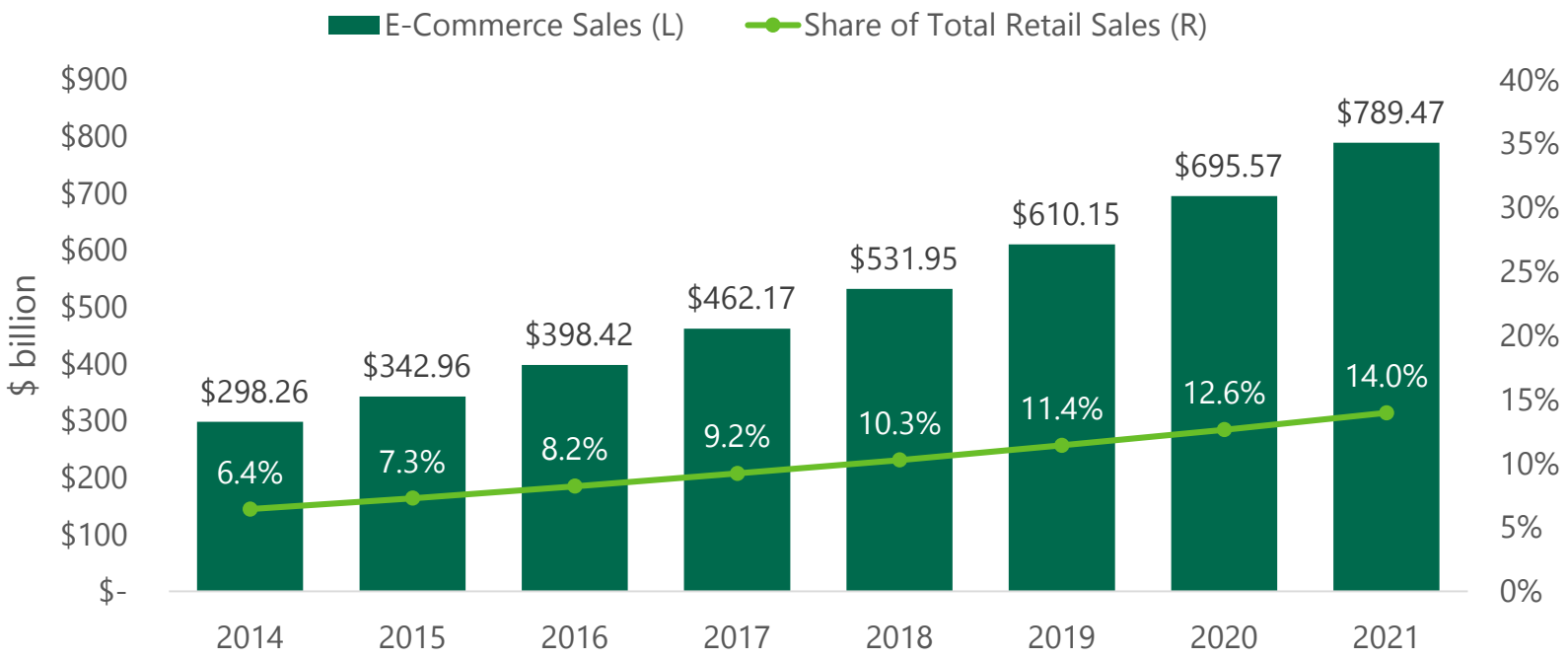
HOW ARE THE INDUSTRIAL AND RETAIL MARKETS AFFECTING EACH OTHER AND WHAT DOES THE FUTURE HOLD FOR THESE ASSET CLASSES?

MAY 03, 2017

CBRE

FORECAST E-COMMERCE GROWTH

RETAIL E-COMMERCE SALES



Source: eMarketer, Q1 2017

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45% Of the population is living within 20 miles of an e-commerce fulfillment center.

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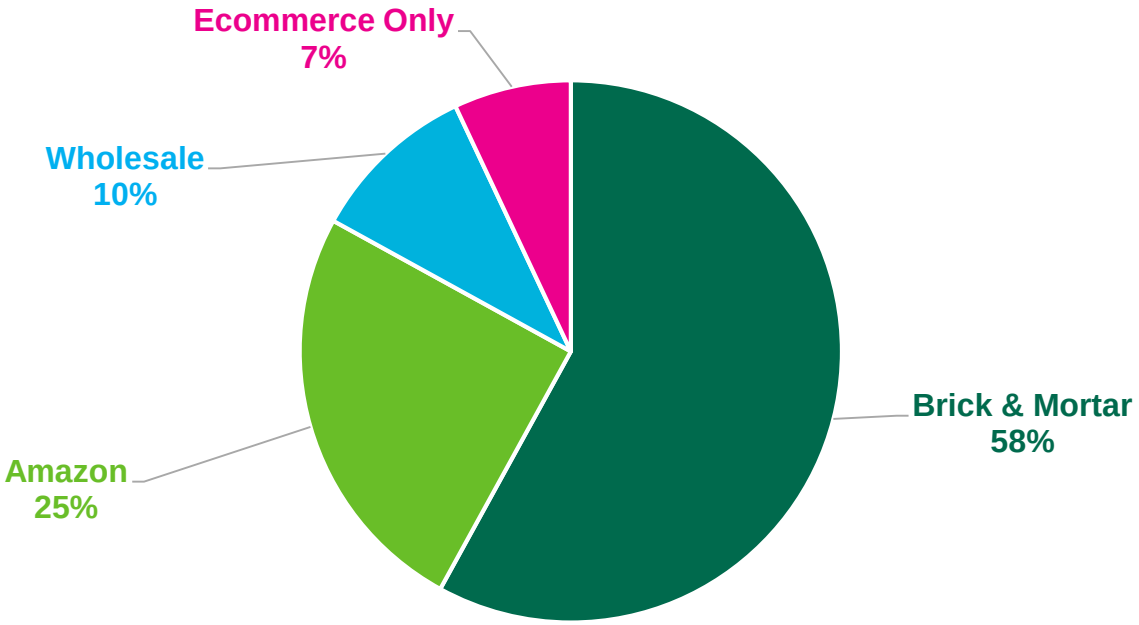
Source: Piper Jaffary, company filings, MVWPL, Facebook, Twitter, various news sources, US Census Bureau

BRICK-AND-MORTAR RETAILERS ABSORB THE MOST INDUSTRIAL SPACE



Source: CBRE Research, Internet Retailer

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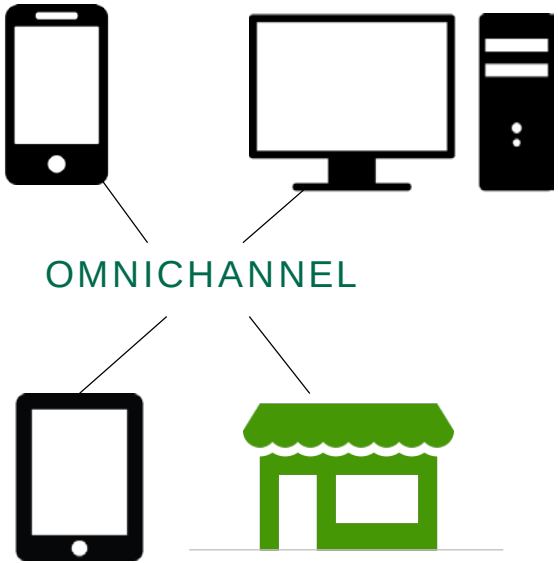
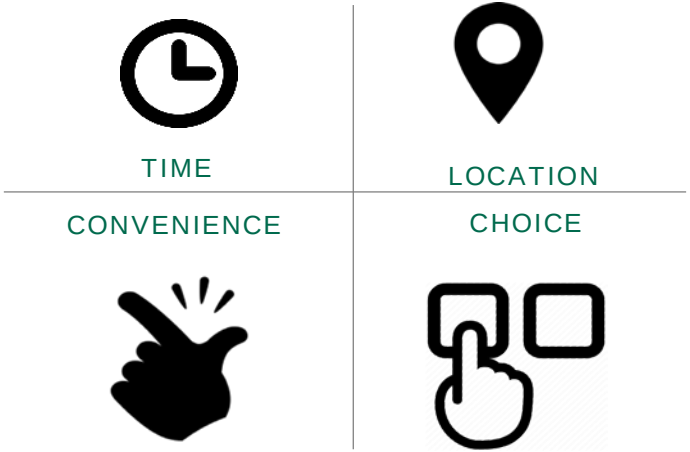
THERE IS STILL A PLACE FOR PHYSICAL RETAIL, BUT ITS ROLE HAS CHANGED

THE STORE IS NOW A CHOICE



CONSUMER EXPECTATIONS HAVE SHIFTED



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AND THERE'S A BIGGER REASON WHY STORES WON'T GO AWAY: PROFIT

E-COMMERCE IS EXPENSIVE

- MAINTAINING AN OMNICHANNEL PLATFORM
- THE HIGH COST OF FREE DELIVERY
- THE EVEN HIGHER COST OF RETURNS…

2 MILLION TONS
(4 BN LBS) OF RETAIL RETURNS SENT TO LANDFILLS EACH YEAR

$260 BN
IN LOST REVENUE
IN 2014

19%
OF THE TOP 250 RETAILERS SAY THEY CAN FULFILL OMNICHANNEL DEMAND PROFITABLY

SOURCE: NRF; JDA & PWC, "THE OMNICHANNEL FULFILLMENT IMPERATIVE", DECEMBER 2014

AND THERE'S A BIGGER REASON WHY STORES WON'T GO AWAY: PROFIT

STORES GENERATE PROFIT

- SPEND PER TRANSACTION IS HIGHER IN-STORE
- UPSELL OPPORTUNITIES WITH IN-STORE RETURNS
- THE ROLE OF A STORE IN ONLINE SALES

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THE BIG BOX IS FAR FROM DEAD

HOWEVER THE BIG BOX LANDSCAPE IS SHIFTING TOWARDS OFF-PRICE AND DISCOUNT.

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BUT STORES AREN'T ACTUALLY SHRINKING.

SOME BRANDS ARE GOING BIGGER.

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WHAT ABOUT THE RISE OF SMALL-FORMAT STORES?

IT'S ABOUT ENTERING URBAN MARKETS…

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