

HAPPENINGS

MORPHE

Inside

Go beneath the surface with super-hot beauty brand Morphe, discover Macerich's new BrandBox retail approach for emerging concepts, and experience the debut of more luxury at Scottsdale Fashion Square.

Emine ErSelcuk

Vice President Global Retail, Morphe



Fashion Fair, Fresno, CA

Morphe Makes Its Beauty Mark

When Morphe opened its doors this spring at Macerich's Fashion Fair in Fresno, CA, thousands of "Morphe Babes" were waiting in line. And huge crowds show up in market after market. This is what happens when a digitally native brand leverages its online awareness and engagement with the power of a fully immersive retail experience.

Happenings talked with Emine ErSalcuk, Vice President of Global Retail for Morphe, about the LA beauty brand's explosive growth, why brick & mortar is a smart strategy, and what's behind their "high quality/affordable prices" product positioning.

Why are stores an important engine of growth for Morphe?

While many beauty conversations are now happening online, at least 85% of cosmetic purchases still occur in brick & mortar stores. Customers still want to experience beauty in person – they want to touch and feel the products and find the shades that work best for them. We feel that the in-store expression of the brand should be the most

engaging way to experience Morphe for existing fans and new customers alike. So we've been thoughtful about our in-store experience – the locations, how we merchandise, the staff, and how we intend to leverage what's working online into brick & mortar.

Tell us more about the in-store experience.

Our stores are intended to be the best possible expression of the brand in a fully immersive experience. We feature bold graphics throughout the store, so that you get a sense of who we are – an artistry brand. We display testers throughout the store, so that our customer can explore and sample the merchandise. The space should feel inviting – easy to navigate. Prices are featured clearly. We've curated the fixtures so that you can shop best-sellers, newness, trends, and influencer favorites. Our Beauty Artists are certified to deliver Instagram-worthy makeup applications. Also, you'll see a faux neon sign that says, "Blend The Rules." Makeup should be fun. Anything goes. And everyone is included in our beauty community.

Morphe is known for high-quality products and accessible pricing. How does that work for the brand?

Morphe founders, Linda and Chris Tawil, started selling makeup brushes and revolutionized the company into the brand it is today with a cult following and an assortment that includes eyeshadow palettes, highlighters, lipstick and many other products. Part of Morphe's success is attributed to the Tawils' commitment to delivering quality products at accessible prices, so that everyone can afford to participate. The mission is really about inclusivity. When we were developing our lip pencils, priced at \$3 each, I asked Linda why we couldn't charge just one dollar more. She told me that someone, somewhere wouldn't be able to afford it.

But price is only part of the story. The product is exceptional, so chances are you can afford to purchase more than one item and fill your basket. Which is a bit like fast fashion for makeup. There is no risk to purchasing products at this price-point, so why not try something new?

How are Morphe's relationships with social media beauty influencers important for the brand?

Another key element of Morphe's success is the Tawils' early adoption of social media in the initial stages of building their company. They aligned with makeup artists, beauty bloggers and indie brands who consistently shared their love of Morphe products with their own growing sets of fans and followers. These beauty influencers are like a megaphone for the brand. If they love a product, they promote it. It's authentic and their reach and engagement are enormously impactful. We also develop brand collaborations with top beauty influencers like Jaclyn Hill and James Charles – these products drive significant excitement, traffic and awareness to the brand.

You have aggressive growth plans – with 19 stores now, 23 by year-end and then approximately 20 more coming next year. How does Morphe choose where to open?

We're fortunate to have a strong online business, so we have excellent global metrics to draw upon. We know a lot about the "Morphe Babe" and have been able to prioritize key markets based on this data. Thus far, we have focused on world-class retail centers, and we're looking for great partners when we choose a property – relationships are important to our success.

Macerich has been a tremendous partner. They've understood our strategy from the beginning. This makes such a difference with the business in everything from choosing the right location to launching a mega event together, and ultimately how we facilitate a robust, long-term business. It's a synergistic partnership – they really seem to get it.

What's next for Morphe?

We're in the process of building studios in as many stores as possible. Studio Morphe is an enclosed, professional environment created to support education, entertainment and content creation. It delivers access to the best products, tools, lighting, backdrops and equipment for our store teams and local communities, so that we can create exciting experiences and content unique to Morphe.

Cover image courtesy of Evan Tanaka.



Scottsdale Fashion Square, Scottsdale, AZ



Big Boxes Mean Big Opportunities

At Macerich, the big box leasing team knows their work has big impact. “For us, being able to turn lower-performing large-format spaces into exactly what shoppers want now – more entertainment, more experiences, more top retailers and restaurants – is great for the real estate and great for our retailers,” said Aaron Keswick, Leasing VP for Macerich in the West.

Keswick’s counterpart in the East, Leasing VP Eric Bunyan, points to Kings Plaza as a perfect example of the team’s role as change agents for some of the best-located retail properties in the country. “Kings Plaza is the only enclosed mall in Brooklyn, located directly on Flatbush Avenue, which 44,000 cars and hundreds of buses drive

past every day. This unique property serves one of the most fashion-forward, densely populated areas in the country, and it was a rare opportunity for us to get the four-level, 280,000 square-foot Sears box back. And we’ve made the most of it.”

The redevelopment of the Sears box was the catalyst for attracting multiple sought-after retailers, including Brooklyn’s first Primark and Zara, plus new JC Penney and Burlington stores. Early results are impressive: The Zara store alone is expected to generate sales equal to Sears’ – in just a tenth of the space.

The opportunities go well beyond traditional retail – including high-performing sporting goods stores that are always a draw.

Noted Keswick: “These big boxes provide an ideal opportunity for new, tech-driven entertainment uses, which consumers are increasingly seeking at their favorite properties. From augmented reality and destination fitness to chef-driven dining, the mix is changing and these exciting uses attract even more people to our properties, all throughout the day.”

Bunyan credits the superb set of well-located properties in the Macerich portfolio for many major, large-format deals currently in the pipeline. “Macerich malls typically have very little open inventory, so by re-thinking former department store spaces we can accommodate non-traditional, experiential uses that are driving so much traffic and excitement.”

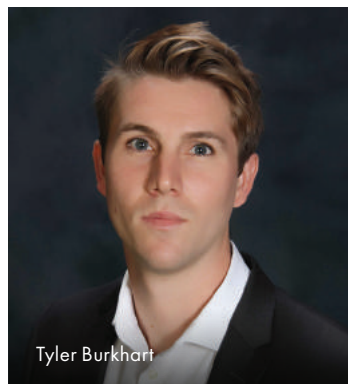
Added Tyler Burkhart, Senior Manager on the big box leasing team, “Each deal can take more than two years, but there is incredible satisfaction because these new uses can absolutely transform a property.”



Aaron Keswick



Eric Bunyan



Tyler Burkhart

Are You Experienced?

Jimi Hendrix would definitely get it: People are coming to Macerich properties for the experience.

It's all part of Macerich's expanding focus on new leases in entertainment, food, art, fitness and other immersive, experience-forward uses across our portfolio.

"From the Crayola Experience and Life Time to The Cayton Children's Museum, new virtual reality, must-see art installations and more, Macerich is putting final touches on an active year of attracting high-experience new uses," said Ken Volk, Senior Vice President, Business Development, Macerich. "The evolving mix at Macerich's high-performing properties is current, it's exciting and it's adding important traffic and energy."

Just some of the new experiences signed in 2018 are:

- **The Cayton Children's Museum** by ShareWell, Santa Monica Place, CA – the new home for this favorite interactive,

experiential children's museum (formerly known as The Zimmer Children's Museum by ShareWell)

- **Crayola Experience**, Chandler Fashion Center, AZ – the state's first location for this popular family attraction blending hands-on activities and retail
- **Industrious**, Scottsdale Fashion Square, AZ – a new space for this co-working company as part of a multi-property rollout with Macerich
- **Life Time**, Broadway Plaza, CA, and Biltmore Fashion Park, AZ – the upscale, diamond-level athletic lifestyle resort will include rooftop pool and bistro
- **Lime**, Santa Monica Place, CA – the first lifestyle brand store for this on-demand scooter and bike concept
- **The Void**, Tysons Corner Center, VA – the market's first location for this innovative virtual reality destination

As well, time-sensitive inline attractions signed in 2018 add another layer of appeal:

- **Candytopia** – the social media celebrity magnet, candy-themed art + retail experience
- **The Childhooding Zone** by VRV – celebrating favorite cartoons from the 90s
- **The Cinnamon Toast Crunch Experience** – an immersive experience with one of America's favorite cereals
- **Funbox** – the interactive, brightly colored maze of over 20 large art installations celebrating toys and other childhood favorites
- **Hair Cuttery** – an attention getting, Instagrammable hair styling exhibit from the popular salon concept





Scottsdale Fashion Square Debuts Enhanced Luxury Presentation

Nobu is big news anywhere and everywhere. But when the international restaurant sensation is Arizona's first – now rolling up at the new luxury wing at Scottsdale Fashion Square – the experience is set to be even more exquisite.

What's happening right now at Scottsdale Fashion Square is enhanced luxury in every category, including dining. The first phase of the elevated luxury wing opened in November, and the overall result is like a magnificent plate of Nobu's signature yellowtail sashimi – pleasing to every sense.

"Scottsdale is such a beautiful area, and Fashion Square is in the center of it all," said Chef Nobu Matsuhisa about the location of his new restaurant now under construction. "We look forward to bringing guests the Nobu signatures they

have come to love, along with some very special dishes that will only be available at Nobu Scottsdale."

Including Nobu, the center has announced the addition of six new-to-market restaurants including Maestro's seafood concept Ocean 44, organic, "seed-to-plate" focused FARMHOUSE, a second location of Beverly Hills-based Mexican restaurant Toca Madera, its fast-casual sister restaurant Tocaya Organica and French wine bar Zinque.

Anchored by Neiman Marcus, the elevated luxury presentation features fine furnishings and finishes, custom artwork, a dedicated luxury valet, resort-level restrooms and more. Key elements reframing the luxury experience include a striking new north entrance and arrival point, two-story

storefronts and destination restaurants with spill-out, café seating.

More than ever, Scottsdale Fashion Square is the region's definitive home for luxury with a wide array of top global brands and polished experiences, including Arizona's first and only Saint Laurent store. High-profile commitments from St. John, Tiffany & Co., Gucci, Jimmy Choo, Omega and Louis Vuitton and a first-to-market Trina Turk, plus new boutiques for high-end Swiss watch brands Breitling, Hublot and IWC Schaffhausen underscore the center's preeminence.

"It's clear the world's finest luxury brands, from Nobu to Saint Laurent and St. John, want to be part of the enhanced luxury destination we are creating at Scottsdale Fashion Square," said Kim Choukalas, Vice President, Leasing, Macerich.



“Exclusive boutiques and restaurants, sophisticated amenities and delightful experiences are all part of the beautiful, set apart luxury wing.”

The enhancements don’t stop in the luxury wing, Scottsdale Fashion Square welcomed a new flagship Apple Store with elements unique to Scottsdale and lululemon plans to double the size of its footprint while offering customers exclusive in-store opportunities like customizing products and hosting yoga classes. Digitally native brands also recognize the powerhouse location with UNTUCKit, Peloton and Morphe choosing to open first-to-market experiences at the center, and Industrious will open a



premium shared workspace bringing all-day energy and a built-in set of attractive customers.

And much more is on the way. Future phases for Scottsdale Fashion Square will include the addition of residences, Class A office space and a hotel – all designed, like the elevated luxury wing, to maximize the property’s position in the heart of upscale Scottsdale.

Find additional information at www.fashionsquare.com, or contact Kim Choukalas, VP of Leasing at Kim.Choukalas@macerich.com to discuss opportunities.

The Best Address Keeps Getting Better

New Exclusive-to-Market Retailers

Saint Laurent

Apple

b8ta

Breitling

Hublot

IWC Schaffhausen

Morphe

Peloton

Trina Turk | Mr Turk

UNTUCKit

Expansions & Reinvestments

Bottega Veneta

Cartier

CH Carolina Herrera

Escada

Gucci

Jimmy Choo

Johnny Was

Louis Vuitton

lululemon

Omega

St. John

New Restaurants

Nobu

FARMHOUSE

Ocean 44

Toca Madera

Tocaya Organica

Zinqué



New Retail Crowns Kings Plaza

Macerich's Kings Plaza celebrated the September openings of four important new retailers: **Primark** and **Zara**, making their Brooklyn debuts, plus brand new **JCPenney** and **Burlington** stores.

In a major reimagining of the former Sears box, Kings Plaza added highly relevant retail to Brooklyn's largest shopping destination. Big opening crowds and strong sales set the stage for a great holiday season to come.

"Kings Plaza is the latest example of our team's proven ability to take a less productive, legacy anchor and bring in exciting new retail that energizes the entire property," said Doug Healey, Executive Vice President, Leasing, Macerich. "We absolutely look forward to more opportunities to rethink Sears spaces in our top-quality portfolio."



MAC Centers Earn Prestigious Luxury Travel Award

Special experiences – ice-cold champagne, private access, one-on-one attention – are the essence of luxury travel. And luxury shopping and dining.

Macerich deftly weaves these together as member of the USA Luxury Shopping Consortium, a collection of 11 high-end U.S. retail destinations that includes Santa Monica Place, Scottsdale Fashion Square and Tysons Corner Center. This fall, the global luxury travel network Virtuoso® toasted the USA Luxury Shopping Consortium and this set of iconic luxury shopping centers with a special award – the 2018 "Most Innovative Alliances Partner."

"We're delighted to be recognized by Virtuoso, a leading group of the world's most exclusive travel advisors, for our part in bringing exceptional experiences to their truly elite clientele," said Kate Birchler, AVP, Tourism Marketing, for Macerich. "Macerich's significant work with top-shelf travel industry partners – from large-scale organizations like Virtuoso to custom collaborations with individual five-star resorts – brings value to our luxury retailers by creating compelling reasons for upscale travelers to visit their stores."



Macerich offers luxury retailers and brands two productive ways to get involved:

- **Luxury Visitor Savings:** This upper echelon program for high-end domestic and international travelers enables retailers to custom-create special savings and luxury experiences by property, by season and more. For example, when luxury travelers visit b8ta at Santa Monica Place, they can tuck a complimentary Quip electric toothbrush into their carry-on. When

luxury travelers visit CH Carolina Herrera at Scottsdale Fashion Square, they enjoy complimentary champagne, packages delivered to their resort, personal stylist service and more.

- **Luxury Resort Partnerships:** These singular partnerships between top Macerich luxury properties and in-market resorts allow retailers to leverage the relationship to drive highly desirable traffic to their stores. In Scottsdale, for example, Sanctuary Camelback Mountain Resort

and Spa is currently partnering with Jimmy Choo at Scottsdale Fashion Square to offer luxury travelers a \$100 gift card upon check-in to use at the store.

To learn more about how your brand can be part of our luxury visitor programs, contact Kate Birchler at kate.birchler@macerich.com.



New Nordstrom and More Coming to Country Club Plaza

The next chapter of one of the nation's most storied retail properties – Country Club Plaza in Kansas City – is ready to be told. Spoiler alert: The plot includes a brand new Nordstrom, set to open in fall 2021.

But this big news is just one part of the developing narrative for the exceptional destination, which first opened nearly 100 years ago in 1922.

“Our vision for Country Club Plaza is to build on years of tremendous success by elevating the merchandise mix and shopping experience to best serve the Kansas City market for many years to come,” said Kim Choukalas, Leasing VP, Macerich. “Macerich and Taubman together, two best-in-class REITs, are drawing on our combined expertise to focus on this single asset, bringing the best practices and relationships of both companies to benefit our brand partners and shoppers in Kansas City.”

Read on for more retail and restaurant updates at Country Club Plaza:

- **Shake Shack** – The fast-food phenom opened its first KC location in September on the Plaza, serving signature favorites along with local flavors like Pie Oh My, a vanilla frozen custard with a slice of Ashleigh's Bake Shop seasonal pie.
- **True Food** – Now under construction, the breakthrough, good-for-you gourmet destination restaurant is a first for Kansas City, and is set to open in 2019.
- **lululemon** – Now relocating and expanding to a larger flagship location on the Plaza.
- **Baldwin Market** – One of only a handful of Baldwin locations in the country, the popular denim, apparel and accessories store for men and women expanded its footprint in a new flagship store at Country Club Plaza.

- **Made in KC Marketplace** – This purveyor of top-quality local goods, including gifts, apparel and fine foods, opened a brand-new 8,000 square foot location on the Plaza this summer, just across from the new Shake Shack.

Clearly, Macerich and Taubman have accomplished a great deal since purchasing Country Club Plaza in 2016, including adding these powerful new names, plus opening a new Apple store and a number of digitally native brands with more to come.

Regarding the ongoing strategy, Choukalas added: “We’re taking a long-term approach to remerchandising this incredible, one-of-a-kind property and we will continue to carefully curate the best in local, regional, national and global brands and experiences for this Kansas City jewel.”





Macerich and Simon Form Joint Venture to Create Los Angeles Premium Outlets™

The outlet experience in LA is ready for the star treatment: Two industry powerhouses – Macerich and Simon – have joined forces to create Los Angeles Premium Outlets. The brand-new, state-of-the-art outlet property will be front and center where major freeways meet in LA's dynamic South Bay.

Macerich and Simon will co-develop and jointly lease LA's newest outlet, and site work is already underway. The opening of Los Angeles Premium Outlets is planned for fall 2021, filling a huge void for top-quality retail outlets in this sought-after part of the Southern California market.

The first phase of this 50/50 joint venture will feature 400,000 square feet of GLA for top brands, followed by an additional 166,000 square feet in phase two for this incomparable property.

Destined to attract the most affluent local residents and international tourists, Los Angeles Premium Outlets will have

2,500 lineal feet of frontage on the high-traffic 405 freeway, where it crosses the always-busy 110. Set in Carson, near the under-construction City of Champions Stadium – future home of the Rams, Chargers, top-drawing concerts and more – this enviable location is an easy reach for 2.5 million residents within 10 miles, including a number of upscale coastal communities such as Palos Verdes, Manhattan Beach, Redondo Beach and Torrance. Importantly, Los Angeles Premium Outlets is just 11 miles from LAX, the nation's second-busiest airport that serves 81 million passengers annually.

Get ready for an extraordinary opportunity – contact Jamie Bourbeau at jamie.bourbeau@macerich.com to learn more about leasing at LA's ultimate outlet destination.



Macerich Launches BrandBox to Bridge Digital and Physical Retail

What's in the BrandBox? A new turnkey approach for high-growth digitally native brands to open and operate stores, and scale physical retail as a complement to ecommerce.

The first BrandBox opened in November at Tysons Corner Center in Northern Virginia, with popular new brands spanning home, beauty and apparel categories: Naadam, Winky Lux, Interior Define, Nectar Sleep and UrbanStems. BrandBox is also a platform for heritage brands looking to reinvent themselves by testing a new market or retail approach, which is why DKNY is part of the inaugural "class" of brands in the Tysons location.

"Our extensive research and direct experience with top digitally native brands has helped us to understand how essential offline retail is to their future growth and success," said Kevin McKenzie, EVP and Chief Digital Officer, Macerich. "With BrandBox, we're excited to formalize our commitment to these smart up-and-coming brands, and be a true partner, every step

of the way, as they expand their footprint beyond the digital world."

More than a storefront for cool new brands, BrandBox is a package of flexible real estate plus all the services needed to set emerging brands up for success with physical retail. Each store within BrandBox ranges from 500 to 2,500 square feet, leases run six to 12 months, and brands receive high-touch support for design and buildout, staffing and technology. Brand partners also benefit from social and experiential marketing programs and have access to a proprietary retail analytics dashboard to measure in-store sales and customer engagement as they would in the digital world.

Understanding that store design and buildout, and data/analytics, are critical components for success, BrandBox has partnered with industry leaders including Bobby Redd, FITCH, Vitra, RetailNext and Boomtown. Each store comes prefabricated with plug-and-play technology and utility including WiFi, retail analytics (pre-wired to support all major POS systems), security tags and cameras, storage

for inventory, and a breakroom. BrandBox works closely with each brand and design partners to help brands quickly and cost-effectively navigate the design process. The result is a storefront where consumers can experience a retail environment that mirrors a brand's ethos and aesthetic.

"While Naadam lived exclusively online for our first few years, we have seen firsthand the importance of physical retail with the opening of two stores this year," said Matt Scanlan, CEO and Co-Founder of Naadam. "Opening and operating stores in multiple cities is challenging, particularly for young brands. Partnering with BrandBox to enter the DC market has really streamlined the laborious process of creating a storefront that truly encapsulates our brand ethos."

Additional locations are expected to open in 2019 at select Macerich properties.

For more information visit:
<https://brandbox.com>.



Sustainability: Time for a High 'Five'

For a remarkable fifth straight year, Macerich has earned Nareit's Retail "Leader in the Light" award for 2018.

Adding to this exceptional honor, Macerich this fall also achieved two other important measures of sustainability leadership, both for the fourth year in a row: GRESB's #1 ranking in the North American Retail Sector for 2018, and a place on the Environmental Protection Agency's Green Power Partnership list of Top 30 On-Site Generation companies.

Macerich's major redevelopment of Broadway Plaza in Walnut Creek, CA, also this fall earned prestigious LEED Gold® certification awarded by the U.S. Green Building Council.

"I am very proud of Macerich's well-recognized and growing leadership in sustainability," said Art Coppola, Macerich's Chief Executive Officer. "In addition to our portfolio of

high-performing trophy properties in many of the country's most attractive markets, we have staked out a leadership position as responsible stewards of the environment – an accomplishment earned over the past 10 years and one I see as a key and continuing aspect of my legacy at Macerich."

New for 2019 is an expanded, portfolio-wide commitment to on-property recycling of aluminum, plastic and glass that will further support Macerich's long-term goal of achieving carbon neutrality by 2030.

Sustainable retail environments provide a powerful differentiator for Macerich that matters to shoppers, with properties located in some of the most environmentally aware consumer markets in the world, from Santa Monica, Portland and Boulder to Northern Virginia and New York City.