

RETAIL OVERVIEW: DEMAND RETURNS TO PRE-COVID LEVEL

Tenant demand returned to pre-pandemic levels in 2021 with net absorption totaling 75.2 million SF - the best full-year performance since 2017 - as the combination of massive government subsidies to consumers during the health crisis along with robust wage growth pushed brick-and-mortar retail sales to record levels. Growing vaccination rates enabled retail operations to normalize, and pre-pandemic levels of foot traffic have returned to many open-air and lifestyle centers. Many national retailers are reporting improved same-store sales. Several major merchants, including discounters Dollar General, Dollar Tree, Five Below, and home goods sellers TJX Companies and Burlington, have announced plans for significant expansion of store counts. Additionally, the number of merchants seeking bankruptcy protection has fallen to a five-year low. Openings outpaced closures for the first time since 2016.

Grocers, discounters and off-price apparel stores dominate recent leasing activity. Fitness tenants were making a strong comeback as gym popularity was rebounding before being threatened by the Covid-19 omicron variant. The new but milder flu variant hit just as foot traffic and leasing was beginning to recover from the deep losses caused by the pandemic.

The reorientation of retailer locations and footprints toward more efficient models continues to reveal bifurcations in performance based on geography, box size and shopping center type. Geographically, merchants continue to focus expansion plans on the faster growing metros with stronger buying power in the South and West. Conversely, some struggling metros in the Midwest and Northeast are showing no growth.

A trend that has held in 2021 has been downward pressure on the average-sized retail lease. The average footprint continued to drift lower, most recently falling below 3,100 SF. Numerous retailers such as Target, Macy's Burlington and Ulta are focused on smaller formatted stores. Nationwide, rents increased approximately 2.6% in 2021 to an average \$22 per SF with strip and neighborhood centers posting gains of more than 3%. Rent increases in malls averaged 2.2%.

Starts were down in the second half, but new construction in the pipeline totaled about 50.7 million SF or 0.5% of total inventory. That's slightly higher than the all-time lowest volume in 2011. The rate of new construction that is pre-leased has risen to 75%. A sharp upturn in deliveries is forecast for 2022 with a spike of some 18 million SF seen for Q1.

Sales activity, fueled by rising confidence in retail property and ultra-low interest rates, is above pre-pandemic norms with \$37.5 billion in property sales posted for Q3. Investors have been keen on single-tenant net lease deals with credit tenants but late in the year were targeting multi-tenant assets, more evidence of growing confidence. Average retail values increased in Q3 to more than \$196 per SF, which is about 2.5% higher on a year-over-year basis.

LOWEST VACANCY RATE		HIGHEST MARKET RENT / SF ANNUAL		HIGHEST MARKET SALE PRICE / SF	
BC, Vancouver	1.3%	NY, New York*	\$45.19	BC, Vancouver	\$518
ON, Toronto	1.8%	FL, Miami	\$40.04	NY, New York*	\$428
WA, Seattle	2.7%	CA, Orange County	\$34.09	CA, Orange County	\$403
MA, Boston	2.8%	CA, Los Angeles	\$33.27	CA, Los Angeles	\$393
MN, Minneapolis	3.3%	NY, Long Island	\$31.80	FL, Miami	\$390
U.S. Index	4.7%	U.S. Index	\$22.49 PSF	U.S. Index	\$224 PSF
Canada Index	2.2%	Canada Index	\$21.70 PSF	Canada Index	\$337 PSF

MOST SF UNDER CONSTRUCTION		LARGEST INVENTORY BY SF		LOWEST MARKET CAP RATE	
TX, Houston	4,410,000	NY, New York*	620,348,923	BC, Vancouver	4.3%
FL, Miami	3,476,578	IL, Chicago	579,689,816	ON, Toronto	4.7%
ON, Toronto	3,340,068	TX, Dallas-Fort Worth	449,445,226	CA, Orange County	5.2%
TX, Dallas-Fort Worth	3,160,701	CA, Los Angeles	447,158,116	CA, Los Angeles	5.4%
NY, New York*	3,025,132	TX, Houston	418,266,515	CA, East Bay	5.4%
U.S. Index	50,678,779 SF	U.S. Index	11,754,523,270 SF	U.S. Index	7.0%
Canada Index	7,192,707 SF	Canada Index	745,301,881 SF	Canada Index	5.2%

* Please note that the statistics represented in these tables are based on CoStar defined market territories and may not all represent the geographic area the label depicts.

MARKET	VACANCY RATE	MARKET RENT / SF	MARKET SALE PRICE / SF	SF UNDER CONSTRUCTION	INVENTORY SF	MARKET CAP RATE
AZ, Phoenix	6.6%	\$20.28	\$208	934,343	235,411,224	6.9%
BC, Vancouver	1.3%	\$25.51	\$518	959,277	123,427,177	4.3%
CA, East Bay	5.1%	\$31.43	\$333	232,296	124,368,026	5.4%
CA, Inland Empire	7.0%	\$23.65	\$261	1,409,162	198,273,896	6.1%
CA, Los Angeles	5.2%	\$33.27	\$393	1,283,651	447,158,116	5.4%
CA, Orange County	4.3%	\$34.09	\$403	273,098	144,134,107	5.2%
CA, San Diego	4.9%	\$31.06	\$353	512,444	139,578,873	5.6%
CA, San Luis Obispo	3.7%	\$25.26	\$267	207,202	15,294,428	6.2%
CA, Santa Barbara	4.6%	\$27.63	\$363	47,900	24,989,882	5.9%
CA, Stockton	3.2%	\$19.66	\$188	55,391	30,961,962	6.9%
CA, Ventura	5.1%	\$25.88	\$279	69,244	41,139,480	6.0%
CO, Denver	4.6%	\$23.92	\$240	644,960	158,335,368	6.4%
DC, Washington	5.2%	\$29.37	\$313	1,472,557	265,714,923	6.3%
FL, Fort Myers	3.9%	\$18.48	\$207	299,949	48,542,233	6.7%
FL, Miami	3.4%	\$40.04	\$390	3,476,578	138,806,212	5.6%
FL, Naples	5.0%	\$24.84	\$274	512,980	23,739,543	5.9%
FL, Orlando	4.0%	\$24.40	\$215	1,017,512	150,211,208	6.9%
GA, Atlanta	4.4%	\$19.34	\$185	2,216,978	364,660,952	7.2%
GA, Savannah	4.4%	\$20.71	\$191	63,354	27,858,416	7.5%
ID, Boise	3.6%	\$15.37	\$196	211,289	41,830,391	6.7%
IL, Chicago	6.0%	\$19.64	\$182	1,269,986	579,689,816	7.4%
IN, Indianapolis	4.2%	\$16.97	\$140	241,849	130,042,440	8.2%
MA, Boston	2.8%	\$24.22	\$242	681,331	243,392,442	6.4%
MD, Baltimore	5.7%	\$21.97	\$190	293,787	143,682,155	7.2%
MI, Detroit	5.1%	\$17.31	\$122	723,521	260,885,341	7.9%
MN, Minneapolis	3.3%	\$17.54	\$162	425,853	201,847,964	7.3%
MO, Saint Louis	6.0%	\$14.86	\$138	357,410	174,579,589	8.2%
NC, Durham	3.3%	\$20.60	\$226	330,276	27,378,228	8.2%
NC, Raleigh	3.2%	\$21.52	\$210	343,895	75,171,684	6.9%
NJ, Atlantic City	5.8%	\$15.65	\$134	98,216	17,766,241	7.9%
NJ, Northern New Jersey *	4.7%	\$22.78	\$196	400,686	134,129,561	7.1%
United States Index	4.7%	\$22.49	\$224	50,678,779	11,754,523,270	7.0%
Canada Index	2.2%	\$21.70	\$337	7,192,707	745,301,881	5.2%

MARKET	VACANCY RATE	MARKET RENT / SF	MARKET SALE PRICE / SF	SF UNDER CONSTRUCTION	INVENTORY SF	MARKET CAP RATE
NJ, Trenton	5.0%	\$20.23	\$193	52,309	21,577,146	7.9%
NJ, Vineland	5.4%	\$13.74	\$191	0	8,090,968	6.4%
NV, Reno	4.9%	\$19.73	\$200	227,894	26,747,936	7.2%
NY, Long Island	4.5%	\$31.80	\$292	550,387	155,349,283	6.5%
NY, New York *	4.1%	\$45.19	\$428	3,025,132	620,348,923	6.0%
OH, Cincinnati	5.6%	\$14.04	\$115	124,031	132,842,275	8.2%
OH, Cleveland	4.5%	\$13.83	\$103	487,547	144,966,062	8.4%
OH, Columbus	3.9%	\$16.75	\$135	802,346	121,343,282	8.2%
ON, Toronto	1.8%	\$24.71	\$378	3,340,068	297,621,541	4.7%
PA, Harrisburg	6.4%	\$15.84	\$129	206,423	33,919,356	7.7%
PA, Lehigh Valley *	5.2%	\$15.34	\$122	102,832	48,465,834	9.2%
PA, Philadelphia *	4.9%	\$21.39	\$180	472,523	335,519,032	7.1%
SC, Charleston	4.2%	\$21.32	\$220	208,048	47,384,910	6.8%
SC, Greenville	4.0%	\$14.42	\$137	316,716	62,825,624	7.5%
SC, Spartanburg	5.3%	\$11.91	\$110	18,663	25,892,411	8.6%
TN, Nashville	3.8%	\$25.35	\$229	528,472	119,287,775	6.3%
TX, Dallas-Fort Worth	5.4%	\$20.56	\$238	3,160,701	449,445,226	6.6%
TX, Houston	5.6%	\$21.14	\$224	4,410,000	418,266,515	7.0%
WA, Seattle	2.7%	\$27.55	\$310	1,384,401	182,095,235	5.9%
WI, Madison	3.6%	\$15.75	\$141	223,180	40,382,810	7.5%
United States Index	4.7%	\$22.49	\$224	50,678,779	11,754,523,270	7.0%
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