



2016

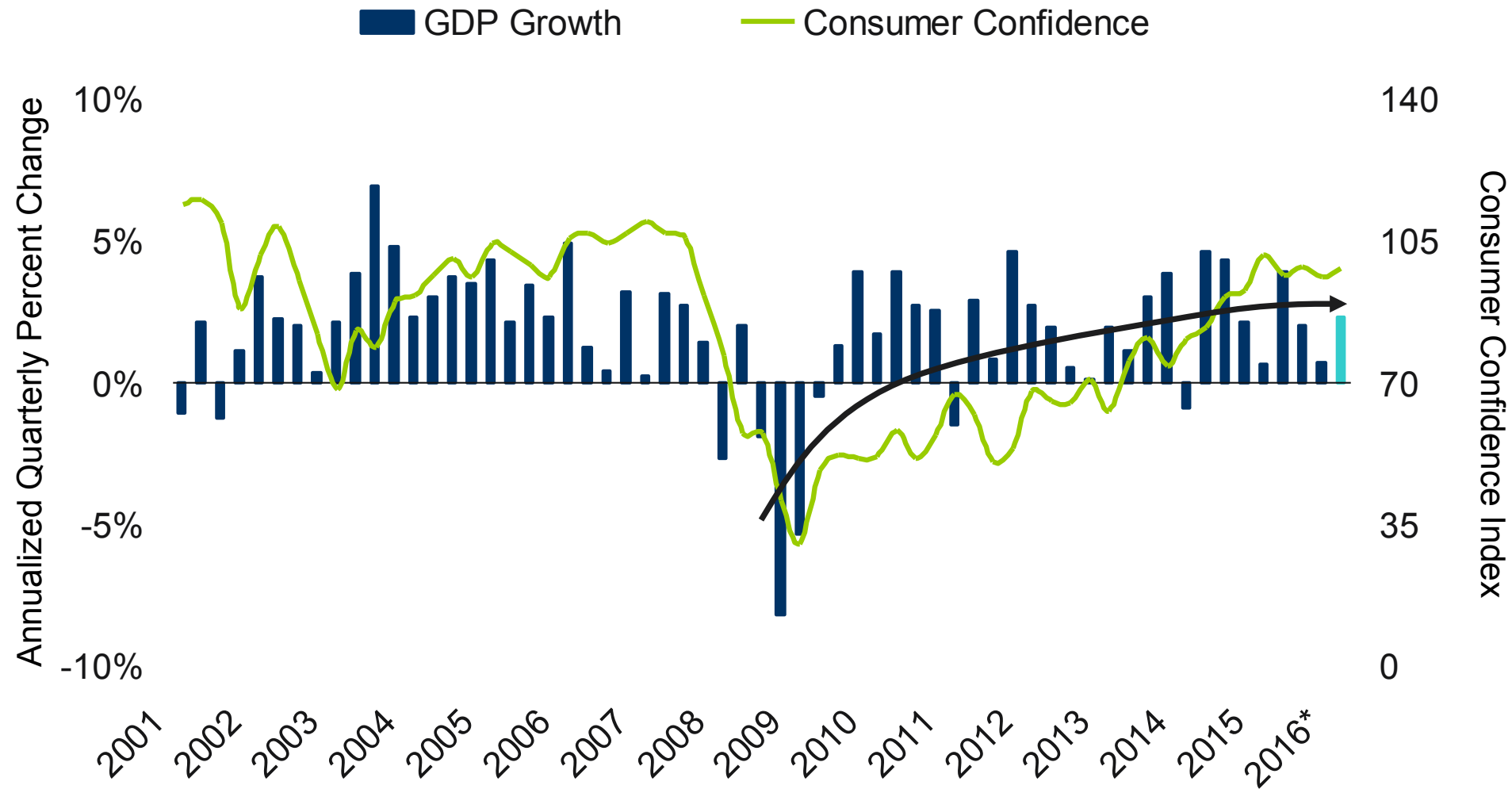
# U.S. Retail Investment Forecast

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# U.S. Economic Outlook Positive Headwinds Forming

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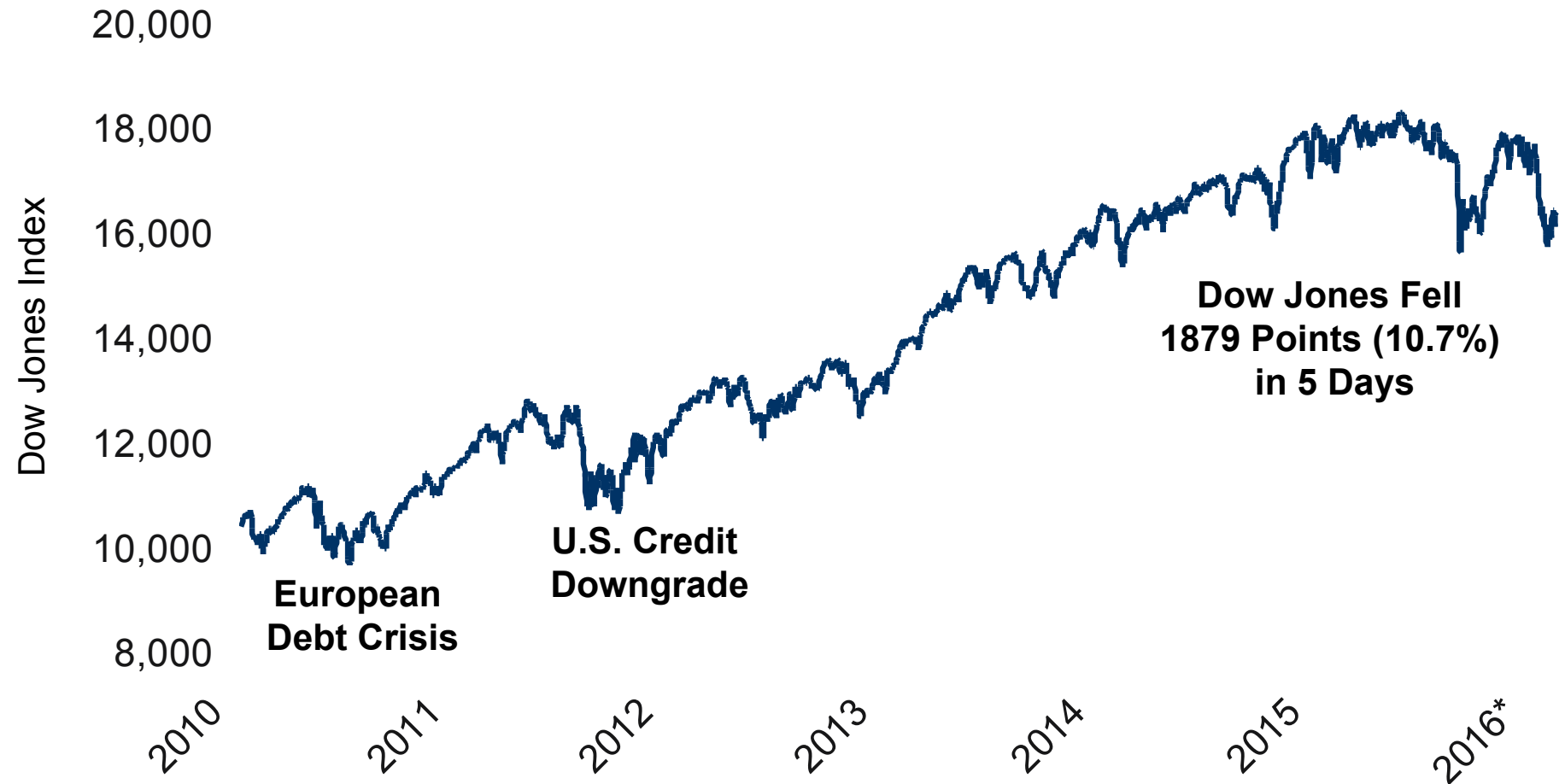
# U.S. GDP Enters Seventh Year of Growth; 2016 Outlook Positive but Flattening



\* Forecast GDP; consumer confidence through January 2016

Sources: Marcus & Millichap Research Services, BEA, The Conference Board, economy.com

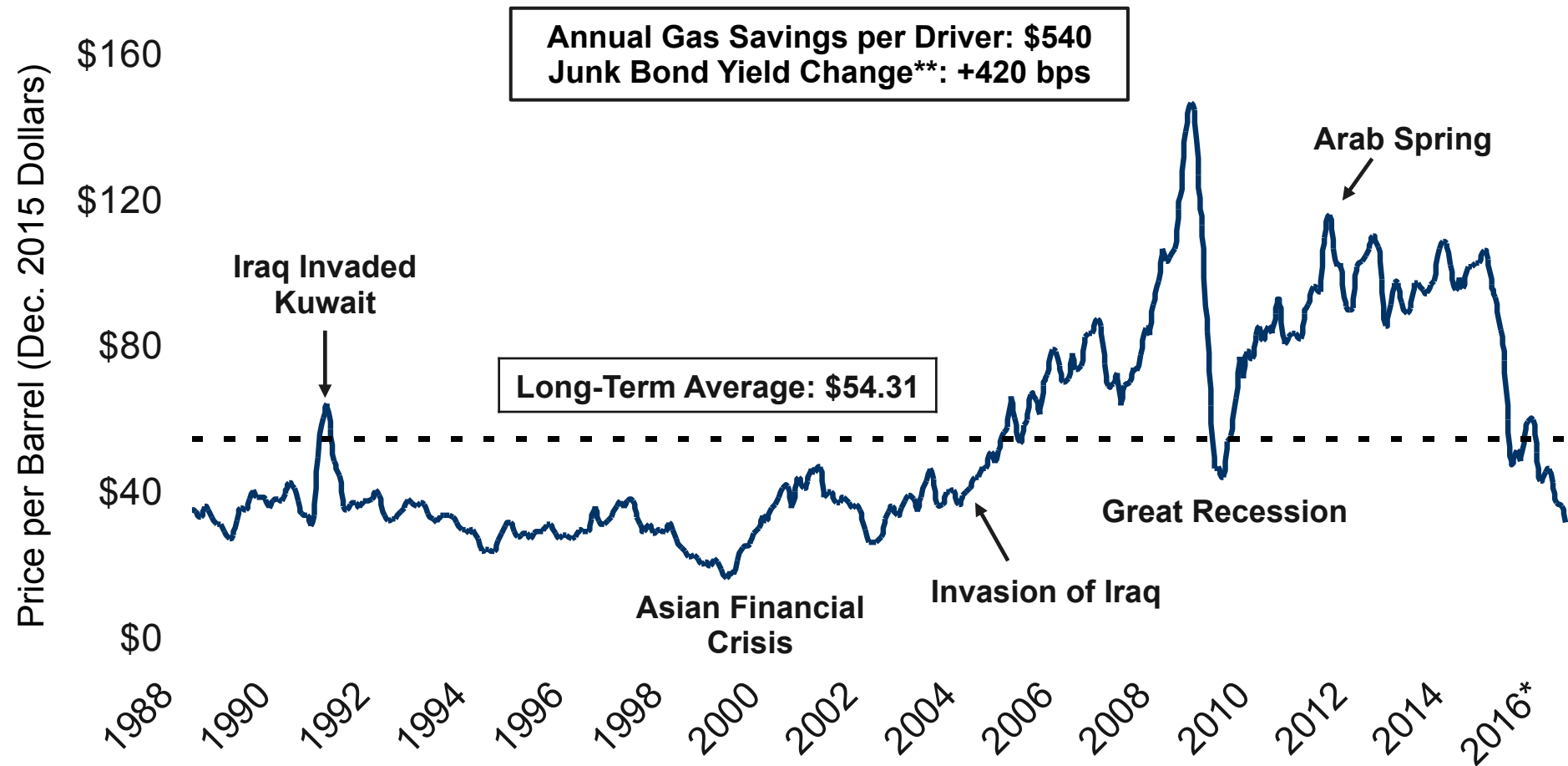
# International Forces Collide with Wall Street Stock Prices Tumble...Again



\* Through February 4, 2016

Sources: Marcus & Millichap Research Services, Dow Jones

# Inflation-Adjusted Crude Oil Prices Tumble Good for Consumers, but Risks Reemerge



\* Through February 4, 2016

\*\* Since 2014 trough

Oil prices for West Texas Intermediate crude

Sources: Marcus & Millichap Research Services, Oil Price Information Service, BLS, Federal Reserve

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# U.S. Economic Outlook Positive Headwinds Forming

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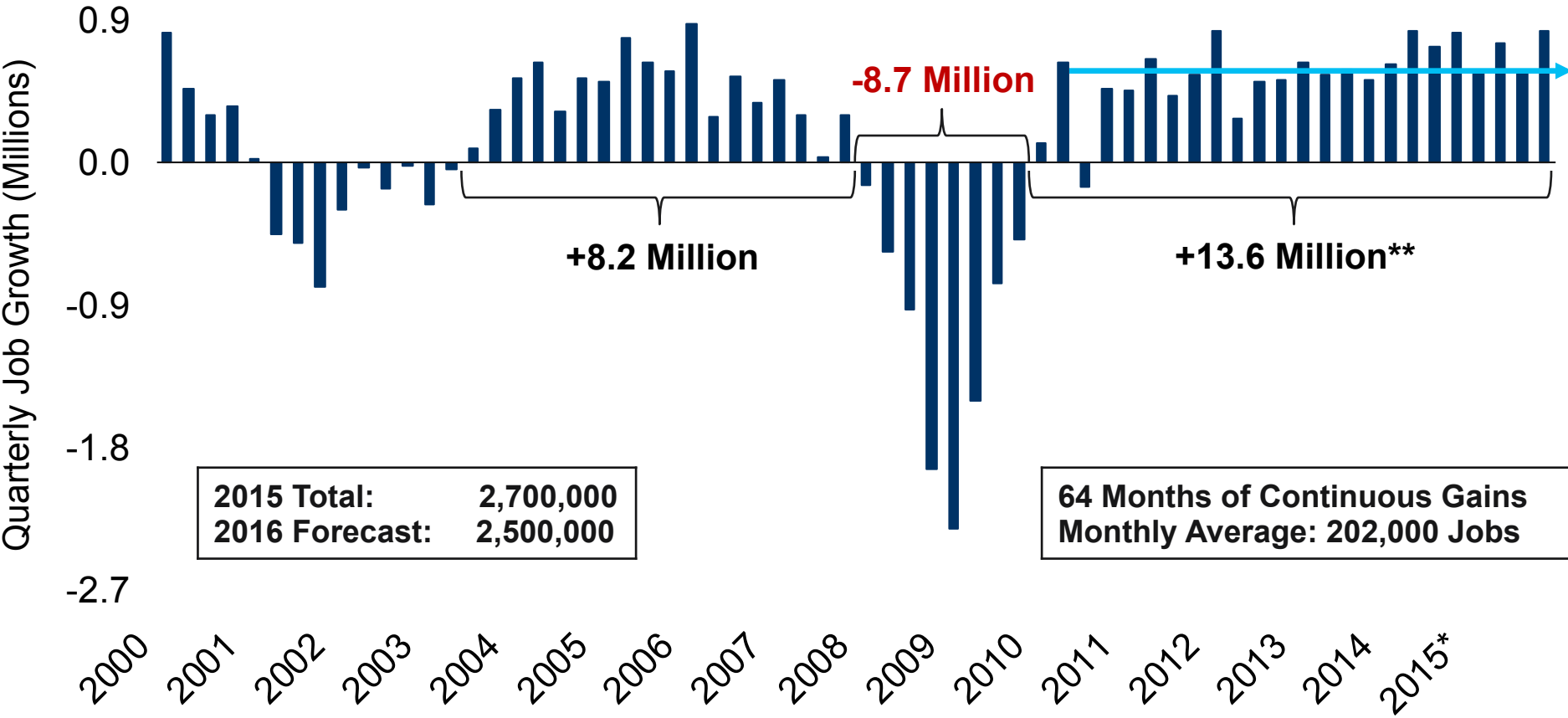
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# Economic Drivers Still Supporting Retail Momentum

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# 64 Months and Counting...

## Steady Employment Gains Economic Growth



\* Through 4Q

\*\* Through January 2016

Sources: Marcus & Millichap Research Services, BLS, economy.com

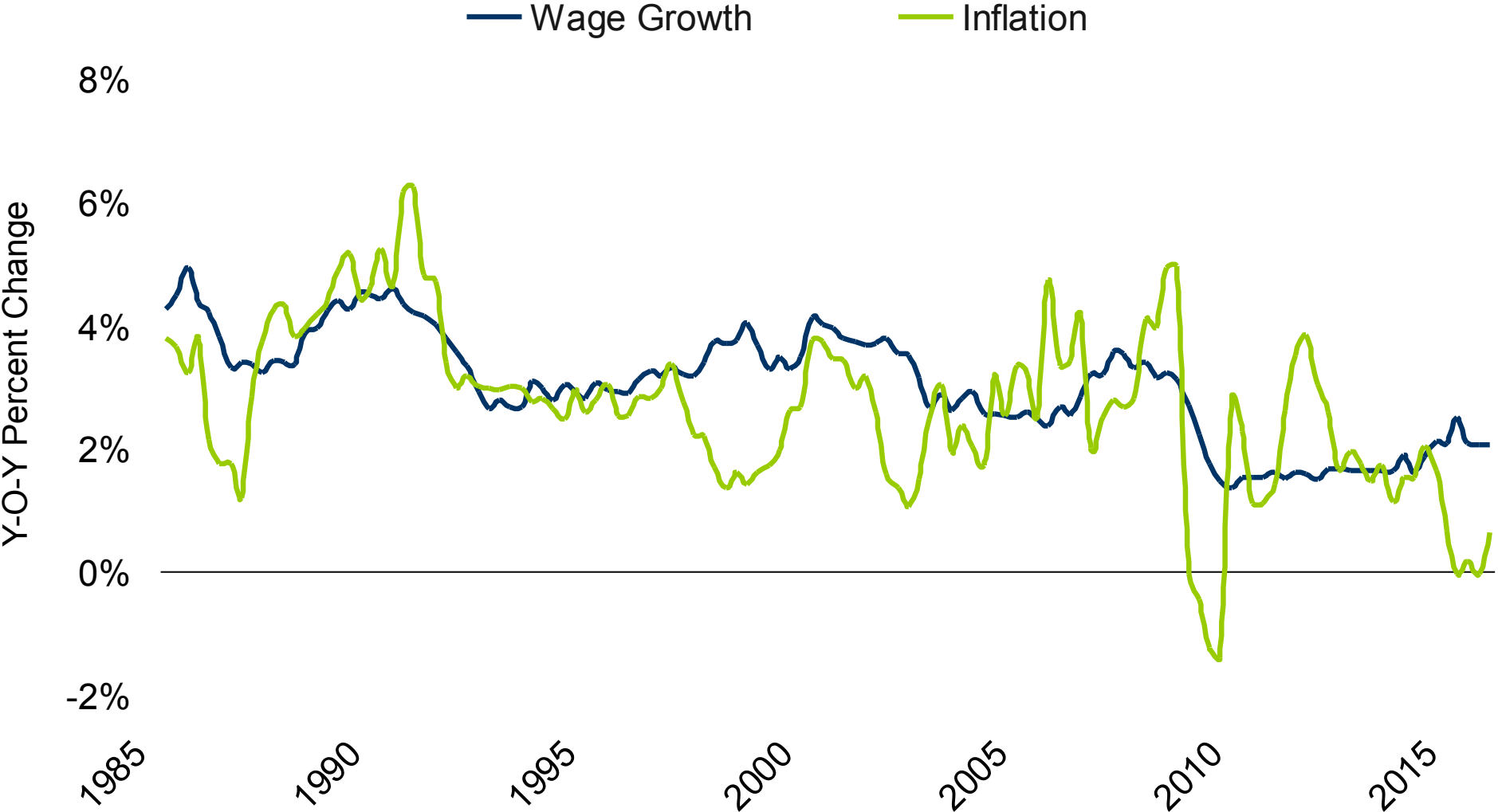


# National Employment Rank by Metro Y-O-Y Absolute Change Through December 2015

Top 10 Metros	Absolute Change	Percent Change
Dallas-Fort Worth	99,000	3.0%
Los Angeles	92,700	2.2%
New York	86,100	2.1%
Atlanta	77,000	3.0%
Washington, D.C.	67,400	2.1%
Seattle-Tacoma	56,800	3.0%
Phoenix	54,600	2.9%
Boston	53,700	2.1%
Inland Empire	46,800	3.6%
San Jose	45,300	4.4%
<b>U.S. Total</b>	<b>2,735,000</b>	<b>1.9%</b>

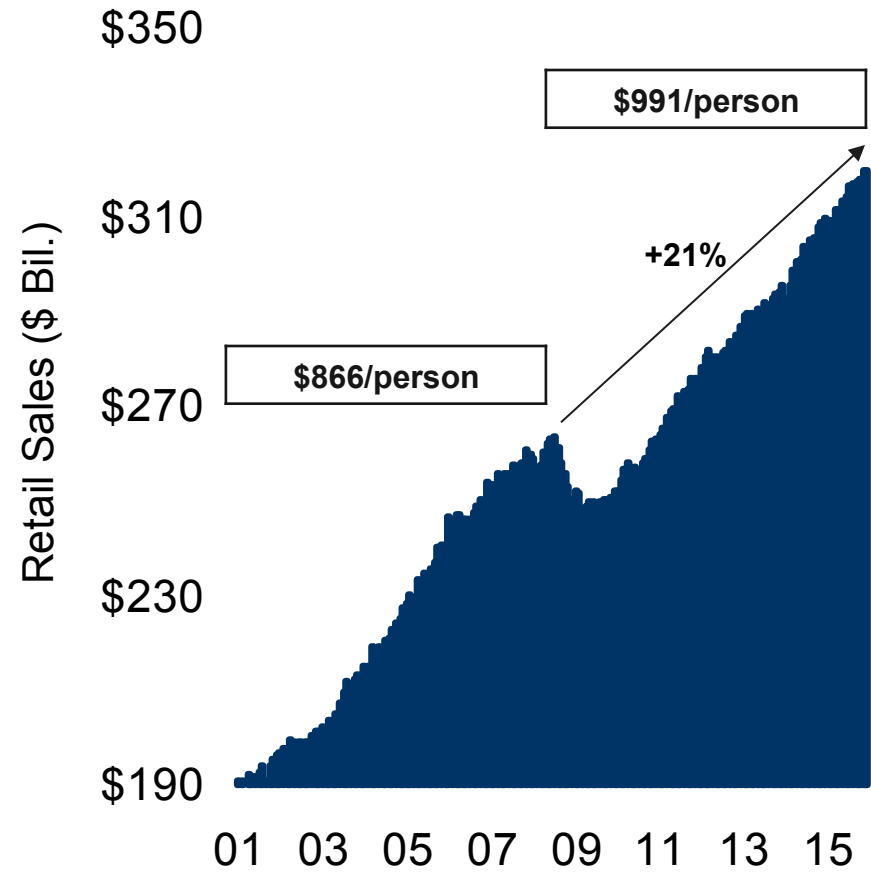
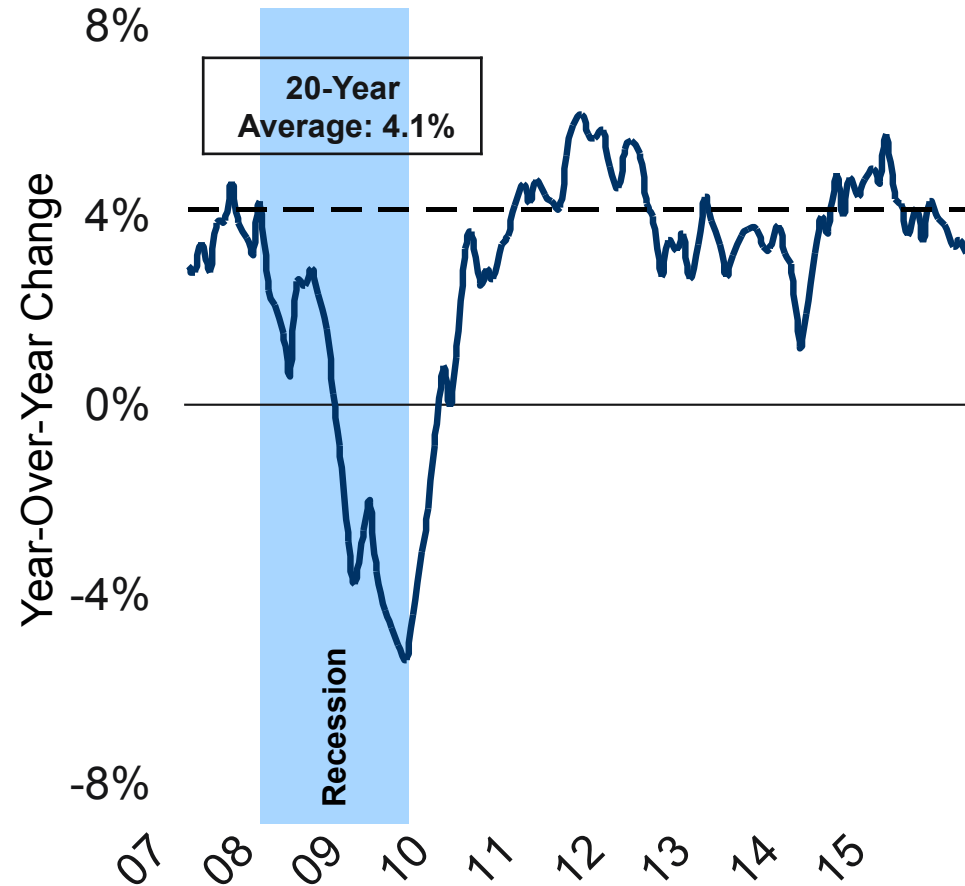
Bottom 10 Metros	Absolute Change	Percent Change
Kansas City	2,400	0.2%
Milwaukee	6,800	0.8%
West Palm Beach	13,800	2.4%
St. Louis	15,600	1.2%
Miami	15,900	1.4%
Jacksonville	17,200	2.7%
Las Vegas	18,100	2.0%
Cincinnati	19,800	1.9%
Columbus	19,900	1.9%
Oakland	21,100	2.0%
<b>U.S. Total</b>	<b>2,735,000</b>	<b>1.9%</b>

# U.S. Wage Growth Well Ahead of Inflation



Sources: Marcus & Millichap Research Services, BLS

# U.S. Core Retail Sales Building Steady Momentum - Growth Supporting Economy



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# Economic Drivers Still Supporting Retail Momentum

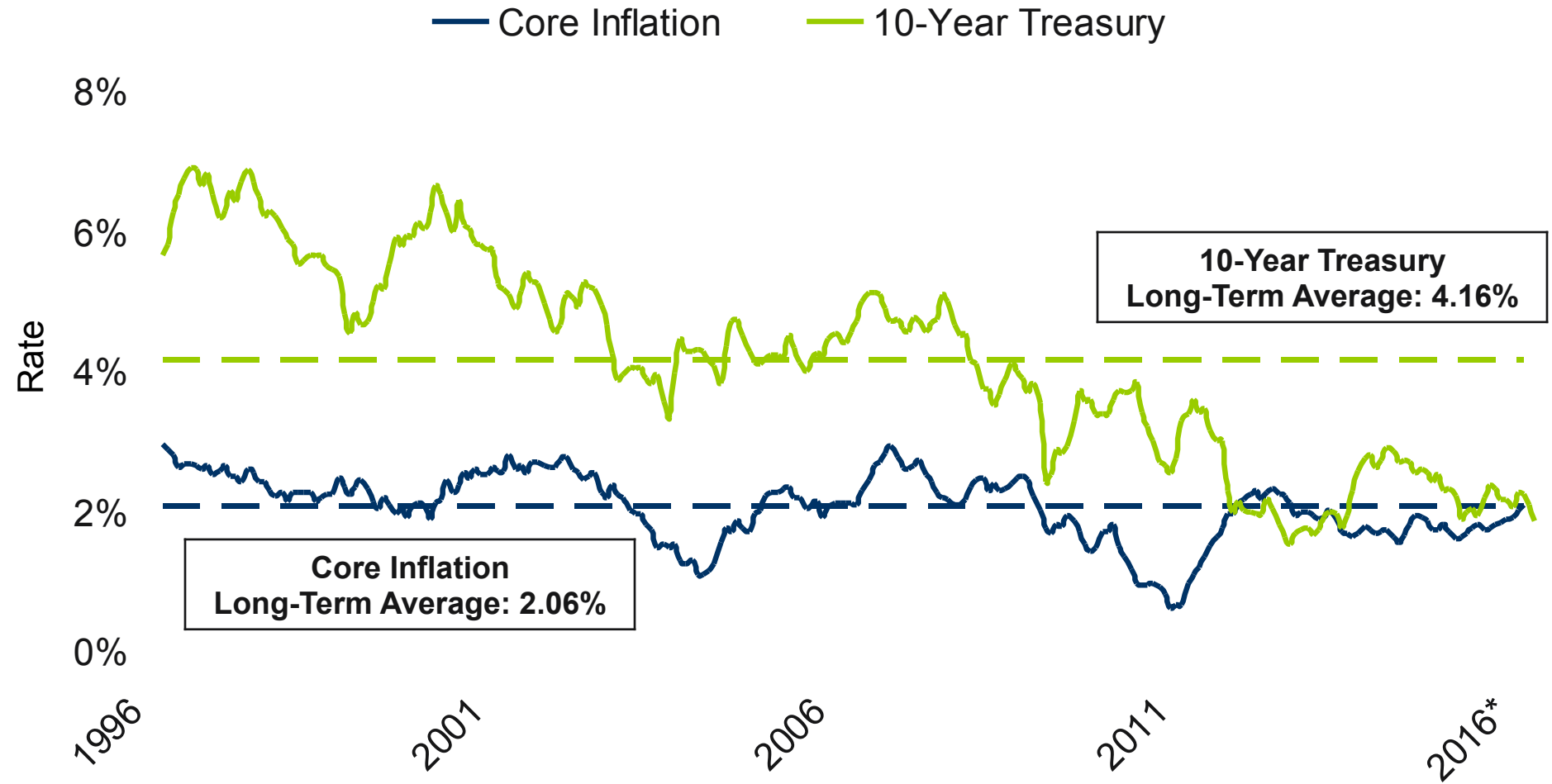
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# Capital Markets Maintain Liquidity Loan Standards Tightening

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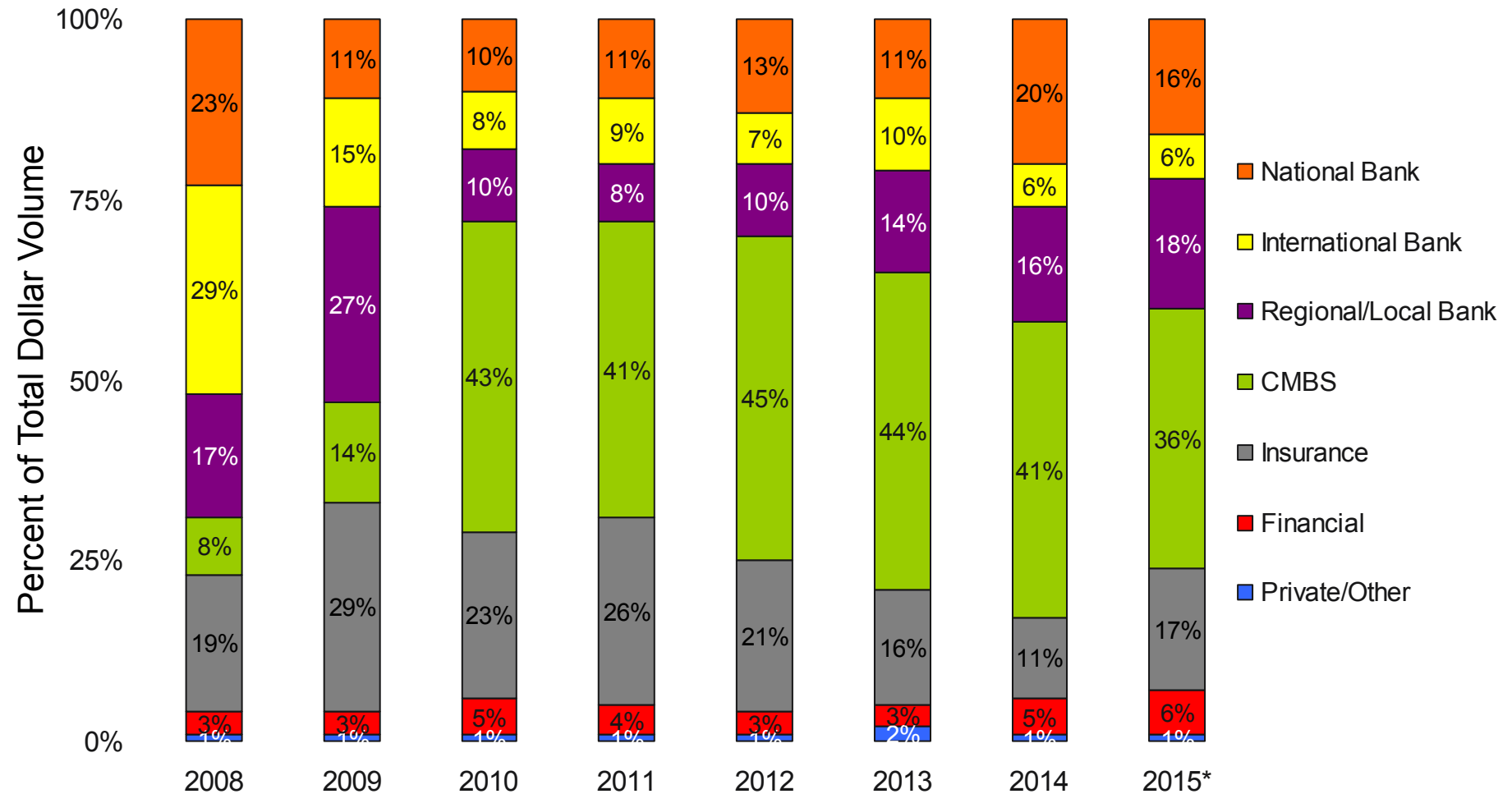
# Core Inflation Restrained 10-Year Treasury Range-Bound



\* 10-Year treasury through February 4, 2016; Core inflation through December 2015

Sources: Marcus & Millichap Research Services, Federal Reserve, BLS

# Retail Lender Composition by Percent of Total Dollar Volume

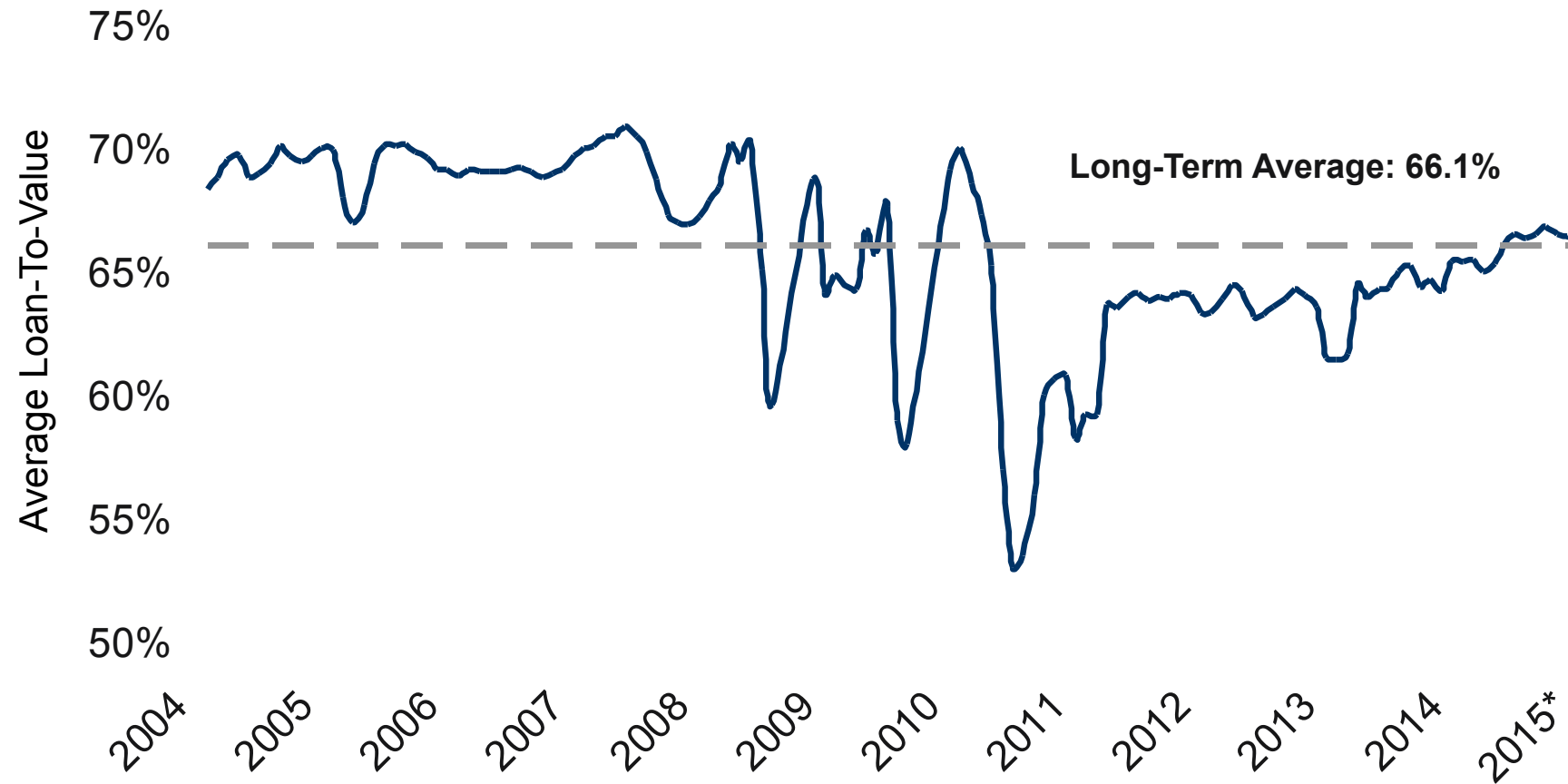


\* Estimate

Includes sales of properties \$2.5 million and greater

Sources: Marcus & Millichap Research Services, Real Capital Analytics

# Commercial Real Estate Loan-To-Value Trends



\* Through November 2016

Includes retail, office, industrial, and hotel properties

Average loan-to-value ratio is calculated on a 3-month moving average; includes sales \$2.5 million and greater; includes LTVs which are less than or equal to 90%; data based on first mortgages with a 7-10 year loan term and a fixed interest rate, and require a minimum of 3 observations; data excludes buyer assumed debt

Sources: Marcus & Millichap Research Services, Real Capital Analytics



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# Capital Markets Maintain Liquidity Loan Standards Tightening

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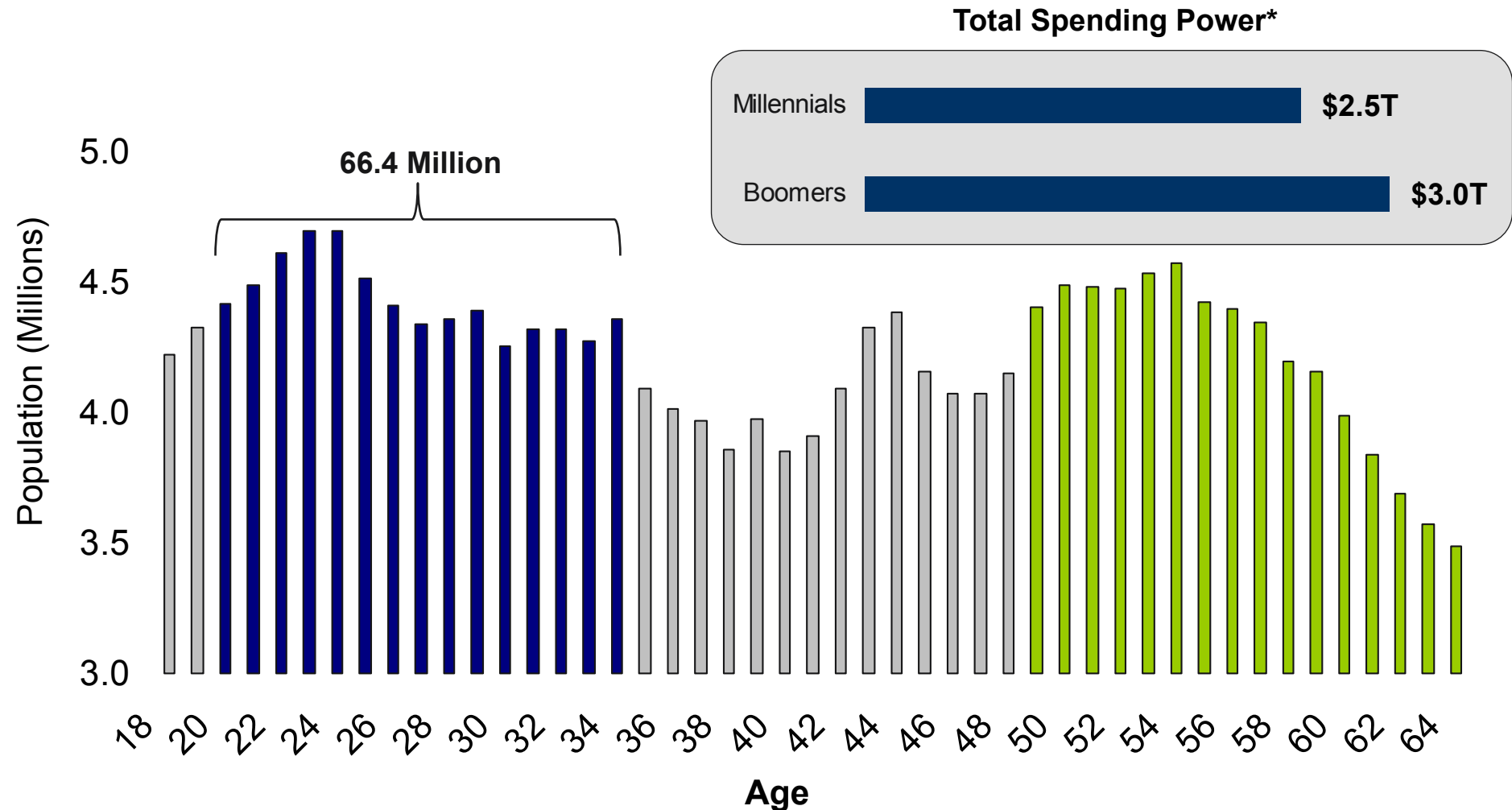
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# Millennials Reshaping Retail

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# Millennial Cohort Bigger Than Baby Boom

## U.S. 2014 Population by Age



\* 2015 estimate

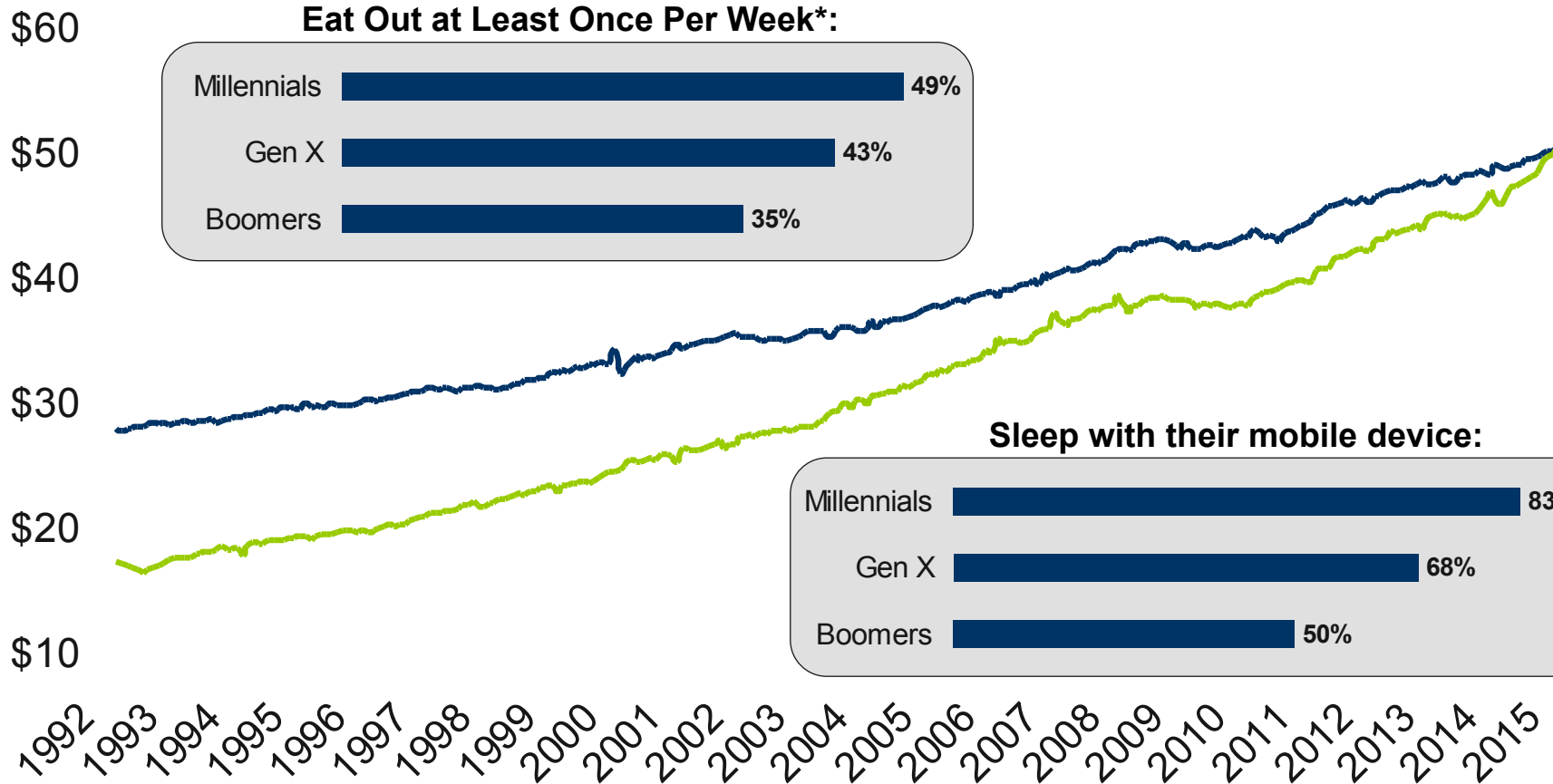
Note: Total Baby Boomer Population 75 million. Total Millennial Population 80 million

Sources: Marcus & Millichap Research Services, U.S. Census Bureau, Oracle Financial Services, CIO.com

# Consumers Spend More on Dining Out Than on Groceries for the First Time Ever

— Grocery Stores

— Bars and Restaurants



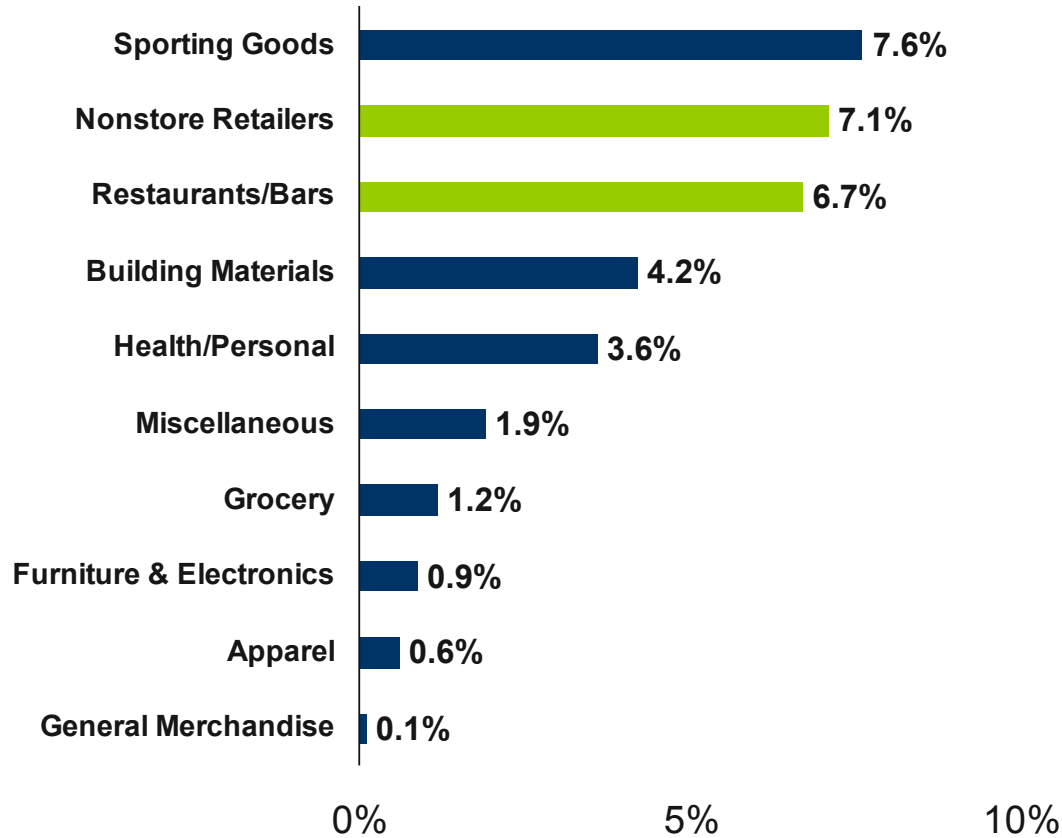
\* As of 2014

Sources: Marcus & Millichap Research Services, U.S. Census Bureau, "Outlook on the Millennial Consumer 2014" report, The Heartman Group, Pew Research, Morgan Stanley

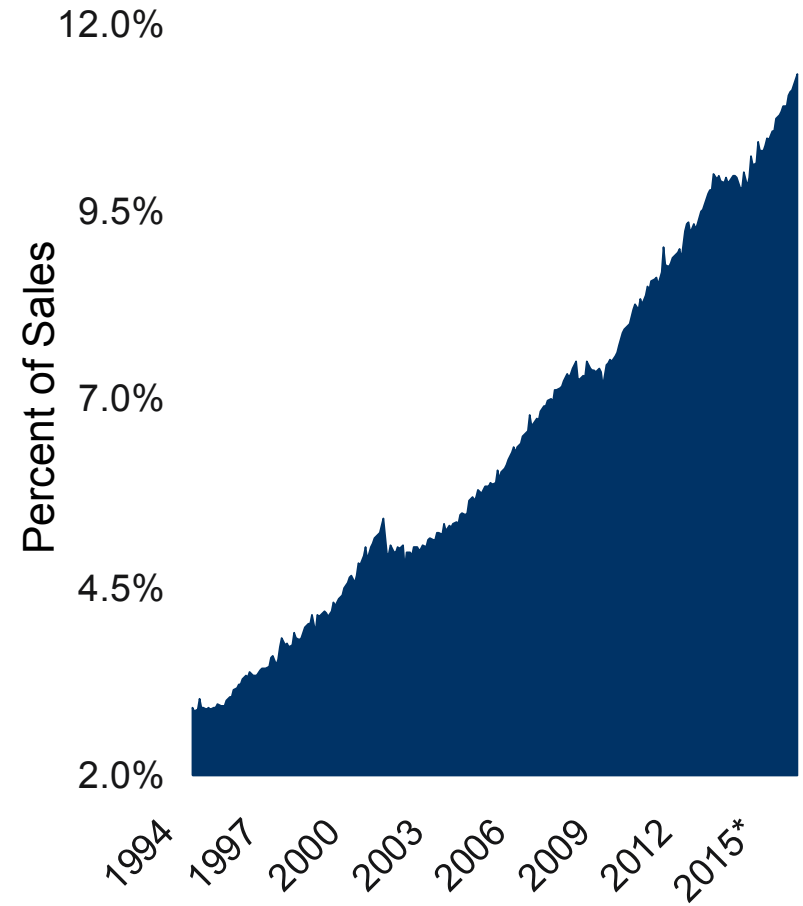
# Retail Sales Growth by Store Type; eCommerce Gaining Share of Retail Sales

## 2015 Y-O-Y Growth

Change from Dec. 2014 to Dec. 2015



## Electronic Shopping as % of Retail Sales



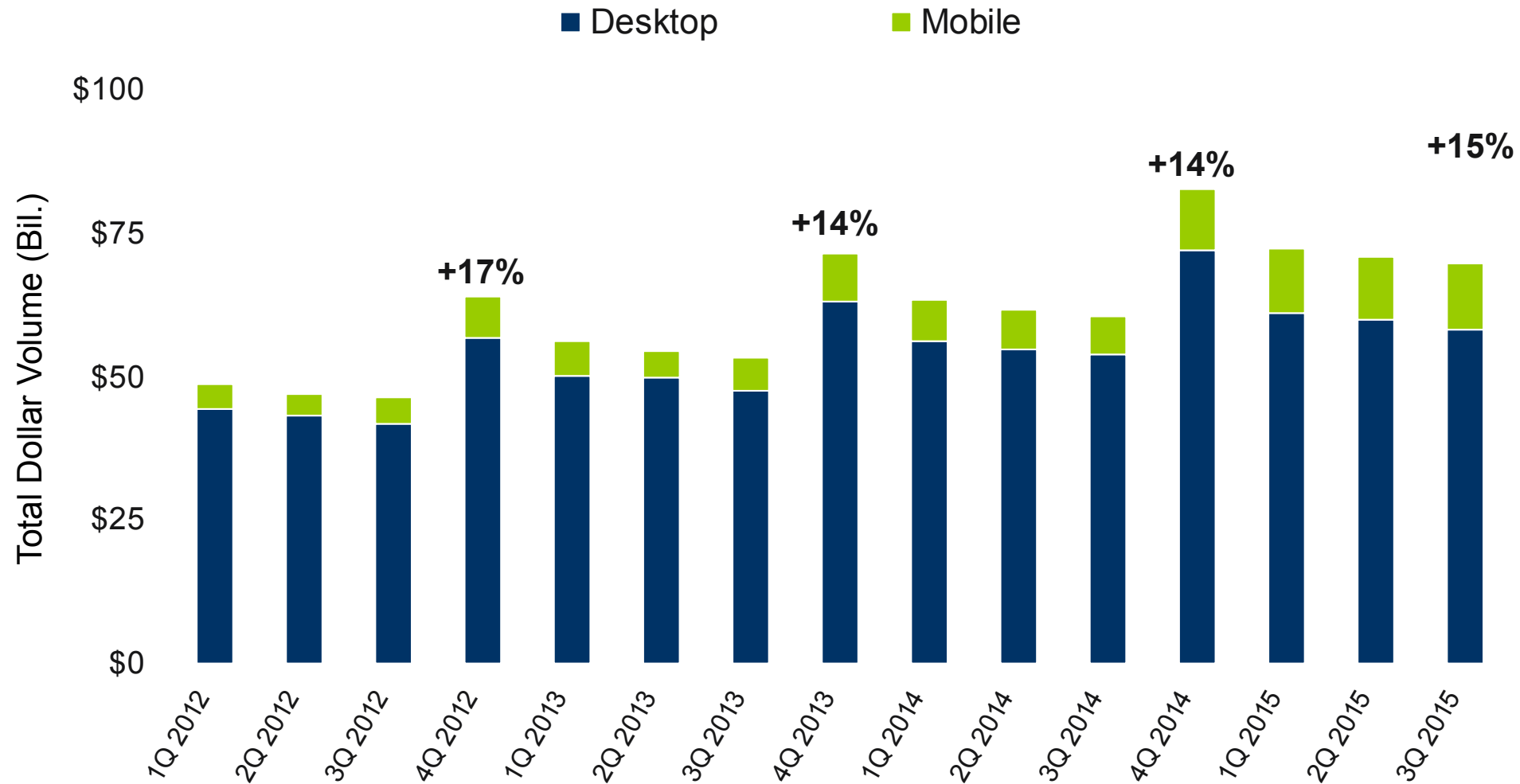
\* Through November 2015  
Excludes auto and gas sales

Sources: Marcus & Millichap Research Services, U.S. Census Bureau

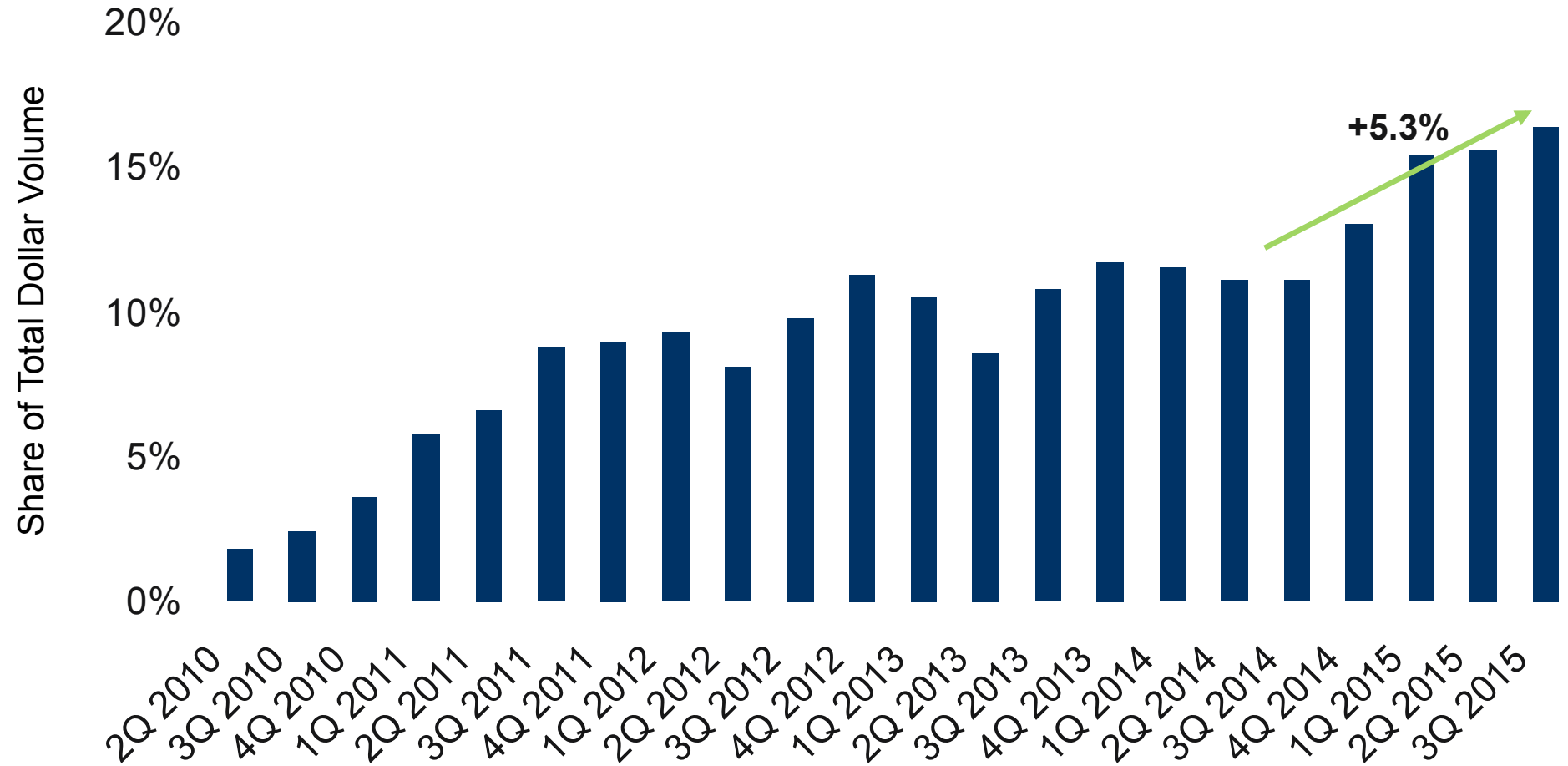
# Q3 2015 Total Digital Commerce Sales

Absolute Dollar Rank	Product Category
1	Computers / Peripherals / PDAs
2	Apparel & Accessories
3	General Services (photo printing, shipping, etc.)
4	Consumer Packaged Goods
5	Event Tickets
6	Consumer Electronics
7	Digital Content
8	Office Supplies
9	Furniture, Appliances, & Equipment
10	Books & Magazines
11	Home & Garden
12	Sport & Fitness
13	Video Games, Consoles, & Accessories
14	Toys & Hobbies
15	Jewelry & Watches

# Desktop and Mobile Retail Sales



# M-Commerce Share of Total Digital Commerce Dollars





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# Millennials Reshaping Retail

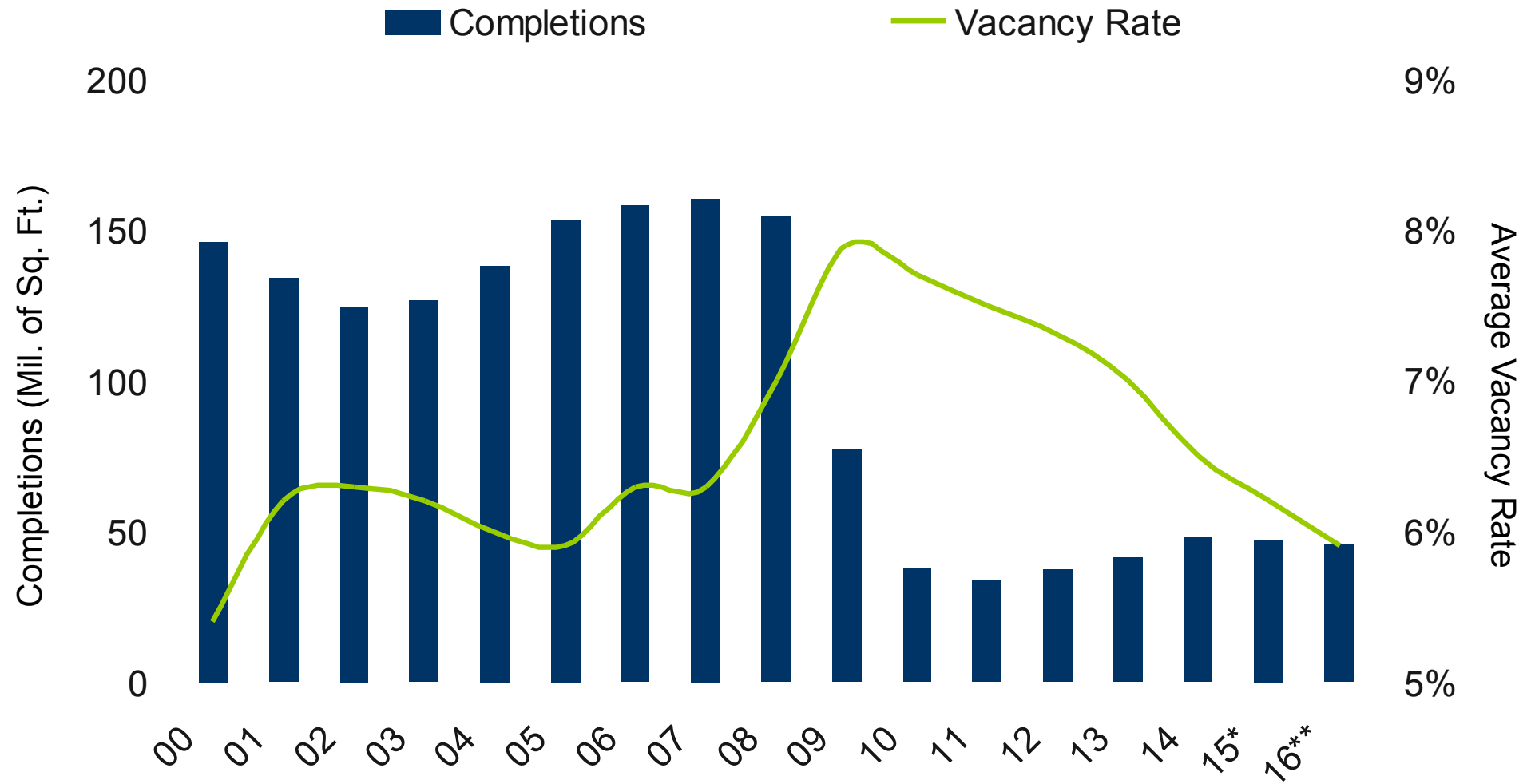
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# Retail Performance Trends

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# Tame Construction Supports Steady Tightening of Vacancies



\* Estimate

\*\* Forecast

Sources: Marcus & Millichap Research Services, CoStar Group, Inc.

# National Retail Rank by Metro 2016 Forecast Vacancy Rate

Top 10 Markets	2016 Vacancy*	Y-O-Y Bps Chg.	Bottom 10 Markets	2016 Vacancy*	Y-O-Y Bps Chg.
San Francisco	2.6%	20	Las Vegas	10.3%	-30
Boston	2.9%	-40	Phoenix	9.6%	-40
Miami	3.4%	-20	Detroit	8.7%	-50
Oakland	3.5%	-20	Inland Empire	8.6%	-50
Austin	3.7%	-40	Chicago	7.8%	-40
New York	3.9%	10	Sacramento	7.4%	-90
Orange County	3.9%	-40	Cleveland	7.1%	-40
Salt Lake City	4.1%	-30	Kansas City	7.1%	-50
Seattle	4.2%	-40	Atlanta	7.0%	-80
Los Angeles	4.3%	-50	Jacksonville	7.0%	-50
U.S. Average	5.9%	-30	U.S. Average	5.9%	-30

\* Forecast

Sources: Marcus & Millichap Research Services, CoStar Group, Inc.

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# Retail Performance Trends

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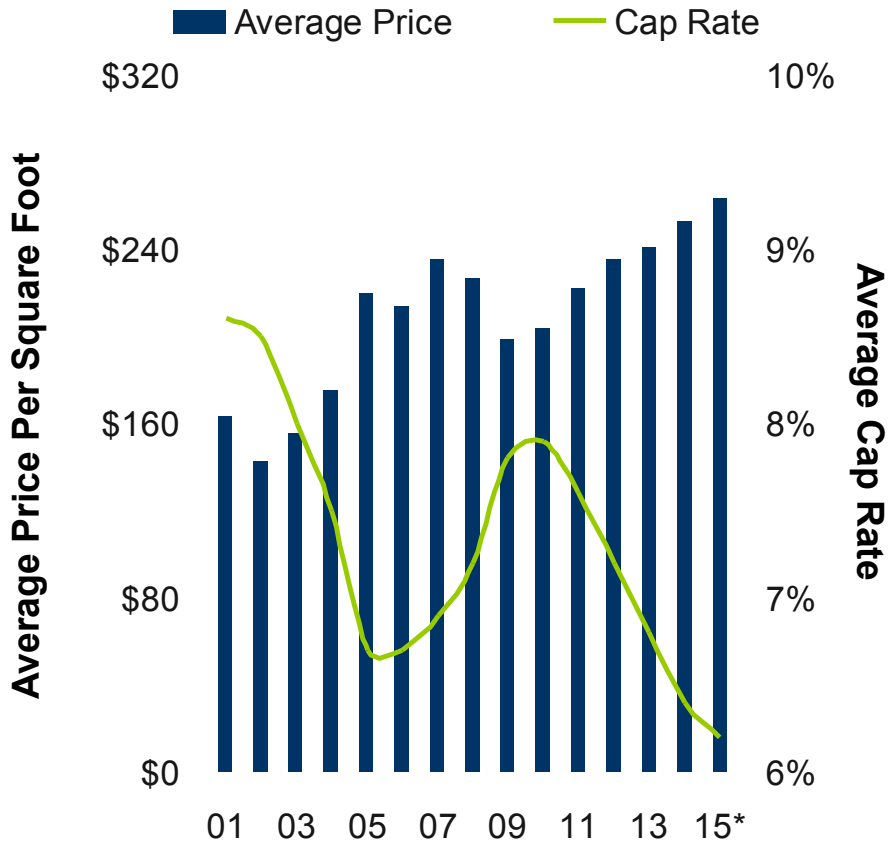
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# Retail Investors Reach Beyond the Core

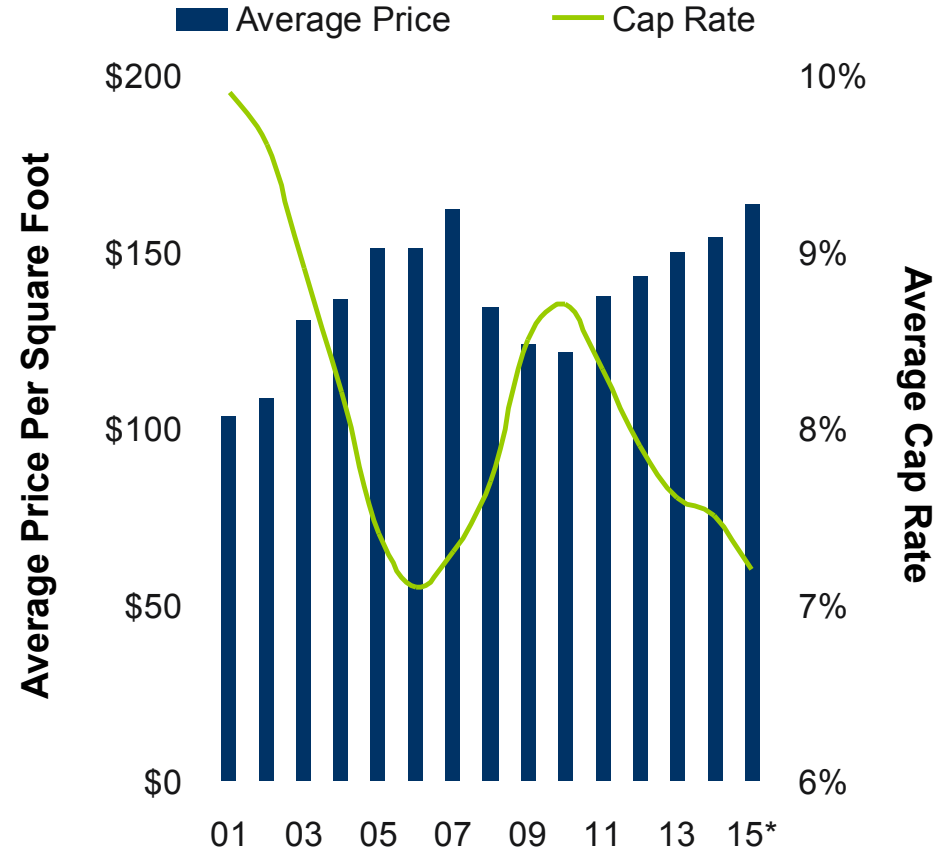
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# National Single- and Multi-Tenant Retail Price and Cap Rates

## Single-Tenant



## Multi-Tenant

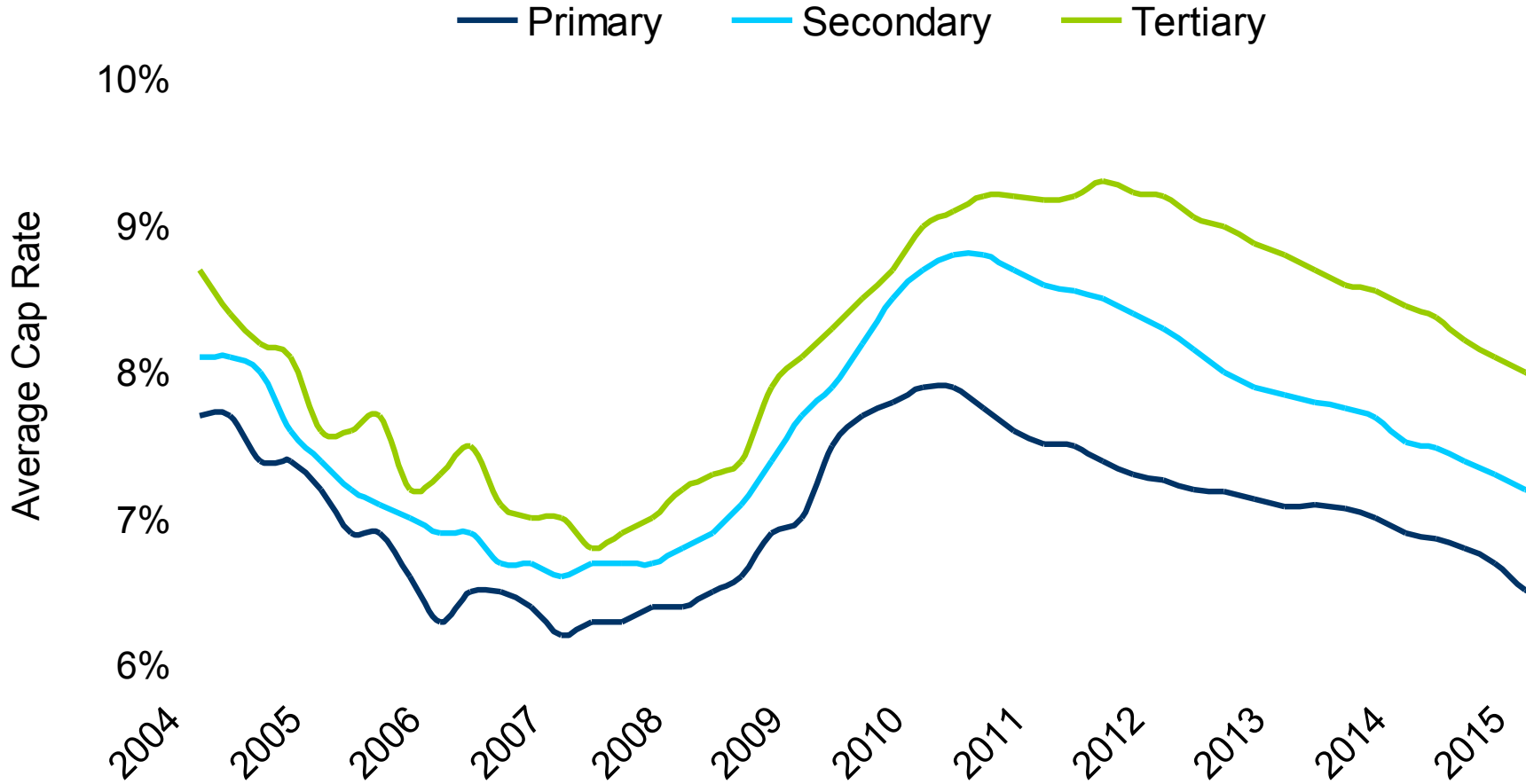


\* Preliminary estimate

Includes sales \$1 million and greater

Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics

# Yields Driving Capital to Secondary/Tertiary Markets



Includes sales \$1 million and greater

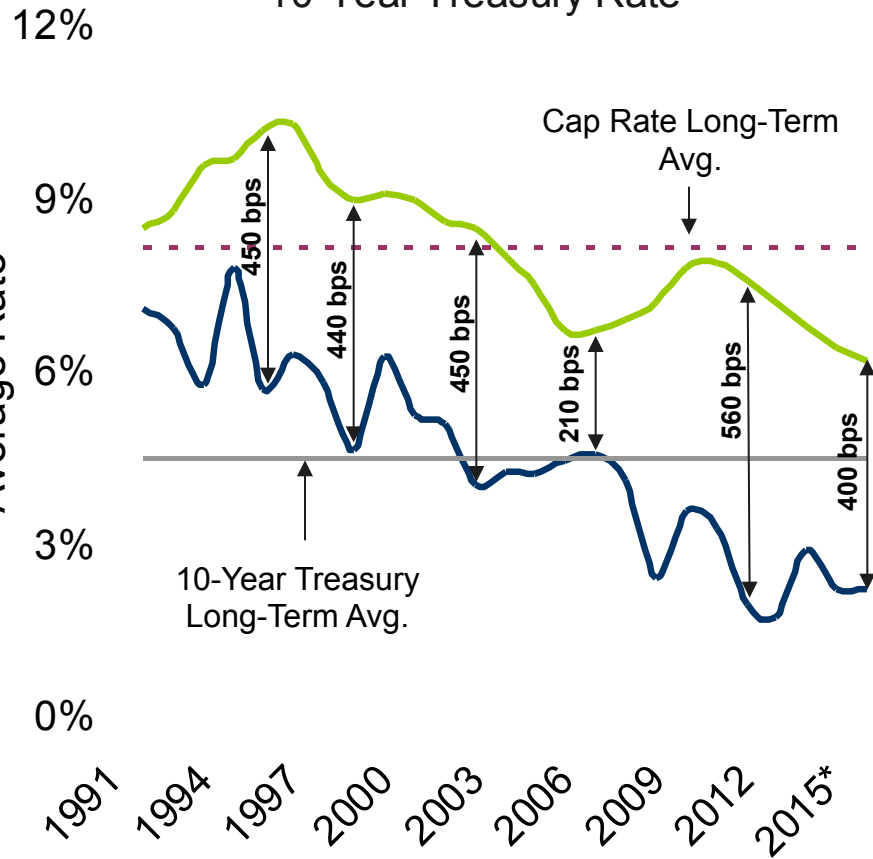
Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics



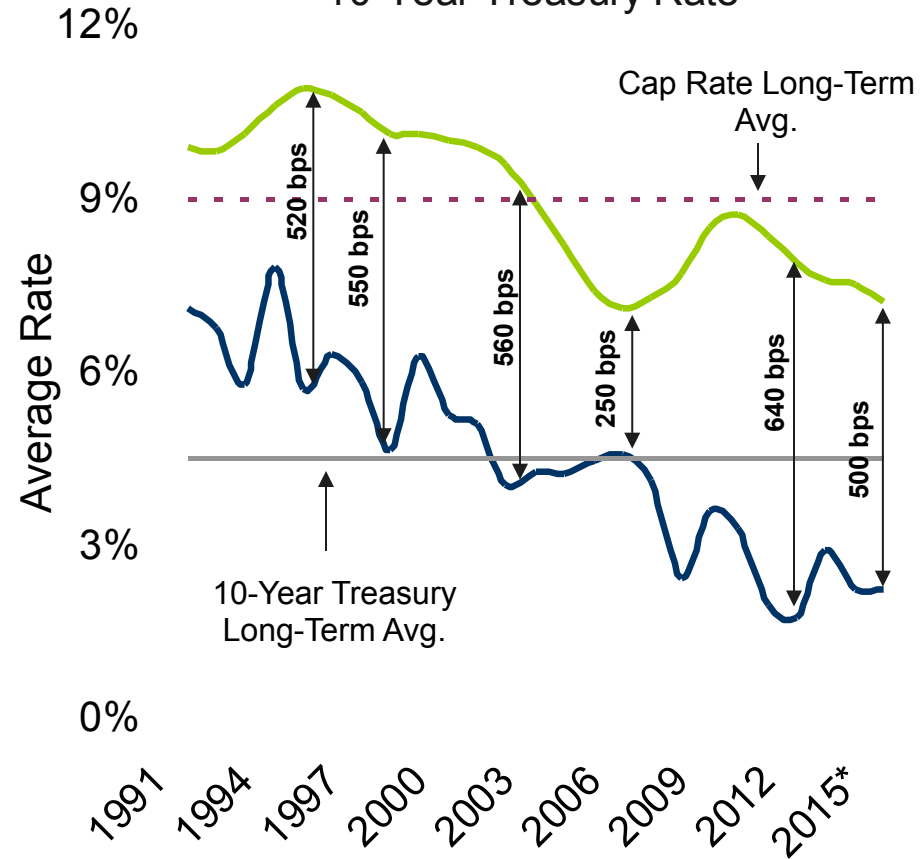
# Retail Cap Rate Trends

## Average Cap Rates vs. 10-Year Treasury

— Single-Tenant Cap Rate  
— 10-Year Treasury Rate



— Multi-Tenant Cap Rate  
— 10-Year Treasury Rate



\* Through December 2015

Includes sales \$1 million and greater

Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics



2016

# U.S. Retail Investment Forecast