

2020 WISCONSIN RETAIL VIRTUAL CONFERENCE

September 22nd-24th

Presented by:



CARW

COMMERCIAL ASSOCIATION OF REALTORS®



Spencer Levy
CBRE

*Chairman, Americas
Research & Senior
Economic Advisor*



Nick Egelanian
Siteworks

Owner & Founder



Meghann Martindale
CBRE

*Global Head of Retail
Research*



Garrick Brown
Cushman & Wakefield

*VP, Americas Head of
Retail Research*



Anjee Solanki
Colliers

*National Director,
Retail Services*

MALLS IN THE POST-DEPARTMENT STORE (And Pandemic) ERA

September 24, 2020



Nick A. Egelanian
Founder & President

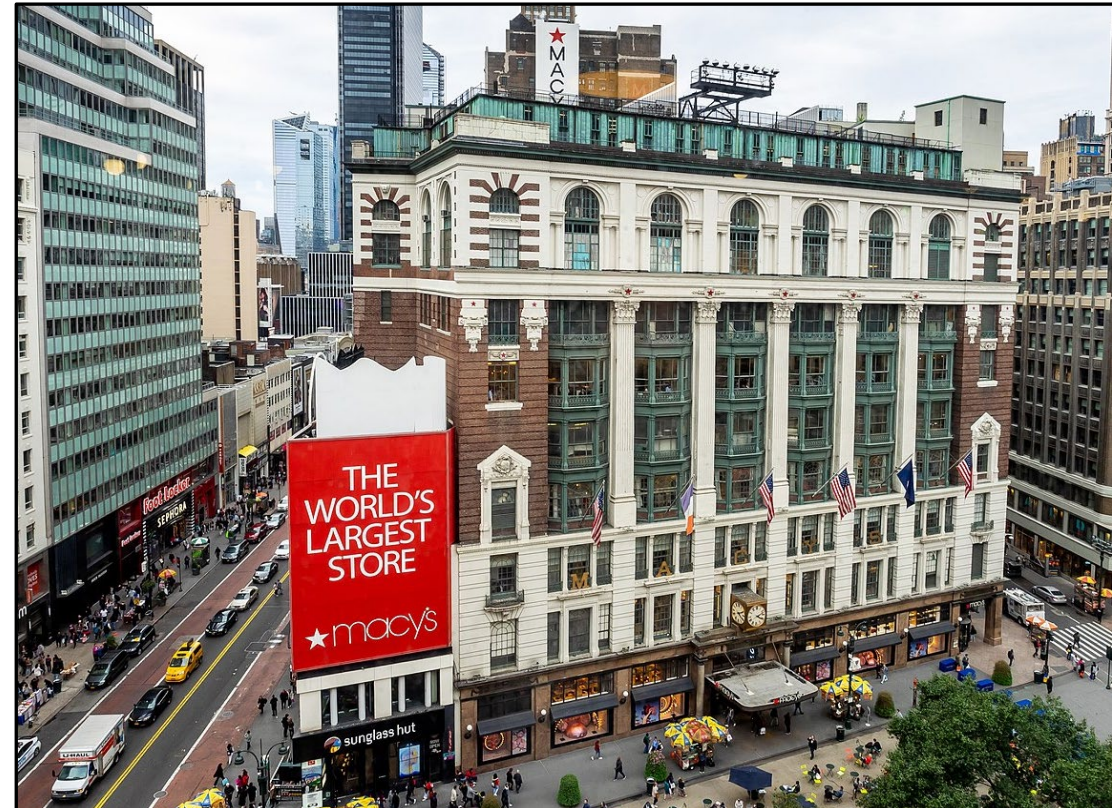


PART ONE

20th CENTURY U.S. MALL CENTRIC RETAIL FRAMEWORK



TWENTIETH CENTURY U.S. From Downtown Shopping RETAIL EVOLUTION



To The Department Store Era And 3,000 American Regional Malls



Killed By...

JCPenney

Sears

NORDSTROM

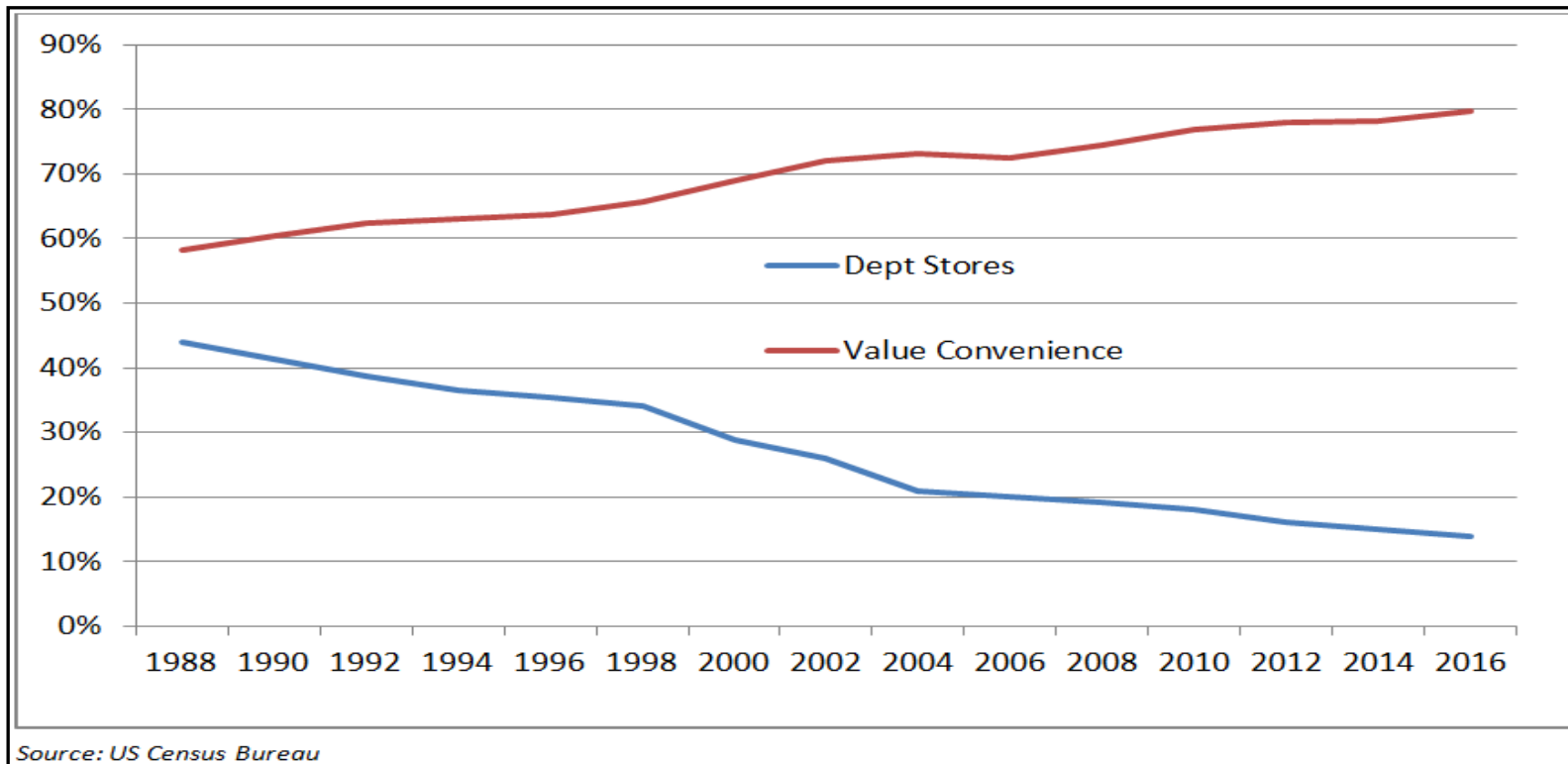
Department Store Deconstruction And “Big Box” Retail



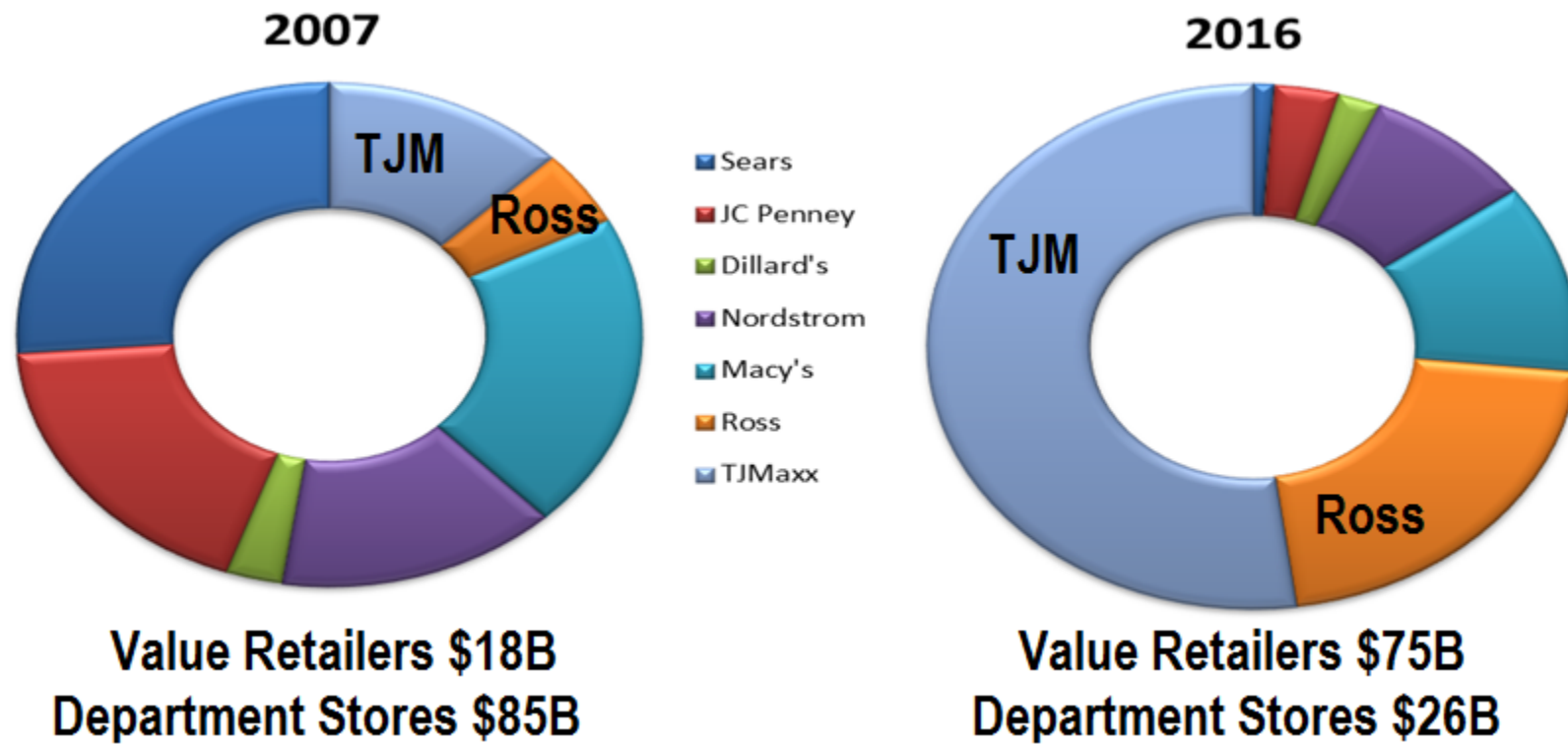
COMMODITY RETAIL



The Resulting Market Share: “Big Box” Retailers Vs. Department Stores



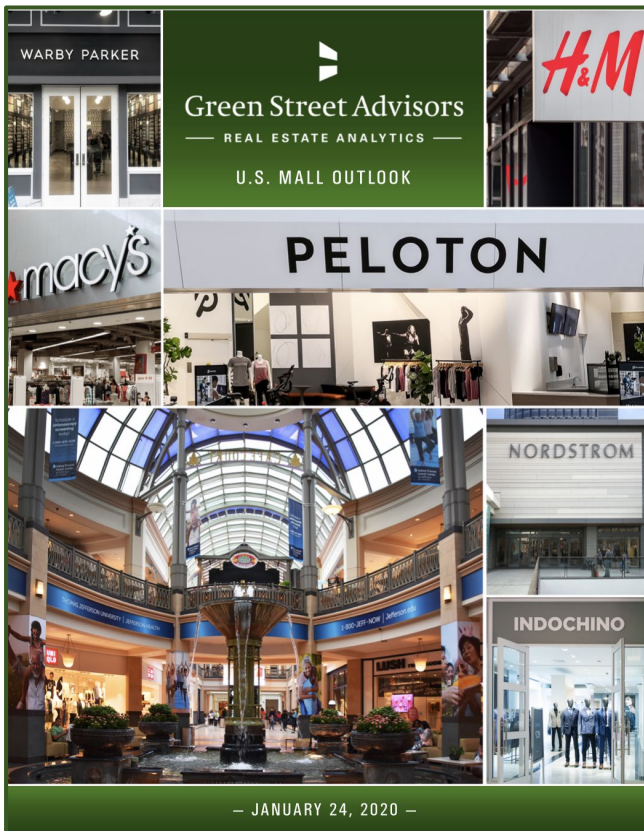
Commodity Retailers Vs. Department Store Market Cap (\$B)



Annual U.S. Retail Sales as of January, 2020

\$515 Billion	Walmart 
\$153 Billion	
\$142 (\$98) Billion	amazon 
\$57.5 Billion	ALL DEPARTMENT STORES
\$15 Billion	

Projected Department Store Closures



- Department stores currently account for ~30% of mall square footage; Sears and JCP are ~10% alone
- Green Street expects roughly half of all mall-based department stores to close over the next five years
- Losing an anchor results in a sizable cap-ex burden and could potentially trigger co-tenancy clauses

 [MARKETS](#) [BUSINESS](#) [INVESTING](#) [TECH](#) [POLITICS](#) [CNBC TV](#)

RETAIL

Over 50% of department stores in malls predicted to close by 2021, real estate services firm says

PUBLISHED WED, APR 29 2020•1:14 PM EDT | UPDATED WED, APR 29 2020•5:04 PM EDT

 **Lauren Thomas**
@LAURENTHOMAS

SHARE    

PART TWO

21st CENTURY

U.S. RETAIL ALIGNMENT

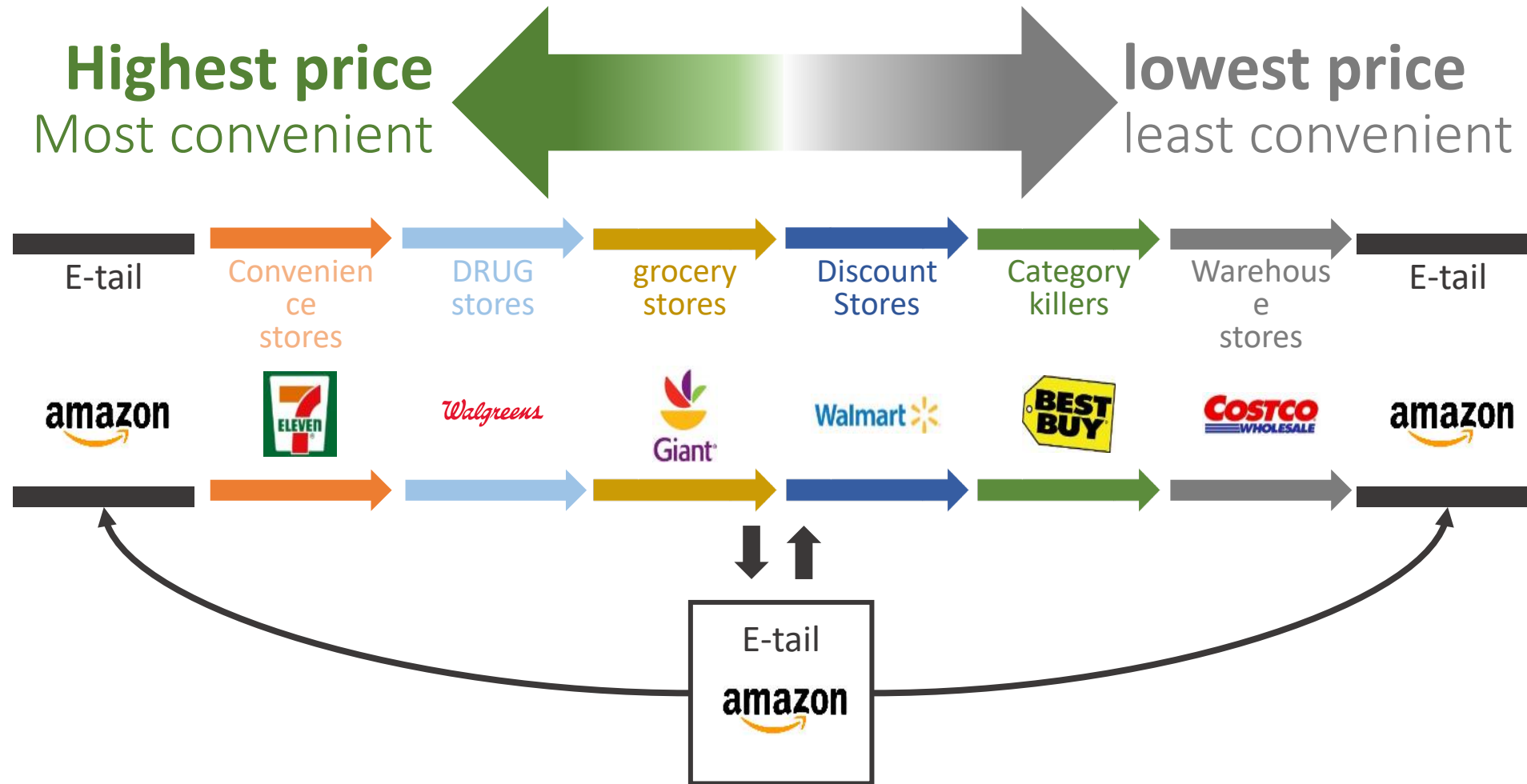


21st Century Retail Alignment

Two SEPARATE Retail Industries



COMMODITY RETAIL: PRICE Vs. CONVENIENCE EQUATION



SPECIALTY RETAIL

TRADITIONAL
MALLS



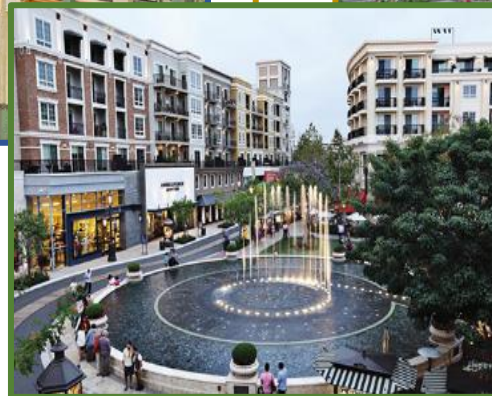
OUTLET
CENTERS



THEMED
CENTERS &
ATTRACTIONS



MIXED-USE &
OPEN-AIR
CENTERS



HIGH STREETS



U.S. Mall Ownership And Debt Financing

Top-20 U.S. Mall Owners
(bold denotes publicly traded REITs)

	Company Name	Ticker	Malls ⁽¹⁾	Est. Asset Value ⁽¹⁾
1	Simon Property Group	SPG	111	\$41,000
2	Brookfield Properties	BPY	152	\$28,000
3	Unibail-Rodamco-Westfield	URW	50	\$14,000
4	Macerich	MAC	47	\$12,000
5	Taubman Centers	TCO	19	\$7,600
6	Triple Five		1	\$4,100
7	Segerstrom Family		1	\$3,400
8	Calpers		7	\$3,200
9	CBL & Associates	CBL	58	\$3,100
10	JP Morgan Fleming Asset Management		16	\$3,000
11	Pyramid		14	\$2,800
12	Starwood Retail Properties		24	\$2,800
13	Washington Prime Group	WPG	56	\$2,200
14	The Irvine Company		2	\$2,200
15	Pennsylvania REIT	PEI	22	\$2,100
16	Caruso		2	\$2,000
17	The Forbes Company		4	\$1,800
18	O'Connor Capital Partners		16	\$1,500
19	Howard Hughes		5	\$1,300
20	Heitman		8	\$1,200

% of Real Estate Controlled by REITs

Malls	80%
Senior Housing	15%
Self-Storage	15%
Non-Mall Retail	10%
Industrial	5-10%
Lodging	5-10%
Office	5-10%
Apartments	<5%

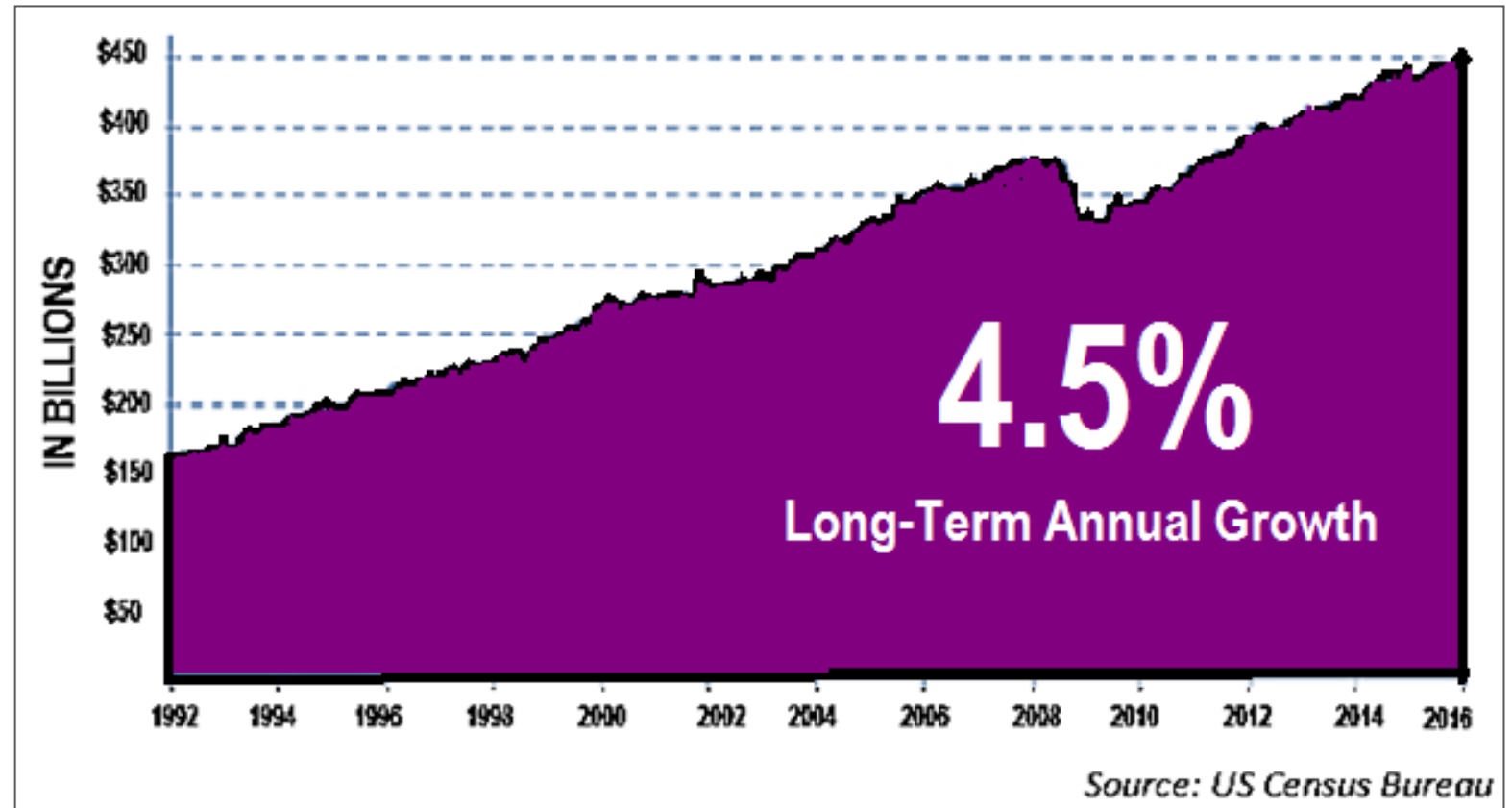
PART THREE

E-COMMERCE & AMAZON



U.S. Retail Sales Growth Rate

**ANNUAL
U.S. RETAIL
SALES:
\$5.35
TRILLION**



eCommerce Share of U.S. Retail: As of 1st Quarter 2020– 10.7%

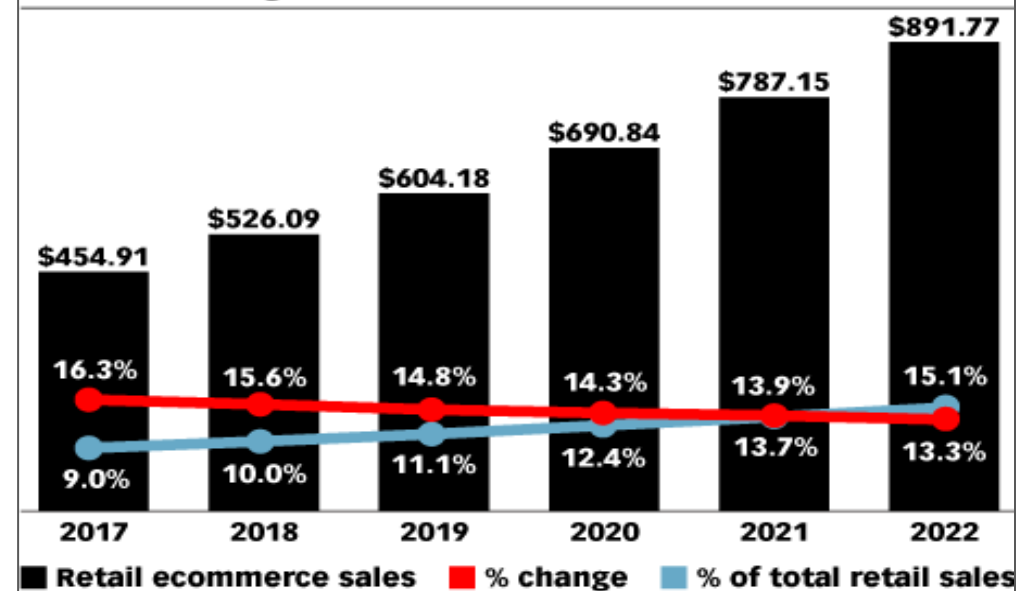
U.S. E-COMMERCE FACTS

eCommerce Represented **10.7%** Of
U.S. Retail Sales As Of Q1 2020.

U.S. eCommerce Sales Grew By
14.8% In 2019 To \$605 Billion

Amazon Accounts For Approximately
WHAT % of U.S Retail Sales?

US Retail Ecommerce Sales, 2017-2022
billions, % change and % of total retail sales



Note: includes products or services ordered using the internet, regardless of the method of payment or fulfillment
Source: eMarketer, Feb 2018

235915

www.eMarketer.com

eCommerce Pandemic Sales Expansion

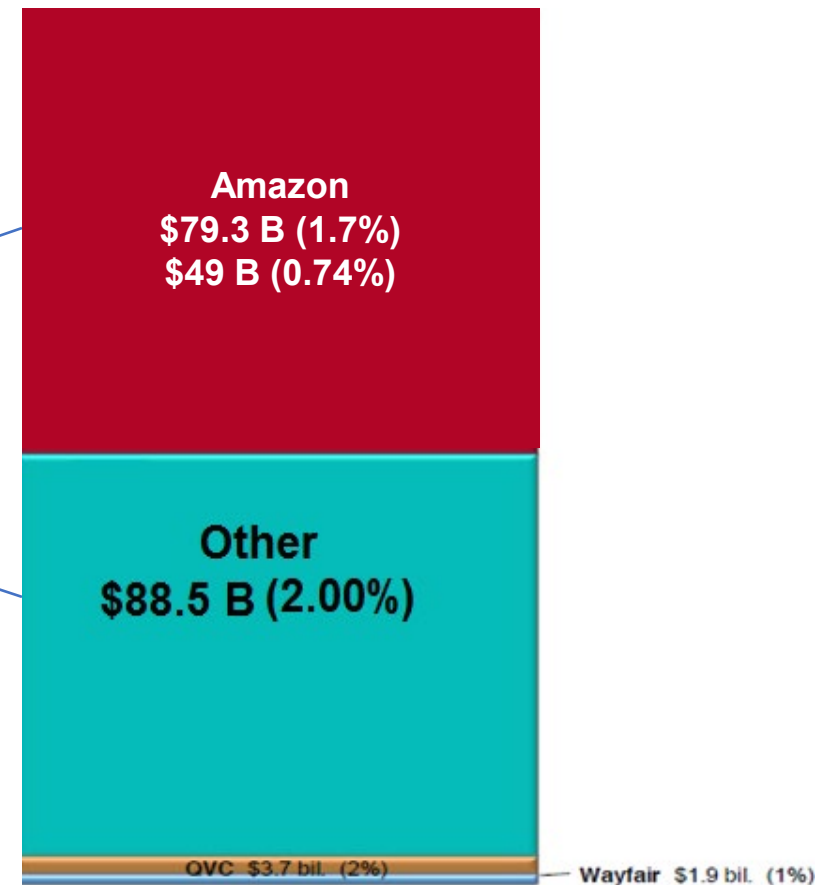
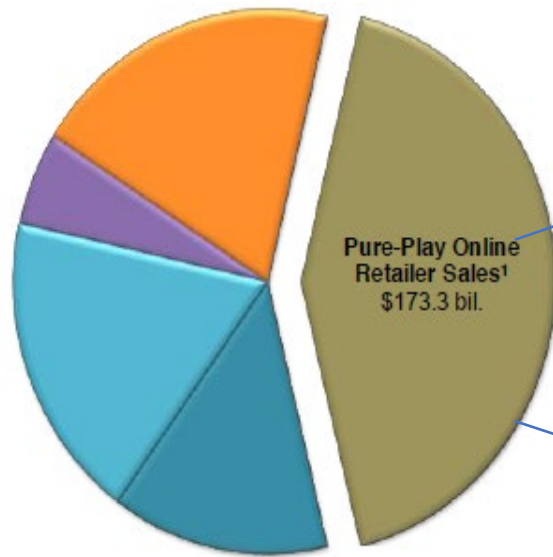


AUGUST PARTNERS

Source: U.S. Commerce Dept. – Quarterly Retail Sales Report; August Partners

RETAIL SALES DISTRIBUTION

2017 Pure –Play Online Retailer Sales And Percent of Total Pure-Play E-Commerce Sales



Source: national retail federation top 100 retailers chart, 2018, euromonitor

Annual U.S. Retail Sales as of January, 2020

\$515 Billion	Walmart 
\$153 Billion	
\$142 (\$98) Billion	amazon 
\$57.5 Billion	ALL DEPARTMENT STORES
\$15 Billion	

What is the Largest Retail Category Sold on the Internet ?



What is the Fastest Growing Non-Food Segment of Brick & Mortar Retail?

T.J Maxx, Marshall's, Ross, H & M, Zara and Nordstrom Rack Are Opening Hundreds Of Stores Annually

Apparel

PART FOUR

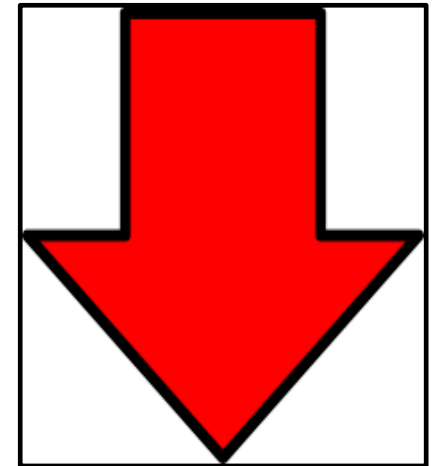
Retail Construction Declining For The First Time In SIXTY Years



Malls (1960 – 1985)

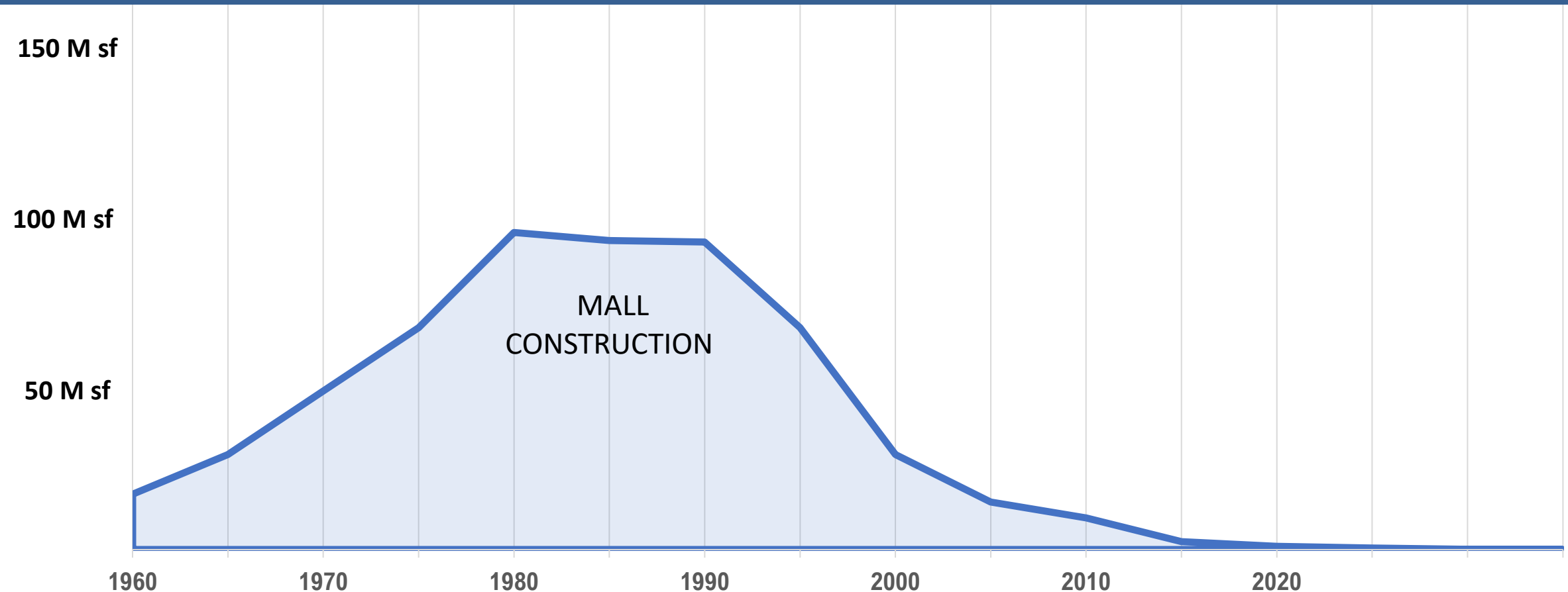


Strip Centers (1985 -2010)

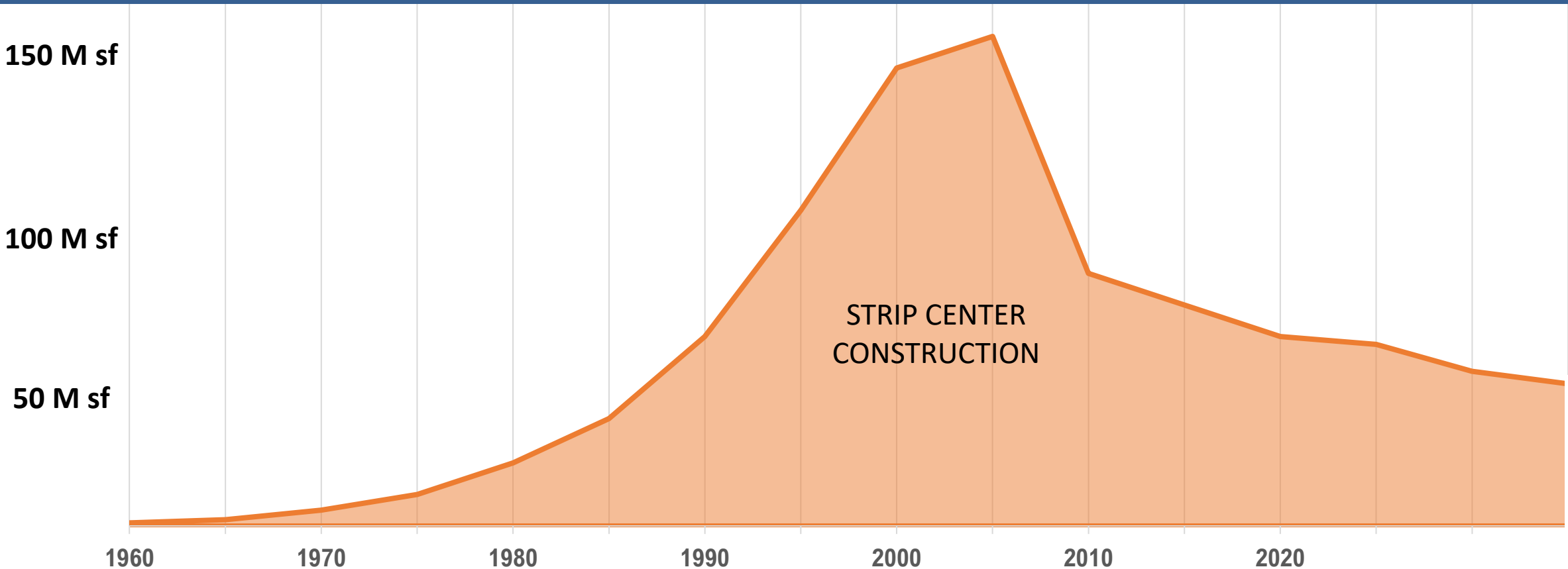


Future Construction

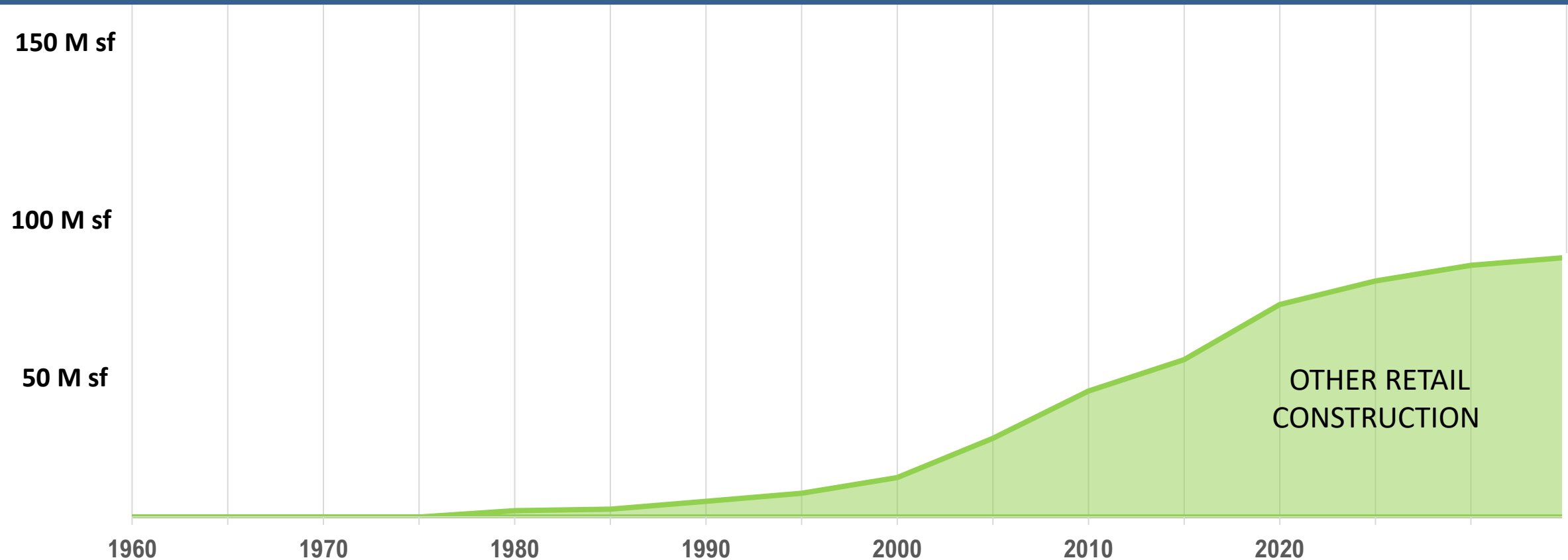
Retail Construction In A Mature Market (Regional Mall Construction)



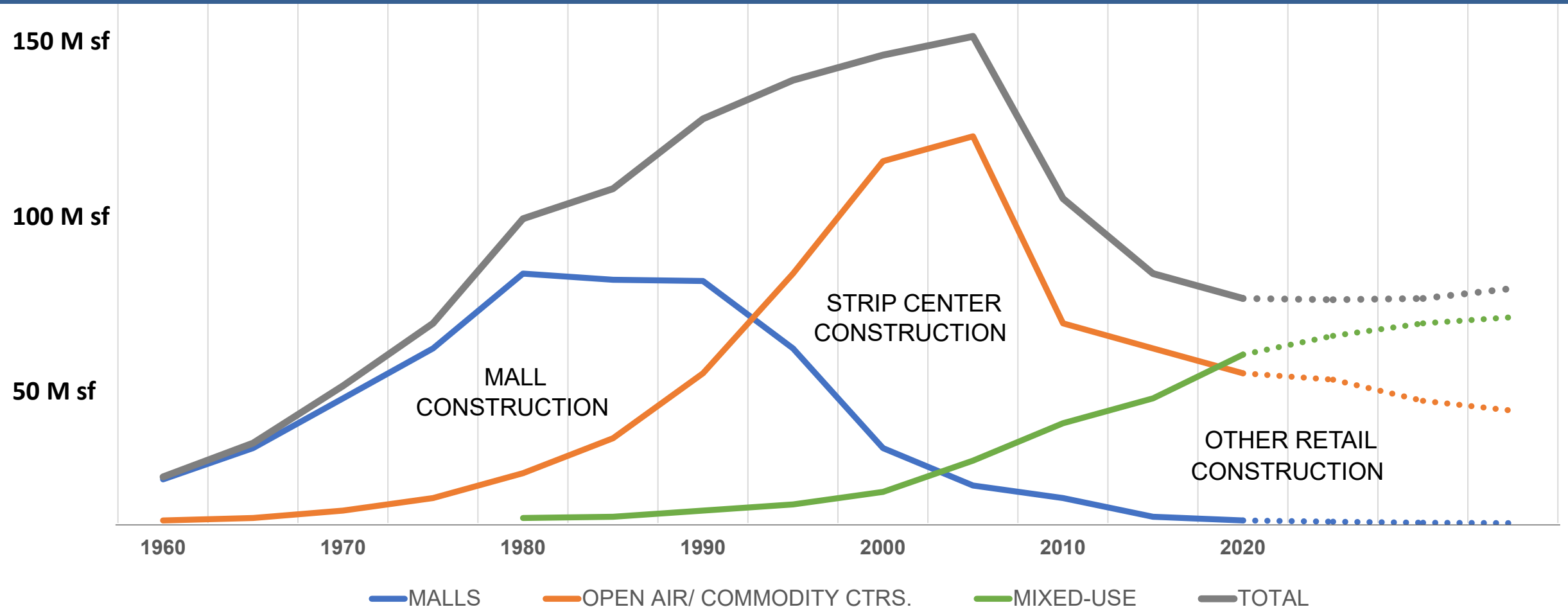
Retail Construction In A Mature Market (Strip Center Construction)



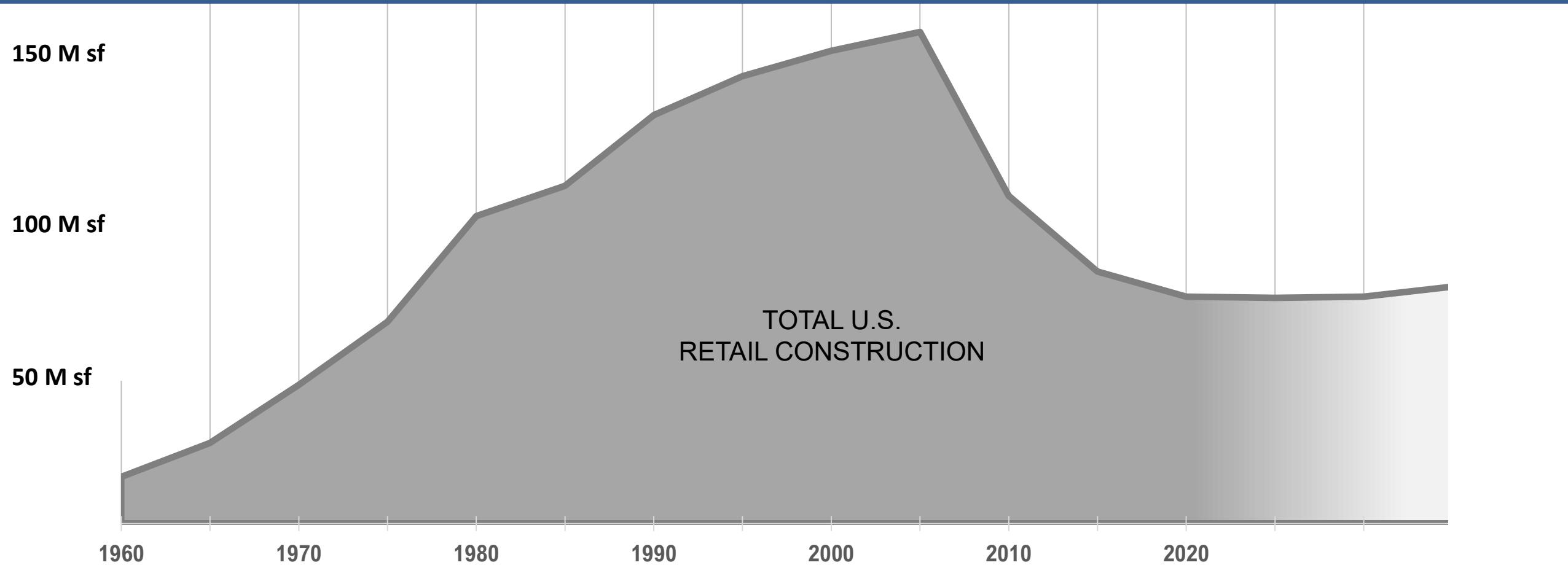
Retail Construction In A Mature Market (Mixed-Use and Other Retail Construction)



Retail Construction In A Mature Market (Declining For The First Time In 60 Years)



Retail Construction In A Mature Market (Declining For The First Time In 60 Years)



PART FIVE

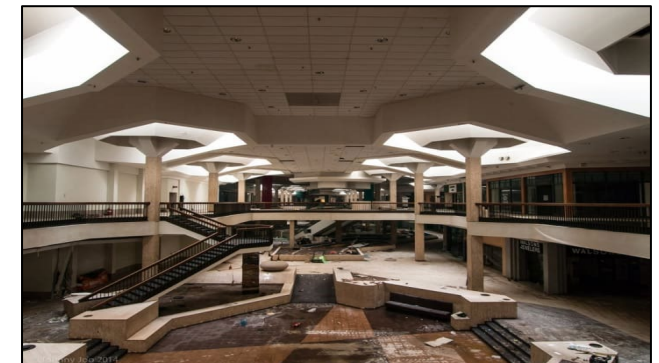
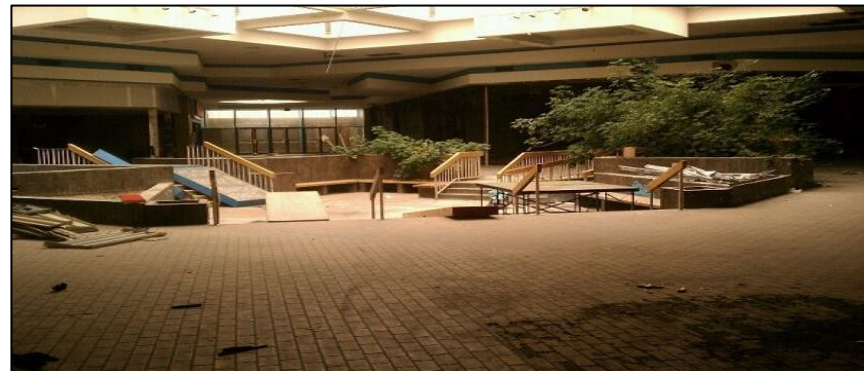
PRIMARY DRIVERS OF U.S. REGIONAL MALL INDUSTRY



VS



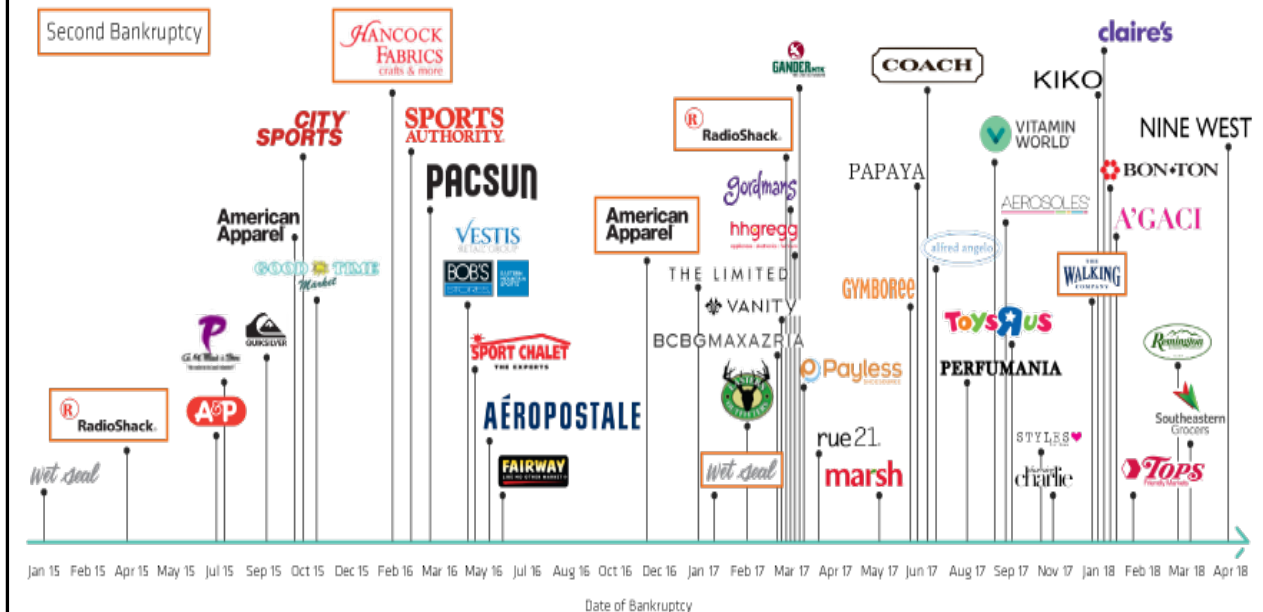
A. Accelerating Department Store Obsolescence & Mall Failures



B. Bankruptcies And Landlord Purchases

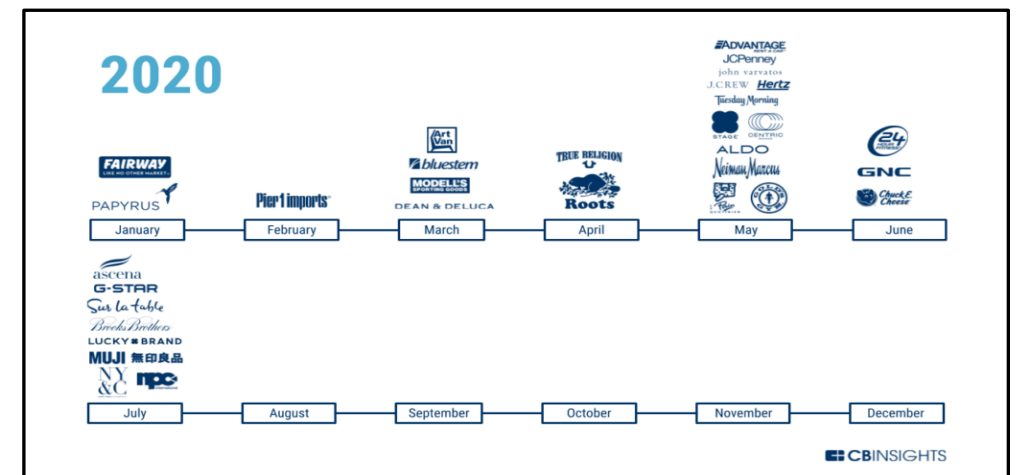
The Unsuccessful Retail Model

A Timeline of Retail Bankruptcies



Logos, brands and other trademarks in this presentation are the property of their respective trademark holders. They are used for illustrative purposes only, and are not intended to convey any endorsement or sponsorship by, or association or affiliation with, the trademark holders.

Source: CB Insights



C. Commodity Retail Maturity: Now Mature, Stable, Low Growth Industry



D. Shrinking Retail Footprint: 8.5 Billion SF To 5.0 Billion SF

ENCLOSED MALLS: 1 Billion SF



STRIP CENTERS: 2.5 Billion SF



E. Discount And Fast Fashion

**CHEAP
FASHION**



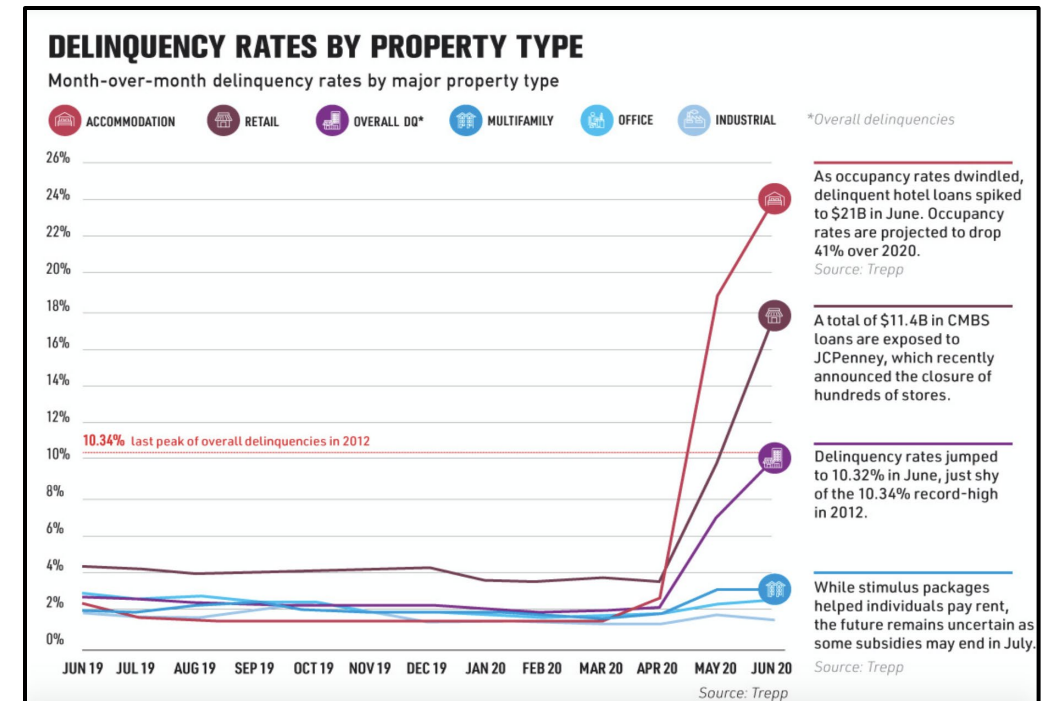
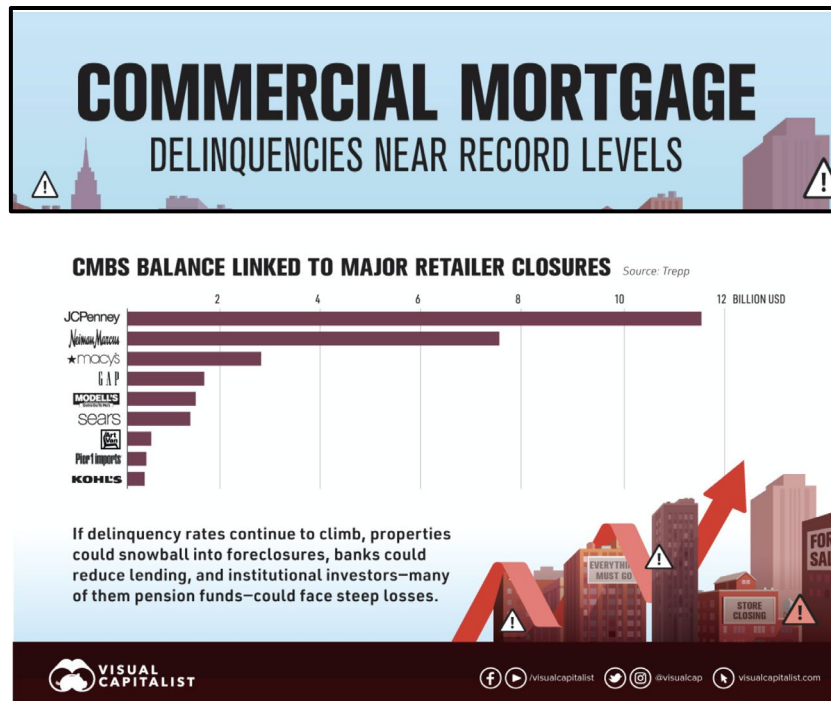
FAST FASHION



F. REITS AND CMBS MORTGAGES



G. Financial Structures And Financial Engineering



PART SIX

THE FUTURE OF MILWAUKEE'S MALLS



Q & A !!

Nick A. Egelanian
Founder & President

