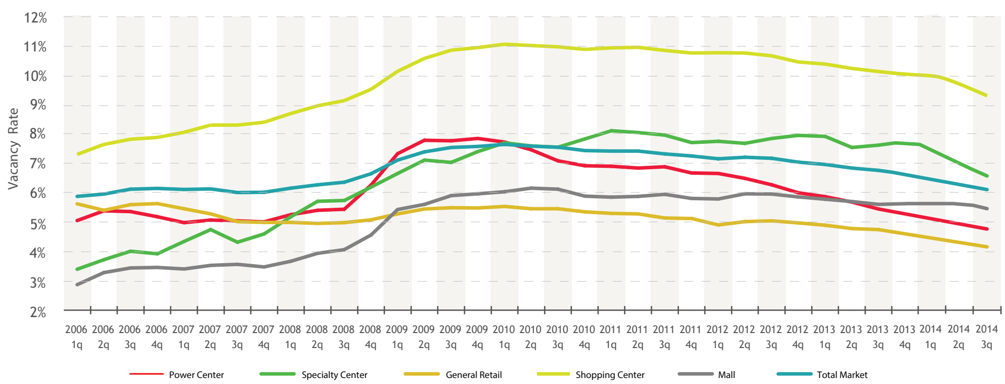
EXPANDING ECONOMY BOOSTS RETAILER CONFIDENCE

The US retail property sector took a big step forward in 2014. Of the 12.57 billion square feet of retail space across the country, only 6.1% of it remained vacant by the end of the year, but a disproportionate share of vacant space was in suburban trade areas furthest from city centers. Net absorption rose to 34.9 million square feet in Q4, besting Q3's performance by 6.5 million square feet. The yearly net gain in occupied space hit 109.8 million square feet, which pushed average asking rental rates up to $14.90 per square-foot in Q4. For the year, rents moved up another 1.54%.

Vacancy Rate 2006 - 2014

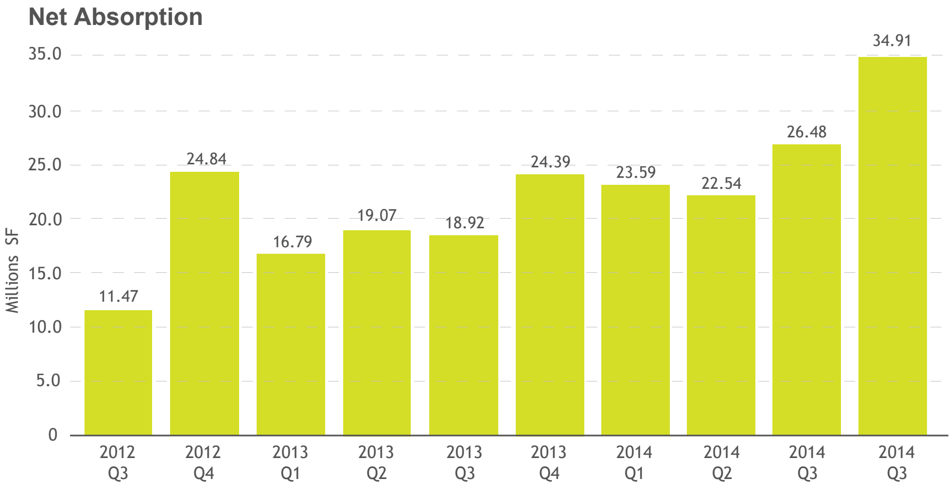


Delivery of new retail space also picked up in 2014. In the past four quarters, over 60.6 million square feet of retail space was added to total inventory, and another 49.3 million square feet is underway. Developers are more focused on mixed-use projects in urban markets near city centers, and less so in traditional suburban markets that have less appeal to a younger workforce that is losing interest in home ownership and long commutes. The live-work-play lifestyle offered by amenity rich, densely populated areas is attracting trendy restaurants, retailers and entertainment venues preferred by the burgeoning millennial generations. Rents are growing fastest in projects with large multi-family components.

Recent Deliveries by Project Size of Year-to-Date Development

Building Size	# Bldgs	GLA	SF Leased	% Leased	Avg Rate	Single-Tenant	Multi-Tenant
< 50,000 SF	2,529	25,861,124	21,607,201	83.6%	$25.35	11,634,326	14,226,798
50,000 SF - 99,999 SF	150	10,133,288	9,395,311	92.7%	$24.93	4,361,925	5,771,363
100,000 SF - 249,999 SF	118	17,177,171	16,593,063	96.6%	$32.64	7,649,366	9,527,805
250,000 SF - 499,999 SF	12	4,137,130	3,131,374	75.7%	$0.00	775,000	3,362,130
>= 500,000 SF	3	3,260,000	2,909,000	89.2%	$0.00	0	3,260,000

Re-purposing is also picking up momentum, especially in high-rent areas. On Fifth Avenue in New York, where retail rents are highest, landlords are converting ground-floor space dedicated to other uses, to collect premium rents from retailers anxious to expand into the area. Even old armories and the Hudson River piers are becoming home to the newest retail trend-setters. New York is not alone in this regard, as the gentrification of older areas near city centers across the country have been a catalyst for new retail opportunities. Spin-offs from some of the most established national retailers are taking a particular interest in these areas. They see it as an opportunity to grow their own revenues by adapting their concepts to local preferences.

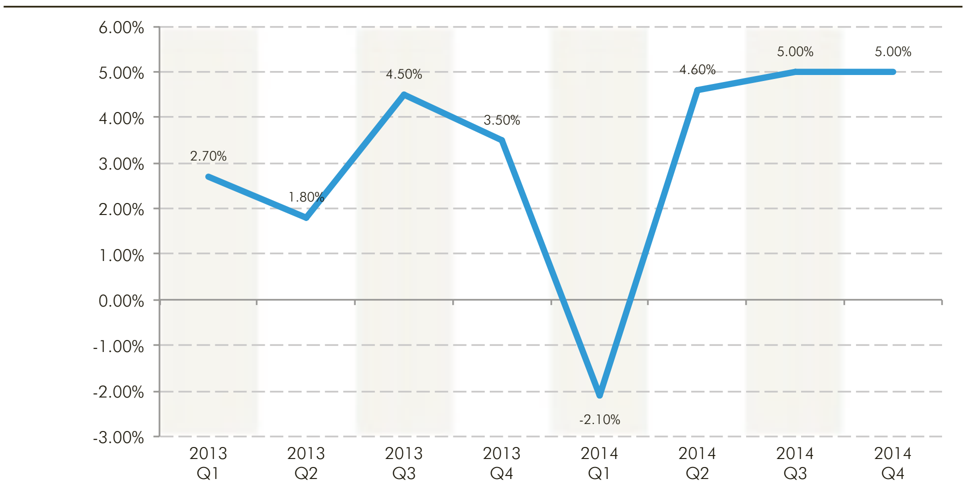


Online spending for retail products continue to have a big impact on retailing habits, but online sales still account for less than 10% of retail sales. In 2014, traditional brick and mortar retailers expanded their online presence, while online retailers grew into new brick and mortar locations, as both sectors looked to offer a more seamless customer service experience through 'omni-channel' retailing.

Macro-economic factors affecting retail improved during the year, but challenges remain.

After several years of anemic GDP growth in the 1.5% to 1.8% range, the nation's total output finally broke into new territory in 2014. Following a 2.1% decline in the first quarter, attributed mainly to a record-cold winter, the US had quarterly growth spurts of 4.6% in Q2, 5.0% in Q3 and preliminary estimates for Q4 are coming in as high as 5%. This is welcome news for a nation held back by years of uncertainty and caution over the sustainability of an economic recovery that began back in 2010. Optimism that 2014's performance was no fluke, has users and investors feeling more confident in a sustainable recovery.

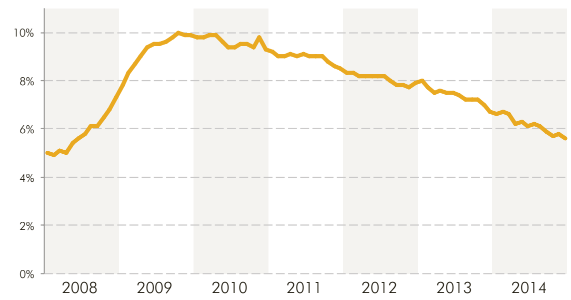
Quarter-to-Quarter Growth in Real GDP



Job and wage growth, weaker in this recovery by historical standards, stepped up the pace in 2014. Monthly net job gains exceeded 200,000 in all but one month last year, peaking at 353,000 in October. This proved helpful for unemployed and underemployed workers who have long been frustrated by the lack of quality full time jobs on offer. Energy and technology jobs tended to be the highest paying, so gains were greatest in those states benefiting directly from the boom in oil and gas production. Technology hubs like San Francisco, Silicon Valley and Raleigh/Durham also saw a pick-up in year-over-year employment and wage growth. It should be noted that overall wage growth remained relatively flat throughout the year, which has kept much of the middle class still feeling the pinch of tougher times.

The unemployment rate moved down significantly in 2014, falling to a post-recession low of 5.6%. However, many experts now believe that the high number of part-time and lower-paying jobs makes the unemployment rate a less reliable indicator. More attention is now being centered on the Labor Participation Rate to gauge the health of the job market. It measures the number of people eligible to work compared to those who are gainfully employed, and it still hovers at a four decade low of 62.7%.

Unemployment Rate

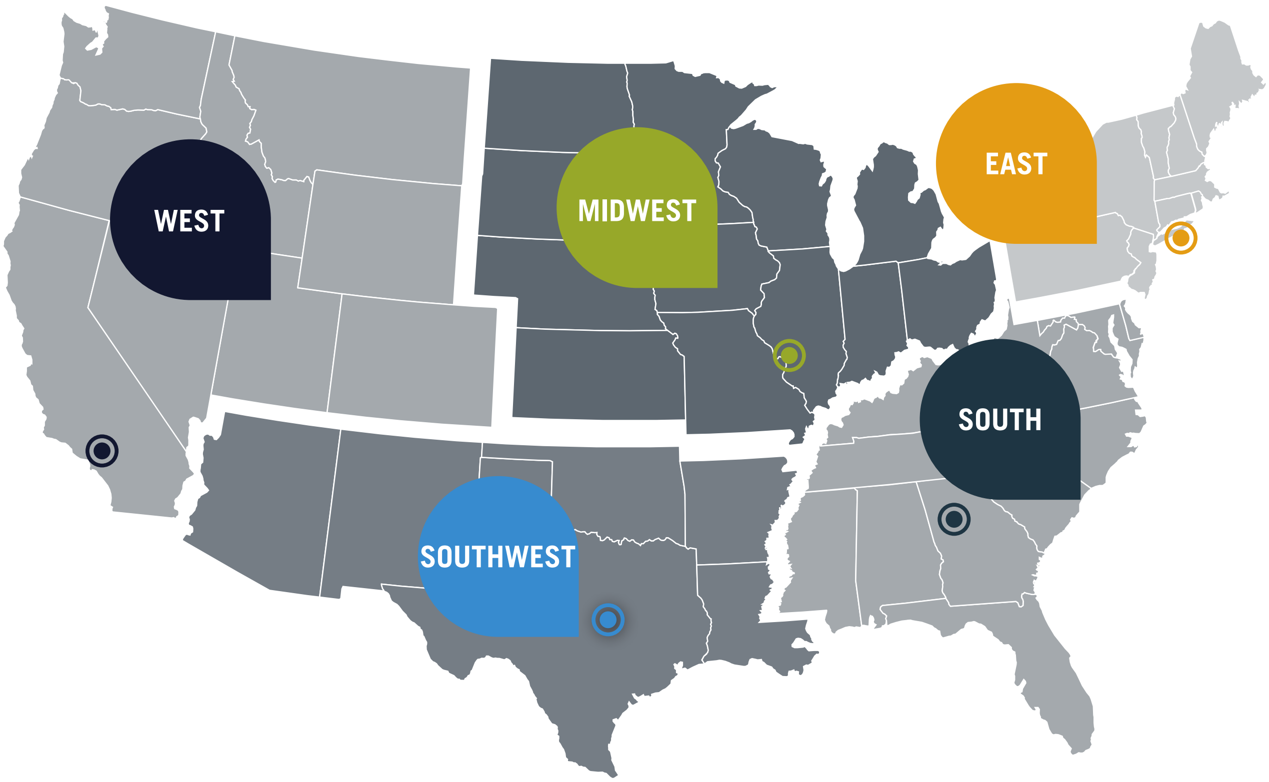


The US Federal Reserve Bank's decision to hold the line on interest rates was another key driver and a bit of a surprise to many market experts. As predicted, the massive bond-buying program known as Quantitative Easing was ended, but the much-anticipated rise in the Discount and Federal Fund rates failed to materialize. Most thought the bump in rates would have come before the year ended, but that estimate has been pushed back to at least the middle of 2015. Nominal US inflation, disappointing wage growth and concerns about the global economy prompted the Fed to maintain its current posture. That kept the equities market moving higher, cap rates going lower as yields on alternate investments remained unattractive.

Concerns over global economic conditions grew deeper in 2014. China's GDP growth fell to 7%, which was not unexpected, but Japan and Europe performed weaker than anticipated. Central banks in both regions increased their involvement to avoid a deflationary cycle that could result in a worldwide recession. Eurozone growth hovers near zero and that has weakened the Euro against the dollar and other currencies. Taking a page out of the Fed playbook, the European Central Bank recently announced a round of quantitative easing to boost GDP amongst its member nations. Challenges facing large Eurozone players like France, Italy and even Germany returned to the headlines in 2014. However, the resulting strength of the US Dollar increases buying power across the Atlantic.

The fall in energy prices worldwide was the big surprise in 2014. Oil prices plunged from $107 per barrel in June of 2014 to the low $50 range by year end, and industry experts are predicting further declines before the market stabilizes. OPEC has thus far refused to cut production in response, which many believe is a move to counter the impact of the huge increase in US production due to hydraulic fracturing. Fracking, as the process is commonly known, is more expensive than traditional drilling methods and the price of oil fell under the cost of extraction during 2014. However, the benefits of lower pricing to consumers and heavy users of fossil fuels, figured strongly into 2014's performance overall.

A LOOK AHEAD. Retail sales should continue its move up in 2015. Net gains in employment and drastically lower gas prices will give consumer spending a big boost. Estimates of domestic GDP growth for 2015 run as high as 5%, but uneven wage growth will stimulate retail activity at the high and low ends of the pricing spectrum. Mid-tier retailers will have to adapt by right-sizing and repositioning to capture needed market share. Until stronger wage growth hits the middle class, retail centers in areas with weaker demographic profiles will lag behind in rent growth and see slower declines in vacancy. A move by the Fed to bump up interest rates, which is expected by mid-year, could slow consumer spending later in the year, but a prolonged slump in oil prices would be an offsetting factor. Mixed-use projects will dominate the development activity, as retailers will continue to cluster near urban cores where a denser concentration of millennials now outnumber baby boomers in the workforce. Net absorption and rents will make modest gains overall, but secondary suburban markets will have the greatest challenge throughout the year.



To view a key market snapshot either click on a section of the interactive map above or on the cities below.

ORANGE COUNTY

DALLAS / FORT WORTH

ST. LOUIS

ATLANTA

BROOKLYN NEW YORK

ORANGE COUNTY OVERVIEW

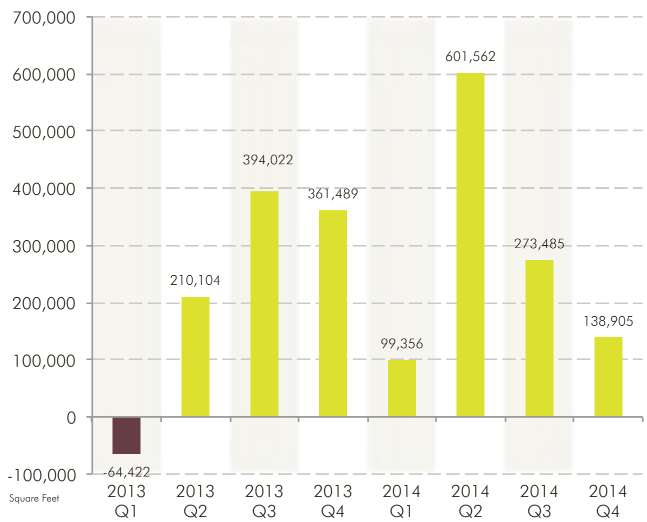
Orange County's overall economic growth gave the retail sector another boost in 2014. Over 32,000 new jobs were created in the county, and that has boosted consumer confidence and filled shopping center parking lots all across the county. The unemployment rate dipped to 5.0% by mid-quarter, well under the statewide and national rates, which stand at 7.1% and 5.9% respectively. New jobs in the tech, business services, education and healthcare sectors led the way again in Q4.

Vacancy fell to 4.67% in Q4. However, it feels even lower to retailers requiring prime locations, as most of the vacancy remains concentrated in secondary locations. Consequently, most of the rent growth is being realized in coastal submarkets and near entertainment venues. County-wide, the average asking lease rate moved up another 36 cents to $22.92 on a triple net basis, besting 2013's year-end rate of $22.44.

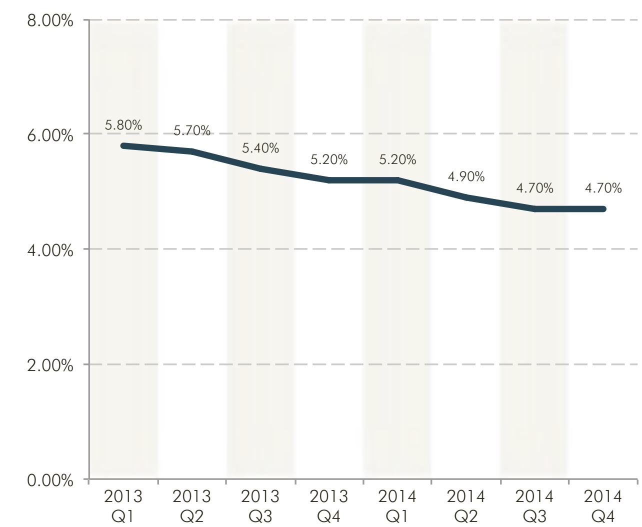
Net absorption remained positive in Q4, checking in at just under 128,000 square feet, adding to 2014's total of just over 1.1 million square feet. Expanding restaurant and Hispanic grocery sectors were both big contributors to net growth in occupied space for the year. Leasing was also up in the top regional malls throughout the county, as they capitalized on aggressive expansion from national retailers in 2014

Demand for retail investment properties continues to grow, as cap rates for multi-family, industrial and office properties have become severely compressed due to short supply, low cost of capital and weak yields in alternative asset classes. However, the supply of retail property offered for sale is also running well short of demand. As a consequence, sales activity in Q4 was weak at just 352,000 square feet. Competitive bidding is the norm from anxious institutional and foreign investors with plenty of cash.

Net Absorption



Vacancy Rate



4.7%	$23.01	138,905	140,976,978	99,111
VACANCY	AVG. SF RENTAL RATES	NET SF ABSORPTION	RETAIL SF INVENTORY	SF UNDER CONSTRUCTION

ORANGE COUNTY OVERVIEW
(continued)

Opportunities

Tenants:

- Millennial's increasing demand for upscale restaurants near new multi-family development.
- Prime corners and well-anchored grocery/drug centers continue to recycle as obsolete retailers are forced out by changing demographics.

Buyers:

- Add-value opportunities in secondary locations.
- Reduced leasing risk due to declining vacancy.

Landlords:

- Rent growth potential is strong, especially for prime locations.
- Improving demographics for retail product located near new multi-family developments.

Sellers:

- Cap rates have compressed.
- Low cost of capital expanding the buyer pool to leveraged investors.

Developers:

- Lower leasing risk due to strong demand.
- Strong demographic and economic performance of Orange County attracts national tenants.

Challenges

Tenants:

- Low vacancy in prime submarkets.
- Rents are moving up faster in primary locations.

Buyers:

- Competition from all investor types is on the rise.
- Cash buyers still have the upper hand.

Landlords:

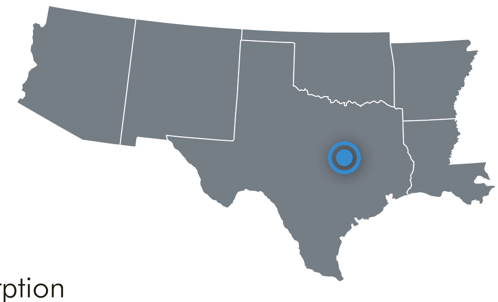
- Owners of secondary-location centers are forced to lease to local operators and start-ups.
- Some major tenants are downsizing to remain competitive.

Developers:

- Shortage of land in prime market areas.
- Concerns over cost of capital when the Fed makes a move on interest rates.

A LOOK AHEAD. New construction will moderate due to a lack of quality development sites. Vacancy will keep moving lower, but most of the available space will be in secondary locations. Robust job growth should keep retail sales on the upswing, and millennial's will continue to drive new retail trends for the foreseeable future. Net absorption will stay in positive territory, but could moderate due to a lack of supply. Retailers in search of prime locations will have to pay more and be willing to compete with multiple bidders. Sale activity will remain near current levels, as the shortage of retail investment assets shows no sign of abating.

DALLAS / FORT WORTH OVERVIEW

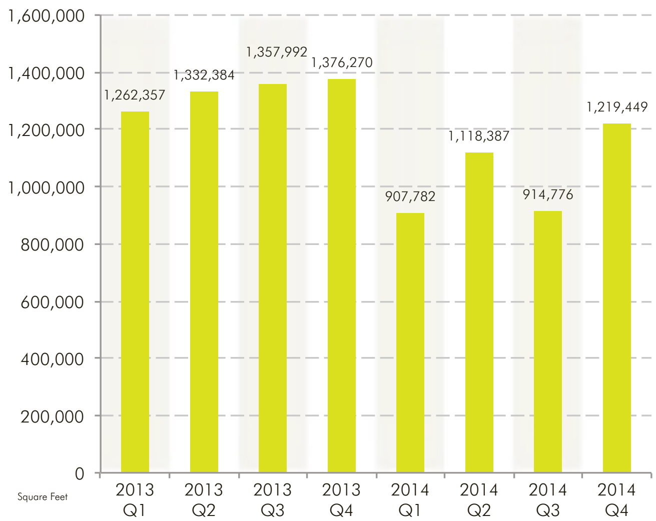


The Dallas/Forth Worth (DFW) retail market, like all other product types, is directly benefiting from the ongoing national energy boom that is centered on Texas. New technologies for extracting previously hard-to-get fossil fuels have created a boom in population growth, job creation, housing, and all commercial real estate product types. Texas, in general, and DFW in particular, outperformed virtually every market in the US in 2014. Local and state incentives offered to attract major corporate users and new jobs to the area has retailers scrambling to position themselves for strong growth going forward.

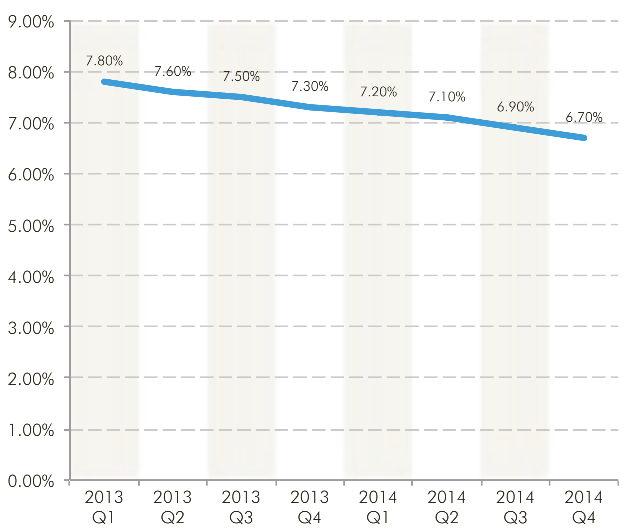
Q4 was no exception, as the retail sector's vacancy factor fell again to a post-recession low of 6.7%. Positive net absorption for the year offered further good news, as the difference in occupied space year-over-year totaled 4.3 million square feet. Average asking lease rates for the region overall were up just over 2%, finishing the year at $14.11 per square-foot, but the Central Dallas area led the way with an average rate of $20.54. National retailers looking to make long-term commitments to lock in today's lease rates, were big contributors during the year. Restaurants and home goods retailers were particularly active in 2014 and that trend is likely to continue.

Favorable market metrics have investors clamoring to acquire retail properties, which has driven cap rates to pre-recession lows. Domestic institutions and foreign investors with cash to spend are competing furiously for retail product, as they anticipate the likelihood of increasing retail rents over the next several years. The cost of capital remains at historic lows, and that adds buyers requiring leverage to the competitive mix. Overall sale activity for the first nine months of 2014 lagged slightly behind the same period in 2013 at $434 million, but if not for the lack of supply that number could have been substantially higher.

Net Absorption



Vacancy Rate



6.7%	$14.11	1,219,449	387,534,378	3,652,781
VACANCY	AVG. SF RENTAL RATES	NET SF ABSORPTION	RETAIL SF INVENTORY	SF UNDER CONSTRUCTION

DALLAS / FORT WORTH OVERVIEW (continued)

Opportunities

Tenants:

- With rental rates rising, tenants willing to make long-term commitments will reduce occupancy cost.
- Low cost of capital to fund expansion.

Buyers:

- Robust leasing activity and rising rents.
- Low cost of capital for leveraged and add value player.

Landlords:

- Choice of quality tenants with good credit.
- Strong negotiating position for lease renewals.

Sellers:

- Pre-recession pricing levels and still moving up.
- Low cost of capital allows leveraged investors to bid prices up.

Developers:

- Low financing cost.
- Shortage of quality space due to lack of development since 2006.

Challenges

Tenants:

- Shortage of quality space due to lack of development since 2006.
- Lower vacancy will force tenants into secondary locations.
- Lack of availability will force tenants to adapt to different size footprint.

Buyers:

- Competitive bidding is keeping cap rates compressed.
- Higher retrofit cost and more leasing risk as buyers are forced into lower quality assets.

Landlords:

- Pushing to achieve market rates on renewals increases vacancy risk.
- Secondary locations could lose traditional big box tenants.

Sellers:

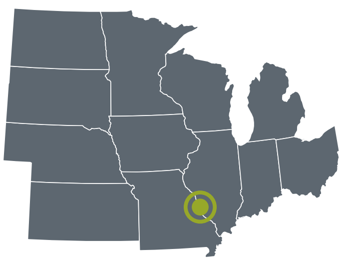
- Competing for exchange properties with aggressive cash buyers.
- Tax consequences of cashing out.

Developers:

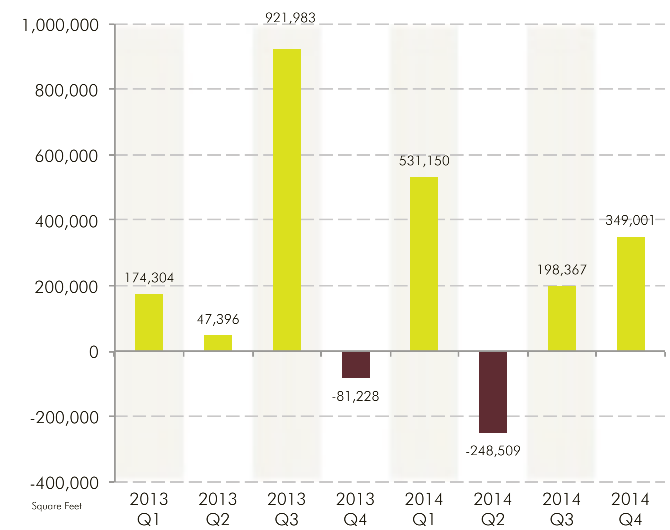
- Rising land and construction costs.
- Labor shortage due to strong energy sector job growth.

A LOOK AHEAD. The near term outlook for the DFW retail market is good. National, regional and local tenants will continue to pursue growth opportunities. The housing market, fueled by job and population growth, should continue to strengthen retail demand. Net absorption will remain positive and vacancy will fall again in 2015, which means the current trajectory of rent growth will persist. However, it remains to be seen what affect the recent 40% plunge in oil prices will have on the DFW economy. This may bring the oil field labor force back to the construction industry. Retail sales growth is job driven. So, if job growth stalls until oil prices rebound, the local economy will be affected. However, government incentives offered to attract business to Texas, along with otherwise strong market dynamics should reduce the detrimental effects of a potential slowdown.

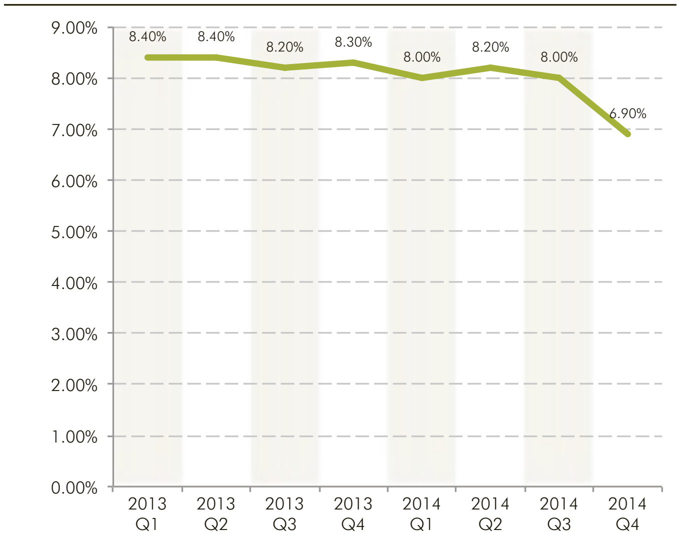
ST. LOUIS OVERVIEW



Net Absorption



Vacancy Rate



The St. Louis retail market made modest gains in 2014, but is vastly improved over conditions experienced in the last recession. Population growth, a metric watched closely by retailers, has turned positive for St. Louis and surrounding counties. By the end of 2014, population in the City of St. Louis returned to 2010 levels, up 48 basis points for the year. This has expanding retailers showing more interest in the region. Competition for larger blocks of space has increased due to activity in the grocery, fitness and discount fashion sectors, which is helping to backfill space left vacant by retailers no longer in the market.

The St. Louis region includes just over 153.4 million square feet of retail space, 10.6 million square feet of which stood vacant at the end of Q4, yielding a vacancy rate of 6.9%. Year-over-year the rate has declined by 140 basis points. Net absorption was a positive 830,000 square feet for the year, with activity concentrated at both ends of the retail spectrum. Upscale retailers are doing well, as are the discounters, but mid-priced and hard-goods players continue to be challenged by flat income growth in the middle income brackets. The average asking rental rate ended the year at $12.04 per square-foot, up just a penny year-over-year.

The big retail news for 2014 was IKEA's entry into the St. Louis market, which has been a catalyst for additional speculative development along Forest Park Parkway in what is now known as the Cortex area in downtown St. Louis. Other development has mainly been for single tenant users. Currently, there is a total of 712,000 square feet under construction

Investors are showing renewed interest in St. Louis, as they are drawn to higher cap rates than they can achieve in larger markets on both coasts. Growth in the area may not be as dynamic as the energy markets in Texas, but Midwestern markets are traditionally steady over the long-term.

6.9%	$12.04	349,001	153,393,946	712,552
VACANCY	AVG. SF RENTAL RATES	NET SF ABSORPTION	RETAIL SF INVENTORY	SF UNDER CONSTRUCTION

ST. LOUIS OVERVIEW
(continued)

Opportunities

Tenants:
- Mid-market tenants have good choice of quality locations.
- Landlords are still offering generous lease concessions.

Buyers:
- Upside potential for product that can accommodate mid-sized grocery tenants like Walmart's Neighborhood Market concept.
- The market further behind other major metro areas in the recovery cycle.

Landlords:
- Leasing activity from big box retailers will decrease lease-up time.
- Long-term rent growth potential as market improves.

Sellers:
- Increase in investor interest will compress cap rates.
- Availability of low-cost capital increases buyer pool.

Developers:
- Recent development projects are attracting more attention from expanding retailers.
- Declining vacancy and limited development activity.

Challenges

Tenants:
- Limited population and income growth.
- Competition for big box space in quality centers.

Buyers:
- Slower growth potential than major markets on both coasts.
- Leasing risk for larger space vacancy in secondary locations.

Landlords:
- Substantial concessions required to attract quality tenants.
- Local tenant credit.

Sellers:
- Potential leasing risk affecting valuation.
- Low loan-to-value financing.

Developers:
- Limited leasing activity.
- Slower rent growth than other major markets.

A LOOK AHEAD. Activity will remain strong for well-located big box space, especially from grocers including Lucky's Market, Fresh Market, Natural grocers and Fresh Thyme. Other category discounters like Ross Dress For Less, Menards, IKEA, CVS and Walgreens are likely to ink new deals next year, as well. Vacancy will move down, but new developments coming on line will moderate the decline. Absorption will remain positive and bigger users will be forced into class B centers as vacancy declines. Sale activity will gain momentum, as investors around the country face fierce competition from institutional players and foreign cash buyers looking for a safe place to invest.

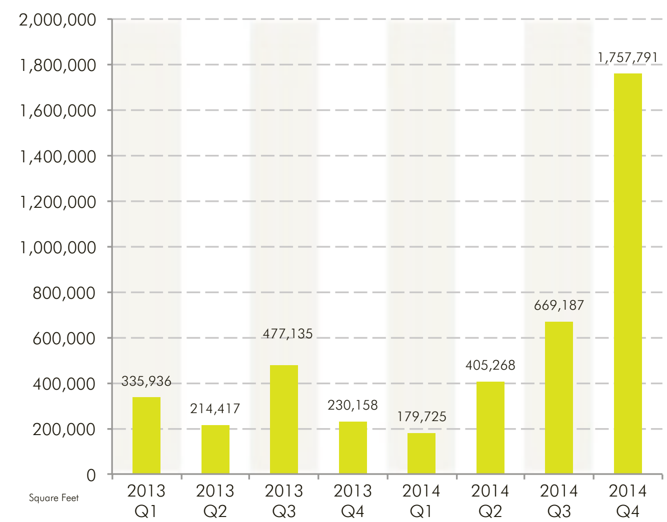
ATLANTA OVERVIEW

The Atlanta retail sector continued its return to good health in 2014. Aided by a growing economy, improving job growth and new development, confidence amongst retailers is evident in the numbers. Positive net absorption for the quarter hit 1,758,000 square feet, bringing the year's total to 4,860,000 square feet. Rents vary widely depending on submarket, ranging from a low of $12 per square-foot to a high of $34 per square-foot in prime urban locations. Combined average asking lease rates were relatively unchanged from 2013.

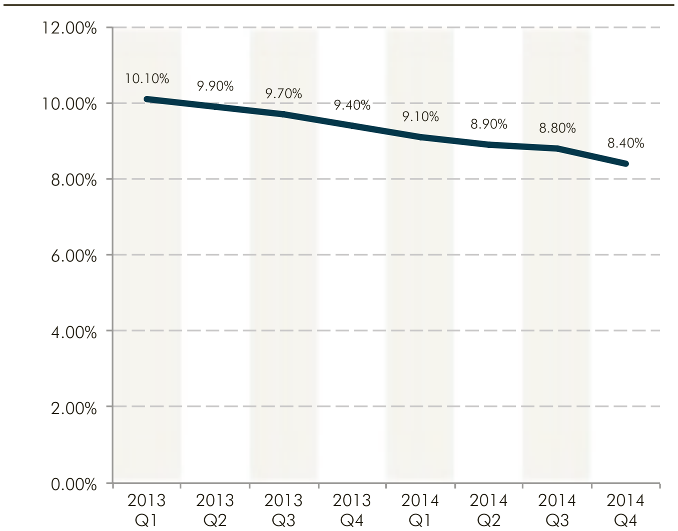
The big story is still the shift in Atlanta's demographics, which has significantly changed the retail landscape. Like much of the country, Atlanta is undergoing its own re-urbanization. More of the population, especially the millennials, are showing a preference for the live-work-play lifestyle that sprawling suburbs do not offer. As numerous surveys have shown, millennials place less emphasis on home ownership and all of its trappings, but instead, prefer the convenience of nearby amenities like trendy restaurants, local entertainment venues and non-chain retailers that offer an alternative to national chains.

Upscale retail chains are also responding to urbanization, especially in more affluent areas like Buckhead, which is the new home of a five-story Restoration Hardware location in Buckhead Village. By contrast, suburban shopping centers further from the city's center are seeing sluggish activity and little rent growth, as national chains occupying larger spaces are reevaluating their game plans to meet changing demand.

Net Absorption



Vacancy Rate



8.4%	$12.87	1,757,791	349,701,782	385,058
VACANCY	AVG. SF RENTAL RATES	NET SF ABSORPTION	RETAIL SF INVENTORY	SF UNDER CONSTRUCTION

ATLANTA OVERVIEW
(continued)

Opportunities

Tenants:

- Very low rents for local retailers willing to locate in B and C centers.
- Still an oversupply of higher quality suburban product due to past building boom.

Buyers:

- Leveraged buyers can take advantage of low-rate, fixed-term loans.
- Value-add buyers can acquire well-located product if they are willing to accept leasing risk.

Landlords:

- Rents are on the rise, especially for close-in submarkets.
- Owners of mixed-use projects can demand stronger credit and premium rents.

Sellers:

- Cap rates have compressed and demand continues to strengthen.
- Core assets and mixed-use projects command a price premium.

Developers:

- Projects entitled for mixed-use, including retail, office and multi-family product, will lease quickly and highest lease rates.
- Demand for mixed-use opens up new potential for re-development.

Challenges

Tenants:

- Intense competition for prime space.
- New retail players are outperforming traditional retail chains.

Buyers:

- Competition for quality assets has bid price up.
- Future vacancy risk for buyers acquiring properties anchored by traditional larger space users.

Landlords:

- Activity for shop space in suburban centers is weak.
- Difficulty in refinancing suburban centers due to higher vacancy.

Sellers:

- Competing with aggressive buyers to acquire exchange properties.
- Lower pricing for suburban assets due to leasing risk.

Developers:

- Limited sites available, especially inside the perimeter.
- Rising construction costs.

A LOOK AHEAD. The market will continue to improve, but net absorption may moderate due to lack of supply in preferred locations. Suburban vacancy will remain persistently high due to demographic shift to live-work-play environments. Overall vacancy will decline slowly, but average asking lease rates for the region will move up as much as 5% in 2015, but will rise more sharply in mixed-use projects. Affluent submarkets like Buckhead, Midtown, Castleberry Hill and the Old 4th Ward will fare best in the coming year. Look for the restaurant sector to expand, as will local chef-driven operations outperforming national chains. Job growth and median incomes will keep moving in the right direction, which will support retail activity throughout the region.

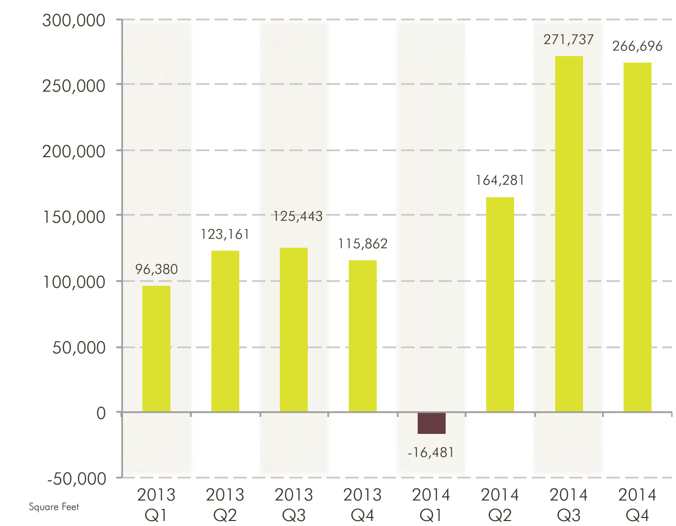
BROOKLYN NEW YORK OVERVIEW

The Brooklyn retail market has made a tremendous turnaround since the bottom of the recession back in 2009. Increases in population and tourism have boosted interest in the area from national retailers, which has confidence from across the retail spectrum on the rise. L train subway ridership into existing retail corridors like Williamsburg's Bedford and Atlantic Avenue stops has resulted in new leases for retailers like J.Crew, Levi's, Trader Joe's among others. These moves bear out the value of being located in a market with Brooklyn's globally recognized brand.

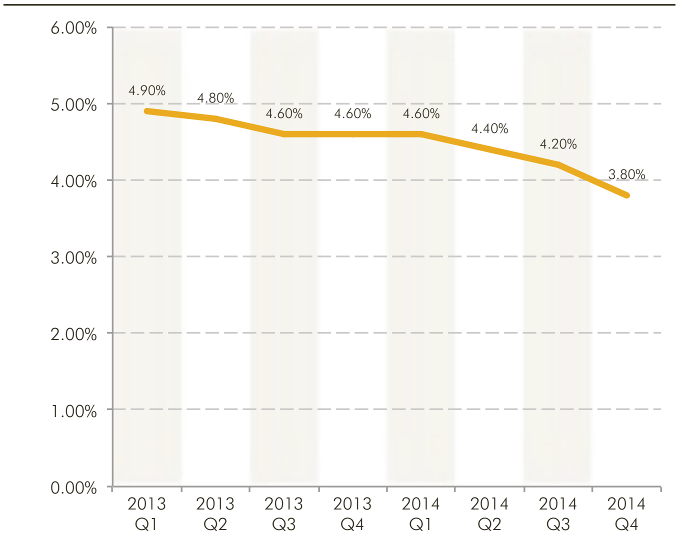
Rents have made huge gains, doubling in some neighborhoods over the past two years. That trend is continuing, as each new development creates another unique retail experience that appeals to different retail types. For example, national contemporary fashion retailers gravitate to Williamsburg and Cobble Hill, while discount concepts prefer Fulton Street and Barclays center. Restaurants, grocery stores and fitness concepts are active in all relevant Brooklyn Markets.

In general, Brooklyn is under-retailed especially when compared to neighboring Manhattan. Demand is lagging behind supply of new space, as the acquisition and entitlement process is protracted and difficult to complete. Even with the need for new space so apparent, local neighborhoods are insistent on keeping their unique flavor and charm. However, new projects are going forward. The new N. 4th Street corridor in Williamsburg has four new developments underway, all within three city blocks, resulting in new locations for Whole Foods, G-Star, Steven Alan, Home, Parm, Umami Burger and sweetgreen, among others. Perhpas the biggest news of the year came in Q4 with Apple's signing of a long term lease on 20,000 square feet at Bedford Ave and North 3rd street. The deal marks Apple's entry into the Brooklyn retail market. It's moves like these that clearly demonstrate the value of being located in a market with Brooklyn's globally recognized brand.

Net Absorption



Vacancy Rate



3.8%	$41.96	266,696	76,372,582	1,137,802
VACANCY	AVG. SF RENTAL RATES	NET SF ABSORPTION	RETAIL SF INVENTORY	SF UNDER CONSTRUCTION

BROOKLYN NEW YORK OVERVIEW (continued)

Opportunities

Tenants:

- In neighborhoods just starting to gain retail identities, tenants can lock in low rents.
- Many new developments offering space on build-to-suit basis with building brand potential.

Buyers:

- Properties with strong upside potential can be acquired from sellers lacking capital and expertise to reposition for maximum value.
- Boots-on-the-ground market knowledge required to identify off-market opportunities.

Landlords:

- Interest from national retailers is expanding choice of tenants.
- Strong rent growth potential for sophisticated landlords willing to reinvest in their assets to accommodate retail trends.

Sellers:

- Competition for product is forcing valuations to be based on future rent growth.
- Long-term holders can sell at substantial premium and diversify proceeds.

Developers:

- Tremendous market momentum is driving rents up and boosting confidence for long-term retail sales growth.
- Attention to the area allowing for the creation of new retail destinations.

Challenges

Tenants:

- Since the retail boom is relatively new there is a lack of long-term sales data available for strategic planning.
- Some local resistance to national tenants changing the unique character of neighbor-hoods.

Buyers:

- Large number of unqualified offers is confusing the competitive landscape.
- Off -market deals are receiving multiple offers.

Landlords:

- Improving properties to attract new retailers while preserving the unique character of the neighborhood.
- Educating tenants on the potential for retail sales growth without supporting historical sales data.

Sellers:

- Complicated ownership structures complicate exchange process.
- Lack of product is forcing sellers to exchange into unfamiliar markets.

Developers:

- Unrealistic sellers making assemblage more difficult.
- Securing forward lease commitments from retailers years in advance of product delivery.

A LOOK AHEAD. The near-term future for the Brooklyn retail sector looks bright. Interest from national retailers is snowballing, and as more stores open and foot traffic increases, market velocity will increase further. In 2015, development is not likely to keep pace with demand. However, low interest rates and rising rents have created a new sense of urgency within the development community. Rents, which have doubled in some areas over the last two years, could see another jump of 20% to 50% in the near term. Renewed office development will also contribute to retail sales growth in the Brooklyn market, as office development opportunities in Manhattan are few and very expensive. Growth in retail occupancy and sales will only attract more interest from investors to get in on the action. Foreign cash buyers, in particular, are looking to place money in a market they see as safe and stable over the long-term.

Significant Transactions

LOCATION	CONSIDERATION	RATE / SF	BUYER / TENANT	SELLER / LANDLORD
ORANGE COUNTY				
1710-30 E 17TH ST SANTA ANA, CA	$12,250,000 SALE OF 73,500 SF	$166.67	SUPER CENTER CONCEPTS, INC.	HECTOR A. REGNER LIVING TRUST
2 HUTTON CENTRE DR SANTA ANA, CA	$10,900,000 SALE OF 13,468 SF	$809.33	MACARTHUR PLAZA, LLC	FRIED ASSET MANAGEMENT, INC.
303 BROADWAY AVE LAGUNA BEACH, CA	$8,950,000 SALE OF 16,747 SF	$534.42	HODGEN, PHILIP D PROFESSIONAL CORP	JOHN D & KIMBERLY S WHITCOMBE
DALLAS / FORT WORTH				
FLOWER MOUND RIVERWALK FLOWER MOUND, TX	$29,000,000 SALE OF 91,800 SF	$315.90	RIOCAN REIT	THE SEITZ GROUP, INC
RIDGMAR MALL FORT WORTH, TX	$60,900,000 SALE OF 1,234,297 SF	$49.34	GK DEVELOPMENT, INC.	THE MACERICH COMPANY
TOWNE CENTERCOLLEYVILLE COLLEYVILLE, TX	$30,560,000 SALE OF 138,290 SF	$220.98	VELOCIS PROPERTIES	C HODGES DEVELOPMENT SERVICES, LP
ST. LOUIS				
5400 SOUTHFIELD CT ST. LOUIS, MO	$18,900,000 SALE OF 109,397 SF	$172.77	PHILLIPS EDISON GROCERY CENTER REIT II, INC.	THE BAKEWELL CORP
441 N. KIRKWOOD RD ST. LOUIS, MO	$7,411,000 SALE OF 17,500 SF	$423.49	NET LEASE CAPITAL ADVISORS, INC.	WALGREENS CORP
2235/2273/2207 HIGHWAY K O'FALLON, MO	$9,155,000 SALE OF 157,204 SF	$58.24	PEBB ENTERPRISES	IBT GROUP, LLC
ATLANTA				
THE SHOPPES AT WEBB GIN SNELLVILLE, GA	$87,040,000 SALE OF 327,913 SF	$265.44	OLSHAN PROPERTIES	BAYER PROPERTIES
THE SHOPS AROUND LENOX A ATLANTA, GA	$71,750,000 SALE OF 124,966 SF	$574.16	RREEF AMERICA REIT II, INC.	HEALEY WEATHERHOLTZ PROPERTIES
CONYERS CROSSROADS CONYERS, GA	$54,470,000 SALE OF 459,696 SF	$118.49	HENDON PROPERTIES	J.P. MORGAN INVESTMENT MANAGEMENT, INC.
BROOKLYN NY				
205 SMITH ST NORTH BROOKLYN - NY, NY	$18,500,000 SALE OF 20,000 SF	$925.00	ACHS MGMT CORP., THE JACKSON GROUP &	DANPOONG CORP
522-528 ATLANTIC AVE NORTH BROOKLYN - NY, NY	$15,000,000 SALE OF 14,150 SF	$1,060	GERSHON & COMPAN OCCUPIED BY WALGREENS WITH A	HERB COLLINS (INDIVIDUAL)
425 FULTON ST DOWNTOWN BROOKLYN - NY, NY	$14,000,000 SALE OF 6,000 SF	$2,295.08	COLIN DEVELOPMENT FORMERLY OCCUPIED BY WENDY'S	ESTHERLIN RAIMREZ (INDIVIDUAL)

* BROOKLYN RETAIL SALE DEALS INVOLVING STAND-ALONE RETAIL PROPERTIES AND NOT INCLUDING DEVELOPMENT SITE TRANSACTIONS

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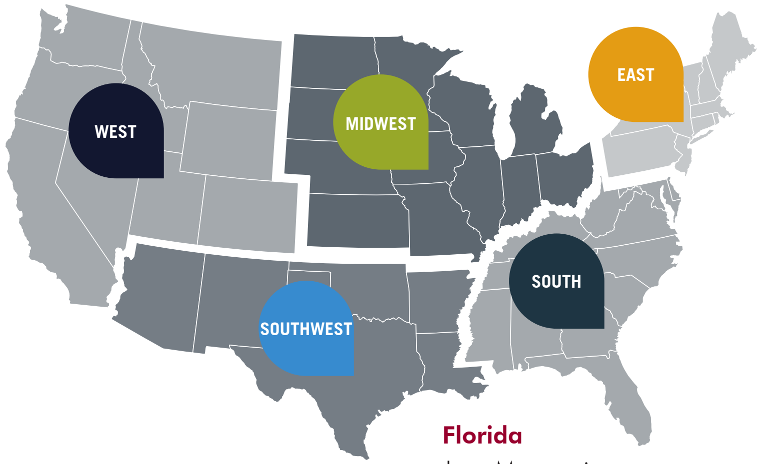

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The Lee Retail Brief

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