

RETAIL SECTOR HEALTH: OPPORTUNITIES AND CHALLENGES

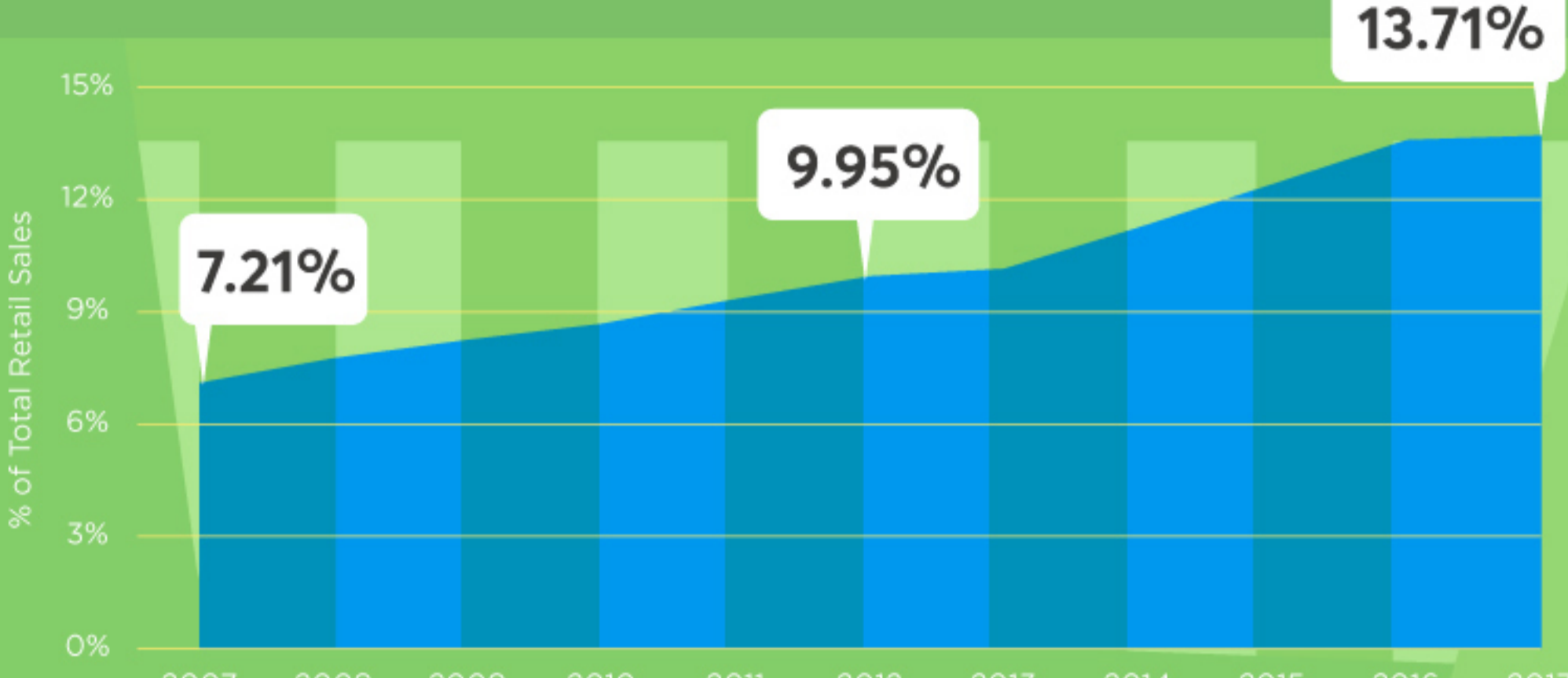
Although the U.S. retail sector has struggled with a lackluster recovery in the face of significant and mounting headwinds to growth, there are distinct regional trends (Northeast and Midwest versus Southeast and West) that correlate with population growth and economic development.

RETAIL MARKET OVERVIEW



The rise of **e-commerce** is also relieving the need for physical retail space and putting a damper on absorption. But the e-retail share has grown nearly non-stop for more than two decades.

E-COMMERCE AS PERCENTAGE OF TOTAL RETAIL SALES



We expect e-commerce to continue eating into traditional retail space demand, and the slow-paced retail market recovery will continue through 2018.

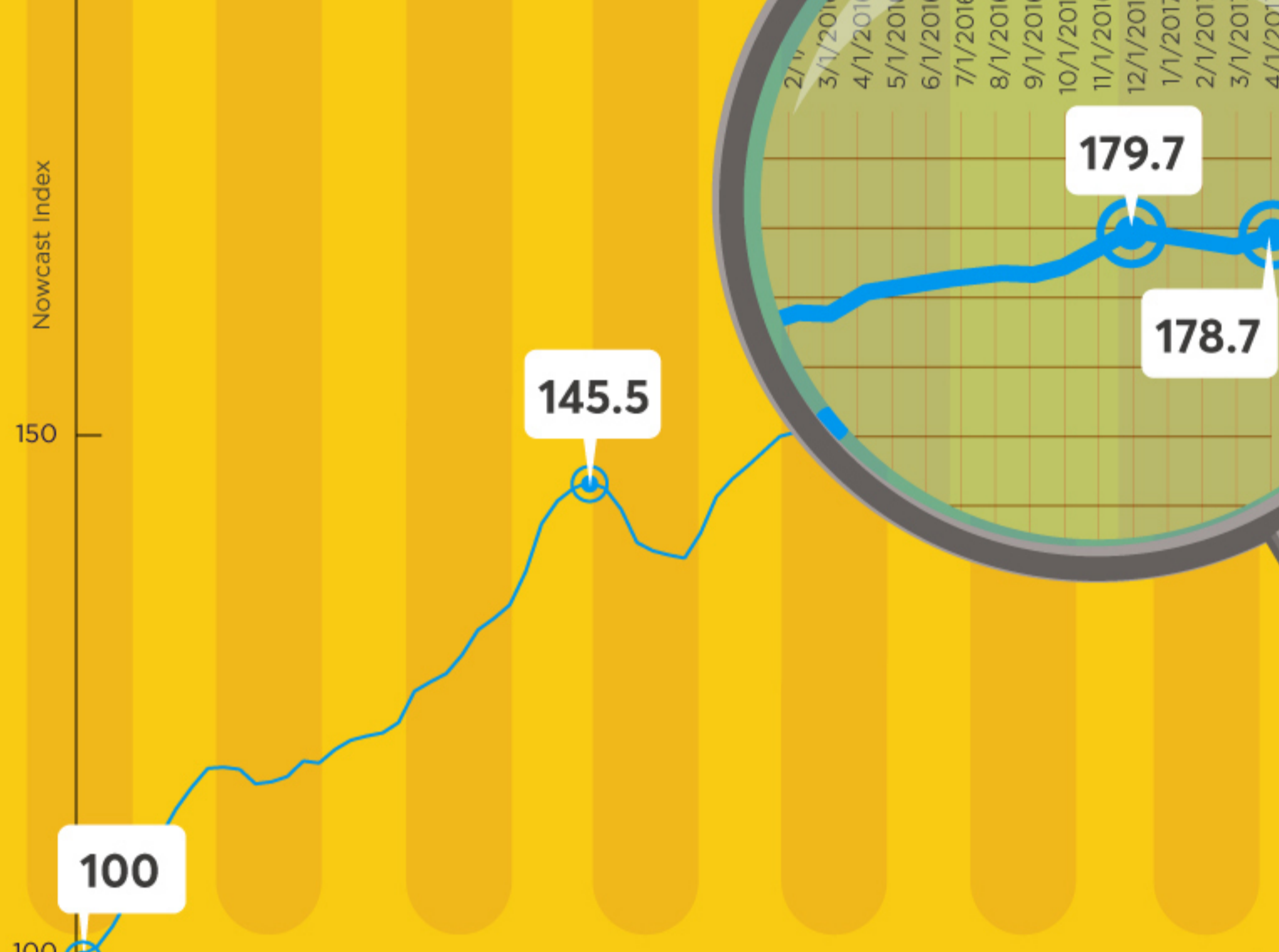
RETAIL SQUARE FOOTAGE PER CAPITA



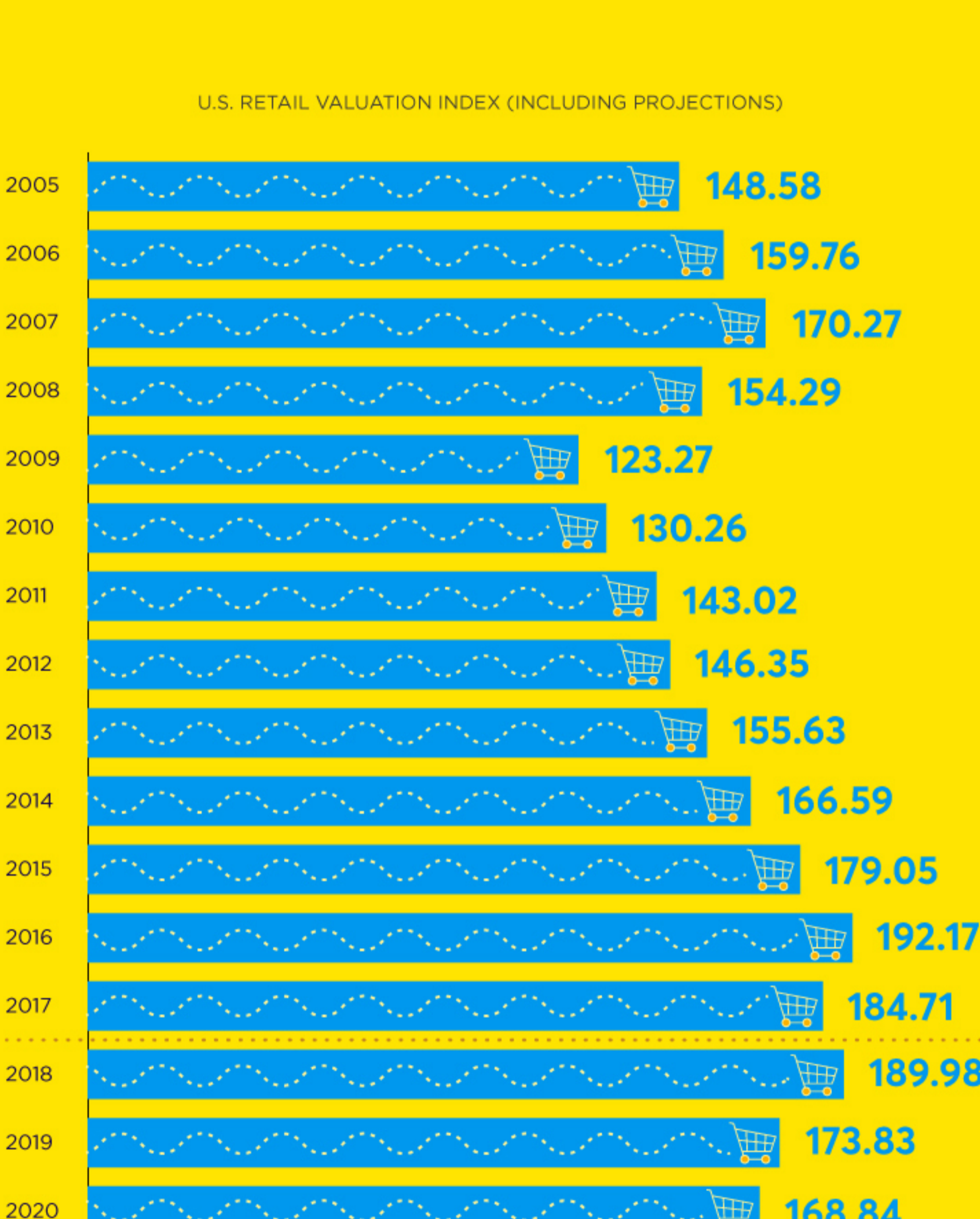
RETAIL VALUATIONS AND PRICING

The Ten-X Retail Nowcast changed direction at the beginning of 2017 after following a general upward trend this cycle.

RETAIL PRICING INDEX



U.S. RETAIL VALUATION INDEX (INCLUDING PROJECTIONS)



RCA, Reis, Ten-X Research

REGIONAL WINNERS AND LOSERS

Despite a lukewarm national retail sector climate, clear regional divides have emerged based on economic, demographic and housing market factors.

● Increasing
● Past Year Employment Growth
● Lagging
● Housing Recovery
● Demographics
● Retail Market Outlook

WEST

Increasing (Green), Lagging (Red), Housing Recovery (Red), Retail Market Outlook (Green)

SOUTHWEST

Increasing (Green), Lagging (Red), Housing Recovery (Red), Retail Market Outlook (Green)

MIDWEST

Increasing (Green), Lagging (Red), Housing Recovery (Red), Retail Market Outlook (Green)

NORTHEAST

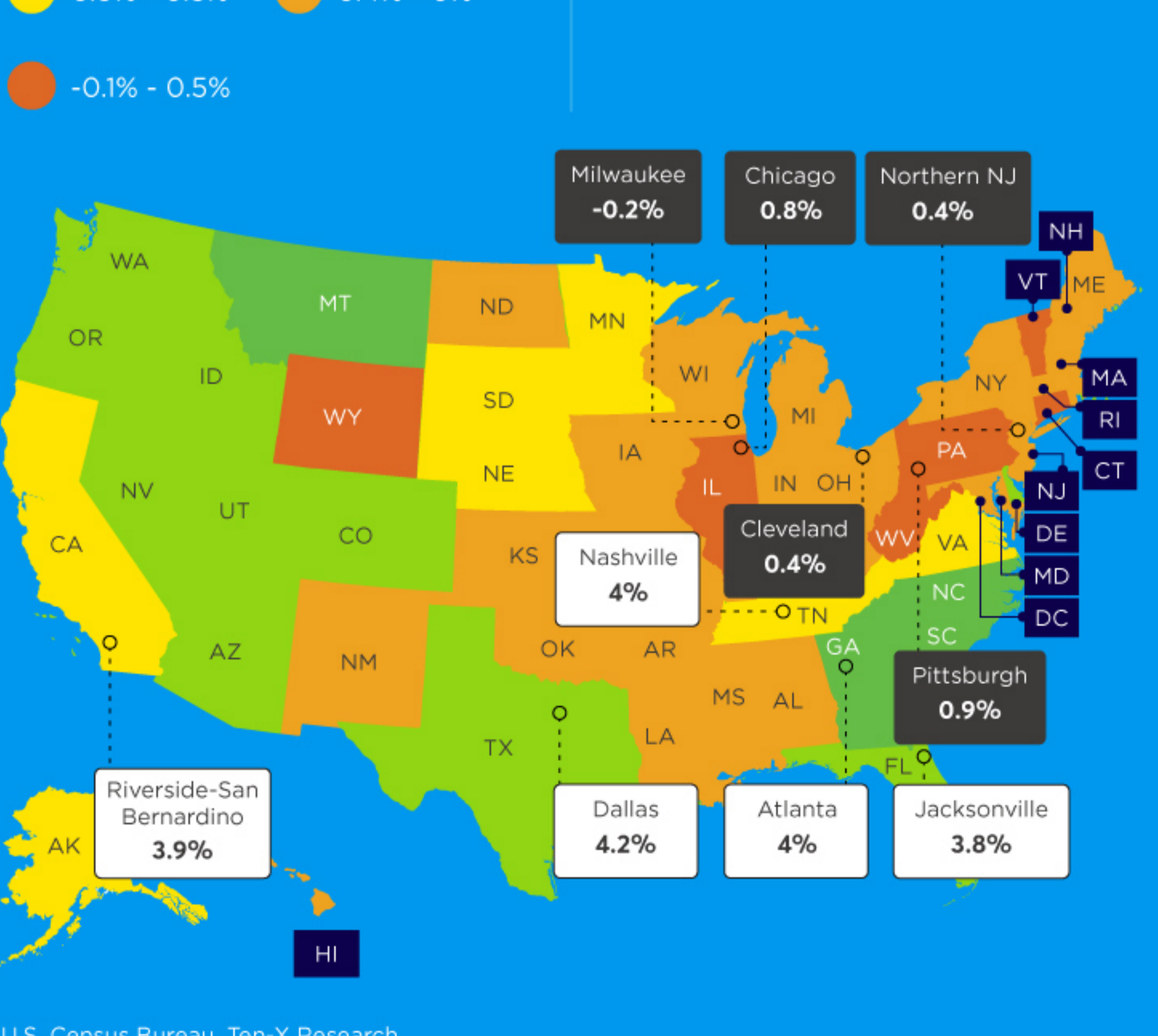
Increasing (Green), Lagging (Red), Housing Recovery (Red), Retail Market Outlook (Green)

2016 POPULATION GROWTH BY STATE

- 2% - 1.5% (Green)
- 0.9% - 0.5% (Yellow)
- 0.4% - 0% (Orange)
- 0.1% - 0.5% (Red)
- 1.4% - 1% (Light Green)

ECONOMIC GROWTH BY METRO AREA (TOP FIVE AND BOTTOM FIVE)

- Top five (White)
- Bottom five (Black)



U.S. Census Bureau, Ten-X Research