U.S. Retail Real Estate Supply Conditions

Tracking and Analysis of Announced Store Closings and Gross Leasable Area

A Joint Report of ICSC Research and PNC Real Estate Research

Fourth Quarter 2011

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2011 SPACE REDUCTION 40% LARGER THAN IN 2010, BUT ANNOUNCEMENTS DECLINE BY 27%

- During 2011, retailers announced they will close 65 million square feet (sq. ft.) of space resulting from just over 4,000 announced store closings.
 The space reduction represented a 40% increase from 2010 while the store-closing announcements actually declined by 27% compared with the 2010 tally.
- During the fourth quarter of 2011, nearly 900 retail and restaurant establishments were announced to be closed versus 683 in the same quarter of 2010. This represented a 28.3% increase over the same quarter of the prior year.
- These stores represented approximately 21 million sq. ft., which accounted for 0.13% of the total inventory of retail space within the United States, over a 100% increase from the fourth quarter of 2010.
- On a year-over-year basis, GAFO-type (general merchandise, apparel, furniture and other) store-closing announcements increased by 51.2% in the
 fourth quarter. Moreover, 20% of those fourth-quarter announcements were attributed to department store and discount department store retailers.
- Apparel retailers announced 355 store closings in the fourth quarter, which represented 41% of all announcements in this period's tally.

The ICSC-PNC announced-store-closing count in the fourth quarter stood at 876 establishments or 771 GAFO-type stores, 31 grocery stores, and 74 restaurants (see Table 1).

The apparel tally represented 46.0% of all GAFO-store type store closing announcements and consisted of mostly three retailers (**Pacific Sunwear**, **Talbots** and **Christopher & Banks/CJ Banks**). A distribution by GAFO-store type is shown in Chart 1. In addition to its 40 second-quarter announced store closings, parent firm **Brown Shoe Company** announced 105 **Famous Footwear** store closings in the fourth-quarter 2011. Altogether, 70 of its stores are anticipated to be shuttered in fiscal 2011 and another 75 in fiscal 2012. It will also exit several business lines, as it attempts to improve profitability. **Kmart/Sears'** struggles continued in 2011 as they announced in the fourth quarter it will close a combined 102 stores nationwide (38 **Kmart** and 64 **Sears**-related stores) as shown in Table 2. These announcements in particular will significantly affect the amount of space returning to the market in the near future. In addition, **Syms/Filene's Basement** will close all of their 69 stores by January 2012 as part of their Chapter 11 filing. Likely part of a repositioning strategy, **Family Dollar Stores** announced 80 fourth-quarter 2011 store closings, which followed its third-quarter announcement that it would open up to 500 stores within the next year.

In the fourth quarter, store-closing announcements in the grocery segment totaled 31—a smaller number compared to same period of the prior year. The segment's announcements represented only 4.5% of the fourth-quarter tally, which capped its downward trend throughout 2011. The restaurant segment had 74 announcements in the final quarter of 2011 representing 8.4% of the quarterly total. Restaurant-chain **Friendly's**, founded in 1935, filed for Chapter 11 and will close 63 of its nearly 500 locations nationwide.



Table 2

Selected Ann	Selected Announced Store Closings in 4Q											
Retailer	Segment	No. of Announced Store Closings										
Pacific Sunwear	Apparel	175										
Talbots	Apparel	110										
Famous Footwear	Footwear	105										
Kmart/Sears	Discount Dept. /Dept. Stores	102										
Family Dollar Stores	Variety Stores	80										
Christopher & Banks/CJBanks	Apparel	69										
Syms/Filene's Basement	Discount Department Stores	46										
Lowe's	Home Improvement	20										

Source: ICSC Research and PNC Real Estate Research

Table 1

Source: ICSC Research and PNC Real Estate Research

Table 1																				
Number of Announced	Annual												2010				2011			
Store Closings	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
GAFO-Type	7,041	5,950	4,973	6,303	4,269	4,730	4,603	6,913	4,810	5,170	3,648	2,772	1,538	350	510	1,636	434	807	771	
+ Grocers *	_	_	_	_	_	_	_	_	_	246	221	34	23	103	86	107	44	39	31	
+ Restaurants *	_	_	_	_	_	_	_	_	_	156	203	0	29	40	87	48	60	21	74	
Total	ı	-	ı	_	_	-	ı	-	ı	5,572	4,072	2,806	1,590	493	683	1,791	538	867	876	

Source: ICSC Research and PNC Real Estate Research

* Series begins in 1Q 2010

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RETAILERS THAT ANNOUNCED STORE OPENINGS IN 2011

Table 3

Notal	ble Retailer Expansion Outlooks in 2011				
		Quarter of	No. of Announced Store Openings		
Retailer	Segment	Announcement			
Subway	Restaurant	Q1	800		
Dollar General	Variety Store	Q1	625		
Family Dollar	Variety Store	Q3	500		
VF Corp.	Apparel	Q1	400		
Dollar Tree	Variety Store	Q3	335		
Tim Horton's	Restaurant	Q2	300		
Zumiez	Apparel	Q3	225		
CVS	Drug Store	Q1	225		
Starbucks	Restaurant	Q3	200		
GameStop	Home Entertainment	Q1	200		
SuperValu	Grocery	Q1	160		
Red Wing Shoe Co.	Footwear	Q1	125		
Sport Clips	Retail Not Elsewhere Classified	Q2	120		
Rue21	Apparel	Q1	110		
Ascena Retail Group (Dressbarn, Maurices, Justice)	Apparel	Q4	100		
Buffalo Wild Wings	Restaurant	Q1	100		
Big Lots	Variety Store	Q1	90		
Children's Place	Apparel	Q1	85		
Genesco	Apparel	Q2	84		
ALDI	Grocery	Q2	80		
Microsoft	Home Entertainment	Q3	75		
Francesca's Collections	Apparel	Q2	75		
Foot Locker	Footwear	Q1	60		
Citi Trends	Apparel	Q4	55		
Pep Boys	Auto Supplies	Q2	55		

Source: ICSC Research and PNC Real Estate Research

SUBSTANTIAL DEPARTMENT STORE REDUCTION LEADS TO 40% MORE ANNOUNCED SPACE IN 2011

The fourth quarter had an estimated 20.9 million sq. ft. of announcedstore closings across all tracked segments (see Table 4.) This represented an increase of 101.2% compared with fourth-quarter 2010 and drove the annual number 39.9% higher than that of 2010.

Delving further into the fourth-quarter numbers, department stores reported more space to be closed than any other segment with 7.0 million sq. ft., followed closely by discount department stores as shown in Chart 2. Closings by **Kmart/Sears** represented 9.5 million sq. ft. of space to be closed and represented approximately 45% of the total square footage to be shed by all retailers in the fourth quarter. Due to the sheer store size, both the department store and discount department store segments more than doubled any other segment in the space expected to close.

Lowe's accounted for all 2.4 million sq. ft. announced to be reduced in the home improvement segment in the fourth quarter and represented 11.4% of the total amount of space to be reduced in the fourth quarter.

Christopher & Banks/CJ Banks represented 238,858 sq. ft. of the estimated 1.7 million sq. ft. in the guarterly apparel space reduction.

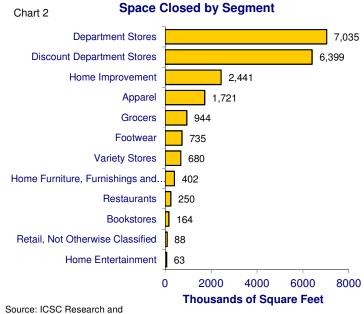


Table 4

Amount of Space Associated with	Annual												201	10		2011			
Announced Store Closings	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
GAFO-Type	165.5	103.3	88.9	57.8	88.4	58.9	55.3	132.2	71.2	36.7	56.0	18.0	7.9	3.4	7.5	22.2	4.0	10.1	19.7
+ Grocers	_	_	_	_	_	_	_	_	- 1	9.0	8.5	2.2	0.7	3.7	2.4	4.4	1.6	1.6	0.9
+ Restaurants	_	_	_	_	_	_	_	_	_	1.0	0.8	0.0	0.4	0.1	0.5	0.0	0.4	0.1	0.2
Total	_	_	_	_	_	_	-	-	-	46.7	65.3	20.2	8.9	7.2	10.4	26.6	6.0	11.8	20.9

PNC Real Estate Research

Source: ICSC Research and PNC Real Estate Research

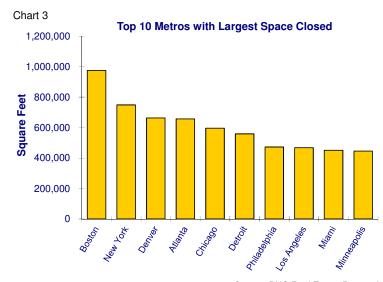
Millions of Square Feet

BOSTON HIT HARD BY REGIONAL RETAILER BANKRUPTCIES

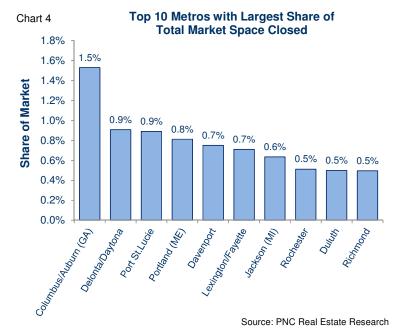
Fourth-quarter bankruptcy-related closing announcements from Filene's Basement, Friendly's restaurants, and Daddy's Junky Music thrust Boston to the top of the list of metropolitan statistical areas (MSAs) expected to incur the largest amount of space vacated due to shutterings. (See Chart 3.) Based on our estimates, retailers within this metro area are set to give back nearly 975,000 sq. ft., most of which is attributed to discount retailer Syms' complete liquidation of namesake and Filene's Basement locations. However, this number also consists announcements from home improvement chain Lowe's, which intends to close three units in the MSA, and department store operator Sears (two Boston locations). The Syms/Filene's Basement liquidation also significantly affected the New York-Northern New Jersey-Long Island metro, giving it the second position on this list with nearly 750,000 sq. ft. in announced store closings. Denver and Atlanta followed with each totaling roughly 650,000 sq. ft. in estimated store-closing square footage, a large portion of which is set to come from **Kmart** planned shutterings. Rounding out the top five is the Chicago MSA (595,967 sq. ft.), which is expected to incur closings from grocery chain Dominick's as well as the above-mentioned retailers. The Los Angeles metro area appears eighth on the list this quarter, with more than 467,000 sq. ft. projected to be given back on closing announcements from Barnes & Noble and Linder's Furniture. The latter, a furniture, mattress, and electronics chain began going-out-of business sales at its 11 Southern California locations in November 2011.

Again, since larger markets typically dominate the number of announced store closings (and accompanying square footage) due to the amount of inventory they offer, the expected impact on a market can only be fully appreciated with some frame of reference to the market size. Chart 4 addresses the top relative impacts of fourth quarter retail and restaurant space reduction plans, which are expected to affect more than 100 metro areas.

On a relative basis, closings announced during the fourth quarter are estimated to affect approximately 0.13% of the total national retail stock, up from 0.03% in the third quarter. However in some areas, the share of retail space projected to be impacted by store closings is considerable. The Columbus/Auburn, Georgia metro led the way this quarter with a hefty 1.5% of total retail GLA to be vacated. Two **Kmart** stores (totaling nearly 200,000 sq. ft.) made up the majority of square footage to go dark in this market. The Deltona/Dayton, Florida MSA is also expected to be disproportionately affected by **Sears Holdings**' announced closings. The anticipated shuttering of two **Kmart** and a **Sears Essentials** store represent 0.9% of that market's retail inventory. Other smaller metros set to incur sizable losses include Port St. Lucie, Florida (0.9%), Portland, Maine (0.8%), and Rochester, New York (0.5%), the latter of which was impacted by department store operator **Bon-Ton Stores**' decision to exit the market via the closing of three mall locations in the area.



Source: PNC Real Estate Research



The next issue of this report is scheduled

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METHODOLOGY

Announced store closings represent a tally compiled by ICSC and PNC Bank of the number of U.S.-based establishments that have publicly reported they will closed. These data may not be comprehensive or complete and represent company intentions to close stores on the day of the announcement. This information does not necessarily represent the actual number of closings nor indicate the actual timing of the establishment closings. Circumstances may change that increase or decrease the actual store closings, which may or may not be publicly announced. The ICSC/PNC Bank estimates of the associated square footage for gross leasable area (GLA) closed are based on reports and estimates by ICSC and PNC Bank of the average store size and the announced number of stores closed. All tallies and GLA estimates are based on reports, estimates and judgment and the assignment of establishment counts and GLA estimates by calendar quarter may require statistical and interpretive judgment. Estimates of metro-area store closings by establishment and GLA are based on information from public sources and estimates. More than 100 of the 366 metro areas in the U.S., as defined by the U.S. Department of Commerce for the United States, are covered by this report. For purposes of this report, "GAFO-type" stores represent non-grocery retail tenants excluding auto-dealerships, but including drug stores, home improvement and chain services, such as vision centers, healthcare facilities, spas, health clubs, entertainment (movie theaters, etc.) and similar establishments.