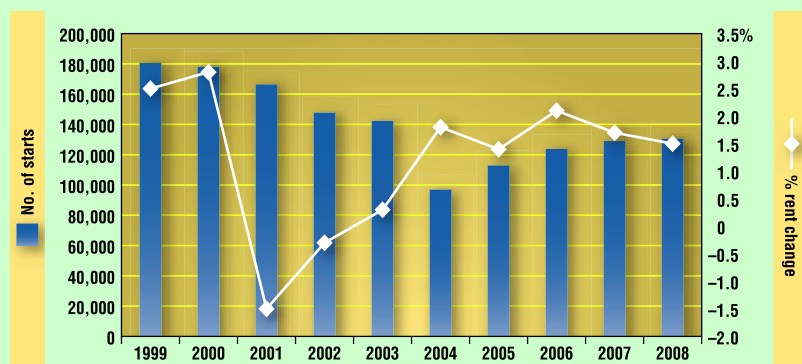


THE BOTTOM LINE

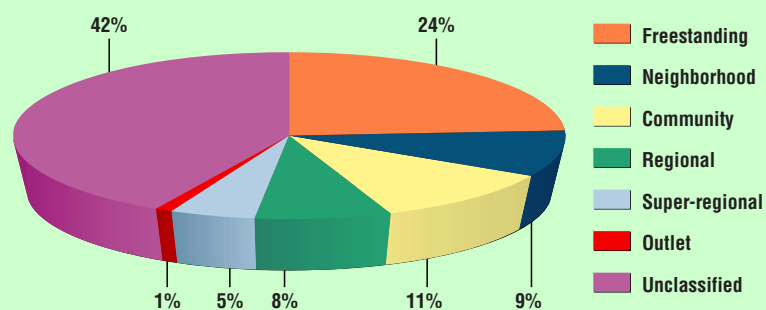
BY DONNA MITCHELL

Rents & starts



Retail rents dropped significantly between 2000 and 2001, the result of lackluster sales that dampened demand for new space. Market sources project that rents for 2003–2004 will bounce back as retail construction tightens and overall U.S. economic conditions improve, boosting consumer spending.

What's getting built



Free-standing big-box retailers represented a healthy chunk of retail construction in the third quarter. Going forward, Wal-Mart intends to build more than 36 million square feet of retail space, Kohl's and Target plan about 100 stores each, and Lowe's plans to build 140 stores. The 'unclassified' subclass, which accounted for the largest portion of construction, includes car dealerships, restaurants, freestanding drugstores and street-level retail in office buildings.

Sources: PPR; McGraw Hill Construction-Dodge; the Global Real Analytics national real estate index

Tenants at risk

	Ticker	Z-score	REIT exposure
Emerging Vision	ISEE	-23.13	Simon Property Group
Premier Concepts	FAUXE	-3.08	The Rouse Co.
Samuels Jewelers	SMJW	-1.82	General Growth Properties
FAO Inc.	FAOO	-1.71	Simon Property Group
Delia's Corp.	DLIA	-1.68	Simon Property Group
Florsheim Group	FLSCQ	-0.44	General Growth Properties
Denny's Corp.	DNYE	-0.07	Pan Pacific Retail Properties
CD Warehouse	CDWI	0.91	Kimco Realty Corp.
Today's Man	TMANQ	0.83	Glimcher Realty Trust
Mayor's Jewelers	MYR	0.81	Simon Property Group
New World Restaurant	NWCI	0.43	Developers Diversified/Kimco
Spiegel	SPGLA	0.18	Simon Property Group

The Morgan Stanley tenant credit-risk index uses a measure called a Z-score to gauge a company's health. The device was developed by Edward I. Altman of the NYU Stern School of Business. A score greater than 3 indicates a healthy company, scores between 3 and 1.8 denote a gray area, and companies with scores below 1.8 are considered unhealthy. The companies shown here had the worst Z-scores as of Jan. 6, 2004, when Morgan Stanley published its quarterly *Tenant Credit Risk Analysis* report.

Source: Morgan Stanley, company data

Where consumers go when going wireless

	Overall	Men	Women
Wireless service provider store	33 %	28 %	39 %
General electronics store	13	15	10
Mass merchant	12	14	8
Specialty electronics store	11	12	11
Online	7	7	7
Telemarketer/Over the phone	4	4	5
Office supply store	4	3	5
Warehouse store	3	2	3
High-end electronics store	2	3	1
Other retailer	10	11	8
Didn't know/Refused to answer	2	1	2
Total	101 *	100	99 *

Americans prefer wireless service provider stores when buying cell phones, two-way radios and such, according to an October eBrain survey of 1,000 consumers. For the 12 months prior to September 2003, a third of the respondents chose these stores, with more women than men patronizing them. But general electronics, mass merchant and specialty electronics stores were bigger among the guys than the gals.

*Rounded.

Source: eBrain Market Research