

## SHOPPING CENTER OVERVIEW

Shopping Centers continue to have tight single digit vacancy rates across all types of retail real estate averaging at 4.6% nationally. Location, quality, and strong demographics continue to dictate investment performance as retailers slate closures on less productive locations. Overall, the market reported a slow gain of 1.6% in 12 month rent growth. Areas including Raleigh, NC and Orlando, FL experienced rent rate growths over \$1.00 per square foot in Q1 2018 over Q1 2017.

Negative absorption continues to primarily affect shopping malls. Notable tenant closures slated for 2018 include Toys R Us (735 stores), Sam's Club (63 Clubs with 12 conversions to fulfillment centers), and a number of mall-based tenants including Best Buy Cell Phone Stores (250), Foot Locker (110 stores), Abercrombie & Fitch (60 stores), Bon-Ton Stores under all of the company's nameplate (42 Stores).

### U.S. Statistics - Q1 2018

Type	RBA (000)	Vacancy Rate	Asking Rent	Availability Rate	Net Absorption SF
Malls	934,821	3.8%	\$31.00	6.2%	(222,684)
Power Center	797,110	4.5%	\$22.12	6.7%	185,224
Neighborhood Center	3,045,312	7.5%	\$19.39	10.2%	253,166
Strip Centers	685,508	6.5%	\$18.23	8.2%	(3,030)
General Retail	5,813,073	2.9%	\$19.55	4.6%	(18,498)
Other	93,459	5.1%	\$23.67	6.7%	37,328
<b>National</b>	<b>11,369,283</b>	<b>4.6%</b>	<b>\$20.58</b>	<b>6.6%</b>	<b>231,506</b>

12 Mo Deliveries in SF

**76.5 M**

12 Mo Net Absorption in SF

**80.6 M**

Vacancy Rate

**4.6%**

12 Mo Rent Growth

**1.6%**

## STRIP CENTER HIGHLIGHT

Cap rates held steady quarter over quarter for strip centers without an anchor tenant, decreasing 10 basis point on assets acquired over \$2,000,000, up to 30,000 SF. Strip centers showed minimal shifts in rental rates and occupancy across several major markets. Overall, retail availability rates remained in the single digits at 6.6%, with strip centers hovering above the average at 8.2%. Strip and neighborhood centers have led all retail subtypes in percentage of demand growth over the past two years. This growth is primarily attributed to long term leases on NNN deals.

Sales volume for strip centers without an anchor tenant (see criteria below) had nearly half the number of reported transactions quarter over quarter with total sales volume slowing down 39%. Pending deals spilling into Q2 2018 support steady growth.

### NO ANCHOR STRIP CENTERS SOLD COMPS NATIONALLY - Q1 2017 vs 2018

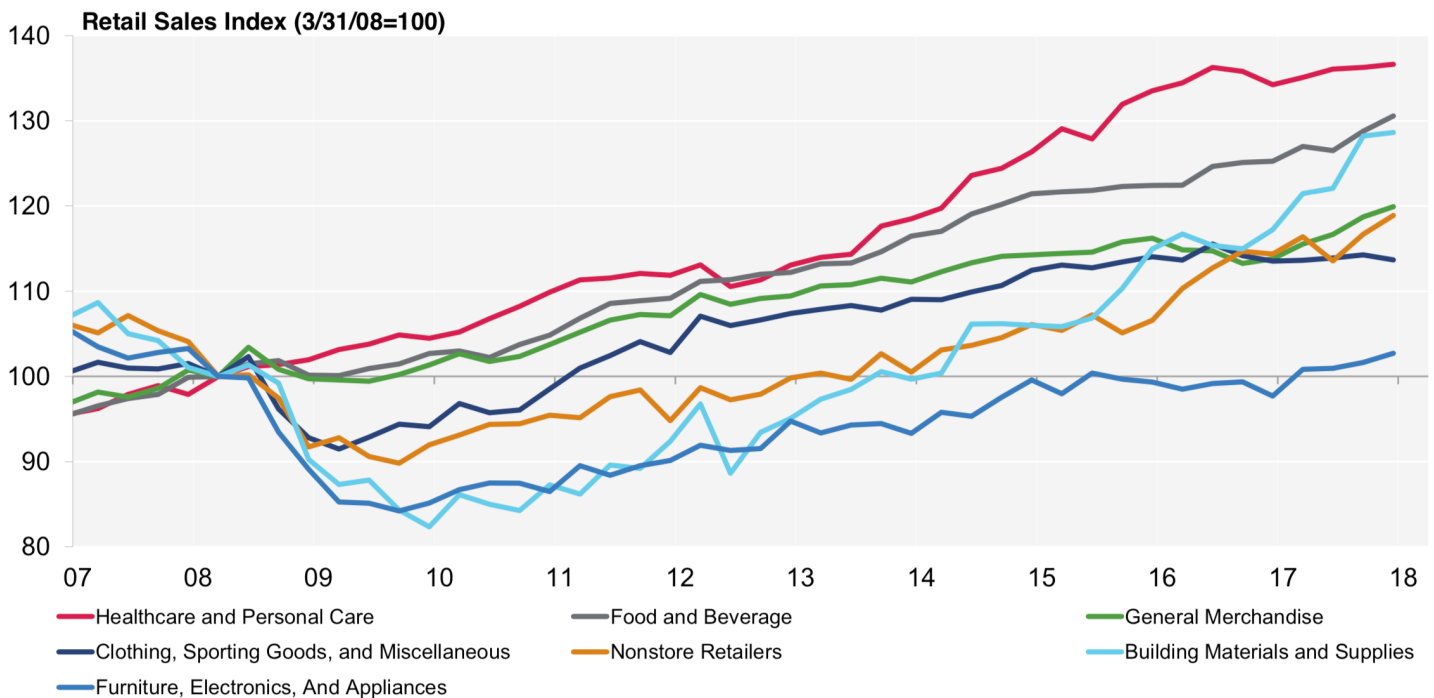
Quarter	Low	Median	High	Median CAP Rate	Days on Mkt	Total Sales Volume	Transaction Count
Q1 2017	\$2,000,000	\$2,926,232	\$10,856,800	7.0%	174	\$562,572,273	152
Q1 2018	\$2,000,000	\$3,250,000	\$9,625,000	6.9%	168	\$345,278,470	80

Criteria based on Strip Centers up to 30,000 SF > \$2M <3.0 Acres

## RETAIL SALES & U.S ECONOMY

As of the first quarter of 2018, all retail sales sectors had an upward tick in sales with the exception of clothing. Cap rates for neighborhood centers are anticipated to remain unchanged with nominal increases based on otherwise healthy consumer spending and the outlook of tax reform benefits. Demographically, U.S. Census data indicates consumers in 35-54 year old age group on average spend 21% more per capita than the average for all age groups.

- GDP 3.0% in 2018, up from 2.3% in 2017.
- Slower job gains likely this year as labor market tightens.
- 10 Year T-Notes at 3.2% by end of 2018.
- Inflation 2.6% in 2018, up from 2.1% in 2018.
- Business spending up 7% in 2018 boosted by expanded tax breaks.
- Housing market price growth 5% by end of 2018.
- Retail Sales growing 4.7% in 2018 (excluding gas).
- Potential hike in interest rates in June and December by Federal Reserve.



As of Jan 18

### TOP 5 RETAIL MARKET SNAPSHOT BY GDP

#### New York City

##### 12 Month Sales Data

- 6.0% Avg Cap Rate
- Avg Price/SF \$454
- Avg Sale \$3,051,228
- 6.4% Vacancy at Sale
- 2,512 Comps

Current Quarter	RBA	Vacancy Rate	Asking Rent	Availability Rate	Net Absorption SF
Malls	39,782,028	1.4%	\$45.99	2.6%	4,036
Power Center	23,838,540	3.3%	\$28.91	7.2%	1,520
Neighborhood Center	79,508,812	6.7%	\$30.08	9.8%	7,705
Strip Centers	15,674,947	5.9%	\$26.88	8.1%	17,150
General Retail	415,813,119	3.6%	\$41.78	5.7%	(53,240)
Other	3,398,559	1.9%	\$31.38	3.4%	0
<b>Market</b>	<b>578,016,005</b>	<b>3.9%</b>	<b>\$39.50</b>	<b>6.1%</b>	<b>(22,829)</b>

#### Los Angeles

##### 12 Month Sales Data

- 5.2% Avg Cap Rate
- Avg Price/SF \$347
- Avg Sale \$2,950,569
- 5.3% Vacancy at Sale
- 2,889 Comps

Current Quarter	RBA	Vacancy Rate	Asking Rent	Availability Rate	Net Absorption SF
Malls	42,371,242	3.0%	\$48.87	4.3%	(9,305)
Power Center	23,895,158	3.0%	\$32.27	5.5%	(5,800)
Neighborhood Center	104,569,843	4.9%	\$30.06	7.8%	(22,869)
Strip Centers	35,926,481	4.6%	\$27.28	5.5%	(23,151)
General Retail	229,238,703	3.1%	\$30.98	4.9%	(99,339)
Other	3,033,545	3.6%	\$36.77	3.9%	0
<b>Market</b>	<b>439,034,972</b>	<b>3.6%</b>	<b>\$32.30</b>	<b>5.6%</b>	<b>(160,464)</b>

#### Chicago

##### 12 Month Sales Data

- 7.2% Avg Cap Rate
- Avg Price/SF \$169
- Avg Sale \$2,145,932
- 9.2% Vacancy at Sale
- 2,031 Comps

Current Quarter	RBA	Vacancy Rate	Asking Rent	Availability Rate	Net Absorption SF
Malls	36,854,920	3.6%	\$29.70	5.4%	0
Power Center	40,524,322	6.5%	\$19.19	9.7%	1,702
Neighborhood Center	128,473,745	10.3%	\$17.58	13.3%	98
Strip Centers	34,425,840	9.1%	\$16.66	10.8%	19,590
General Retail	313,119,171	4.4%	\$18.40	6.4%	187,696
Other	3,262,520	2.3%	\$21.84	2.2%	0
<b>Market</b>	<b>556,660,518</b>	<b>6.1%</b>	<b>\$18.93</b>	<b>8.4%</b>	<b>209,086</b>

#### Dallas / Fort Worth

##### 12 Month Sales Data

- 6.7% Avg Cap Rate
- Avg Price/SF \$184
- Avg Sale \$2,885,755
- 6.7% Vacancy at Sale
- 1,680 Comps

Current Quarter	RBA	Vacancy Rate	Asking Rent	Availability Rate	Net Absorption SF
Malls	36,964,075	2.3%	\$29.12	3.1%	5,468
Power Center	31,680,920	3.2%	\$22.65	4.6%	23,986
Neighborhood Center	122,732,806	8.5%	\$17.87	10.8%	18,377
Strip Centers	32,201,167	7.6%	\$17.44	9.5%	5,924
General Retail	195,438,745	2.7%	\$17.45	4.0%	28,979
Other	3,319,483	8.2%	\$18.46	1.8%	3,000
<b>Market</b>	<b>422,337,196</b>	<b>4.8%</b>	<b>\$18.98</b>	<b>6.3%</b>	<b>85,734</b>

#### Washington DC Metro

##### 12 Month Sales Data

- 6.8% Avg Cap Rate
- Avg Price/SF \$298
- Avg Sale \$2,870,664
- 7.9% Vacancy at Sale
- 728 Comps

Current Quarter	RBA	Vacancy Rate	Asking Rent	Availability Rate	Net Absorption SF
Malls	35,741,327	3.9%	\$34.12	5.3%	0
Power Center	27,009,316	4.3%	\$29.14	5.5%	(17,288)
Neighborhood Center	86,865,523	6.0%	\$28.54	8.0%	134,664
Strip Centers	11,522,358	5.9%	\$25.30	7.3%	(2,766)
General Retail	105,229,390	2.9%	\$27.65	4.3%	21,948
Other	2,903,674	9.4%	\$29.17	10.5%	0
<b>Market</b>	<b>269,271,588</b>	<b>4.4%</b>	<b>\$28.86</b>	<b>5.9%</b>	<b>136,558</b>

### SELECT MARKET RETAIL & STRIP CENTER OCCUPANCY & RENTS Q1 2017 vs Q1 2018

MSA	Occupancy			Asking Rent		
	Q1 17'	Q1 18'	Change	Q1 17'	Q1 18'	Change
Atlanta - All Retail	94.3%	94.8%	0.5%	\$15.62	\$16.19	\$0.57
Strip Centers	92.2%	93.4%	1.2%	\$14.28	\$14.68	\$0.40
Austin - All Retail	96.4%	96.2%	-0.2%	\$24.92	\$25.81	\$0.89
Strip Centers	92.4%	93.5%	1.1%	\$22.62	\$23.32	\$0.70
Chicago - All Retail	93.4%	93.9%	0.5%	\$18.81	\$18.94	\$0.13
Strip Centers	90.2%	90.9%	0.7%	\$16.71	\$16.65	-\$0.06
Cleveland - All Retail	94.7%	94.7%	0.0%	\$13.31	\$13.38	\$0.07
Strip Centers	92.4%	93.2%	0.8%	\$12.18	\$12.24	\$0.06
Columbus - All Retail	95.5%	96.3%	0.8%	\$14.64	\$14.92	\$0.28
Strip Centers	95.1%	95.3%	0.2%	\$15.20	\$15.40	\$0.20
Dallas/Ft. Worth - All Retail	95.4%	95.2%	-0.2%	\$18.31	\$19.04	\$0.73
Strip Centers	92.3%	92.4%	0.1%	\$16.85	\$17.48	\$0.63
Detroit - All Retail	93.7%	94.2%	0.5%	\$14.70	\$15.27	\$0.57
Strip Centers	90.7%	92.2%	1.5%	\$14.20	\$14.59	\$0.39
Houston - All Retail	95.1%	94.9%	-0.2%	\$19.84	\$20.07	\$0.23
Strip Centers	92.2%	91.6%	-0.6%	\$19.01	\$19.26	\$0.25
Jacksonville - All Retail	95.1%	95.9%	0.8%	\$16.01	\$16.60	\$0.59
Strip Centers	92.0%	93.3%	1.3%	\$14.82	\$15.34	\$0.52
Kansas City - All Retail	94.2%	94.5%	0.3%	\$14.34	\$14.92	\$0.58
Strip Centers	91.9%	91.3%	-0.6%	\$12.95	\$13.45	\$0.50
Los Angeles - All Retail	96.1%	96.4%	0.3%	\$31.74	\$32.31	\$0.57
Strip Centers	95.5%	95.4%	-0.1%	\$26.97	\$27.29	\$0.32
Miami - All Retail	96.5%	96.3%	-0.2%	\$36.35	\$37.20	\$0.85
Strip Centers	96.7%	96.5%	-0.2%	\$29.32	\$30.12	\$0.80
Milwaukee - All Retail	94.6%	95.8%	1.2%	\$13.63	\$13.88	\$0.25
Strip Centers	92.1%	92.2%	0.1%	\$13.85	\$13.91	\$0.06
Minneapolis - All Retail	96.9%	97.0%	0.1%	\$16.00	\$16.65	\$0.65
Strip Centers	93.7%	94.2%	0.5%	\$14.69	\$14.98	\$0.29
New York - All Retail	96.1%	96.1%	0.0%	\$39.68	\$39.51	-\$0.17
Strip Centers	92.6%	94.0%	1.4%	\$27.00	\$26.89	-\$0.11
Orlando - All Retail	95.2%	95.8%	0.6%	\$19.60	\$20.77	\$1.17
Strip Centers	94.7%	93.8%	-0.9%	\$18.22	\$19.08	\$0.86
Philadelphia - All Retail	95.1%	95.3%	0.2%	\$18.98	\$19.44	\$0.46
Strip Centers	92.7%	93.2%	0.5%	\$16.81	\$17.13	\$0.32
Phoenix - All Retail	91.5%	92.5%	1.0%	\$17.54	\$17.78	\$0.24
Strip Centers	87.1%	88.5%	1.4%	\$14.97	\$15.29	\$0.32
Pittsburgh - All Retail	97.0%	96.8%	-0.2%	\$14.48	\$15.02	\$0.54
Strip Centers	94.7%	95.0%	0.3%	\$14.91	\$15.46	\$0.55
Portland - All Retail	96.2%	96.7%	0.5%	\$21.50	\$21.66	\$0.16
Strip Centers	93.8%	95.4%	1.6%	\$19.61	\$20.02	\$0.41
Raleigh - All Retail	96.5%	97.0%	0.5%	\$18.42	\$19.42	\$1.00
Strip Centers	95.0%	95.7%	0.7%	\$15.95	\$16.54	\$0.59
Reno - All Retail	92.2%	94.3%	2.1%	\$17.59	\$17.62	\$0.03
Strip Centers	90.7%	92.3%	1.6%	\$17.52	\$17.52	\$0.00
Richmond - All Retail	94.5%	94.9%	0.4%	\$16.57	\$16.56	-\$0.01
Strip Centers	92.3%	93.6%	1.3%	\$15.15	\$14.99	-\$0.16
Sacramento - All Retail	93.0%	93.6%	0.6%	\$19.42	\$19.84	\$0.42
Strip Centers	89.2%	90.5%	1.3%	\$16.86	\$17.10	\$0.24
Saint Louis - All Retail	94.9%	95.0%	0.1%	\$15.08	\$14.96	-\$0.12
Strip Centers	91.5%	92.6%	1.1%	\$13.96	\$13.99	\$0.03
San Francisco - All Retail	97.5%	97.2%	-0.3%	\$41.35	\$41.88	\$0.53
Strip Centers	98.8%	97.7%	-1.1%	\$34.15	\$34.46	\$0.31
Seattle - All Retail	96.2%	96.7%	0.5%	\$22.69	\$23.55	\$0.86
Strip Centers	94.8%	94.9%	0.1%	\$20.30	\$21.11	\$0.81