June 5, 2020

CBRE: MACRO RETAIL FORECAST

CBRE

SPEAKERS | JUNE 5, 2020

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Retail

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Retail

June 5, 2020

CBRE EA MACRO OUTLOOK

MATT MOWELL, CBRE EA SR. ECONOMIST

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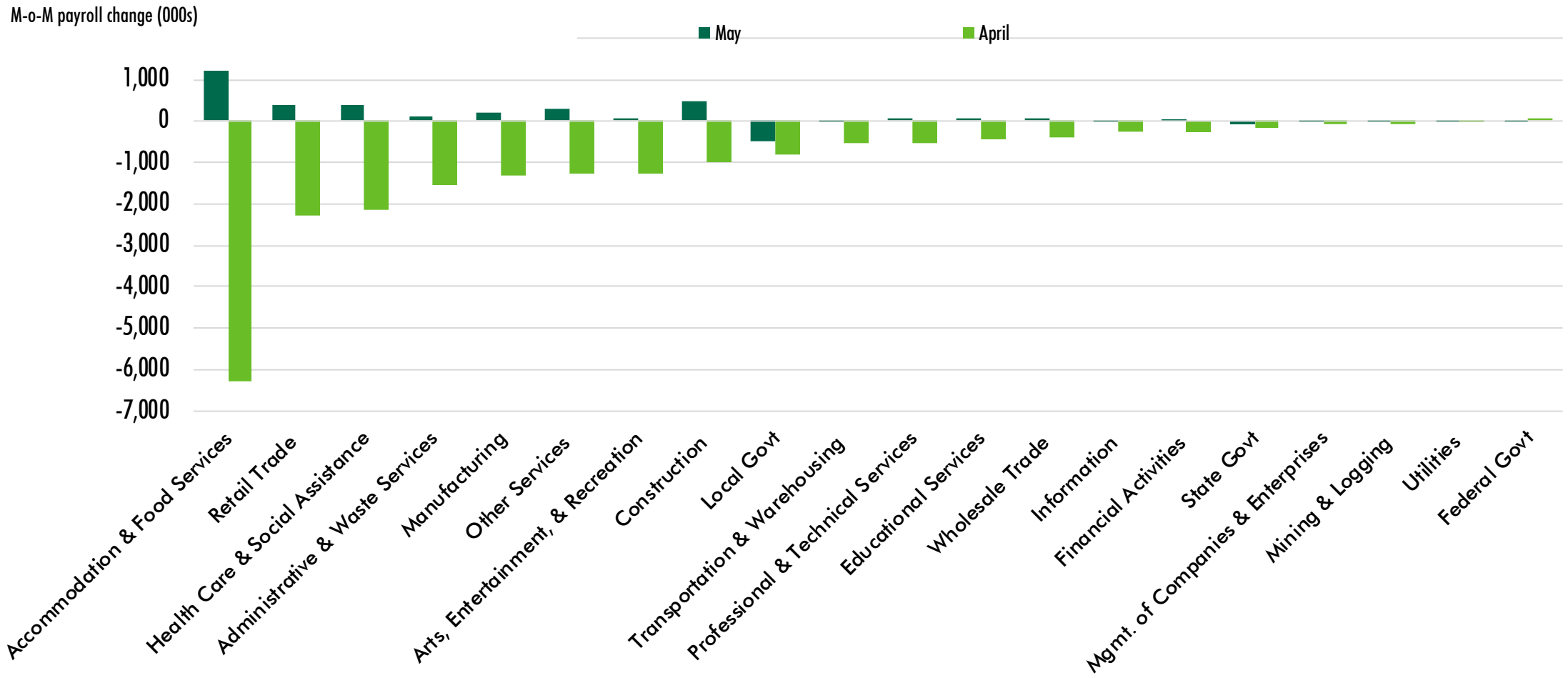
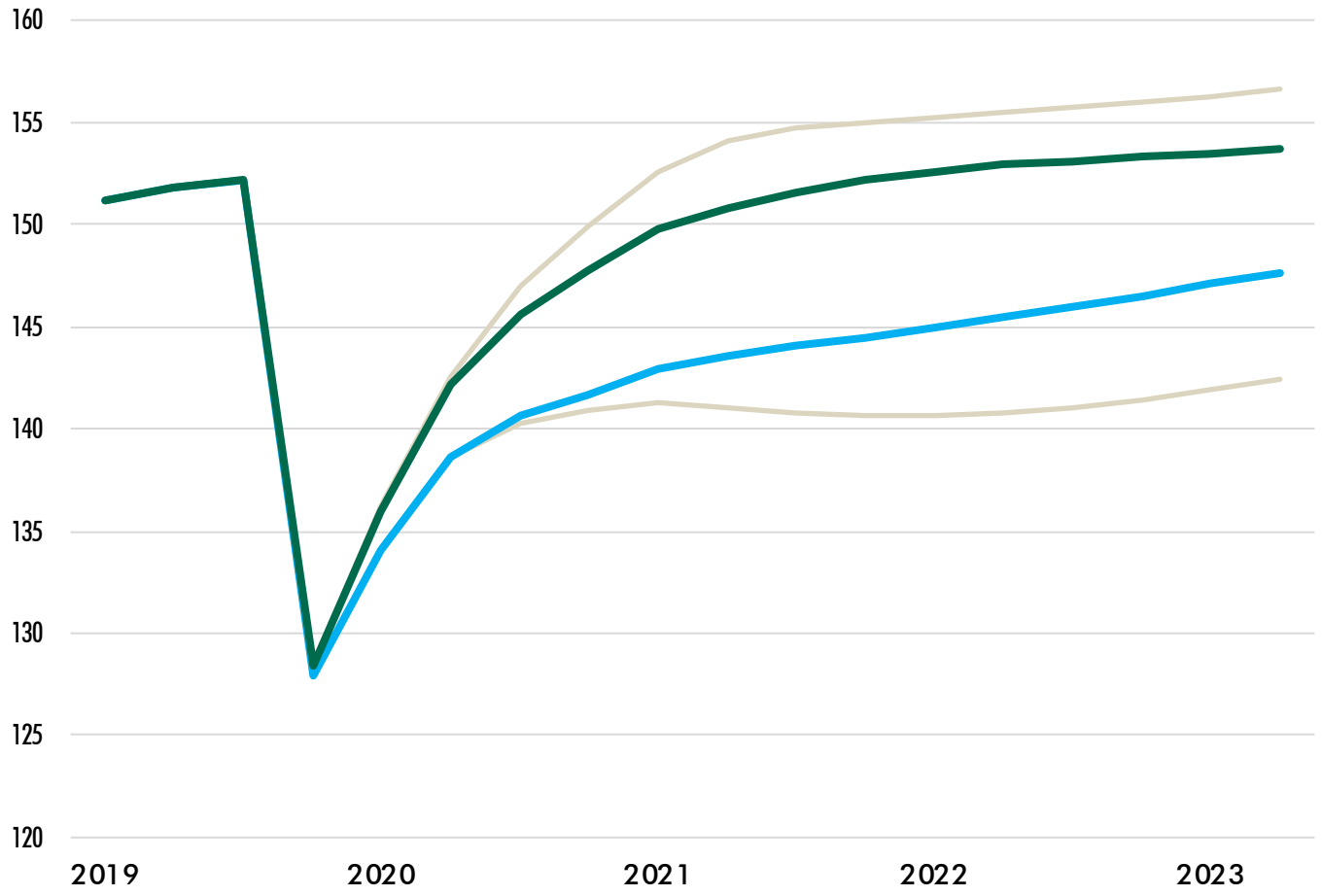
THE MAY EMPLOYMENT REPORT SHOWS FIRMS ARE BRINGING WORKERS BACK



CBRE'S CURRENT FORECAST SCENARIOS ON U.S. EMPLOYMENT



UPSIDE

A swift reopening of the economy and robust stimulus unleashes a wave of pent-up demand.

BASELINE

- Gov't stimulus will keep many firms afloat.
- Improved consumer sentiment will support the recovery.

DOWNSIDE

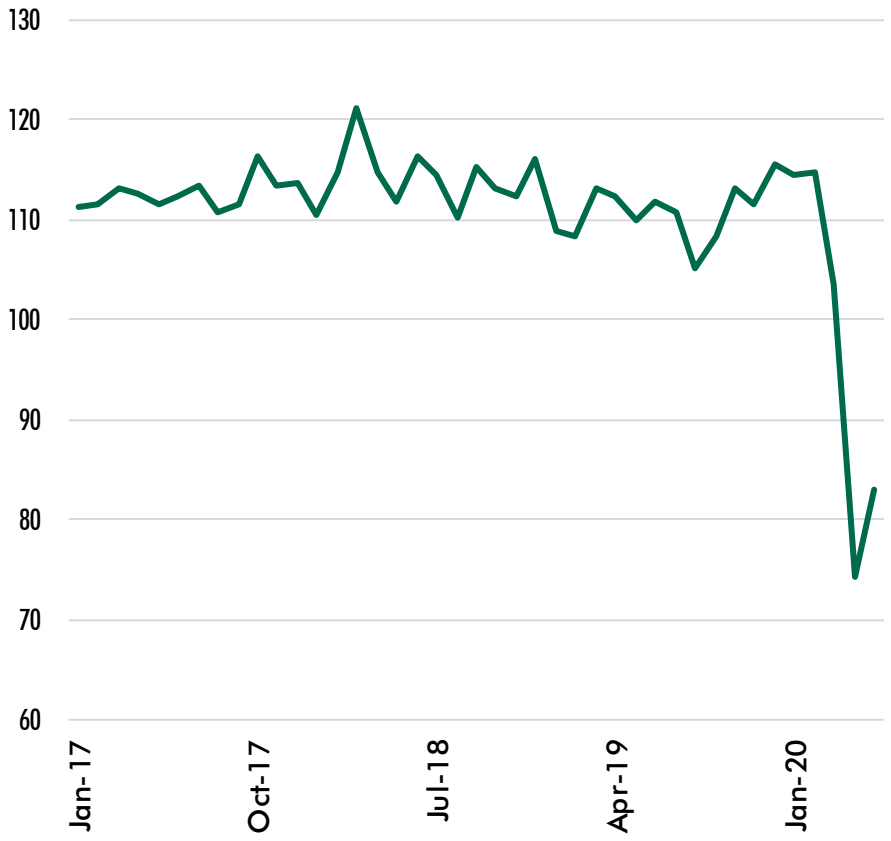
- The reopening of the economy is slow.
- Pre-virus employment levels are not regained before 2024.

SEVERE DOWNSIDE

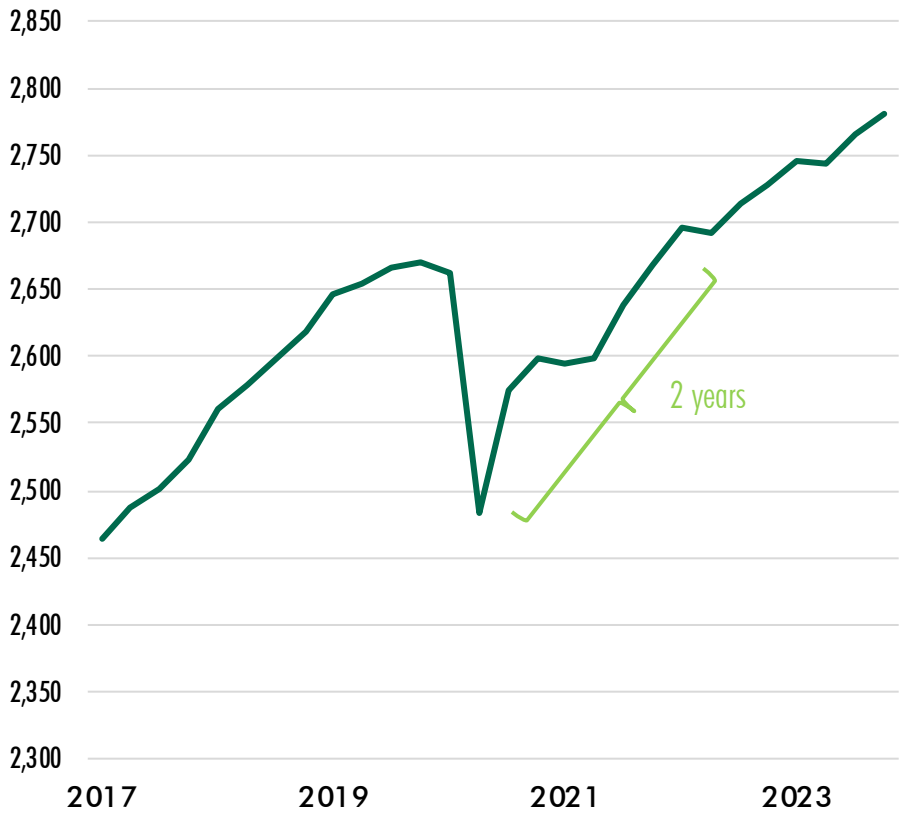
A prolonged recession causes a wave of bankruptcies that severely stress the financial system.

KEY MACRO DRIVERS OF RETAIL DEMAND

University of Michigan: Consumer Sentiment Index



Real personal income ($ billions)



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CBRE EA RETAIL FORECAST

CHRISTINA TONG, CBRE EA ECONOMIST

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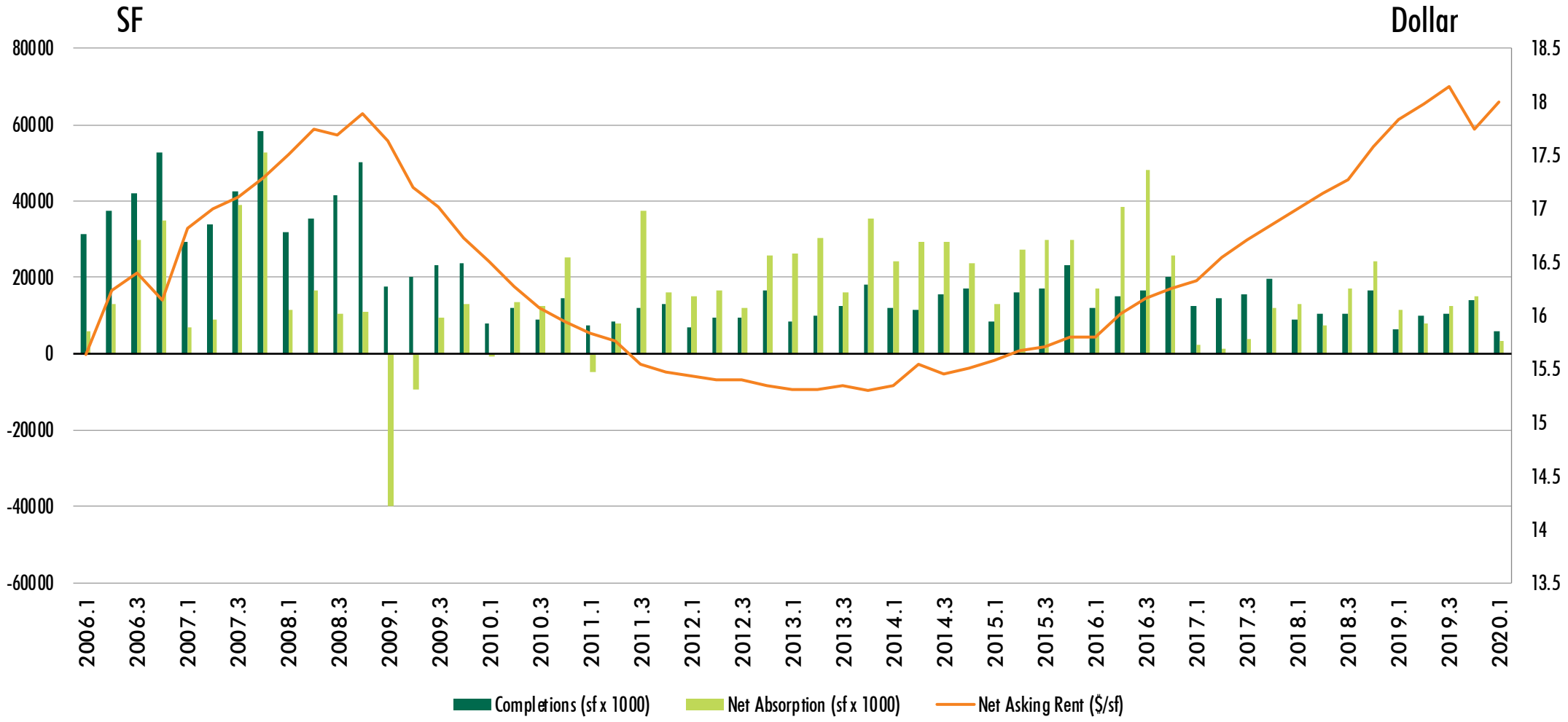
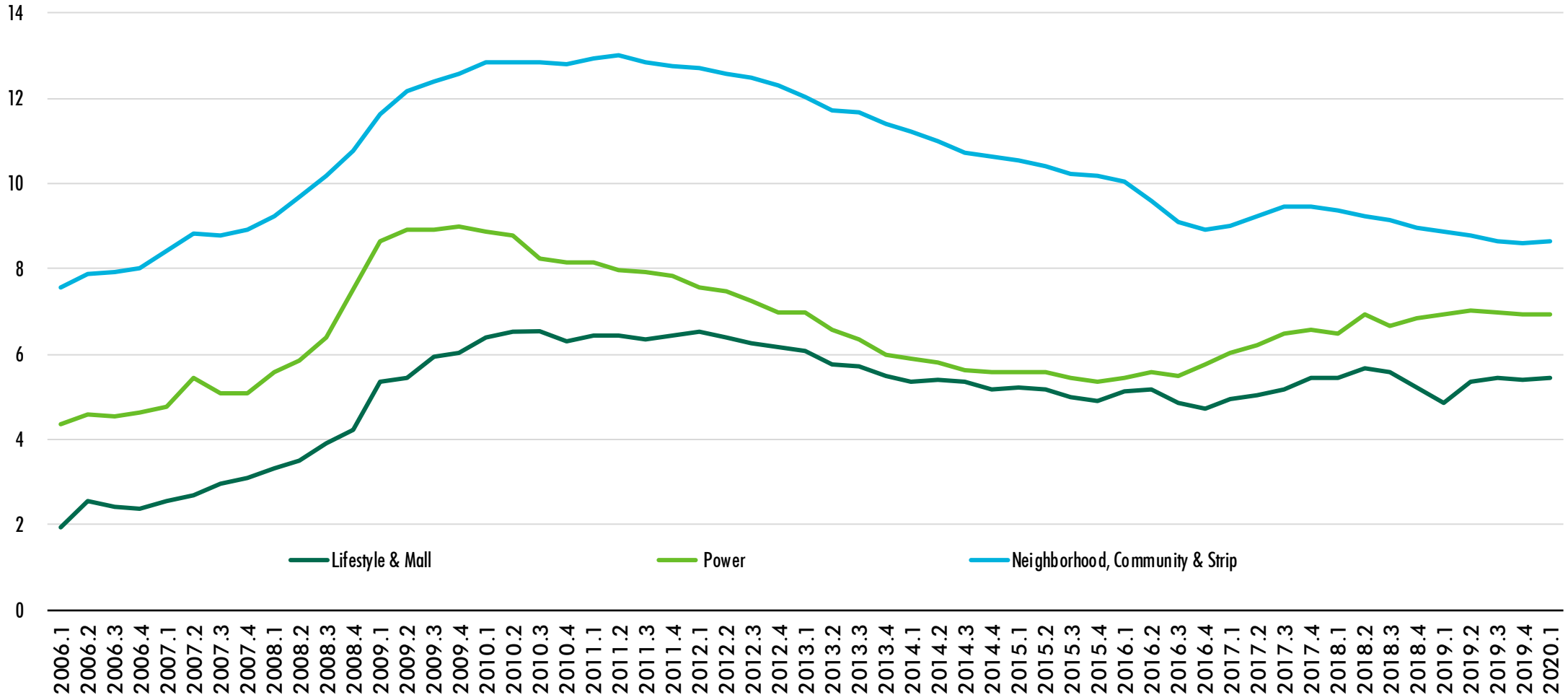
PRE-COVID RETAIL FUNDAMENTALS



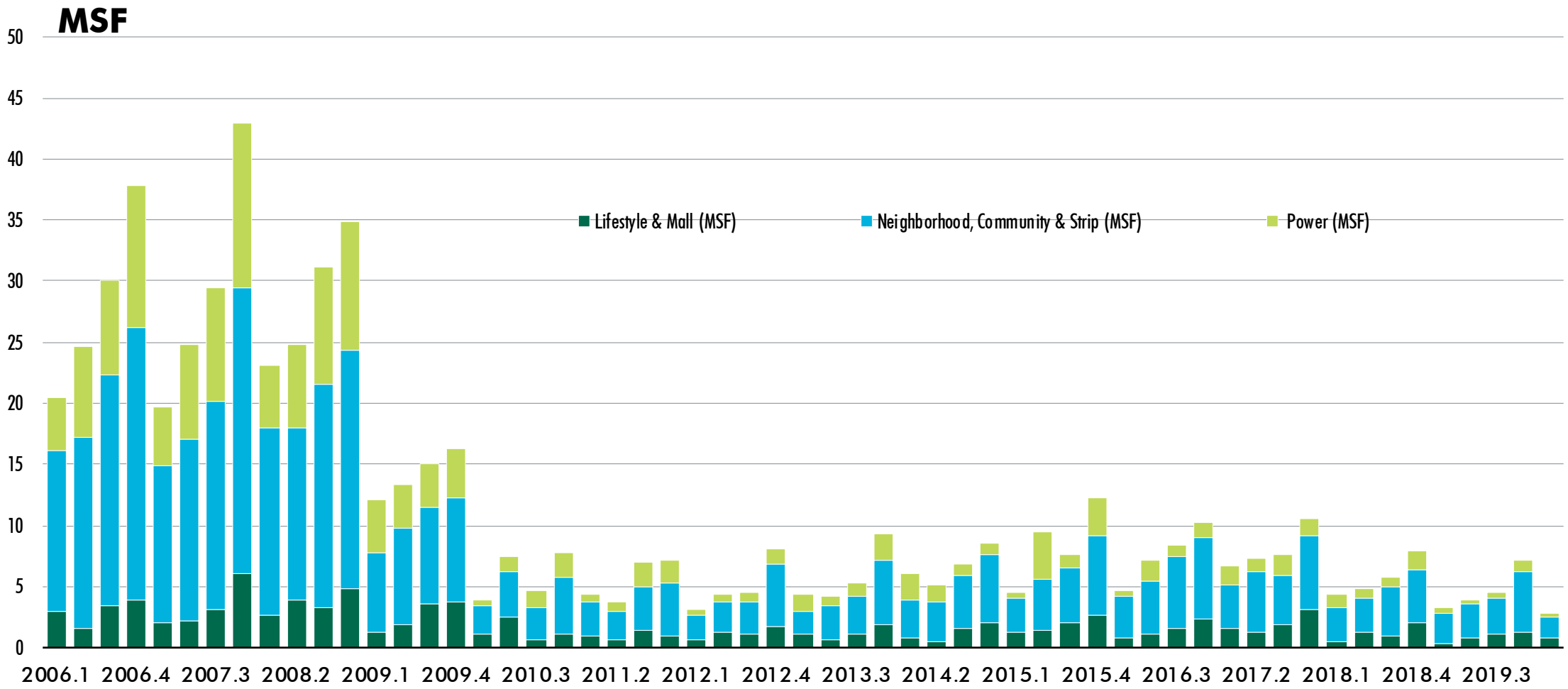
Source: CBRE Econometric Advisors, Q1 2020.

PRE-COVID RETAIL AVAILABILITY RATE BY SECTOR



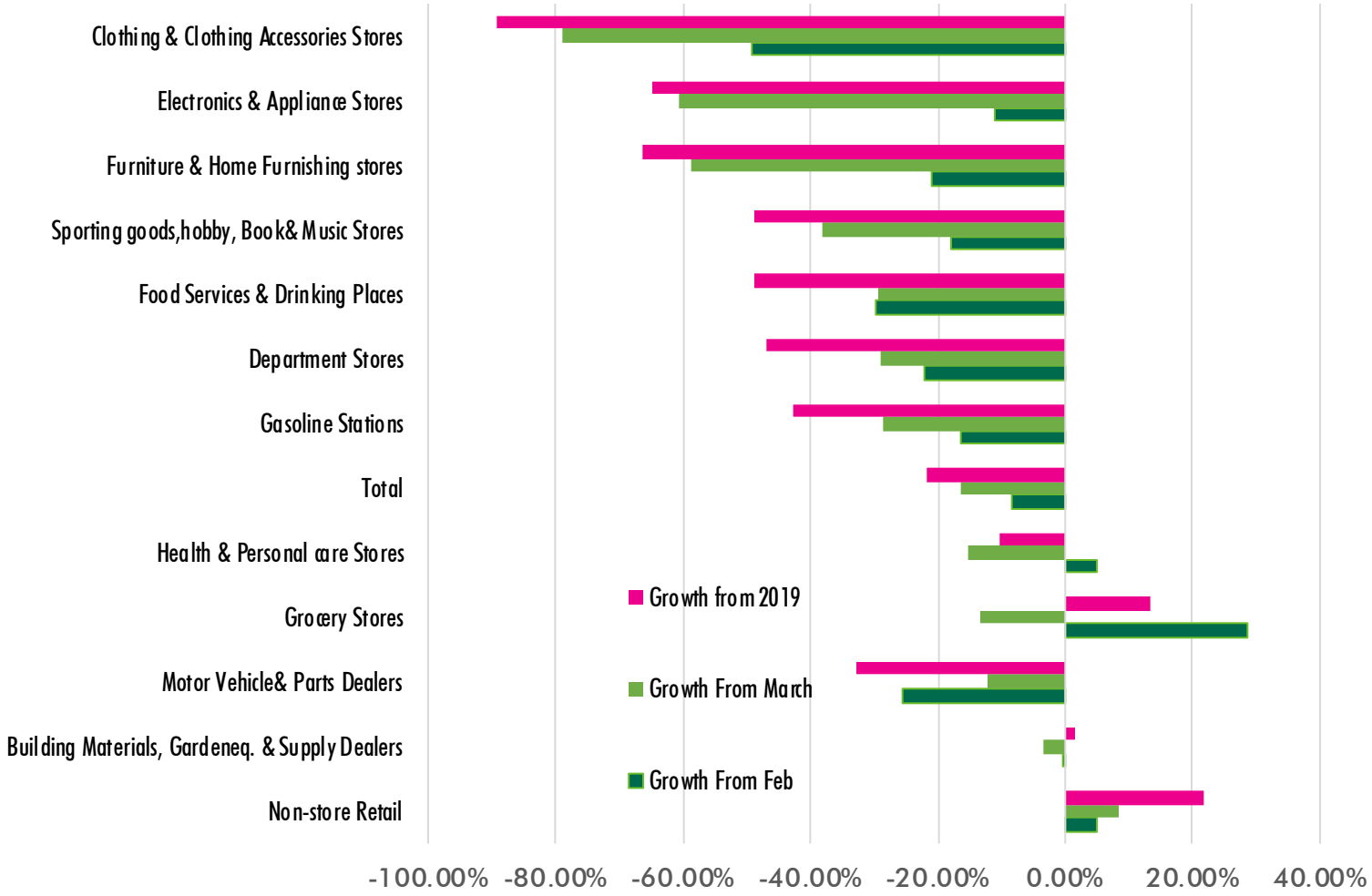
Source: CBRE Econometric Advisors, Q1 2020.

PRE-COVID RETAIL COMPLETION



Source: CBRE Econometric Advisors, Q1 2020.

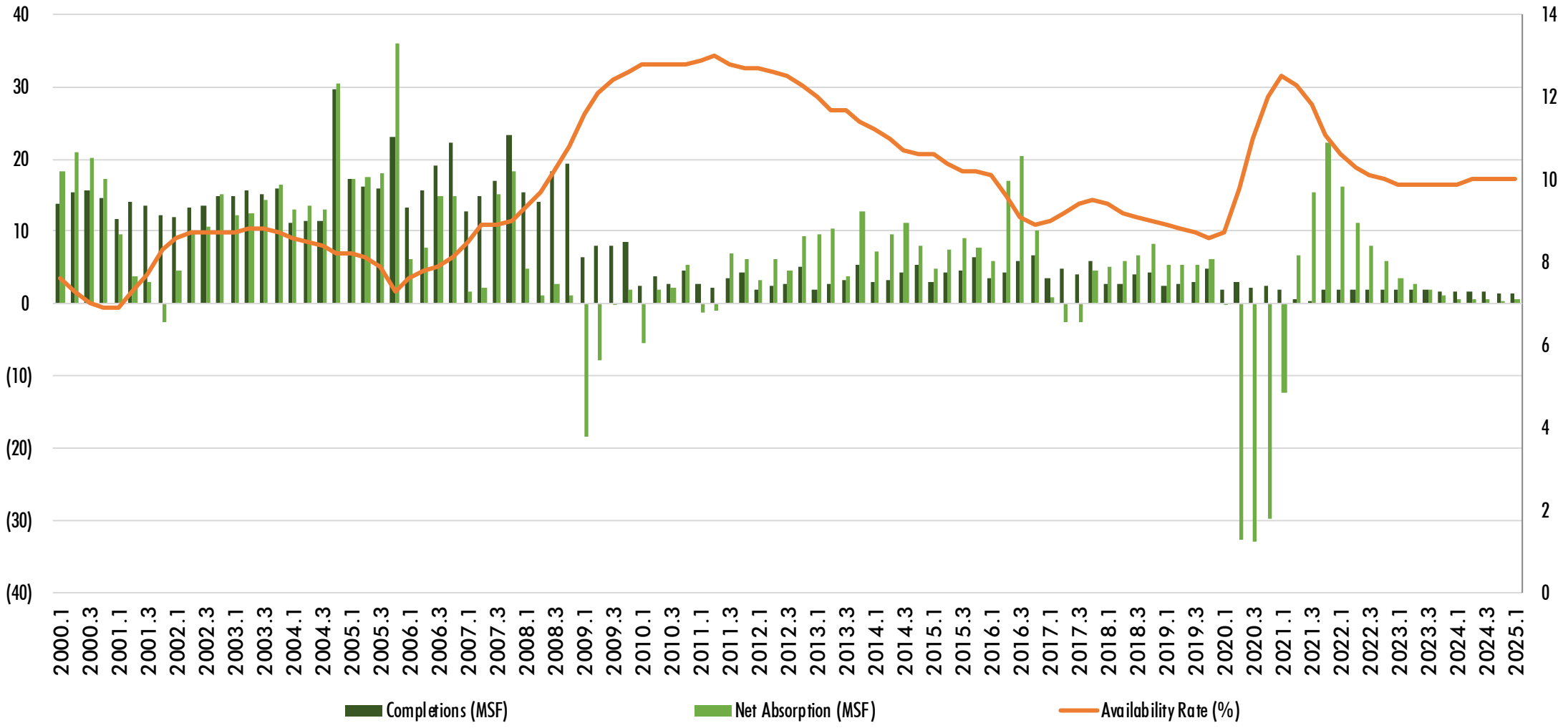
MARCH RETAIL SALES DROP 8.4% FROM FEBRUARY; APRIL DROP 16.5% FROM MARCH



- Total retail sales drop 21.6% YOY
- Clothing & Clothing Accessories posted the highest monthly decline of 79% and almost 90% YOY
- Grocery store sales grew 27% in March due to panic buying. This trend moderated in April, but April grocery sales still grew 13% YOY.
- Non-store retailers is the only category that experienced growth in both March and April.

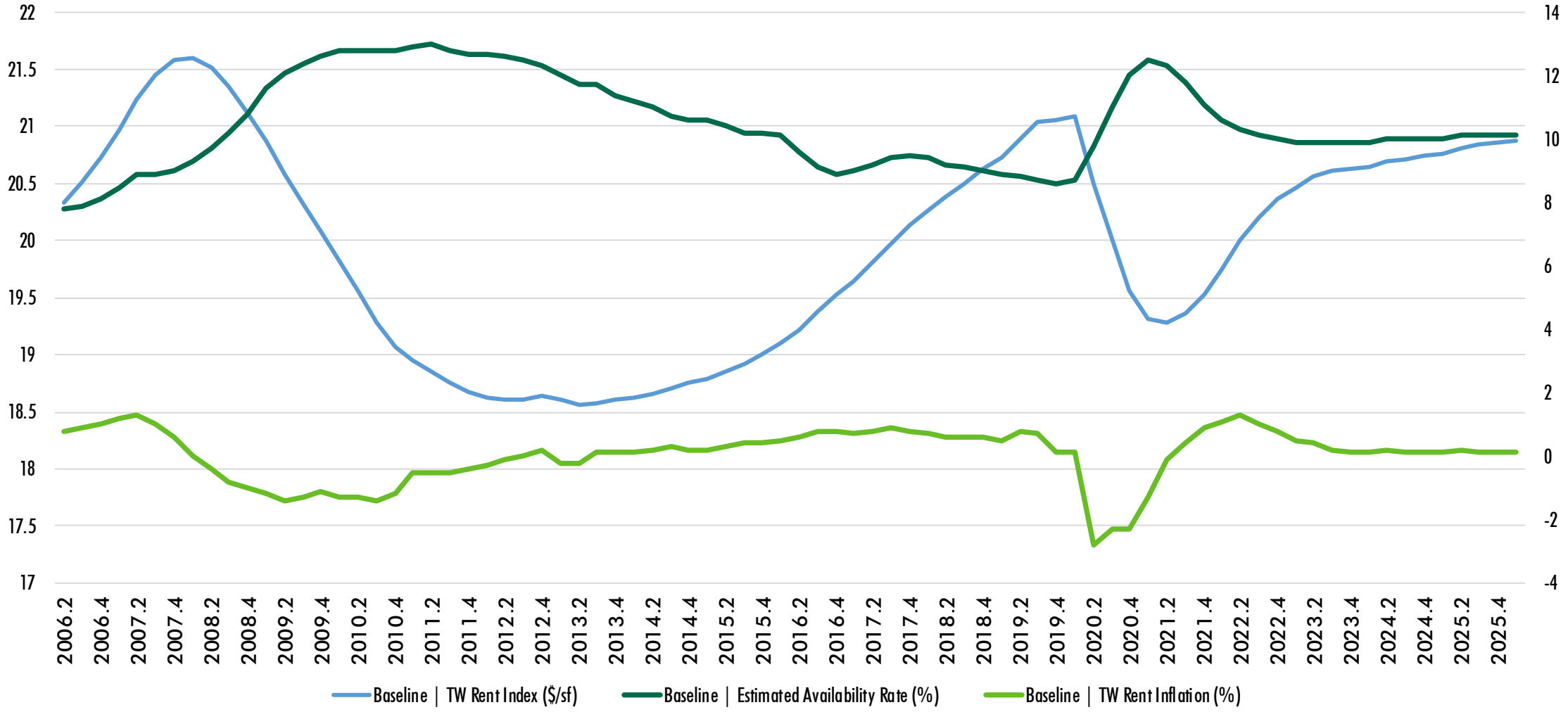
Source: US Census Bureau, Q1 2020.

RETAIL MARKET FORECAST: DEMAND & SUPPLY (NCS)



Source: CBRE Econometric Advisors, Q1 2020

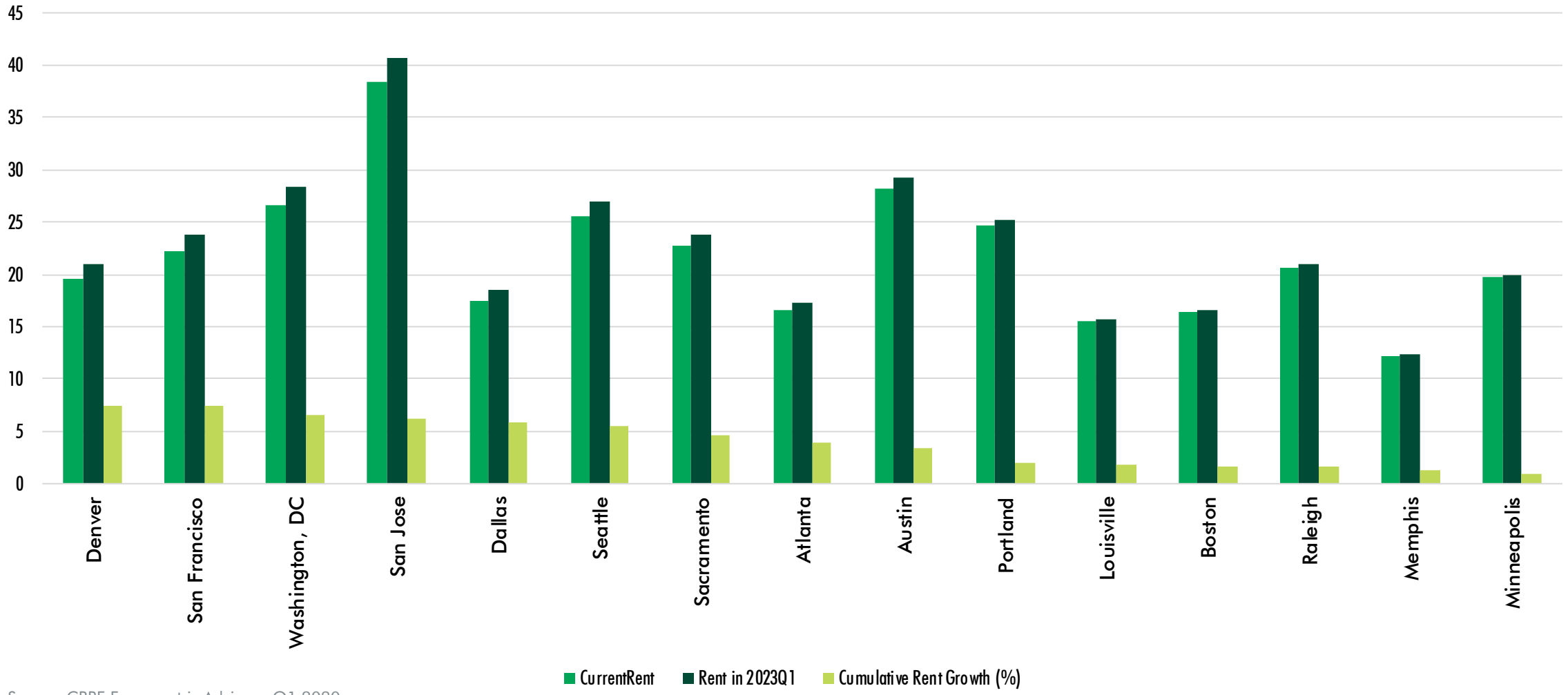
RETAIL MARKET FORECAST: RENT GROWTH AND AVAILABILITY (NCS)



Source: CBRE Econometric Advisors, Q1 2020

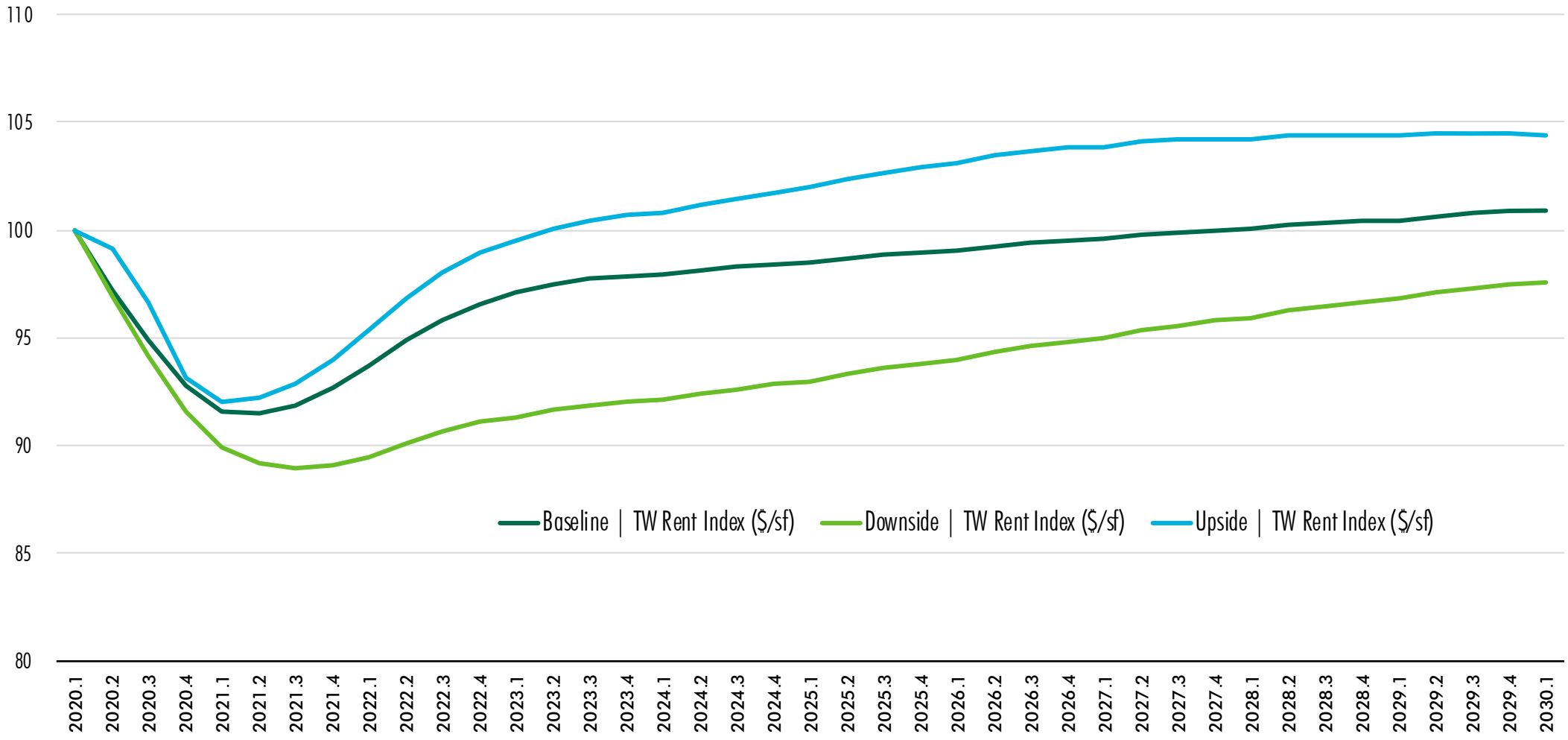
RETAIL MARKET FORECAST: TOP MARKETS

Cumulative rent growth in the next three years



Source: CBRE Econometric Advisors, Q1 2020.

RETAIL MARKET FORECAST: DIFFERENT SCENARIOS



Source: CBRE Econometric Advisors, Q1 2020.

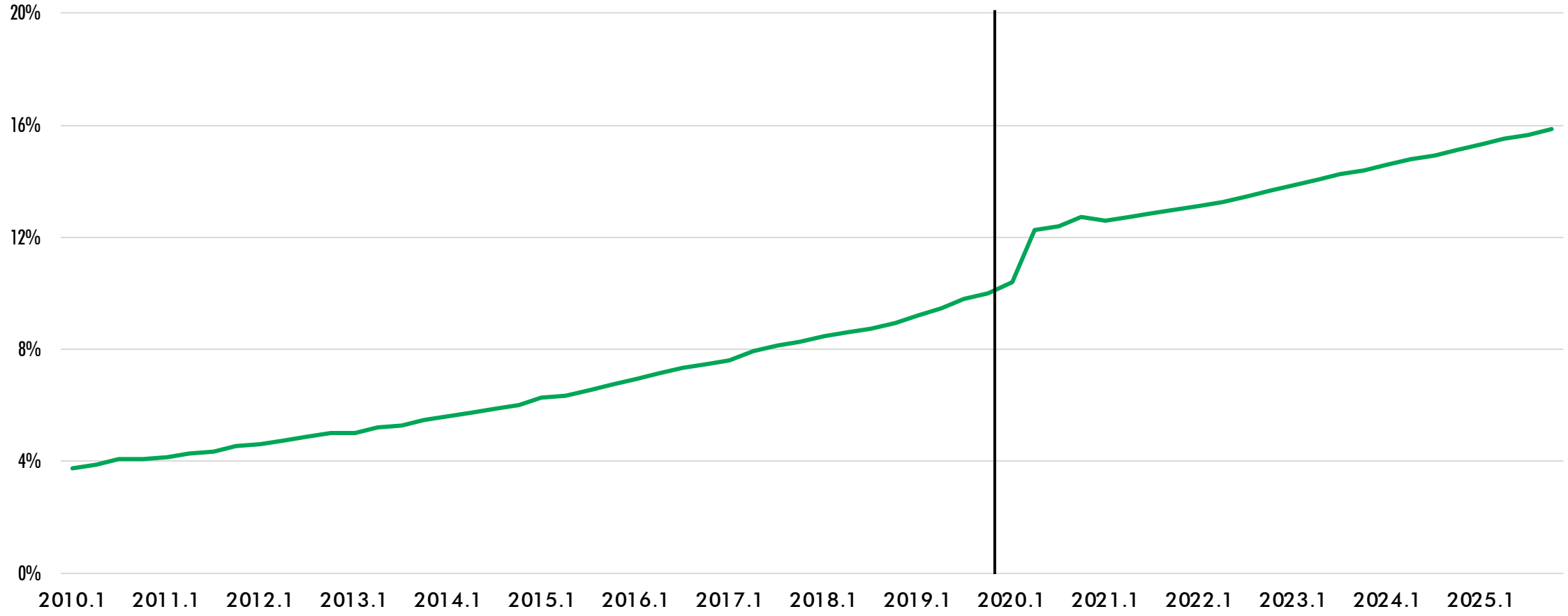
RETAIL MARKET FORECAST: OUR ASSUMPTIONS

1. Shrinking Demand
2. Rent Pressure
3. E-commerce Penetration

Source: CBRE Econometric Advisors, Q1 2020.

FORECASTED E-COMMERCE TRENDS

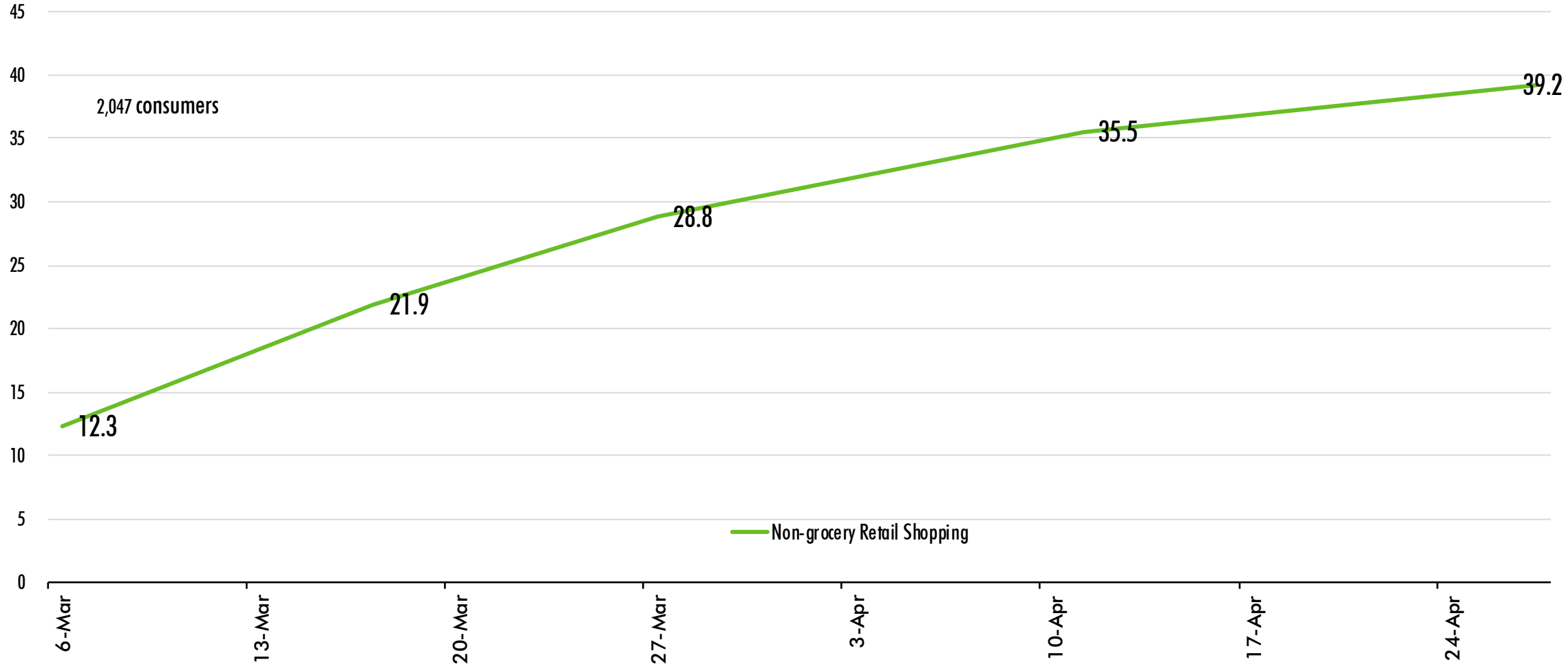
E-Commerce Retail Sales | % of total retail & food services



Source: CBRE Econometric Advisors, Q1 2020.

WHAT'S NEXT--- ACCELERATED ONLINE SHOPPING

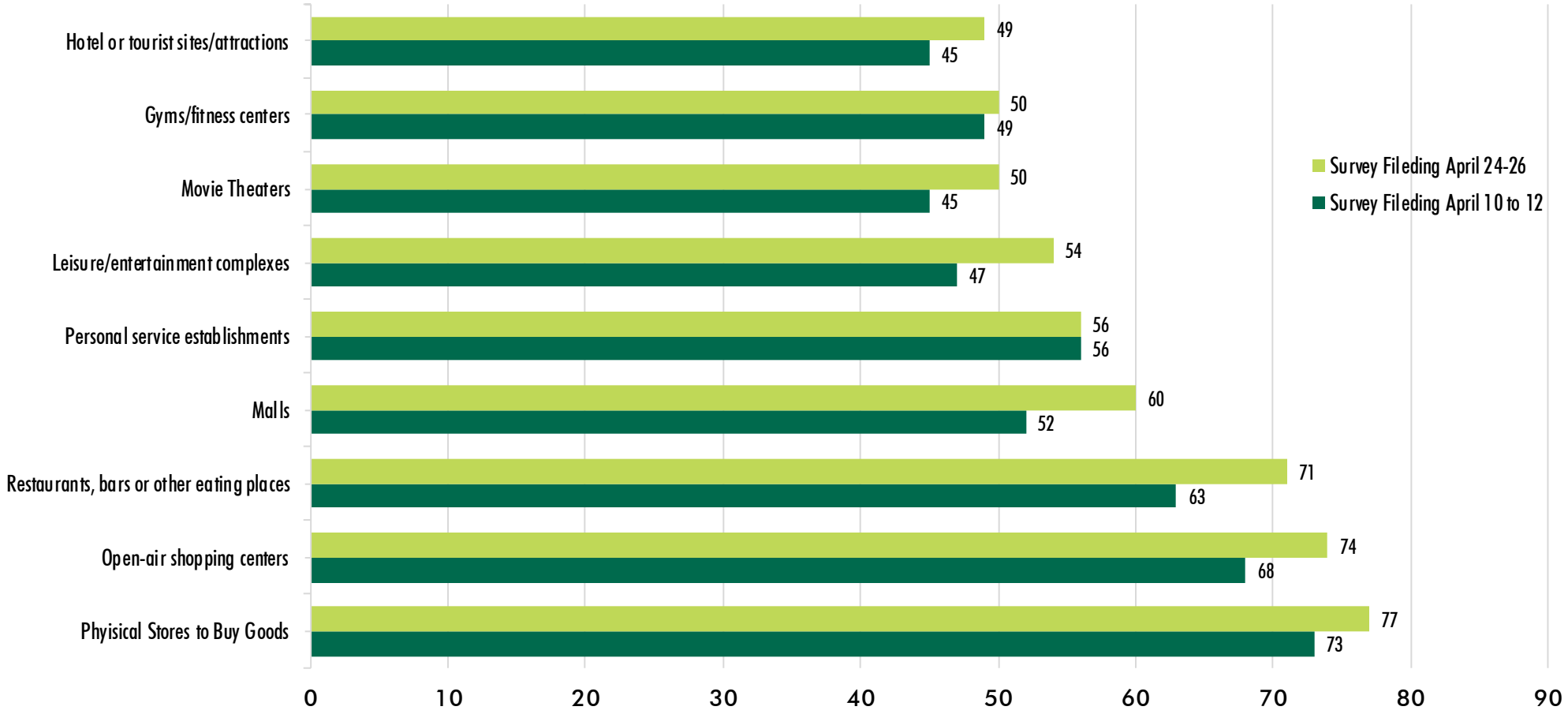
Non-grocery retail shopping



Source: PYMNT.com, Q1 2020.

CONSUMERS WON'T ABANDON BRICK AND MORTAR STORES

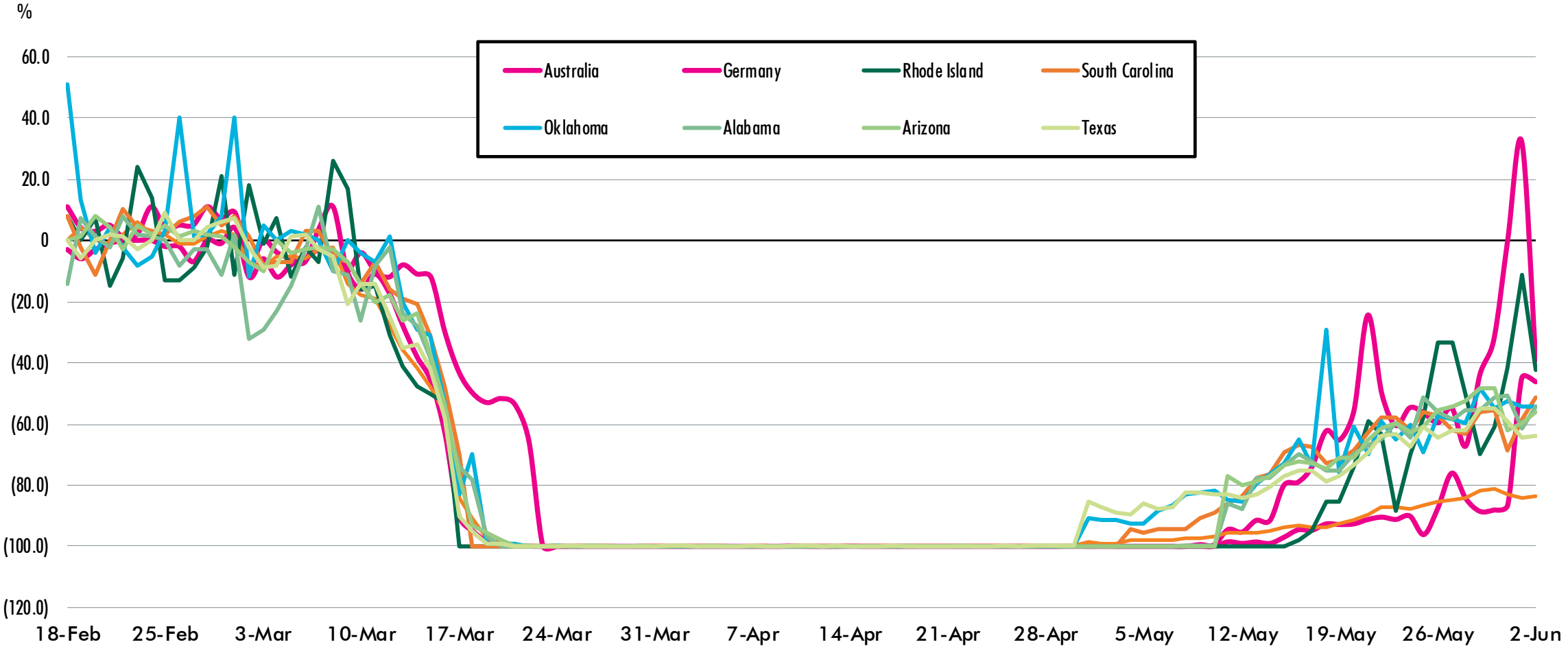
Shares of Adults Who Would Feel Comfortable Returning to Physical Establishments Within Two Months or Sooner Once the National Emergency is Over



Source: ICSC, Q1 2020.

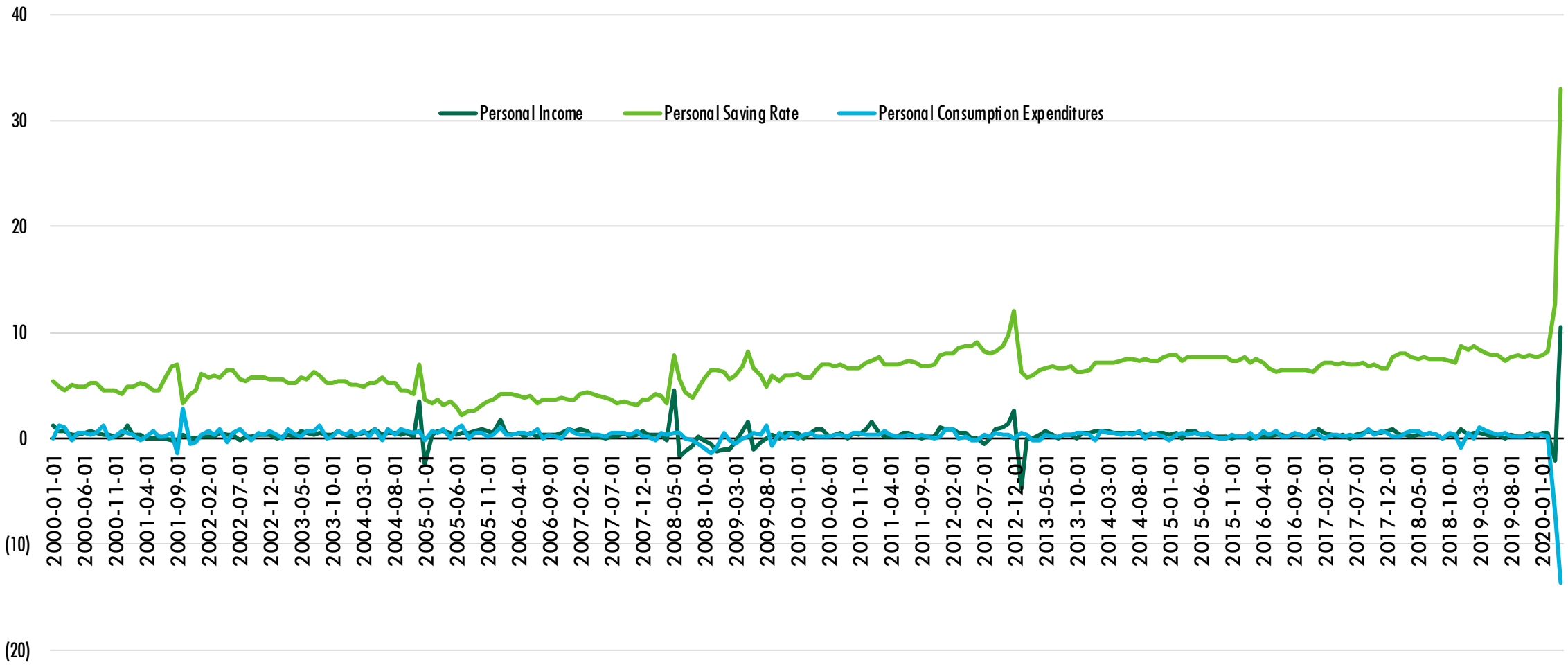
CONSUMERS WON'T ABANDON BRICK AND MORTAR STORES

Year-over-Year Seated Diners at Restaurants on the OpenTable Network



Source: OpenTable, June 2rd.

CONSUMPTION: RECOVERING BUT SLOWLY



Source: St. Louis Federal Reserve, Q1 2020.

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CBRE RETAIL OVERVIEW

MEGHANN MARTINDALE, GLOBAL HEAD OF RETAIL RESEARCH

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RETAIL REEMERGENCE

Navigating reopening to recovery

0 – 45 days	0 – 12 months	12 – 36 months

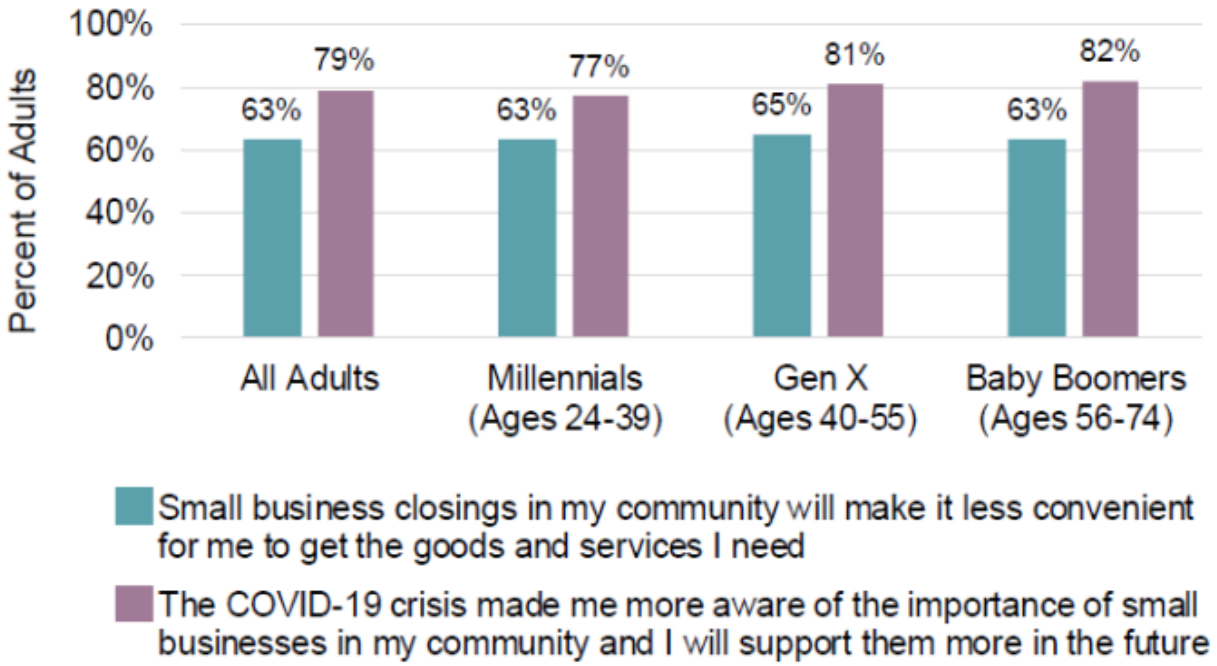
Source: CBRE Research, May 2020.

CONSUMERS

Consumer psychology shifting in phases

- Panic & prepare
- Quarantine routine & enrichment
- Reemergence
  - Pent-up demand vs economic condition
  - Place still matters
  - "Patriotic shopping"

Consumer sentiment towards small business



Source: CBRE Research, PlaceIQ, ICSC, May 2020.

LANDLORD & TENANT PARTNERSHIP

Through & beyond COVID-19

RENT & LEASE RESTRUCTURING

- Rent relief during closures & reentry rent to stabilize
- Sales participation & reporting
- Use & cotenancy

OPERATIONS & PROPERTY MANAGEMENT

- Phased restrictions & compliance
- Customer journey
- Optimizing parking lots & outdoor space

MARKETING & PROGRAMMING

- Retailer support
- Communication & signage
- Micro events

THE WINNERS & LOSERS

No one escapes short-term impact

- Accelerate
- Reverse
- Digitally enabled brands

Retail growth by category

Source: CBRE Research, US Census Bureau, Q1 2020.

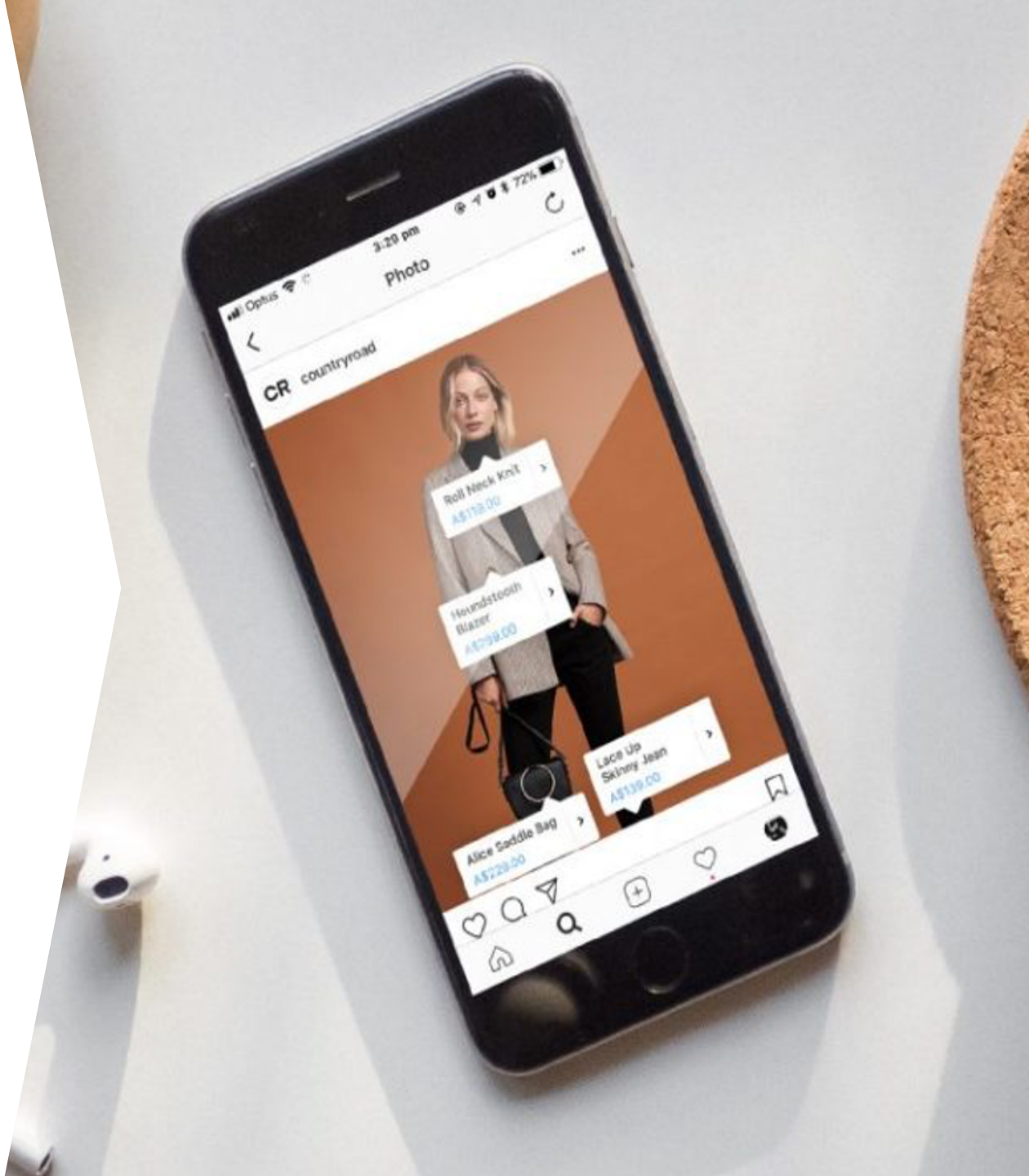
US RETAIL BANKRUPTCIES 2020

Closures are wide-reaching across categories

RETAIL

The ‘haves & have nots’

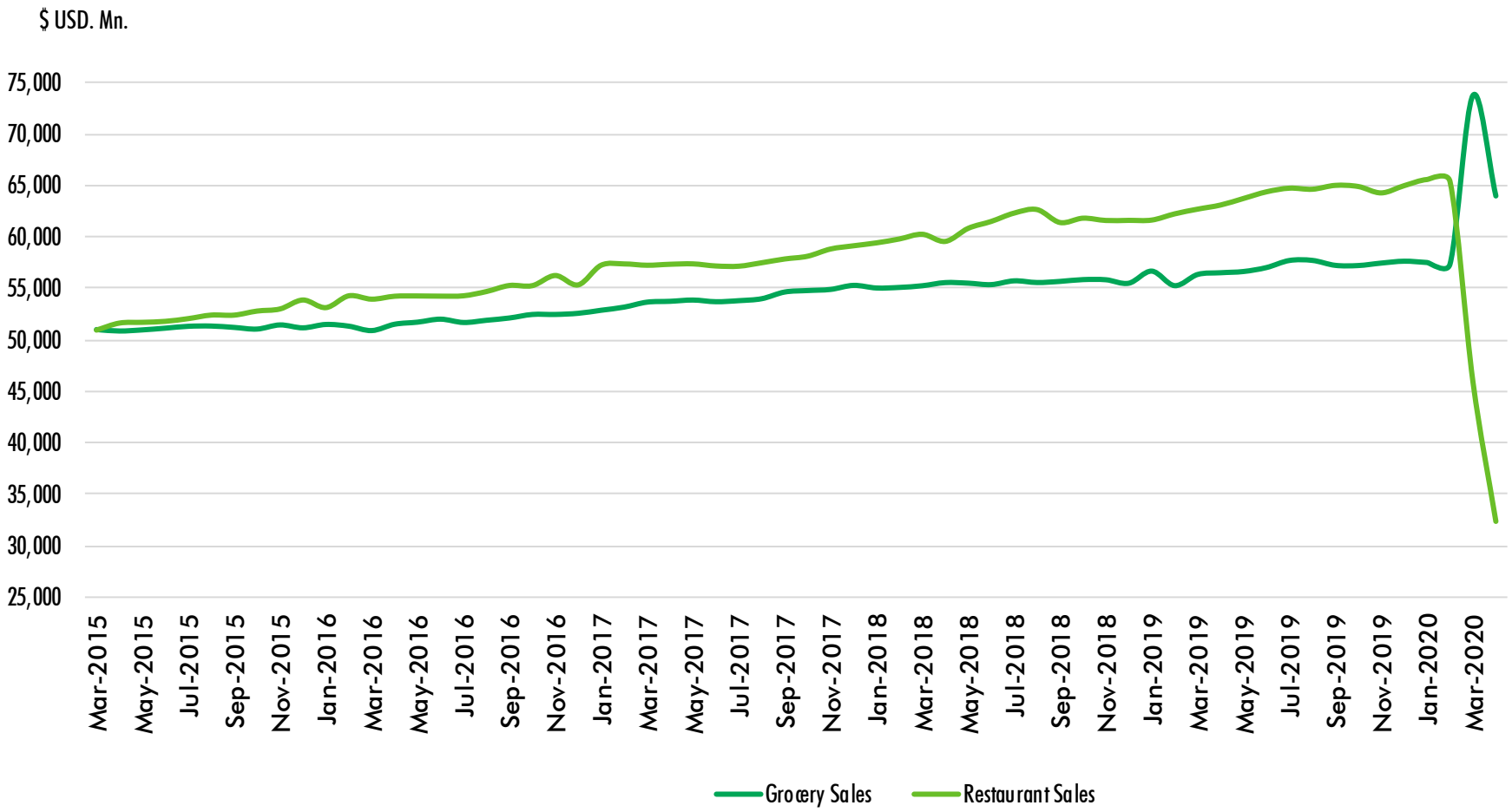
- “Phygital” integration
- Supply chain & inventory reform
- Redefining the store experience



Source: CBRE Research, US Census Bureau, Q1 2020.

FOOD & BEVERAGE - GROCERY

Surge & stabilization



- March 2015 – March 2020
- E-comm penetration & challenges
- Curbside is here to stay!

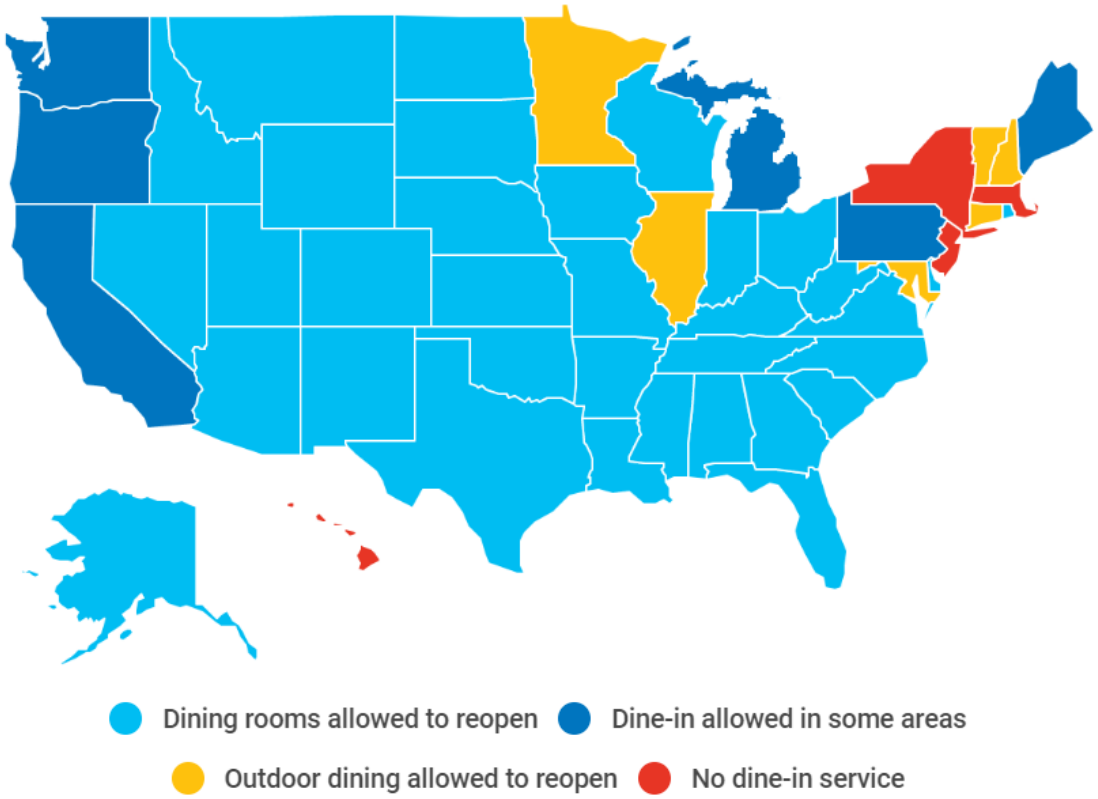
Source: CBRE Research, US Census Bureau, Q1 2020.

FOOD & BEVERAGE - RESTAURANTS

There is no deferred spending in F&B

- Complexity of reopening
- Extend creative revenue generation & cost control
- Reinvention | reengineering

States reopening dining rooms

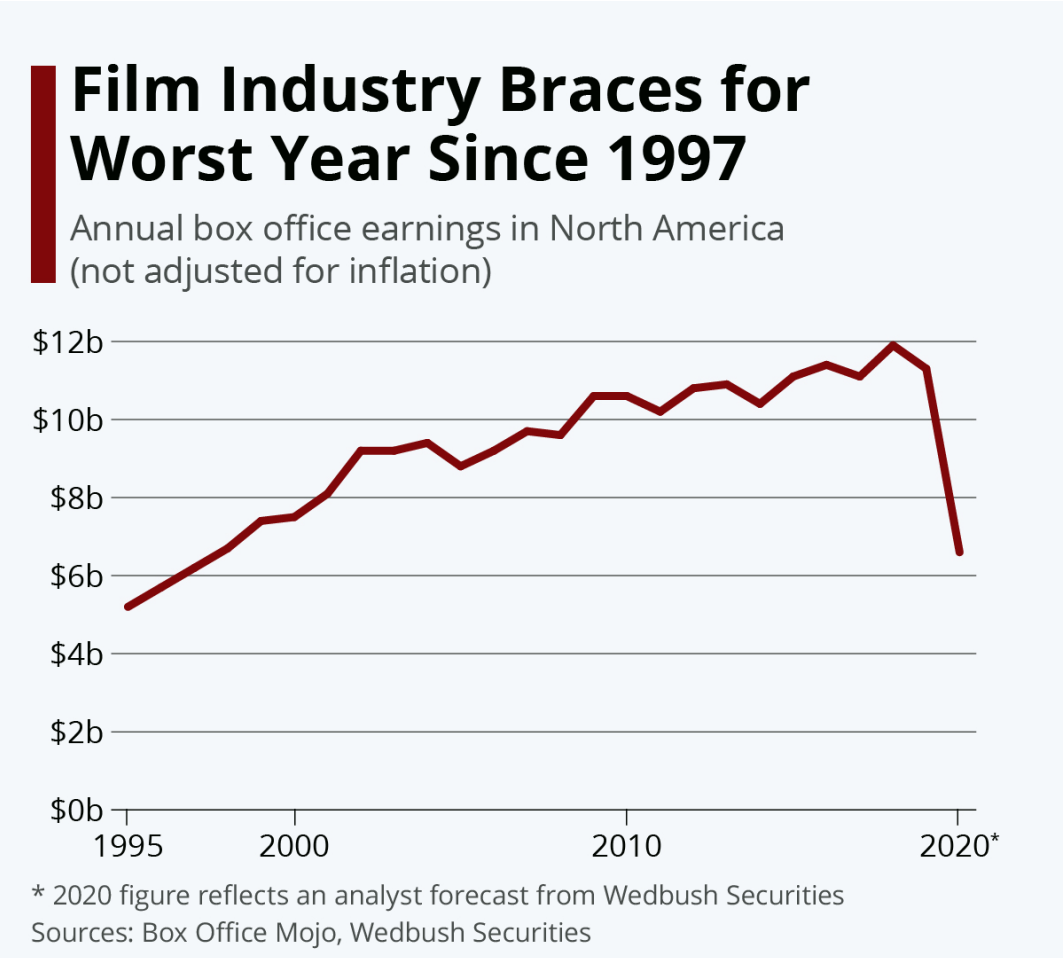


Source: CBRE Research May 2020, Restaurant Business

ENTERTAINMENT – MOVIE THEATERS

Reopening is more complex than government clearance

- Requires consensus
- Reviving dependent on programming & consumer base
- Retro reboot



Source: Statista, CBRE Research May 2020

HEALTH & WELLNESS

Inside & outside the home

- Discretionary vs. necessity
- Success strategies
- Safety in high touch environments

Source: CBRE Research.

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Q&A

THANK YOU FOR JOINING

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