



RESEARCH RESULTS

Coming off a Strong Year, Retail Tenants are Optimistic About 2017

Retailers in Levin Management Corporation's (LMC's) 95-property, 13 million-square-foot shopping center portfolio are feeling good about the coming year. In fact, three quarters (74.5 percent) of respondents in the company's annual Retail Sentiment Outlook Survey of store managers are optimistic about their anticipated 2017 performance – the highest percentage in the January poll's six-year history. This positive expectation follows strong 2016 results for LMC tenants.

SALES AND TRAFFIC – BEST RESULTS IN SURVEY HISTORY

- ➔ 68.8 percent of respondents reported 2016 sales at the same or higher level than 2015 – the highest in Outlook survey history.
- ➔ 75.6 percent reported holiday seasonal sales and shopper traffic at the same or higher level than last year – the highest in Outlook survey history.
- ➔ 74.4 percent reported holiday seasonal traffic at the same of higher level than last year – the highest in Outlook survey history.



SALES AND TRAFFIC COMMENTARY

The 2016 total sales finding is in line with a positive year for retail nationwide. According to the U.S. Department of Commerce, 2016 retail sales rose 3.3 percent over 2015; for context, 2015 retail sales were up 2.1 percent from 2014. Regarding holiday performance, industry experts agree that the 2016 season was good for retail – yet some have indicated ecommerce was the real winner over bricks and mortar. From a ground-level perspective LMC is seeing a different story, one that illustrates the ongoing relevance of physical stores within the LMC portfolio, which is comprised mostly of open-air shopping centers. Supporting this sentiment, the International

Levin Management's Retail Store Manager Sentiment Survey gauges the strength of the American economy from a street-level perspective.

Managers of retail stores regularly interact with the consumers who drive the industry. These managers also are responsible for meeting the sales goals set for their stores. This daily frontline experience gives them a unique outlook on the true state of retail.

Levin Management, which operates approximately 95 shopping centers across a broad range of markets in six key states, surveys the store managers of its 1,100+ tenants three times annually, gathering information on current sales and traffic numbers, and on manager sentiment about the next half year.

The surveys also ask timely questions about hiring patterns, the evolving impact of ecommerce, key events and other socio-economic factors that may be influencing performance.

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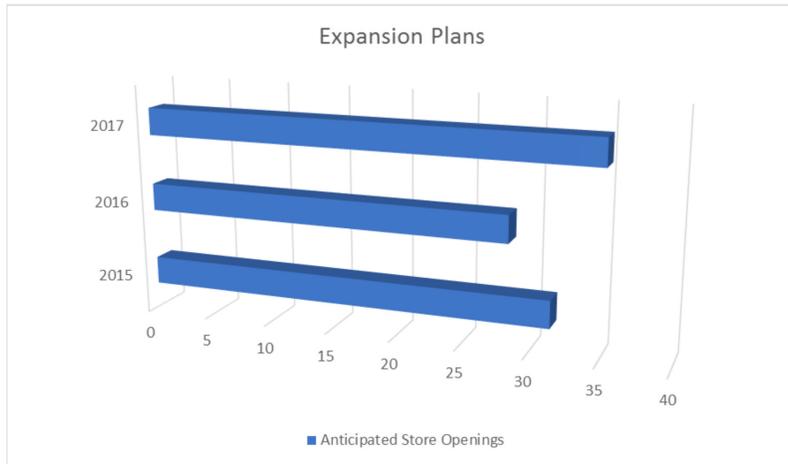
Council of Shopping Centers (ICSC) in its Post-Holiday Shopping Survey found consumers spent an average of \$711 on gifts and seasonal items during the holidays – a 16 percent increase over 2015's post-holiday survey results. Further, ICSC reported 91 percent of holiday shoppers spent at bricks-and-mortar locations.

EXPANSION AND HIRING

LMC survey participants were asked about their companies' expansion plans for 2017.

➔ 35.1 percent indicated their brand plans to open additional stores this year, an uptick over the past two years.

Again, LMC tenants may seem to counter current headlines reporting ongoing store closings by major retailers. But in the 65 years LMC has been leasing and managing retail properties the company has witnessed the ongoing transformation of retail. Ultimately, concepts come and go, creating opportunities for new and expanding players. Today is no different, and LMC tenants are proving this point.



The lower unemployment rate and its impact on retail hiring also was addressed in the LMC Outlook Survey.

➔ 23.6 percent of respondents have seen changes in the hiring climate related to the tightening jobs market.

Of that group:

➔ 51.7 percent indicated they are seeing applications by fewer qualified job candidates.

➔ 46.6 percent said they are experiencing demand for higher starting salaries.



Levin's Portfolio

The company's 95-property, 13 million-square-foot shopping center portfolio includes neighborhood, community, lifestyle and power centers, enclosed malls, downtown stores and mixed-use projects. Properties are located in New Jersey, New York, Pennsylvania, Connecticut, Virginia and North Carolina. Retailers based there include small local retailers to large national chains, personal service providers, as well as restaurants and, at mixed use properties, government and professional offices.

About Levin Management:

Founded by a shopping center pioneer in 1952, Levin Management has evolved into one of America's leading retail real estate services firms, offering clients the widest possible range of services needed to successfully operate any retail venue. Services include Leasing, Property Management, Financial Management and Reporting, Lease Administration, Construction Services/Management, and Marketing.

Levin has earned a long list of coveted awards. During the past few years alone, the firm has been included in *National Real Estate Investor's* Top Retail Managers, *Commercial Property Executive's* Top Property Managers and Top U.S. Real Estate Companies, *Chain Store Age's* America's Top Redevelopers, *Mid Atlantic Real Estate Journal's* "Best of," *NJBiz's* Top Commercial Real Estate Developers and Top Property Management Companies, and New Jersey Business' Top 10 Real Estate Developers.

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ECOMMERCE IMPACT

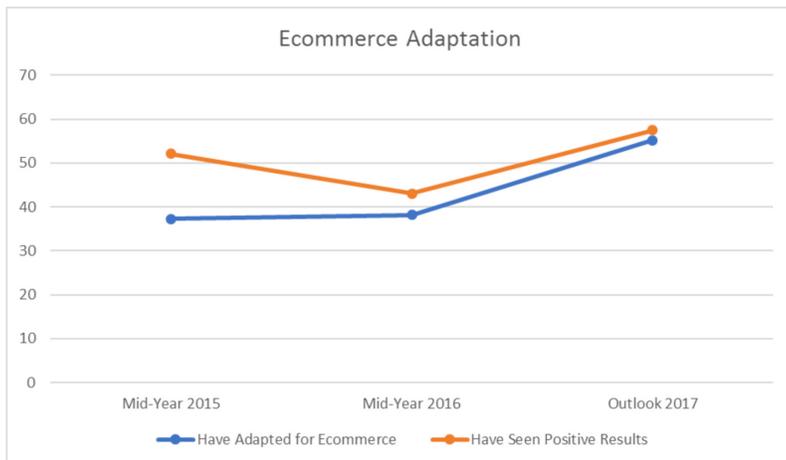
The ecommerce phenomenon – and its impact on bricks-and-mortar – has remained top-of-mind for LMC, and the organization continues to gauge how its tenants are taking action. The 2017 Outlook Survey asked whether retailers have adapted their business models in response to ecommerce growth.

Marking a notable jump from the last two times the question was asked, 55.2 percent of survey participants indicated they have adapted in some way. This compares to 38.2 percent of respondents in LMC’s 2016 Mid-Year Survey and 37.3 percent at mid-year 2015

Among that group:

- ➔ 50.9 percent have added in-store services and/or incentives.
- ➔ 37.9 percent added in-store pickup and returns options for purchases made online.
- ➔ 30.2 percent have increased coordination between online and bricks-and-mortar operations.
- ➔ 28.4 percent have added “experience” draws such as demonstrations, classes, performances or other in-store events.
- ➔ 25.0 percent have altered store inventory, such as having fewer in-stock SKUs or larger quantities of popular items.
- ➔ 17.2 percent have altered store prototype, such as reducing store size or increasing focus on showrooming.

In turn, 57.5 percent of the respondents who have adapted in response to ecommerce say they have seen a benefit in terms of sales and/or in-store traffic. That percentage compares to 43.0 percent at mid-year 2016 and 52.1 percent at mid-year 2015.



METHODOLOGY:

Survey questionnaires are distributed electronically and by hand to the store managers at properties operated by Levin Management. Neither the properties nor the stores are identified in any way on the survey forms. The results are tabulated online by Levin’s marketing department.

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ECOMMERCE IMPACT COMMENTARY

In LMC's last two mid-year surveys, about one-third of tenants (32.9 percent and 30.9 percent) were unsure of whether their efforts were making a positive impact. The number shrank to less than a quarter (24.4 percent) in the 2017 Outlook Survey, indicating that tenants are beginning to see more measurable results. This is very good news in an environment requiring retailers to continually reinvent themselves. LMC anticipates continued changes as tenants strive to establish the best mix of services and incentives, and elevate and personalize the shopping experience to draw customers into their stores.



SURVEY QUESTIONS & TABULATIONS OF RESPONSES

The survey asked respondents to compare the 2016 holiday season sales and traffic to the 2015 holiday season.

- 31.7% reported higher 2016 holiday sales.
- 43.9% reported the same 2016 holiday sales.
- 24.3% reported lower 2016 holiday sales.

- 37.2% reported higher 2016 holiday traffic.
- 37.2% reported the same 2016 holiday traffic.
- 25.5% reported lower 2016 holiday traffic.

The survey asked participants to compare total annual sales for 2016 to total sales for 2015.

- 38.9% reported higher 2016 sales.
- 29.9% reported the same 2016 sales.
- 31.2% reported lower 2016 sales.

The survey asked respondents how they feel their stores will perform in 2017.

- 74.5% are optimistic.
- 8.5% are pessimistic.
- 17.0% are not sure or have no opinion.

They survey asked participants whether they are seeing changes in the hiring climate due to the lower unemployment rate, and what kinds of changes they are seeing.

- 23.6% responded "yes."
- 55.1% responded "no."
- 21.3% responded "I'm not sure."

Of those that replied "yes"

- 51.7% are seeing applications by fewer qualified job candidates.
- 20.7% are seeing the need to offer additional incentives (i.e. new or larger employee discounts or enhanced benefits packages).
- 46.6% are seeing demand for higher starting salaries.

The survey asked respondents whether their companies anticipate opening additional stores in 2017.

- 35.1% responded "yes."
- 27.6% responded "no."
- 37.3% responded "not sure."

The survey asked participants whether their stores have adapted their business models in response to the growth of ecommerce.

- 55.2% responded "yes."
- 20.0% responded "no."
- 24.8% responded "I'm not sure."

Of those that replied "yes"

- 50.9% have added in-store services and/or incentives.
- 28.4% have added "experience" draws such as demonstrations, classes, performances or other in-store events.
- 17.2% have altered store prototype (i.e. smaller store size or increased focus on showrooming).
- 25.0% have altered store inventory (i.e. fewer in-stock SKUs, larger quantities of popular items).
- 37.9% have added in-store pickup and returns option for purchases made online.
- 30.2% have increased coordination between online and bricks-and-mortar operations.

They survey asked whether those that have adapted in response to ecommerce have seen a benefit in terms of sales and/or in-store traffic.

- 57.5% responded "yes."
- 18.1% responded "no."
- 24.4% responded "not sure."

PLEASE NOTE: Not all survey participants answered every question.