

NEWS RELEASE

Chicagoland's Robust Shopping Center Development Cools to Lower Levels per Report from Mid-America Real Estate

OAKBROOK TERRACE, Ill. (Dec. 23, 2008) – The slowing of the US economy has finally cooled Chicago's robust shopping center development trend, according to an annual survey by Oakbrook Terrace, Illinois-based **Mid-America Real Estate Corporation**. The **Mid-America 2008-09 Shopping Center Report**, which will be released on the first of the year, shows that delivery of gross leasable area (GLA) for new Chicagoland shopping centers is down by more than 50% -- from a record-breaking 8.3 million square feet of new space in 2007 to 3.7 million square feet in 2008. According to Mid-America Vice President **Andy Bulson**, author of the survey, this is the lowest total GLA devoted to new shopping centers since 1997.

Mr. Bulson observes, however, that while the overall delivery for 2008 is down dramatically, "historically speaking, this is more of a return to normalcy after a period of unprecedented growth that had taken place over the previous four years."

CATEGORY HIGHLIGHTS

The following observations are culled from the Mid-America Real Estate Corp. 2008-2009 Shopping Center Report, and elucidated by Mr. Bulson.

Grocery Stores: Jewel opened two new stores in 2008, which Bulson says is within their anticipated range of only a few new stores per year. "Continued measured growth for them is expected in coming years," he says. Meanwhile, Roundy's continues to work on deals in urban areas and could open as many as four new stores by the end of 2010, all of which are contingent upon the developer's ability to finance the projects. Dominick's appears to be largely inactive in the coming years. And although Whole Foods opened one new store in 2008, it has delayed other future deals at this time, he says.

Discount Stores: Mr. Bulson reports that while Meijer is continuing to work on the acquisition of new sites, it is land banking most of its deals. And Target has pulled back on multiple deals around

metro Chicago, opening only one new store in 2008. "The future for Target expansion remains uncertain, as Target has been slow to commit to new deals," Mr. Bulson says. "The only certain future deals that Target is committed to are in Hillside with a new Super Target, and at Wilson Yards in Chicago with a standard Target. Their other projects remain uncertain."

On the brighter side, Wal-Mart opened three new supercenters primarily in outlying areas and has begun to re-engage in new store planning with a slightly smaller store size of 176,400 square feet, down from the larger 203,000 square-foot prototype previously built. "In the next two years, Wal-Mart could open as many as seven new supercenters," Mr. Bulson says.

Department Stores: Kohl's opened two new stores in 2008, located in far suburban Crete and Portage, Indiana. Mr. Bulson says that four additional Kohl's stores could open in 2009 and 2010. However, he says that Kohl's appears to have marginal sales at some of the recent store openings in the high growth areas and may have a reduced appetite for similar deals. "JC Penney also opened two stores in 2008, but future plans appear to be unclear at this time," he says.

Home Improvement Stores: While home improvement stores have largely halted growth plans, they still opened stores previously committed to prior to 2008. "Lowe's Home Improvement opened three stores in 2008, and could potentially open four more in 2009 and 2010, if they elect to move forward on deals that are currently in negotiation," Mr. Bulson says. Menards opened one new store and has three stores currently under development with scheduled openings in 2009 and 2010. Meanwhile, he notes that Home Depot opened only one new store in 2008 and will very likely not open a single new store in the coming years.

LOOKING AHEAD

Continued Decline: "We will likely see a continued decline in deliveries of shopping centers into 2009," says Mr. Bulson. He explains that macro-level issues facing many retailers -- such as shrinking margins, lower same-store sales numbers, and overall debt/financing problems -- will lower new store development for every retailer. Wal-Mart is the only potential exception to all of this.

"However, even with this decline," Mr. Bulson says, "Chicago remains a great market that benefits from a diverse economy, and it will be well positioned for retail growth as the overall US economy improves."

Difficult Financing Terms & Lower Rents: Less than desirable financing terms have made it difficult for developers to borrow money at terms that make projects viable, says Mr. Bulson. At the

same time, anchor tenants are pushing for better deals, and the junior anchors, such as office supply stores, pet supply stores, electronic retailers, and apparel retailers are attempting to take advantage of the downturn and push for lower rents. “The end result of these pressures is drastically fewer centers being developed,” he says.

Focus Shifts to Dense Urban Areas: According to Mr. Bulson, the development of new centers in Chicago’s lightly populated outlying areas is much more difficult based on the slow openings shown for these markets in recent years. “So, we will expect to see a continued focus on densely populated urban areas in the coming years,” he says.

WHAT COULD CHANGE THE SCENE

According to Mr. Bulson, for the business to return in 2010, “we will need to see the availability of lending to developers and the investment sales market, energy costs to remain in line, an increase in consumer spending, and some sense that the overall economy has bottomed out. Land owners, developers, retailers, and all service providers will need to make the adjustment back to business as usual, off from the highs of the last three or four years. Those embracing their respective best practices will be well positioned for the future.”

Mid-America Real Estate Corporation is a member of Mid-America Real Estate Group, a ChainLinks affiliate. Mid-America Real Estate Group is a full-service retail real estate organization that has become the Midwest’s leader in retail investment sales. For more information, call (630) 954-7300 or visit www.midamericagr.com.

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