



MadisonMarquette
A Capital Guidance Company

FORECASTS & RESULTS: 2021 HOLIDAY RETAIL SEASON

This report provides perspective on the outcome of the holiday shopping season following forecasts made in Madison Marquette's inaugural 2021 Holiday Trends Report: Opportunities & Headwinds.

The upshot: The holiday shopping season was successful with double-digit retail sales growth against 2020 and 2019. These results occurred despite a slowdown in December sales, supply-chain disruption, the Omicron surge hitting during peak season, and the highest inflation since 1982.

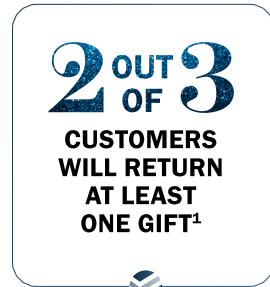
1 ROBUST RETAIL SALES OUTLOOK

FORECAST: Consumer momentum will drive a robust outlook for 2021, with retail sales growing between 7% to 13% and e-commerce sales rising between 11% to 15% compared to 2021.

RESULTS: Consumer spending finished strong in 2021 despite the headline surprise of a month-over-month softening in November and a decline in December sales as the consumer price index increased by 7% year-over-year. National Retail Federation (NRF) reported core retail sales growth of 14.1% year-over-year to \$886.7 billion, beating their revised forecast of 11.5%, and online sales growth of 11.3%.

Retail and restaurant sales across Madison Marquette's portfolio rose double-digits over 2020 and rebounded to or above 2019 levels. However, service tenants still did not recover to 2019 sales.

Retailers prepared early for the onslaught of returns and gift card redemptions to hit in Q1 2022 when more products are available and Omicron peaks. Additionally, retailers are encouraging in-store returns to offset the cost of shipping, improve their ability to resell items, and upsell to the customer.



2 SUPPLY CHAIN THREATS TO SALES GROWTH

FORECAST: Persistent supply chain challenges, lack of products, and delivery delays will threaten an optimistic outlook for retail sales.

RESULTS: Supply chain bottlenecks and delivery delays did not deter consumer spending and did not appear to be widespread. Large national and big-box chains were most resilient given their ability to maintain greater control over vendor priority, pricing, and shipping processes, including chartering container ships to secure products. However, smaller chains and independent retailers battled for inventory stuck in ports and now have excess merchandise, likely requiring deep discounts to sell post-holiday.

The Omicron surge contributed to empty shelves and altered holiday performance. Labor constraints resulting from staff contracting COVID-19 impacted operations at factories, transportation companies, and retailers. Employee absenteeism reduced operating hours and limited customer service at retailers across the U.S. Despite these factors, Omicron did not negatively impact overall customer traffic volume across Madison Marquette's portfolio; the number of visitors continued to increase week-over-week from Black Friday until Christmas, according to Placer.ai.

¹Source: Optoro



3 SHOPPING EARLY & IN-STORE

FORECAST: Consumers will shop early to buy products amid uncertain supplies while returning to the in-store experience after an accelerated digital migration during the pandemic.

RESULTS: Consumers shopped early in Q4 with month-over-month retail sales growth peaking at 1.7% in October, according to the U.S. Census Bureau. Sales softened in November and December. However, even as Omicron infections rose, across Madison Marquette's portfolio visits were up an average of 26% over 2020, and 25% of our properties exceeded 2019 visits, according to Placer.ai. Dwell time was only about three minutes less on average compared to 2019 due to increased curbside pick-up and buy online, pickup in-store (BOPIS).

Shoppers returned because retailers met expectations for a clean and safe environment and because of interest in in-store events, promotions, and social media contests. Shopping centers in our portfolio successfully supported retailers' efforts to increase foot traffic with activities such as tree lighting ceremonies, scavenger hunts, and artisan markets.

4 DIGITAL DISCOVERY: THE HYBRID REALITY

FORECAST: Digital discovery will be key to captivating consumers on the path to purchase across all channels in the hybrid retail reality.

RESULTS: Online holiday sales growth moderated to 11.5% year-over-year in 2021 compared to 23.9% growth in 2020, according to NRF. Digitally-driven shoppers purchased across websites, mobile apps, social commerce, live streaming, messaging, and gaming. The digital-first strategy also applied to payments with a significant rise in contactless, flexible payment options such as buy now, pay later, and the use of alternative payment platforms like PayPal, Apple Pay, and Google Pay.

2021 also reinforced the pivotal role stores play in omnichannel retail. Brick-and-mortar stores generated demand and fulfilled sales through the convenience of curbside and BOPIS, building loyalty through in-person engagement, and improving the returns process. Across Madison Marquette's portfolio, retailers provided a more immersive digital experience to personalize products and aid in gift selection, while providing convenient options for fulfillment and post-purchase.



¹Source: Salesforce



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ABOUT US

Madison Marquette is a full-service provider and integrated investment manager offering a full range of real estate services paired with a disciplined investment platform to add insight and value at every stage of the real estate lifecycle.

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