Resurgence of Retail

Cyclical Factors

- Spending has returned, and for some sectors surpassed, pre-COVID levels, but not all retail sectors have recovered.
- Urban retail will continue to suffer more than suburban shopping until daytime workers return to offices, and tourism levels return to normal.
- Retail sales reached a new peak in May of this year, bolstered by the combination of robust savings during the pandemic and pent up demand

Retail sales have exceeded expectations and are poised to set 2021 records from pent up demand

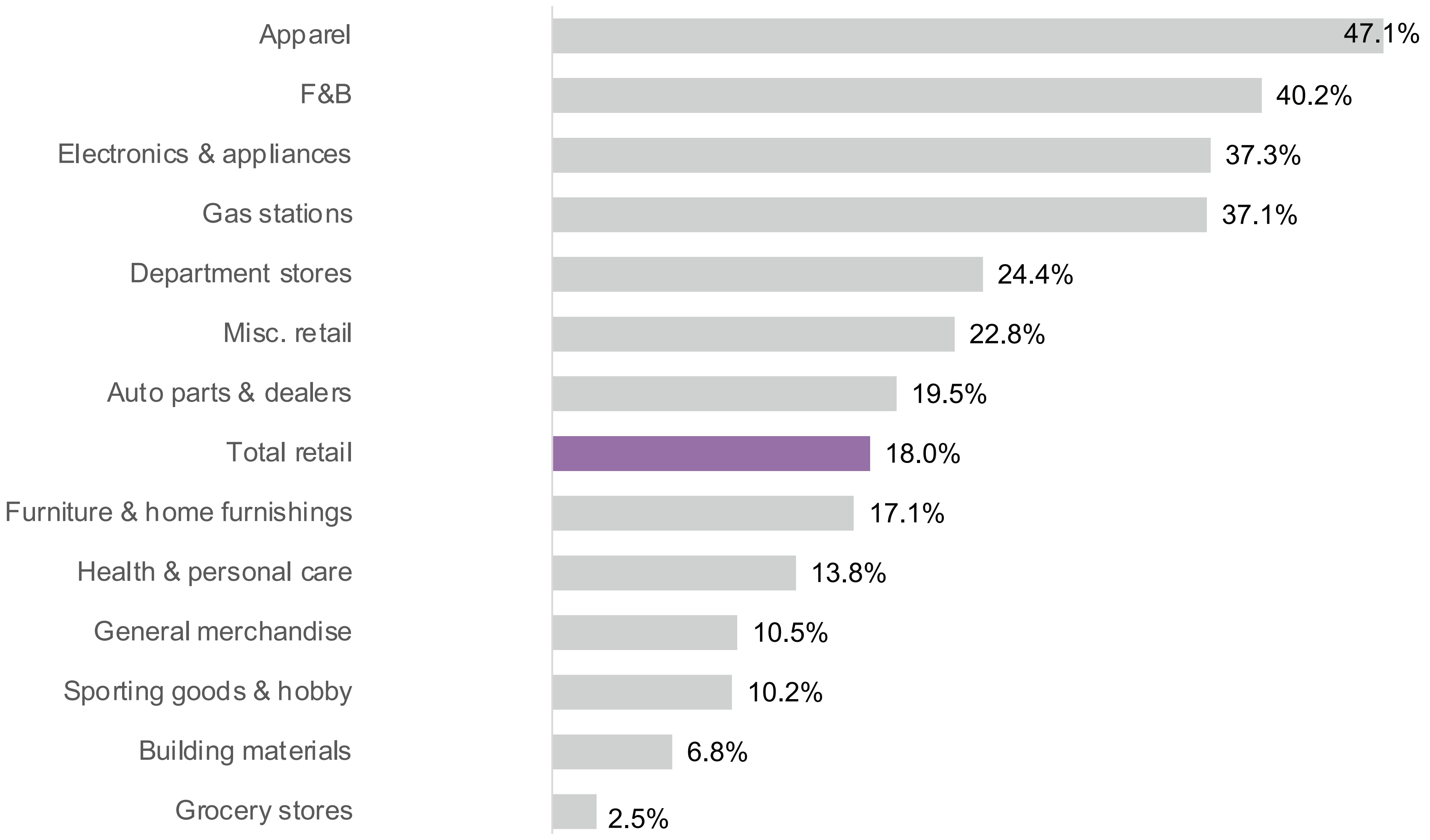
- Retail sales dipped slightly in June after reaching a new peak in May of $641M
- The uptick in vaccinations, relaxed retail restrictions, warmer weather and stimulus checks all contributed to the observed uptick.
- The National Retail Federation raised its outlook for the year and predicts that retail sales will grow between 10.5% and 13.5% in 2021.

Source: US Census

Retail sales remained static M-o-M in June, but most sectors continue to see huge gains from 2020

- Two of the hardest hit sectors during the pandemic – apparel and F&B – continue to see significant growth as municipal restrictions are relaxed.
- Pent up demand for restaurant experiences has contributed to a 40.2% increase in food & beverage spending.
- All retail categories outside of grocery are seeing outsized gains compared to April 2020, when lockdowns were at the strictest.

Year-over-year % change in spending as of June 2021

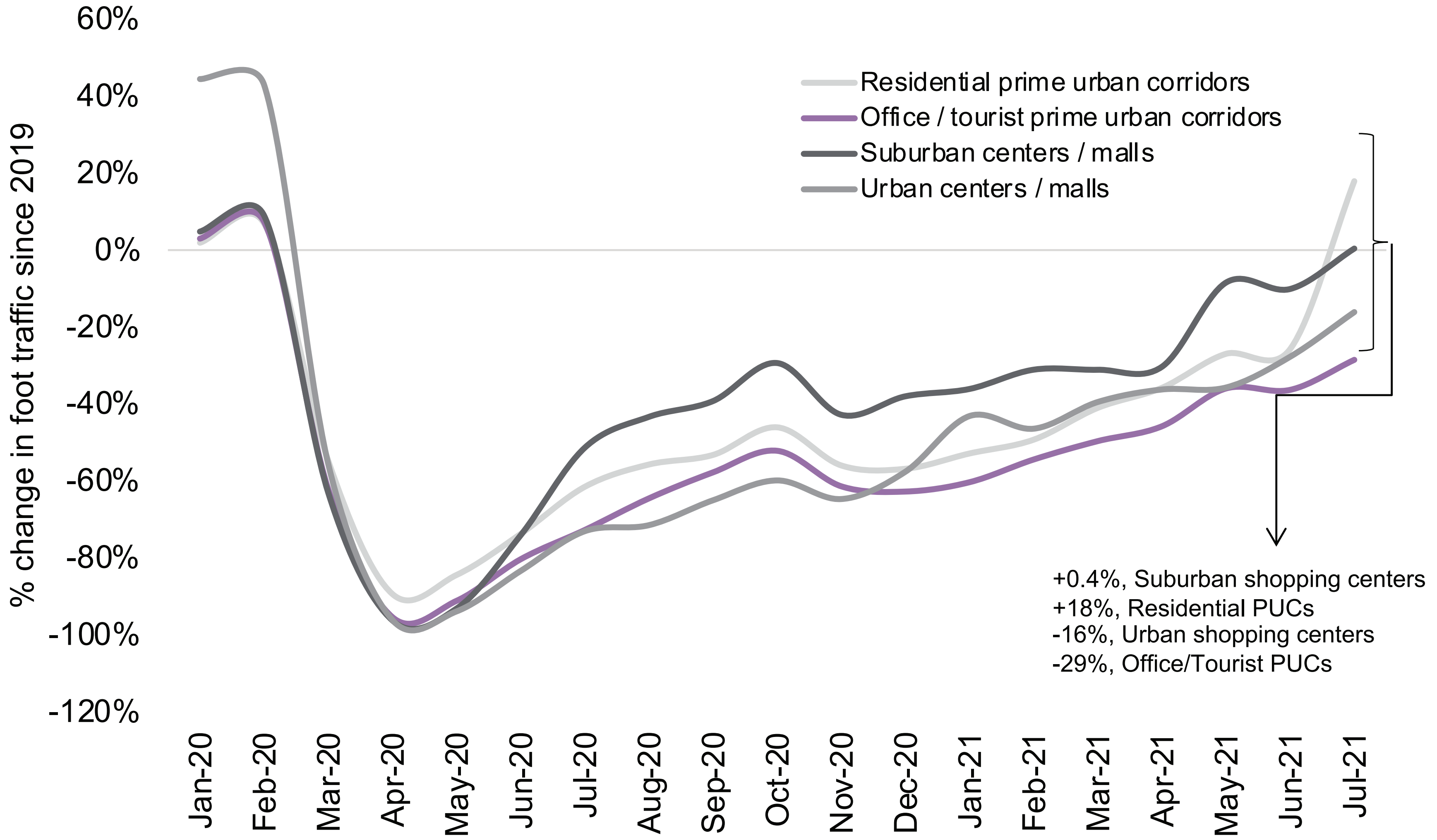


Source: JLL Research, US Census

Residential shopping districts in cities have returned or surpassed previous volume, while CBD shopping districts have yet to fully recover

- Suburban shopping centers and prime urban corridors located near residential neighborhoods have seen foot traffic return to pre-pandemic levels.
- Residential prime urban corridors have seen the greatest recovery, with foot traffic having now exceeded pre-pandemic levels by 18% on average.
- Demand will eventually return for central business district retail, but flexible work-from-home policies through 2021 will mean few daytime workers to spend at retailers that survive on office density.

Shopping center foot traffic exceeds pre-pandemic levels in some cases



Select shopping centers were chosen to represent

Source: JLL Research, Placer.ai

Center City shopping corridors have recovered more pedestrian traffic than some other major shopping destinations including Fifth Avenue, Michigan Avenue, Downtown Crossing

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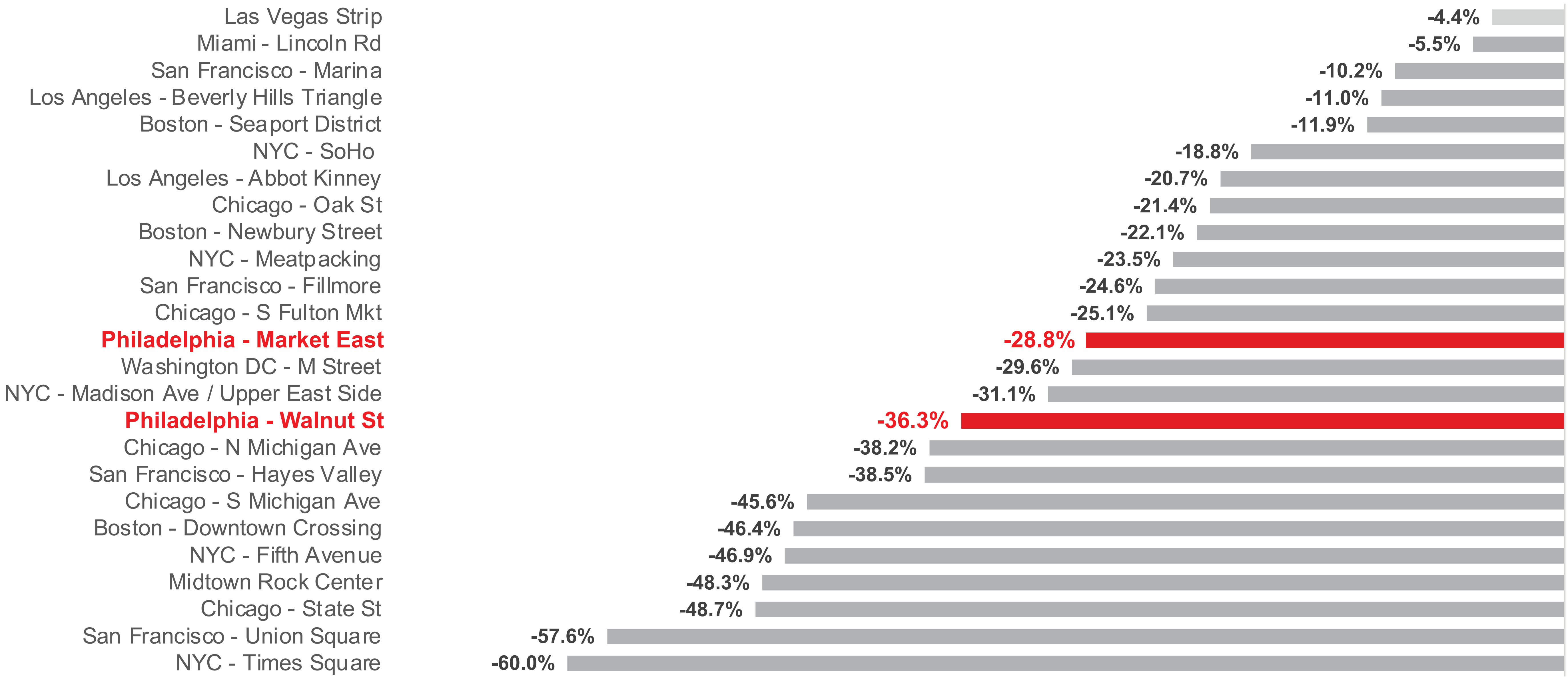
Prime Urban Corridors foot traffic (change from June 2019 to June 2021)

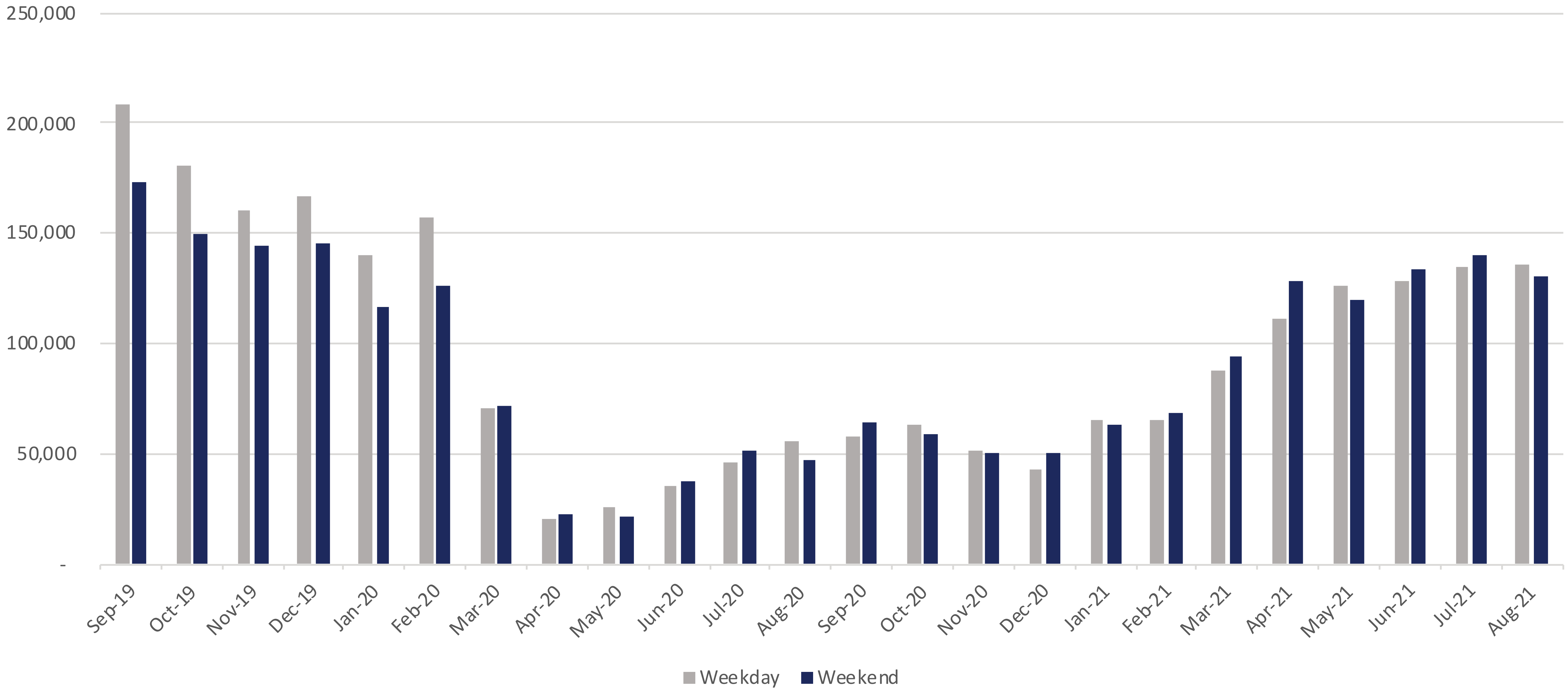


Source: JLL Strategic Consulting Group survey of Fortune 500 office users, WSJ

Grocers continue to bet big on the CBD's growing population. 15 supermarkets have opened in the last five years, with half a dozen more on the way in 2022-2023.

Grocers are betting big on Philadelphia's continued role as a residential destination of choice within the broader region for moderate and high-income households.

Average Center City Daily Pedestrians, Weekday & Weekend



Source: Center City District, pedestrian volume counters

Newly Opened and Coming Soon Retailers

Brewery

- Meyers Brewing Co.
- Victory Brewery Company
- Source Farmhouse Brewery
- Other Half Brewing Co.
- Brewery ARS
- Misconduct Tavern
- Uptown Beer Garden
- Lawn at Loveluck
- Sunset Social

Casual Full-Service

- Sabrina's Café
- Top Tomato
- LMNO
- Rex 1516
- Kalaya Thai Kitchen
- Hook & Master
- El Chingon
- La Chinesca
- Coney Shack
- Eeva
- Huff & Puff BBQ
- Ember & Ash
- Gabriella's Seafood & Steak
- Saigon Quy-Bau

Fast Casual

- &Pizza
- Honeygrow
- Farina Pasta & Noodle
- Federal Donuts
- Goldie
- Middle Child Clubhouse
- Primary Plant Based
- Fudena
- Juana Tamale
- South Philly Barbacoa
- Ma Lessie's Chicken & Waffles
- Taco & Ramen
- Suya Suya West African Grill
- Salam Café

Fine Dining

- Schulson – Two Restaurants
- Dolce Italian
- Wilder
- Sor Ynez

Sweets

- Sugar Factory American Brasserie
- Jeni's Splendid Ice Cream
- Van Leeuwen Ice Cream
- Sprinkled Sweetness
- Float Dreamery
- Reanimator
- Korshak Bagels

Retailers

- For Eyes
- Primark
- Taft
- Philadelphia Runner
- Shoppers World
- Mitchell & Ness

CBD

- CBD Kratom
- Sunnyside

Where do we go from here?

Structural Factors

Retail of the future will have:

- Less overall selling space
- Fewer mid-priced retailers
- Tech-driven convenient shopping
- And impressive high-impact experiential retail hubs

Key Structural Considerations

Theme	Potential impact
A world of retailer have and have-nots	• Essential retailers including grocery stores, mass merchandisers, home improvement stores and quickservice-restaurants have seen significant sales increases during the pandemic and will continue to outperform other retail sectors • Retailers unable to operate at full capacity like dine-in restaurants, gyms and theaters will struggle to remain in business • Mid-priced retailers, specifically mid-priced apparel and department stores, will struggle to stay relevant as consumers emerge from the pandemic with tighter budgets looking for value.
Less retail space	• Increased bankruptcies from COVID-19 will expedite closures and leave large vacancies across the country, particularly in B and C malls. Much of this space will not be re-tenanted and will either be demolished or repurposed for other uses.
Growth of e-commerce	• E-commerce sales had been growing steadily over the past decade, but the pandemic will have accelerated that growth.
Shoppers demand convenience and reliable omnichannel options	• Buy online, pick-up in store and curbside pick-up will be a requirement for many retailers as shoppers have become accustomed to convenience during the pandemic • Real estate with drive-thru capabilities will be in demand from quick-service restaurants • Retailers will incorporate more technology into the shopping experience for customers and will utilize new software for back-of-house operations to improve efficiencies.
Entertainment will make a comeback	• Prior to the pandemic, entertainment was one of the top uses for retail space as consumers prioritized experience over material goods, especially younger generations • When people feel comfortable socializing again, demand for entertainment will return. More than ever, people will value time spent with family and friends and will seek out these experiences.

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