

# MARKETBEAT

## U.S. Shopping Center

### Q3 2017



#### U.S. SHOPPING CENTER

##### Economic Indicators

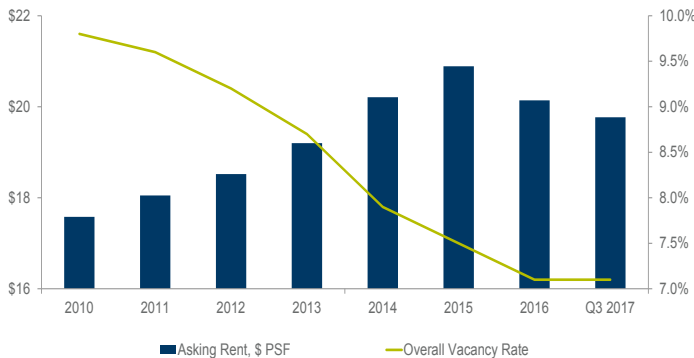
|                          | Q3 16 | Q3 17 | 12-Month Forecast** |
|--------------------------|-------|-------|---------------------|
| GDP Growth               | 1.2%  | 2.2%* | ▲                   |
| CPI Growth               | 1.1%  | 2.0%  | ▲                   |
| Consumer Spending Growth | 2.8%  | 2.7%* | ▼                   |
| Retail Sales Growth      | 2.3%  | 3.9%  | ▲                   |

\*Q2 values. \*\*Forecast by Cushman & Wakefield; values represent year-over-year % change

##### Market Indicators

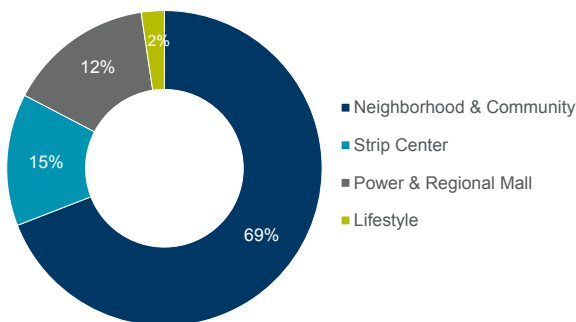
|                                   | Q3 16   | Q3 17   | 12-Month Forecast |
|-----------------------------------|---------|---------|-------------------|
| Vacancy Rates                     | 7.2%    | 7.1%    | ▲                 |
| Net Absorption                    | 12.4M   | 3.6M    | ▼                 |
| Under Construction                | 28.6M   | 19.6M   | ▼                 |
| Average Asking Rent (NNN, Annual) | \$20.03 | \$19.77 | ▼                 |

##### Rent Rate vs. Overall Vacancy



##### Availability by Type

% OF TOTAL SPACE AVAILABLE IN THE U.S.



Source: CoStar, Cushman & Wakefield Research

## The Bifurcation of Retail Continues

The retail industry as a whole is quite healthy, benefiting from strong consumer confidence and positive economic fundamentals. Retail sales are expected to grow by 3.8% this year, compared to 3.0% growth in 2016. However, the overall narrative for the retail market in 2017 so far has been one of doom and gloom. Chapter 11 filings are piling up, and the number of store closure announcements has already surpassed those counted in 2008—the worst year of the Great Recession.

The media-coined “retail apocalypse” is being attributed primarily to the continued acceleration of eCommerce. Preliminary second quarter 2017 data from The Department of Commerce show that eCommerce now accounts for 8.9% of total retail sales compared to 8.0% in second quarter 2016. As of mid-year 2017, eCommerce sales had increased 16.2% year-over-year compared to 4.1% growth of total retail sales during the same period. There are other factors contributing to the changing retail environment, including the ongoing shift among American consumers towards value-oriented retail, as well as an overbuilt retail landscape.

Bankruptcy announcements continued into the third quarter of 2017, including those from Perfumania (proposing 64 store closures), Vitamin World (closing 50 stores) and Aerosoles (closing up to 74 locations). Toys R Us, Inc., filed for bankruptcy in September 2017. There is no doubt that competition from Amazon and Walmart have played a role in the struggles Toys R Us has faced, but according to the bankruptcy filing the company’s real problems stem from a massive amount of debt. The retailer has secured a reported \$3.1 billion to support operations through the holidays—the time of the year when more than 40% of the company’s sales occur. However, closures are imminent as the company attempts to restructure with a reduced portfolio and smaller store footprint. If Toys R Us is able to effectively renegotiate and terminate leases, the closures may be just a few hundred out of the current 1,900-store portfolio worldwide.

While some retailers have recently emerged from bankruptcy, it is with a significantly reduced store portfolio. In August, Payless ShoeSource exited bankruptcy after closing 673 stores. Rue21 announced in September that it was out of Chapter 11, but had closed about 420 stores while in bankruptcy, and Gymboree emerged from bankruptcy in early October with 350 fewer stores.

Even though store closure announcements year-to-date are more than double the 4,000 closures in 2016, a new report by IHL, “Debunking the Retail Apocalypse,”

# MARKETBEAT

## U.S. Shopping Center

### Q3 2017



reveals that retailers and restaurants are actually opening 4,000 more stores than they are closing. Leading the net positive growth are fast food entities, mass merchandisers, convenience stores, bars/restaurants and supermarkets. The two categories cited in the report with net negative store closures are department stores and specialty soft goods: as such, the largest impact from this wave of closures has been felt in malls.

### Non-mall Real Estate Trends

Occupancy growth among non-mall shopping centers has remained positive since third quarter 2009, yet the pace of absorption has slowed significantly. Quarterly net absorption averaged nearly 12 million square feet (msf) from 2014 through 2016. In 2017 the quarterly

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**The eGrocery sector is poised for significant growth following the Amazon/Whole Foods merger, which started to take shape in the third quarter of 2017. . . .**

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average is merely half that at 5.7 msf. Net absorption in third quarter 2017 totaled 3.6 msf, bringing the year-to-date total to 17.1 msf. This compares to 31.7 msf of positive net absorption through the first three quarters of 2016. Neighborhood/Community centers account for the majority of the occupancy gains in 2017, totaling 10.2 msf in the first three quarters of the year.

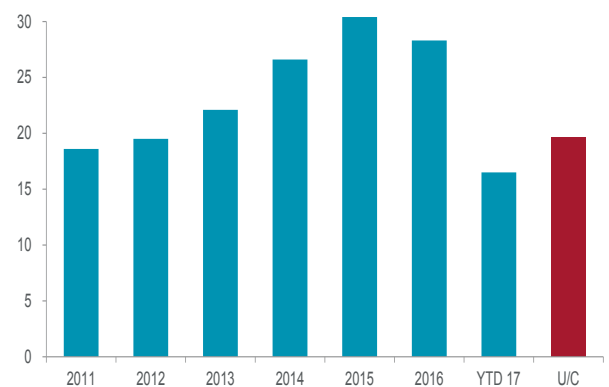
New construction has attracted the majority of expanding tenants over the past several years, reflecting a preference among those retailers for new, quality space over existing, cheaper alternatives. New projects are consistently being delivered with 80% occupancy, primarily because little development is breaking ground without significant preleasing commitments. Fitness, grocery, discount and home furnishing retailers are among the top tenant types leasing new space. Of the 16.5 msf of new retail space delivered in 2017, more than 50% (9.1 msf) has been in neighborhood and community centers.

With new construction nearly matching year-to-date net absorption levels, the overall shopping center vacancy rate has remained flat at 7.1%, unchanged from the previous three quarters, and down only 10 basis points from one year ago. Neighborhood, community and strip centers—which comprise a more eCommerce-resistant tenant mix—have experienced slight declines in vacancy over the last 12 months. Vacancy among neighborhood/community centers have dropped 20 basis points (bps) since third quarter 2016 to 7.8%, while vacancy among strip centers declined 10 bps to 6.9% over the same time

period. Vacancy rates for power and lifestyle centers remain within the 5% range, but have experienced a slight uptick in vacancy over the last 12 months.

Another 19.5 msf remains under construction, 31% less than the amount in development one year ago. Ground-breakings on new projects will taper off in concert with

### New Construction (msf)



Source: CoStar, Cushman & Wakefield Research

demand, and the majority of construction activity in the near future will continue to be in new neighborhood and community shopping centers or mixed-use redevelopments of struggling malls.

Average asking rents have started to adjust as more retailers enter contraction mode. The average asking rent at the end of third quarter 2017 was \$19.77 per square foot (psf) on an annual triple net basis, down from the \$20.03 psf one year ago. We anticipate that the rate will likely remain flat or edge downward slightly over the next 12 months. While there may be some limited room for rental rate growth for Class A product, there remain greater challenges ahead for landlords of Class B and C space.

### Potential Disruptors

Although generally perceived to be more eCommerce-resistant than other shopping center types given the mix of grocery, drug, value- and service-oriented retailers, neighborhood/community centers are starting to face some potential disruptors. The eGrocery sector is poised for significant growth following the Amazon/Whole Foods merger, which started to take shape in the third quarter of 2017. Immediate changes were implemented including price cuts, Amazon Prime member special discounts, Amazon lockers in Whole Foods stores, and more than 1,000 Whole Foods listed on Amazon.com. In response, other grocers are ramping up their online

# MARKETBEAT

## U.S. Shopping Center Q3 2017



capabilities, same-day deliveries and value propositions to compete. How this affects the grocery retail space in the long run is yet to be determined. The good news for retail landlords is that supply chain mains are already in place at existing stores to make delivery faster, easier and cheaper, so most of the existing brick-and-mortar locations will serve as distribution centers. Store layouts will likely change with the evolution of click-and-collect concepts with a need for larger freezer/refrigeration back-store capacity for the holding of orders and new configurations for store pickups and drive-ups.

The neighborhood/community sector dodged a sizable bullet when the long-awaited Walgreens/Rite Aid merger didn't materialize as planned. Following a two-year pursuit that started with Walgreens attempting to buy Rite Aid outright for \$17 billion, Walgreen's Boots Alliance finally received regulatory approval in September to purchase 1,932 Rite Aid stores for \$4.4 billion. This scaled-back deal will leave Rite Aid standing with roughly 2,600 locations, maintaining its standing as the third largest drug store chain in the U.S. The original proposal for Walgreens to acquire Rite Aid's entire portfolio would have resulted in approximately 3,000 competing locations within one mile of each other, which could have led to a significant percentage being shuttered. There has been no announcement made yet listing which stores are included in the purchase agreement, although they are said to be located primarily in the Northeast and Southern U.S., and the amount of redundant locations is likely low. Walgreens will begin acquiring stores in October 2017 with completion anticipated in Spring 2018. The acquired locations will be re-branded as Walgreens in planned phases.

Further disruption could be on the horizon if Amazon's rumored plans to enter the pharmaceutical business materialize. Given the complexity of the drug supply chain and regulatory hurdles, implementation could be 18-24 months out. However, should Amazon decide to move in this direction, it will create significant competition for bricks-and-mortar drug stores, which could weaken demand among neighborhood/community shopping centers. On the bright side: junior anchor spaces are in high demand now, particularly among grocers such as Aldi and Lidl—which typically have smaller footprints than traditional grocers—and mass merchandisers such as Dollar General and Dollar Tree, all of which are in significant growth mode.

### 'Tis Almost the Season for Holiday Shopping

Heading into the fourth quarter, shopping centers will see traffic pick up in November and December as most analysts are predicting a stronger holiday shopping season this year. We anticipate that retail sales will grow between 3.8% to 4.2% year-over-year thanks to solid consumer confidence numbers, low unemployment, continued modest (but across the board) income growth and an extended shopping calendar between Thanksgiving and Christmas that will add an extra weekend day to the holiday sales calendar. Despite the growth of eCommerce, most shoppers continue to purchase both online and at physical retail locations—often researching online before purchasing in-store. The International Council of Shopping Centers' (ICSC) Holiday Shopping Intentions Survey suggests that over 90% of holiday shoppers—including millennials—plan to make a purchase from retailers that have both a physical and online presence. Shopping centers will attract consumers over the holiday season with experiences as well. According to the ICSC Survey, more than 80% of shoppers plan to visit a mall or shopping center for restaurants, movies or other holiday-themed events.

### Outlook

- The number of retail store closures in 2017 will reach over 10,000—more than double the 4,000 closures reported in 2016.
- Recent drivers of demand—such as off-price apparel, dollar stores and restaurants—may slow as they reach a point of market saturation.
- Rents will remain flat or edge downward slightly over the next 12 months. While there may be some limited room for rental rate growth for Class A product, greater challenges remain ahead for landlords of Class B and C space.
- Shopping center definitions are starting to blur as class becomes more important than type.

| Net Absorption                          | Q3 2016           | Q4 2016           | Q1 2017          | Q2 2017          | Q3 2017p         |
|---|-------------------|-------------------|------------------|------------------|------------------|
| <b>United States</b>                    | <b>12,406,132</b> | <b>10,712,929</b> | <b>6,386,372</b> | <b>7,079,272</b> | <b>3,595,572</b> |
| Albuquerque                             | 78,941            | (53,985)          | (20,568)         | 33,589           | (90,298)         |
| Atlanta                                 | 254,199           | 276,513           | 526,166          | 1,072,501        | 303,452          |
| Austin                                  | (83,175)          | 273,701           | 227,697          | 176,872          | (30,353)         |
| Bakersfield                             | (88,695)          | 145,569           | 83,070           | (80,938)         | (86,271)         |
| Baltimore                               | (26,677)          | 107,506           | 358,717          | (1,228)          | 62,498           |
| Birmingham                              | (33,463)          | 423,609           | (293,434)        | 357,193          | 60,518           |
| Boise                                   | 11,398            | (11,719)          | (93,298)         | (38,011)         | 21,234           |
| Boston                                  | 127,523           | (22,550)          | 517              | 29,680           | 31,050           |
| Buffalo                                 | 33,113            | 24,279            | (44,904)         | (56,694)         | (34,503)         |
| Charleston                              | 43,252            | 57,989            | (62,809)         | (14,270)         | (30,883)         |
| Charlotte                               | 296,790           | 227,249           | 263,512          | 176,237          | 187,246          |
| Chicago                                 | 178,534           | 487,920           | 409,337          | 298,366          | 216              |
| Cincinnati                              | 296,980           | 268,993           | (339,468)        | 230,619          | (306,460)        |
| Cleveland                               | 299,086           | (6,840)           | 69,292           | (110,824)        | (110,029)        |
| Columbus                                | 213,256           | 91,607            | (22,746)         | 33,610           | 24,676           |
| Dallas                                  | 826,420           | 559,621           | 643,347          | (80,559)         | 687,852          |
| Denver                                  | (203,195)         | 338,561           | (27,392)         | (221,700)        | 234,377          |
| Des Moines                              | (9,296)           | 59,230            | 68,724           | (47,109)         | 81,969           |
| Detroit                                 | 368,164           | 211,998           | 603,431          | 190,265          | (61,646)         |
| Fort Lauderdale/Broward County          | 337,752           | 255,456           | 363,165          | 354,717          | 68,802           |
| Hampton Roads                           | 346,212           | 6,254             | (222,111)        | 138,631          | 189,750          |
| Hawaii                                  | 639,339           | 63,989            | (127,595)        | (60,102)         | (1,452)          |
| Houston                                 | 1,097,749         | 1,042,711         | 118,566          | 524,467          | 8,617            |
| Indianapolis                            | 522,724           | (91,459)          | (198,034)        | (356,096)        | 87,370           |
| Inland Empire                           | 589,134           | 446,899           | (272,814)        | 288,754          | 68,825           |
| Jacksonville                            | 311,250           | 126,108           | (68,687)         | 104,524          | 97,361           |
| Kansas City                             | 547,977           | (15,799)          | 219,091          | 405,564          | (94,875)         |
| Knoxville                               | 85,712            | (19,252)          | 17,226           | (23,358)         | 181,854          |
| Las Vegas                               | 254,148           | 211,801           | (53,181)         | 282,429          | 71,342           |
| Little Rock                             | 72,898            | 116,822           | (38,386)         | (119,360)        | (114,619)        |
| Los Angeles                             | 312,266           | 367,230           | (94,918)         | (84,861)         | 351,073          |
| Louisville                              | (202,660)         | (32,362)          | 39,282           | 103,114          | 10,103           |
| Memphis                                 | 248,196           | (134,890)         | (133,237)        | (71,814)         | (101,573)        |
| Miami                                   | 12,444            | 239,977           | 522,853          | 216,047          | 78,429           |
| Milwaukee                               | 299,202           | (73,244)          | 171,403          | 598,234          | (135,640)        |
| Minneapolis                             | 138,059           | 100,909           | 152,476          | 372,183          | (56,779)         |
| Mobile                                  | 37,847            | (90,247)          | 32,226           | (96,468)         | (37,426)         |
| Nashville                               | 81,497            | 214,369           | 75,620           | 9,437            | (23,780)         |
| New Orleans                             | 123,979           | 174,821           | (17,416)         | 17,520           | 58,045           |
| New York City Metro (Greater Tri-State) | 920,444           | 1,122,296         | 175,644          | 186,379          | (273,216)        |
| Oakland/East Bay                        | 164,286           | 168,847           | 771              | 129,807          | (76,309)         |
| Oklahoma City                           | 186,945           | 107,989           | 116,342          | (3,624)          | (190,435)        |
| Omaha                                   | 109,407           | 48,695            | (53,426)         | (28,786)         | 167,515          |
| Orange County                           | 84,247            | (150,987)         | 32,730           | 76,025           | (100,969)        |
| Orlando                                 | 75,480            | 273,933           | 346,259          | 14,447           | 359,364          |
| Palm Beach                              | 342,381           | 286,394           | (4,645)          | 18,652           | 113,752          |
| Philadelphia                            | 325,967           | 154,788           | 1,086,898        | 811,395          | 40,986           |

| Net Absorption      | Q3 2016   | Q4 2016   | Q1 2017   | Q2 2017   | Q3 2017p  |
|---------------------|-----------|-----------|-----------|-----------|-----------|
| Phoenix             | 266,846   | 470,579   | 494,373   | (66,652)  | 576,570   |
| Pittsburgh          | (16,781)  | 45,649    | 372,747   | 117,716   | (58,977)  |
| Portland            | 111,888   | 382,344   | (46,777)  | 154,085   | (186,823) |
| Providence          | 85,899    | 10,315    | 148,378   | 32,095    | 187,637   |
| Raleigh/Durham      | 396,596   | 68,876    | (69,621)  | 34,234    | 38,738    |
| Reno                | (4,666)   | 60,201    | 30,571    | 110,211   | 148,853   |
| Richmond            | (62,833)  | 142,225   | (288,338) | 342,940   | 266,264   |
| Sacramento          | 279,617   | (2,386)   | 505,731   | 74,027    | 413,308   |
| Salt Lake City      | 104,421   | (369,697) | 295,493   | 65,613    | 21,711    |
| San Antonio         | 125,412   | 7,727     | (136,624) | 211,659   | 146,112   |
| San Diego           | 349,903   | 392,153   | 89,943    | (23,477)  | 194,005   |
| San Francisco Metro | (175,243) | 952       | 220,382   | (4,890)   | 135,293   |
| San Jose            | 192,087   | 104,985   | 185,678   | 64,669    | (26,984)  |
| Seattle             | (245,148) | 68,954    | (105,426) | 238,783   | (82,410)  |
| St. Louis           | 99,261    | 267,233   | (66,103)  | 29,509    | 138,264   |
| Tampa               | (64,483)  | 312,365   | 270,435   | 115,711   | (122,120) |
| Tucson              | 22,558    | 29,375    | 87,072    | 9,604     | 205,621   |
| Tulsa               | 66,343    | (15,509)  | 64,996    | (9,698)   | (317,958) |
| Washington, DC      | 226,418   | 355,289   | (201,831) | (172,323) | 227,708   |

Our statistical coverage includes community/neighborhood, power/regional, lifestyle and strip centers only. It does not include malls, outlet centers, theme retail centers, airport retail or freestanding retail product.  
p = preliminary

#### Methodology

Cushman & Wakefield's quarterly estimates are derived from a variety of data sources, including our own proprietary database as well as data gleaned from reliable thirdparty data sources. The market statistics are calculated from a base shopping center inventory made up of shopping center properties deemed to be competitive in their respective local markets. The inventory is subject to revisions due to resampling. Vacant space is defined as space that is available immediately or imminently after the end of the quarter. The figures provided for the current quarter are preliminary and all information contained in this report is subject to correction of errors and revisions based on the receipt of additional pertinent data.

| Overall Vacancy Rate                    | Q3 2016     | Q4 2016     | Q1 2017     | Q2 2017     | Q3 2017p    |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>United States</b>                    | <b>7.2%</b> | <b>7.1%</b> | <b>7.1%</b> | <b>7.1%</b> | <b>7.1%</b> |
| Albuquerque                             | 6.6%        | 7.2%        | 7.3%        | 7.2%        | 7.8%        |
| Atlanta                                 | 8.7%        | 8.6%        | 8.3%        | 8.1%        | 8.0%        |
| Austin                                  | 5.3%        | 5.0%        | 5.2%        | 4.9%        | 5.1%        |
| Bakersfield                             | 9.1%        | 8.6%        | 8.0%        | 8.8%        | 9.7%        |
| Baltimore                               | 5.8%        | 5.6%        | 5.6%        | 5.8%        | 5.7%        |
| Birmingham                              | 10.4%       | 9.5%        | 10.8%       | 9.7%        | 9.5%        |
| Boise                                   | 7.3%        | 7.4%        | 8.0%        | 8.2%        | 8.1%        |
| Boston                                  | 3.6%        | 3.6%        | 3.6%        | 3.6%        | 3.6%        |
| Buffalo                                 | 7.0%        | 6.9%        | 7.1%        | 7.3%        | 7.5%        |
| Charleston                              | 5.0%        | 4.7%        | 5.2%        | 5.3%        | 5.5%        |
| Charlotte                               | 6.6%        | 6.5%        | 6.2%        | 6.1%        | 6.0%        |
| Chicago                                 | 10.5%       | 10.4%       | 10.2%       | 10.2%       | 10.3%       |
| Cincinnati                              | 8.8%        | 8.4%        | 8.9%        | 8.8%        | 9.3%        |
| Cleveland                               | 8.5%        | 8.5%        | 8.6%        | 8.7%        | 8.8%        |
| Columbus                                | 6.5%        | 6.4%        | 6.5%        | 6.4%        | 6.4%        |
| Dallas                                  | 7.6%        | 7.4%        | 7.3%        | 7.5%        | 7.5%        |
| Denver                                  | 7.5%        | 7.2%        | 7.3%        | 7.6%        | 7.4%        |
| Des Moines                              | 6.7%        | 6.2%        | 5.6%        | 6.0%        | 5.3%        |
| Detroit                                 | 9.4%        | 9.4%        | 9.0%        | 8.8%        | 8.9%        |
| Fort Lauderdale/Broward County          | 6.0%        | 5.7%        | 5.2%        | 4.6%        | 4.5%        |
| Hampton Roads                           | 7.1%        | 7.1%        | 7.6%        | 7.6%        | 7.3%        |
| Hawaii                                  | 3.2%        | 4.5%        | 5.0%        | 5.3%        | 5.4%        |
| Houston                                 | 6.5%        | 6.5%        | 6.8%        | 6.9%        | 7.0%        |
| Indianapolis                            | 6.6%        | 6.9%        | 7.4%        | 8.1%        | 8.0%        |
| Inland Empire                           | 9.2%        | 8.9%        | 9.2%        | 9.1%        | 9.2%        |
| Jacksonville                            | 8.0%        | 7.9%        | 8.1%        | 7.9%        | 7.7%        |
| Kansas City                             | 8.6%        | 8.7%        | 8.7%        | 8.1%        | 8.4%        |
| Knoxville                               | 5.8%        | 5.9%        | 5.8%        | 6.0%        | 5.0%        |
| Las Vegas                               | 9.6%        | 9.7%        | 9.9%        | 9.7%        | 9.6%        |
| Little Rock                             | 5.2%        | 4.4%        | 4.8%        | 5.5%        | 6.3%        |
| Los Angeles                             | 5.1%        | 5.0%        | 5.0%        | 5.1%        | 5.0%        |
| Louisville                              | 5.1%        | 5.2%        | 5.1%        | 4.7%        | 4.7%        |
| Memphis                                 | 8.1%        | 8.4%        | 8.9%        | 9.3%        | 9.5%        |
| Miami                                   | 3.5%        | 4.0%        | 4.3%        | 4.2%        | 4.2%        |
| Milwaukee                               | 9.8%        | 10.3%       | 9.8%        | 9.3%        | 9.7%        |
| Minneapolis                             | 6.4%        | 6.4%        | 6.2%        | 5.8%        | 6.0%        |
| Mobile                                  | 10.9%       | 12.4%       | 11.9%       | 13.5%       | 14.1%       |
| Nashville                               | 5.1%        | 4.5%        | 4.3%        | 4.7%        | 4.8%        |
| New Orleans                             | 6.5%        | 5.6%        | 5.7%        | 5.6%        | 5.3%        |
| New York City Metro (Greater Tri-State) | 6.3%        | 6.3%        | 6.3%        | 6.2%        | 6.4%        |
| Oakland/East Bay                        | 5.7%        | 5.6%        | 5.7%        | 5.5%        | 5.7%        |
| Oklahoma City                           | 8.5%        | 8.3%        | 8.0%        | 8.0%        | 8.9%        |
| Omaha                                   | 7.6%        | 7.4%        | 7.7%        | 7.9%        | 7.2%        |
| Orange County                           | 4.7%        | 4.8%        | 5.2%        | 5.2%        | 5.3%        |
| Orlando                                 | 7.9%        | 7.4%        | 7.0%        | 7.1%        | 6.6%        |
| Palm Beach                              | 6.4%        | 5.8%        | 6.0%        | 6.0%        | 5.8%        |
| Philadelphia                            | 7.9%        | 8.1%        | 7.6%        | 7.1%        | 7.1%        |

| Overall Vacancy Rate | Q3 2016 | Q4 2016 | Q1 2017 | Q2 2017 | Q3 2017p |
|----------------------|---------|---------|---------|---------|----------|
| Phoenix              | 11.0%   | 10.9%   | 10.8%   | 10.9%   | 10.5%    |
| Pittsburgh           | 4.8%    | 4.8%    | 4.2%    | 4.0%    | 4.2%     |
| Portland             | 6.8%    | 6.4%    | 6.5%    | 6.3%    | 6.7%     |
| Providence           | 9.3%    | 9.2%    | 8.2%    | 8.0%    | 6.7%     |
| Raleigh/Durham       | 4.2%    | 4.1%    | 4.3%    | 4.2%    | 4.2%     |
| Reno                 | 11.6%   | 11.2%   | 11.0%   | 10.3%   | 9.7%     |
| Richmond             | 8.8%    | 8.4%    | 9.3%    | 9.2%    | 8.5%     |
| Sacramento           | 10.1%   | 10.3%   | 9.5%    | 9.4%    | 9.4%     |
| Salt Lake City       | 5.5%    | 6.6%    | 6.5%    | 6.6%    | 6.8%     |
| San Antonio          | 6.5%    | 6.8%    | 7.0%    | 6.7%    | 6.5%     |
| San Diego            | 5.7%    | 5.3%    | 5.2%    | 5.2%    | 5.0%     |
| San Francisco Metro  | 4.7%    | 4.7%    | 4.3%    | 4.9%    | 4.6%     |
| San Jose             | 5.0%    | 4.8%    | 4.6%    | 4.6%    | 4.6%     |
| Seattle              | 6.5%    | 6.4%    | 6.6%    | 6.2%    | 6.3%     |
| St. Louis            | 8.0%    | 7.6%    | 7.7%    | 7.7%    | 7.8%     |
| Tampa                | 7.8%    | 7.5%    | 7.1%    | 7.0%    | 7.2%     |
| Tucson               | 9.0%    | 9.1%    | 9.5%    | 9.4%    | 8.6%     |
| Tulsa                | 6.4%    | 6.4%    | 6.2%    | 6.3%    | 7.6%     |
| Washington, DC       | 4.9%    | 4.7%    | 5.0%    | 5.3%    | 5.2%     |

Our statistical coverage includes community/neighborhood, power/regional, lifestyle and strip centers only. It does not include malls, outlet centers, theme retail centers, airport retail or freestanding retail product. p = preliminary

#### Methodology

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| Average Asking Rent                     | Q3 2016        | Q4 2016        | Q1 2017        | Q2 2017        | Q3 2017p       |
|---|----------------|----------------|----------------|----------------|----------------|
| <b>United States</b>                    | <b>\$20.03</b> | <b>\$20.14</b> | <b>\$20.33</b> | <b>\$19.79</b> | <b>\$19.77</b> |
| Albuquerque                             | \$17.91        | \$17.63        | \$17.15        | \$15.89        | \$16.07        |
| Atlanta                                 | \$16.28        | \$16.28        | \$16.55        | \$15.82        | \$16.15        |
| Austin                                  | \$25.43        | \$25.93        | \$25.53        | \$24.83        | \$24.84        |
| Bakersfield                             | \$20.08        | \$19.23        | \$18.09        | \$16.13        | \$15.89        |
| Baltimore                               | \$23.49        | \$22.90        | \$22.21        | \$22.14        | \$21.38        |
| Birmingham                              | \$11.61        | \$11.64        | \$11.79        | \$11.78        | \$12.86        |
| Boise                                   | \$16.41        | \$16.39        | \$15.38        | \$14.42        | \$14.48        |
| Boston                                  | \$22.89        | \$22.81        | \$22.84        | \$22.69        | \$22.78        |
| Buffalo                                 | \$12.73        | \$12.29        | \$13.63        | \$12.13        | \$12.32        |
| Charleston                              | \$20.88        | \$21.04        | \$22.24        | \$23.75        | \$23.68        |
| Charlotte                               | \$18.96        | \$18.99        | \$19.21        | \$18.60        | \$18.43        |
| Chicago                                 | \$18.51        | \$18.46        | \$18.35        | \$17.93        | \$17.94        |
| Cincinnati                              | \$13.04        | \$13.53        | \$13.28        | \$12.91        | \$13.25        |
| Cleveland                               | \$13.06        | \$13.15        | \$12.96        | \$12.82        | \$12.74        |
| Columbus                                | \$13.55        | \$14.14        | \$14.36        | \$13.33        | \$13.22        |
| Dallas                                  | \$19.39        | \$19.25        | \$19.64        | \$19.20        | \$18.91        |
| Denver                                  | \$19.20        | \$19.36        | \$19.68        | \$19.62        | \$19.91        |
| Des Moines                              | \$13.05        | \$13.36        | \$13.05        | \$12.47        | \$12.88        |
| Detroit                                 | \$15.65        | \$15.80        | \$16.01        | \$15.58        | \$15.56        |
| Fort Lauderdale/Broward County          | \$25.04        | \$25.29        | \$24.95        | \$24.59        | \$23.23        |
| Hampton Roads                           | \$17.44        | \$17.70        | \$17.95        | \$17.03        | \$16.69        |
| Hawaii                                  | \$46.26        | \$44.28        | \$46.94        | \$44.40        | \$46.93        |
| Houston                                 | \$20.18        | \$19.86        | \$20.38        | \$19.18        | \$19.24        |
| Indianapolis                            | \$16.05        | \$15.83        | \$16.19        | \$15.54        | \$15.26        |
| Inland Empire                           | \$21.54        | \$21.83        | \$21.88        | \$21.22        | \$21.30        |
| Jacksonville                            | \$15.98        | \$15.94        | \$16.06        | \$15.40        | \$15.59        |
| Kansas City                             | \$15.90        | \$16.01        | \$16.45        | \$15.83        | \$15.82        |
| Knoxville                               | \$15.94        | \$15.85        | \$15.90        | \$15.76        | \$15.84        |
| Las Vegas                               | \$20.96        | \$21.04        | \$22.41        | \$21.65        | \$20.45        |
| Little Rock                             | \$16.15        | \$16.46        | \$16.25        | \$14.88        | \$14.45        |
| Los Angeles                             | \$33.03        | \$33.34        | \$33.23        | \$32.71        | \$32.99        |
| Louisville                              | \$15.83        | \$15.86        | \$15.25        | \$14.35        | \$14.50        |
| Memphis                                 | \$13.05        | \$12.96        | \$13.50        | \$12.95        | \$13.16        |
| Miami                                   | \$35.21        | \$35.69        | \$35.76        | \$35.33        | \$35.53        |
| Milwaukee                               | \$13.94        | \$14.00        | \$13.81        | \$14.71        | \$14.64        |
| Minneapolis                             | \$17.21        | \$17.25        | \$18.14        | \$17.14        | \$17.33        |
| Mobile                                  | \$12.48        | \$12.33        | \$12.68        | \$11.16        | \$10.88        |
| Nashville                               | \$19.33        | \$19.39        | \$19.48        | \$18.70        | \$19.21        |
| New Orleans                             | \$18.96        | \$19.83        | \$18.69        | \$18.53        | \$18.53        |
| New York City Metro (Greater Tri-State) | \$25.44        | \$25.69        | \$25.41        | \$24.56        | \$24.54        |
| Oakland/East Bay                        | \$30.31        | \$30.89        | \$30.56        | \$30.18        | \$29.57        |
| Oklahoma City                           | \$13.98        | \$13.96        | \$14.43        | \$14.33        | \$14.26        |
| Omaha                                   | \$15.49        | \$15.53        | \$15.23        | \$14.69        | \$15.13        |
| Orange County                           | \$31.04        | \$31.88        | \$31.94        | \$30.78        | \$31.03        |
| Orlando                                 | \$18.68        | \$18.43        | \$21.25        | \$20.46        | \$20.12        |
| Palm Beach                              | \$23.59        | \$23.69        | \$24.54        | \$23.94        | \$23.99        |
| Philadelphia                            | \$18.86        | \$18.74        | \$18.95        | \$18.07        | \$18.31        |



| Average Asking Rent | Q3 2016 | Q4 2016 | Q1 2017 | Q2 2017 | Q3 2017p |
|---------------------|---------|---------|---------|---------|----------|
| Phoenix             | \$18.16 | \$17.96 | \$18.18 | \$17.99 | \$17.63  |
| Pittsburgh          | \$17.25 | \$17.25 | \$17.19 | \$17.10 | \$17.47  |
| Portland            | \$22.69 | \$23.15 | \$23.68 | \$23.11 | \$22.61  |
| Providence          | \$15.96 | \$15.30 | \$15.04 | \$14.87 | \$14.83  |
| Raleigh/Durham      | \$19.55 | \$19.79 | \$20.39 | \$20.22 | \$20.65  |
| Reno                | \$20.45 | \$18.38 | \$18.81 | \$18.02 | \$17.84  |
| Richmond            | \$17.01 | \$17.65 | \$17.44 | \$17.44 | \$18.13  |
| Sacramento          | \$20.48 | \$21.68 | \$20.38 | \$19.80 | \$19.67  |
| Salt Lake City      | \$19.14 | \$19.89 | \$19.56 | \$18.72 | \$18.55  |
| San Antonio         | \$18.81 | \$18.63 | \$18.66 | \$17.89 | \$17.93  |
| San Diego           | \$26.88 | \$26.95 | \$27.24 | \$27.25 | \$27.62  |
| San Francisco Metro | \$26.86 | \$27.10 | \$27.95 | \$27.78 | \$28.10  |
| San Jose            | \$36.85 | \$36.01 | \$36.09 | \$35.92 | \$37.46  |
| Seattle             | \$23.55 | \$23.83 | \$23.89 | \$23.64 | \$23.15  |
| St. Louis           | \$15.00 | \$15.19 | \$15.44 | \$14.71 | \$14.94  |
| Tampa               | \$18.05 | \$18.04 | \$18.39 | \$17.30 | \$17.48  |
| Tucson              | \$18.75 | \$18.70 | \$18.81 | \$18.22 | \$18.54  |
| Tulsa               | \$13.61 | \$14.18 | \$13.95 | \$13.51 | \$13.21  |
| Washington, DC      | \$33.75 | \$34.54 | \$34.58 | \$34.01 | \$33.96  |

Rental rates reflect triple net asking \$psf/annually for all tracked shopping center types. This metric reflects currently available space across all class and size ranges for each respective shopping center type. Our statistical coverage includes community, neighborhood, power and lifestyle centers only. Rental rates are weighted. It does not include malls, outlet centers, theme retail centers, airport retail or freestanding retail product.  
p = preliminary

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|   | Inventory            | Deliveries YTD 2017 | Under Construction as of Q3 2017 |
|---|----------------------|---------------------|----------------------------------|
| <b>United States</b>                    | <b>4,096,673,554</b> | <b>16,549,303</b>   | <b>19,550,469</b>                |
| Albuquerque                             | 20,241,793           | 47,000              | 84,000                           |
| Atlanta                                 | 140,225,401          | 874,649             | 826,552                          |
| Austin                                  | 49,065,302           | 471,455             | 90,550                           |
| Bakersfield                             | 11,584,594           | 42,645              | 70,880                           |
| Baltimore                               | 51,233,361           | 491,000             | 99,277                           |
| Birmingham                              | 28,897,330           | 117,650             | 25,000                           |
| Boise                                   | 17,384,484           | 4,000               | 24,151                           |
| Boston                                  | 70,038,321           | 10,000              | 275,381                          |
| Buffalo                                 | 20,858,829           | 0                   | 0                                |
| Charleston                              | 15,465,891           | 18,569              | 28,200                           |
| Charlotte                               | 66,578,022           | 329,542             | 261,245                          |
| Chicago                                 | 190,797,448          | 546,223             | 648,442                          |
| Cincinnati                              | 70,436,796           | 212,239             | 81,484                           |
| Cleveland                               | 88,028,756           | 142,875             | 549,310                          |
| Columbus                                | 46,417,496           | 26,898              | 0                                |
| Dallas                                  | 188,808,513          | 1,476,722           | 1,293,316                        |
| Denver                                  | 84,567,192           | 169,667             | 755,907                          |
| Des Moines                              | 12,034,366           | 0                   | 0                                |
| Detroit                                 | 87,885,889           | 402,732             | 308,121                          |
| Fort Lauderdale/Broward County          | 56,486,070           | 119,628             | 212,021                          |
| Hampton Roads                           | 55,025,881           | 235,462             | 125,600                          |
| Hawaii                                  | 24,664,817           | 25,863              | 223,683                          |
| Houston                                 | 165,444,815          | 1,533,398           | 700,340                          |
| Indianapolis                            | 47,725,440           | 74,300              | 5,407                            |
| Inland Empire                           | 101,412,552          | 438,212             | 1,026,946                        |
| Jacksonville                            | 42,265,668           | 76,229              | 91,816                           |
| Kansas City                             | 58,763,503           | 406,675             | 83,801                           |
| Knoxville                               | 18,985,756           | 0                   | 5,000                            |
| Las Vegas                               | 70,148,926           | 217,359             | 278,529                          |
| Little Rock                             | 15,602,608           | 13,806              | 166,186                          |
| Los Angeles                             | 190,618,833          | 160,024             | 620,050                          |
| Louisville                              | 26,362,725           | 0                   | 7,374                            |
| Memphis                                 | 38,420,022           | 134,124             | 0                                |
| Miami                                   | 57,135,198           | 983,396             | 566,978                          |
| Milwaukee                               | 36,556,617           | 484,210             | 0                                |
| Minneapolis                             | 64,819,831           | 249,739             | 20,000                           |
| Mobile                                  | 6,019,962            | 0                   | 0                                |
| Nashville                               | 37,327,380           | 160,000             | 968,100                          |
| New Orleans                             | 16,643,058           | 0                   | 34,500                           |
| New York City Metro (Greater Tri-State) | 273,231,962          | 377,380             | 2,079,311                        |
| Oakland/East Bay                        | 50,057,149           | 71,843              | 558,794                          |
| Oklahoma City                           | 32,420,616           | 114,027             | 237,352                          |
| Omaha                                   | 24,200,629           | 31,636              | 15,000                           |
| Orange County                           | 85,208,317           | 422,292             | 369,308                          |
| Orlando                                 | 53,077,825           | 327,307             | 493,198                          |
| Palm Beach                              | 43,205,530           | 106,642             | 203,488                          |
| Philadelphia                            | 138,648,649          | 686,795             | 945,539                          |

|                     | Inventory   | Deliveries YTD 2017 | Under Construction as of Q3 2017 |
|---------------------|-------------|---------------------|----------------------------------|
| Phoenix             | 135,456,990 | 591,189             | 573,028                          |
| Pittsburgh          | 55,585,755  | 142,025             | 149,027                          |
| Portland            | 47,075,535  | 85,813              | 128,652                          |
| Providence          | 14,629,883  | 0                   | 0                                |
| Raleigh/Durham      | 46,943,309  | 62,651              | 80,570                           |
| Reno                | 14,905,649  | 79,200              | 5,830                            |
| Richmond            | 37,490,291  | 202,035             | 156,110                          |
| Sacramento          | 60,523,596  | 441,658             | 641,901                          |
| Salt Lake City      | 53,092,542  | 510,845             | 44,100                           |
| San Antonio         | 57,405,841  | 102,072             | 81,323                           |
| San Diego           | 67,972,298  | 64,514              | 200,756                          |
| San Francisco Metro | 40,853,865  | 307,728             | 164,372                          |
| San Jose            | 37,376,271  | 181,168             | 672,810                          |
| Seattle             | 57,630,627  | 27,592              | 130,205                          |
| St. Louis           | 69,148,540  | 280,220             | 40,462                           |
| Tampa               | 68,468,177  | 91,924              | 438,411                          |
| Tucson              | 24,647,427  | 191,525             | 17,844                           |
| Tulsa               | 25,898,679  | 31,948              | 79,360                           |
| Washington, DC      | 90,538,156  | 320,983             | 485,571                          |

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### About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop, and live. Our 45,000 employees in more than 70 countries help occupiers and investors optimize the value of their real estate by combining our global perspective and deep local knowledge with an impressive platform of real estate solutions. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of \$6 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. 2017 marks the 100-year anniversary of the Cushman & Wakefield brand. 100 years of taking our clients' ideas and putting them into action. To learn more, visit [www.cushwakecentennial.com](http://www.cushwakecentennial.com), [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

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