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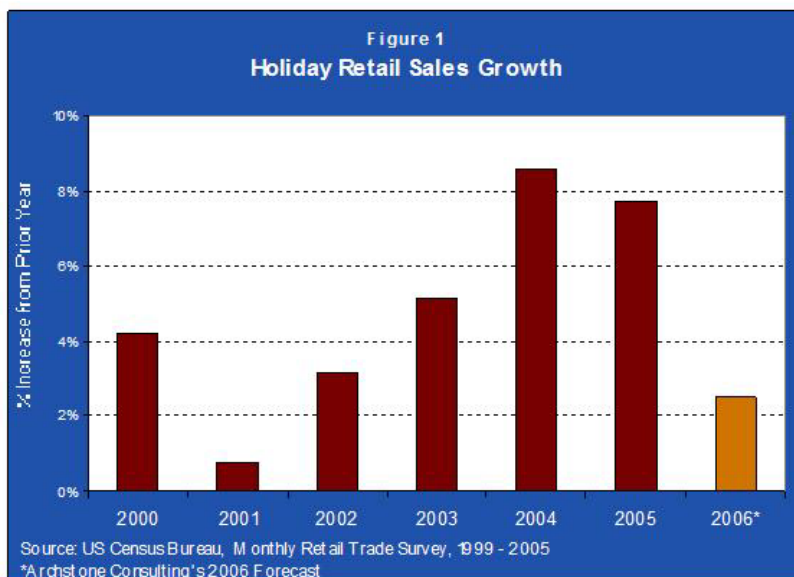
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Archstone Consulting Forecasts Lowest Retail Sales Increase Since 2001 for Upcoming Holiday Season
Declining Housing Market and Increasing Consumer Debt are Leading Factors

STAMFORD, CT – October 03, 2006 – Archstone Consulting, a rapidly growing strategy and operations management consulting firm, today announced that the declining housing market and growing interest rates could lead to the lowest holiday retail sales increase since 2001.

The Company expects holiday retail sales to increase 2.5% over 2005, a stark contrast to the first half of the year when retailers' strong results represented the largest first half sales gains since 2000¹ (see Figure 1). "As a result of the declining housing market and the tightening of consumer credit, millions of consumers will likely need to spend more of their incomes servicing existing debt," stated Michael Unger, a Director in Archstone Consulting's Consumer Products and Retail Practice. "And because the effects of the housing market are so significant, they will overshadow economic improvements such as lower gas prices and will negatively impact retail sales."



Hardware and Building Material Retailers Most Impacted

Archstone Consulting expects that hardware and building materials retailers will be one of the hardest hit retail sectors this year, with August housing starts down 6% to the lowest rate in more than three years², and new home construction down almost 20% from last year. While the hardware and building materials retail sector was a strong performer over recent years, Archstone Consulting predicts flat to negative growth for Holiday 2006.

Discount and Value Stores to Benefit from Declining Gas Prices

The Company anticipates that the recent decline in gas prices will benefit discount and value chains this holiday season. As consumers spend about \$70MM less per day on gasoline³, freeing more disposable income for discretionary spending, the Company expects lower-income consumers to increase consumption

¹ US Census Bureau, Advance Monthly Retail Trade Survey, 1999 - 2001

² US Department of Commerce, New Privately Owned Housing Unit Starts, Seasonally Adjusted, January 2002 – August 2006

³ Energy Information Administration, Finished Motor Gasoline Product Supplied and Weekly Retail Gasoline Prices, Sept. 2005 and Sept. 2006

⁴ 2005 American Express Gift Card Survey and ValueLink Gift Card Survey

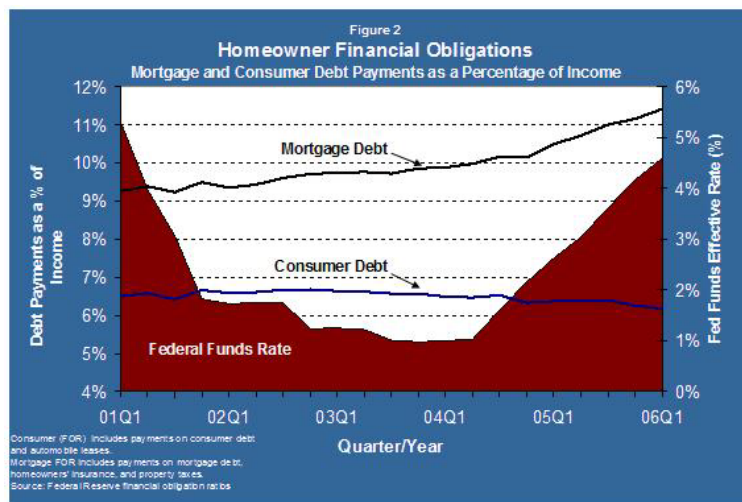
at discount and value stores. Archstone Consulting predicts these stores should see growth rates exceeding 5%, which is well above the expected average for all retailers.

Holiday Gift Card Redemption Recognized in Q1

Archstone Consulting also predicts that the popularity of gift cards will continue this holiday season, but will not be recognized until Q1 2007. While these cards are lucrative sales alternatives for retailers (34 – 55% of consumers spend more at redemption than the value of their gift cards⁴), the “gift card effect” actually softens holiday sales as the cards’ revenues are recognized at redemption, not at the point of sale. In fact, Archstone Consulting attributes the strong performance of retailers in the first half of 2006 to the popularity of gift cards in Holiday 2005, and expects the trend to continue in Q1 2007.

Supporting Data:

- ✓ **Declining Housing Market:** Archstone Consulting cites the impact of 17 straight increases in the federal funds rate as a major factor in the predicted poor performance of the 2006 Holiday season. Additionally, the wealth effect resulting from rising home prices and record cash-out refinancing activity has slowed and now homeowners are suffering from a significant lack of disposable income. Since 2000, homeowners have withdrawn \$2.5 trillion in equity⁵. Finally, many homeowners are due for a major monthly payment increase as the popular adjustable rate mortgages (ARMs) of the past few years begin to reset. ARMs’ totaling \$1 trillion⁶ will reset in 2006-2007 increasing mortgage costs by \$2 billion per month. With consumers’ mortgage obligations increasing, less income will be available for retail spending (see Figure 2).



“Millions of consumers will need to spend more of their incomes servicing existing debt. A homeowner with a \$250,000 ARM may see a monthly payment increase of \$450,” stated Michael Unger.

- ✓ **Tightening of Consumer Credit:** Year to date, consumers have spent about \$760MM more per month in interest payments on credit card debt than they did last year – an amount 400% greater than last year’s increase and the sharpest rise since 2000⁷.

“In our 2005 holiday forecast, we expressed concern that consumers could not sustain current debt to income ratios. We believe that the diminished capacity for debt will manifest itself in the coming holiday season,” stated Andrew Buss, a Director in Archstone Consulting’s Consumer Products and Retail Practice.

⁵ US Federal Reserve, Revolving Home-Equity Loans, 2000-2005

⁶ Mortgage Bankers Association, as reported in ‘Homeowners with ARMS face big bill jump,’ CNNMoney.com, Nov. 18 2005

⁷ US Federal Reserve, Consumer Credit Historical Data, Total Revolving Credit, Jan. 2005 – May 2006

Analysis Notes

This forecast has been consolidated by Andrew Buss and Mike Unger, Directors, and Brian Murphy, an Associate of Archstone Consulting, with significant statistical contribution by Josh Nelson, Associate, with the firm.

The information provided above is provided by Archstone Consulting solely for informational purposes. In addition, the statements above speak as of the date of this release. Factors could arise after this date that could affect the outcomes and forecasts set forth above. Archstone Consulting disclaims all responsibility and liability for any action taken or not taken, in reliance on this information.

About Archstone Consulting

Archstone Consulting is a rapidly growing, independent strategy and operations management consultancy. Archstone Consulting specializes in strategic initiatives and advice, CFO advisory services, and implements operations improvement services to fund growth in the consumer products and retail, life sciences, manufacturing, and services sectors. Archstone Consulting offers experienced support, efficient execution and measurable results. Headquartered in Stamford, Connecticut, the company has offices in Amsterdam, Chicago, London, New York, San Francisco and Toronto. For additional information, please visit the company's web site at www.archstoneconsulting.com.

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