METRO DENVER RETAIL OVERVIEW

TrammellCrowCompany

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Retail Market Supply & Demand Trends
Metro Denver

MSF

1998 1999 2000 2001 2002 2003 2004 Midyear 05

Vacancy

Construction

Absorption

Vacancy

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Rent Trends (weighted avg. rate)
Metro Denver

- 1998: $12.97
- 1999: $13.49
- 2000: $12.36
- 2001: $14.46
- 2002: $13.74
- 2003: $13.81
- 2004: $14.73
- Mid-year 05: $14.80

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Where is Retail in the Cycle?

**Phase I - Recovery**
- Declining Vacancy
- New Construction
- Rent Growth

**Phase II - Expansion**
- Declining Vacancy
- New Construction
- Rent Growth

**Phase III - Hypersupply**
- Increasing Vacancy
- New Construction
- Rent Growth Positive but Declining
- Increasing Vacancy
- More Completions
- Rent Growth Negative or <Inflation Rate

**Phase IV - Recession**
- Declining Vacancy
- Limited Construction
- Rent Growth Negative or <Inflation Rate

Sources: Mueller, Real Estate Finance, 1995; Trammell Crow Research
Potential Risks to the Market

- Housing bubble could burst.
- Household debt levels.
- Rising interest rates.
- Potential for overbuilding.
## Development Projections
Metro Denver

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Projects</td>
<td>18</td>
<td>16</td>
<td>19</td>
<td>14</td>
<td>12</td>
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<tr>
<td>Square Footage (msf)</td>
<td>1.7</td>
<td>2.5</td>
<td>2.2</td>
<td>3.0</td>
<td>3.1</td>
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Where the Market is Heading

- Lifestyle centers will flourish: 100 at present and the number will double in the next few years – Just 9 enclosed malls to be built in ’05.

- Wal-Mart’s influence both locally and nationally will continue to grow.

- Continuing consolidation in the grocery industry, new niche players.
General Retail Trends

- Electronics in clothing & accessories.
- Organic food, beauty products.
- Online purchasing continuing to grow in popularity.
- Teens & “tweens”.
- Booming pet industry.
Hottest New Trend...