

The background of the slide is an aerial photograph of a shopping center, overlaid with a semi-transparent blue filter. The image shows a large, modern retail building with a "petco" sign and a "grooming" section. Other visible signs include "Hillman" and "YIELD". The scene includes a parking lot with several cars, a sidewalk with pedestrians, and a street with a crosswalk. The overall atmosphere is one of a vibrant, accessible neighborhood shopping center.

# A Breath of Open-Air:

NEIGHBORHOOD SHOPPING CENTERS ARE THE HOTTEST ASSET IN CRE



# "OPEN-AIR RETAIL IS THE GOLDEN TICKET OF REAL ESTATE INVESTMENT."

## A LETTER FROM OUR CEO

The numbers do not lie – open-air retail is *thriving*.

Customers are looking to stay closer to home to shop. Boom, opportunity. Lifestyles have changed and people are looking for greater convenience and options in a neighborhood shopping center. This attracts a greater mix of retailers and services to a center. Gyms, new restaurant types where people can work, meet and eat, and medical services. It's about becoming a destination, which is more experiential.

Keep in mind what we at DLC call the 3% handcuffs. In 2021 home sales in United States hit a 15-year high with people securing 30-year mortgages at historic lows (3 percent or less). Rates are now 3-4 points higher - most of these homebuyers will not be going anywhere any time soon. This is a long-term fundamental shift that positions open-air retail as a driving force in neighborhoods for decades to come.

Migration to the suburbs and working from home has reignited interest in suburban open-air retail for consumers, tenants, and investors. In the era of e-commerce, customers still benefit from and like being physically close to their favorite retailers - and the retailers know it. They are looking for opportunities in both big box and smaller format stores.

The trends clearly show traffic growth in suburban and decline in urban markets.

We're in growth mode at DLC. Working with new and expanding brands, investors, formats, and expanding our services to include construction and architecture. Following a record 2022 in occupancy and leasing, we're on a clear path to growing our portfolio with the right groups of investors and partners. DLC is primed for continued success.

At DLC, we're playing offense while others are not. We're ready for what's ahead. Take this opportunity to join us.



**ADAM IFSHIN**

FOUNDER AND CEO



## EXECUTIVE SUMMARY

### PHYSICAL STORES > E-COMMERCE

Physical retail is the solution to challenges of e-commerce.

### SUBURBS > DOWNTOWN

Suburban growth is fueling the future of open-air retail.

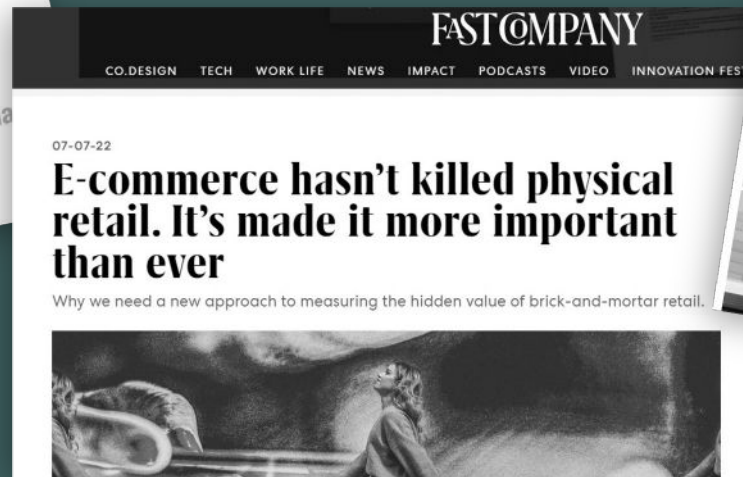
### OPEN-AIR > ENCLOSED MALLS AND HIGH STREET

Open-Air retail is the hottest asset in CRE.



“It’s a lot noisier, it’s harder to cut through. You can’t just roll out the DTC playbook and use Facebook to target consumers as you once could, I think DTC as we knew it – from the Warby Parker and Dollar Shave Club days – *is dead*. The playbook has changed,”

- ALEX SONG, FOUNDER AND CEO OF PROXIMA GROUP, PART OF BAIN AND COMPANY



STORE  
PICKUP

## 4 REASONS WHY STORES ARE THE SOLUTION

### CUSTOMER ACQUISITION COSTS = THE NEW RENT

E-commerce growth is slowing due to increased operational costs such as paid advertisements and the high rate of product returns.

### CONSUMERS PREFER MULTISENSORY EXPERIENCE

Consumers prefer shopping in-store to experience goods and services.

### GREATER SALES PER VISIT

Shoppers spend 30-50% more per visit in-store vs. online. A recent study showed 95% of consumers shop in-store and that their purchases will be the same or greater in 2023.

### OMNICHANNEL SOLUTIONS

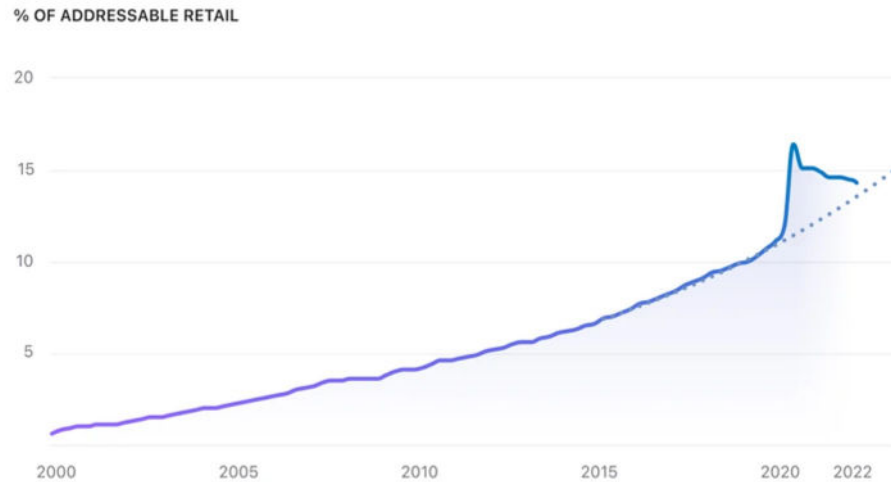
Open-air shopping centers are increasingly essential cogs in the logistics of e-commerce. The rise in BOPIS has offered a convenience to both the consumer and tenants.





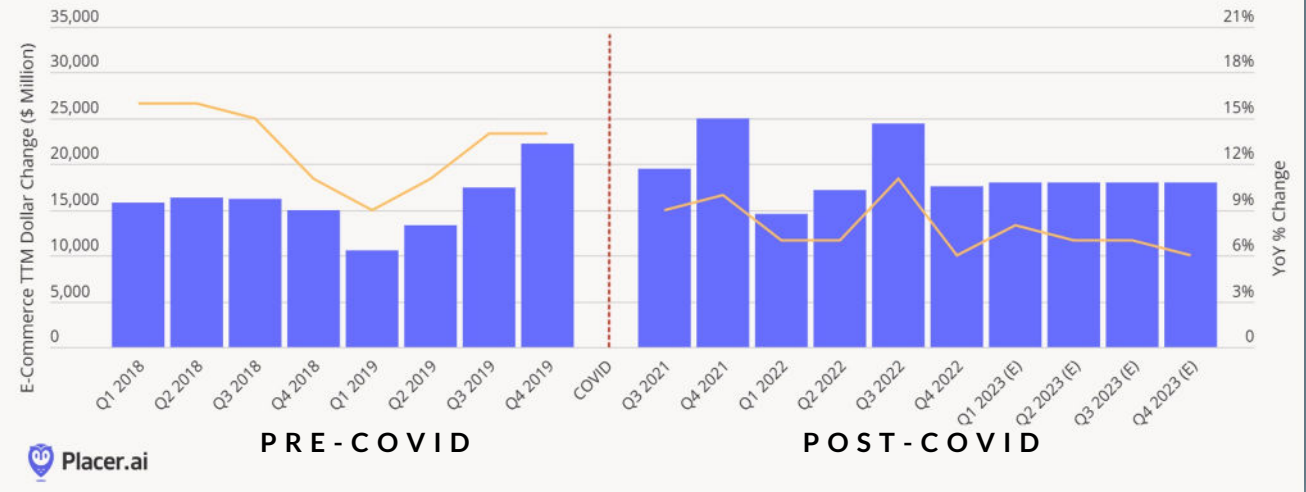
# E-COMMERCE GROWTH IS NORMALIZING AFTER ITS PANDEMIC SURGE...

## US ecommerce adoption growth rate



## RESULTING IN SLOWER E-COMMERCE GROWTH TRENDS

### U.S. E-Commerce: TTM Dollar Change for All Channels (Pure-Play and Omnichannel)



Brands realize a combination of physical and digital commerce is required.

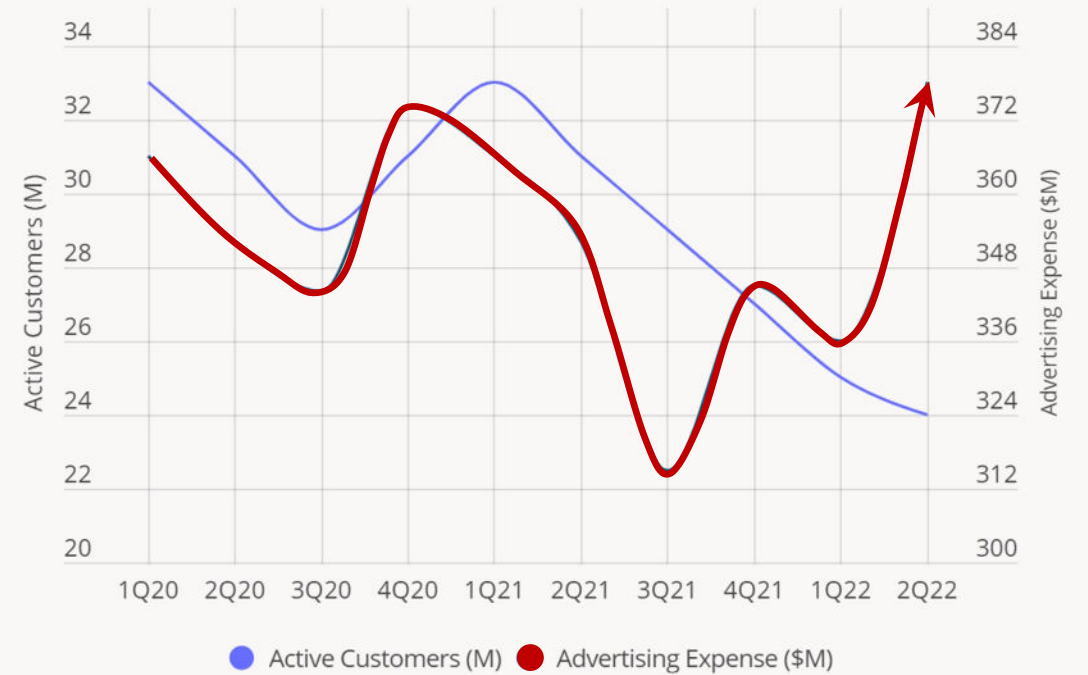
## ACCORDING TO THE NATIONAL RETAIL FEDERATION

While many consumers continue to utilize the conveniences offered by online shopping, much of that growth is driven by multichannel sales, where the physical store still plays an important component in the fulfillment process. As the role of brick-and-mortar stores has evolved in recent years, they remain the primary point of purchase for consumers.

# RISING CUSTOMER ACQUISITION COSTS MAKES PHYSICAL RETAIL ATTRACTIVE



Wayfair: Active Customers Versus Advertising Expense



Rising digital customer acquisition costs (due to Apple IDFA and Google security measures) has made physical retail more attractive for online retailers.

“ Consumers want to shop in the ZIP code in which they live. Off-mall is quite attractive.”

- JEFF GENNETTE, MACY'S CHAIRMAN AND CEO

**FINANCING**  
**Why Starbucks is shifting its attention to the suburbs**  
Changing consumer habits have the company rapidly adapting its development strategy and its services.

**Retailers Are Following Workers Out of City Centers**  
Large brands abandon downtown, malls, put smaller stores in suburbs.

REAL ESTATE | PROPERTY REPORT  
**The Decline of the Five-Day Commute Is a Boon to Suburban Retail**  
Challenging time for urban downtowns presents opportunities in other locations  
By *Kate King* [Follow](#)  
May 9, 2023 5:30 am ET

**Bloomberg**  
CityLab  
Economy  
**Another Blow to City Centers: Retail Stores Move Outward**  
Major brands are eschewing both downtowns and malls in favor of suburban locations in the US, compounding the financial strain of office vacancies.

**Downtown Downturn: The Covid Shock to**  
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## RETAIL GROWS WHERE THE PEOPLE GO

### 1. RELOCATION OF RESIDENCES

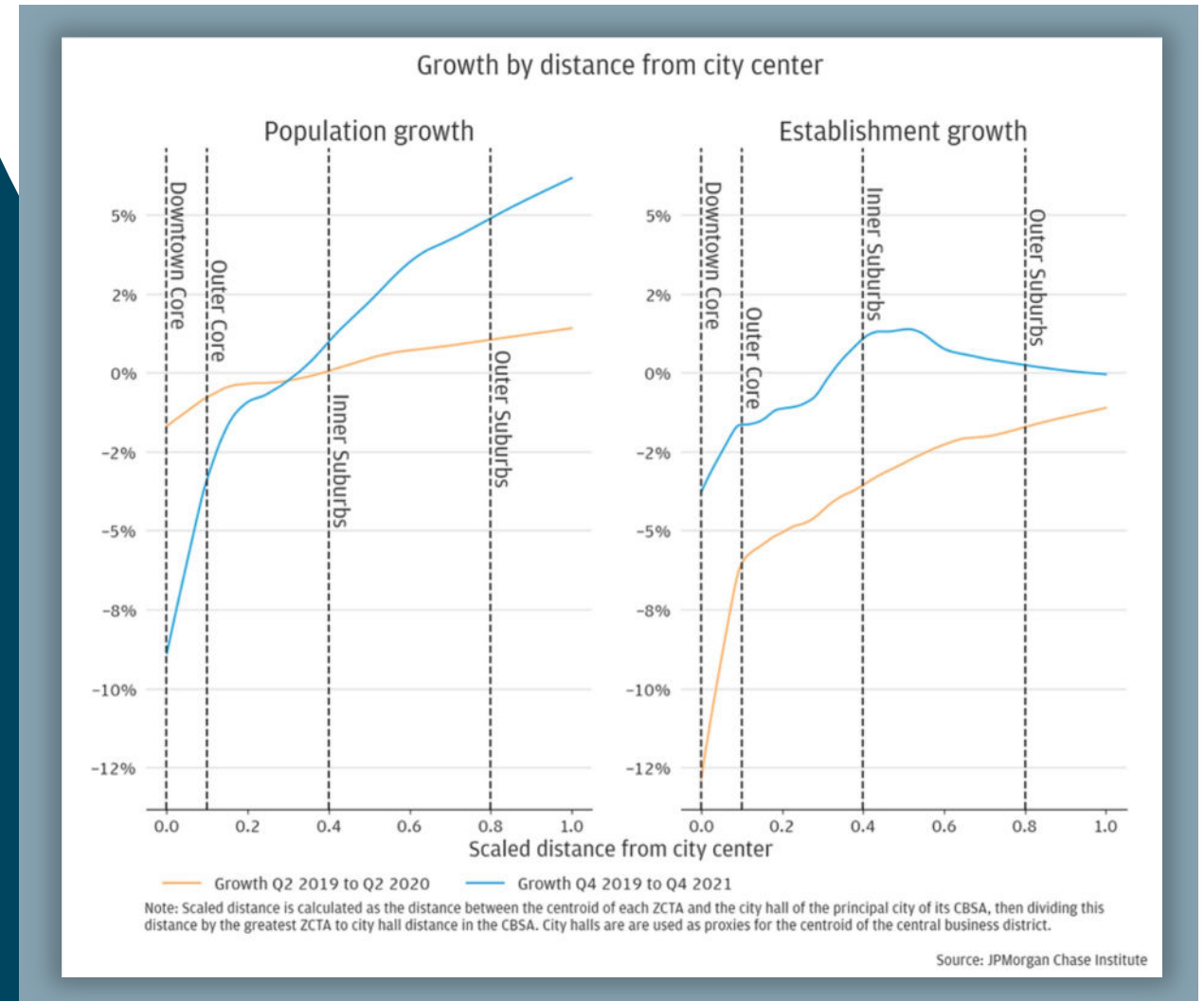
Majority of consumer shopping happens around residences and recent entry patterns for establishments reflect the new suburban locations of consumers.

### 2. DECREASING NUMBER OF COMMUTERS

Downtown locations that heavily rely on consumption chained to commuters continue to suffer.

### 3. NEW EXPECTATIONS

Shopping habits have changed along with expectations of local retail. In addition to traditional shopping, consumers want experiences and a variety of services in their neighborhood. Open-Air is perfectly positioned to meet the next generation of consumer expectations.







“Are we seeing the impact of working from home on our shopping centers? Absolutely. The shift to working from home – even if it’s just 1-2 days a week – means a shopper could be around *twice as often* as before and **our tenants are seeing an increase in traffic.**”

- CHRIS RESSA, EVP AND COO OF DLC

## PEOPLE WANT TO WORK FROM HOME, COMPANIES HAVE RESPONDED

Job postings are attracting applicants with explicit offers of hybrid or WFH options.

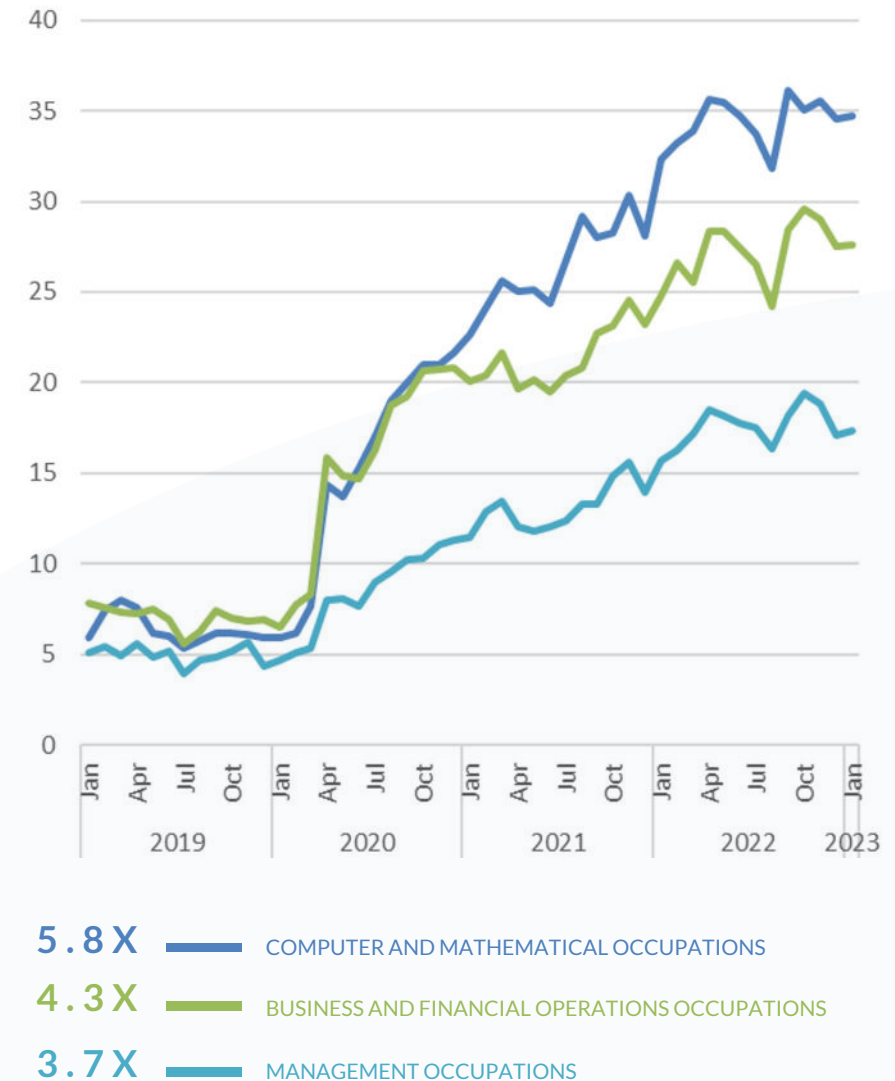
A RECENT AT&T STUDY FOUND

The hybrid work model is expected to grow from 42% in 2021 to 81% in 2024.

“People are not going to return to work the way they have in the past. **Flexibility is the new norm** and expectation from employees – we’re going to see this trend continue...”

- KRISTIN KELLEY, CMO OF CAREERBUILDER

SHARE OF NEW JOB VACANCY POSTINGS WHICH EXPLICITLY OFFER HYBRID OR FULLY-REMOTE WORK

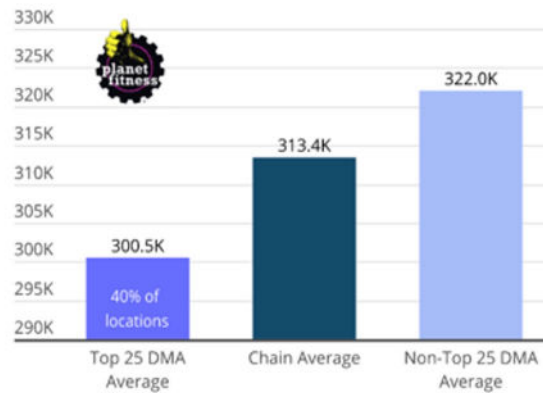
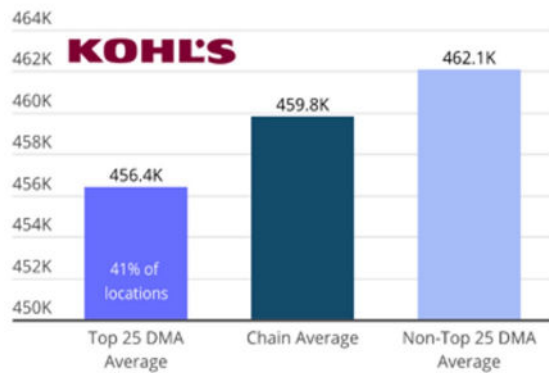
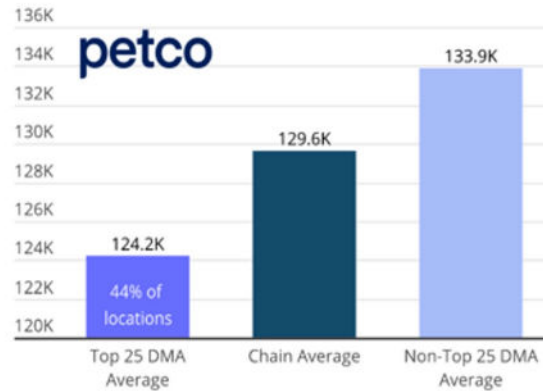
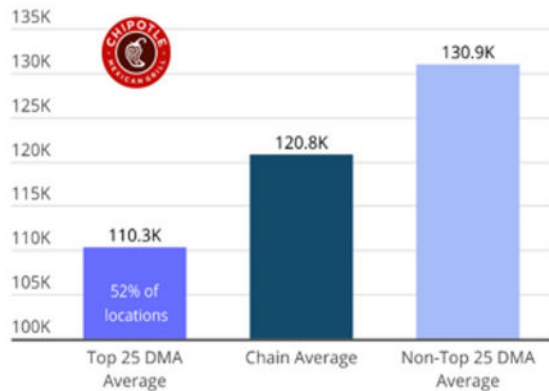




## THE SUBURBAN OPPORTUNITY

Retailers are having success in a wide range of suburban markets - including outside of the Top 25 DMAs. The high rate of consumer traffic makes these areas a reliable place to grow their brand.

2021 Visits Per Location for Selected Retailers

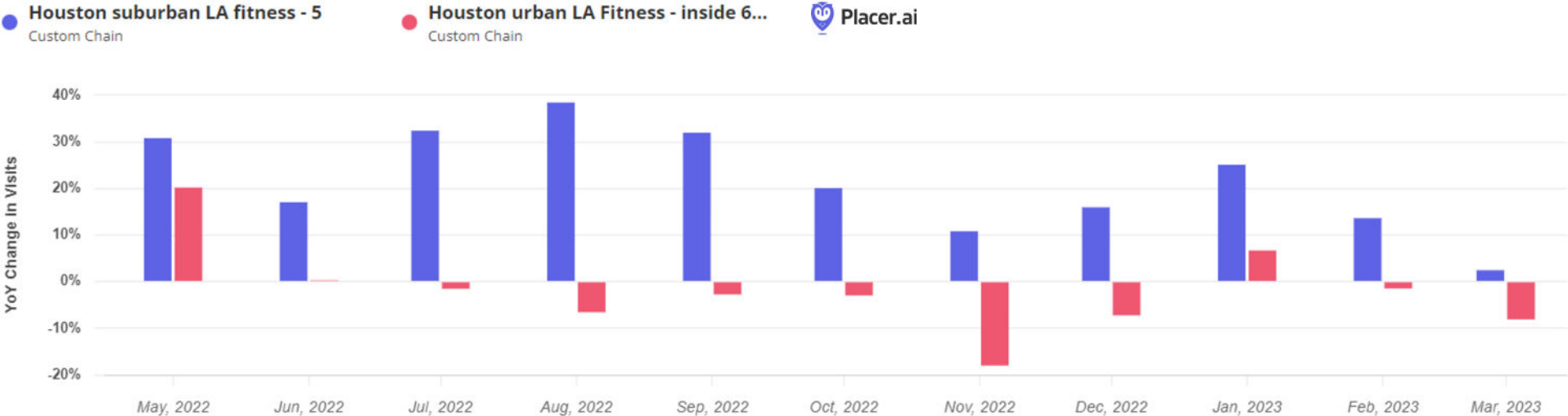




# MIGRATION PATTERNS ACCELERATE SUBURBAN RETAIL GROWTH

The recent shift to the suburbs is evident in many industries, including fitness.

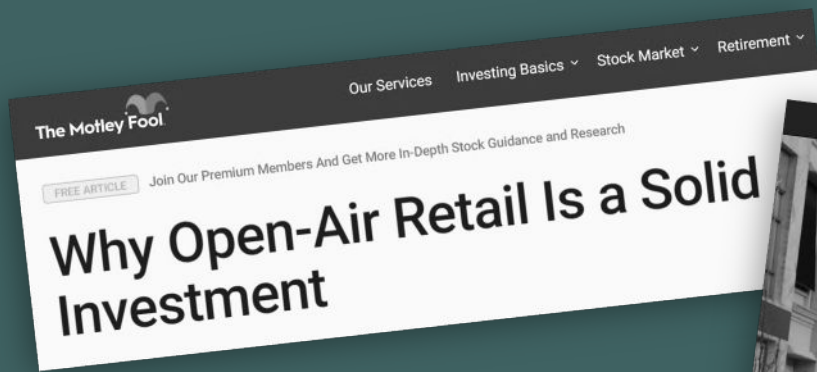
COMPARISON OF CONSUMER TRAFFIC YOY, URBAN VS. SUBURBAN LA FITNESS



In Houston, the LA Fitnesses within 610 loop (downtown/urban) are seeing mostly YOY declines, whereas those outside 610 (suburban) see YOY increases.

“Beyond rental and tenant growth, **open-air retail** can accommodate density for other uses including office, multifamily and hotel, and it supports and enhances e-commerce.”

- CHRIS DECOUFLE,  
MANAGING DIRECTOR OF RETAIL  
CAPITAL MARKETS - US, CBRE



Open-Air Shopping Mall Centers are Winning



## A BREATH OF OPEN-AIR

Traditional mall brands are lining up for spaces and see their future at neighborhood shopping centers that are more efficient, cost effective, and tailored to their customer.



### WHY DEPARTMENT STORES ARE MOVING TO OPEN-AIR CENTERS

- Cost-effective – Cheaper and controllable costs
- Accessibility – Consumer interacts more easily with brand
- Omnichannel – Solves for space, labor, fulfillment challenges
- Visibility – Gain more opportunity for consumers to see a store
- Brand perception – Consumer experience negatively impacted by deterioration of malls

## OPEN-AIR IS IN DEMAND

With a wide variety of businesses flocking to open-air centers, the demand for space is high.

### TYPES OF BUSINESSES GROWING THEIR FOOTPRINT IN OPEN-AIR RETAIL CENTERS

- Value Retailers (Burlington, TJ Maxx, Ross, Target, Walmart)
- Fitness and Gyms
- Beauty and Salons
- Health and Wellness
- Medical (Urgent Care)
- Grocery
- Restaurants, QSR
- Experiential
- Services and Tech
- Home Furnishing and Home Improvement
- Value Discount
- Self-Storage

### MEDTAIL

“Medtail is incredible, it’s making all different types of medical practices accessible to more people.”

- AMY SCHECTER, EVER/BODY CEO

### ENTERTAINMENT

“We’ve been seeing increased announcements of move-ins and aggressive opening plans from social entertainment concepts like Puttshack, Topgolf, Punch Bowl and Camp Pickle – a pickleball-focused entertainment concept”

- JLL RETAIL OUTLOOK Q1 2023

### BOUTIQUE FITNESS

“These [F45 gyms] are small-footprint studios with just enough space to fit the equipment and participants, so they easily fit into shopping centers and strip-mall locations. This makes rapid growth possible with less space required than a CrossFit box.”

- BRANDI KUPCHELLA, FITNESS JOURNALIST  
POPSUGAR.COM

## TENANTS, CONSUMERS AND INVESTORS AGREE, OPEN-AIR IS BEST.

### WHY TENANTS LIKE OPEN-AIR

- Closer to Consumer
- Increased Visibility
- Reduced Operating Cost
- Steady Traffic
- Better parking
- Higher Profits
- Fast, Fulfillment Flexibility

"Convenience, safety, selection — open-air shopping ticks so many boxes today and as a consumer, I am all for it."

LIZA AMLANI  
PRINCIPAL AND FOUNDER, RETAIL STRATEGY GROUP

### WHY CONSUMERS LIKE OPEN-AIR

- Closer to Home
- Efficient One-Stop-Shop Centers
- More Variety and Experiences
- Convenient Parking
- Local Restaurants and Businesses

### WHY INVESTORS LIKE OPEN-AIR

Open-air drew rents *nearly 50% higher* than those commanded by traditional regional malls last year.





Since pre-covid, DLC's Beach Shopping Center (Open-Air) is resilient while 5<sup>th</sup> Ave and Brookfield Place (High-Street) is still lagging.



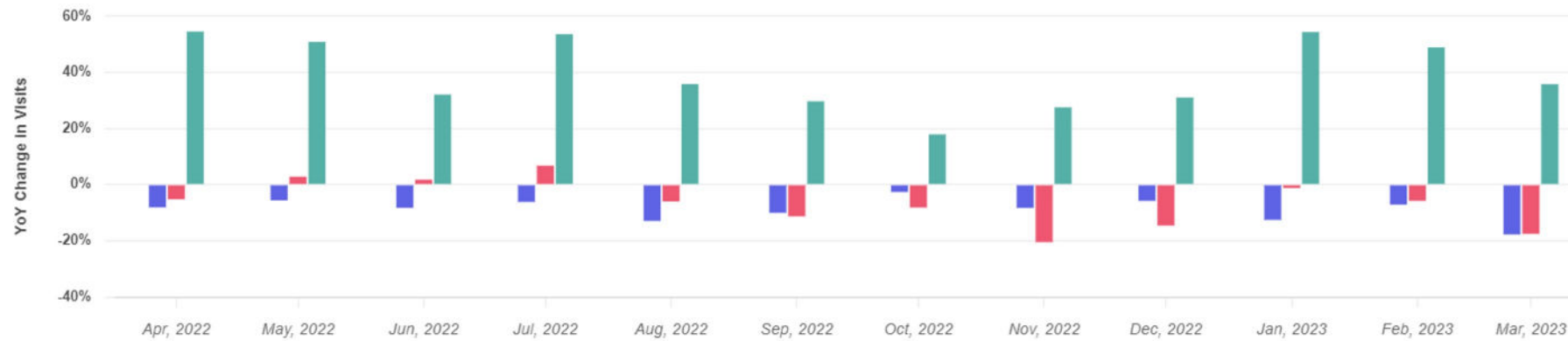


Since pre-covid, DLC's Wood Ridge Plaza (Suburban) has strong growth whereas Market St and River Oaks District (Urban) are down.

Variance - Compare

Property:    ^    Aggregation: Monthly v    Compare to: Prev. Years v    Compared Year: 4 Years Ago v

● **Market Street** 9595 Six Pines Dr, The Woodlands, TX 77380    ● **River Oaks District** 4444 Westheimer Rd, Houston, TX 77027    ● **Wood Ridge Plaza** 27582 Interstate 45 N, Oak Ridge North, TX 77385



DON'T BELIEVE US?  
LISTEN TO THEM...

Five Below to open 200 stores as it widens location strategy; to remodel 400 stores

In two years, Stumpy's Hatchet House has grown from fun idea to franchise business

Dollar General Plans to Open 300 Popshelf Stores in 2023

Ulta Beauty Bets Big on Brick-and-Mortar

Ulta Beauty expands a new partnership and make plans for more retail access.

SARAH JEAN CALLAHAN • MAR 13, 2023 2:03 PM EDT

Chipotle to open 250 to 285 restaurants in 2023

**CSA**  
THE BUSINESS OF RETAIL

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10/13/2019

**There are 23% more gyms in retail centers than there were in 2010**

**BizTimes**  
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Nike expands Rise store concept domestically with second U.S. location

Nike Inc. has opened a second Nike Rise concept store in the U.S., choosing Bellevue, Washington to host the new sporting goods outlet.

'Medtail' tenants becoming more common at shopping centers

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At Home Opens Third New York Home Décor Superstore In Rochester

Starbucks to Open 2,000 US Stores by 2025

**TastingTable** NEWS EXCLUSIVES EAT DRINK COOK RECIPES CULTURE ENTERTAINMENT

**Chipotle's New Drive-Thru Lanes Are Making An Impact On Sales**



WellNow Urgent Care planning multiple new Capital Region locations

Chicago's Western Suburbs Welcome 2 U-Haul Self-Storage Facilities

ELGIN, Ill. (Jan. 10, 2017) – U-Haul is serving cu

REAL ESTATE | PROPERTY REPORT  
**Dollar Stores Lead a Surge in New Retail Openings**  
Dollar General, Dollar Tree chains expand sharply across underserved smaller markets

RETAILERS  
**Aldi's growth in New York continues with new store to open in Williamsville on Thursday**

Located in Erie County at 5435 Sheridan Drive, the new market is the discount grocer's second location in the Buffalo suburb.

By Diane Adam on Apr. 10, 2023

**CSA**  
THE BUSINESS OF RETAIL

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04/18/2022

**Dick's Sporting Goods opening more Public Lands' stores**

Marianna Wilson

Opening and expanding stores remains a key strategy for the LEGO Group

03/08/2022 David Parry 0 Comments 3 min read

In an interview with Natali Stojovic, the Head of LEGO Retail talks about the importance of customers being able to discover physical product in stores.



## CONNECT WITH OUR WINNING TEAM

Investors looking to generate sustainable returns on assets backed by profitable, necessity-based retailers, contact:

**JONATHAN WIGSER, EVP & CHIEF INVESTMENT OFFICER**

P: 914.304.5654 E: [jwigser@dlcgmgt.com](mailto:jwigser@dlcgmgt.com)

Retailers looking for opportunities at available spaces in our portfolio, contact:

**ADAM GREENBERG, SVP, LEASING**

C: 443.528.3412 E: [agreenberg@dlcgmgt.com](mailto:agreenberg@dlcgmgt.com)

If you have an acquisition opportunity, contact:

**AARON WU, VP & HEAD OF ACQUISITIONS**

P: 914.304.5680 E: [awu@dlcgmgt.com](mailto:awu@dlcgmgt.com)

