Volume 6, Issue 2 Fall 2013

THE retail CONNECTION

ONE FOCUS. UNLIMITED POSSIBILITIES.

INSIDE RETAIL

For a complete listing of the 240 plus retail chains TRC currently represents, see page 14 and for details regarding their stores and expansion plans, see our website: www.theretailconnection.net

DYNAMIC

By STEVEN A. LIEBERMAN & ALAN P. SHOR

The theme of our newsletter last year was "Accelerating", highlighting that our economy was improving at a healthy pace, with our capital markets, housing and consumer confidence all on a solid and steady upswing. The emphasis was how fortunate we are to be based in Texas, which continues to lead the way in job creation, favorable cost of living, and overall business health.

One year later, we have accelerated from a period of stabilization and recovery to the front end of a dynamic cycle. Existing vacancies are quickly dwindling, as all of Texas' major markets are showing occupancy rates nearing all-time highs. DFW's retail market is almost at 90% occupancy, its highest rate since 2007, and we expect that occupancy will continue to further improve over the next two years. At year-end 2012, Houston's occupancy rate hit 89.5%, Austin was at 94%, and San Antonio was at 90.2%. The result is the incubation of new retail development. We are expecting new construction to more than double last year's levels, with TRC's Connected Development Services collaborations leading the way with over three million square feet of new development in the Texas, Arkansas and Oklahoma markets.

Why such a dynamic picture when only two short years ago we were struggling to come out of a deep recession? For those of us who do business in Texas, the answer is simple. Jobs. Last year Texas added more residents to its ranks than any other state in the country, accounting for nearly 19% of the new population growth in the U.S., where we have only 8% of the country's population. We have replaced 100% of the jobs lost during the recession, adding almost 300,000 jobs in 2012 alone, with an annual growth rate of 2.6% compared to 1.4% overall for the country. As such, our recovery compares very strongly to the overall economic recovery nationwide. Unemployment is currently at 7.5% compared to 6.3% in Texas. Dallas, Houston, Austin and San Antonio continue to rank among the top markets in the U.S. in new job growth and housing is rebounding in lock step.

INSIDE retail

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With regard to TRC, we are in a dynamic phase as well. This past year, we opened in Austin, our fourth office in Texas, which has grown to eleven strong, extending the depth of our very talented leasing, property management and investment teams. Company wide, we currently have 85

STEVE LIEBERMAN CEO

ALAN SHOR PRESIDENT

teammates, with additions made across all our business lines over the last year, including adds in brokerage, finance, property management and investment, reflecting our broad growth as a company. We also enjoyed the successful IPO's of two more of TRC | Connected Capital's portfolio companies and brokerage was up over 20%, as we represented our clients for right at $1 billion in consideration. Our tenant-driven investment collaborations led to over 600,000 square feet of acquisitions, taking TRC | Connected Acquisitions over 1.25 million square feet in the last 18 months, enabling TRC to continue to deliver extraordinary results and growth opportunities for our clients.

Our client base also continues to grow, with our representation of over 240 retail and restaurant chains and over 25 million square feet of property listings in 287 centers, an increase of 13% over last year, as TRC continues to be engaged to lead our clients expansion programs from coast to coast and now cross border into Mexico and Canada. So, clearly more action ahead with retail store openings at a five-year high with almost 80,000 new stores planned to open over the next two years, up 11% from last year.

Further, 2012 was an active year in the redevelopment arena. Our 391,000 square foot Village on the Parkway project in North Dallas is taking shape, with Whole Foods opening in July of this year and AMC Theatre under construction. We are also actively redeveloping our recent acquisition of Willowbrook Plaza in Houston, led by the conversion of a 92,000 square foot former furniture store into the retail trio of Bed Bath & Beyond, Buy Buy Baby and Cost Plus World Market. Our most recent acquisition of a vacant Target in San Antonio will turn empty space

TRC Website

CONTINUED ON PAGE 11 >>

RETAIL REPORT | EXPANDING

EXPANDING

NEW CLIENTS
Since Spring 2013

DriveTime · Garden Ridge · Massage Luxe · The Original Pancake House · Pollo Tropical · Savers · Shake Shack · Total Hockey · Total Lacrosse

NEW LANDLORDS
Since Spring 2013

AEW · Berkeley Investments · Berlin Interests · ddr · Edry Commercial Properties · M&J Wilkow · Pebb Enterprises · Petroff Realty · Show Biz Cinemas · Westdale

FEATURED NEW LISTINGS
Since Spring 2013

Dallas:

- ~~The Village At Allen | US 75 & Stacy Rd. | Allen | 1M SF~~
- ~~Uptown Village At Cedar Hill | HWY 67 & FM 1382 & Pleasant Run Rd. | Cedar Hill | 615,000 SF~~
- ~~Sam Moon | Dallas | NEC I-635 & Harry Hines | Dallas | 127,000 SF~~
- ~~The Village At Fairview | US 75 & Stacy Rd. | Fairview | 1M SF~~
- ~~Robertson's Creek | SWC FM 2499 & Dixon Rd. | Flower Mound | 450,000 SF~~

Austin:

- ~~Crossroads Shopping Center | HWY 183 & Burnet Rd. | Austin | 98,918 SF~~
- ~~Galleria Oaks | HWY 183 [just south of Anderson Mill Rd.] | Austin | 99,468 SF~~
- ~~Walden Park | NEC HWY 183 & Lakeline Mall Dr. | Austin | 8.022 Acres~~
- ~~Kyle Town Centre | IH-35 & CR 210 [Kyle Crossing] | Kyle [Austin] | 104,175 SF~~

Houston:

- ~~Baytown Central | NEC Garth Rd. & Baker Rd. | Baytown | 24,981 SF + 95,509 SF Target | 120,490 SF~~
- ~~Green Tree Shopping Center | SEQ 1-10 & Fry Rd. | Houston | 103,662 SF~~
- ~~Townsen Shopping Center | NWC FM 1960 & Townsen Blvd. | Humble | 12,800 SF~~
- ~~Fondren Square Shopping Center | SEC Fondren Rd. & Airport Blvd. | Houston | 62,293 SF~~
- ~~Kroger Junction | NWC Red Bluff Rd. & Preston Rd. | Pasadena [Houston] | 81,158 SF~~
- ~~Calhoun Plaza Shopping Center | NWQ HWY 35 & Virginia St. | Port Lavaca | 123,240 SF~~

San Antonio:

- ~~Target Redevelopment | 8421 HWY 281 & Loop 410 | San Antonio | 120,000 SF~~

COMPREHENSIVE SERVICES

BROKERAGE
Tenant Representation
Project Leasing
General Brokerage & Investment Sales

ADVISORY
Expansion Strategy | Tenant
Merchandising Plans | Property
Retail Operations

INVESTMENT
Acquisition
Development
Strategic Capital
Merchant Banking

MANAGEMENT
Property Management
Asset Management
Construction Management
Marketing Services
Corporate Services

THE retail CONNECTION
one focus. unlimited possibilities.

PROMOTIONS

~~Luke Wilson~~
~~Assistant Vice President~~

~~Blake Zale~~
~~Assistant Vice President~~

~~Jonathan Probst~~
~~Senior Vice President~~

NEW TRC TEAM MEMBERS

~~Matthew Gallo~~
~~Vice President | CAS~~

~~Derek Langford~~
~~Project Manager | CDS~~

~~Hannah Mai~~
~~Administrative Professional~~

RETAIL REPORT | DFW

NICE PERFORMANCE DFW

By STEVE ZIMMERMAN

STEVE ZIMMERMAN
MANAGING DIR. | BROKERAGE

The DFW retail market continues to be one of the highest performing areas of the country driven primarily by solid job growth, rising home prices, and strong consumer spending. DFW's employers added approximately 110,000 new jobs in 2012, taking our unemployment rate to 6.3% compared with the national average of 7.5%. With exciting news such as State Farm's recent announcement of a 1,000,000 square foot corporate campus bringing over 6,000 employees and jobs to the area, our job growth picture remains very strong. Home sales are increasing so rapidly [30%] that we are currently experiencing the tightest supply of homes for sale in 20 years. Tight supply has led to the inevitable rise in home prices with a 14% gain in the past 12 months and new home construction building permits are up 12%.

This dynamic growth has further reinforced DFW as one of the country's premiere retail markets. There are several grocery stores actively adding sites across the metroplex in DFW including Whole Foods in Village on the Parkway, Market Street in Flower Mound and Trader Joe's in West Plano, Lower Greenville, Knox Henderson and also on Walnut Hill and 75. Other grocers active in the market include Fresh Market, Kroger, Wal-Mart Neighborhood, HEB/Central Market and Sprouts.

New restaurants continue to enter and expand in the DFW market in particular the burger sector with Beck's Prime, Shake Shack, Hopdoddy Burger Bar, Liberty Burger, In-N-Out Burger, Smash Burger, Five Guys Burgers and Fries, Twisted Root Burger Company and Jake's Hamburgers. Other active restaurants include Zoe's, Dunkin Donuts, Seattle's Best and Pei Wei. Additionally, new and improved entertainment concepts TopGolf, Studio Movie Grill, Alamo Drafthouse Cinema and Dave & Buster's, continue to see great performance.

As a result of this leasing activity and lack of new construction, DFW's average occupancy has increased to 91%. With occupancy and rental rates continuing to rise, several new developments are being announced with TRC's | Connected Development Services collaborations leading the way, with approximately three million square feet of new developments and re-developments in Dallas, Tyler, Benton, San Antonio, Killeen and College Station.

TRC's brokerage group completed a record number of transactions in 2012 and we are maintaining that momentum to date for 2013. Our landlord representation business continues to grow with more than 25 million square feet of third party leasing including being recently selected to represent the MG Herring Group for their 3 million square foot portfolio including The Village at Fairview, The Village at Allen and Uptown Village at Cedar Hill. Our tenant representation roster of 240 retail and restaurant chains remains one of the strongest in the country. We continue to represent and expand some of the finest retailers throughout the United States including Bed Bath & Beyond, Nordstrom Rack, TopGolf, VisionWorks, Jo-Ann Fabric and Craft Stores and many more.

The business environment in DFW keeps the metroplex one of the most dynamic and exciting places to be in the country and we anticipate the encore performances to continue. TRC's brokerage group completed a record number of transactions in 2012 and we are maintaining that momentum to date for 2013. Our landlord representation business continues to grow with

Brokerage

RETAIL REPORT | HOUSTON

HOUSTON'S ENERGY IS HARD TO BEAT

By DAVID STUKALIN

DAVID STUKALIN
PRESIDENT | Houston

Houston's dynamic retail real estate market continues to benefit from an energized economy that continues to outperform the nation as a whole, finishing strong in 2012, with conditions that remain extremely positive for the fourth most populous city in the U.S. as we sail into 2013. As reflected by our inventory of homes for sale being at a 12-year low, and as the city continues to attract 8,000 new residents monthly.

Our job growth engines continue to churn with corporations like Exxon Mobil and Chevron moving over 2,000 people to Houston a year. Trulia, a major national real estate listing company, just ranked Houston as the healthiest retail market in the country. And investors from around the world are focused on the city, which has forever solidified its nickname as Energy Capital of the World.

> *"Houston's love for all things retail, combined with an outstanding economy, keeps a dynamic beat going on in the Bayou City..."*

As a result, retailers have snapped up vacated large boxes, driving retail rental rates to approximately $14.03, a 2.18% increase over the past 12 months. Occupancy stands at 89.5 percent, an improvement over the 88.9 percent posted at year-end 2011.

Construction cranes are showing up as new projects anchored by grocers or large format discounters start to come out of the ground. Grocery stores will dominate local retail construction in 2013. Aldi, a discount grocer with smaller stores is entering the Houston market with 15 locations. Additional grocery outlets being built in Houston in 2013 include two new HEB stores, two Kroger's, a Whole Foods, a Trader Joe's, four Fresh Markets and four Sprouts as well as two new Costco's and two Sam's Clubs to open this year.

What makes this construction boom different is the strength of the foundation on which it is being built, and that what is being built is just as quickly being leased.

In step with all of this activity is TRC's Team Houston. One of the more notable deals in the past six months has been TRC | CDS's purchase and subsequent lease up of Willowbrook Plaza, a 384,556 square foot center located in Northwest Houston at the intersection of Hwy. 249 and FM 1960, approximately 22 miles from Houston's CBD. Willowbrook Plaza was 73% occupied with a tenant lineup that included AMC Theaters, Finger Furniture, Sprint, CDS Mattress Firm, Buffalo Wild Wings, Saltgrass Steakhouse, Scottrade, and more. TRC | CDS immediately began repositioning the asset with a new Bed Bath & Beyond, buybuyBABY and Cost Plus World Market stores totaling approximately 93,000 square feet and major capital improvements to the overall property, add in the 44,000 square feet of leases which TRC | CDS is currently negotiating and Willowbrook Plaza is a new game.

Other hot deals from the Houston TRC team include the representation of the 150,000 square foot Yale Street Market where recently we executed leases on a 50,000 square foot LA Fitness and a 28,000 square foot Sprouts. Also, we transacted a 40,141 square foot Golfsmith at Westgate Marketplace. With several rollouts including nine Starbucks, three Nordstrom Racks, two Joann Fabric Stores, three Destination XL locations and four Jersey Mikes in the

Houston

RETAIL REPORT | AUSTIN

AUSTIN

By LANCE MORRIS

LANCE MORRIS
PRESIDENT | Austin

SHERMAN HINKEBEIN
EVP | San Antonio

For the third year in a row, Forbes Magazine has named Austin as America's Fastest Growing City. With the population on a constant rise and businesses from startups to mega corporations opening branches all throughout the area, Austin remains a hot destination. Austin's unemployment rate of 5.2 percent is significantly below the national average of 8 percent.

Austin's unemployment rate of 5.2 percent is significantly below the national average of 8 percent. A few distinct factors attribute to Austin's being one of the best job markets in the U.S. including an increased number of high-tech jobs migrating from California and increases in employment in government, construction, and education.

> "...developers will deliver 750,000 square feet of new retail space in 2013..."

Austin's retail real estate remains equally dynamic. Well-paid positions and a swift housing market recovery in Austin have led to an increase in retail development. Many small to mid-size projects are under way in the Central/Downtown submarket and several large retail developments are planned north of downtown. Austin holds its ranking as the strongest major retail market in Texas in terms of occupancy at 94%, up from 93% at the end of 2011. This boost is predominantly due to expansions by large-format retailers backfilling key vacancies. Simply put, more tenants are in the market for space, but most all of the existing space has been leased. In response, developers will deliver 750,000 square feet of new retail space in 2013, up from 500,000 square feet last year. At the same time, vacancy is expected to decline another 80 basis points to 7.4 by year end. Vacancy slipped 70 basis points in 2012. Austin's retail weathered the recession very well and is about to enter its next growth cycle.

Since opening the TRC Austin office in Spring of 2012, the Austin team has grown to 11 members representing over 45 retail clients, 32 landlords, and over a million square feet in property management assignments.

Some highlights include the over 30,086 square feet of space we leased at Shops at Tech Ridge, 57,500 sf Walden Park purchase, the sale of Buda Town Center and several pad sites; space leased for Jersey Mikes at The Village, Stone Hill Town Center and Hill Country Galleria; new retail clients including, Daily Juice, Sleep Experts, Swatch, and Rainbow; and several new project leasing assignments including Walden Park and Hwy 183A & 1431.

Just like the city itself, Team Austin is on an upward trajectory that shows no sign of leveling off, and our results are proof that our talented team, opportunities, and unbridled enthusiasm are the catalysts for unparalleled success. Just like the city itself, Team Austin is on an upward trajectory that shows no sign of leveling off, and our results are proof that our talented team, opportunities, and unbridled

Austin

RETAIL REPORT | SAN ANTONIO

SAN ANTONIO

By SHERMAN HINKEBEIN

Fueled by tenant activity, demand in the local retail sector is up in San Antonio. Citywide, the retail market is sitting at an occupancy rate of 90.2 percent, placing it number two of Texas's major markets; Austin [94], Houston [89.5], and DFW [89.1]. Meanwhile, the citywide average quoted rental rate for retail space stood at $18.51 per square foot in early January -- a 32% increase from the average of $18.19 quoted a year earlier.

During 2012, retail construction in San Antonio added approximately 560,300 sf, with more than half of that space occurring in project expansions or redevelopments, including H-E-B Plus!, Terrell Plaza, Eilan, and Whole Foods in The Vineyard. With limited development and new space hard to come by, demand for retail space was funneled into second-generation spaces providing very healthy absorption. As these older spaces were leased, vacancy rates went down and rental rates went up during the fourth quarter of 2012.

The new leases and expansions signed during the last three months of 2012 led to positive absorption [net space occupied] of more than 151,000 square feet — quite a jump from the 56,000 square feet of retail space absorbed over the same quarter in 2011. Junior anchors such as Golfsmith's 30,414 sf lease at The Vineyard, and Jo-Ann Fabrics 25,000 sf lease at Bandera Point further contributed to this absorption.

> "...the retail real-estate sector posted positive absorption of some 829,000 square feet - more than double the figure posted for all of 2011..."

For 2012, the retail real-estate sector posted positive absorption of some 829,000 square feet — more than double the figure posted for all of 2011, reinforcing that demand for retail space is on the rise. As occupancy rates and rental rates improved, the local retail sector also became a bigger focus for investors. The last quarter of 2012 saw the purchase of far North Side center Stone Ridge Market and San Pedro Crossing in North Central San Antonio. With limited new product coming online and market fundamentals showing real improvement, investors are clearly taking notice of San Antonio assets, including TRC | CDS, who recently purchased the former 119,480 square foot Target at Highway 410 and 281.

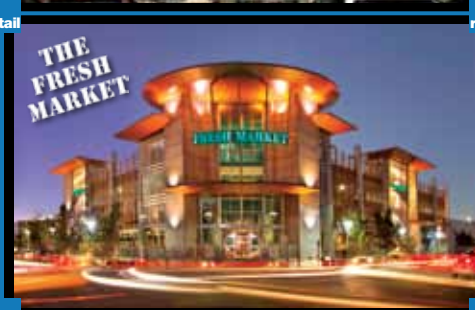
San Antonio's retail market continues to benefit from the metro area's economy, and the solid fundamentals of the San Antonio retail sector assure that our market will continue to stay the course in 2013. With limited new product coming online and market fundamentals showing real improvement, investors are clearly taking notice of San Antonio assets, including TRC | CDS, who recently purchased the former 119,480 square foot Target at Highway 410 and 281.

San Antonio's retail market continues to benefit from the metro area's economy, and the solid fundamentals of the San Antonio retail sector assure that our market will

San Antonio

CONNECTED RETAILERS

For a complete listing of the 240 plus retail chains TRC currently represents, see our website: www.theretailconnection.net



CONNECTED RETAIL CENTERS

For a complete listing of the 287 retail centers TRC currently represents, see our website: www.theretailconnection.net

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CONNECTED DEVELOPMENT SERVICES | CDS

COMING SOON | DEVELOPMENT

By DAVID WILSON

DAVID WILSON
PRESIDENT | CDS

Connected Development Services has amazing partners – our retail clients. Add in our super talented development and construction teams, and it is dynamic.

Really, it is all about knowing and responding to what the need is, and that is where our coordination with TRC's brokers and clients comes in. The brokers know what their clients need and through connections with their peers who represent other key users, they know what those retailers needs are as well. We do not get the details or hear about the strategies, but when we get tagged to put together projects to meet the retailers needs, we are all over it.

These collaborations have led to tremendous activity including three new power villages that CDS is actively in motion developing. Leading the pack is The Village at Cumberland Park, projected to be a 650,000 square foot center catering to the powerful Tyler region. The project will ultimately feature over 100 leading retailers including Bed Bath and Beyond, Gordman's, Cost Plus World Market, Jo-Ann's, TJMaxx, Ross, Studio Movie Grill, Petco, DSW, Kirkland's, Dress Barn, Beauty Brands, Maurice's, Carter's, Oshkosh, Lane Bryant, Famous Footwear, Vitamin Shoppe, Starbucks, Abuelo's, AT&T and many others. This center will have a terrific mix of boxes, specialty retailers, small shops, services, restaurants, a bowling/ entertainment venue, and a hotel to appeal to the more than 450,000 population trade area.

Next in the queue is La Cascata Retail Village, a power village in Killeen, Texas. Anchored by HEB, TJMaxx, Jo-Ann's, Cost Plus World Market, DSW, a couple more boxes yet to be finalized and a very strong grouping of specialty retailers led by Chico's, White House|Black Market, Soma, Ann Taylor Loft, and others. This 460,000 square foot center will be a great addition to this rapidly growing community.

On the heels of our successful redevelopment of Shackleford Crossings in Little Rock, Arkansas, we are in motion with our first two Arkansas developments -- Benton Town Center, which will feature tenants such as Dick's Sporting Goods, Michael's, TJMaxx, Bed Bath and Beyond, Gordman's in the 350,000 square foot first phase of the project, which is expected to double in size by the time we are done.

We like the Benton market so much, we are also developing a 123,000 square foot Kroger Signature Store anchored project, Hurricane Creek, with approximately 100,000 square feet of additional boxes, shops and pad sites.

Since opening our doors in 2005, Connected Development Services has built over a million and a quarter square feet, between our Arlington Highlands, Arlington Highlands East, Weatherford Ridge, and Mansfield Pointe projects. We have purchased and are currently redeveloping three projects totaling another 800,000 square feet, Village on the Parkway in Addison, Texas, Shackleford Crossings in Little Rock, Arkansas, and The Place in Concourse Shopping Center in San Antonio, Texas. And, we are in motion on the three new developments, mentioned above, totaling more than 1.5 million square feet, and working on five additional ground-up projects, totaling another 2 million square feet, that we look forward to announcing soon.

The market is not on fire by any means. The tenants are moving very judiciously as their organizations once again ready themselves for new development opportunities. Exclusives and co-tenancy remain top of the list issues to work through,

TRC CDS

THE VILLAGE AT CUMBERLAND PARK

This site is located at the NEC of S. Broadway Avenue and Loop 49 in the heart of East Texas in Tyler. Loop 49 is planned for completion to I-20 on the DFW side by March 2013. Construction on the first phase of the project will begin in Summer 2013 and is scheduled to open in Summer 2014. Upon completion, the total project acreage will be 80 acres and over 700,000 SF of retail, restaurants, and entertainment in a vibrant, contemporary, and pedestrian friendly outdoor setting where family and friends can shop, dine play and be entertained.

DEVELOPMENT INFORMATION

- **PROJECT GLA:** Over 700,000 SF [excluding pads]
- **PADS:** 4 pads, approximately 6.13 acres | [1.00 - 2.00 acres each]
- **CONSTRUCTION START:** Summer 2013
- **PROJECTED OPENING:** Summer 2014

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TVACP

www.thevillageatcumberlandpark.com

TRC INVESTMENT UPDATE

DEVELOPMENT:

Arlington Highlands | Arlington, Texas | 625,613 SF
Arlington Highlands East | Arlington, Texas | 109,727SF
Mansfield Pointe | Mansfield, Texas | 150,000 SF
Weatherford Ridge | Weatherford, Texas | 381,000 SF

NEW DEVELOPMENTS:

Tyler, Texas | The Village at Cumberland Park | 700,000 SF
Benton, Arkansas | Benton Town Center | 350,000 SF [1st Phase]
Benton, Arkansas | Benton Kroger | 230,000 SF
Killeen, Texas | 473,000 SF

RE-DEVELOPMENT:

Village On The Parkway | 381,021 SF
San Antonio | Former Target | 120,000 SF

ACQUISITION:

Quorum Plaza | Dallas, Texas | 77,813 SF
Shackleford Crossings | Little Rock, Arkansas | 286,000 SF
Town Centre Plaza | Mesquite, Texas | 94,096 SF
Willowbrook Plaza | Houston, Texas | 384,556 SF

CONNECTED MANAGEMENT SERVICES | CMS

Connected Management Services takes an integrated approach to Property Management. Our entire team is made up of real estate management, development, construction, leasing, and marketing veterans. We know the shopping center landscape intimately, and we apply that expertise every day to your investment. We know that you hold us to a very high standard, which works in conjunction with the expectations we have of the property management team. Property Management includes literally hundreds of tasks, both large and small, on a daily basis. Connected Management Services has internal controls in place to ensure all of our Standard Operating Procedures are being met. Managers or qualified assistants are available 24|7. We are accountable for every aspect of property management, and we work overtime to ensure we exceed your expectation.

Connected Management Services provides retail property management services based on the owner's objectives, the tenant's needs, and the ability to get your property noticed by retailers, all of which ultimately provide a quality experience for our shoppers.

CONNECTED MANAGEMENT SERVICES

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SHOPS AT 360

360 Nueces Street,
Austin, TX
13,771 SF Mixed-use development
with main floor retail.

CROSSROADS SHOPPING CENTER

Hwy 183 & Burnet Road,
Austin, TX
98,918 SF Allandale neighborhood retail center
with national and local tenant mix.

SHACKLEFORD CROSSINGS

I-430 & S Shackleford Road,
Little Rock, AR
575,000 SF Retail, Power, and Lifestyle Center.

VILLAGE ON THE PARKWAY

SEC DNT & Belt Line Road
Dallas, TX
380,000 SF Whole Foods | AMC Anchored Lifestyle Center

WILLOWBROOK PLAZA

SEC SH 249 & Gessner Road,
Houston, TX
395,000 SF Redevelopment project

CONNECTED ACQUISITION SERVICES | CAS

ACQUISITIONS 101

By STEVE HEFNER

STEVE HEFNER
PRESIDENT | CAS

One of the fundamental principles of economics is the theory of supply and demand. Supply is simply the amount of goods and services that are in the market for a given time period. Demand is the velocity variable in which the goods or services are purchased. The imbalance between the two leaves either too much or too little supply in the world at any given point in time. There is an equilibrium stage; however, the balance tends to sway to either side of equilibrium rather quickly.

Enter the supply and demand theory as it relates to retail real estate. Very few shopping centers were developed in 2012 and even though 2013 will see 2012 developments double, it is still projected to be a pittance as compared to the heydays of real estate development activity. That means as tenants are expanding, there are fewer places for them to land. Which will translate into higher occupancies, higher rents and happier landlords, at least in theory.

> "In any given time period...there are always opportunities in which to purchase properties..."

In 2011 and 2012, TRC | CAS was in an acquisition mode. Why? Simple. Supply and demand. We collaborated with our clients to acquire over a million square feet of centers which we are now redeveloping and/or re-tenanting to stabilization. Enabling us to create that unique value proposition whereby we simultaneously deliver very favorable economics for our retail clients and deliver excellent risk adjusted returns for our partners.

As supply and demand dynamics continue to play out, we have been in a transition mode once again, going from buyers to sellers, as little to no outside development is providing for these centers to measurably appreciate in price. Simultaneously, we have also transitioned to a development mode ahead of the curve, enabling our retailer and restaurant clients to expand with favorable economics in an improving market.

Does that mean we are no longer acquirers? Not at all. The dynamics of the real estate market make it harder to acquire properties, but certainly not impossible. We love fixing well-positioned centers with junior anchor vacancies; however, we also love centers that may be well-occupied, but have under market rents as well, that have challenges which we can fix as well.

In any given time period [that of excess supply, excess demand, or an equilibrium], there are always opportunities in which to purchase properties, with challenges. These challenged properties with vacancies or which have been otherwise neglected or compromised, can be turned in to great properties by virtue of our ability to influence the supply demand continuum.

Market dynamics work well for us across our focus markets. Our Houston office helped us to acquire almost 400,000 square feet in 2012 and we look forward to our Austin team building momentum through 2013 for several acquisitions currently in the pipeline. Our activity on the acquisitions side was good in 2012 and we expect that it will be great in 2013 and beyond.

TRC CAS

RECENT ACQUISITIONS

Towne Centre Plaza | Mesquite, TX | 94,109 SF

The Retail Connection and North American Development Group have purchased Towne Centre Plaza, a 94,109 square foot property located one block off I-635 on North Mesquite Drive across from Town East Mall.

The shopping center was built in 2002 on 8.838 acres and features Bed Bath & Beyond and Best Buy as tenants. The Retail Connection is currently in negotiations for the 23,000 square foot vacancy in the center with a national tenant, which, when leased will bring the center back to 100% occupancy. The property was designed to exceed 'Class A' standards and sits on a highly trafficked corner in the town East Mall retail area.

"We are excited to have purchased this well-located center in collaboration with North American Development Group, in an area of DFW that is going through a strong revitalization", said Steve Hefner, President of Connected Acquisitions for The Retail Connection. "With this acquisition, The Retail Connection has acquired over 750,000 square feet of retail real estate in just the past twelve months."

TC PLAZA

CONNECTED SERVICES

Connected Development Services specializes in all aspects of the development, re-development and renovation of retail projects and also advises retailers on their development strategies as well as structuring development joint ventures.

THE retail CONNECTION
CONNECTED DEVELOPMENT SERVICES

Connected Acquisition Services advises its retail clients and structures joint ventures to purchase retail investment properties, which can be single-tenant, multi-tenant or even portfolio assets.

THE retail CONNECTION
CONNECTED ACQUISITION SERVICES

Connected Capital Services assists and provides entrepreneurs and emerging growth retail and restaurant chains with operating expertise and sources of capital for their operating businesses.

THE retail CONNECTION
CONNECTED CAPITAL SERVICES

Connected Management Services provides retail property management services based on the owner's objectives, the tenant's needs, getting your property noticed by retailers and achieving a quality shopping experience.

THE retail CONNECTION
CONNECTED MANAGEMENT SERVICES

Construction Management Services Our construction management team has over 50 years of diverse construction and retail real estate development, redevelopment, and renovation experience.

THE retail CONNECTION
CONSTRUCTION MANAGEMENT SERVICES

TRC BLOG

FROM THE TRC BLOG

NOTHING NEW ON THE ROAD TO SUCCESS

By STEVEN A. LIEBERMAN

STEVE LIEBERMAN
CEO

Fortunately for all of us in Texas, we are clearly on the road to success. Our marketplace is built on an incredibly solid foundation and infrastructure growth, including more than 150 miles of toll roads built in the last six years and another 100 miles of toll projects in the works—$14 billion in new road projects under construction in DFW alone. During the past year, Dallas and Houston combined for 10 percent of the country's net job creation, and DFW's current growth rate of 1 million every 10 years has us tracking to become the the United States' third-largest metro by 2020.

However, the drivers to our success extend well beyond our roads. Our technology infrastructure, both here and around the globe, is growing faster than ever. The number of internet devices hit 1,000 in 1984, a million in 1992 and a billion in 2008. It is estimated that more unique information will be generated this year than the previous 5,000 years combined, and the amount of new technical information doubles every two years. The new normal is a dynamic marketplace, where change is the only constant and, with the rate of change of knowledge, we likely have not even heard about many of the things that we will be aggressively adapting to five years from now.

As such, we must constantly integrate our digital and physical strategies as we adapt to our rapidly changing world—continuously upgrading our technology systems, data extrapolation, presentations and other means of making our information more abundant, accessible, deliverable, and robust.

The real estate industry will certainly continue to be impacted by technology. But whatever we do to remain on the front edge of the tech curve, the inefficient aspects of our business will remain our most valuable means of differentiating ourselves. We must continue to listen intently to our customers, understand their key objectives, and deliver above and beyond their expectations. Our knowledge, experience, connection to, and capacity to collaborate with, our clients are invaluable. Nothing new.

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Success Despite Ourselves

By ALAN SHOR

ALAN SHOR
PRESIDENT

As a country, we find ourselves in the uncomfortable position of our private business sector showing strong signs of growth, despite the complete dysfunction of our federal government. President Obama recently stated, "The greatest nation on earth cannot keep conducting its business by drifting from one manufactured crisis to the next. The American people have worked too hard, for too long, rebuilding from one crisis to the next to see their elected officials cause another." And he is right.

We are currently in "sequestration," a bill that has mandated severe budget cuts across the board. We do not have a federal budget approved. If we don't have an increase of the debt ceiling by May, the United States will start defaulting on our bills. In four years, the U.S. has fallen from No. 1 to No. 7 in the World Economic Forum's competitiveness rankings. Private business is sitting on almost $2 trillion in cash, hesitant to spend or invest because of the concern over this dysfunction.

But there is a part of our country that continues to perform, and that is the entrepreneurship that drives private enterprise, which in turn drives our economy. Look at the recent numbers. The housing market is finally rebounding nicely. The job market is slowly getting better, and the stock market continues to hit new highs. Companies' balance sheets are strong, and growth continues to be positive. Consumer spending is also positive, and retailers are opening new stores and trying new concepts.

One main reason for this is the investment in research and development, which is at its highest levels in almost 50 years. State and local governments are doing what our federal government cannot do—adopting sweeping reforms to attract businesses and investment. Reforms that include the abolishment of corporate and personal income taxes, raising dollars for infrastructure spending, and giving schools their biggest revamping in years. This part of our country is able to remain competitive and continue to grow due to innovation, education, infrastructure, and less regulation.

Think how well this would all work if the federal government joined in.

TRC Blog

ARTICLES CONT'D

DYNAMIC

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By STEVEN A. LIEBERMAN CEO & ALAN P. SHOR President

into a strong multi-tenant center. Finally, our record recapitalization of Arlington Highlands shopping center at the end of last year was one of the largest retail transactions in the country.

The exclamation point on what will be a very dynamic period for TRC is our development collaborations. These tenant-driven developments are in six different markets across Texas and Arkansas, totaling over three million square feet of new projects.

2012 was a very strong year across the board; one that reflected strong returns in the investments we have made in all aspects of our business. We are excited about 2013 as we continue to actively invest in both the real estate and operating company fronts. We are well on our way to becoming one of the top retail brokerage, advisory and investment firms in the country. Our team, clients and partners are the invaluable cornerstones in which our successes continue to be built. We thank you all, and as always, we look forward to staying connected and to all of our opportunities ahead.

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Ascension Development
Ashley Furniture
ATCO
Atlantic Hotels Group, Inc.
Beltline Preston, LTD
Berkeley Investments
Berlin Interests, Inc.
Billingsley Company
Bromont Group
The Brytar Companies
Burk Collins & Co., LTD
Centennial Real Estate Company
CFT
Cheney & Mathes Properties
Clearview Investments, LTD
Commercial Realty Group [CMC]
Connected Acquisition Services
Connected Development Services
Connected Management Services
Covington Partners
DDR
E2M Partners
Eagle Equity
Edry Commercial Properties
Education Realty Trust
ECOM Real Estate Management
Elite Shopping Centers Management, Inc.
Endeavor Real Estate Group
Family Video
Farrell Properties
Global Fund Investments, LLC
Grace Development
Granite Properties
Greenway Investment Company
Hartman
H-E-B
Hunt Properties, Inc.
Inland American
Invesco
Karns Commercial Real Estate
KBS Companies
Kimco Realty Corporation
Levcor, Inc.
M&J Wilkow, Ltd.
Maly Commercial Realty
Margaux Development Company
Mark R. Smith Co., Inc.
Midwood Investment and Development
Mila Properties
Mimco, Inc.
North American Development Group
Oakhollow Group, LTD
Orix
PEBB Enterprises
Petroff Realty
Phoenix Property Company
PLS Realty
P'OB Montgomery & Co.
Ponderosa Land Developmentt Co.
Prescott Realty Group
Provident Realty Advisors, Inc.
Provost Group
Red Sea Group
Retail Properties of America, Inc.
Rosebud Properties
Sam Moon Trading Company
Showbiz Cinemas
SMI Realty Management
Standridge Companies
Starpoint Properties, LLC
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Terra Enterprises
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The MGHerring Group
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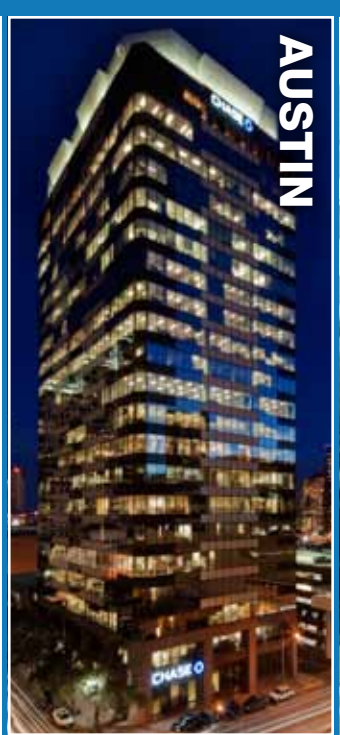
TPMC Realty Corporation
Triyar Companies
United Heritage Credit Union
U. S. Industries
Vaquero Ventures
Vista Property Company
Westdale Real Estate Investments
Westwood Financial Corp.
Windswept Place, LLC
Wolverine Interests



TENANT REPRESENTATION

Advance Auto Parts
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Bed Bath & Beyond
Benefit Cosmetics
Bicycle Sport Shop
big drop NYC
Bikinis Sports Bar & Grill
Bistro Babusan
Black-eyed Pea
Black Sheep Lodge
Boi Na Braza
Bonefish Grill
Boudreaux's Cajun Kitchen
British Beverage Company
Brooklyn's Pizzeria
Buckhead Saloon
Buffalo Wild Wings
buybuy Baby
Cadillac Bar
Casual Male
Cedars Mediterranean Mezza
Celebrity Bakery
Chase Bank
Chelsea's Kitchen
Christmas Tree Shops
Ciudad
Cowboy Star
Cozymels
Cru Wine Bar
Cyclone Anaya's
Daily Juice
Deluxe Nail Salon
Destination Maternity
Destination XL
Dollar Stop
Dollar Tree
Dougherty's Pharmacy
Draper's & Damon's
Drive Time Automotive
DSW Shoes
Dunkin' Donuts
Eno's Tavern
EntertainMart
Equinox Fitness
Ethan Allen
Evolution Tans
EZ Money
EZ Pawn
Family Video
Famous Footwear
Fantastic Sams
Firepit Texas Grill
Firestone Complete Auto Care
Fish City Grill
Fitness Connection
Fletcher's Jewelry
Fleuvog Shoes
Floss Dental
Forty Five Ten
Freddy's Frozen Custard
Freed's Furniture
Furr's
GameStop
Garden Ridge
GNC
Gold Max
Golfsmith
Goodfella's Pizza & Pasta
Goorin Bros.
Great Clips
Grotto
Hallmark
Harbor Freight Tools
Hardee's
Hibashi Teppan Grill
Hobby Town USA
Hoffbrau Steaks
Houston's
Howard Wang's Grill
Humperdink's
IHOP
Impress for Less
IntegraCare
Iron Cactus
Italia
JCPenney
Jersey Mike's Subs
Jo~Ann Stores
Jos. A. Bank
K&G Menswear
Kenny & Ziggy's
Kerry Simon
Kidrobot
Kids Park
Kidz Only
Kleiman|Evangelista
Kneaders Bakery & Cafe
Knockouts
Kool Smiles
LA Fitness
La Grande Orange
LabXpress
Lammes Candies
Landry's Seafood
Le Studio
Lids Locker Room
Little Caesar's
Logan's Roadhouse
Love & War in Texas
Malai
Marilyn Monroe Spas
Marmalade Cafe
Massage Luxe
Mattison Avenue
Mattito's
Max Bookman Training
Max Brenner
Mealey's Furniture
Men's Wearhouse
Merge
Mimi Maternity
Mitchell Gold + Bob Williams
Molto Formaggio
Monarch Dental
Motherhood Maternity
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My Fit Foods
Navy Federal Credit Union
New Sound Hearing Aids
Nordstrom Rack
Ocean Prime
Paciugo
Palm Beach Tan
Palominos Ranch Buffet
Panda Express
Panera Bread Company
Papa John's
Papa Murphys
Paradise Bakery
Peacock Alley Fine Linens
Pei Wei Asian Diner
Performance Bike
Pesce
PetSmart
Philippe Chow
Piada
Piranha Killer Sushi
Pizaro's Pizza
Planet Fitness
PLS Realty
Pluckers
Pollo Tropical
Portrait Innovations
Private Gallery
Project Pie
Q Custom Clothier
Quickway
RA Sushi
R+D Kitchen
RadioShack
Rainbow Shops
Rainforest Cafe
Raising Cane's
Rally House Texas
Red Robin
Regional Management Corp
Resolute Fitness
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Savers
Shake Shack
Sheplers
Sherlock's Pub
Simply Fashion Stores
Sleep Experts
Smoothie King
Snappy Salads
Sonic Drive-In
Sonny Bryan's
Splitsville Lanes
Sports Authority
Starbucks
Star Power
Steiner Eye Care
Studio Movie Grill
Styles for Less
Swatch
Taco Bueno
Taco Cabana
TaMolly's
tasti D lite
Teddy's Room
T.G.I. Friday's
The Blue Fish
The Cash Store
The Fresh Market
The Holy Grail Pub
The Luxury of Leather
The North Face
The Office
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Total Lacrosse
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