

Bulletin

U.S. Data

Advance August 2007 Retail Sales • Released September 14, 2007

BACK TO SCHOOL BEATS EXPECTATIONS

Following an upward surge in July, consumer confidence retreated to 105.0 in August. This 6.9 point drop underlines growing concerns about financial markets in the third quarter. As the erosion of the sub-prime mortgage market continues, home related retailers are feeling particularly vulnerable.

Building Material and Garden Equipment Stores saw their impressive growth in 2006 slip away as sales pulled back -1.0% in August. This is a marginal improvement over the -1.5% seen year-to-date, but highlights the uncertainty that plagues major players such as Home Depot and Lowe's. Regardless, the latter has recently shown its confidence by raising \$1.3 billion in a debt offering aimed at paying off commercial paper bank lines and pursuing its planned share buy-back.

Other home retailers aren't afforded such optimism as Haverty Furniture reported a -10.1% drop in same store sales during August. Furniture and Home Furnishings Stores boasted moderate (2.8%) growth that rested slightly below the year-to-date figure of 3.1%. In contrast, Electronics and Appliance Stores inched forward as August's 3.3% growth outpaced the 3.0% seen year-to-date.

A recent study by Satchi & Satchi suggests that consumer electronics retailers may find future growth opportunities in targeting specific market segments. Half of women reported having left an electronics retailer's store or website because they could not find the product they wanted. More than a third indicated that they would increase their spending if retailers provided greater assistance in-store and online. A pioneer in such segmentation, Best Buy has already begun to reap the rewards of targeted retailing. In addition to their current customer profiles, Best Buy has reported that new stores will also tailor their assortments to local cultures and

tastes. One example is the broad array of Polish music and videos in their Norridge, Illinois store. This unrivalled attention to their customers' needs is at the core their success. Recent estimates project that Best Buy's growth will outpace that of rival Circuit City by two-thirds between now and 2010.

Another retailer on the rise is Illinois-based Walgreens. With plans to add 550 stores to their 5,992 location portfolio over the next twelve months, Walgreens is confident in its growth potential. Their 6.5% increase in same store sales during August outpaces CVS' 4.9% growth and is above the 6.3% rise in sales among all Health and Personal Care Stores. Walgreens has also distinguished itself in the virtual realm as Consumer Reports recently ranked Walgreens.com as the top drugstore website in the country.

Non-store Retailers were granted a respite from double digit sales growth as August figures rose 7.3%, falling 2.1 percentage points behind year-to-date growth. Regardless, this category continues to outpace all others as retailers report rapid expansion in their online operations. Kohl's recently announced that their second quarter online revenue rose 60% over 2006.

Clothing and Accessories Stores are enjoying robust bricks and mortar results as well with sales jumping 7.1% as back-to-school gained momentum. Abercrombie & Fitch reported August same store sales were up 6.0% while American Eagle rose 9.0%.

General Merchandise Stores also benefited from the back-to-school season as sales rose 7.1%. Same store sales at Target climbed 6.1% and Wal-Mart increased 3.0%. This comes as the latter shed its ubiquitous "Always Low Prices" mantra in exchange for "Save Money. Live Better." Analysts interpreted the shift as an indication of Wal-Mart's desire to attract wealthier consumers, a strategy that may prove invaluable as the current credit crunch places increasing pressure on middle- and lower-income households with weighty mortgages and credit card debt.

Proof of premium retailers' resilience amidst the credit crunch rests in Saks' August same stores sales which rose 18.2% compared to 2006. With the prevailing economic woes likely to deal a softer blow to affluent urban centers, retailers are clamoring to secure a foothold in such markets. Nordstrom is currently in talks that may lead to its first Manhattan location in the former Drake Hotel. JC Penney is also poised to enter the market with the impending opening of its 150,000 square foot store at 6th and West 33rd.

As back-to-school shopping continues, many eagerly await September's results in order to gauge what lies ahead in 2007. Be sure to consult next month's bulletin to see if back to school is a harbinger of a heated holiday season or the forerunner of falling festive sales.

RELEASE DATE OF THE NEXT NATIONAL RETAIL BULLETIN:
October 12, 2007

Please note:

The J.C. Williams Group National Retail Bulletin compares the latest monthly release of "raw" (i.e., unadjusted for seasonality, holiday, and trading day) retail sales figures to those in the *same calendar month of the previous year*. The U.S. Census Bureau also reports seasonally adjusted sales that are compared to the *previous month within the current calendar year* to measure change in Gross Domestic Product (GDP). Although other sources use seasonally adjusted figures, J.C. Williams Group believes that using raw figures and making comparisons to the previous year's performance more accurately reflects the seasonality of the retail industry, and therefore, are more useful in analysis. Definitions can be found on the U.S. Census Website: www.census.gov.

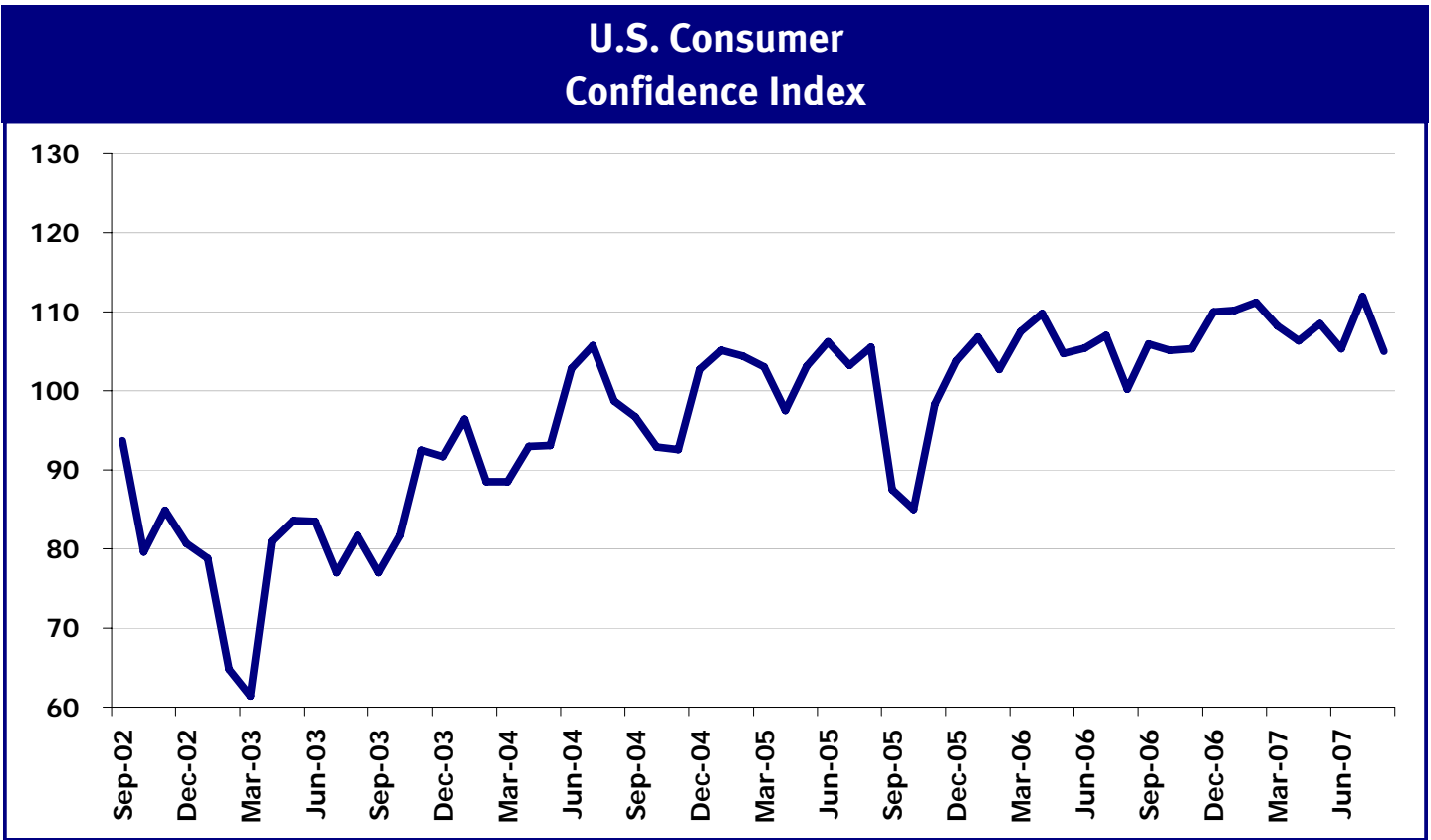
Retail Sales by Store Category

Sales for the Month of August	2007	2006	2007/2006
All Stores	394,877	379,088	4.2%
Motor Vehicle and Parts Dealers	85,417	83,075	2.8%
Gasoline Stations	38,648	39,217	-1.5%
Food and Beverage Stores	48,972	46,275	5.8%
Grocery Stores	43,552	41,387	5.2%
Health and Personal Care Stores	20,083	18,900	6.3%
Building Material and Garden Equipment Stores	31,269	31,597	-1.0%
General Merchandise Stores	48,222	45,026	7.1%
Department Stores (excluding leased departments)	17,275	16,898	2.2%
Clothing and Accessories Stores	19,235	17,957	7.1%
Furniture, Home Furnishings, Electronics and Appliance Stores	20,296	19,701	3.0%
Furniture and Home Furnishing Stores	11,037	10,741	2.8%
Electronics and Appliance Stores	9,259	8,960	3.3%
Sporting Goods, Hobby, Book and Music Stores	8,548	7,893	8.3%
Miscellaneous Store Retailers	10,835	10,163	6.6%
Nonstore Retailers	23,847	22,224	7.3%
Food Services and Drinking Places	39,505	37,060	6.6%

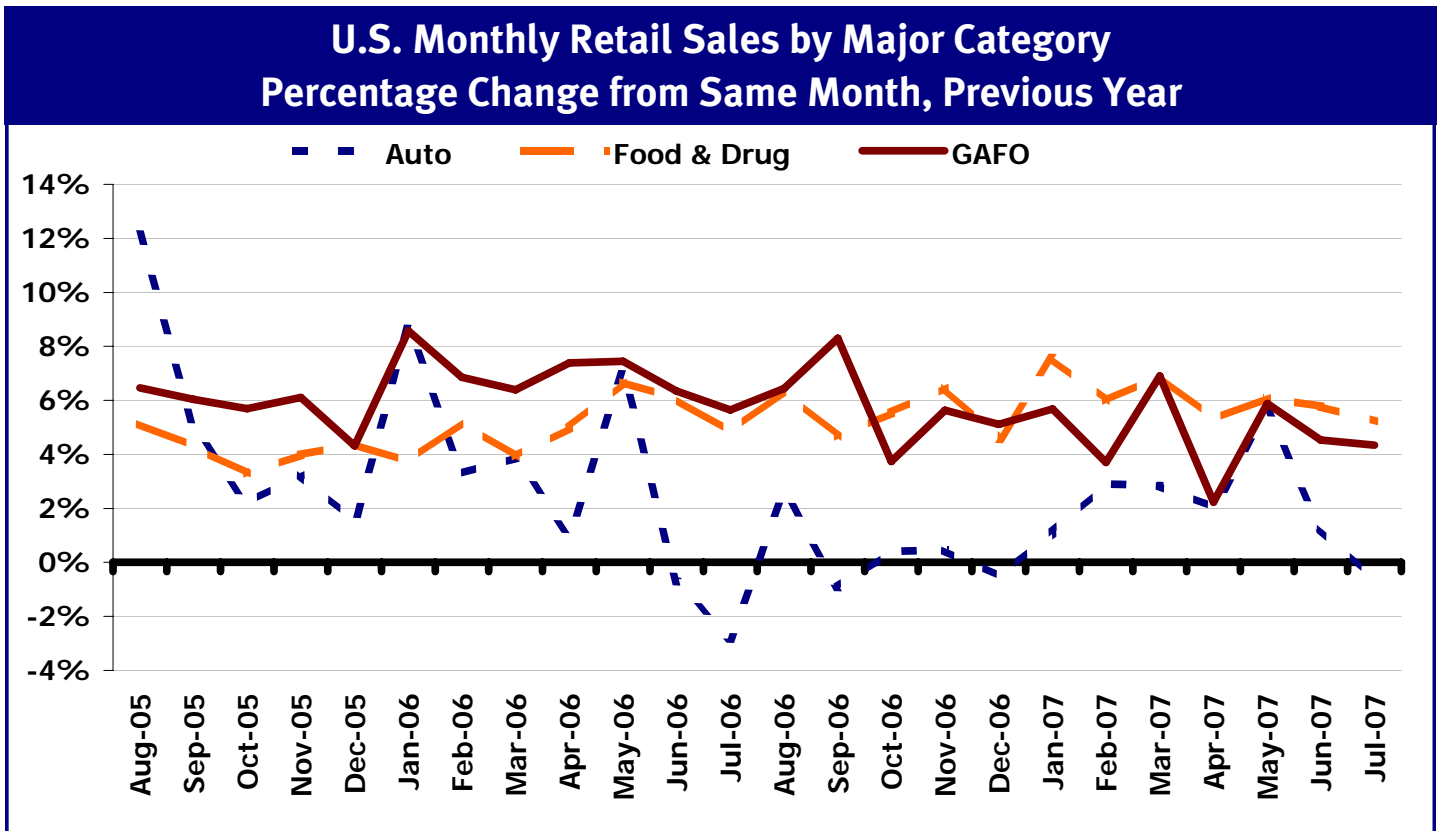
Year to Date Sales Ending August	2007	2006	2007/2006
All Stores	2,958,214	2,845,129	4.0%
Motor Vehicle and Parts Dealers	633,476	617,988	2.5%
Gasoline Stations	281,592	278,602	1.1%
Food and Beverage Stores	375,034	354,388	5.8%
Grocery Stores	335,176	317,584	5.5%
Health and Personal Care Stores	156,614	146,743	6.7%
Building Material and Garden Equipment Stores	242,654	246,354	-1.5%
General Merchandise Stores	361,289	343,481	5.2%
Department Stores (excluding leased departments)	127,127	128,104	-0.8%
Clothing and Accessories Stores	137,781	129,216	6.6%
Furniture, Home Furnishings, Electronics and Appliance Stores	148,929	144,501	3.1%
Furniture and Home Furnishing Stores	80,246	77,847	3.1%
Electronics and Appliance Stores	68,683	66,654	3.0%
Sporting Goods, Hobby, Book and Music Stores	55,080	53,540	2.9%
Miscellaneous Store Retailers	79,897	76,980	3.8%
Nonstore Retailers	187,387	171,336	9.4%
Food Services and Drinking Places	298,481	282,000	5.8%

Source: US Census Bureau. All Values are expressed in millions of US dollars and are not seasonally adjusted

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Source: U.S. Conference Board



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