

RETAIL OVERVIEW: STRONG GROWTH CONTINUES IN Q1

The North American retail market put on another strong performance in the first quarter as the sector continues its pronounced rebound that began last year. There were 23.4 million SF of net absorption in the first quarter in the 11.8-billion-SF U.S. market. That's a fivefold jump from Q1 of last year and slightly more than the average of the last three quarters of 2021, which saw 73.4 million SF of tenant growth for the year. The national average vacancy rate is 4.5%.

There has been similarly consistent demand for retail space in Canada, where annual net absorption has remained in positive territory throughout the pandemic, unlike the U.S. where growth was 28.7 million SF in the red in 2020. On the heels of last year's 5.8 million SF of net absorption, Canada posted 1.3 million SF of Q1 growth. Its vacancy rate is 2.1%, a record low.

Foot traffic has returned to pre-pandemic levels. U.S. store openings outpaced closures for the first time since 2014. Since bankruptcy was sought in 2020 by more than 40 merchants, including Neiman Marcus, Lord & Taylor, JC Penney, Brooks Brothers and Ann Taylor, bankruptcies filings last year declined to a five-year low. However, with 2020's flood of closings, landlords began repurposing large swaths of vacant space into nonretail uses such as warehousing and distribution.

Growth is being driven by increased demand for smaller spaces, which fell last year to a historic low average 3,000 SF. In addition, as retail follows rooftops, U.S. developers and national merchants are focused on growth markets in the West and South, turning away from many urban markets in the Midwest and Northeast that have underperformed the national average.

Across the U.S., there was first-quarter tenant expansion in all five retail categories led by 9.3 million SF of growth in neighborhood centers, which total 3 billion SF of inventory. Neighborhood retail leasing activity was dominated by discounters, grocers, gyms and off-price apparel. The largest category, general retail with 6.3 billion SF, reported 7.6 million SF of net absorption in Q1. Malls reported 2.7 million SF of growth in the first quarter after four straight years of contractions. While many Class A malls have recovered, suburban B and C malls are struggling to reinvent themselves after losses of anchor tenants and foot traffic.

Dollar Tree leased nearly 1.7 million SF in 2021, the most of any retailer, followed by 1.4 million SF by Burlington, which announced plans for 2022 to close 30 stores and open 120. Planet Fitness and Target each leased 1.2 million SF, and Floor & Décor's 1.1 million SF expansion rounded out the top five. Houston has the most space in the construction pipeline, 3.8 million SF, followed by Miami's 3.2 million SF, and 3 million SF in Dallas/Fort Worth.

LOWEST VACANCY RATE		HIGHEST MARKET RENT / SF ANNUAL		HIGHEST MARKET SALE PRICE / SF	
BC, Vancouver	1.2%	NY, New York	\$44.93	CA, San Francisco	\$640
ON, Toronto	1.7%	CA, San Francisco	\$43.19	BC, Vancouver	\$550
WA, Seattle	2.6%	FL, Miami	\$41.10	NY, New York	\$421
MA, Boston	2.8%	CA, Orange County	\$34.37	CA, Orange County	\$415
NC, Raleigh	2.9%	CA, Los Angeles	\$34.06	FL, Miami	\$413
U.S. Index	4.5%	U.S. Index	\$22.81 PSF	U.S. Index	\$230 PSF
Canada Index	2.1%	Canada Index	\$22.37 PSF	Canada Index	\$356 PSF

MOST SF UNDER CONSTRUCTION		LARGEST INVENTORY BY SF		LOWEST MARKET CAP RATE	
TX, Houston	3,809,806	NY, New York	619,365,046	BC, Vancouver	4.2%
FL, Miami	3,220,601	IL, Chicago	579,723,389	CA, San Francisco	4.4%
TX, Dallas-Fort Worth	3,071,145	TX, Dallas, Fort Worth	450,660,044	ON, Toronto	4.6%
NY, New York	2,667,006	CA, Los Angeles	445,624,976	CA, Orange County	5.1%
ON, Toronto	2,343,733	TX, Houston	423,737,613	CA, Los Angeles	5.3%
U.S. Index	51,713,568 SF	U.S. Index	11,777,629,714 SF	U.S. Index	6.9%
Canada Index	6,650,465 SF	Canada Index	750,265,958 SF	Canada Index	5.1%

* 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	6.3%	\$21.02	\$218	948,276	237,226,331	6.8%
BC, Vancouver	1.2%	\$27.13	\$550	954,200	123,619,627	4.2%
CA, East Bay	5.1%	\$31.96	\$341	206,690	124,149,869	5.4%
CA, Inland Empire	6.6%	\$24.18	\$275	1,809,520	198,437,535	5.9%
CA, Los Angeles	5.2%	\$34.06	\$403	1,462,507	445,624,976	5.3%
CA, Orange County	4.3%	\$34.37	\$415	150,458	144,784,001	5.1%
CA, San Diego	4.8%	\$32.17	\$374	464,932	139,280,480	5.5%
CA, San Francisco	4.9%	\$43.19	\$640	582,098	82,625,228	4.4%
CA, San Luis Obispo	3.7%	\$25.62	\$278	253,660	15,333,072	6.1%
CA, Santa Barbara	4.7%	\$28.00	\$370	47,900	24,981,512	5.9%
CA, Stockton	3.1%	\$20.07	\$192	136,687	31,003,245	6.9%
CA, Ventura	5.2%	\$26.21	\$285	41,671	41,409,697	6.0%
CO, Denver	4.6%	\$24.07	\$252	597,220	157,644,703	6.3%
DC, Washington	5.0%	\$29.97	\$324	1,689,227	265,148,842	6.2%
FL, Fort Myers	3.7%	\$18.92	\$216	341,742	48,525,377	6.5%
FL, Miami	3.4%	\$41.10	\$413	3,220,601	139,080,777	5.5%
FL, Naples	4.2%	\$25.34	\$275	36,845	23,635,210	5.9%
FL, Orlando	3.9%	\$25.22	\$227	1,545,386	150,609,695	6.8%
GA, Atlanta	4.3%	\$19.50	\$191	1,897,910	366,284,216	7.1%
GA, Savannah	4.0%	\$21.13	\$197	39,650	27,966,610	7.4%
ID, Boise	3.5%	\$15.65	\$204	233,287	42,012,006	6.5%
IL, Chicago	5.9%	\$19.96	\$189	1,131,815	579,723,389	7.3%
IN, Indianapolis	3.7%	\$17.31	\$149	372,762	131,234,875	7.9%
MA, Boston	2.8%	\$24.68	\$253	833,727	244,540,134	6.3%
MD, Baltimore	5.7%	\$22.12	\$194	336,133	144,123,811	7.2%
MI, Detroit	5.1%	\$17.66	\$126	764,512	259,840,583	7.9%
MN, Minneapolis	3.2%	\$18.13	\$167	515,665	202,795,459	7.2%
MO, Saint Louis	6.0%	\$14.90	\$140	403,226	174,147,131	8.1%
NC, Durham	3.0%	\$20.98	\$230	381,403	27,578,749	8.2%
NC, Raleigh	2.9%	\$22.64	\$219	488,290	75,450,873	6.8%
NE, Omaha	5.7%	\$14.71	\$137	274,453	64,505,252	7.8%
United States Index	4.5%	\$22.81	\$230	51,713,568	11,777,629,714	6.9%
Canada Index	2.1%	\$22.37	\$356	6,650,465	750,265,958	5.1%

MARKET	VACANCY RATE	MARKET RENT / SF	MARKET SALE PRICE / SF	SF UNDER CONSTRUCTION	INVENTORY SF	MARKET CAP RATE
NJ, Atlantic City	5.3%	\$15.82	\$141	62,636	17,725,212	7.7%
NJ, Northern New Jersey *	4.6%	\$22.90	\$200	765,036	134,021,463	7.1%
NJ, Trenton	4.5%	\$20.42	\$169	27,710	21,796,049	8.3%
NJ, Vineland	5.3%	\$13.78	\$187	0	8,147,640	6.5%
NV, Reno	4.9%	\$20.09	\$204	203,840	26,784,758	7.1%
NY, Long Island	4.6%	\$32.14	\$300	447,105	155,820,547	6.5%
NY, New York *	4.0%	\$44.93	\$421	2,667,006	619,365,046	6.0%
OH, Cincinnati	5.4%	\$14.03	\$116	126,476	132,442,595	8.2%
OH, Cleveland	4.5%	\$14.38	\$109	532,247	145,348,549	8.2%
OH, Columbus	3.9%	\$16.97	\$144	733,834	121,622,517	7.9%
ON, Toronto	1.7%	\$25.41	\$402	2,343,733	298,886,582	4.6%
PA, Harrisburg	6.4%	\$15.88	\$131	192,183	33,667,418	7.6%
PA, Lehigh Valley *	5.2%	\$15.49	\$125	122,247	48,971,237	9.1%
PA, Philadelphia *	4.8%	\$21.43	\$186	481,304	334,920,737	7.1%
SC, Charleston	3.9%	\$21.81	\$231	291,344	47,539,674	6.7%
SC, Greenville	3.8%	\$15.01	\$144	334,829	62,876,757	7.3%
SC, Spartanburg	4.9%	\$12.21	\$112	75,686	26,394,738	8.6%
TN, Nashville	3.9%	\$25.93	\$234	898,585	118,505,961	6.3%
TX, Dallas-Fort Worth	5.0%	\$21.02	\$244	3,071,145	450,660,044	6.6%
TX, Houston	5.4%	\$21.32	\$226	3,809,806	423,737,613	7.0%
WA, Seattle	2.6%	\$27.46	\$314	540,498	180,863,689	5.9%
WI, Madison	3.5%	\$16.00	\$146	223,825	40,445,350	7.3%
United States Index	4.5%	\$22.81	\$230	51,713,568	11,777,629,714	6.9%
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