



RESEARCH & FORECAST REPORT



Houston's Retail Market Occupancy Continues to Strengthen

Houston's retail market continued to improve in the second quarter of 2011 with positive net absorption and lower vacancy rates. Over the last two years, Houston's retail market has posted positive net absorption. Retail vacancy rates for all product types stood at 7.8%, down from 8.4% at this time last year. Developers have curtailed development, delivering only 190,600 SF of new retail space year-to-date through the second quarter and have only nine projects currently under construction. Overall, the local market is performing well under less than optimal economic conditions, namely sluggish job growth and low consumer spending levels.

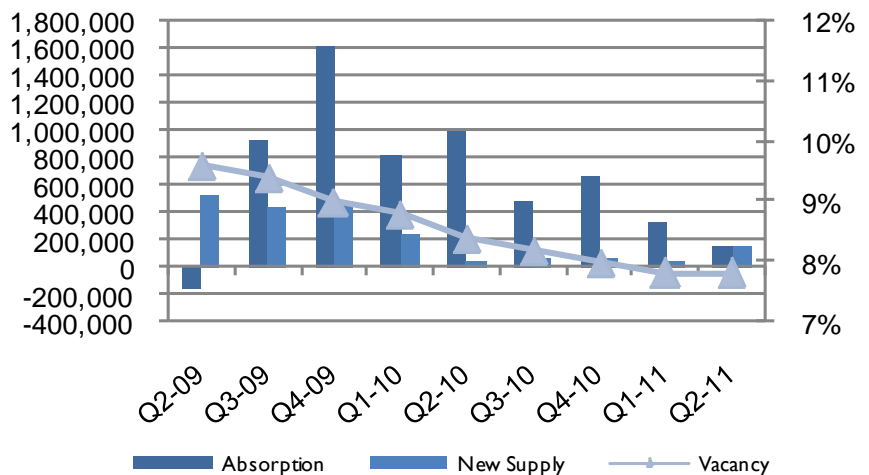
Macro factors driving the absorption of retail space ultimately ties back to job count. According to the Texas Labor Market Review, total nonagricultural employment in Texas netted only 8,800 jobs in May, while at the local level, Houston's MSA gained 16,500 jobs. Texas annual employment grew by 2.0%, while Houston's grew by 1.8%.

We don't believe there will be any major news over the next several months that will adversely or positively affect the retail market; however, as long as the energy and medical industry continues to thrive, Houston will be well positioned to flourish. In addition to the energy and medical industries we believe the expansion of the Panama Canal (due to be complete in 2014) will have a tremendous positive impact on the Houston economy by creating more revenue for Houston based businesses and in turn more jobs.

MARKET INDICATORS			
	2Q10	2Q11	
CITYWIDE NET ABSORPTION (SF)			
	994k	160k	↓
CITYWIDE AVERAGE VACANCY			
	8.4%	7.8%	↓
CITYWIDE AVERAGE RENTAL RATE			
	\$15.07	\$14.98	↓
QUARTERLY DELIVERIES (SF)			
	37k	142k	↑
UNDER CONSTRUCTION (SF)			
	127k	392k	↑

UNEMPLOYMENT & JOB GROWTH (Seasonally Adjusted)			
UNEMPLOYMENT	5/10	5/11	
HOUSTON	8.2%	8.2%	
TEXAS	8.1%	8.0%	
U.S.	9.6%	9.1%	
JOB GROWTH	ANNUAL CHANGE	5/11	
HOUSTON	1.8%	16.5k	
TEXAS	2.0%	8.8k	
U.S.	0.7%	54k	

ABSORPTION, NEW SUPPLY & VACANCY RATES



YTD 2011 | TOP RETAIL LEASES

**Undisclosed Health Facility**

First Colony Marketplace
Feb-11 68,150 SF

Ashley Furniture*

Deerbrook Corner
Feb-11 52,360 SF

Joe V's Smart Shop

12005-12047 Northwest Freeway SC
May-11 51,252 SF

Texas Emergency Care

West Lake Crossing
Apr-11 43,140 SF

Sundance Cinemas

Bayou Place
Mar-11 40,500 SF

Jusgo Supermarket

Diho Plaza
Apr-11 25,000 SF

Burke's Outlet

Spencer Square
Jun-11 24,506 SF

Staples

Cypresswood Court SC
May-11 22,500 SF

Petco

Park Lakes
Jun-11 12,585 SF

Party City

Victory Lakes Town Center
May-11 12,000 SF

Twin Peaks Restaurant

4527 Lomitas
May-11 10,000 SF

*Renewal

Vacancy & Availability

Houston's retail vacancy rate fell to 7.8% in the second quarter, down from 8.4% at this time last year. By product type on a year-over-year basis, power centers posted the largest decrease of 150 basis points (bps) to 6.1% vacancy, followed by lifestyle and community centers which fell by 120 and 100 basis points to 7.5% and 7.8%, respectively. In contrast, malls and single tenant buildings year-over-year vacancy rates rose by 20 and 10 bps to 7.0% and 3.1%, respectively.

Houston's retail vacancy has steadily decreased over the past two years staying below 10.0% for the past six consecutive quarters.

Limited new supply will continue to help the market remain stable over the coming twelve months. Second quarter retail deliveries totaled 142,000 SF bringing the mid-year total to 190,600 SF.

Currently there are nine retail projects totaling 392,000 SF under construction. The projects include single tenant, strip centers and neighborhood centers and are 26.0% preleased. Details about each project can be found in the table on page 4 of this report.

Absorption & Demand

Houston's retail market posted 160,000 SF of positive net absorption in the second quarter compared to 268,000 SF of positive net absorption posted in the first quarter. On a year-over-year basis, absorption fell significantly from the 994,000 SF recorded in second quarter 2010.

By property type, neighborhood centers led the market in the second quarter with 129,000 SF in positive net absorption, followed by single-tenant retail and Malls posting 44,000 SF and 23,000 SF, respectively. Community centers had the largest loss reporting (24,000) SF of negative net absorption followed by strip centers with (13,000) SF.

Some of the tenants that moved into their space during the second quarter include: Academy Sports and Outdoors located in the Pasadena/Galena Park submarket; El Ahorro Supermarket in the Southwest submarket; and Sports Authority located in the Southeast submarket.

Rental Rates

The citywide average quoted rental rate rose slightly between quarters to \$14.98 from \$14.83 per SF NNN.

Malls' average quoted rental rates had the largest gain between quarters increasing by 2.0% to \$18.69 per SF NNN (from \$18.32 per SF). Power centers' rental rates increased by 1.4% to \$15.71 per SF NNN (from \$15.50 per SF), followed by theme/entertainment centers, increasing by 0.8% to \$40.97 per SF.

In contrast, single tenant retail posted the largest quarterly decrease of 2.8% to \$11.29 per SF NNN (from \$11.62 per SF), followed by neighborhood and strip centers with a decrease of 0.4% and 0.3% to \$13.42 and \$15.60 per SF NNN, respectively.



Center at Copper Grove Phase II
8955 N Hwy 6, Houston, TX
Bridgelands Ret Submarket

RBA:	36,645SF
Built:	2005
Buyer:	GBR Properties, Inc.
Seller:	N.W. Cooper, Ltd.
Sale Date:	May 5, 2011
Sales Price:	\$4.2M
Sales Price PSF:	\$114



Capital One Bank
12650 Tomball Parkway, Houston, TX
Near Northeast Ret Submarket

RBA:	5,300 SF
Built:	2008
Buyer:	ST Louis Retail DST
Seller:	US Real Estate LP
Sale Date:	April 13, 2011
Sales Price:	\$1.5M
Sales Price PSF:	\$283

Sales Activity

Investment sales activity remained steady for Houston's retail properties with 53 transactions recorded during second quarter. The total dollar volume was approximately \$55M, averaging \$88 per SF with an average 8.7% capitalization rate.

The most significant transactions that closed during the second quarter are as follows: GBR Properties, Inc. acquired the 36,645 SF Center at Copper Grove Phase II located at 8955 N Hwy 6 in northwest Houston. The property sold for \$4.2M or \$114 per SF.

Robert Orkin Interests purchased the 11,617 SF Terramont Village Shopping Center located at 9955 Woodlands Parkway in Montgomery County from Lovett Commercial for \$2.7M or \$230 per SF.

ST Louis Retail DST purchased a 5,300 SF Capital One Bank Building located at 12650 Tomball Parkway in Northwest Houston from US Real Estate LP for \$1.5M or \$283 per SF.

Leasing Activity

Houston retail leasing activity for second quarter 2011 totaled 914,000 SF in 322 transactions compared to 476 transactions totaling 1,400,000 SF one year ago. Overall, transactions under 10,000 SF comprised the largest group of retail leases, with the market recording only fourteen leases over 10,000 SF and five over 20,000 SF in the second quarter.

Significant retail leases signed in the second quarter include: Joe V's Smart Shop leased 51,252 SF in the 12005-12047 Northwest Freeway Shopping Center; Family Thrift Centers leased 31,575 SF in The Shopping Center at Willowbrook; Burke's Outlet leased 24,506 SF lease in Spencer Square; Staples leased 22,500 SF lease in Cypresswood Court; Mathnasium leased 16,004 SF in Village Plaza at Bunker Hill.

For additional retail lease transactions signed year-to-date, please see the select list on page two.

HOUSTON RETAIL MARKET SUMMARY

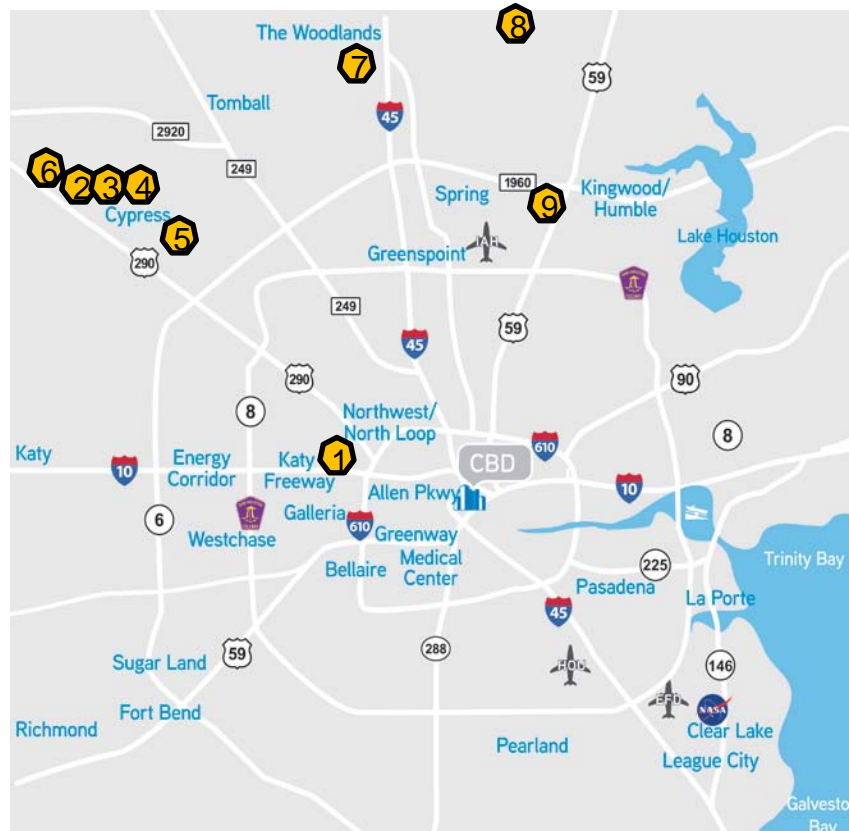
	Rentable Area	Direct Vacant SF	Direct Vacancy Rate	Sublet Vacant SF	Sublet Vacancy Rate	Total Vacant SF	Total Vacancy Rate	2Q11 Net Absorption	YTD Net Absorption	Weighted Avg. Rental Rate NNN
Strip Centers	30,830,400	3,143,461	10.2%	17,169	0.1%	3,160,630	10.3%	(12,529)	94,601	\$15.60
Neighborhood Centers	71,198,389	7,577,551	10.6%	119,635	0.2%	7,697,186	10.8%	128,633	116,931	\$13.42
Community Centers	41,450,211	3,134,360	7.6%	113,180	0.3%	3,247,540	7.8%	(23,920)	74,520	\$14.09
Power Centers	17,847,464	1,043,008	5.8%	43,549	0.2%	1,086,557	6.1%	997	98,008	\$15.71
Lifestyle Centers	4,178,516	314,323	7.5%	-	0.0%	314,323	7.5%	(1,366)	24,565	\$24.55
Outlet Centers	1,056,235	44,892	4.3%	-	0.0%	44,892	4.3%	0	(100)	\$8.23
Theme/Entertainment	993,600	212,459	21.4%	-	0.0%	212,459	21.4%	1,600	0	\$40.97
Single-Tenant	50,926,419	1,531,518	3.0%	46,398	0.1%	1,577,916	3.1%	43,741	109,323	\$11.29
Malls	31,177,940	2,123,939	6.8%	67,061	0.2%	2,191,000	7.0%	22,645	(19,973)	\$18.69
Greater Houston Retail	249,659,174	19,125,511	7.7%	406,992	0.2%	19,532,503	7.8%	159,801	497,875	\$14.98

Retail Development Pipeline

HOUSTON RETAIL PROJECTS UNDER CONSTRUCTION

Map #	Submarket	Property Name	Address	RBA	% Leased	Developer	Estimated Delivery
1	Near NW Spring Valley	Wal-mart	1118 Silber Rd	79,895	100%	Fenway Development	Jan-12
2-4	Fairfield Ret	Fairway Point, Bldgs. A-E	15103 Mason Rd	80,000	0%	Fairfield Village Community	Apr-12
5	Fairfield Ret	14030 T elge Rd	14030 T elge Rd	28,302	0%	T elge Real Estate Ltd.	Sep-11
6	Fairfield Ret	23922 US-290 Hwy	23922 US-290 Hwy	10,138	100%	Canyonlands Corporation	Aug-11
7	Montgomery County	Life Check Pharmacy	1490 Researh Forest	10,028	100%	AMREIT	Aug-11
8	Montgomery County	14756 FM 1485	14756 FM 1485	12,000	28%	Splendora Investments	Dec-11
9	North Belt/Greenspoint	Townsen Crossing	9805 E FM 1960 Bypass	172,000	0%	Fidelis Realty Partners	Dec-11

Total retail under construction 392,363



HOUSTON 2Q 2011 RETAIL DELIVERIES

Submarket	Property Name	Address	RBA	% Leased	Developer
Near Northwest Ret	Walmart	1118 Silber Rd	79,895	100.0%	Fenway Development
Montgomery Co Ret	Spring Creek Barbeque	19099 I-45 N	27,592	100.0%	Hd Development Properties
Sugar Land Ret	Woodbridge Crossing	10581 Highway 6	17,700	43.5%	Woodbridge Ventures Llc
Sugar Land Ret	9710 Kirkwood SC	9710 Kirkwood Rd	17,000	0.0%	Remax Grand

480 Offices Worldwide



61 Countries on 6 Continents

Colliers International Statistics

Revenues:	\$1.5 Billion
Countries:	61
Offices:	512
Professionals & Staff:	12,509
Brokers:	4,387
Square Feet Managed:	979 Million*
Lease/Sale Transactions:	73,972
Total Transaction Value:	\$59.6 Billion

(Based on 2010 results.)

*The combination of Colliers International and FirstService results in 2.2 Billion under management (second largest in the world).

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