Disclaimer
The information and material contained in this presentation are provided for informational purposes only and are not intended to be construed as investment advice. The information and material contained herein are not intended to be used in decision making with regards to the structure of, or engagement in, real estate investments in any form. The information and material contained in this presentation are provided “as is” and “as available” and as such the School and/or the University does not warrant the accuracy, adequacy, or completeness, of this information and the materials and expressly disclaims liability for errors or omissions in this information and materials.
With Thanks to Louis Conforti and Washington Prime Group

We would like to take this moment to thank WPG’s CEO, Louis Conforti for this opportunity and his insights.

It has been a wonderful occasion to apply our academic experiences to an exciting real-world application.
Biographies

Daniel O'Brien - daniel.obrien@chicagobooth.edu

Daniel is a second year student at the University of Chicago Booth School of Business. Before Booth, Daniel was an Analyst in the Strategy & Corporate Transactions team at Vicinity Centres, an Australian REIT with $23B in assets under management. During the first year of his MBA program, Daniel interned at Goldman Sachs with the Real Estate Investment Banking Group in New York.

Daniel has a Bachelor's Degree in Commerce (Finance & Management) from Monash University in Melbourne, Australia and currently serves as Co-Chair of the Investment Banking Group and Rugby Club at Chicago Booth.

Ross Ford – ross.ford@chicagobooth.edu

Ross is a second year student at the University of Chicago Booth School of Business. Before Booth, Ross was a principal at Johan Hekelaar, a boutique M&A Advisory firm focused on the technology sector. Before that, he worked in the Corporate Strategy Group at Capital One and led an early-stage financial technology start-up.

Ross has a Bachelor's Degree from Harvard College in Cambridge, MA and currently serves as a Co-Chair of the Aeronautics and Space Business Club at Chicago Booth.
Biographies

Tyler Kealy – tkealy@chicagobooth.edu

Tyler is a second year student at the University of Chicago Booth School of Business. Before Booth, Tyler was a Chief of Staff at JCR Capital, a real estate private equity with $600 million in assets under management. During the first year of his MBA program, Tyler interned at Credit Suisse with the Real Estate Investment Banking Group in New York.

Tyler has a Bachelor's Degree in Finance from the University of Denver.

Adam McCurdy – amccurd0@chicagobooth.edu

Adam is halfway through the Evening Program at University of Chicago Booth School of Business. Before Booth, Adam was a Financial Advisor and Analyst at Capstone Financial Advisors and Foundation Capital Advisors. The former was an RIA that managed over $1B in assets while the latter was an RIA start-up led by Adam. He is now focusing his efforts on managing Atlas Foundation Investments, a hedge fund.

Adam has a Bachelor’s Degree in Finance and Economics from Loyola University in Chicago. He currently serves as a Co-Chair of the Poker Club at Chicago Booth.
David Oppenheimer – doppenheimer@chicagobooth.edu

David is a student at the University of Chicago Booth School of Business with an expected graduation date of Summer 2017. David was an analyst at ARCIM Advisors, LLC, a relative value commodities fund in Greenwich, CT. David currently works as a Vice President of Operations at Intercounty Judicial Sales Corp., a mortgage foreclosure auction firm operating out of Chicago.

David has a Bachelor’s Degree in Business Administration (Finance) from Yeshiva University in New York, NY and is an active member of the Real Estate Club at Chicago Booth.
Executive Summary

- Washington Prime Group (WPG) is a $2+ billion retail REIT that is undervalued by the market
  
  **Takeaway:** Altering investors mindset is key to success

- Secular trends (e.g. rise of Millennials, eCommerce) offer WPG the opportunity to reposition its portfolio to concurrently reduce risk of obsolescence and increase NOI
  
  **Takeaway:** Effectively marketing these trends can help alter investors’ mindset

- WPG should imitate the best practices of high performers in the retail sector to capture secular tailwinds
  
  **Takeaway:** Execute big data, accretive promotions, mobile targeting, etc. to grow fundamentals
Executive Summary (cont’d)

• The strategies we have delineated offer varying levels of risk and capital expenditure and can offer WPG a nimble playbook for upgrading its real estate portfolio

    **Takeaway:** Execute appropriate redevelopment strategies to grow NOI while also de-risking the portfolio. Customizable strategies vary from capital-lite to capital-intensive (Facelift, Vista Venues, Marketplace, New Urbanism, and others)

• If WPG is able to successfully develop a set of strategies that materially improve the risk and return of their assets, there is an opportunity to develop WPG as a platform to aggregate improvable assets in secondary or tertiary markets
Agenda

1. **Where We Stand:** the state of retail today
2. **Digital Marketing:** big data, big opportunities
3. **Financing:** the risk/return profile and financing options
4. **Redevelopment Strategies:** taking advantage of emerging trends
5. **Enhancement Opportunities:** upside with minimal required capital
6. **One More Thing**
7. **Conclusion**
Where We Stand
The State of Retail Today
The State of Retail Today

The following key retail trends have informed our due diligence:

• Malls are out of favour with investors
• Vacancy has shifted
• Millennials prefer inline over department stores
• Department store duds, reasons to redevelop
• Redevelopment an opportunity to improve anchor profile
Malls Are Out of Favor with Investors

Regional malls are in last place for 2017 investment prospects among ULI’s surveyed real estate experts.

Source: ULI Emerging Trends 2017
Vacancy has Shifted

• **1 out of 5** of malls currently have troubling vacancy - Up from **1 out of 15** ten years ago

• **60 malls** are considered ‘on the brink’

• Malls targeting the **top 10% of income earners** have outperformed while others have stagnated

• **Upscale** department stores are **outperforming** cheaper department stores

• **Online retailing** is a factor but not necessarily the major driver
Millenials Prefer Inline Over Department Stores

Source: Nielsen Local, 2014-2015, Metlife Investment Management, U.S. Census Bureau, BLS
Department Store Duds, Reasons to Redevelop

% of Stores Needed to Close to Achieve 2006 Sales PSF Metric
- Bon Ton: 15%
- Dillard's: 20%
- Nordstrom: 25%
- J.C. Penney: 31%
- Sears: 43%

% of Shopping Center Space Not Dedicated to Retail/Restaurants
- 2012: 19%
- 2013: 20%
- 2014: 21%
- 2015: 22%
- 2016 Q2: 23%

YOY Traffic Declines
- YOY change in N American shopper traffic

% of Mall Anchors Stores
- Department store: 67%
- Traditional Strip Tenant: 24%
- Movie Theatres: 4%
- Other: 5%

Source: Bloomberg, Bloomberg & Prodoco, GSA
## Redevelopment an Opportunity to Improve Anchor Profile

- Anchors only account for 10% of mall NOI, but disproportionately impact property values
- Anchors constitute nearly half of mall’s GLA
- Strong anchors attract both retailers & customers

<table>
<thead>
<tr>
<th>TCO</th>
<th>CBL</th>
<th>GGP</th>
<th>MAC</th>
<th>PEI</th>
<th>SPG</th>
<th>WPG</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>41</td>
<td>101</td>
<td>41</td>
<td>22</td>
<td>111</td>
<td>34</td>
<td>365</td>
</tr>
<tr>
<td>9</td>
<td>2</td>
<td>25</td>
<td>13</td>
<td>3</td>
<td>28</td>
<td>4</td>
<td>84</td>
</tr>
<tr>
<td>4</td>
<td>0</td>
<td>10</td>
<td>2</td>
<td>0</td>
<td>10</td>
<td>0</td>
<td>26</td>
</tr>
<tr>
<td>5</td>
<td>3</td>
<td>4</td>
<td>1</td>
<td>0</td>
<td>6</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td>3</td>
<td>0</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>11</td>
<td>0</td>
<td>21</td>
</tr>
<tr>
<td>3</td>
<td>0</td>
<td>9</td>
<td>3</td>
<td>1</td>
<td>9</td>
<td>0</td>
<td>25</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>39</td>
<td>46</td>
<td>154</td>
<td>62</td>
<td>27</td>
<td>177</td>
<td>39</td>
<td>544</td>
</tr>
<tr>
<td>49</td>
<td>259</td>
<td>386</td>
<td>138</td>
<td>83</td>
<td>387</td>
<td>176</td>
<td>1478</td>
</tr>
</tbody>
</table>

79.6% 17.8% 39.9% 44.9% 32.5% 45.7% 22.2% 36.8%

Digital Marketing

Big Data, Big Opportunities
# Retail’s Future: Everyone is Talking About It

✓ = Marketing & Acting on

<table>
<thead>
<tr>
<th>Omnichannel</th>
<th>Data Analytics</th>
<th>Mobile App</th>
<th>Rewards Program</th>
<th>Beacon</th>
<th>Demographic Trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓</td>
<td></td>
<td></td>
<td>Opportunity</td>
<td></td>
<td>Opportunity</td>
</tr>
<tr>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Opportunity</td>
<td></td>
<td>Opportunity</td>
</tr>
<tr>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Opportunity</td>
<td></td>
<td>Opportunity</td>
</tr>
<tr>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Opportunity</td>
<td></td>
<td>Opportunity</td>
</tr>
</tbody>
</table>

- WASHINGTON PRIME GROUP™
- MACERICH®
- SIMON®
- PREIT PEI NYSE
- GOP
- Taubman
- CBL
Omnichannel

A Catalyst to Change the Conversation
# Omnichannel Drives Profitability

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Online Sales</th>
<th>Returns</th>
<th>During Returns</th>
<th>During Pick-Up</th>
<th>Net Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pure Play E-Commerce</td>
<td>100%</td>
<td>-23%</td>
<td>—</td>
<td>—</td>
<td>77%</td>
</tr>
<tr>
<td>Buy Online, Return In-Store</td>
<td>100%</td>
<td>-23%</td>
<td>+18%</td>
<td>—</td>
<td>95%</td>
</tr>
<tr>
<td>Buy Online, Pick-Up + Return In-Store</td>
<td>100%</td>
<td>-23%</td>
<td>+12%</td>
<td>+18%</td>
<td>107%</td>
</tr>
</tbody>
</table>

Source: ICSC
Omnichannel Drives Revenue

Omnichannel shoppers:
- Spend 2x what monochannel shoppers spend
- Are more loyal than monochannel shoppers

Physical stores drive online sales:
- Brick-to-click retails report physical stores lifts online sales 3-5x in respective trade area
- Retailers report that up to 70% of sales live within store’s trade area
- Up to 20% of consumers who return an online purchase in store make an additional purchase
- Two-thirds of shoppers who buy something online visit a physical store before or after the sale

Source: Kurt Salmon Review 2013 / Wharton Report, AT Kearney, Understanding the Multi-Channel Shopper, study conducted by Verde Group and the Jay H. Baker Retailing Center
New Sources of Demand

Electronics:
Apple
Microsoft
Dyson

Sportswear:
Athleta
Fabletics

Beauty:
Birchbox
The Honest Company

Food/Candy:
Vosges
Haut-Chocolat
Try the World

Apparel:
Trunk Club
ModCloth
NastyGal
Rent the Runway
Combatant
Gentlemen
Duluth Trading Co.
Refinery29
1701 Bespoke
Weddington Way
Frank & Oak
Untuckit
Chubbies
Everlane
Indochino
Bonobos

Other:
Amazon

Children’s Apparel:
Monica & Andy

Furniture/Home:
Essentia

Accessories:
Warby Parker
JustFab
Shinola
Classic Specs
Adore Me
The Tie Bar
Raden

Jewelry:
Baublebar
Blue Nile

Source: GGP
Data Analytics

Google Trends & Big Data Tools for Success
Google Trends: Traditional Spending ↔ New Spending

High-end Dollars

F + B Attention

Eyeballs & Visits

The Everything Store

Source: Google trends
Note: 100 = max search; data annualized; each graph independently scaled to 100
Using Google Trends

• Every day, we create 2,500,000,000,000,000,000 (2.5 quintillion) bytes of data

• Google Trends data is an unbiased sample of Google search data

• Searches are scaled from 0 to 100
  • 100 represents the time when the term was most searched
  • 0 means the terms was less than 1% as popular as its peak

• **WPG Takeaway:** Use real-time data analytics to create leasing strategy

Source: Jeffrey D. Fisher, Ph.D. Indiana University, “New Data Sources for CRE Research"
Combining Google Trends with Regression

Source: Data from Google Trends
Best Practice in Loyalty: 

- **Spring** - Chicago startup founded in 2013
- Mall-wide rewards program that gives shoppers cash back directly to existing credit or debit cards
- Allows mall owners direct access to transaction data at their properties
- Customers earn loyalty points that build toward direct cash deposited directly to their payment card
- **WPG Takeaway:** Gathering consumer level shopping data is essential to driving successful promotions and leasing strategies

Source: NAREIT
Big Data in Practice: MGM Case Study

- MGM partnered with academics from Stanford University, Chicago Booth and a data analytics consulting firm to improve their marketing spend.

- Consulting group utilized MGM’s spending database of 1.5 million loyalty card users.

- Result: targeted promotional campaign to price sensitive consumers, yielded 20% more incremental revenue per $1 of promotion spend.

- **WPG Takeaway**: Creating a consumer spending database (loyalty program / mobile app) can enable targeted marketing and drive revenue growth.

Beacons

- The number of proximity sensors deployed globally has increased 52% to over 5 million
- PSPs (Proximity Solution Providers) are increasingly data driven. 75% of proximity companies now offer tools for analytics, up from 60% in Q3
- Out of the $310.9m making up the top 10 investments into proximity companies in 2015, the primary focus is in location analytics and maximizing data
- Limitations: Mall owners can’t differentiate between mall employees and customers
- Mall owners are in the early stages of exploiting data on their customers in order to ultimately increase sales/sf and re-leasing spreads

Source: Business Wire
Data Collection Strategies

Wi-Fi: Property owners can gather basic information upon log-in ZIP code, email address, frequency and average length of visits.

Beacons: low cost emerging technology that communicates with mobile devices to offer location based promotions.

Loyalty Rewards Program: Nielson reports that in a recent survey, (67%) agree that they shop more frequently and spend more at retailers with loyalty programs.

Mobile App: enhance advertising, loyalty and traffic monitoring efforts.

Demographic data: Official government statistics.
Financing

Options for Financing the Proposed Initiatives
Financing Options

We examined the following four means of financing to determine the options available for financing our proposed strategic initiatives:

1. Debt
2. Equity
3. Asset Sales
4. Joint Ventures
Debt

- Debt is available at historically cheap levels
- WPG has a largely undrawn $900m revolving credit facility
- Increasing Debt/EBITDA beyond 10x threatens the current credit rating
- Before hitting 10x Debt/EBITA, WPG could drawn down:
  - $150m (assuming no return)
  - $700m (assuming an 8% return)

Source: Bloomberg
Equity

- Retail REITs are trading at a ~25% discount to NAV across the board
- WPG is trade at a larger discount relative to peers (~30%)
- This makes an equity offering particularly unpalatable at this time
- WPG would need ~40% uplift in share price before the equity markets become a reasonable financing option

Source: Bloomberg
Asset Sales

- We consider non-core assets to be those with challenging demographics and limited upside potential from either redevelopment or operations.

- Non-core assets provide an opportunity to release capital to fund value-add projects in the core portfolio.

- Finding buyers for non-core assets may be challenging.

- Asset sales may improve average quality but may also negatively anchor pricing for the remaining portfolio.

- Where valuations are poor and debt levels are high, “handing back the keys” may be the best option.
Joint Ventures

- Stable assets have strong catchment demographics but still lack upside (redevelopment) potential
- Return on these assets can be increased with minimal risk by JV'ing and collecting management fees
- This would also release capital that can be recycled for value add projects in the core portfolio
- WPG has a successful track record and a strong partnership with O’Connor Capital Partners ($2bn+)
- The risks related to JV’s are generally back-ended (when one partner looks to sell their stake)
# Financing Options

<table>
<thead>
<tr>
<th></th>
<th>Debt</th>
<th>Equity</th>
<th>Asset Sales</th>
<th>Joint Ventures</th>
</tr>
</thead>
</table>
| **Advantages** | - Most flexible financing  
- Currently very cheap  
- Below avg. Debt/EBITDA | - Would improve debt ratios | - May reduce NAV discount  
- Can simplify/focus portfolio  
- Releases capital | - Increased ROE  
- Increased platform value  
- Releases capital |
| **Disadvantages** | - Threat to credit rating  
- High Debt/Mkt. Cap ratio  
- Already Behind SKT, BRX | - Large NAV discount  
- Highly dilutive/unavailable | - Selling low quality assets may be very difficult  
- Cap rates are unknown | - Complexity in agreements  
- Likely to dilute portfolio quality (best assets JV’d) |
| **Recommendation** | ✓ Utilize revolver to a limited extent | ✗ Equity is unavailable at current NAV discount | ✓ Sell assets opportunistically | ✓ Continue to selectively enter joint ventures |
Financing Summary

**Approach**
- Tap existing undrawn debt facilities
- Opportunistically selling down identified non-core assets
- Joint venturing on stable, high performing assets

**Benefits**
- Minimal risk to current credit rating
- Recycle capital towards assets with greater upside opportunity
- Increase on ROE on stable, high performing assets
Financing

The Risk / Return Profile
Measuring Risk and Return

To understand WPG’s current investment risk / return profile, we considered:

Risk Measures

• Portfolio cap rate
• Levered equity beta
• Sales per square foot
• Price to NAV ratio

Return Measures

• Total return (last twelve months)
• Distribution yield (consensus)
• FFO growth (1Yr consensus)
• AFFO growth (3Yr CAGR)
Comparable REITs

We looked at risk / return measures relative to two groups:

High Quality Peers

- Simon
- Taubman
- GGP
- Macerich

Similar Quality Peers

- CBL
- PREIT
- Brixmor
- Tanger Outlets
Measuring Risk

Portfolio Cap Rate

<table>
<thead>
<tr>
<th>Source</th>
<th>High Quality Peers</th>
<th>Avg. 5.4%</th>
<th>Similar Quality Peers</th>
<th>Avg. 8.0%</th>
<th>9.3%</th>
<th>9.8%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$5.1%</td>
<td>5.3%</td>
<td>5.4%</td>
<td>5.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$651</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sales PSF

<table>
<thead>
<tr>
<th>Source</th>
<th>High Quality Peers</th>
<th>Avg. $651</th>
<th>Similar Quality Peers</th>
<th>Avg. $400</th>
<th>$390</th>
<th>$377</th>
<th>$376</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$789</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Levered Equity Beta

<table>
<thead>
<tr>
<th>Source</th>
<th>High Quality Peers</th>
<th>Avg. 0.78</th>
<th>Similar Quality Peers</th>
<th>Avg. 0.86</th>
<th>0.71</th>
<th>0.75</th>
<th>0.87</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Price to NAV

<table>
<thead>
<tr>
<th>Source</th>
<th>High Quality Peers</th>
<th>Avg. 77%</th>
<th>Similar Quality Peers</th>
<th>Avg. 72%</th>
<th>73%</th>
<th>71%</th>
<th>67%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Bloomberg, GSA, Company Reports, SNL
Measuring Return

**Total Return (LTM)**
- High Quality Peers: Avg. 8.4%
- Similar Quality Peers: Avg. 5.7%

**Distribution Yield**
- High Quality Peers: Avg. 3.8%
- Similar Quality Peers: Avg. 6.8%

**FFO Growth (1Yr)**
- High Quality Peers: Avg. 5.5%
- Similar Quality Peers: Avg. 2.5%

**AFFO Growth (3Yr CAGR)**
- High Quality Peers: Avg. 7.7%
- Similar Quality Peers: Avg. 6.6%

Source: Bloomberg, SNL
Mapping the Risk / Return Landscape

- WPG is high risk due to a relatively low portfolio quality and high levered beta

- WPG is high return based on high distribution yield and strong recent relative performance

- Although higher quality peers have substantially lower risk, they are expected to have similar returns to the lower quality peer group

- Expected total return is 6-8% and 7-9% for HQ and SQ peers respectively
Improving the Risk / Return Profile

• The goal of our proposed initiatives is to improve WPG’s risk / return profile

• Our proposed strategies increase real estate risk but reduce leverage risk, while improving long-term growth

• Key elements to achieving long-term growth are:
  1. Avoiding obsolescence risk
  2. Moving up the quality spectrum
  3. Utilizing local government incentives
  4. Focussing on the fat part of the curve
  5. Perfecting the model then rolling it out (aggregation strategy)
Avoiding Obsolescence Risk

- Much of the value in the proposed initiatives comes from avoiding potential obsolescence.

- Without intervention, a large portion of the portfolio may be valued as a terminating trust rather than a growing portfolio.

- The strategy going forward must include:
  - Reducing exposure to retailers and categories in secular decline.
  - Remixing towards growing categories and demographic segments, and new concepts.

- This will require incremental capex but should produce significant incremental upside.

With intervention: Significant Incremental Upside

Without intervention: Incremental Capex
Moving Up the Quality Spectrum

- An exponential relationship exists between the quality of an asset (cap rate) and the valuation (price PSF)
- Moving up the quality spectrum drastically increases the value of each dollar of NOI
- Our strategies focus on factors that improve asset quality and cap rates such as:
  - Diversifying the tenant mix
  - Increasing appeal to a more affluent and male demographic
  - Replacing declining retailers and empty boxes with fresh concepts
  - Updating the look and feel of the assets

![ROI of Incremental $1 of NOI](chart.png)
Financial Incentives from Local Government

• Taxes from shopping centers and malls play an important role in municipal budgets

• Municipalities will often provide financial incentives to employers to expand operations or prevent closures

• These incentives often come in several forms, including: grants, tax increment financing, tax breaks, and preferential treatment on zoning

• Each of our strategies adds value to the community by providing and improving social gathering spaces

• Our strategies could benefit from mutually beneficial partnerships with local governments
Focusing on the Fat Part of the Curve

- WPG's portfolio contains a spread of retail assets:
  - Malls and strip centers
  - Metro and non-metro markets
  - Strong and weak catchment demographics
  - Larger and smaller centers
- Our proposed strategies are flexible in scale and demographic appeal so to be applicable possible
- The proposed strategies are canvases upon which each property can use its own structural and demographic position to build a winning solution

Core assets
- 6-9% cap rates
- Growing catchments
- Redevelopment opportunity
- Operating upside

Asset quality
Perfect the Model and Roll It Out

The proposed strategic initiatives are designed to scale to the WPG portfolio and beyond

- If WPG can successfully add value through implementing the initiatives, there is scope to acquire additional assets that are also candidates for repositioning
- WPG could become a market leader and aggregator of malls and strip centers in tertiary markets
  - CBL also has a large portfolio of low productivity malls and currently trades at the largest discount to NAV of any large retail REIT making them a prime takeover target

As an infinite life vehicle, WPG can arbitrage the often illiquid low productivity mall market

- WPG’s platform can fill a void in the marketplace (B and C centers in tertiary markets) by purchasing assets when spreads on cap rates for different grades are large (currently ~300bps) and sell when spreads narrow
- Unlike many other institutional investors who are forced sellers due a finite fund life or financing constraints, as a public REIT, WPG can capture the high yield but still offer liquidity to investors
Redevelopment Strategies
A Spectrum of Opportunities
Key Elements to the Redevelopment Strategies

There is no one-size fits all answer to redeveloping the portfolio

**Core Features:**

1. Alter the physical space
2. Alter the tenancy
3. Respect demographic demand
Experiences are Key – Especially with Millennials

Consumers are spending more than ever on **experiences**.

**Growth of U.S. Expenditures**
Consumer Sectors 2010-15

Source: Sage Researcher
ULI Emerging Trends 2017
Mintel

---

**U.S. Experience to Stuff Ratio**
Age 25-34

<table>
<thead>
<tr>
<th>Years</th>
<th>1989</th>
<th>2007</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baby Boomers</td>
<td>1.00</td>
<td>1.01</td>
<td>1.14</td>
</tr>
<tr>
<td>Gen X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Millennials</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Millennials spend more of their disposable income on experiences than *any prior generation*.

"Consumers spend less and less ... on apparel and footwear. They’re looking for **experiences**."
– A.T. Kearney

"**Experiences** are the only thing that is going to save the day"
– Robin Lewis Consultancy

"Malls are “**curating**” their offerings, based on the tastes of their local communities. “It's really important that you don't have plain vanilla **experiences**”"
– Tom McGhee, ICSC CEO

"Millennial shoppers crave unique **experiences** more than the items for sale in stores"
– SAGE Researcher
Identifiable Strategies

There is no one-size fits all answer to redeveloping the portfolio

Strategies:

1. Facelift  
   Less intensive, less expensive

2. Vista Venues  
   Function of: complexity of idea, square footage required, capital expenditure needed, momentum of activity, targeted demographics

3. Marketplace Concept  
   More intensive, more expensive

4. New Urbanism
Facelift

Refurbishing Public Spaces
Facelift - General Strategy

• Steal from the Best
• Beautify indoor and outdoor spaces
  • Arboreal improvements and vegetation
  • Improve casual spaces (seating, lighting, fire pits, etc.)
  • Refurbish the facade of the mall
    • Cobblestone walks
    • Classical architecture
    • Columns

• Optimize pedestrian & automobile traffic
  • Small lanes and main street design
  • Redesign movement throughout retail facility
Concept Examples

Queen Victoria Building
& Oakbrook Center Mall
Facelift - Queen Victoria Building

Induce repeat visits by engaging the senses

- Aesthetically appealing open spaces
  - Glass domes
  - Balustrades
  - Clocks
  - Traditional art or architecture
- Warm lighting
- Comforting acoustics
- Special Consideration: neutral/appealing scent

An aesthetically appealing shopping center becomes a local attraction
Facelift – Oakbrook Center Mall

Improve outdoor aesthetics
- Pay attention to gathering areas
  - Seating
  - Fountains
  - Vegetation
  - Traditional art or architecture
- Improve flow of people and automobiles

Before

After
Facelift - Summary

**Benefits**

**IRR**
-10% to 40%

Diversify

*Tenant Base* ✓

*Shopper Demographics* ✓

Improve and Extend

*NOI* ✓

*Traffic* ✓

*Weighted Average Lease Expiry (WALE)* ✓

*Consumer Perception* ✓

---

**Modeled Example (in thousands)**

<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs of Redevelopment</td>
<td>$1,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenues</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NOI before</td>
<td>$14,500</td>
</tr>
<tr>
<td>NOI after</td>
<td>$15,410</td>
</tr>
<tr>
<td>NOI Incremental</td>
<td>$910</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Return on Project</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IRR Method with Disposition</td>
<td>39%</td>
</tr>
<tr>
<td>Incremental NOI/ Cost of Redevelopment</td>
<td>91%</td>
</tr>
</tbody>
</table>

Mercato, Dubai
Vista Venues

Improving Communal Gathering Spaces
Vista Venues - General Strategy

- Redevelop rooftop and curbside outdoor spaces
  - Rustic theme
  - Indoor/Outdoor interaction

- Incremental redevelopment with a focus on accessible luxury

- Provide an experiential reason to visit the property

- Drive reputational shift for the retail properties

- Craft brewery including activities and gaming such as shuffle board and billiards

Open air venues are popular with young professionals
Concept Examples

Café Hollander/ Café Benelux & The Game Room
Vista Venues – Café Hollander and Benelux

- Lively bar scene with well lit rooftop patio
- Garage door-style wall of windows which allows for a rustic indoor/outdoor dynamic
- Use of reclaimed wood, vegetation for aesthetics
- High quality food that is novel for its geography

Natural lighting provides an enjoyable atmosphere

Rooftop patio and seating creates a high-end feel
Vista Venues - The Game Room

- Integrated bar, dining, and recreational space
- Integrate with local events, sports games, and workplace socials
- Wood paneling of the old Chicago Athletic Club gives the feeling of exclusivity
- Relaxing atmosphere
- Appeals to millennial males

Millennials prefer experiences over goods
Vista Venues - Challenges

- High upfront investment
- Local regulations
- Building & Structural concerns
- Portfolio Management concerns
  - Identifying the optimal locations
  - Targeting the proper local demographics
  - Manage risks associated with such locations
Fire pits and seating areas are simple, effective tactics.
The Market Place Concept

Drive Sales & Diversify Demand
The Market Place - Concept

- A modular open floor retail concept
- Specializing in local and eCommerce retailers
- Focused on experiences + uniquely curated shopping
- Ability to host events and provide seasonal uses/tenancy

Milwaukee Public Market

Denver Central Market under construction
The Market Place - Benefits

- Adaptable – differentiates every mall to local catchment area
- Scalable – WPG can leverage national scale to allow brands to grow rapidly
- Diversifies visitor base
The Market Place - Implementation

- Best used for properties with a weak/dark anchor
- Uses an indoor and/or outdoor structure
  - Can be left with more of an open concept structure that exposes raw materials and has a more rustic vibe
- Incorporate an adaptable common area to facilitate special events
Main Street Marketplace - Execution

- Specialty/ Micro-leases are dependant upon local demographics and preferences
  - Examples of potential tenants: custom fishing lures; apothecaries; locally made jewelry
- Develop partnerships with larger providers of specialty brands
- Leverage national scale to bring new and exciting brands to the properties

<table>
<thead>
<tr>
<th>Property Name</th>
<th>City</th>
<th>State</th>
<th>Occupancy (%)</th>
<th>Entertainment (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rolling Oaks Mall</td>
<td>San Antonio</td>
<td>TX</td>
<td>81.1</td>
<td>723</td>
</tr>
<tr>
<td>Westminster Mall</td>
<td>Westminster</td>
<td>CA</td>
<td>87.1</td>
<td>2,270</td>
</tr>
<tr>
<td>Maplewood Mall</td>
<td>Saint Paul</td>
<td>MN</td>
<td>88.6</td>
<td>892</td>
</tr>
<tr>
<td>Lincoln Crossing</td>
<td>O’Fallon</td>
<td>Illinois</td>
<td>90.5</td>
<td>149</td>
</tr>
<tr>
<td>Clay Terrace</td>
<td>Carmel</td>
<td>Indiana</td>
<td>91.5</td>
<td>722</td>
</tr>
<tr>
<td>Boynton Beach Mall</td>
<td>Boynton Beach</td>
<td>Florida</td>
<td>91.6</td>
<td>888</td>
</tr>
<tr>
<td>Northwoods Mall</td>
<td>Peoria</td>
<td>Illinois</td>
<td>91.7</td>
<td>279</td>
</tr>
</tbody>
</table>

Chelsea Market | NYC

The Grove | LA

Denver Union Station
Concept Examples

A Denver Deep Dive
A Denver Deep Dive

Denver’s high proportion of young adults provides a glimpse into retail’s future

Source: Census
Example 1: Stanley Marketplace

A 180,000 SF lifestyle center (a little larger than the average department store box) with 53 tenants in a suburban community; adaptive reuse of vacant Stanley Aviation building

Features: Education, barbershop, medical office, food, specialty retail, event space, brewery, winery, etc.
Example 2: The Source

An artisan food market that features 13 vendors & a bar and occupies a former 1880's brick foundry building in Denver's River North District.
What is The Source?
A new generation urban market housing a curated group of accomplished culinary vendors

A draw for the local community as well as out-of-town visitors

An experience of the best of what the region has to offer in an elevated environment

Guests can get a great cup of coffee in the morning, buy all the necessities for creating a meal - quality bread, specialty foods and cheeses, produce, and meat - and have a fantastic dining experience whether in the casual setting of Comida or enjoying Acorn's modern American fare

Who are the tenants?
Two restaurants, a butcher, a baker, a produce purveyor, a florist, a coffee shop, a brewery, a bar, a cheese shop, a gallery, a design store, a bank, and a bottle shop

Can it be used for events?
Yes. Both restaurants, Acorn and Comida, as well as the brewery, Crooked Stave can host events
Daily events include pop-ups, farmers markets, and cocktail and culinary demonstrations
Evaluating The Source

Size: 26,000 SF

Median store size: 500 SF

Sales PSF: $1000+  >  WPG: $366 portfolio avg.
Rent PSF: $30+    >  WPG: $27.24 portfolio avg.
Example 3: Streets of Belmar

A 700,000 SF lifestyle center creating a ‘downtown’ in a suburban community devoid of public space

Features: apartments, hotel, bowling alley, movie theater, grocery, and shopping
Who are the tenants?
700,000 square feet of retail with tenants like: Whole foods, 24 hour fitness, A touch of Colorado, Belmar Smiles, Century Theatres, CorePower Yoga, DSW, Dicks, Hobby Lobby, Hyatt house, Lucky Strike, Nordstrom rack, Painting with a Twist, Rocky Mountain Soap Market, Target, World of Beer, etc.

What else is offered?
Belmar features art galleries, medical services, grocery, dining, clothing, yoga, fitness, bowling, movies, ice skating, apartments, hotels, auto repair, coffee shops, electronics, personal care, banking, coworking space and other services

What are the demographics?
Lakewood population: 149,100
Median household income: $54,454
Median age: 39
Percent Hispanic: 22%
# Main Street Marketplace - Summary

<table>
<thead>
<tr>
<th>Benefits</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IRR</td>
<td>15% to 40%</td>
</tr>
<tr>
<td>Diversify</td>
<td></td>
</tr>
<tr>
<td>Tenant Base</td>
<td>✓</td>
</tr>
<tr>
<td>Shopper Demographics</td>
<td>✓</td>
</tr>
<tr>
<td>Improve and Extend</td>
<td></td>
</tr>
<tr>
<td>NOI</td>
<td>✓</td>
</tr>
<tr>
<td>Traffic</td>
<td>✓</td>
</tr>
<tr>
<td>Weighted Average Lease Expiry (WALE)</td>
<td>✓</td>
</tr>
<tr>
<td>Consumer Perception</td>
<td>✓</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Modeled Example (in thousands)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses</td>
</tr>
<tr>
<td>Costs of Redevelopment</td>
</tr>
<tr>
<td>Revenues</td>
</tr>
<tr>
<td>NOI - Market Place Concept</td>
</tr>
<tr>
<td>Return on Project</td>
</tr>
<tr>
<td>IRR Method with Disposition</td>
</tr>
<tr>
<td>Incremental NOI/ Cost of Redevelopment</td>
</tr>
</tbody>
</table>
New Urbanism

Diversifying the Asset Base
New Urbanism - General Strategy

● Walkable/ Accessible

● Tied to the demographic of the region
  ○ Millennials looking for an urban feel
  ○ Baby boomers looking to downsize

● Mixed Use Space
  ○ Retail
  ○ Residential*
  ○ Restaurant
  ○ Office*
  ○ Day Care/ Education*

*May require JV, land lease or sale of property

A dynamic community environment
New Urbanism - Cases for Redevelopment

Elements that suggest a case for the New Urbanism Strategy:

- Excess parking lot space
- Empty outparcel
- Anchors gone dark
- Access to public transit
- High demand for office and residential

<table>
<thead>
<tr>
<th>Property Name</th>
<th>City</th>
<th>State</th>
<th>Occupancy (%)</th>
<th>Entertainment (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rockaway Commons</td>
<td>Rockaway</td>
<td>New Jersey</td>
<td>97.3</td>
<td>175</td>
</tr>
<tr>
<td>Rockaway Town Plaza</td>
<td>Rockaway</td>
<td>New Jersey</td>
<td>100</td>
<td>175</td>
</tr>
<tr>
<td>Fairfax Court</td>
<td>Fairfax</td>
<td>Virginia</td>
<td>97.4</td>
<td>491</td>
</tr>
<tr>
<td>White Oaks Plaza</td>
<td>Springfield</td>
<td>Illinois</td>
<td>95.3</td>
<td>NA</td>
</tr>
<tr>
<td>Bloomingdale Court</td>
<td>Bloomingdale</td>
<td>Illinois</td>
<td>99.4</td>
<td>1,220</td>
</tr>
</tbody>
</table>
New Urbanism - Walkable/Accessible

- A focus on interaction and community
- Cobblestone streets give the space a “Downtown” Feel
  - Many communities lack meeting locations
  - Municipalities want malls to stay relevant
- Walkability supports the dining/retail community
- Accessibility is key to largest US demographics
  - Millennials seek an urban vibe
  - Baby Boomer retirees may have mobility issues

Neighborhood sidewalks in The Glen
New Urbanism - Local Demographics

- Target local demographics by providing complimentary services:
  - Retailers
  - Grocers
  - Dining
- Create thematic communities within the mixed use properties that supports synergies
New Urbanism - Mixed-Use

Strategic argument for Mixed-Use:

- Sector Rent Arbitrage
- Complimentary customer base offers synergies
- Diverse tenant sector base offers risk reduction
- Captive customer base

Whole Foods - Hyde Park, Chicago IL
Concept Examples

The Glen, Glenview IL
& Hilldale Mall, Madison WI
New Urbanism - The Glen

- Residential, retail, social, and municipal buildings
- Easy access to public transportation
- Walkable
- Aesthetically appealing architecture
- Adaptive reuse of old buildings
- Integrated approach to planning

Repurposed Air base
New Urbanism - Hilldale Mall

- Residential, retail, social, and municipal buildings
- Architecture and layout appeals to local needs
- Redevelopment of old mall buildings

Hilldale Mall Renovation Plans

The Lodge at Walnut Grove, an adjacent residential development
## New Urbanism - Summary

### Benefits

<table>
<thead>
<tr>
<th>Benefit</th>
<th>✓</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IRR</strong></td>
<td>20% to 40%</td>
</tr>
<tr>
<td>Diversify</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Tenant Base</strong></td>
<td>✓</td>
</tr>
<tr>
<td><strong>Shopper Demographics</strong></td>
<td>✓</td>
</tr>
<tr>
<td>Improve and Extend</td>
<td>✓</td>
</tr>
<tr>
<td><strong>NOI</strong></td>
<td>✓</td>
</tr>
<tr>
<td><strong>Traffic</strong></td>
<td>✓</td>
</tr>
<tr>
<td><strong>Weighted Average Lease Expiry (WALE)</strong></td>
<td>✓</td>
</tr>
<tr>
<td><strong>Consumer Perception</strong></td>
<td>✓</td>
</tr>
</tbody>
</table>

### Modeled Example *(in thousands)*

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Costs of Redevelopment</td>
<td>$14,000</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
</tr>
<tr>
<td>Selling outparcels</td>
<td>$2,000</td>
</tr>
<tr>
<td>NOI before</td>
<td>$9,500</td>
</tr>
<tr>
<td>NOI after</td>
<td>$13,850</td>
</tr>
<tr>
<td><strong>Return on Project</strong></td>
<td></td>
</tr>
<tr>
<td>IRR Method with Disposition</td>
<td>21%</td>
</tr>
<tr>
<td>Incremental NOI/ Cost of Redevelopment</td>
<td>36%</td>
</tr>
</tbody>
</table>

The New Urbanism Strategy targets each of our goals.
## Incremental Financial Impact - Examples

<table>
<thead>
<tr>
<th>Indicative per center</th>
<th>Facelift</th>
<th>Vista Venues</th>
<th>Market Place Concept</th>
<th>New Urbanism</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital Expenditure</strong></td>
<td>$1MM</td>
<td>$.5MM - $1MM</td>
<td>$1MM</td>
<td>$14MM</td>
</tr>
<tr>
<td><strong>Net Return</strong></td>
<td>-10% to 40%</td>
<td>10% to 35%</td>
<td>15% to 40%</td>
<td>20% to 40%</td>
</tr>
<tr>
<td><strong>Annual Incremental Revenue</strong></td>
<td>~$1MM</td>
<td>$.3MM-$ .5MM</td>
<td>~$.4MM</td>
<td>$4MM - $5MM</td>
</tr>
<tr>
<td><strong>Operating Expense</strong></td>
<td>~$0.25MM</td>
<td>&lt;$0.02MM</td>
<td>~$.1MM</td>
<td>$1MM - $2MM</td>
</tr>
</tbody>
</table>
Enhancements

Upside with Minimal Required Capital
Enhancements

Experiential Tenants

Pop up Retailers

Improve upon traditional norms

Camp No Counselors

Child Care

Banquet Venue

Warby Parker Eyewear
Experiential Tenants

**Strategies:**

1. Powersport vehicles
2. Racing
3. Indoor Skydiving
4. Escape Room

**Least Impact**
Function of: complexity of idea, square footage required, capital expenditure needed, momentum of activity, targeted demographics

**Most Impact**
Powersports

What is it?
- Includes any all-terrain vehicle

Goal?
- Team with powersport dealer
- Offer driveable course (mimic Chicago Auto Show?)

Typical (boring) showroom display

Interactive experience

Polaris General 1000 EPS Deluxe
Potential Locations

Criteria

- Proximity of competition
- Annual entertainment revenue
- Number of department stores
- Empty anchors

<table>
<thead>
<tr>
<th>Property Name</th>
<th>City</th>
<th>State</th>
<th>Entertainment (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bloomingdale Court</td>
<td>Bloomingdale</td>
<td>Illinois</td>
<td>1,220</td>
</tr>
<tr>
<td>Polaris Fashion Place</td>
<td>Columbus</td>
<td>Ohio</td>
<td>957</td>
</tr>
<tr>
<td>Cottonwood Mall</td>
<td>Albuquerque</td>
<td>New Mexico</td>
<td>737</td>
</tr>
<tr>
<td>Bowie Town Center</td>
<td>Bowie</td>
<td>Maryland</td>
<td>709</td>
</tr>
<tr>
<td>Arbor Hills</td>
<td>Ann Arbor</td>
<td>Michigan</td>
<td>453</td>
</tr>
<tr>
<td>Jefferson Valley Mall</td>
<td>Yorktown Heights</td>
<td>New York</td>
<td>407</td>
</tr>
<tr>
<td>Wolf Ranch</td>
<td>Georgetown</td>
<td>Texas</td>
<td>364</td>
</tr>
<tr>
<td>Malibu Lumber Yard</td>
<td>Malibu</td>
<td>California</td>
<td>319</td>
</tr>
<tr>
<td>MacGregor Village</td>
<td>Cary</td>
<td>North Carolina</td>
<td>273</td>
</tr>
<tr>
<td>Matteson Plaza</td>
<td>Matteson</td>
<td>Illinois</td>
<td>200</td>
</tr>
</tbody>
</table>

* Bold represents properties with at least four department stores
** Red represents properties that have an empty anchor
Racing

What is it?
- Indoor speedways that allow participants to race high-powered karts
- Estimated square footage between 65,000-70,000

How is it different than typical (go-)karts?
- Setting has more professional “race” environment
- Appeals to older males
- Hosts corporate parties and events
- Competition, leagues, and classes

K1 Speed
- IL Locations

Autobahn
- Founded in 2003
- 35 locations

K1 Speed
- Founded in 2013
- 11 locations
Potential Locations

Criteria

Proximity of competition
Annual entertainment revenue
Number of department stores
Empty anchors

<table>
<thead>
<tr>
<th>Property Name</th>
<th>City</th>
<th>State</th>
<th>Entertainment (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunswick Square</td>
<td>East Brunswick</td>
<td>New Jersey</td>
<td>1,100</td>
</tr>
<tr>
<td>Maplewood Mall</td>
<td>Saint Paul</td>
<td>Minnesota</td>
<td>692</td>
</tr>
<tr>
<td>Oak Court Mall</td>
<td>Memphis</td>
<td>Tennessee</td>
<td>566</td>
</tr>
<tr>
<td>WestShore Plaza</td>
<td>Tampa</td>
<td>Florida</td>
<td>783</td>
</tr>
<tr>
<td>Richmond Town Square</td>
<td>Richmond Heights</td>
<td>Ohio</td>
<td>762</td>
</tr>
<tr>
<td>Cottonwood Mall</td>
<td>Albuquerque</td>
<td>New Mexico</td>
<td>737</td>
</tr>
<tr>
<td>Bowie Town Center</td>
<td>Bowie</td>
<td>Maryland</td>
<td>709</td>
</tr>
<tr>
<td>Virginia Center Commons</td>
<td>Glen Allen</td>
<td>Virginia</td>
<td>634</td>
</tr>
<tr>
<td>Orange Park Mall</td>
<td>Orange Park</td>
<td>Florida</td>
<td>605</td>
</tr>
<tr>
<td>Edison Mall</td>
<td>Fort Myers</td>
<td>Florida</td>
<td>558</td>
</tr>
</tbody>
</table>

* Bold represents properties with at least four department stores
**Red represents properties that have empty anchor
Indoor Skydiving  (i.e. iFly)

What is it?
- Indoor skydiving is the simulation of true free fall conditions in a vertical wind tunnel
- Skyventure founded in 1998
- First iFly opened in Orlando in 1999
- 74 locations announced, under construction, or open worldwide
- Estimated square footage between 6,500 – 7,000

Why?
- Mitigating the weather issue of actual skydiving
- Could fit in a large number of mall or strip center parking lots
- Appeals to all ages and genders
Potential Locations

Criteria

- Proximity of competition
- Annual entertainment revenue
- Parking lot size
- Open land
Escape Room Venues

What is it?
- Participants are placed in a room and must find clues throughout the room before disaster strikes
- Started in Japan between 2006 and 2007 by SCRAP Entertainment
- 90 countries
- Estimated square footage between 500 – 1,000 per room + lobby

Why?
- Could be “hottest” new activity
  - Marketwatch -> 2,800 rooms worldwide in 2015
  - Escape Room Directory -> currently 5,711 rooms
- Could be placed in any mall or strip center
- Corporate events
- Replace/grab movie-goer marketshare

Source: MarketWatch
Potential Locations

Criteria

- Proximity of competition
- Annual entertainment revenue
- Occupancy rate

<table>
<thead>
<tr>
<th>Property Name</th>
<th>City</th>
<th>State</th>
<th>Entertainment (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lincolnwood Town Center</td>
<td>Lincolnwood</td>
<td>Illinois</td>
<td>3,290</td>
</tr>
<tr>
<td>Westminster Mall</td>
<td>Westminster</td>
<td>California</td>
<td>2,270</td>
</tr>
<tr>
<td>Town Center at Aurora</td>
<td>Aurora</td>
<td>Colorado</td>
<td>1,490</td>
</tr>
<tr>
<td>Scottsdale Quarter</td>
<td>Scottsdale</td>
<td>Arizona</td>
<td>1,060</td>
</tr>
<tr>
<td>The Outlet Collection-Seattle</td>
<td>Auburn</td>
<td>Washington</td>
<td>762</td>
</tr>
<tr>
<td><strong>Rolling Oaks Mall</strong></td>
<td>San Antonio</td>
<td>Texas</td>
<td>723</td>
</tr>
<tr>
<td>Bowie Town Center</td>
<td>Bowie</td>
<td>Maryland</td>
<td>703</td>
</tr>
<tr>
<td>Orange Park Mall</td>
<td>Orange Park</td>
<td>Florida</td>
<td>606</td>
</tr>
<tr>
<td>Jefferson Valley Mall</td>
<td>Yorktown Heights</td>
<td>New York</td>
<td>407</td>
</tr>
<tr>
<td>Great Lakes Mall</td>
<td>Mentor</td>
<td>Ohio</td>
<td>367</td>
</tr>
</tbody>
</table>

* Bold represents properties with lower than average occupancy rate
**Red represents properties that have lower than 90% occupancy rate
Strength in Numbers

Properties that scored well for each of the “experiential” activities

<table>
<thead>
<tr>
<th>Property Name</th>
<th>City</th>
<th>State</th>
<th>Entertainment (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bowie Town Center</td>
<td>Bowie</td>
<td>Maryland</td>
<td>703</td>
</tr>
<tr>
<td>Jefferson Valley Mall</td>
<td>Yorktown Heights</td>
<td>New York</td>
<td>407</td>
</tr>
<tr>
<td>Malibu Lumber Yard</td>
<td>Malibu</td>
<td>California</td>
<td>319</td>
</tr>
<tr>
<td>Matteen Plaza</td>
<td>Matteen</td>
<td>Illinois</td>
<td>200</td>
</tr>
<tr>
<td>The Mall at Johnson City</td>
<td>Johnson City</td>
<td>Tennessee</td>
<td>188</td>
</tr>
<tr>
<td>Grand Central Mall</td>
<td>Vienna</td>
<td>West Virginia</td>
<td>125</td>
</tr>
<tr>
<td>New Towne Mall</td>
<td>New Philadelphia</td>
<td>Ohio</td>
<td>76</td>
</tr>
<tr>
<td>Martinsville Plaza</td>
<td>Martinsville</td>
<td>Virginia</td>
<td>34</td>
</tr>
</tbody>
</table>

* Bold represents properties with below average occupancy rate
Pop-Up Retailers

Why?
- Stay relevant on hot trends
- Can test out the market
- Keep the properties fresh
- Utilizes parking lots

What?
- Whiskey tasting
- Athletic attire
- Fashion trends
- 3-D printing
- Restaurants / Food
Improve Upon Traditional Norms

Bring in New Shoppers and Customers
Child Care on Premise of Property

Why?

- Entices parent to shop at WPG property with a “headache” free shopping experience
- “Drop and Shop”

Ideal situation

- Near a high-density area
- Model after X-Sport gym
  - Child care room
  - Parent can monitor on TV while exercising
    - WPG customer can monitor on app*
- Try at different locations/layouts
  - Use empirical data to decide if mall or strip center is better

*More discussion of app in ‘Big Data’ section
Potential Locations

Criteria

Near/in high density area
Projected household income
Number of department stores
Supercenter

<table>
<thead>
<tr>
<th>Property Name</th>
<th>City</th>
<th>State</th>
<th>Household Income 2021 (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wolf Ranch</td>
<td>Georgetown</td>
<td>Texas</td>
<td>115</td>
</tr>
<tr>
<td>Charlottesville Fashion Square</td>
<td>Charlottesville</td>
<td>Virginia</td>
<td>109</td>
</tr>
<tr>
<td>Westminster Mall</td>
<td>Westminster</td>
<td>California</td>
<td>103</td>
</tr>
<tr>
<td>The Outlet Collection-Seattle</td>
<td>Auburn</td>
<td>Washington</td>
<td>93</td>
</tr>
<tr>
<td>Chesapeake Center</td>
<td>Chesapeake</td>
<td>Virginia</td>
<td>91</td>
</tr>
<tr>
<td>Boynton Beach Mall</td>
<td>Boynton Beach</td>
<td>Florida</td>
<td>90</td>
</tr>
<tr>
<td>Richardson Square</td>
<td>Richardson</td>
<td>Texas</td>
<td>88</td>
</tr>
<tr>
<td>Irving Mall</td>
<td>Irving</td>
<td>Texas</td>
<td>88</td>
</tr>
<tr>
<td>Waterford Lakes Town Center</td>
<td>Orlando</td>
<td>Florida</td>
<td>87</td>
</tr>
<tr>
<td>West Town Corners</td>
<td>Altamonte Springs</td>
<td>Florida</td>
<td>83</td>
</tr>
</tbody>
</table>

* Bold represents properties with at least four department stores
**Red represents properties that have supercenter on premise
Banquet Venue

Why?
- Will always remain relevant
- Diversification of tenant mix
- Couples are looking for cost-efficient venue
- Average wedding has gone from $27,000 in 2012 to $31,000

Ideal situation
- Model after Abbington Banquets
  - Wal-Mart is next door
- Stripcenter location
  - Slightly segregated from rest of properties
- Mall
  - Anchor store has its own entrance

Source: Reuters and The Knot
Potential Locations

Criteria

Property layout
Projected household population
Projected household income

<table>
<thead>
<tr>
<th>Property Name</th>
<th>City</th>
<th>State</th>
<th>Household Population 2021 (thousands)</th>
<th>Household Income 2021 (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Westminster Mall</td>
<td>Westminster</td>
<td>California</td>
<td>2096</td>
<td>103</td>
</tr>
<tr>
<td>The Arboretum</td>
<td>Austin</td>
<td>Texas</td>
<td>955</td>
<td>108</td>
</tr>
<tr>
<td>Brunswick Square</td>
<td>East Brunswick</td>
<td>New Jersey</td>
<td>783</td>
<td>125</td>
</tr>
<tr>
<td>The Outlet Collection-Seattle</td>
<td>Auburn</td>
<td>Washington</td>
<td>668</td>
<td>93</td>
</tr>
<tr>
<td>Scottsdale Quarter</td>
<td>Scottsdale</td>
<td>Arizona</td>
<td>621</td>
<td>126</td>
</tr>
<tr>
<td>Bowie Town Center</td>
<td>Bowie</td>
<td>Maryland</td>
<td>477</td>
<td>130</td>
</tr>
<tr>
<td>Richardson Square</td>
<td>Richardson</td>
<td>Texas</td>
<td>391</td>
<td>88</td>
</tr>
<tr>
<td>Royal Eagle Plaza</td>
<td>Coral Springs</td>
<td>Florida</td>
<td>334</td>
<td>101</td>
</tr>
<tr>
<td>Arbor Hills</td>
<td>Ann Arbor</td>
<td>Michigan</td>
<td>308</td>
<td>104</td>
</tr>
<tr>
<td>Lakeline Plaza</td>
<td>Cedar Park</td>
<td>Texas</td>
<td>229</td>
<td>121</td>
</tr>
</tbody>
</table>

* Bold represents properties where surrounding projected income is above $100,000
**Red represents properties that are malls.
Recap

Cater to millennials desire for experience while still respecting demographics

Utilize space while keeping properties fresh

Entice new shoppers and diversify tenant base
One More Thing

Branding
What’s In A Name

• Famous companies that originally had different names
• BackRub → Now known as Google
• Anderson Consulting → Now known as Accenture
• Blue Ribbon Sports → Now known as Nike
• Stag Party → Now known as Playboy
• Phillip Morris → Now known as Altria
Re-Branding

• Strategic rethink of WPG’s entire physical portfolio
• Perhaps WPG should change name to reflect its new focus and leadership change
• Signaling: Reimagine WPG’s relationship with its stakeholders → Investors, Tenants, Customers, Employees
• Australian Mall REIT merger: Federation Centers & Novion rebranded itself as “Vicinity Centres” after completing its merger
Conclusion

• While WPG is facing challenges, there are significant opportunities to achieve above hurdle returns by leveraging technology, redevelopment strategies, and low-cost enhancements.

• WPG should embrace the emerging trends and embed a culture of data-driven innovation within the company.

• WPG should respect the demographic composition of its catchment areas, while also being cognizant of shifting millennial preferences.

• The market has not fully incorporated the opportunities that WPG can exploit to improve NOI and reduce risk.
Appendix

Chicago Booth Real Estate Lab
Fall 2016
Advertising

- **Exploit Existing Physical Spaces**
- Floor Clings, Door Clings and Table Clings
- Bulkheads, Barricades & Exterior Advertising
- Sky banners – suspended in high profile open spaces
- Elevator/Escalator Wraps
- Free standing digital advertisements
- Food Court Advertising
- Windowscapes

Macerich Sky banner
Physical Spaces

Macerich Elevator Wrap

Westfield Mall: Culver City California

Macerich Floor Cling
Extreme Sandbox “Lite”

What is it?
- Individuals or groups buy packages to play with big construction equipment
- Move dirt
- Destroy cars

Why the “lite” version?
- Actual “sandbox” encompasses 10 acres of land
- Condense to 1 or 2 acres of land
- Don’t need to fully mimic idea, just offer a “taste”
  - If reaction if positive, then offer at a larger level
  - Think bungee-jumping activities for kids at malls
Miscellaneous

Last mile fulfillment

Activation events (already doing/aware of)

Residence for food trucks and F&B operators
Demographics

Know Your Customer
Demographics a Differentiator & Challenge

U.S. Mall REIT Demographics – 15 Mile Radius

Median Household Income

- TCO: $62,406
- SPG: $61,023
- MAC: $59,700
- PEI: $57,656
- GGP: $57,149
- WPG: $52,332
- CBL: $51,560

Available Income

- $40,000
- $60,000
- $80,000

Average Household Income

- TCO: $86,901
- SPG: $82,738
- MAC: $80,065
- GGP: $77,050
- PEI: $78,060
- WPG: $69,963
- CBL: $68,485

Population

- MAC: 1,989,191
- TCO: 1,650,897
- SPG: 1,432,391
- GGP: 1,173,290
- PEI: 1,002,676
- WPG: 802,629
- CBL: 470,403

% of Household Earnings > $100K

- TCO: 28.2%
- SPG: 27.1%
- MAC: 25.9%
- GGP: 24.2%
- PEI: 24.0%
- WPG: 20.4%
- CBL: 19.9%

Source: Evercore ISI report
Demographics a Differentiator & Challenge

Highest Portfolio Sales Per Square Foot
(June 30, 2016)

TCO: $789
MAC: $626
SPG: $607
GGP: $583
PEI: $458
SKT: $395
CBL: $377
WPG: $376

Highest Average Rent Per Square Foot
(June 30, 2016)

TCO: $62.61
MAC: $54.00
SPG: $50.43
PEI: $48.98
CBL: $31.82
WPG: $27.24

Source: Taubman October 2016 Investor Presentation
Generation X

- Americans born from 1961-1981
- Approximately 49 MM Americans
- Key Events
  - Iran Hostage Crisis
  - CNN premiers
  - MTV premieres
  - Space shuttle Challenger
  - Fall of the Soviet Union
  - The rise of the Internet
  - Dolly the Sheep
Baby Boomers

- Americans born from 1946-1960/65
- Approximately 75-80 MM Americans
- Key Events
  - Vietnam War
  - Civil Rights Era
  - Cold War
  - Hippies
  - Watergate
  - Rock & Roll
  - Apollo 11
  - John F. Kennedy
Millennials (aka Generation Me)

- Americans born between 1982 to mid-‘90s
- Estimated 75.4 MM Americans
- Key Events
  - 9/11 Terrorist Attacks
  - Rise of the Internet
  - Keeping Up with the (Reality Shows)
  - Going Mobile
  - Selfies!
  - Great Recession
Males

Unique, Racing, Outdoors, Destroy, Exercise, Change, Different, Excitement, New, Male Activity, Confident, Talent, Experiential, Danger, Variety, Vision, TV, Music, Whiskey, Rough, Testing, Toy, Objective, Gamble, Action, Dirt, Social, Big, Direct, Famous, Sports, Dogs, Football, Travel, Basketball, Guitar
Partnerships

Stay at the Cutting Edge of Consumer Trends
Potential Partners

BetaBrand
Shark Tank

- Investors
  - Mark Cuban, Daymond John, Robert Herjavec, Lori Greiner, Barbara Corcoran, Kevin O'Leary

- Key Investments
  - Rugged Events
  - Ten Thirty One Attractions
  - Rent Like a Champion
  - Tipsy Elves
  - Zipz
  - Gameday Couture
Cue Ball Group

- Investors
  - Tony Tjan, John Hamel, Mats Lederhausen, Richard Harrington

- Key Investments
  - MiniLuxe
  - Ideeli
  - Epic Burger
  - Stylesight
TSG Consumer Partners

- **Investors**
  - Chuck Esserman, Jamie O'Hara, Hadley Mullin, Blythe Jack, Pierre Lecomte, Jennifer Baxter Moser

- **Key Investments**
  - YardHouse
  - Planet Fitness
  - POP Chips
  - VitaminWater
  - Smashbox Cosmetics
  - Terra Chips
  - Stumptown Coffee Roasters
Building a Brand

- Hotels began building branded chains in the Early to Mid 20th Century

- Airlines began doing brand building in the 1980s during
  - American Airlines founded the first rewards program in 1981
  - Most airlines followed within the next several years

- Loyalty focused brands are effective at driving incremental spend
  - Differentiated product based upon loyalty incentivizes profitable sales
  - Points system leverages price insensitive customers
Building a Brand

- Developing Markets have seen branded malls and shopping centers
  - Kanyon, Istanbul Turkey
  - Villagio Mall, Doha
  - Mercato, Dubai

- The US has fewer widely known branded shopping areas
  - Mall of America, Bloomington, MN
  - Rodeo Drive, Beverly Hills, CA
  - Magnificent Mile, Chicago, IL
Combining Google Trends with Regression

Source: Data from Google Trends