



TRANSWESTERN

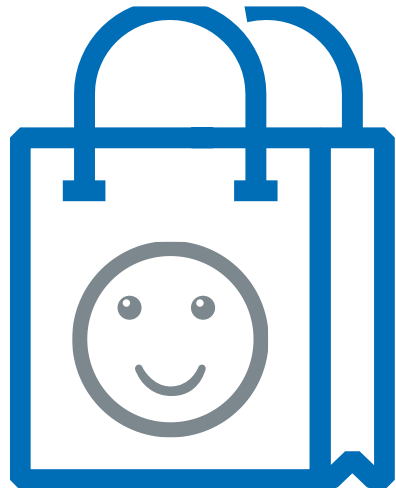
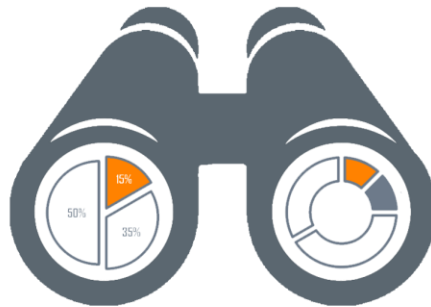
OPENING TIMES	
MON	9:00am - 5:30pm
TUE	9:00am - 5:30pm
WED	9:00am - 5:30pm
THU	9:00am - 5:30pm
FRI	9:00am - 4:00pm
SAT	9:00am - 4:00pm
SUN	9:00am - 5:30pm

COMMERCIAL REAL ESTATE

U.S. MARKET | Retail

Q4 2022

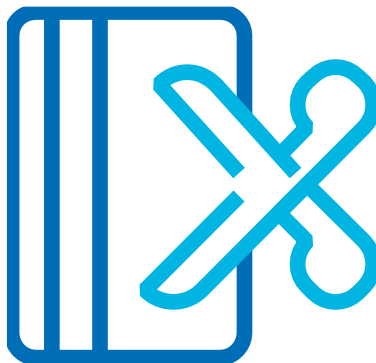
THE VIEW FROM HERE



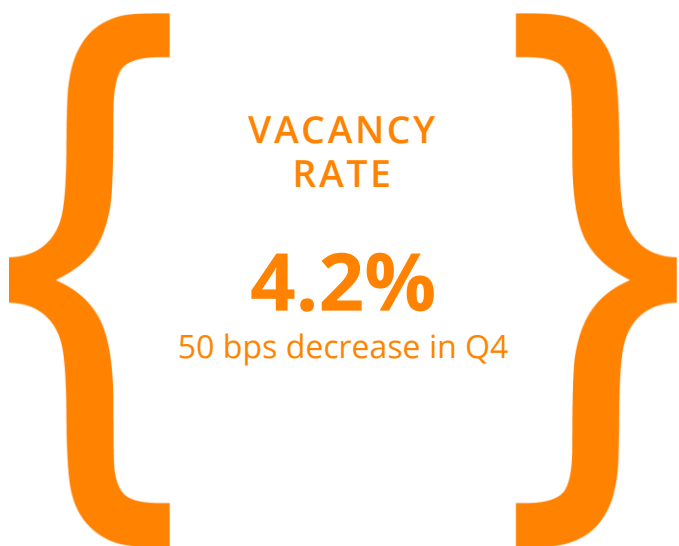
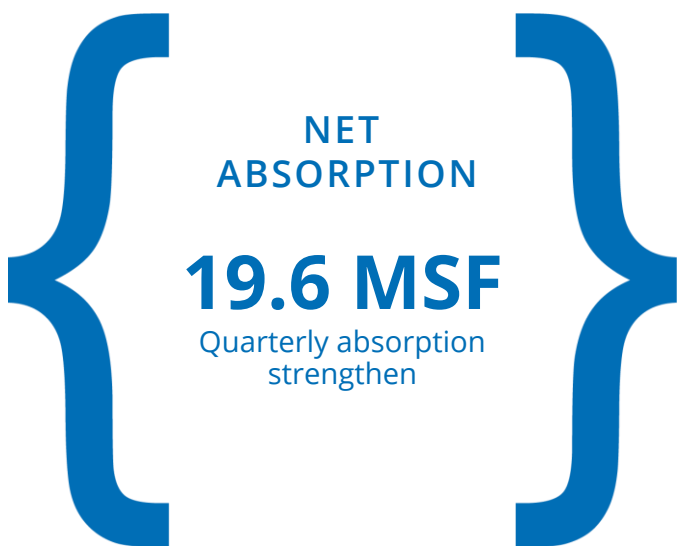
Retail's overall strong 2022 performance was aided by decelerating supply pipeline



Expect leasing to moderate due to economic slowdown with the exception of necessity-based retailers



Combination of inflation and rising interest rates is expected to result in slower consumer spending

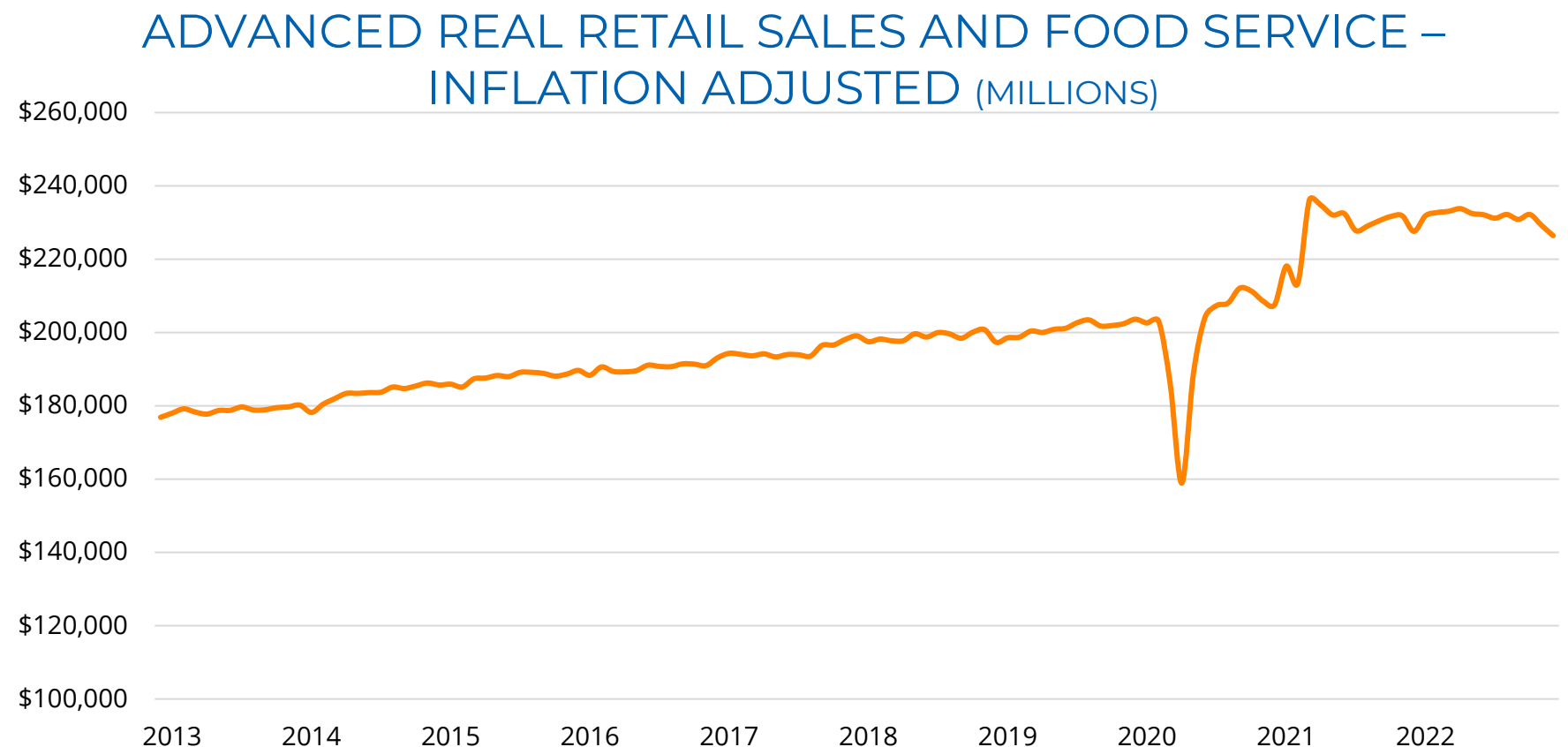
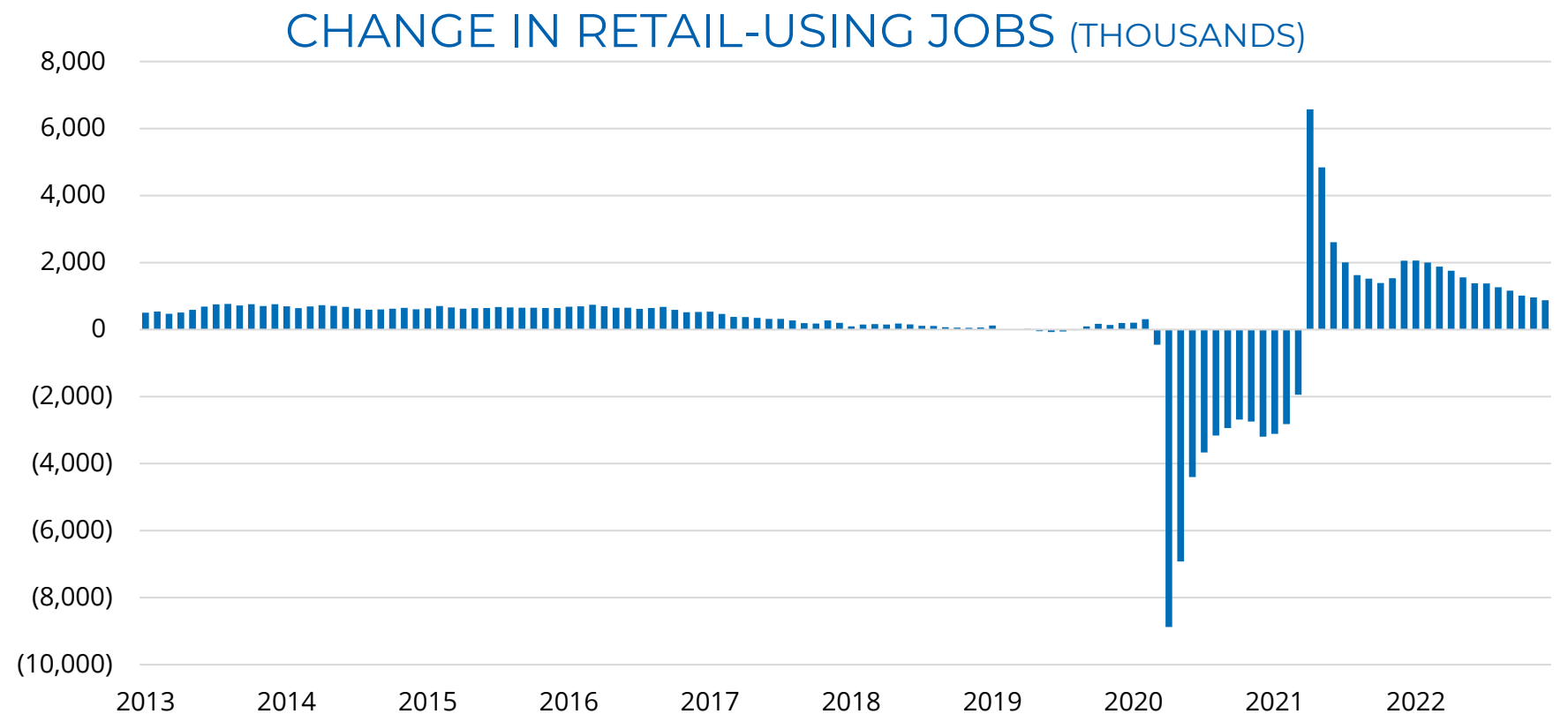


ECONOMIC HIGHLIGHTS

- Retail employment growth remains steady, as levels are nearing pre-pandemic totals. During Q4, retail-using jobs accounted for 16% of the total 954,700 jobs added during the quarter. This is on par with the pre-COVID historical average.
- The largest YoY increase in retail-using jobs was from the special food service sector (caterers, mobile food), which saw a 20% increase. This compares to a pre-pandemic historical average of 3%.
- Real retail sales totaled just over \$226 billion in December 2022, which is a -0.5% decrease YoY when adjusted for inflation. This compares to the pre-pandemic historical average increase of 1.9% YoY.
- Spending has taken a hit as the effects of high inflation, dwindling savings and warnings of a looming recession weighs on consumers. Inflation is starting to decelerate as the CPI was only 6.4% YoY in December, it's lowest since October 2021.
- Consumer debt has been rising, signaling that inflation is causing more people to borrow to pay for increasing costs. Household debt totaled \$16.9 trillion in Q4 2022, an 8.5% increase YoY. Specifically, credit card debt has surpassed pre-pandemic highs, increasing by 15% YoY to nearly \$1 trillion dollars.
- While upper and middle income brackets continue to have sufficient savings, lower income brackets have spent down most or all their savings from pandemic related stimulus and will potentially spend less.

Source: Bureau of Labor Statistics, FRED.

HISTORICAL



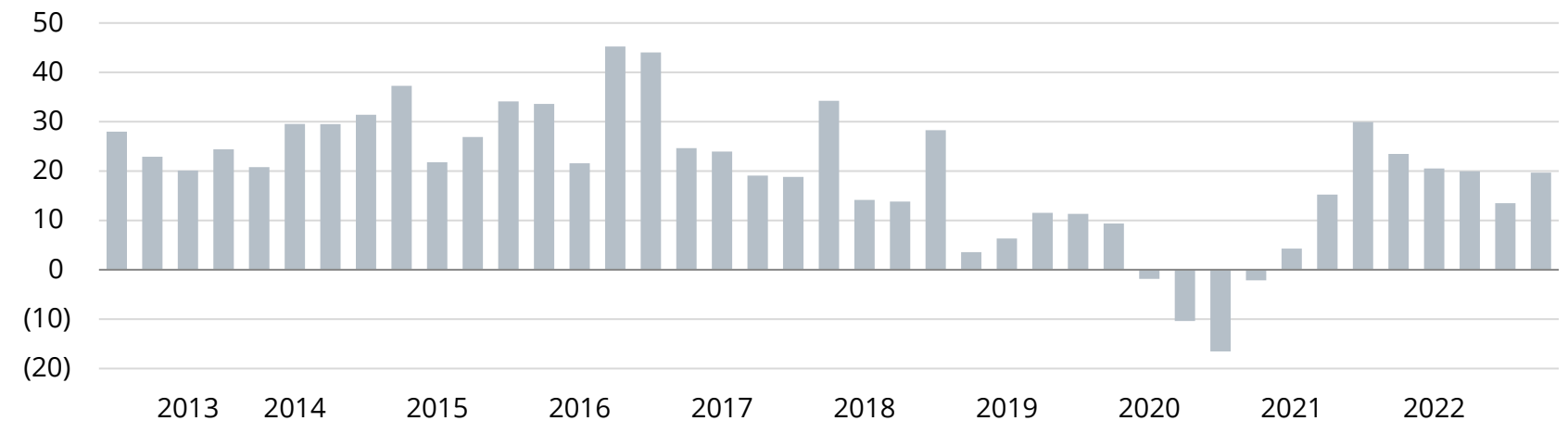
MARKET HIGHLIGHTS

- Net absorption was 19.6 million SF during Q4, marking the 8th consecutive quarter of positive net absorption as the retail market continues to recover.
- 28 out of 33 tracked markets registered positive net absorption, with several of the sun belt markets leading.
- The vacancy rate decreased 50 basis points to 4.2%, as leasing activity is still healthy and all retail categories except for malls had positive net absorption. Of note, the vacancy rate does not include first floor retail of commercial buildings, such as office or multifamily. If included, the average vacancy rate would be higher.
- Annual asking rents are up 4.2% YoY as retail demand has been steady and the vacancy rate is low enough to justify rent bumps after a slowing of rent growth in 2020.
- Retail deliveries decreased by 35% during the quarter but are up 13% YoY. Delivery of strip center property made up the largest share of the total, with 80% of square footage delivered.
- The total SF under construction declined 1.2% from the previous quarter yet is up 11% YoY. While the total amount of under construction retail space has increased over the year, starts on new projects have fallen to their lowest levels in decades. This is likely due to re-evaluation of post-pandemic retail demand as well as elevated construction pricing and longer lead times.

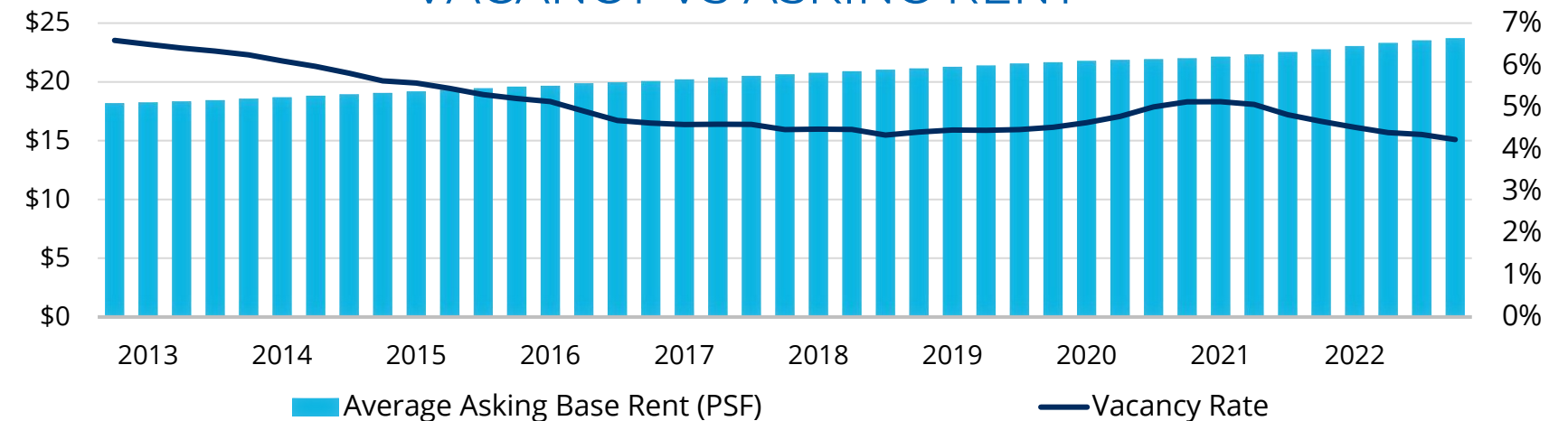
Source: CoStar

HISTORICAL

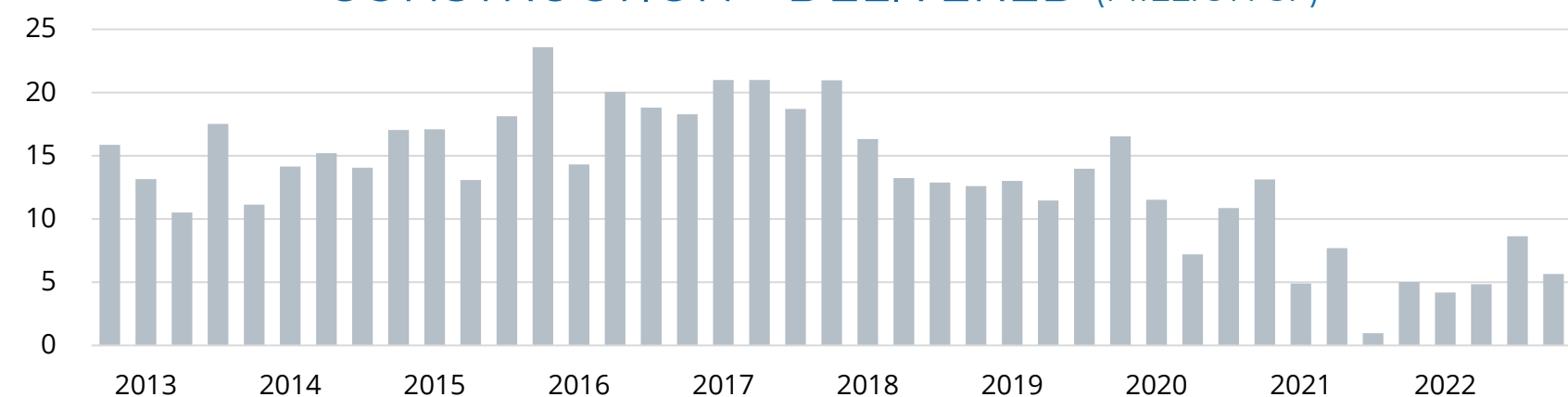
NET ABSORPTION (MILLION SF)



VACANCY VS ASKING RENT

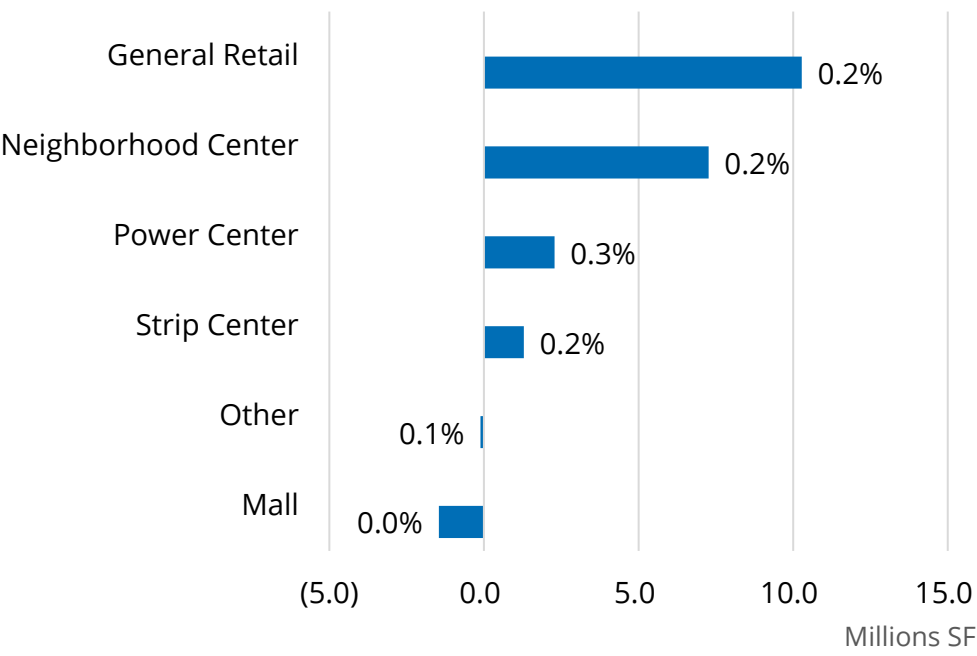


CONSTRUCTION – DELIVERED (MILLION SF)



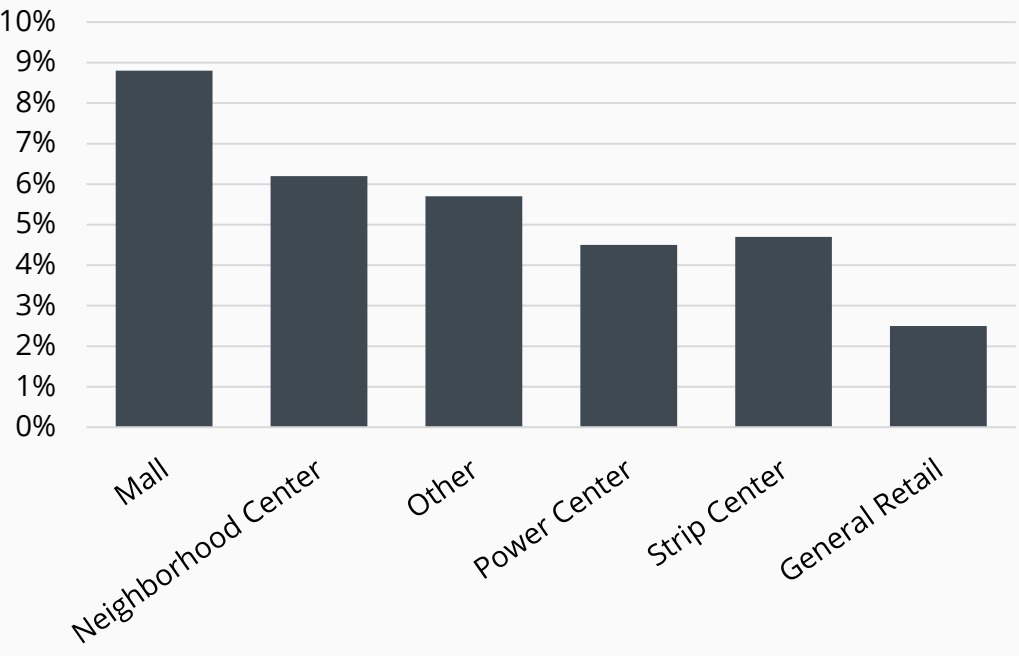
NET ABSORPTION

Q4 2022 Net Absorption and % of Stock



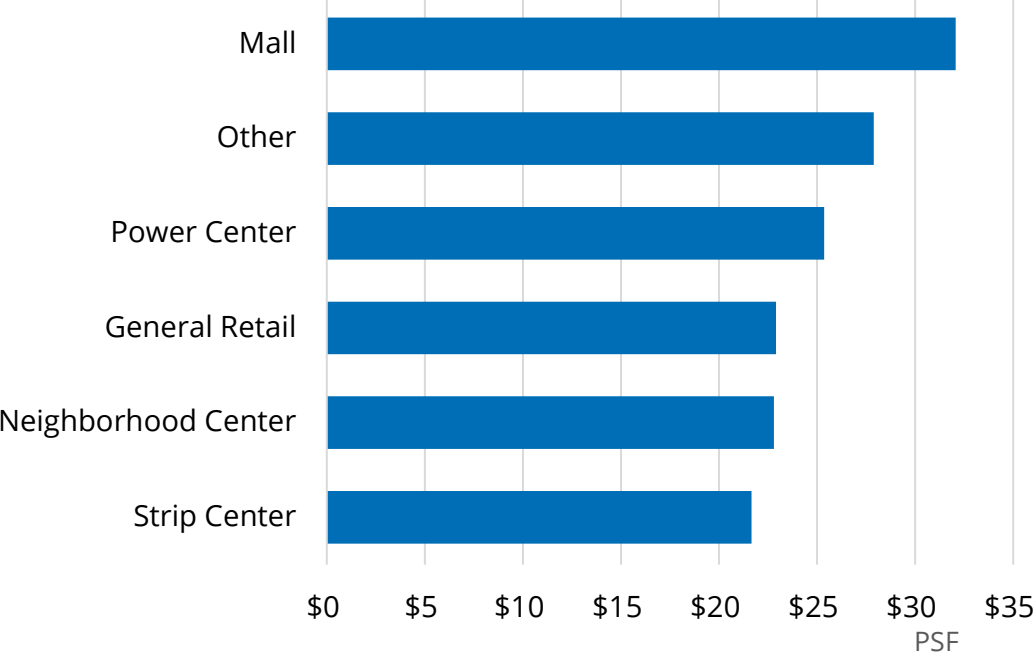
VACANCY/CONSTRUCTION

Q4 2022 Overall Vacancy Rate

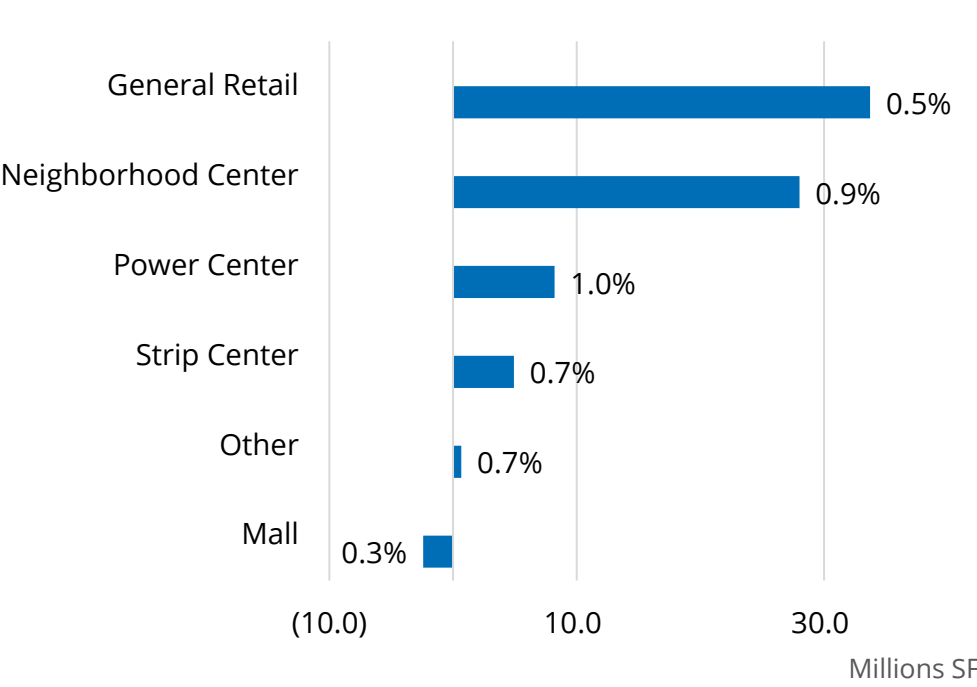


ASKING RENTS

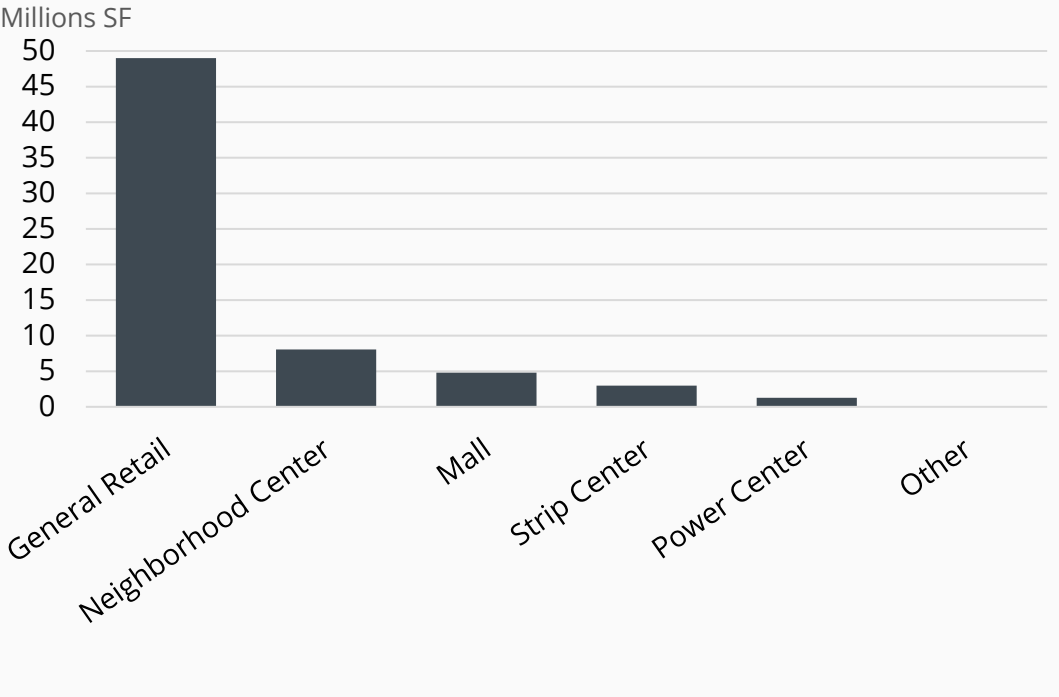
Q4 2022 Market Rent



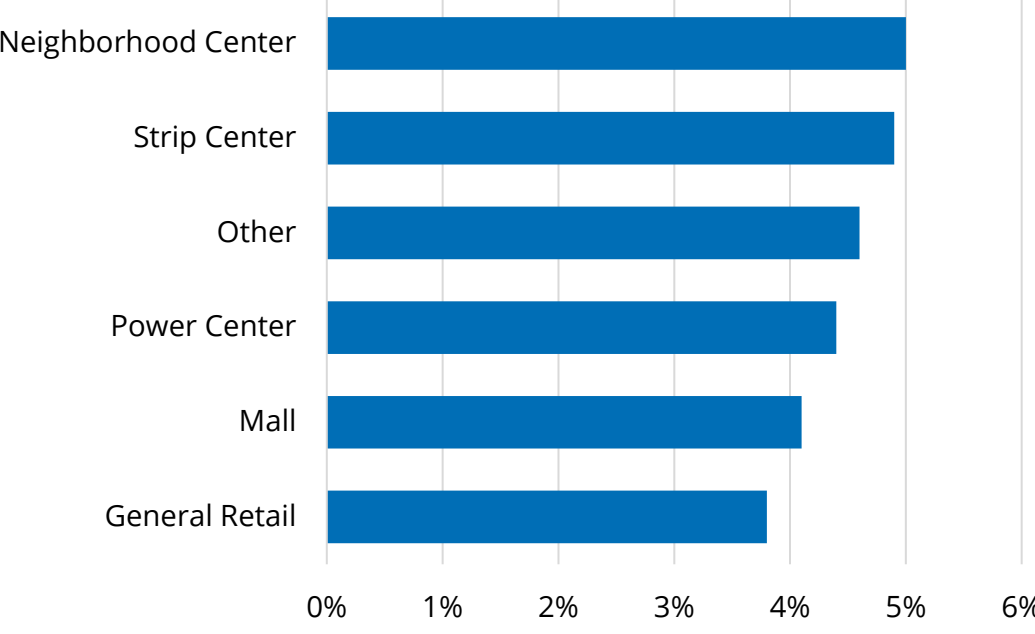
Trailing 4-Qtr Net Absorption and % of Stock



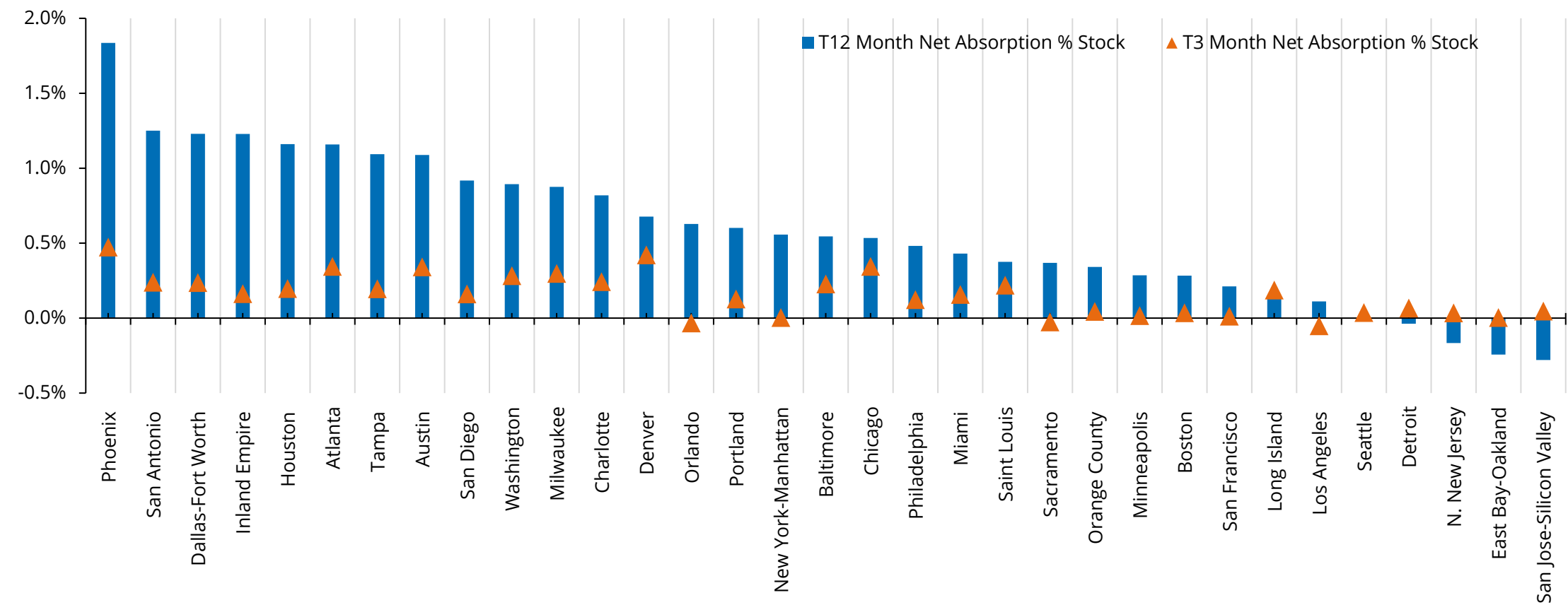
Q4 2022 Under Construction



Year-Over-Year Rent Growth

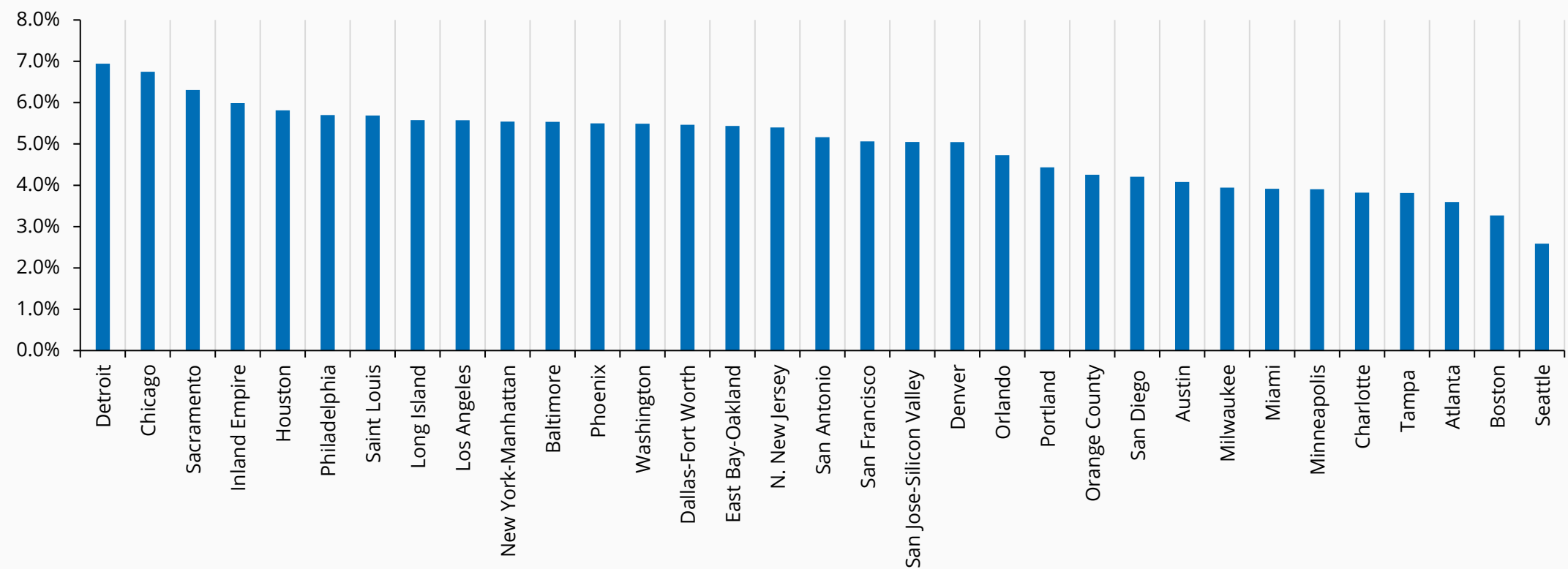


NET ABSORPTION % STOCK



- All but five of the 33 tracked markets registered positive net absorption over the past 12 months, led by Phoenix, San Antonio, and Dallas-Fort Worth.
- Roughly 90% of tracked markets posted positive net absorption during Q4.
- Markets where the quarterly net absorption outpaced the 12-month trailing included Long Island, Detroit, and Seattle

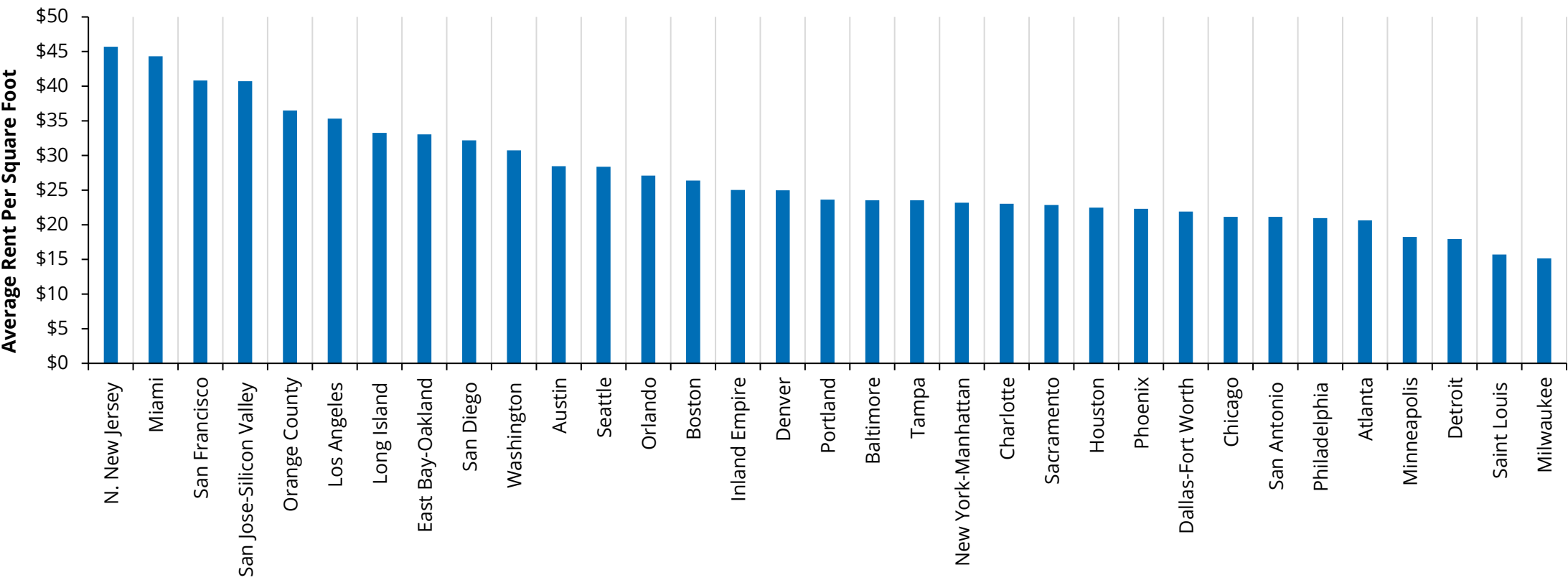
AVAILABILITY % STOCK



- Availability as a percent of stock can be a potential determinate of softening or tightening within a market.
- With demand rising and new supply minimal, availability rates declined in most markets tracked during the quarter, as demand for necessity-based retailers and quick service restaurants retained strength.
- The most notable YoY decline in availability occurred in Saint Louis, Phoenix, and Inland Empire, while San Jose saw a slight increase in availability.
- Regions with the largest availability as a percent of stock include Detroit, Chicago, and Sacramento.

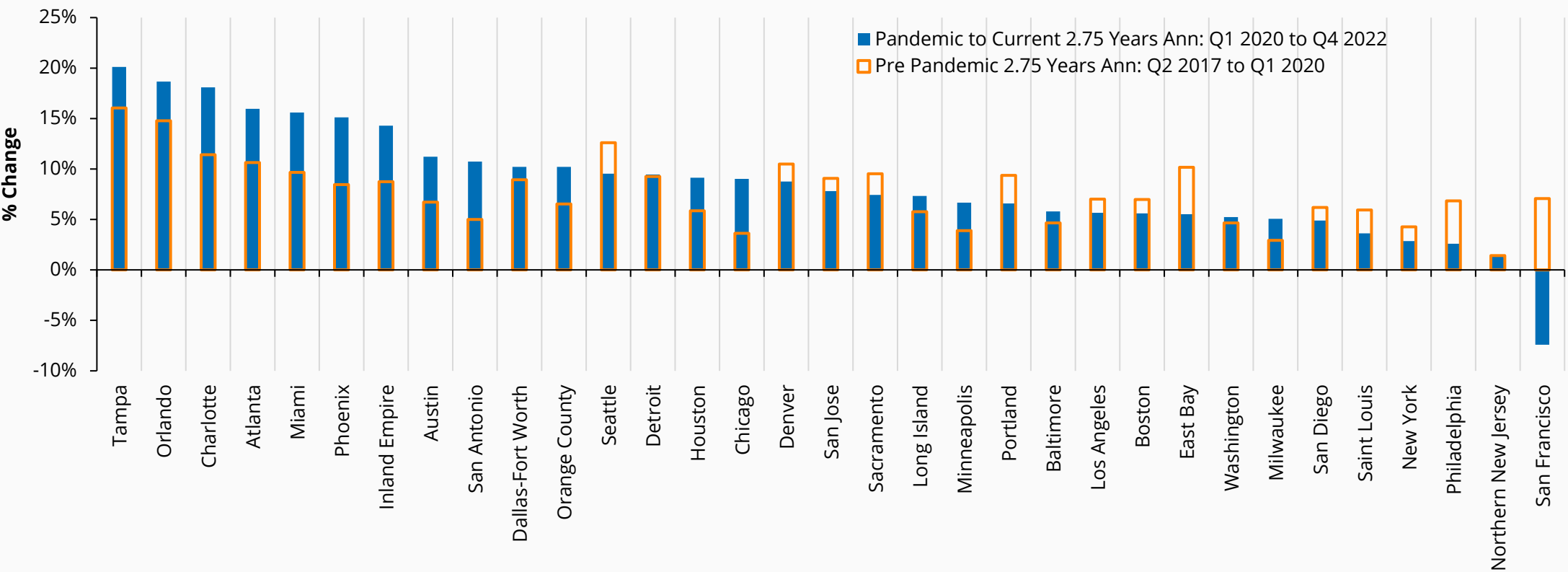
Source: CoStar

RENTAL RATES



- The largest, densest and most developed markets have historically commanded significantly higher rental rates, yet pandemic-related trends have diminished these markets' lead.
- Since the beginning of the pandemic, the most expensive market at the time, San Francisco has experienced the largest declines in rental rates at -4.2%. Northern New Jersey was the only region to have a rise in rental rate at 0.5%.
- Charlotte and Miami had the largest increase in rental rates YoY, up 9.9% and 9.7%, respectively

RENTAL RATE CHANGE: PRE-PANDEMIC vs PRE-PANDEMIC to CURRENT



- The highest rental rate growth since the start of the pandemic occurred in the South and Southwest as markets like Tampa, Orlando, and Charlotte have seen rents increase by 10% or more.
- Compared with pre-pandemic rental rate growth, markets experiencing the most relative lift were markets such as Miami, Phoenix, and Chicago.
- San Francisco was the only market where rental rates decreased since the pandemic started compared with pre-pandemic rental rates

Source: CoStar

Market	Inventory SF	Overall Vacancy Rate	Net Absorption	12-Month Net Absorption	Market Rent	Annual Rent Change	Under Construction
Atlanta	368,734,393	3.8%	1,273,424	4,271,338	\$20.63	6.3%	1,845,078
Austin	117,668,539	3.0%	402,388	1,280,477	\$28.45	5.2%	2,269,528
Baltimore	144,116,165	5.5%	329,409	785,963	\$23.54	4.3%	404,609
Boston	247,033,461	2.7%	87,540	700,093	\$26.38	5.1%	985,493
Charlotte	150,918,992	3.6%	366,987	1,235,814	\$23.04	8.6%	869,094
Chicago	582,893,676	5.5%	2,010,424	3,115,380	\$21.15	5.6%	2,439,180
Dallas-Fort Worth	456,262,350	4.7%	1,081,795	5,611,127	\$21.91	5.5%	3,771,159
Denver	158,889,753	4.1%	670,912	1,076,092	\$24.97	3.7%	755,726
Detroit	260,893,987	5.0%	176,815	-97,843	\$17.95	3.6%	607,757
East Bay-Oakland	124,474,642	5.3%	4,820	-302,631	\$33.04	1.8%	243,555
Houston	424,908,376	5.0%	836,685	4,933,193	\$22.47	4.7%	4,437,092
Inland Empire	199,217,256	5.9%	325,548	2,448,367	\$25.02	6.1%	1,117,061
Long Island	156,303,419	4.3%	292,588	200,576	\$33.26	2.3%	897,613
Los Angeles	141,102,471	3.0%	222,872	607,611	\$44.32	7.5%	3,391,043
Miami	113,956,984	3.6%	340,114	997,423	\$15.14	1.4%	153,836
Milwaukee	203,435,920	3.2%	34,335	581,130	\$18.24	2.8%	656,074
Minneapolis	368,734,393	3.8%	1,273,424	4,271,338	\$20.63	6.3%	1,845,078

Source: CoStar

Market	Inventory SF	Overall Vacancy Rate	Net Absorption	12-Month Net Absorption	Market Rent	Annual Rent Change	Under Construction
New York-Manhattan	622,591,965	4.1%	217,829	(1,035,354)	\$45.70	1.5%	3,052,423
Northern New Jersey	135,800,380	4.5%	5,383	756,257	\$23.18	1.2%	597,953
Orange County	144,265,591	4.2%	65,169	492,177	\$36.49	4.4%	72,569
Orlando	152,524,971	3.8%	(49,105)	958,087	\$27.09	9.5%	2,139,921
Philadelphia	336,897,786	4.5%	414,415	1,623,150	\$20.97	0.5%	1,146,425
Phoenix	238,017,483	5.3%	1,128,298	4,371,183	\$22.31	7.5%	1,827,397
Portland	124,565,321	3.4%	159,681	749,260	\$23.64	2.6%	638,681
Sacramento	110,847,855	5.7%	(28,193)	408,869	\$22.85	2.3%	553,079
Saint Louis	173,807,335	5.0%	382,399	652,100	\$15.71	2.7%	689,938
San Antonio	145,134,988	3.7%	347,300	1,814,959	\$21.14	4.2%	872,608
San Diego	138,464,057	4.0%	224,189	1,271,254	\$32.19	2.6%	542,688
San Francisco	82,865,316	5.4%	11,138	175,444	\$40.82	-4.4%	92,500
San Jose-Silicon Valley	80,082,220	4.5%	37,581	(224,092)	\$40.72	3.3%	254,739
Seattle	178,806,286	2.7%	67,102	(10,773)	\$28.37	3.2%	538,279
Tampa	172,727,661	3.1%	338,770	1,888,485	\$23.53	8.7%	833,241
Washington	267,910,506	4.8%	758,413	2,394,904	\$30.74	3.0%	1,706,385



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ABOUT TRANSWESTERN

The privately held Transwestern companies have been delivering a higher level of personalized service and innovative real estate solutions since 1978. Through an integrated, customized approach that begins with good ideas, the firm drives value for clients across commercial real estate services, development, investment management, and opportunistic endeavors for high-net-worth investors. Operating from 33 U.S. offices, Transwestern extends its platform capabilities globally through strategic alliance partners whose unique geographic, cultural, and business expertise fuels creative solutions. Learn more at transwestern.com and @Transwestern.

RESEARCH METHODOLOGY

The information in this report is a compilation of single and multi-tenant retail properties located in select U.S. metropolitan areas. Government-owned buildings are excluded from analysis. All rents are reported as NNN. The data excludes first floor retail of commercial buildings (i.e. office and multifamily).