

INSIDE retail

ONE FOCUS. UNLIMITED POSSIBILITIES.



For a complete listing of the 200 plus retail chains TRC currently represents, see page 8 and for details regarding their stores and expansion plans, see our website: www.theretailconnection.net

DISCIPLINE

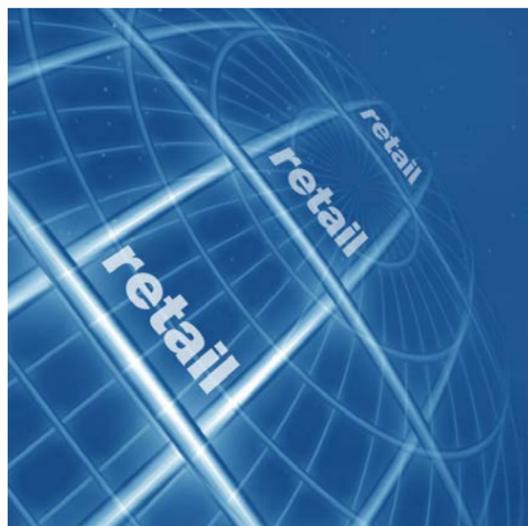
by **Steven A. Lieberman & Alan P. Shor**



Steve Lieberman CEO

It is times like these where, more than ever, discipline is of the utmost importance to any real estate decision. Discipline is one of the most important fundamentals behind fully maximizing opportunities, and our focus has always and will continue to be to maximize opportunities for our retail clients. This principle is what makes a market like the current one so exciting.

While retail real estate will power up the economy, ultimately it is the consumer that will determine the pace of the U.S. recovery, and there continues to be positive indicators. The "fear factor" that began to dominate consumer's decisions in 2008 when massive layoffs occurred has receded significantly over the past 24 months. After peaking at 10.1% in October of 2009, the U.S. unemployment rate has slowly moved downward and now stands at 9.6%--8.4% for those of us in Dallas, and 8.8% in Houston. Personal savings rates are decreasing as consumers are beginning to save less, spend more and start borrowing again.



Retail occupancy rates are expected to edge down slightly from 87.6% in the fourth quarter of 2009 to 87.3% in the same period of 2010. We believe 2011 will be at a similar level. Further, average retail rentals are forecasted to decline 2.4% in 2010, after a drop of 4% in 2009. Net absorption of retail space looks to be a negative 3.4 million square feet this year, well under last year's negative 4.5 million square feet.

Commercial property will follow the economy's lead. As consumer confidence builds, so will many real estate asset markets, especially retail. With more jobs comes a need for commercial space, and retailers are beginning to expand again. In Texas, we have seen strong traction this year with TRC's Q3 YTD



Alan Shor President

transaction volume up 61.8%, and we continue to see more tenants gearing up to sign leases in 2011 and 2012. There is a growing confidence in the markets, and financing is beginning to thaw for the right projects. Those projects will be the ones that balance opportunity with discipline.

The retail landscape is much improved, and moderate growth is most likely through the end of 2010 and into 2011. Reflecting an expanding economy since late last year, same-store sales were on upward trajectory in the first quarter of 2010, but as the second quarter ended, things began to flatten out. We saw another uptick in August due to heightened consumer confidence, but that slowed again going into September. While retail sales will improve as we enter the holiday season, it is important to be realistic about what could happen in overall sales figures between now and the end of the year. There are many signals that consumer confidence and overall spending are slowly moving back to a "new normal" and stabilizing through the end of 2010 and into 2011.

Texas is one of the country's strongest markets, and by focusing on the major metropolitan markets in Texas and the surrounding states, The Retail Connection continues to insulate our business from volatile environments found elsewhere in the country. With a strategy to add value to a disciplined approach and a willingness to exit timed for maximum returns, TRC is poised to take advantage of the opportunities presented by a steady real estate market.

Opportunities to trade retail properties are going to accelerate—many properties are challenged and looking for solutions. The key is having the relationships and knowledge of the retail market to pursue the right opportunities, manage risk and return the greatest value. This is the controlled approach that defines us and allows us to continue to gain market share, expand our business, and best serve our clients.

The market is as interesting and exciting as ever, with more dynamics at play than we have seen in years. This has led to huge activity; however, you cannot

INSIDE retail

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MOMENTUM

By **Steven H. Zimmerman** *Managing Director | Brokerage*

Although 2010 has continued to present many challenges, retailers are making deals and leasing activity in 2010 has significantly increased. At the end of the third quarter transactions are up over 61% at The Retail Connection. Without a doubt, 2009 was one of the worst years we've experienced in the industry but a 61% increase year to year signifies a dramatic uptick in activity. One of the primary contributors to this increase in TRC activity was our strategic initiative in early 2009 to represent more existing centers. To that end, we now represent approximately 23M square feet of project leasing. Some of the new project leasing assignments include: a four center portfolio from Woodcrest Capital totaling approximately 150,000 square feet, Crossroads Mall in Greenville, TX with approximately 200,000 square feet, San Jacinto Mall and Greenspointe Mall in Houston with a combined square footage of approximately 1,750,000 square feet as well as several high profile land listings in Colleyville and Southlake, TX. Additionally, the TRC team has begun working with special servicers, banks and lenders to provide analysis, leasing expertise and property management. Our service platform has been well received and we see the development of these relationships as a vital part of our growth over the next two to three years.

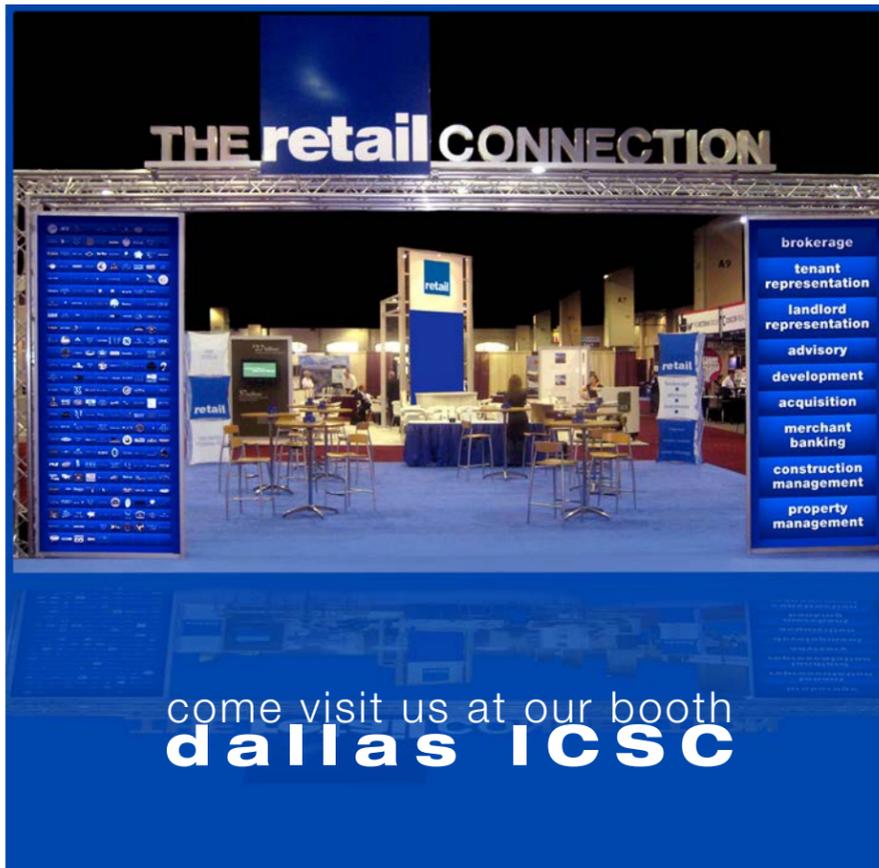


Steve Zimmerman
Managing Director | Brokerage

Our tenant representation platform remained solid and we added several prominent retail and restaurant chains since the ICSC convention in May such as Rue 21, Sears Home Appliance Showroom, Mitchell Gold + Bob Williams, Top Golf, Starbucks, Spicy Pickle, My Fit Foods, Morton's Steak House and many others bringing the total number of clients we represent to 204. In addition to the new clients, we also added territory for Bed Bath and Beyond, Palm Beach Tan and Jos A. Bank. Some of the more notable milestones that occurred in 2010 included representing Charming Charlie in 68 new store

transactions bringing the total number of locations to 97 across the US in just over 24 months. Additionally, the TRC team completed its 100th store for Bed Bath and Beyond, its 80th store with Dollar Tree, with another 15 in the works for 2011 and the 75th transaction for JP Morgan Chase Bank. Based on the overall increase in activity, we added four new brokers to the TRC team and continue to provide strategic solutions for our ever growing client base.

With the momentum generated in 2010, our team has a renewed sense of excitement and encouragement about the future. As we look into 2011, we are confident that the momentum will continue and lead to significant investment, leasing and tenant representation opportunities.



EXPANDING

Since late 2008, retailers closed weak stores and shed more than a million jobs, improving margins, enhancing inventory management, and making higher profits off smaller volumes. At The Retail Connection, we currently represent over 200 retail and restaurant chains and more than 23M square feet of third party listings and we are proud to have helped many of these with successful realignment and expansion strategies that have sustained their brands in key markets, and created longevity for their operations as a whole. In a "survival of the fittest" environment, the strong not only endure, but fortify.

The Retail Connection's **service platforms** of BROKERAGE | TENANT REPRESENTATION | LANDLORD REPRESENTATION | PROJECT MANAGEMENT | ACQUISITION | MERCHANT BANKING | PROPERTY MANAGEMENT | INVESTMENT continue to provide stability as well as growth for the company long-term.

A short list of some of the new retail brands and landlord relationships who have joined The Retail Connection family are:

- NEW CLIENTS | Family Video, IHOP, Paciugo, Peacock Alley Fine Linens, Portrait Innovations, Rochester Big & Tall, Rockler, Sears Home Appliance Showroom, Taco Bueno
- NEW LANDLORDS | Bay West Realty Capital, LLC; Behringer Harvard; Centennial Real Estate Company, LLC; Cypress Equities; Elite Shopping Center Management, Inc.; Grace Development; Landmark Leisure Group; Neal Richards Group, Provost Group; Rosebud Properties; Starpoint Properties, LLC; Triyar Companies

New Dallas Listings: Golden Beach Marketplace | SEC Golden Triangle & North Beach Street | Ft. Worth | 50,537 SF | **Stars & Stripes** | NWQ & SWQ HWY 121 & Stars and Stripes Way | Grapevine | 14.29 Acres | **Melbourne Plaza** | SWC Melbourne Rd & Cheryl Ave | Hurst | 15,000 SF | **4970 N. O'Connor Blvd** | Irving | 34,661 SF |

Marshall Shopping Center | HWY 59 & Travis Street | Marshall | 17,881 SF | **Eldorado Village Phase II** | NWC Eldorado Pkwy & Lake Forest Dr. | McKinney | 24,858 SF | **Twenty One Oaks Village Center** | SEC SH 114 & N. White Chapel Blvd. | Southlake | 21.8 Acres | **The Shoppes at Trophy Club** | NWQ HWY 114 & Trophy Club Drive | Trophy Club | 15,000 SF | **Dollar Tree Plaza** | Greenbriar Rd. & Southwest Pkwy | Wichita Falls | 41,500 SF

New Houston Listings: Greenspoint Mall, San Jacinto Mall | combined 1,750,000 SF | **Keystone Plaza** | US HWY 290 & Sherwood Lane | Houston | 53,830 SF | **Dowlen Road Center** | NEC Dowlen Rd & Old Dowlen Rd | Beaumont | 17,500 SF

New San Antonio Listings: Newk's Café [Austin], **Logan's Roadhouse** [San Antonio and New Braunfels]

Restaurant chains that have their business model figured out are expanding and finding terrific opportunities at significantly lower prices from 2 years ago. Anchor tenants are finding opportunities to relocate within the same market area to vacant second generation space and achieve meaningful rent reductions.

New TRC Team Members: The Retail Connection is pleased to announce and is happy to welcome **Blake Zale**, Analyst, **Kyle Siegel**, Analyst, and **Michelle Hale**, Assistant.



Connected Management Services continues to provide premier property management with both the customer and client in mind. We are experts at getting your property noticed by retailers while enhancing the shopper's experience. While we work to achieve a quality shopping experience, we also ensure the day to day operations of the center are consistent, efficient, and effective. Should you need additional information on our property management services division, contact **Faith Goolsby** | Senior Property Manager | 214.572.8414 or **David Wilson** | President | Connected Development Services | 214.572.8441.

STAYING THE COURSE

By David Wilson President | CDS

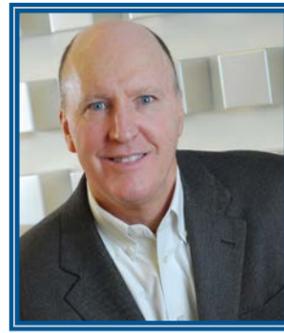
At Connected Development Services, challenges are always seen as motivations to improve upon what we already know. Our perspective is always proactive, and we try very hard to stay a few steps ahead of others who are not very good at dealing with downturns. As property owners, we have been pleased with the low interest rates. Rates under 2% go a long way in making cash flow. Even longer term debt at rates near 5% work well for those properties that were penciled at 10.5% to 11% returns. On our best properties, the leasing activity has been strong, and lease rates have changed insignificantly.

Over the last three years, while we lost our share of struggling tenants, we were able to aid a good deal more with repositioning ingenuity, marketing strategies, and even reconstructing floorplans to ensure greater sales in high potential areas of business. During the recession, there were 152,000 store closings across the U.S. With our nation's joblessness near a 26 - year high and projected to average more than 9% through 2011, it stands to reason. But retail sales were up .6% in September after being up .7% in August, so all of the tenants who made it through this recession are in a much better position for not only survival, but even profitability as the economy gets better. These tenants have found out how to weather a retail storm by getting their inventory under control, finding creative ways to advertise and merchandise, and more importantly, reduce costs. Hopefully, the upcoming holiday sales season will be in line with recent economists' projections of being the best in the last 4 years.

As an organization initially set up to develop and sell properties, we have had to adjust and become more and more agile. When we realized the properties we developed in 2006 would not be fully leased and ultimately sold, we quickly established a gameplan to create an in-house management group. We buckled down with good asset management and a focused leasing effort to fill the projects with solid tenants. We have labored over these projects to make them premier properties, and the strategy has worked. But even with 90% to 95% lease up, the current market makes it very tough to get projects financed without writing checks.

Learning from the difficulty in securing loans with our well-leased projects, we anticipated challenges with properties with lower occupancies, and it appears that the banks and servicers are offering no options other than taking those

projects back. With that in mind, and in order to grow, we have shifted our efforts to the acquisition of retail properties and formed a strong team to do due diligence.



David Wilson
President | CDS

With over \$55 billion dollars worth of CMBS retail assets coming due during 2011, 2012, and 2013 and more being dealt with by the banks, there should be plenty of opportunities. While the pricing on many assets is still significantly over what it needs to be for developers to provide the tenant with ample TI, offer a compelling rate, arrange a loan, and bring in equity, we are confident we can respond with a good solution. The bid/ask dilemma is everywhere we turn, but this will be resolved over time.

Tenants will need to expand, which will increase rent. The banks will get healthier and will begin to compete on their leverage. The same goes for the equity. And, if the above three things cannot get a property sold, the seller will drop the pricing. The \$24,000 question, of course, is when will these things all come together?

We are making sure that we stay disciplined and focused on what we do best. Our platform at The Retail Connection/Connected Development Services provides a mix of brokers with exceptional tenant relationships and sought after professionals with many years of development and construction experience. Finding properties in need, and matching the needs of the property with our ability to identify tenant or redevelopment solutions, is what we work on every day.

We think that working to fix the problems of those properties held by the servicers and the banks is where the action is going to be for us for another 2 to 4 years. The economy has virtually stopped for three years with housing starts at 550,000 in '09 and 600,000 in '10. These statistics are about one third of what is normal, and until these numbers pick up significantly, there is not going to be much demand created in the edge cities for new product. Even though some retailers talk about focusing on the inner cities, we think they'll find that this approach is no easier now than it has been in the past. Finding acceptable locations at reasonable prices will be frustrating. So the bigger \$24,000 question may be....can developers be patient?

COMMUNITY CONNECTION

Retail Real Estate Firms Join Together And Raise Over \$25,000 in 48 Hours To Support National Breast Cancer Awareness Month

Major Dallas retail real estate firms including The Retail Connection, Weber & Company, Jenco Realty, Falcon, United Commercial Realty, and many others joined together October 21st, at the home of Steve and Lisa Lieberman, to host a special happy hour remembering Karen McCulley and support the National Breast Cancer Awareness Month through the Karen's Deal Foundation. The who's who gathering of 200 of DFW's real estate community, led by commercial real estate pro's, joined to remember McCulley and support the cause. "Karen was a special and powerful force in our industry and thru the Karen's Deal Foundation, her legacy will be for a long time to come", said Steve Lieberman, CEO of The Retail Connection. "Our plan is for this Foundation to be a rallying point for our industry and a major force of its own," added Jennifer Reynolds, owner of Jenco Realty, and it is clear that such is the case, as the team raised over \$25,000 in 48 hours from triggering the event. Other major sponsors included Centergy Retail, Centric Capital Partners, Direct Development, Deals in Heals, Edge Realty Partners, L3 Corporation, Princeton Partners, Craig Wielansky, and The Weitzman Group. Since inception in 2001, the Karen's Deal Foundation has raised hundreds of thousands for the major breast cancer charities.



Pictured above is John Weber Jr., Kendall Ibsen (daughter of the late Karen McCulley), Jenny Reynolds, and Steve Lieberman. Photo by Carolyn Herter

Please join us in supporting the tremendous work and progress of the major breast cancer charities during National Breast Cancer Awareness Month www.nbcam.org



TRC Team Joins the Fight Against Prostate Cancer Launching 'Movember' Mustache Contest

The Retail Connection has joined forces with Livestrong and the Prostate Cancer Foundation in supporting Movember, a month long mustache growing contest [starting November 1st ending November 30th] and fund raiser that promotes awareness for men's health, specifically cancer affecting men.

- 1 in 2 men will be diagnosed with cancer in his lifetime
- 1 in 6 men will be diagnosed with prostate cancer during his lifetime

The team all agreed that the only way to make a difference [and to have a lot of fun doing it] was to encourage full participation. TRC will award the best and worst mustaches by an esteemed panel of judges all while raising money to help find cures for these cancers.

Of course, the best part is the laughs we all have along the way as members of the team work to fight ridicule and antagonism should the 'MO' be coming in a little too slowly. It's all for a few good laughs and a great cause.



Please join us in partnering with Movember's United States campaign benefiting the Prostate Cancer Foundation and LIVESTRONG, the Lance Armstrong Foundation. <http://us.movember.com>



BRANDS

CHARMING CHARLIE - A chic fashion accessories boutique,



uniquely organized by color, that offers an overwhelming selection of all of the finishing touches to help you complete your outfit - fashion jewelry, handbags, scarves, belts, hats, hair accessories... for any occasion or to suit any style. The Retail Connection has expanded Charming Charlie to 97 locations, and many more are planned in 2011.



CHRISTMAS TREE SHOPS - Christmas Tree Shops product

mix is compelling and extremely well priced, with a significant portion of their merchandise represented by self-developed items or opportunistic buys. There is a uniqueness to their concept that has earned strong customer allegiance. Christmas Tree Shops' merchandise offerings and their knowledge base is extremely complementary to Bed Bath & Beyond's and, as such, present the combined operations with a myriad of opportunities. In 2010, the TRC team completed its 100th transaction of Bed Bath & Beyond and the first Christmas Tree Shop in Dallas. Two more CTS's are in the works with locations to be announced shortly.



TOPGOLF - TopGolf Dallas is more than just a golf driving range - it



is a revolutionary sports entertainment complex combining games with great food and an environment you can enjoy year-round with friends and family of all skill levels. TopGolf features computerized microchips in every golf ball that track your shots accuracy and distance while awarding points by hitting targets ranging from 20 - 250 yards away. TopGolf offers two levels of entertainment: the Texas Grill - offering food and drink specials every night of the week, lounges with a multitude of flat screen TVs and an award winning 54-hole miniature golf course.

EQUINOX - It's not fitness. It's life. Voted America's "Healthiest Gym"

by Health Magazine. With industry leading personal trainers, world-class group fitness programming, luxurious spas and award-winning design, Equinox is known for delivering style as well as substance. With 2 locations in the posh Preston Hollow and Highland Park areas of Dallas, two additional locations are in the works.



rue21 - Hot looks for girls. Cool looks for guys. rue21 is a leading specialty



retailer offering the newest fashion for girls and guys. rue21 continues to strive for the best selections while offering a competitive pricing strategy. They make a specific, unique statement by offering fashion at a value. Michael Thum brought this great account to the TRC family having transacted 10 locations previously before joining the The Retail Connection earlier this year. At least 3 - 4 more are in the planning stages.

PETSMART - PetSmart, Inc. (PETM) is the largest specialty retailer of services and solutions for the lifetime needs of pets. They have more than 1,160 pet stores in the United States and Canada, more than 165 in-store PetsHotels, cat and dog boarding facilities and Doggie Day Camps, and is a

leading online provider of pet supplies and pet care information. PetSmart provides a broad range of competitively priced pet food and pet supplies, and offers complete pet training and pet adoption services. Since 1994, PetSmart Charities, Inc. is an independent, nonprofit 501(c)(3) organization that creates and supports programs that save the lives of homeless pets, raise awareness of companion animal welfare issues, and promote healthy relationships between people and pets. Through its in-store adoption program, PetSmart has helped save the lives of more than 4 million pets. TRC has completed 7 PetSmarts and 6 others are in the planning stages.



NORDSTROM RACK - Nordstrom Rack, Nordstrom's off-price



division, offers a wide selection of apparel, accessories and shoes from Nordstrom stores and Nordstrom.com at reduced prices, as well as special value items purchased just for Nordstrom Rack. TRC has completed 2, and 2 more are on the radar for completion in the next 12 months.

RALLY HOUSE TEXAS - Rally House is a Texas Sports Apparel and Gift boutique carrying

a wide variety of Professional and Collegiate fan gear. TRC has transacted two, and two more are in the plans.



DOLLAR TREE - It's all about the thrill of the hunt! Dollar Tree continues



to offer customers products they need at extreme values. They carry a broad, exciting mix of merchandise that includes many trusted national and regional brands. Some of the product departments you'll find at Dollar Tree include housewares, glassware, dinnerware, cleaning supplies, candy, snacks, food, health and beauty, toys, gifts, gift bags and wrap, party supplies, stationery, craft supplies, teaching supplies, books, seasonal décor, and more. Everything you need for every day, every holiday, every occasion... and every single item is only \$1 (or less). TRC has transacted 80 Dollar Tree stores and 15 more are in the works.

BUFFALO WILD WINGS - Buffalo Wild Wings Grill & Bar is

one of the top 10 fastest growing restaurant chains in the country. Complete with a full menu, all served in a relaxed casual atmosphere, Buffalo Wild Wings has become THE place for game watching or just plain hanging out. TRC has completed 12 transactions, one is under construction and another one is in the works.



EYEMASTERS - EyeMasters is a leading provider of eye care services



at over 160 locations throughout the United States - including Texas, Arizona, and Louisiana, Missouri, Ohio and much more of the Midwest. As part of Eye Care Centers of America, Inc., they offer high-quality designer and exclusive brands, frames, lenses, contact lenses, accessories, sunglasses and the leading technology in vision correction at competitive prices. In addition, nearly all of their stores provide one-hour service on most prescriptions by utilizing on-site processing laboratories. The Retail Connection is involved in the construction of EyeMaster's new corporate offices as well as the transacting of 7 new EyeMaster locations.

PROJECT LEASING

The Retail Connection provides an aggressive and comprehensive approach to the marketing and property leasing services we deliver to individual and institutional investors. Our clients include some of the country's largest and most sophisticated corporate, institutional and private owners and developers of real estate.

Our project representation team achieves significant results by identifying the highest and best use for retail space and delivering strategies which maximize its full potential. A clear understanding of our client's objectives is the platform on which we build each marketing and leasing program. We

consistently create a competitive environment that delivers the best available tenants and most profitable retail centers.

Our project leasing professionals possess a thorough understanding of the special requirements of retail properties and combine this knowledge with strong relationships and direct access to the retail tenant community. This combination of superior marketing intelligence and tenant interaction creates exceptional values for property owners by enabling the optimal combination of retail tenants to connect with each property we represent.

ARLINGTON HIGHLANDS | ARLINGTON HIGHLANDS EAST
Arlington, TX | NEC I20 & Matlock



- Hybrid Lifestyle Center
- 800,000 SF | 115 Tenants
- 8 Million Annual Visitors
- Bed Bath & Beyond, Borders, Studio Movie Grill, White House Black Market, Coldwater Creek, Ann Taylor Loft, PF Chang's, BJ's Brewery, The Keg, Charming Charlie, Bath & Body Works, Francesca's, Ethan Allen, Dave & Buster's, Chuy's

PLEASANT RUN TOWN CENTER
Cedar Hill, TX | SWC Hwy 67 & Pleasant Run Road



- Power Center
- 213,000 SF
- Former Circuit City approximately 32,570 SF now available.
- Additional vacancies include 2,000 SF; 2,557 SF; 5,225 SF; 1,340 SF; 3,000 SF & 4,500 SF now available.
- Super Target, The Sports Authority, Bed Bath & Beyond, Half Price Books, Michaels

MANSFIELD POINT
Mansfield, TX | SWQ US 287 & Debbie Lane



- Regional Power Center
- 155,000 SF [600,000 SF at the SWQ]
- Super Target | Home Depot Shadow Anchor
- Bed Bath & Beyond, The Sports Authority, PetSmart, Party City, Half Price Books

SOUTHLAKE CORNERS
Southlake, TX | 250 N. Kimball Ave. [between State Hwy. 114 & E. Southlake Blvd.]



- GLA 134,894 SF
- Convenient location on State Highway 114
- Located on one of the most affluent neighborhoods in the country with average HHI of \$172,945
- Staples, American Backyard, Kincaid's, Dickey's BBQ, McAlister's Deli
- Former Circuit City 33,812 SF & Former Home Depot Floor Store 10,942 SF now available

WEATHERFORD RIDGE
Weatherford, TX | NEC I20 & SH 51 [Main Street]



- Regional Positioning
- Power Center Opportunity
- Enhanced Access
- JC Penney, Belk, Bed Bath & Beyond, Michael's, ULTA, Famous Footwear, Rue 21, Hibbett Sports, The Children's Place, Eyemasters, McAlister's Deli, AT&T, Monarch Dental, Verizon, Chase, Denny's, Olive Garden, Logan's Roadhouse, Buffalo Wild Wings, Taco Cabana, Which Which, CiCi's

MEMORIAL DRIVE SHOPPING CENTER
Houston, TX | Located on Memorial Drive [Between Asbury St. & Reinecke St.]



- Retail Development Coming Summer 2011
- Located In Close Proximity To Washington Ave. Corridor, Memorial Park and Houston CBD
- This Development Is Located At The Former Otto's Barbeque and Bibas Greek Pizza Location

CROSSROADS MALL
Greenville, TX | NWC Wesley Street & Kari Lane



- Super Regional Retail Destination
- 250,000 SF
- Mall Redevelopment
- Junior Anchor Space Available

WOODLANDS HOME CENTER
The Woodlands, TX | NWQ I 45 & Briar Rock Rd



- 34,860 SF Anchor Box Available
- Great Visibility From I-45 North
- Golfsmith Xtreme, The Roomstore

WEST 7TH
Ft Worth, TX | SEC West 7th & University [Six Points Intersection]



- Mixed Use Center
- 230,000 SF Retail
- 250,000 SF Office
- 345 Multifamily Units
- Movie Tavern, Lucky Strike [under construction], LA Fitness, Patrizio's, Tillman's Roadhouse, Fireside Pies

THE VILLAGE AT SPORTS CENTER
Arlington, TX | NEC South Cooper St. & Wimbledon Dr.



- Mixed Use Center
- 100,000 SF
- 50,000 SF Retail; 50,000 SF Class A Office
- Medical Space
- Chipotle, Smashburger, Double Dave's Pizza, Schlotzsky's Deli, Cinnabon

HOUSTON

HOUSTON RANKS HIGH FOR RETAIL STABILITY

by David Stukalin *President | Houston*

With a significant recovery in job growth unlikely to get underway until later in 2010, experts forecasting the future of retail in the bayou city remain highly optimistic thanks, in part, to a diverse economic base of commodities such as oil and gas, hi tech and medical. While recovery in retail across the state won't start to really build steam until late 2010 and Spring 2011, Houston is projected to come out ahead of other major cities in both Texas and the country.



David Stukalin
President | Houston

Houston still ranks a high second, only behind Los Angeles for one of the top markets in the U.S. for retail going into 2011. Retailers report recent broad improvement in Houston and other Gulf Coast cities with strong ties to energy. Hiring remains confined to expansion or replacement workers, although part-time hiring for the holidays is now picking up.

Based on a study conducted recently by the Greater Houston Partnership, looking at either adjusted or unadjusted data, the Houston region stopped losing jobs in January of this year, and has been adding jobs, albeit slowly, since then. Six months into the recovery, Houston has replaced one-seventh to one-fourth of the jobs it lost. Looking at the rate of job creation over the past half year, Houston could recover all the jobs lost in the recession in another 18 to 36 months.

The Houston–Sugar Land–Baytown Metro Area will lead the state in population growth, adding 3.53 million residents between '09 and '35, according to a forecast recently released by The Perryman Group. That reflects a 1.84 percent annual growth rate. Dallas-Plano ranks second in projected population growth, adding 2.61 million residents during the same period, a 1.84 percent compound annual growth rate, and Austin ranks third, adding 500,072 residents, a 2.65 percent compound annual growth rate. Perryman also forecasts that Houston will add an additional 1.325 million jobs and account for almost one-fourth of Texas job growth during that time frame. That reflects a 1.57 percent annual growth rate.

The PricewaterhouseCoopers (PwC) and Urban Land Institute (ULI) report, entitled "Emerging Trends in Real Estate 2011, was released last week and according to the 75-page report, Houston, along with other 24-hour 'gateway' cities will continue their economic and real estate domination over secondary markets in 2011. Due to the fact that Houston offers a low cost of doing business when compared to other major metros, a forecast of a continued return from recession lows is likely to occur.

With regards to Houston's current and future opportunities, the city still boasts intellectual capital and talent in the global energy business, serves as the de-facto world oil and gas business capital, and has one of the country's premier medical centers. With these solid business foundations, retail will fall in step with consumer confidence, and while spending won't return to 2005 – 2007 levels, Houston retailers stand a good chance of being in one of the top three markets in the country to rebound the fastest from the recession.

JPMorgan Chase & Co. (NYSE: JPM) is a leading global financial services firm with assets of \$2 trillion and operations in more than 60 countries. The firm is a leader in investment banking, financial services for consumers, small business and commercial banking, financial transaction processing, asset management, and private equity. To date, David Stukalin and the TRC Houston team have completed 75 Chase Bank transactions, and 10 more are in the works.



Panda Express all started back in China with the current owner's father, and is still owned and operated today by the family – focusing entirely on flavor. To date, Walter Salek has done 41 Panda Express deals in Houston and Louisiana with 6 more planned in Louisiana, and 2 more planned in Houston.

SAN ANTONIO

SAN ANTONIO STILL POSTING POSITIVE ACTIVITY

by Sherman Hinkebein *Executive Vice President | Brokerage*

While the sluggish economy has some retailers feeling downtrodden in markets around the country, The San Antonio market posted steady and more often than not, positive activity throughout most of this year.



Sherman Hinkebein
EVP | Brokerage

New leases and expansions within the city's 45 million square feet of retail inventory produced 61,950 square feet of positive net absorption led by the re-tenanting of space in the North Central sector at San Pedro Crossing. The center landed a new Toys/Babies "R" Us combo store (60,687 sf) to help fill space previously occupied by now defunct Circuit City and Linens 'n' Things.

Going into the 4th quarter, larger tenants have offset some of those positive gains, but market conditions are providing strong tenants with ample opportunities to structure very favorable deals. For example, Best Buy has vacated its former space at Ingram Festival and moved just down the road to fill 41,850 square feet at 6001 NW Loop 410 previously occupied by Circuit City.

At the close of the second quarter, the citywide vacancy rate of 14.0% remained stable compared to the same quarter last year but the citywide average quoted rental rate of \$17.81 dropped back fifty-two cents or 2.8% compared to a year ago.

As with other markets, investment and new development activity remain limited, and the citywide average asking lease rate for retail centers is hovering around \$17.80, down from \$18.33. The decrease has been particularly strong in the city's power centers — massive, open-air properties that are anchored by the country's larger retail stores. Both investment activity and new development remain very limited. The few sales that have closed have been mostly small, single tenant retail properties purchased by local buyers, however grocer H-E-B is still proceeding with plans to open two more locations between now and the end of the year.

Newk's Café [Austin], and Logan's Roadhouse [San Antonio and New Braunfels] are two of the outstanding deals we accomplished this year for TRC San Antonio, and several others are in the works to be completed by year end. As always, we see plenty of opportunity ahead, and are happy to live in Texas, where retail has seen far better results than the rest of the country.

Bed Bath & Beyond - Founded in 1971, Bed Bath & Beyond Inc. is a



chain of retail stores which sells a wide assortment of merchandise principally including domestics merchandise and home

furnishings as well as food, giftware, health and beauty care items and infant and toddler merchandise. The Company's over 1,000 stores principally range in size from 20,000 to 50,000 square feet, with some stores exceeding 80,000 square feet. The Company's objective is to be the customer's first choice for products and services in the categories offered as well as to achieve excellence in customer service. To date, The Retail Connection team has transacted over 100 BBB stores, and several more are in the works.



NEW CLIENTS



Family Video



IHOP



Paciugo



Peacock Alley Fine Linens



Portrait Innovations



Rochester Big & Tall



Rockler



Sears Home Appliance Showroom



Taco Bueno

Taco Bueno

NEW LANDLORDS



Bay West Realty Capital, LLC



Behringer Harvard



Centennial Real Estate Company, LLC



Cypress Equities



Elite Shopping Center Management, Inc.



Grace Development



Landmark Leisure Group



Neal Richards Group



Provost Group



Rosebud Properties



Starpoint Properties, LLC



Triyar Companies

DISCIPLINE cont'd from pg 1

By Steven A. Lieberman CEO & Alan P. Shor President

confuse motion with progress. At the same time, you cannot have progress without motion. The current activity is everything from positive to concerning, particularly the "kicking of the can" approach of resolving the challenges associated with the unprecedented amount of commercial debt that is coming due. These are definitely interesting and exciting times with a tremendous amount at stake. They will create unprecedented challenges and opportunities over the next five years. Those opportunities will provide momentum to move forward, but only if they are made deliberately and with focus. Capital, knowledge, and relationships are and always will be critical; however, creativity and discipline will be imperative to winning equations and optimal results.

AWARDS



The Retail Connection was recognized by The Dallas Morning News as one of the Top 100 Places to Work in D|FW in 2010

TENANT REPRESENTATION

Ace Hardware	Destination Maternity	Hoffbrau Steaks	Motherhood Maternity	Rocky Mountain
Al's Formal Wear	Destination XL	Houston's	Mothers Work	Chocolate Factory
American Apparel	Dollar Tree	Howard Wang's China Grill	Music & Arts	Rubio's Mexican Grill
Anna's Linens	Doughtery's Pharmacy	Humperdink's Restaurant & Sports Bar	My Fit Foods	rue21
Another Broken Egg	Draper's & Damon's	IHOP	Neiman Marcus	Ruggeri's Italian Kitchen
Anytime Fitness	Dry Clean Spot	Iron Cactus	Newk's Express Cafe	Saltgrass Steakhouse
A Pea In The Pod	DSW Shoes	Italia	Nick-N-Willy's	Sears Home Appliance
AT&T	Dunkin' Donuts	JCPenney	Nordstrom Rack	Sherlock's Baker St. Pub
Baker Street Pub & Grill	Eno's Tavern	Jersey Mike's Subs	Ocean Prime	Simply Fashion Stores
Banana Republic	EntertainMart	Jo~Ann Fabric and Craft Stores	Old Navy	Smoothie King
Becks Prime	Equinox Fitness	Jos. A. Bank	O'Reilly Auto Parts	Snappy Salads
Bed Bath & Beyond	Essentials London	K&G Menswear	Paciugo	Souper Salad
Berryhill Baja Grill	Ethan Allen	Kenny & Ziggy's	Palm Beach Tan	Spicy Pickle
Bikinis Sports Bar & Grill	Evolution Tans	Kerry Simon	Palominos Ranch Buffet	Splitsville Lanes
Bistro Babusan	EyeMasters	Kidrobot	Panda Express	Sports Authority
Boi Na Braza	EZ Money	Kids Park	Panera Bread Company	Starbucks
Bone Daddy's	EZ Pawn	Knockouts	Papa John's	Star Power
Bonefish Grill	Faces 365	LA Fitness	Papa Murphys	Studio Movie Grill
Books•A•Million	Family Video	La Grande Orange	Paradise Bakery	Taco Bueno
Boudreaux's Cajun Kitchen	Famous Footwear	Landmark Leisure Group	Peacock Alley Fine Linens	tasti D lite
Brooklyn's Old Neighborhood	Fantastic Sams	Landry's Seafood	Pei Wei Asian Diner	The Cash Store
Style Pizzeria	Firepit Texas Grill	Little Caesars	Performance Bike	The Blue Fish
Buckhead Saloon	Fish City Grill	Logan's Roadhouse	Pesce	The Fresh Market Grocery
Buffalo Wild Wings	Fish Express	Love & War in Texas	PetSmart	The Luxury of Leather
buybuy Baby	Forty Five Ten	M2M Style Lounge	Pinkberry	The Office
Cadillac Bar	Freed's Furniture	Malai	Piranha Killer Sushi	Tin Star
Casual Male	Furr's	Marmalade Cafe	Pizza Inn	T-Mobile
Cedars Mediterranean Mezza	GameStop	Massage Envy	Planet Fitness	T-Mobile Limited
Charming Charlie	GNC	Mattito's	Pluckers	Top Golf
Chase	Go Fish	Max Brenner	Portrait Innovations	Torrid
Chelsea's Kitchen	Gold's Gym	McAlister's Deli	Private Gallery	Truluck's
Christmas Tree Shop	Golfsmith	Mealey's Furniture	Q Custom Clothier	Urban Brands
Ciudad	Goodfella's Pizza & Pasta	Melrose	Quickway	Vic and Anthony's
Clearwire	Goorin Brothers	Men's Warehouse	R+D Kitchen	Which Wich
Compass Trading Co.	Grandy's	Merge	RadioShack	Whiskey River
Cork	Great Clips	Mimi Maternity	Rainforest Cafe	Woly Board Company
Cozymels	Grotto	Mitchell Gold + Bob Williams	Rally House Texas	Woodlands Grill
Cru Wine Bar	Hallmark	Molto Formaggio	Red Robin	Yumi to Go
Cyclone Anaya's	Harbor Freight Tools	Monarch Dental	Ritz I Wolf Camera	Zaxby's
Dallas Chop House	Hat Box	Morton's The Steakhouse	Rochester Big & Tall	Ziziki's Taverna
Dallas Fish Market	Hibashi Teppan Grill		Rockler	Zoës Kitchen
Deluxe Nail Salon	Hobby Town USA			

LANDLORD REPRESENTATION

Albert Sign Company, Inc.	Connected Development Services	Global Fund Investments, LLC	Neal Richards Group	Sam Moon Trading Co.
Ascension Development	Connected Management Services	Grace Development	North American Development Group	Sears Holding Corporation
Atlantic Hotels Group, Inc.	Covington Partners	Granite Properties	Oakhollow Group, LTD	SMI Realty Management
Bay West Realty Capital, LLC	Cypress Equities	Greenway Investment Company	Phoenix Property Company	Starpoint Properties, LLC
Behringer Harvard	E2M Partners	Hunt Midwest Enterprises, Inc.	PLS Realty	The Brytar Companies
Beltline Preston, LTD	Eagle Equity	Inland American	Ponderosa Land Development Company	The Tabani Group
Billingsley Company	Elite Shopping Centers Management, Inc.	Inland Western	Prescott Realty Group	TPJ Properties, LTD
Bromont Group	Gables Residential	Kimco Realty Corporation	Provident Realty Advisors, Inc.	TPMC Realty Corporation
Burk Collins & Co., LTD	Galardi Group, Inc.	Levcor, Inc.	Provost Group	Triyar Companies
Centennial Real Estate Company, LLC	GE Capital Solutions	Maly Commercial Realty Company	Red Sea Group	Victory Group, LLC
Cheney & Mathes Properties		Margaux Development Company	Rosebud Properties	Wolverine Interests
Clearview Investments, LTD		National Retail Properties		Woodcrest Capital, LLC

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