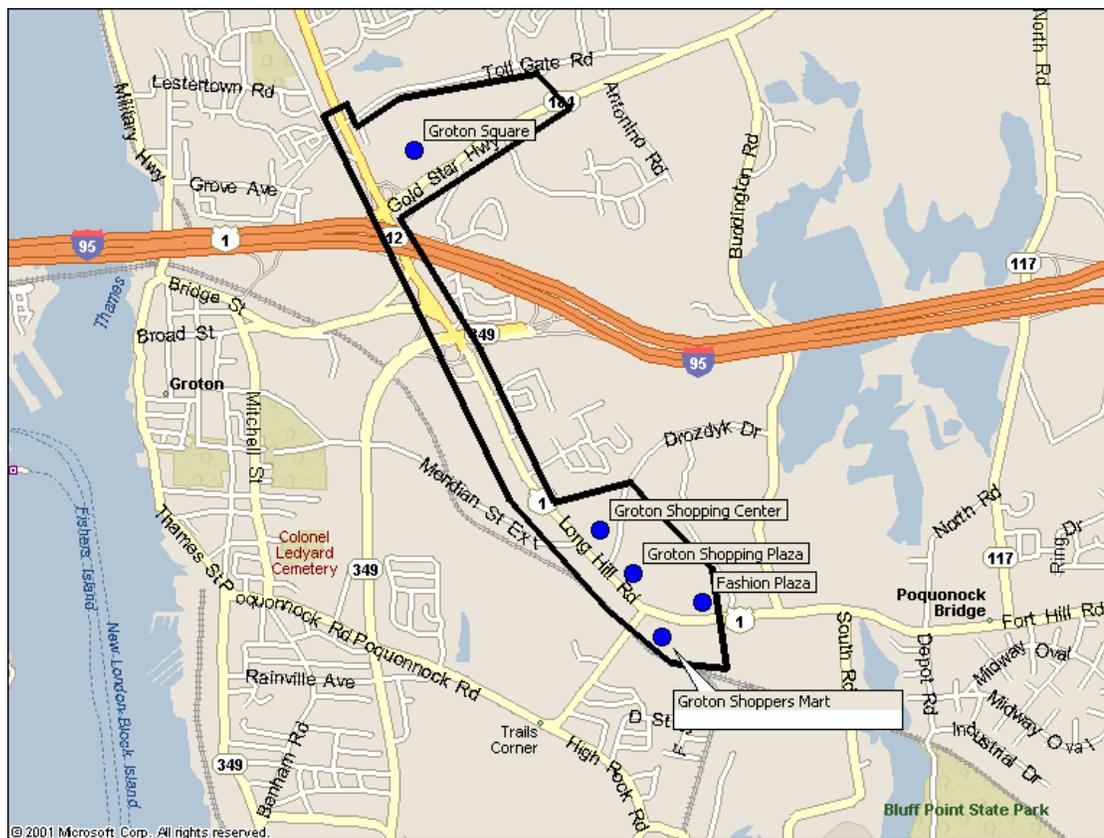


Miner & Silverstein, LLP

Groton Retail Market - April 2003¹

The following Market Study was completed by Miner & Silverstein, LLP for their exclusive use.

The study area is the Route 12/1 corridor from the first intersection north of Route 184 southerly to the end of the line of shopping centers (about 1000 Poquonnock Road) and includes shopping centers that are located a short distance from this corridor on Route 184 and Kings Highway.



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Centers included in the survey were essentially retail properties in the greater downtown Groton area. Properties that are primarily restaurant or non-retail were excluded. The office space was excluded from the Priscilla Alden building. Vacancy and occupancy data was based on information obtained from area real estate agents, property managers, owners, and your appraiser's observation as of September 1991, October 1996, and January 1998, January 2000, and April 2003. Some of the spaces had tenants who were signed but not in occupancy; these spaces were not counted as vacant if construction on the unit had begun on the date of the survey.

Overview

The super regional Crystal Mall in Waterford, completed in 1989± and containing about 1,000,000 sq. ft., the introduction of Wal-Marts and big box retailers, and the subsequent change in the region's economy have affected the retail properties in downtown Groton. The proximity of the subject to the Submarine Base and its related housing, and the difference in services provided between the Crystal Mall (shoppers goods) and the stores in Downtown Groton (community and neighborhood retail and services), has resulted in the continued viability of this area.

The 200,000 sq. ft. Groton Square shopping center at the junction of Routes 12 and 184, anchored by a Super Stop & Shop and a Bradlees, opened in late 1988. This center is about two miles north of the center of the downtown shopping district at the northern end of the studied area. The Bradlees store closed in 1998 and was replaced in 2000 by a Kohl's Department Store. This center commands the highest rents in the district.

A 109,877 sq. ft. Wal-Mart opened in 1985 on Rt. 184 behind the Groton Square center, within 1/4 mile from Route 12. Subsequently, the Caldors on Kings Highway closed The Shop Rite in this power center closed after the A&P Super Food Mart and Super Stop and Shop opened. This property is no longer used for retailing.

The A & P superstore (formerly Waldbaum's) opened on Long Hill Road around 1988, and the center's owners added about 20,000 square feet of in-line space at about the same time; by 1998, the center developed excessive vacancy. This is reportedly due to a number of reasons: site design (poor positioning of the entrance and parking lot configuration), financial problems (The property had been in receivership for many years and management could not close a lease without ponderous court approval.), irregular space (One is a former movie theater.), and depth of the space (The vacant space seems to be designed more for 10,000 sq. ft. tenants than 2,000 sq. ft. tenants.). By 2000, the A & P had vacated and by 2003, the T.J. Maxx relocated into half of this space.

In 1996, a Shaw's grocery superstore was approved for a location across the street from the Wal-Mart, but was never built. A self-storage facility is now being built on the site. The Grossman's lumberyard has been removed from the retail market and converted to a self-storage facility.

The Groton Shoppers Mart has gone through turmoil. It now appears to be out of the woods. This center had a closed 20,000 sq. ft. Woolworth's, a closed 24,000 sq. ft. TJ Max, and a deal pending with Big Y for a new superstore that was to be the linchpin in the center's redevelopment. Stop & Shop was determined to prevent the Big Y from competing with its Super store in Groton Square at the north end of the strip. It had a small old unit in this center

and just kept it open. Later, Stop & Shop took over TJ Maxx's lease to prevent redevelopment of the north portion. S&S could only delay the inevitable and they have released their hold on this center. Construction will soon begin on the Big Y and some tenants will relocate within the center. At present, the property owner only has 6,500 sq. ft. that are available for lease. As our vacancy survey is a snapshot in time and construction has not begun, the historic statistics do not reflect the pending changes.

In 1991, the local economy had been reasonably strong in spite of the real estate recession spurred by the banking crisis. Defense had been the constant stabilizer through many recessions. However, in March 1991, the US Government announced cutbacks in defense spending. The local impact was severe: The 1,500 jobs at the NUWC research facility in New London were relocated to Newport, RI between 1996 and 1997. (NUWC employees were scientists and computer engineers who administered contracts with a nearly equal number of contract employees that were in offices around New London County.) The rate of construction of submarines at Electric Boat was lowered. EB's employment dropped from a high of over 20,000 to its current level of 8,000 - 9,000 as the backlog of work decreased. (EB expects the workforce to stay at current levels.) With the lack of economic expansion, construction stopped and the huge construction workforce that had been building condominiums in the area left for more active areas of the country.

The Foxwoods casino employed many displaced workers. The casino growth has essentially held the local employment rate stable, but at lower wage rates than prior defense related employment. They have a voracious appetite for employees.

In 1991, the Mohegan Tribe started in the casino business and now employs 10,000. Pfizer has recently developed and staffed its World Research Headquarters in New London with about 2,000 new hires. Construction jobs increased to create casinos and housing for new immigrants.

Employment and population grew mightily in 2000-2002 due to the growth of Pfizer and the Casinos. The Casinos anticipate further growth; Pfizer will soon announce its plans relating to its merger with Pharmacia.

Overall, the retail environment is showing slight improvement. Following the opening of the Wal-Mart, vacancy spiked to 40% in 2000 when the A&P closed. It has since fallen back to 12%. This lower rate is reflective of the growth experienced in the region, in spite of the national recession. The vacancy rate for stores under-10,000 sq. ft. is 18%, within a normal range. The vacancy rate for stores over-10,000 sq. ft. is down to 8% after removal of some of these stores from the retail market. Following the Groton Shoppers Mart redevelopment project, we expect that overall vacancy will decline to 9%, small stores to 14%, and large stores to 5%.

The most accommodating property owners seem to be having the most favorable occupancy; compare Groton Shopping Plaza at 12% vacancy with Groton Shopping Center with 39% vacancy.

We are not aware of any national credit tenants having moved into the area. Local tenants still outnumber national tenants. Rehabilitation, such as facade improvements, does not seem to have a substantial advantage as evidenced by Groton Shopping Center.

Rents decreased 20-25% from 1998-2000. Since then, asking rates seem to be a couple dollars higher. The deals that have been made with new tenants seem to be in anchored or lower priced centers. Turnover seems to be near 7% per year.

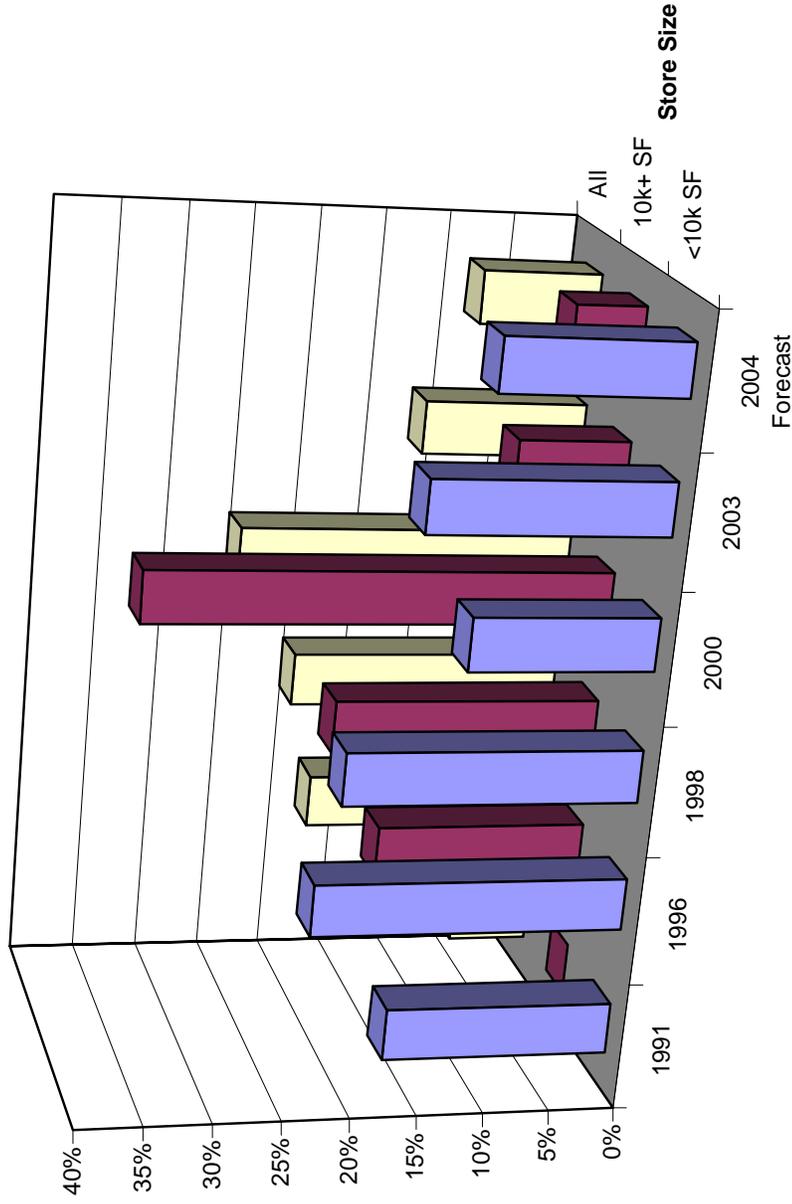
Conclusion

Stores over 10,000 sq. ft. are experiencing a reduction in inventory, but the increase in occupancy will be deferred to next year.

It would appear that the bottom has been passed for below-10,000 sq. ft. stores. The rental rates have adjusted to lower levels and asking rates are trending upward. The downward trend in occupancy appears to have reversed for 2000, but increased in 2003. These changes could be the result of seasonality or vagaries in the market. We forecast that the vacancy rate will be below 2000's rate in about a year due to both the removal of space from the market and improved occupancy. New construction is probably not feasible at these rent and occupancy levels, the future of existing centers appears to be slow occupancy growth. If the market tightens a little more, redevelopment and possibly new construction may become feasible. We would expect that combination of smaller spaces into larger ones might be the best way to match product to the market.

There is little on the economic horizon that would tend to affect this forecast except possibly another round of military base closings. The following graph illustrates our analysis.

Groton Retail Vacancy



	1991	1996	1998	2000	2003	2004 Forecast
<10k SF	17%	23%	22%	14%	18%	14%
10k+ SF	0%	16%	20%	35%	8%	5%
All	6%	19%	21%	26%	12%	9%