

## RETAIL OVERVIEW: NET ABSORPTION DIPS IN THE FIRST QUARTER

Despite healthy consumer spending and strong successive quarterly merchant demand, overall net absorption for North American retail space eased in the first quarter. Net growth in the United States totaled 7.7 million SF in Q1. That was down from 22.4 million SF for the same period a year ago and off from 20.7 million in Q4 2022. The 74.8 million SF absorbed last year was the most since 2017. There have been eight straight quarters of net growth across the U.S.

Demand for Canadian retail space totaled 669,455 SF in net absorption in the first quarter, down from 1.3 million SF a year ago. Overall Q1 vacancy rates were unchanged in Canada at 2% and 4.2% in the United States.

Otherwise, supply-demand fundamentals continue to improve as new retail development activity remains minimal. Slightly more than 48 million SF of space was completed in 2022 and 66.8 million SF are underway. With about 80% of new development pre-leased, the U.S. retail market faces virtually no threat from new supply as developers and lenders continue to shy away from large spec projects. The vast majority of new construction consists of single-tenant build-to-suits or smaller ground-floor spaces in mixed-use projects.

Availability rates continued to fall across the U.S. in 2022 and ended the year at a 15-year low of 4.9%. Availabilities are now in line or lower than pre-pandemic levels across all retail segments, with the most significant contractions recorded in neighborhood and power centers thanks to strong demand from grocers, discounters, off-price merchants and experiential tenants. Fundamental tightening and rising retail sales pushed asking rents upward last year at their fastest clip in more than a decade at 4.1%, with average net asking rents closing the year at a record \$24 per SF. However, growth has been slowing and is expected to decelerate further in the coming quarter while above-average inflation will continue to weigh on the real rate of rent growth. Leasing activity continues to be driven by strong growth for smaller spaces as the average footprint for space hovers near the all-time low of just over 3,000 SF. This leasing activity is propelled by growth in store counts from quick-service brands such as Starbucks, Crumbl Cookies, Yum Brands and Restaurant Brands International, which owns BK, Tim Hortons, Popeyes and Firehouse Subs. Cellular retailers T-Mobile and AT&T also have signed for dozens of small shop space this year. Growth in larger space has been driven primarily by discounters such as Dollar Tree and Dollar General and off-price merchants TJ Maxx and Burlington.

While leasing activity has rebounded off pandemic-induced lows, activity has accelerated fastest in markets posting the most population growth and include Las Vegas, Phoenix, Fort Lauderdale, Tampa, Atlanta, Dallas and Houston. Availabilities now are lower than pre-pandemic levels within small to mid-sized centers and freestanding single-tenant properties. Conversely, available space in lifestyle centers, regional and super-regional malls is greater than before the pandemic. Despite a relatively strong retail demand environment and the highest net operating income growth since 2014, investment in retail properties trended downward in 2022 amid higher interest rates and greater economic uncertainty.

LOWEST VACANCY RATE		HIGHEST MARKET RENT / SF ANNUAL		HIGHEST MARKET SALE PRICE / SF	
BC, Vancouver	1.1%	NY, New York*	\$46.32	CA, San Francisco	\$626
ON, Toronto	1.6%	CA, San Francisco	\$43.44	BC, Vancouver	\$520 CAD
MA, Boston	2.6%	FL, Miami	\$43.44	CA, Orange County	\$443
WA, Seattle	2.8%	CA, Orange County	\$36.12	NY, New York	\$434
FL, Miami	3.0%	CA, Los Angeles	\$35.28	FL, Miami	\$429
<b>U.S. Index</b>	4.2%	<b>U.S. Index</b>	\$24.00	<b>U.S. Index</b>	\$245
<b>Canada Index</b>	2.0%	<b>Canada Index</b>	\$21.48 CAD	<b>Canada Index</b>	\$337 CAD

  

MOST SF UNDER CONSTRUCTION SF		LARGEST INVENTORY BY SF		LOWEST MARKET CAP RATE	
TX, Houston	5,145,621	NY, New York*	627,706,461	KS, Lawrence	4.1%
TX, Dallas-Fort Worth	4,278,201	IL, Chicago	584,445,660	KS, Topeka	4.5%
FL, Miami	3,281,006	TX, Dallas-Fort Worth	458,106,909	CA, San Luis Obispo	4.9%
NY, New York*	3,246,448	CA, Los Angeles	448,190,266	NJ, Atlantic City	5.2%
IL, Chicago	2,923,247	TX, Houston	427,579,491	NJ, Trenton	5.3%
<b>U.S. Index</b>	66,758,179	<b>U.S. Index</b>	11,902,154,940	<b>U.S. Index</b>	6.7%
<b>Canada Index</b>	7,849,853	<b>Canada Index</b>	802,742,020	<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>	3.6%	\$1.69	\$284	1,855,797	78,407,319	5.8%
<b>AZ, Phoenix</b>	5.1%	\$1.92	\$240	2,713,493	239,814,470	6.5%
<b>BC, Vancouver **</b>	1.1%	\$2.11	\$520	1,128,633	126,710,935	4.1%
<b>CA, Bakersfield</b>	5.0%	\$1.56	\$210	142,567	33,638,249	6.5%
<b>CA, East Bay</b>	5.2%	\$2.72	\$349	260,661	124,215,915	5.3%
<b>CA, Fresno</b>	4.0%	\$1.50	\$191	75,279	48,997,149	6.9%
<b>CA, Inland Empire</b>	6.0%	\$2.12	\$298	999,525	200,690,360	5.7%
<b>CA, Los Angeles</b>	5.3%	\$2.94	\$426	2,001,430	448,190,266	5.2%
<b>CA, Orange County</b>	4.3%	\$3.01	\$443	108,219	143,445,111	4.9%
<b>CA, San Diego</b>	4.3%	\$2.83	\$397	528,326	138,653,035	5.4%
<b>CA, San Francisco</b>	5.6%	\$3.62	\$626	92,500	82,720,678	4.5%
<b>CA, San Luis Obispo</b>	3.2%	\$2.21	\$296	64,088	15,445,157	6.0%
<b>CA, Santa Barbara</b>	4.3%	\$2.41	\$339	0	25,090,948	6.1%
<b>CA, Stockton</b>	4.6%	\$1.72	\$211	138,891	30,997,098	6.6%
<b>CA, Ventura</b>	5.3%	\$2.28	\$305	42,671	42,658,195	5.8%
<b>CO, Denver</b>	4.0%	\$2.12	\$272	506,776	159,233,413	6.1%
<b>DC, Washington</b>	4.7%	\$2.61	\$347	1,566,246	266,638,510	6.0%
<b>FL, Fort Myers</b>	3.0%	\$1.70	\$230	204,674	48,899,659	6.4%
<b>FL, Miami</b>	3.0%	\$3.62	\$429	3,281,006	142,028,430	5.4%
<b>FL, Naples</b>	3.7%	\$2.28	\$324	114,928	24,002,382	5.4%
<b>FL, Orlando</b>	3.7%	\$2.30	\$262	2,399,036	152,924,170	6.3%
<b>GA, Atlanta</b>	3.8%	\$1.76	\$208	1,797,096	369,644,715	6.8%
<b>GA, Savannah</b>	3.5%	\$1.89	\$213	50,420	28,051,227	7.3%
<b>ID, Boise</b>	3.8%	\$1.37	\$216	655,840	42,198,658	6.3%
<b>IL, Chicago</b>	5.4%	\$1.74	\$195	2,923,247	584,445,660	7.3%
<b>IN, Indianapolis</b>	3.5%	\$1.45	\$155	358,933	133,623,830	7.7%
<b>KS, Lawrence</b>	3.3%	\$1.33	\$186	15,405	6,733,073	7.3%
<b>KS, Topeka</b>	4.4%	\$0.88	\$132	0	13,499,598	8.6%
<b>LA, Baton Rouge</b>	2.3%	\$1.44	\$152	296,993	46,792,229	7.7%
<b>MA, Boston</b>	2.6%	\$2.25	\$271	773,082	248,793,984	6.1%
<b>MD, Baltimore</b>	5.6%	\$1.89	\$212	454,933	144,333,427	6.8%
<b>United States Index</b>	4.2%	\$2.00	\$245	66,758,179	11,902,154,940	6.7%
<b>Canada Index</b>	2.0%	\$1.79**	\$337**	7,849,853	802,742,020	5.0%

MARKET	VACANCY RATE	MARKET RENT / SF	MARKET SALE PRICE / SF	SF UNDER CONSTRUCTION	INVENTORY SF	MARKET CAP RATE
MI, Detroit	5.1%	\$1.50	\$136	806,834	261,411,454	7.5%
MN, Minneapolis	3.1%	\$1.54	\$170	693,213	206,286,061	7.1%
MO, Kansas City*	4.3%	\$1.46	\$167	616,158	131,749,074	7.0%
MO, Saint Louis	5.0%	\$1.35	\$142	762,036	174,071,389	8.1%
NC, Durham	2.5%	\$1.89	\$245	194,192	27,989,526	7.9%
NC, Raleigh	2.2%	\$2.01	\$247	1,560,164	76,017,918	6.4%
NE, Lincoln	3.8%	\$1.61	\$185	1,957	17,082,044	7.0%
NE, Omaha	4.9%	\$1.34	\$152	364,888	64,615,058	7.4%
NJ, Atlantic City	6.1%	\$1.37	\$158	13,835	18,229,119	7.3%
NJ, Northern New Jersey *	4.6%	\$1.94	\$214	696,166	136,150,514	6.9%
NJ, Trenton	5.1%	\$1.80	\$186	96,233	21,847,021	8.0%
NJ, Vineland	4.7%	\$1.20	\$169	3,000	8,431,604	7.0%
NV, Reno	4.5%	\$1.75	\$213	32,292	27,053,218	7.0%
NY, Long Island	4.3%	\$2.74	\$324	518,256	157,158,412	6.2%
NY, New York *	4.1%	\$3.86	\$434	3,246,448	627,706,461	5.9%
OH, Cincinnati	6.0%	\$1.22	\$124	536,880	133,153,420	7.9%
OH, Cleveland	4.3%	\$1.29	\$116	249,568	147,049,842	8.0%
OH, Columbus	3.6%	\$1.56	\$158	627,920	123,099,400	7.7%
ON, Toronto **	1.6%	\$2.09	\$395	2,538,816	301,426,241	4.5%
PA, Harrisburg	5.3%	\$1.37	\$140	167,707	35,164,595	7.5%
PA, Lehigh Valley *	4.5%	\$1.34	\$136	384,050	49,609,463	8.8%
PA, Philadelphia *	4.4%	\$1.78	\$191	1,156,415	339,040,119	6.9%
SC, Charleston	3.7%	\$1.96	\$254	672,515	49,329,180	6.4%
SC, Greenville	3.6%	\$1.41	\$163	188,682	63,514,885	6.9%
SC, Spartanburg	4.1%	\$1.10	\$121	30,888	26,661,035	8.2%
TN, Nashville	3.3%	\$2.30	\$261	1,270,500	120,707,089	6.0%
TX, Dallas-Fort Worth	4.6%	\$1.85	\$263	4,278,201	458,106,909	6.3%
TX, Houston	4.9%	\$1.89	\$244	5,145,621	427,579,491	6.7%
WA, Seattle	2.8%	\$2.40	\$330	546,996	179,740,737	5.7%
WI, Madison	2.3%	\$1.39	\$156	76,582	41,052,779	7.1%
<b>United States Index</b>	4.2%	\$2.00	\$245	66,758,179	11,902,154,940	6.7%
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\*\* Numbers shown are in Canadian dollars (CAD)