State of the Retail Real Estate Industry

Tom McGee
ICSC President & CEO
Holiday season kicks off with a strong Thanksgiving weekend

- **3.8%** year-over-year growth
- **87%** of shoppers made purchases from retailers with a physical presence
- **74%** of shoppers spent the same or more than in 2016
- **69%** of click-and-collect shoppers made an additional in-store purchase
- **46%** of shoppers dined and **21%** watched a movie while visiting shopping centers over the weekend
Retail real estate is becoming consumer real estate

2016 Sales
- Total Retail Sales: $4.9 T (81%)
  - Brick & Mortar In-Store Sales: $4.2 T (87.3%)
  - Other Sales: $616.4 B (12.7%)
- Pure-Play Ecommerce Sales: $227.3 B (4.7%)
  - Mail Order Sales: $149.7 B (3.1%)
  - Brick & Mortar Online Sales: $130.6 B (2.7%)
  - Non-Merchandise Receipts (i.e. shipping and handling) and Other: $108.7 B (2.2%)

2016 Sales (in billions):
- Total Brick & Mortar Retail Sales: $4,377.1
- Food & Beverage: $660.1
- Pure-Play Ecommerce: $227.3

Growth since 2013:
- Total Brick & Mortar Retail Sales: $290.5 (7.1%)
- Food & Beverage: $116.8 (21.5%)
- Pure-Play Ecommerce: $89.5 (64.9%)

Source: US Census
Major global trends impacting our industry

- Technology
- Omnichannel
- E-Commerce
- Customer Engagement

Demographics
- Baby Boomers
- Millennials
- Urban Density

Consumer
- Personalization
- Experience
- Value
Millenials are having a significant impact on retail.
There are 2.4 billion Millennials worldwide.

Share of Total Population that are Millennials by Geography

- World: 32.9% 33.1%
- Asia Pacific: 27.4% 28.7%
- Europe: 34.7% 34.9%
- MENA: 34.7% 34.9%
- USA: 28.7% 30.4%
- China: 28.7% 30.4%

Share of Total Millennial Population by Region

- Asia Pacific: 56.1%
- Europe: 9.3%
- North America: 4.2%
- MENA: 21.0%
- Latin America: 9.1%

Source: Euromonitor, ICSC Research
Demographic and macro economic factors are creating unique pressures for retail

2000
Total Population: 281 Million

2015
Total Population: 321 Million

Loss of 21M Consumers

<table>
<thead>
<tr>
<th>Inflation</th>
<th>GDP</th>
<th>Median Household Income</th>
<th>New Home Sales</th>
<th>Existing Home Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;2%</td>
<td>2%</td>
<td>Flat</td>
<td>Still Below 2007</td>
<td>2007 Levels</td>
</tr>
</tbody>
</table>

The Millennial Consumer

Who they are
- Education
- Income
- Habitation
- Marital Status
- Kids

What drives them
- Experience
- Personalization / Authenticity
- Technology
- Health
- Social Good
Impact of Tax Reform on Retail Real Estate

Provisions that were preserved
• Expensing/Limitation to Interest Expense
• 1031 Like-Kind Exchanges

What was impacted
• Pass-Through Provisions
• Carried Interest
• SALT Deduction