

## RETAIL OVERVIEW: REBOUND CONTINUES, MOST GROWTH IN YEARS

Retail real estate continued its rebound with another healthy year in 2022. In the United States, the 20.7 million SF of Q4 net absorption brought the total for the year to 74.8 million SF. It was the most demand since 2017 and exceeded new supply by 30 million SF as the overall vacancy rate ticked down to 4.2%, the lowest in 15 years.

Canada's vacancy rate held steady at 2% at the end of 2022, the lowest since 2014. With operating fundamentals improving, investment activity for retail real estate has also accelerated over the last several quarters while the 12-month trend in transaction volumes remain near the highest on record.

The healthy annual totals occurred despite higher prices consumers have been paying for food, gas and housing and rising interest rates. U.S. retail sales excluding auto, gasoline and non-store retailers - a measure that best encapsulates brick-and-mortar retail sales - pushed to a new monthly record of \$384 billion in September. After falling sharply during the depths of the pandemic, gross leasing activity has bounced back and settled within a consistent range between 60 million and 70 million SF quarterly since Q1 2021. Sales activity has moderated since the Fed began raising interest rates, but the 2022 average sales price of \$224 per SF is up 9.8% over last year and 18.5% over the five-year average since 2017.

The heaviest investment activity centers on large gateway markets such as New York, Los Angeles and Chicago and high-growth metros like Dallas/Ft. Worth, Atlanta, Phoenix and Houston. A reduced volume of new construction is helping to restore the sector's supply-demand fundamentals that had been knocked askew by e-commerce's formidable challenge to brick and mortar along with the punishing effects of the lockdown.

In 2018 and 2019, tenant expansion totaled 59.7 million SF and 37.6 million SF respectively before the lockdown put demand 30.3 million SF in the red in 2020. Shoppers returned from the lockdown as eager consumers, inspiring merchants to lease up a net 72.4 million SF in 2021 followed by 74.8 million SF in 2022. Given the robust demand for other property types, retail demolitions are on the rise with more than 17 million SF of obsolete retail space razed last year. Consequently, in the last three years, net deliveries have totaled 44 million SF, 18.4 million SF and 25.1 million in 2020.

Retail asking rents increased 4.2% in 2022, the most in more than a decade. Geographically, many legacy markets in the Midwest and Northeast with aging stock and little population growth have underperformed national averages. Conversely, markets in the South and Southwest have attracted an outsized portion of population growth and buying power with metros from Nashville, Charlotte, Fort Lauderdale, Miami and Las Vegas posting dramatic gains, in some cases as high as 10% or more. Nationwide, on average, neighborhood centers and strip retail posted the most rent growth in 2021 at 4.8% and 4.7% respectively. With concerns of over-supply still fresh in the minds of developers and bankers, the majority of new space consists of built-to-suits and smaller freestanding properties as nearly 85% of new space last year was leased up prior to completion.

LOWEST VACANCY RATE		HIGHEST MARKET RENT / SF ANNUAL		HIGHEST MARKET SALE PRICE / SF	
BC, Vancouver	1.4%	NY, New York*	\$45.96	CA, San Francisco	\$601
ON, Toronto	1.6%	FL, Miami	\$44.40	BC, Vancouver	\$528
WA, Seattle	2.7%	CA, San Francisco	\$40.80	CA, Orange County	\$446
MA, Boston	2.7%	CA, Orange County	\$36.48	NY, New York*	\$433
TN, Nashville	3.0%	CA, Los Angeles	\$35.28	FL, Miami	\$432
<b>U.S. Index</b>	4.3%	<b>U.S. Index</b>	\$23.64	<b>U.S. Index</b>	\$242
<b>Canada Index</b>	2.0%	<b>Canada Index</b>	\$20.88 CAD	<b>Canada Index</b>	\$332 CAD

  

MOST SF UNDER CONSTRUCTION SF		LARGEST INVENTORY BY SF		LOWEST MARKET CAP RATE	
TX, Houston	4,388,892	NY, New York*	622,380,899	BC, Vancouver	4.0%
TX, Dallas-Fort Worth	3,669,502	IL, Chicago	582,863,451	ON, Toronto	4.5%
FL, Miami	3,563,080	TX, Dallas, Fort Worth	456,034,242	CA, San Francisco	4.5%
NY, New York*	2,942,671	CA, Los Angeles	446,053,345	CA, Orange County	4.9%
ON, Toronto	2,915,714	TX, Houston	425,130,529	CA, Los Angeles	5.2%
<b>U.S. Index</b>	63,760,663	<b>U.S. Index</b>	11,844,649,812	<b>U.S. Index</b>	6.7%
<b>Canada Index</b>	8,678,817	<b>Canada Index</b>	796,120,373	<b>Canada Index</b>	5.0%

\* 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
<b>AB, Calgary **</b>	2.8%	\$1.71	\$289	1,830,872	76,306,811	5.7%
<b>AZ, Phoenix</b>	5.1%	\$1.86	\$233	1,877,745	237,947,058	6.6%
<b>BC, Vancouver **</b>	1.4%	\$2.07	\$528	1,231,001	124,943,745	4.0%
<b>CA, East Bay</b>	5.4%	\$2.78	\$358	241,055	124,490,875	5.2%
<b>CA, Inland Empire</b>	6.0%	\$2.08	\$292	1,151,170	199,197,308	5.8%
<b>CA, Los Angeles</b>	5.0%	\$2.94	\$424	1,334,390	446,053,345	5.2%
<b>CA, Orange County</b>	4.2%	\$3.04	\$446	67,569	144,329,500	4.9%
<b>CA, San Diego</b>	4.0%	\$2.75	\$395	690,275	138,596,635	5.3%
<b>CA, San Francisco</b>	5.4%	\$3.40	\$601	92,500	82,869,794	4.5%
<b>CA, San Luis Obispo</b>	3.4%	\$2.18	\$291	101,878	15,407,074	6.0%
<b>CA, Santa Barbara</b>	4.5%	\$2.39	\$338	7,500	25,056,004	6.1%
<b>CA, Stockton</b>	4.5%	\$1.70	\$206	161,886	30,943,372	6.7%
<b>CA, Ventura</b>	5.0%	\$2.23	\$301	46,671	41,552,062	5.8%
<b>CO, Denver</b>	4.1%	\$2.08	\$266	758,072	159,169,628	6.2%
<b>DC, Washington</b>	4.8%	\$2.57	\$344	2,181,261	267,818,152	6.0%
<b>FL, Fort Myers</b>	3.2%	\$1.67	\$229	152,330	48,871,895	6.4%
<b>FL, Miami</b>	3.1%	\$3.70	\$432	3,563,080	140,765,281	5.3%
<b>FL, Naples</b>	4.0%	\$2.24	\$313	112,310	23,917,716	5.5%
<b>FL, Orlando</b>	3.8%	\$2.22	\$254	2,592,560	152,417,123	6.4%
<b>GA, Atlanta</b>	3.8%	\$1.71	\$203	1,794,094	368,682,562	6.9%
<b>GA, Savannah</b>	3.2%	\$1.86	\$211	56,882	28,012,721	7.3%
<b>ID, Boise</b>	3.6%	\$1.35	\$219	690,612	41,904,913	6.3%
<b>IL, Chicago</b>	5.5%	\$1.75	\$196	862,820	582,863,451	7.2%
<b>IN, Indianapolis</b>	3.4%	\$1.46	\$154	335,742	132,581,500	7.8%
<b>MA, Boston</b>	2.7%	\$2.20	\$267	1,052,573	246,921,862	6.1%
<b>MD, Baltimore</b>	5.5%	\$1.95	\$213	375,834	144,112,407	6.8%
<b>MI, Detroit</b>	5.0%	\$1.50	\$135	815,659	260,874,641	7.5%
<b>MN, Minneapolis</b>	3.2%	\$1.52	\$170	624,467	203,399,518	7.1%
<b>MO, Saint Louis</b>	5.1%	\$1.31	\$140	782,838	173,777,134	8.1%
<b>NC, Durham</b>	2.5%	\$1.85	\$241	399,497	27,880,855	8.0%
<b>NC, Raleigh</b>	2.5%	\$1.96	\$241	1,322,686	75,998,963	6.5%
<b>United States Index</b>	4.3%	\$1.97	\$242	63,760,663	11,844,649,812	6.7%
<b>Canada Index</b>	2.0%	\$1.74 CAD	\$332 CAD	8,678,817	796,120,373	5.0%

MARKET	VACANCY RATE	MARKET RENT / SF	MARKET SALE PRICE / SF	SF UNDER CONSTRUCTION	INVENTORY SF	MARKET CAP RATE
<b>NE, Omaha</b>	4.5%	\$1.29	\$150	362,206	64,347,641	7.4%
<b>NJ, Atlantic City</b>	5.5%	\$1.38	\$157	14,000	18,046,866	7.3%
<b>NJ, Northern New Jersey *</b>	4.5%	\$1.92	\$212	590,807	135,754,154	6.9%
<b>NJ, Trenton</b>	4.8%	\$1.78	\$189	204,243	21,596,444	7.9%
<b>NJ, Vineland</b>	4.6%	\$1.20	\$171	0	8,248,332	6.9%
<b>NV, Reno</b>	4.3%	\$1.72	\$208	36,112	27,003,616	7.1%
<b>NY, Long Island</b>	4.3%	\$2.75	\$318	872,013	156,277,453	6.3%
<b>NY, New York *</b>	4.2%	\$3.83	\$433	2,942,671	622,380,899	5.9%
<b>OH, Cincinnati</b>	6.2%	\$1.20	\$123	393,542	132,565,484	8.0%
<b>OH, Cleveland</b>	4.3%	\$1.24	\$113	235,202	146,678,473	8.1%
<b>OH, Columbus</b>	3.6%	\$1.51	\$154	674,666	122,364,571	7.7%
<b>ON, Toronto **</b>	1.6%	\$2.05	\$382	2,915,714	301,308,765	4.5%
<b>PA, Harrisburg</b>	5.5%	\$1.36	\$136	174,187	34,870,320	7.6%
<b>PA, Lehigh Valley *</b>	5.0%	\$1.33	\$133	365,150	49,215,786	8.8%
<b>PA, Philadelphia *</b>	4.5%	\$1.75	\$189	1,121,804	336,638,857	7.0%
<b>SC, Charleston</b>	3.4%	\$1.93	\$250	437,101	48,676,685	6.4%
<b>SC, Greenville</b>	3.3%	\$1.36	\$160	177,816	63,355,406	7.0%
<b>SC, Spartanburg</b>	4.4%	\$1.08	\$119	55,024	26,607,002	8.2%
<b>TN, Nashville</b>	3.0%	\$2.31	\$259	1,228,022	119,800,985	6.0%
<b>TX, Dallas-Fort Worth</b>	4.7%	\$1.82	\$259	3,669,502	456,034,242	6.4%
<b>TX, Houston</b>	5.0%	\$1.87	\$240	4,388,892	425,130,529	6.8%
<b>WA, Seattle</b>	2.7%	\$2.35	\$323	538,279	178,893,353	5.8%
<b>WI, Madison</b>	2.4%	\$1.38	\$151	95,000	40,884,246	7.2%
<b>United States Index</b>	4.3%	\$1.97	\$242	63,760,663	11,844,649,812	6.7%
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