



## Institutional Real Estate Market: Retail

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**CBRE**



# RETAIL INVESTMENT MARKET OVERVIEW

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## Is it the best of times.....?

- Nearly 3 million jobs created in 2014
- 10-year treasury below 2%
- Gas prices down 30% since mid-14
- Home prices up 31% from 2011
- Stock market (S&P) up nearly 200% from bottom
- Pension Funds under-allocated to retail
- Foreign Capital flowing to US real estate
- Retail sale activity, occupancies & rents all trending up
- Development still muted

# RETAIL INVESTMENT MARKET OVERVIEW

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....or have we peaked and are headed for a correction?

- Store closures at recession period levels
- Global connectivity
  - Slowdown in global economic growth
  - Increase in global instability
- Crippling government deficits
- Imminent changes to the tax laws
- Full valuations and occupancies
- Interest rates expected to finally head back up

# RETAIL INVESTMENT MARKET OVERVIEW

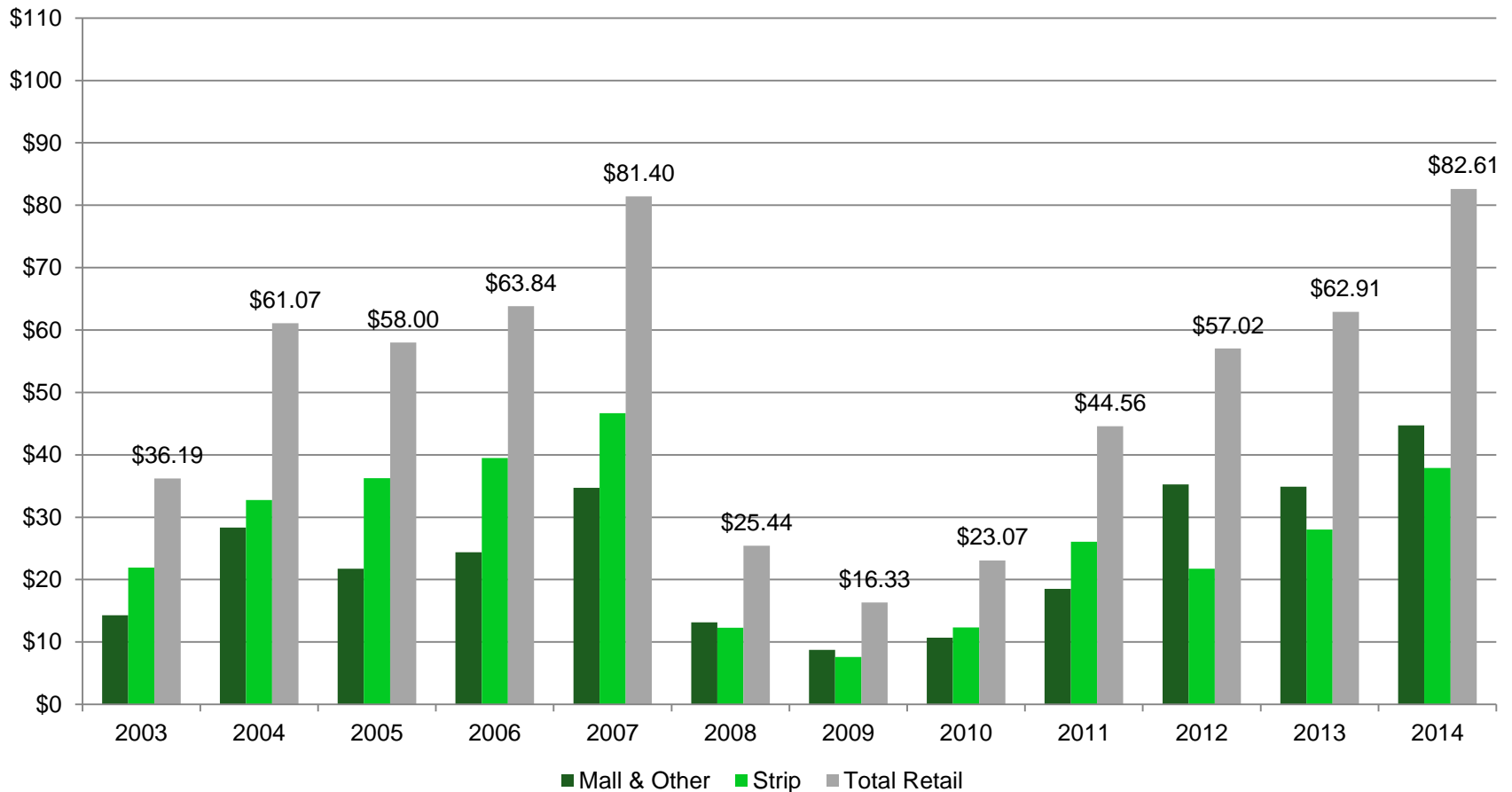
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## So which is it?

- Three things driving this bull run we are on:
  1. An ample supply of cheap capital
  2. A lack of attractive investment alternatives
  3. Improving fundamentals at the property level
- None appear to be changing for the worse anytime soon

# RETAIL TRANSACTION VOLUME

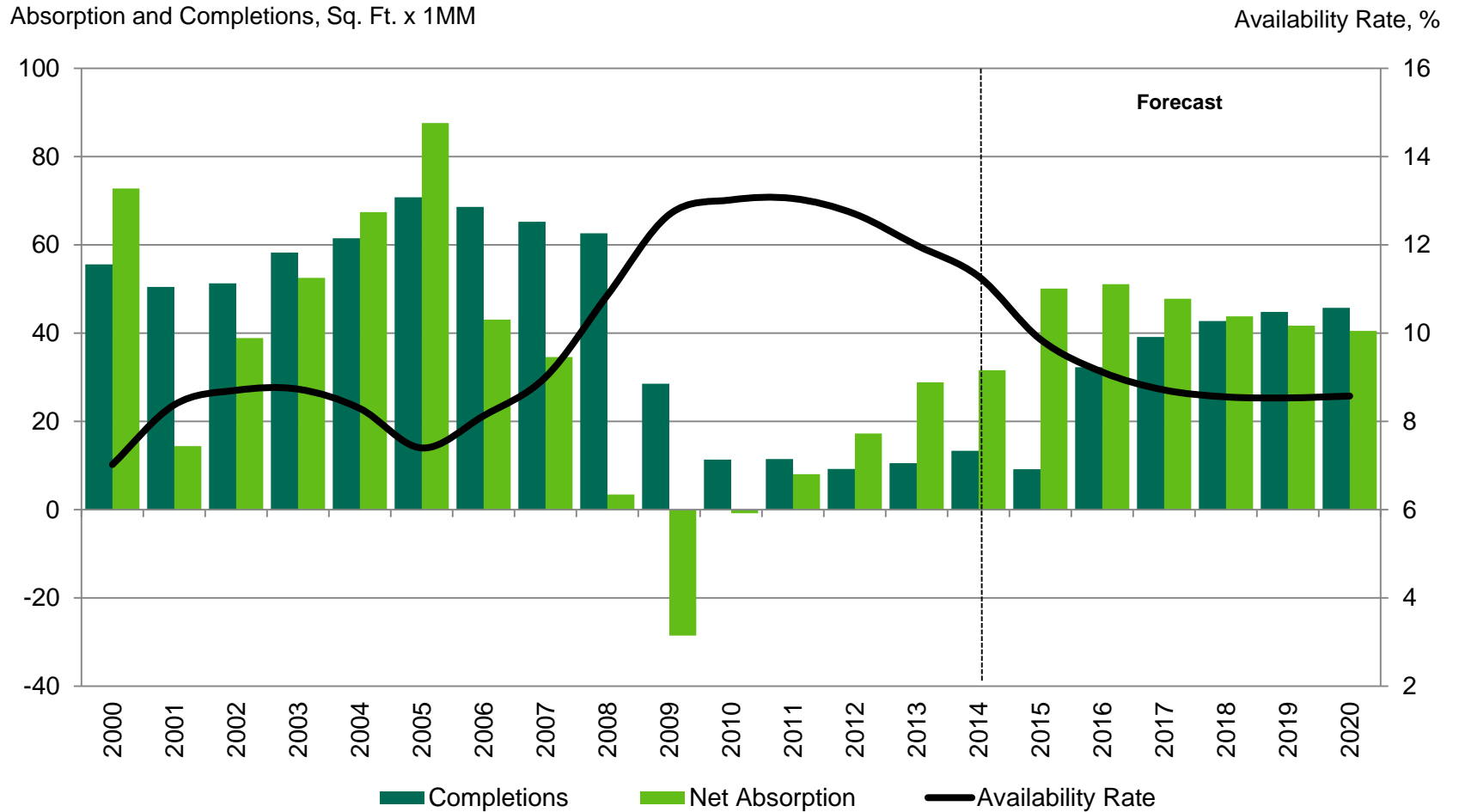
Billions (\$) Properties – National Data



Source: Real Capital Analytics. Historical Statistics by Year 2014)

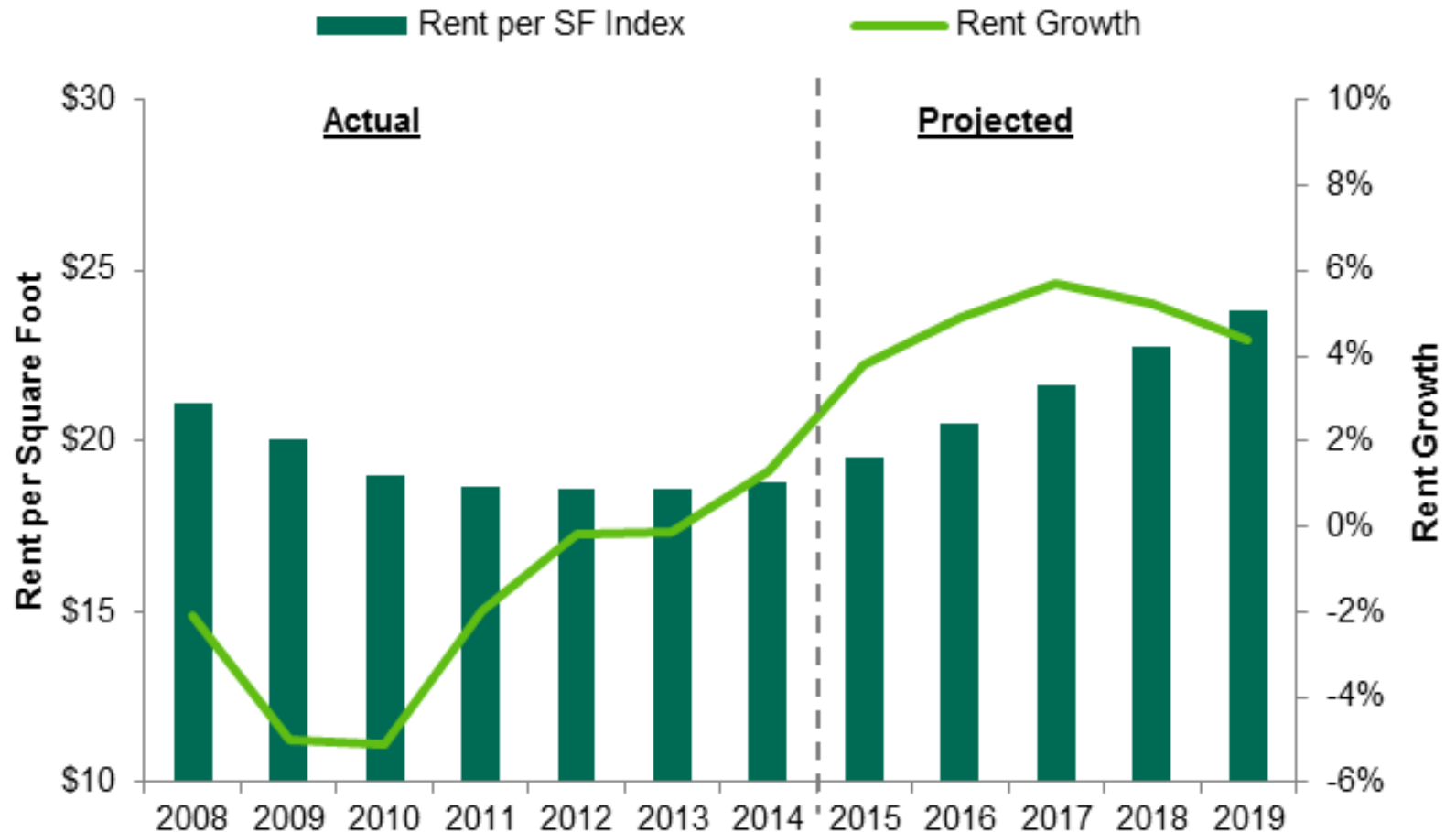


# OCCUPANCY RATE IMPROVING



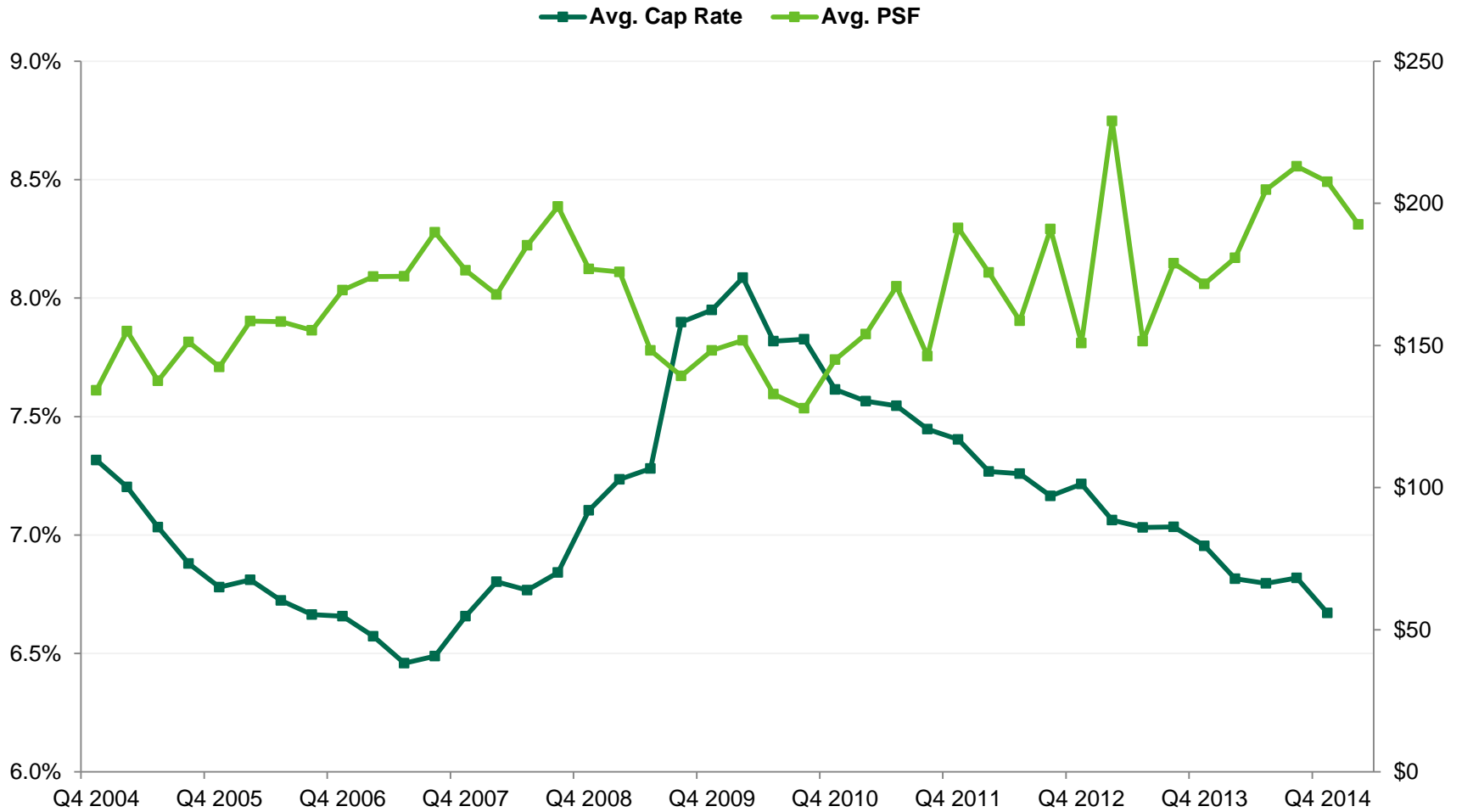
Source: CBRE Econometric Advisors – Q3 2014

# RENT GROWTH



Source: CBRE Econometrics Advisors and Real Capital Analytics as of 3Q 2014

# CAP RATE & AVERAGE PRICE PSF TRENDS



Source: Real Capital Analytics

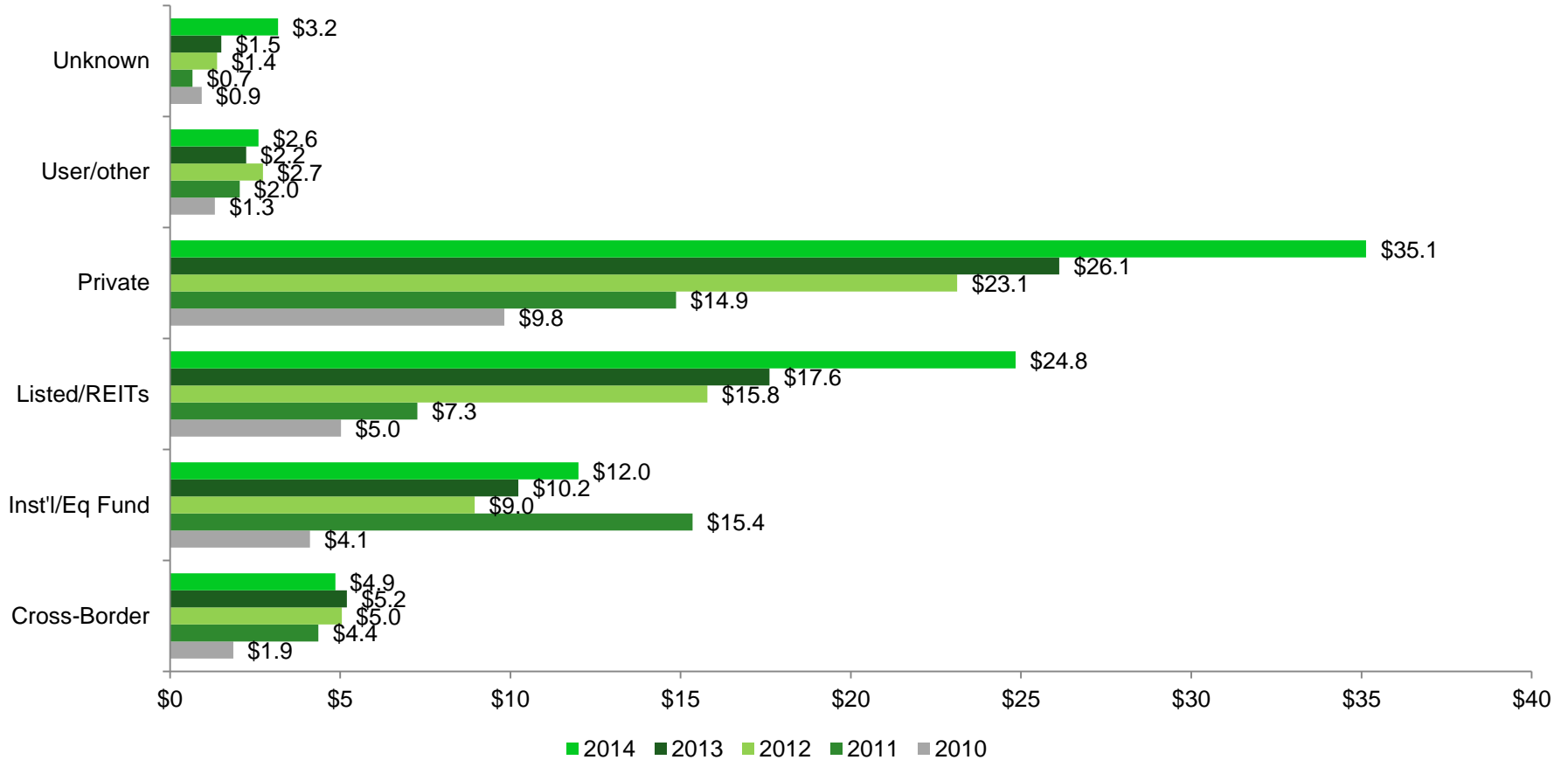




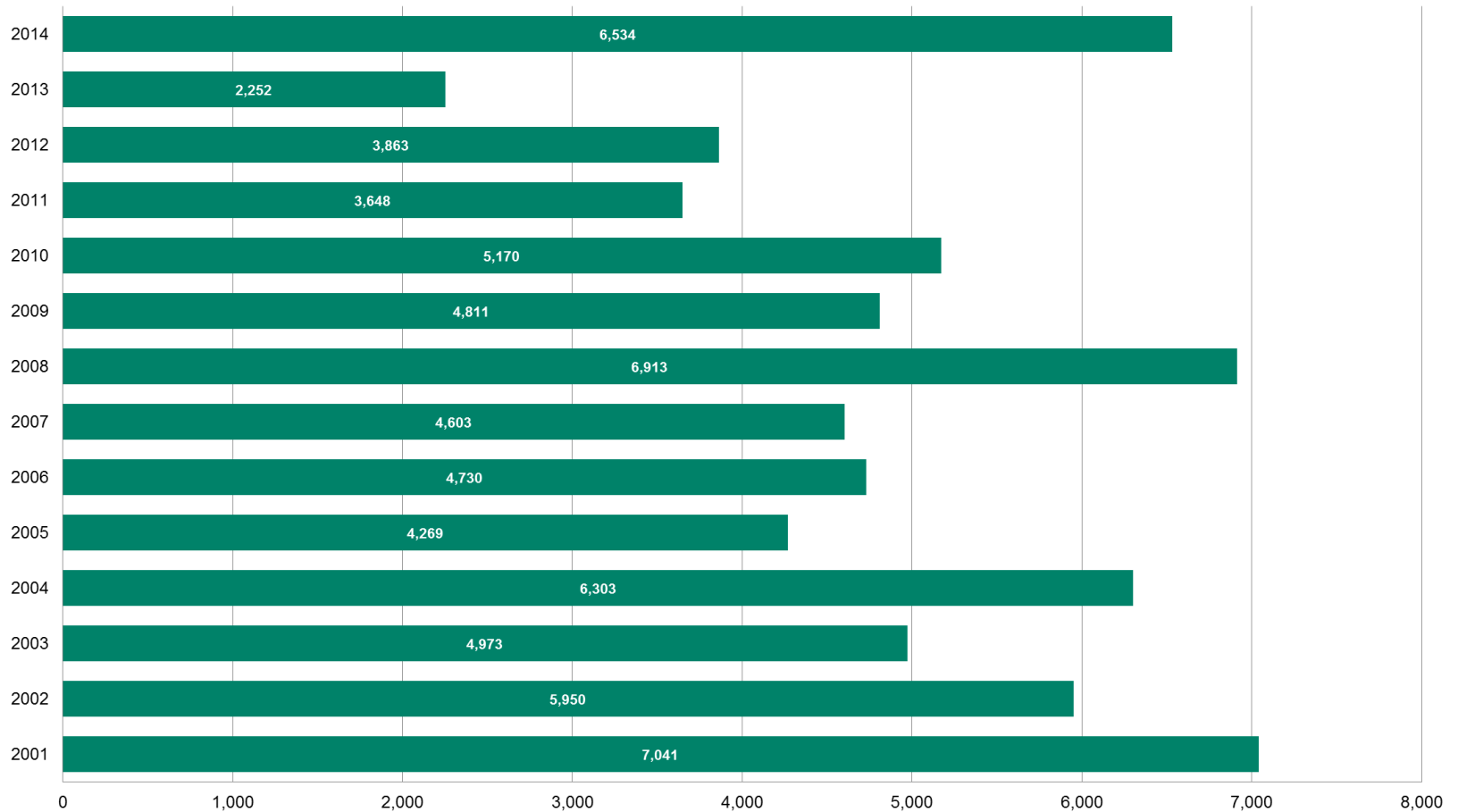
# RETAIL ACQUISITION BY CAPITAL SECTOR

Source: Real Capital Analytics – 2014

## \$ Volume (Billions)



# US ANNOUNCED STORE CLOSING 2001-2014



Source: ICSC Research and PNC Real Estate Research 4Q2014

# RETAIL FORMAT REVIEW - SUMMARY

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- Urban Retail: The new most sought-after format
- Grocery: Still high in demand despite intense grocer competition
- Power:
  - Co-tenancies and exclusive uses a huge issue
  - Biggest opportunity in retail – stabilized non-core
- Lifestyle:
  - Similar issues to power centers but wider universe of tenants mitigates concerns
  - Bigger is Best
- Mall: Now 4 segments to the market, all very different
- Outlet Centers: A hot format - again

# GROCERY CASE STUDY I: POINTE PLAZA



## POINTE PLAZA 5600-5768 W. Touhy, Niles IL

Property type: Grocery-anchored community center

GLA: 328,706 SF (total center)  
193,011 SF (owned and included)

Anchor Tenants: Walmart (shadow), Fresh Farms, Babies 'R' Us, Ross

Occupancy: 96.5%

Price: \$50,300,000  
5.65% cap rate

Seller/Buyer: CBRE Investors to Stockbridge

Sale Date: July, 2014

# POWER CASE STUDY I: NORRIDGE COMMONS



## NORRIDGE COMMONS 4105 N. Harlem Avenue, Norridge, IL

Property type: Community Center

GLA: 331,9748 SF

Anchor Tenants: Bed Bath & Beyond, hhGregg, Michaels, Kmart, Petco, Staples, Shoe Carnival

Occupancy: 99%

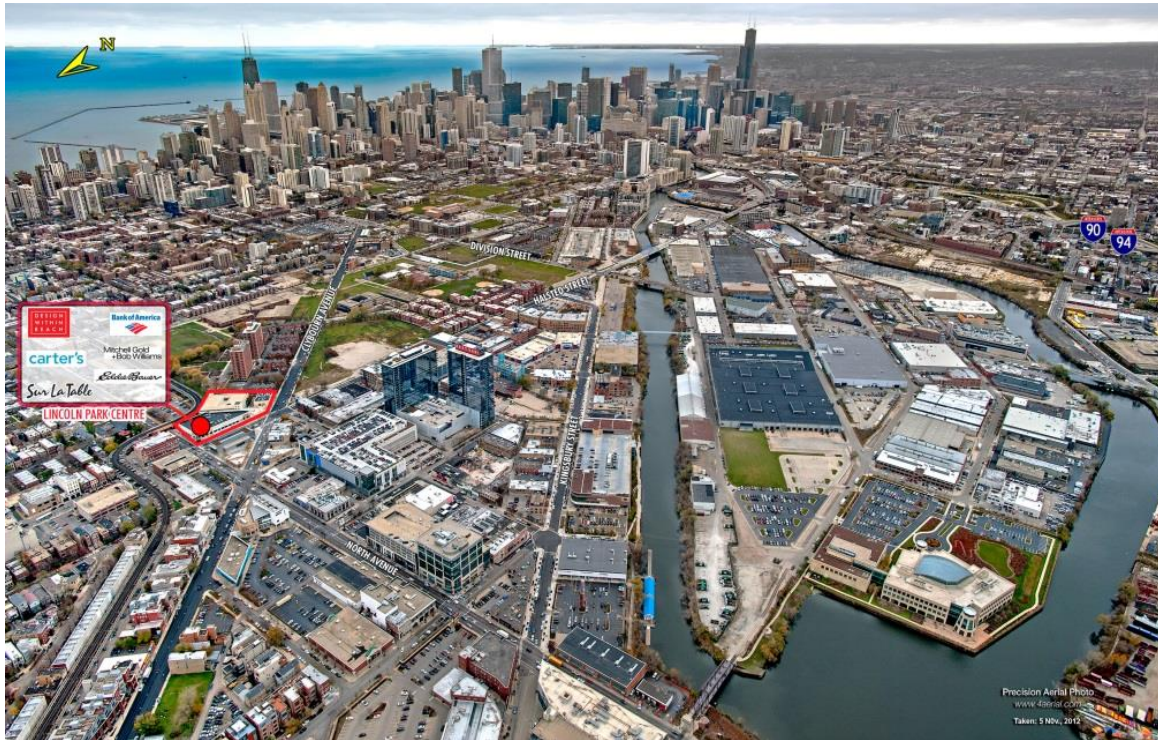
Price: \$74,600,000

Cap Rate: 6.42%

Seller/  
Buyer: Joseph Freed  
to AmCap

Sale Date: February 2015

# URBAN CASE STUDY I: LINCOLN PARK CENTRE



## LINCOLN PARK CENTRE 755 West North Avenue, Chicago, IL

|                 |  |
|-----------------|--|
| Property type:  | Street Retail  |
| GLA:            | 61,761 SF Plus 156 car parking deck  |
| Anchor Tenants: | Eddie Bauer, Sur La Table, Design Within Reach, Carter's, Mitchell Gold & Bob Williams and Bank of America |
| Occupancy:      | 100%   |
| Price:          | \$64,000,000   |
| Cap Rate:       | 4.8%   |
| Seller/Buyer:   | Acadia Realty Trust to The Georgetown Company  |
| Sale Date:      | January 2015   |

# LIFESTYLE CASE STUDY: LINCOLNSHIRE COMMONS



## LINCOLNSHIRE COMMONS 930 Milwaukee Avenue, Lincolnshire, IL

Property type: Lifestyle center

GLA: 122,727 SF

Anchor Tenants: The Cheesecake Factory, Fleming's, Kona Grill, Barnes & Noble, DSW, Chico's, White House I Black Market and Aveda

Occupancy: 85.6%

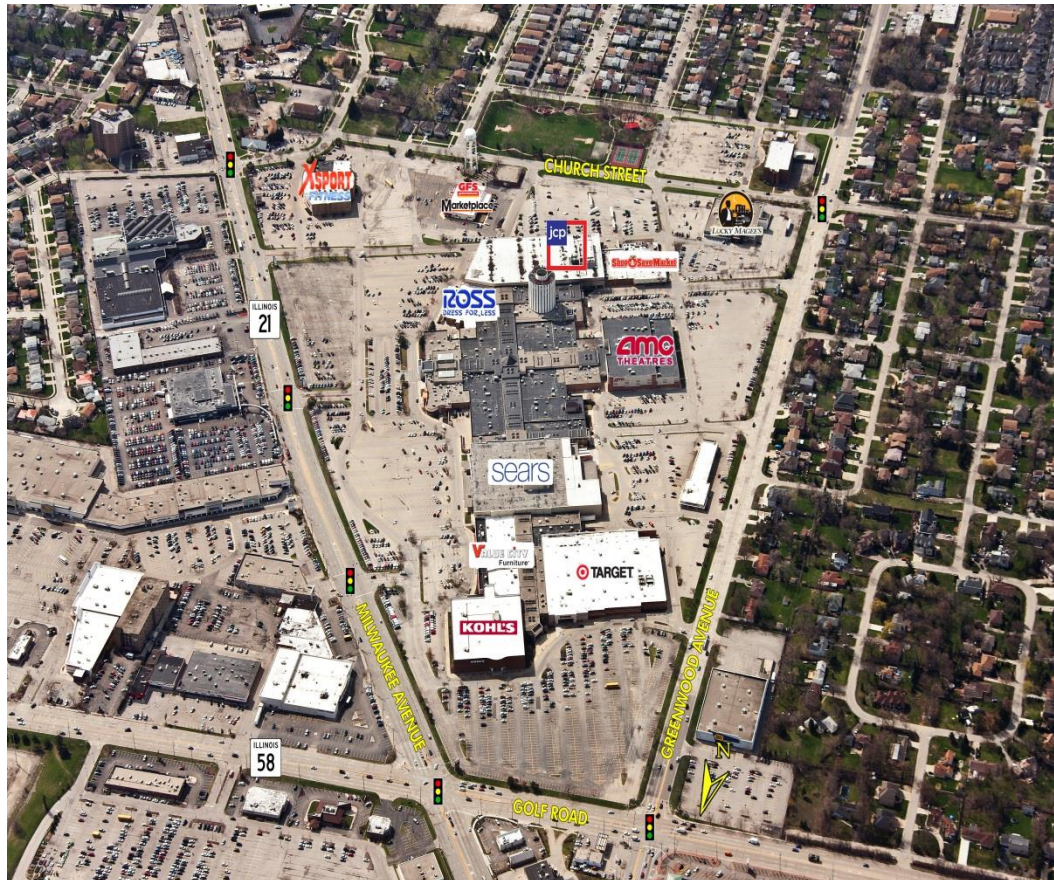
Price: \$40,304,856

Cap Rate: 7.33%

Seller/Buyer: General Growth Properties to Next Realty

Sale Date: September 2014

# MALL CASE STUDY: GOLF MILL



## GOLF MILL SWC Golf Road & Milwaukee Avenue, Niles, IL

|                   |   |
|-------------------|---|
| Property type:    | Regional Shopping Center  |
| GLA:              | 883,207 SF  |
| Anchor Tenants:   | Target, Kohl's, JCPenney, AMC Theatres, Ross Dress For Less, Value City Furniture, XSport Fitness, Shop n' Save and Sears (Shadow Anchor) |
| Occupancy:        | 96.6%   |
| Price:            | \$60,000,000  |
| Cap Rate:         | 7.87%   |
| Seller/<br>Buyer: | Cuneo Family<br>to<br>Sterling Organization   |
| Sale Date:        | August 2014   |



# PORTFOLIO CASE STUDY: PECO FUND IV



## PHILLIPS EDISON FUND IV PORTFOLIO 9 Properties in 6 States

Property type: 9 Grocery Neighborhood Centers and Community Centers

GLA: 1,401,365 SF

Anchor Tenants: Target, Mariano's, Trader Joe's, Safeway, Price Chopper, Baker's

Price: \$150,000,000

Cap Rate: 7.25%

Seller/  
Buyer: Phillips Edison & Company to  
Walton Street Capital

Sale Date: August 2014

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