

Trends in Brick & Mortar Retail Shopping



THE MACERICH COMPANY

An S&P 500 Company

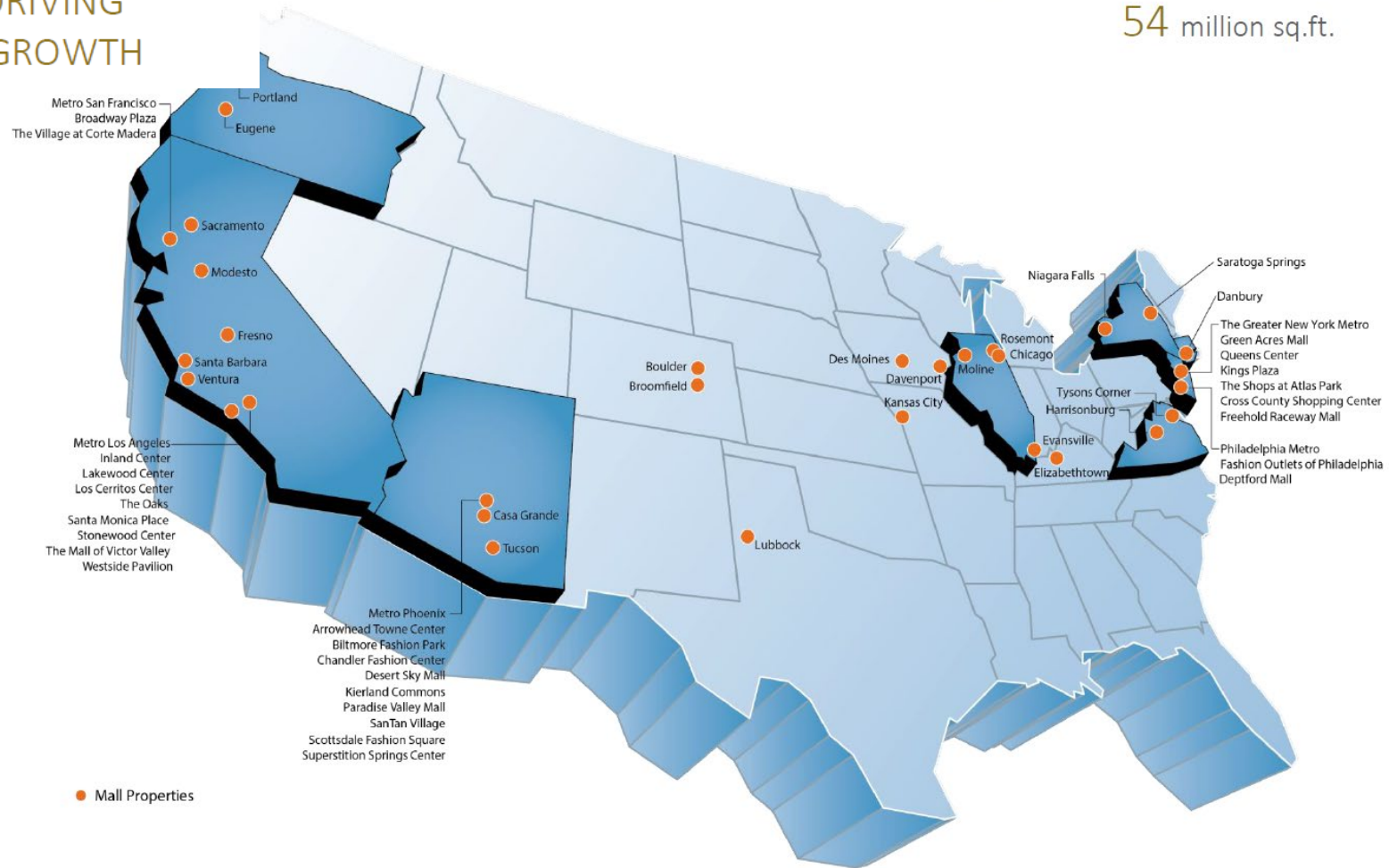
- Macerich (NYSE: MAC), a real estate investment trust (“REIT”), was founded in 1972 with the IPO in March 1994.
- In May 2013, Macerich joined the S&P 500.
- The premier, pure-play high-end mall REIT, Macerich owns an unparalleled collection of assets in the nation’s most desirable and highest-barrier-to-entry markets.
- Total market capitalization is over \$20B.



IRREPLACEABLE ASSETS IN
HIGH-BARRIER-TO-ENTRY
MARKETS DRIVING
INTERNAL GROWTH

PORTFOLIO

48 fortress properties in high-barrier-to-entry markets,
54 million sq.ft.



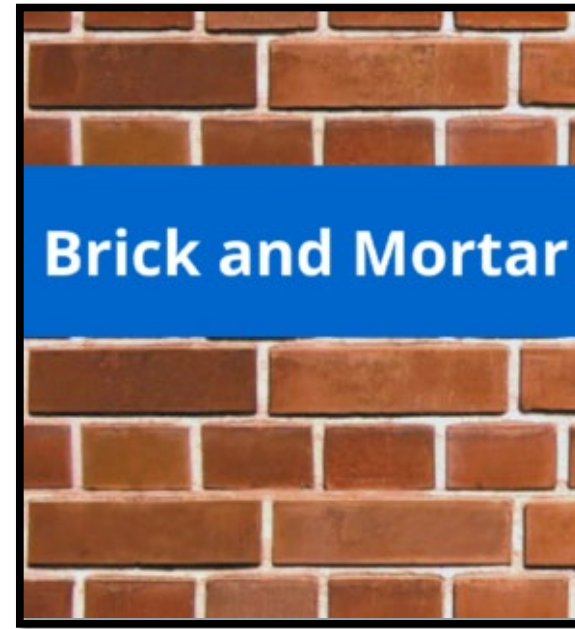
ONE OF THE NATION'S LEADING OWNERS, OPERATORS & DEVELOPERS OF MAJOR RETAIL PROPERTIES IN ATTRACTIVE U.S. MARKETS, INCLUDING: GREATER NEW YORK, WASHINGTON D.C., CHICAGO, ARIZONA & CALIFORNIA

Clicks vs Bricks



Clicks vs Bricks

- **Brick and Mortar**
- Physical stores, face to face with customers



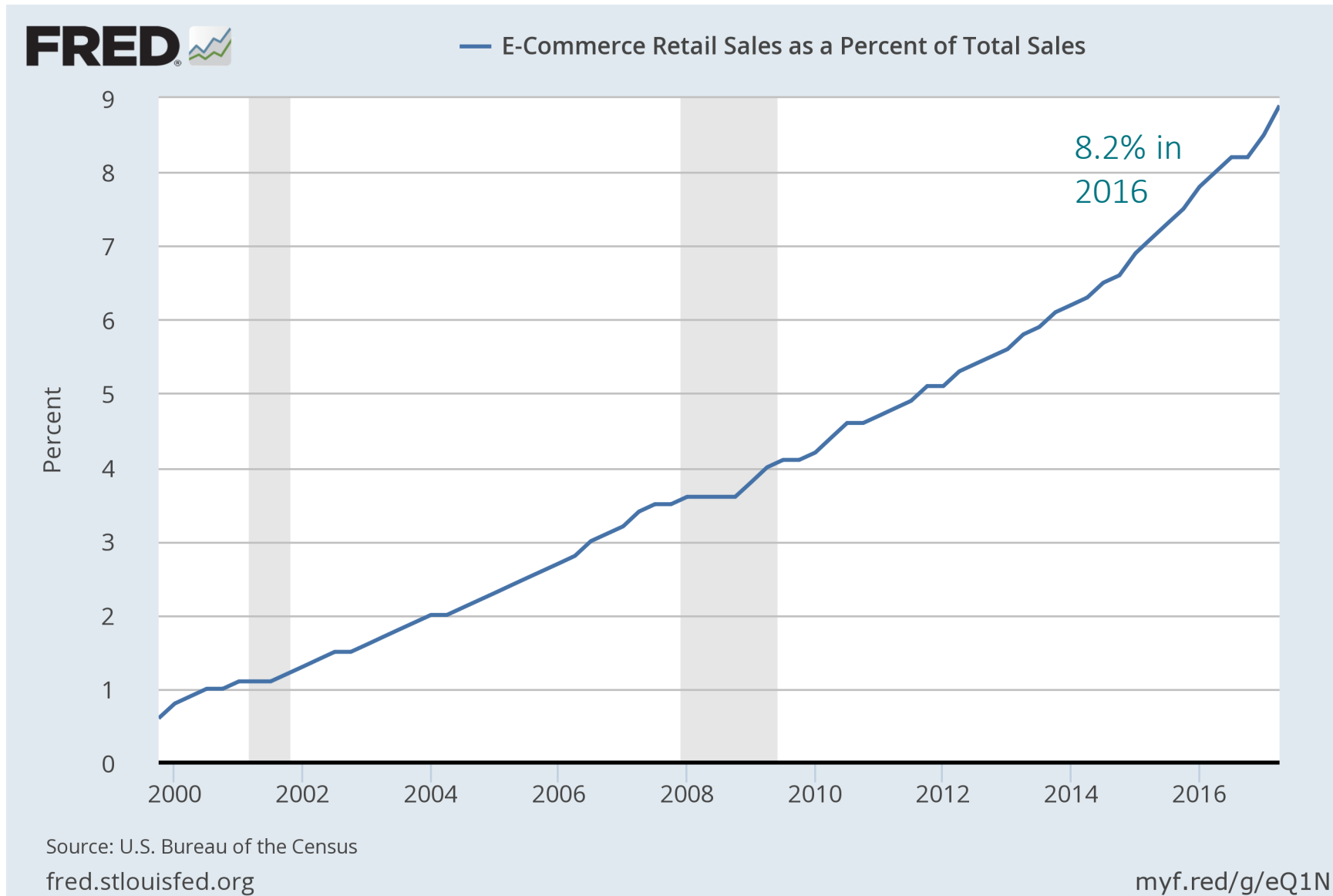
- **Online Shopping**
- Consumers purchase goods and services from a seller in real time



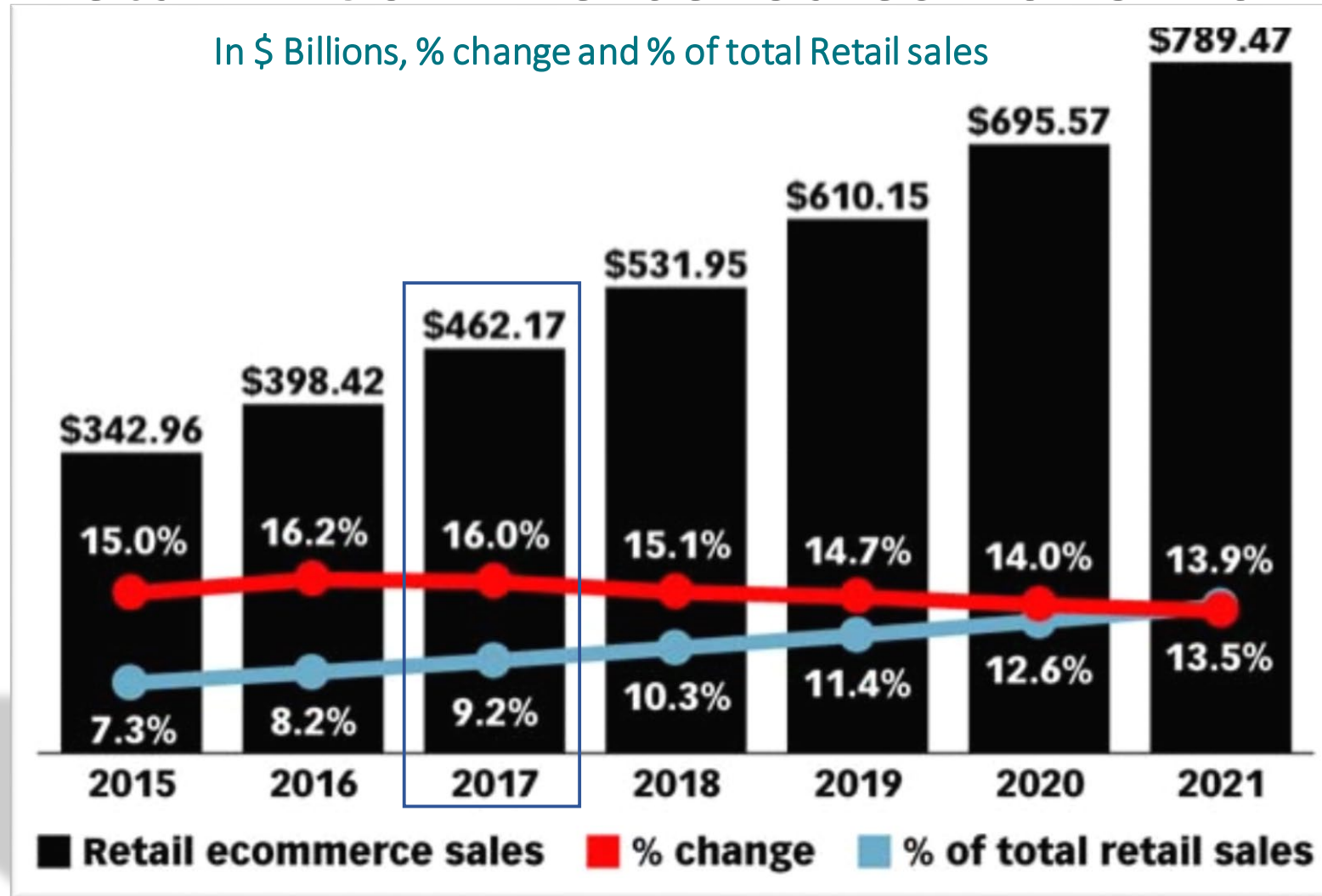
E-Commerce



% of Total US Retail Sales



US Retail E-Commerce Sales 2015-2021

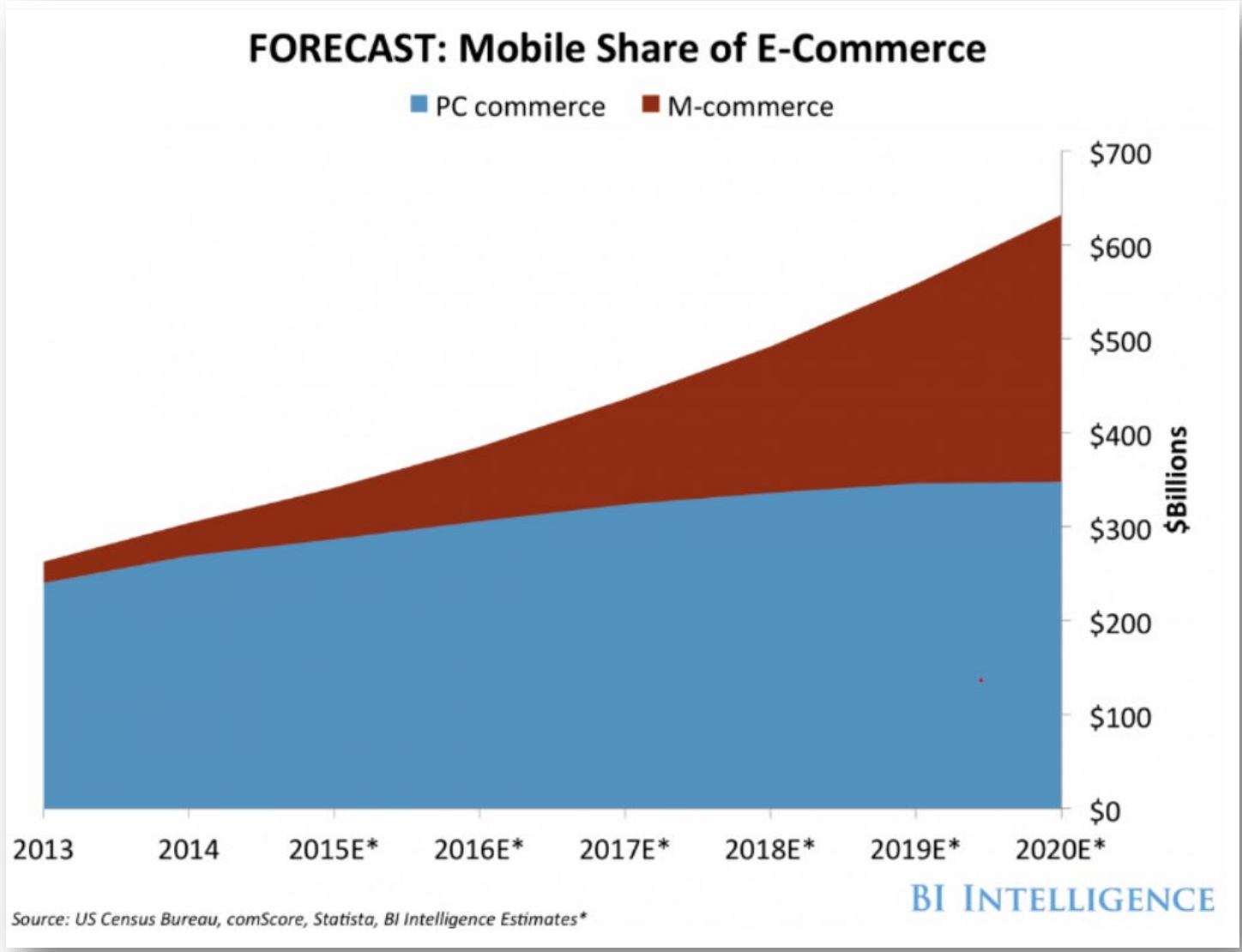


Note: Includes products or services ordered using the internet, regardless of method of payment or fulfillment; excludes travel and event tickets.

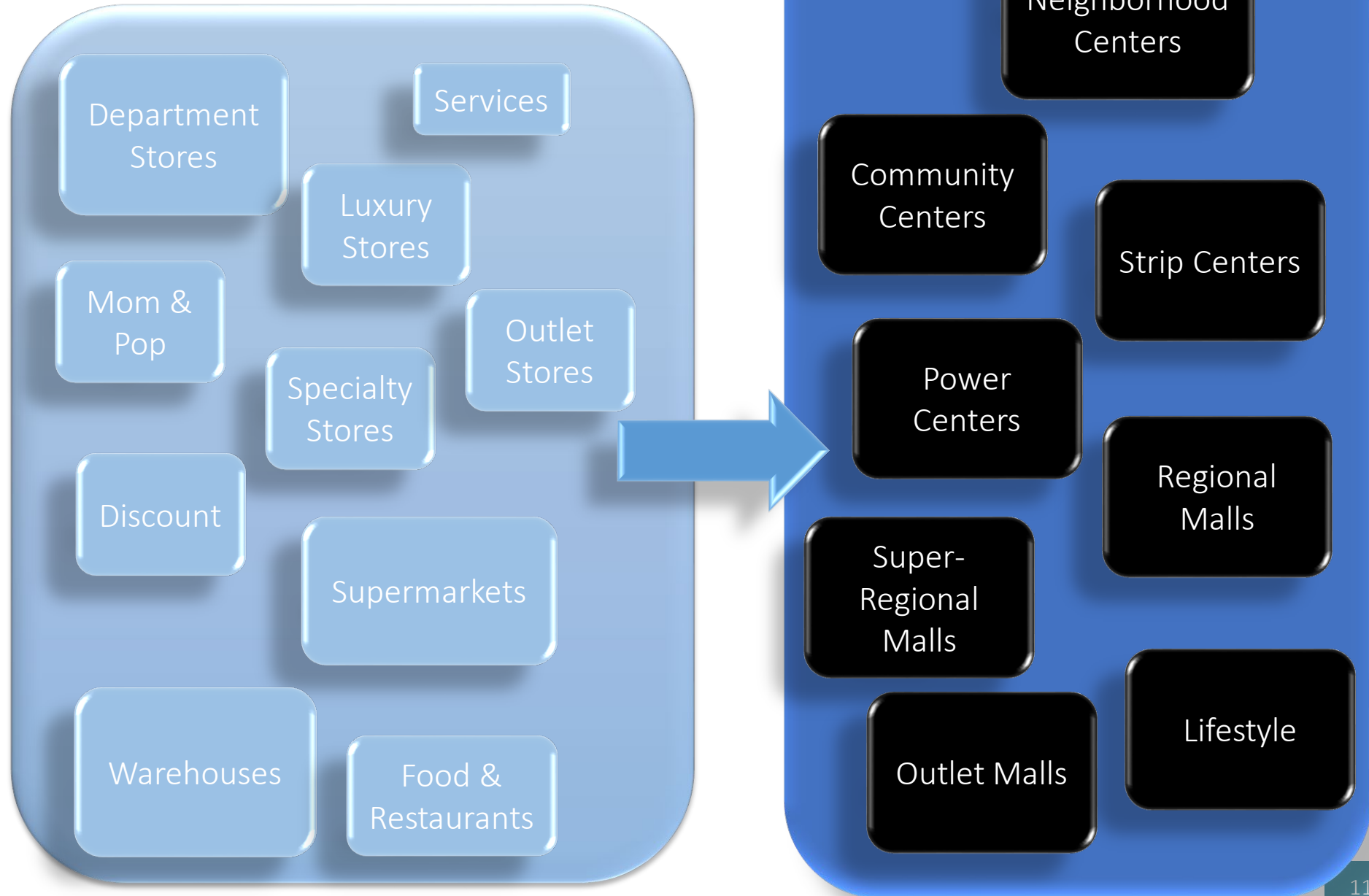
Source: eMarketer, January 2017



Mobile



Brick & Mortar Retail



Key Figures

Retail Real Estate	2016
Total number of Shopping Centers (US)	115,910
Regional Malls (400 to 800,000 sf)	595
Super Regional Malls (800,000 sf and above)	607
LifeStyle	500
Outlet	376
Shopping Center Sales	\$2.64 Trillion
Employment	12.9 million

The Retail “Apocalypse”



Net gains



- 5 Chains represent 28% of the announced closings
- 16 Chains represent 48% of the total



WHAT PEOPLE ARE HEARING

The Headlines	The Fine Print
Traffic is Declining	Countering traffic perceptions with consumer research findings - higher conversion rates, increased average spend and visit frequency, along with shorter dwell times
Malls are Dying	<p>NOT ALL MALLS</p> <p>Higher quality assets remain viable and continue to evolve, while lower tier malls will be disproportionately affected by closures</p> <ul style="list-style-type: none">• A-level properties account for only 20% of malls, yet represent 72% of mall sales• 30% in C and D categories
Department Stores are Going out of Business	<ul style="list-style-type: none">• Consolidation is occurring Announced closings by Macy's, JCPenney and Sears/Kmart total approximately 380 stores (2016-2017)• Pruning and culling unproductive locations is healthy – "Future-Proofing"• Estimated \$2.5B in sales will flow to other retailers as a result, including \$1.5B. in apparel sales



BROADER TRENDS

- **Some tenants struggling to adapt**
 - Transition and turmoil
 - Store closings
 - Macy's, Office Depot, Toys "R" Us, Sears, JC Penney, Gap
- **Smaller Stores**
- **Less cars**
- **Pop up Stores**
 - Short term retailers
 - No longer seasonal or transitory
 - Way to test concepts & ideas
 - Low risk
 - Online retailers
- **More experiential**
 - Entertainment concepts (gyms, carts, golf, skydiving, bowling, escape rooms. Laser tag) on top of cinemas and dining

Better Malls are Evolving converge

- Shifting merchandise mix and incorporating new elements such as restaurants, entertainment and non-traditional anchors
- eTailers actively growing a presence with physical stores (Bonobos, Blue Nile, Amazon)
- Online brands testing bricks and mortar (b8ta, Ministry of Supply, Combatant Gentleman)

Channels continue to converge

- 95% of all retail sales are captured by retailers with a bricks and mortar presence
- Two-thirds of customers purchasing online use a physical store before or after the transaction
- Online sales are more robust when supported by brick and mortar locations

BROADER TRENDS

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Pop Up Stores



Pop Up Stores



Entertainment

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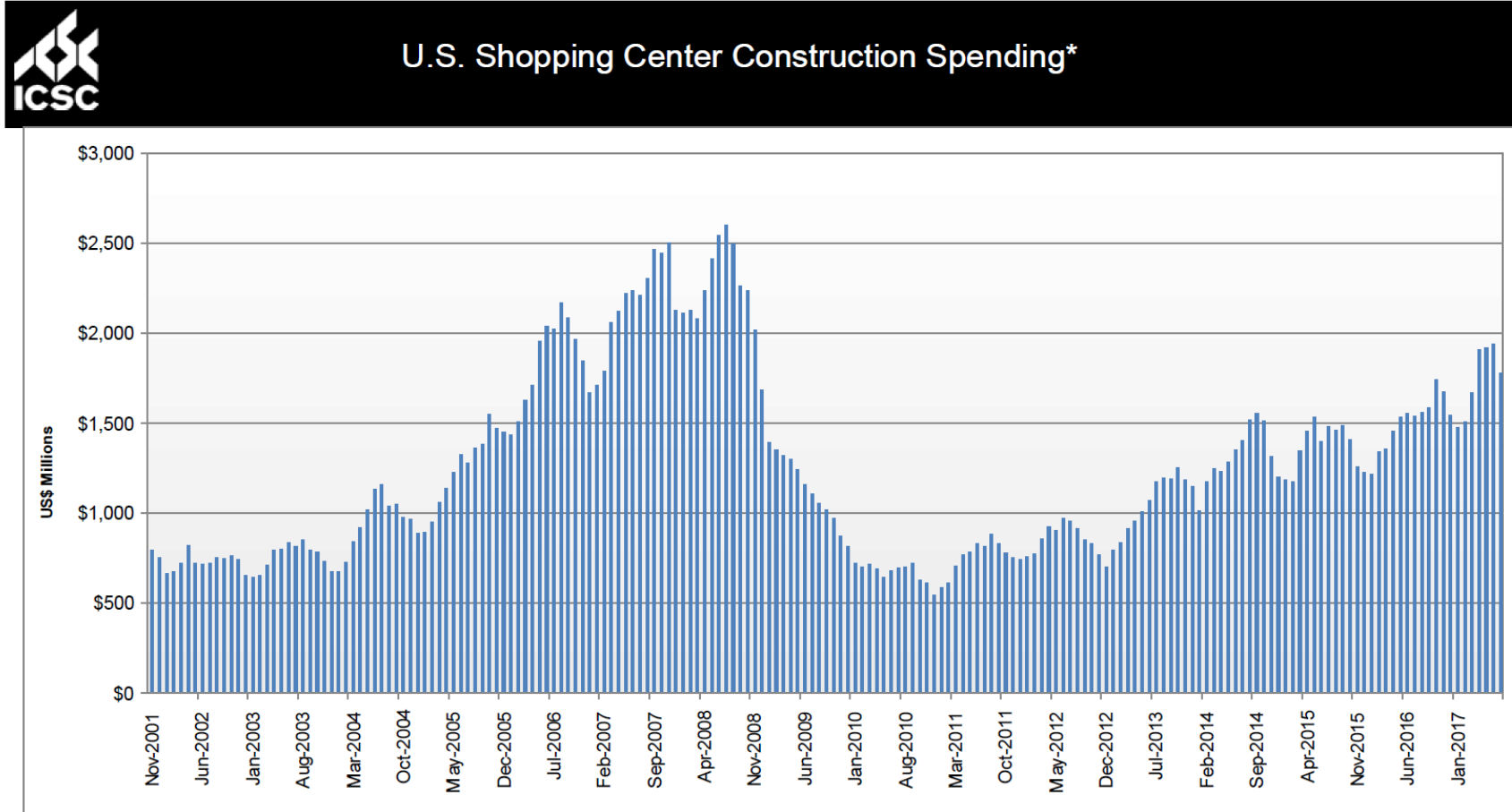


Entertainment



- Shopping Center Construction spending (by month)

Key Figures




*Value of shopping center construction put in place. Includes work done on new and/or existing structures.

Source: United States Census Bureau

Source ICSC

\$67.3 billion spent annually in the construction of retail creates \$109.3 billion in total economic activity for industries and labor up and down the supply chain.

Key Figures

 California Congressional District Impact Study		2015	2016	State 2016
Congressional District (1)		2015	2016	State 2016
Industry Characteristics	Shopping center space (sq ft) ¹	11.8 mil.	12.0 mil.	911.5 mil.
	Number of shopping centers ¹	182	183	15,293
	Shopping center space per capita (sq ft)	16.6	16.8	23.2
	Shopping center jobs per center	135	136	90
	Employment density (center jobs per 1000 sq ft)	2.1	2.1	1.5
Economic Impact	Shopping center employment (number of jobs)	24,612	24,902	1,373,160
	Shopping center retail sales	\$4.5 bil.	\$4.7 bil.	\$357.7 bil.
	Per capita shopping center sales	\$6,363	\$6,602	\$9,113
	Shopping center state sales tax revenue ²	\$340.0 mil.	\$350.0 mil.	\$26.8 bil.
	Shopping center property tax revenue	\$38.5 mil.	\$41.8 mil.	\$3.2 bil.

¹ Copyright, CoStar Realty Information, Inc., www.costar.com

² Sales tax revenue generated at shopping centers, except for states not taxing: Alaska, Delaware, New Hampshire, Montana and Oregon. **Local government sales tax revenue not included.**

Sources: CoStar Realty Information, Inc.; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; U.S. Census Bureau; The Sales Tax Clearinghouse and ICSC Research