

 International Council of Shopping Centers




# The U.S. Retail Sector

*A Better Selling Environment*



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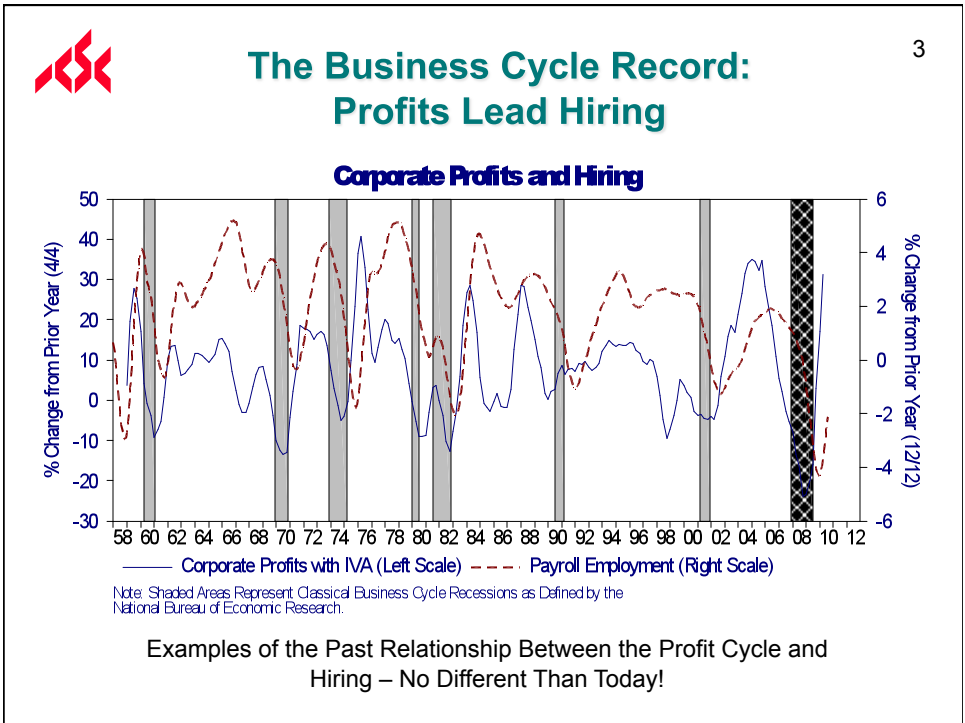
*Presentation for*  
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 International Council of Shopping Centers

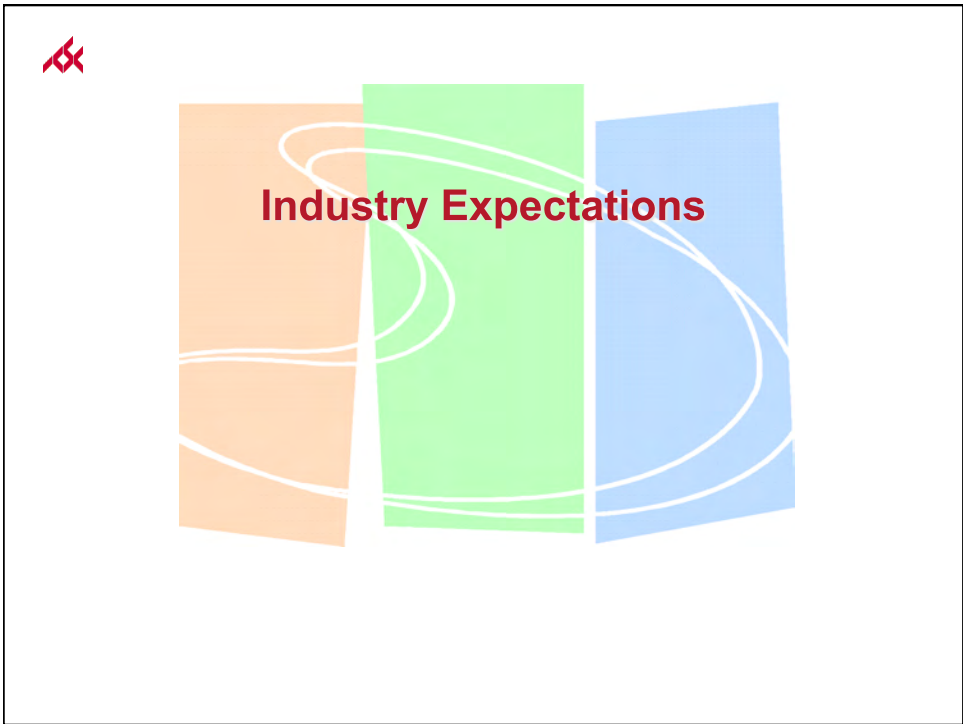
## Highlights

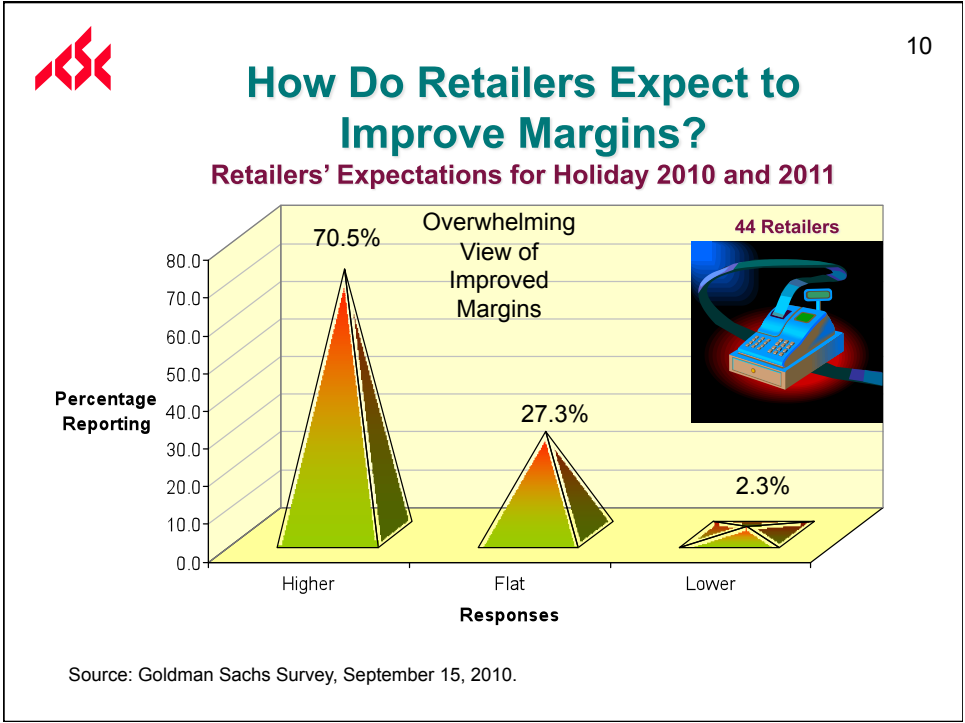
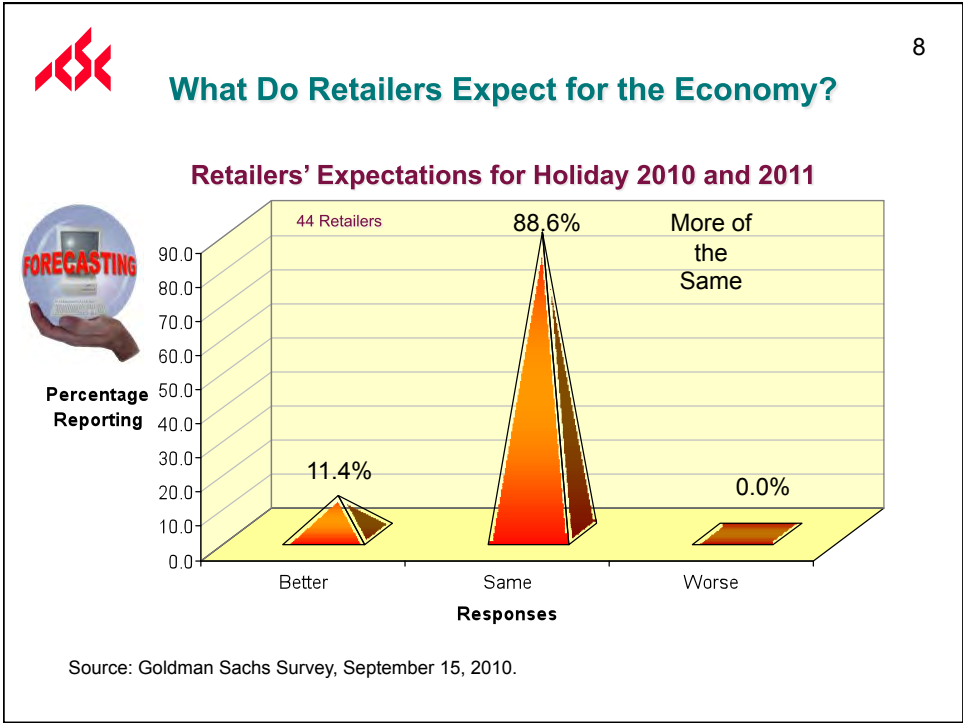
- The Macro Backdrop for Spending – Improved
- Unemployment and Spending—The Relationship
- The Importance of the Big Spenders
- The Pricing Story – Perceptions vs. Reality
- What’s Hot, What’s Not – A Look at Spending Trends
- Leading Indicators – What are they Saying?
- Holiday Spending Outlook
- Retail Sales Outlook

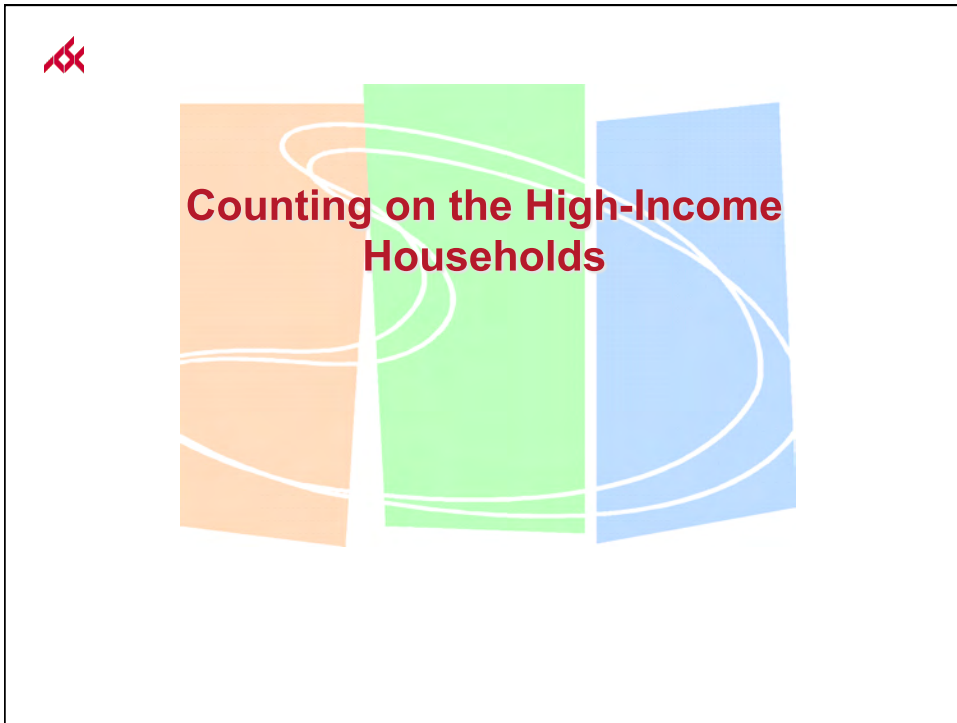






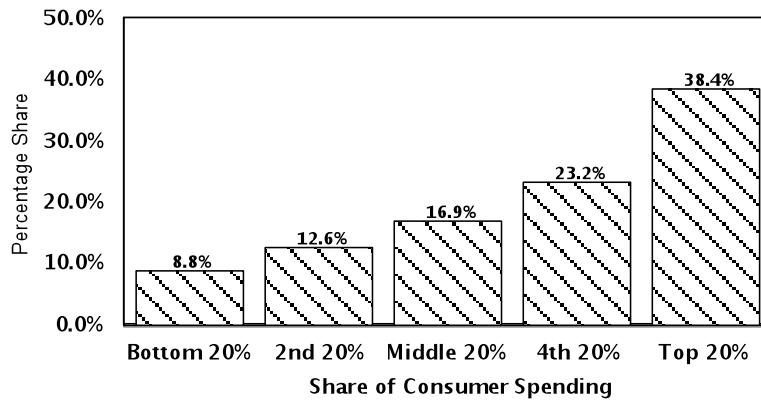


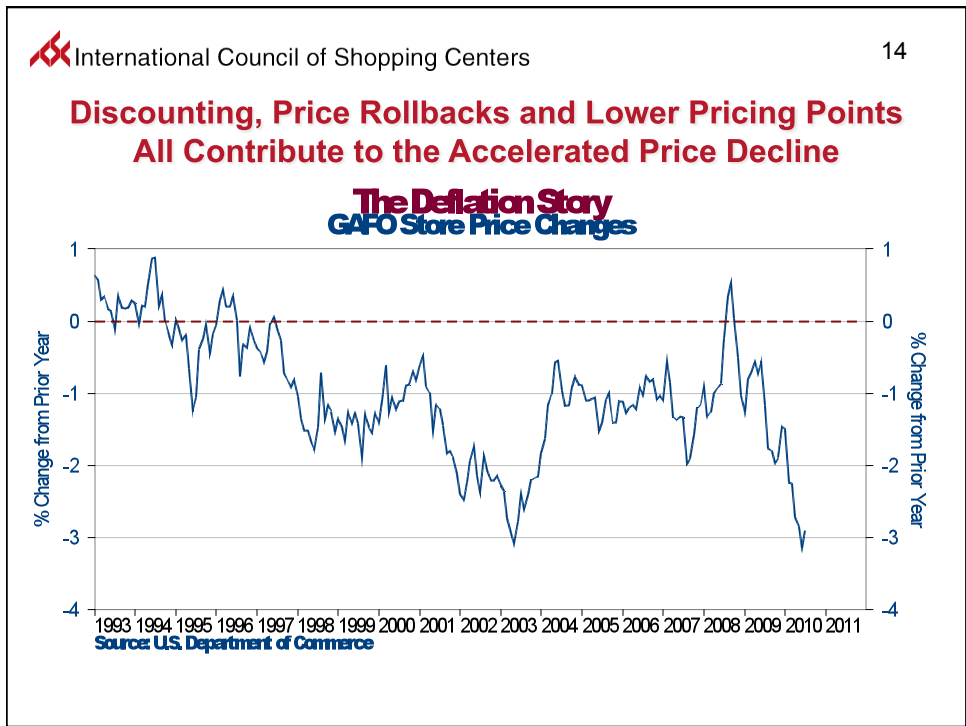




**A Sustainable Consumer Spending Recovery Not Possible Without High-Income Households**

**Share of Spending By Household Income**  
Latest Available Data 2008

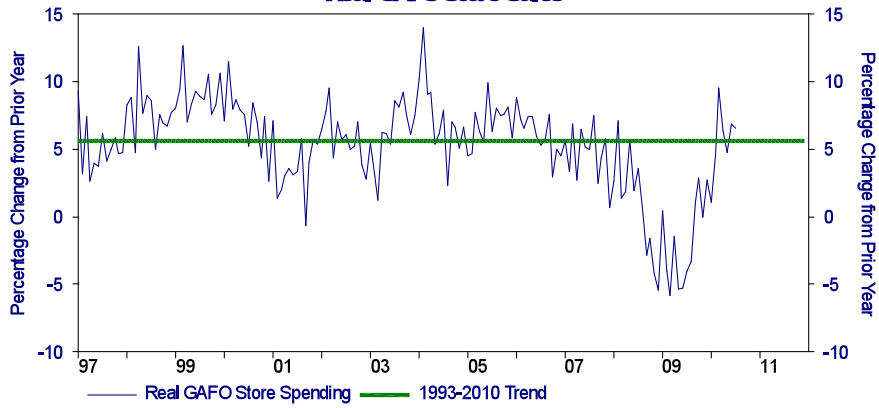






**Is This the Correct Reality?**

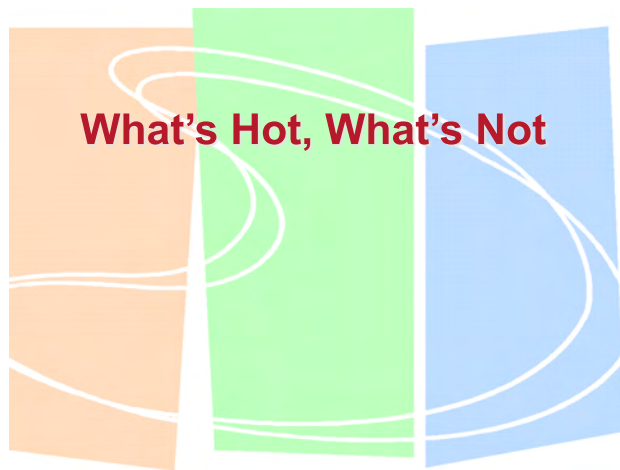
**Real GAFO Store Sales**



**A Much Different "Feel" of the Trend Than From Company Reports Alone**



**What's Hot, What's Not**





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## U.S. Consumer Spending Trends

Selected Personal Consumption Expenditures Categories Inflation-Adjusted	Average Year-over-Year Growth				Last 3-Months	Share
	2005-2007	2008	2009	2010 YTD		
<b>Total Personal Consumption Expenditures</b>	<b>2.9</b>	<b>-0.3</b>	<b>-1.2</b>	<b>1.3</b>		100.00
Goods	3.3	-2.5	-2.0	3.9		34.71
<b>Durable goods</b>	<b>4.5</b>	<b>-5.3</b>	<b>-3.6</b>	<b>7.0</b>		12.44
Motor vehicles and parts	-0.6	-14.1	-6.8	1.9		3.50
Furnishings and durable household equipment	4.1	-3.6	-6.4	7.8		2.93
Recreational goods and vehicles	12.3	3.3	1.4	12.4		4.73
<b>Nondurable goods</b>	<b>2.7</b>	<b>-1.1</b>	<b>-1.2</b>	<b>2.5</b>		22.24
Food and beverages purchased for off-premises consumption	2.9	-0.9	-0.9	2.9		7.55
Clothing and footwear	5.0	-0.6	-4.3	4.7		3.68
Garments	5.3	-0.4	-4.1	5.0		3.05
Women's and girls' clothing (10)	5.2	0.4	-4.3	4.4		1.79
Men's and boys' clothing (11)	5.3	-1.8	-3.9	6.2		1.10
Children's and infants' clothing (12)	5.6	-0.3	-4.5	3.2		0.16
Other clothing materials and footwear (13 and 17)	3.6	-1.5	-5.3	3.3		0.63
Clothing materials	5.9	-0.8	-4.6	0.8		0.06
Standard clothing issued to military personnel	4.4	-0.7	-1.0	-9.3		0.00
Shoes and other footwear	3.3	-1.6	-5.4	3.6		0.57
Gasoline and other energy goods	-1.2	-4.7	1.2	-0.1		3.09
<b>Services</b>	<b>2.6</b>	<b>0.9</b>	<b>-0.8</b>	<b>0.1</b>		65.29



## What's Hot, What's Not

Real Consumer Spending on:	2005-2007	2008	2009	2010 (Jan-Jul)	Share of Basket (%)
Televisions	31.9	24.0	20.1	35.0	0.88
Pleasure aircraft	6.1	-11.8	3.4	28.0	0.02
Personal computers and peripheral equipment	26.0	15.9	15.5	22.6	1.04
Outdoor equipment and supplies	4.5	3.1	-6.2	15.6	0.04
Passenger fares for foreign travel	3.6	-4.5	-9.5	15.8	0.48
Video and audio equipment	15.2	9.3	4.6	14.1	1.97
Clocks, lamps, lighting fixtures, and other household decorative	12.6	3.1	0.6	12.8	0.44
Games, toys, and hobbies	10.5	6.4	6.2	12.7	0.75
Computer software and accessories	15.8	0.7	-5.0	11.2	0.22
Watches	2.5	-5.0	-4.2	10.7	0.07
Major household appliances	0.0	-4.2	-7.5	10.7	0.39
Package tours	1.1	-3.5	0.7	9.9	0.10
Small electric household appliances	6.0	3.3	-4.0	9.0	0.06
Pleasure boats, aircraft, and other recreational vehicles	1.1	-17.4	-3.8	9.0	0.27
Railway transportation	5.3	4.9	-7.5	8.9	0.01
Recreational items (parts of 80, 92, and 93)	6.6	1.1	-0.2	8.8	1.50
Window coverings	4.8	-3.7	-4.3	8.5	0.13
Dishes and flatware	8.7	-1.7	-2.1	8.3	0.32
Prerecorded and blank audio discs/tapes/digital files/downlo	3.0	1.4	0.7	8.0	0.25
Furniture and furnishings (parts of 31 and 32)	4.8	-4.2	-7.0	7.8	1.69
Furnishings and durable household equipment	4.1	-3.6	-6.4	7.8	2.93
Calculators, typewriters, and other information processing eq	12.3	1.1	-0.2	7.8	0.02
Musical instruments (part of 80)	6.1	-5.1	-11.5	7.6	0.07
Electricity (27)	1.2	-1.5	-1.8	7.5	1.41
Intercity buses	-7.3	1.2	-19.6	7.5	0.01
Furniture	3.6	-5.1	-8.1	7.5	0.98
Glassware, tableware, and household utensils (34)	6.2	-3.2	-2.9	7.3	0.56
Proprietary hospitals	3.5	10.8	7.0	7.2	1.01
Household linens	9.7	4.0	0.9	7.1	0.41
Pets and related products	3.8	-1.9	-3.6	7.0	0.39
Recreational books (part of 90)	5.3	-0.4	-0.6	7.0	0.38
<b>Durable goods</b>	<b>4.5</b>	<b>-5.3</b>	<b>-3.6</b>	<b>7.0</b>	<b>12.44</b>
New motor vehicles (55)	-2.2	-20.1	-11.5	6.9	1.66
Cellular telephone services	13.1	6.6	2.1	6.9	1.09
Cosmetic/perfumes/bath/meal preparations and implements	1.7	-0.3	-5.0	6.4	0.33
Jewelry	2.5	-9.4	-4.4	6.3	0.50
Photographic equipment	22.0	13.2	-6.1	6.3	0.08
Nonelectric cookware and tableware	3.6	-4.7	-3.8	6.3	0.24
Men's and boys' clothing (11)	5.3	-1.8	-3.9	6.2	1.10
Flowers, seeds, and potted plants	4.0	-2.7	-3.8	6.0	0.35
Wine	6.3	0.0	-0.7	4.9	0.26
Hotels and motels	4.0	2.2	-8.8	4.9	0.61
Women's and girls' clothing (10)	5.2	0.4	-4.3	4.4	1.79
Personal consumption expenditures	2.9	-0.3	-1.2	1.3	100.00
Personal consumption services	2.6	0.9	-0.8	0.1	65.29

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## **Perception vs. Reality**

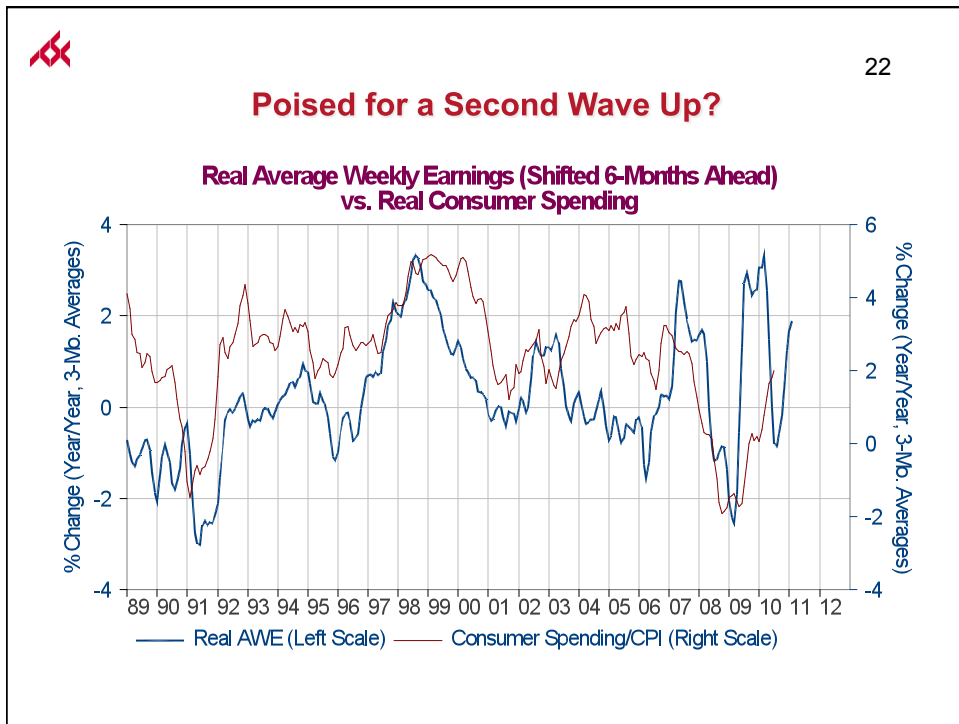
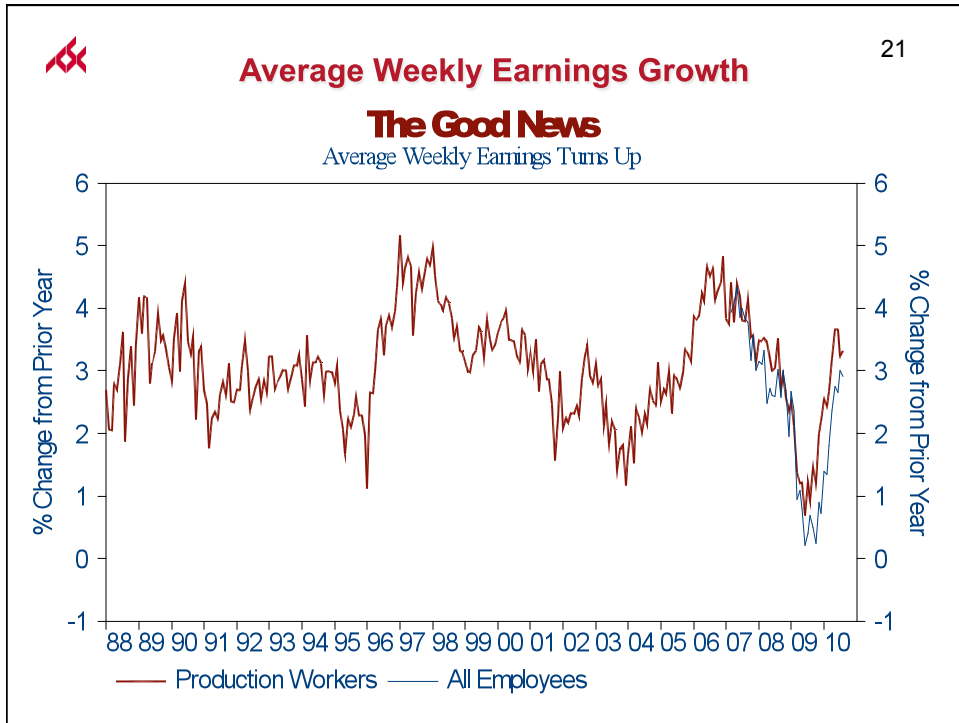
***U.S. Commerce Statistics Suggest Discretionary Consumer Spending Categories Have Been Strong!***

- ***Top Spending Items: Televisions, Pleasure Aircraft, Computers, Outdoor Equipment, Foreign Travel***
- ***Strong Growth: Watches, Appliances—major and small, Dishes, Furniture, Household Linens***
- ***The “Weak Segment”: SERVICES***



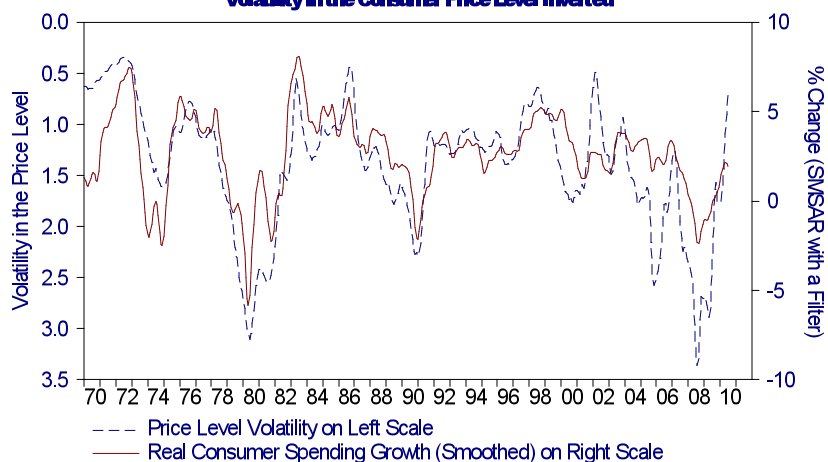
**Leading and Fundamental Indicators**





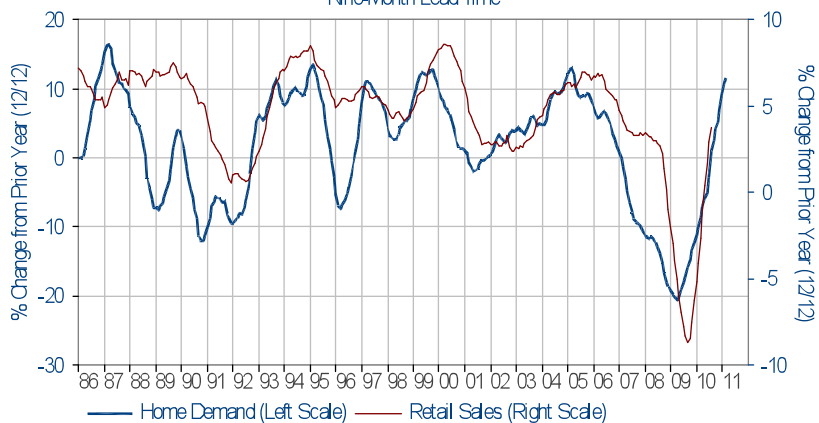
**Less Volatility in Inflation Also a Positive for Spending**

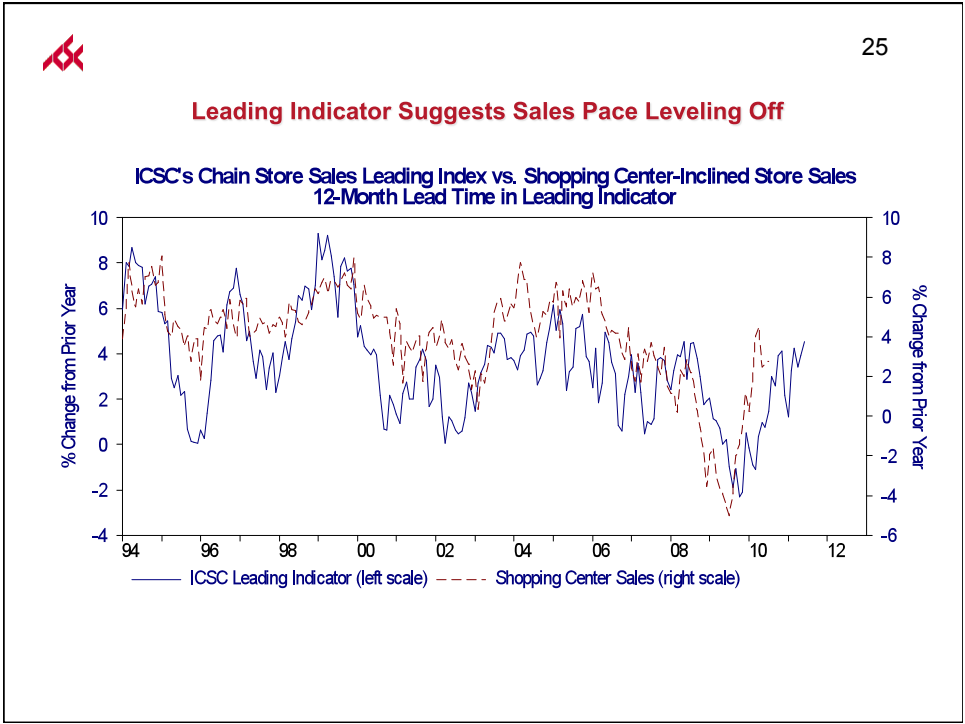
**The Katona Effect and U.S. Consumer Spending**  
 Volatility in the Consumer Price Level Inverted



**Home Demand Cycle Important Driving of Retail Spending**

**Home Demand as a Trigger for the Diderot Effect**  
 Nine-Month Lead Time







**ICSC Chain Store Sales Index Year/Year % Change in Sales During Jan-Oct Period Ahead of and During the Holiday Season**

Year	Jan-Oct	Nov-Dec	Difference	Length of the Shopping Season (Days Between Thanksgiving and Christmas days)	Day of the Week for Christmas	Hanukkah (holiday starts night before)
1993	2.9	3.7	0.8	29	Saturday	12/9
1994	3.9	3.3	-0.6	30	Sunday	11/28
1995	2.1	1.9	-0.2	31	Monday	12/18
1996	2.8	2.5	-0.3	26	Wednesday	12/6
1997	4.2	4.0	-0.2	27	Thursday	12/24
1998	5.0	4.1	-0.8	28	Friday	12/14
1999	6.5	5.1	-1.5	29	Saturday	12/4
2000	4.2	1.9	-2.3	31	Monday	12/22
2001	1.4	0.3	-1.0	32	Tuesday	12/10
2002	2.2	-0.3	-2.5	26	Wednesday	11/30
2003	2.4	4.1	1.7	27	Thursday	12/20
2004	4.6	2.5	-2.1	29	Saturday	12/8
2005	4.0	4.0	0.0	30	Sunday	12/26
2006	4.9	4.4	-0.5	31	Monday	12/16
2007	3.2	1.1	-2.1	32	Tuesday	12/5
2008	0.2	-5.6	-5.8	27	Thursday	12/22
2009	-4.2	2.3	6.6	28	Friday	12/12
2010	Jan-Aug: 3.5	3-3.5 F		29	Saturday	12/2
Median, 1993-2009	3.2	2.5	-0.7	29		

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**Retail Sales Outlook**



**U.S. Retail Sales Outlook**  
(Billions of Dollars, Unless Otherwise Noted, Seasonally Adjusted)

Category	Actual	Actual	Actual	Forecast	Forecast	Forecast	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast
	2009 H1	2009 H2	2010 H1	2010 H2	2011 H1	2011 H2	2006	2007	2008	2009	2010	2011	2012
<b>Total Sales &amp; Food Services</b>	2038.1	2093.8	2166.7	2207.0	2242.0	2280.8	4312.7	4454.3	4403.4	4131.9	4373.7	4522.9	4650.9
% Change from Prior Year	-3.7	-2.7	6.3	5.4	3.5	3.3	5.4	3.3	-1.0	-6.3	5.9	3.4	2.1
<b>Total Sales &amp; Food Services Ex Motor Vehicle &amp; Parts Dealers</b>	1701.8	1739.1	1798.0	1834.5	1858.6	1893.5	3408.2	3542.5	3624.3	3440.8	3632.5	3752.1	3856.9
% Change from Prior Year	-7.1	-3.0	5.7	5.5	3.4	3.2	6.4	3.9	2.3	-5.1	5.6	3.3	2.4
<b>Total Retail Sales</b>	1807.5	1864.2	1931.9	1970.5	2000.2	2037.3	3888.0	4007.6	3951.9	3671.7	3902.4	4037.4	4150.8
% Change from Prior Year	-10.9	-3.0	6.9	5.7	3.5	3.4	5.2	3.1	-1.4	-7.1	6.3	3.5	2.1
<b>Motor Vehicle</b>	336.3	354.7	368.7	372.5	383.4	387.4	904.5	911.8	785.1	691.1	741.1	770.8	793.9
% Change from Prior Year	-20.8	-1.6	9.6	5.0	4.0	4.0	1.8	0.8	-13.9	-12.0	7.2	4.0	3.1
<b>Furniture &amp; Home Furnishings</b>	45.1	44.6	45.9	45.9	47.7	47.8	113.1	111.4	101.1	89.7	91.8	95.5	99.8
% Change from Prior Year	-14.2	-8.2	1.8	3.0	4.0	4.0	3.6	-1.5	-9.2	-11.3	2.4	4.0	4.4
<b>Electronics &amp; Appliances</b>	50.7	49.6	51.5	51.1	53.5	53.1	107.8	110.6	103.5	100.3	102.5	106.6	110.9
% Change from Prior Year	-9.0	-7.8	1.5	3.0	4.0	4.0	6.3	2.6	-1.0	-8.4	2.2	4.0	4.1
<b>Building Materials, Garden &amp; Supply</b>	137.4	133.3	140.8	137.3	147.8	142.8	336.1	322.0	305.5	270.7	278.1	290.6	299.3
% Change from Prior Year	-11.4	-11.4	2.4	3.0	5.0	4.0	4.4	-4.2	-5.1	-11.4	2.7	4.5	3.3
<b>Food and Beverage</b>	286.7	289.6	293.5	301.2	303.7	311.7	526.9	549.3	572.6	576.3	594.6	615.4	627.8
% Change from Prior Year	0.8	0.4	2.4	4.0	3.5	3.5	3.6	4.3	4.2	0.6	3.2	3.5	2.0
<b>Health &amp; Personal Care</b>	126.4	128.1	129.9	133.2	135.1	138.5	224.4	237.8	246.6	254.5	263.1	273.6	280.5
% Change from Prior Year	3.4	3.1	2.7	4.0	4.0	4.0	6.5	6.0	3.7	3.2	3.4	4.0	2.5
<b>Gasoline Service Stations</b>	173.4	200.1	213.6	240.2	217.9	245.0	422.7	451.6	496.1	375.5	433.8	462.8	472.1
% Change from Prior Year	-33.9	-14.5	23.2	20.0	2.0	2.0	11.5	6.8	9.9	-24.7	21.5	2.0	2.0
<b>Clothing and Accessory Stores</b>	103.9	104.8	108.5	109.0	112.9	112.3	213.3	222.1	218.2	208.7	217.5	225.2	231.9
% Change from Prior Year	-7.1	-1.4	4.5	4.0	4.0	3.0	6.2	4.1	-1.7	-4.4	4.2	3.5	3.1
<b>Sporting Goods, Hobby, Book &amp; Music</b>	41.6	42.1	43.2	43.4	44.5	44.7	83.9	85.2	84.1	83.6	86.5	89.1	91.4
% Change from Prior Year	-2.4	1.3	3.9	3.0	3.0	3.0	3.5	1.7	-1.3	-0.6	3.5	3.0	2.5
<b>General Merchandise</b>	295.8	298.0	304.0	309.9	313.1	319.2	554.7	579.4	597.1	593.8	613.9	632.3	651.3
% Change from Prior Year	-0.7	-0.4	2.8	4.0	3.0	3.0	5.1	4.5	3.0	-0.6	3.4	3.0	3.0
<b>Miscellaneous Stores</b>	55.9	56.3	58.2	57.4	59.3	58.6	115.5	118.2	115.7	112.2	115.6	117.9	120.3
% Change from Prior Year	-4.9	-1.2	4.1	2.0	2.0	2.0	5.8	2.3	-2.2	-3.1	3.1	2.0	2.4
<b>Nonstore Retailers</b>	154.4	163.0	174.2	169.5	181.2	176.3	284.9	308.0	320.1	317.4	343.8	357.5	371.8
% Change from Prior Year	-4.2	2.6	12.8	4.0	4.0	4.0	11.3	8.1	3.9	-0.8	8.3	4.0	4.0
<b>Food Services</b>	230.6	229.6	234.8	236.5	241.9	243.6	424.7	446.7	457.5	460.2	471.3	485.4	500.0
% Change from Prior Year	1.4	-0.3	1.8	3.0	3.0	3.0	6.8	5.2	2.4	0.6	2.4	3.0	3.0
<b>Addendum</b>													
<b>Total Retail Sales Less Motor Vehicle and Gasoline</b>	1528.4	1538.9	1584.4	1594.4	1640.8	1648.5	2965.5	3090.9	3128.1	3067.3	3178.8	3289.2	3384.8
% Change from Prior Year	-2.6	-1.3	3.7	3.6	3.6	3.4	5.7	3.5	1.2	-1.9	3.6	3.5	2.5
<b>Total Less Gasoline</b>	1864.7	1893.6	1953.1	1966.8	2024.2	2035.8	3890.0	4002.6	3913.2	3758.4	3919.9	4060.0	4178.1
% Change from Prior Year	-6.5	-1.3	4.7	3.9	3.6	3.5	4.8	2.9	-2.2	-4.0	4.3	3.6	2.1
<b>Shopping Center-Inclined Sales</b>	1108.5	1111.1	1138.8	1152.7	1180.7	1192.5	2201.7	2260.6	2278.2	2219.6	2291.6	2373.2	2439.1
% Change from Prior Year	-3.1	-2.0	2.7	3.8	3.7	3.5	4.8	2.7	0.8	-2.6	3.2	3.6	2.4
<b>NRF-Concept of Industry Sales</b>	1143.4	1146.3	1175.4	1188.3	1217.7	1228.6	2275.8	2336.2	2350.5	2289.8	2363.7	2446.3	2513.0
% Change from Prior Year	-3.2	-2.0	2.8	3.7	3.6	3.4	4.8	2.7	0.6	-2.6	3.2	3.5	2.7

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# Thank You

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