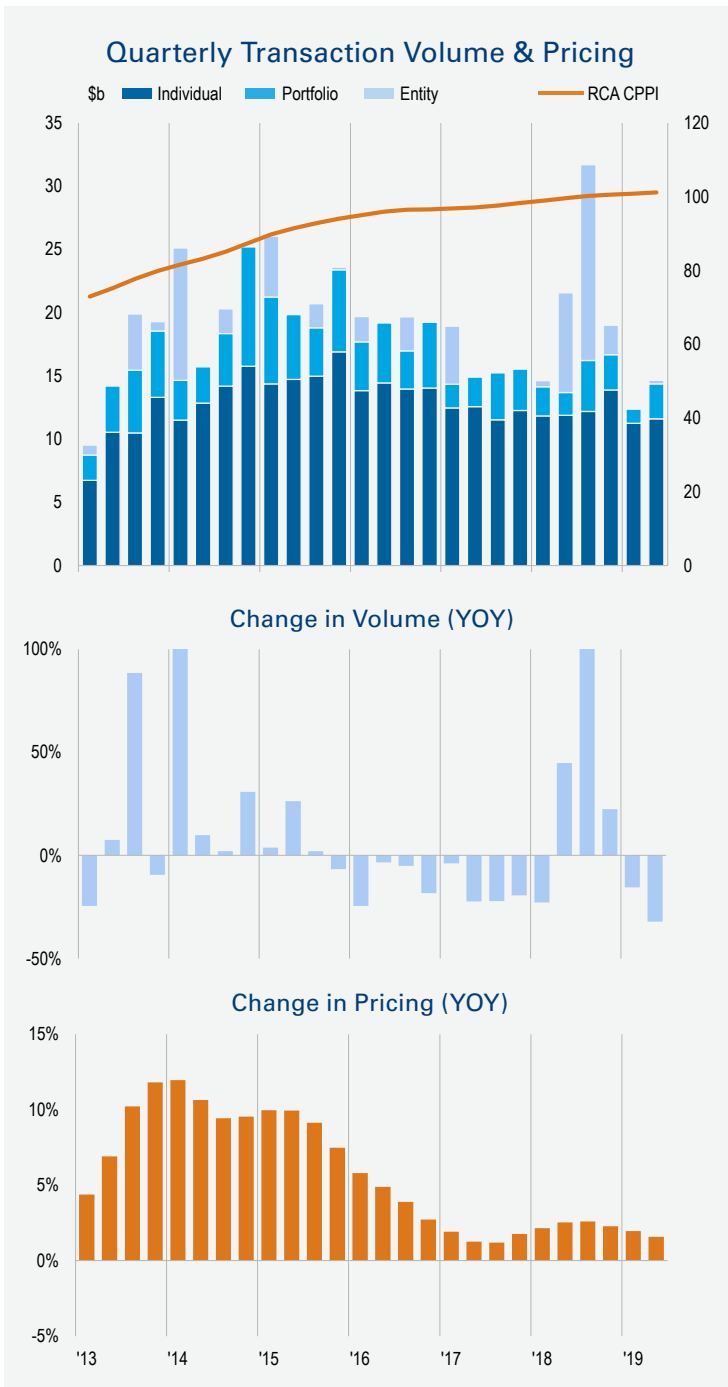


US CAPITAL TRENDS | RETAIL

Growth in retail deal activity was hard-coded to experience a year-over-year decline in Q2'19 given that the Westfield transaction occurred a year earlier. The true signal is one of modest growth in deal activity as the market recovers from a harsh start to 2019.

\$14.6b Transaction volume
-32% YOY volume change
1.6% YOY price change



Financial market turmoil late into 2018 and early this year increased the cost of commercial mortgage debt for a time. This cost increase helps to explain, in part, why there have been no large entity-level transactions seen in the retail sector in 2019.

By contrast, the Unibail-Rodamco purchase of Westfield back in Q2'18 drove \$7.9b in entity-level deal activity for a single quarter. To put that figure into perspective, in 2016 and 2017 deal volume for the retail sector averaged \$17.8b per quarter. Were it not for the lagging impact of this one megadeal, volume would have grown in Q2'19.

The sale of individual assets did slip compared with the last year, falling 2% YOY in Q2'19. Stripping out the impact of entity-level sales, volume was up 5% YOY, showing that the action for the quarter was in portfolio sales, where there was a 53% YOY gain.

One big portfolio did not move the portfolio sales figures for the quarter, but there were two common themes. Large retailers tried to raise capital through sale-leaseback transactions or were simply trading out portfolios of older assets from failed ventures. The growth in portfolio sales, then, is a bit of a sign of weakness for the retail sector. Had the retailers been stronger, they could have raised capital in the corporate bond markets rather than sale-leaseback transactions.

Price growth for the quarter reflects some of the underlying weakness of the sector. The RCA CPPI for the retail sector grew at a 1.6% YOY pace in Q2'19, down from the 2.5% pace of growth set a year earlier. By contrast, for all other property types, the RCA All-Property CPPI increased 6.5% YOY.

New from Real Capital Analytics: In this report we introduce the RCA Hedonic Series. This enhanced suite of cap rate and pricing metrics provides an alternative to the existing time series, with the goal of more accurately identifying underlying price signals.

Recent Trends

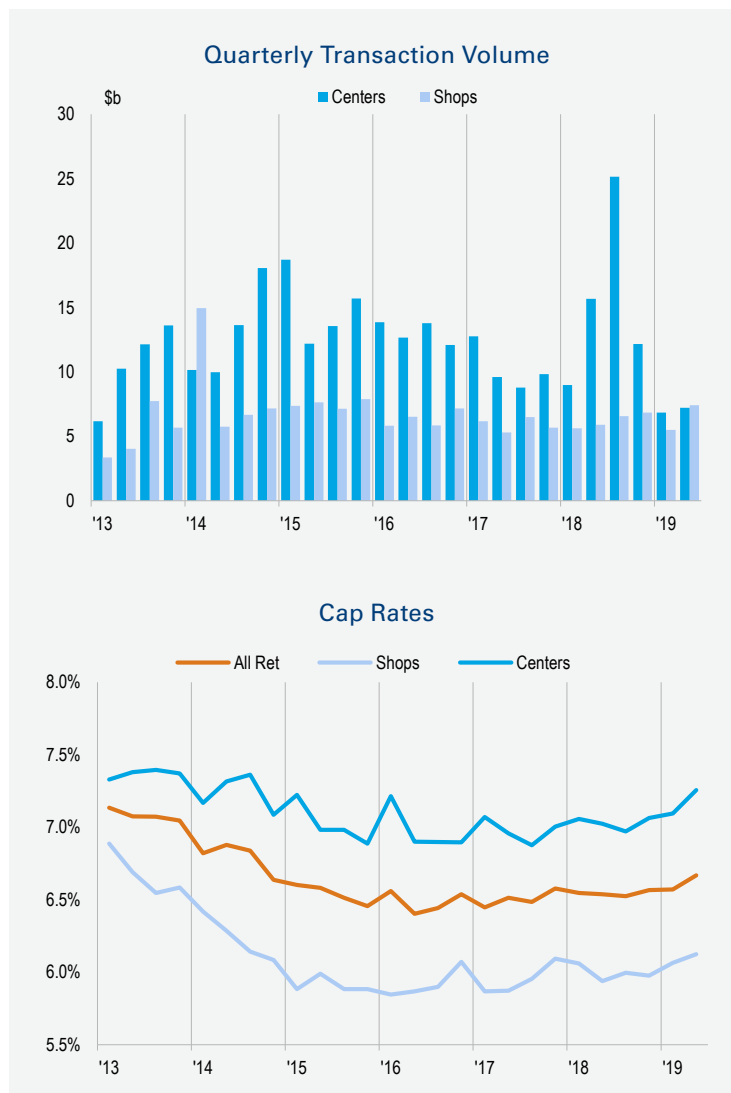
Across retail subtypes, it was the sale of shopping centers that posted the sharpest decline in activity for Q2'19, down 54% YOY. The assets from the Westfield portfolio were put in this category so the sale last year overstates the magnitude of the decline for shopping centers.

The total of sales of individual assets and portfolios fell 8% YOY. An 8% decline is still a decline, but the single-digit drop is a less panic-inducing trend.

Sales for shop space rose 26% YOY in Q2'19. Strong growth in portfolio sales explains most of this activity – up 103% YOY. Notable transactions included sale-leaseback transactions for Albertons' space, Regal Cinemas and Cabela's. Assets tied to the bankruptcy of Shopko were also included in a multimillion-dollar portfolio sale.

Geographically, volume trends look weakest in the 6 Major Metros of the U.S., as well as in the markets of the West and Northeast. These markets were more exposed to the Westfield portfolio than others, so price trends may be more telling as a sign of the health of the markets.

Retail cap rates averaged 6.7% nationally in Q2'19 up 10 bps from a year earlier. National averages only say so much about pricing though, and we examine underlying price signals from 58 markets on page 3.



	Q2'19 Volume				RCA CPPI		Price Averages		
	\$b	YOY Chg	#Props	YOY Chg	1-qtr Chg	1-yr Chg	\$/sf	Cap Rate	YOY Chg (bps)
Retail Total	14.6	-32%	1,521	-6%	0.3%	1.6%	177	6.7%	13
Centers	7.2	-54%	558	-20%	0.6%	2.4%	126	7.3%	23
Shops	7.4	26%	963	5%	0.4%	-0.2%	305	6.1%	18
6 Major Metro	4.6	-53%	398	-11%	0.0%	0.4%	296	5.8%	8
Non-Major Metro	10.0	-15%	1,123	-4%	0.5%	1.6%	145	7.0%	15

Pricing metrics are quarterly

Identifying Underlying Cap Rate Signals

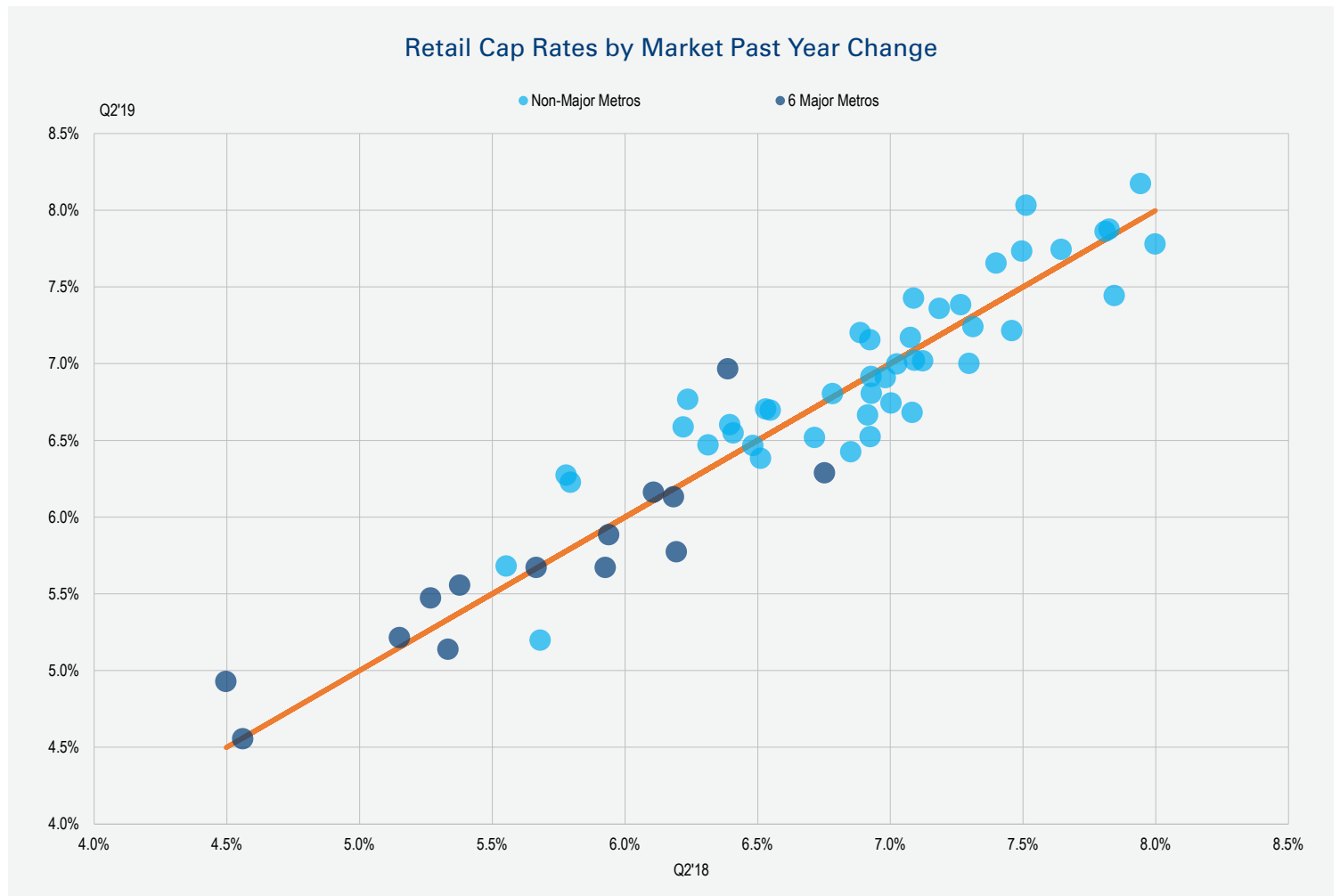
Interpreting trends in cap rates can sometimes be more art than science given changes in the composition of what sells each period. If more deals are seen in markets that are typically inexpensive, or more deals are seen for assets that are older, cap rates might seem to be creeping upward.

To account for such issues, we have introduced a new tool to control for the quality differences across each cap rate observation in our sample. Documentation on this RCA Hedonic Series tool is available here and on the RCA website. What matters here is that we now have a way of interpreting cap rate trends across markets more scientifically than artistically.

Looking at retail trends across markets for using this RCA HS cap rate measure, the more expensive markets tended to see cap rate expansion over the last year. Each dot

represents one of 58 unique markets across the U.S. and any dot above the line is a market where cap rates were higher in Q2'19 than in Q2'18. Any market that is part of one of the mostly coastal 6 Major Metros (6MM) is shown with a darker blue dot.

In 30 out of the 58 markets analyzed, cap rates fell over the last year for the retail sector. One pattern that was evident is that this compression was more pronounced in the markets of the 6 Major Metros. Retail cap rates compressed in seven out of 14 markets within these areas, which are areas that typically have better trends in personal income than the rest of the country.



Top Markets

Despite posting a 2% YOY decline in sales activity, Manhattan retook the #1 position in the activity rankings of all markets for the first half of 2019.

Manhattan overtook Los Angeles in part because Los Angeles received an artificial boost in deal activity in 2018 from the big entity-level transactions completed in the retail sector. Granted, both markets had investment activity in 2018 tied to the entity-level deals, but Los Angeles was more dependent on that volume.

The leading climber on this ranking was Westchester. As it happens, Westchester was also the leading climber on

the leaderboard for the industrial sector for the first half of 2019. This growth on both sets of rankings was simply a coincidence and not a sudden move by investors to choose Westchester. One large shopping center sold in Port Chester in February and this drove most of the deal volume for the year to date.

Both San Francisco and San Jose moved up 11 spots in the rankings relative to their positions for 2018 overall. The deal volume in each of these markets of the San Francisco Bay region were driven by individual asset sales, with little exposure to portfolios.

Most Active Retail Markets H1'19

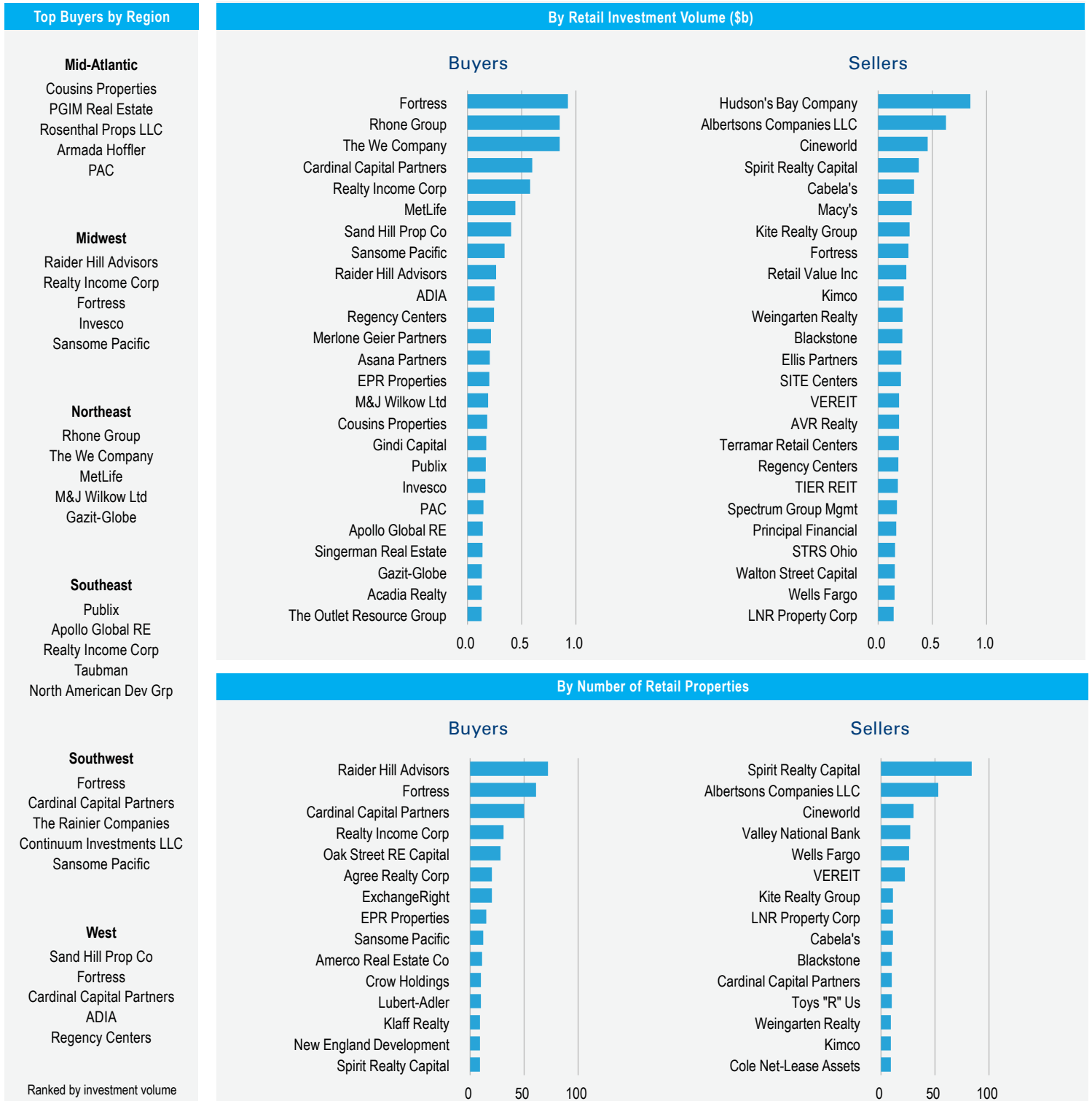
2014	2018	H1'19	Market	Sales Volume (\$m)	YOY
1	2	1	Manhattan	1,983	-2%
2	1	2	Los Angeles	1,302	-67%
4	5	3	Dallas	1,170	13%
3	4	4	Chicago	1,076	-31%
20	7	5	San Diego	593	-53%
5	8	6	NYC Boroughs	589	-36%
11	9	7	Seattle	581	-39%
6	6	8	Atlanta	561	-26%
16	13	9	Las Vegas	523	46%
29	21	10	San Jose	516	-34%
26	22	11	San Francisco	505	43%
9	3	12	Houston	483	-42%
8	14	13	Phoenix	465	-31%
17	17	14	Boston	453	107%
7	16	15	Miami/Dade Co	435	14%
25	30	16	Orlando	419	22%
10	12	17	Inland Empire	401	-22%
19	38	18	Palm Beach Co	385	38%
33	28	19	Orange Co	370	-30%
28	33	20	Portland	365	73%
37	20	21	DC MD burbs	356	-57%
46	59	22	Westchester	341	112%
23	10	23	No NJ	339	-62%
18	15	24	Denver	327	-56%
32	41	25	Austin	321	-2%

Markets in orange denote record high H1 volume in H1'19

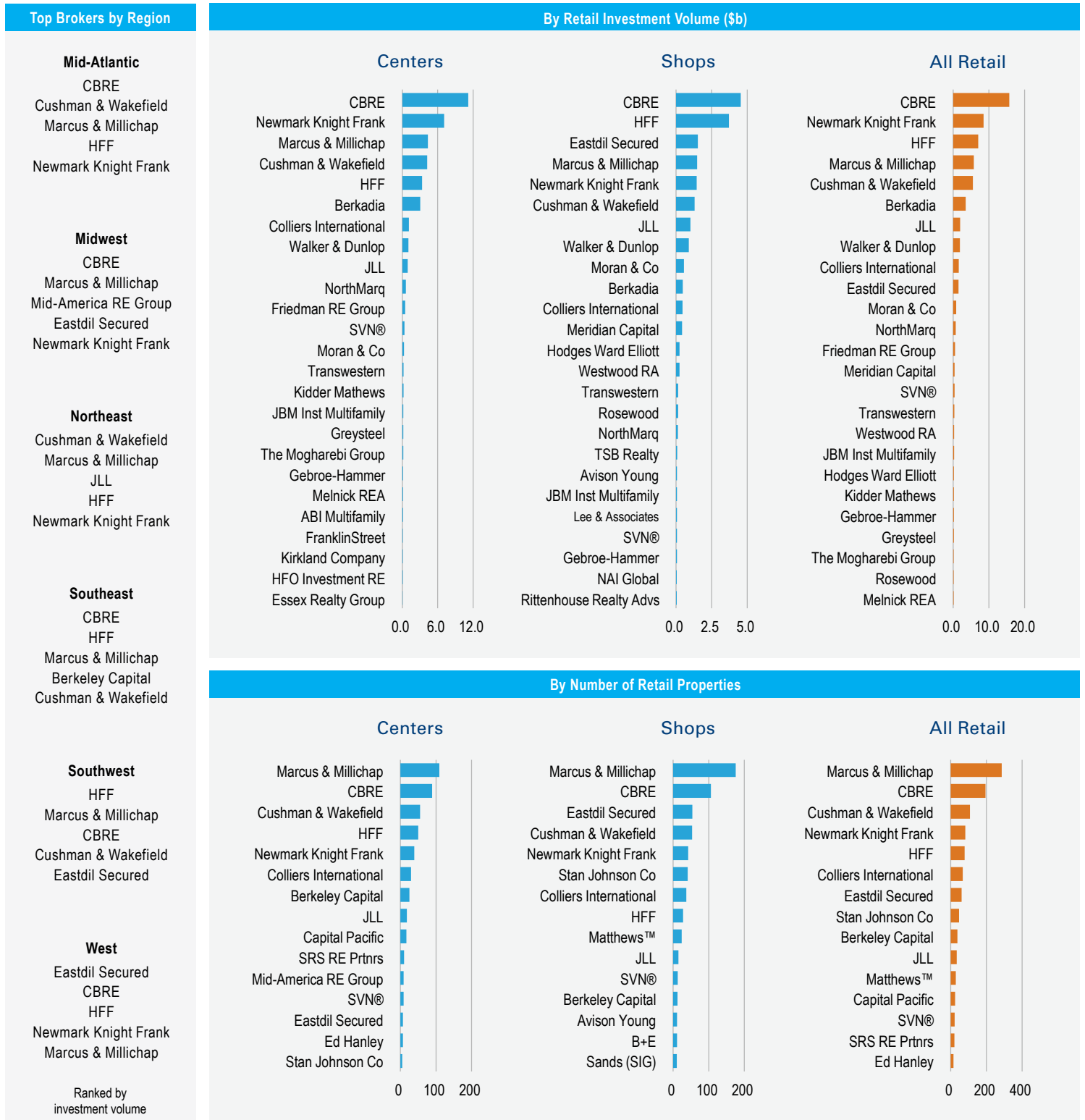
Market Table | All Retail

All Retail Transactions Reported Closed		Volume				Pricing					
H1'19		Vol (\$m)	YOY Change	# Props	YOY Change	Price Per Sq Ft			Cap Rate		
						Low	Avg	High	Low	Avg	High
Mid-Atlantic	Baltimore	224.3	-21%	21	24%	31	196	1,178	6.5%	7.0%	7.5%
	DC	73.9	44%	13	44%	244	500	1,729			
	DC MD burbs	355.8	-57%	16	-30%	75	301	1,226	4.8%	6.0%	7.7%
	DC VA burbs		-56%	16	-47%	85	242	2,301	4.7%	5.8%	6.5%
	Philadelphia	317.9	71%	23	0%	33	243	1,768	4.6%	5.9%	7.7%
	Pittsburgh	43.8	-76%	8	-56%	66	172	622	6.0%	6.9%	7.9%
	Richmond/Norfolk	365.2	45%	27	0%	25	136	886	6.0%	7.5%	9.6%
	Tertiary Mid-Atlantic	477.9	23%	61	15%	25	125	496	5.0%	7.3%	9.7%
	Total	2,081.2	-22%	185	-8%	25	184	2,301	4.6%	6.8%	9.7%
Midwest	Chicago	1,075.5	-31%	110	-8%	2	155	5,200	5.2%	6.9%	8.6%
	Cincinnati	43.0	-61%	10	-44%	36	128	770	7.9%	8.2%	8.5%
	Cleveland	50.2	-78%	9	-59%	68	132	527	6.1%	6.5%	6.9%
	Columbus	78.9	-42%	16	-16%	16	116	592	5.7%	7.4%	8.4%
	Detroit	209.8	-24%	29	-34%	18	107	1,111	5.5%	7.6%	9.3%
	Indianapolis	130.2	-24%	18	-28%	68	205	558	6.6%	7.7%	9.7%
	Kansas City	222.7	22%	25	0%	42	152	534	6.5%	7.5%	8.0%
	Minneapolis	256.9	23%	36	13%	56	181	1,361	5.1%	6.9%	8.9%
	St Louis	149.2	-17%	19	-24%	54	121	346			
	Tertiary Midwest	1,809.4	34%	279	45%	12	88	1,144	5.4%	7.4%	10.7%
Total	4,025.7	-9%	551	6%	2	118	5,200	5.1%	7.3%	10.7%	
Northeast	Boston	452.8	107%	31	-21%	80	387	2,919	4.1%	5.5%	7.3%
	Hartford	41.1	-22%	5	-38%	50	88	162			
	Long Island	95.5	-89%	18	-42%	92	291	1,509			
	Manhattan	1,982.5	-2%	63	-13%	350	1,501	13,403	3.8%	4.8%	6.4%
	No NJ	338.7	-62%	48	-14%	54	171	1,429	4.4%	5.9%	7.5%
	NYC Boroughs	588.9	-36%	90	-24%	203	598	7,143	4.0%	4.8%	5.6%
	Stamford	38.6	-89%	6	20%	206	395	782	6.9%	7.0%	7.2%
	Westchester	341.3	112%	21	5%	62	235	524	4.5%	5.7%	7.2%
	Tertiary Northeast	575.3	-34%	59	-24%	6	87	887	5.0%	6.9%	10.6%
	Total	4,514.1	-28%	361	-15%	6	314	13,403	3.8%	5.7%	10.6%
Southeast	Atlanta	560.7	-26%	65	-22%	28	185	1,611	5.1%	6.8%	8.6%
	Broward	241.2	-43%	21	-34%	77	230	749	6.3%	7.4%	8.5%
	Charlotte	281.7	98%	40	48%	37	189	570	5.0%	6.5%	8.2%
	Jacksonville	220.4	60%	27	59%	25	129	5,246	5.9%	6.8%	9.0%
	Memphis	64.2	18%	16	78%	54	143	534			
	Miami	435.3	14%	35	-20%	98	404	2,202	4.7%	5.7%	7.0%
	Nashville	198.6	-49%	19	-39%	26	166	938	5.2%	6.2%	7.2%
	Orlando	419.5	22%	45	-4%	58	178	1,192	5.2%	6.2%	8.1%
	Palm Beach	385.4	38%	24	9%	45	195	735	6.0%	6.6%	7.3%
	Raleigh/Durham	304.2	130%	29	53%	44	131	841	5.5%	6.9%	9.5%
	Tampa	252.6	-64%	35	-15%	33	153	1,574	5.5%	6.6%	7.5%
	Tertiary Southeast	1,851.7	-28%	250	-19%	22	145	1,461	4.1%	7.2%	9.6%
	Total	5,215.3	-18%	606	-11%	22	167	5,246	4.1%	6.9%	9.6%
Southwest	Austin	321.0	-2%	28	-26%	158	251	880	5.9%	6.6%	7.3%
	Dallas	1,169.8	13%	102	-18%	42	224	883	5.3%	6.6%	8.7%
	Denver	327.1	-56%	44	-32%	35	200	2,290	5.4%	7.2%	8.9%
	Houston	482.5	-42%	64	-37%	90	189	2,068	6.3%	7.3%	8.6%
	Phoenix	464.6	-31%	59	-17%	20	230	1,311	5.1%	6.2%	8.1%
	San Antonio	227.9	11%	28	-10%	105	186	1,059	5.6%	7.1%	8.9%
	Tertiary Southwest	993.7	6%	131	5%	17	155	1,606	5.4%	7.1%	9.7%
	Total	3,986.8	-16%	456	-18%	17	193	2,290	5.1%	6.9%	9.7%
West	East Bay	213.0	-32%	25	-40%	92	264	978	5.0%	5.8%	7.9%
	Inland Empire	400.9	-22%	52	11%	54	198	842	5.1%	6.0%	7.4%
	Las Vegas	522.5	46%	35	0%	29	243	1,278	4.7%	6.3%	8.2%
	Los Angeles	1,302.4	-67%	144	-9%	80	456	4,762	4.3%	5.1%	6.3%
	Orange Co	369.7	-30%	44	-10%	136	330	2,336	4.4%	5.4%	7.0%
	Portland	364.5	73%	26	4%	44	237	649			
	Sacramento	201.2	-60%	30	-19%	67	174	1,300	6.1%	6.6%	7.0%
	Salt Lake City	191.5	-28%	21	11%	67	111	589	6.6%	6.8%	7.0%
	San Diego	593.3	-53%	40	-17%	42	301	1,282	3.8%	5.5%	6.7%
	San Francisco	504.6	43%	26	-4%	191	818	2,440	4.4%	4.7%	4.9%
	San Jose	515.8	-34%	22	-27%	247	502	1,875			
	Seattle	580.8	-39%	59	-11%	28	357	2,882	2.3%	5.9%	9.1%
	Tertiary West	1,361.1	-20%	156	-5%	39	203	2,202	4.4%	6.3%	8.4%
Total	7,121.5	-39%	680	-9%	28	287	4,762	2.3%	5.8%	9.1%	
Total	Total US	26,976.3	-25%	2,842	-9%	2	204	13,403	2.3%	6.6%	10.7%

Top Buyers and Sellers | H1'19



Top Brokers | H1'19



Methodology: Full credit assigned to each broker when multiple brokers involved. For partial-interest, volume is based on the pro-rated share of the total property or portfolio value. Based on sell-side representation. The transaction volume of brokerage firms that have merged are left unconsolidated before the merger date and are attributed to the surviving or newly formed company after the merger date. For more information please visit the RCA website.

Top Deals | H1'19

Property Sales

Property	Location	Size	Type	Volume (\$m) ^Δ	\$/unit	Buyer	Seller
1 Lord & Taylor	New York, NY	667,350 sq ft	RET	850.0	1,274	Rhone Group JV The We Company	Hudson's Bay Company
2 I. Magnin	San Francisco, CA	250,000 sq ft	RET	250.0	1,000	Sand Hill Prop Co JV ADIA	Macy's
3 Pruneyard Shopping Center	Campbell, CA	251,255 sq ft	RET	- *	-	Regency Centers	Ellis Partners JV Fortress
4 Port Chester Shopping Cntr	Port Chester, NY	524,479 sq ft	RET	191.0	364	MetLife JV M&J Wilkow Ltd	AVR Realty JV Depa USA
5 3743 South Las Vegas Blvd	Las Vegas, NV	220,260 sq ft	RET	172.3	782	Gindi Capital	Spectrum Group Mgmt
6 The Village at Cascade Station	Portland, OR	392,821 sq ft	RET	156.8	399	MetLife	Principal Financial
7 Clairemont Town Square	San Diego, CA	513,444 sq ft	RET	150.0	292	Merlone Geier Partners	STRS Ohio
8 El Paseo de Saratoga	San Jose, CA	340,979 sq ft	RET	146.6	430	Sand Hill Prop Co	Terramar Retail Centers
9 Gardens Mall	Palm Beach Gdns, FL	1,548,053 sq ft	RET	- *	-	Taubman	Maurice Cohen
10 600 106th Avenue Northeast	Bellevue, WA	40,245 sq ft	RET	116.0	2,882	Onni Group	Sterling Realty
11 Whole Foods	Pasadena, CA	76,770 sq ft	RET	105.0	1,368	Kutzer Co	Mark Ittah Trust
12 One Bellevue Place	Nashville, TN	363,181 sq ft	RET	92.8	256	MetLife	Crosland Southeast JV Branch Props
13 Queens' MarketPlace	Puako, HI	161,093 sq ft	RET	90.0	559	Alexander & Baldwin	Waikoloa Dev Co JV Seligman & Assoc
14 Potomac Promenade	Potomac, MD	90,505 sq ft	RET	86.0	950	Sarofim Realty Advisors	TIAA
15 Meadow Glen Mall	Medford, MA	291,860 sq ft	RET	85.7	294	DWS Group Americas	New England Dev Urban Retail Props
16 Del Sol Boston	Boston, MA	61,524 sq ft	RET	81.8	1,330	Gazit-Globe	Anglo Irish Bank Corp JV Clarendon
17 106 Spring Street	New York, NY	5,980 sq ft	RET	80.2	13,403	SL Green	Carlyle Group JV 60 Guilders
18 711 Madison Avenue	New York, NY	10,035 sq ft	RET	75.7	7,544	Safra Group	Ashkenazy Acqns JV Sitt Asset Mgmt
19 Chrysler Building	New York, NY	28,593 sq ft	RET	75.5	2,641	Signa Group JV RFR Realty	Tishman Speyer
20 Latham Farms	Latham, NY	650,000 sq ft	RET	73.7	113	The Davis Cos JV Flaum Mgmt Co Inc	Kimco
21 Free State	Bowie, MD	279,000 sq ft	RET	72.0	258	PAC	Federal Realty
22 Wade Park Shopping Center	Frisco, TX	600,000 sq ft	RET	-	-	Gamma RE Capital	Thomas Enterprises
23 Doral Plaza	Doral, FL	128,255 sq ft	RET	70.0	546	Publix	Blackstone
24 Shadow Mountain Marketplace	Las Vegas, NV	200,703 sq ft	RET	67.3	335	Anupam Patel	Wynmark Co
25 Graff Diamonds	New York, NY	14,000 sq ft	RET	66.5	4,750	710 Madison Estate NY Inc	ASG Equities JV Tribeca Holdings

Portfolio Sales

Buyer	Seller	Location	# Props	Type	Volume (\$m) ^Δ
1 Fortress JV Cardinal Capital Partners	Albertsons Companies LLC	Multiple, USA	50	RET	597.4
2 Sansome Pacific JV Fortress	Cabela's	Multiple, USA	11	RET	324.2
3 Realty Income Corp	Cineworld	Multiple, USA	17	RET	286.5
4 Raider Hill Advisors	Spirit Realty Capital	Multiple, USA	72	RET	263.1
5 Cousins Properties	TIER REIT	Multiple, USA	1	RET	-
6 EPR Properties	Cineworld	Multiple, USA	13	RET	142.1
7 Apollo Global RE	Kitson & Partners	Multiple, FL	8	RET	136.0
8 Singerman RE JV The Outlet Resource Group	Tanger Factory Outlet	Multiple, USA	4	RET	130.5
9 Rosenthal Props LLC JV PGIM RE	Marchetti Properties	Richmond	5	RET	125.0
10 Asana Partners	Estein & Associates	Dallas, TX	1	RET	-

^Δ When prices are not known, estimated prices are used in the ranking but are not shown. Volume is adjusted pro-rata for partial interests although \$/unit reflects 100% valuation.

* Partial interest ** Forward sale

The number of buyers or sellers shown on a deal is truncated to two. For full deal and player information go to the RCA website.

Selected Recent Transactions



Homestead Pavilion, Homestead, FL



University Plaza, Flagstaff, AZ

Property Name Address Location	SF Year Built Notes	Price \$/sf Qualifier	O Owner/Buyer S Seller ↔ Broker
Mid-Atlantic			
Nottingham Commons 5201 Campbell Blvd Rosedale, MD	131,270 2016 Centers	\$56,050,000 \$427 approximate	O Frankel Properties LLC from S Weingarten Realty by ↔ HFF
Manoport Plaza 8305-8343 Sudley Rd Manassas, VA	249,547 1970 Centers	\$29,780,000 \$119 confirmed	O Finmarc Management from S Combined Properties by ↔ Newmark Knight Frank
Midwest			
Apple Store 401 N Michigan AVE Chicago, IL	20,000 2017 Shops	\$78,500,000 \$3,925 confirmed	O Invesco from S Walton Street Capital by ↔ Eastdil Secured
Water Tower Place 3920 University Ave West Des Moines, IA	143,682 2004 Centers	\$51,196,000 \$356 confirmed	O Loja Group LLC from S Buyers Realty by ↔ Pegasus Investments
Northeast			
Latham Farms 579 Troy Schenectady Rd Latham, NY	650,000 2016 Centers	\$73,700,000 \$113 confirmed	O The Davis Cos JV Flaum Management Co Inc from S Kimco by ↔ Newmark Knight Frank
Macy's Galleria 100 Main St White Plains, NY	328,599 1978 Shops	\$27,000,000 \$82 confirmed	O Pacific Retail Capital Partners from S Macy's
Southeast			
Doral Plaza 9705 NW 41st St Doral, FL	128,255 1987 Centers	\$69,975,000 \$546 confirmed	O Publix from S Blackstone by ↔ Cushman & Wakefield
Homestead Pavilion 2457 NE 10 Ct Homestead, FL	317,270 2008 Centers	\$62,250,000 \$196 confirmed	O MMG Equity Partners JV Highline Real Estate Capital JV Lubert-Adler JV Colliers International from S Retail Value Inc by ↔ CBRE
Publix Supermarket 5001 34th St S Saint Petersburg, FL	54,244 2016 Shops	\$25,600,000 \$472 confirmed	O Publix from S Brixmor by ↔ CBRE
Southwest			
University Plaza 1107 -1300 S Plz Way Flagstaff, AZ	165,882 1982 Centers	\$27,500,000 \$166 confirmed	O Vestar Development from S VREIT by ↔ Cushman & Wakefield
Laveen Village Marketplace 5130 W Baseline Rd Phoenix, AZ	39,763 2004 Centers	\$16,500,000 \$415 confirmed	O Crow Holdings from S Weingarten Realty by ↔ Cushman & Wakefield
West			
Simi Valley Town Center 1555 Simi Town Center Way Simi Valley, CA	365,123 2005 Shops	\$27,500,000 \$75 approximate	O Bayside Capital from S Walton Street Capital JV Alberta Dev Partners
Poway Crossings 12622 Poway Rd Poway, CA	109,455 1988 Centers	\$27,000,000 \$247 confirmed	O Sterling Organization from S Greenstreet Partners by ↔ HFF

Jim Costello, Senior Vice President [Contact](#)

Robert M. White, Jr., Founder & President

Alexis Maltin, Senior Manager, Analytics

Wyatt Avery, Senior Analyst

Willem Vlaming, Senior Analyst

Haley Crimmins, Senior Analyst

Michael Savino, Analyst

Shane Omundsen, Analyst

Aamash Haroon, Analyst

Matthew Benz, Analyst

About Real Capital Analytics

Real Capital Analytics (RCA) is the authority on the deals, the players and the trends that drive the commercial real estate investment markets. Covering all markets globally, RCA delivers timely and reliable data with unique insight into market participants, pricing and capital flows. The most active investors, lenders and advisors depend on RCA's market intelligence to formulate strategy and to source, underwrite and execute deals. An industry pioneer since 2000, RCA has offices in New York, San Jose, London and Singapore. For more information, visit: rcanalytics.com

About Capital Trends

Capital Trends reports analyze and interpret trends in the global real estate market using RCA's comprehensive data. US Capital Trends is a monthly edition comprising an overview of the U.S. market and separate reports on the five main property types. Asia Pacific, Europe and Global Capital Trends are published quarterly.

Methodology

Data based on properties and portfolios \$2.5m and greater unless otherwise stated. For RCA Hedonic Series methodology [click here](#).

For the most current data and even more options for analysis, visit: rcanalytics.com