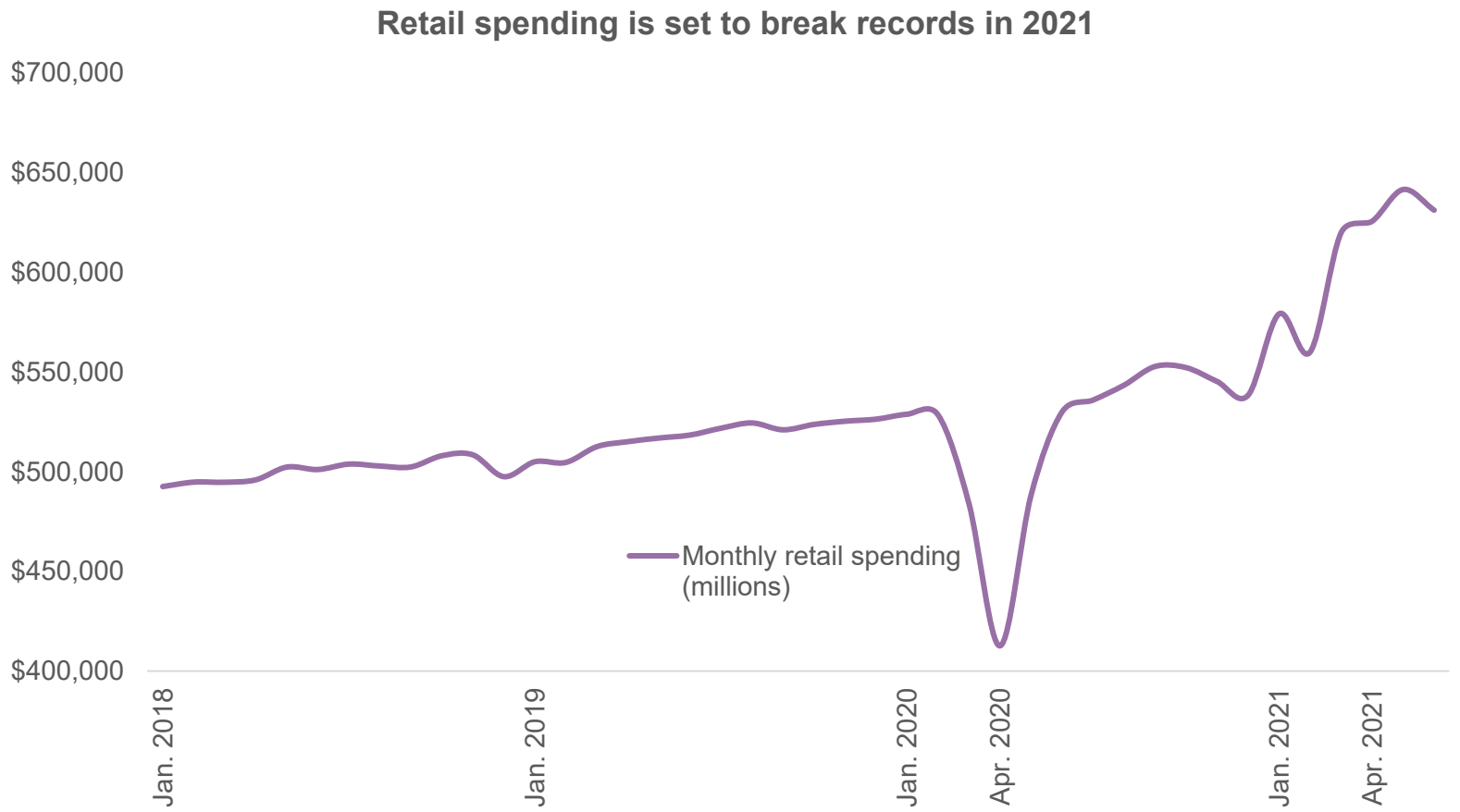
MSCA August Webinar

James Cook, JLL

August 2021

- Retail sales dipped slightly in June after reaching a new peak in May of $641M
- The uptick in vaccinations, relaxed retail restrictions, warmer weather and stimulus checks all contributed to the observed uptick.
- The National Retail Federation raised its outlook for the year and predicts that retail sales will grow between 10.5% and 13.5% in 2021.



Source: US Census

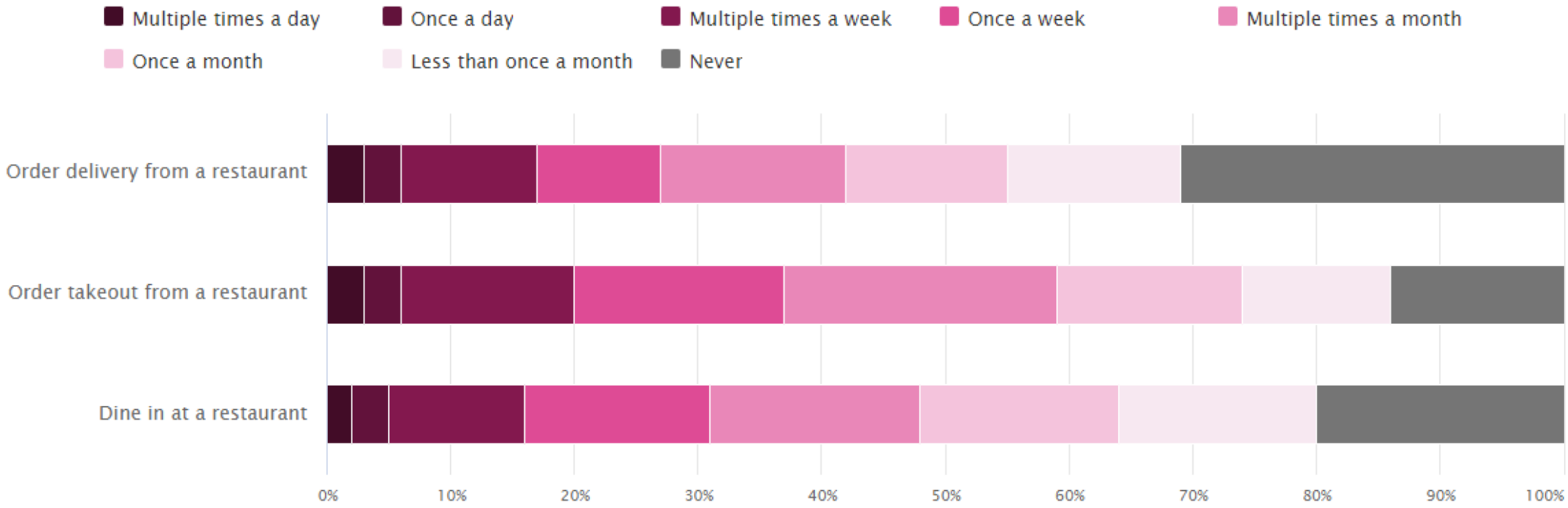
Poll Question #1

How often do you dine in at a restaurant?

1. *Multiple times a day*
2. *Once a day*
3. *Multiple times a week*
4. *Once a week*
5. *Multiple times a month*
6. *Once a month*
7. *Less than once a month*
8. *Never*

How Americans Are Dining

Adults were asked how often they do the following activities right now:

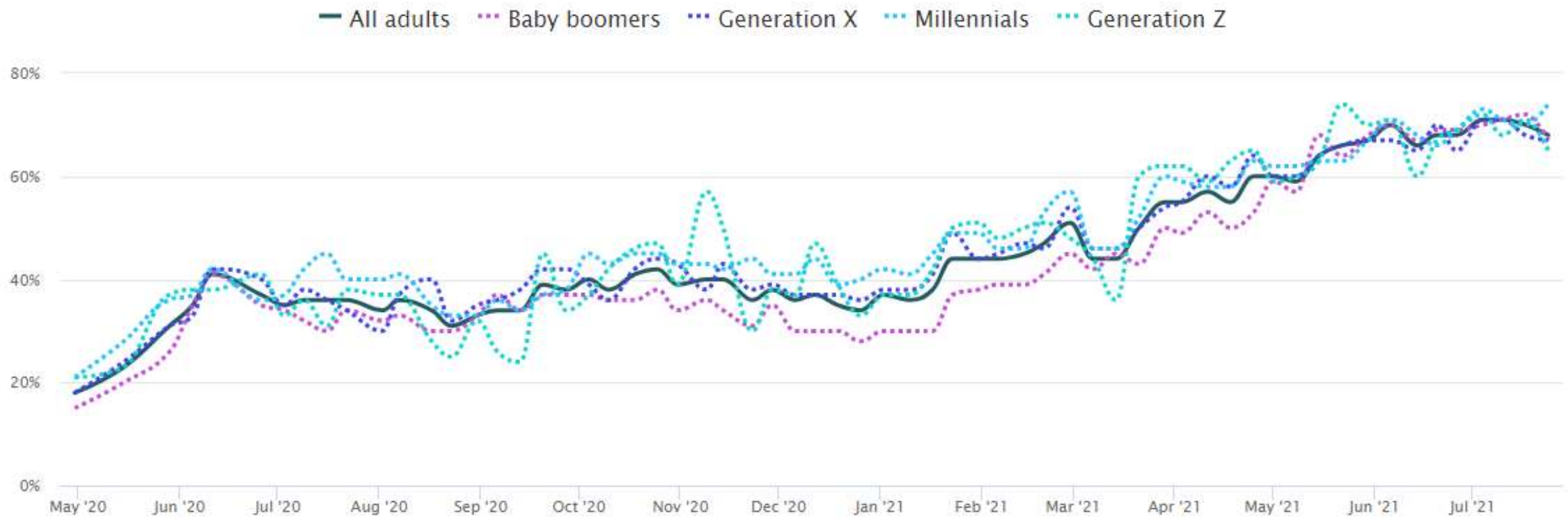


Survey conducted July 22-24, 2021, among 2,200 U.S. adults with a margin of error of +/-2%.

MORNING CONSULT

Comfort Dining Out at Restaurants

The share of respondents who said they feel comfortable going to a restaurant or cafe right now

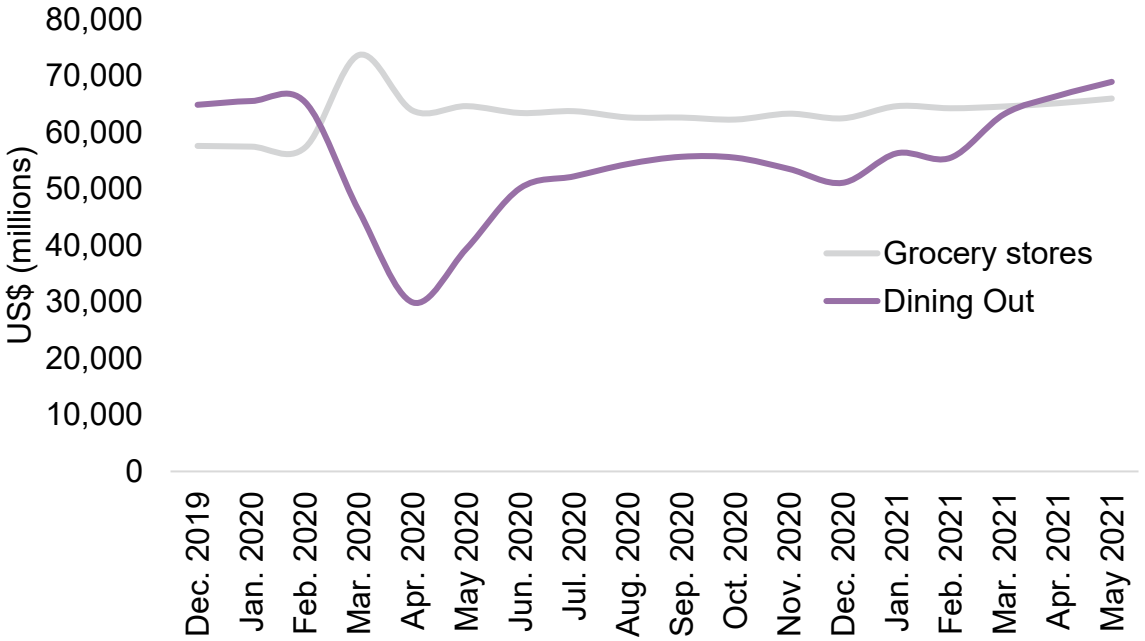


Weekly surveys are conducted among roughly 2,200 U.S. adults and have a margin of error of +/-2%.

Restaurant spending overcomes grocery spending for first time since February 2020

- Grocers saw extraordinary sales growth in 2020 as households were in lockdown and dining out became impossible for many. The year was marked by unexpected change:
  - Reduced spending at restaurants provided outsized gains at grocery stores that will be hard to outpace in the coming years.
  - Stay-at-home orders and public health concerns caused demand for online grocery orders for pick-up and delivery to soar. That demand has accelerated grocers' plans for e-commerce adoption.
- As federal restrictions have been lifted and warmer weather invites consumers to leave the house, spending at restaurants has finally eclipsed grocery store spending once again.

Spending at restaurants eclipses grocery store spending in May



Source: US Census (Apr. 2021 data is advanced estimate)

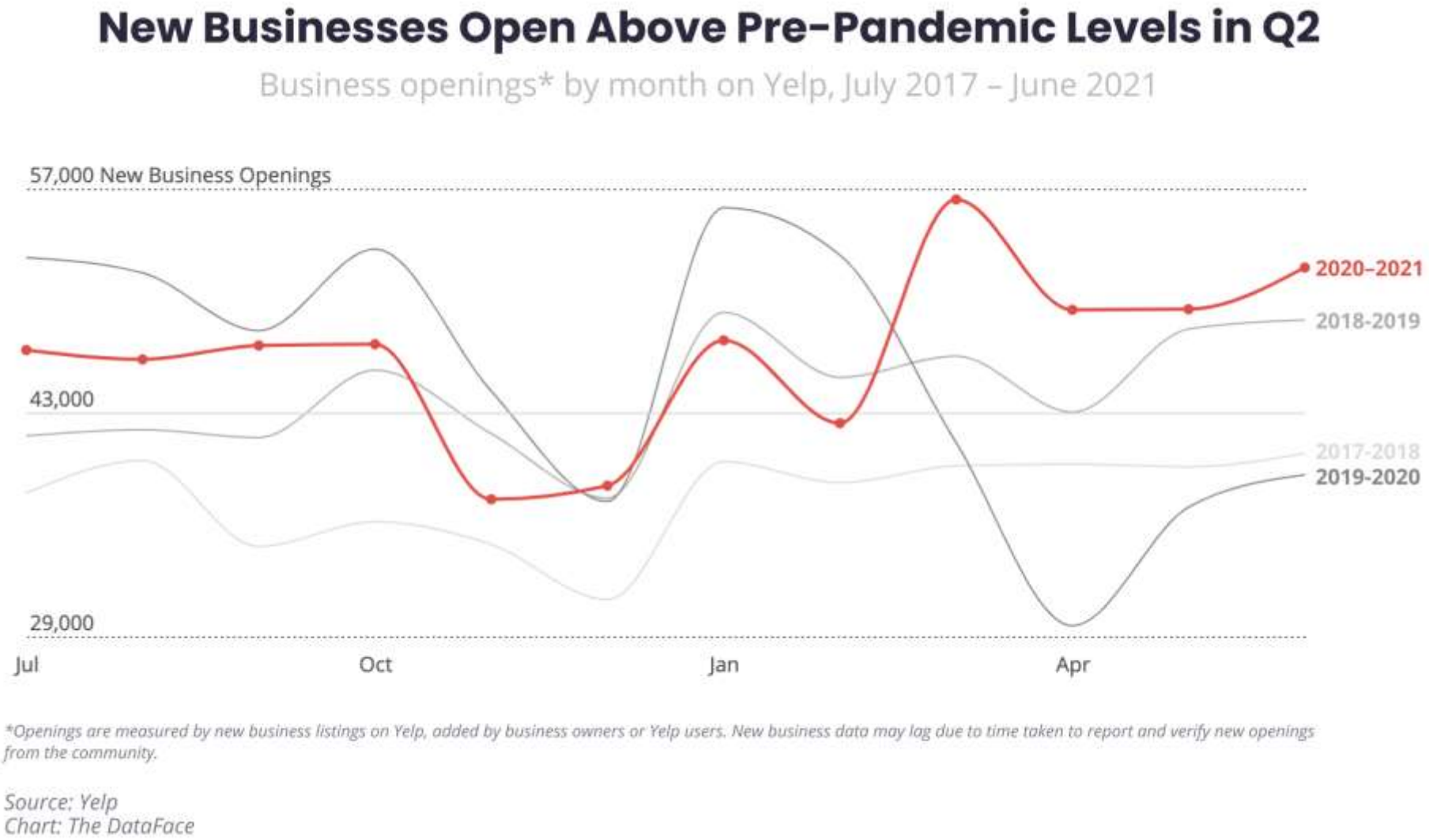
In 2015, spending on dining out surpassed grocery spending for the first time. But this trend reversed itself in 2020 as restrictions were put in place in March.


Aren't you glad you stayed in?
Ah! Qu'on est bien chez soi!
McCafé
McCafé


TACO BELL
TACO BELL
TACO BELL
Go Mobile

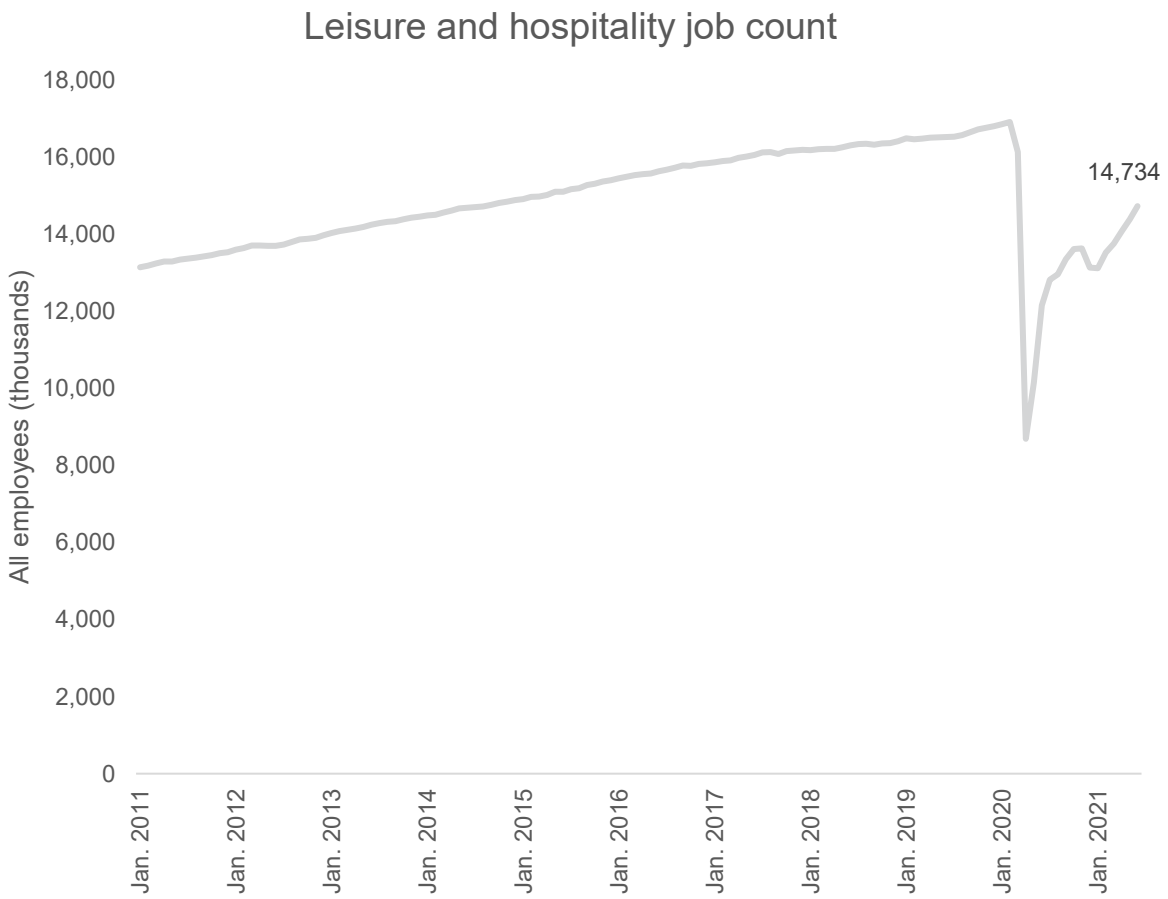
In Q2 2021…

- Restaurants and food businesses accounted for 19,968 new businesses opened
- Retail and shopping businesses accounted for 10,745



Labor shortages will be a major consideration for retail as the recovery continues

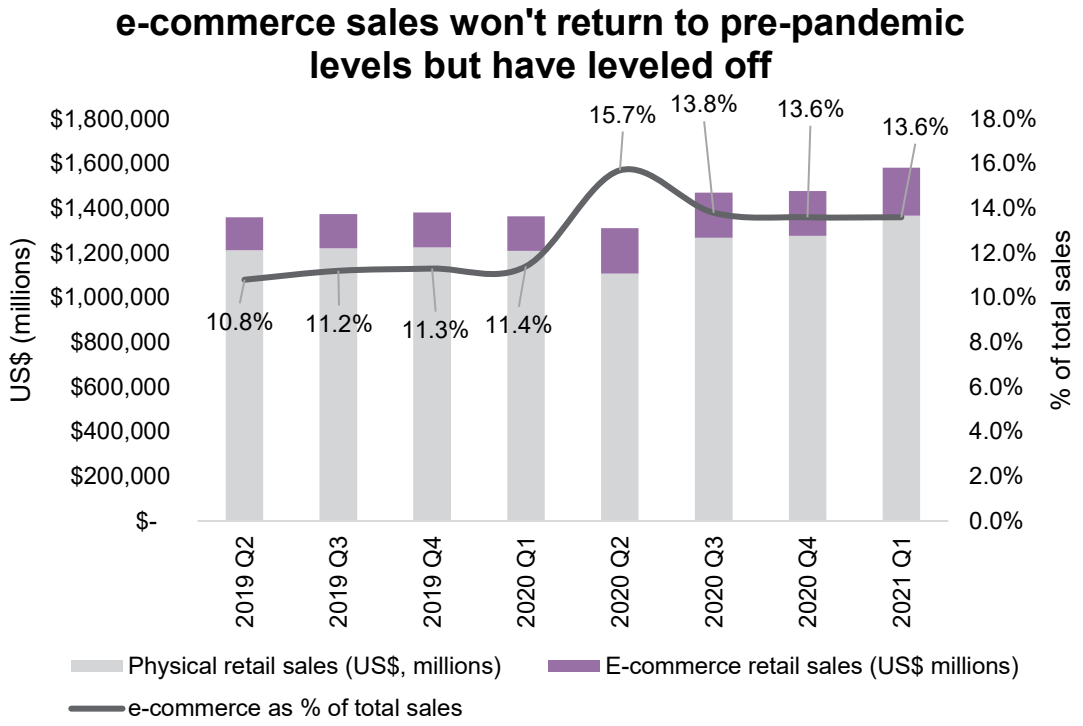
- The National Retail Federation released its updated forecast and now expects retail sales to increase by 10.5 to 13.5 percent over last year.
- However, labor shortages could hinder some of this growth in the short term.
- A May 2021 survey from the US Chamber of Commerce revealed that “a lack of available workers” was the most common factor that respondents believed was slowing the economy.
- Leisure and hospitality jobs, which include accommodation and food service, were incredibly hard hit by COVID: employment fell by 46% from March to April of 2020.



Source: BLS, JLL Research

COVID-19 will accelerate the growth of e-commerce for all retailers

- E-commerce sales remain elevated from pre-pandemic levels but have subsided after the surge seen in 2020.
- E-commerce spending increased 7.7% from Q4 2020, the first increase after the 31.8% surge in the second quarter of last year.

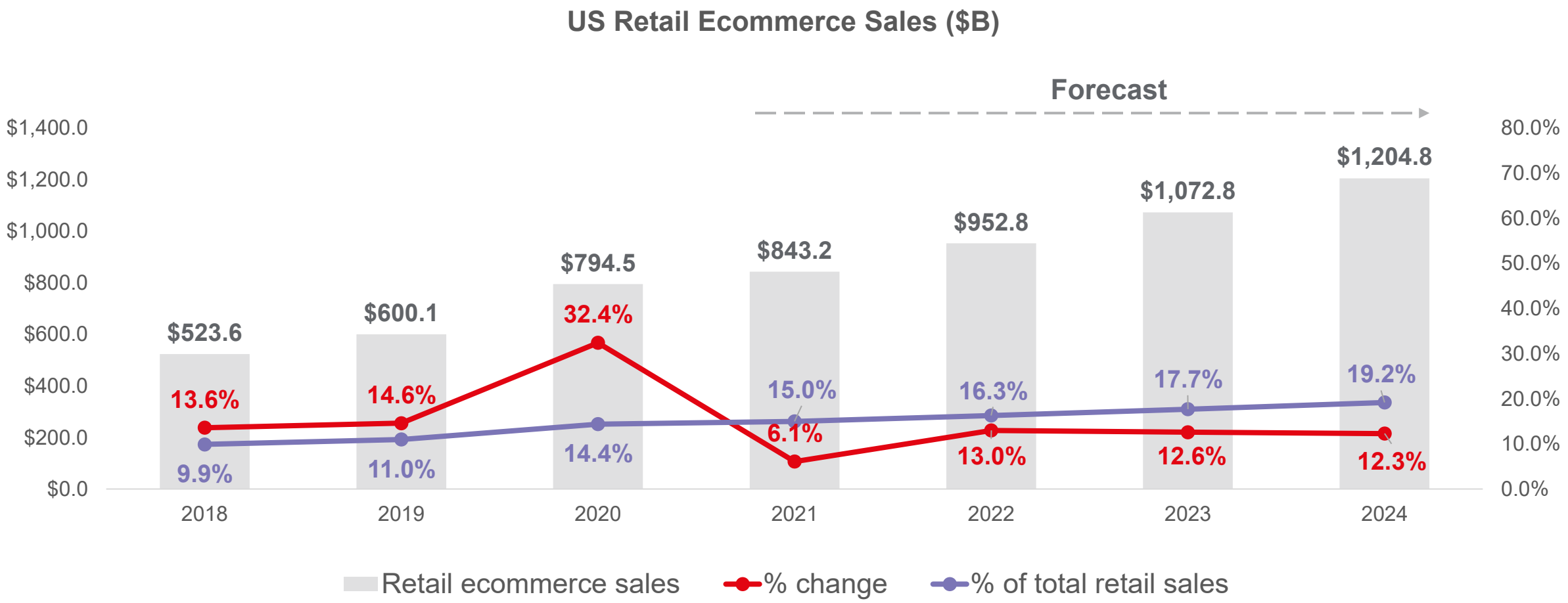


Source: US Census, JLL Research

By 2024, US e-commerce sales will surpass $1 trillion and represent 19.2% of total retail sales.

Source: eMarketer

Ecommerce sale rose 32.4% in 2020



Source: eMarketer

US Retail Market Q2 2021

Fundamentals

Inventory
11,699 MSF

Total Vacancy
5.0%

Q2 2021 Net Absorption
20.1 MSF

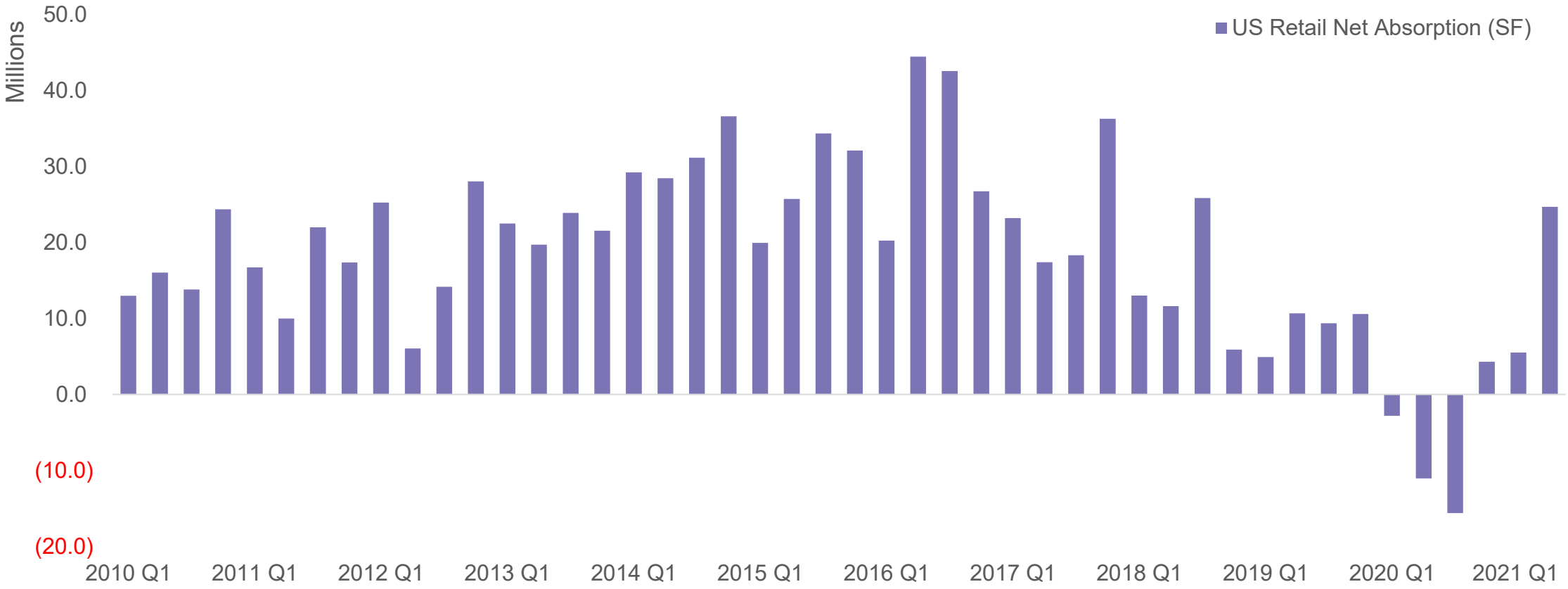
Average Market Rent (psf)
$22.01

Under Construction
46.1 MSF

Q2 2021 Deliveries
6.4 MSF

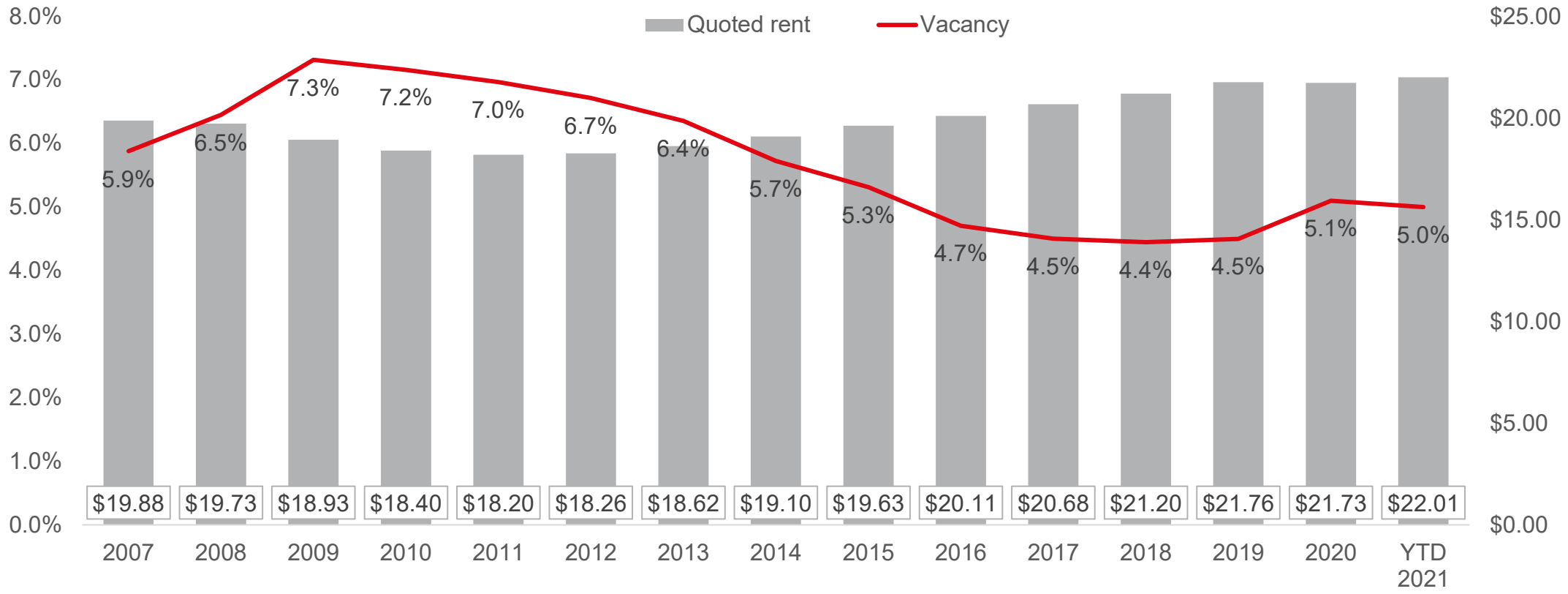
Source: JLL Research, CoStar

Retail net absorption soared to 20.1 million in the first quarter



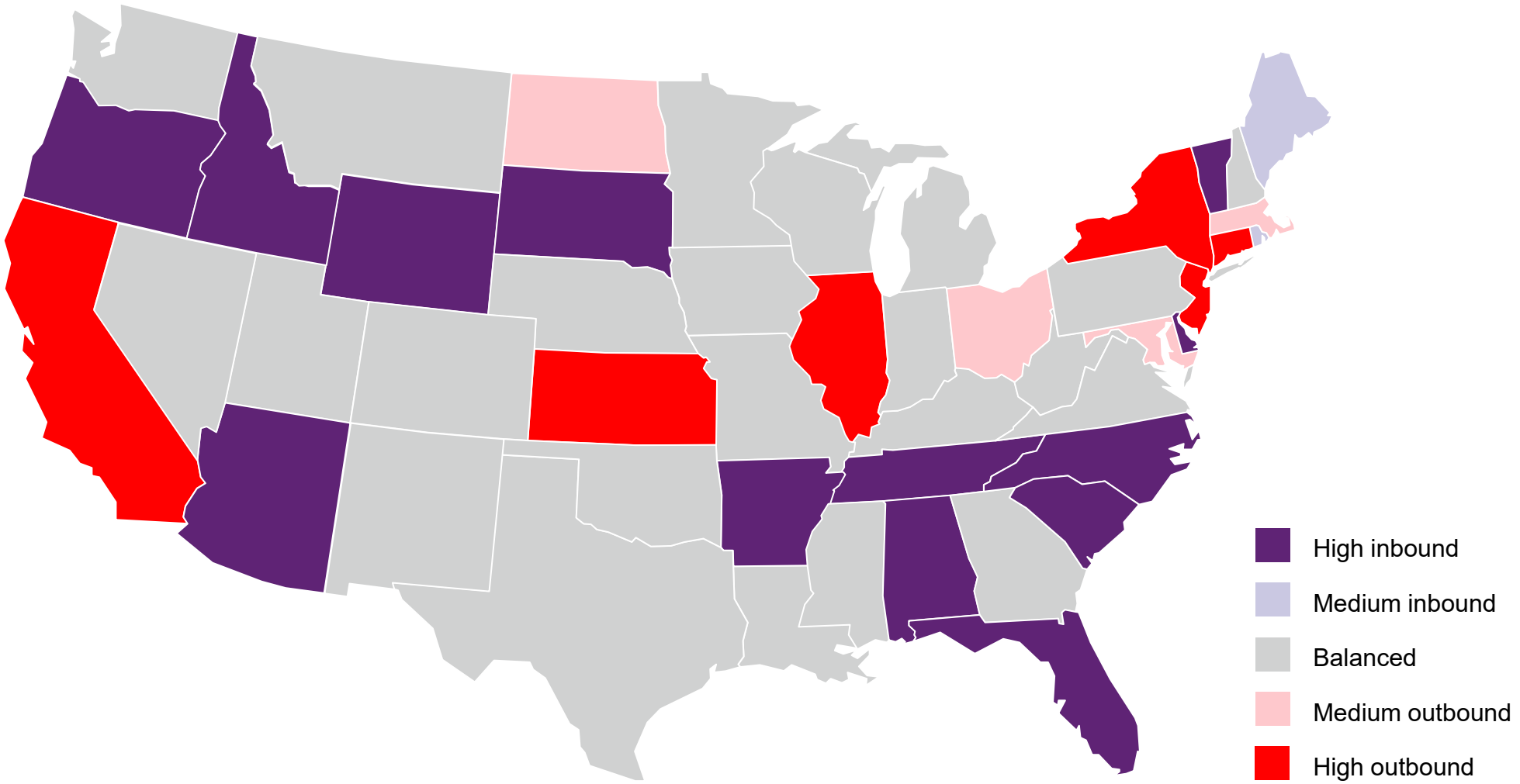
Source: CoStar

Vacancy and rents show improvement in Q2



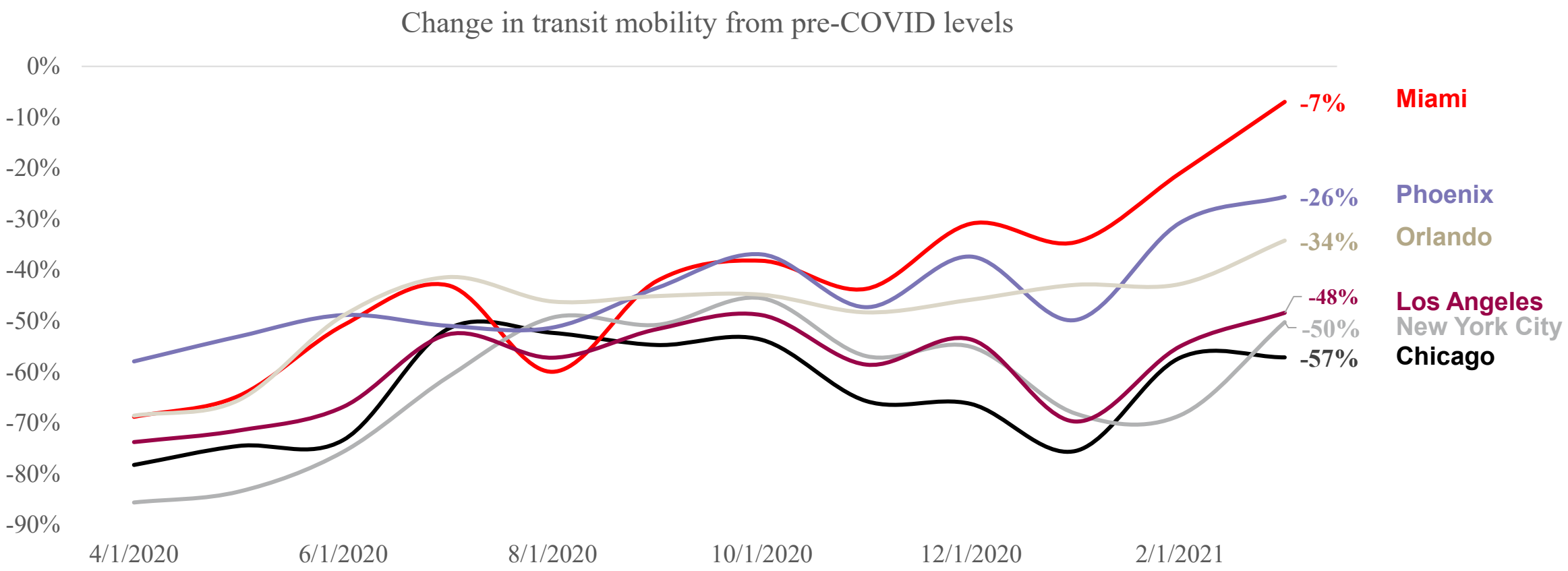
Source: CoStar, JLL

Americans move to West and Southeast



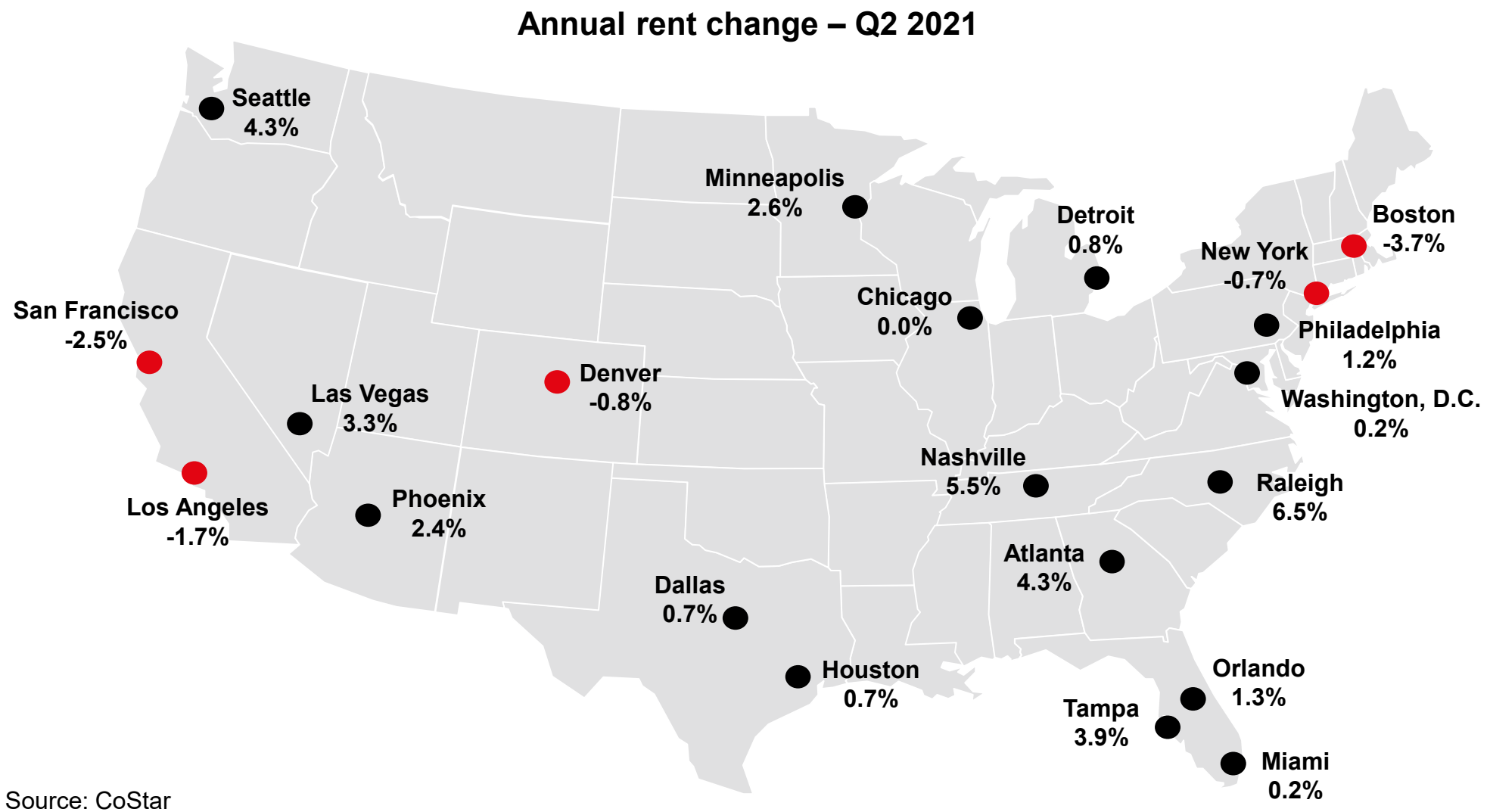
Source: United Van Lines Movers Study 2021

Transit mobility recovering faster in Sunbelt



Source: Apple Mobility
Base date = January 13, 2020

Rent growth stronger in Sunbelt

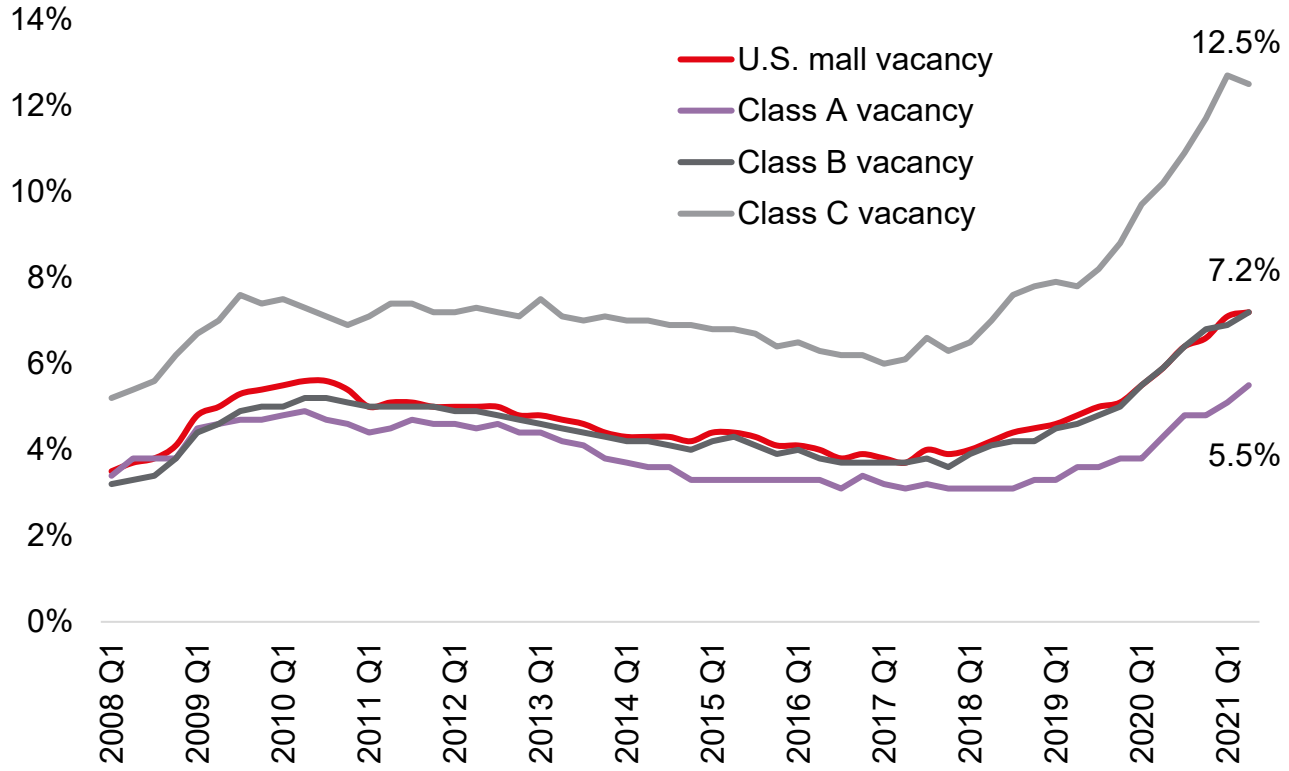


Source: CoStar

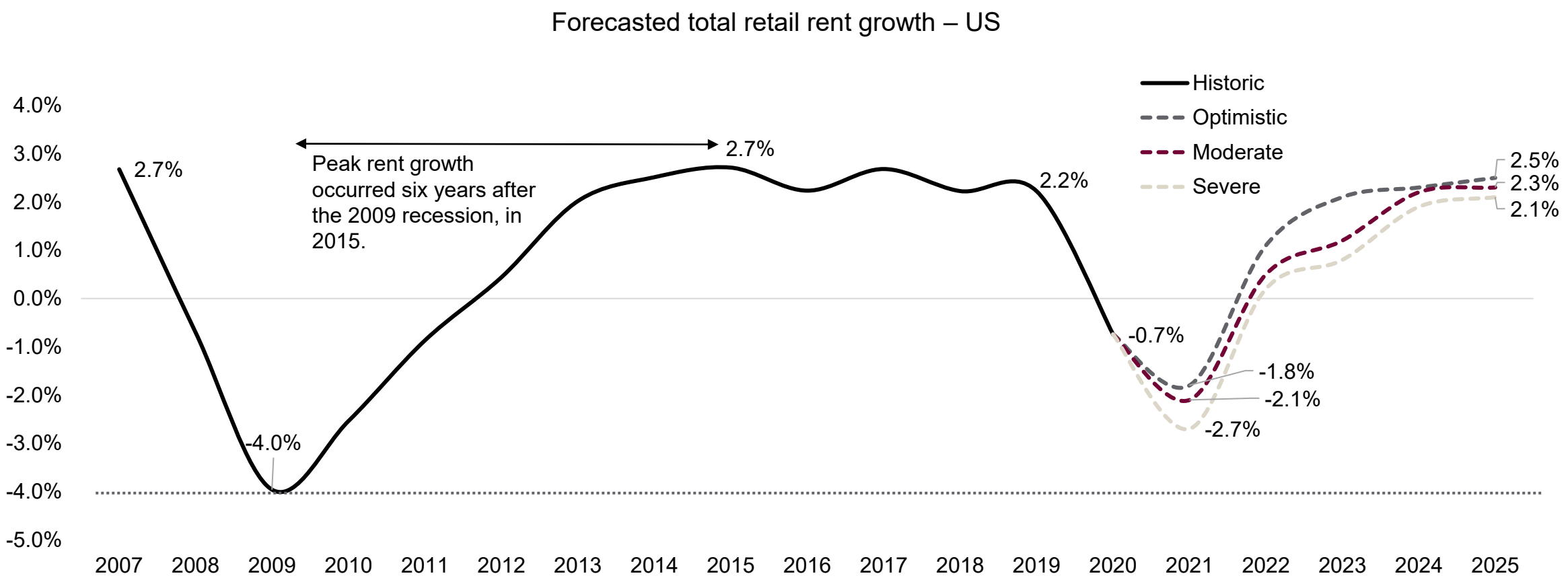
Best in class mall assets will survive (and thrive) while many B and C malls will shutter and be repurposed

- Vacancy continues to increase across all mall classes through the first half of this year, but Class A malls are able to retain greater occupancy.
- Vacancy in Class C malls continues to accelerate after peaking in the first quarter at 12.7%.

Mall vacancy rises as closures continue and tenants look to off-mall spaces



Retail rent growth forecasted to rebound by 2022



Source: JLL forecast

Poll Question #2

Have you shopped in a store with frictionless shopping like Amazon Go, where you just walk out with your items?

1. *Yes, and it was great*
2. *Yes, and I prefer human cashiers*
3. *No, but I can't wait to try it*
4. *No, and I'm not interested*

Harris Poll

Have you shopped in a store with frictionless shopping like Amazon Go, where you just walk out with your items?

- *Yes – 26%*
- *No – 74%*

- *48% of millennials said Yes*
- *6% of boomers said Yes*

Source: Harris / Retail Brew Poll, June 2021 nationally representative survey of 1,993 US adults.


amazon go
2121
amazon go
JUST WALK OUT SHOPPING
BETA Participant Entry
BETA Participant
amazon go
JUST WALK OUT SHOPPING
NO LINES. NO CHECKOUT

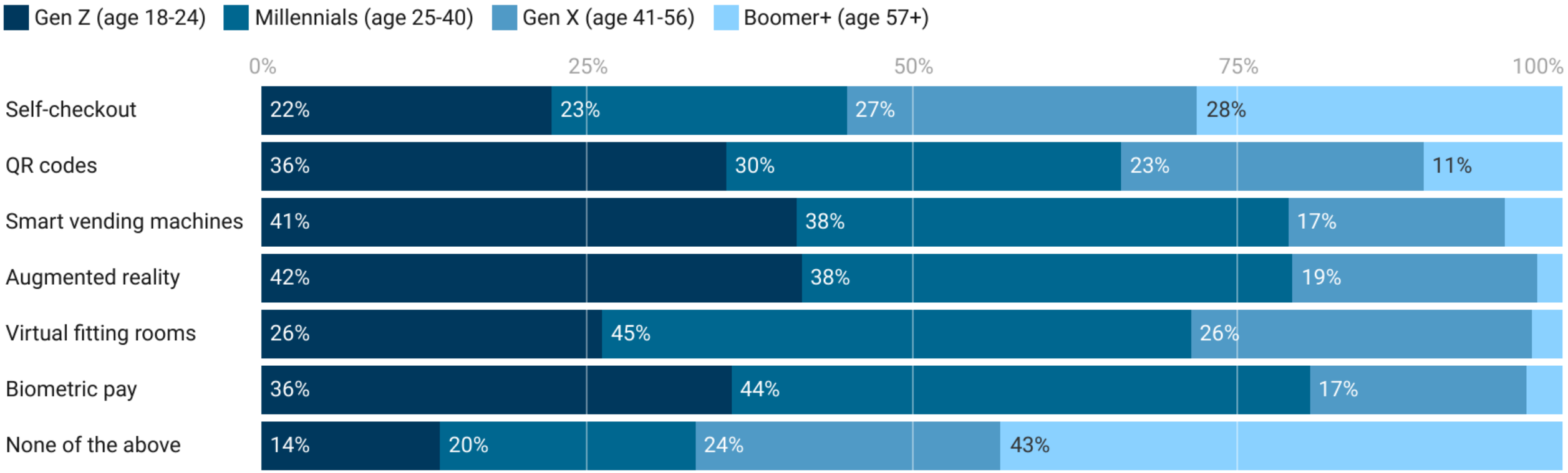

fresh


$2.09 EA


JUST
WALK
OUT
SHOPPING


GO

Retail tech used by US adults (by age group)



Source: Morning Brew-Harris Poll, June 2021, n=1993 US adults • Created with Datawrapper

Creating reliable, convenient options: speedy delivery, in-store pick up & drive-thrus

- The pandemic has made shoppers more people comfortable with alternative shopping options.
- Target's curbside pickup service grew more than 700% last quarter and acquired 10 million new digital customers.
- Mall owners developed centralized pick-up stations for customers who want to buy from multiple stores for pick-up.
- Retailers have already been thinking of how to aid in last mile urban logistics with existing real estate to expedite shipping times.
- Retailers are looking to dark stores to streamline delivery services and better serve online orders.

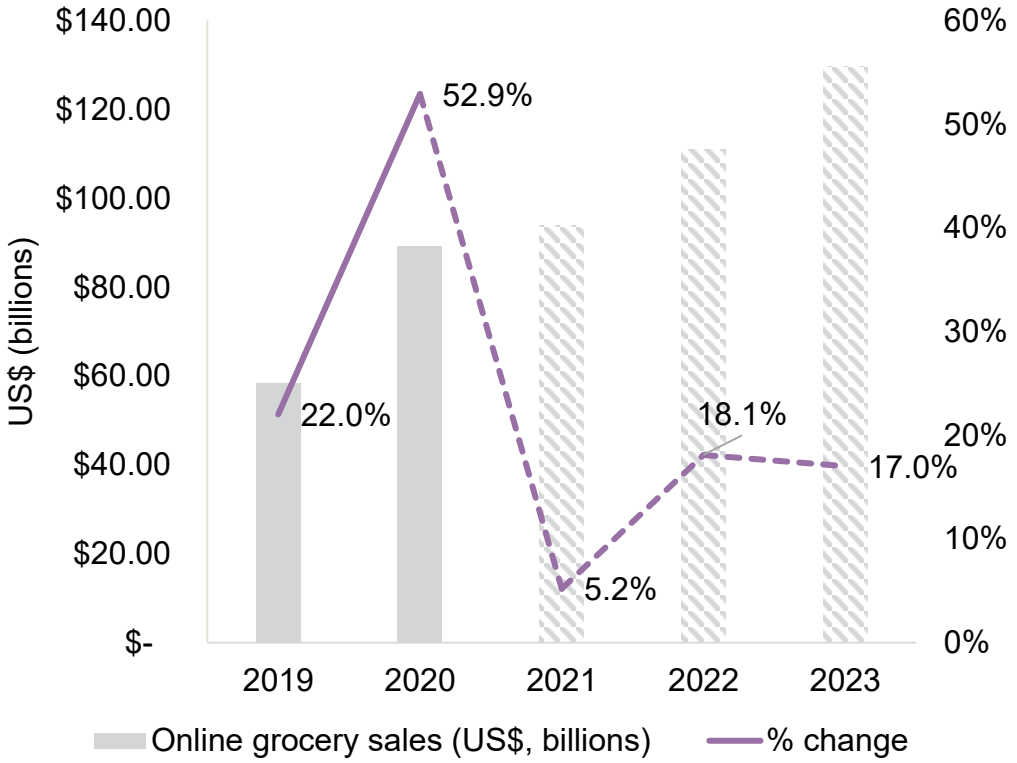
Shake Shack is adding its first drive-thru next year. Image source: NRN.com

Curbside pickup at Santa Row. Image source: Federal Realty

Online grocery grew 52% in 2020

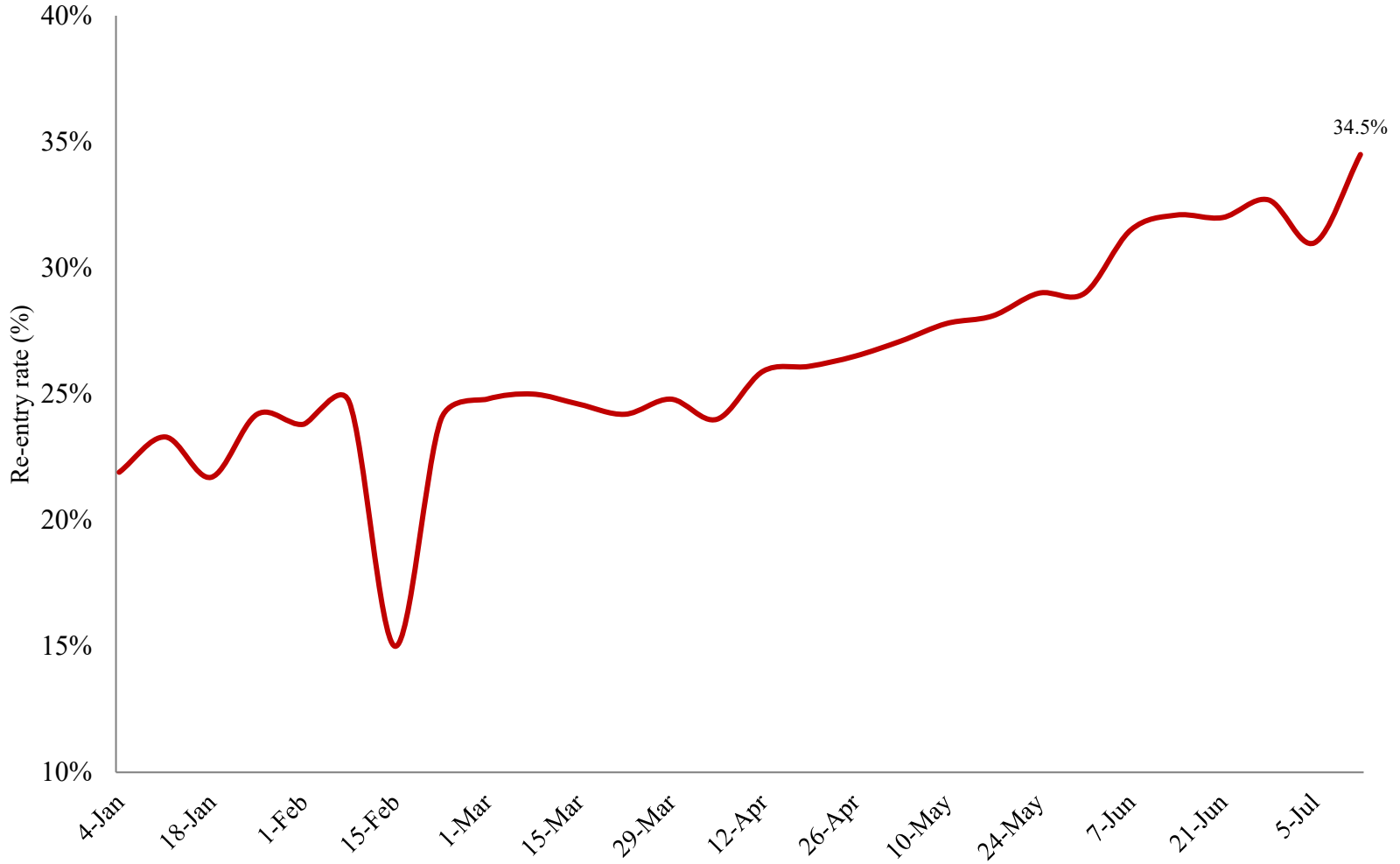
- Prior to the pandemic, grocery was relatively untouched by e-commerce: digital orders made up less than 5% of all grocery sales.
- One year later, and the online demand persists, despite in-store traffic return to near pre-pandemic levels: physical visits to grocery stores were only down 0.9% year-over-year at the end of 2020 compared to a 9.8% drop in the second quarter (Placer.ai).
- The adoption of online grocery ordering by older generations is significant: consumers 65 & older spent 49% more on groceries in 2020 vs. 2019 (NPD Group) and those 60-and-older order groceries 25% more often (Instacart).
- It's unlikely people will abandon online shopping even when a vaccine is widespread – with improvements to efficiency and cost, many customers have added the convenience to their weekly routines.

Online sales growth will fall but the customers and sales will remain



Source: eMarketer, September 2020

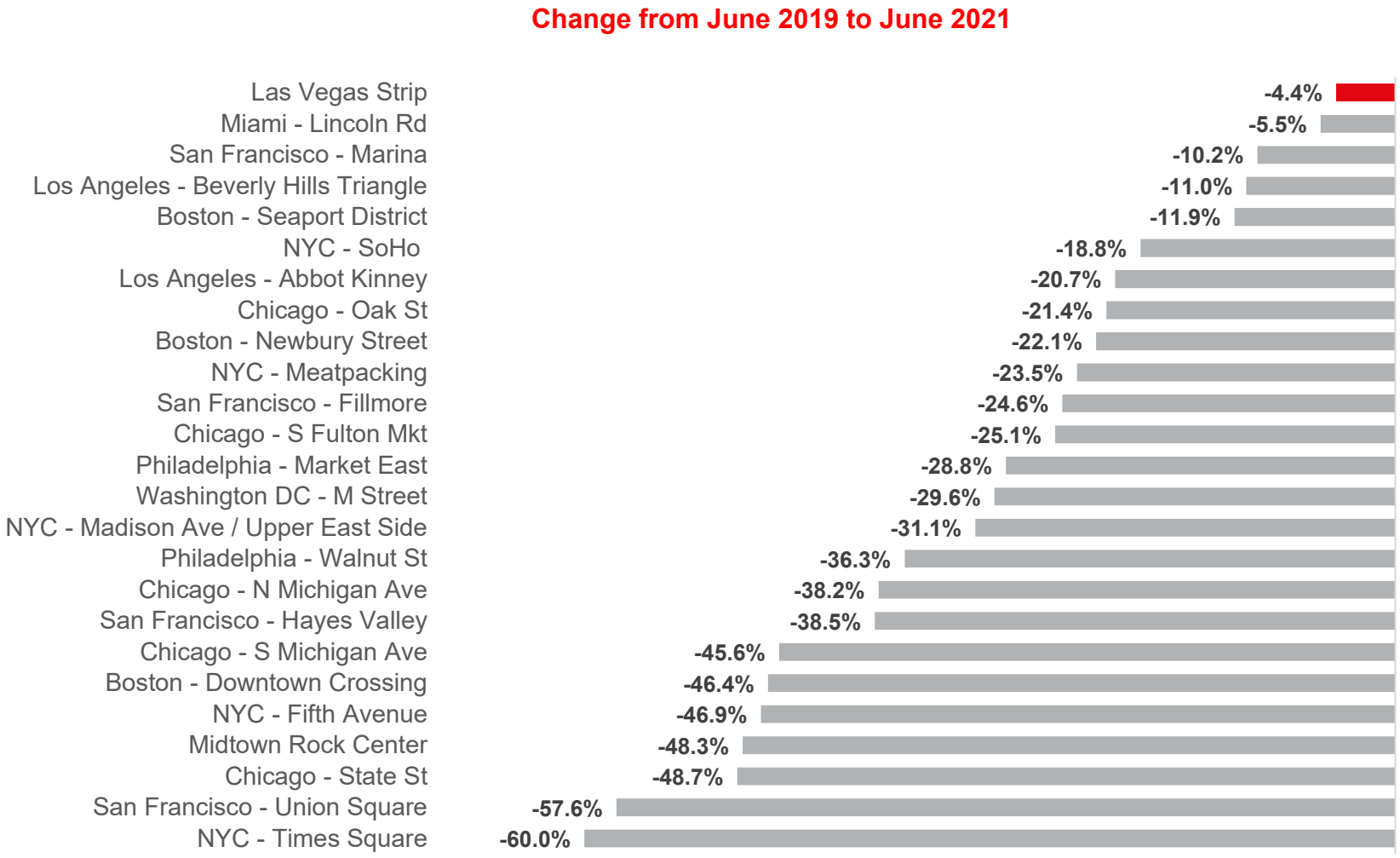
Office re-entry set a new high in mid-July at 34.5%, Philadelphia and Chicago now surpassing 30%



Market	Re-entry rate (%)
Austin	52.7%
Houston	51.2%
Dallas	50.7%
Philadelphia	32.4%
Chicago	31.1%
Los Angeles	29.9%
Washington, DC	28.9%
New York	24.0%
San Francisco	20.8%

Source: JLL Research

Prime urban corridors: foot traffic recovery



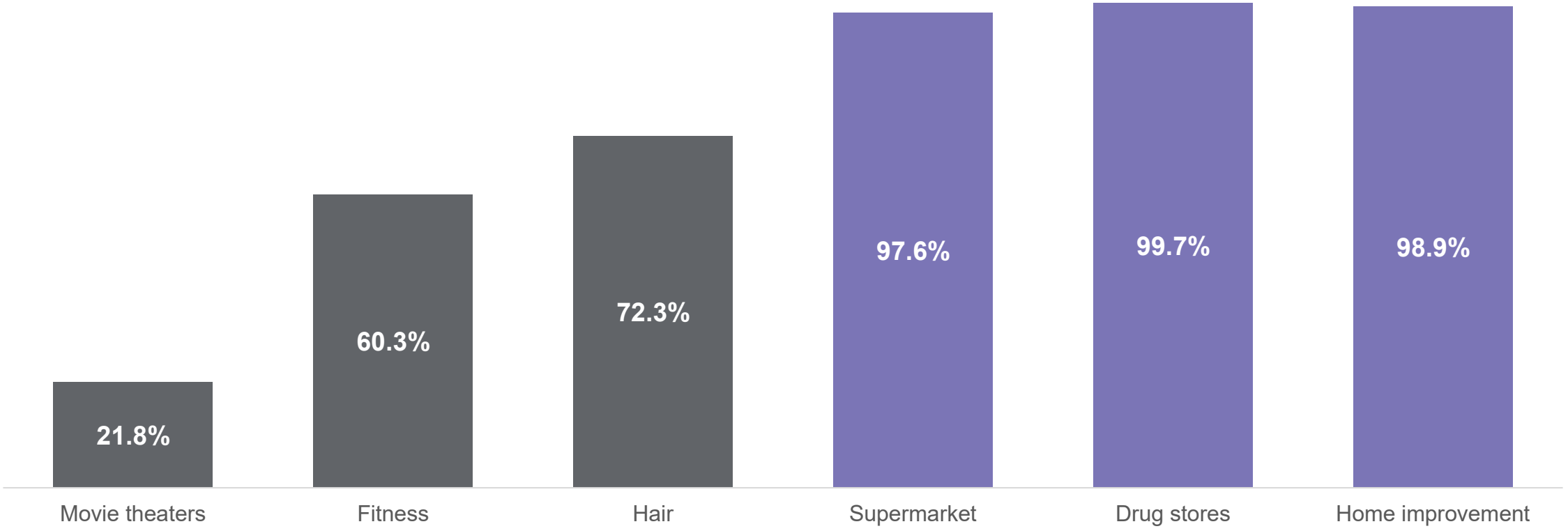
Source: Placer.ai

U.S. TRAVEL FORECAST - SHARE OF 2019

	2019	2020	TRAVEL FORECAST 2021	2022	2023	2024	2025
Total Travel Spending	**100%**	**58%**	**72%**	**88%**	**96%**	**103%**	**104%**
Domestic	**100%**	**65%**	**79%**	**92%**	**98%**	**103%**	**105%**
Leisure	100%	77%	93%	99%	102%	104%	105%
Business	100%	32%	43%	71%	87%	101%	104%
Transient	100%	38%	52%	79%	95%	101%	105%
Group	100%	25%	31%	61%	76%	100%	102%
International	**100%**	**21%**	**30%**	**67%**	**87%**	**100%**	**103%**
Leisure	100%	22%	31%	67%	89%	101%	104%
Business	100%	20%	25%	65%	82%	96%	99%
Transient	100%	21%	27%	72%	87%	99%	100%
Group	100%	19%	22%	55%	75%	92%	97%

Source: Tourism Economics & U.S. Travel Association, Spring/Summer 2021

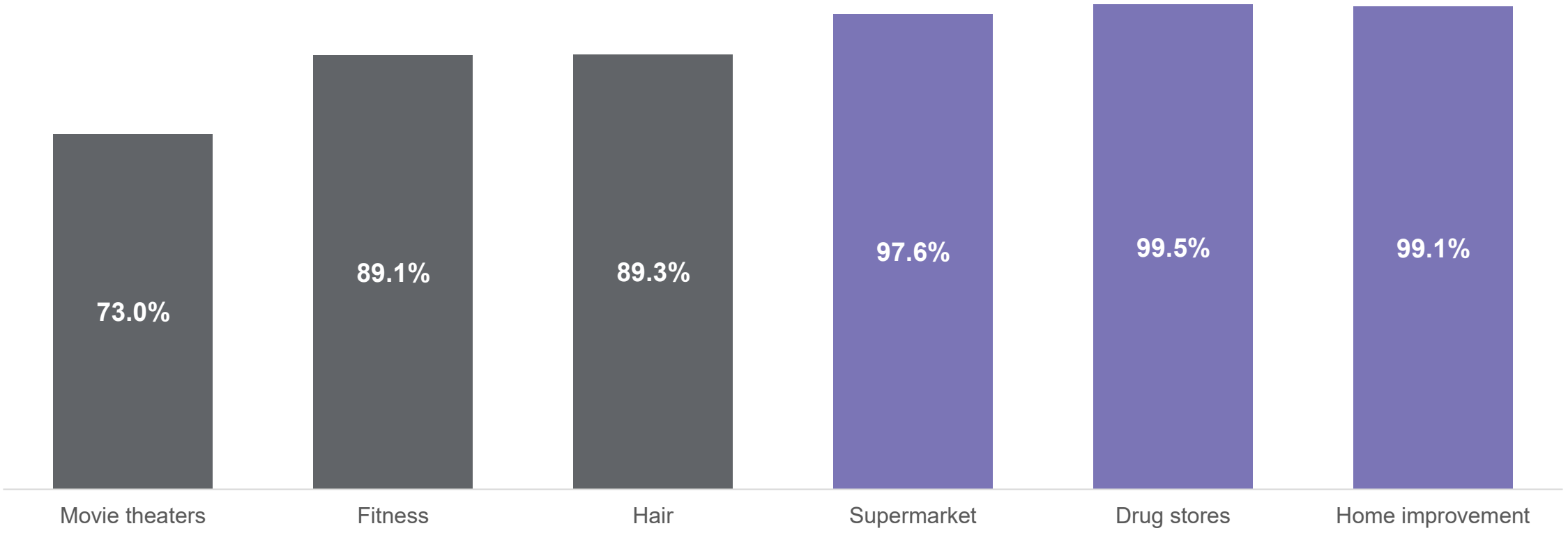
Top 3 and bottom 3 rent collections by retail category – January 2021



Source: Datex Property Solutions, as of Jan 31, 2021


JOHNSON

Top 3 and bottom 3 rent collections by retail category - June 2021



Source: Datex Property Solutions, as of June 2021


TOWER
TOWER THEATRE
RIALTO


Google


WIZARDING WORLD
Harry Potter
NEW YORK
Harry Potter
NEW YORK
BUTTERBEER
Harry Potter
FAN CLUB
JOIN THE
Harry Potter
FAN CLUB


WIZARDING WORLD


bloomie
bloomi


FOXTROT MARKET
FRESH
COFFEE
&
BREAKFAST
TACOS
OPEN ON WEEKENDS
PAY AT PAY BOX
253 412
BREAKFAST
TACOS
PIPERS ALLEY
PIPERS ALLEY

Poll Question #3

When you go back-to-school shopping, what is the top factor that guides where you go?

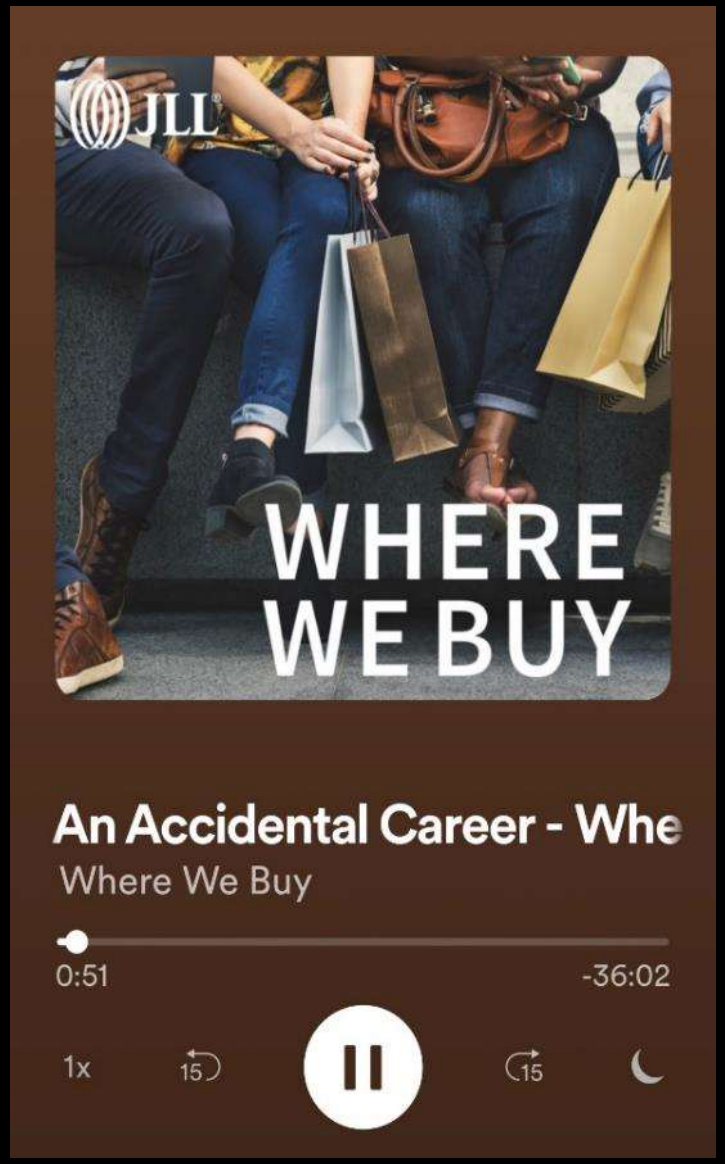
1. *Low prices & discounts*
2. *Free shipping or delivery*
3. *Store is well-stocked with school products*
4. *Wide selection/one-stop shop*
5. *Store is clean and promotes shopper protection against COVID*
6. *Curbside pickup*
7. *I don't have children in school.*

Low prices remain key factor in where parents shop

Source: JLL Back to School Shopping Survey 2021

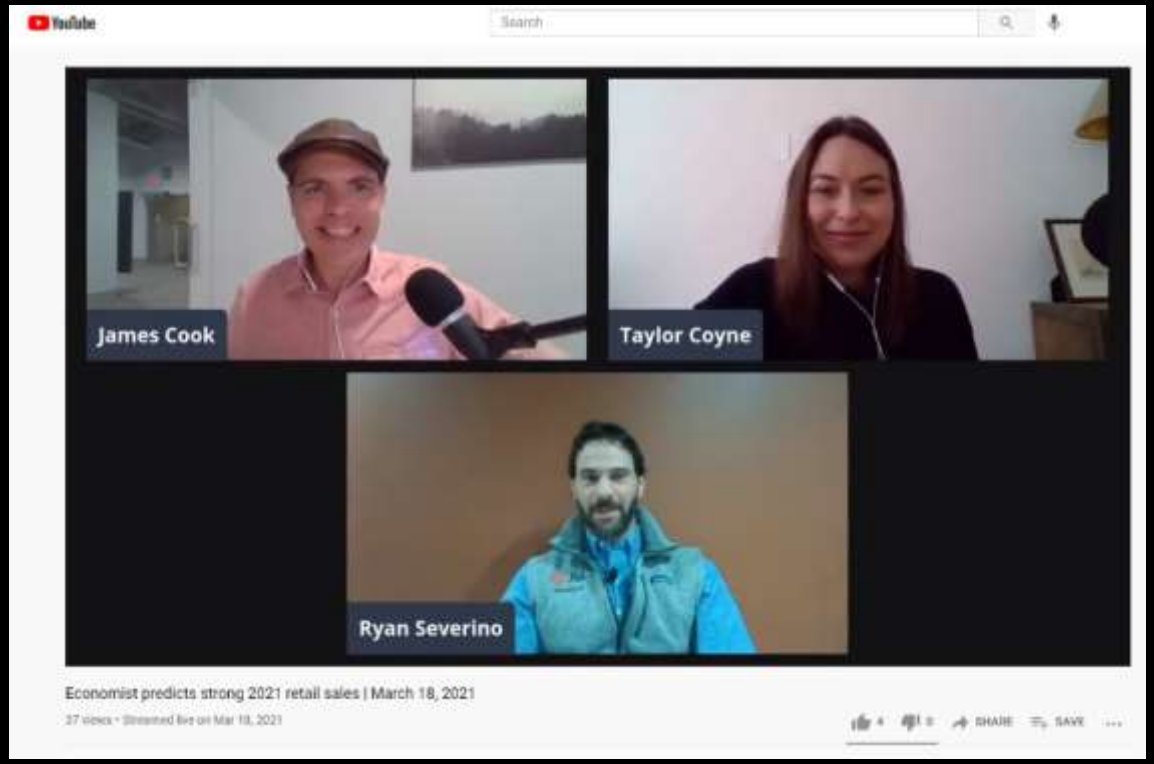
Walmart keeps its #1 spot for BTS shoppers

Source: JLL Back to School Shopping Survey 2021



Where We Buy

- “We talk to retail experts and visit the places where we buy.”
- Interviews with retail leaders and analysts
- Audio tours of retail places
- WhereWeBuy.show



Everything We Know About Retail

- Weekly live Youtube show
- “We tell you everything we know about retail, three things at a time.”
- Guests & topics about trends in retail & retail real estate
- EverythingWeKnow.show

Thank you

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