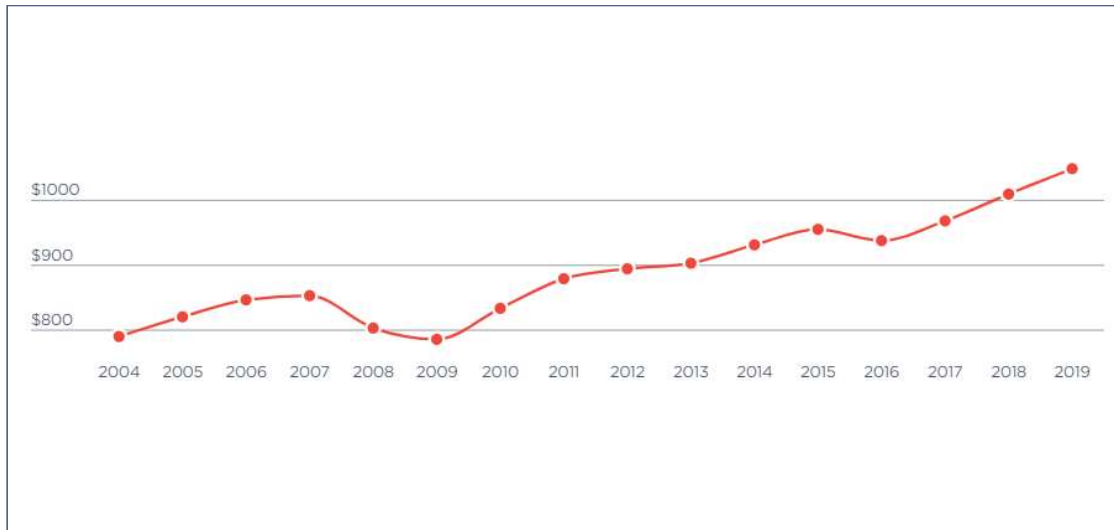


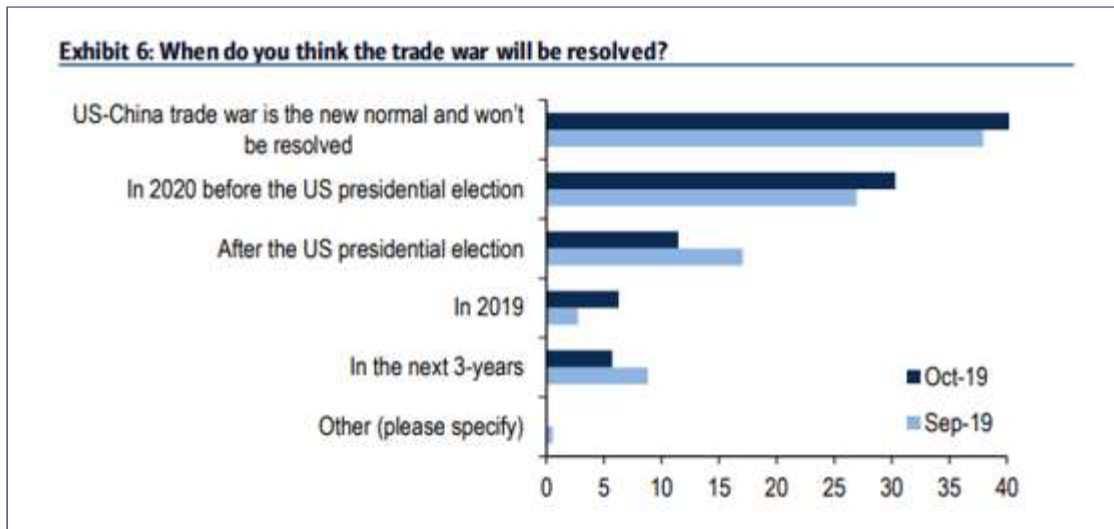
# Market Recap

## 2019 Holiday Sales Forecast



Source: National Retail Federation

## A New Normal, Deal or No Deal



Source: Bank of America

Over the last five years, annual holiday spending has increased by 3.7% on average. However, holiday sales only rose by 2.1% in 2018 after tariffs, stock market declines and a government shutdown soured sentiment. The National Retail Federation (NRF) estimates that U.S. consumers will spend about \$1,047 on average (\$730 billion total) this holiday season. Should holiday sales meet expectations, they will be 4.1% higher than last year. However, the gap between Thanksgiving and Christmas will only be 26 days this year, which is six days shorter than last year and the fewest days possible between these holidays. Despite the difficulties of a shorter holiday season, retailers should succeed by offering discounts earlier in the year. Considering that approximately 20% of annual retail sales occur during the holiday season, investors will be watching holiday spending closely as an important gauge of consumer sentiment.

There is no shortage of news headlines tackling the supposedly on-again, off-again status of the U.S.-China trade war. Indeed, a casual observer may be forgiven for believing that the successful conclusion of a trade agreement in the next few weeks will mark an end to the dispute. However, a recent survey of fund managers offered a murkier assessment of the situation, namely that the current trade tensions represent a new normal and are unlikely to dissipate anytime soon. Given the deep-rooted nature of the underlying issues (e.g. national security, economic competition, etc.), it is unlikely that a nominal trade deal will 'resolve' the conflict. Although most agree that a suspension of new tariffs is in the interests of all parties, perhaps a more realistic expectation for any near-term deal is that it clarifies the rules of engagement.

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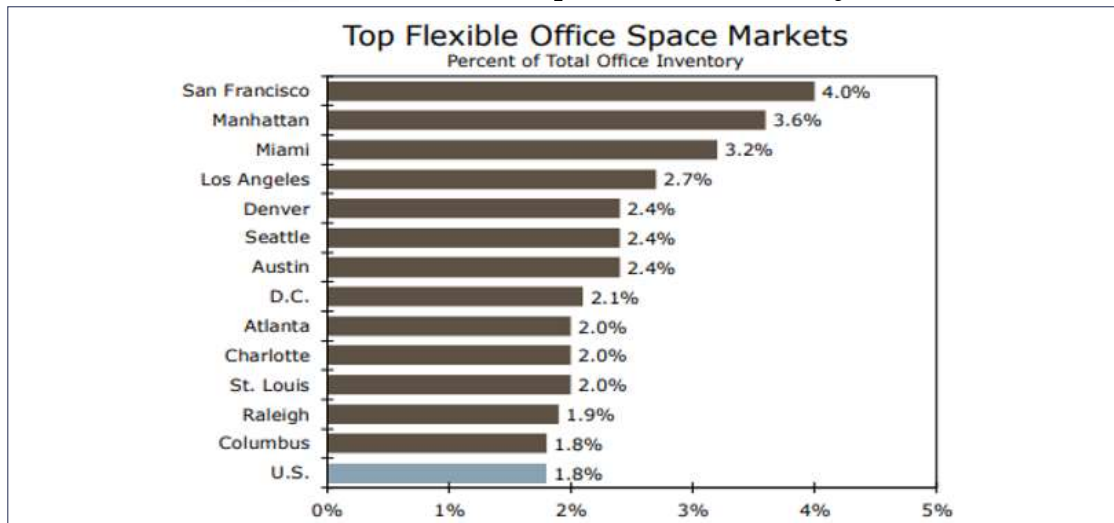
## The Road to Becoming a Stock



Source: Point Park University

Going public can be a lengthy process, but the potential advantages may make it worth the undertaking. In addition to raising capital to fund future growth, a public listing garners intangible benefits such as elevating public awareness and credibility. There are three broad steps to an initial public offering (IPO): Selecting an underwriter, completing due diligence filings, and pricing the shares. The underwriter (typically an investment bank) helps to evaluate the business and assess the preliminary market demand. Once the valuation range is determined and the regulatory filings have been completed, it's time to price the shares. This final step can be a delicate balance, as it's important to offer new investors compelling value without shortchanging the company's early backers.

## Are Flexible Work Spaces Here To Stay?



Source: CBRE Research, Wells Fargo

When WeWork, the office-sharing real estate firm filed to go public, it quickly became one of the most highly anticipated IPOs of 2019. However, expectations for the company's public market valuation began to crater as it became clear that there was a large disconnect between the vision articulated by management and the underlying economics of the business. While the flexible office space model has demonstrated real market appeal, as it stands today, flexible space represents just under 2% of overall office inventory in the U.S. One concern with this type of office space is the tenants—flex tenants predominantly include start-ups and entrepreneurs. These types of companies tend to feel the effects of a recession early, placing increased risk on the lessor. As such, it may take a recession to assess how much staying power this business model really has.

**Contact:** If you have any questions or comments, please do not hesitate to contact us at 703.992.6164. For more information about Harbour Capital Advisors, please visit our website at [www.harbourcapitaladvisors.com](http://www.harbourcapitaladvisors.com).

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