

U.S. COMMERCIAL REAL ESTATE

RETAIL ANALYSIS HANDBOOK • MAY 2017

TABLE OF CONTENTS

US MARKET OVERVIEW

4

Employment
 Consumer Confidence
 Interest Rates + Inflation
 Asset Class Performance
 Capital Markets
 Commercial Real Estate
 Overview
 U.S Retail

LOCAL MARKET ANALYSIS

10

ATLANTA

12

DENVER

24

AUSTIN

15

NASHVILLE

27

CHARLOTTE

18

RALEIGH

30

DALLAS

21

SLC / PROVO

33

US MARKET OVERVIEW

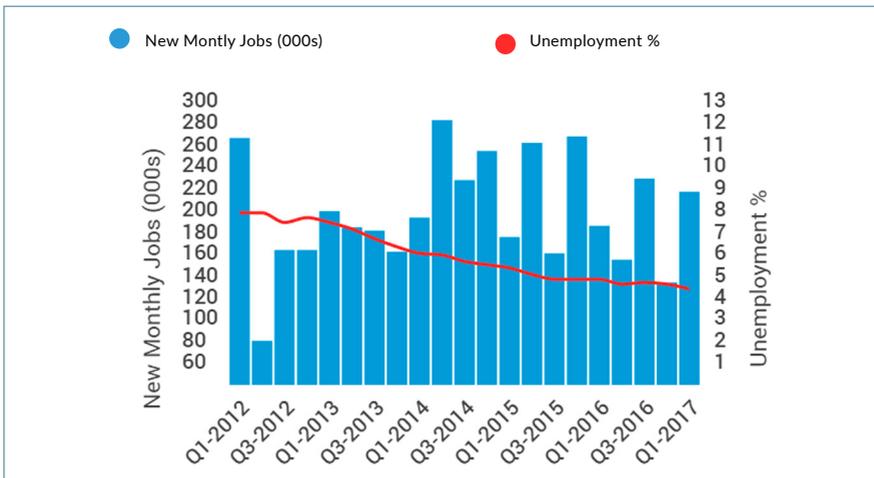
The U.S. economy has enjoyed a strong recovery this business cycle, especially throughout 2015 and 2016. The stock market is up 260% from 2008 lows, rent and asking prices are growing, and inventory in both the commercial and residential markets are decreasing. The economy appears to be nearing full employment which is putting significant upward pressure on wages for the first time since 2008.

The election of Donald Trump has the potential to effect the U.S. economy for years to come. His infrastructure proposal is likely to boost the economy

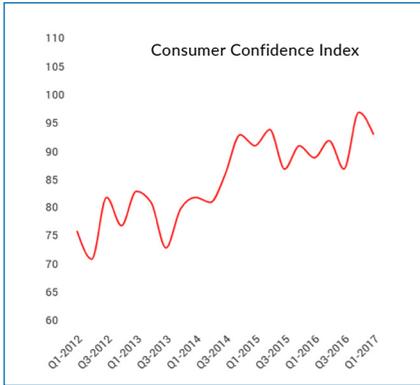
just as growth may be slowing down in 2018, and if the rollout is done effectively, it has the potential to boost annual GDP between 50 and 100 bps. Industry deregulation also has the potential to provide a short term economic boost, though it will be important to see that this is done evenhandedly without forgetting the lessons of the past, if the benefits are to be sustained.

Concerns that tariffs and trade restrictions may slow growth present real downside risk, especially if important trading partners begin imposing retaliatory measures which effect U.S. exports.

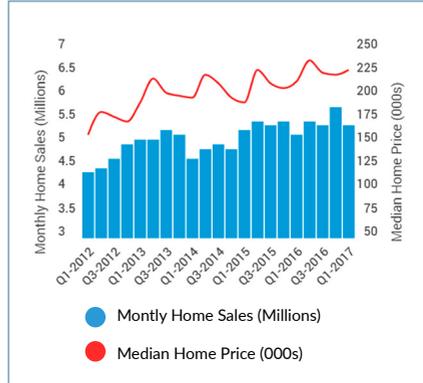
EMPLOYMENT



CONSUMER CONFIDENCE

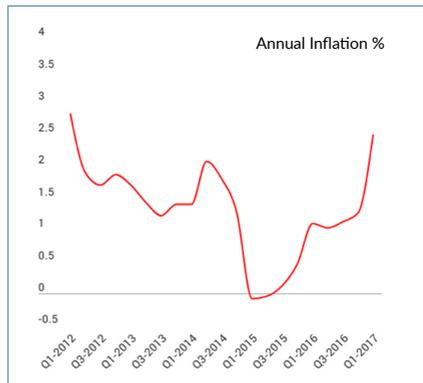
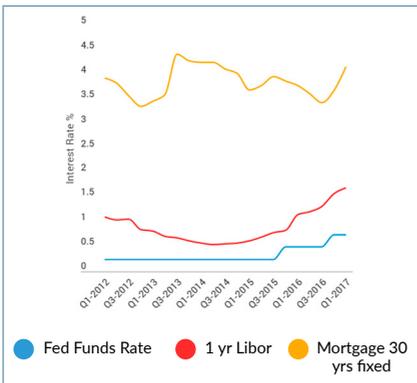


The Consumer Confidence Index has recently crossed above its long term 20 year moving average, reflecting improving economic conditions.



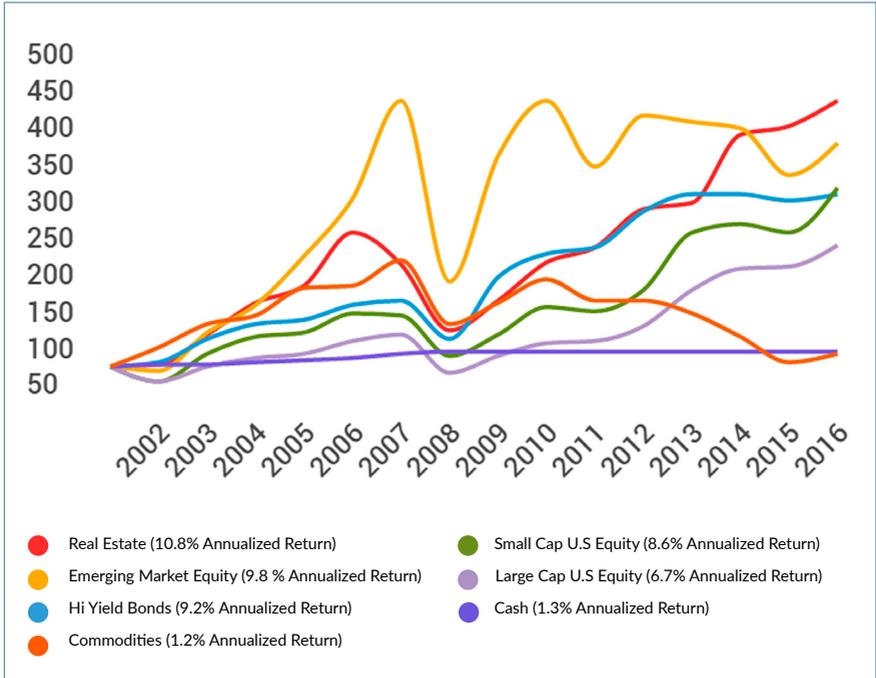
Home buying is up, and inventory levels have reached lows not seen since 2008. While projected increases in interest rates may price some first time homebuyers out of the market, improving wages and confidence should make 2017 another banner year for housing.

INVESTMENT + INFLATION



After multiple years of strong growth at a near zero fed funds rate, the prospect of inflation above the target rate of 2% has most economists predicting 3-4 rate increases in 2017. The rate hike should slow the overall economy, with housing likely to be most effected. High spreads between the 30yr mortgage rate and CAP rates should limit the effect on the commercial sector.

ASSET CLASS PERFORMANCE



While the market has seen a number of ups and downs over the years, it is clear that it pays to be in the game and not on the sidelines.

Of all major asset classes, a diversified real estate portfolio has performed best over time earning an average annual rate of return of nearly 11%. What's more is that this return is achieved while exposing the investor to less risk than the next highest return asset, boasting a risk profile similar to stocks and high yield bonds.

Investment advisors do not always agree on what portion of an ideal investment portfolio should be devoted to real estate, but all praise the virtues of remaining diversified.

It is our opinion that given real estate's strong performance and moderate variance, at least 20% to 40% of a portfolio's risk assets should be devoted to real estate.



CAPITAL MARKETS

The 2017 outlook for capital markets remains highly favorable. Higher interest rates and the persisting view of the U.S. as a safe haven should attract international capital flows with China the leading supplier. Over \$80 billion of international money was invested in U.S. commercial real estate in 2016, and with the new administration leaning towards expansionary fiscal policy which will lead to above average growth and inflation, CRE will continue to be an extremely attractive option for international investors and sovereign wealth funds.

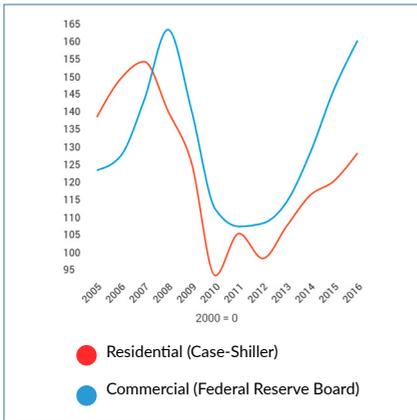
Debt financing should remain widely available to most parties. While short term rates are expected to increase over the course of the year, long term

rates have already climbed 50bps and are unlikely to see a great deal of further movement in the immediate future. Spreads between treasuries and commercial cap rates are robust enough to limit major changes in cap rates as short term yields climb, especially in submarkets where job and demographic fundamentals remain strong.

The only areas of future concern that we see are in the commercial mortgage backed security market, which declined nearly 25% in 2016. Uncertainty regarding regulatory issues make this market difficult to predict. Regulatory pressures on banks may also limit new construction loans, though a limit in supply is likely to push price and rent upwards on existing properties.

COMMERCIAL REAL ESTATE OVERVIEW

Commercial real estate has radically outperformed its residential counterpart this business cycle, with indexes showing commercial real estate approaching new highs.

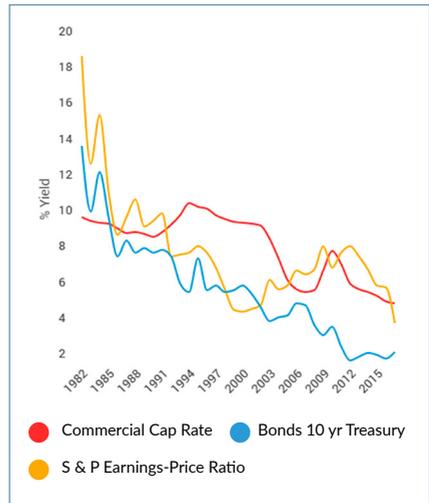


According to Goldman Sachs, we can attribute this divergence to a few factors. Construction in commercial real estate fell off only 1.6%, compared to 2.8% in residential, causing a much softer landing. Commercial real estate is generally considered to be less crowded than residential; comprised of professional developers and investors, commercial real estate is less susceptible to wild swings driven by the speculative actors which often occupy the residential sector.

While commercial cap rates have dropped to historic lows, earnings yields on other assets such as equity and bonds have

also declined significantly. Therefore from an asset pricing perspective, CRE prices don't look as rich.

This chart shows the commercial cap rate compared with the S&P and the 10 year treasury. Our analysis shows that price gains in commercial real estate are likely to decelerate in the

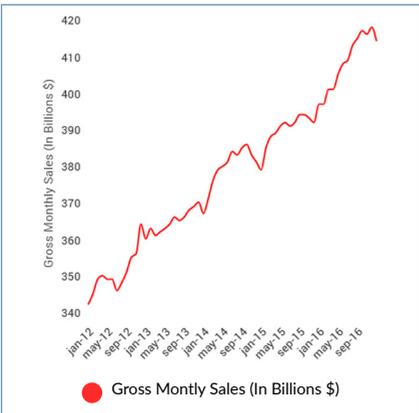


immediate future, though continued growth in jobs and real wages will apply upward pressure on rents, especially in markets where job growth is strongest, such as Austin, Denver, and Dallas, and in markets like Atlanta where rent increases have lagged despite solid fundamentals.

RETAIL SECTOR

U.S. retail sales are expected to grow 4-5% this year driven by strong consumer confidence, job, and wage growth. However, traditional retailers will continue to feel pressure from ecommerce which is expected to gain market share, ultimately accounting for 9.2% of retail sales by the end of 2017.

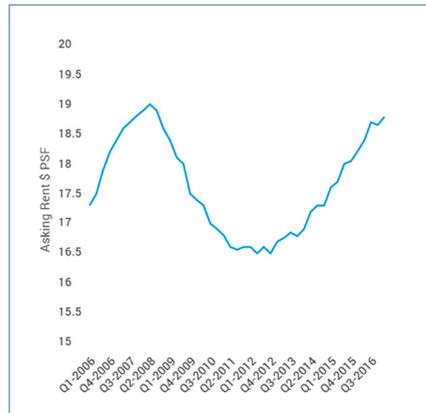
Big box construction will continue to decline, while investors will focus on mixed use, grocery anchored strip centers, and restaurants. Urban retail has significantly outperformed the national average this business cycle and we expect that trend to continue in 2017.



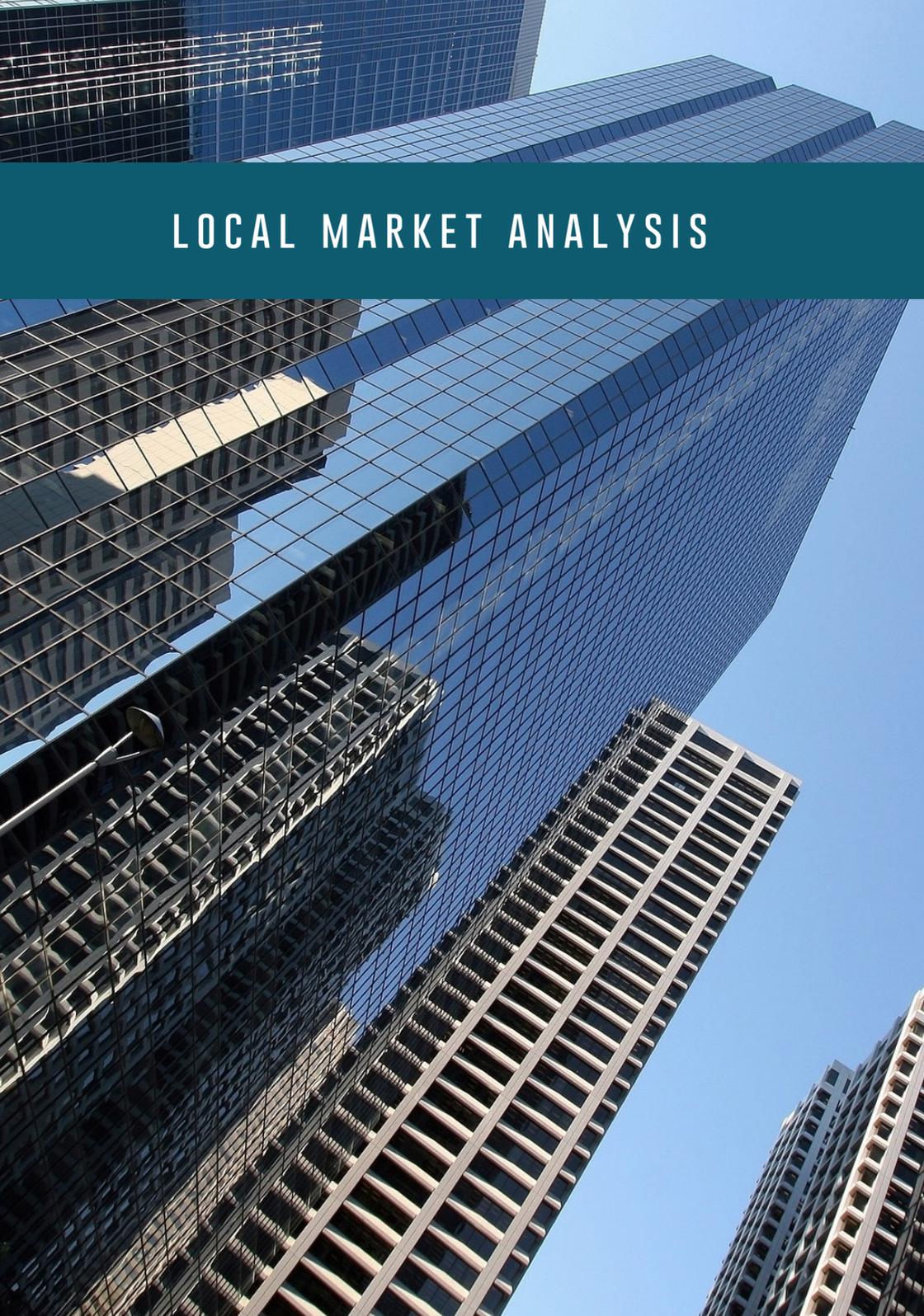
As ecommerce continues to gobble market share, traditional retailers will focus on creating a unique shopping experience. Growth in food and beverage

will continue, while soft goods will try to adapt their in-store experience through new concepts including workshops, by utilizing new technologies, and by offering tangential services.

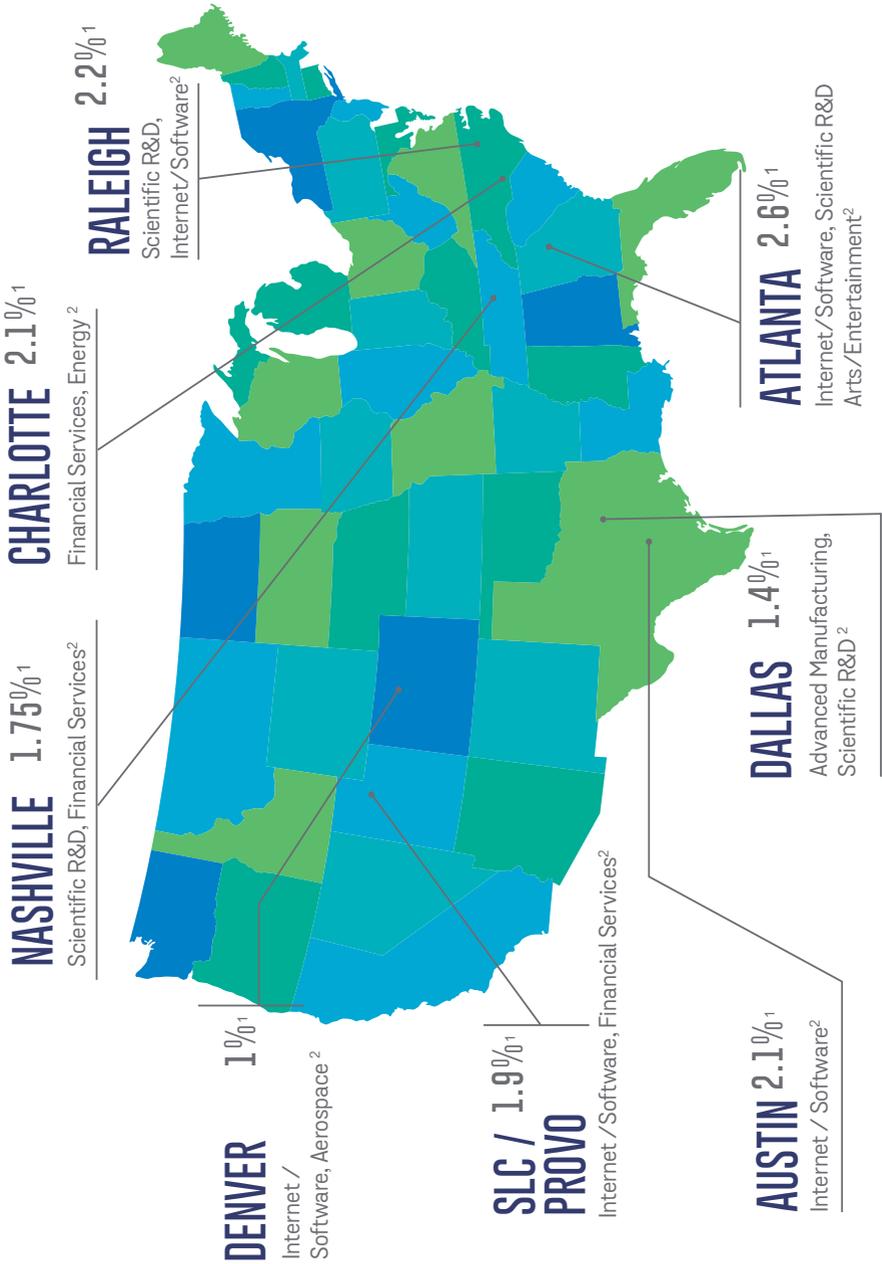
While landlords continue to prefer national credit tenants or multinational brands, crowding is leading many owners to accept alternative arrangements, with deeper financial partnerships between landlord and tenant, and greater % contribution to store fit outs.



Overall we see too much hot money in the multi-family and office sectors, with considerably more opportunity available for investing in top retail space. There was a fear among many that big box closures would flood the market with unused space, but much of this space has been or will be repurposed, without creating a supply glut.



LOCAL MARKET ANALYSIS



ATLANTA



9th

Largest
Metropolitan area in U.S.

\$10B

Infrastructure
Investment over the
next 10 years

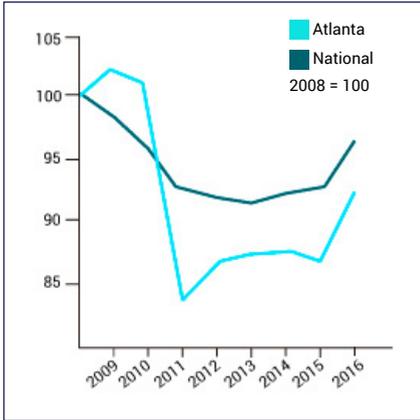
2.6%

Projected Annual
Population Growth over
Next Decade

The search for top talent in today's business environment is the number one factor in business relocation and Atlanta is well positioned to capitalize with a young and highly educated work force flowing through its two world class universities, the Georgia Institute of Technology, and Emory University. Retail in Atlanta has mirrored much of the country in moving towards mixed use urban development and away from big box construction. Urban revitalization has been an important theme

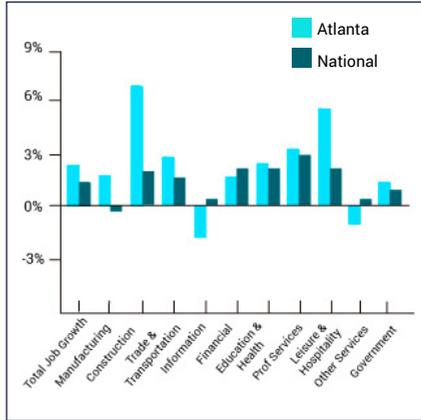
as developers have bought up obsolete properties along the beltway for conversion. Atlanta's recovery since the 2008 crisis began more slowly than many of the other markets we have evaluated, but enjoyed a stellar 2015. Increased diversification across multiple industry sectors will help Atlanta better weather future economic events. Relatively high capitalization rates make Atlanta retail a safe, stable investment with outstanding growth potential in the coming years.

CHANGE IN REAL MEDIAN FAMILY INCOME



Source: US Department of Numbers

12 MONTH CHANGE IN NONFARM JOBS BY INDUSTRY



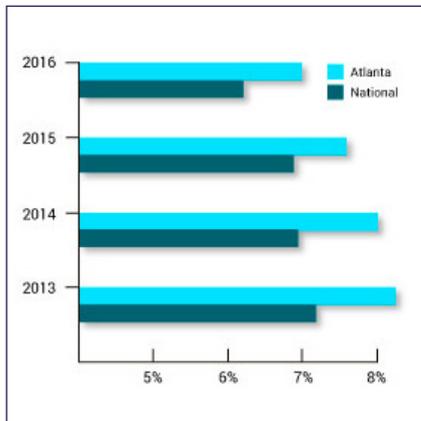
Source: National Bureau of Labor Statistics

ASKING RENT AND AVAILABILITY % (RETAIL)



Source: Loopnet, CBRE Research

AVERAGE CAP RATE (RETAIL)



Source: Loopnet, CBRE Research

COMPARABLE PROPERTIES



#	SALE PRICE	SQFT	LOTSIZE	TENANT(S)	DAILY TRAFFIC	CORNER/ OUTPARCEL
1	\$4,059,400	15,008	.48 ac	5 Local Tenants	12,400	C
2	\$2,731,000	4,968	.94 ac	Starbucks, T-Mobile	35,100	N
3	\$5,465,315	83,314	18 ac	Starbucks +9 others	33,000	C
4	\$2,800,000	46,950	3.08 ac	La-Z-Boy	54,000	C
5	\$4,000,000	10,110	1.51 ac	Restaurant	17,200	O

* Traffic counts are taken from nearest available station. Actual site traffic is likely to vary significantly.

AUSTIN



#1

Nationally in Patents
Received since 2000

220

City Parks
& Greenways

2.2%

Projected Annual
Population Growth
over Next Decade

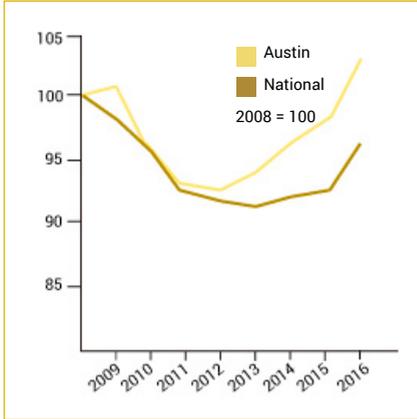
Austin first gained a foothold in the technology industry by becoming a major producer of semiconductors and electronics components. What began as industrial production has now fully diversified into all areas of tech, including software, biotech, ecommerce, cloud computing, and beyond.

The job boom in tech has led to record low vacancies and record high absorptions across multifamily, office, and retail.

Additionally, the influx of millennial generation workers has created a boom in coworking space as well as high density, amenity rich, mixed use development near the city center.

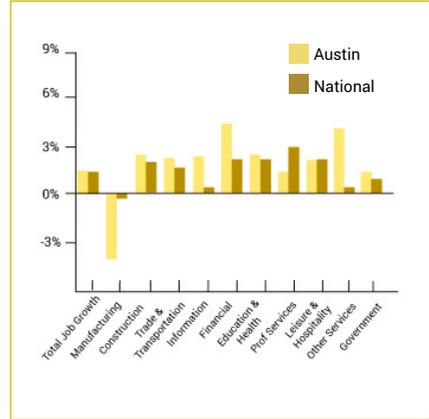
Finally, the Dell Medical School has provided the area with a strong life sciences industry, with over a million sqft of office and industrial space occupied by the areas 10 leading pharmaceutical & biotech companies.

CHANGE IN REAL MEDIAN FAMILY INCOME



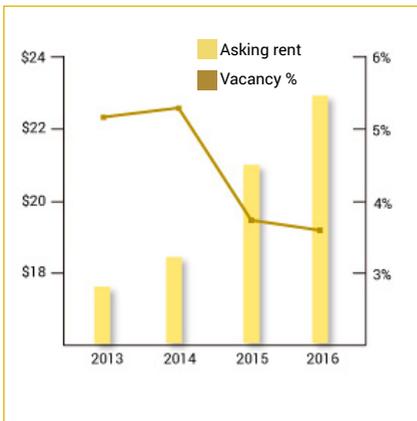
Source: US Department of Numbers

12 MONTH CHANGE IN NONFARM JOBS BY INDUSTRY



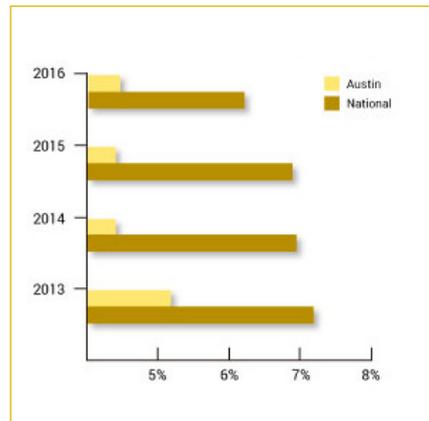
Source: National Bureau of Labor Statistics

ASKING RENT AND VACANCY % (RETAIL)



Source: Loopnet, CBRE Research, Transwestern, Colliers

AVERAGE CAP RATE (RETAIL)



Source: Loopnet, CBRE Research, Transwestern, Colliers

COMPARABLE PROPERTIES



#	SALE PRICE	SQFT	LOTSIZE	TENANT(S)	DAILY TRAFFIC	CORNER/ OUTPARCEL
1	\$ 3,299,000	11,172	.71 ac	9 Local Tenants	no data	No
2	\$ 2,671,875	17,726	1.35 ac	Cricket +5 others	no data	C
3	\$ 4,359,375	10,014	1.74 ac	6 Local Tenants	no data	C
4	\$ 2,550,000	2,929	.8 ac	Jack in the Box	no data	O
5	\$2,800,000	4,847	1.12 ac	Circle K + Churches	no data	O

* Traffic counts are taken from nearest available station. Actual site traffic is likely to vary significantly.

CHARLOTTE



#2

Largest Banking
Center in U.S

8

Fortune
500 Companies
headquartered
in Charlotte

2.1%

Projected Annual
Population Growth over
Next Decade

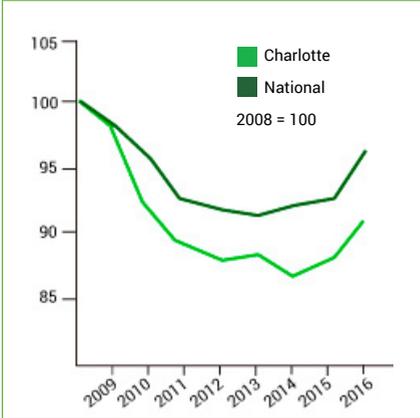
Economic expansion, population growth, and solid job fundamentals have made Charlotte's retail market one of the most attractive in the SouthEast.

For 4 consecutive years, retail absorptions in Charlotte have far exceeded new supply, allowing landlords to be aggressive in their asking price while raising cap rates in line with the national average.

Charlotte's economy, while more diversified

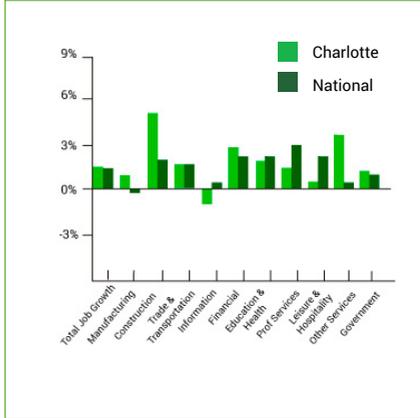
this business cycle than last, is still heavily tied to the financial industry and has the potential to experience above average gains should some of the financial regulations be rolled back by the current administration. Retail activity focused within the Central Business District, South Park, and Midtown will continue to enjoy the highest annual sales, though high end multifamily is driving new investment in transitional areas such as Noda and Plaza Midwood.

CHANGE IN REAL MEDIAN FAMILY INCOME



Source: US Department of Numbers

12 MONTH CHANGE IN NONFARM JOBS BY INDUSTRY



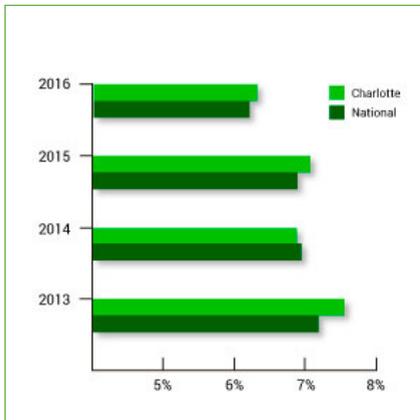
Source: National Bureau of Labor Statistics

ASKING RENT AND AVAILABILITY % (RETAIL)



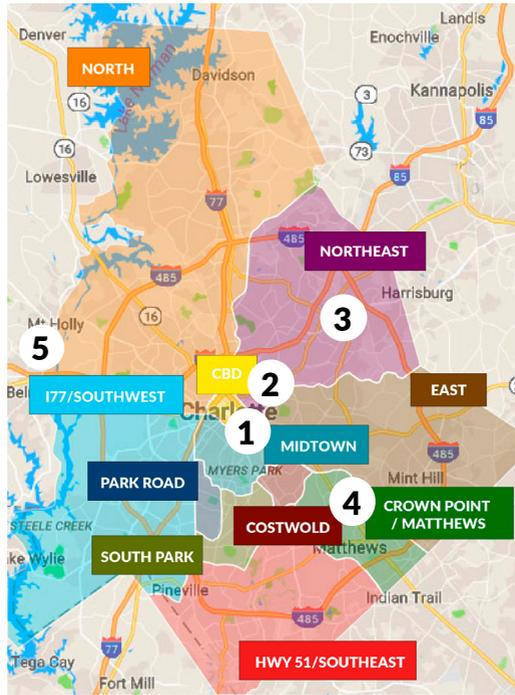
Source: Loopnet, CBRE Research

AVERAGE CAP RATE (RETAIL)



Source: Loopnet, CBRE Research

COMPARABLE PROPERTIES



#	SALE PRICE	SQFT	LOTSIZE	TENANT(S)	DAILY TRAFFIC	CORNER/ OUTPARCEL
1	\$ 5,352,500	18,046	1.46 ac	Papa John's +3 others	no data	N
2	\$ 5,600,000	34,982	.55 ac	Theater + 3 others	no data	C
3	\$ 3,250,000	39,873	4.6 ac	28 Local & National	no data	C
4	\$ 5,560,000	147,200	13.6 ac	31 Local & National	no data	C
5	\$ 2,524,135	10,125	1.39 ac	CVS	no data	C

* Traffic counts are taken from nearest available station. Actual site traffic is likely to vary significantly.



DALLAS

3.5M sqft

New Retail Delivered
in 2016

\$61,644

Median Household
Income

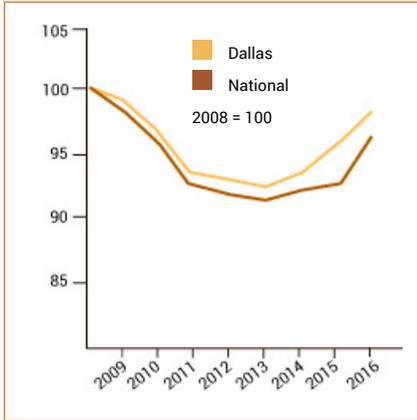
1.5%

Projected Annual
Population Growth over
Next Decade

The Dallas-Fort Worth retail market is supported by an extremely strong consumer base and a job market which enjoys one of the lowest unemployment rates and highest median incomes in the country. 17 Fortune 500 companies and 13 privately held businesses with over \$1billion in annual revenue call Dallas home, and Moody's projects that median family income will continue to grow in 2017 by an additional 5%. The job market is well diversified with

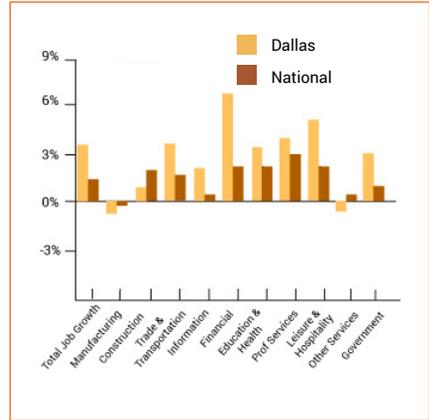
important employers coming from the defense, financial, high-tech, and energy sectors. Big box space (greater than 20,000 square ft) continues to comprise the majority of retail availability as the market continues to slowly absorb space after the sudden closure of 13 Sports Authority stores in 2015. New development has focused on downtown revitalization projects and small box suburban retail in West Dallas and the Midcities.

CHANGE IN REAL MEDIAN FAMILY INCOME



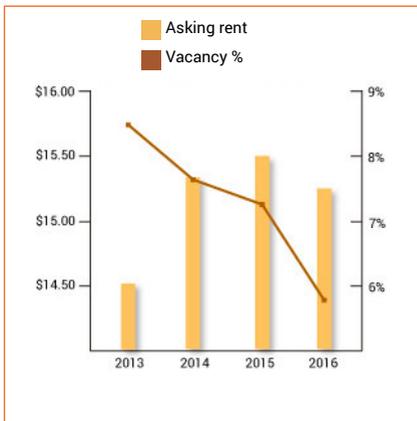
Source: US Department of Numbers

12 MONTH CHANGE IN NONFARM JOBS BY INDUSTRY



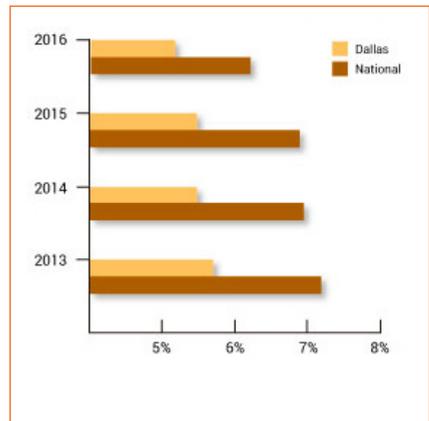
Source: National Bureau of Labor Statistics

ASKING RENT AND VACANCY % (RETAIL)



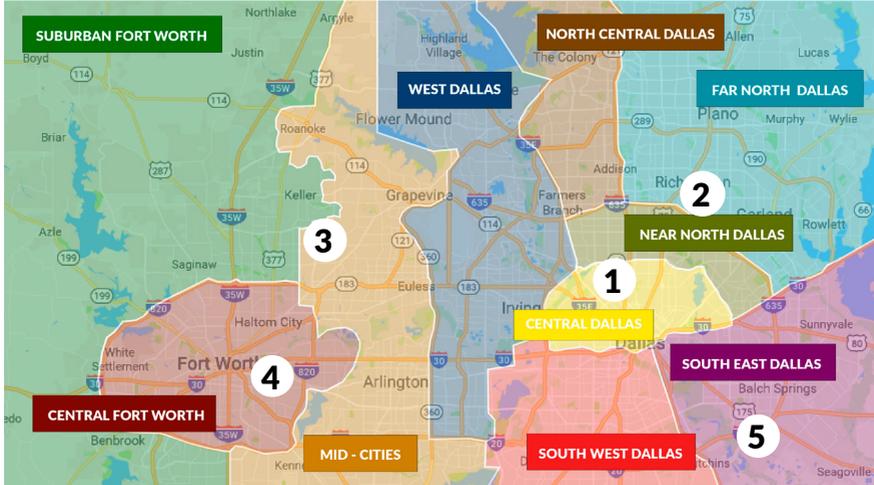
Source: Loopnet, CBRE Research

AVERAGE CAP RATE (RETAIL)



Source: Loopnet, CBRE Research

COMPARABLE PROPERTIES



#	SALE PRICE	SQFT	LOTSIZE	TENANT(S)	DAILY TRAFFIC	CORNER/ OUTPARCEL
1	\$ 3,875,000	7,028	.26 ac	7 local tenants	no data	C
2	\$ 2,750,000	46,414	4.13 ac	Chile's + 3 others	no data	C
3	\$ 3,530,000	7,500	1.32 ac	Pet Suppliers Plus	45,000	C
4	\$ 4,834,375	14,537	1.73 ac	Walgreens	no data	C
5	\$ 3,312,500	6,050	1.63 ac	Applebees	no data	C

* Traffic counts are taken from nearest available station. Actual site traffic is likely to vary significantly.

DENVER



1

Forbes Ranking for
Business & Careers

2.6%

Unemployment Rate

1.1%

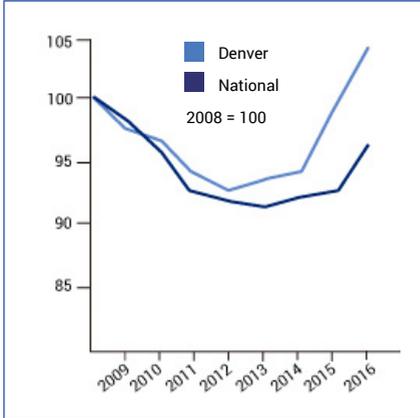
Projected Annual
Population Growth over
Next Decade

Denver is currently enjoying all time highs in asking rent and occupancy levels. Job growth and consumer spending are both strong, and cap rates in line with the national average make Denver retail look extremely attractive. Unemployment sits at 2.8%, well below the natural unemployment rate of 5%.

Being equidistant from Midwest markets like Chicago and St Louis and Pacific markets such as L.A. and San Diego has

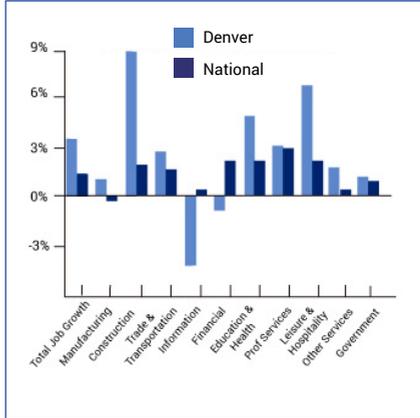
long made Denver an important distribution hub. Denver is also home to a plethora of mining and telecommunication companies including Halliburton and Comcast. Nearly \$850 million of retail space exchanged hands in 2016, with investors focused on premium location or grocery anchored multi-tenant shopping centers and single-tenant net leased properties. The Colo Blvd and Boulder submarkets have seen the greatest demand.

CHANGE IN REAL MEDIAN FAMILY INCOME



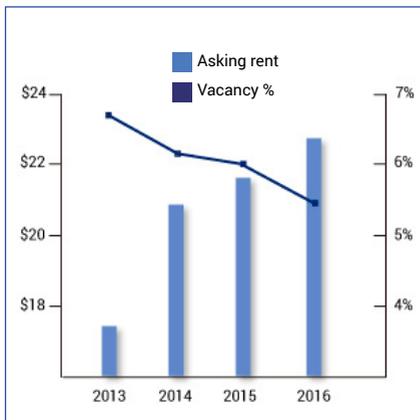
Source: US Department of Numbers

12 MONTH CHANGE IN NONFARM JOBS BY INDUSTRY



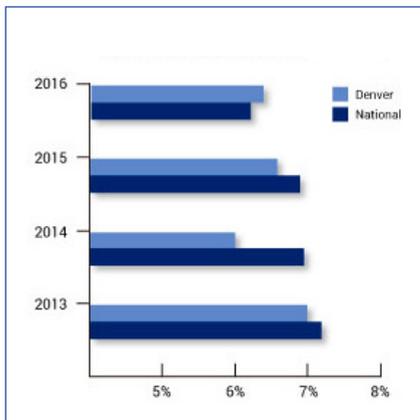
Source: National Bureau of Labor Statistics

ASKING RENT AND VACANCY % (RETAIL)



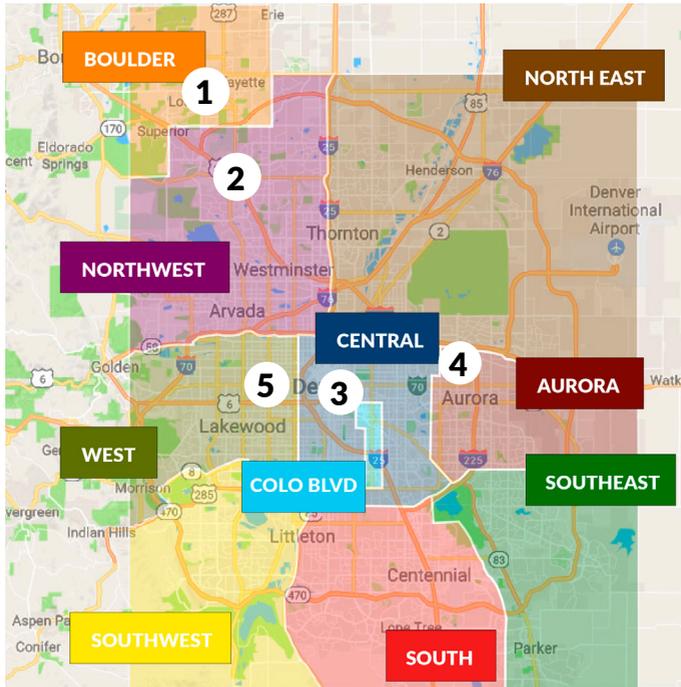
Source: Loopnet, CBRE Research

AVERAGE CAP RATE (RETAIL)



Source: Loopnet, CBRE Research

COMPARABLE PROPERTIES



#	SALE PRICE	SQFT	LOTSIZE	TENANT(S)	DAILY TRAFFIC	CORNER/ OUTPARCEL
1	\$ 6,444,444	16,221	.31 ac	Walgreens	35,000	No
2	\$ 3,675,293	5,390	1,56 ac	Mattress Firm	73,000	O
3	\$ 5,000,000	10,026	.2 ac	7 local tenants	243,000	C
4	\$ 3,075,000	6,456	.6 ac	sold vacant	39,000	O
5	\$ 4,350,000	6,800	2.07 ac	Red Lobster	57,000	C

* Traffic counts are taken from nearest available station. Actual site traffic is likely to vary significantly.



NASHVILLE

\$20.6B

in 2016 retail sales

#8

Forbes Ranking
in Job Growth

1.75%

Projected Annual
Population Growth
over Next Decade

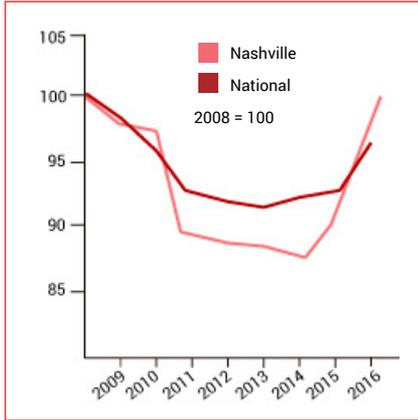
Nashville has established itself as the new cultural center of the Southeast. With a population of 1.84 million, Nashville is considerably smaller than Atlanta and Charlotte, but has been able to attract top millennial talent because of its reputation as a cultural mecca. Median family income sits at 5% above national levels, and wage recovery has considerably outpaced the national average during the current business cycle.

Healthcare is a huge part of Nashville's job market, employing over 120,000 individuals,

and giving it the reputation as the nation's healthcare center. The financial sector also carries outsized weight in Nashville, with UBS, Fifth Third, Suntrust and Bank of America all maintaining a strong presence.

Germantown and Wedgewood-Houston are two of the fastest growing neighborhoods, representing a significant portion of retail deliveries and absorptions in 2016, while the opening of high end grocery chain Fresh Market in West Nashville in 2017 is expected to provide anchor for additional retail activity in the coming year.

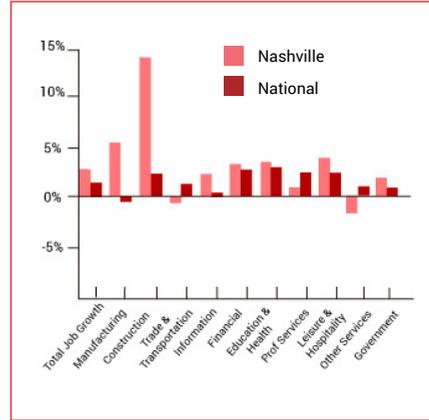
CHANGE IN REAL MEDIAN FAMILY INCOME



2008 = 100

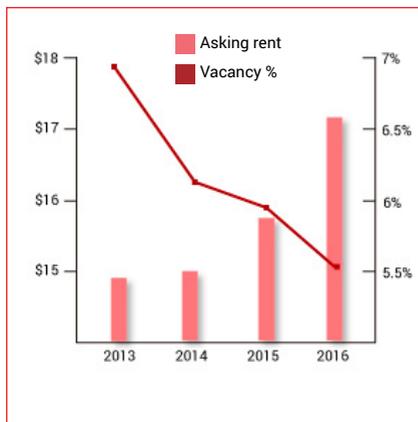
Source: US Department of Numbers

12 MONTH CHANGE IN NONFARM JOBS BY INDUSTRY



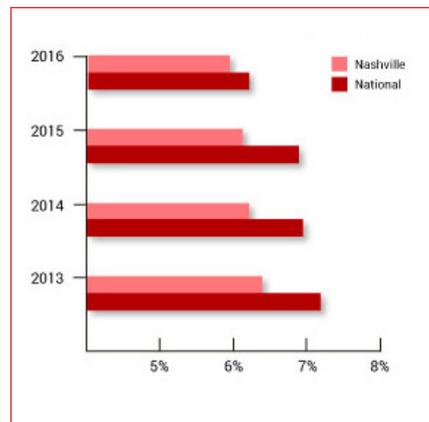
Source: National Bureau of Labor Statistics

ASKING RENT AND VACANCY % (RETAIL)



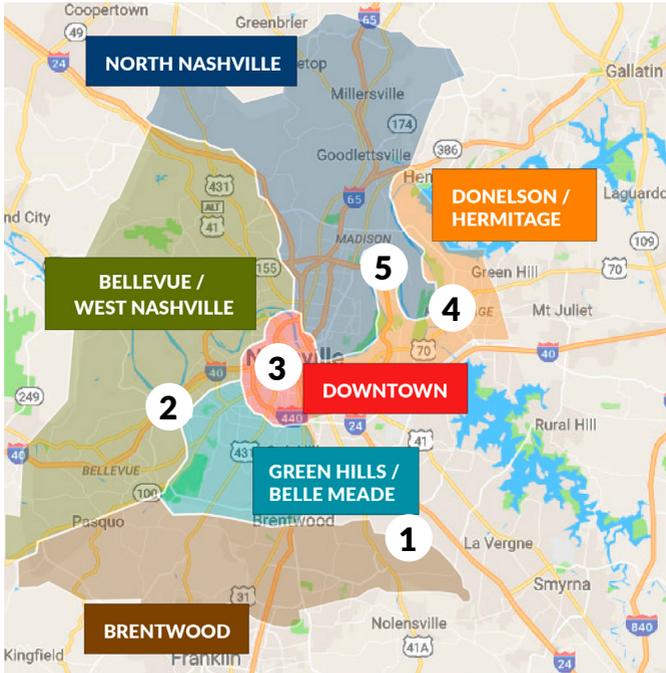
Source: Loopnet, CBRE Research

AVERAGE CAP RATE (RETAIL)



Source: Loopnet, CBRE Research

COMPARABLE PROPERTIES



#	SALE PRICE	SQFT	LOTSIZE	TENANT(S)	DAILY TRAFFIC	CORNER/ OUTPARCEL
1	\$ 2,854,000	4,015	.73 ac	AT&T	11,455	No
2	\$ 2,522,000	4,800	1.19 ac	Tire & Battery	24,400	No
3	\$ 4,500,000	13,482	.27 ac	Restaurant	14,459	C
4	\$ 3,362,500	13,905	1.61 ac	Walgreens	13,186	C
5	\$ 2,150,000	9,250	2.19 ac	Edwin Watts Golf	6,500	O

* Traffic counts are taken from nearest available station. Actual site traffic is likely to vary significantly.



RALEIGH

\$64,214

Median Household
Income

#3

Forbes Ranking for
Business & Careers

2.25%

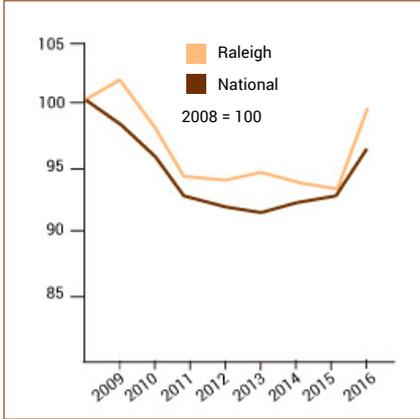
Projected Annual
Population Growth over
Next Decade

Raleigh is the anchor of North Carolina’s research triangle, one of the most renowned and successful R&D centers for high-tech and biotech research in the world. Powered by globally renowned universities, Duke, the University of North Carolina, and Wake Forest, the constant stream of talent attracts companies from all over the world.

Retail vacancies climbed for the first time since 2010 in Raleigh to 6.4%. While still close to historical lows, large closures by

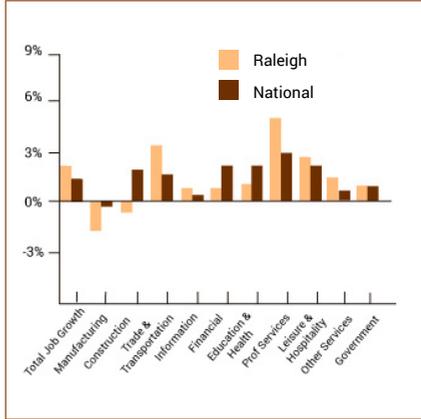
Field & Stream, Burlington Coat Factory, and Bed, Bath & Beyond left an abundance of retail space to be absorbed. Some of these larger spaces are likely to be repurposed for self-storage or schools, as many retailers are downsizing in the face of online competition. New opportunities seem to be arising in the Cary and West Raleigh submarkets, with major retailers IKEA and Target increasing traffic to the area while disrupting existing tenants.

CHANGE IN REAL MEDIAN FAMILY INCOME



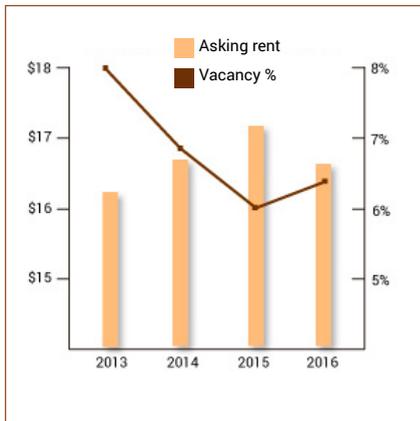
Source: US Department of Numbers

12 MONTH CHANGE IN NONFARM JOBS BY INDUSTRY



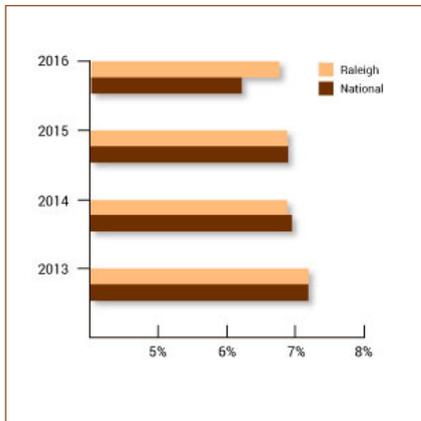
Source: National Bureau of Labor Statistics

ASKING RENT AND VACANCY % (RETAIL)



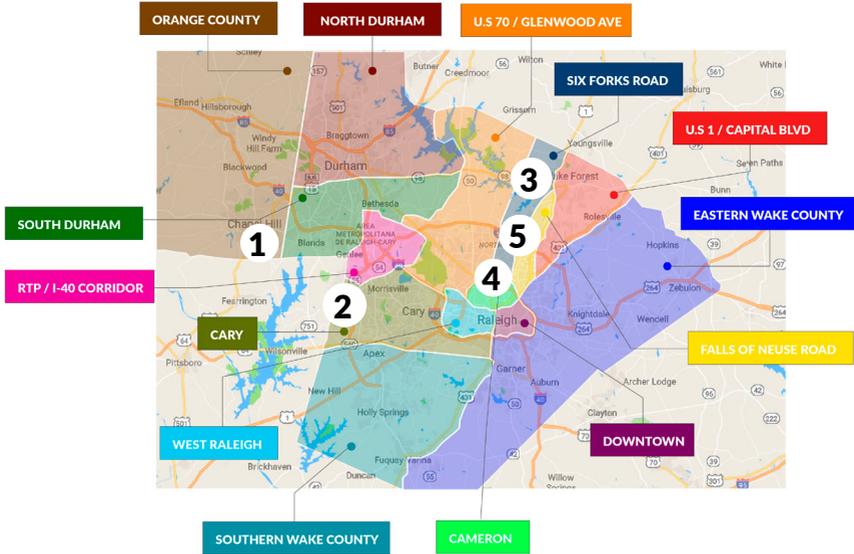
Source: Loopnet, CBRE Research, Avison Young

AVERAGE CAP RATE (RETAIL)



Source: Loopnet, CBRE Research, Avison Young

COMPARABLE PROPERTIES



#	SALE PRICE	SQFT	LOTSIZE	TENANT(S)	DAILY TRAFFIC	CORNER/ OUTPARCEL
1	\$ 2,150,000	4,393	1.01 ac	McDonalds	22,000	C
2	\$ 6,685,000	35,863	4.9 ac	Hhgregg & Carrabba´s	27,000	N
3	\$ 3,800,000	5,528	1.4 ac	Applebee´s	46,000	N
4	\$ 3,528,000	22,941	2.95 ac	Eatmans Interiors	6,000	C
5	\$ 2,688,000	3,492	.44 ac	Mattress Firm	26,000	O

* Traffic counts are taken from nearest available station. Actual site traffic is likely to vary significantly.



SALT LAKE CITY & PROVO

7

Forbes Ranking for
Business & Careers

185

Miles of Greenways

1.9%

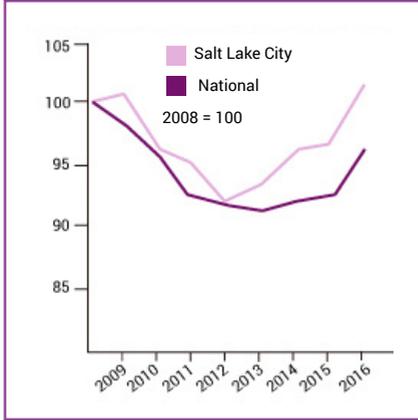
Projected Annual
Population Growth over
Next Decade

Salt Lake City is perhaps best known as the center for the Church of Latter Day Saints, but its economy has gained strength on the back of strong tourism and professional services industries. Adobe recently opened a massive office just south of Salt Lake in Provo as city planners strive to attract top tech jobs. Salt Lake City is also one of the most important transportation centers in the U.S.

Salt Lake City enjoys high retail demand with vacancies near all time lows, and asking rents pushing upwards. The majority

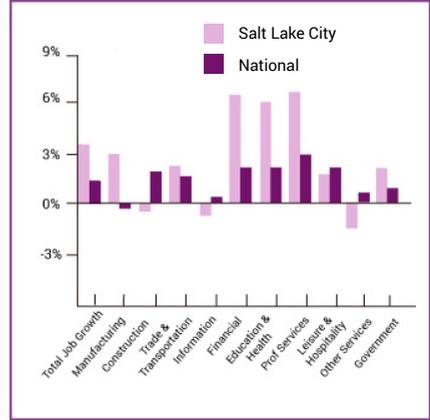
of new construction is catering to high quality suburban small box, especially in the Southwest and Central West submarkets where businesses chase recently completed residential projects. 62% of retail completions were in the Southwest submarket in 2016. Salt Lake City and Provo are attractively priced. Cap rates are hovering around national average, with above average population growth expected in the coming decade. If Salt Lake City can leverage its natural and human resources to attract world class industry, the sky is the limit.

CHANGE IN REAL MEDIAN FAMILY INCOME



Source: US Department of Numbers

12 MONTH CHANGE IN NONFARM JOBS BY INDUSTRY



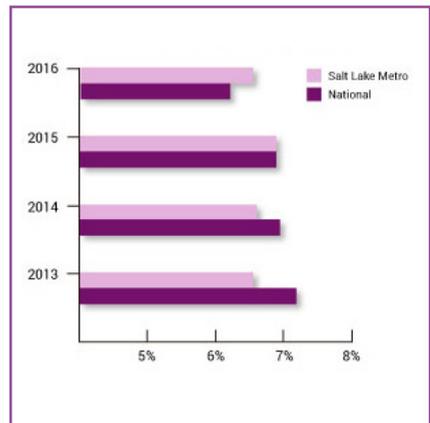
Source: National Bureau of Labor Statistics

ASKING RENT AND VACANCY % (RETAIL)



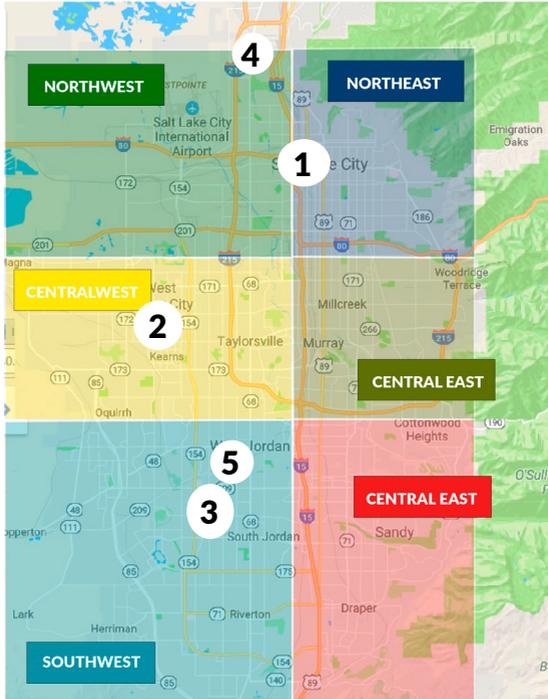
Source: Loopnet, CBRE Research

AVERAGE CAP RATE (RETAIL)



Source: Loopnet, CBRE Research

COMPARABLE PROPERTIES



#	SALE PRICE	SQFT	LOTSIZE	TENANT(S)	DAILY TRAFFIC	CORNER/ OUTPARCEL
1	\$ 2,573,500	11,224	.2 ac	single unit - vacant	14,000	C
2	\$ 2,500,000	4,076	.3 ac	Burger King	32,000	O
3	\$ 2,593,750	19,987	.14 ac	Hotel Bar Nightclub	11,000	N
4	\$ 5,375,000	65,114	4.71 ac	7 local tenants	18,000	N
5	\$ 3,200,000	43,000	3.47 ac	Arby's + 3 others	28,000	O

* Traffic counts are taken from nearest available station. Actual site traffic is likely to vary significantly.

