

RETAIL INDEX

WORKING THROUGH THE CHALLENGES

The retail index is comprised of a broad range of unique properties, so the overall index return may mask a wide range of individual property returns and may not reflect a specific retail strategy. Retail had the lowest total return among the property types in the third quarter, at 1.20%. It was the seventh consecutive quarterly drop in total returns for the property type. The appreciation component also ranked lowest for the quarter at a mere 7 basis points, but exceeded office and hotel for the rolling year.

Regionally, retail returns were highest in the South, which has had the top returns for six of the past eight quarters. The South region is significantly weighted toward property in Texas and Florida, and the region's returns were supported by strong results in Houston, Dallas and Miami. The West region was a close second, only one basis point lower for the quarter and 18 basis points lower for the rolling year. Los Angeles, Denver and Seattle were top performers in the West.

Both the Northeast and Midwest regions had weak quarterly returns, each with negative appreciation components. For the rolling year, these regions were 169-192 basis points lower than the South and West regions. The Midwest is the lowest capitalized region and is heavily weighted to Chicago which had a relatively strong quarter but came in below the overall index for the rolling year. The East region's major metros of Washington, DC, New York and Baltimore all fared poorly. The DC market has been struggling for most property types, and New York retail has now had negative appreciation for three consecutive quarters.

On a subtype basis, quarterly returns ranged from 1.56% for community centers to 0.80% for power centers which also had a negative appreciation component. Returns on regional malls have been on a roller coaster, and this quarter the appreciation component for this subtype was also negative. With the snowballing turmoil hitting anchor tenants, this is certainly understandable. With just over half of the overall retail index market capitalization in regional and superregional malls, returns will be swayed by their results.

While single tenant property returns improved from last quarter this subtype has the worst rolling year performance with a negative appreciation component of 26 basis points.

Looking at the Trends Report, retail NOI growth has been lagging the other property types for three years now with a growth rate of 0.82% over the past four quarters. The third quarter represents the second quarterly decline in NOI growth. On a more positive note, retail vacancy rates dropped to 6.92% in the third quarter. This is the second quarter of improvement after climbing through 2016 and the first quarter of 2017. The current level compares favorably with historical averages, so it appears that quality institutional assets are holding on to critical occupancy during this turbulent time for the retail industry. The turmoil in the retail industry is a challenge but should present opportunities for the better properties.

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RETAIL TOTAL RETURNS

	Total NPI	Total Retail	East	Midwest	South	West
3rd Q 2017	1.70	1.20	1.09	1.12	1.27	1.26
2nd Q 2017	1.75	1.52	1.43	0.86	1.35	1.88
One Year	6.89	6.07	4.92	4.97	6.84	6.66
Three Years	9.83	10.44	9.39	9.19	11.48	10.87
Five Years	10.35	11.52	10.39	10.64	12.56	11.93
Ten Years	6.23	7.83	7.40	7.13	8.18	8.14
Twenty Years	9.60	10.66	10.33	9.22	10.72	11.50

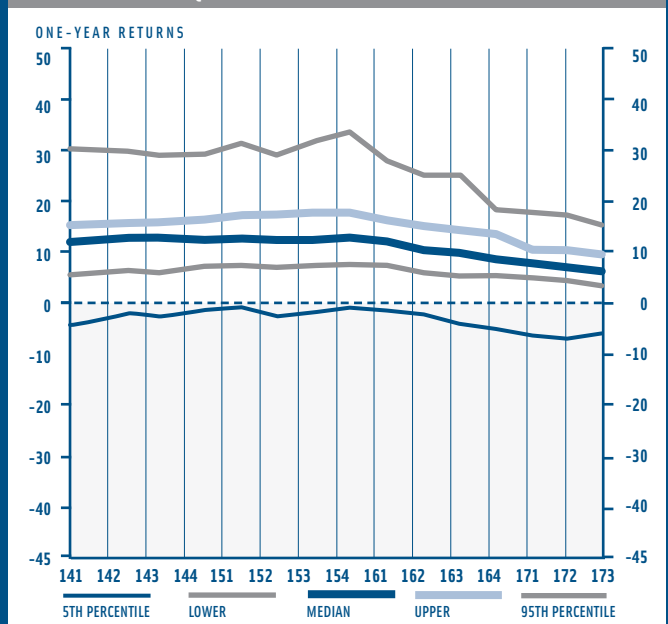
RETAIL INCOME RETURNS

	Total NPI	Total Retail	East	Midwest	South	West
3rd Q 2017	1.14	1.14	1.17	1.16	1.16	1.09
2nd Q 2017	1.16	1.15	1.19	1.16	1.17	1.11
One Year	4.66	4.73	4.82	4.80	4.80	4.60
Three Years	4.86	4.99	5.07	5.11	5.03	4.85
Five Years	5.14	5.33	5.36	5.54	5.46	5.14
Ten Years	5.56	5.87	5.88	6.05	6.02	5.70
Twenty Years	6.66	6.88	6.89	6.98	6.97	6.77

RETAIL APPRECIATION RETURNS

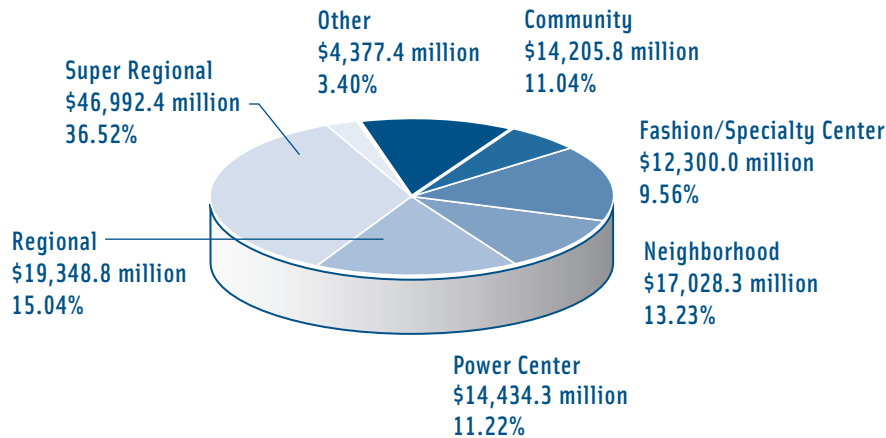
	Total NPI	Total Retail	East	Midwest	South	West
3rd Q 2017	0.56	0.07	-0.08	-0.04	0.11	0.17
2nd Q 2017	0.59	0.37	0.25	-0.30	0.18	0.77
One Year	2.15	1.29	0.09	0.17	1.98	1.99
Three Years	4.80	5.26	4.17	3.93	6.21	5.81
Five Years	5.02	5.95	4.83	4.90	6.83	6.54
Ten Years	0.64	1.87	1.46	1.02	2.07	2.34
Twenty Years	2.80	3.60	3.27	2.14	3.56	4.51

RETAIL INDEX—QUARTILE RANGE OF RETURNS



RETAIL SUB-TYPES INDEX

TOTAL RETAIL



Retail Properties	1,139
Community Properties	232
Fashion/Specialty Center Properties	85
Neighborhood Properties	437
Power Center Properties	172
Regional Properties	61
Super Regional Properties	59
Other Properties	93
Total Market Value	\$128,687.0M

COMMUNITY TOTAL RETURNS

	Total NPI	Total Retail	Total Community
3rd Q 2017	1.70	1.20	1.56
2nd Q 2017	1.75	1.52	1.54
One Year	6.89	6.07	6.47
Three Years	9.83	10.44	9.71
Five Years	10.35	11.52	10.35
Ten Years	6.23	7.83	6.62
Twenty Years	9.60	10.66	10.10

COMMUNITY INCOME RETURNS

	Total NPI	Total Retail	Total Community
3rd Q 2017	1.14	1.14	1.28
2nd Q 2017	1.16	1.15	1.30
One Year	4.66	4.73	5.27
Three Years	4.86	4.99	5.50
Five Years	5.14	5.33	5.86
Ten Years	5.56	5.87	6.19
Twenty Years	6.66	6.88	7.21

COMMUNITY APPRECIATION RETURNS

	Total NPI	Total Retail	Total Community
3rd Q 2017	0.56	0.07	0.28
2nd Q 2017	0.59	0.37	0.24
One Year	2.15	1.29	1.16
Three Years	4.80	5.26	4.05
Five Years	5.02	5.95	4.30
Ten Years	0.64	1.87	0.41
Twenty Years	2.80	3.60	2.74

NEIGHBORHOOD TOTAL RETURNS

	Total NPI	Total Retail	Total Neighborhood
3rd Q 2017	1.70	1.20	1.28
2nd Q 2017	1.75	1.52	1.27
One Year	6.89	6.07	6.55
Three Years	9.83	10.44	10.67
Five Years	10.35	11.52	11.16
Ten Years	6.23	7.83	6.90
Twenty Years	9.60	10.66	10.66

NEIGHBORHOOD INCOME RETURNS

	Total NPI	Total Retail	Total Neighborhood
3rd Q 2017	1.14	1.14	1.22
2nd Q 2017	1.16	1.15	1.23
One Year	4.66	4.73	5.04
Three Years	4.86	4.99	5.39
Five Years	5.14	5.33	5.67
Ten Years	5.56	5.87	6.12
Twenty Years	6.66	6.88	7.23

NEIGHBORHOOD APPRECIATION RETURNS

	Total NPI	Total Retail	Total Neighborhood
3rd Q 2017	0.56	0.07	0.06
2nd Q 2017	0.59	0.37	0.05
One Year	2.15	1.29	1.46
Three Years	4.80	5.26	5.08
Five Years	5.02	5.95	5.27
Ten Years	0.64	1.87	0.74
Twenty Years	2.80	3.60	3.26

REGIONAL TOTAL RETURNS

	Total NPI	Total Retail	Total Regional
3rd Q 2017	1.70	1.20	1.04
2nd Q 2017	1.75	1.52	2.06
One Year	6.89	6.07	5.04
Three Years	9.83	10.44	10.28
Five Years	10.35	11.52	11.64
Ten Years	6.23	7.83	8.43
Twenty Years	9.60	10.66	11.09

REGIONAL INCOME RETURNS

	Total NPI	Total Retail	Total Regional
3rd Q 2017	1.14	1.14	1.14
2nd Q 2017	1.16	1.15	1.15
One Year	4.66	4.73	4.75
Three Years	4.86	4.99	4.91
Five Years	5.14	5.33	5.28
Ten Years	5.56	5.87	5.77
Twenty Years	6.66	6.88	6.72

REGIONAL APPRECIATION RETURNS

	Total NPI	Total Retail	Total Regional
3rd Q 2017	0.56	0.07	-0.10
2nd Q 2017	0.59	0.37	0.90
One Year	2.15	1.29	0.28
Three Years	4.80	5.26	5.18
Five Years	5.02	5.95	6.13
Ten Years	0.64	1.87	2.55
Twenty Years	2.80	3.60	4.16

SUPER REGIONAL TOTAL RETURNS

	Total NPI	Total Retail	Total Super Regional
3rd Q 2017	1.70	1.20	1.29
2nd Q 2017	1.75	1.52	1.46
One Year	6.89	6.07	6.48
Three Years	9.83	10.44	11.46
Five Years	10.35	11.52	13.10
Ten Years	6.23	7.83	9.83
Twenty Years	9.60	10.66	11.61

SUPER REGIONAL INCOME RETURNS

	Total NPI	Total Retail	Total Super Regional
3rd Q 2017	1.14	1.14	1.04
2nd Q 2017	1.16	1.15	1.06
One Year	4.66	4.73	4.38
Three Years	4.86	4.99	4.62
Five Years	5.14	5.33	4.98
Ten Years	5.56	5.87	5.62
Twenty Years	6.66	6.88	6.61

SUPER REGIONAL APPRECIATION RETURNS

	Total NPI	Total Retail	Total Super Regional
3rd Q 2017	0.56	0.07	0.26
2nd Q 2017	0.59	0.37	0.39
One Year	2.15	1.29	2.04
Three Years	4.80	5.26	6.62
Five Years	5.02	5.95	7.83
Ten Years	0.64	1.87	4.04
Twenty Years	2.80	3.60	4.76