American Bankruptcy Institute

Distressed Real Estate Symposium

Distressed Retail & Real Estate: Rebound or Reckoning?

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2025

Distressed Retail & Real Estate: Rebound or Reckoning?

Exploring Trends, Risks, and Opportunities in Distressed U.S. Retail and Commercial Real Estate

Panelists:

Harold Bordwin of *Keen-Summit Capital Partners LLC*

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Moderator:

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Introduction

- Overview of post-pandemic retail real estate recovery.
- The Retail Apocalypse Never Happened.[1]
- Key question: Is the market rebounding or facing new challenges?
- What's emerging appears to be a more resilient and flexible retail landscape.

2

Current Market Trends and Dynamics

- Limited supply of retail space due to high capital costs, with minimal new construction expected.[2 3]
- Record-low vacancy rates with rising rents in prime locations[4], but at a slower pace due to slowing consumption.[5]
- Store closures surge: Retailers announced plans to close over 8,700 stores across different retail formats in 2024, more than double the 2023 figure due to rising costs, capital market challenges, and e-commerce competition.[5] Retail closures don't necessarily mean mall closures - recent ones have increasingly impacted power and strip centers (e.g., Joann, Party City, Big Lots). Store closures are expected to free up 140 million square feet of space, easing the retail space crunch.[6 7]
- Adaptation to changing consumer behaviors: As one example, the closure of numerous drugstores, such as Walgreens, CVS, and Rite Aid, has resulted in vacant retail spaces. These vacancies present opportunities for repurposing, including uses like urgent care centers, beauty salons, and fast-casual restaurants. The adaptability of landlords and retailers plays a crucial role in the successful transformation of these spaces.[8]

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Consumer Behavior Trends Shaping the Recovery of Brick-and-Mortar Retail

- Shift towards suburban and neighborhood centers: Suburban retail centers and neighborhood shopping centers in densely populated areas are performing well, benefiting from population shifts and hybrid work trends.[2 9]
- Grocery-anchored and open-air shopping centers are gaining popularity and thriving due to consumer preference for essential goods and convenience. These centers are attracting steady foot traffic and institutional investor interest.[10] CBRE predicts over $10 billion in U.S. open-air retail portfolio transactions in 2025.[11]
- Mixed-use developments and smaller-format stores are becoming more prominent as retailers adapt to changing consumer behaviors.[12]
- Evolving physical stores: Traditional brick-and-mortar locations may transition into showrooms, pickup points, or experiential centers to complement online sales.[13 14]
- E-commerce increased market share: Driven by widespread digital technology adoption and the convenience of online shopping, e-commerce growth continues to reshape the retail landscape site selection with online sales projected at 30% by 2030.[11 13 14]

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DISTRESSED REAL ESTATE SYMPOSIUM

Consumer Behavior Trends Shaping the Recovery of Brick-and-Mortar Retail (Cont'd)

- Mobile dominance: Mobile commerce (m-commerce) will become increasingly prevalent, with predictions suggesting that 73% of all e-commerce sales will occur on mobile devices by the end of 2025.[14 15]
- E-commerce integration: Retailers are adopting omnichannel strategies and will continue to blur the lines between online and offline channels, creating seamless integrating physical stores with online platforms that cater to evolving consumer preferences to offer seamless shopping experiences.[12 13 14 16 17]
- Personalized experiences: Advanced AI and machine learning technologies will enable retailers to offer highly personalized shopping experiences, tailored product recommendations, and targeted marketing campaigns, including US livestreaming e-commerce sales projected to reach $68 billion by 2026 to engage audiences and drive instant sales.[13 15]
- Focus on experiential retail: Spaces offering unique experiences and luxury shopping districts are driving demand in key locations.[18]

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Regional Market Insights

- Suburban retail centers outperforming urban locations due to hybrid work trends.[12]
- High costs and regulatory challenges continue to limit new retail construction, encouraging redevelopment of existing spaces.
- Retail asking rents continue to rise due to minimal availability and rising consumption. Sun Belt markets are seeing the most robust rent increases[5], driven by population growth.[12]
- Neighborhood centers in densely populated areas thriving.

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Challenges in Retail Real Estate

- High construction costs limiting new supply.[9]
- Economic uncertainty impacting tenant strategies.[12]
- Rising interest rates affecting property values and investor sentiment.[9]
- Adapting to hybrid work trends.

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Opportunities in Distressed Assets

- Redevelopment potential for underperforming malls.
- Mixed-use developments gaining traction as a solution for urban and denser suburban areas.[9] [12]

8

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Impact of Office Space Transformation

- The return-to-office (RTO) movement is significantly influencing foot traffic, leasing dynamics, and property values in the commercial real estate sector, with mixed outcomes.
- Hybrid work remains dominant, with employees returning to offices primarily on midweek days (Tuesday-Thursday), leaving Mondays and Fridays quieter.[19]
- Declining demand for traditional office spaces affecting retail foot traffic.
- As of early March 2025, office foot traffic for 10 large city office areas averaged 54.5% of pre-COVID levels with cities like Austin and Houston (each at 64%) and Dallas (62.9%) leading recovery efforts.[20]
- Retail adjacency becoming priority for office locations.
- Emphasis on flexible workspaces and collaboration areas.[21]

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Best Practices and Strategies for Financial Distress - Landlord's Perspective

Proactive Risk Mitigation:
- Conduct regular financial health checks on tenants, especially those in volatile industries.
- Strengthen lease terms with protective clauses, including security deposits, letters of credit, and guarantees.
- Include early default triggers and cross-default provisions.

During Bankruptcy:
- File proof of claim promptly to assert unpaid rent or damages.
- Monitor debtor's motions for assumption or rejection of the lease.
- File motions for immediate post-petition rent payments and lease decisions in bankruptcy.
- Negotiate cure amounts if the lease is assumed — ensure full payment of arrears and future performance assurances.
- Oppose motions to extend time to assume or reject leases if delay harms the landlord.

Renegotiation Strategies:
- Consider rent deferrals, percentage rent agreements, or temporary concessions in exchange for lease extensions or increased security.
- Pursue "blend and extend" strategies — lower rent now for longer lease terms.
- Leverage distressed asset sales to negotiate with potential new tenants or buyers.
- Pursue strategic and innovative leasing approaches including joint ventures.

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DISTRESSED REAL ESTATE SYMPOSIUM

Best Practices and Strategies for Financial Distress – Debtor/Tenant Perspective

Pre-Bankruptcy Preparation:
- Be Transparent: Open negotiations with landlords early to restructure lease terms (rent abatements, deferrals, or modifications).
- Be prepared to discuss 4-Wall EBITDA and provide meaningful projections that reflect a viable business.
- Evaluate underperforming locations for possible lease rejections.
- Strategically time cessation of rent payments to conserve cash.

During Bankruptcy:
- Use automatic stay protections to halt eviction actions and buy time to strategize.
- Payment of Stub Rent and Bankruptcy Code Section 506(c) waiver in typical DIP Financing Motion.
- Seek court relief to delay post-petition rent payments up to 60 days.
- Decide whether to assume or reject leases based on operational needs.
- If assuming, negotiate cure terms and demonstrate ability to perform under lease.
- If rejecting, limit administrative rent liability by ensuring timely motions are filed.

Renegotiation Strategies:
- Offer landlords incentives to modify terms, such as agreeing to higher future rent post-reorganization.
- Propose subleases or assignments as alternatives to rejection.

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DISTRESSED REAL ESTATE SYMPOSIUM

Best Practices and Strategies for Financial Distress – Real Estate Broker/Financial Adviser Perspective (Representing Landlord or Debtor)

For Landlord Representation:

- Assist in evaluating tenant's financial health and advising on lease enforcement options.
- Identify potential replacement tenants or buyers in anticipation of lease rejections.
- Facilitate lease renegotiations by leveraging market data and comparable rents.

For Debtor Representation:

- Help prepare market analysis to justify lease modifications.
- Identify sublease or assignment opportunities to monetize unused space.
- Engage with asset investors interested in acquiring distressed properties or leases.

Negotiation Tactics:

- Engage with all stakeholders to understand perspectives and expectations.
- Use bankruptcy court proceedings as leverage to secure favorable terms.
- Present creative solutions like revenue-sharing leases or phased rent increases.
- Coordinate with bankruptcy counsel to align real estate strategies with legal timelines.

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DISTRESSED REAL ESTATE SYMPOSIUM

Best Practices and Strategies for Financial Distress – Asset Investor's Perspective

Identifying Opportunities:

- Monitor bankruptcy filings for distressed commercial properties and leases.
- Network with real estate professionals and bankruptcy attorneys for off-market deals.
- Review debtor's schedules and statements for undervalued assets.

Bidding and Negotiation:

- Participate in Section 363 sales — conduct due diligence on lease assignments or property purchases.
- Negotiate favorable lease terms as a condition of asset purchase.
- Consider partnering with landlords for joint ventures on distressed properties.

Risk Mitigation:

- Ensure court approval for any asset purchase to receive free and clear title.
- Structure deals to protect against claw-back risks or successor liability.

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Conclusion

- The retail real estate market is evolving, driven by shifting consumer behaviors, economic pressures, and technological advancements — emphasizing flexibility and innovation within existing spaces.
- By adopting strategic approaches, stakeholders can effectively navigate distressed retail markets, mitigate risks, and seize emerging opportunities.

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Supplemental Materials for
Distressed Retail & Real Estate: Rebound or Reckoning?

March 27, 2025

Panelists

Harold Bordwin of *Keen-Summit Capital Partners LLC*

Howard Levine of *Second Horizon Capital*

Laurel D. Roglen of *Ballard Spahr LLP*

Ron Tucker of *Simon Property Group, Inc.*

Moderator

Richard H. Golubow of *Winthrop Golubow Hollander, LLP*

Supplemental Materials Included

1. CBRE, 2025 *U.S. Real Estate Market Outlook Report*
2. Cushman & Wakefield, *Marketbeat United States Retail 4Q 2024 Report*
3. JLL, 2025 *United States Retail Market Dynamics Q4 2024 Report*
4. CoStar Group, *Retail National Report United States*, prepared by Keen-Summit Capital Partners LLC
5. *Retail Real Estate: What Became of the Retail Apocalypse?* by Harold Bordwin & Chris Katchadurian

Intelligent Investment

2025 U.S. Real Estate Market Outlook

REPORT

Increased Leasing & Investment Activity Expected

CBRE RESEARCH
DECEMBER 2024

Contents

Executive Summary

— Despite many uncertainties, the **U.S. economy is poised for growth in 2025**, driven by consumer spending, easing financial conditions and productivity gains. While retail and data centers have been supported by longer-term trends, all other real estate sectors will see the start of a new cycle.

— Economic growth and firming real estate fundamentals will drive **a moderate recovery in real estate investment activity** in 2025, even though the 10-year Treasury yield will remain above 4%. Capitalization rates will compress slightly. Investors have the opportunity to secure long-term returns that have not been available for many years.

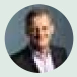
— 2025 will see the **office up-cycle that began in 2024 gain traction**, with shortages of prime space emerging toward year-end. Expect a steady office revival in America's downtowns.

— Retail enters 2025 with the lowest vacancy rate of any commercial real estate sector. Although retailers will further consolidate, we expect **growing demand in suburban locations and Sun Belt cities**. Institutional capital will return to this sector.

— Industrial real estate will continue to benefit from e-commerce growth in 2025 but **leasing activity will return to pre-pandemic levels**. Vacancy will remain elevated in older properties as occupiers continue a flight to quality. The market remains tenant favorable but will tighten toward year-end.

— After a strong and sustained surge in multifamily completions over the past two years, **vacancy will edge down** in 2025 due to robust tenant demand. Economic growth will support household formation but the still-high cost of home ownership will drive demand for apartments.

— **Artificial intelligence, cloud computing and the digital economy** will drive extraordinary growth in the data center market. Demand for power will further strain the U.S. grid but will not hold back development, with nuclear power starting to play a more central role.



Introductory Note by
Richard Barkham
Global Chief Economist &
Global Head of Research

State of the Real Estate Cycle

Commercial real estate fundamentals are in relatively good shape as we enter 2025, with even the distressed office sector benefiting from improved leasing activity. Our industry has suffered profound shocks over the past four years from the pandemic, high inflation, rising interest rates and a surge in construction completions. That real estate has weathered these formidable challenges is testimony to the asset class's resilience and its role as the bedrock of business operations.

It is tempting to say that we are in for a period of stability, but we know that will not be the case. Economic policies are changing under a new presidential administration, ways of working remain in flux, population migration is favoring the Sun Belt and the digital economy is booming.

While we expect that economic growth in 2025 will ignite a new real estate cycle, we know that potential risks loom. We look forward to helping our clients identify opportunities and navigate change to meet and exceed their goals in 2025.

01
Economy

A Soft Landing Amid a Changing World

The U.S. enters 2025 with positive momentum in terms of economic growth and easing inflation. Consumers—the bedrock of the U.S. economy—remain in good shape with robust gains in wealth and income. The S&P 500 rose by 22.5% in 2024, house prices by 6.8%[1] and real disposable income by 3.1%.[2] This in turn should drive consumer spending growth of between 2% and 4% in 2025.

Despite the recent slowdown in job growth, strong corporate earnings and falling interest rates should rekindle hiring in 2025. Households and businesses both remain sheltered from the full effects of high interest rates by the low fixed-interest mortgage and corporate debt that was taken out in the pandemic era.

Although the outlook for government spending is uncertain at the time of this writing due to the re-election of Donald Trump as president, there still is a considerable level of support for the economy as we start the year. The avoidance of tax increases next year is a positive for consumption and investment. The Infrastructure & Jobs Act of 2021 will boost construction activity in 2025 and increased defense spending will support U.S. manufacturing. The prospect of lighter government regulations in certain sectors is also a plus for the economy. Positive momentum will help the economy adjust to higher import prices from tariffs, but reduced labor supply could prompt the Fed to slow the pace of interest rate cuts to prevent a flare up of inflation.

Although the refinancing of commercial real estate remains a work in progress, the U.S. banking sector has made itself more resilient, greatly reducing the likelihood of a financially led recession from a major bank failure. The relatively low consumer loan delinquency rate and reductions in the federal funds rate should support economic growth in 2025.

Figure 1: CBRE Economic Forecast, End 2025

GDP Growth (Annual)	2.0-2.5%
Unemployment	4.0-4.5%
Inflation	2.0-2.4%
Fed Funds Rate	3.5-4.0%
10YT	4.0-4.2%

Although the refinancing of commercial real estate remains a work in progress, the U.S. banking sector has made itself more resilient, greatly reducing the likelihood of a financially led recession from a major bank failure.

[1] National Association of Realtors
[2] U.S. Bureau of Economic Analysis

01
Economy

Global Risks

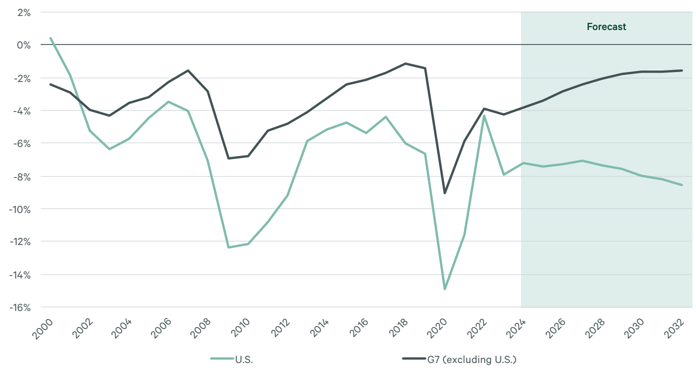
The U.S. economy has avoided recession and pulled off a remarkable soft landing. Nevertheless, there are global risks to the outlook, the biggest of which is a recession in China. China accounts for 18% of world GDP—second only to the U.S. with 25%—and its demand for raw materials drives growth in many emerging markets. China's housing market has collapsed, mainly due to oversupply, and its consumer spending is very weak. Although the Chinese government has announced significant stimulus, it may not be enough.

A second global risk comes from Germany, which faces a big challenge from weak demand for manufactured exports. However, falling inflation and low unemployment will be enough to generate a consumer recovery in Germany next year.

A third risk is the continued appreciation of the U.S. dollar, which has risen by 12% since 2019. This puts pressure on U.S. companies by making their exports more expensive and on emerging markets by making their dollar-denominated loans harder to repay.

A longer-term risk to the U.S. economy is the federal budget deficit. This is not an immediate problem, since the overall debt-to-GDP ratio is rising slowly. President-elect Trump has proposed levying tariffs on foreign goods to reduce the deficit, offsetting some effects of the tax cut extension. However, the lack of a clear strategy to reduce the deficit likely means higher interest rates and mortgage rates for longer.

Figure 2: Gap Between Government Spending & Revenue



G7 Countries: Canada, France, Germany, Italy, Japan, U.K., U.S.
Source: Oxford Economics, CBRE Research, Q3 2024.

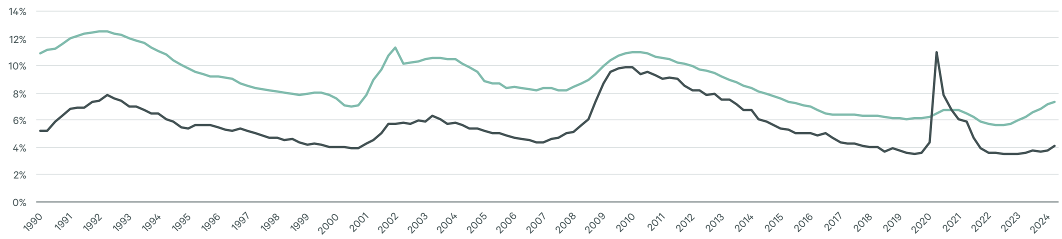
01
Economy

The Economy & Real Estate

For the past 40 years, the real estate and economic cycles have been highly correlated. In the past three years, the end of the real estate cycle has not been accompanied by an economic recession. Moreover, the U.S. economy appears resoundingly at mid-cycle, with low levels of corporate and consumer debt. With the economy in relatively good shape, we should soon see the start of a new real estate cycle driven by tenant demand and falling vacancy rates.

With the economy in relatively good shape, we should soon see the start of a new real estate cycle driven by tenant demand and falling vacancy rates.

Figure 3: U.S. Unemployment vs. Average Vacancy Rate



Sectors Included: Office, Industrial, Retail, and Multifamily
Source: CBRE Econometric Advisors, CBRE Research, Q3 2024.

01
Economy

Mega Trends to Watch in 2025

Technology

Artificial intelligence technology will be more widely deployed in 2025. Look for major advancements in medicine, a stronger revival of tech leasing as the nature of office work continues to evolve and a continued boom in data centers. Nuclear power will start to make a comeback.

Migration

Migration is a divisive political issue in the U.S. and Europe, with governments increasingly attempting to reduce the number of inbound undocumented immigrants. In a period of unusually tight labor markets, reduced migration could cause problems for certain sectors, such as construction, agriculture, social services and hospitality.

Globalization

Loss of manufacturing jobs and the fragility of supply chains during the pandemic has led to a reappraisal of the benefits of globalization. Governments worldwide are considering higher levels of tariffs. Expect the possibility of capital controls to prevent adverse currency appreciation.

02

Capital Markets

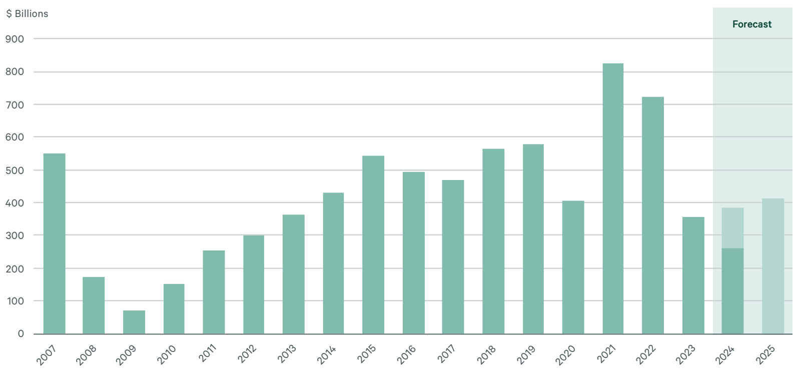
02
Capital
Markets

Slow But Sure Investment Recovery

CBRE expects a continued recovery for investment sales in 2025; however, investors and lenders will face several headwinds. The 10-year Treasury yield will remain above 4% as markets react to a persistently large budget deficit, stimulative fiscal policy and the potential for higher inflation. Nevertheless, strong economic growth driving positive fundamentals will support the recovery in investment activity, with volume up by as much as 10% next year.

Investors will focus on industrial and multifamily assets. Office properties will remain challenged, with investors still very discerning. Assuming minimal disruptions from tariffs, retail will continue to attract investors with its strong fundamentals and we expect some portfolio sales will ensure a robust year for this property type.

Figure 4: Commercial Real Estate Investment Volume



Source: MSCI Real Assets, CBRE Research, Q3 2024.

02
Capital
Markets

Election Impact

The second Trump presidency presents both opportunities and risks for commercial real estate. The industrial and retail sectors will be particularly affected by trade policy and shifting consumer spending patterns. Fiscal policy will also have some bearing on the cost of capital.

Prospects for historically high budget deficits could keep long-term interest rates relatively high, weighing on the budding recovery in investment activity. On the other hand, higher interest rates will bolster multifamily fundamentals as homeownership affordability challenges support rental demand. Investors will also have greater certainty around capital gains and other tax policy, which we expect will remain favorable for the industry and investors.

The industrial and retail sectors will be particularly affected by trade policy and shifting consumer spending patterns. The fiscal policy mix will also have some bearing on the cost of capital.

02
Capital
Markets

Cap Rates

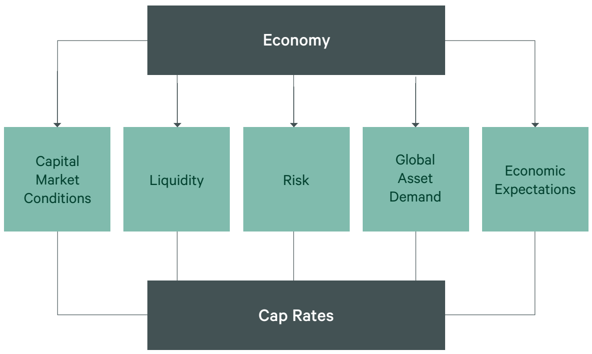
Cap rates will slightly compress in 2025. While Treasury yields and rents are the biggest drivers of cap rates, other significant factors include the risk premium and GDP growth. CBRE forecasts that cap rates will slowly fall and stabilize at higher levels than in the last cycle due to interest rates remaining higher than they were during the 2010s. This is driven by outsized budget deficits and continued economic growth, among other factors.

From their peak in 2024 to the end of 2025, industrial cap rates will fall by 30 basis points (bps), retail by 24 bps, multifamily by 17 bps and office by 7 bps. This forecast is subject to changes in borrowing rates, which will impact activity and pricing. Investors should consider broader macroeconomic drivers that influence Fed policy to understand cap rate movements.

Although macro factors determine the direction of cap rates, the extent of those changes can be influenced by the relative strength of each market and asset. As such, market and individual asset selection will be even more important considerations for investors during the current cycle's early phase.

Factor Group	Model Variable	Impact
Capital Market Conditions	Nominal Treasury Yield	+
	Inflation	-
Liquidity-Fed QE	QE	-
Risk	A-Bond Spread	+
Global Asset Demand	Dollar Value	+
National Economic Expectation	GDP Index	-
Local Economic Expectation	Local RE, Real Rent	-

Figure 5: Factors That Influence Cap Rates



Source: CBRE Econometric Advisors.

02
Capital
Markets

Risks & Opportunities

Risks

Geopolitical risks, potential fiscal or monetary policy errors and persistent inflation—potentially exacerbated by trade and immigration policy changes—could impact the nascent capital markets recovery.

Continued distress in the office sector and, to a lesser extent, the multifamily sector is likely. As a result, banks—particularly community and regional banks—will manage their exposure to commercial real estate amid continued regulatory scrutiny. Construction loans will remain relatively difficult to obtain from banks. There also is uncertainty around the reproposed Basel III rules that could compound issues for banks that lend to commercial real estate, impacting liquidity in the sector. However, following the election, we anticipate any implementation to be less disruptive than previously feared.

Opportunities

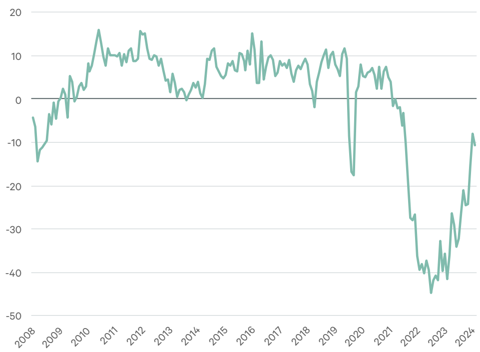
CBRE views the current investment environment differently from the one leading up to the pandemic. Structural changes impacting demand for various property types have rendered some assets less competitive in the marketplace (e.g., non-prime office and less-functional industrial properties).

Nevertheless, we continue to see a number of opportunities. The pricing reset across all sectors and continued distress in the office and multifamily sectors will present unique prospects for investors over the coming quarters. This will be particularly apparent for well-located Class A office assets that can expect demand spillover from prime properties.

Evolving supply chains and a relatively healthy consumer will continue to present opportunities in the industrial sector, particularly as trade policy impacts the flow of goods entering and leaving the country. For the multifamily sector, reduced levels of new supply and higher mortgage rates will result in healthy demand and better fundamentals. And investment opportunities will abound in the retail sector amid continued consumer strength and low levels of new supply, although the imposition of tariffs might weaken investor sentiment. We also expect more interest in alternatives, especially data centers.

Lower interest rates amid global economic growth, particularly that of the U.S., will stimulate foreign capital inflows. However, the strength of the U.S. dollar will be a headwind for foreign investors.

Figure 6: Commercial Real Estate Investor Sentiment Index



Source: Sentix, CBRE Research, October 2024.

02
Capital
Markets

Trends to Watch

- Pricing will rise for all property types, even office.
- Investors will begin to cautiously move out on the risk spectrum amid strong competition for industrial and multifamily assets.
- Capital will be selective with regard to markets, property types and assets amid an evolving investment landscape.
- Debt capital will remain available but the composition of lenders will shift amid bank losses.
- Major policy changes, including tax, trade, immigration and federal spending, will have varying impacts on commercial real estate and the overall investment environment.
- Bond market volatility will continue into the medium term.

03

Office/ Occupier

03
Office/
Occupier

Office Market Stabilization Expected

The U.S. office market is set for a pivotal shift in 2025, with stabilization paving the way for a new cycle. With office attendance reaching a steady state and a soft landing for the economy, occupiers can conduct portfolio planning with increased confidence.

Occupier sentiment will shift from a contraction-oriented approach to one of stabilization and even expansion, supporting office space absorption. This positive shift, along with a significant slowdown in new supply and declining interest rates, sets the stage for the most optimistic outlook in years. However, certain challenges will remain, including subpar office-using job growth, a substantial amount of sublease space and high vacancies in less desirable office properties.

With office attendance reaching a steady state and a soft landing for the economy, occupiers should conduct portfolio planning with increased confidence.

03
Office/
Occupier

Occupier Strategy

More than one-third of respondents to CBRE's 2024 Occupier Sentiment Survey plan to increase their portfolio requirements over the next two years, while 25% expect no change. This will support positive office absorption in 2025. Large companies with more than 10,000 employees will drive most of the downsizing, while small companies with less than 1,000 employees will drive most of the expansion. Although rightsizing will continue in 2025 due to pre-pandemic inefficiencies and space reductions from hybrid working, much of this adjustment has already taken place over the past four years.

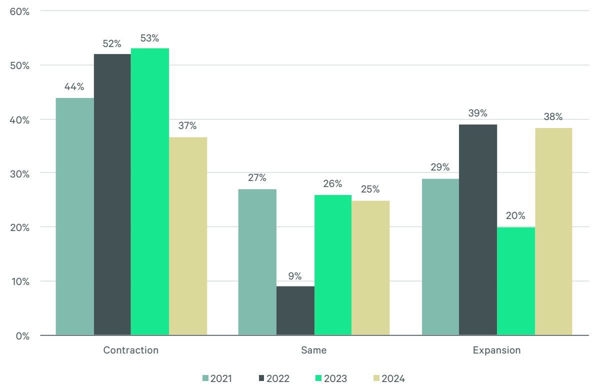
A healthy pipeline of tenants actively seeking office space is a precursor to a 5% rise in leasing volume in 2025. Smaller tenants looking for between 10,000 and 20,000 sq. ft. will account for more than half of total leasing volume.

Manhattan, which was one of the worst-hit markets by the pandemic, will continue to rebound next year. The market's active tenant pipeline is above its pre-pandemic average, indicating increased leasing volume ahead. Other markets with high demand that can be satisfied by new prime office deliveries include Austin, Nashville and Miami.

Many tenants will decide to renew their current leases due to high moving costs and difficulties in assessing landlords' financial health. Renewals will make up a large share of leasing volume compared with historical averages. Landlords will be more willing to negotiate favorable terms with large tenants rather than risk vacancy.

Tenants that relocate will prioritize buildings in prime locations with first-class amenities. As these spaces become more scarce, demand will spill over to the next tier of buildings.

Figure 7: Expected Portfolio Size Change Over Next Three Years



Source: CBRE Occupier Sentiment Survey, May 2024.

03
Office/
Occupier

Market Divide

The divide between high-quality and lower-quality office assets will widen in 2025. High-quality assets in vibrant mixed-use districts will continue to attract tenants. Occupiers of Class A space are the most likely to upgrade to better locations. More cost-conscious tenants in sectors such as government, healthcare and education will continue to drive demand for a large pool of available Class B and C space. Commodity buildings in less desirable and office-centric districts are the most at risk of losing tenants. Landlords of commodity buildings, who are also competing with the 175 million sq. ft. of discounted sublease space on the market, will have to lower asking rents.

Office tenants will be increasingly diligent in ensuring that landlords are financially stable enough to service their debt and maintain their properties.

Prime spaces will become more scarce due to the slowdown in new construction. By conservative estimates, vacancy in prime buildings is expected to return to its pre-pandemic rate of 8.2% by 2027. However, prime space will be difficult to find in many districts next year, such as Midtown Manhattan and Downtown Miami. Tightening availability will give owners of prime buildings the upper hand in lease negotiations and rents will continue to rise.

Prime spaces will become more scarce due to the slowdown in new construction. By conservative estimates, vacancy in prime buildings is expected to return to its pre-pandemic rate of 8.2% by 2027.

03
Office/ Occupier

New Office Starts Plummet

The office construction pipeline is notably thin, with new supply expected to fall to 17 million sq. ft. in 2025, well below the 10-year average of 44 million sq. ft. While a few markets, including Austin, Nashville and Dallas, will experience near-term oversupply, the construction slowdown will be a welcome reprieve in most markets. The overall office vacancy rate is expected to peak at 19% in 2025.

Increased conversion and demolition activity will remove largely vacant and outdated office space from the market. While conversion activity will remain well above historic norms, these projects still represent a small fraction of the overall office market. More financial incentives in addition to an anticipated reset of pricing will be needed to make these projects financially viable.

19%

Expected peak overall office vacancy rate in 2025

Figure 8: Office Completions

Source: CBRE Econometric Advisors, Q3 2024.

03
Office/ Occupier

Demand Tailwinds & Headwinds

Tailwinds for the office sector include falling interest rates, greater corporate confidence in a soft landing for the economy, deregulation and office-using employment at a record level. There also will be a mild increase in office attendance rates. Against these positives will be lower future growth of office jobs due to labor shortages and the use of artificial intelligence for certain jobs.

03
Office/
Occupier

Transforming America's Cities

Cities will need to reinvent themselves in a post-pandemic world. Those with economic dynamism, demographic potential, lifestyle vibrancy, distinctive identity, responsive governance and resilient infrastructure will fare best.

Markets with vibrant mixed-use districts will continue to outperform. Expanding these districts and creating new ones will be essential for cities to succeed in the future as occupiers seek to locate in walkable environments with many amenities.

Location will be more important than ever for the leasing success of office buildings. Those in vibrant, walkable mixed-use districts that include both residential buildings and prime office space will achieve the highest occupancies and rents. Prime examples include Chicago's Fulton Market, Washington D.C.'s Wharf, Boston's Seaport, Atlanta's Midtown and Denver's Union Station.

Public and private stakeholders will increasingly play a role in transforming their struggling downtowns by using financial incentives linked to long-term place-making strategies. While these changes won't happen overnight, 2025 will be a pivotal year for progress. Savvy investors will get involved in regeneration initiatives at an early stage.

04

Retail

04
Retail

Limited Supply Will Hamper Retail Leasing Growth in 2025

Retail space availability will remain limited in 2025. Despite lower interest rates, the high cost of capital will make it challenging to finance new projects and expansions, especially in markets where rental rates may not justify the expense.

With little new space scheduled for delivery in 2025, the overall retail availability rate will remain at a record low and lead to higher asking rents. However, potential store closures could provide the welcome availability of more space. Closures in prime locations and open-air strip and power centers will be highly sought-after by tenants to generate more foot traffic. Viable retailers will also aggressively compete for well-located space and sign longer lease terms to guard against any potential supply disruptions.

Despite lower interest rates, the high cost of capital will make it challenging to finance new projects and expansions.

Figure 9: Supply Pipeline to Remain Constrained

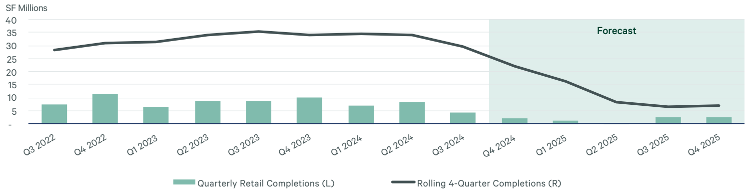
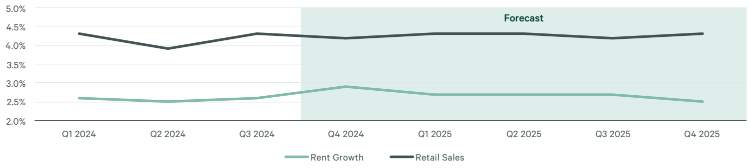


Figure 10: Retail Sales & Asking Rent Growth



Source: CBRE Econometric Advisors, Q3 2024.

04
Retail

Consumer Shifts Will Alter Site Selection Strategies

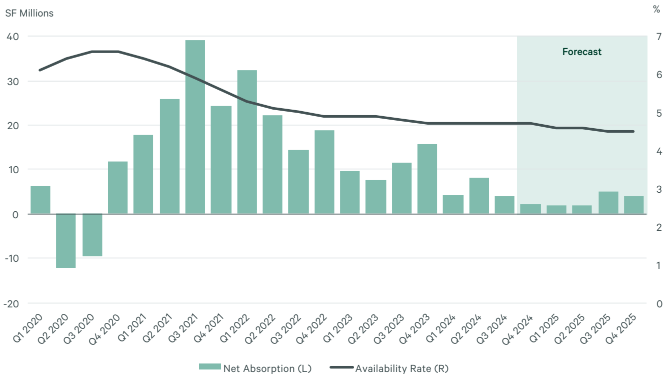
Changing consumer preferences pose certain opportunities and challenges for retailers. Economic uncertainty and high inflation have made consumers more budget-conscious, often prioritizing essential goods that account for approximately 65% of consumer spending, according to the U.S. Bureau of Economic Analysis. This will heighten retailers' interest in grocery-anchored centers, which are among the best-performing retail property types.

The ongoing rise of e-commerce also continues to reshape the retail landscape, particularly in sectors like apparel and electronics. The online share of total retail sales, excluding autos and gasoline, is expected to exceed 30% by 2030, up from 23% in 2024.

As consumers increasingly favor online options, some retailers are consolidating locations and shrinking their footprints by approximately 2% per year, according to the National Retail Federation. Open-air neighborhood, community & strip centers will see increased demand next year as retailers focus more on facilitating pickups and returns of online purchases. Many retailers who had located primarily in malls will focus expansion plans on these centers due to the continued growth of e-commerce.

As the retail industry continues to evolve, those markets that offer strong population and job growth, along with infrastructure improvements, will see significant retail demand in 2025. As mortgage rates ease and housing turnover accelerates, we can expect a further boost in demand for residential-related retail, including home goods, furniture and home improvement stores.

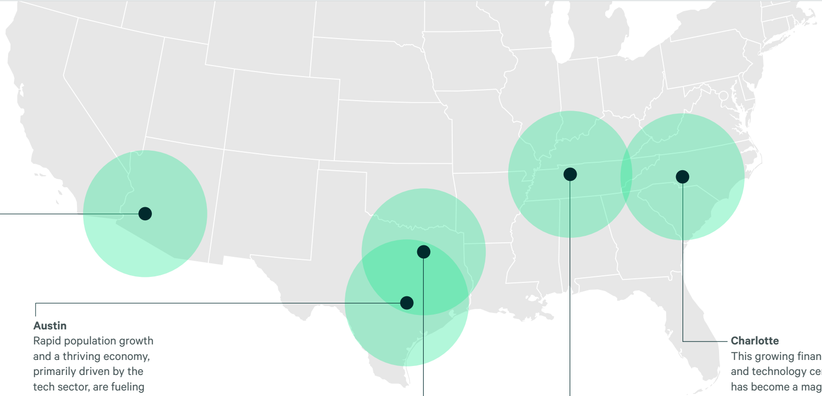
Figure 11: Retail Availability & Absorption



Source: CBRE Econometric Advisors, Q3 2024.

04
Retail

Markets to Watch



Phoenix
Population growth from a mix of young families and retirees has turned this city into a top-performing retail market. The steady influx of residents supports a significant pace of retail development, particularly in expanding suburban areas. Bolstered by infrastructure improvements and strategic investments, Phoenix is a hotspot for both national brands and local businesses. This wave of development reflects confidence in Phoenix's long-term growth potential, attracting retailers who want to tap into the city's dynamic consumer base.

Austin
Rapid population growth and a thriving economy, primarily driven by the tech sector, are fueling this city's retail market. Austin's vibrant culture and reputation as a creative hub continue to attract young professionals, entrepreneurs and high-income residents, each fueling strong demand for diverse retail experiences. With increased development and an affluent population, Austin offers a prime opportunity for retailers.

Dallas
A robust economy, growing population and strong job market, particularly in tech and finance, make Dallas one of the country's top retail markets. High levels of absorption, combined with consistently low availability, have created a competitive environment among retailers eager to establish a presence in this thriving market. Strong demand from both national and boutique brands is fueling development activity.

Nashville
This city's booming tourism and healthcare sectors contribute to sustained retail demand, particularly for experiential and high-end retail formats. Although the city's attraction of younger residents has fueled growth in mixed-use developments, it has one of the lowest retail availability rates in the country.

Charlotte
This growing financial and technology center has become a magnet for young professionals. This demographic shift supports the demand for lifestyle centers and unique "retailtainment" experiences. The city's affordable cost of living and warm climate have attracted new residents, leading major retailers and restaurants to seek new suburban and urban locations that can adequately serve this evolving consumer base.

04
Retail

Experiential Retail's Rise

Retailers are focusing on experiential retail strategies to attract and retain customers. Rather than expanding into new locations, brands are focusing on optimizing their existing spaces to offer unique, immersive experiences that differentiate them from their competitors and appeal to a more experience-oriented consumer base. This "retailtainment" trend combines shopping with other elements like dining, entertainment and activities, creating spaces that provide more immersive brand engagement with customers.

This shift comes at a time of constrained supply of desirable, high-quality retail space. As a result, retailers are focused on maximizing the value of their current leases and spaces by adding experiential elements that drive interactive, destination-driven shopping.

By integrating technology such as augmented reality and interactive displays, as well as creating space for events, brands are increasing their appeal to consumers. These strategies enhance customer engagement, encourage longer store visits and result in more spending by shoppers, reinforcing the importance of physical stores within the modern retail ecosystem.

05

Industrial & Logistics

05
Industrial & Logistics

2025 Will See a Return of Pre-Pandemic Demand Drivers

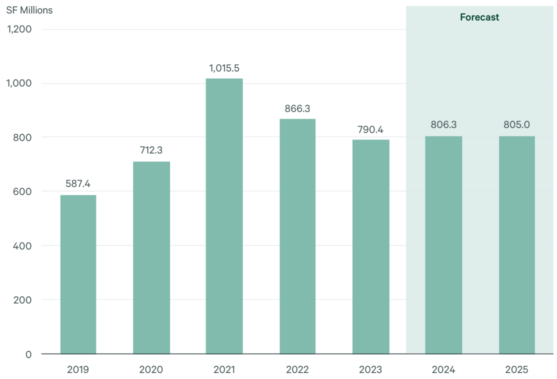
The U.S. industrial market will enter a new cycle in 2025 with a return to pre-pandemic demand drivers. Industrial occupiers will focus on longer-term strategies to improve warehouse efficiency, ensure supply chain resiliency and meet the needs of an evolving consumer base. Demand for newly constructed space will drive up the vacancy rate of older buildings.

Companies will continue a flight to newly constructed and more modern space in 2025 to facilitate their use of automation and artificial intelligence and provide more employee amenities. Power capacity will become a top priority for site selection. Markets with reliable power grids, including Chicago, Phoenix and Las Vegas, will benefit most.

Demand for new space will grow the most from third-party logistics (3PL) providers. Retailers and wholesalers outsource their distribution operations for three primary reasons: import flexibility, capital preservation and a focus on core competency. Labor disruptions, extreme weather events and geopolitical conflicts have led companies to diversify import locations. Utilizing 3PLs allows for more inventory flexibility, a key component to retailer success in times of uncertainty. It also allows companies to focus on core business competencies that drive revenue, such as product development, sales and customer service. The increase in outsourcing will keep 3PLs' share of overall industrial leasing activity at or near 35% in 2025.

Companies will continue a flight to quality in 2025 to facilitate their use of automation and artificial intelligence and provide more employee amenities.

Figure 12: Industrial Leasing Activity



Includes new leases and renewals of 10,000 sq. ft. or more.
Source: CBRE Research, Q3 2024.

05
Industrial & Logistics

While leasing activity over the past 24 months has not reached the record levels of 2021 and 2022, it remains well above pre-pandemic levels. Leasing activity should stabilize at just above 800 million sq. ft. in 2025.

Despite robust leasing, net absorption will remain low as much of the new leasing will come at the expense of older facilities. Buildings constructed before 2000 accounted for more than 100 million sq. ft. of negative absorption in 2024, while those completed after 2022 posted more than 200 million sq. ft. of positive absorption. This trend will continue in 2025 as long as there still is first-generation space to lease.

More than 400 million sq. ft. of the nearly 1 billion sq. ft. of new industrial supply added since Q1 2023 remained vacant in Q3 2024. While fewer construction starts will reduce construction completions by half in 2025, this relatively plentiful amount of available first-generation space will allow for further flight to quality.

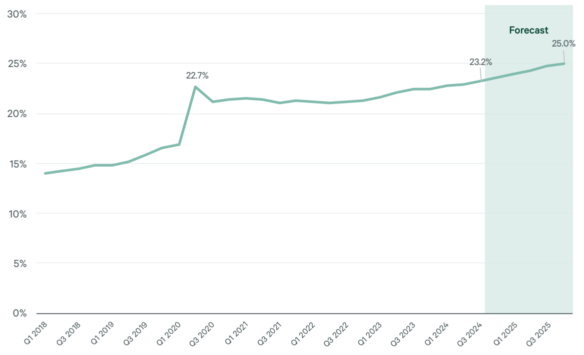
Owners of older buildings that are largely vacant likely will pursue one of three options: stay the course and wait for demand to rebound as new space dries up in 2026, make capital investments to add modern amenities or simply sell the building. Owners that put older buildings up for sale could attract certain own-and-occupy buyers who do not need modern amenities and want to avoid paying rent.

Occupiers will continue to favor primary markets that meet consumer expectations and ensure supply chain resiliency. The e-commerce share of total retail sales, excluding autos and gasoline, hit a record-high 23.2% in Q3 2024 and is expected to reach 25.0% by year-end 2025, creating more demand for warehouse & distribution space.

Perhaps the most important consideration in site selection is a market's ability to offer supply chain resiliency. Core industrial markets like the Inland Empire, Dallas-Ft. Worth, Atlanta, Chicago and the New Jersey/Pennsylvania region will remain leaders in leasing activity. However, there are emerging industrial markets that service manufacturing in both the U.S. and Mexico. These include Houston, Kansas City, Louisville, Nashville and Raleigh-Durham.

Occupiers will continue to favor primary markets that meet consumer expectations, act as a prime location and ensure supply chain resiliency.

Figure 13: E-Commerce Share of Total Retail Sales*



*Excluding auto and gasoline sales.
Source: CBRE Research, Q3 2024.

05
Industrial & Logistics

Reshoring of Manufacturing

A primary component of supply chain resiliency is a diverse source of products that lead to onshoring of manufacturing to North America. While the U.S. has seen a slight increase in manufacturing, companies will continue to seek lower labor costs for products like automobiles and computers. Mexico, for example, has a highly skilled and lower-cost labor force to manufacture products that require large warehouse & distribution operations.

However, Mexico's record-low industrial vacancy rate will force companies to open more U.S. distribution centers, preferably either near the Mexico border or along the major north-south highways (Interstates 29 and 35) to store and distribute this product.

With the potential for increased tariffs on products from Asia and perhaps Europe, along with other supply chain constraints, having a warehouse either near the Mexico border or along these two main interstate highways will become nearly as important for some companies as having a seaport location. This should increase demand in markets like San Antonio, Austin, Dallas-Ft. Worth, Oklahoma City, Kansas City, Des Moines and Minneapolis.

06

Multifamily

06
Multifamily

Cyclical Recovery Just Ahead

With continued solid fundamentals, multifamily is the most preferred asset class for commercial real estate investors in 2025.

For all the short-term negative effects brought on by rising interest rates and record levels of new supply, strong renter demand will drive improving occupancy and accelerating rent growth. This in turn will lead to increased multifamily investment activity. The average multifamily vacancy rate is expected to end 2025 at 4.9% and average annual rent growth at 2.6%.

Developers will add more multifamily units to the U.S. housing market than in any period since the 1970s. Most of this new supply will be in the Sun Belt and Mountain regions, where some markets will grow their inventories by nearly 20% in just a three-year period. However, many of these high-supply markets are now past their peak for deliveries, and occupancy rates have already begun recovering. This recovery will accelerate next year and markets with negative rent growth in 2024 are expected to turn positive in 2025 as completions slow considerably following the marked slowdown in construction starts.

Figure 14: Recovery Timeline for High-Supply Markets with Negative Rent Growth

Source: CBRE Research, CBRE Econometric Advisors, Q3 2024.

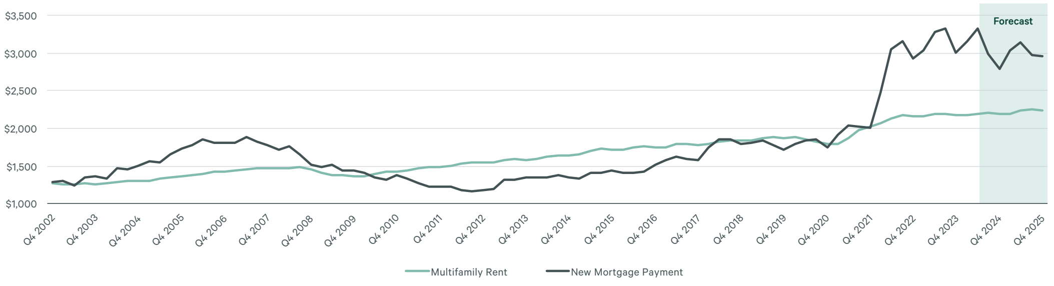
06
Multifamily

Ten of the 16 markets with the largest supply pipelines (ranked by inventory growth) are expected to enter 2025 having already reached their peak in new deliveries. Supply in the remaining six (Charlotte, Fort Lauderdale, Phoenix, Raleigh, Riverside and San Antonio) will peak in 2025. Despite the negative supply-side pressures on market fundamentals, all of these markets are expected to benefit from improved average vacancy rates and rent growth for several years ahead.

By mid-2025, multifamily construction starts are expected to be 74% below their 2021 peak and 30% below their pre-pandemic average. As the construction pipeline shrinks, strong renter demand will lower the vacancy rate and precipitate above-average rent growth in 2026. This exceptional renter demand has come at a critical time and has already absorbed a large amount of this new supply wave. Job creation, population growth and the competitive discounts being offered by landlords to fill these new units is driving much of this demand, along with a relatively unaffordable single-family housing market.

As the construction pipeline shrinks, strong renter demand will lower the vacancy rate and precipitate above-average rent growth in 2026.

Figure 15: Average Monthly Multifamily Rent vs. New Home Mortgage Payment Forecast



Note: Does not include estimates for homeowner's or renter's insurance. Assumed down payment of 10% with prevailing and forecast interest rates.
Source: CBRE Research, CBRE Econometric Advisors, Q3 2024.

06
Multifamily

The wide monthly premium between buying and renting a home will preserve existing renter demand in 2025. Many would-be homebuyers will remain dissuaded by high home prices and mortgage rates.

Making homeownership even more difficult for renters, nearly 80% of all current homeowners have mortgage rates below 5% and will remain reluctant to sell in an ongoing high-interest-rate environment. This challenge will remain even more pronounced in many of the largest markets, where the average monthly cost of buying a house is forecast to be two to three times more than the average rent in 2025.

Vacancy rates across the Midwest, Northeast and six gateway markets have not exceeded their historical averages to the same extent that higher-supply Sun Belt and Mountain regional markets have. As a result, many of these markets are expected to have average annual rent growth of more than 3% in 2025, well above the 2.6% projected national average.

Shrinking construction pipelines, strong renter demand, rising occupancies and accelerating rent growth are expected across all markets in 2025. Investors will have to wait until 2026 or later for market fundamentals in the Sun Belt and Mountain regions to be as strong as those of the Midwest, Northeast and coastal regions. Nevertheless, the long-term prospects for these more challenged regions will continue to attract a disproportionate amount of investment.

Shrinking construction pipelines, strong renter demand, rising occupancies and accelerating rent growth are expected across all markets in 2025.

06
Multifamily

Cost-to-Buy Premium Will Continue to Favor Rental Market

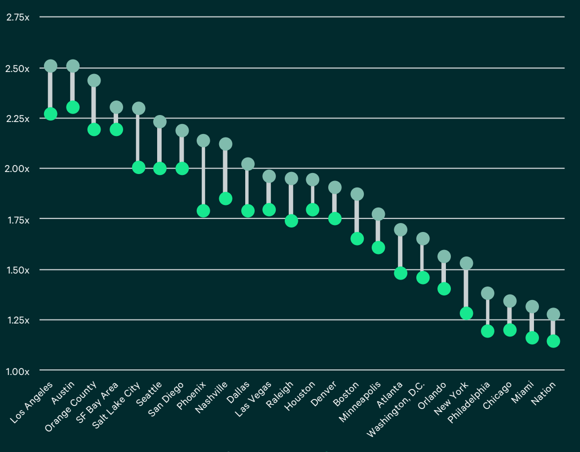
With average newly originated mortgage payments 35% higher than average apartment rents as of Q3 2024, many U.S. households continue to rent rather than buy a home. Even though the premium to buy a home is expected to come down over the next several years based on home-price, interest-rate and rent-growth forecasts, it will remain high enough to keep today's renters renting for longer.

We expect average multifamily rents to grow by 3.1% annually over the next five years, above the pre-pandemic average of 2.7%. This above-trend rent growth is expected to outpace home price appreciation and, along with lower mortgage rates, slightly narrow the cost gap between buying and renting. CBRE expects the premium to buy versus rent to ease to 32% from 35% by the end of 2025.

All markets will see their cost-to-buy premiums shrink over the next five years as interest rates fall, home price growth remains subdued and rent growth accelerates. Austin and Los Angeles have the highest cost-to-buy premiums in the country, both more than 2.5 times the average rent. Although that premium will come down over the next five years, it will remain more than twice as expensive to buy than to rent.

High-growth markets like Phoenix, Salt Lake City and Nashville will see the most premium compression over the next five years. This will be driven by above-average renter demand and reduced multifamily construction pipelines leading to accelerating rent growth.

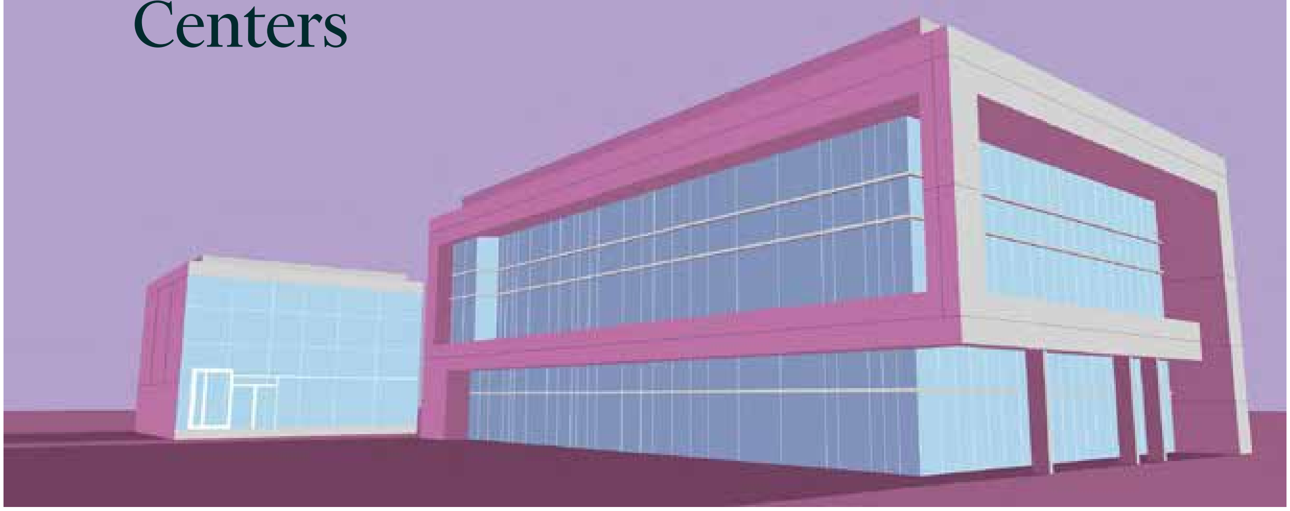
Figure 16: Cost Multiplier of New Home Mortgage Payment vs. Monthly Multifamily Rent



Note: Does not include estimates for homeowner's or renter's insurance. Assumed down payment of 10% with prevailing and forecast interest rates.
Source: CBRE Research, CBRE Econometric Advisors, Freddie Mac, U.S. Census Bureau, Realtor.com®, FHFA, Oxford Economics, Q3 2024.

07

Data Centers



07
Data
Centers

Strong Demand Continues; Supply Growth Limited by Power Availability

The rapid growth in digital services, cloud computing, artificial intelligence (AI) and 5G is driving a persistent surge in demand for data center capacity. Applications on cell phones, smart devices, laptops and desktops are constantly increasing the need for processing, storing and computing data.

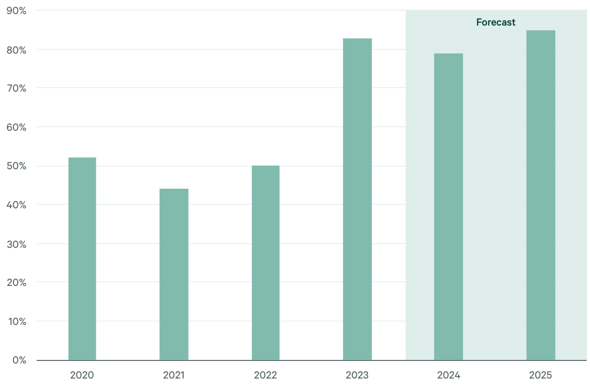
Despite record construction activity, the data center market will struggle to keep pace with demand, leading to higher utilization rates in existing facilities and tighter vacancy rates. The average vacancy rate for primary markets fell to a record-low 2.8% and the average preleasing rate of new construction hit a record high in 2024. We expect these conditions will persist in 2025, with the average preleasing rate rising to 90% or more and rental rates rivaling the record highs of 2011-2012.

There will be increased competition for land and resources to build new data centers, particularly in primary markets. Northern Virginia, Silicon Valley, Dallas-Ft. Worth, Atlanta and Chicago are all seeing more data center development outside of central business districts and urban core areas. As a result, rezoning and entitlements will be required in these areas.

More data center expansions in secondary and emerging markets are expected to alleviate reliance on major hubs. Tax incentives will be very important for new development in states that have not had notable supply growth.

Site selection remains focused on power availability and fuel mix. We expect legacy nuclear partnerships providing colocation opportunities for data centers to continue, as well as unique opportunities for retired coal plants to convert to renewable energy with interconnection already in place.

Figure 17: Preleasing Rate of Under-Construction Data Centers in Primary Markets



Source: CBRE Research, CBRE Data Center Solutions, Q3 2024.

07
Data
Centers

Under-Construction Boom

Under-construction data centers are expected to reach record highs in 2025. Demand for modern data center facilities continues to soar, as hyperscalers and enterprises plan to expand their digital infrastructure. The sheer scale of data center development in 2025 will result in a 100+ megawatt (MW) project being the new norm.

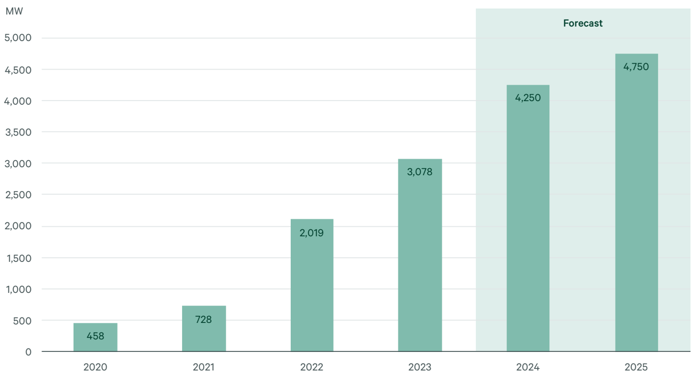
A growing number of projects remain in the under-construction phase for extended periods due to significant power shortages. As power supply struggles to keep up with the rapid pace of new development, many construction projects are being delayed until power infrastructure is either upgraded or increased. This backlog will create more competition for the limited power resources in high-demand areas.

Expect extended timelines for new data center builds, particularly in regions where power infrastructure is lagging behind the surge in construction. Silicon Valley and Hillsboro, OR are seeing longer timelines for power availability commitments.

Shortages of construction workers will drive local community colleges and technical schools to increase their number of mechanical, electrical and plumbing certifications and degrees. Without adequate skilled labor, data center construction timelines will not improve.

The pressure to secure power will lead to more innovative solutions, such as on-site power generation (e.g., microgrids or partnerships with energy companies) and power-sharing agreements with local utilities.

Figure 18: Under-Construction Totals in Primary Markets



Source: CBRE Research, CBRE Data Center Solutions, Q3 2024.

07
Data
Centers

Energy Transition: Shift to Nuclear Power

Data centers account for a significant share of energy consumption, creating a need for new energy solutions. The increasing demand for power provides both challenges and opportunities for renewable energy production. We expect that legacy coal plants with adequate topology, fiber and access will eventually transition to non-fossil-fuel power generation.

Two major data center operators recently announced plans to utilize power generated by the Susquehanna and Three Mile Island nuclear power plants in Pennsylvania, setting the stage for a large-scale revival of nuclear power generation in the U.S. Driven by low carbon emissions and baseload reliability, nuclear is front and center with major developers for a power supply solution. As a result, we expect to see more companies exploring nuclear energy development—both large-scale and small reactors—as a viable carbon-free alternative to traditional energy sources.

Energy costs for data centers could stabilize as nuclear power provides a more predictable and sustainable energy source than traditional fossil fuels. Environmental concerns and regulations may expedite the adoption of nuclear technologies, especially in markets looking to meet aggressive carbon reduction goals.

Partnerships between energy providers, nuclear technology companies and data center operators will become more common as the industry shifts toward reliable green power.

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Data Centers

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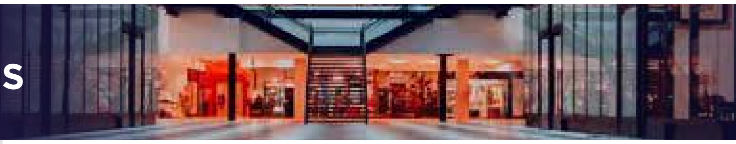
CBRE

MARKETBEAT

UNITED STATES

RETAIL Q4 2024



CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
5.4% Vacancy Rate	▲	▲
1.4M Net Absorption, SF	▼	▲
$24.59 Asking Rent, PSF	▲	▲
10.6M Under Construction	▼	▼

ECONOMIC INDICATORS

	YOY Chg	Outlook*
159.2M Total Nonfarm Employment	▲	▲
15.7M Retail Employment	▲	▬
4.1% U.S. Unemployment Rate	▲	▲
3.8% Retail Sales Growth**	▬	▬

*Source: U.S. Bureau of Labor Statistics, U.S. Department of Commerce, *Cushman & Wakefield baseline, **November 2024*

KEY TAKEAWAYS

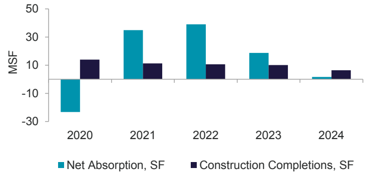
- **A strong finish.** The fourth quarter registered the strongest net absorption of 2024 with a total of 1.4 million square feet (msf), and the shopping center vacancy rate held steady at 5.4%. The fourth quarter accounted for 89% of the annual net absorption total, signaling that the retail market is in a healthy spot heading into 2025.
- **Facing supply-side woes.** Retail construction continues to be historically subdued, as a record low 8.3 msf of new shopping center space was delivered in 2024. Only 10.6 msf is in the construction pipeline as of the fourth quarter, so inventory growth will continue to be sluggish for the next few years.
- **Striking a balance.** While the South and West regions had been the primary growth regions immediately following the pandemic, both experienced negative demand in 2024. The Northeast and the Midwest have led the way more recently; in 2024, they saw positive net absorption of 720,000 sf and 1.5 msf, respectively.

REMAINING CAUTIOUSLY OPTIMISTIC

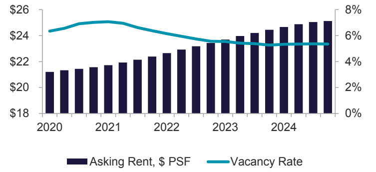
The U.S. consumer economic backdrop continues to be favorable for the retail real estate market, but there are challenges that could restrain growth for certain sectors and retailers. Households are generally in a healthy position to maintain recent levels of spending, which will support foot traffic and sales in retail centers. Bolstered by rising employment and real income, consumer confidence has inched higher in the last six months. Many retailers reported positive results over the crucial holiday shopping period, further fueling optimism. As a result, high-performing brands are likely to go forward with store openings in 2025, albeit with a highly intentional and strategic vision given intense competition and the high-cost operating environment.

Tariffs are a key concern for those in consumer-facing industries. With the incoming Trump administration, it seems likely that import tariffs on at least some products entering the U.S. will increase. However, it is too early to know the impact this will have on retailer profit margins or how consumers will

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT

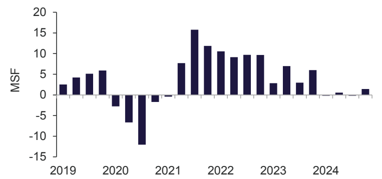


MARKETBEAT

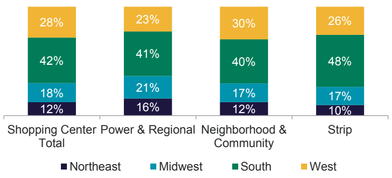
UNITED STATES

RETAIL Q4 2024

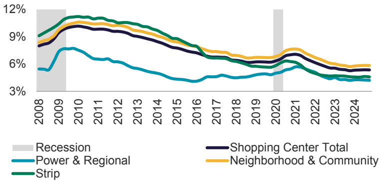
SHOPPING CENTER NET ABSORPTION



LEASING ACTIVITY BY REGION & TYPE % OF TOTAL Q4 2024



VACANCY RATE BY PROPERTY TYPE



respond. As we await more details on the many unknowns regarding trade policy, our baseline expectation is that the macroeconomic environment will remain favorable for retail real estate in 2025.

A STRONG FINISH FOR 2024

The national vacancy rate was unchanged in the fourth quarter and remains near a record low at 5.4%. The fourth quarter was the strongest period of the year from a retail demand perspective with 1.4 msf of net absorption nationally, accounting for 89% of the annual total. Absorption was negative in both Q1 and Q3, the latter of which was disrupted by hurricanes and the threat of port labor strikes. While the fourth quarter rebound is encouraging, a more holistic view of 2024 suggests that the market has cooled substantially from 2023, when absorption was 90% higher. The stark deceleration can be attributed to a few factors:

- Economic pressures have led to more store closures and bankruptcies in the retail sector. More than 7,300 retail stores closed in 2024, which was the highest total since 2020. Sector bankruptcies also reached a post-pandemic high and were on par with the 2015-2019 average, as some brands struggled with high debt costs and weaker revenues amid the challenging consumer environment. Widespread closures are concentrated within a few retail categories. Drugstores and home and office retailers, for example, accounted for 35% of closures in 2024, compared to an average of 18% over the past 12 years.
- Absorption has also been limited by the scarcity of available retail space. Even though more storefronts have been vacated, much of that space has been leased by new tenants relatively quickly. The lack of new construction is also contributing to the scarcity; only 8.3 msf of new shopping center space came online in 2024, the lowest level on record after already subdued development since the pandemic.
- Shifts in geographic performance have also limited national demand totals. The South and West regions, which account for two-thirds of the shopping center inventory, each had negative net absorption in 2024 as many markets have an extreme shortage of available space. Of the 11 markets with a vacancy rate below 4%, eight are located in the South region. Nashville, Miami and Raleigh/Durham have vacancy rates below 3%.

These limitations on market expansion are likely to remain in place in 2025. While the economic backdrop remains mostly favorable, consumers are likely to remain discerning with their shopping habits leading to a bifurcated market in which there is a larger gap between outperformers and struggling retailers. Further, the construction pipeline is a non-factor and limited availabilities in the Sunbelt market will prevent a rapid leasing rebound in those markets.

OUTLOOK

- Balanced market. The outlook is balanced with supply and demand fundamentals fairly aligned. Store expansion plans have become more deliberate and brand-specific, but total openings are roughly in line with closures despite the recent uptick in store closure announcements. Consumer services and cross-border entrants are also contributing to retail demand in a market with historically limited availability, indicating that the vacancy rate will remain near historic lows regardless of the macroeconomic fluctuations in 2025. Beyond this year, the lagged effects of fiscal policies such as tariffs could have a more influential impact on demand at the same time consumer fundamentals are expected to be slowing. Although the market is not expected to shift course abruptly in 2025, there are already signs that rent pressure is abating. Average rent growth for U.S. shopping centers has moderated considerably—from a peak of 4.8% annual growth in 2022 to 2.8% in 2024. We expect rent growth to moderate further as vacancy inches higher in 2025.

MARKETBEAT

UNITED STATES
RETAIL Q4 2024

NET ABSORPTION Q4 2024

	Net Absorption				
U.S. Shopping Center Markets	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024p
United States	5,999,702	-188,317	564,493	-196,224	1,430,777
Northeast	850,071	572,855	196,131	420,591	-470,757
Midwest	1,491,420	416,015	9,355	198,123	855,292
South	2,320,755	-126,262	1,157,713	-1,882,569	672,576
West	1,337,456	-1,050,925	-798,706	1,067,631	373,666

	Net Absorption				
U.S. Shopping Center Markets	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024p
Akron, OH	21,954	-146,026	54,799	-103,660	85,105
Albany, NY	39,288	72,273	-4,977	-130,651	-68,447
Albuquerque, NM	176,939	-221,524	10,433	-31,276	34,114
Atlanta, GA	173,847	-186,036	10,185	-158,608	-237,472
Austin, TX	189,875	261,344	225,055	39,922	214,729
Bakersfield, CA	-88,230	9,415	-62,541	-21,595	-7,949
Baltimore, MD	-5,358	-96,505	57,081	-40,771	43,259
Birmingham, AL	119,561	-441,574	65,995	-155,908	-26,966
Boise, ID	43,817	54,009	99,494	43,147	-51,259
Boston, MA	-37,702	102,194	71,863	62,189	-19,740
Boulder, CO	-81,277	-87,210	30,867	94,897	11,600
Buffalo, NY	92,978	14,645	19,102	100,878	-186,654
Charleston, SC	35,139	14,418	105,591	-70,261	58,342
Charlotte, NC	83,086	27,564	7,708	-366,813	-260,714
Chicago, IL	218,283	119,950	84,682	407,169	230,100
Cincinnati, OH	-43,687	31,535	22,094	-121,533	88,656
Cleveland, OH	-151,673	-112,956	45,709	-41,577	-32,540
Colorado Springs, CO	-56,762	59,015	-53,001	28,758	-47,502
Columbia, SC	-34,498	-8,098	8,177	-128,915	-10,895
Columbus, OH	192,166	-142,846	23,818	-151,735	45,142
Dallas/Ft. Worth, TX	252,672	-136,947	590,434	481,601	-29,283
Dayton, OH	-4,888	-144,775	70,830	-103,827	-79,265
Denver, CO	-38,625	-105,320	-126,937	310,913	195,424
Des Moines, IA	-22,790	-30,026	53,288	35,297	-9,755
Detroit, MI	-18,628	97,418	-145,064	-93,614	256,702
East Bay, CA	-29,683	-181,801	-225,970	160,710	-45,610
El Paso, TX	58,556	3,905	-19,017	-123,356	50,942
Fort Lauderdale, FL	-78,369	-254,959	-121,331	-110,352	-162,802
Fort Myers/Naples, FL	31,605	94,436	215,707	-75,288	65,133
Greensboro, NC	47,666	43,636	-10,258	32,656	-53,331
Greenville, SC	149,716	31,414	23,796	75,518	-38,777
Hartford, CT	91,815	-117,583	-107,934	181,118	-80,762
Hawaii	-7,172	22,155	64,305	-12,096	-78,367
Houston, TX	517,391	8,441	-307,995	-269,323	96,796
Indianapolis, IN	304,460	-114,769	-212,915	298,904	19,100
Inland Empire, CA	95,840	-41,958	-568,601	-34,697	-207,778
Jacksonville, FL	-39,797	73,760	256,833	138,790	-127,099
Kansas City, MO	233,128	303,267	70,306	209,021	81,833
Knoxville, TN	24,921	41,415	8,499	-139,076	28,036
Las Vegas, NV	45,827	193,561	65,134	41,896	302,408
Los Angeles, CA	486,603	-187,340	-289,505	-372,184	171,875

	Net Absorption				
U.S. Shopping Center Markets	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024p
Louisville, KY	-7,899	75,781	-150,470	-69,364	214,235
Memphis, TN	-71,862	-85,107	-57,134	-92,221	-33,049
Miami, FL	220,296	281,978	-50,271	-39,768	75,309
Milwaukee, WI	-44,585	91,348	-180,553	968	82,134
Minneapolis, MN	332,062	327,929	98,468	-26,458	-6,980
Montgomery, AL	-117,553	15,755	65,101	-72,054	-11,126
Nashville, TN	106,664	-28,928	-204	48,151	-36,369
New Haven, CT	-95,106	13,196	-16,066	21,046	-258,998
New Orleans, LA	-39,178	-15,782	-2,719	-77,574	13,533
New York City Metro, NY	409,663	46,483	271,199	65,984	-172,614
Norfolk, VA	258,801	-137,618	87,415	120,953	256,812
Northwest Arkansas	71,400	18,128	27,500	-82,784	-19,332
Oklahoma City, OK	22,119	-53,043	132,577	-155,854	52,213
Omaha, NE	109,965	-58,843	52,582	-6,528	44,685
Orange County, CA	240,456	-117,033	-65,423	120,473	82,462
Orlando, FL	39,742	31,539	10,793	-105,843	305,785
Palm Beach, FL	-52,753	-184,180	74,397	-84,790	-60,660
Philadelphia, PA	35,521	40,515	-166,469	21,299	340,919
Phoenix, AZ	128,759	18,806	410,281	164,181	-170,634
Pittsburgh, PA	28,568	-64,890	123,757	154,423	-14,464
Portland, OR	116,009	153,921	110,117	175,130	-66,274
Providence, RI	153,173	181,736	69,282	140,349	-86,799
Raleigh/Durham, NC	155,768	-65,796	-164,227	-18,930	148,569
Reno, NV	-11,001	91,389	-999	9,343	5,303
Richmond, VA	337,528	27,074	24,358	-143,013	-138,386
Rochester, NY	133,498	197,994	-170,581	-173,374	-21,083
Sacramento, CA	149,412	38,877	-146,099	47,250	-19,753
Salt Lake City, UT	-45,394	-65,962	25,449	41,939	-8,318
San Antonio, TX	-1,697	197,357	-266,568	-202,189	-24,638
San Diego, CA	146,047	-164,829	23,544	71,483	132,128
San Francisco, CA	-20,146	-132,788	-5,674	20,667	10,637
San Jose, CA	100,159	-18,138	-68,113	199,947	38,438
Sarasota, FL	-19,065	43,685	80,276	32,178	-162,900
Seattle, WA	97,169	-351,416	-111,491	21,145	55,073
St. Louis, MO	365,653	194,809	-28,689	-104,304	50,375
Syracuse, NY	-1,625	86,292	106,955	-22,670	97,885
Tampa, FL	22,389	270,721	225,839	-58,623	66,919
Tucson, AZ	-111,291	-16,754	86,024	-12,400	37,648
Tulsa, OK	17,010	-101,490	7,531	-58,502	103,350
Washington, DC	-146,968	107,450	-2,941	47,842	312,413

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MARKETBEAT

UNITED STATES
RETAIL Q4 2024

VACANCY RATES Q4 2024

	Overall				
U.S. Shopping Center Markets	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024p
United States	5.3%	5.3%	5.3%	5.4%	5.4%
Northeast	5.7%	5.6%	5.6%	5.6%	5.6%
Midwest	6.0%	5.9%	5.9%	5.8%	5.7%
South	4.8%	4.9%	4.9%	5.0%	5.0%
West	5.3%	5.4%	5.6%	5.5%	5.5%

	Overall				
U.S. Shopping Center Markets	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024p
Akron, OH	4.2%	5.1%	4.8%	5.3%	4.9%
Albany, NY	4.7%	4.3%	4.3%	5.0%	5.4%
Albuquerque, NM	4.2%	5.9%	5.8%	6.0%	5.8%
Atlanta, GA	4.1%	4.2%	4.2%	4.3%	4.5%
Austin, TX	4.3%	4.1%	3.9%	4.2%	4.0%
Bakersfield, CA	5.6%	5.6%	6.0%	6.2%	6.2%
Baltimore, MD	5.8%	6.0%	6.0%	6.1%	6.1%
Birmingham, AL	5.1%	6.7%	6.4%	7.0%	7.1%
Boise, ID	4.3%	4.0%	3.4%	3.3%	3.6%
Boston, MA	3.6%	3.4%	3.3%	3.3%	3.3%
Boulder, CO	6.3%	7.3%	7.0%	5.9%	5.8%
Buffalo, NY	8.1%	8.0%	7.9%	7.5%	8.3%
Charleston, SC	4.0%	4.0%	3.6%	4.3%	4.1%
Charlotte, NC	3.1%	3.0%	3.0%	3.5%	3.6%
Chicago, IL	7.3%	7.2%	7.1%	6.8%	6.7%
Cincinnati, OH	5.3%	5.2%	5.2%	5.5%	5.3%
Cleveland, OH	6.4%	6.6%	6.5%	6.6%	6.6%
Colorado Springs, CO	6.1%	5.8%	6.1%	6.0%	6.2%
Columbia, SC	4.5%	4.6%	4.6%	5.3%	5.3%
Columbus, OH	3.4%	3.7%	3.8%	4.0%	4.0%
Dallas/Ft. Worth, TX	6.4%	6.5%	6.2%	6.2%	6.2%
Dayton, OH	5.1%	5.6%	5.2%	5.7%	6.1%
Denver, CO	5.1%	5.2%	5.4%	5.0%	4.7%
Des Moines, IA	6.2%	6.5%	6.2%	5.8%	5.9%
Detroit, MI	7.7%	7.6%	7.5%	7.4%	7.1%
East Bay, CA	6.1%	6.4%	6.9%	6.6%	6.7%
El Paso, TX	3.2%	3.2%	3.3%	4.0%	3.7%
Fort Lauderdale, FL	3.8%	4.3%	4.4%	4.6%	4.9%
Fort Myers/Naples, FL	4.1%	3.9%	3.4%	3.6%	3.5%
Greensboro, NC	4.7%	4.5%	4.6%	4.4%	4.7%
Greenville, SC	4.8%	4.8%	4.7%	4.0%	4.2%
Hartford, CT	6.7%	7.2%	7.5%	6.9%	7.2%
Hawaii	7.2%	7.2%	6.7%	6.8%	7.4%
Houston, TX	6.1%	6.2%	6.4%	6.6%	6.6%
Indianapolis, IN	4.7%	5.1%	5.2%	4.6%	4.6%
Inland Empire, CA	6.1%	6.3%	6.8%	6.9%	7.1%
Jacksonville, FL	6.1%	6.4%	5.9%	5.6%	6.0%
Kansas City, MO	6.6%	6.0%	5.9%	5.6%	5.4%
Knoxville, TN	4.2%	4.0%	4.0%	4.6%	4.5%
Las Vegas, NV	6.0%	5.8%	5.7%	5.7%	5.2%
Los Angeles, CA	5.6%	5.6%	5.7%	5.9%	5.8%

	Overall				
U.S. Shopping Center Markets	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024p
Louisville, KY	4.3%	4.1%	4.6%	4.8%	4.1%
Memphis, TN	5.0%	5.4%	5.2%	5.5%	5.5%
Miami, FL	2.8%	2.6%	2.7%	2.8%	2.7%
Milwaukee, WI	5.0%	4.7%	5.3%	5.4%	5.3%
Minneapolis, MN	4.2%	3.8%	3.6%	3.6%	3.7%
Montgomery, AL	11.2%	11.0%	10.3%	11.1%	11.2%
Nashville, TN	2.1%	2.3%	2.4%	2.3%	2.4%
New Haven, CT	8.1%	8.1%	8.1%	8.0%	9.4%
New Orleans, LA	3.6%	3.7%	3.7%	4.0%	4.0%
New York City Metro, NY	5.5%	5.6%	5.5%	5.5%	5.6%
Norfolk, VA	6.9%	7.2%	7.1%	6.9%	6.4%
Northwest Arkansas	4.4%	4.1%	3.9%	5.0%	5.3%
Oklahoma City, OK	7.7%	7.9%	7.5%	8.0%	7.9%
Omaha, NE	5.5%	5.8%	5.7%	5.8%	5.6%
Orange County, CA	4.3%	4.4%	4.5%	4.3%	4.2%
Orlando, FL	4.3%	4.3%	4.6%	4.8%	4.3%
Palm Beach, FL	3.9%	4.4%	4.3%	4.6%	4.7%
Philadelphia, PA	6.1%	6.0%	6.1%	6.0%	5.7%
Phoenix, AZ	5.0%	5.1%	5.2%	5.1%	5.4%
Pittsburgh, PA	4.7%	4.8%	4.7%	4.4%	4.4%
Portland, OR	4.9%	4.7%	4.5%	4.5%	4.6%
Providence, RI	5.8%	5.3%	5.1%	4.7%	4.9%
Raleigh/Durham, NC	2.2%	2.4%	2.7%	2.8%	2.9%
Reno, NV	5.2%	4.6%	4.6%	4.6%	4.6%
Richmond, VA	4.2%	4.2%	4.3%	4.7%	4.9%
Rochester, NY	8.6%	7.8%	8.5%	9.3%	9.3%
Sacramento, CA	6.3%	6.3%	6.6%	6.5%	6.6%
Salt Lake City, UT	4.3%	4.6%	4.5%	4.4%	4.4%
San Antonio, TX	5.2%	5.1%	5.7%	6.1%	6.1%
San Diego, CA	4.5%	4.8%	4.8%	4.6%	4.5%
San Francisco, CA	6.1%	7.2%	7.3%	7.1%	7.0%
San Jose, CA	5.3%	5.4%	5.6%	5.1%	5.0%
Sarasota, FL	3.2%	3.2%	2.8%	2.8%	3.5%
Seattle, WA	3.9%	4.5%	4.6%	4.6%	4.5%
St. Louis, MO	5.2%	5.1%	5.1%	5.3%	5.2%
Syracuse, NY	6.5%	5.9%	5.1%	5.3%	4.6%
Tampa, FL	4.1%	3.8%	3.7%	3.8%	3.7%
Tucson, AZ	6.5%	6.6%	6.3%	6.3%	6.2%
Tulsa, OK	5.4%	5.8%	5.8%	6.0%	5.6%
Washington, DC	4.5%	4.4%	4.5%	4.4%	4.2%

p = preliminary

MARKETBEAT

UNITED STATES
RETAIL Q4 2024

ASKING RENTS Q4 2024

U.S. Shopping Center Markets	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024p
United States	$23.92	$24.17	$24.41	$24.54	$24.59
Northeast	$23.74	$24.05	$24.05	$24.16	$24.12
Midwest	$18.29	$18.39	$18.59	$18.65	$18.69
South	$23.53	$23.70	$23.98	$24.16	$24.25
West	$28.86	$29.17	$29.36	$29.49	$29.50

	Overall				
U.S. Shopping Center Markets	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024p
Akron, OH	$14.55	$14.48	$14.54	$14.66	$14.62
Albany, NY	$17.19	$17.42	$17.57	$17.79	$17.89
Albuquerque, NM	$18.90	$19.13	$19.32	$19.28	$19.46
Atlanta, GA	$21.72	$21.94	$22.32	$22.59	$22.78
Austin, TX	$30.42	$30.92	$31.36	$31.53	$31.39
Bakersfield, CA	$20.95	$21.11	$21.34	$21.46	$21.54
Baltimore, MD	$24.78	$24.95	$24.88	$24.95	$24.83
Birmingham, AL	$15.58	$15.22	$15.41	$15.67	$16.02
Boise, ID	$18.36	$18.51	$18.74	$18.82	$18.92
Boston, MA	$24.46	$24.65	$24.77	$24.80	$24.69
Boulder, CO	$25.44	$25.99	$26.05	$25.63	$25.88
Buffalo, NY	$14.07	$14.14	$14.21	$14.37	$14.57
Charleston, SC	$22.34	$22.59	$22.82	$23.04	$23.19
Charlotte, NC	$24.25	$24.75	$24.98	$25.09	$25.56
Chicago, IL	$20.64	$20.76	$20.90	$21.01	$21.03
Cincinnati, OH	$15.80	$16.34	$16.40	$16.33	$16.51
Cleveland, OH	$16.20	$16.14	$16.30	$16.43	$16.36
Colorado Springs, CO	$20.70	$20.99	$21.07	$21.07	$21.21
Columbia, SC	$18.26	$18.40	$18.61	$18.63	$18.74
Columbus, OH	$19.40	$19.56	$19.91	$20.61	$20.73
Dallas/Ft. Worth, TX	$22.73	$23.02	$23.32	$23.69	$23.79
Dayton, OH	$14.01	$14.35	$14.72	$14.80	$14.98
Denver, CO	$24.62	$24.77	$24.94	$25.05	$25.32
Des Moines, IA	$14.67	$14.82	$14.89	$14.87	$14.82
Detroit, MI	$17.89	$17.99	$18.40	$18.31	$18.40
East Bay, CA	$33.71	$33.97	$33.95	$33.86	$33.12
El Paso, TX	$16.80	$16.99	$17.11	$17.07	$17.25
Fort Lauderdale, FL	$33.07	$33.42	$33.81	$33.75	$33.73
Fort Myers/Naples, FL	$23.25	$23.38	$23.68	$23.74	$24.30
Greensboro, NC	$15.52	$15.96	$15.63	$15.80	$15.81
Greenville, SC	$17.47	$17.60	$17.65	$18.12	$19.18
Hartford, CT	$18.92	$19.02	$18.81	$18.59	$18.14
Hawaii	$49.05	$49.35	$49.74	$49.71	$49.68
Houston, TX	$23.22	$23.34	$23.40	$23.48	$23.50
Indianapolis, IN	$17.48	$17.80	$17.88	$17.97	$17.74
Inland Empire, CA	$26.43	$26.87	$27.05	$27.25	$27.03
Jacksonville, FL	$24.46	$24.81	$25.31	$25.60	$26.07
Kansas City, MO	$17.85	$18.00	$18.21	$18.57	$18.66
Knoxville, TN	$17.75	$17.86	$18.08	$18.83	$18.79
Las Vegas, NV	$26.42	$26.93	$27.32	$27.69	$28.05
Los Angeles, CA	$34.51	$34.54	$34.56	$34.65	$34.51

	Overall				
U.S. Shopping Center Markets	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024p
Louisville, KY	$17.23	$17.35	$17.53	$17.59	$17.27
Memphis, TN	$16.93	$17.02	$17.09	$17.10	$16.38
Miami, FL	$41.45	$42.03	$42.29	$42.97	$42.67
Milwaukee, WI	$16.22	$16.49	$16.64	$16.26	$15.97
Minneapolis, MN	$18.97	$19.02	$19.02	$19.31	$19.54
Montgomery, AL	$15.33	$15.53	$15.52	$15.45	$15.55
Nashville, TN	$27.34	$27.33	$27.50	$27.90	$27.61
New Haven, CT	$17.96	$18.45	$18.50	$18.19	$17.77
New Orleans, LA	$19.18	$19.38	$19.60	$19.71	$19.87
New York City Metro, NY	$32.79	$32.97	$33.07	$33.15	$33.06
Norfolk, VA	$19.77	$19.99	$20.31	$20.71	$20.84
Northwest Arkansas	$18.31	$18.55	$18.63	$18.94	$18.98
Oklahoma City, OK	$16.13	$16.17	$16.30	$16.30	$16.36
Omaha, NE	$16.57	$16.82	$16.90	$17.04	$17.33
Orange County, CA	$36.92	$37.49	$37.63	$37.89	$38.03
Orlando, FL	$27.34	$27.71	$28.01	$28.38	$28.78
Palm Beach, FL	$33.93	$34.09	$34.65	$35.15	$35.38
Philadelphia, PA	$21.49	$21.59	$21.60	$21.83	$22.00
Phoenix, AZ	$23.98	$24.48	$24.90	$25.19	$25.75
Pittsburgh, PA	$16.91	$16.91	$16.92	$16.93	$17.20
Portland, OR	$26.77	$26.88	$26.96	$26.78	$26.82
Providence, RI	$20.37	$20.50	$20.60	$20.77	$20.63
Raleigh/Durham, NC	$24.56	$25.06	$25.31	$25.74	$25.95
Reno, NV	$22.66	$22.97	$23.31	$23.42	$23.51
Richmond, VA	$21.06	$21.60	$22.07	$21.83	$22.12
Rochester, NY	$15.01	$15.09	$15.17	$15.39	$15.45
Sacramento, CA	$23.92	$23.92	$23.88	$23.89	$23.98
Salt Lake City, UT	$25.34	$26.09	$26.80	$27.63	$28.10
San Antonio, TX	$21.86	$21.85	$22.01	$21.99	$21.96
San Diego, CA	$35.00	$35.37	$35.76	$35.96	$36.10
San Francisco, CA	$42.71	$42.84	$42.64	$42.40	$41.69
San Jose, CA	$39.94	$39.91	$40.05	$40.50	$40.30
Sarasota, FL	$23.05	$23.27	$23.46	$23.71	$23.89
Seattle, WA	$29.98	$30.03	$30.39	$30.15	$30.05
St. Louis, MO	$17.64	$17.67	$17.93	$18.11	$18.23
Syracuse, NY	$13.53	$13.66	$13.52	$13.63	$13.69
Tampa, FL	$24.16	$24.55	$24.64	$25.04	$25.27
Tucson, AZ	$18.01	$18.42	$18.71	$18.85	$19.36
Tulsa, OK	$14.66	$14.80	$14.90	$14.65	$14.18
Washington, DC	$32.78	$32.72	$33.45	$33.86	$34.25

p = preliminary

MARKETBEAT

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INVENTORY Q4 2024

U.S. Shopping Center Markets	Inventory	Deliveries 2024	Under Construction as of Q4 2024
United States	4,318,309,962	8,306,225	10,609,528
Northeast	619,827,599	953,418	1,172,379
Midwest	774,086,637	598,022	633,039
South	1,781,655,969	4,603,280	5,969,574
West	1,142,739,757	2,151,505	2,834,536

	Overall		
U.S. Shopping Center Markets	Inventory	Deliveries 2024	Under Construction as of Q4 2024p
Akron, OH	17,993,998	0	0
Albany, NY	17,175,095	0	0
Albuquerque, NM	20,630,192	127,479	69,893
Atlanta, GA	168,998,067	98,587	14,800
Austin, TX	52,221,301	628,923	492,182
Bakersfield, CA	13,644,684	0	20,136
Baltimore, MD	57,842,885	106,300	50,900
Birmingham, AL	28,608,557	0	0
Boise, ID	17,026,958	12,266	89,627
Boston, MA	72,338,833	41,910	337,206
Boulder, CO	8,808,959	0	5,339
Buffalo, NY	23,083,319	0	0
Charleston, SC	19,861,893	113,845	47,050
Charlotte, NC	60,352,442	18,000	219,527
Chicago, IL	191,105,514	71,347	67,126
Cincinnati, OH	43,453,338	27,440	244,362
Cleveland, OH	54,333,208	10,000	0
Colorado Springs, CO	20,302,955	9,400	203,313
Columbia, SC	17,659,515	5,500	0
Columbus, OH	52,259,762	67,500	51,332
Dallas/Ft. Worth, TX	187,115,146	598,759	1,176,570
Dayton, OH	20,877,782	3,200	0
Denver, CO	74,587,641	7,500	0
Des Moines, IA	11,122,143	20,565	0
Detroit, MI	96,876,641	31,519	36,605
East Bay, CA	48,609,417	11,740	125,000
El Paso, TX	21,315,031	17,558	64,000
Fort Lauderdale, FL	54,146,920	0	165,750
Fort Myers/Naples, FL	34,395,647	86,683	78,572
Greensboro, NC	19,335,708	0	0
Greenville, SC	24,473,613	12,000	0
Hartford, CT	28,662,281	4,000	17,708
Hawaii	12,218,282	18,000	0
Houston, TX	194,610,884	589,098	960,591
Indianapolis, IN	49,982,800	84,056	10,973
Inland Empire, CA	115,495,217	389,748	465,045
Jacksonville, FL	45,723,379	287,486	77,834
Kansas City, MO	53,015,683	64,284	185,041
Knoxville, TN	23,340,301	0	76,817
Las Vegas, NV	66,898,015	84,642	63,495
Los Angeles, CA	161,979,114	35,213	487,126

	Overall		
U.S. Shopping Center Markets	Inventory	Deliveries 2024	Under Construction as of Q4 2024p
Louisville, KY	29,304,803	0	363,140
Memphis, TN	37,916,378	66,443	14,877
Miami, FL	52,926,259	175,300	25,575
Milwaukee, WI	29,144,986	68,164	24,000
Minneapolis, MN	62,500,238	20,600	10,000
Montgomery, AL	9,165,804	0	0
Nashville, TN	39,027,326	93,240	68,287
New Haven, CT	19,446,551	0	2,500
New Orleans, LA	22,472,997	0	0
New York City Metro, NY	215,110,956	691,539	483,544
Norfolk, VA	50,929,531	109,404	88,287
Northwest Arkansas	7,560,382	13,280	8,900
Oklahoma City, OK	32,707,579	17,734	302,500
Omaha, NE	21,796,256	45,947	0
Orange County, CA	79,070,245	6,009	81,365
Orlando, FL	67,770,561	324,159	330,011
Palm Beach, FL	38,813,258	60,071	103,169
Philadelphia, PA	124,167,474	124,784	317,802
Phoenix, AZ	140,963,544	961,064	546,231
Pittsburgh, PA	49,222,775	80,929	0
Portland, OR	48,554,556	243,163	170,115
Providence, RI	33,478,915	10,256	4,500
Raleigh/Durham, NC	50,538,426	255,864	284,494
Reno, NV	14,894,568	7,000	5,000
Richmond, VA	36,066,269	82,986	58,740
Rochester, NY	23,315,260	0	9,119
Sacramento, CA	60,611,703	164,515	257,523
Salt Lake City, UT	28,101,032	34,196	41,761
San Antonio, TX	56,046,943	223,343	249,308
San Diego, CA	67,653,649	21,616	9,970
San Francisco, CA	12,063,886	0	0
San Jose, CA	36,967,734	15,964	166,058
Sarasota, FL	21,776,135	69,022	98,392
Seattle, WA	65,781,979	0	10,000
St. Louis, MO	69,624,288	83,400	3,600
Syracuse, NY	13,826,140	0	0
Tampa, FL	70,142,907	389,342	43,306
Tucson, AZ	27,875,427	1,990	17,539
Tulsa, OK	24,425,275	0	0
Washington, DC	124,063,847	160,353	505,995

p = preliminary

MARKETBEAT

UNITED STATES
RETAIL Q4 2024

METHODOLOGY

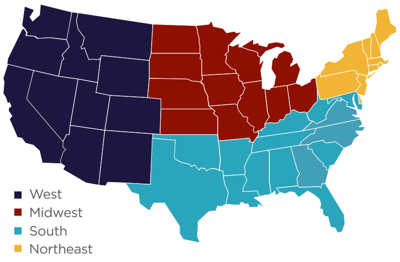
Cushman & Wakefield's quarterly estimates are derived from a variety of data sources, including our own proprietary database as well as data from reliable third-party data sources. The market statistics are calculated from a base shopping center inventory comprised of properties deemed to be competitive in the respective local market. The inventory is subject to revisions due to resampling. Vacant space is defined as space that is available immediately or imminently after the end of the quarter. The figures provided for the current quarter are preliminary and all information contained in this report is subject to correction of errors and revisions based on the receipt of additional pertinent data.

Our statistical coverage includes community/neighborhood, power/regional, and strip centers. It does not include malls, outlet centers, theme retail centers, airport retail or freestanding retail product.

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of $9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more. For additional information, visit www.cushmanwakefield.com.

REGIONAL MAP



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Retail market dynamics

Research

United States

Q4 2024

jll.com

JLL SEE A BRIGHTER WAY

United States Retail Market Dynamics

Contents

2

United States Retail Market Dynamics

Key trends

1

Closures exceed openings

- For the first time in several years, announced closures have surpassed openings, pointing to a freeing up of available space in the market. These closures will return roughly 140 million s.f. to the retail market. Nevertheless, retail net absorption rose 69.3% quarter-over-quarter to 6.8 million s.f.

2

Rent growth passes zenith

- Rents, while still increasing in most markets, are seeing slowdown in growth. Sunbelt markets are still enjoying significantly higher rent growth than markets in the West and Northeast, thanks to strong population and income growth.

3

Construction will remain low in near-term

- Construction activity remains minimal. While it is expected to pick up in coming years, the current forecast calls for a moderate acceleration of retail space delivery.

4

Transaction volumes rise

- U.S. retail investment activity surged in the second half of 2024, reaching $21.2 billion (a 36% increase from H1), driven by Fed rate cuts and strong sector fundamentals, resulting in a 6% year-over-year increase in total investment volume to $36.8 billion. With increased debt markets clarity in 2025, retail investment growth is anticipated to persist.

3

Key Trends

By the numbers

12.1 billion
Existing inventory (s.f.)

44.7 million
Under construction (s.f.)

4.1%
Total vacancy

$25.39
Market rent

23.2 million
2024 net absorption (s.f.)

Statistics

United States Retail Market Dynamics

Retail fundamental statistics Q4 2024

Fundamentals	General retail	Mall	Power center	Neighborhood center	Strip center	Other	All
Inventory SF	6,684,420,595	902,774,432	794,003,467	2,979,994,943	714,601,858	93,184,249	12,184,943,256
Vacancy rate	2.5%	8.7%	4.2%	5.9%	4.6%	4.8%	4.1%
Net absorption SF	5,847,982	(147,204)	70,631	209,357	524,793	93,024	6,813,488
Net delivered SF	5,222,187	(670,452)	211,224	43,699	335,868	-	5,334,526
Under construction SF	29,899,056	2,894,976	720,509	6,656,177	3,216,863	588,577	44,764,272
Market asking rent/SF	$24.37	$34.21	$27.17	$24.59	$23.24	$30.32	$25.39
Market asking rent growth Q/Q	-0.1%	0.1%	0.4%	0.3%	0.1%	0.3%	0.1%
Market asking rent growth Y/Y	1.3%	2.1%	2.8%	2.8%	2.2%	2.2%	1.9%

Source: CoStar - National index markets

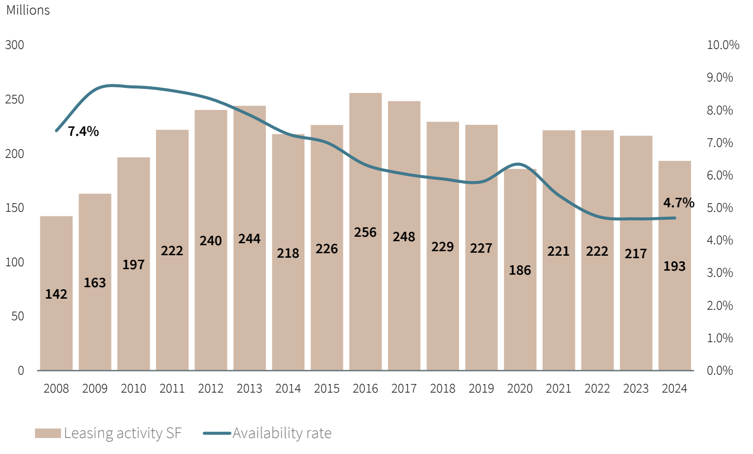
Demand

United States Retail Market Dynamics

Leasing activity pulls back due to low availability

- Retail net absorption rose 69.3% quarter-over-quarter to 6.8 million s.f. – due mostly to more space taken in neighborhood and strip centers as well as freestanding retail.
- Leasing activity dipped 15.5% the previous quarter, and the percentage of available space leased over the last 12 months is roughly 33.7%.
- Notwithstanding a strong finish to the year, both net absorption and leasing activity saw 2024 numbers dip to their lowest levels since 2020.
- The challenge remains a considerable lack of new supply additions to the market. As availability remains at record lows, shortage of desirable space has frustrated expansion-minded tenants looking to grow.

Historical leasing activity and availability



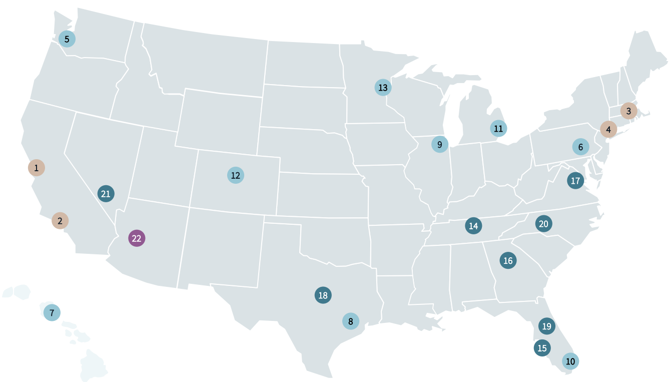
Source: JLL Research, 2024

Rents

United States Retail Market Dynamics

Major metros see positive rent growth with strongest in Sun Belt markets

Rent growth is flattening, inching up a mere 0.1% from the previous quarter and 1.9% year-over-year, as the pace of growth continues to slow since its high in 2022. Sun Belt markets remain the best poised to continue outsized retail rent gains.



1	San Francisco	-3.3%	12	Denver	2.7%
2	Los Angeles	-1.2%	13	Minneapolis	2.9%
3	Boston	-0.2%	14	Nashville	3.1%
4	New York	-0.1%	15	Tampa	3.7%
5	Seattle	0.7%	16	Atlanta	3.8%
6	Philadelphia	0.9%	17	Washington, D.C.	4.0%
7	Honolulu	0.9%	18	Dallas	4.2%
8	Houston	0.9%	19	Orlando	4.3%
9	Chicago	1.2%	20	Charlotte	4.4%
10	Miami	2.3%	21	Las Vegas	4.8%
11	Detroit	2.3%	22	Phoenix	6.7%

Y/Y % rent change

< 0.0% | 0.0% - 3.0% | 3.1% - 6.0% | > 6.0%

Source: CoStar

6

Supply

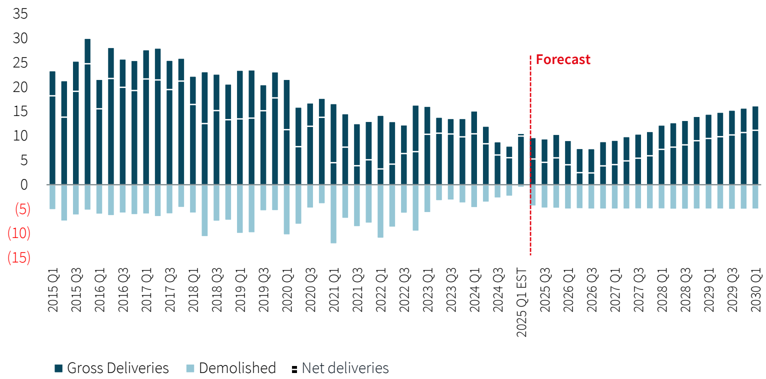
United States Retail Market Dynamics

Development activity

- Construction activity remains minimal. Annual construction starts are the lowest they've been in the last 15 years. Deliveries decreased 12.1% from the previous quarter, and construction starts sank 49.2%, indicating there will be no immediate relief to the supply crisis.
- While construction activity is expected to pick up in coming years, the current forecast calls for a moderate acceleration of retail space delivery.
- With retail space availability remaining at 4.7%, the major challenge in coming months will be for retailers to find quality space in desirable locations.
- This mismatch between demand and supply will likely continue to impose a ceiling on leasing activity going forward. Nearly 30% of available space is located in Class C retail properties, and less than 25% was built this century. Therefore, expanding retailers looking for newer, higher quality space are finding fewer options.

Historical and forecast deliveries and demolishments

Retail deliveries & demolishments



Source: CoStar, JLL Research, 2024

7

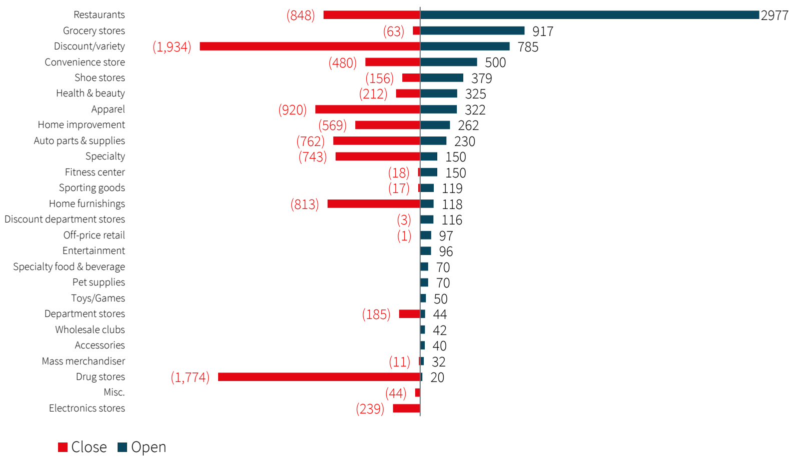
Openings & closures

Announced closures outflank openings

- Retail store openings announced between 2024 and 2025 year-to-date total over 7,700 new stores, with nearly 3,000 of these locations coming from restaurants, particularly fast casual and QSRs. Other retail categories with strong opening numbers include grocery stores (propelled by Aldi's plans to open 800 new stores by 2028) and discount and dollar stores, including Dollar General and Burlington.
- Conversely, announced retail closures total over 9,900 locations, with the highest numbers over the last year coming from discount and dollar stores like Family Dollar and Big Lots, drug stores including Walgreens, CVS and Rite Aid, and apparel stores like rue21.
- While some of these closures have already taken place in 2024, many are still to come and will have a profound impact on the availability of retail space.

Announced openings and closings by category 2024 - 2025

Select announced openings and closings in 2024 - 2025



Source: PNC Creditntell, JLL, 2024

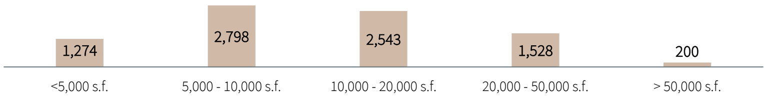
Closure impact

United States Retail Market Dynamics

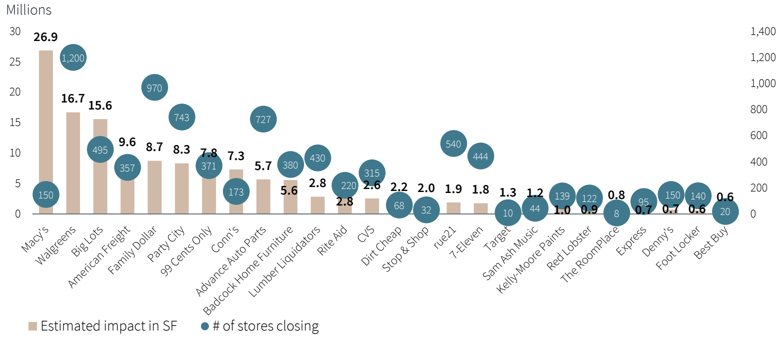
Announced closures may free up almost 140 million s.f. of much-needed retail space

- We're seeing a clear acceleration of closure announcements over the last several months, many stemming from bankruptcies where retailers plan to liquidate their entire portfolio.
- In many cases, the closing stores are big boxes or junior anchors. Party City, Walgreens, Rite Aid and Badcock Home Furniture range between 10,000 – 20,000 s.f. , and have closed or will close a total of 2,693 locations. Big boxes between 20,000 – 50,000 s.f. include Big Lots, 99 Cents Only, American Freight and Dirt Cheap. Roughly 1,528 locations have or will be closed. Large stores/anchors over 50,000 s.f. (e.g., Macy's, Stop & Shop, Target and the RoomPlace) will close a total of 200 locations.
- Small spaces (under 5,000 s.f.) like 7-Eleven, rue21, and Foot Locker account for 1,274 closures. Spaces between 5,000 – 10,000 s.f. include Advance Auto Parts, Family Dollar and Lumber Liquidator, will shutter nearly 2,800 stores.

Number of stores closing in each size bracket



Impact (in millions SF) of 2024-2025 announced closures* on the market



Source: PNC, CoStar, RetailStat, JLL
*Note: Chart reflects retailers with an impact greater than 0.5 million s.f., which represents 8,343 of the 9,804 announced closures in 2024 and YTD 2025

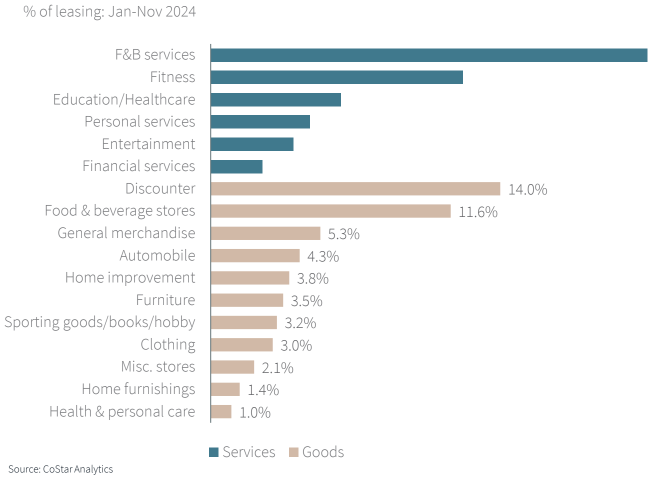
Service drives leasing

United States Retail Market Dynamics

Food, fun & wellbeing – leasing activity shifts towards experience-based tenants

- Over the past decade, we have witnessed consumers' focus shift gradually from goods to services and experiences. While the momentum of this growth was short-circuited by COVID, the last three years have seen a recalibration of this trend.
- Now, as we enter 2025, service-based tenants are projected to lease more retail space than goods-based tenants, marking a historic shift in the retail property sector.
- Key service sectors driving this change include F&B , which accounted for 21% of leasing activity from January – November 2024, fitness (12%), and healthcare (6%).
- F&B expansion will continue to come primarily from QSRs and fast casual restaurants like McDonald's, Chipotle, Dunn Brothers Coffee and Potbelly. Active fitness tenants include Alloy Personal Training, Planet Fitness and Club Pilates. Health tenants include urgent care centers, dentists, and opticians.

F&B, fitness and healthcare drive leasing activity



Source: CoStar Analytics

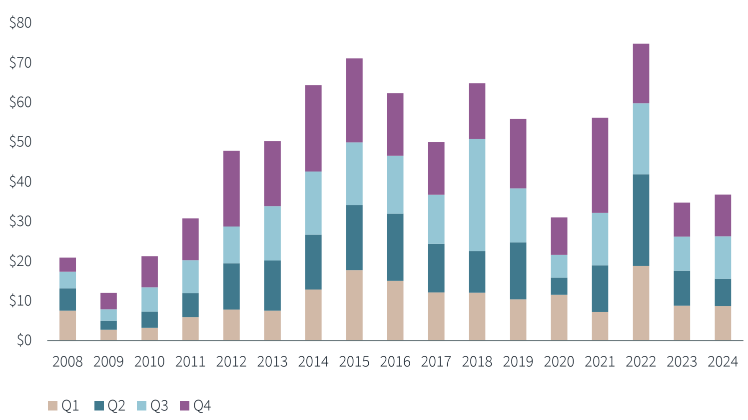
Capital markets

United States Retail Market Dynamics

Retail investment gains in 2024 coupled with debt market clarity predicts an even bigger year in 2025

- Total U.S. retail investment activity significantly ramped up in the second half of 2024, fueled by three benchmark interest rate cuts by the Fed as well as positive sector tailwinds. The industry maintains exceptional fundamentals, characterized by its historically low new supply growth and vacancy rates.
- In the second half of the year, retail investment reached $21.2 billion, up 36% from the first half of the year. This boosted total year-end 2024 investment volume (excluding entity-level deals) to surpass the prior year by 6% to $36.8 billion. With a continued downward trajectory of interest rates projected through 2025, U.S. retail investment volume is expected to expand further. Key factors propelling this growth include an influx of capital formation for retail, acquisition opportunities below replacement costs in most major markets, and premium valuations for portfolios due to challenges in large-scale investments.
- Investors are expected to target opportunities that cater to both the convenience and luxury consumer via grocery-anchored and unanchored centers as well as urban retail in the nation's prime and emerging corridors, respectively.

Historical U.S. retail transaction volume, by quarter, 2008 – 2024



Source: JLL Research, Real Capital Analytics (RCA). Notes: Data pertains to single-asset and portfolio, single-tenant and multi-tenant deals $5m+, excluding entity-level. Retail's portion of total CRE volume includes entity-level deals.

13

Capital markets

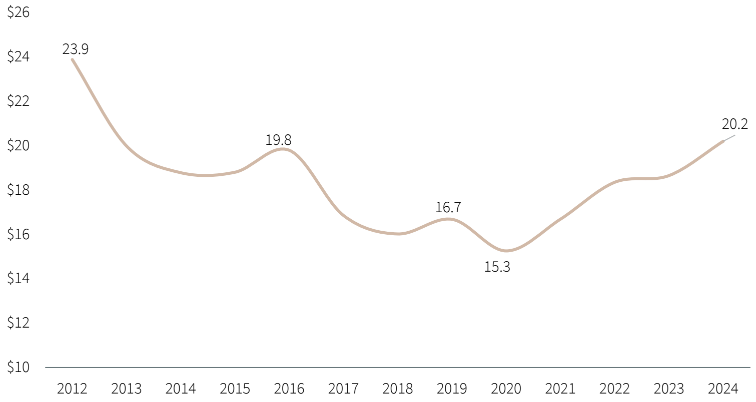
United States Retail Market Dynamics

Retail's average deal size reached a twelve-year high, as high-dollar trades increase

- The average U.S. retail deal size in 2024 climbed to $20.2 million, marking an 8.3% increase from the previous year and reaching a 12-year high. This growth was primarily fueled by a surge in high-value transactions, particularly those exceeding $100 million, with the total volume in this category expanding 1.4 times compared to 2023.
- Notable deals during this period included prestigious urban retail spaces like 717 Fifth Avenue, the LINQ Promenade lifestyle center, and several significant mall acquisitions such as RiverTown Crossings Mall, Westfield Annapolis, and White Marsh Mall. With current market conditions presenting a unique opportunity for investors to acquire retail properties at prices below their replacement costs, anticipate ongoing interest in larger-scale retail investments.
- Value-add opportunities for larger-box, trophy power centers or malls are expected to continue to be attractive to well-capitalized investors capitalizing on the ongoing recovery in consumer demand for these retail formats.

Historical multi-tenant average deal size

Average deal size (millions USD)



Source: JLL Research, Real Capital Analytics (RCA). Notes: Data pertains to single-asset, multi-tenant deals only, $5m+.

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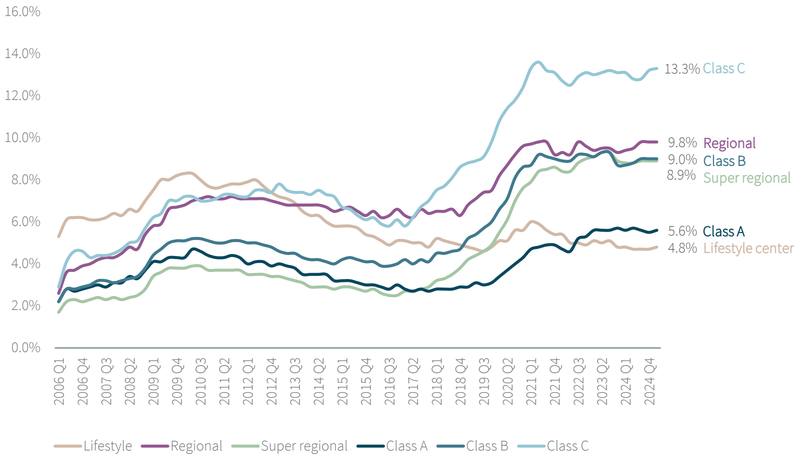
Malls

United States Retail Market Dynamics

Demand for majority of mall space softens

- The mall category broadly continues to struggle, although there are some strong players. Mall net absorption for all US markets in 2024 totaled -3.3 million s.f. – a result of both a pullback in move-ins and a jump in space vacated, particularly in regional malls. Because of weak demand, malls have the highest vacancy rate among retail property types at an average of 8.7%.
- Lifestyle centers continue to perform best among mall types, seeing positive annual absorption of 0.9 million s.f.
- There are key differences among mall classes as well, with Class A mall showing much more robust demand than Class B or C space. The differences in performance among mall classes and types are underscored by their average vacancy rates. Lifestyle centers enjoy the lowest vacancies among mall types. Similarly, Class A malls – regardless of type have vacancy 340 basis points below Class B malls and almost 800 bps below Class C malls.
- Notable new leases signed in 2024 came from The Picklr, Life Time, Industrious, Netflix House and RH.

Mall vacancy by type and class



Source: CoStar, JLL Research, 2024

Malls

United States Retail Market Dynamics

Rethinking Macy's spaces

- Macy's announced that it would close 66 of its stores in 2025, with California, Florida and New York accounting for almost one-third of the stores to be closed to date. These 66 closings would result in nearly 12 million s.f. of anchor space being returned to malls across the country.
- Owners will have to decide between redeveloping the space and possibly adding a mixed-use component or backfilling the anchor with one or more retailers.
- Examples of tenants who have backfilled department store space over the past several years include:
  – Entertainment – Netflix House, Puttshack, Round1 Bowling
  – Home furnishings – RH, Crate & Barrel, Arhaus
  – Sporting Goods – Dick's Sporting Goods, Scheel's, Dunham Sports,
  – Grocery – Whole Foods, Publix
  – Fitness center – Life Time, Planet Fitness
  – Department store – Von Maur, JC Penney
  – Home improvement – Floor & Décor, Harbor Freight

Mall fundamentals	
Q4 2024 net absorption	-0.1 million s.f.
Vacancy	8.7%
NNN rent	$34.21
Under construction	2.9 million s.f.
Deliveries	-0.7 million s.f.

Q4 2024 mall move-in highlights

	Lifestyle centers	Regional malls	Super regional malls
Big-box tenants	Crunch Fitness, Nordstrom Rack, Escalante Golf, The Picklr	Burlington, Amazon Fresh, Aritzia, Industrious	Scheels, Netflix House, RH, Eataly, Uniqlo, Kids Empire
Smaller tenants	J. Crew, Lilly Pulitzer, KITH, Arhaus, Lego Store, drybar	Aerie, Dogtopia, Dave's Hot Chicken, Five Below	Mango, Princess Polly, Petland, M.A.C., Dippin' Dots

Source: CoStar, JLL Research, 2024

United States Retail Market Dynamics

Power centers

Power centers

United States Retail Market Dynamics

Power centers could see increased vacancies as big box closures accelerate

- Power center net absorption, while moderated, is still positive totaling 1.4 million s.f. in 2024. While move-ins remained relatively the same, space vacated rose slightly over the previous year.
- Power center vacancy is currently low at 4.2%. However, power centers have exposure to some of the coming closures, including roughly one-third of Party City leases as well as some spaces occupied by Big Lots and Advance Auto Parts.
- These closures will push up vacancies. On the plus side, expanding retailers like home improvement stores, sporting goods stores and big box discounters may target power centers for new locations in 2025.
- End-of-year move-ins came from a wide swathe of retail categories including discounters, home improvement and entertainment.

Power center fundamentals	
Q4 2024 net absorption	0.1 million s.f.
Vacancy	4.2%
NNN rent	$27.17
Under construction	0.8 million s.f.
Deliveries	0.2 million s.f.

Q4 2024 power center move-in highlights	
Discounters	Burlington, Target, Dollar Tree, Ollie's, Daiso
Apparel & accessories	Burlington, Nordstrom Rack, Sierra Trading Post,
Fitness/Wellness	The Picklr, EoS Fitness, Crunch Fitness, StretchLab, HOTWORX, Club Pilates
F&B	Pizza Hut, Crumbl Cookies, Dave's Hot Chicken, Wayback Burgers, Fogo de Chao
Home furnishings	HomeGoods, RH, Slumberland Furniture, Havertys, World Market
Sporting Goods	PGA Tour Superstore, Academy Sports + Outdoors, Hibbett Sports, REI

Source: CoStar

Shopping centers (neighborhood, community and strip)

Strip centers continue to see robust demand

- Strong demand for strip centers helped prop up net absorption levels for smaller shopping centers in 2024. While community and neighborhood centers both saw negative net absorption for the year, strip center net absorption totaled close to 2.0 million s.f. – leading to a combined total of 0.5 million s.f. of net absorption across all shopping center types.
- This pullback in net absorption is a result of announced closures that had already begun to roll out in 2024. Possible shopping center tenants vacating space include dollar stores and some discounters like Big Lots, grocery stores and fitness tenants.
- On the positive side, there remains solid demand for shopping center space. Recent leases signed include Amazon Fresh, VASA Fitness, Burlington and Ollie's.
- Categories that showed significant move-ins during the fourth quarter include grocery stores like Aldi and H Mart, dollar stores and discounters and fitness concepts including pickleball operator, The Picklr.

Shopping centers fundamentals	
Q4 2024 net absorption	0.7 million s.f.
Vacancy	5.2%
NNN rent	$23.92
Under construction	9.9 million s.f.
Deliveries	0.4 million s.f.

Q4 2024 shopping center move-in highlights

	Neighborhood centers	Community centers	Strip centers
Big-box tenants	Walmart, CASA Fitness, Safeway, O'Reilly Auto Parts, The Picklr, Aldi	H Mart, Lifetime Fitness, Amazon Fresh, The Picklr, Floor & Decor	Hobby Lobby, Crunch Fitness, Sprouts, Petco
Smaller tenants	Rainbow, Anytime Fitness, StretchLab, Aqua-Tots Swim School, Kyuramen	Sleep Number, Play it Again Sports, Mathnasium, Studio Salon Suites	Dogtopia, Sola Salon Studios, First Watch, Alloy Personal Training, Banfield Pet Hospital

Source: CoStar, JLL Research, 2024

Outlook

Outlook

- The availability of not just adequate but suitable supply remains one of the major challenges facing retail in coming years. Low construction starts show that new supply additions will remain minimal in the near-term. However, the forecast does call for construction activity to loosen over the next several years.
- In the interim, the accelerated closure pipeline will bring over 140 million s.f. of space back to a very tight market. Much like with the Bed Bath & Beyond liquidation, the highest quality spaces in the best neighbourhoods and markets will get snatched up swiftly. But there will not be perfect alignment between freed-up space and expansion-minded tenants. Already we are witnessing older, lower-quality space sit on the market and, in some cases, the only solution may be demolishment or repurposing.
- Going forward, we can expect to see further bifurcation of markets and retail property classes. Markets with strong population and income growth will continue to benefit from increased retail demand and robust performance. Markets with older inventory or stagnant or declining populations may see slowing or declining rents and lower leasing activity.

SEE A BRIGHTER WAY

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Retail National Report

United States

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CoStar™

RETAIL NATIONAL REPORT

Overview

United States Retail

12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate	Market Asking Rent Growth
40.5M	9M	4.2%	1.8%

A confluence of factors pushed retail bankruptcies and store closures to their highest totals since 2020, yet conditions in US retail space markets remain near historically tight levels as of 25Q1.

Retailers announced plans to close over 8,700 stores in 2024, more than twice the 4,070 announced in 2023. After multiple years of below-average closures, the combination of rapidly rising costs, a challenging capital markets environment, and significant competition from value and e-commerce retailers forced certain retailers such as Walgreens, Family Dollar, and Advance Auto to close underperforming locations, while pushing other large occupiers like Big Lots, Party City, and Conn's into bankruptcy.

The significant uptick in retailer bankruptcies can also be traced back to persistently low home sales, which have weighed heavily on the performance of retailers in the furniture, appliance, furnishing, and home improvement categories. Five of the 12 retailers that announced the most store closures in 2024 operated within housing-dependent categories, with each filing for bankruptcy at some point during the year.

Despite the sharp uptick in retailer bankruptcies and store closures, availability across U.S. retail space markets remains within 10 bps of the historic low at just 4.8%. An overwhelming majority of tenants and brokerage reps continue to report a lack of quality available space, and when spaces do become available, they are being backfilled at the fastest pace in nearly 15 years, with median time to lease falling to just 7.5 months in 2024.

A primary driver of the U.S. retail market's historically tight conditions has been the limited amount of new retail constructed in recent years. From 2000 to 2009, approximately 300 million square feet of retail space was delivered per year, of which nearly 40% was available for lease. Fast forward to today, and despite historically tight availability, construction activity has continued to fall in response to higher financing rates and still elevated construction input costs, which challenge the economics of new development across most locations and formats. As such, just 81 million square feet of new retail space has been delivered annually since the start of 2020, with the vast majority consisting of build-to-suit projects.

While moderating from the post-pandemic high recorded near the end of 2022, retail asking rents continue to rise thanks to minimal availability and rising consumption. Asking rents for retail spaces have increased by 1.8% over the past year to a new record high of $25.34/SF, though performance varies greatly based upon market, location, and space size. Rent increases have been the most robust remain in Sun Belt markets experiencing substantial population and buying power growth. This has been especially true for smaller shop and junior anchor spaces along prime corridors, with landlords reporting term-adjusted leasing spreads well above the national growth rate.

Looking forward, the retail sector is likely to record its first quarter of demand losses in 25Q1 due to the substantial rise in announced store closures in the back-half of 2024. Though closures are expected to accelerate in the near-term, low space availability, steady demand from a diverse array of sectors, and minimal new supply will significantly limit the magnitude of vacancy expansion.

The balance of risks to the houseview forecast is tilted to the downside. Downside risks include a softer employment and consumption environment, a larger-than-anticipated impact from increased tariffs or stricter immigration enforcement policies, another year of elevated retailer bankruptcies and store closures, and a reignition of inflation. To the upside, higher-than-forecast wage growth coupled with price stability and falling interest rates would support consumption above expectations and drive higher-than-anticipated demand and rent growth.

Overview

United States Retail

KEY INDICATORS

Current Quarter	RBA (000)	Vacancy Rate	Market Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Malls	903,157	8.7%	$34.39	6.4%	(665,484)	192,236	2,883,794
Power Center	791,901	4.4%	$27.30	5.5%	(2,338,508)	0	932,697
Neighborhood Center	2,981,716	6.1%	$24.64	7.2%	(6,534,895)	918,816	7,110,968
Strip Center	716,746	4.8%	$23.34	5.7%	(651,748)	488,622	2,660,536
General Retail	6,718,023	2.6%	$24.54	3.3%	(1,151,367)	4,113,277	31,445,359
Other	93,008	4.8%	$30.20	4.2%	91,750	20,700	723,335
National	**12,204,552**	**4.2%**	**$25.49**	**4.8%**	**(11,250,252)**	**5,733,651**	**45,756,689**

Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy	0.1% (YOY)	5.3%	4.2%	7.1%	2010 Q1	4.0%	2023 Q4
Net Absorption SF	9M	72,999,218	19,494,189	149,779,701	2016 Q3	(27,558,031)	2020 Q4
Deliveries SF	40.5M	86,888,504	44,557,033	234,833,959	2008 Q3	45,911,285	2024 Q4
Market Asking Rent Growth	1.8%	1.6%	2.1%	4.2%	2022 Q4	-3.8%	2009 Q4
Sales Volume	$56.4B	$54.9B	N/A	$109.8B	2022 Q3	$16.3B	2009 Q4

Leasing

For the first time since 2020, the US retail market finished a year with more space listed for lease than when it began as the substantial rise in closures ushered in a wave of new listings. This trend has continued into 25Q1 as closures announced in late 2024 have started to hit the market. While rising, availability remains within 10 bps of its historic low of 4.7% in 23Q4 and well below its 10-year trailing average of 5.8%. Thus, while closures and bankruptcies have garnered significant headlines of late, they have done little to shift US retail fundamentals.

Numerous indicators, including the percentage of available space being leased on a quarterly basis, the average time on market for newly available spaces, and the overall age and quality mix of availabilities point to a market that remains supply constrained. In addition, feedback from landlords, tenants and brokerage representatives continue to highlight a lack of quality available space. After four years of consecutive demand growth, many available spaces skew to the lower end of the quality spectrum, with nearly 40% of available space is rated 2 Stars or below. In addition, less than 25% of available space was built in the 21st century, while nearly 60% is in areas with below-average household incomes. Thus, tenants seeking newer, higher-quality space in affluent locations are finding few available options.

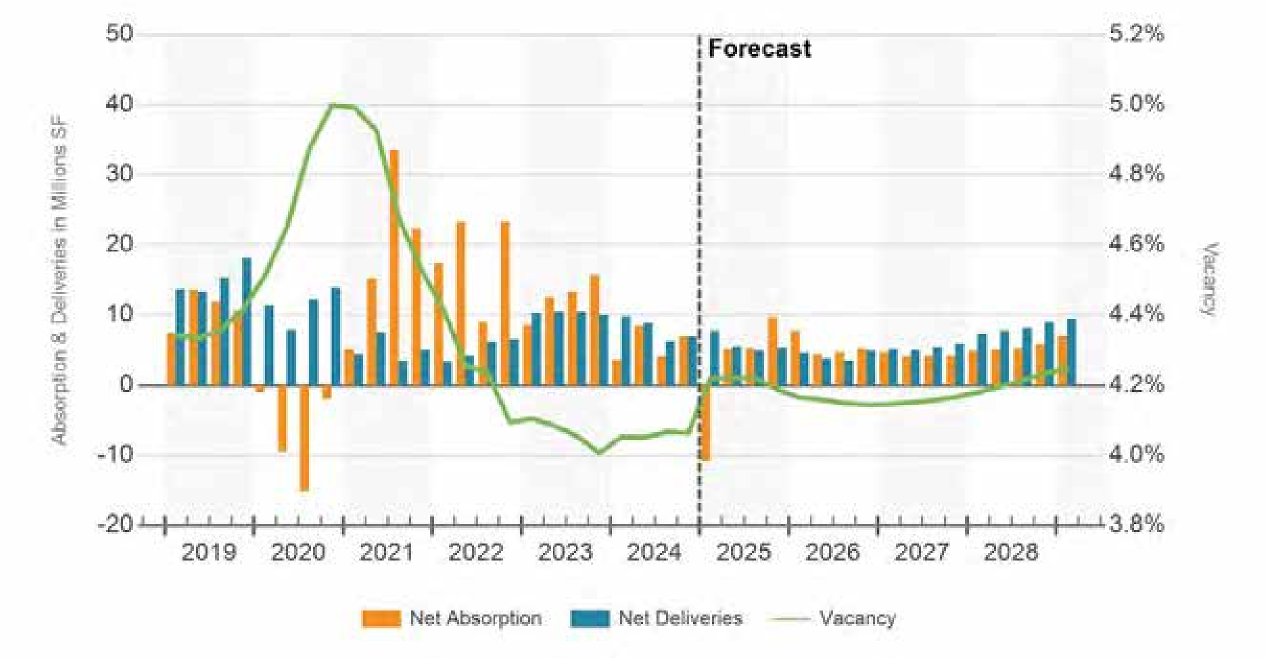
Supply-constrained conditions can be attributed to the lack of new development since the Great Financial Crises and steady growth in space demand following the pandemic. Nearly 7 million SF of retail space was absorbed in 24Q4, marking the sector's 16th consecutive quarter of positive demand formation. While positive, demand formation has slowed considerably, and less space was filled over the past year (on a net basis) than in any year over the past decade except for 2020. This lower pace of demand growth is attributable to a lack of newly delivered preleased space and the substantial rise in store closures in 2024. This trend appears set to continue with the market on pace to record demand losses in 25Q1. While closures are expected to accelerate in the near-term, low space availability, steady demand from a diverse array of sectors, and minimal new supply is expected to significantly limit the magnitude of vacancy expansion.

While store closures weigh on net demand formation, they also provide much-needed supply for those tenants looking to expand. Market participants report exceptionally strong demand to backfill spaces as they go dark, with some able to secure rent increases of 40% or more. In addition, over half of the leases signed in 24Q4 were for spaces on market for less than six months, while nearly a third were for spaces that were available for less than three. Thus, while the broader market looks slightly weaker than it did this time last year, a lack of quality available supply will result in the orderly backfill of most spaces being vacated by closures. This trend was most recently illustrated by the strong demand for Party City leases during their recent bankruptcy auction in which nearly a third of the 695 leases were bought by other retailers, with discounters Dollar Tree (148) and Five Below (44) leading the charge.

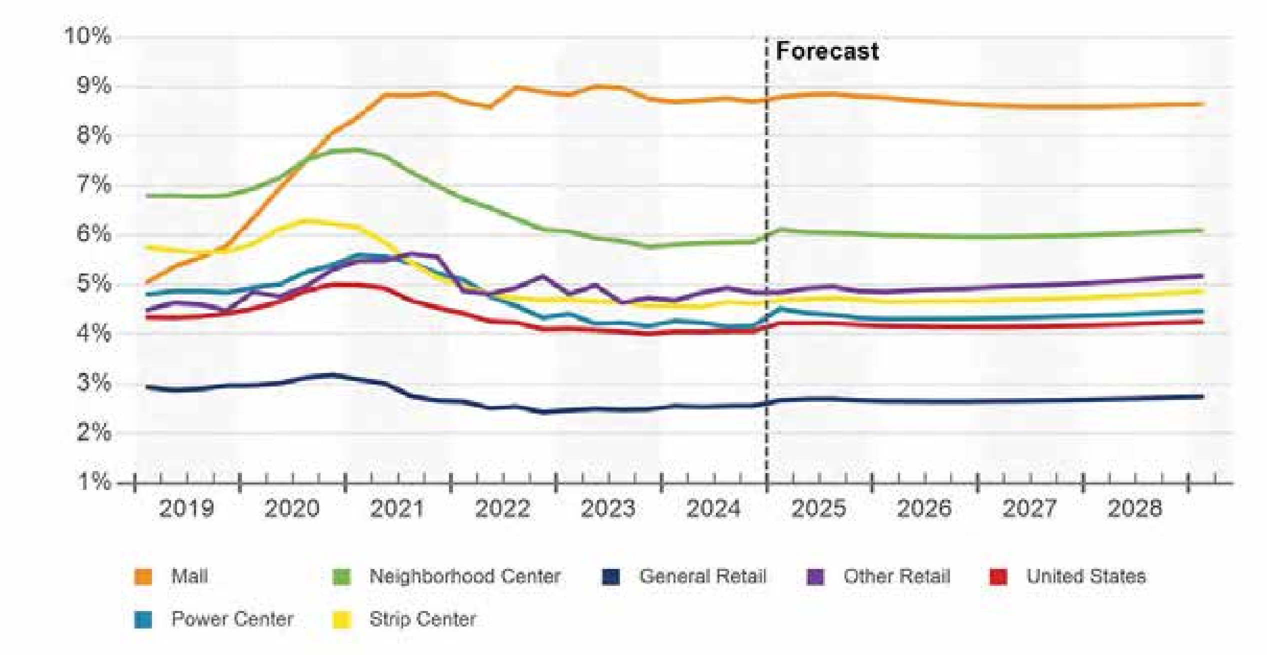
Leasing

United States Retail

NET ABSORPTION, NET DELIVERIES & VACANCY



VACANCY RATE

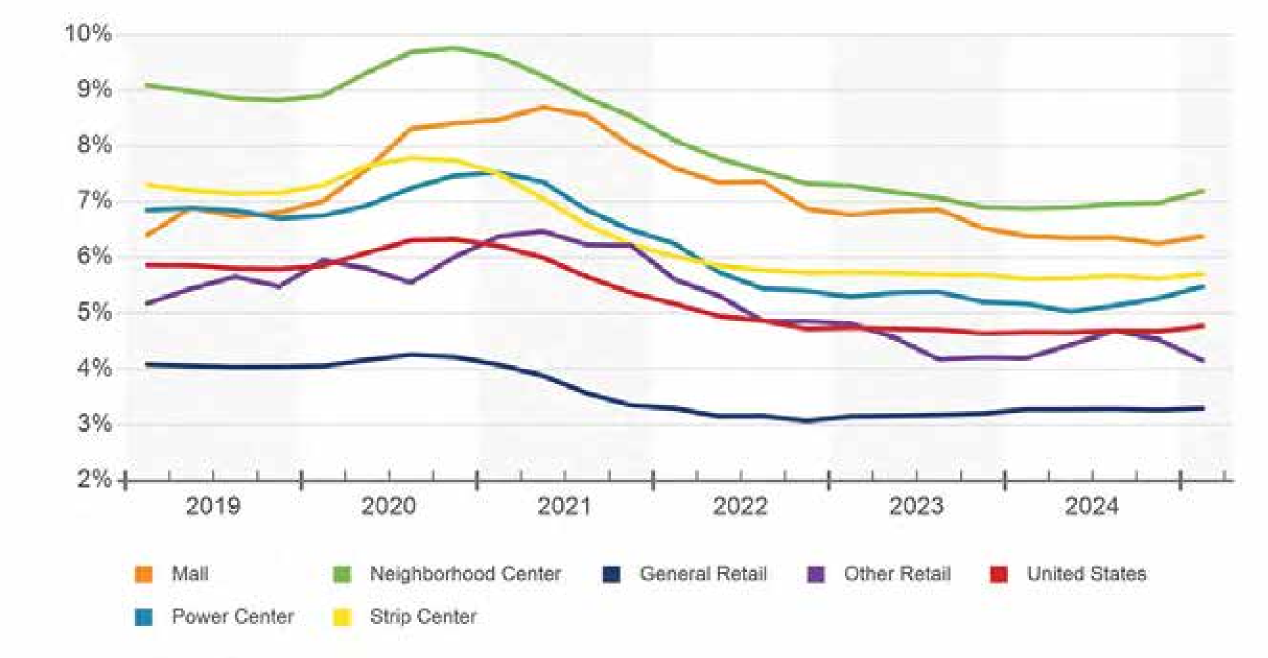


CoStar

Leasing

United States Retail

AVAILABILITY RATE



Rent

Retail rents continued to rise across the U.S. in 2024, albeit at a slower pace, as the strong upward tailwind coming from the post-pandemic boost to consumption has slowed. While real retail sales have risen over the past year, the gains have been choppier across sectors as a more discerning consumer and still dormant housing market creates greater bifurcation in space-level performance. Fortunately, rents appear to be well supported by current sales levels, even at today's record levels.

Retail sales, excluding e-commerce, gasoline, and automobiles, have surged by over 30% on a nominal basis since the end of 2019. While inflationary pressures certainly contributed to this growth, adjusted retail sales remain over 10% higher than just prior to the pandemic. This pace of growth is significant, especially when considering the limited amount of new retail space added during the same period. In total, the amount of retail space occupied across the U.S. has increased by less than 2% since the end of 2019. Consequently, the efficiency of retail space—as measured by sales per square foot—has seen strong growth.

There is significant dispersion in performance, however, across and within metros. While 49 of the 57 retail markets with at least 75 million SF of inventory have recorded rent gains over the past year, markets witnessing strong population and buying-power growth have generally seen the strongest growth, as the significant rise in consumption from population gains drives increased tenant demand while simultaneously improving the sales efficiency of existing space. Five of the ten markets recording the largest gains over the past year were in the South or Southwest, while two were Midwestern cities witnessing a significant population increase of their own (Columbus and Kansas City). In addition to above-average buying power growth, these markets have generally benefitted from tighter availabilities and lower levels of less desirable space.

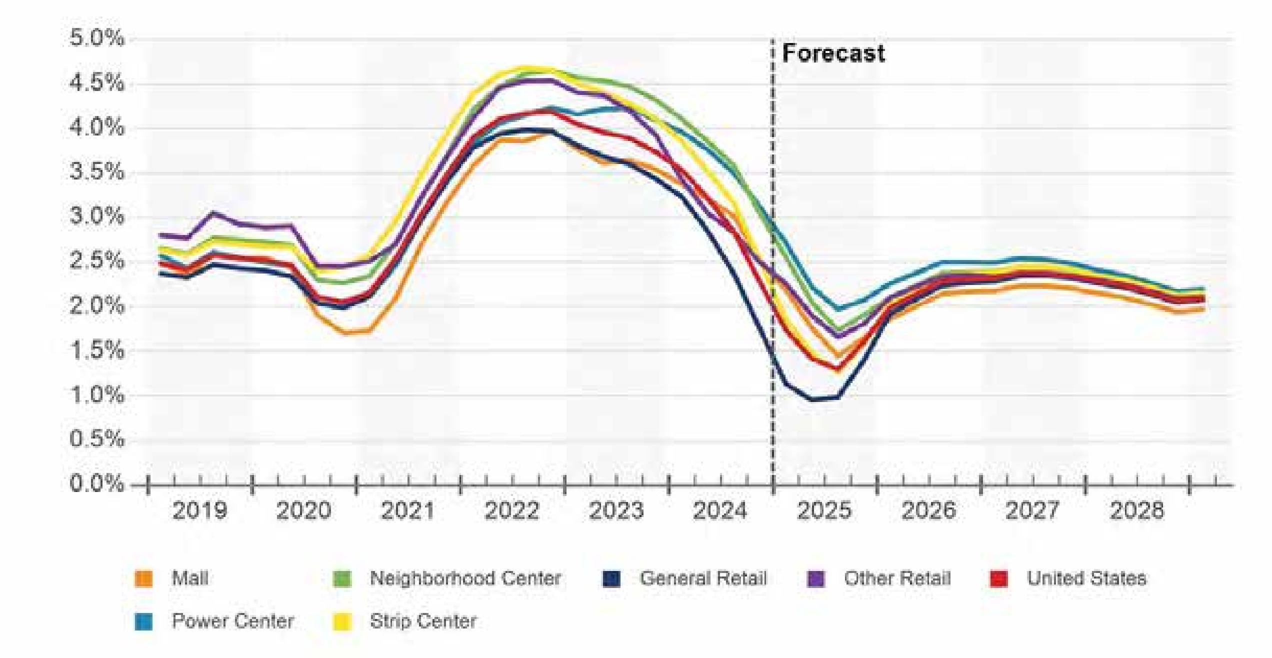
On the other end of the spectrum, markets with significant levels of legacy supply and stagnant population have underperformed the U.S. average. These markets are predominantly located in the Northeast and Midwest, where a significant portion of the suburban retail stock was built before 2000. The other cluster of underperforming markets primarily consists of high-cost coastal markets grappling with stagnating populations and higher tenant pass-through costs.

Looking forward, retail rent growth is forecast to continue to decelerate over the next couple of quarters in response to the wave of recent store closures hitting the market. However, much of this space should be backfilled in short order, given the lack of available space on the market and limited supply outlook. As such, rent growth is forecast to rise at a pace in line with recent historical averages at 1.6% in 2025. Significant variation in rental performance is expected to continue in the year ahead as fast-growing metros in the Southern and Western regions of the U.S. and smaller spaces along primary corridors are likely to continue their outperformance. In addition, given the above-average pace of rent growth seen in recent years, rent spreads on spaces that have been leased for five or more years should remain at multi-decade highs through 2025.

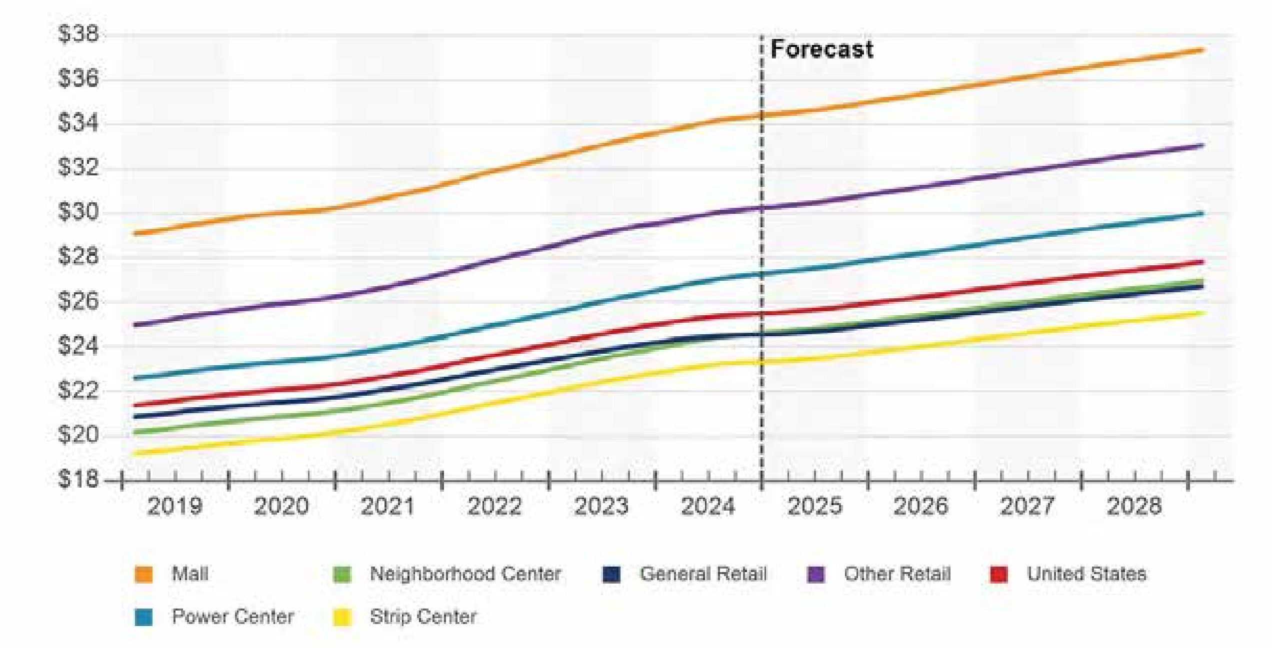
Rent

United States Retail

MARKET ASKING RENT GROWTH (YOY)



MARKET ASKING RENT PER SQUARE FEET



Construction

United States Retail

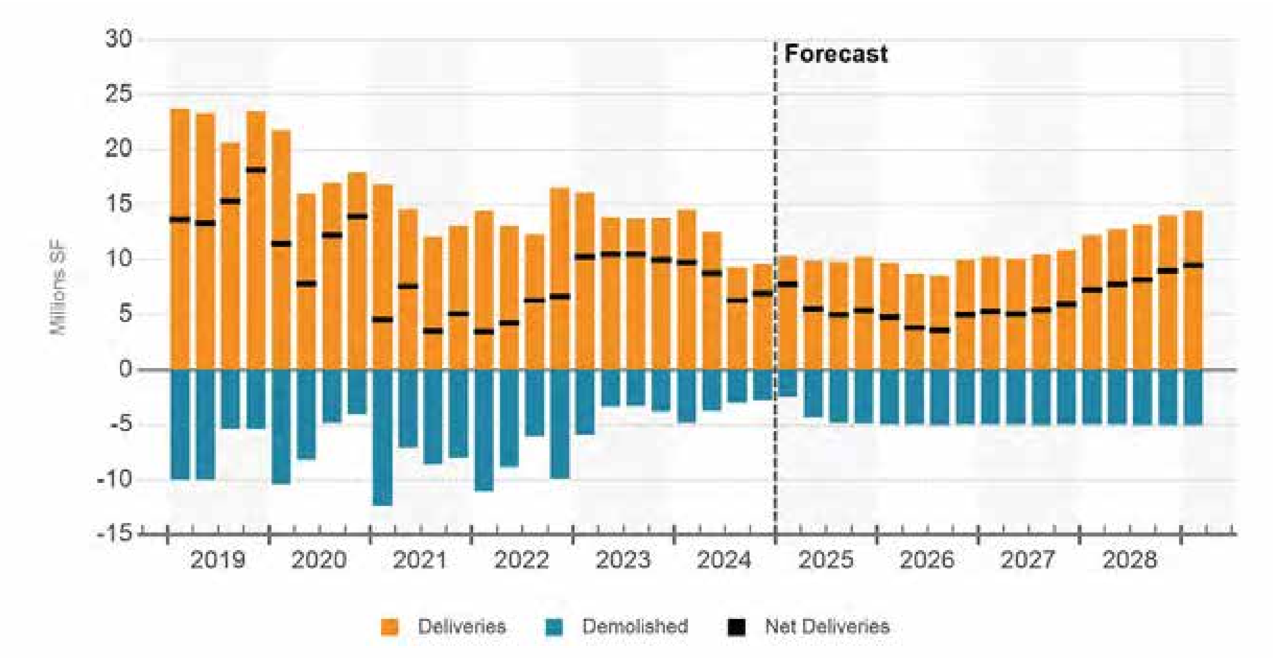
A primary driver of the U.S. retail market's historically tight conditions has been the limited amount of new retail constructed in recent years. A mere 81 million square feet of new retail space has been delivered annually since the start of 2020, resulting in a less than 2% increase in retail supply during that time. This pales in comparison to the approximately 300 million square feet of retail space delivered per year from 2000 to 2009 and 128 million square foot average from 2010 to 2020. At the same time, developers have demolished over 160 million SF of retail space since the start of 2018, with a significant portion of this stock consisting of vacant department store boxes and defunct malls.

While the Great Financial Crises and concerns regarding increased competition from e-commerce players drove retail development lower during the prior two decades, elevated construction and financing costs and a rise in terminal cap rates have weighed on retail construction starts over the past few years. With the costs of development rising much faster than rents over the past 15 years, the economics of new retail development are exceedingly difficult to make pencil in many locations. In addition, strong demand for apartments, warehouses, and mixed-use assets has increased the opportunity cost of developing pure-play retail.

The net result is a market facing a significant shortage of available first-generation space at a time when dozens of large national tenants are looking to expand. In total, just 19 million square feet of retail space delivered since 2020 is available for lease across the U.S. While this may sound like a large sum, it represents less than 4% of the total amount of space available across the country. Geographically, much of the new space is aggregating in high-growth markets where substantial increases in population size necessitate additional retail supply. Four of the ten markets with the most first-generation space available for lease are located in Texas, with the Lonestar State accounting for nearly a third of all such space across the country.

This trend appears set to continue for the foreseeable future, as retail construction starts fell to a multi-decade low in 2024 while the total amount of under construction retail supply ended the year at its lowest level since 2011. Projects that were able to break ground typically fall into a select few buckets where cost and rents align, including smaller freestanding or strip center pads pre-leased to national tenants and ground floor retail spaces in larger mixed-use developments. As such, supply additions are forecast to remain well below average over the next five years given a significant misalignment between development costs and retail rents (and values) across most geographies and retail sub-types.

DELIVERIES & DEMOLITIONS



Sales

United States Retail

The retail investment market gathered steam in 2024, with annual sales volume rising 5% year-over-year to $57 billion. Each quarter built on the last, culminating in a fourth quarter that saw the year's highest transaction volume.

The number of deals rose meaningfully, reversing the prior year's slowdown. While 2023 started strong, transaction activity lost momentum as the year progressed, ultimately bottoming out in early 2024. From that low, the market rebounded. By the second half of 2024, transaction counts surged, returning to early 2023 levels.

With deal volume climbing, the cap rate expansion that defined 2022 and 2023 has stalled—at least for now. Signs point to a shift lower. Looking ahead, the second half of 2024 may come to be seen as the peak, with cap rates flattening or even compressing in early 2025.

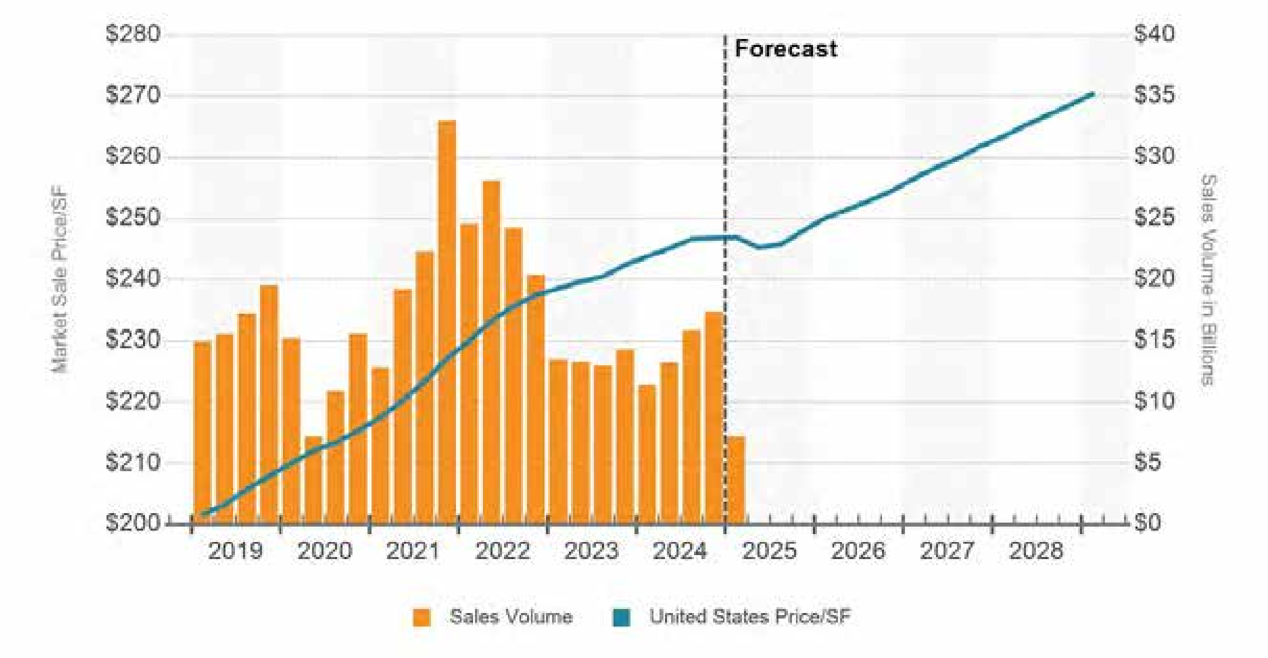
This pattern has been evident in single-tenant net-leased investment sales. Newly constructed Dutch Bros transactions illustrate the trend: cap rates rose from the 3.75%–4% range in 2022 to the mid-5% range by late 2024. Ground lease deals mirrored the expansion, climbing from the low-3% range to the mid-4% range. Importantly, cap rates in this segment have remained steady since the third quarter of 2024.

Grocery-anchored neighborhood centers have also seen yields settle after two years of volatility. In June 2024, a private buyer acquired Stevenson Ranch Plaza in Santa Clarita, CA, for $12.3 million ($410/SF) at a 7.3% cap rate. A decade earlier, the same center—then 91% leased with a nearly identical tenant mix—sold at a 7.2% cap rate. Long-term pricing trends appear to be reasserting themselves despite the recent swings.

Further up the yield spectrum, community and power centers typically trade with stabilized cap rates above 7%, sometimes exceeding 8%, depending on asset quality and market conditions. In December 2024, Sun Lakes Village in Banning, CA, sold for $8.7 million ($89/SF) at a 7.2% cap rate. A 20,000-SF vacancy, below-market in-place rents, and significant lease rollover—80% of the property in the first four years—create room for yields to grow.

Traversing through the first quarter of 2025, pricing risk tilts from down to neutral, but that dynamic should soon improve. Despite softer tenant demand and select store closures, limited new construction and historically low availability rates should keep the market from being flooded with vacant space. Increased loan payoffs from higher transaction activity will allow for new loan originations and put upward pressure on values as more liquidity enters the market.

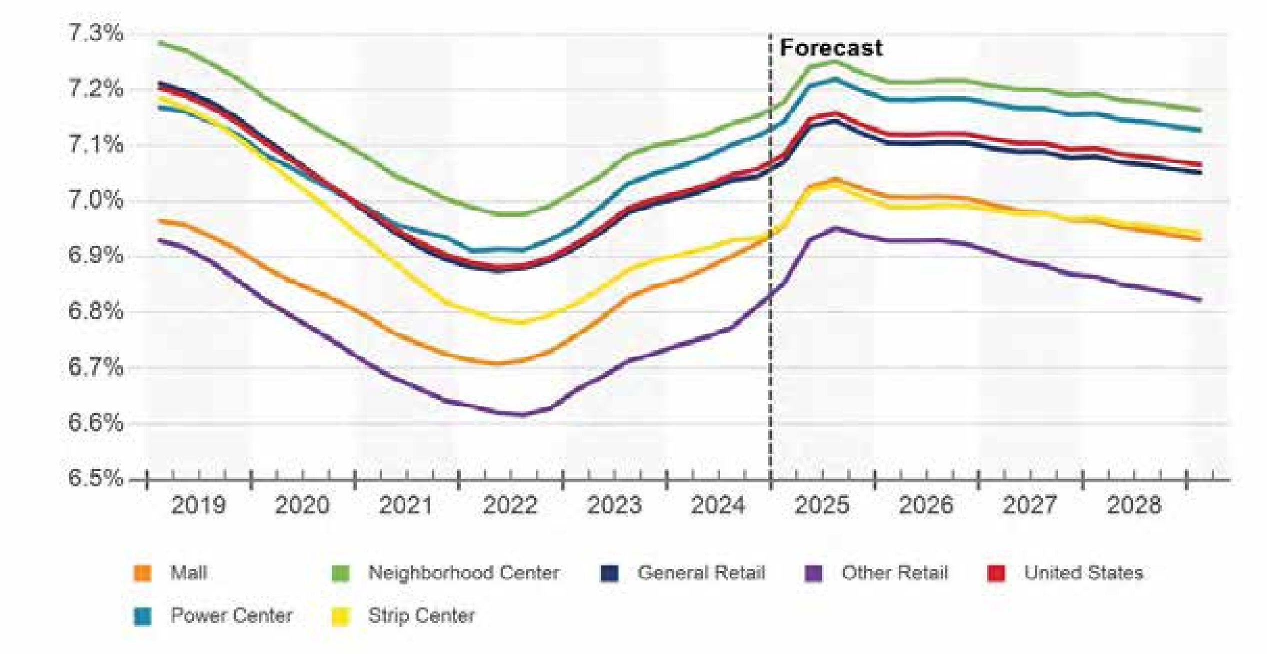
SALES VOLUME & MARKET SALE PRICE PER SF



Sales

United States Retail

MARKET CAP RATE



Economy

The U.S. economy is performing well and growing faster than other advanced economies. Real economic growth measured 2.8% in 2024, according to its final estimate (on a seasonally adjusted annualized basis), a tick lower than the 2.9% growth seen in 2023. Resilient consumer spending and solid business investment drove most of the gain, prompted by a strong labor market, generous fiscal spending during the pandemic and government investment programs of the past administration. Expectations are for the economy to slow somewhat through the first half of the year as businesses and consumers react to expectations of higher prices as the administration imposes tariffs. However, the expected extension and expansion of the 2017 tax cuts, which will expire at the end of the year, coupled with a lighter regulatory regime, will likely boost economic growth in 2026.

Consumer spending, the primary driver of economic growth, has been strong as households deploy excess savings accumulated during the pandemic and the labor market continues adding jobs. Inflation-adjusted spending rose 3.1% over the prior year in December. However, lower-income consumers have become more reliant on borrowing, straining budgets as interest costs on debt have surged. Delinquency rates of credit card balances and personal loans have been increasing. Still, the balance sheets of higher-income households are solid, with asset and home price gains adding to household wealth and allowing consumers to continue to spend.

The labor market ended 2024 with a robust boost after hurricane activity in the southeast negatively impacted earlier job gains. Monthly job gains in January slowed to 143,000, fewer than expected, but revisions to the prior two months added 100,000 to the three-month gain. The unemployment rate edged lower to 4.0%, its lowest rate since May of last year. Meanwhile, initial claims for unemployment benefits remain low even as continuing claims drift higher.

Inflation has fallen from its high in 2022, but progress has been uneven recently. The Federal Reserve cut its policy rate by 100 basis points last year but is on pause as inflation measures remain higher than desired. The personal consumption expenditures (PCE) price index, the Federal Reserve's preferred measure of inflation, edged lower in January, its first move lower in four months, a relief after seeing the index rise since September of last year. Stickier price gains in core services outside of housing have kept the Federal Reserve vigilant for a re-acceleration of inflation. Markets are predicting additional rate cuts of about 50 basis points through the end of the year, fewer than were expected last year, as progress on inflation remains tenuous.

The outlook is for economic activity and job growth to slow as the full impact of higher interest rates flows through the economy, and the imposition of tariffs weighs on activity. Factory activity has struggled for over two years due to higher financing costs but unexpectedly expanded in January. Meanwhile, the services side of the economy has held up somewhat better but slowed more recently, with sentiment mixed.

However, growth is expected to reaccelerate later this year as the new administration implements an expansionary fiscal policy. Anticipated restrictive immigration measures are mostly seen weighing on growth in future years, should they come to fruition.

Economy

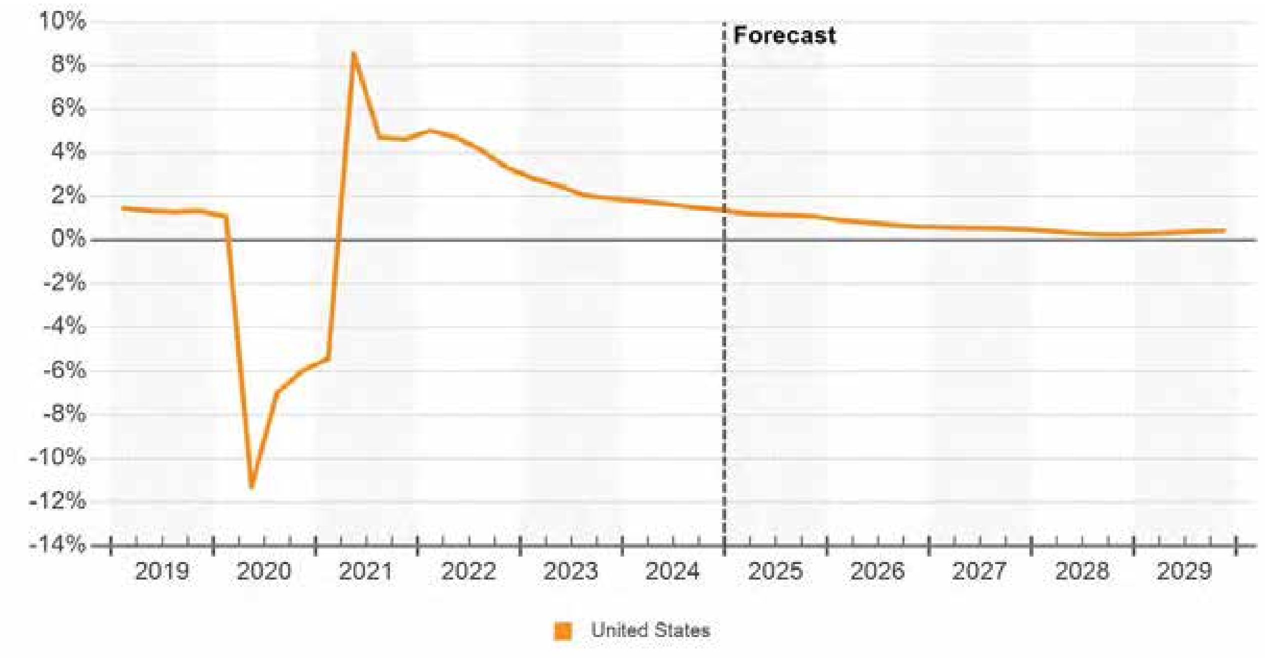
United States Retail

UNITED STATES EMPLOYMENT BY INDUSTRY IN THOUSANDS

	CURRENT JOBS		CURRENT GROWTH	10 YR HISTORICAL	5 YR FORECAST
Industry	Jobs	LQ	US	US	US
Manufacturing	12,912	1.0	-0.33%	0.49%	0.29%
Trade, Transportation and Utilities	29,099	1.0	0.66%	0.91%	0.28%
Retail Trade	15,661	1.0	0.20%	0.12%	0.19%
Financial Activities	9,296	1.0	0.76%	1.44%	0.45%
Government	23,541	1.0	1.66%	0.70%	0.40%
Natural Resources, Mining and Construction	8,986	1.0	2.12%	2.24%	0.78%
Education and Health Services	26,804	1.0	3.31%	2.11%	0.72%
Professional and Business Services	23,008	1.0	0.37%	1.67%	0.58%
Information	2,991	1.0	-0.75%	0.89%	0.40%
Leisure and Hospitality	17,115	1.0	1.67%	1.37%	0.97%
Other Services	5,939	1.0	1.02%	0.59%	0.34%
Total Employment	**159,691**	**1.0**	**1.30%**	**1.28%**	**0.53%**

Source: Oxford Economics
LQ = Location Quotient

JOB GROWTH (YOY)

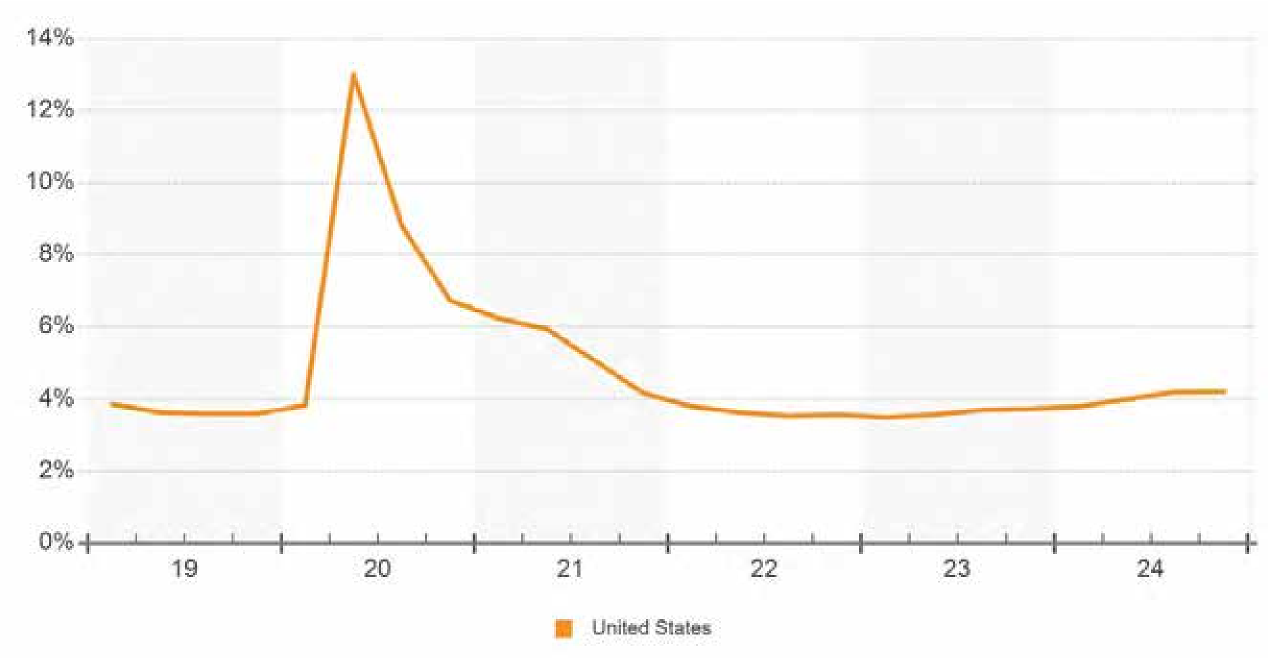


Source: Oxford Economics

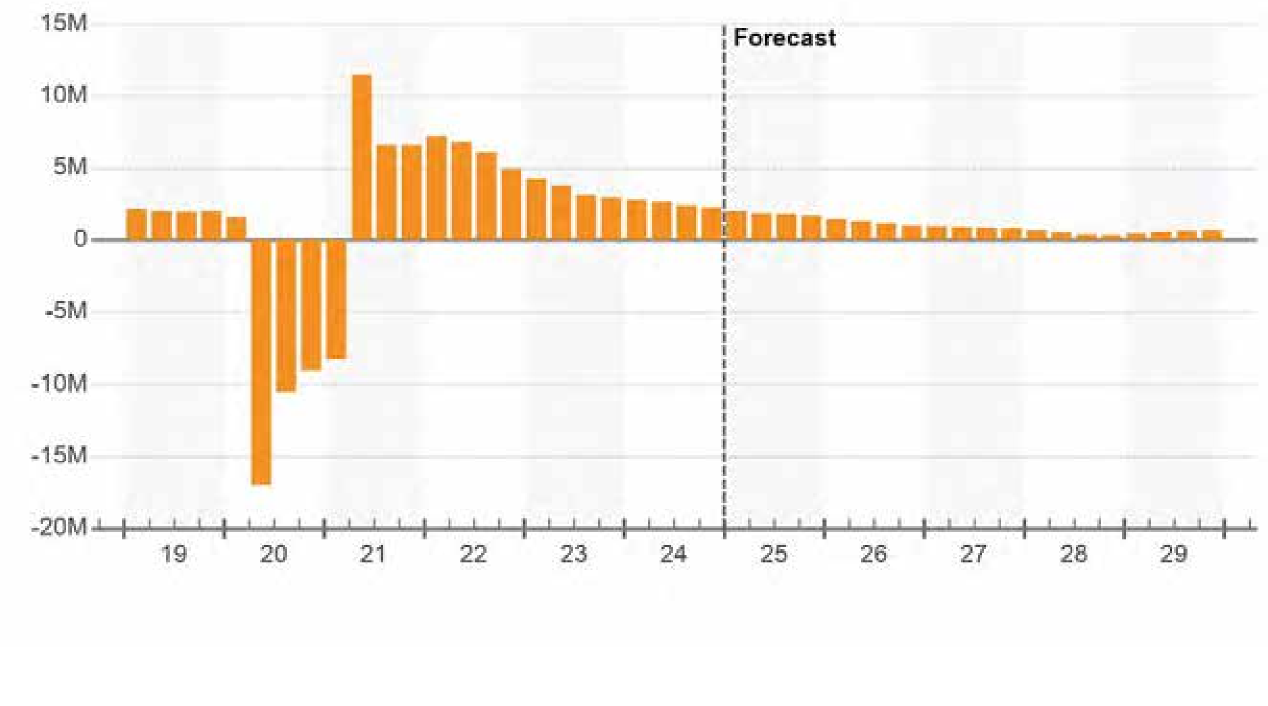
Economy

United States Retail

UNEMPLOYMENT RATE (%)



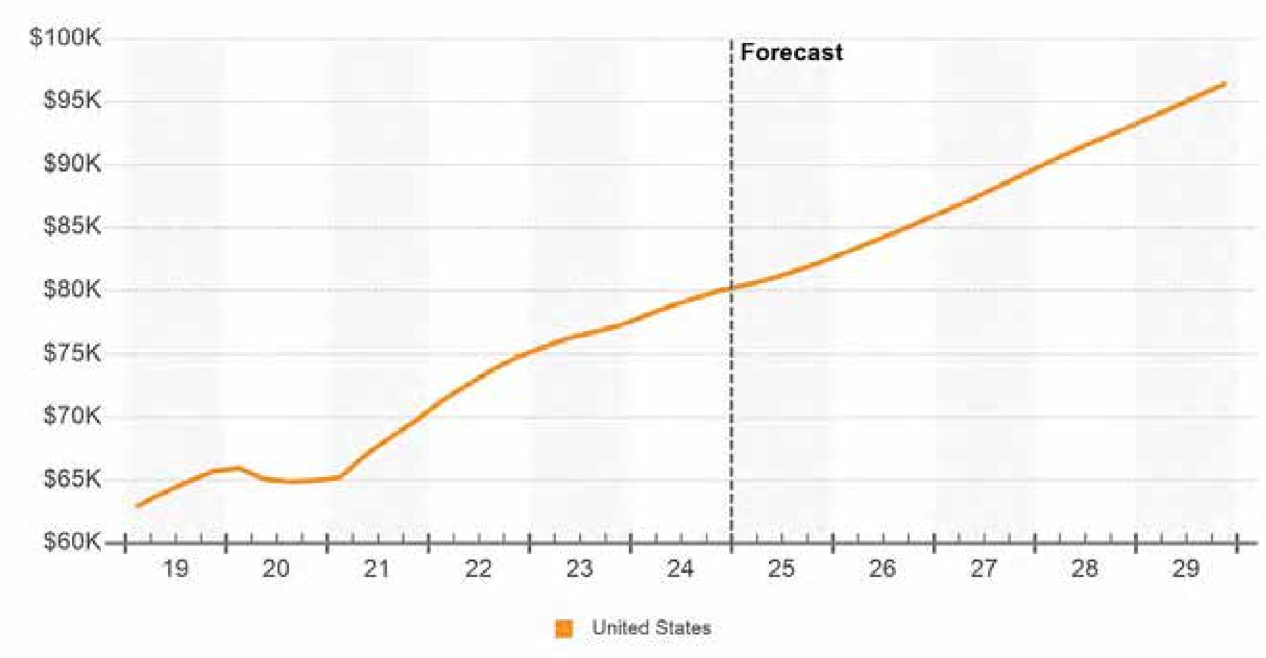
NET EMPLOYMENT CHANGE (YOY)



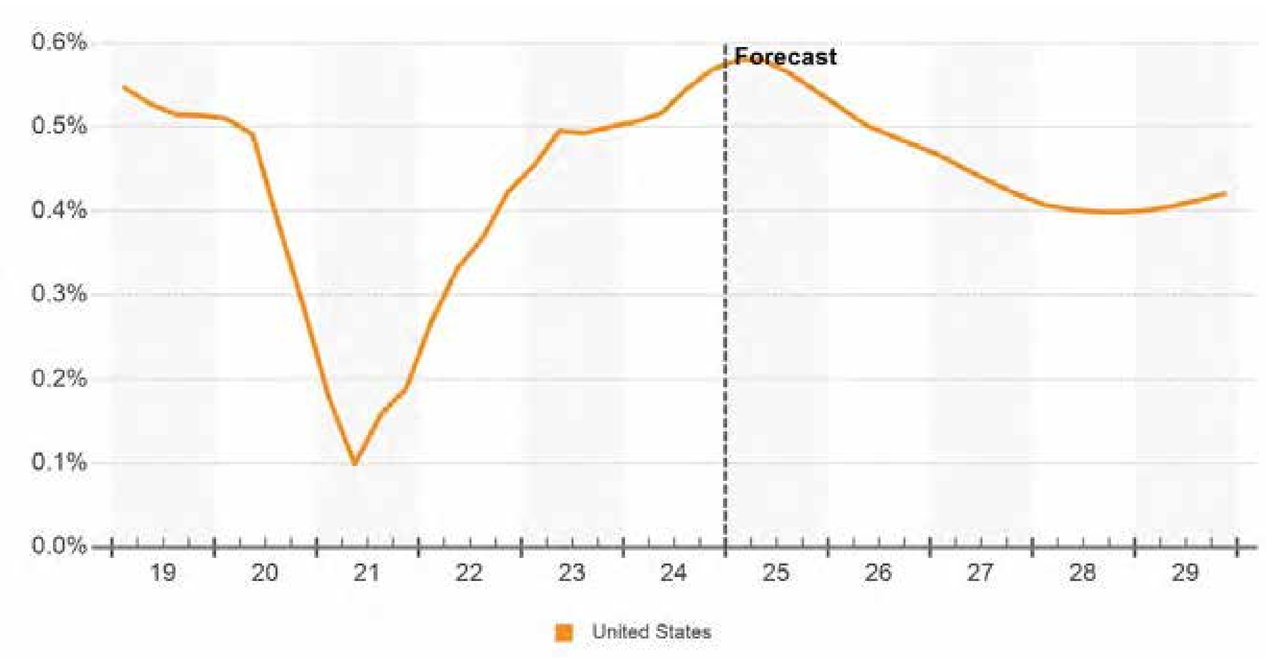
Economy

United States Retail

MEDIAN HOUSEHOLD INCOME



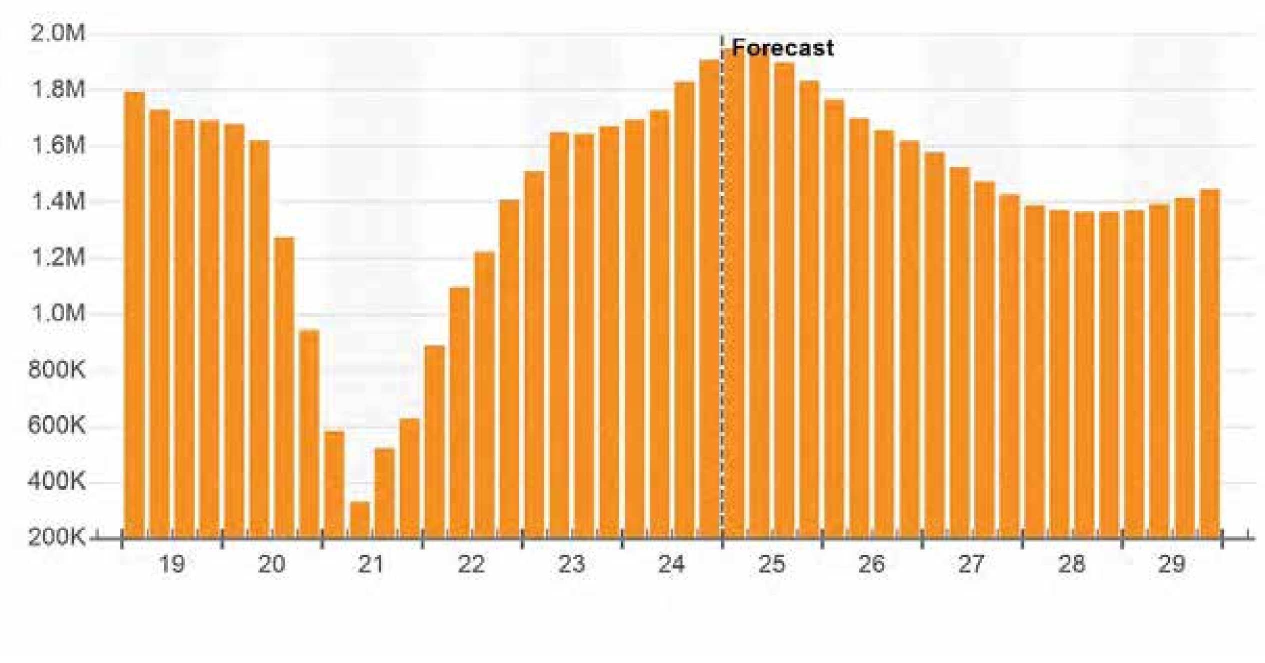
POPULATION GROWTH (YOY %)



Economy

United States Retail

NET POPULATION CHANGE (YOY)



DEMOGRAPHIC TRENDS

	Current Level	12 Month Change	10 Year Change	5 Year Forecast
Demographic Category	**US**	**US**	**US**	**US**
Population	337,611,188	0.6%	0.5%	0.4%
Households	132,662,594	0.7%	0.9%	0.5%
Median Household Income	$80,329	3.3%	4.0%	3.9%
Labor Force	168,793,516	0.7%	0.7%	0.4%
Unemployment	4.2%	0.4%	-0.1%	-

Source: Oxford Economics

POPULATION GROWTH

LABOR FORCE GROWTH

INCOME GROWTH

Source: Oxford Economics

Supply & Demand Trends

United States Retail

OVERALL SUPPLY & DEMAND

	Inventory			Net Absorption		
Year	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2029	12,335,683,407	40,118,255	0.3%	29,351,623	0.2%	1.4
2028	12,295,565,152	32,068,297	0.3%	21,177,835	0.2%	1.5
2027	12,263,496,855	21,568,604	0.2%	17,481,381	0.1%	1.2
2026	12,241,928,251	17,028,474	0.1%	22,272,509	0.2%	0.8
2025	12,224,899,777	23,586,138	0.2%	9,355,134	0.1%	2.5
YTD	12,204,551,614	3,237,975	0%	(11,250,252)	-0.1%	-
2024	12,201,313,639	31,741,194	0.3%	23,058,371	0.2%	1.4
2023	12,169,572,445	41,183,596	0.3%	50,136,236	0.4%	0.8
2022	12,128,388,849	20,679,152	0.2%	72,829,975	0.6%	0.3
2021	12,107,709,697	20,617,222	0.2%	76,190,487	0.6%	0.3
2020	12,087,092,475	46,501,270	0.4%	(27,558,031)	-0.2%	-
2019	12,040,591,205	61,045,892	0.5%	43,487,132	0.4%	1.4
2018	11,979,545,313	58,551,130	0.5%	62,295,519	0.5%	0.9
2017	11,920,994,183	85,286,150	0.7%	98,749,752	0.8%	0.9
2016	11,835,708,033	77,666,631	0.7%	141,840,308	1.2%	0.5
2015	11,758,041,402	75,956,678	0.7%	121,006,995	1.0%	0.6
2014	11,682,084,724	65,366,416	0.6%	133,704,594	1.1%	0.5
2013	11,616,718,308	55,189,595	0.5%	90,532,322	0.8%	0.6

MALLS SUPPLY & DEMAND

	Inventory			Net Absorption		
Year	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2029	906,972,296	1,325,991	0.1%	770,619	0.1%	1.7
2028	905,646,305	903,006	0.1%	433,659	0%	2.1
2027	904,743,299	243,850	0%	647,707	0.1%	0.4
2026	904,499,449	301,091	0%	1,643,335	0.2%	0.2
2025	904,198,358	326,638	0%	(628,048)	-0.1%	-
YTD	903,157,118	(714,602)	-0.1%	(665,484)	-0.1%	-
2024	903,871,720	(2,624,436)	-0.3%	(1,783,710)	-0.2%	-
2023	906,496,156	(202,071)	0%	997,853	0.1%	-
2022	906,698,227	(4,429,587)	-0.5%	(4,189,080)	-0.5%	-
2021	911,127,814	248,569	0%	(7,136,644)	-0.8%	-
2020	910,879,245	4,773,629	0.5%	(16,250,791)	-1.8%	-
2019	906,105,616	6,350,661	0.7%	(2,760,103)	-0.3%	-
2018	899,754,955	4,837,275	0.5%	(1,649,593)	-0.2%	-
2017	894,917,680	10,503,624	1.2%	7,672,674	0.9%	1.4
2016	884,414,056	7,493,006	0.9%	7,268,367	0.8%	1.0
2015	876,921,050	10,616,319	1.2%	11,799,622	1.3%	0.9
2014	866,304,731	8,338,142	1.0%	10,083,119	1.2%	0.8
2013	857,966,589	5,633,408	0.7%	8,500,871	1.0%	0.7

Supply & Demand Trends

United States Retail

POWER CENTER SUPPLY & DEMAND

	Inventory			Net Absorption		
Year	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2029	791,644,398	269,625	0%	(375,818)	0%	-
2028	791,374,773	81,266	0%	(547,138)	-0.1%	-
2027	791,293,507	(160,519)	0%	(504,040)	-0.1%	-
2026	791,454,026	(459,902)	-0.1%	(300,463)	0%	-
2025	791,913,928	(147,008)	0%	(1,382,421)	-0.2%	-
YTD	791,900,936	(160,000)	0%	(2,338,508)	-0.3%	-
2024	792,060,936	1,322,918	0.2%	1,206,939	0.2%	1.1
2023	790,738,018	709,101	0.1%	2,032,188	0.3%	0.3
2022	790,028,917	1,264,995	0.2%	8,286,651	1.0%	0.2
2021	788,763,922	1,207,763	0.2%	2,401,749	0.3%	0.5
2020	787,556,159	1,523,408	0.2%	(2,918,996)	-0.4%	-
2019	786,032,751	3,242,114	0.4%	1,659,480	0.2%	2.0
2018	782,790,637	5,322,252	0.7%	3,464,725	0.4%	1.5
2017	777,468,385	6,599,421	0.9%	7,012,869	0.9%	0.9
2016	770,868,964	5,895,943	0.8%	1,870,471	0.2%	3.2
2015	764,973,021	8,327,448	1.1%	10,190,923	1.3%	0.8
2014	756,645,573	6,127,590	0.8%	10,969,943	1.4%	0.6
2013	750,517,983	6,444,317	0.9%	9,536,566	1.3%	0.7

NEIGHBORHOOD CENTER SUPPLY & DEMAND

	Inventory			Net Absorption		
Year	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2029	2,989,756,579	2,976,411	0.1%	86,284	0%	34.5
2028	2,986,780,168	1,987,121	0.1%	(824,542)	0%	-
2027	2,984,793,047	533,666	0%	(267,500)	0%	-
2026	2,984,259,381	585,702	0%	2,631,728	0.1%	0.2
2025	2,983,673,679	2,757,323	0.1%	(2,358,519)	-0.1%	-
YTD	2,981,716,473	800,117	0%	(6,534,895)	-0.2%	-
2024	2,980,916,356	2,597,949	0.1%	(549,739)	0%	-
2023	2,978,318,407	3,917,872	0.1%	14,090,766	0.5%	0.3
2022	2,974,400,535	2,547,714	0.1%	28,565,946	1.0%	0.1
2021	2,971,852,821	4,015,411	0.1%	24,369,627	0.8%	0.2
2020	2,967,837,410	8,482,965	0.3%	(18,729,985)	-0.6%	-
2019	2,959,354,445	13,874,525	0.5%	12,100,474	0.4%	1.1
2018	2,945,479,920	14,109,698	0.5%	23,014,973	0.8%	0.6
2017	2,931,370,222	19,906,525	0.7%	29,680,964	1.0%	0.7
2016	2,911,463,697	21,166,362	0.7%	38,501,981	1.3%	0.5
2015	2,890,297,335	18,946,348	0.7%	28,908,190	1.0%	0.7
2014	2,871,350,987	19,437,152	0.7%	40,508,511	1.4%	0.5
2013	2,851,913,835	13,615,038	0.5%	24,362,599	0.9%	0.6

Supply & Demand Trends

United States Retail

STRIP CENTER SUPPLY & DEMAND

	Inventory			Net Absorption		
Year	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2029	724,533,516	2,376,190	0.3%	1,477,267	0.2%	1.6
2028	722,157,326	1,894,384	0.3%	1,009,756	0.1%	1.9
2027	720,262,942	1,280,087	0.2%	841,586	0.1%	1.5
2026	718,982,855	1,289,554	0.2%	1,451,460	0.2%	0.9
2025	717,693,301	1,413,867	0.2%	846,312	0.1%	1.7
YTD	716,746,394	466,960	0.1%	(651,748)	-0.1%	-
2024	716,279,434	2,410,573	0.3%	1,963,364	0.3%	1.2
2023	713,868,861	2,451,140	0.3%	3,126,877	0.4%	0.8
2022	711,417,721	1,673,618	0.2%	4,911,150	0.7%	0.3
2021	709,744,103	1,837,774	0.3%	9,410,584	1.3%	0.2
2020	707,906,329	2,785,353	0.4%	(1,417,877)	-0.2%	-
2019	705,120,976	3,234,138	0.5%	3,786,495	0.5%	0.9
2018	701,886,838	4,055,386	0.6%	7,720,644	1.1%	0.5
2017	697,831,452	4,202,313	0.6%	6,658,918	1.0%	0.6
2016	693,629,139	4,539,903	0.7%	13,118,019	1.9%	0.3
2015	689,089,236	4,192,302	0.6%	9,122,961	1.3%	0.5
2014	684,896,934	2,566,968	0.4%	9,157,668	1.3%	0.3
2013	682,329,966	3,019,649	0.4%	6,628,104	1.0%	0.5

GENERAL RETAIL SUPPLY & DEMAND

	Inventory			Net Absorption		
Year	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2029	6,826,404,008	32,180,171	0.5%	26,565,631	0.4%	1.2
2028	6,794,223,837	26,372,938	0.4%	20,447,231	0.3%	1.3
2027	6,767,850,899	19,050,261	0.3%	16,259,960	0.2%	1.2
2026	6,748,800,638	14,818,128	0.2%	16,424,274	0.2%	0.9
2025	6,733,982,510	18,784,641	0.3%	12,476,026	0.2%	1.5
YTD	6,718,022,669	2,824,800	0%	(1,151,367)	0%	-
2024	6,715,197,869	27,508,990	0.4%	21,819,035	0.3%	1.3
2023	6,687,688,879	34,061,309	0.5%	29,250,778	0.4%	1.2
2022	6,653,627,570	19,636,012	0.3%	34,909,185	0.5%	0.6
2021	6,633,991,558	13,119,050	0.2%	47,199,666	0.7%	0.3
2020	6,620,872,508	28,535,340	0.4%	12,140,544	0.2%	2.4
2019	6,592,337,168	33,998,153	0.5%	28,433,065	0.4%	1.2
2018	6,558,339,015	29,082,671	0.4%	29,025,732	0.4%	1.0
2017	6,529,256,344	42,740,333	0.7%	46,482,358	0.7%	0.9
2016	6,486,516,011	37,497,591	0.6%	79,660,620	1.2%	0.5
2015	6,449,018,420	30,874,393	0.5%	57,359,952	0.9%	0.5
2014	6,418,144,027	26,684,886	0.4%	60,827,748	0.9%	0.4
2013	6,391,459,141	23,518,430	0.4%	38,658,571	0.6%	0.6

Supply & Demand Trends

United States Retail

OTHER SUPPLY & DEMAND

	Inventory			Net Absorption		
Year	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2029	96,372,610	989,867	1.0%	827,640	0.9%	1.2
2028	95,382,743	829,582	0.9%	658,869	0.7%	1.3
2027	94,553,161	621,259	0.7%	503,668	0.5%	1.2
2026	93,931,902	493,901	0.5%	422,175	0.4%	1.2
2025	93,438,001	450,677	0.5%	401,784	0.4%	1.1
YTD	93,008,024	20,700	0%	91,750	0.1%	0.2
2024	92,987,324	525,200	0.6%	402,482	0.4%	1.3
2023	92,462,124	246,245	0.3%	637,774	0.7%	0.4
2022	92,215,879	(13,600)	0%	346,123	0.4%	-
2021	92,229,479	188,655	0.2%	(54,495)	-0.1%	-
2020	92,040,824	400,575	0.4%	(380,926)	-0.4%	-
2019	91,640,249	346,301	0.4%	267,721	0.3%	1.3
2018	91,293,948	1,143,848	1.3%	719,038	0.8%	1.6
2017	90,150,100	1,333,934	1.5%	1,241,969	1.4%	1.1
2016	88,816,166	1,073,826	1.2%	1,420,850	1.6%	0.8
2015	87,742,340	2,999,868	3.5%	3,625,347	4.1%	0.8
2014	84,742,472	2,211,678	2.7%	2,157,605	2.5%	1.0
2013	82,530,794	2,958,753	3.7%	2,845,611	3.4%	1.0

Rent & Vacancy

United States Retail

OVERALL RENT & VACANCY

	Market Asking Rent				Vacancy		
Year	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2029	$28.20	144	2.0%	10.8%	530,045,714	4.3%	0.1%
2028	$27.64	141	2.1%	8.6%	520,714,613	4.2%	0.1%
2027	$27.08	138	2.3%	6.4%	511,074,419	4.2%	0%
2026	$26.46	135	2.3%	4.0%	507,528,973	4.1%	0%
2025	$25.87	132	1.6%	1.6%	512,021,488	4.2%	0.1%
YTD	$25.49	130	1.8%	0.1%	510,508,278	4.2%	0.1%
2024	$25.46	130	2.3%	0%	496,020,051	4.1%	0.1%
2023	$24.89	127	3.7%	-2.2%	487,677,744	4.0%	-0.1%
2022	$24	123	4.2%	-5.7%	496,713,671	4.1%	-0.4%
2021	$23.03	118	3.5%	-9.5%	548,673,391	4.5%	-0.5%
2020	$22.25	114	2.0%	-12.6%	604,097,362	5.0%	0.6%
2019	$21.81	111	2.5%	-14.3%	531,498,833	4.4%	0.1%
2018	$21.27	109	2.5%	-16.5%	514,975,275	4.3%	-0.1%
2017	$20.74	106	2.8%	-18.5%	519,281,944	4.4%	-0.2%
2016	$20.18	103	2.3%	-20.7%	533,499,212	4.5%	-0.6%
2015	$19.72	101	2.7%	-22.5%	598,027,987	5.1%	-0.4%
2014	$19.20	98	2.5%	-24.6%	643,157,478	5.5%	-0.6%
2013	$18.73	96	2.1%	-26.4%	711,289,980	6.1%	-0.3%

MALLS RENT & VACANCY

	Market Asking Rent				Vacancy		
Year	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2029	$37.85	146	1.9%	10.3%	78,821,309	8.7%	0%
2028	$37.14	144	1.9%	8.2%	78,269,240	8.6%	0%
2027	$36.43	141	2.2%	6.1%	77,800,919	8.6%	0%
2026	$35.65	138	2.2%	3.9%	78,207,925	8.6%	-0.2%
2025	$34.89	135	1.7%	1.7%	79,571,975	8.8%	0.1%
YTD	$34.39	133	2.2%	0.2%	78,557,352	8.7%	0%
2024	$34.32	133	2.5%	0%	78,606,470	8.7%	-0.1%
2023	$33.48	130	3.5%	-2.5%	79,416,196	8.8%	-0.1%
2022	$32.34	125	4.0%	-5.8%	80,614,440	8.9%	0%
2021	$31.10	120	3.2%	-9.4%	80,823,744	8.9%	0.8%
2020	$30.14	117	1.7%	-12.2%	73,438,531	8.1%	2.3%
2019	$29.64	115	2.5%	-13.7%	52,413,775	5.8%	1.0%
2018	$28.90	112	2.5%	-15.8%	43,322,072	4.8%	0.7%
2017	$28.20	109	2.9%	-17.8%	36,849,953	4.1%	0.3%
2016	$27.40	106	2.5%	-20.2%	34,038,738	3.8%	0%
2015	$26.73	103	3.0%	-22.1%	33,856,077	3.9%	-0.2%
2014	$25.95	100	2.7%	-24.4%	35,296,392	4.1%	-0.2%
2013	$25.28	98	2.5%	-26.4%	37,041,369	4.3%	-0.4%

Rent & Vacancy

United States Retail

POWER CENTER RENT & VACANCY

	Market Asking Rent				Vacancy		
Year	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2029	$30.44	147	2.1%	11.9%	35,807,392	4.5%	0.1%
2028	$29.81	144	2.2%	9.5%	35,147,766	4.4%	0.1%
2027	$29.18	141	2.5%	7.2%	34,505,010	4.4%	0%
2026	$28.47	137	2.5%	4.6%	34,146,306	4.3%	0%
2025	$27.78	134	2.1%	2.1%	34,285,721	4.3%	0.2%
YTD	$27.30	132	2.8%	0.3%	35,209,823	4.4%	0.3%
2024	$27.21	131	3.1%	0%	33,031,315	4.2%	0%
2023	$26.39	127	4.1%	-3.0%	32,916,486	4.2%	-0.2%
2022	$25.35	122	4.2%	-6.8%	34,239,573	4.3%	-0.9%
2021	$24.32	117	3.5%	-10.6%	41,261,229	5.2%	-0.2%
2020	$23.51	113	2.0%	-13.6%	42,460,215	5.4%	0.6%
2019	$23.05	111	2.5%	-15.3%	38,016,399	4.8%	0.2%
2018	$22.48	108	2.6%	-17.4%	36,429,824	4.7%	0.2%
2017	$21.91	106	2.9%	-19.5%	34,563,838	4.4%	-0.1%
2016	$21.30	103	2.5%	-21.7%	34,986,520	4.5%	0.5%
2015	$20.78	100	2.8%	-23.6%	30,960,483	4.0%	-0.3%
2014	$20.22	97	2.5%	-25.7%	32,759,266	4.3%	-0.7%
2013	$19.73	95	2.1%	-27.5%	37,601,619	5.0%	-0.5%

NEIGHBORHOOD CENTER RENT & VACANCY

	Market Asking Rent				Vacancy		
Year	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2029	$27.35	147	2.1%	11.4%	184,517,507	6.2%	0.1%
2028	$26.80	144	2.1%	9.1%	181,655,120	6.1%	0.1%
2027	$26.25	141	2.4%	6.8%	178,859,771	6.0%	0%
2026	$25.63	137	2.4%	4.3%	178,030,837	6.0%	-0.1%
2025	$25.03	134	1.9%	1.9%	179,984,772	6.0%	0.2%
YTD	$24.64	132	2.6%	0.3%	182,093,314	6.1%	0.2%
2024	$24.56	132	3.0%	0%	174,758,302	5.9%	0.1%
2023	$23.84	128	4.3%	-3.0%	171,757,520	5.8%	-0.4%
2022	$22.85	123	4.6%	-7.0%	181,944,429	6.1%	-0.9%
2021	$21.84	117	3.7%	-11.1%	207,953,232	7.0%	-0.7%
2020	$21.06	113	2.3%	-14.3%	228,252,524	7.7%	0.9%
2019	$20.59	110	2.7%	-16.2%	201,205,320	6.8%	0%
2018	$20.04	107	2.7%	-18.4%	199,465,406	6.8%	-0.3%
2017	$19.52	105	2.8%	-20.6%	208,350,130	7.1%	-0.4%
2016	$18.99	102	2.5%	-22.7%	218,239,087	7.5%	-0.7%
2015	$18.52	99	2.7%	-24.6%	235,612,223	8.2%	-0.4%
2014	$18.03	97	2.4%	-26.6%	245,617,227	8.6%	-0.8%
2013	$17.60	94	1.7%	-28.3%	266,699,307	9.4%	-0.4%

Rent & Vacancy

United States Retail

STRIP CENTER RENT & VACANCY

	Market Asking Rent				Vacancy		
Year	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2029	$25.89	144	2.1%	11.0%	35,764,597	4.9%	0.1%
2028	$25.36	141	2.1%	8.8%	34,894,905	4.8%	0.1%
2027	$24.84	138	2.4%	6.5%	34,033,033	4.7%	0.1%
2026	$24.25	135	2.4%	4.0%	33,592,578	4.7%	0%
2025	$23.69	132	1.6%	1.6%	33,704,401	4.7%	0.1%
YTD	$23.34	130	2.0%	0.1%	34,190,557	4.8%	0.2%
2024	$23.32	130	2.5%	0%	33,071,849	4.6%	0%
2023	$22.75	126	4.1%	-2.5%	32,641,483	4.6%	-0.1%
2022	$21.85	121	4.6%	-6.3%	33,327,755	4.7%	-0.5%
2021	$20.88	116	4.0%	-10.5%	36,505,532	5.1%	-1.1%
2020	$20.08	112	2.4%	-13.9%	44,120,981	6.2%	0.6%
2019	$19.61	109	2.7%	-15.9%	39,959,313	5.7%	-0.1%
2018	$19.09	106	2.6%	-18.1%	40,530,383	5.8%	-0.6%
2017	$18.60	103	2.7%	-20.2%	44,243,468	6.3%	-0.4%
2016	$18.10	101	2.3%	-22.4%	46,783,577	6.7%	-1.3%
2015	$17.70	98	2.5%	-24.1%	55,437,888	8.0%	-0.8%
2014	$17.27	96	2.3%	-26.0%	60,397,058	8.8%	-1.0%
2013	$16.88	94	1.6%	-27.6%	67,001,602	9.8%	-0.6%

GENERAL RETAIL RENT & VACANCY

	Market Asking Rent				Vacancy		
Year	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2029	$27.10	142	2.0%	10.5%	190,064,652	2.8%	0%
2028	$26.57	139	2.0%	8.3%	185,839,358	2.7%	0.1%
2027	$26.03	136	2.3%	6.1%	181,138,050	2.7%	0%
2026	$25.44	133	2.3%	3.7%	178,931,209	2.7%	0%
2025	$24.88	130	1.4%	1.4%	179,926,702	2.7%	0.1%
YTD	$24.54	129	1.3%	0%	176,030,533	2.6%	0.1%
2024	$24.53	128	1.7%	0%	172,054,366	2.6%	0.1%
2023	$24.11	126	3.4%	-1.7%	166,571,028	2.5%	0.1%
2022	$23.31	122	4.0%	-5.0%	161,820,914	2.4%	-0.2%
2021	$22.42	117	3.4%	-8.6%	177,003,371	2.7%	-0.5%
2020	$21.68	114	2.0%	-11.6%	210,941,978	3.2%	0.2%
2019	$21.26	111	2.4%	-13.3%	195,802,394	3.0%	0.1%
2018	$20.76	109	2.4%	-15.4%	191,204,538	2.9%	0%
2017	$20.26	106	2.7%	-17.4%	191,676,313	2.9%	-0.1%
2016	$19.72	103	2.2%	-19.6%	195,945,013	3.0%	-0.7%
2015	$19.29	101	2.7%	-21.4%	238,308,015	3.7%	-0.4%
2014	$18.79	98	2.6%	-23.4%	264,608,755	4.1%	-0.5%
2013	$18.32	96	2.2%	-25.3%	298,521,376	4.7%	-0.3%

Rent & Vacancy

United States Retail

OTHER RENT & VACANCY

	Market Asking Rent				Vacancy		
Year	Per SF	Index	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2029	$33.53	148	2.0%	11.1%	5,070,257	5.3%	0.1%
2028	$32.86	145	2.1%	8.9%	4,908,224	5.1%	0.1%
2027	$32.19	142	2.3%	6.6%	4,737,636	5.0%	0.1%
2026	$31.46	138	2.4%	4.2%	4,620,118	4.9%	0.1%
2025	$30.73	135	1.8%	1.8%	4,547,917	4.9%	0%
YTD	$30.20	133	2.1%	0%	4,426,699	4.8%	-0.1%
2024	$30.19	133	2.5%	0%	4,497,749	4.8%	0.1%
2023	$29.45	130	3.9%	-2.4%	4,375,031	4.7%	-0.4%
2022	$28.34	125	4.5%	-6.1%	4,766,560	5.2%	-0.4%
2021	$27.11	119	3.7%	-10.2%	5,126,283	5.6%	0.3%
2020	$26.15	115	2.4%	-13.4%	4,883,133	5.3%	0.8%
2019	$25.52	112	2.9%	-15.5%	4,101,632	4.5%	0.1%
2018	$24.80	109	2.7%	-17.9%	4,023,052	4.4%	0.4%
2017	$24.14	106	3.2%	-20.0%	3,598,242	4.0%	0%
2016	$23.39	103	2.6%	-22.5%	3,506,277	3.9%	-0.4%
2015	$22.80	100	2.8%	-24.5%	3,853,301	4.4%	-0.9%
2014	$22.17	98	2.4%	-26.5%	4,478,780	5.3%	-0.1%
2013	$21.65	95	1.9%	-28.3%	4,424,707	5.4%	-0.1%

Sale Trends

United States Retail

OVERALL SALES

	Completed Transactions (1)						Market Pricing Trends (2)		
Year	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2029	-	-	-	-	-	-	$275.12	191	7.0%
2028	-	-	-	-	-	-	$268.57	186	7.1%
2027	-	-	-	-	-	-	$261.88	181	7.1%
2026	-	-	-	-	-	-	$254.55	176	7.1%
2025	-	-	-	-	-	-	$247.98	172	7.1%
YTD	5,978	$7.1B	0.5%	$2,009,858	$206.54	6.8%	$247.54	171	7.1%
2024	40,039	$57.8B	3.5%	$2,179,177	$214.91	6.7%	$246.80	171	7.1%
2023	39,492	$54B	3.3%	$2,062,553	$207.49	6.5%	$242.41	168	7.0%
2022	52,988	$97.3B	4.9%	$2,463,112	$219.59	6.0%	$237.49	164	6.9%
2021	58,154	$87.2B	5.1%	$2,142,680	$204.05	6.4%	$227.21	157	6.9%
2020	40,436	$48.8B	3.1%	$1,715,747	$183.34	6.7%	$215.41	149	7.0%
2019	48,118	$67.2B	4.0%	$2,104,238	$195.46	6.9%	$207.95	144	7.1%
2018	51,288	$62.5B	5.0%	$1,959,616	$186.78	6.8%	$200.10	139	7.2%
2017	49,564	$58.3B	4.3%	$1,996,213	$177.73	6.7%	$195.47	135	7.2%
2016	50,350	$67.6B	4.4%	$2,030,628	$189.55	6.7%	$191.67	133	7.2%
2015	48,766	$72.9B	4.7%	$2,110,688	$181.42	6.9%	$189.79	131	7.0%
2014	45,198	$61.3B	4.3%	$1,909,475	$167.72	7.3%	$176.30	122	7.3%

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.
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MALLS SALES

	Completed Transactions (1)						Market Pricing Trends (2)		
Year	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2029	-	-	-	-	-	-	$262.49	176	6.9%
2028	-	-	-	-	-	-	$256.40	172	6.9%
2027	-	-	-	-	-	-	$250.18	167	7.0%
2026	-	-	-	-	-	-	$243.20	163	7.0%
2025	-	-	-	-	-	-	$237.35	159	7.0%
YTD	70	$279.9M	0.6%	$6,998,080	$80.68	5.3%	$238.12	159	6.9%
2024	691	$2.6B	5.4%	$9,785,233	$116.48	6.7%	$237.09	159	6.9%
2023	408	$2.5B	3.8%	$8,890,498	$95.61	7.6%	$234.96	157	6.8%
2022	657	$5.2B	5.4%	$11,143,823	$149.98	6.0%	$231.84	155	6.7%
2021	727	$3.6B	4.8%	$9,494,332	$127.88	6.2%	$222.60	149	6.7%
2020	437	$1.5B	3.5%	$6,599,537	$104.02	6.3%	$212.08	142	6.8%
2019	468	$2.8B	3.0%	$9,641,018	$153.80	7.3%	$206.42	138	6.9%
2018	1,089	$4B	13.9%	$14,492,074	$226.13	6.2%	$198.77	133	7.0%
2017	450	$2.2B	3.6%	$8,037,352	$105.07	5.9%	$195.07	131	6.9%
2016	667	$7.9B	5.3%	$21,256,839	$306.72	6.4%	$192.75	129	6.9%
2015	847	$7.6B	8.2%	$19,142,782	$212.63	5.9%	$191.99	129	6.8%
2014	585	$5.4B	4.5%	$17,054,180	$209.95	6.9%	$179.77	120	7.0%

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Sale Trends

United States Retail

POWER CENTER SALES

	Completed Transactions (1)						Market Pricing Trends (2)		
Year	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2029	-	-	-	-	-	-	$246.08	178	7.1%
2028	-	-	-	-	-	-	$240.09	173	7.1%
2027	-	-	-	-	-	-	$233.96	169	7.2%
2026	-	-	-	-	-	-	$227.20	164	7.2%
2025	-	-	-	-	-	-	$221.09	160	7.2%
YTD	112	$344.4M	0.5%	$6,149,861	$204.13	6.5%	$220.21	159	7.1%
2024	940	$4.1B	5.1%	$7,585,756	$183.76	6.6%	$219.38	158	7.1%
2023	649	$1.7B	3.1%	$5,290,631	$153.20	6.6%	$216.36	156	7.0%
2022	1,264	$6.3B	5.9%	$6,989,437	$181.74	5.8%	$212.62	153	6.9%
2021	1,359	$5.1B	6.6%	$6,997,541	$170.64	6.2%	$203.08	147	6.9%
2020	462	$1.7B	1.8%	$4,821,906	$157.63	6.5%	$194.17	140	7.0%
2019	850	$3.9B	3.7%	$6,064,894	$181.01	6.4%	$188.22	136	7.1%
2018	893	$3.6B	3.9%	$5,436,874	$152.89	6.5%	$181.17	131	7.2%
2017	846	$3.6B	4.0%	$6,383,527	$186.99	6.4%	$178.22	129	7.1%
2016	866	$2.8B	4.0%	$6,107,793	$180.22	6.4%	$176.06	127	7.1%
2015	902	$4.2B	4.2%	$6,874,810	$191.03	6.6%	$175.12	126	7.0%
2014	968	$3.7B	4.5%	$6,218,899	$165.02	6.8%	$163.90	118	7.2%

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NEIGHBORHOOD CENTER SALES

	Completed Transactions (1)						Market Pricing Trends (2)		
Year	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2029	-	-	-	-	-	-	$238.88	181	7.1%
2028	-	-	-	-	-	-	$233.19	176	7.2%
2027	-	-	-	-	-	-	$227.38	172	7.2%
2026	-	-	-	-	-	-	$220.99	167	7.2%
2025	-	-	-	-	-	-	$215.21	163	7.2%
YTD	769	$1.2B	0.6%	$4,908,833	$185.50	7.5%	$214.28	162	7.2%
2024	3,209	$11.7B	3.2%	$5,451,680	$185.49	7.1%	$213.66	162	7.2%
2023	3,154	$11B	3.2%	$5,339,453	$175.30	6.6%	$210.05	159	7.1%
2022	5,294	$23.7B	5.4%	$5,932,952	$192.25	6.2%	$206.25	156	7.0%
2021	5,271	$17.4B	5.1%	$4,999,648	$168.32	6.7%	$196.93	149	7.0%
2020	2,728	$8.9B	2.4%	$4,229,795	$151.70	6.7%	$187.20	142	7.1%
2019	4,082	$15.5B	4.1%	$5,136,980	$164.16	7.2%	$181.29	137	7.2%
2018	4,270	$14B	4.1%	$4,725,564	$160.38	6.9%	$174.45	132	7.3%
2017	4,884	$15.1B	5.0%	$4,807,857	$157.94	6.9%	$170.66	129	7.3%
2016	4,860	$16B	5.0%	$4,716,342	$156.10	6.9%	$168.09	127	7.2%
2015	5,131	$19.9B	5.4%	$4,865,734	$157.03	7.0%	$166.93	126	7.1%
2014	4,588	$16.7B	4.9%	$4,789,305	$150.99	7.3%	$155.92	118	7.4%

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Sale Trends

United States Retail

STRIP CENTER SALES

	Completed Transactions (1)						Market Pricing Trends (2)		
Year	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2029	-	-	-	-	-	-	$285.86	194	6.9%
2028	-	-	-	-	-	-	$279.01	189	6.9%
2027	-	-	-	-	-	-	$272.02	184	7.0%
2026	-	-	-	-	-	-	$264.40	179	7.0%
2025	-	-	-	-	-	-	$257.49	175	7.0%
YTD	351	$409.3M	0.6%	$2,088,391	$192.16	7.4%	$256.76	174	6.9%
2024	1,875	$3B	2.7%	$2,388,164	$224.91	6.9%	$255.84	173	6.9%
2023	1,993	$3B	3.0%	$2,239,403	$202.07	6.8%	$250.63	170	6.9%
2022	2,865	$5.2B	4.6%	$2,425,366	$212.13	6.5%	$244.82	166	6.8%
2021	2,918	$4.8B	4.5%	$2,247,603	$199.02	7.2%	$232.76	158	6.8%
2020	2,060	$2.3B	2.9%	$1,702,819	$167.07	7.4%	$218.93	148	7.0%
2019	2,591	$3.4B	3.9%	$2,001,451	$179.49	7.5%	$210.13	142	7.1%
2018	2,986	$3.6B	4.6%	$1,892,172	$170.80	7.4%	$201.71	137	7.2%
2017	3,177	$3.8B	4.8%	$1,992,629	$172.07	7.5%	$196.61	133	7.2%
2016	2,973	$3.8B	4.6%	$1,864,494	$169.96	7.5%	$192.94	131	7.1%
2015	3,078	$4.1B	4.9%	$1,819,643	$164.25	7.5%	$190.83	129	7.0%
2014	2,749	$3.3B	4.4%	$1,638,232	$153.15	7.9%	$177.02	120	7.3%

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.
(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred. The price index is not smoothed.

GENERAL RETAIL SALES

	Completed Transactions (1)						Market Pricing Trends (2)		
Year	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2029	-	-	-	-	-	-	$295.44	198	7.0%
2028	-	-	-	-	-	-	$288.41	193	7.1%
2027	-	-	-	-	-	-	$281.23	188	7.1%
2026	-	-	-	-	-	-	$273.40	183	7.1%
2025	-	-	-	-	-	-	$266.37	179	7.1%
YTD	4,656	$4.9B	0.5%	$1,624,567	$235.82	6.7%	$266.03	178	7.1%
2024	33,292	$36.3B	3.2%	$1,628,519	$247.40	6.6%	$265.31	178	7.0%
2023	33,242	$35.6B	3.3%	$1,606,312	$246.58	6.4%	$260.11	174	7.0%
2022	42,858	$56.8B	4.5%	$1,776,953	$251.95	5.9%	$254.37	170	6.9%
2021	47,829	$56.2B	5.1%	$1,655,448	$233.29	6.3%	$243.62	163	6.9%
2020	34,723	$34.3B	3.5%	$1,406,442	$204.27	6.7%	$230.57	155	7.0%
2019	40,053	$41.1B	4.2%	$1,565,635	$218.12	6.7%	$222.11	149	7.1%
2018	41,982	$37B	4.3%	$1,421,917	$202.20	6.7%	$213.77	143	7.2%
2017	40,152	$33.3B	4.1%	$1,432,500	$198.30	6.6%	$208.45	140	7.2%
2016	40,914	$36.9B	4.1%	$1,365,535	$194.85	6.6%	$203.67	136	7.2%
2015	38,753	$36.1B	4.0%	$1,329,596	$190.94	6.8%	$201.20	135	7.1%
2014	36,261	$31.8B	3.9%	$1,239,806	$173.49	7.2%	$186.18	125	7.4%

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.
(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred. The price index is not smoothed.

Sale Trends

United States Retail

OTHER SALES

	Completed Transactions (1)						Market Pricing Trends (2)		
Year	Deals	Volume	Turnover	Avg Price	Avg Price/SF	Avg Cap Rate	Price/SF	Price Index	Cap Rate
2029	-	-	-	-	-	-	$277.94	178	6.8%
2028	-	-	-	-	-	-	$270.73	173	6.8%
2027	-	-	-	-	-	-	$263.42	168	6.9%
2026	-	-	-	-	-	-	$255.11	163	6.9%
2025	-	-	-	-	-	-	$248.43	159	6.9%
YTD	20	-	0.1%	-	-	-	$249	159	6.8%
2024	32	$149M	1.8%	$7,095,938	$93.79	7.3%	$248.41	159	6.8%
2023	46	$259.1M	2.9%	$11,266,576	$180.39	5.7%	$246.91	158	6.7%
2022	50	$165.6M	1.1%	$4,246,504	$179.49	5.6%	$242.72	155	6.6%
2021	50	$127.1M	1.9%	$4,101,377	$121.33	6.7%	$232.06	148	6.6%
2020	26	$133.9M	2.3%	$6,378,486	$142.98	6.9%	$220.94	141	6.7%
2019	74	$556.9M	3.2%	$9,438,697	$220.14	5.6%	$213.47	137	6.9%
2018	68	$239.6M	2.6%	$4,520,664	$136.94	5.6%	$204.66	131	6.9%
2017	55	$187.9M	2.7%	$5,695,169	$121.97	7.4%	$201.36	129	6.9%
2016	70	$336.7M	2.8%	$7,319,920	$181.10	6.8%	$197.95	127	6.9%
2015	55	$940.8M	4.8%	$18,815,413	$307.57	6.6%	$196.89	126	6.7%
2014	47	$391.7M	2.8%	$10,043,033	$216.73	7.2%	$183.39	117	7.0%

(1) Completed transaction data is based on actual arms-length sales transactions and levels are dependent on the mix of what happened to sell in the period.

(2) Market price trends data is based on the estimated price movement of all properties in the market, informed by actual transactions that have occurred. The price index is not smoothed.

Retail Real Estate: What Became of the Retail Apocalypse?

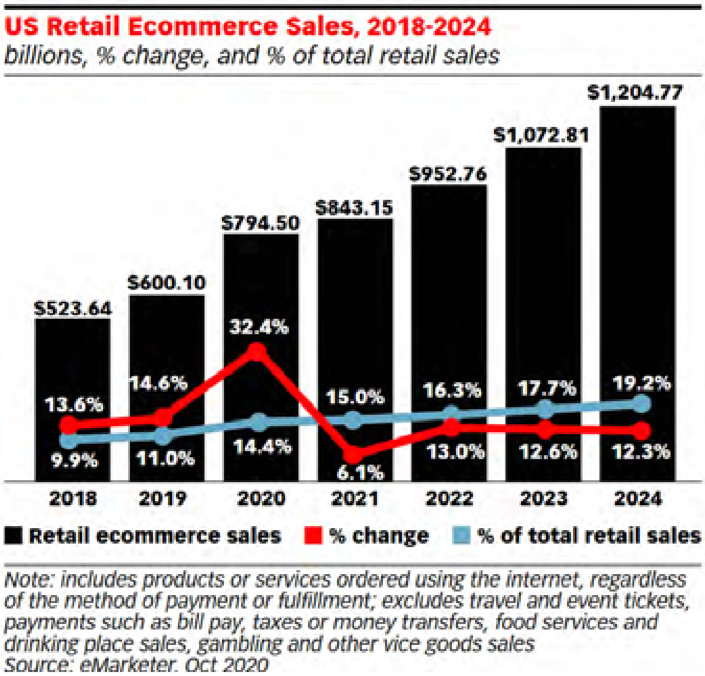
By Harold Bordwin & Chris Katchadurian

For much of the past decade, the phrase "retail apocalypse" has loomed large over the retail real estate industry, conjuring images of abandoned malls, shuttered department stores, and the seemingly relentless expansion of e-commerce. The term gained traction around 2017, when a surge in store closures and high-profile bankruptcies [1] fueled fears that traditional retail was in an irreversible decline. Today the reality is different: brick-and-mortar retail has not only stabilized but is also showing remarkable resilience and adaptation. With historically low vacancy rates (4.2% as reported by CoStar), strong consumer spending, and shifting market dynamics, retail real estate remains an important real estate asset class. This article explores the state of retail real estate and what lies ahead.

It should be noted that this article talks about retail real estate at a very high level. Retail real estate varies not only by location, location, location but also by property type (e.g., mall vs neighborhood center vs power center vs strip center vs CBD (central business district), etc.). In addition, various real estate data sources compile their information differently so that while there may be discrepancies between the conclusions reported by different sources on vacancy rates or Cap Rates, for instance, the general trends referenced herein are consistent.

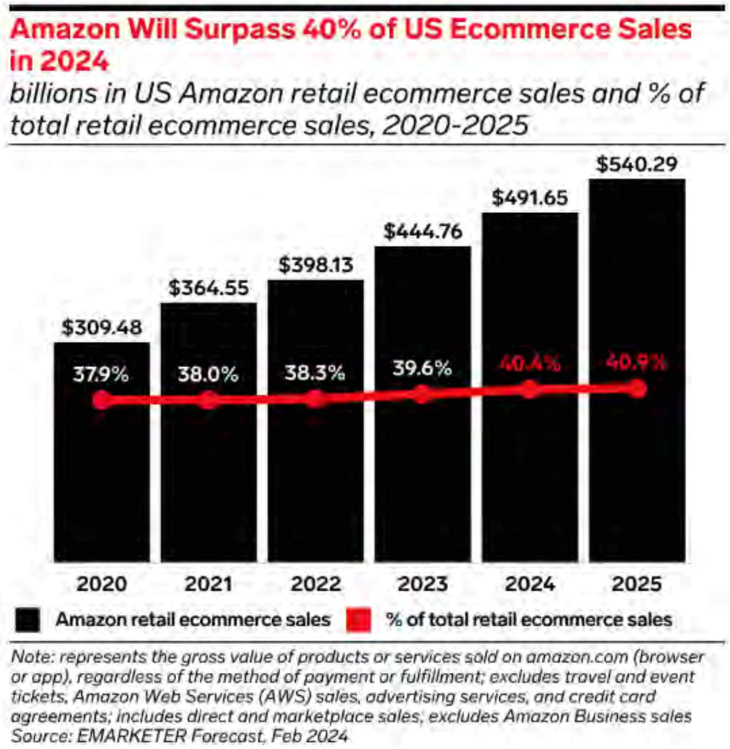
The Origins of the Retail Apocalypse

The "retail apocalypse" narrative stemmed from a confluence of factors. The rise of e-commerce, led by Amazon, fundamentally changed how consumers shopped. As demonstrated in the following charts: **A.** ecommerce sales have continued to grow both in absolute terms and as a percentage of total retail sales, and **B**. Amazon has continued to increase market share.



Source: US Retail Ecommerce Sales 2018-2024

[1] For a running list of major retail bankruptcies since 2017, see "The running list of major retail bankruptcies"



Source: [Amazon Will Surpass 40% of US Ecommerce Sales This Year]

Convenience, price competition, and an expanded product selection have made online shopping an attractive alternative to visiting physical stores. These challenges to brick & mortar retail were exacerbated by years of overexpansion among major retail chains. Many brands had saturated markets with excessive locations, often financed with unsustainable debt, leading to a wave of closures when economic conditions shifted.

As the last decade was ending, retail stalwarts such as Toys R Us (filed Chapter 11 on 9/2017), Sears (filed Chapter 11 on 10/2018), and J.C. Penney (filed Chapter 11 on 5/2020), amongst others, were in decline and facing mounting financial distress. A shift in consumer behavior toward experiences over goods—along with the aftermath of the 2008 financial crisis—dampened sales for traditional retail giants.

In the United States, per capita retail space had reached an unsustainable peak, far surpassing other developed nations. At its peak in 2009, retail space per capita was 56.5 s.f. This peak of over-construction, coinciding with the Great Financial Crisis (GFC), ultimately led to a construction slowdown and an increase in retail vacancies [2], which peaked in 2020 at approximately 7.6%. [3] "For most of the 2000s, the U.S. was adding around 2.5% to its existing shopping-center space each year through new construction, according to Green Street. But this has slowed to around 0.5% for more than a decade, despite population growth."[4] For example, as of 4Q24, 10.6 million s.f. of retail space was under construction whereas in 2019, 20 million s.f. of retail was under construction. [5] In light of inflation's impact on construction materials and labor costs – and the implications of further cost increases associated with tariffs – the likelihood of a flood of new retail real estate construction remains low.

Since 2020, the retail landscape has undergone substantial correction and realignment with a greater focus on optimizing store footprints, enhancing in-store experiences (i.e., where retail spaces serve as destinations for social interaction, fitness, and lifestyle services beyond traditional shopping activities), and integrating digital channels to create a seamless customer journey. Combined with a decrease in the construction of new shopping centers (in 2024, only 8.3 million s.f. of new shopping center space was added—the lowest annual increase on record [6]), the result has been that on a per capita basis, the U.S. now has 54.3 s.f. of retail space per person. [7]

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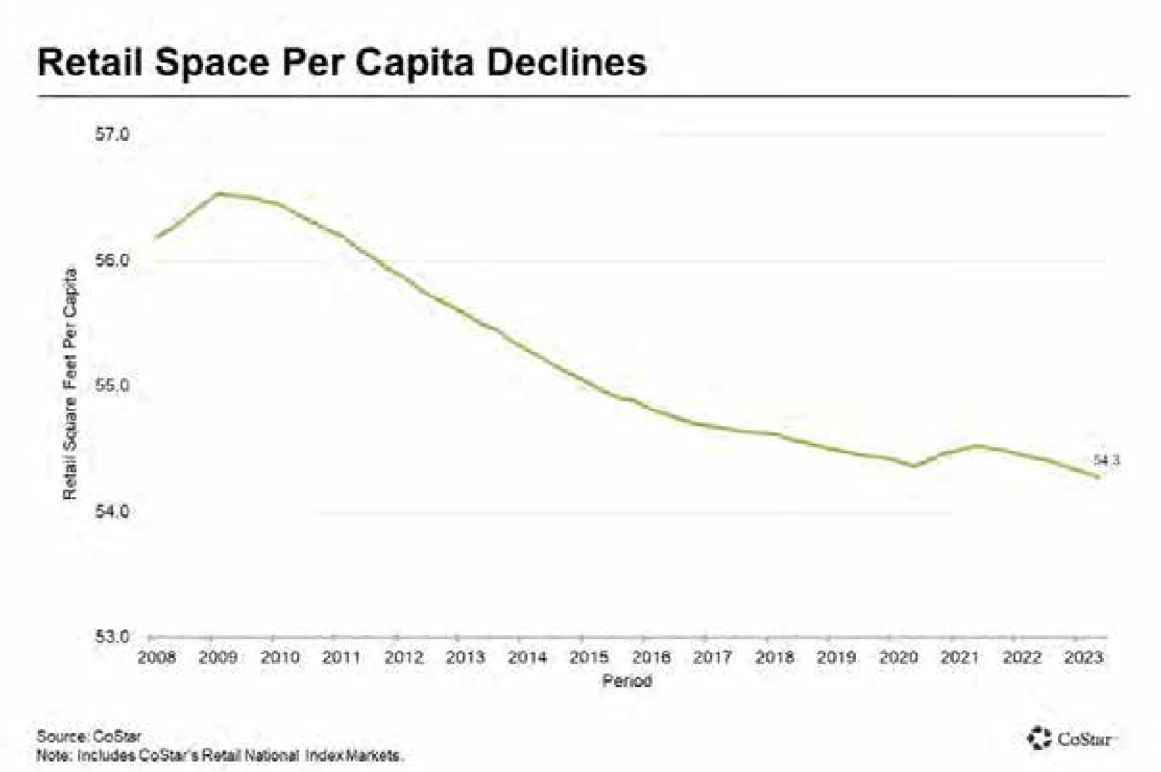
[2] Colliers, "The Retail Shift: Exploring Historical Changes in Store Footprints"
[3] NAR, Commercial Real Estate Market Insights February 2024 PDF
[4] https://www.wsj.com/real-estate/commercial/retail-is-fashionable-with-property-investors-again-but-only-the-unflashy-kind-58aedd3e
[5] The retail apocalypse never happened & C&W 4Q2024 Retail Report
[6] Cushman & Wakefield, "US Shopping Center Marketbeat Report."
[7] Globest, "Retail Space Per Capita Hits a Multi-Decade Low"



A New Era: Retail Vacancy at Historic Lows

Contrary to fears of widespread retail collapse, recent data points to a robust resurgence in physical retail. The U.S. retail vacancy rate has fallen to historic lows, hitting just 5.3% in 2Q24, the lowest level in two decades. [8] By 3Q24, this figure had declined further to 4.1%, remaining steady for three consecutive quarters. [9] (CoStar, as of March 2025, is reporting the overall vacancy rate at 4.2%.) For instance, mall operator Simon Property Group reported in 4Q 2024 a 96.5% occupancy rate across its portfolio, the highest in eight years. [10]

This reduction in vacancy rates is largely due to a combination of reduced new construction, adaptive reuse of existing spaces, and strong consumer demand for in-person shopping experiences. The adaptive reuse/repurposing of vacant retail space has helped maintain demand and reduce vacancies. Landlords have converted vacant space into mixed-use developments (creating a combination of residential, hospitality and retail uses), into co-working spaces, entertainment hubs, medical centers[11] and even logistics centers supporting e-commerce operations.

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[8] CRE Daily, "US Retail Vacancy Rate Hits Lowest Level in 20 Years."
[9] Colliers, "US Retail Market Statistics Q3 2024."
[10] Simon Property Group, "Q4 2024 Financial Results."
[11] See, for example, https://www.latimes.com/business/story/2025-03-12/dentists-are-moving-into-the-mall

The Consumer Resilience Factor

One of the biggest drivers of retail real estate's resilience has been the unexpected, continuing strength of the American consumer. Government stimulus programs during the COVID-19 pandemic injected nearly $2.1 trillion into households, creating a surge in spending. Although these excess savings have, as of May 2024, been largely depleted, consumer spending has remained robust. [12] This is largely attributable to the strong labor market (the unemployment rate as of 12/31/2024 was 4.1% [13]) and rising wages. [14]

America's gross domestic product (GDP), 68.2% of which is comprised of consumer spending [15], has increased annually since 2021, as follows:

- → $23.2 trillion in 2021,
- → $25.45 trillion in 2022,
- → $27.36 trillion in 2023, and
- → $28.1 trillion in 2024.

The 2024 holiday season alone saw retail sales reach a record $994.1 billion, up 4% year-over-year. [16] Categories like off-price retail and discount segments, on the one hand, and luxury, on the other hand, have performed exceptionally well, indicating that consumers are still engaging with physical stores, albeit with altered preferences. The growth of the off-price segment suggests that consumers remain price-conscious, actively seeking deals while still valuing in-person shopping experiences. Meanwhile, luxury retail's performance underscores both the spending resilience among higher-income consumers as well as the sector's ability to drive foot traffic into malls and shopping districts.

Concerns do exist about the American consumer's ability to keep shopping. Notably, the American consumer is not a monolith. Spending by the top 10% of income earners is probably not at risk. Continued spending by lower income consumers, however, will largely depend upon a continued strong labor market. By 2019, total consumer debt had surpassed pre-GFC levels. As of 4Q24, household debt reached $18.04 trillion, a — approximately $4 trillion higher than in 2019. [17] Credit card debt reached a record $1.21 trillion as of 4Q24, growing by $45 billion from 3Q24. [18] Credit card delinquencies are rising: 5.78% of balances were 90+ days past due in 3Q24, up from 3.69% a year earlier. [19]

The overall financial health of American households combined with consumer confidence levels – and thus consumers' ability and willingness to keep spending in the face of uncertain economic policies, tariffs, interest rates, inflation, stock market, etc., will affect the future of retailers and thus retail real estate. [20] As of the week that this article was completed, The Wall Street Journal reported that

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[12] Federal Reserve Bank of San Francisco, "Pandemic Savings Are Gone—What's Next for US Consumers?"
[13] U.S. Bureau Of Labor Statistics, Unemployment Rate as of December 2024
[14] U.S. Bureau of Labor Statistics
[15] FRED, "Shares of gross domestic product: Personal consumption expenditures"
[16] The Lane Report, "2024 Retail Sales Set Records for Holiday Season."
[17] New York Fed, "Household Debt and Credit Report."
[18] Consumer Affairs, "Credit-card debt hit record $1.21 trillion after unusual holiday unptick in 2024"
[19] New York Fed, "Credit Card Delinquency Report, Q3 2024."
[20] WSJ, "Things are quiet in consumer credit. Too Quiet"

"Consumer Angst Is Striking All Income Levels: Signs of weakness are showing up in spending on everything from basics to luxuries".[21]

Shifts in Retail Space Utilization

Beyond consumer behavior, another critical factor reshaping retail real estate is how space is being used. Malls, once written off as relics, are seeing a revival as major brands reposition themselves within them. Luxury brands, for instance, have doubled down on mall locations, with 48.5% of new luxury store openings between mid-2023 and mid-2024 occurring in malls. [22] Furthermore, anchor tenants like Macy's, while still struggling, are consolidating their footprints to optimize profitability.

Retailers are also increasingly integrating e-commerce into their physical locations. The concept of "omnichannel retail" has led to a rise in hybrid fulfillment models where brick-and-mortar stores double as distribution centers for online orders. This strategy not only enhances customer convenience but also reinforces the necessity of physical locations. [23]

Investment and Market Conditions

Keeping in mind that retail real estate market conditions depend on location and property type, overall, the industry remains in post-pandemic flux.

With respect to the dollar volume of annual retail real estate sales, CoStar has reported that the dollar volume of sales transaction leaped in 2021-22 in conjunction with the low-interest rate environment. Once interest rate hikes kicked in, the dollar volume of retail real estate sales dropped dramatically in 2023 and 2024, as detailed below:

- Pre-covid, 2014 – 2019, retail real estate sales were annually between approx. $61 - $73 billion;
- In 2020, retail real estate sales dropped to approx. $49 billion;
- In 2021, approx. $87 billion;
- In 2022, approx. $97 billion;
- 2023, approx. $54 billion;
- 2024, approx. $58 billion.

Increasing transaction volumes are important for the real estate market because transactions provide the market with pricing guidance and allow for the recycling of capital. As these records show, the $58 billion of retail real estate transactions in 2024 are approaching the pre-covid stabilized range of $61-73 billion of transaction volumes.

With respect to average Cap Rates, CoStar reports:

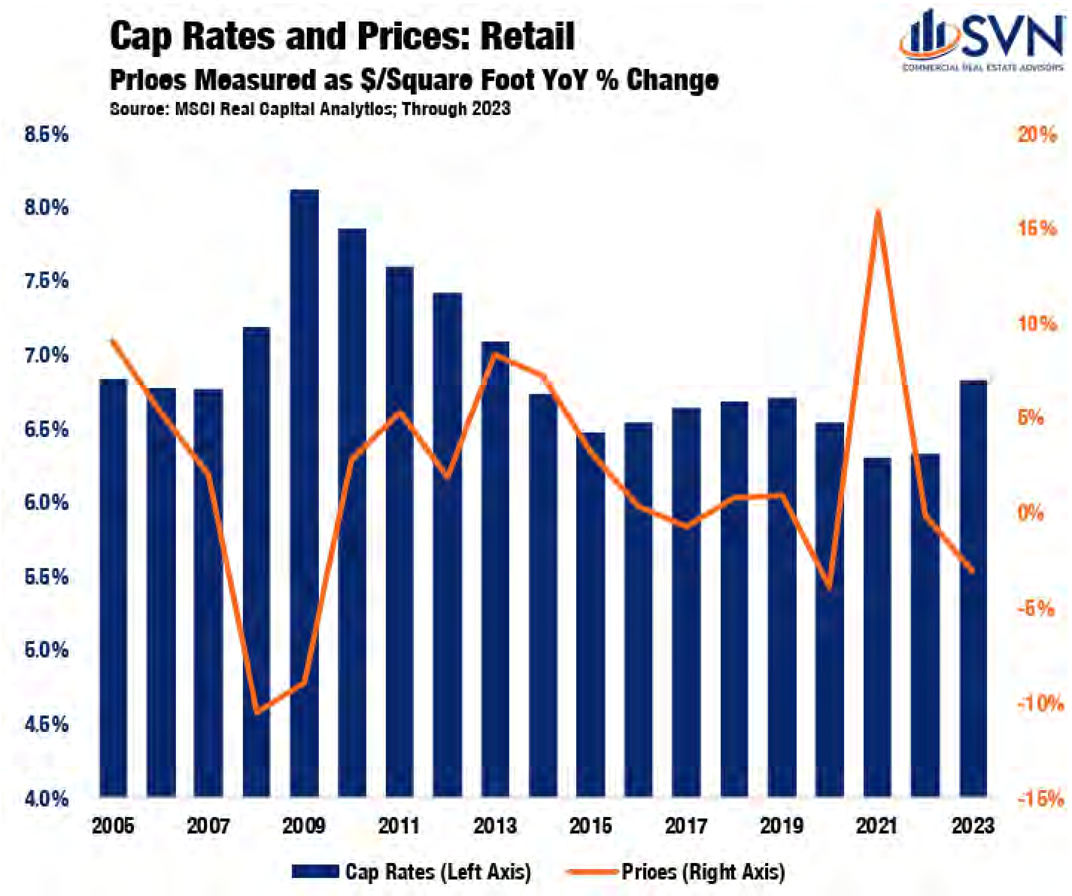
- From 2014 – 2019, the average Cap Rates ranged from 6.8% - 7.3%;

[21] Jinjoo Lee, Consumer Angst Is Striking All Income Levels, WSJ March 12, 2025
[22] S&P Global, "Luxury Brands Expanding in US Malls."
[23] McKinsey, "Reimagining the Role of Physical Stores in an Omnichannel Distribution Network."

- In 2020, the average Cap Rate was 6.7%;
- In 2021, the average Cap Rate was 6.4%;
- In 2022, the average Cap Rate was 6.0%;
- In 2023, the average Cap Rate was 6.5%; and
- In 2024, the average Cap Rate was 6.7%.

Keep in mind that the movement of Cap Rates is inverse to the movement of property valuations, i.e., when Cap Rates rise, valuations fall, and vice versa.

As compared to CoStar's [24]50-basis point increase, the largest annual rise since the 2008 financial crisis.



Source: SVN State of the Market Report 2024

By comparison, CBRE is forecasting a 24-basis point compression in retail cap rates from their 2024 peak by the end of 2025, signaling potential appreciation in property values. [25]

When looking at retail real estate by asset class, essential retail spaces—such as grocery-anchored shopping centers — have remained relatively stable. Investor demand is also focused on open-air shopping centers and well-located urban retail corridors, which benefited from low vacancy rates and limited new supply.[26] As of early 2025, prime urban retail locations continue to command strong valuations, supported by rising retail demand and renewed foot traffic.

Class A regional malls themselves have remained strong performers, as reflected in lower vacancy rates (see below chart) as well as in lower Cap Rates (i.e., higher values). According to Newmark's 2024 Mid-Year Market Survey, going-in cap rates vary significantly by mall class, as follows:

- Class A Regional Malls: 6.25%
- Class B Regional Malls: 10%
- Class C Regional Malls: 17%

Challenges Facing Retailers

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[25] CBRE Predicts Cap Rate Compression in 2025
[26] Financial Times, "Boom in US retail real estate defies prediction of ecommerce apocalypse"

Given the combination of competitive pressures and market conditions, research firm Coresight estimates that 15,000 stores will close in 2025, almost three times the number of projected openings. [27] Discount retailers, in particular, are under pressure, with brands like Dollar Tree considering a strategic review of Family Dollar following hundreds of closures in 2024. [28] The rise of ultra-low-cost e-commerce competitors, such as Shein and Temu, has further strained discount stores, leading to a 360% increase in closures within the sector. [29]

The Future of Retail Real Estate

As discussed, the health of the retail real estate industry is based upon the health of its rent-paying tenants, retailers; and the health of retailers is based upon the spending power of the American consumer. As of the writing of this article, American consumers seem to be pairing back their spending.

The retail industry has been evolving and continues to evolve. The risks from ecommerce continue as do the risks associated with tariffs, inflation and changing consumer preferences.

What is clear is that Americans like to shop, e-commerce remains a formidable force, and brick-and-mortar retail is not going away.

Real estate transaction volumes are slowly improving post-pandemic, providing clarity on pricing. When and by how much retail valuations improve (e.g., when and by how much Cap Rates drop), will be dependent upon a range of economic forces, not the least of which will be the timing of further Fed rate cuts, if any.

The "retail apocalypse" looked scary. The reality is that the retail real estate industry along with its retail tenants have evolved. The industry is sustainable.

[27] InStoreMag, "15,000 Store Closures Expected in 2025."
[28] Bloomberg, "Dollar Tree Considering Sale, Spinoff of Family Dollar."
[29] Bloomberg, "Shein's Growth is Hurting Discount Retailers as Store Closures Surge"

Faculty

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