



Charlebois Family Investments Inc.

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Agenda



Executive Summary

Goal

- Identify strategy to counter declining profit in Mall Real Estate Holdings

Recommendation

- Divest out of Portland
- Double down on fitness centres and eateries in Connecticut property

Result

- Stabilised real estate cash flows

Key Issues

- ▶ Consumer buying habits are shifting to online making B&M retail less profitable
- ▶ Portland & Hartford properties are struggling financially
- ▶ Mortgage payment on Hartford
- ▶ Low lease renewals on both properties
- ▶ Changing local demographics

Analysis

Trends Towards Online Retail have Weakened Brick and Mortar Stores

- ▶ Growth in Millennial purchasing power = growth in demand for convenient, online shopping
- ▶ Amazon and Wholefoods merger erodes profits for grocery retailers
- ▶ Online purchases of flowers, jewelry, and durables squeeze traditional retailers.
- ▶ Global retailers have seen profits and equity value decline by 12% and 30%, respectively

Profile of Major Purchasing Group: Millennials

Characteristic	Value
Age	25-35
Income	\$70k
Free time	Low

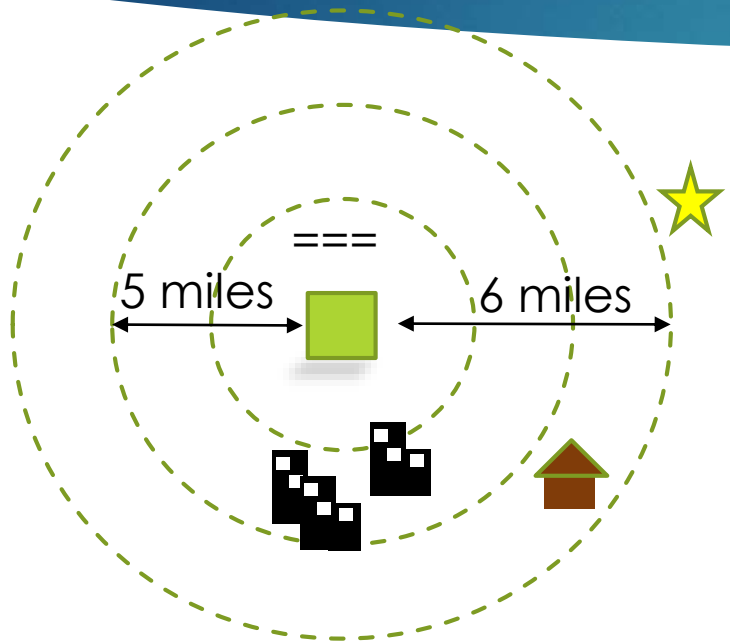
Millennials are the most powerful purchasing group in the US, have money to spend, but have little free time to spend on shopping for goods.





Where People Make Purchases

Brick and Mortar	Online
Dining Experiences	Pantry Items
Leisure	Durables
Fitness	Toys

The **old** mall business model caters to products that new purchasers want to source online.

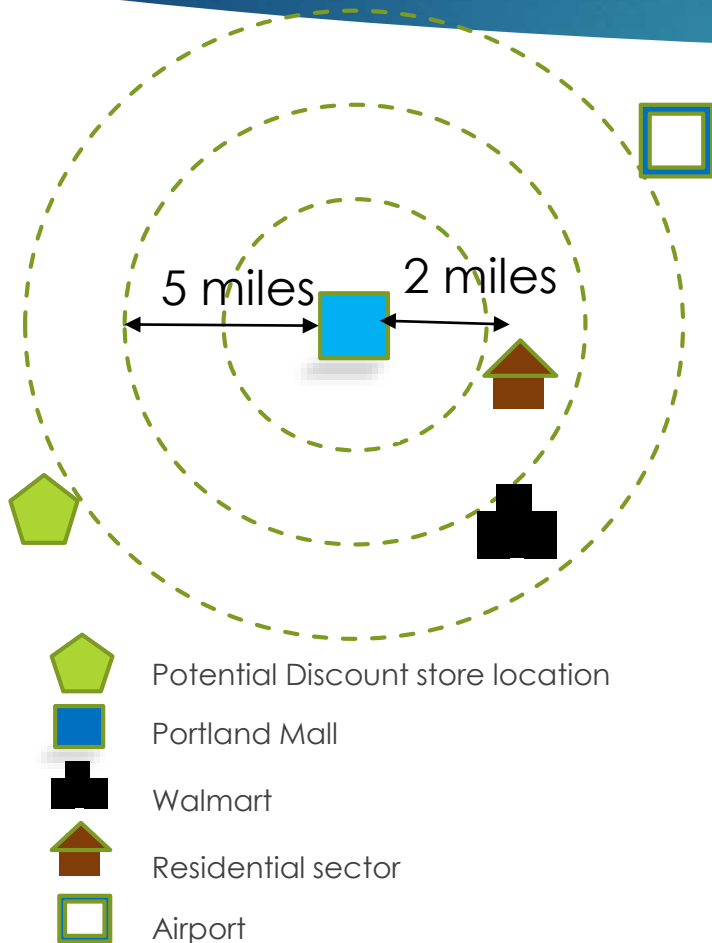
Hartford mall



-  Hartford Mall
-  High tech businesses and professional offices
-  Residential sector
-  City Centre

- ▶ Population of the city : 1.215 m
- ▶ Covered retail shopping mall:
 - ▶ 4,25000 sq. ft.
 - ▶ Currently 89 store fronts
 - ▶ 25% of current lessees have not renewed leases that will expire in next 12 months
- ▶ Three anchor stores
 - ▶ JC Penney, Sears expected to pull out in future
 - ▶ Home hardware is thriving

Portland mall



- ▶ Population : 515,000
- ▶ Uncovered strip mall:
 - ▶ 22 store fronts
 - ▶ 20,000 sq. ft. of second floor office space
 - ▶ Large foot print grocery store

Alternatives Explored

Divest both properties



- Exiting high risk concentrated retail spaces
- No capital investment required
- Capital inflow



- Exiting high risk concentrated retail spaces
- No capital investment required
- Expected realised loss on sale
- Poor timing

Invest in night time attractions



- Create a destination for retail commerce
- No challenge from online retailers

- Not in the city centre
- Surrounding area non conducive : largely office space
- Business only during weekends and nights



Divest Portland; Double down on Hartford



- Consistent cash flow potential
- Capital inflow from sale
- Realign to maximise impact in highest growth mall property

- Considerable time and effort



Recommendation

- Divest Portland
- Double down on fitness centres and eateries in Connecticut property

Implementation

IDEA - I

IDENTIFY

- Potential businesses to target
- Potential anchor stores
 - Container store, IKEA, Gold gym etc.
- Commercial real estate construction companies
- Transit authority and building code requirements for potential parking structure

IDEA - D

DEVELOP

- Property pitches that highlight area demographics and business value for retail
- Area demographic assessment for current lessees
- Contractor base list

IDEA - E

ENGAGE

- Current lessees
 - Mall vision/engagement plan
 - Early lease extension offers
- Potential lessees
 - SILVER BAY REIT and others
 - Others

IDEA - A

ASSESS

- Begin tracking KPIs
 - Lease renewals
 - Vacancies
 - Foot traffic
 - Time of day head counts

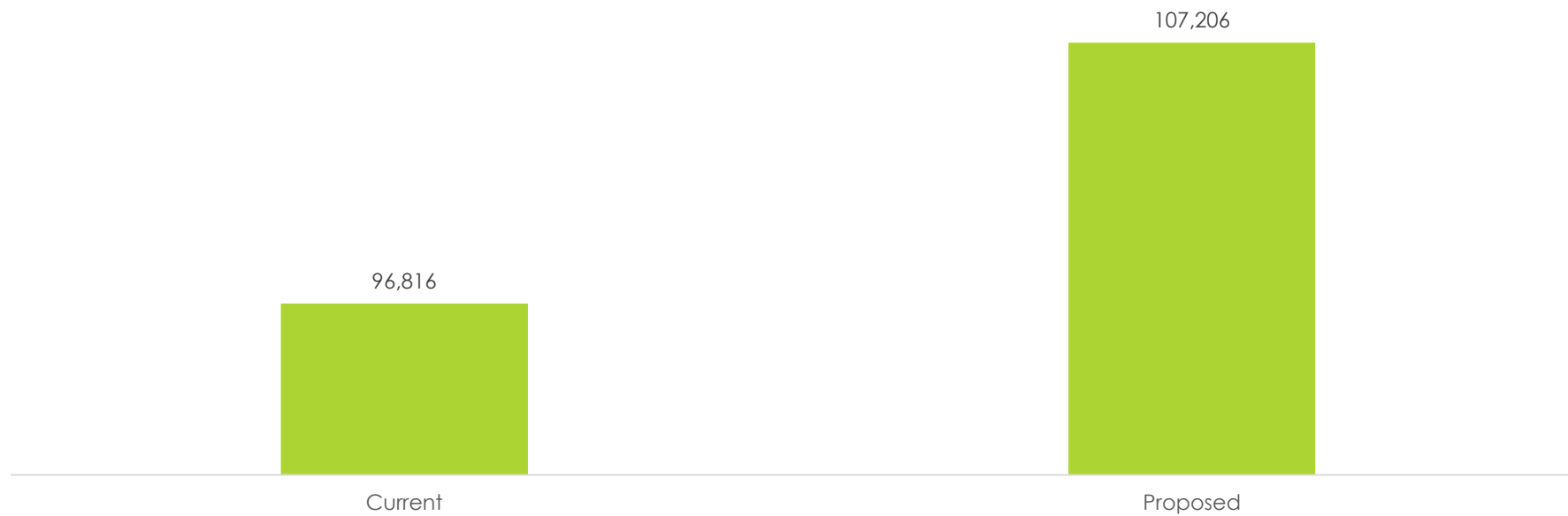
Financials

Assumptions

	Household Income	per person
Upper Middle Class Income	75,000	37,500
Lower Middle Class Income	30,000	15,000
Portland population	515,000	
Hartford population	1,215,000	
		Percent of Total Square footage Owned
portland location sq ft	125,400	23%
hartford location sq ft	425,000	77%

This Proposal will Maximize Value per Square Foot

Weighted Average Personal Income
per Square Foot



Risks

Charlebois has Risks, but also Options

Risk	Risk Level	Mitigation
Gyms and luxury retailers are not interested.	Medium	Offer short term incentives to hook retailers, but demographics are strongly in our favor.
People do not want to visit leisure activities close to work.	Low	Work locations are evenly mixed with residential properties, diversifying customers.
Gyms and luxury experience similar downturn in sales.	High	Divestiture may become a feasible option.

Conclusion

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