

December 7, 2011

**WILLIAMS-MERIDIAN**  
THE HIGHEST POINT OF DEVELOPMENT

**Millco Holdings Limited Co.**

Retail Market Study  
*Lake Palestine Development*  
*Flint, TX*

# REAL ESTATE MARKET STUDY

## OPENING LETTER

December 7, 2011

### TO OUR CLIENT,

Williams-Meridian is pleased to present **Mark Miller of Millco Holdings Limited Co.** with this [Retail Real Estate Market Study](#) applicable to the development project on an approximately 155 acre site near Lake Palestine, in Flint, Texas.

Our objectives within this Retail Market Study largely focused on performing market analysis, evaluating area characteristics, and determining key demographic variables and trends within the Retail Market Study Areas. As part of our Scope of Work, we evaluated population trends, income characteristics, consumer behavior and spending patterns, cross-sectional demographics, housing profiles, education and employment characteristics, and existing retail businesses. We placed a particular emphasis on determining retail demand and supply potential, and evaluated the resulting data from the Market Study Areas relative to Tyler, Texas, the State of Texas as a whole and the United States in general.

In the Executive Summary, we present major conclusions and findings from this Retail Market Study, which are generally very positive and favorable for retail site development in the specific categories relative to area consumer demand and supply potential. Our Firm is also providing certain supporting materials along with this document as an additional service, and we encourage you to review those materials as part of your individual assessment of the overall project.

We have prepared this Market Study based on our experience in the industry, relative to the nature of the Market Study in general, and according to your requested services. Although we have conscientiously prepared this document considering the subject property, current demographics and expected market conditions, it is based on estimates and assumptions that may fail to materialize, and which are necessarily subject to uncertainty and variation. As such, we do not represent that any results will actually be achieved. It is important to note, that this is a preliminary Retail Market Study to support conceptual development planning work and represents both a high level analysis and "snapshot in time" of market characteristics, so to speak. It will be necessary to perform a greater range of analysis prior to actually developing the site successfully, and this report is subject to our standard Statement of Assumptions and Limiting Conditions, which can be found in the Market Study Disclaimers section at the end of this document.

We would be pleased to hear from you if we may be of further assistance in the interpretation and application of our findings and conclusions. Our Firm offers a variety of planning, consulting, finance and development services and has a wide range of capabilities to do so. We remain available to assist you in the future should you need further support, and look forward to a lasting relationship.

Kind Regards,



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**Philip A. Williams, CCIM**

*President & Investment Manager*

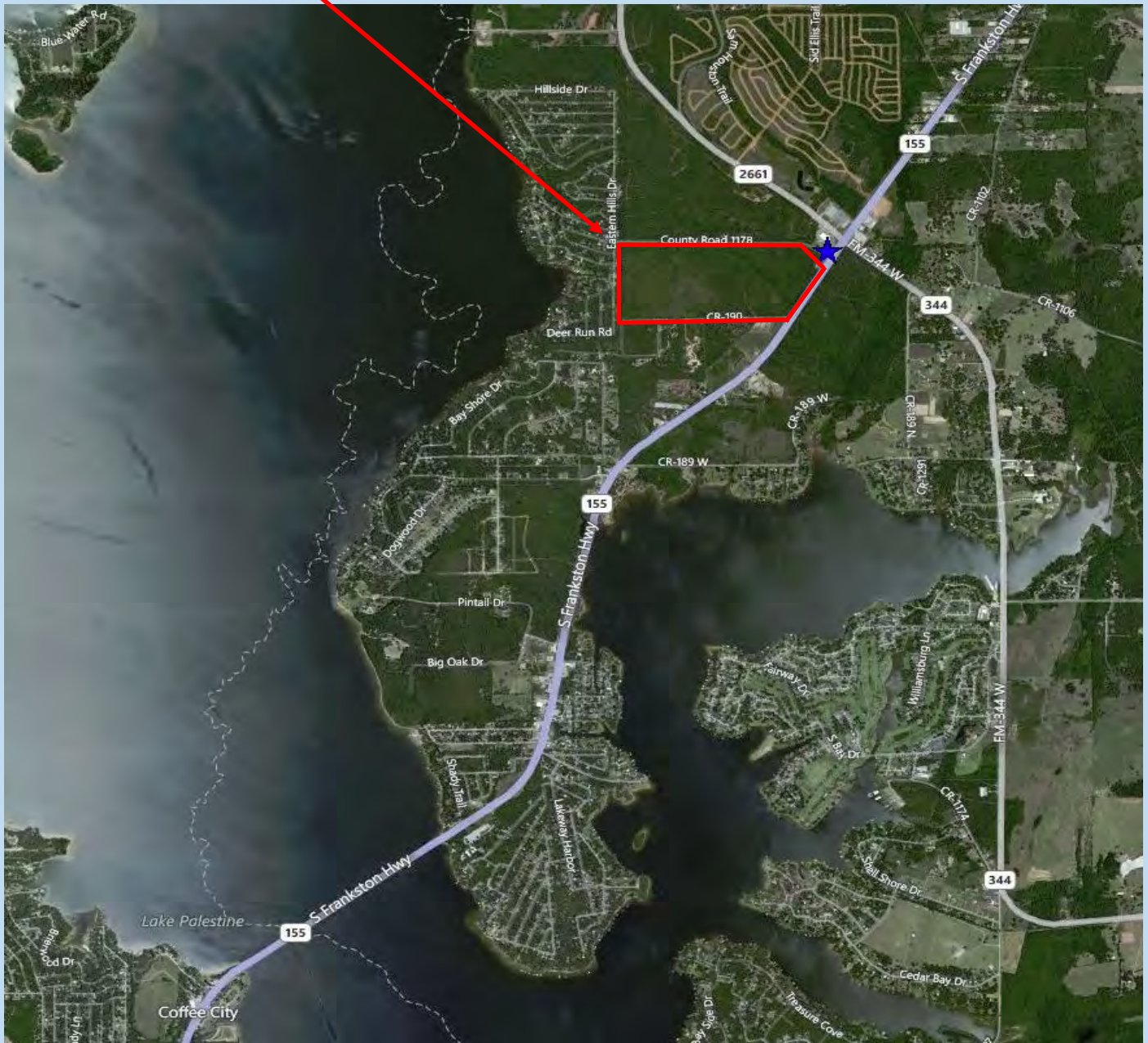
# PROJECT OVERVIEW

## OVERVIEW

The project development site consists of 154.6 acres near Lake Palestine, in the town of Flint, Texas approximately 15 miles from the city of Tyler, Texas (2010 population of 93,829). The site has highway frontage on S.H. 155 and is near the intersection of S.H. 155 and FM 344, which is being considered for a variety of retail uses.

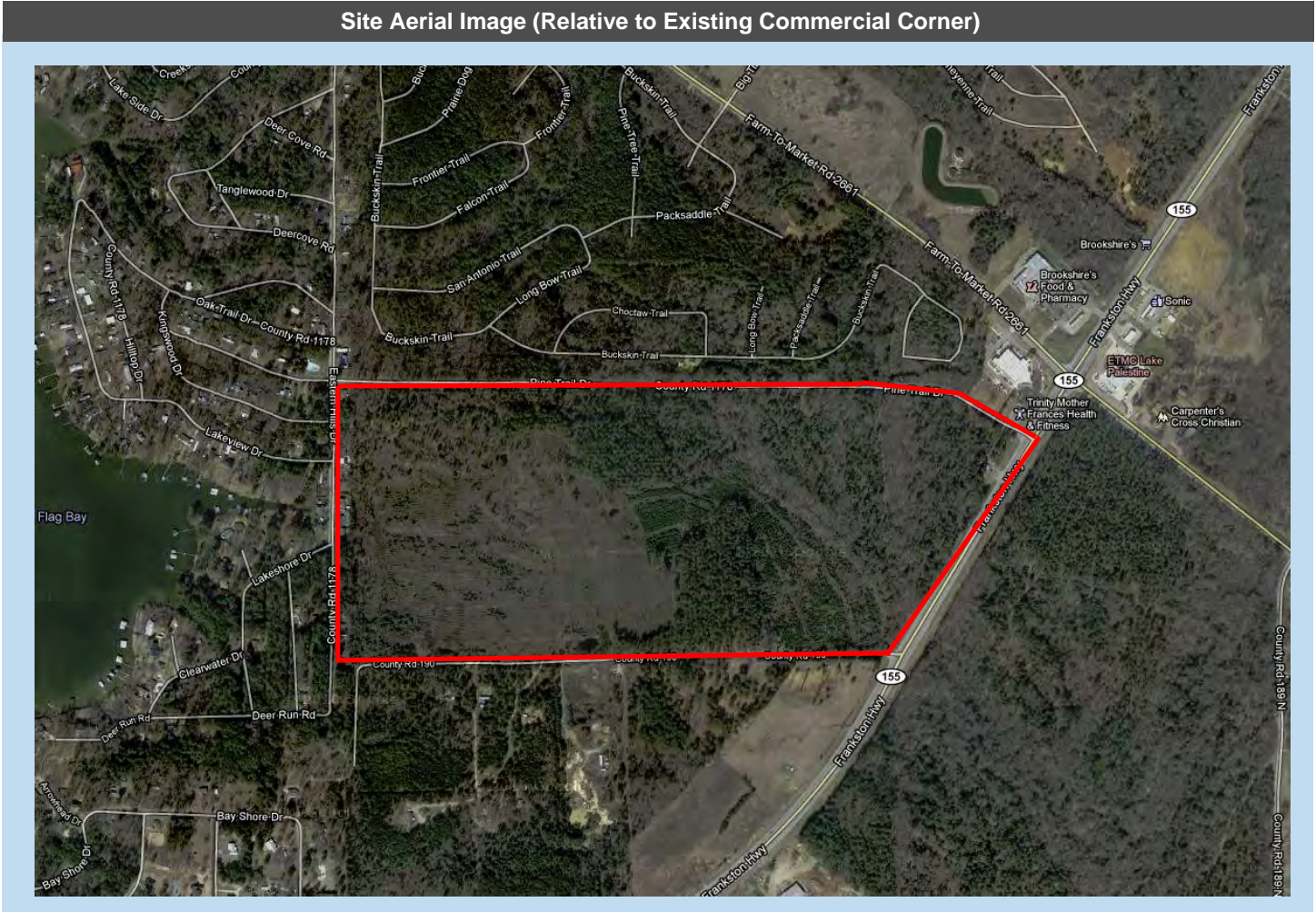
### Retail Development Site

Site Aerial Image (Relative to Lake Palestine)



# PROJECT LOCATION

## SITE BOUNDARIES



### Area Traffic Profile

The largest traffic count within a short distance from the site was 15,300 cars per day. In 2000 (the most recent data available), 82.9% of the PTA population drove alone to work, and 3.4% worked at home. The average travel time to work in 2000 was 30.7 minutes in the PTA, compared to the U.S. average of 25.5 minutes.

Miles from Site	Primary Street	Closest Cross Street	Year of Count	Cars per Day
0.11	Farm-to-Market Road 2661	Big Timber Dr (0.42 miles NW)	2002	2,500
0.12	Farm-to-Market Road 344 W	Frankston Hwy (0.11 miles NW)	2002	6,100
0.18	Frankston Hwy	FM 344 W (0.15 miles SW)	2002	15,300
2.74	Farm-to-Market Road 344 W	County Road 188 (1.13 miles N)	2002	4,400
2.86	Farm-to-Market Road 2868	County Road 197 (0.25 miles SE)	2002	2,900

# PROJECT LOCATION

Aerial Image of Adjacent Commercial Corner



Aerial Image of Neighboring Brookshire's



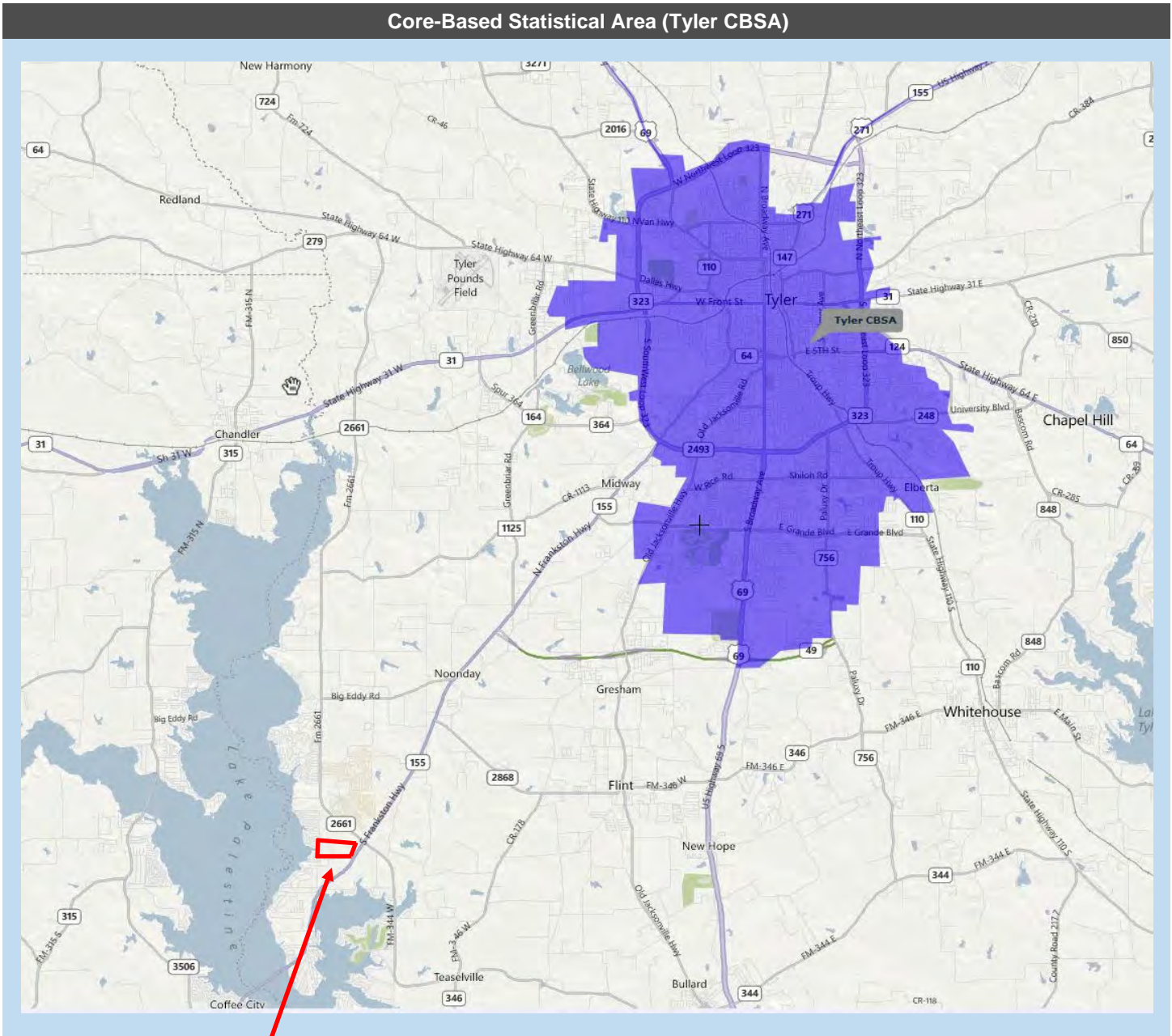
Aerial Image of Neighboring Sonic Drive-In



# TYLER CBSA

## TYLER CORE-BASED STATISTICAL AREA

In evaluating the retail development potential of the subject property, Williams-Meridian defined the retail market study areas to consist of a Primary Trade Area (PTA) and Secondary Trade Area (STA). The Tyler Core-Based Statistical Area (CBSA) is a tertiary trade area to the subject property and was analyzed for comparison purposes with the PTA and STA.



Retail Development Site

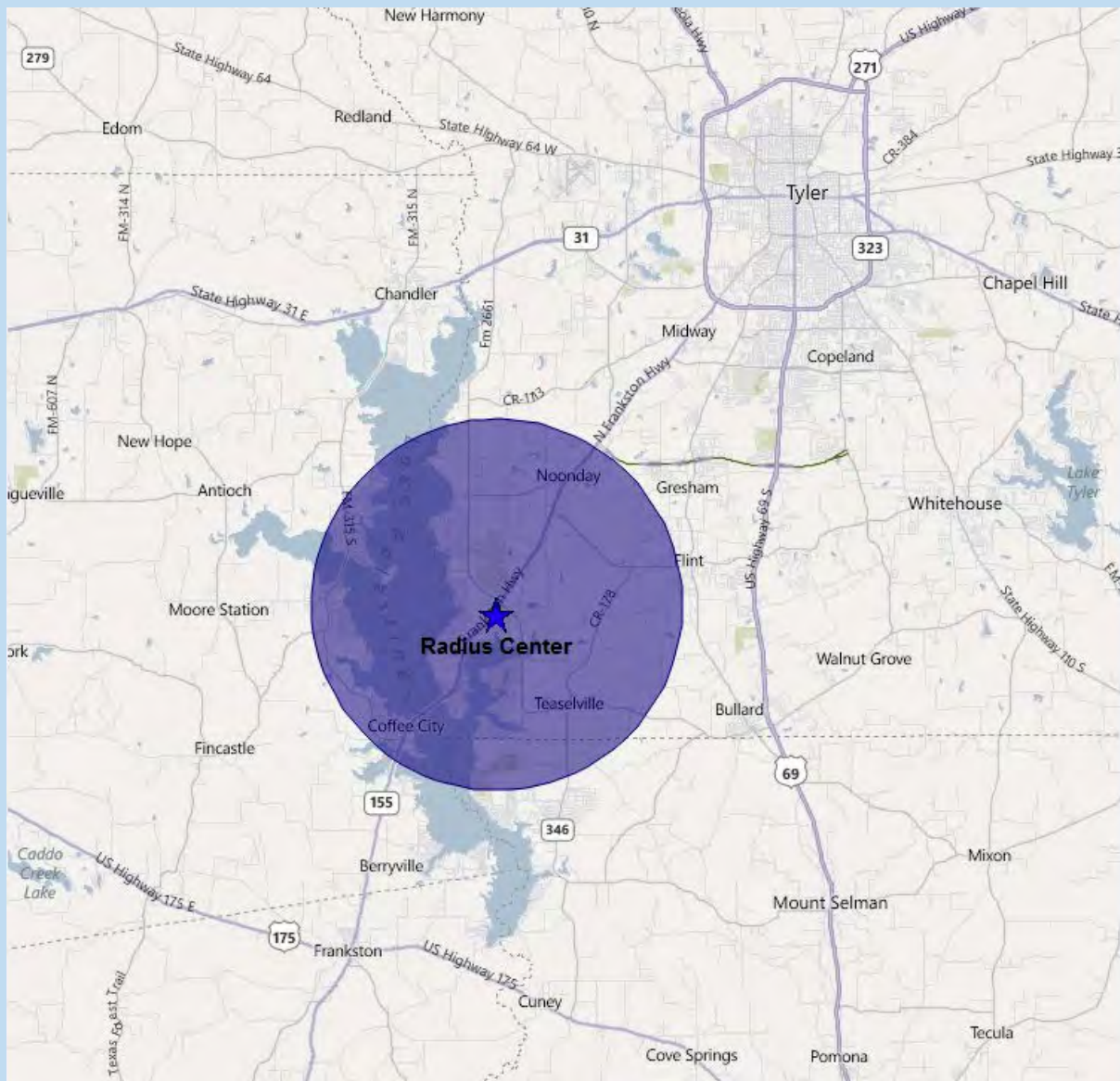
# PRIMARY TRADE AREA

## 5-MILE RADIUS FROM SITE

The main retail development zone is the area surrounding the subject property that contains competing retailers, existing commercial development, and supporting households and consumers. In defining the retail market study area, we delineated the **Primary Trade Area (PTA)** as an area within a 5-mile radius of the project site based on the types of existing commercial development in that area and potential purchasing power of area consumers.

The PTA generally corresponds with the area where approximately 60% to 80% of the retail customers or sales are drawn. Given the subject property's location in a rural area surrounded by a large body of water (Lake Palestine), it is also important to focus on a broader market area and assess the potential retail demand drawn from that area as well.

Primary Trade Area ( 5-Mile Radius from Site)



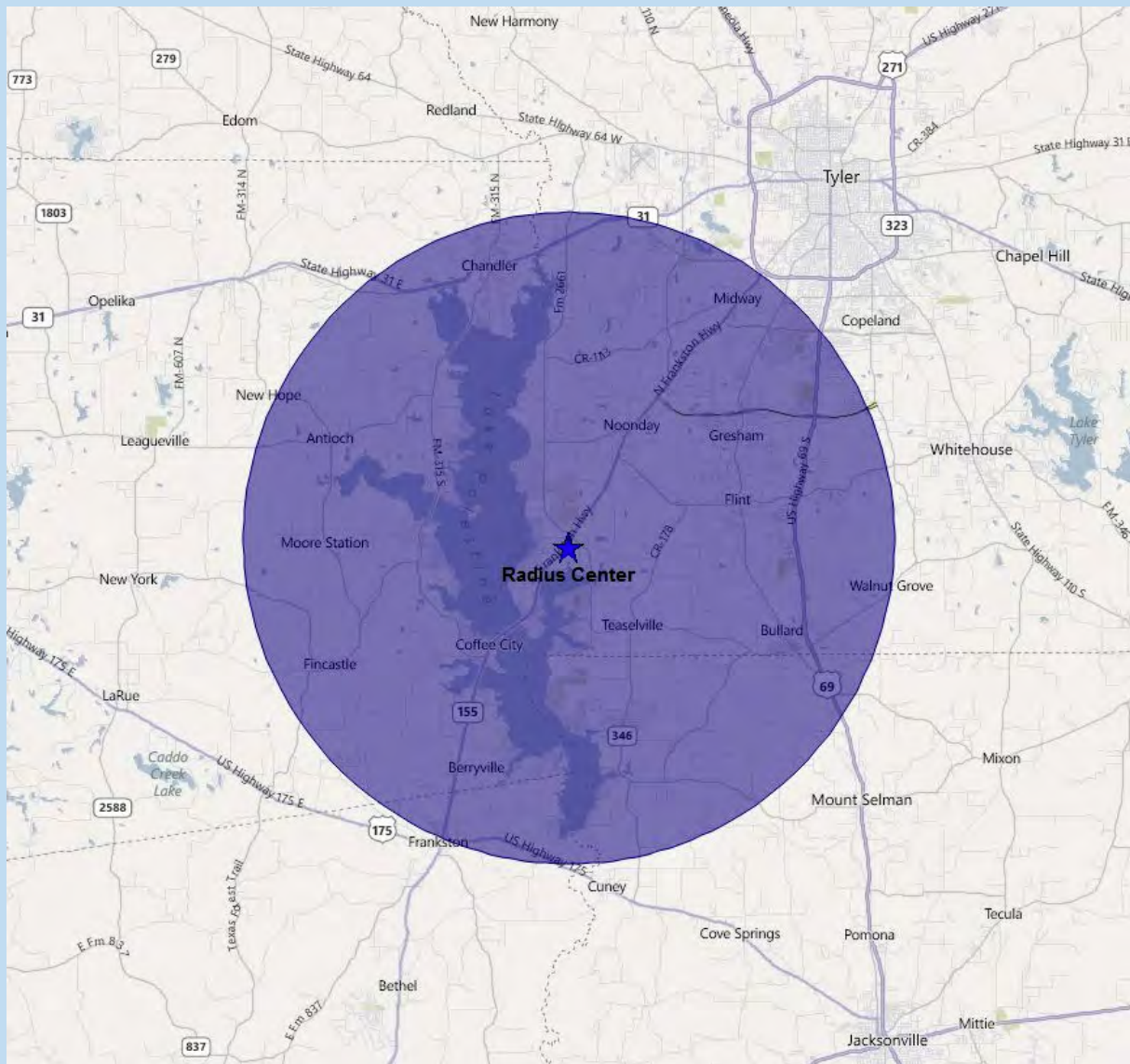
# SECONDARY TRADE AREA

## 10-MILE RADIUS FROM SITE

A larger, more broadly defined retail trade area is the **Secondary Trade Area (STA)**. The area surrounding (outside) the PTA but within the broader STA generally consists of an area where approximately 20% to 30% of the retail purchasing is derived. Given the subject property's location near major highways, traffic arterials and Lake Palestine, the likelihood of visitor traffic and retail sales drawn into the PTA from the broader trade area is greater. *These aspects correspondingly may increase the retail sales potential and support additional retail development on the site.*

For the purposes of the Retail Market Study, our Firm designated the STA as an area within a 10-mile radius from the project site. This STA extends to the outer limits of the Tyler CBSA as shown in the map below.

Secondary Trade Area (10-Mile Radius from Site)

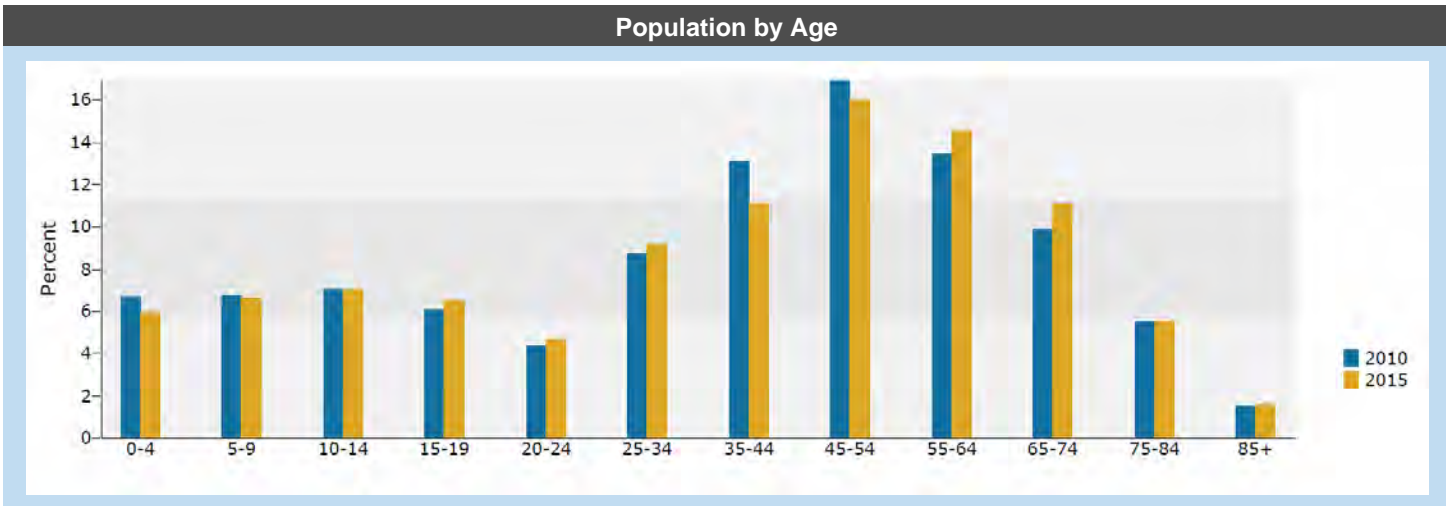




# TRADE AREA DEMOGRAPHICS

## POPULATION CHARACTERISTICS

The annual population growth in the PTA from 2010 to 2015 is projected to be 1.69%, compared with 0.91% for the U.S. In 2010, the total population in the PTA was 13,777. By 2015, population is expected to increase to 14,981. The median population by age for the United States is currently 36.7, while the median age in the PTA is currently 47.3, indicating an older population relative to the U.S. as a whole. The population in the PTA is distributed towards an older age cohort (illustrated in the graph below).



The dominant population category by race/ethnicity in 2010 was persons identifying themselves as White Alone, at 91.2%, followed by Black Alone at 4.1%. Persons of Hispanic Origin (may be of any race) represent 5.3% of the population in the PTA compared to 15.0% of the U.S. population. The PTA's Diversity Index, which measures the probability that two people from the same area will be from different race/ethnic groups, was 25.0% compared with 59.3% of the U.S. population.

## EDUCATION CHARACTERISTICS

In 2010, the educational attainment of the population in the PTA aged 25 years or older can be summarized as approximately having the same education as the U.S. as a whole. The educational attainment in the PTA is distributed as follows:

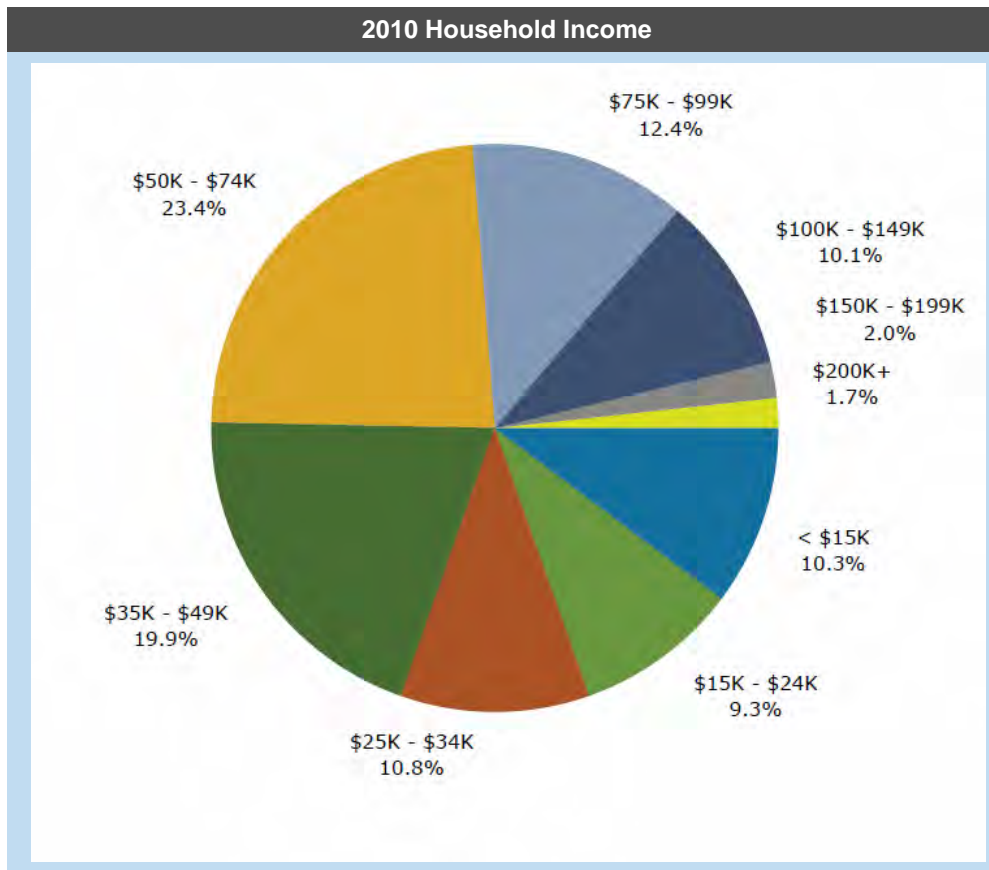
- ◆ 12.7% had not earned a high school diploma (14.8% in the U.S.)
- ◆ 31.4% were high school graduates only (29.6% in the U.S.)
- ◆ 8.8% had completed an Associate degree (7.7% in the U.S.)
- ◆ 16.3% had a Bachelor's degree (17.7% in the U.S.)
- ◆ 6.0% had earned a Master's / Professional / Doctorate Degree (10.4% of the U.S.)

# TRADE AREA DEMOGRAPHICS

## EMPLOYMENT & INCOME CHARACTERISTICS

Within the PTA, 92.2% of the civilian population ages 16 years and older that is in the labor force is employed, while 7.8% are unemployed as of 2010. Unemployment in the PTA is forecasted to drop to 6.3% by 2015. 55.7% of the population aged 16 years or older in the PTA participate in the labor force.

In 2010, the median household income within the PTA is \$49,734 and per capita income is \$24,607. By comparison, average household income in the PTA was \$60,846, median disposable income was \$40,603, and average disposable income was \$51,902. 40.2% of the households in the PTA have disposable incomes less than \$34,999, while 42.6% of the households have disposable income ranging from \$35,000 to \$74,999. Median net worth is \$156,914 and average net worth is \$466,205, indicating higher net incomes and net worth are dispersed towards the top of the demographic category.



## HOUSEHOLD CHARACTERISTICS

In 2010 the number of households within the PTA was 5,625, compared with 4,637 in 2000, representing a 1.9% annual growth rate. By 2015, the household count is projected to be 6,089, a change of 1.6% annually from 2010. Average household size in the PTA is 2.45 individuals, compared with 2.38 in 2000 representing a growing household size. The number of families in 2010 is 4,261 in the PTA.

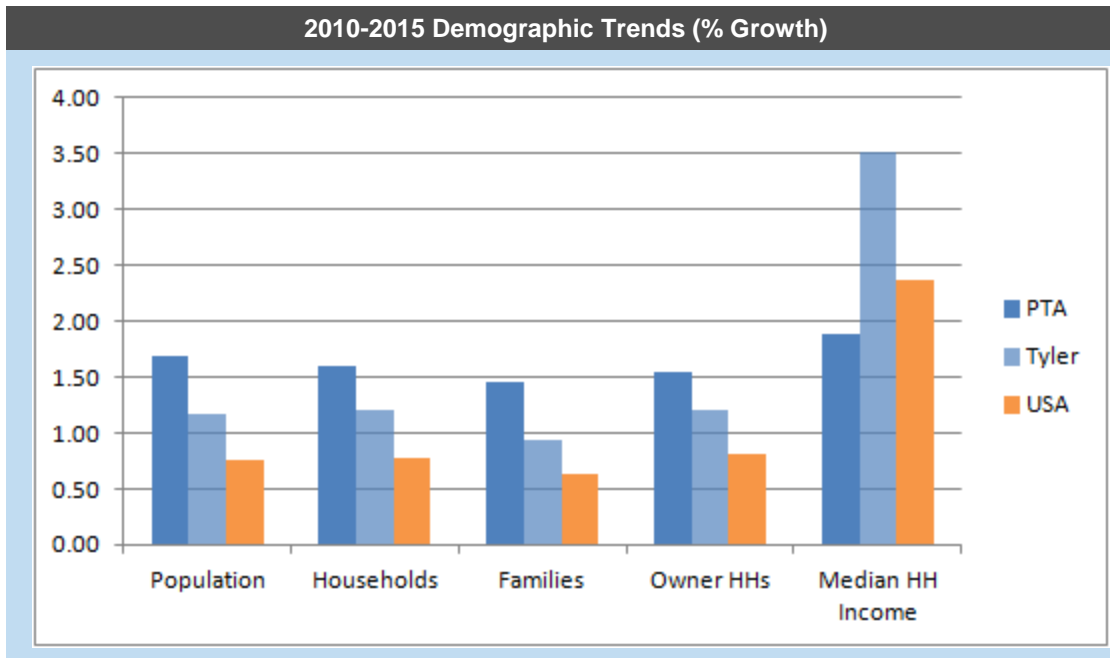
# TRADE AREA DEMOGRAPHICS

## HOUSING CHARACTERISTICS

Currently, 70.6% of the 6,787 housing units in the market area are owner occupied; 12.3% renter occupied; and 17.1% are vacant. In 2000, there were 5,595 housing units - 73.4% owner occupied, 10.1% renter occupied and 16.5% vacant. The rate of change in housing units since 2000 is 1.9%. Median home value in the market area is \$115,843, compared to a median home value of \$157,913 for the U.S. In five years, median home value is projected to change by 3.41% annually to \$136,964. From 2000 to the current year, median home value changed by 2.93% annually.

## DEMOGRAPHIC TRENDS

The following chart compares the annual percentage growth among key demographic variables between the PTA, Tyler, Texas and the U.S. as a whole. The project site is located in an immediate trade area that is growing faster in many aspects relative to the closest CBSA and the U.S. as a whole.



## OTHER SITE/MARKET FACTORS

“Walkability” measures how conducive a project site area is towards promoting a pedestrian-friendly environment. This concept has important implications for healthy and sustainable urban design. It is based on pedestrian right-of-ways, traffic and road conditions, land use patterns, safety and convenience, and access to local area retailers, among many other aspects. Based on our analysis of the subject property, ***we have concluded the site is and will continue to be almost entirely car-dependent in the near future. Existing and future area retail establishments are likely to be accessed only from a driving standpoint given the subject property's close proximity to State Highway 155 and FM 344.***

Our Firm’s assessment is supported by a **Site Walk Score® of 26**, representing few existing or available amenities within a normal walking distance at present

# RETAIL MARKET ANALYSIS

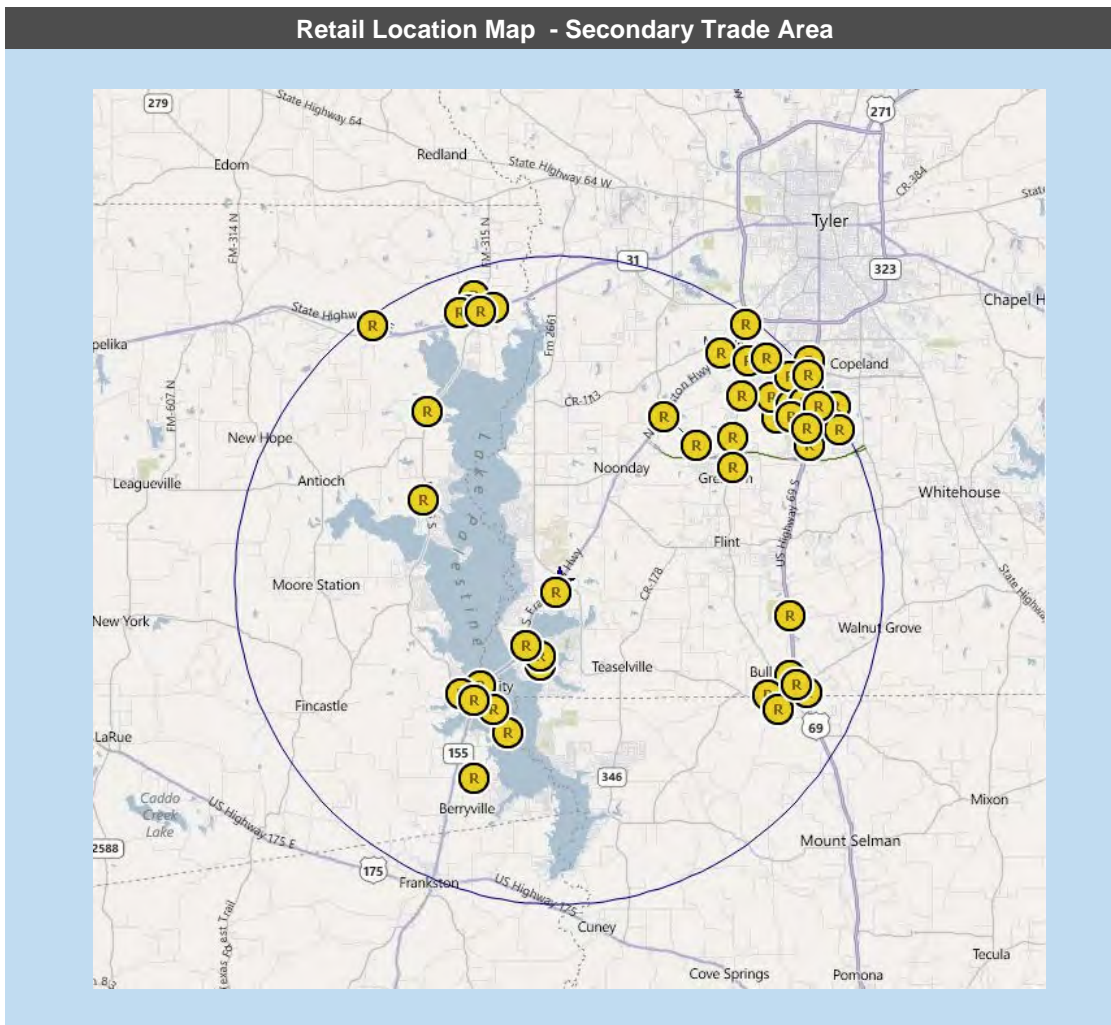
## EXISTING SUPPLY CONDITIONS

Within the PTA, there are only a limited number of retail stores (9 retail buildings in all categories totaling 56,847 square feet), some of which are concentrated near the project site at the adjacent commercial corner. Given the small number of retail properties in the PTA, we based our retail demand and supply analysis on the larger set of properties found in the STA.

Currently, there are 44 total retail properties within the STA totaling 788,382 SF of existing inventory (GLA) at an average size of 17,918 SF per building. Also, within this broader 10-mile radius from the project site, 3 additional retail projects are currently under construction or proposed, totaling 97,600 SF of new space.

Our supply-side property survey determined the following rent and vacancy information for the overall STA:

- ◆ Current average retail vacancy rate: 3.0%
- ◆ Estimated natural or long-term frictional vacancy rate: 4.0%
- ◆ Reported rent range: \$16.25 to \$19.00/SF
- ◆ Average reported rent: \$17.46/SF



# RETAIL COMPONENT SURVEYS

## EXISTING RETAIL BUSINESSES BY CATEGORY

As an additional task within our primary retail evaluation, our Firm analyzed specific subcategories or components of retailing to better determine the local area business mix within the market study areas. We evaluated businesses by location and sales both within the PTA and also the STA for the following categories: (1) apparel stores, (2) commercial and retail banking centers, (3) drug stores and pharmacies, (4) gas stations and convenience stores, (5) grocery stores, and (6) fast food and casual dining restaurants.

*Note: A detailed list of all businesses identified in our survey will be provided as part of the supporting materials in the Client Data File.*

### Apparel Stores

Within the PTA, there is only 1 apparel retailer which is Crimson Door Boutique. By comparison, within the broader STA there are 14 unique apparel stores. Most of these apparel stores consist of boutique retailers, alterations and consignment shops. However, Kohl's Department Store and Cavender's Boot City represent the larger chain retailers in the STA.

### Commercial / Retail Banking Centers

There are 4 commercial/retail banking centers and ATM's located within the PTA, with all of them being unique businesses (no overlapping locations). These banking centers include Austin Bank and 3 ATM's located in convenience stores. Through our survey of banks in the STA, we specifically identified 36 additional retail banking centers by location, 25 of which are unique locations. Given the lack of banks in the PTA and the market potential spending index of local residents, ***a pad site for a bank or credit union could be a possible site consideration. Currently, there are no credit unions immediately in the PTA and none that we could identify in the STA.***

### Drug Stores & Pharmacies

1 drug store/pharmacy exists in the PTA, which is Brookshire's Pharmacy located at the adjacent commercial corner to the subject property. We performed a specific analysis of Brookshire's Pharmacies and found this location in the PTA was established around 1997 and has an approximate annual sales range of \$1.0 to \$2.5 million. Additionally, there are 13 other retailers (12 unique businesses) within the broader STA including 2 additional Brookshire's and a Walmart Supercenter Pharmacy.

### Gas Stations & Convenience Stores

Our study revealed 5 unique gas stations (including convenience stores) within a 5-mile radius from the project site, and 20 additional gas stations (4 have more than 1 location in the PTA) outside the PTA, but within a 10-mile radius from the site.

### Grocery Stores

Of the grocery stores identified in our survey, we determined 2 unique grocery businesses are located in the PTA, including Brookshire's and Nakash Food Store. There are 12 additional grocery stores outside the PTA, but within the broader STA, including grocery retailers such as Walmart Supercenter, Super Food Mart, Sav-Mor Foods, Bimbo Bakeries and Kwik Stop & Go.

# RESTAURANT MARKET POTENTIAL

## EXISTING RESTAURANTS

As part of the Retail Component Surveys, Williams-Meridian performed a more detailed and complete evaluation of existing local fast food and casual/family dining restaurants. In addition to discovering restaurants in the PTA and STA by specific location, our Firm also analyzed consumer preferences and purchasing patterns to better assess restaurant market potential in the PTA.

The following existing restaurants are located in the PTA.

- ◆ Cajun Bayou Seafood Market
- ◆ Deep South Coffee House
- ◆ Pops
- ◆ Purple Pig Café
- ◆ Sonic Drive-In
- ◆ Super Food Mart Deli
- ◆ Unk’s Shrimp Shack

## RESTAURANT CONSUMER BEHAVIOR PATTERNS

We performed a custom evaluation of the restaurant market potential within a 5-mile radius from the project site to determine certain consumer behavior and purchasing patterns of the area residents compared to the U.S. as a whole. These types of surveys are beneficial to measure an area’s Market Potential Index (MPI). An MPI measures the relative likelihood of the adults in the specified trade area to exhibit certain consumer behavior and purchasing patterns compared to a U.S. average MPI of 100 (index average). MPI scores greater than 100 represent greater restaurant market potential compared to the U.S. Correspondingly, MPI scores less than 100 represented relatively less restaurant market potential than the U.S. average.

***Our study found several noticeable conclusions, including the following:***

<b>Top 5 Consumer Behavior Characteristics</b>	<b>Expected No. of Adults</b>	<b>Percent</b>	<b>MPI</b>
Family restaurant/steak house last 6 months: weekday	4,775	43.7%	113
Family restaurant/steak house last 6 months: lunch	3,094	28.3%	112
Went to fast food/drive-in restaurant <5 times/mo	3,688	33.7%	110
Fast food/drive-in last 6 months: eat in	4,613	42.2%	110
Family restaurant/steak house last mo: 2-4 times	3,256	29.8%	108

<b>Bottom 5 Consumer Behavior Characteristics</b>	<b>Expected No. of Adults</b>	<b>Percent</b>	<b>MPI</b>
Fast food/drive-in last 6 months: take-out/walk-in	2,300	21.0%	86
Went to fast food/drive-in restaurant 13+ times/mo	2,566	23.5%	85
Fast food/drive-in last 6 months: snack	1,544	14.1%	79
Family restaurant/steak house last 6 months: snack	216	2.0%	71
Fast food/drive-in last 6 months: home delivery	820	7.5%	67

***Based on the Market Potential Index (MPI), the top product/consumer behavior patterns ranked by restaurant market potential generally include (1) going to a family restaurant/steak house 2-4 times a month both during the week and at lunch hours, and (2) both dining in and going through a fast food drive-through restaurant several times per month.***

# RESTAURANT MARKET POTENTIAL

## RESTAURANT CONSUMER BEHAVIOR PATTERNS (CONT.)

We further analyzed restaurant market potential both by casual dining and fast food categories within the PTA. The following general types of restaurants are likely preferred by area residents based on their consumer behavior patterns.

### Casual Dining Category

The Top 5 **general types** of casual dining restaurants (ranked by MPI) preferred by area residents:

- ◆ Cracker Barrel
- ◆ Bob Evans Farms
- ◆ Ryan's
- ◆ Outback Steakhouse
- ◆ Golden Corral

### Fast Food Category

The Top 5 **general types** of fast food restaurants (ranked by MPI) preferred by area residents:

- ◆ Hardee's
- ◆ Checker's
- ◆ Sonic Drive-In
- ◆ Long-John Silver's
- ◆ Chick-fil-A

*A conceptual building program could take into account these and other types of consumer behaviors and preferences in designing the overall Site Master Plan. These and similar types of restaurants may have a relatively greater likelihood of success in the trade area and around the project site.*

# RETAIL MARKET PLACE PROFILE

## RETAIL GOODS & SERVICES EXPENDITURES BY CATEGORY

We performed a **Retail Demand & Supply Gap Analysis** by major consumer spending categories to determine which retail categories have the highest current retail potential (demand greater than existing supply). The Leakage/Surplus Factor represents a snapshot of retail opportunity. A positive value (green) represents “leakage” of retail sales outside the PTA and an opportunity for more retailing in the PTA. A negative value (red) represents a surplus of retail sales in the PTA, a market where more supply of goods and services are available than are needed in the PTA.

The following charts illustrates the Top and Bottom 10 retail categories by potential retail demand within the PTA.

### Top 10 Retail Categories by Potential Demand (Green Represents Possible Retail Opportunities)

Industry Group	Retail Gap	Leakage / Surplus Factor	# of Businesses
Clothing and Clothing Accessories Stores	\$4,240,745	100.0	0
Clothing Stores	\$3,280,983	100.0	0
Shoe Stores	\$376,974	100.0	0
Jewelry, Luggage, and Leather Goods Stores	\$582,788	100.0	0
Department Stores Excluding Leased Depts.	\$9,845,032	100.0	0
Special Food Services	\$1,393,360	100.0	0
Drinking Places - Alcoholic Beverages	\$833,768	100.0	0
Furniture Stores	\$2,814,759	95.9	1
Auto Parts, Accessories, and Tire Stores	\$2,627,774	94.6	1
Used Merchandise Stores	\$248,792	90.1	1

### Bottom 10 Retail Categories by Potential Demand (Red Represents Possible Oversupply Conditions as of 2010)

Industry Group	Retail Gap	Leakage / Surplus Factor	# of Businesses
Florists	\$57,901	19.1	1
Full-Service Restaurants	\$1,278,995	16.6	9
Food & Beverage Stores	\$5,577,104	15.1	7
Nonstore Retailers	\$623,340	12.9	4
Other General Merchandise Stores	\$1,394,880	11.6	3
Book, Periodical, and Music Stores	\$78,892	5.1	2
Gasoline Stations	\$1,840,340	4.5	7
Other Motor Vehicle Dealers	-\$68,485	-2.5	5
Direct Selling Establishments	-\$82,275	-3.4	2
Beer, Wine, and Liquor Stores	-\$1,826,031	-67.7	3

When analyzing the projected 5-year market conditions for all of these major consumer spending categories, our results indicate the supply/demand imbalance (“retail gap”) continues to exist for all but 3 categories by 2015. Additionally, 4 retail categories are projected to decrease gaps (demand > supply) over this period. However, our analysis still indicates a substantial Total Retail Trade and Food & Drink gap will remain by 2015 (approximately \$78.6 million in sales annually), which possibly represents a broad range of retail selling opportunities going forward.

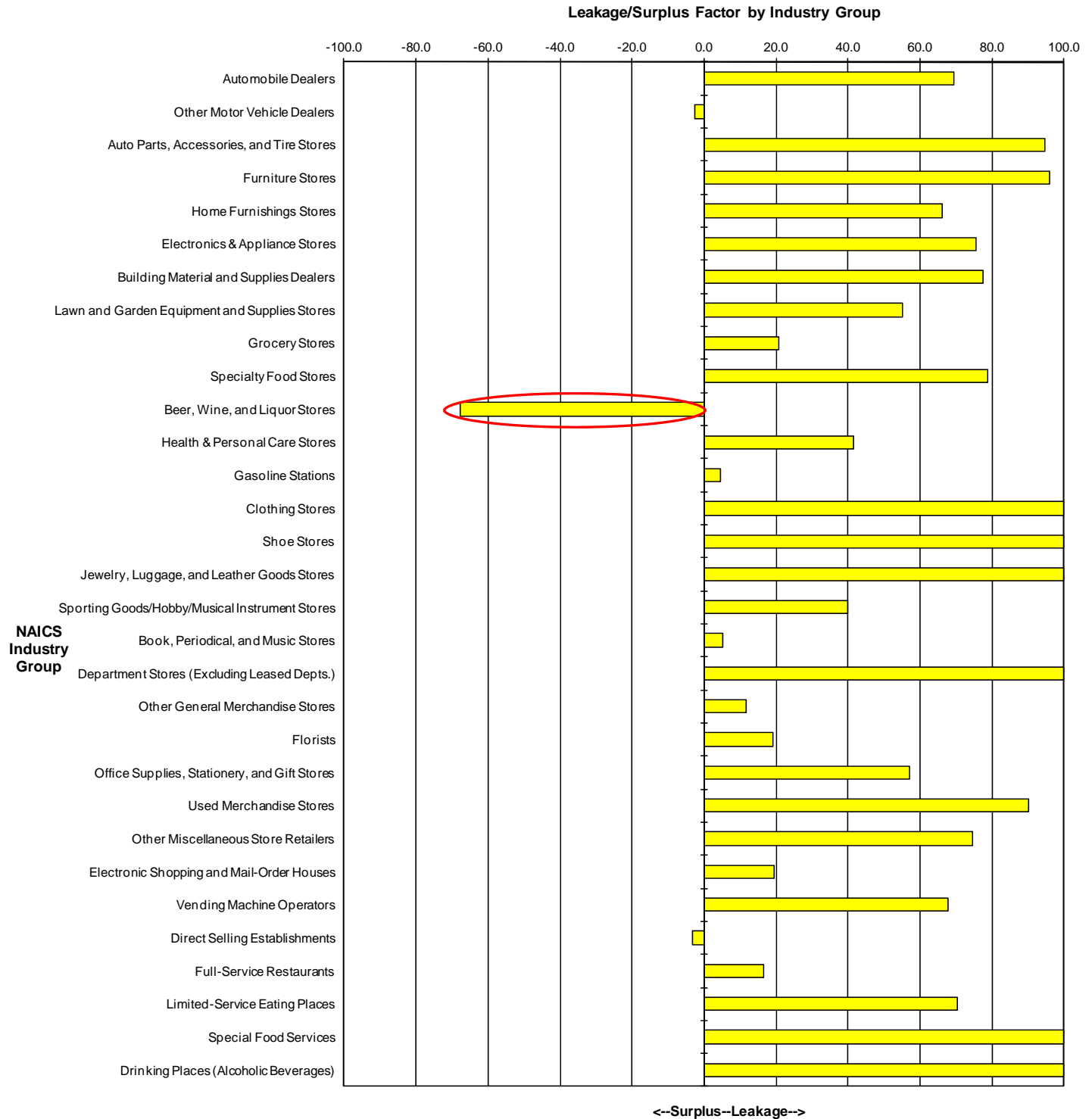
**Note:** Represents retail consumer demand potential only. Business-to-business, corporate and industrial sales are excluded.



# RETAIL MARKET PLACE PROFILE

## Leakage/Surplus Factor by Industry Group

The following graph visually illustrates the demand and supply imbalance (retail gap) for all consumer spending categories in our analysis. **Only 3 major retail categories are currently in a condition of oversupply based on this analysis.**



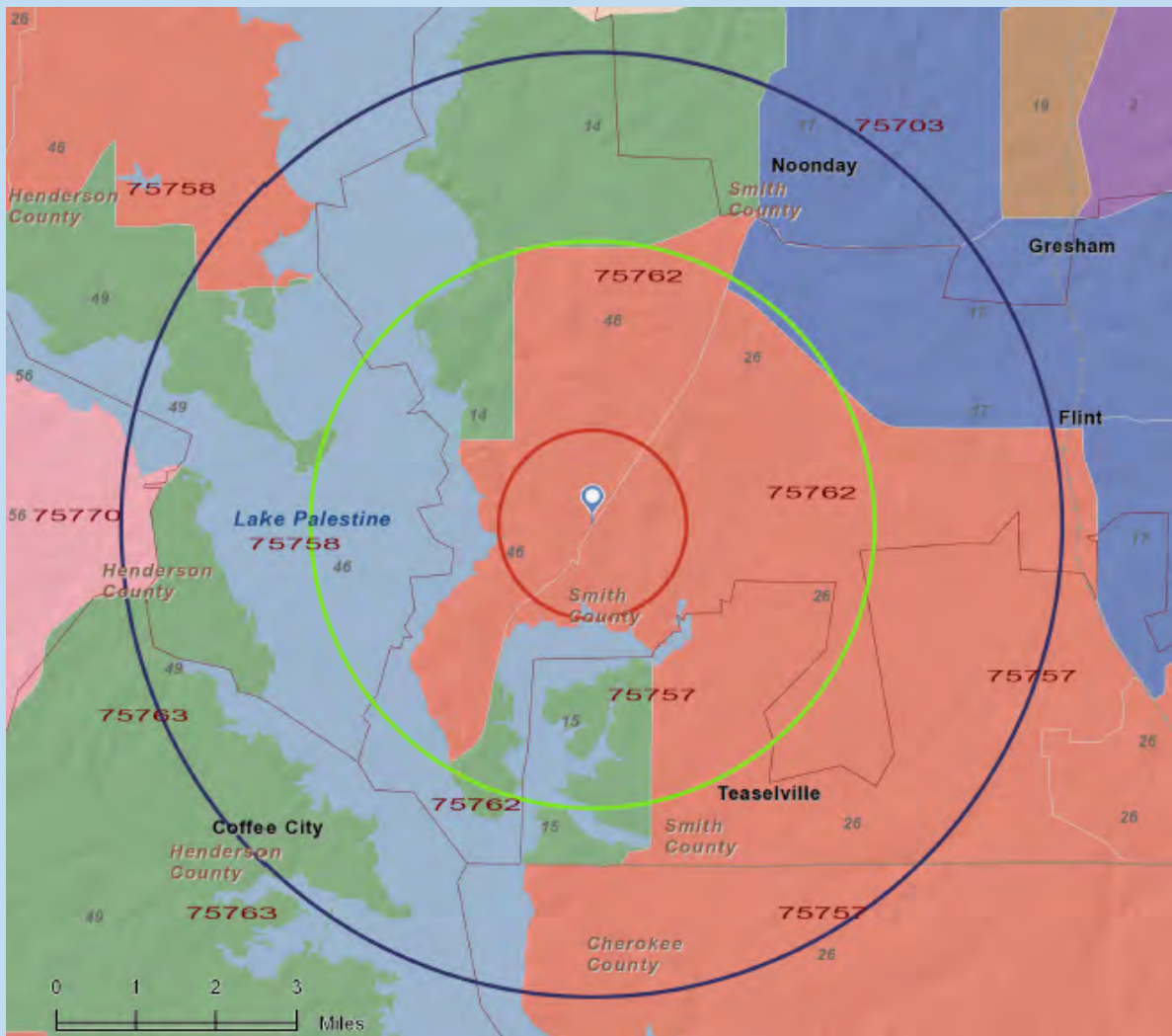
# CONSUMER CHARACTERISTICS

## DOMINANT DEMOGRAPHIC & CONSUMER PROFILES

Tapestry Segmentation classifies U.S. neighborhoods into 65 consumer markets based on their socioeconomic and demographic composition and has a strong ability to predict consumer behavior based on these classifications. These 65 consumer market segments are grouped into 12 LifeMode summary groups that profile the diversity of the U.S. population. Segments within a LifeMode summary group share an experience such as being born in the same time period or traits such as affluence.

Some of the dominant Tapestry LifeMode Groups in the PTA include LifeMode Group 12: American Quilt and LifeMode Group 5: Senior Styles. *Characteristics of these two groups include older populations retiring to seasonal vacation spots, young families who live in mobile homes and a diverse group of seniors. These populations have a strong preference for homeownership and rural lifestyles such as fishing, hunting, powerboats, pickup trucks and country music.*

Dominant Tapestry LifeMode Groups in PTA

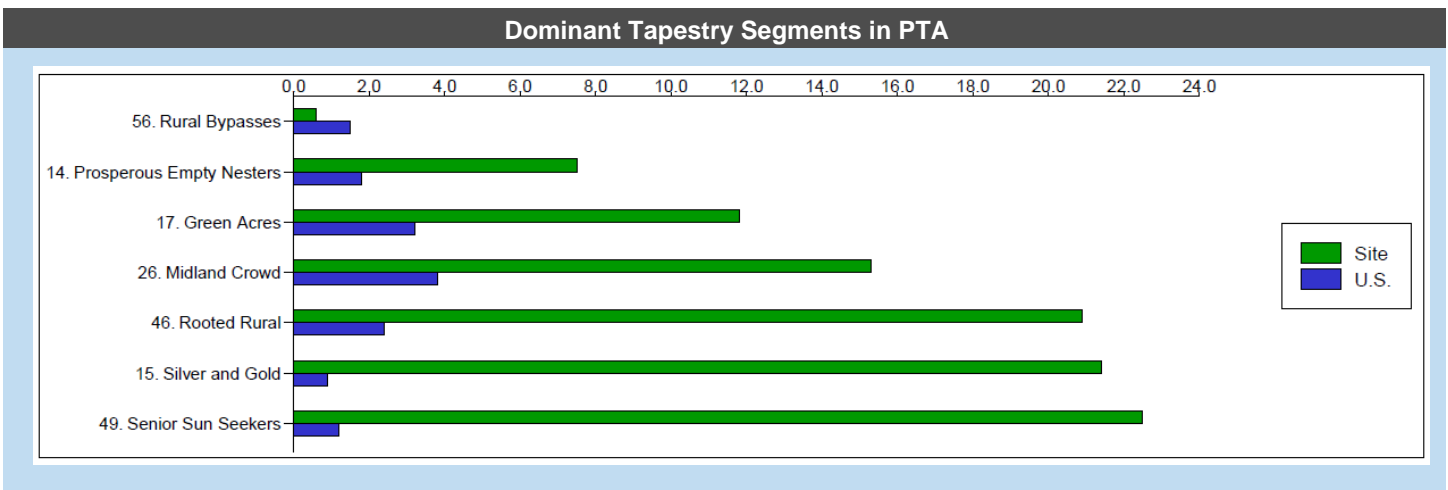


# CONSUMER CHARACTERISTICS

## DOMINANT DEMOGRAPHIC & CONSUMER PROFILES

Our Firm performed a detailed analysis of all Tapestry Segments within the PTA, including a specific segmentation of consumer profiles within a 1, 3 and 5 mile radius. The analysis is important in order to gain a better understanding of the types of retail consumers in the trade area

Within the overall PTA, the top two Tapestry Segments are Senior Sun Seekers (22.5%) and Silver and Gold (21.4%). However, within a smaller segmentation (1-mile radius from the subject property) the top two Tapestry Segments are Rooted Rural (76.9%) and Midland Crowd (23.1%), *representing a very cohesive and dominant set of demographic characteristics that may have a big impact on immediate area retail demand.*



## TOP 5 TAPESTRY SEGMENTS

### Senior Sun Seekers

The Senior Sun Seekers market is one of the faster growing markets, located mainly in the South and West, especially in Florida. Escaping from cold winter climates, many residents have permanently relocated to warmer areas; others are 'snowbirds' who move south for the winter. Most residents are retired or are anticipating retirement. The median age is 52.5 years; 63 percent of the householders are aged 55 years or older. Most households are single-family dwellings or mobile homes with a median value of \$129,580. There is a high proportion of seasonal housing. Many residents are members of veterans' clubs or fraternal orders. They own high-paying insurance policies and consult with financial advisors. Leisure activities include dining out, reading (especially boating magazines), watching TV, fishing, playing backgammon and bingo, working crossword puzzles, and gambling at casinos.

### Silver and Gold

Silver and Gold residents are the second oldest of the Community Tapestry segments and the wealthiest seniors, with a median age of 59.7 years; most are retired from professional occupations. Their affluence has allowed them to move to sunnier climates. More than 60 percent of the households are in the South (mainly in Florida); 25 percent reside in the West, primarily in California and Arizona. Neighborhoods are exclusive, with a median home value of \$369,808 and a high proportion of seasonal housing. Residents enjoy traveling, woodworking, playing cards, bird-watching, target shooting, saltwater fishing, and power boating. Golf is more a way of life than a mere leisure pursuit; they play golf, attend tournaments, watch golf on TV, and listen to golf programs on the radio. They are avid readers but also find the time to watch their favorite TV shows and a multitude of news programs.

# CONSUMER CHARACTERISTICS

## TOP 5 TAPESTRY SEGMENTS (CONT.)

### **Rooted Rural**

Rooted Rural neighborhoods are located in rural areas throughout the country; however, more than three-fifths of the households are located in the South. Households are dominated by married-couple families. One-third of the households receive Social Security benefits. The median age is 42.2 years. Housing is predominantly single-family dwellings, with a strong presence of mobile homes and some seasonal housing. The median home value is \$101,198. Stable and settled, residents tend to move infrequently. They are do-it-yourselfers, constantly working on their homes, gardens, and vehicles. Many families have pets. Residents enjoy hunting, fishing, target shooting, boating, attending country music concerts, and listening to country music on the radio. Many households have a satellite dish; favorite stations include Outdoor Life Network and CMT.

### **Midland Crowd**

Approximately 11.9 million people represent Midland Crowd, Community Tapestry's largest market. The median age of 37 is similar to the US Median. Most households are composed of married-couple families, half with children and half without. The median household income is \$50,462. Housing developments are generally in rural areas throughout the United States (more village or town than farm), mainly in the South. Home ownership is at 83 percent. Two-thirds of households are single-family structures; 28 percent are mobile homes. This is a somewhat conservative market politically. These do-it-yourselfers take pride in their homes, lawns, and vehicles. Hunting, fishing, and woodworking are favorite pursuits. Pet ownership, especially birds or dogs, is common. Many households have a satellite dish, and TV viewing includes various news programs as well as shows on CMT and Outdoor Life Network.

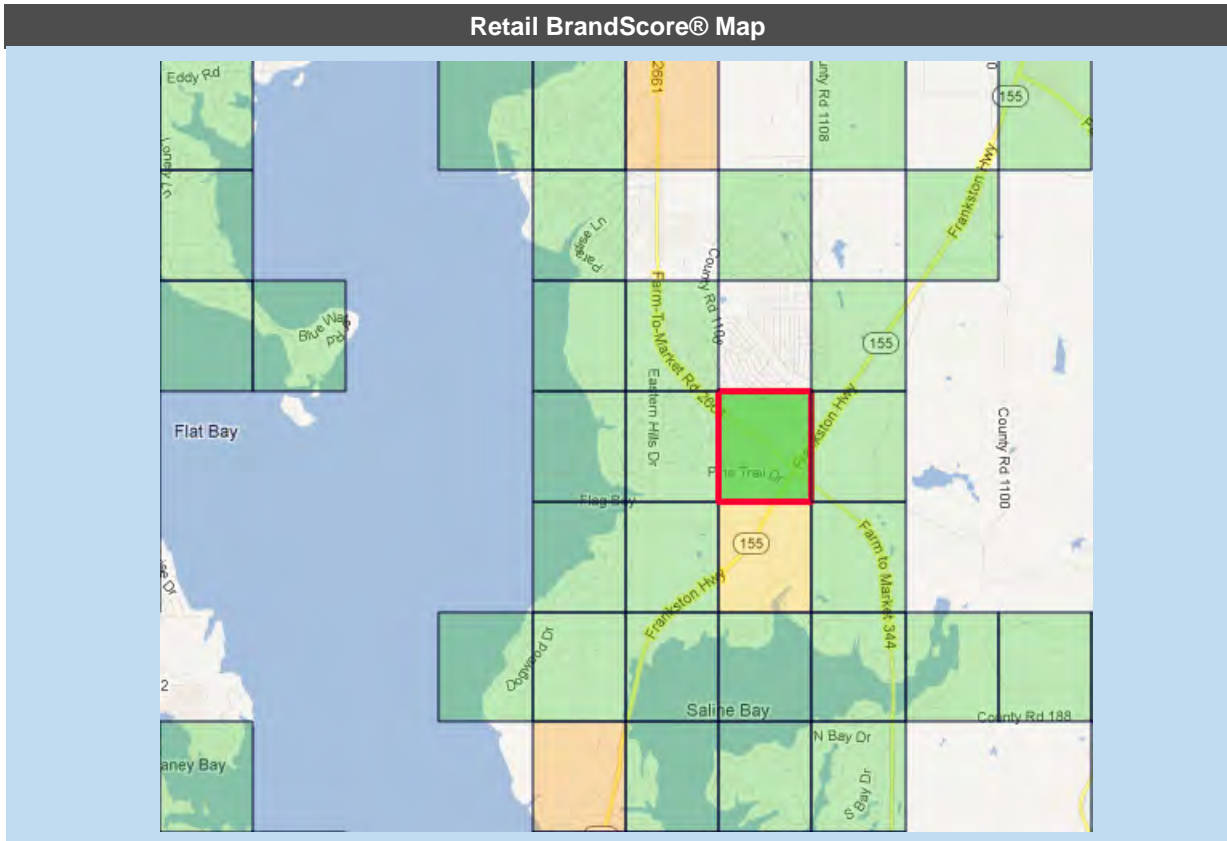
### **Green Acres**

A 'little bit country', Green Acres residents live in pastoral settings of developing suburban fringe areas, mainly in the Midwest and South. The median age is 40.7 years. Married couples with and without children comprise most of the households, which are primarily in single-family dwellings. This upscale market has a median household income of \$65,074 and a median home value of \$197,519. These do-it-yourselfers maintain and remodel their homes, painting, installing carpet, or adding a deck, and own all the necessary tools to accomplish these tasks. They also take care of their lawn and gardens, again, with the right tools. Vehicles of choice are motorcycles and full-sized pickup trucks. For exercise, residents ride their bikes and go water skiing, canoeing, and kayaking. Other activities include bird-watching, power boating, target shooting, hunting, and attending auto races.

# POTENTIAL RETAILERS

## RETAIL BRAND SCORING

Williams-Meridian performed a cursory retail brand scoring analysis for the general area surrounding the project site (approximately a 5 minute drive-time from the site in all directions). The following retail brands and store categories have high market level indicators and may represent a specific market need. High brand scores indicate retail brands and concepts that tend to do well given population, spending and demographic characteristics in a given area. ***These concepts should only be considered as initial ideas absent further analysis, as many of these brands may not have currently have a presence in Texas or desire to be in the area, or already have a location there and are doing well. However, our initial indicators generally point towards above average market support for these general brand types (shaded in yellow in the map below).***



Branded Retailer	Retail Category	Branded Retailer	Retail Category
Brooks Brothers	Apparel	Marine Max	Sport / Outdoor
C&S Wholesale Grocers	Supermarkets	McDonald's	Fast Food
C.N. Brown	Automotive	Perry Ellis	Apparel
IGA	Supermarkets	Noble Romans	Fast Food
Jellystone Park	Specialty Retail	Reebok	Accessories
Jockey	Apparel	Rite Aid	Beauty / Health
Maidenform Outlet	Off-Price / Outlet Store	Union 76	Convenience

# RETAIL MARKET SUMMARY

## RETAIL SITE USES

A retail store is primarily linked to customers in a trade area who reside on parcels of land adjacent to, or within close proximity to that retail location. In evaluating retail demand potential, we analyzed the cross-sectional demographics of these customers who form the residential base near the development site that tends to support existing and additional retailers.

Based on our evaluation of existing retail inventory and supply conditions, as well as the final results of our Residual Demand Analysis, ***we determined that certain types of retail pad sites or small strip centers are likely the current highest and best retail use of the project site from the overall current supply/demand balance perspective. Examples of these types of spaces include:***

- ◆ Smaller strip centers
- ◆ Stand-alone retail development
- ◆ Pad sites for sale or ground lease
- ◆ Gas stations
- ◆ Banks
- ◆ Casual dining restaurants
- ◆ Fast food restaurants
- ◆ Outdoor or equipment supply, marine or small “box” retail (if these spaces accommodate the appropriate retailer)

In order to better evaluate the project site’s development potential, our Firm analyzed data from ESRI, CoStar and International Council of Shopping Centers (ICSC). The following table summarizes our ICSC data analysis and illustrates non-inflated median sales per square foot for Neighborhood Centers in the South Region per ICSC as of 2008. *These sales ranges were used as part of our demand and supply analysis presented in Appendix A.*

Category	Median Sales per SF	Category	Median Sales per SF
General Merchandise	\$102.97	Gifts/Specialty	\$127.08
Food	\$430.05	Jewelry	\$317.37
Food Service	\$266.65	Drugs	\$429.47
Clothing and Accessories	\$155.59	Other Retail	\$217.25
Shoes	\$141.51	Personal Services	\$162.50
Automotive	\$386.92	Offices (Other than Financial)	\$298.34
Hobby/Special Interest	\$199.45		
Average Sales per SF (All Categories)			\$248.86

We further categorized and evaluated the area shopping centers, as defined by ICSC, for both the PTA and STA to more accurately determine current inventories, vacancies, rates and demand and supply conditions.

*We have provided a detailed property report for all retail properties within a 10-mile radius as supporting Client materials.*

**APPENDIX A -  
RETAIL DEMAND & SUPPLY  
CALCULATIONS**

# RETAIL DEMAND & SUPPLY CALCULATIONS

## RESIDUAL DEMAND ANALYSIS

Williams-Meridian performed a detailed **Residual Demand Analysis** to determine local area demand and supply conditions. These calculations provide a preliminary projection of the “gap” that likely exists in the market for additional retail space. The method we used determines residual demand for retail space based on household purchasing power within the PTA and STA.

Major variables we considered to estimate our calculations include the total number of households, household income and typical retail expenditures by shopping center type and specific to the area demographics of the residents. We assumed the median retail sales per square foot for all categories of Neighborhood Shopping Centers as defined by ICSC on Page 9 of this Market Study. Other assumptions included estimating a weighted-averaged frictional vacancy ranging between 1% and 4% (this is the natural rate of vacancy present in the local market to account for continuous retail additions, lease cancellations, move ins/outs, etc.). **Note:** *Residual Demand Models are highly sensitive to frictional vacancy assumptions and retail sales p.s.f. estimates.*

We also took into account known 2011 and proposed retail space additions in the trade areas in our projections. As part of this analysis, we did not take into account visitors and their associated purchasing power contribution to the retail economy in the trade area. The following estimates should be considered for conceptual planning purposes only.

Residual Demand Analysis				
	Primary Trade Area (PTA)		Secondary Trade Area (STA)	
	Current Year	5 Year Projection	Current Year	5 Year Projection
Total Number of Households	5,625	6,089	21,494	23,538
Average Household Income	\$60,846	\$65,734	\$66,279	\$73,430
Total Income in Market Study Areas	\$342,258,750	\$400,254,326	\$1,424,600,826	\$1,728,395,340
Percentage HH Expenditures Spent On Retail	37.7%	37.7%	37.7%	37.7%
<b>Total Retail Sales Potential (Local Residents Only)</b>	<b>\$129,105,819</b>	<b>\$150,982,736</b>	<b>\$537,383,651</b>	<b>\$651,980,107</b>
Percentage of Retail Sales by Shopping Center Type	46.6%	46.6%	46.6%	46.6%
Total Subject-Type Shopping Center Sales	\$60,143,167	\$70,334,397	\$250,336,933	\$303,721,001
Percentage of Potential Retention of Sales in Direct Trade Area	60.0%	60.0%	70.0%	70.0%
Retail Sales Potential in Direct Trade Area	\$36,085,900	\$42,200,638	\$175,235,853	\$212,604,700
Sales Required Per Square Foot	\$249	\$249	\$249	\$249
Supportable SF Retail Space from HH in Primary Trade Area	145,006	169,577	704,161	854,322
<b>Total Supportable Retail Space (SF) - With Frictional Vacancy</b>	<b>207,500</b>	<b>242,661</b>	<b>995,466</b>	<b>1,207,747</b>
Less: Existing Square Footage of Competitive Space	26,482	26,482	367,263	367,263
Less: Forecasted New Competition	0	0	50,000	97,600
Plus: Demolitions	0	0	0	0
<b>Net (Excess) Shortage of Retail Space (SF) - Local Residents Only</b>	<b>181,019</b>	<b>216,179</b>	<b>578,203</b>	<b>742,884</b>

**Based on current households and resident incomes in the PTA and STA, additional retail development in both trade areas seems likely to be well supported and possibly underserved. Our analysis indicates that a net shortage of space currently exists in both the PTA and STA. This gap is may well persist over the 5-year projection period.**



# MARKET STUDY DISCLAIMERS

## PROFESSIONAL OPINION

This Retail Real Estate Market Study was prepared by Williams-Meridian Companies, based in Houston, TX. The Principals of Williams-Meridian have actively been involved in over \$3.7 billion in real estate finance and development projects nationwide. These projects include stand-alone acquisitions and developments, mixed-use developments, urban town centers, downtown redevelopments and transit-oriented developments across all major real estate asset classes. Our Firm also provides real estate consulting and advisory assistance to developers, corporate real estate growth strategies and custom development feasibility assessments, as well as makes principal real estate investments and provides joint equity for certain projects.

Principal oversight for this evaluation was managed by Philip A. Williams, founder and president of Williams-Meridian. Prior to forming Williams-Meridian in 2008, Mr. Williams was a Finance & Development Consultant for Stainback Public/Private Real Estate, and was previously an investment banker with Stephens Inc. Mr. Williams held former investment banking and private equity positions with Growth Capital Partners, Jefferies & Company, and Merrill Lynch, and also worked at the law firm of Butler, Snow, O'Mara, Stevens and Cannada. Mr. Williams is a member of the Certified Commercial Investment Member (CCIM) Institute and Urban Land Institute (ULI), received his education at Vanderbilt University in Nashville, Tennessee, and studied economics in London.

## STATEMENT OF ASSUMPTIONS & LIMITING CONDITIONS

Our Firm is not an accounting; architectural; construction; design; engineering; legal; real estate sales, brokerage or exchange; securities advisory, issuance or transaction; or other specific licensed occupational group. All facts, data and opinions expressed in this document are based on certain historical, current and projected estimates. Undue reliance should not be placed on any data without additional verification. This is a preliminary Market Study that is intended for conceptual planning purposes only. A significant amount of additional resources, planning, design and estimation is needed throughout the development process to undertake and complete a successful project. All data provided in this Market Study will inherently change as actual data supersedes projections. This market study has been prepared using various theories and approaches among many alternatives, and a more complete study should take into account multiple theories to best predict future occurrences.

Actual building programs will depend on the project site's ability to absorb demand against excess supply, competing existing inventory, new construction and should be carefully considered relative to the then prevailing and expected future real estate, economic and business cycles. No assumptions were made in this Market Study relative to the current position in these cycles. This report and all materials are dated to coincide with the date of the Opening Letter to this Market Study and we have no obligation to update our estimates beyond our engagement. Possession of this report, or a copy of it, does not carry with it the right of publication or copyright as it is a unique literary and business combination and has rights assigned to our Firm.

Williams-Meridian cannot be held liable in any cause of action resulting in litigation for any dollar amount which exceeds the total fees collected from this individual client engagement. This report may not be sold by others in sections or its entirety. Our Firm assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical or demographic factors were not present as of the data of this report and our Firm is not obligated to predict future political, economic or social trends.

## DATA SOURCES

We used a variety of data gathered from many third-party public and subscription-based information sources including, but not limited to, ESRI, CCIM, ULI, CoStar, LoopNet, RetailPlanet, STDB Online, EDC reports, BLS statistics, economic research from the University of Georgia, U.S. Census Bureau, Federal Reserve, Google, NAICS Classification System, Hoover's, and certain private information sources at our disposal.

*This Market Study contains certain information produced by Williams-Meridian that is independent of third-party data sources, including the expression of professional opinions by Principals of our Firm, which should be independently verified prior to making a development decision.*



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