

# North American Business Activity Statistics

Fourth Quarter 2013



## WE ARE over 400 professionals in 35 offices throughout North America. We are a powerful network

of partner offices that exclusively focus on first class, best in class, world class retail real estate. XTeam International's unique platform assembles the strongest and most experienced retail-only specialists in the most important metropolitan markets in North America. There are no substitutes for resume or reputation, and each XTeam partner office is a recognized leader in its regional trade area. Our team has an enormous track record in the representation of Fortune 500 and emerging retailers alike. We represent North America's premier Power Center and Specialty Center developers as well as regional and local clientele who own the high street retail and neighborhood centers where North America shops.

In 2013 XTeam consummated retail lease and sale transactions in North America that totaled over \$3.3 Billion in value and over 29 Million square feet of the best space in every retail market.

Together with our International Partner DTZ, we provide brokerage and consulting services to firms that make the global economy hum in North America, Europe, Asia and the Middle East.

**Extensive Experience. Exclusively Retail. XTeam.**



XTeam Partner Sitings Realty LTD.  
High street leasing, Vancouver, Canada

## Q4 2013 Summary

Year-end statistics compiled by XTeam International's 35 North American offices demonstrated a retail market in which post-recession era activity continues apace, while rents have moved significantly higher and the purchase of development land has hit a multi-year high. Overall transaction volume reported by the network's North American offices totaled \$3.31 Billion for calendar 2013, a modest drop of 6.4% from 2012 totals.

In a clear indication of a firming rental rate environment, XTeam International reported a 2% increase in the total dollar volume of all leases, to \$2.46 Billion for the year, despite the fact that the total volume of space leased dropped 28.6% to 18.4 M square feet. The fact that XTeam clients were able to increase the total volume of lease transactions from 2012, but did so in considerably less space, is explained by real estate values that have moved up significantly.

Another market shift gleaned from the comparison of 2012 and 2013 data is that the glut of space that flooded the market in 2008 and 2009, has largely been absorbed. In review, our data shows that the window of opportunity created by major retailer bankruptcies (Mervyn's, Circuit City, Linens NThings, etc) largely closed out in 2012. The significant drop in the square footage of leasing volume, while the dollars spent on new leases ticked up, demonstrates how the low-hanging fruit created in the recession has been picked.

The resulting increase in rental rates, coupled with a low interest rate environment, and a bullish stock market that has retailer valuations at pre-recession levels, have provided the necessary spark for the re-emergence of the development pipeline. In 2013, XTeam partners sold over 675-acres of raw land to users and developers, the highest ever reported by the network.

On the sale side, XTeam partners tallied \$848 M in sales transaction volume during 2013, a 25% drop from the prior year. The square footage sold likewise dropped, from 12.5 M to 11.2 M square feet (-11.2%). Rising valuations on investment properties due both to rising rents and steadily declining CAP rates, have given investors pause. As market values become fully priced, expect to see still more activity on the land sale side as both users and developers elect to undertake new developments rather than pay premiums.

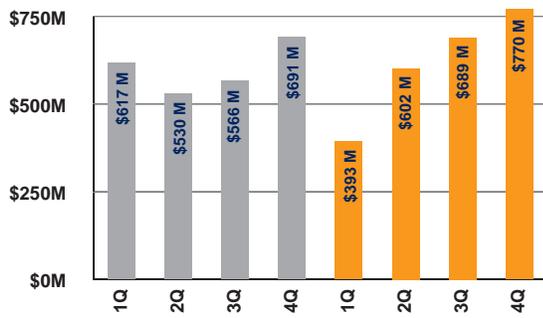
### Key findings from the retail sector included:

- XTeam Partners consummated \$3.31 Billion in total transaction volume in 2013, down 6.4% from 2012.
- Leasing transaction volume increased 2% over 2012 totals, despite a 28% drop in the total footage of space leased – a clear signal that a correction of rents has occurred.
- Over 675-acres of land sold to users and developers, indicating how supply & demand fundamentals have healed, poising the market for new development.
- \$769 M of leasing transaction volume occurred in 4Q 2013, an 11% gain over 4Q 2012.
- Total sales for the year dropped from \$1.13 B (2012) to \$848 M (-25.2%), as users and investors learned that recession era bargain hunting is over and re-focused on new development.

## North American Leasing

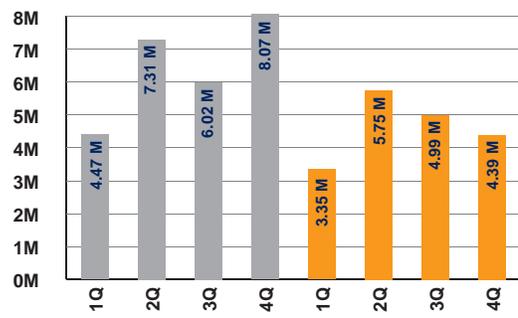
The majority of new retail real estate transactions consummated each quarter are leases. In 4Q 2013, leasing has represented 79.1% of the total value of all transactions (lease + sale) and approximately 66% of the total square footage. Because more consideration changes hands and more space is moved via leases, trends in leasing activity are an extremely reliable barometer of the strength of the retail sector, and by extension, the overall commercial real estate market and economy at large.

**Leased (\$ Volume)**



2013 Year to Date = \$2.46 B

**Leased SF (Millions of SF)**

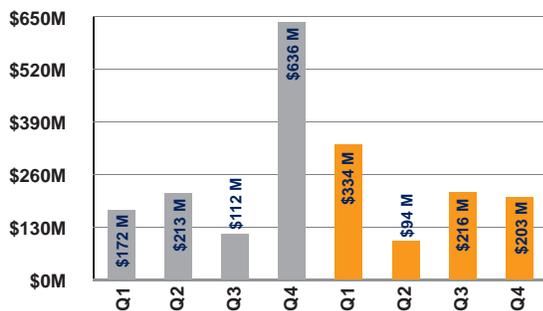


2013 Year to Date = 18,494,346 SF

## Sales Activity

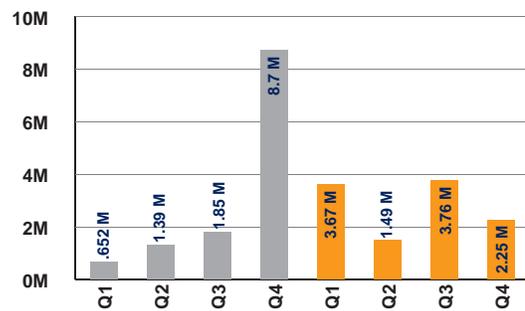
The data described below captures all sales consummated by our Partners in a given quarter. This includes a broad mix of transactions including investment sales to investors, existing asset sales to users, redevelopment sales to developers and raw land sales to both users and developers. The breadth of transaction types captured by this data provides a more general commentary on retail real estate activity and trends from one quarter to the next.

**Sales (\$ Volume)**



2013 Year to Date = \$848 M

**Sales (Millions of SF)**



2013 Year to Date = 11,180,813 SF

The data above includes transaction totals from XTeam's North American offices.  
Source: XTeam International



## Darren Pitts

### Executive Vice President Velocity Retail Group Phoenix, Arizona

“There is no security - there is only opportunity. Prosperity will come to those that can quickly see new distinctions in fundamental shifts in markets. A strong work ethic and doing things the right way will continue to serve our clients well.”



#### How's business:

"2014 will be a breakthrough year for our marketplace with tremendous opportunities. Phoenix has healed. Housing is back. Our market is one of the nation's leading job creators. In a very challenging environment we have built a strong services platform and have an organization of more than 25 individuals that I'm very proud to be associated with. We will lead the way."

#### Business

**Biggest Challenge For Your Business at the Moment:** Pre-2013 we were missing a couple of key positions within our firm. We made 2 incredible hires - a CFO and Director of Operations from major brokerage companies to help us focus on working with clients and uncovering opportunities. They are game-changers.

**In The Next Year:** Managing the dynamics of our company's aggressive growth in 2014 and beyond.

**Biggest Mistake / Success:** I'm not one to dwell much on mistakes. They are a required part of learning. We take calculated risks, make mistakes, accelerate learning, and move forward. We are a learning organization that can quickly adjust. Success - Assembling an incredible team of diverse professionals with different strengths. Most of the people on our core team have been together for more than a decade.

**Biggest Business Strength / Weakness: Strength** - Our brokerage and development services platforms. Many clients asking us to expand our development services platform to accelerate store openings. Constraints in terms of personnel and capital have pushed retailers to outsource more than we've seen in recent years. **Weakness** - Our market continues to have more than 250 vacant spaces of 10,000 SF or greater. Many are going to require vision to create sustainable adaptive reuse. We have a division called "ReStored" to do just that.

**Advice to Someone Starting In The Real Estate Industry Today:** Find a great mentor. Be part of a dynamic collaborative learning environment.

**The Best Place to Invest Today:** Markets in the "smile" states are poised for aggressive growth. Also many smaller markets overlooked in the downturn have significant opportunities.

#### Personal

**Some Personal Details:** From the Midwest - born in downstate Illinois. Undergraduate at Millikin University (Illinois). Competed in cross-country and track in college. MBA from Pepperdine University in Southern California. Moved to Arizona in 1996 after graduate school. Married to Denise for 18 years with 11-year old son Davis & 10-year old daughter Denae. Both kids attend Scottsdale Christian Academy. We reside in Scottsdale, Arizona.

**Role Model:** My partner and best friend Dave Cheatham. He is a tireless leader. Role models don't come any better than him. Period.

**Favorite Pastimes:** I enjoy serving as the President of the Alumni Leadership Council (ALC) for my alma mater Pepperdine University. Enjoy the stock market, golf, travel, St. Louis Cardinals baseball, and time at the beach.

**Favorite Place:** Zuma Beach in Malibu, California. I spent time there on weekends in graduate school. Our kids were baptized there. My kids learned to surf there. It's just our place full of memories. Rolling waves and gorgeous sunsets.

**Most Recent Book:** "Fate of the States - The New Geography of American Prosperity" by Meredith Whitney. Interesting discussion of the future prosperity that will be created by states with low debt levels and pro-business economic and fiscal policies.

**Something You Probably Wouldn't Know:** I lead congregational acapella singing at the Camelback Church of Christ where we worship.



[www.xteam.net](http://www.xteam.net)