eCommerce is booming and will continue to do so
Main reasons for “Dead Malls”

- **Online sales** - It’s easier, more convenient, and comfortable to shop online through a smart device and having purchases delivered.

- **Department stores closes** - the shopping mall was hit twice: once by losing there largest tenants, and second time by losing one of the main attractions of the consumers.

- **Cheap is the new black** - Off-price retail stores are thriving, These are usually not in malls, due to the high rents
There are more than **115,000** shopping centers in the US.

Approximately **1,040** enclosed malls in the US with about **40 percent of U.S. malls target high-income shoppers**.

Since **2006**, not a single new mall has been built.

Many malls have closed or are predicated to do so in the near future with an estimation of **15%** of US malls that are likely to close by 2024.

**Malls represent approximately 0.5% of all shopping centers types in the U.S.**
SO WHY THE HELL
PHYSICAL STORES STILL MATTER???
America is big and still growing

- U.S. Population increases by **30 million people every 10 years**
- U.S. GDP per capita in 2019 is **$65,518** (Israel GDP is **$41,559**)

328 million
As seen below, retail sales grew at a **stable pace of around 5%** over the last 25 years. Supported by population growth, a strong consumer confidence and an historically low unemployment rate, we expect this pattern to continue in the years to come.

**Yearly Retail Sales Growing Consistently**

Sources: St. Louis FRED, May 2019
Retail is changing - Shift to Services

General Retail and Apparel declined from 70.0% to 36.5%
- Services - 0.8% to 7.3%
- Health and Fitness - 3.1% to 10.9%
- Movies and Entertainment - 3.1% to 8.8%
- Home furnishing - 6.9% to 12.4%
Neighborhood Centers are 80% E-Commerce Proof

Approximately 80% of the typical US community shopping center income is generated by eCommerce proof tenants and discount retailers.
At $1.5 trillion, Food & Beverage are now 25% of U.S. retail sales

- **Applebees**
  - Market Cap: 1.5 Billion
  - Numbers of stores (2018): 1,936

- **Starbucks Coffee**
  - Market Cap: 88.6 Billion
  - Numbers of stores (2018): 8,575

- **Chipotle**
  - Market Cap: 16.9 Billion
  - Numbers of stores (2018): 2,500

- **Wendy's**
  - Market Cap: 4.0 Billion
  - Numbers of stores (2018): 6,564
At $1.5 trillion, Food & Beverage accounts for a 25% of U.S. retail sales

**FIGURE 1: COMPARING F&B SALES TO OVERALL RETAIL**

- **RESTAURANTS (L)**
- **GROCERY (L)**
- **NON F&B GROWTH (R)**
- **F&B GROWTH (R)**

Source: U.S. Census Bureau, March 2019
Off-Price stores are booming

10 Years Stock Performance

589% Growth
Market Cap: $63.8 B

$9.7

543% Growth
Market Cap: $34.7 B

$9.8

771% Growth
Market Cap: $25.9 B

$14
Medical Clinic, Gym and Fitness are the new retail tenants

- $36.5b - Gym, Health & Fitness Clubs Market Size in the US in 2019
- 3.5% - Annual Growth 2016-2021

- Medical clinics in retail space - From 351 in 2006 to **2,800 in 2017**.
- Retail health-care clinics has increased 47% in the last 3 years, and projected to reach **4,000 by 2020**.
- Health-care industry is expected to grow in 63% from **$3.5T (2017)** to **$5.7T in 2026**.

Source: Gym, Health & Fitness Clubs in the US January 2016  IBISWorld
Source: Healthy growth in shopping center medical tenants
Consumers Look for a Comprehensive Shopping Experience
Omnichannel is Where The Future Lies

- 86% of companies plan to implement buy online/pick up in store in the next year
From clicks to Bricks - eCommerce Retailers are entering into the physical Space

- Approximately 90% said they prefer to make a purchase when there’s a professional store salesperson who can assist them
- The physical space currently occupied by retailers who started as exclusively online stores grew by 1,000% since 2012
Stores Closures vs. Stores Openings
Bankruptcies Outlook By Category

- Approximately **70%** of retailers that have closed or are expected to close within the next year are **fashion based retailers**
- Approximately **75%** of retailers were bought and operated by private equity firms
In 2018 more Retail stores opened than Restaurants. The news headline on closings focus on only 16 retailers which represent 66% of retail closings.

Source: Debunking the Retail Apocalypse - IHL Group, 2018
Retail – The Cold Hard Facts

Rents and Occupancy Are Going Up

This graph includes: community/neighborhood, power/regional, lifestyle and strip centers
Source: C&W, Q1 2019 Report
Stores Closures vs. Stores Openings
Rainbow Plaza – Nevada (Fund II)

A shopping center located in Las Vegas, Nevada, approximately 7 miles from the Las Vegas strip. The property has high annual yield and its occupancy rate increased from 94% to 96%.

<table>
<thead>
<tr>
<th>Acquisition Overview</th>
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<tbody>
<tr>
<td>Location</td>
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<td>ALTO Fund II Share</td>
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<td>Key Tenants</td>
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<tr>
<th>Rainbow Plaza – Leasing Activity</th>
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<tbody>
<tr>
<td>Tenant</td>
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<td>Sprouts Farmer Market</td>
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<td>Verizon Wireless</td>
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<td>Del Taco</td>
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<td>Lulu Hawaiian BBQ</td>
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<td>Philly Steak Express</td>
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<tr>
<td>Las Vegas Pizza</td>
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<td>Double Eyeglass Express</td>
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Northpoint – Florida (Fund III)

Northpoint Shopping Center is a grocery anchored, Community center located in Cape Coral, FL. Cape Coral and Lee County, experienced exceptional inbound migration over the last 5 years and the area is expected to see even further growth in the near future. The property is the dominant center in north Cape Coral evident by the quality and performance of its tenants and the leasing momentum it experienced in recent years.

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Thank you!