HOLIDAY SEASON 2018 RECAP

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Friends, Colleagues and Clients – A very Happy New Year to you all. Somebody asked me just last week, "When do you stop saying Happy New Year to people?" Well, God willing, this will be my last time for 2019! As we launch into the New Year, with hope and energy, we also need to reflect upon and try to make sense of 2018.

There are a number of typical and well-worn narratives affecting the retail marketplace:

1. Amazon.com will destroy all retail eventually.
2. Due to the premise of broader Amazon destroying all retail, the market's overall appetite for retail capital, retail lending and retail investment has softened.
3. Cap rates and interest rates for retail are rising. No big surprise there. But this is not true in all sectors of retail (i.e. well-located, strong branded grocery/drug anchored centers with local neighborhood goods and services). It is also not true in all geographic areas (high barriers to entry in coastal California fares much better than areas with abundant land and low hurdles for entitlements).

Don't get me wrong - the Amazon phenomenon has got to be respected as a game-changing force to be reckoned with. It is also dynamic and continues to evolve (what will they get into next that might negatively affect our tenants and our shopping culture?). But as Lee Corso on ESPN College Football always says, "Not so fast, Mister." Not so fast because there are a few worthy and well capitalized competitors such as Walmart, with substantial financial capabilities and a massive brick and mortar footprint that are not just going to give up their hard earned retail mantle to the "new" kid on the block.

Walmart, like most retailers, are feeling their way along this new road. But they have something that Amazon does not have (despite the Whole Foods acquisition) – a place to actually go to shop, pick-up online orders, touch and actually try on