Retail REITs Roundtable Meeting

Thursday, April 2nd
9:30am – 10:45am
JW Marriot Desert Ridge Resort & Spa
Phoenix, AZ

Discussion Leads:
Robert McCadden, EVP & CFO, Pennsylvania REIT
Jeff Curry, Chief Legal Officer, CBL & Associates Properties, Inc.
Farzana Mitchell, EVP, CFO & Treasurer, CBL & Associates Properties, Inc.

REITWISE ROUNDTABLE: RETAIL REITS

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Shopper Experience

- Wi-Fi
- Mobile App (android and iPhone)
- Web sites
- Loyalty program
- Digital Contests
- Beacons
- Traffic counting (camera or censors)
- Shopper Analytics (wifi, credit card data, beacon, Traffic counting)
- Social Media listening and engagement – Products (HootSuite, Salesforce, Adobe)
- Car charging stations
- Parking digital signage to display available spaces or notifications
- Digital Signage – Focus on content management
- Wayfinding

Evolution of Enclosed Malls

What Will the Industry Look Like in Ten Years?

- View of Millennials, Gen X'ers, Baby Boomers
- Urbanization of suburbs
- Residential mixed with retail

Smart Buildings

- Centralized or decentralized management
- Building Automation Systems
    - Smart Meters
    - Lighting Controls
    - Energy Management System (Triduum)
- Analytic Platform
- Demand Response
- Energy Procurement

Enterprise Systems and Tools

- DealFlow/CRM – (Salesforce, Oracle, Microsoft, Custom)
- Mapping Tools (Google, Bing, ect)
- Virtual Tours (Oculus Rift, Microsoft HoloLens, Googleglass)
- ERP – (JD Edwards, Oracle, MRI, Yardi, SAP)
- Business Intelligence/Reporting (SAP, Microsoft, IBM Cognos, Oracle Hyperion)
- Intranet – How is it used?
- Mobile Devices
    - Management Tools
    - Bring your own device policy
    - Custom applications
- Data retention policies
- Accounts Payable automation and T&E

Budgeting & Forecasting

- Budget process start and end dates
- Top down, bottoms up or combination of approaches
- "Who makes the call" – leasing, operations, asset management?
- When is the final budget "final"
- Budget systems
    - Argus
    - Excel
    - Enterprise systems – JDE AREF
    - Others
- Use of scenario planning models – optimistic vs. worst case?
- What works and what doesn't
- Frequency of forecasting

Compensation

- Compensation philosophy
- Incentive compensation
    - Mix of performance-based vs. discretionary
    - Metrics used for incentive compensation
    - How deep in the organization
    - Impact of post budget developments – unusual level of tenant bankruptcies, etc.
- Leasing rep compensation
    - Bonus vs. commissions
    - Key metrics used for bonus based comp

Operating Metrics

- Difficulty of comparing performance across organizations
    - Leased vs. occupied
    - Renewal spreads
    - Same Store NOI
    - Sales reporting
    - Others

1. They are the largest buying group in America.

2. In 2015 they're between the ages of 51 – 69 (Born between 1946 and 1964)

3. Boomers today have $2.4 trillion in income

4. By 2018, 50% of America's population will be over age 50.

5. By 2018 they will control 70% of the U.S. disposable income

6. They are the "TV Generation" (TV ads still connect with them)

7. They grew up on fast food, disposable diapers, microwaves, dishwashers, and "frozen dinners".

8. Most are 2-income families, with more to spend than their parents or grandparents did.

9. With good health care options, most will work past "normal" retirement ages, thus having even more disposable income.

10. They shop for Customer Service, Ease of Purchase, Flexibility, and High Performance. (Save time, money, and aggravation)

11. You please them by pleasing their children and grandchildren.

12. They still prefer Mail Order Catalogs to peak interest

13. BUT, will shop online for the products they see in catalogs.

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14. They own BIG screen TV's (and don't watch movies and shows on their iPads or phones)

15. They eat out at least 3 times per week.

16. They prefer "oldies" music, and are 33% of the music buying market, but they won't download it. They want CD's.

17. They renovate their kitchens and baths and are the largest buyers of new appliances, paint, cabinets….generally anything that will increase re-sale value of their homes.

18. They PRE-RESEARCH their purchases online at home, vs on their smartphones while at the shopping center or in a store.

19. They are the most physically fit generation ever with golf, tennis, rock climbing, swimming and hiking. They love hobbies like photography, gardening, painting, cooking, and home improvement projects.

20. Boomers represent almost 80% of all "premium" travel, and want to spend time exploring new life experiences.

21. 80% of Boomers own their homes. 25% own second homes.
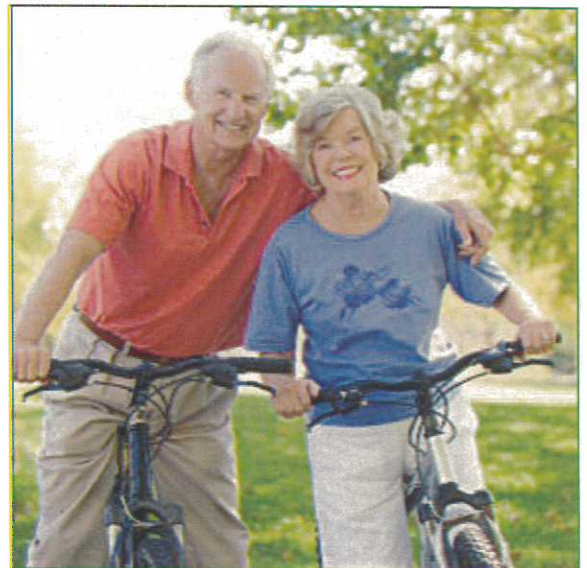
- SO WHAT DOES THIS MEAN FOR OUR SHOPPING CENTERS?

- HOW DO WE RENOVATE, RE-PURPOSE, RE-MERCHANDISE, AND RE-CONNECT WITH THIS DYNAMIC GROUP OF CONSUMERS?

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Millennial Facts

<u>Facts:</u>

- Born in the late 1970's through the early 2000's
- 75-80 million Millennials in the US. This is approximately 24% of the population, which is about the same percentage of the overall as the Baby Boomers.
- Millennials have $2.45 trillion dollars in worldwide spending power.

<u>Characteristics:</u>

- Tolerant of difference.
- Religiously and Politically unaffiliated.
- Follow dreams – act with confidence – some to the point of narcissism.
- Optimistic about the future despite the fact that they will be the first generation in 60 years to be less economically successful than parents.
- Send a lot of TEXT Messages.
- Millennials grew up in a world of technology – computers, internet and social networking.

<u>Technology:</u>

- It is this, above all else that has and is forging a difference between the Millennials as compared to previous generations.

- Different interactions with technology, shopping and physical world is changing the way we need to look at our shopping center.

- The Millennials are MORE likely to listen to their friends and social network than traditional marketing/PR materials.

<u>What are we going to do?:</u>

- **Millennial Meeting** – disciplined in that we will keep meeting and we will not quit if the meeting does not produce immediate success.

- Create and Cultivate Relationship with New Retailers:

  - Millennials are more likely to spend money on fresh fruit and organic foods than luxury goods and soda. Whole Foods, Chipolte, H&M

- Bring Properties up to speed – Wi-Fi Infrastructure; Charging Stations.

- Incubate – We have excellent properties in places like Madison, College Station, Cary, Chattanooga where we can take some chances on different programs aimed at the Millennials.

  - Take some calculated risks on proven local restaurants.

  - Reimagine spaces and uses in food courts, 10 yard line space with things such as virtual walls, soft seating.

Finally, talked about the word **MALL** and how it is limiting term we cannot be bound by as we re-imagine our assets.

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