

Single-Tenant Research

CONSTRUCTION REPORT

Marcus & Millichap

National Convenience Stores/Gas Stations

Second Quarter 2008

TOP 10 STATES – COMPLETED PROJECTS

| State | Number of Projects Completed Y-O-Y | Total Square Footage |
|--------------|------------------------------------|----------------------|
| Texas | 20 | 147,000 |
| Florida | 10 | 63,500 |
| Pennsylvania | 9 | 56,900 |
| Arizona | 8 | 57,600 |
| Nevada | 7 | 32,200 |
| Ohio | 7 | 46,500 |
| Oklahoma | 7 | 38,200 |
| California | 6 | 107,000 |
| Tennessee | 6 | 36,500 |
| Virginia | 6 | 46,000 |

TOP 10 STATES – UNDER WAY PROJECTS

| State | Number of Projects Under Way | Total Square Footage |
|----------------|------------------------------|----------------------|
| Florida | 6 | 45,200 |
| Arizona | 4 | 25,600 |
| New York | 4 | 14,200 |
| Missouri | 3 | 14,200 |
| New Mexico | 3 | 20,000 |
| California | 2 | 13,500 |
| Iowa | 2 | 8,600 |
| Nevada | 2 | 7,100 |
| South Carolina | 2 | 11,500 |
| Texas | 2 | 14,900 |

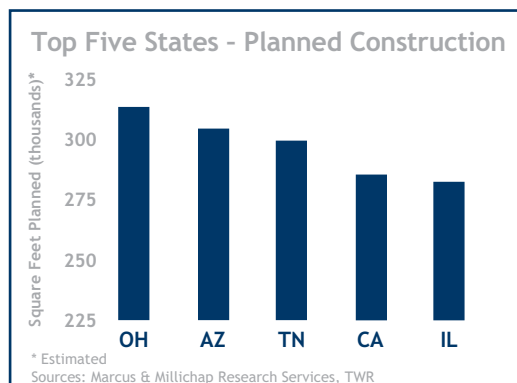
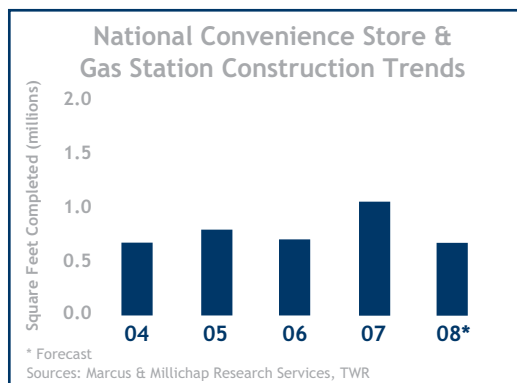
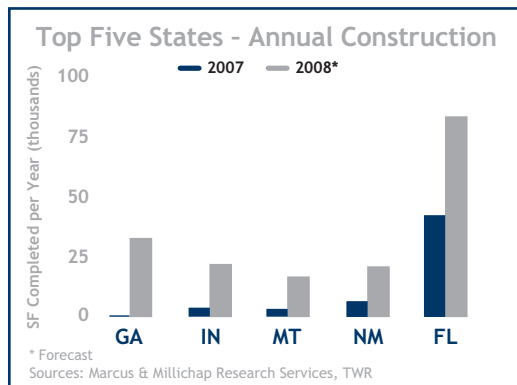
NATIONAL RETAIL OVERVIEW

It is estimated that every 1-cent increase in fuel prices accounts for a gain of approximately \$1 billion in consumer spending. Consequently, U.S. government stimulus rebate checks are expected to have a limited effect on spending. With gas prices approaching \$4 per gallon, forecasts call for the majority of \$100 billion in rebates to be spent on gasoline or used to pay down debt.

On the investment side, convenience stores and gas station properties will be under more scrutiny from investors over the next 12 months. Traditionally, operators of these businesses have been slow to bring higher gas prices to market for fear of driving away customers. Owners must now be aware of the rapid change in fuel prices that can occur weekly instead of noticing a difference solely when making their next purchase. Just the same, investors more concerned with cap rates rather than the business strength of their tenants could put their entire investment at risk and should be cognizant of not only the financial dealings of the tenant but also of their operating strategies.

NOTEWORTHY CONVENIENCE STORE/GAS STATION NEWS

- ◆ Tesco, which already owns 66 Hypermarkets and 72 convenience stores in South Korea, has agreed to buy 36 stores of South Korean discount chain Homever for \$1.9 billion. The company plans to convert the locations into its Homeplus format over the next 12 months, adding nearly 3 million square feet of retail space and 1.3 million square feet of adjacent shopping mall space to Tesco's inventory.
- ◆ Valero Energy Corp. plans to purchase 72 convenience stores and fueling stations from Albertsons LLC. The properties are primarily located within the Denver, Dallas/Fort Worth, Baton Rouge, Lafayette and Phoenix metros. Pending government approval, the transaction is expected to close during the third quarter of this year.
- ◆ British Petroleum (BP), owner of the ampm franchise, is selling 48 Atlanta-area retail sites. Of the 48 locations, 41 are available for franchise and will be redeveloped into ampm stores with BP-branded gasoline.



NATIONAL AND REGIONAL TRENDS

- ◆ Developers have delivered approximately 1.2 million square feet of new convenience store/gas station space over the last 12 months, up roughly 70 percent from the preceding period. The West/South/Central region has recorded the most growth in terms of square footage, with approximately 240,000 square feet added to inventories, a 52 percent year-over-year increase.
- ◆ There are an estimated 46 convenience store/gas station projects under way in the nation, comprising 290,000 square feet. The Mountain region is the most active, with 12 projects totaling 75,000 square feet under construction. The South Atlantic region, meanwhile, has 11 locations being built, tallying roughly 74,000 square feet.
- ◆ There are nearly 220 convenience store/gas station establishments in the various planning stages, amounting to 3.3 million square feet. The Mid-Atlantic region leads proposed construction, with 55 planned properties, including 11 Sheetz and Wawa convenience stores. The South Atlantic region has 44 developments under consideration; 7 Eleven represents five of the sites proposed, while Sheetz accounts for four projects.

STATE AND BRAND TRENDS

- ◆ The number of projects completed nationally is expected to decline by about 70 percent this year. Total deliveries for 2008 are forecast at 660,000 square feet, down approximately 37 percent from last year. Texas, Pennsylvania, North Carolina and Arizona generated most of the decrease, as the number of establishments built in these states dropped from between 38 percent to 85 percent in 2007. New York and Florida are anticipated to display the most growth in projects coming online this year, with an increase of 167 percent and 50 percent, respectively.
- ◆ Florida, Arizona and New York are the top three states for the number of projects under way. Of the major brands, Kum & Go and Wawa have the most locations currently being built.
- ◆ Kum & Go is expected to bring nearly nine new establishments to market in 2008, down from 14 sites last year. Sheetz has seven locations scheduled for completion this year, compared with 12 stores in 2007.
- ◆ Texas, Florida and Pennsylvania are the top three states for deliveries over the last 12 months. Independent owner-users have accounted for an overwhelming majority of the new completions in both Texas and Florida during that time. In Pennsylvania, 55 percent of the new locations being completed this year are expected to be Sheetz stores.

1Q 2008 Completions

| State | Project Title | Primary Address | City | Sq. Ft. (000s) | Owner Name | Month Completed |
|---------------------------|---|--------------------------------------|-----------------|----------------|--|-----------------|
| AR | Kum & Go Convenience Store | 3610 S.W. Regional Airport Boulevard | Bentonville | 5 | Krause Gentle | Mar-08 |
| AZ | ARCO am/pm Convenience Store/Gas Station | 908 E. Broadway Road | Tempe | 2 | ARCO Oil & Gas | Mar-08 |
| CA | World Petrol Fuel Station & Convenience Store | 1599 La Media Road | San Diego | 9 | Gary Engineering Inc. | Jan-08 |
| CA | Car Wash/Mini Mart/Oil Change Facility | 506 W. Orange Grove Avenue | Pomona | 3 | Arpa Design | Jan-08 |
| FL | Quick Connect Gas Station/Convenience Store & Carwash | 4699 S. Rio Grande Avenue | Orlando | 14 | Chancellor Holding LLC | Feb-08 |
| FL | Gate Food Convenience Store & Gas Station | 570 Dunn Avenue | Jacksonville | 5 | Gate Petroleum Company | Feb-08 |
| FL | Chevron Convenience Store & Gasoline Pumps | Register & Marsh roads | Wildwood | 4 | Chevron Corp. Development | Mar-08 |
| FL | South Patrick Gas Mart & Convenience Store | 1107 S. Patrick Drive | Satellite Beach | 4 | Southeastern Petroleum Distributors Inc. | Feb-08 |
| GA | Flash Foods Convenience Store | 4314 Pio Nono Avenue | Macon | 5 | Flash Foods Inc. | Jan-08 |
| GA | Flash Foods Convenience Store | 12020 Watson Boulevard | Warner Robins | 4 | Flash Foods Inc. | Mar-08 |
| GA | Flash Foods Convenience Store | 1720 Gornito Road | Valdosta | 3 | Flash Foods Inc. | Mar-08 |
| IN | Gas America Convenience Store | 5061 W. Smith Valley Road | Greenwood | 5 | Gas America Service Inc. | Mar-08 |
| MA | Mo Vaughn Express Carwash/Convenience Store | 100 Washington Street | Attleboro | 16 | Terrance Elder | Jan-08 |
| MI | Spartan Gas Station/Convenience Store | 56th Avenue & Lake Michigan Drive | Allendale | 16 | Space Source | Feb-08 |
| MT | Convenience Store & Gas Station | 404 S. Broadway | Manhattan | 6 | Sutey Oil Company | Jan-08 |
| ND | Valley Dairy Convenience Store | 4701 S. Washington Street | Grand Forks | 23 | Community Contractor | Jan-08 |
| NJ | Quick Chek Convenience Store | 339 Broad Street | Bloomfield | 6 | Mandee Shops-Big M Inc. | Mar-08 |
| NJ | Wawa Convenience Store | Main Road & Landis Avenue | Vineland | 6 | Wawa Inc. | Jan-08 |
| NV | Convenience Store/Carwash | 5685 Losee Road | Las Vegas | 3 | Chet Cox CSA LLC | Mar-08 |
| NY | Hess Express Convenience Store | 123 Freemans Bridge Road | Glenville | 4 | Colin Realty Company | Mar-08 |
| NY | Convenience Store & Gasoline Station | 2206 Millersport Highway | Getzville | 3 | George's Mobil | Mar-08 |
| OH | Sheetz | Amsterdam Road & Carroll Street | Scio | 4 | Sheetz Inc. | Feb-08 |
| OK | Kum & Go Convenience Store | Perkins & Lakeview roads | Stillwater | 6 | Kum & Go Convenience Store | Mar-08 |
| OK | Kum & Go Convenience Store | 10603 E. 86th Street N. | Owasso | 6 | Kum & Go Convenience Store | Mar-08 |
| OK | Kum & Go Convenience Store | 86th Street N. & Main Street | Owasso | 5 | Krause Gentle | Feb-08 |
| PA | Wawa Convenience Store | 1860 S. Collegeville Road | Collegeville | 19 | Wawa Inc. | Mar-08 |
| SC | Kangaroo Express Pantry/Gas Station & Convenience Store | Joe Rouse & Bessamer roads | Mount Pleasant | 5 | Coast Architects | Feb-08 |
| TN | Convenience Store | 2560 & 2568 Kirby Whitten Road | Memphis | 13 | Double A Oil Company | Mar-08 |
| TN | Convenience Store | 3696 Bell Road | Nashville | 4 | Shaub Construction Company | Mar-08 |
| TX | Circle K Convenience Store | U.S. Highway 107 & Mike Chapa Road | La Villa | 9 | Circle K Corp. | Feb-08 |
| TX | Convenience Store | E. Price & N. Elm streets | Keller | 9 | Garry Tennyson | Mar-08 |
| TX | Chevron C-Store & Carwash | 12405 S. Gessner Drive | Houston | 4 | Chevron Corp. Development | Mar-08 |
| VA | Sheetz Store | Westover Boulevard & Sussex Street | Lynchburg | 5 | Sheetz Inc. | Feb-08 |
| VA | 7 Eleven Convenience Store | Salem & Elbow roads | Virginia Beach | 4 | URS Corporation | Feb-08 |
| WI | Express Convenience Center | 2145 S. Memorial Drive | Appleton | 10 | Rollie Winter & Associates Ltd. | Feb-08 |
| WI | Kwik Trip Convenience Store/Gas Station | 1712 E. Mason Street | Green Bay | 6 | Kwik Trip Inc. | Mar-08 |
| WI | Motomart Gas Station/Convenience Store/Carwash | 1850 W. Wisconsin Avenue | Appleton | 4 | Moto Inc. | Mar-08 |
| Total 1Q 2008 Completions | | | | 258 | | |

Under Construction

| State | Project Title | Primary Address | City | Sq. Ft. (000s) | Owner Name | Target Completion |
|--------------------------|--|--|------------------|----------------|---------------------------------------|-------------------|
| AZ | Danny's Family Carwash | N. Lake Pleasant Road & State Highway 74 | Peoria | 14 | Danny's Family Carousel Corp. | 3Q 2008 |
| AZ | Circle K Convenience Store & Gas Station | Maricopa Road & S.R. 84 | Maricopa | 5 | Circle K Corp. | 4Q 2008 |
| AZ | Convenience Store & Gas Station | 295 S. Arizona Boulevard | Coolidge | 4 | Discovery Building Co. | 4Q 2008 |
| AZ | Z-Mart Convenience Store/Fuel Station/Carwash | 5301 W. Peoria Avenue | Glendale | 3 | Esencia | 2Q 2008 |
| CA | Gas Station/Food Mart/Carwash | Smith Flat Road & Point View Drive | Placerville | 10 | Smith Flat Development LLP | 3Q 2008 |
| CA | Chevron Gas Station/Convenience Store | 10510 Sierra Avenue | Fontana | 4 | RHL Design Group | 3Q 2008 |
| CO | Kum & Go Convenience Store | 4506 Garfield Avenue | Loveland | 3 | Krause Gentle | 2Q 2008 |
| FL | Convenience Store/Gas Station/Carwash | 6415 Joseph Road | West Palm Beach | 18 | Sojo LLC | 3Q 2008 |
| FL | KD2 Gas Station/Convenience Store & Carwash | 9995 Tamiami Trail E. | Naples | 9 | KD2 Inc. | 2Q 2008 |
| FL | MPG Convenience Store/Gas Station | Hillsborough Avenue & Racetrack Road | Oldsmar | 7 | Sharpe Construction | 2Q 2008 |
| FL | Dairy & Eber Convenience Store | Dairy Road & Eber Boulevard | Melbourne | 5 | H.R. United Inc. | 3Q 2008 |
| FL | Palm Coast Convenience Store | Palm Harbor Parkway & Fellowship Drive | Palm Coast | 4 | M & R Enterprise | 3Q 2008 |
| FL | Convenience Store | 2993 Duff Road | Lakeland | 3 | Anchor Investments | 2Q 2008 |
| GA | POJOS Convenience Store | Fair Road & Veterans Memorial Parkway | Statesboro | 5 | Maxwell Palmer Architects & Engineers | 3Q 2008 |
| IA | Kum & Go Convenience Store | CR-K42 & 340th Street | Sloan | 5 | Krause Gentle | 2Q 2008 |
| IA | Convenience Store | 13701 Old Highway Road | Dubuque | 4 | Isaac Hanna LLC | 4Q 2008 |
| IL | Carwash/Gas Station/Convenience Store | Oakton Street & Hartrey Avenue | Evanston | 9 | Lee Fry Co. Inc. | 3Q 2008 |
| LA | Saint Francisville State Line Travel Center | 15169 U.S. Highway 61 | St. Francisville | 10 | Remson Haley Herpin Architects | 2Q 2008 |
| MO | Bucky's Express Convenience Store & Carwash | Page Avenue & Dielman Road | Overland | 6 | Bucky's Express Convenience Store | 2Q 2008 |
| MO | Kum & Go Convenience Store | 1704 W. Norton Road | Springfield | 5 | Krause Gentle | 2Q 2008 |
| MO | Cody's Convenience Store | N. Grant Street & W. Chestnut Expressway | Springfield | 3 | Missouri Supermarket Builders | 3Q 2008 |
| MS | Clark's Shell Station | 856 Beach Boulevard | Biloxi | 4 | Ingram & Associates | 3Q 2008 |
| MT | Convenience Store | 29001 Norris Road | Bozeman | 10 | Town Pump Inc. and Affiliates | 3Q 2008 |
| NC | Sheetz Convenience Store & Carwash | S.R. 11 & Whitley Drive | Winterville | 6 | Sheetz Inc. | 2Q 2008 |
| NE | Kum & Go Convenience Store | 4041 N. 168th Street | Omaha | 3 | Krause Gentle | 3Q 2008 |
| NJ | Wawa Convenience Store/Gas Station | S.R. 37 W. & Northampton Boulevard | Toms River | 6 | Wawa Inc. | 4Q 2008 |
| NM | Alamo Mini Mart Convenience Store/Laundry Room | S.R. 161 & U.S. Highway 60 | Alamo | 7 | Navajo Nation Design and Engineering | 4Q 2008 |
| NM | Convenience Store & Gas Station | I-25 & Mall Drive | Las Cruces | 7 | Williams Design Group Inc. | 3Q 2008 |
| NM | Sonoma Ranch Convenience Store | Oro Viejo Road & Pinnacle View Drive | Las Cruces | 6 | Williams Design Group Inc. | 2Q 2008 |
| NV | Quik Stop Marke/Carwash | Golden Valley Road & N. Hills Boulevard | Reno | 4 | Quik Stop Markets | 4Q 2008 |
| NV | ARCO am/pm Convenience Store/Gas Island | 2000 E. Cheyenne Avenue | North Las Vegas | 3 | BR West Coast Properites | 3Q 2008 |
| NY | Delta Sonic Carwash/Convenience Store | 3205 Orchard Park Road | Orchard Park | 7 | Delta Sonic | 3Q 2008 |
| NY | Fastrac Market Convenience Store & Gas Station | 140 Market Street | Amsterdam | 4 | Fastrac Markets LLC | 2Q 2008 |
| NY | Convenience & Gasoline Station | 107 Main Street | Queensbury | 2 | GRJH Inc. | 4Q 2008 |
| NY | Convenience Store & Gasoline Station | 16 Long Pond Road | Greece | 1 | Alfred Vill | 3Q 2008 |
| OK | Kum & Go Convenience Store | 1890 N. Perkins Road | Stillwater | 5 | Krause Gentle | 2Q 2008 |
| PA | Wawa Convenience Store/Gas Station | Trooper Road & Boulevard of the Generals | Norristown | 21 | Wawa Inc. | 4Q 2008 |
| SC | Spinx Gasoline/Convenience Store | 1989 Southport Road | Spartanburg | 9 | Spinx Company Inc. | 4Q 2008 |
| SC | Carmichael Convenience Store | 2327 Jefferies Highway | Walterboro | 3 | Carmichael Oil & Gas Company | 3Q 2008 |
| TN | Pilot Travel Center | I-40 & Hawkins Lane | Jackson | 13 | Pilot Corp. | 3Q 2008 |
| TX | Convenience Store | 1444 Sens Road | La Porte | 13 | Sitecon Services | 2Q 2008 |
| TX | Wag-a-Bag Convenience Store | U.S. Highway 79 & Spring Gardens Drive | Hutto | 2 | Wag-a-Bag Inc. | 3Q 2008 |
| UT | Summit Ridge Chevron Convenience Store/Carwash | Summit Ridge Parkway & S. Ridge Road | Santaquin | 9 | Curtis Miner Architects | 2Q 2008 |
| VA | Wawa Convenience Store/Gas Station | High & Crawford streets | Portsmouth | 6 | Wawa Inc. | 2Q 2008 |
| WA | Zip Trip Convenience Store | 22304 E. Appleway Avenue | Liberty Lake | 2 | Vandervert Construction | 4Q 2008 |
| WI | Gas Station & Convenience Store | 2759 S. Kinnickinnic Avenue | Milwaukee | 2 | D.L. Parsons Contractors | 4Q 2008 |
| Total Under Construction | | | | 288 | | |