2017 RETAIL TRENDS
IMPACTING YOUR COMMUNITY
2016 HOLIDAYS

Bigger-than-ever holiday discounts

Online sales transactions with promotions increased 79 percent

Retailers reduced inventory so deals won’t last long

This is nothing new - just more of it in 2016.
HISTORICAL HOLIDAY FORECAST

Holiday sales for 2016 are expected to increase by 3.6%. This forecast number is above the 7-year average of 3.4% since the recovery began in 2009.

<table>
<thead>
<tr>
<th>Year</th>
<th>Holiday Retail Sales (in millions)</th>
<th>% Holiday Sales Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$416,416</td>
<td>2.1%</td>
</tr>
<tr>
<td>2003</td>
<td>$487,613</td>
<td>5.1%</td>
</tr>
<tr>
<td>2004</td>
<td>$467,195</td>
<td>6.8%</td>
</tr>
<tr>
<td>2005</td>
<td>$496,040</td>
<td>6.2%</td>
</tr>
<tr>
<td>2006</td>
<td>$512,165</td>
<td>3.2%</td>
</tr>
<tr>
<td>2007</td>
<td>$555,993</td>
<td>2.7%</td>
</tr>
<tr>
<td>2008</td>
<td>$501,594</td>
<td>-4.6%</td>
</tr>
<tr>
<td>2009</td>
<td>$512,311</td>
<td>0.2%</td>
</tr>
<tr>
<td>2010</td>
<td>$528,630</td>
<td>5.2%</td>
</tr>
<tr>
<td>2011</td>
<td>$553,397</td>
<td>4.6%</td>
</tr>
<tr>
<td>2012</td>
<td>$567,771</td>
<td>2.6%</td>
</tr>
<tr>
<td>2013</td>
<td>$585,088</td>
<td>3.0%</td>
</tr>
<tr>
<td>2014</td>
<td>$613,226</td>
<td>4.1%</td>
</tr>
<tr>
<td>2015</td>
<td>$632,635</td>
<td>3.2%</td>
</tr>
<tr>
<td>2016</td>
<td>$655,870</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

On April 29, 2016, unadjusted estimates of monthly sales were revised by Census for January 2008 through March 2016. Growth rates are based on the most comparable data available. NRF holiday spending is defined as the months of November and December.

nrf.com/holiday
Post-election retail sales spike?

- Thought of higher wages
- Rising stock market
- Lower food/gas prices

“American consumers are once again proving many of the pundits wrong, as shoppers flock to websites and to stores - and not just for returns.”

Sales growth forecast increased from 4.1 to 4.9 percent

Source: Consumer Growth Partners
New Canaan, CT
Retail is undergoing many changes, challenges, disruptive technologies, crises and opportunities
2017 RETAIL TRENDS & FACTORS

1. THE ECONOMY
   Strong activity on the far ends of the economic spectrum
   Discount --- Luxury

2. ENCROACHMENT OF E-COMMERCE

2 BASIC FACTORS IMPACTING RETAILER DEMAND/EXPANSION
THE ECONOMY

ENCROACHMENT
OF
E-COMMERCE

TRUMP

2017 RETAIL
TRENDS & FACTORS

BASIC FACTORS IMPACTING RETAILER DEMAND/EXPANSION
2017 Retail Trends & Factors

Basic Factors Impacting Retailer Demand/Expansion
2017 RETAIL TRENDS & FACTORS

BASIC FACTORS IMPACTING RETAILER DEMAND/EXPANSION
The economy

Value vs. Luxury
Value is now for everyone

The market is drastically impacted by low-income families plus higher-income shoppers who’ve now developed a taste for discounts.

Uber-wealthy never quit spending on luxury items.

2017 Retail Trends & Factors
Highest activity on both ends of the spectrum

Source: JLL Florida 2016
2017 RETAIL TRENDS & FACTORS
ONLINE RETAIL SALES HAVE NEARLY DOUBLED SINCE 2010

Source: RetailMetrix/Mastercard
Online retail sales will grow at a compound annual rate of 10% from 2012-2017.

By 2017, the web will account for 10% of U.S. retail sales.

Source: Forrester Research
CLOSING STORES AND DOWNSIZING RETAIL SQUARE FOOTAGE

CLOSING 68 STORES, CUT 10,000 JOBS, PLAN TO REACH 30% OF SALES ONLINE

CLOSING DOZENS OF STORES ACROSS THE COUNTRY

WILL CLOSE MORE THAN 100 STORES IN 2016

ELIMINATING HUNDREDS OF JOBS TO RESPOND TO LACKLUSTER IN-STORE SALES

2017 RETAIL TRENDS & FACTORS
FAMILIAR BRANDS IMPACTED BY ONLINE SALES
National Retail Chains
- Including those that are doing well
- Are boosting their online sales,
  while reducing physical stores or store size.
“Nothing has changed in the dynamic going into 2017 from what we were in 2016, where bricks-and-mortar retail is struggling. There is a shift online. Sure, a lot of the bulk of retail spending is still in stores, but the shift, the trend is still going to online, and the brick-and-mortar retailers really haven’t found a way to capitalize on that in the face of the competition from Amazon.”

Source: Shannon Pettypiece, Bloomberg
REMEMBER THE EARLIER SLIDE?

BY 2017
THE WEB WILL
ACCOUNT FOR
10% OF U.S.
RETAIL SALES

Source: Forrester Research

THIS MEANS
90% OF ALL U.S.
RETAIL SALES
WILL STILL OCCUR
IN A
BRICK-AND-MORTAR SITE

2017 RETAIL TRENDS & FACTORS
THE ONLINE IMPACT
"E-commerce is a channel, like any form of distribution: growth does not continue at a rapid, double-digit rate forever."

-Michael J. Silverstein, Senior Partner, BCG
2017 RETAIL TRENDS & FACTORS

TRUMP EFFECT

Consumer Confidence (2016)
91% of retail brands use two or more social media platforms
Each Millennial spends $2,000 on average online each year.
91% of retail brands use two or more social media platforms.
Retail paradigm shift occurring

Real Estate - Centric → Consumer - Centric → Entertainment Experience - Centric
Retail real estate classifications

Class A Retail:
Quality, high-tier retailers; new construction and upscale finishes; great location; regional destination; entertainment venues; upscale amenities; food option diversity high rents.

Class B Retail:
Older than Class A; well located; strong tenant mix; good access; good arterial traffic counts; well maintained and managed; lesser rents; developer targets for reinvestment.

Class C Retail:
Retail: Even older; possible demographics shifts in area; low rents; struggling with occupancy; discount retail tenant-oriented; alternative uses to drive cash flow driven; change-in-use candidates.
TODAY’S CONSUMERS PREFER EASE AND EXPERIENCE

“Shopping in a physical store should be a fun, social, and rewarding experience that can’t be replicated online.”

Mikael Thygesen
Chief Marketing Officer, Simon

THE WINNERS:
Multichannel retailers who recognize the nuances in how people want to purchase their particular product.
2016-2017 Retail Trends & Factors

**Store Growth**

- Fitness/Health/Spa Concepts
- Drug Stores
- Thrift Stores
- Grocery (Smaller Format)
  - Discount, Ethnic, Organic, Upscale
- Fast Food
- Fast Casual Dining
- Trendy, “Cool Streets” Brands

**Retail Contraction 2016-2017**

- Bookstores
- Video Stores
- Do-It-Yourself Home Stores
- Mid-Priced Apparel
- Mid-Priced Grocery
- Office Supplies
EXPERIENTIAL RETAIL

SHINOLA

Is it a bicycle store?
Is it a watch store?
Is it a furnishings store?

It’s a Lifestyle Store.

And it’s Interesting!

2017 RETAIL TRENDS & FACTORS
“COOL STREETS FACTOR”

Source: CUSHMAN & WAKEFIELD
RETAIL TRENDS TO WATCH 2016
EXPERIENTIAL RETAIL

WHOLE FOODS 365 CONCEPT
Smaller Concept with Record Stores, Tattoo Parlors, and Hipster Apparel

URBAN OUTFITTERS / PIZZERIA VETRI
Offering an Interactive Shopping Experience while snacking on a piece of pizza and a cold beer

2017 RETAIL TRENDS & FACTORS
“COOL STREETS FACTOR”
EXPERIENTIAL RETAIL

OPENING CEREMONY

Est. 2002

Source: CUSHMAN & WAKEFIELD

RETAIL TRENDS TO WATCH 2016
The introduction of new, proven concepts with a lower risk profile is spurring growth, particularly in urban/downtown districts.

Source: Entrepreneur Magazine
Don’t sacrifice your independent retail businesses while chasing the big-boxes.

98.6% of all retail businesses employ fewer than 50 people.

2017 Retail Trends & Factors
Independent Retail Growth
COMMUNITY RETAIL STRATEGY
TAKE A LONG-TERM APPROACH

RETAIL RECRUITMENT IS A PROCESS, NOT AN EVENT.