



RETAIL INVESTMENT UPDATE

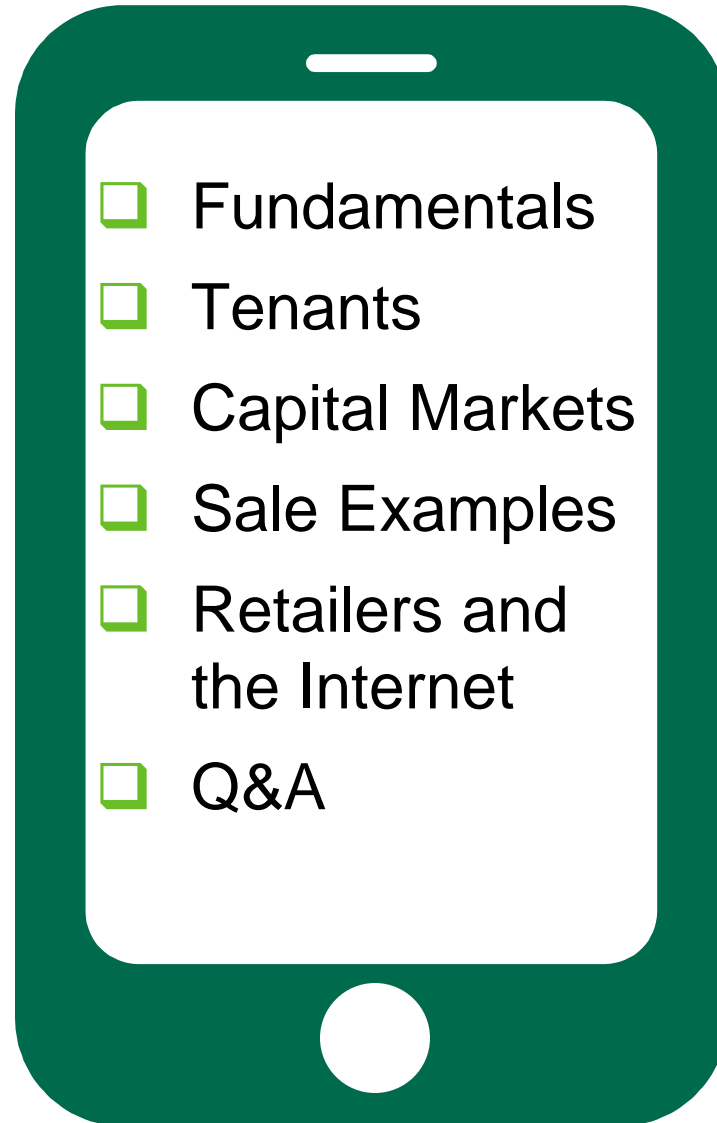
Retail Rising – All Factors Indicate an Exceptional 2015

May 6, 2015

CBRE



AGENDA



- Fundamentals
- Tenants
- Capital Markets
- Sale Examples
- Retailers and the Internet
- Q&A



FUNDAMENTALS

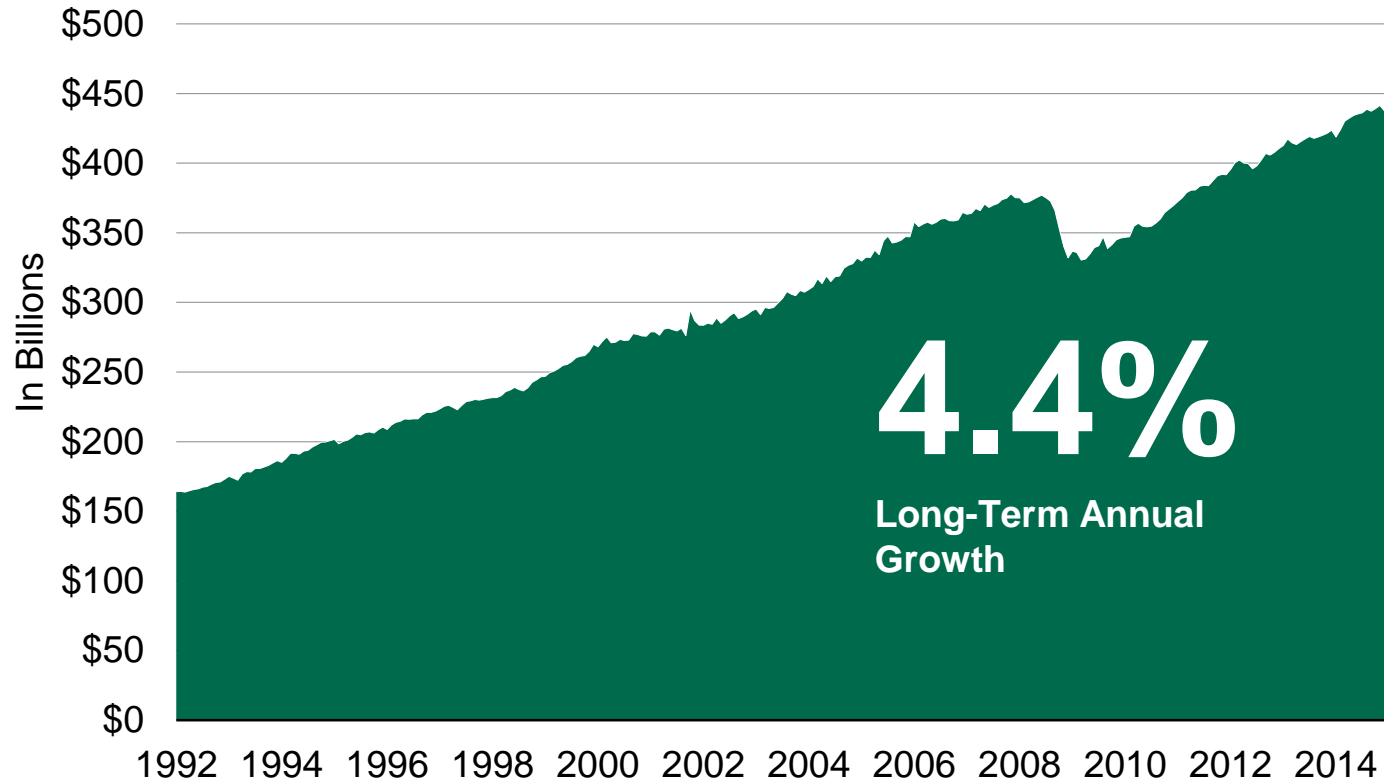
Mark Bratt, Senior Managing Director

CBRE



RETAIL SALES GROWTH IS CONSISTENTLY STRONG

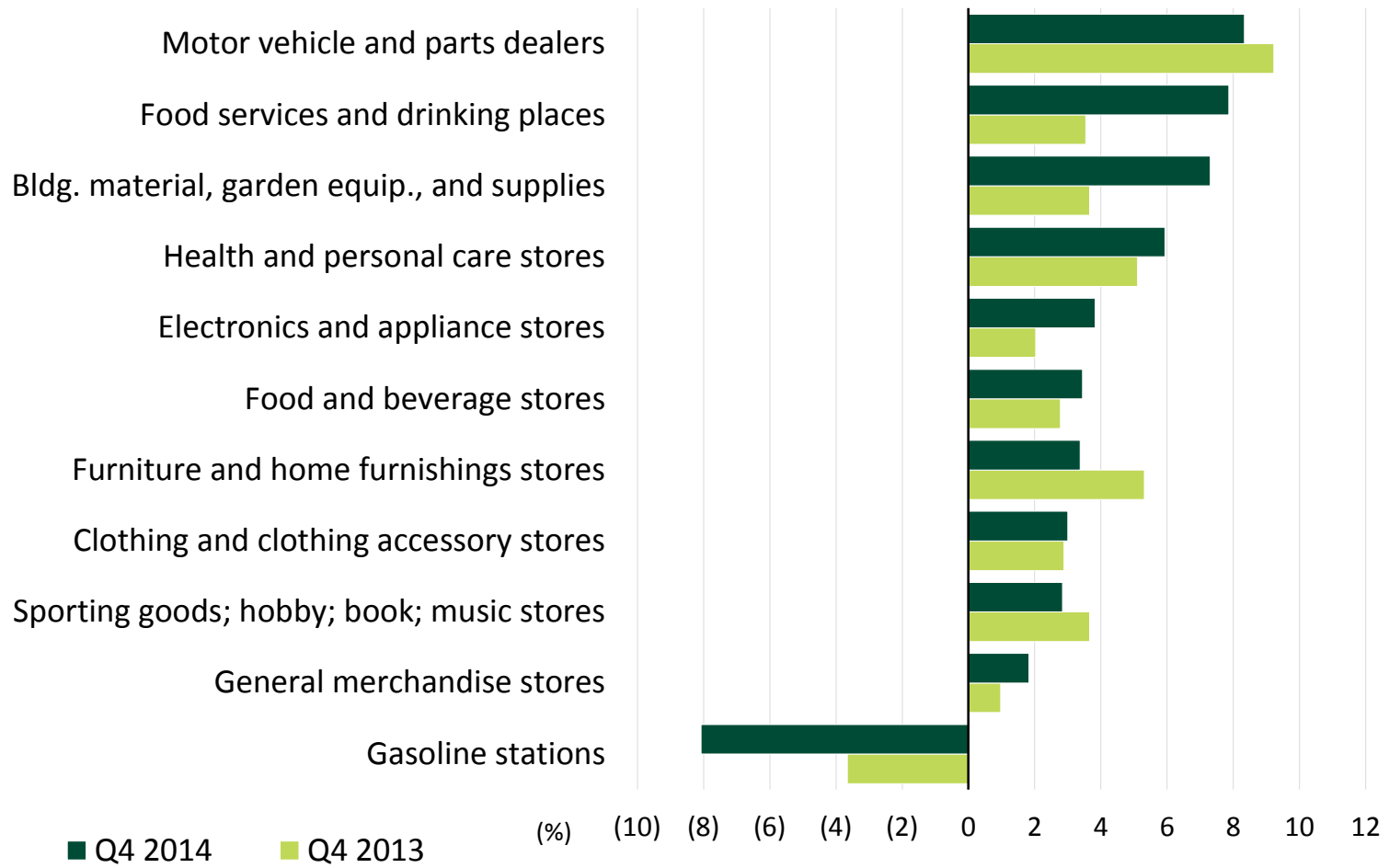
U.S. Retail Sales



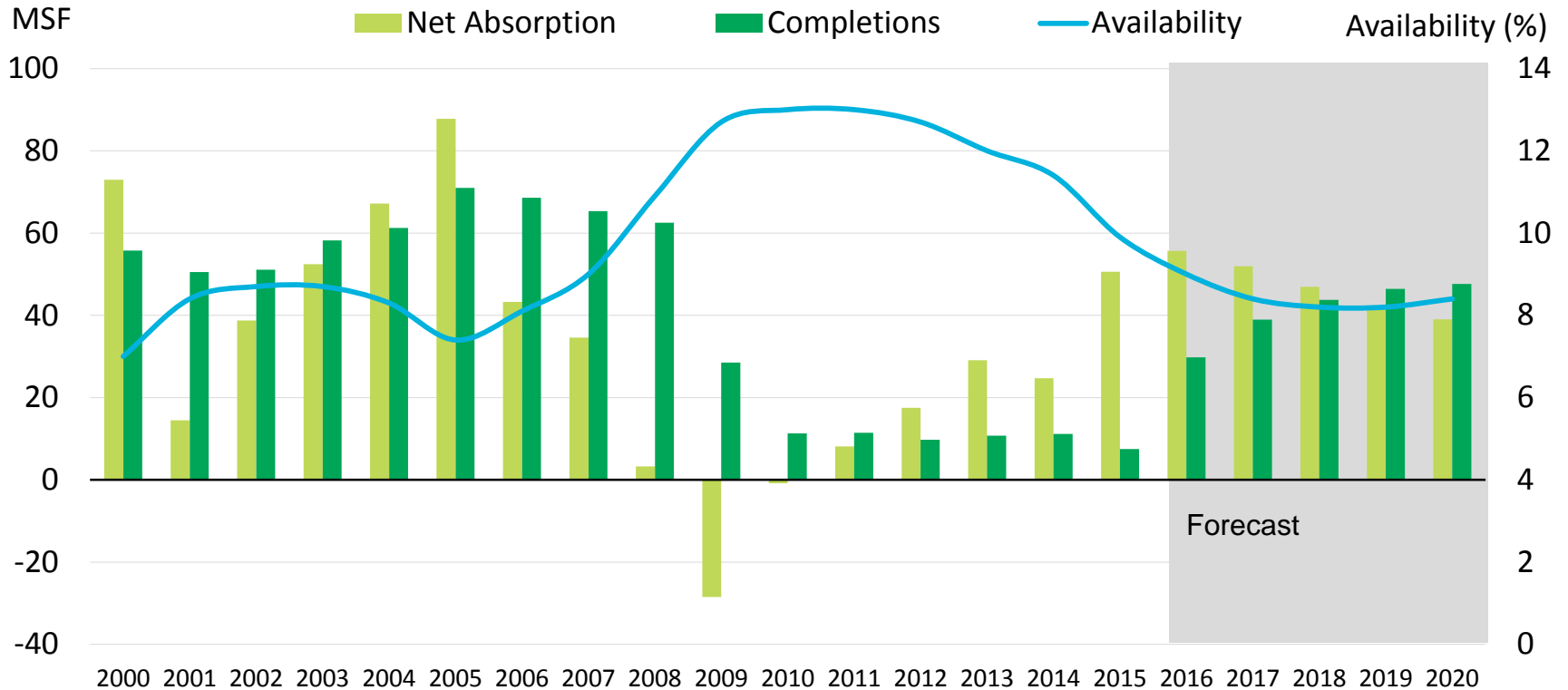
Source: US Census Bureau



RETAIL SALES GROWTH BY SEGMENT



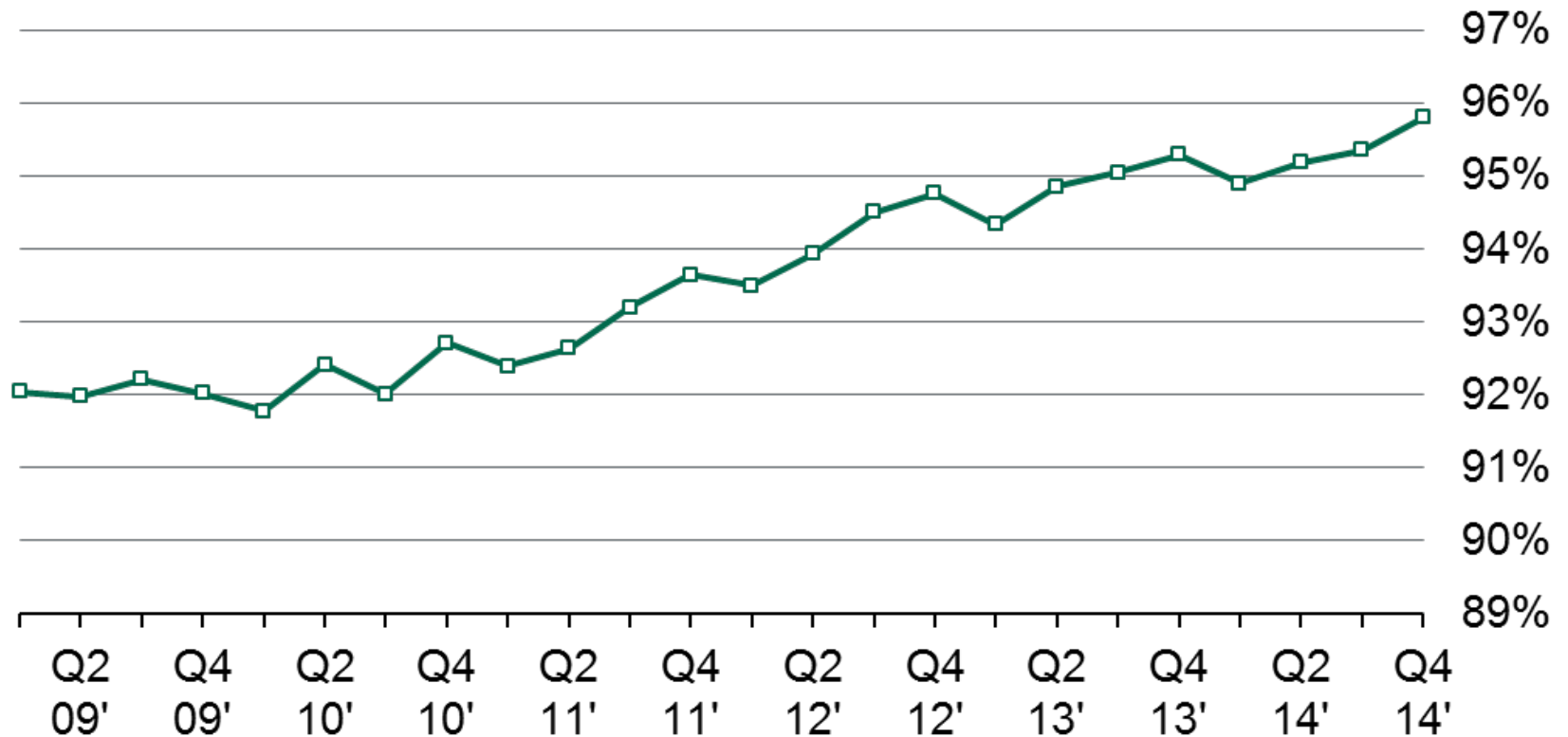
DEMAND FAR EXCEEDS SUPPLY



Source: CBRE Econometric Advisors, Q4 2014

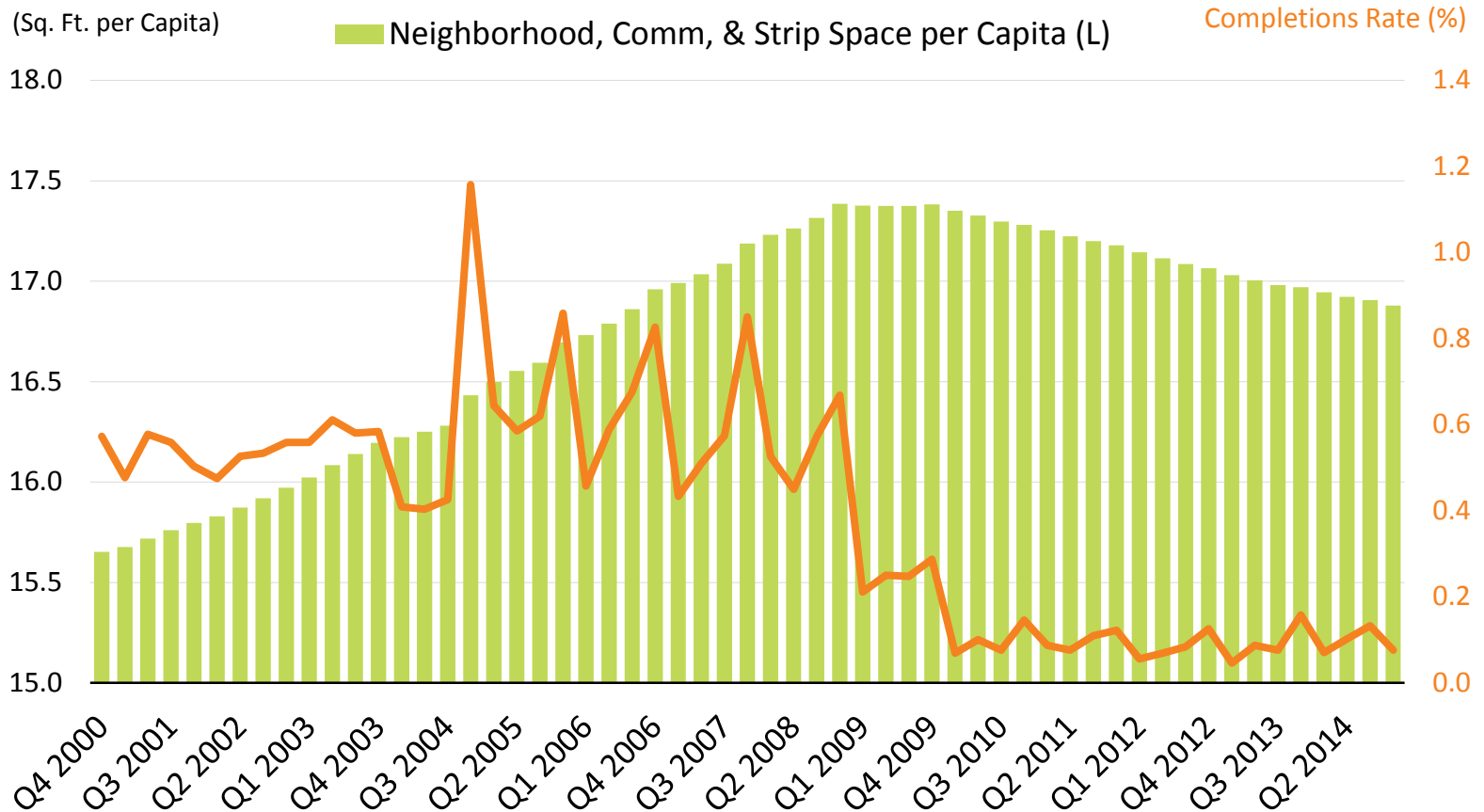
OCCUPANCY AT THE STRIP CENTER REITS

REITs are a Proxy for High Quality Centers



Source: SNL

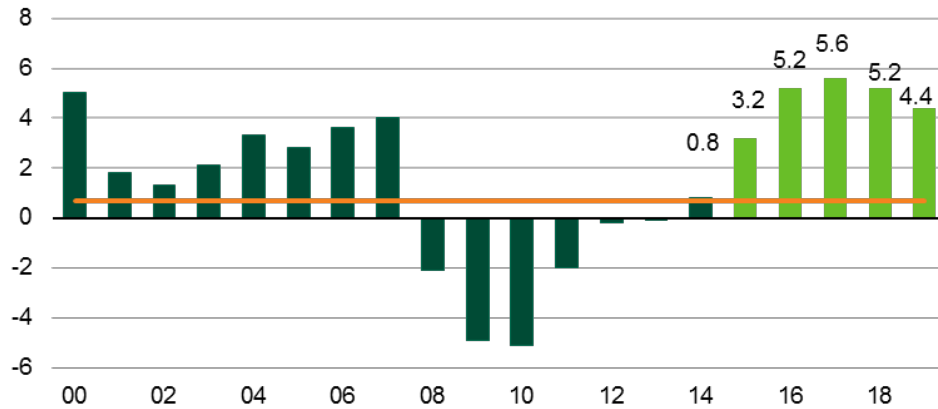
RETAIL SPACE PER CAPITA IS DOWN



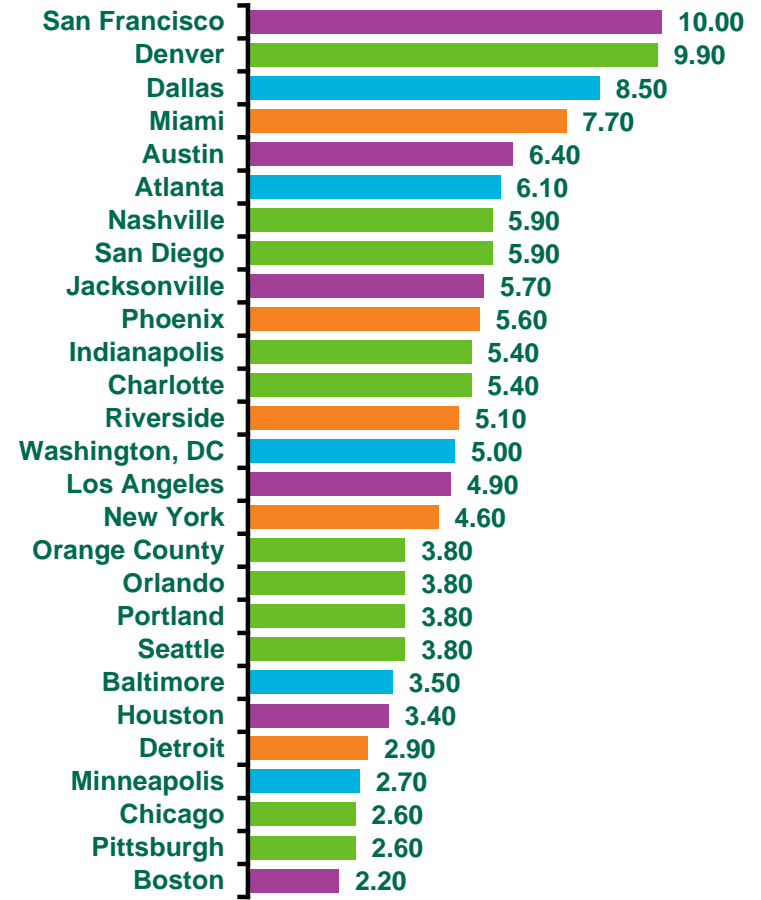
Source: CBRE Econometric Advisors, Q4 2014

RENT GROWTH IS ROBUST

Annual Rent Change for Neighborhood & Community Centers



Projected Annual Rent Growth for Major Metros Over the Next Two Years



REIT	Volume (ksf)		Leasing Spreads	
	New	Renew	New	Renew
Brixmor	403	1,988	39.4%	8.6%
DDR	247	1,462	26.9%	6.7%
Equity One	58	674	5.7%	6.8%
Weingarten Realty	142	1,064	9.2%	8.9%
Averages			20.3%	7.8%

Source: CBRE Econometric Advisors, Q4 2014



TENANTS

Anthony Buono, Executive Managing Director

CBRE



AMERICAS RETAIL PLATFORM

- **450 Retail Professionals**
Possess deep access to retail professionals and clients everywhere
- **1,100 Retailers Represented**
Capitalize on the broadest and most complete knowledge of retailer thinking
- **150 Research & Analytics Professionals**
Deliver institutional quality multi-market knowledge
- **10,375 Retail Transactions Per Year**
Deliver precise and relevant transaction knowledge locally, regionally and globally
- **100M Square Feet Under Management**
Institutional Grade Portfolio to enhance brand
- **300M Square Feet of Leasing**
Highly diverse portfolio of assets providing insights into all best practices



AMERICAS RETAIL PLATFORM

CBRE Services for Retailers



Out Sourcing



Site Selection



Transaction Management



Location Analytics

RETAILER DECISION MAKING IS EVOLVING

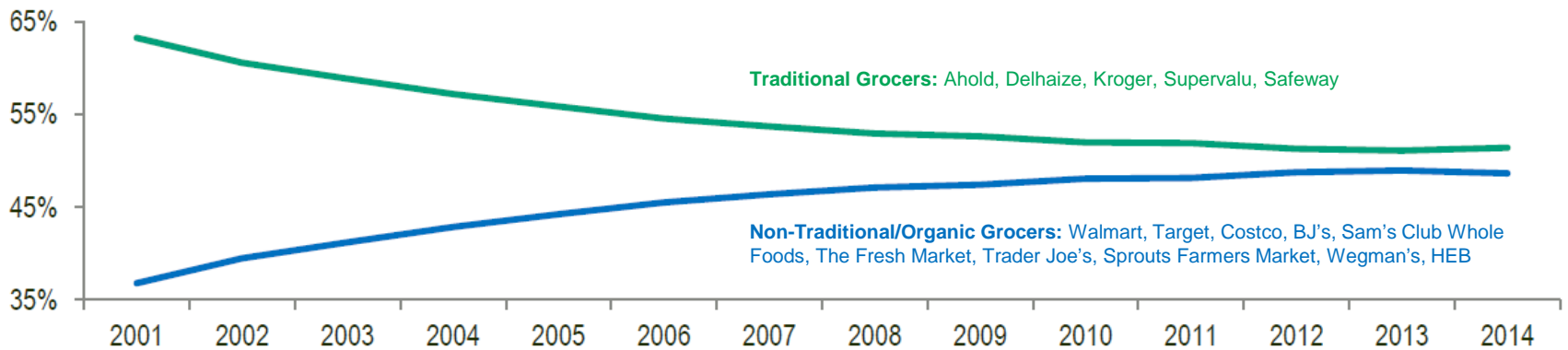
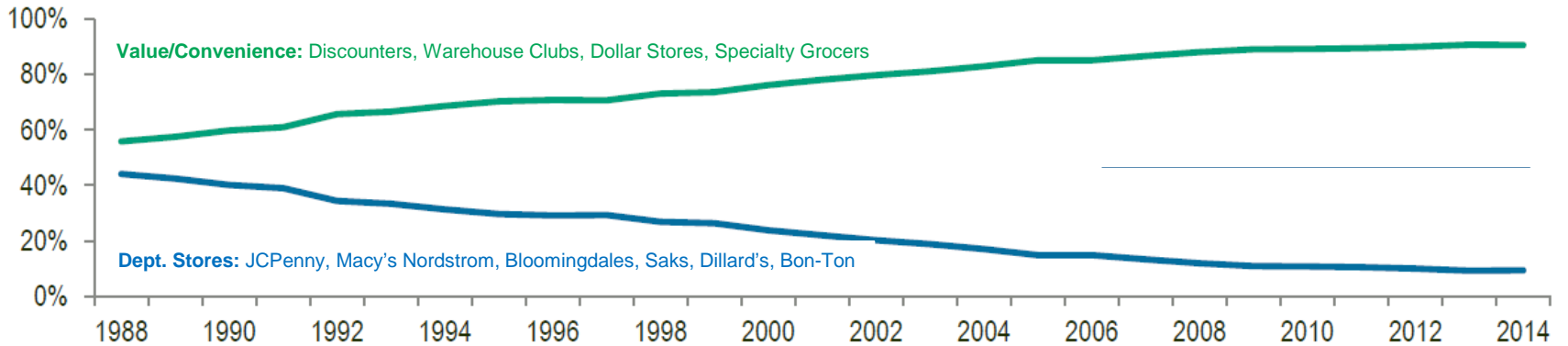


Big Data

Emotional Intelligence

Science for Site Selection

VALUE RETAILERS AND SPECIALTY GROCERS ARE WINNING MARKET SHARE



Source: US Census Bureau

RETAILER EXPANSION PLANS

Anchor Tenants	Openings	Typical Size	Demand (SF)	Smaller Tenants	Openings	Typical Size	Demand (SF)
Bed Bath & Beyond	30	30,000	900,000	Autozone	44	6,600	290,400
Dick's	50	50,000	2,500,000	Chipotle	200	2,500	500,000
DSW	35	22,000	770,000	Dollar Tree	375	11,000	4,125,000
Kroger	45	60,000	2,700,000	Dunkin Donuts	410	1,600	656,000
LA Fitness	55	45,000	2,475,000	Five Below	70	8,000	560,000
Michael's	30	20,000	600,000	Five Guys	600	2,500	1,500,000
Nordstrom Rack	35	35,000	1,225,000	GameStop	300	1,400	420,000
PetCo	70	10,000	700,000	Mattress Firm	200	5,000	1,000,000
PetSmart	75	20,000	1,500,000	Menchie's	150	1,500	225,000
Publix	30	47,000	1,410,000	Noodles	57	2,700	153,900
Ross	90	28,000	2,520,000	Panda	110	2,000	220,000
Sprouts	27	28,000	756,000	Panera	110	4,500	495,000
TJX	180	30,000	5,400,000	Party City	30	10,000	300,000
Ulta	100	11,000	1,100,000	Skechers	40	8,000	320,000
Walmart Markets	235	40,000	7,600,000	Starbucks	200	2,000	400,000
Walmart Super Centers	79	150,000	9,000,000	UPS Stores	120	1,000	120,000
Whole Foods	40	40,000	1,600,000	Verizon Wireless	100	4,000	400,000
				Vitamin Shoppe	50	4,000	200,000
Totals			42,756,000	Totals			11,885,300

RETAILER CONTRACTION PLANS

Anchor Tenants	Closures	Average Store Size	Shadow Supply
Staples	60	19,000	1,140,000
Office Depot	135 stores in 2015 100 stores in 2016	23,000	3,105,000
Best Buy	2	32,000	64,000
Barnes & Noble	13	26,000	338,000
Totals			4,647,000



CAPITAL MARKETS

Mark Bratt, Senior Managing Director

CBRE



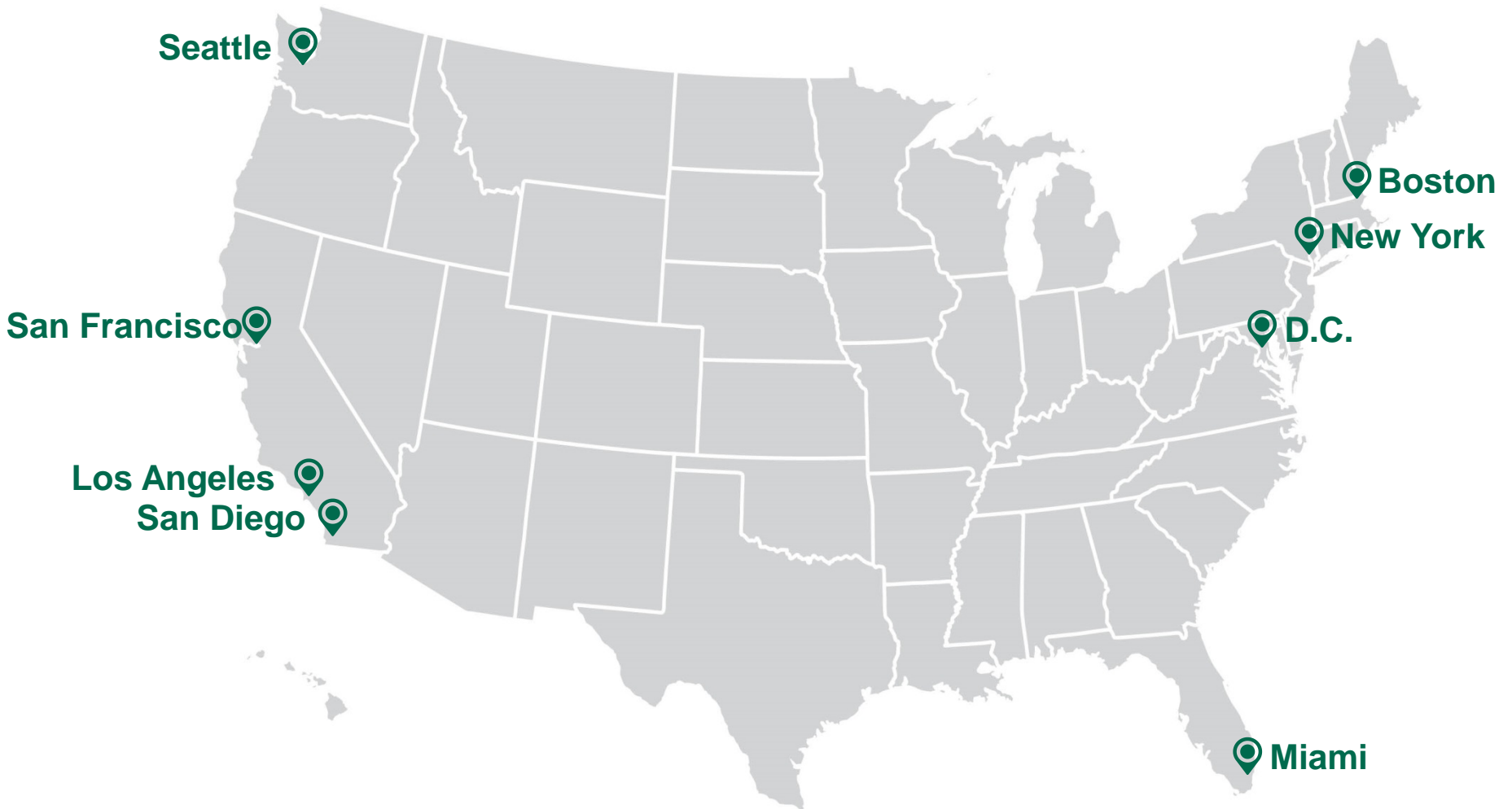
CORE RETAIL PROPERTIES

Boxes that Need to be Checked

- ✓ Good Infill Location
- ✓ Excellent Demographics
- ✓ “A” Retailers
- ✓ Strong Tenant Sales
- ✓ No Debt to Assume
- ✓ NOI Growth of at least 2% Annually
- ✓ Larger Deal Size

CORE RETAIL PROPERTIES

Coastal Markets: 4.25%-5.0% Capitalization Rates



CORE RETAIL PROPERTIES

Non-Coastal Major Markets: 5.0%-6.0% Capitalization Rates



CORE RETAIL PROPERTIES

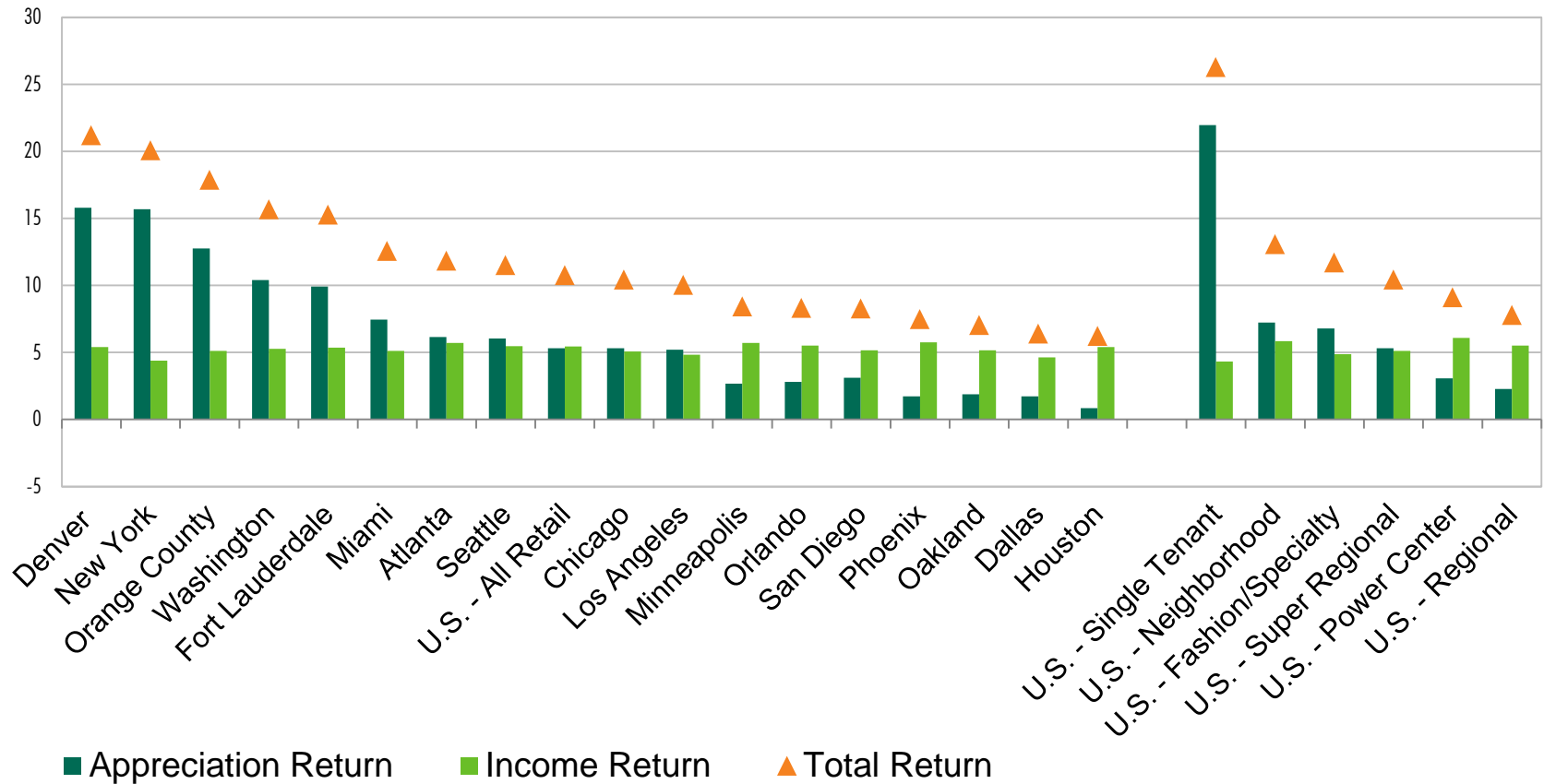
Secondary Markets: 6.0%-7.0% Capitalization Rates



UNLEVERED NCREIF RETURNS

Institutional Retail Returns for Major Markets

Q4 2014 Returns, Annualized (%)



Sources: CBRE Research, NCREIF, Q4 2014. All returns are reported on an unlevered basis.

WHERE ARE THE OPPORTUNITIES TODAY?

➤ Urban Retail

- Look beyond High Street retail
- Bigger boxes have scarcity value in urban locations
- Future densification is a benefit

➤ Retail centers where not all boxes are checked

- A good location with solid demographics is a must have
- Upgrading the center with new and better merchants
- Acquiring a center with additional land

➤ Secondary Markets

- Buy the best center in the trade area
- Get enough of a return premium for the lower liquidity

➤ B+ Malls

- Shop sales greater than \$350/SF
- Replacement tenants for Sears
- Infill high barriers to entry markets

RETAIL PROPERTY TYPES AT RISK

➤ Grocery Anchored Centers

- Where the grocer is owned by a private equity firm with multiple brands in the trade area
- Watch out for new grocery stores entering the market or trade area (Wegman's, HEB, Sprouts, Whole Foods)

➤ B- Malls

- Tenant sales below \$300/SF
- Large capital expenditures

➤ Lifestyle Centers

- Tenant sales below \$300/SF
- Threat of new outlet center construction



PROPERTY SWAPS

Casey Rosen, Executive Vice President, Florida and Puerto Rico



REAL WORLD EXAMPLE



PROCESS

- Typical underwriting and marketing of a single property or portfolio
- Instead of cash offers, we would seek assets for trade
- Buyers would provide the seller with certain property information
- The seller would identify and value potential trade assets during a brief evaluation period
- The seller would respond to bidders with proposed pricing and terms for their trade property candidates and negotiate terms of a transaction



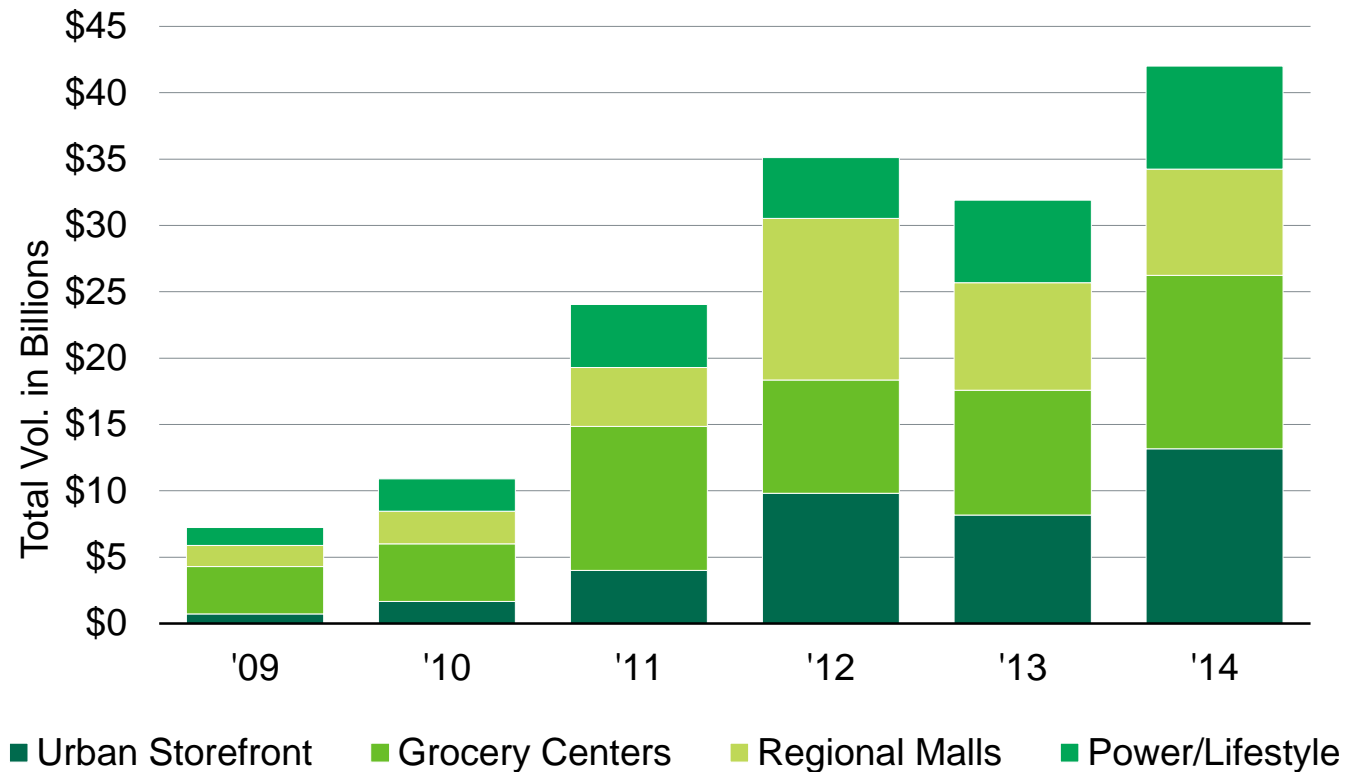
URBAN RETAIL

George Good, Executive Vice President, Midwest Region

CBRE



URBAN RETAIL SALES



Source: Real Capital Analytics

LINCOLN PARK CENTER



LINCOLN PARK CENTER

Lincoln Park Center | *Urban Storefront Center*



Location

Chicago, IL



Size

61,761 SF plus
156 car parking deck



Tenants

Eddie Bauer, Sur La Table,
Design Within Reach,
Carter's, Bank of America



Price

\$64,000,000

SHOPS AT STATE PLACE



SHOPS AT STATE PLACE

Shops at State Place | Urban Storefront Center



Location

Chicago, IL



Size

61,639 SF plus
156 car parking deck



Tenants

Walgreens, Kriser's, FFC
Health Club, H&R Block,
Hair Cuttery



Price

Offers due May 27th



PRICING IN SECONDARY AND TERTIARY MARKETS

Chris Cozby, Senior Vice President, Southwest Region



BELLE ISLE STATION

Belle Isle Station | *Power Center*



Location

Oklahoma City, OK



Size

204,484 SF



Tenants

Ross, Nordstrom Rack,
Old Navy, Shoe Carnival,
Kirkland's



Price

Confidential

BELLE ISLE STATION





LARGE SINGLE ASSET TRANSACTIONS

Bill Kent, Executive Vice President, Mid-Atlantic Region

CBRE



LARGE SINGLE ASSET TRANSACTIONS

Activity Drivers

- ✓ Increased institutional demand
- ✓ Larger retail properties are typically dominant & stable
- ✓ Diversification of tenant risk
- ✓ Scale addresses allocation needs
- ✓ Better odds with fewer competing bidders
- ✓ Increased certainty with sophisticated participants

FESTIVAL AT BEL AIR

Festival at Bel Air | Community Shopping Center



Location

Bel Air, Maryland



Size

437,227 SF



Tenants

ShopRite, Kohl's, Marshalls, A.C. Moore, Rite Aid, Five Below, Petco



Price

\$113,000,000

FESTIVAL AT BEL AIR



EAST GATE SQUARE

East Gate Square | Regional Open Air Center



Location

Moorestown, NJ
(Philadelphia)



Size

771,856 SF



Tenants

ShopRite, Dick's, Floor & Décor, Best Buy, PetSmart, A.C. Moore, Ross, hhgreg, Michaels, Staples, Old Navy



Price

Offers due May 13th

EAST GATE SQUARE





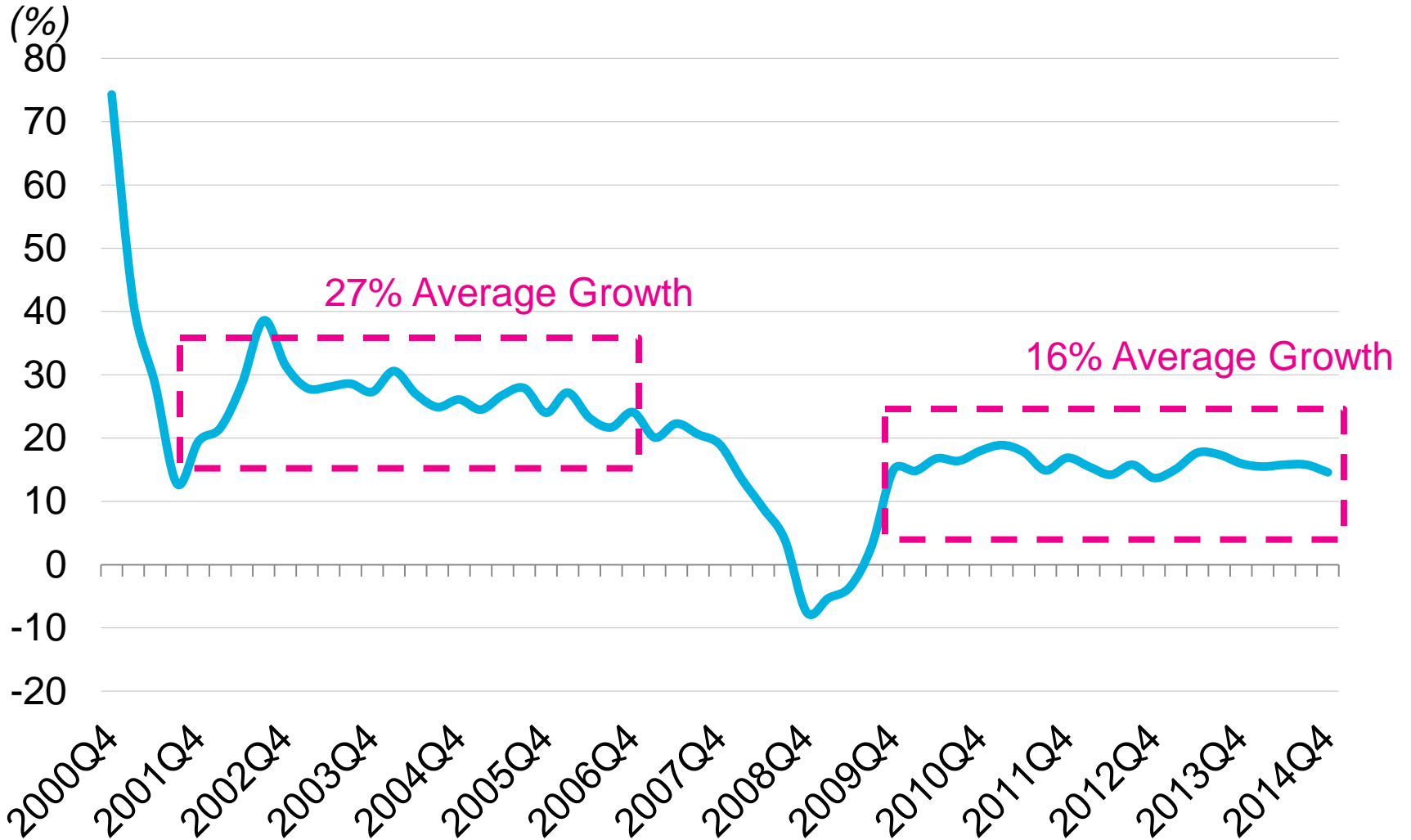
RETAILERS AND THE INTERNET

Ian Anderson, Director, Research and Analysis



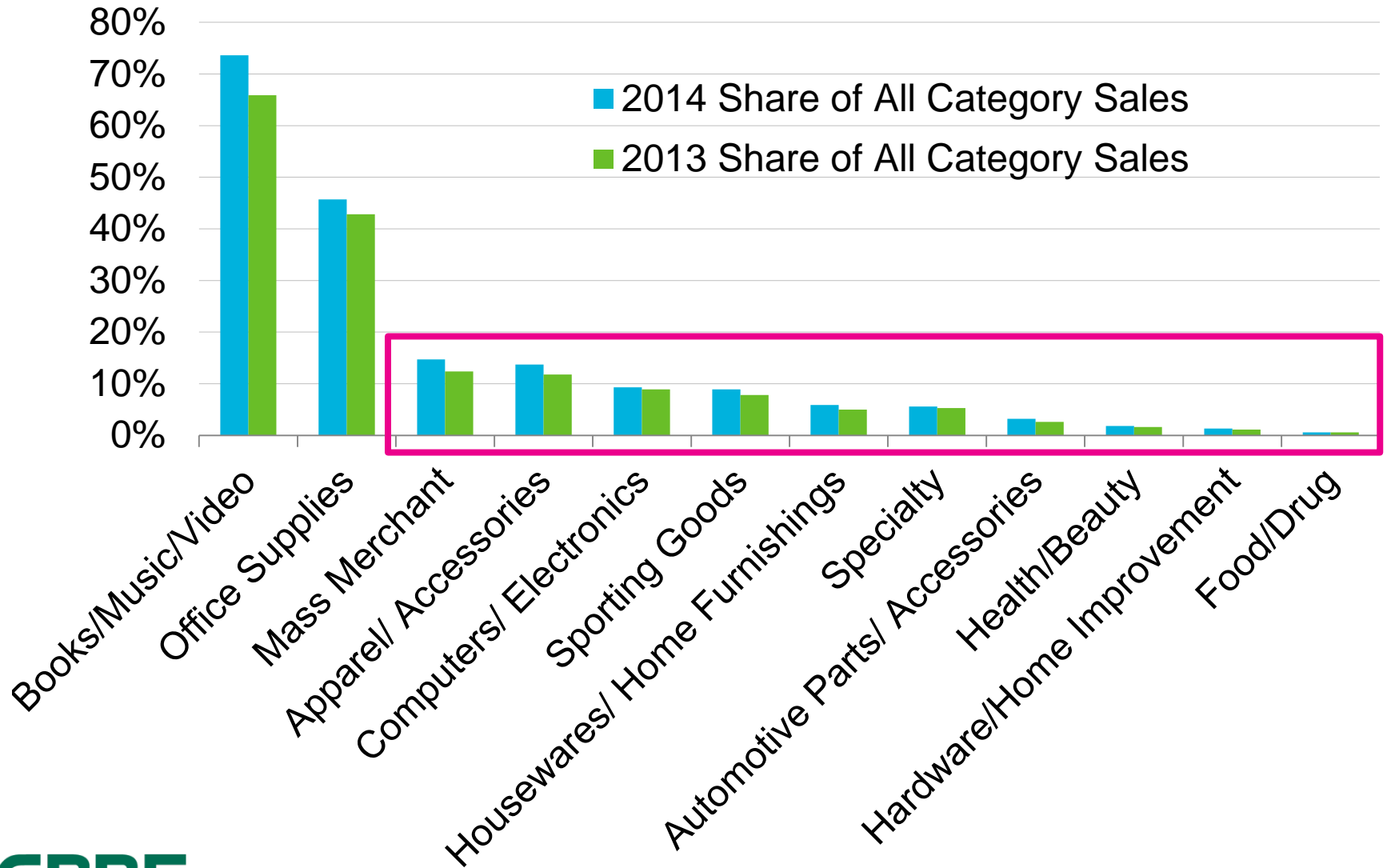
E-COMMERCE IS A MATURING INDUSTRY

Year-over-year change in E-commerce sales



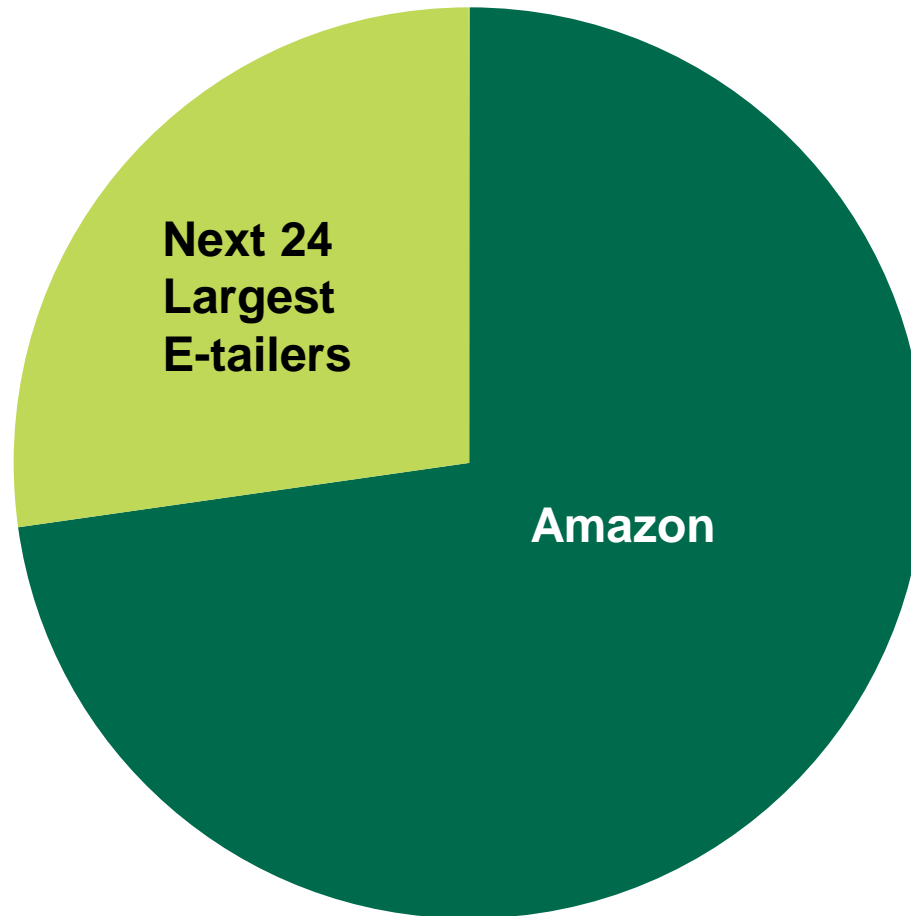
RETAIL CATEGORY SALES: OFFLINE VS. ONLINE

Web sales as a percentage of total sales



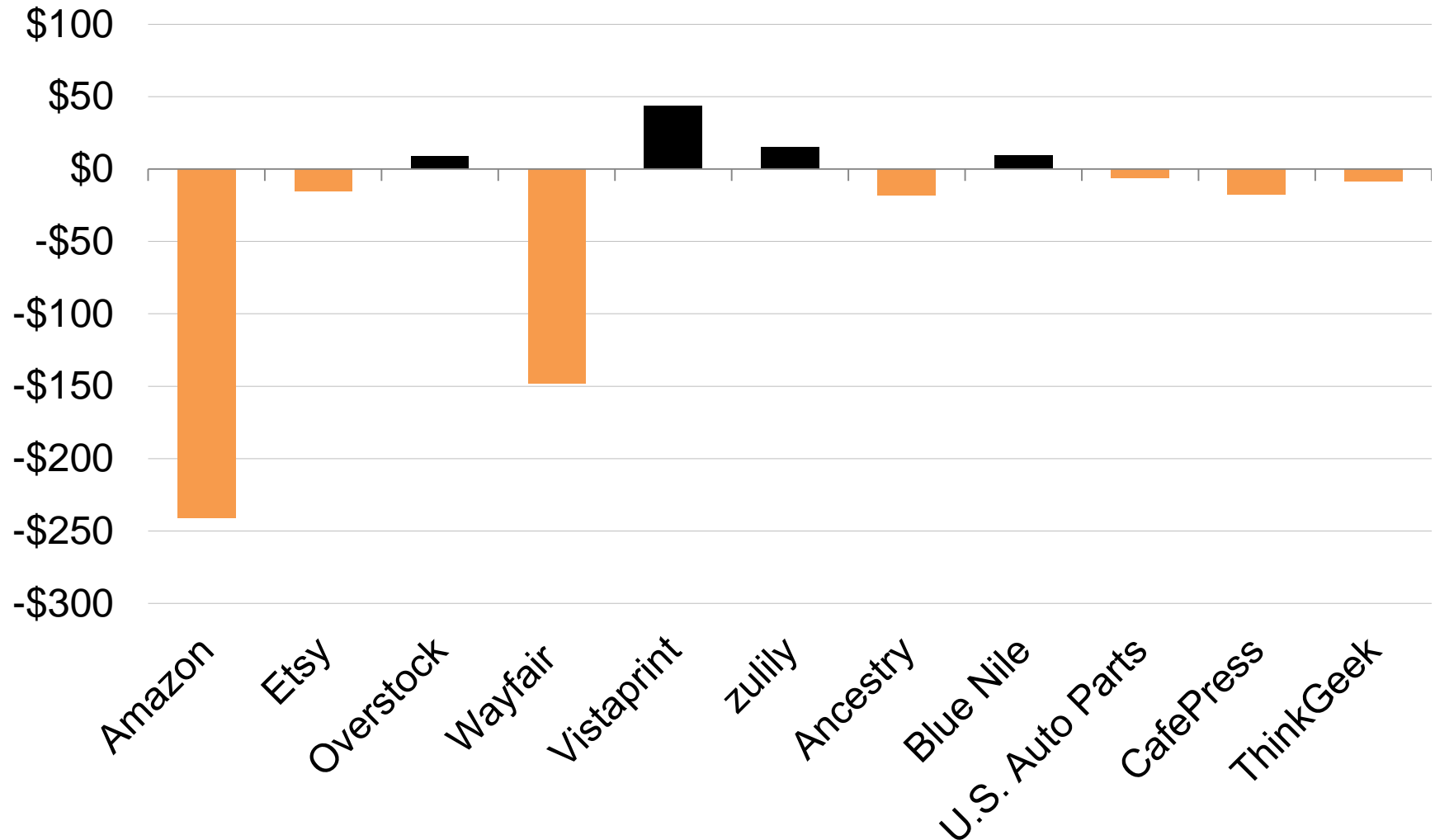
AMAZON ONLY MATTERS AMONG E-TAILERS

Share of 2014 Web Sales



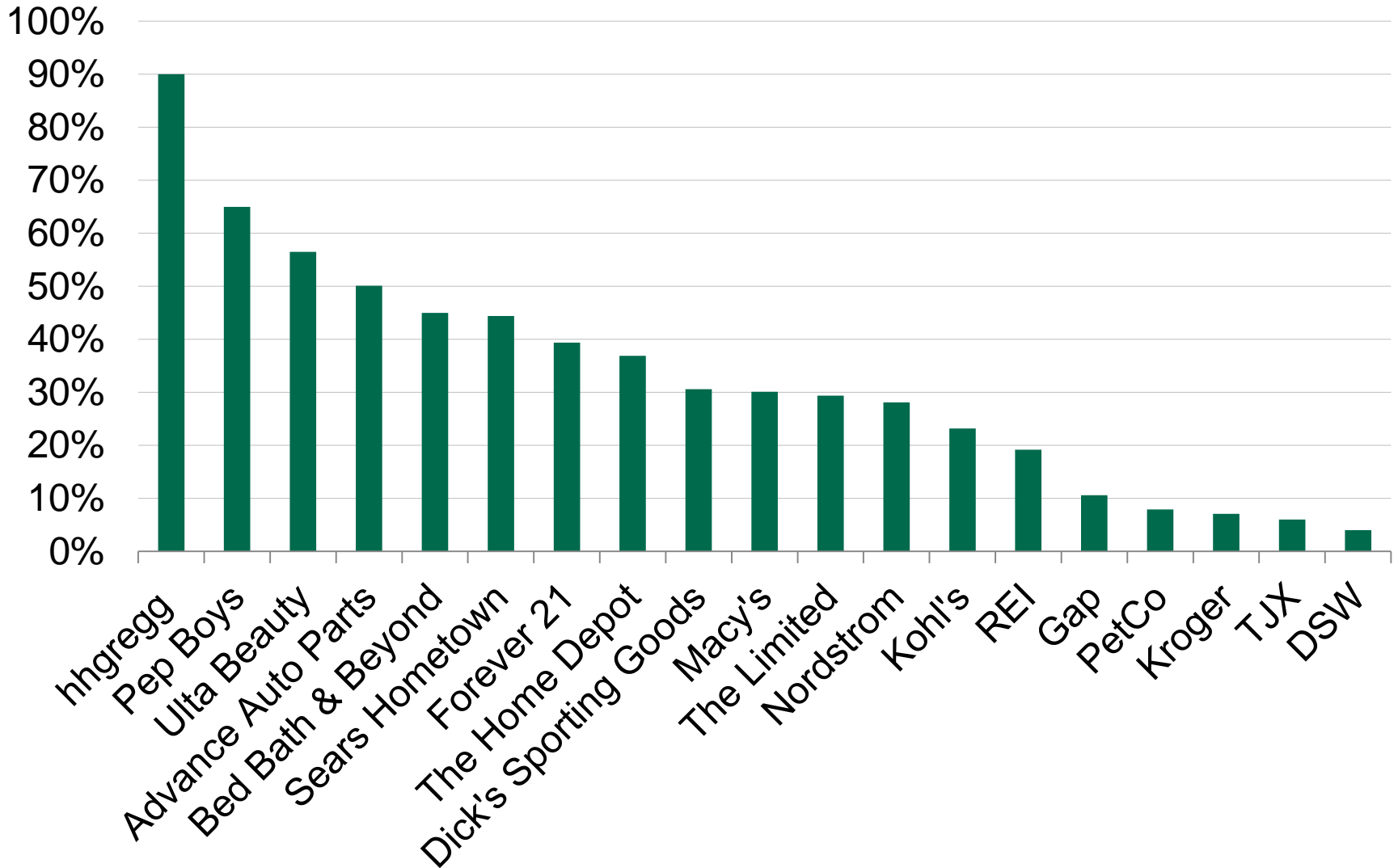
PUBLIC WEB-ONLY MERCHANTS STILL STRUGGLING TO MAKE MONEY

2014 Net Income (Millions)



RETAIL CHAINS: FASTEST GROWING WEB SALES

2013-2014 Change



THE SHIFT TO OMNICHANNEL RETAILING

Buy Online



Pick up in Store



Transport Home



Buy Online



Ship from Store



Deliver Home



Buy in Store



Return Online



Pick up/Deliver Home



Visit Store



Purchase via Tablet



Deliver Home



OmniChannel retailing is the use of all physical channels (offline) and digital channels (online) which offers a seamless, innovative and unified customer experience.

ONLINE SALES VS. STORE SALES AND GROWTH

	Web Sales Growth 2013-2014	Comparable Store Sales Growth 2013-2014	Growth in Stores 2013-2014
Walmart	21%	0%	6%
Dick's Sporting	31%	2%	8%
REI	19%	4%	7%
Bed Bath & Beyond	45%	2%	2%
TJX	6%	2%	11%
Gap	11%	0%	5%
Nordstrom	28%	4%	12%
Costco	21%	4%	5%
Staples	8%	-4%	-23%
Sears Holdings	16%	-6%	-29%
Office Depot	5%	-3%	-16%
J.C. Penney	13%	4%	-3%
Lands' End	2%	-3%	-12%

THE AGE OF OMNICHANNEL

“As our omni-channel strategy continues to mature, it becomes increasingly difficult to distinguish the store sale and an eCommerce sale.”

- Kohl’s

“For the year, omni sales, that is sales that are demanded in one location and fulfilled from another, almost doubled.”

- DSW

“Our strategy with eCommerce is to grow smart and drive traffic both online and to our brick-and-mortar businesses.”

- TJX

“Our new omni-channel capabilities grew nearly 70% during the quarter, driven by higher conversion rates in our new in-store pickup capability”

- PetSmart



FINAL THOUGHTS

Mark Bratt, Senior Managing Director

CBRE



RETAIL RISING

All Factors Point to an Exceptional 2015

- ✓ Strong tenant demand
- ✓ Limited supply
- ✓ Rent growth is robust
- ✓ Increasing wage growth
- ✓ More consumer income from lower gas prices
- ✓ Vacancy rates at quality shopping centers is low
- ✓ Retailers learning how to use their stores in an OmniChannel world
- ✓ CBRE Retail is committed to assisting its clients achieve optimal outcomes for their retail real estate investments

QUESTIONS



THANK YOU FOR JOINING US.

A call recording with a summary document will be circulated to the email you provided during registration.

