



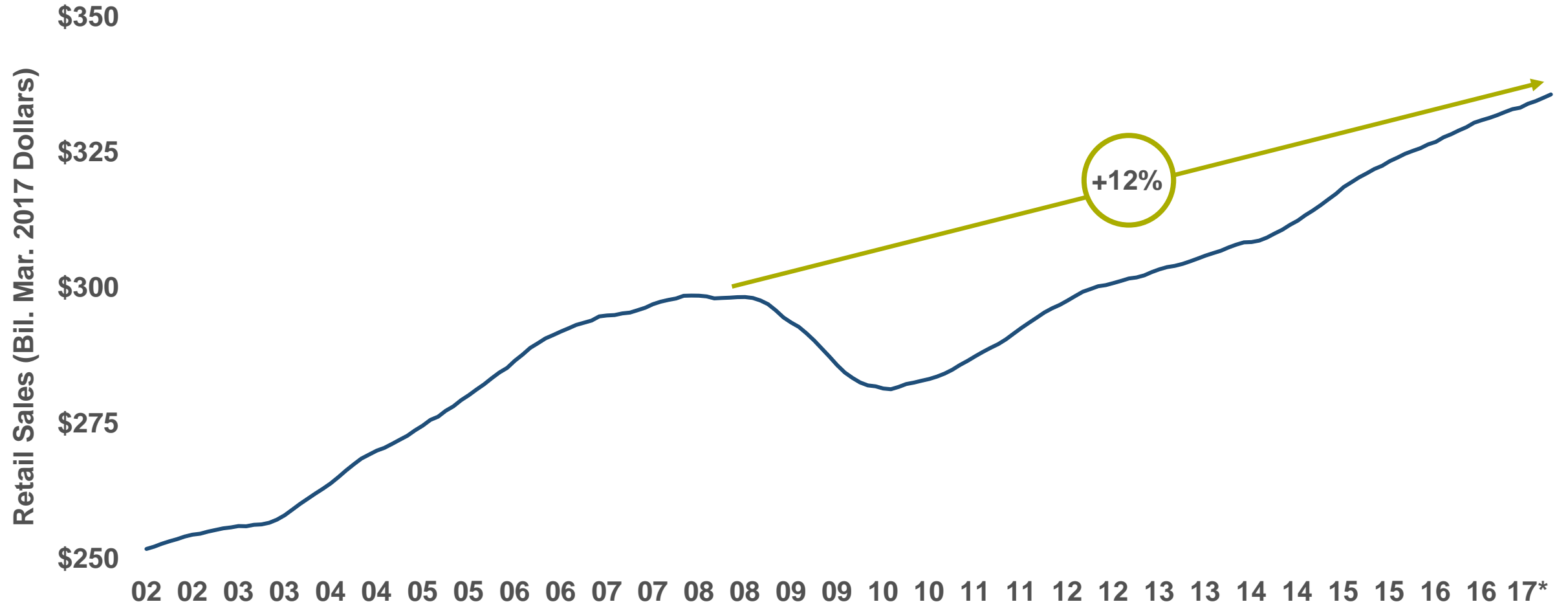
RETAIL TRENDS 2017

The Most Informative Event Covering Real Estate Investments

Retail eVolution: A New Beginning, Not the End as We Know It

Core, Retail Sales At All-Time High

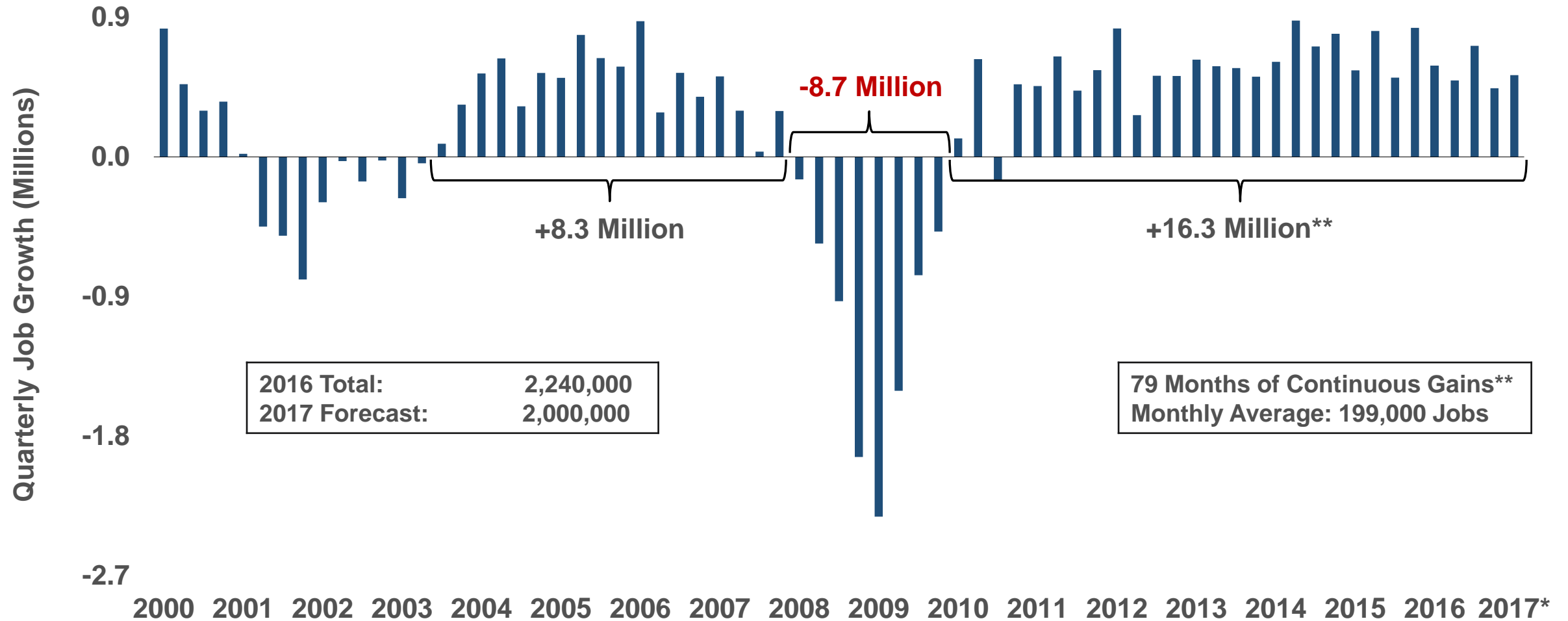
28% Above 2008 Peak Nominal – 12% Inflation-Adjusted



* Through April
Trailing 12-month average; adjusted for inflation using core PCE
Core retail sales excludes auto and gasoline sales
Sources: Marcus & Millichap Research Services, U.S. Census Bureau, BEA

Recovery Has Added 16.3 Million Jobs

Total Employment at All-Time High and Growing 2M/Yr.



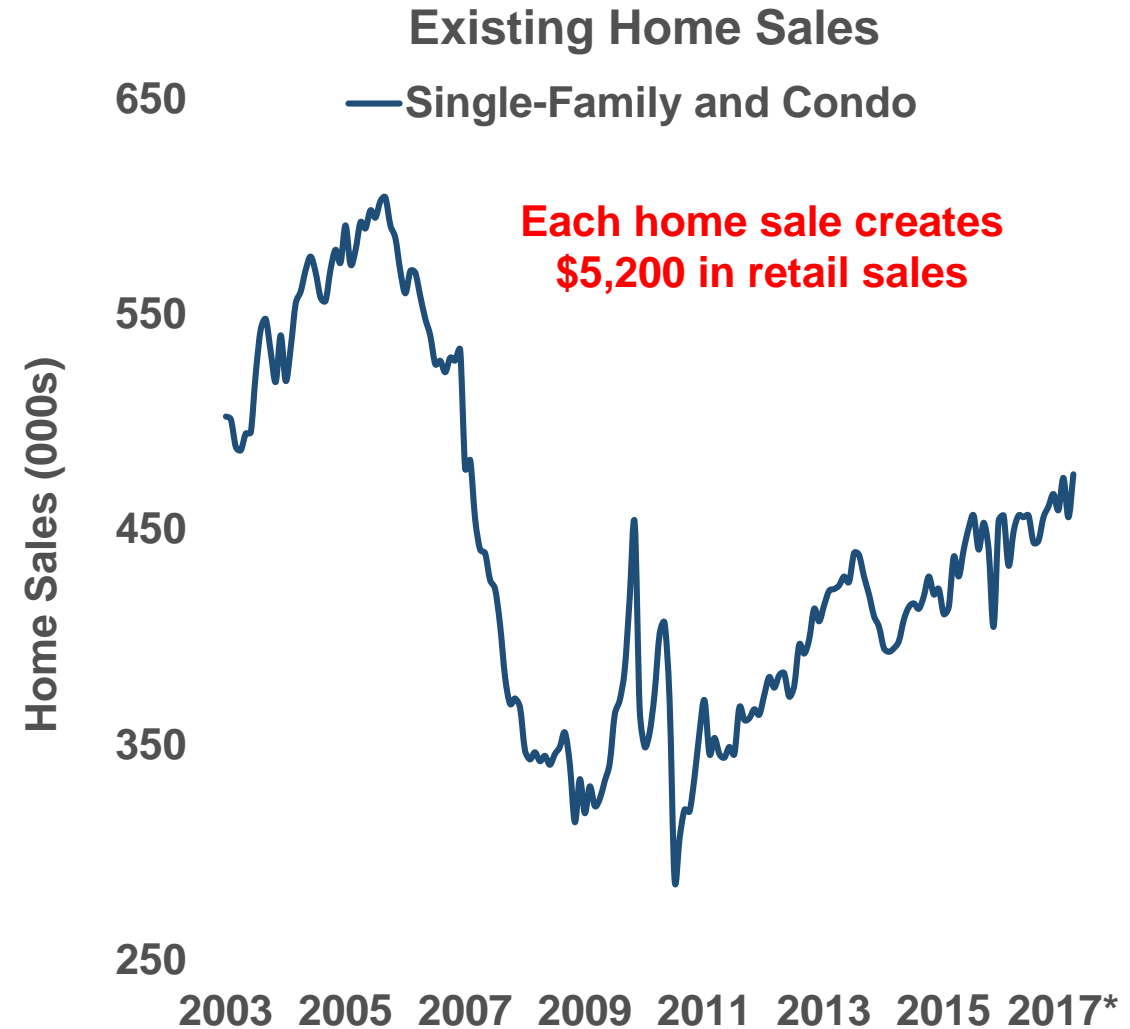
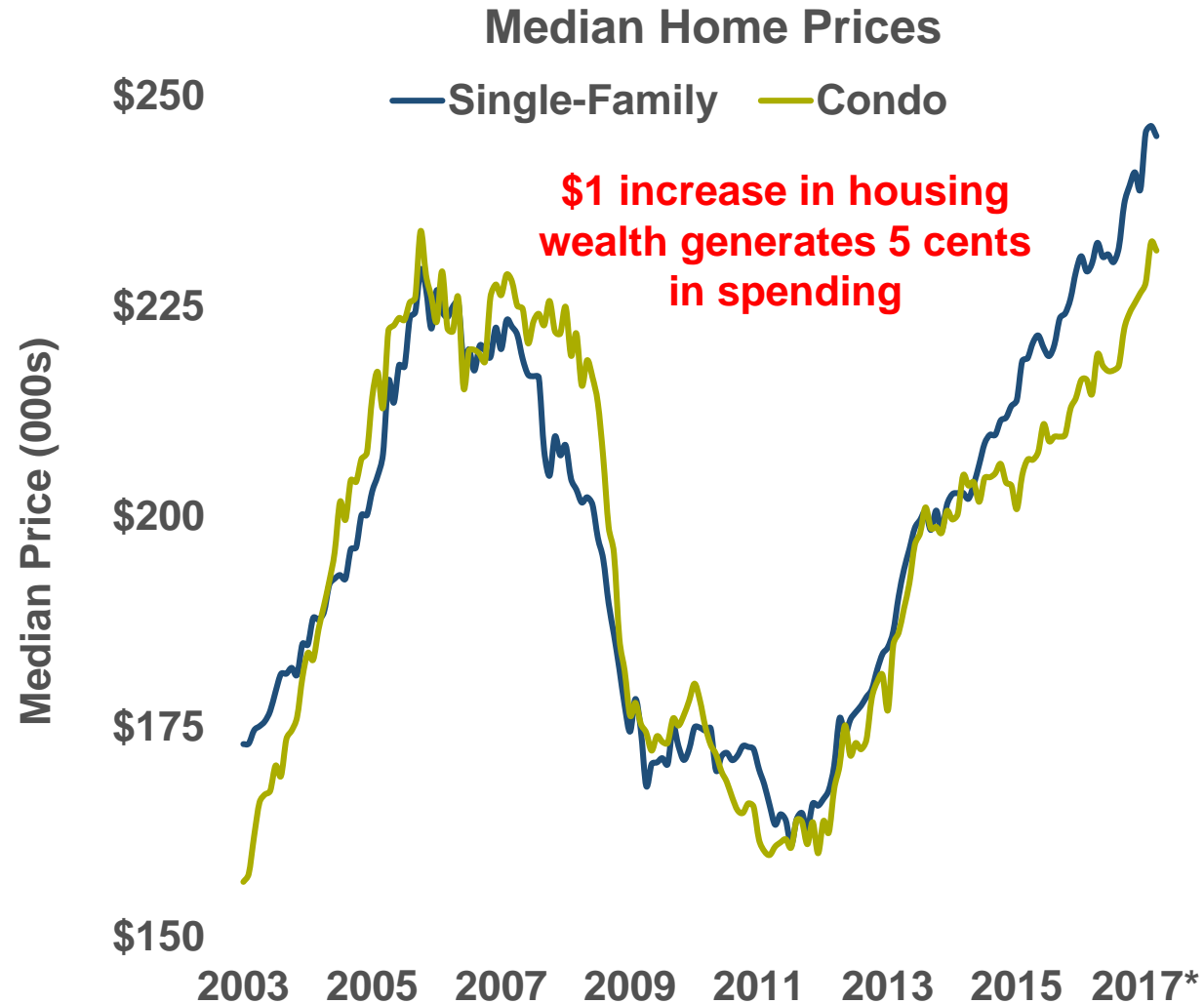
2016 Total:	2,240,000
2017 Forecast:	2,000,000

79 Months of Continuous Gains**
Monthly Average: 199,000 Jobs

* Through 1Q
 ** Through April 2017

Sources: Marcus & Millichap Research Services, BLS

Housing Market Recovery Finally a Driver of Growth

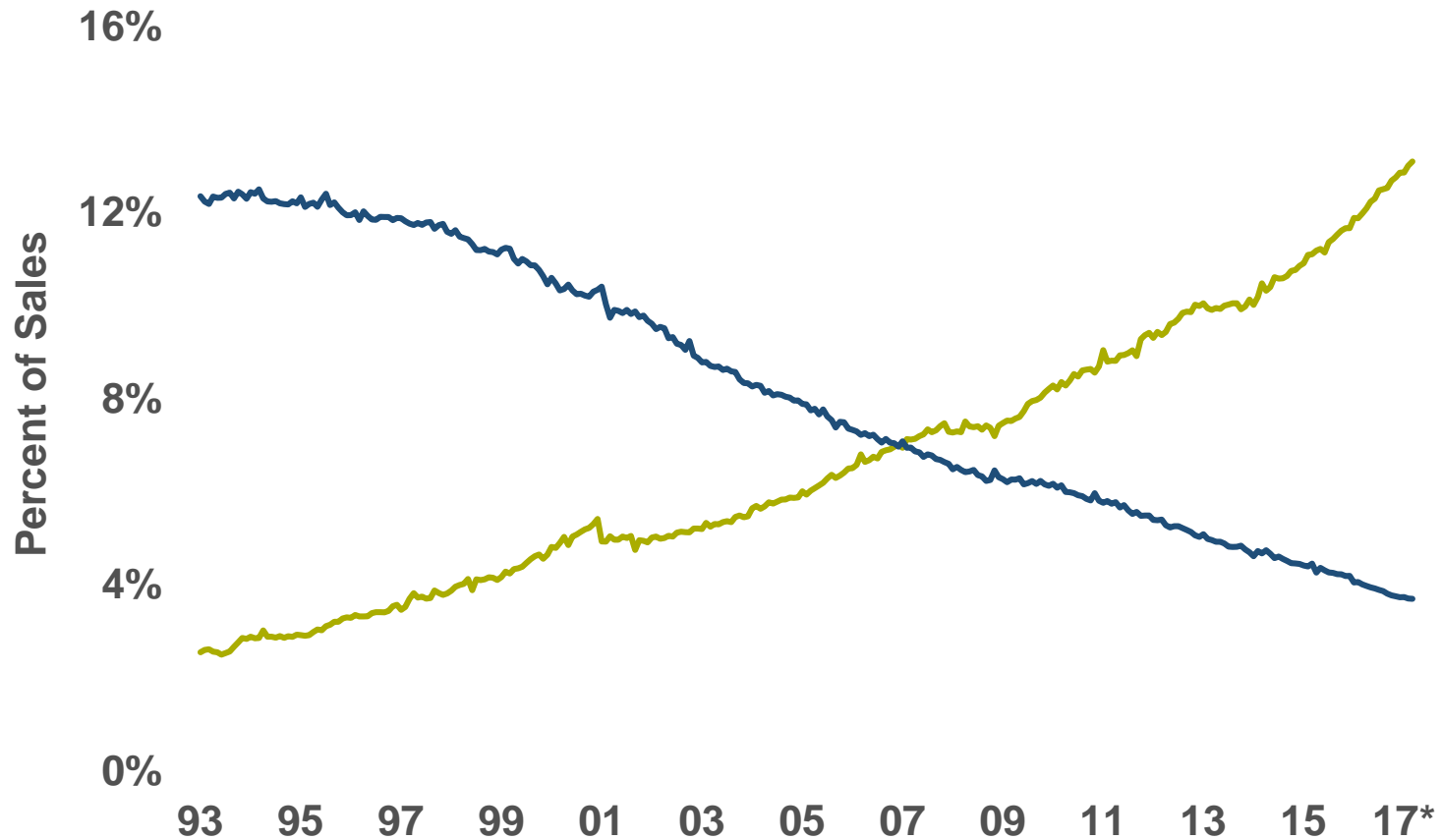


* Through March
Increase in consumer spending from housing wealth increase over 18-month period
Sources: Marcus & Millichap Research Services, National Association of Realtors

“Shift Happens”, Marcus & Millichap Retail Trends 2000

Share of Core Retail Sales

— eCommerce — Department Stores



* Through March

Excludes auto and gasoline sales

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

Notable Examples of Displaced Retailers

BORDERS

Filed for Chapter 11 Bankruptcy
Liquidated and closed 226 stores

SPORTS AUTHORITY®

Filed for Chapter 11 Bankruptcy
Liquidated and closed
all 450 stores



Filed Chapter 11 and later
Chapter 7 Bankruptcy
Liquidated and closed all
locations

sears®

Sears Holdings restructuring
program has closed 150 Kmart and
Sears locations with plans to close
more



Filed 2nd bankruptcy in 2 years
Expected to close 550 stores

eCommerce is Fastest Growing Sector of Retail Sales

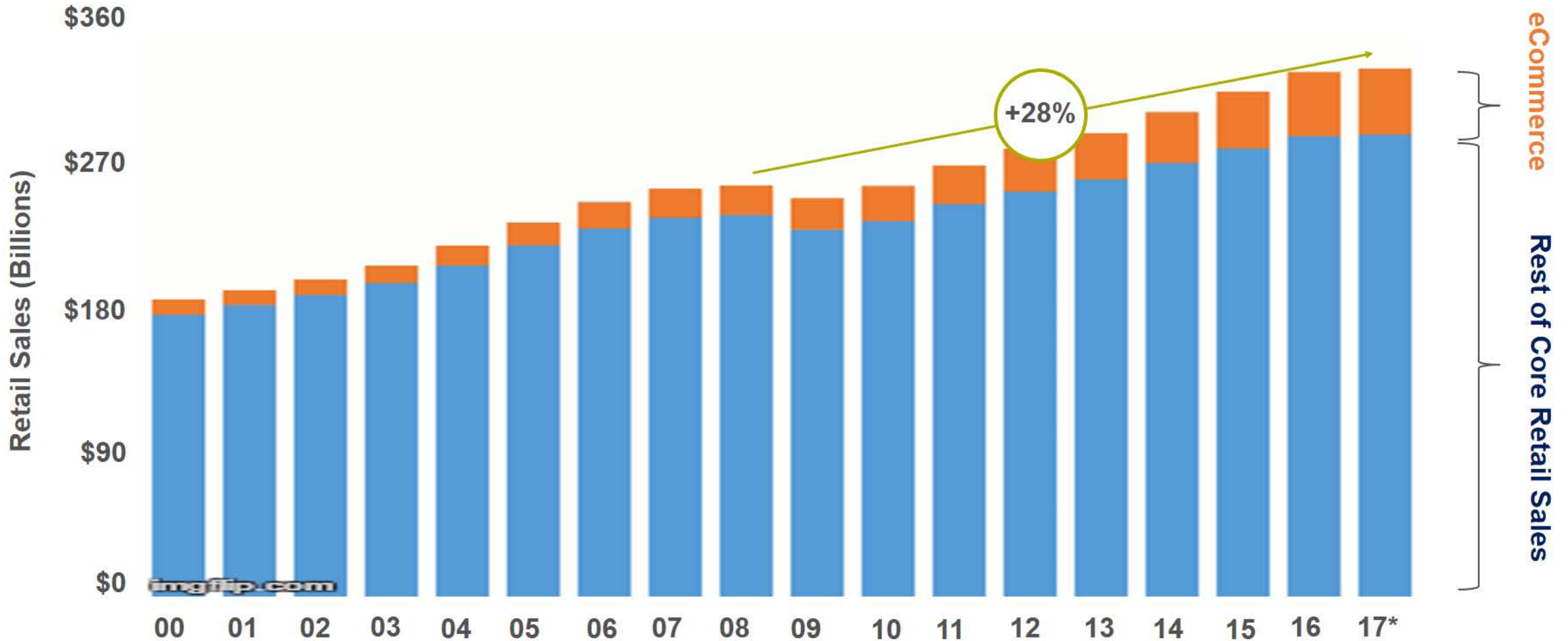


* Trailing 12 month through March

Excludes auto and gas sales

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

eCommerce One Part of a Much Larger Retail Picture



* Trailing 12 month through March
Excludes auto and gas sales
Sources: Marcus & Millichap Research Services, U.S. Census Bureau

Successful Retailers in the eCommerce Age: Value, Nimble/Fast, Market and Consumer-Aligned



T.J. Maxx

Off-Price
Department
Store



DOLLAR
GENERAL

Discount
Stores



LA | FITNESS

Fitness



COSTCO
WHOLESALE

Warehouse
Club



FIVE
GUYS

Quick-Serve
Restaurant



THE
HOME
DEPOT

Home
Improvement



ULTA
BEAUTY

Health and
Beauty



SPROUTS
FARMERS MARKET

Grocery



Z A R A

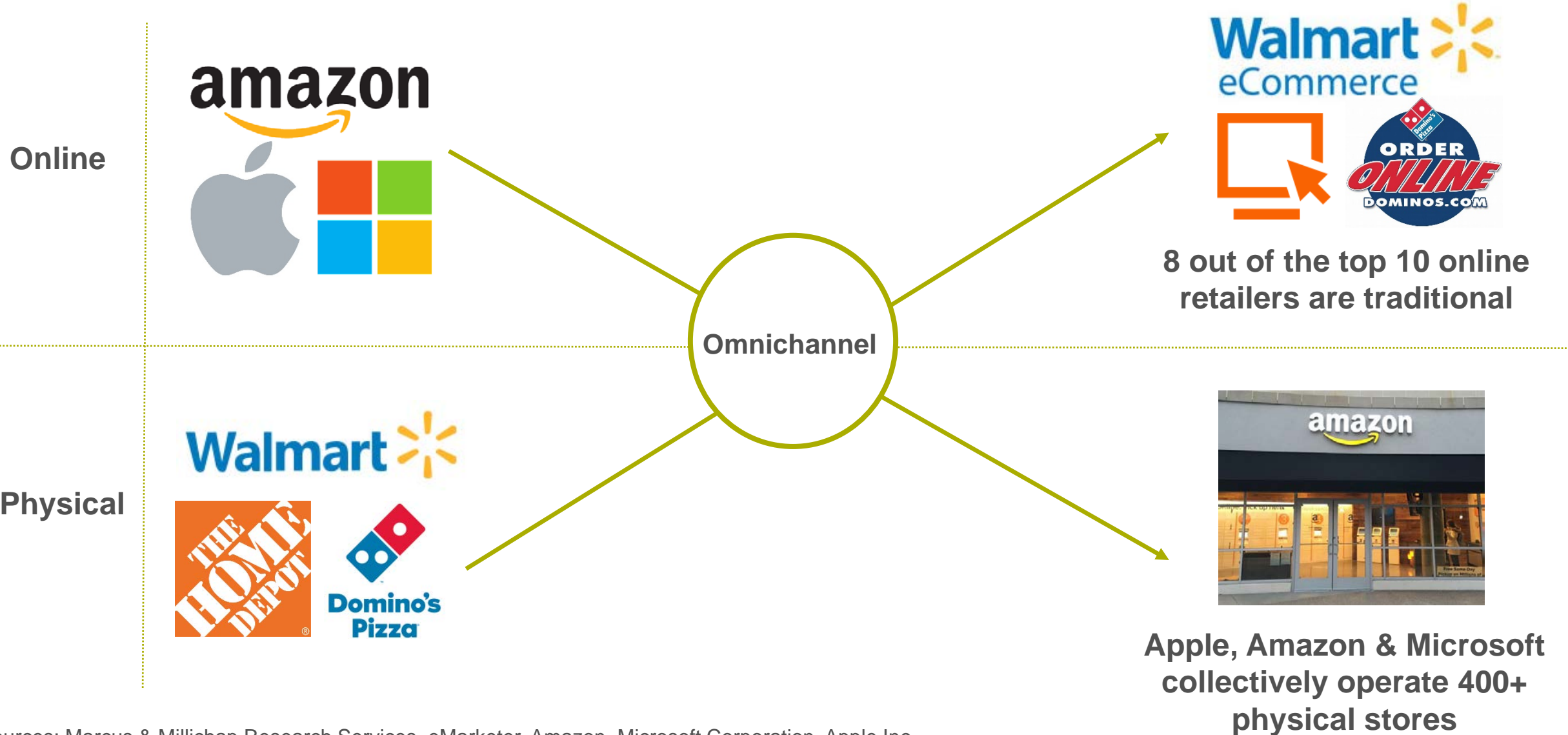
Fast Fashion



ME
Massage Envy™

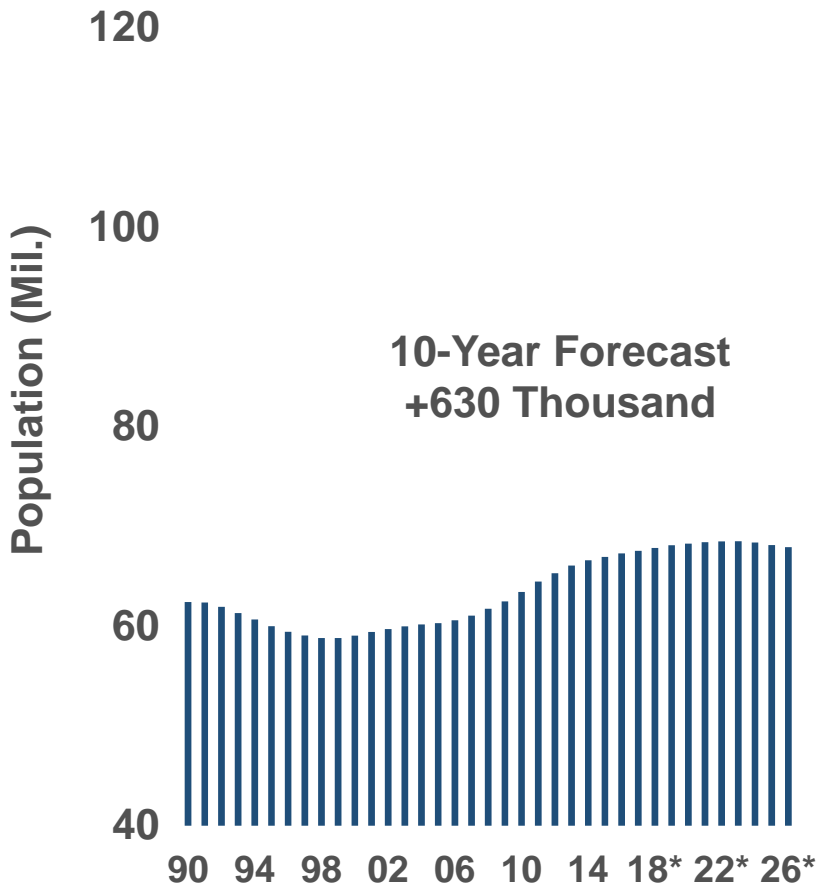
Wellness

Omnichannel Strategies Drive Convergence of Physical and Online

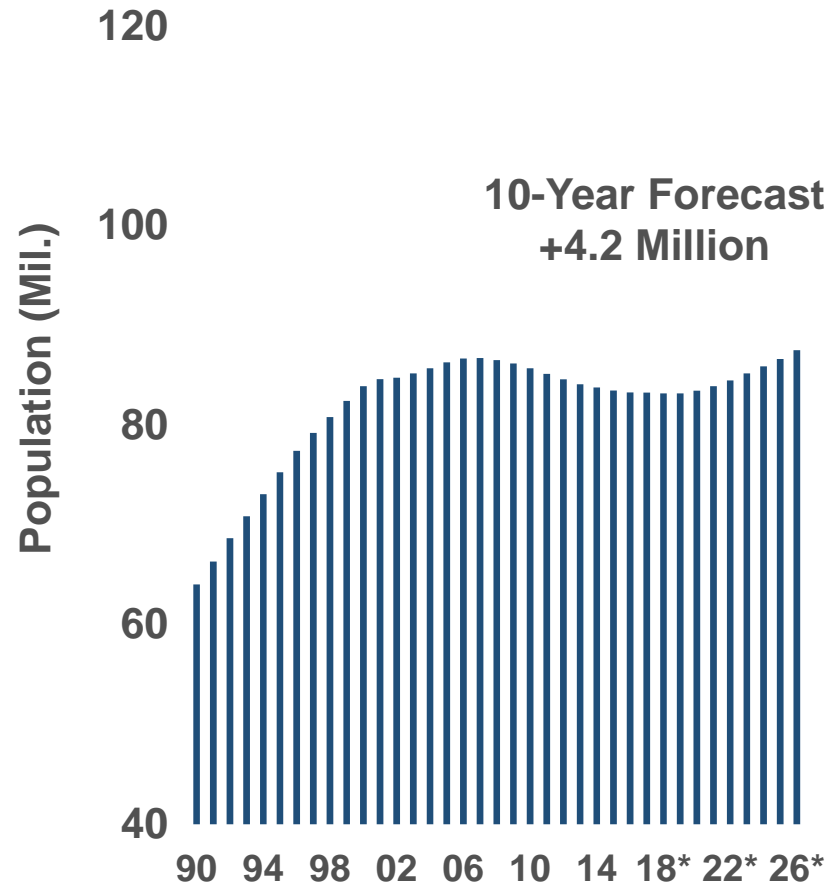


Demographics Trends Provide Triple Wave of Opportunity

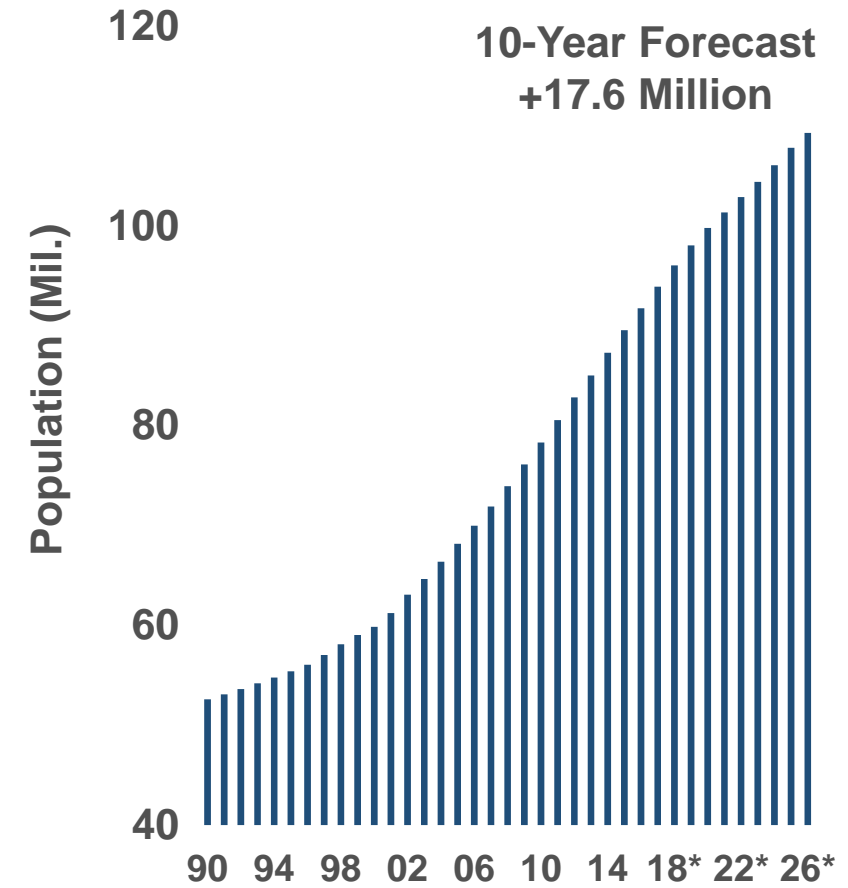
20 to 34 Year Olds



35 to 54 Year Olds



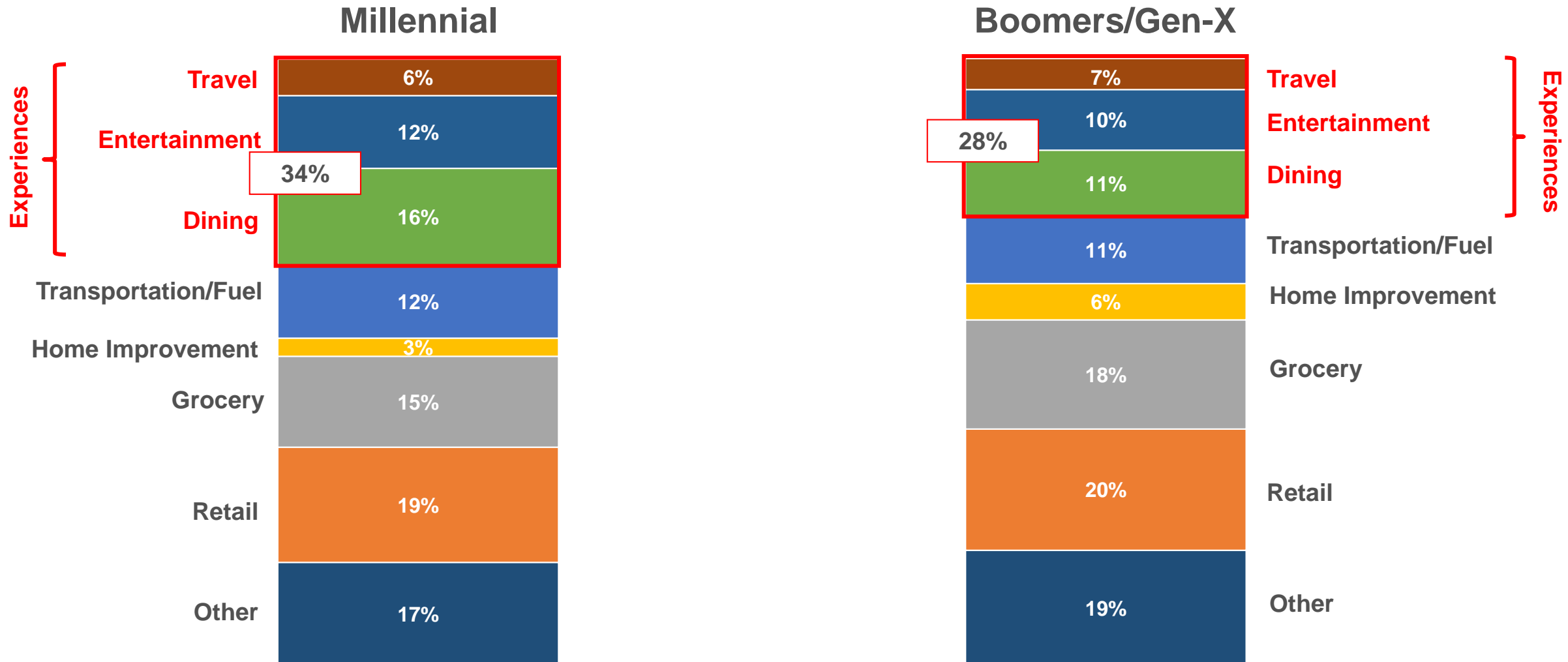
55+ Year Olds



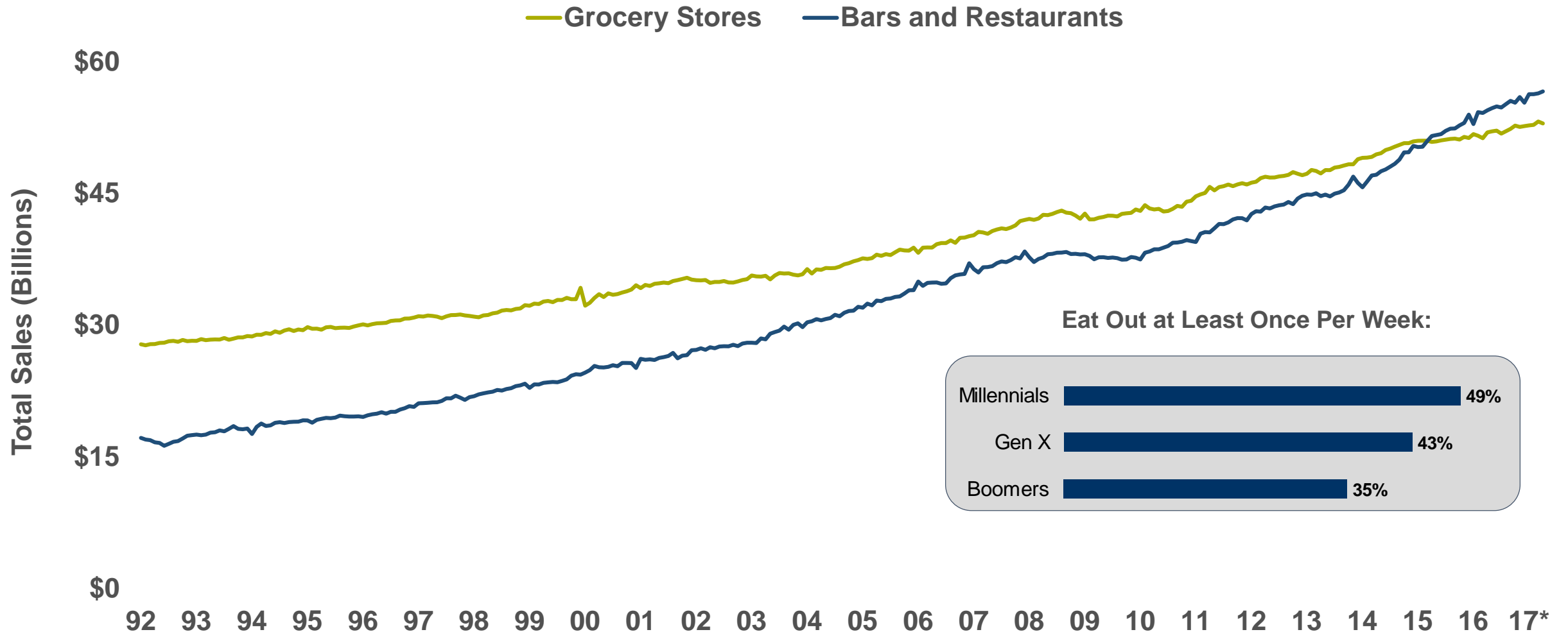
* Forecast

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

“Experience” and “Re-tailtainment” Major Forces in the E-Volution



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

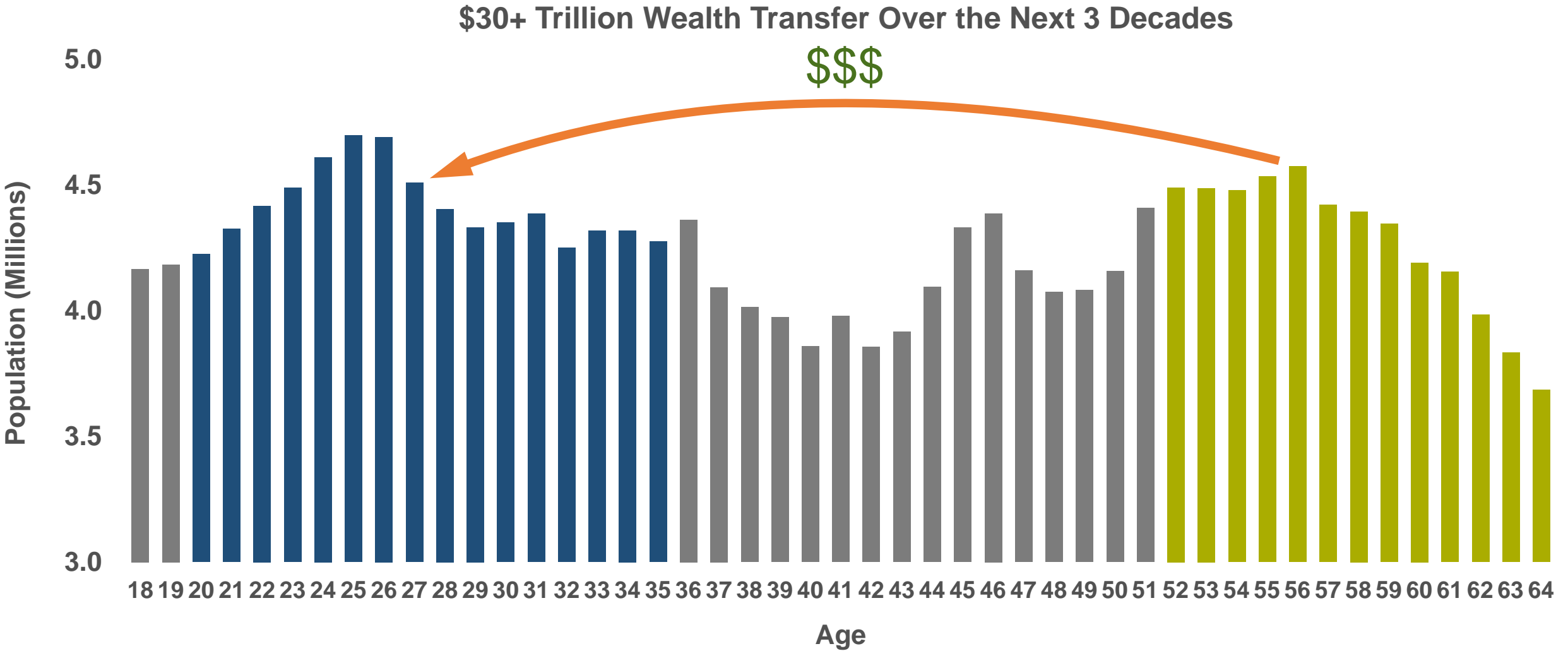


* Through April

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

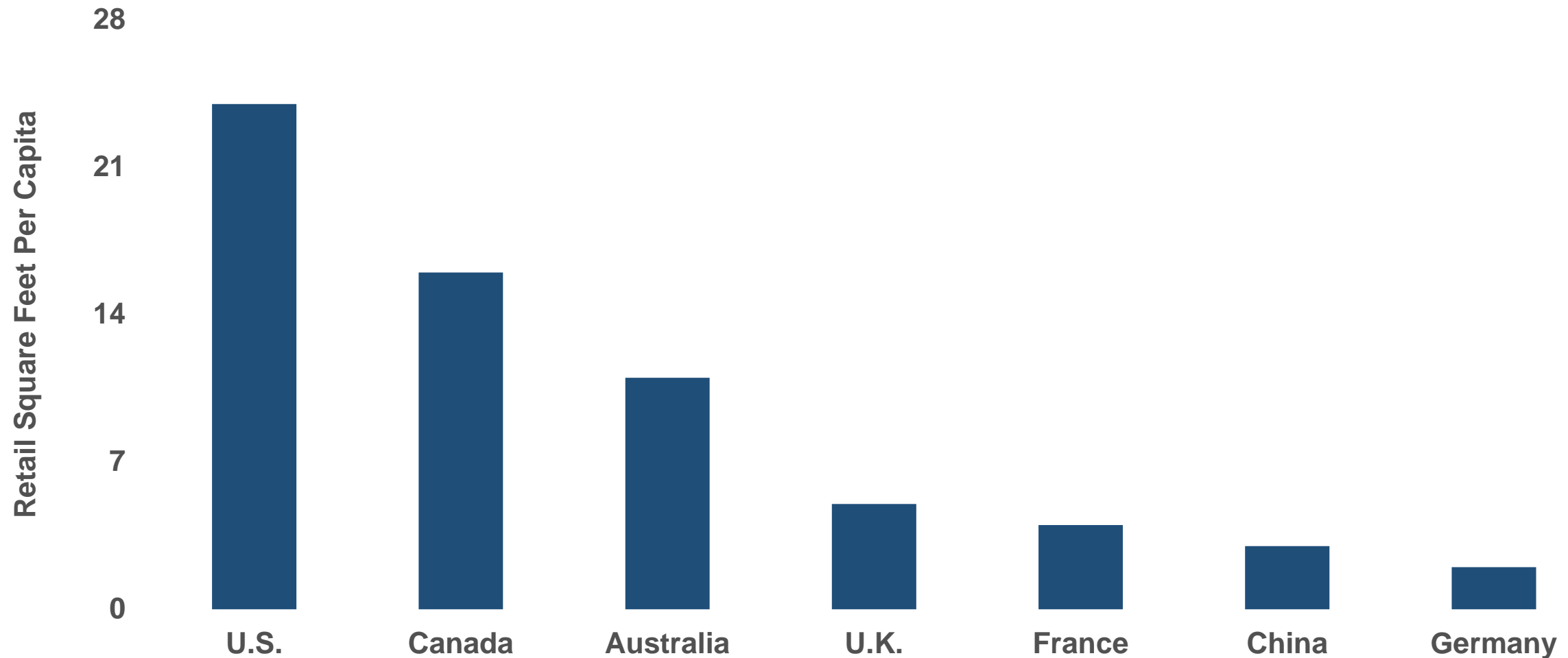
Unprecedented Wealth Transfer, Quest For Yield = CRE Capital Flows

U.S. 2016 Population by Age

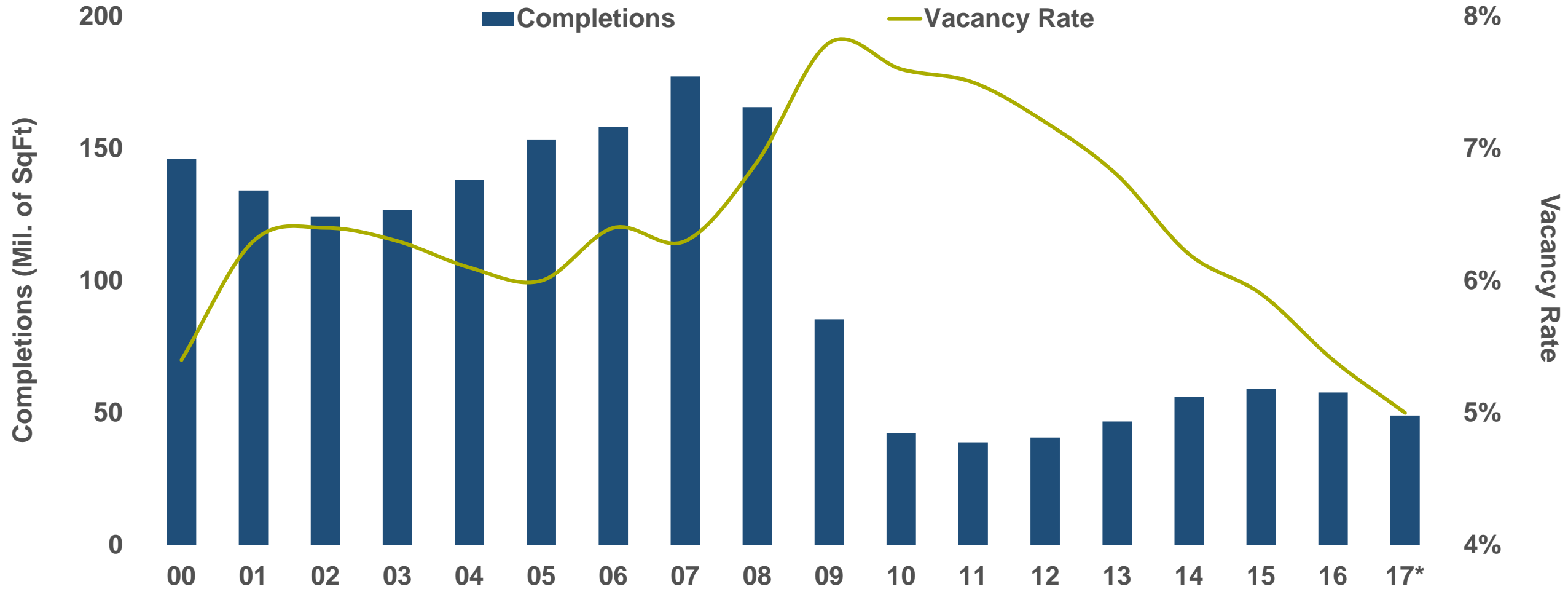


Sources: Marcus & Millichap Research Services, U.S. Census Bureau

Excess Retail Space in the U.S. Compounding Demand Shifts (Retail Space / Capita)



..... Market Forces are Correcting the Space Overhang Construction of Retail Lowest in a Recovery



* Forecast

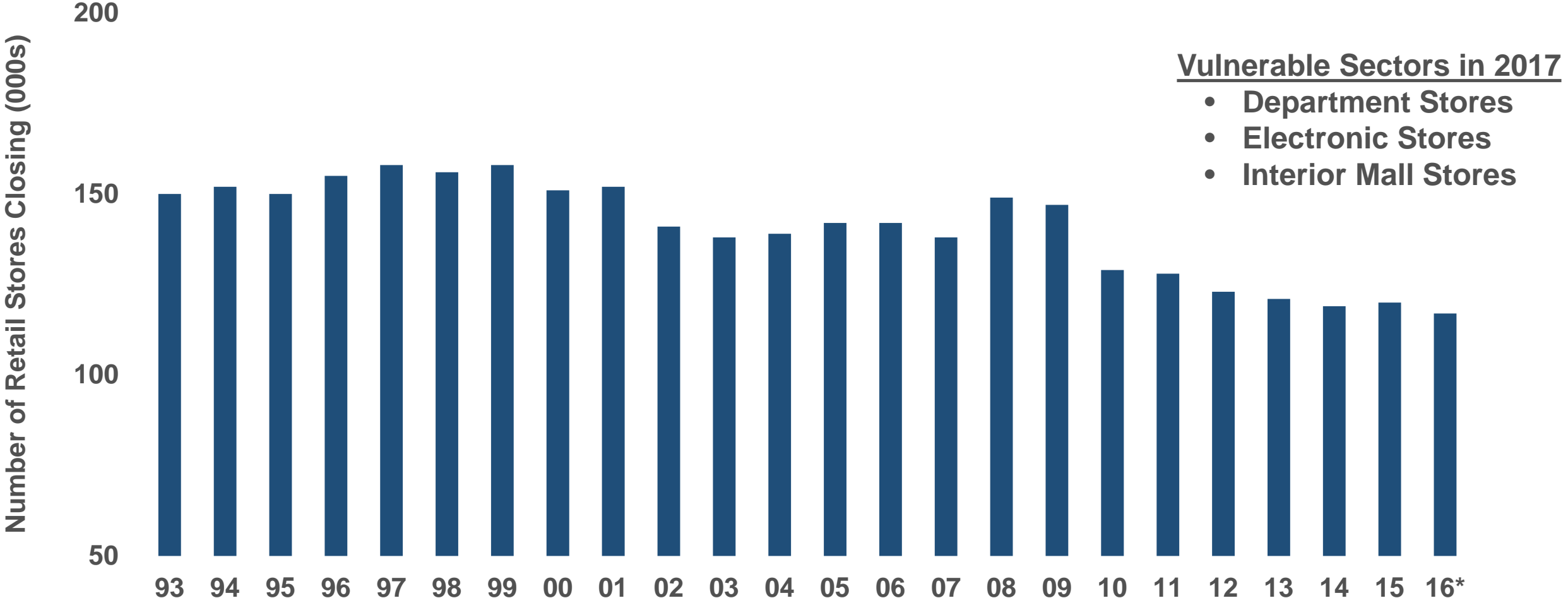
Sources: Marcus & Millichap Research Services, CoStar Group, Inc.

Retail Earnings Exceed Prior Peak Thanks to Improved Inventory Management, Push Toward Efficiency



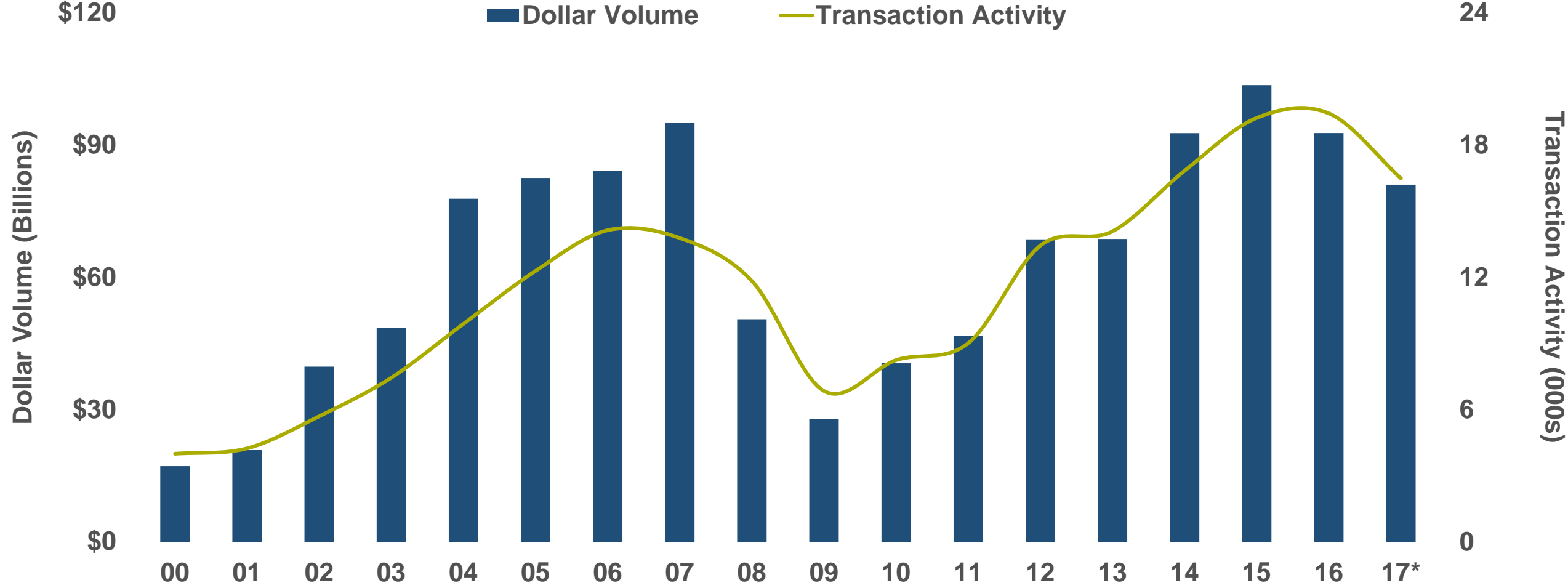
* Inventory to sales ratio through 1Q; corporate profits through 4Q 2016
Sources: Marcus & Millichap Research Services, U.S. Census Bureau, BEA

Ongoing Concerns Valid; Retail Closings Have Trended Lower



* Trailing 12-months through 3Q
Sources: Marcus & Millichap Research Services, Bureau of Labor Statistics

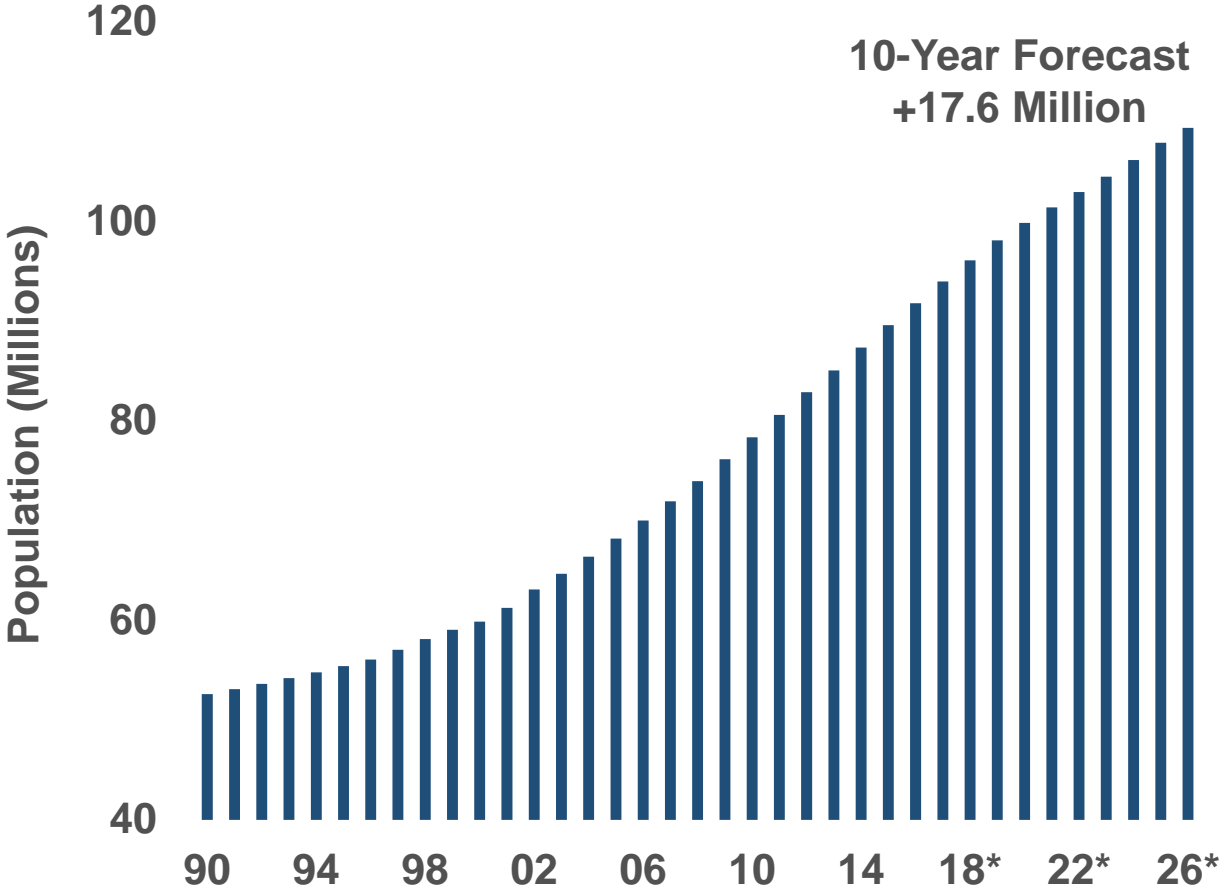
U.S. Retail Investment Sales Trends Have Slowed (For Now)



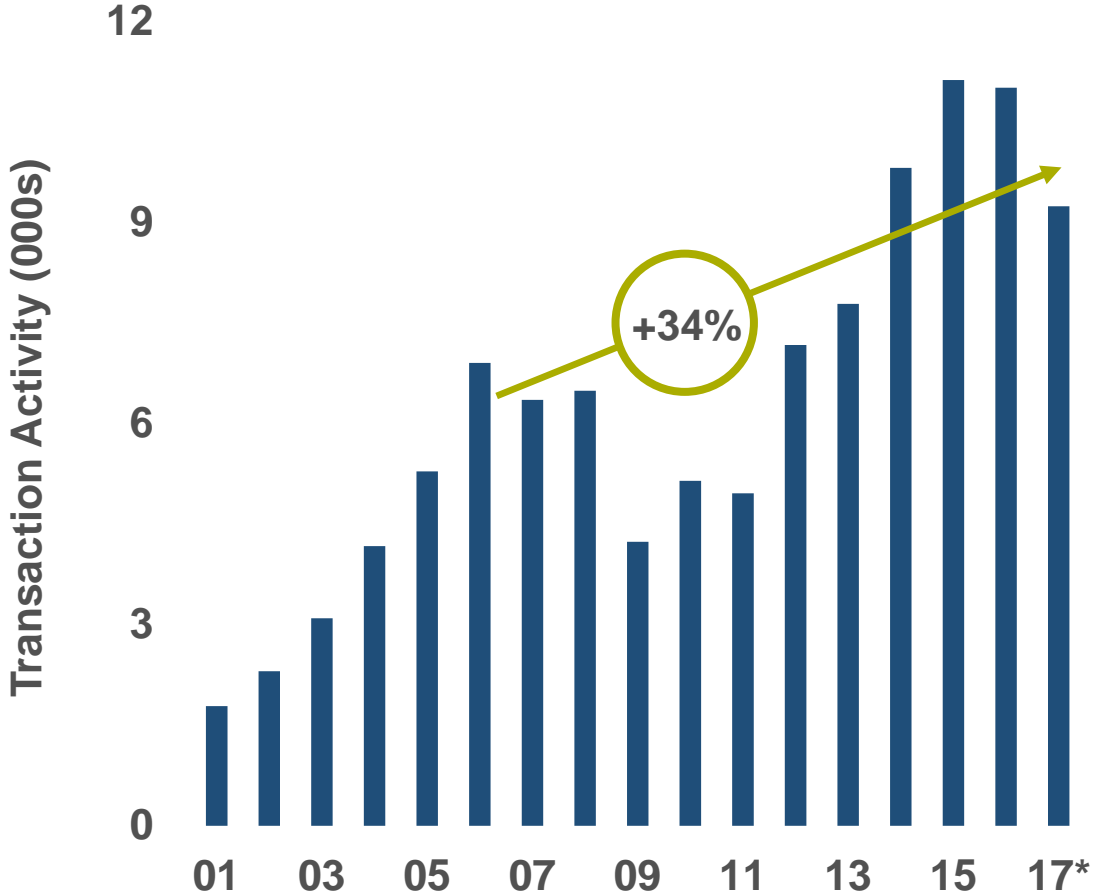
* Forecast
 Includes sales \$1 million and greater
 Sources: Marcus & Millichap Research Services, CoStar Group, Inc., Real Capital Analytics

Aging Baby Boomers Seeking Low Management Yield Boost Investment Activity in Net Leased Retail

55+ Year Olds



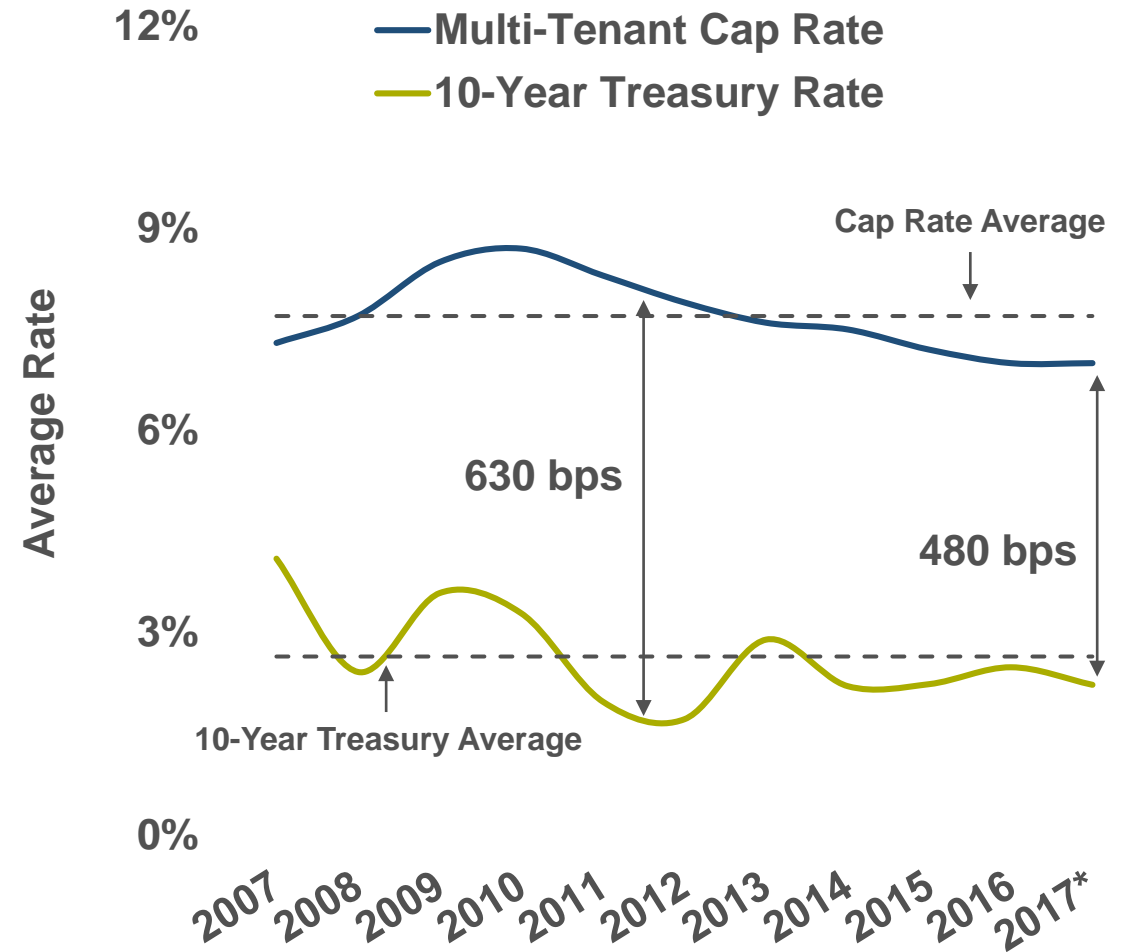
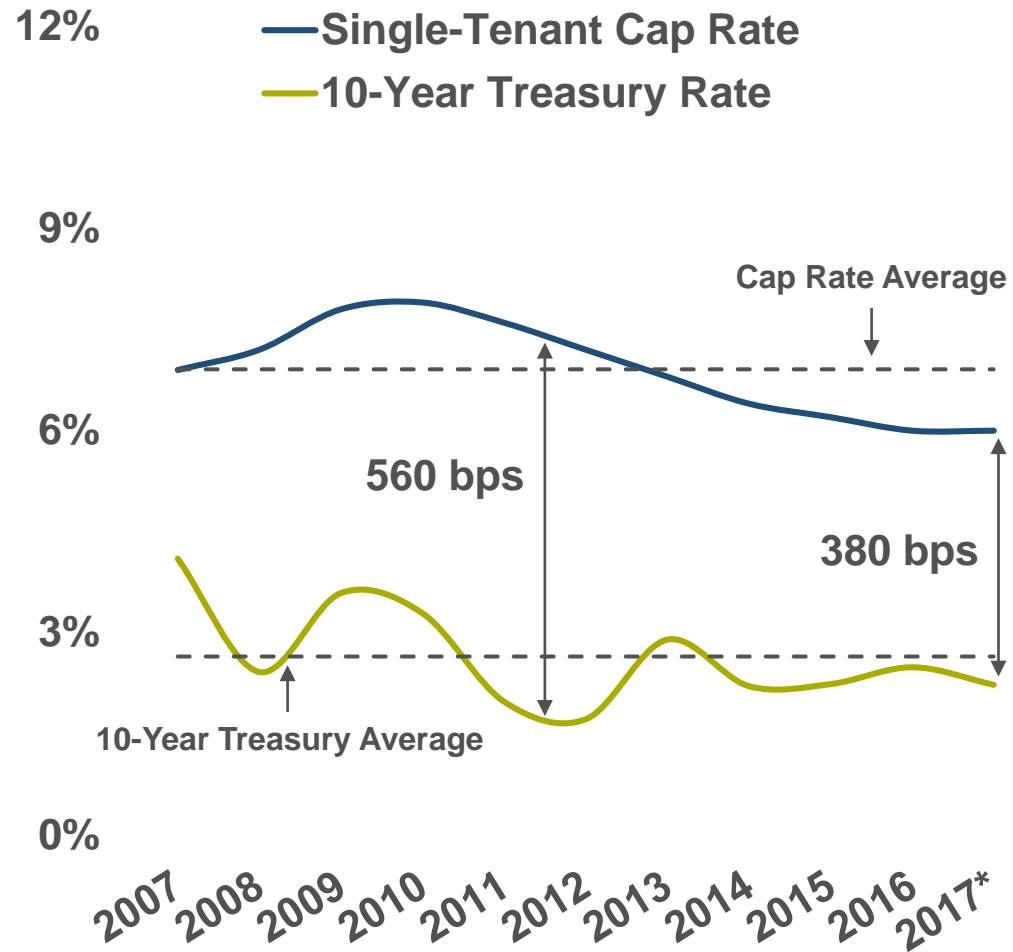
Single-Tenant Transactions



* Forecast
 Includes sales \$1 million and greater
 Sources: Marcus & Millichap Research Services, U.S. Census Bureau, CoStar Group, Inc., Real Capital Analytics

Retail Cap Rate Trends

Average Cap Rates vs. 10-Year Treasury

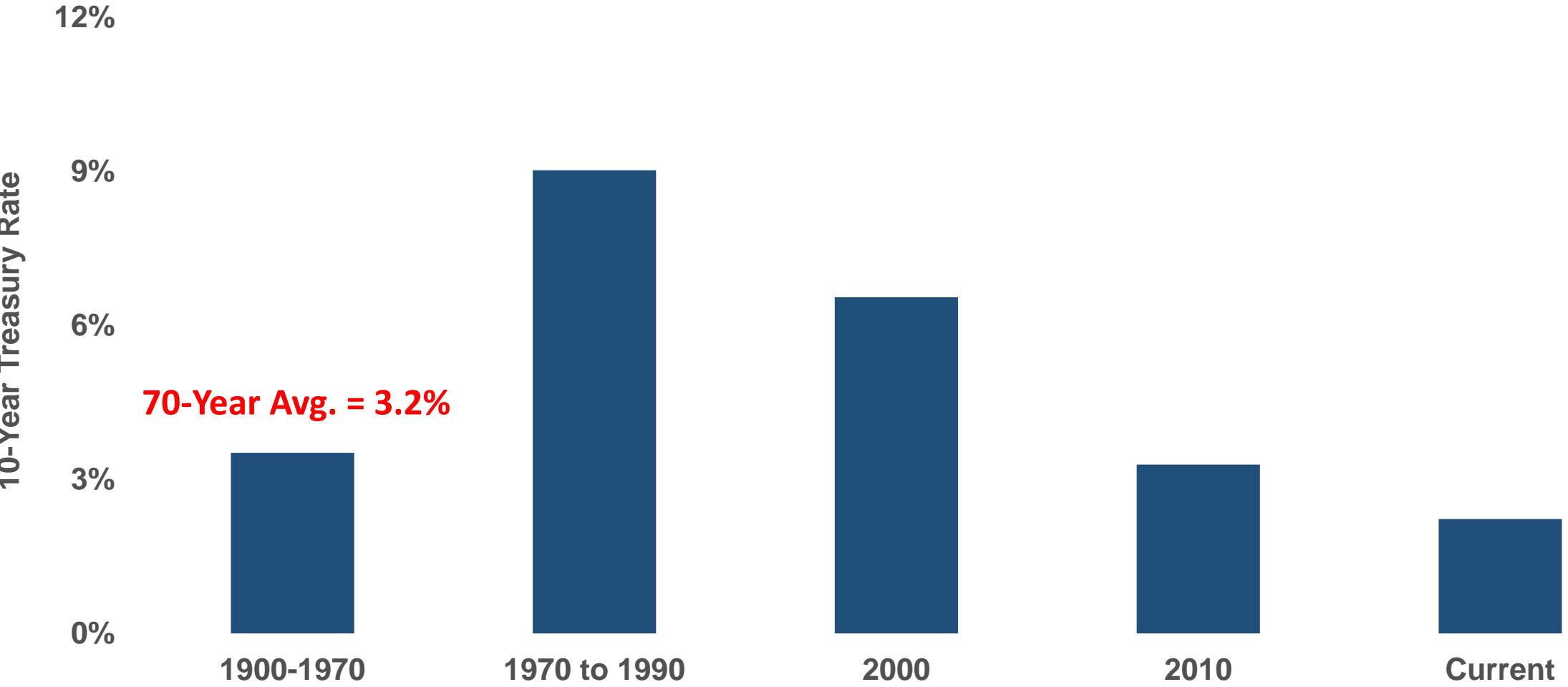


* Through May 18

Includes sales \$1 million and greater

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

10-Year Treasury Yield Trends: “There is no reason to expect interest rates to rise dramatically”, Ben Bernanke – Retail Trends 2016



Current as of May 18
Sources: Marcus & Millichap Research Services, Federal Reserve

National 10-Year Forecast Population Growth Rank by Metro

Large-Sized Market Growth Leaders

Top 5 Metros Large-sized	Absolute Change	Percent Change
Dallas-Fort Worth	1,489,000	20.5%
Houston	1,339,000	19.7%
Atlanta	1,252,000	21.6%
Phoenix	1,183,000	25.3%
Washington, D.C.	563,000	9.2%
U.S. Total	23,250,000	7.2%

Mid-Sized Market Growth Leaders

Top 5 Metros Mid-sized	Absolute Change	Percent Change
Orlando	817,000	33.3%
Charlotte	657,000	26.5%
Austin	631,000	30.6%
Las Vegas	594,000	27.5%
Tampa	537,000	17.7%
U.S. Total	23,250,000	7.2%

Drivers of Successful Retail Investing

- 1. Market and Location Still Matter and Always Will**
- 2. Massive Performance Variation by Type of Retail**
- 3. Nothing is Safe From Competition - Grocery Wars**
- 4. Dislocation or Opportunity?**
 - ✓ **Think Re-Use, Value-Add as Major Players Exit “Bs and Cs)**
 - ✓ **Personal Services, Medical, Education, Health**
- 5. Valuations Under Pressure – Adjustments to be Expected but Major Correction/Doomsday Pricing Unlikely**
- 6. Huge Buyer Demand for Well-Priced Assets**
- 7. “Wait-and-See” vs. Find and Act**



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