



TRANSWESTERN

OPENING TIMES	
MON	8:00am - 5:30pm
TUE	8:00am - 5:30pm
WED	8:00am - 5:30pm
THU	8:00am - 5:30pm
FRI	8:00am - 4:00pm
SAT	8:00am - 4:00pm
SUN	8:00am - 5:30pm

Coffee

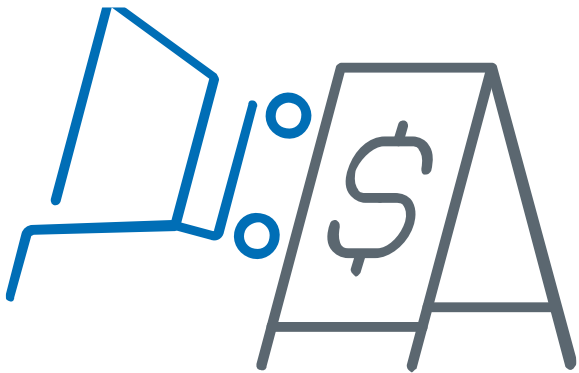
ESPRESSO		ESPRESSO	
AMERICANO	2.00 2.40	KAKAO	
CAPPUCCINO	2.80 3.50	KAKAO MIT	
ESPRESSO MACCHIATO	2.00 2.20	CHAI LATTE	
LATTE	2.40	EXTRA SAHM	
FLAT WHITE	3.20	EXTRA SHOT	
MILCHKAFFEE	3.80	EXTRA / SOU	
ESPRESSO	3.00	HOT CHOCO	

COMMERCIAL REAL ESTATE

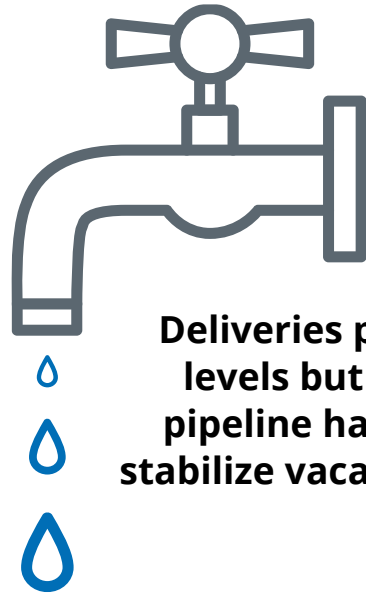
U.S. MARKET | Retail

Q2 2023

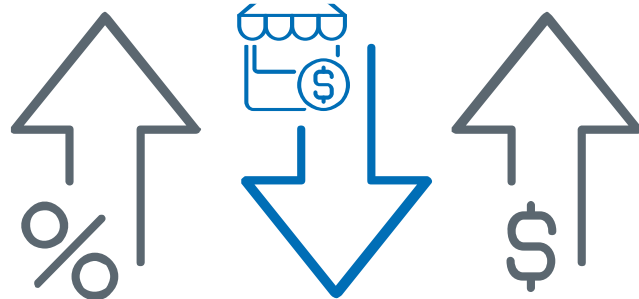
THE VIEW FROM HERE

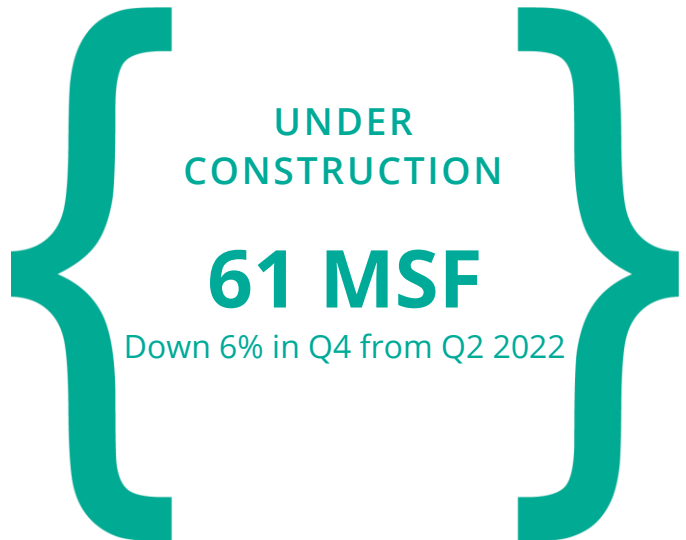
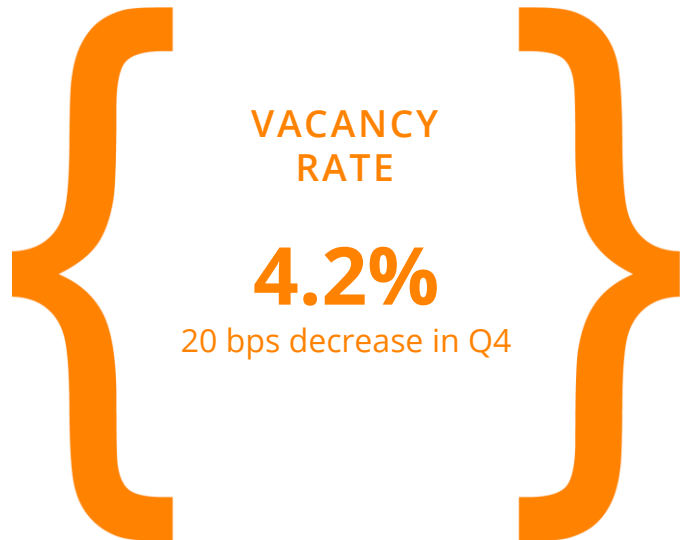
The resilient consumer will be tested in the coming months by a slowing economy and elevated prices



Deliveries picked up from 2022's low levels but the under-construction pipeline has slowed, which will help stabilize vacancy in the coming quarters



Rapid interest rate hikes has led to a marked slowdown in sale transactions and upward movement in cap rates

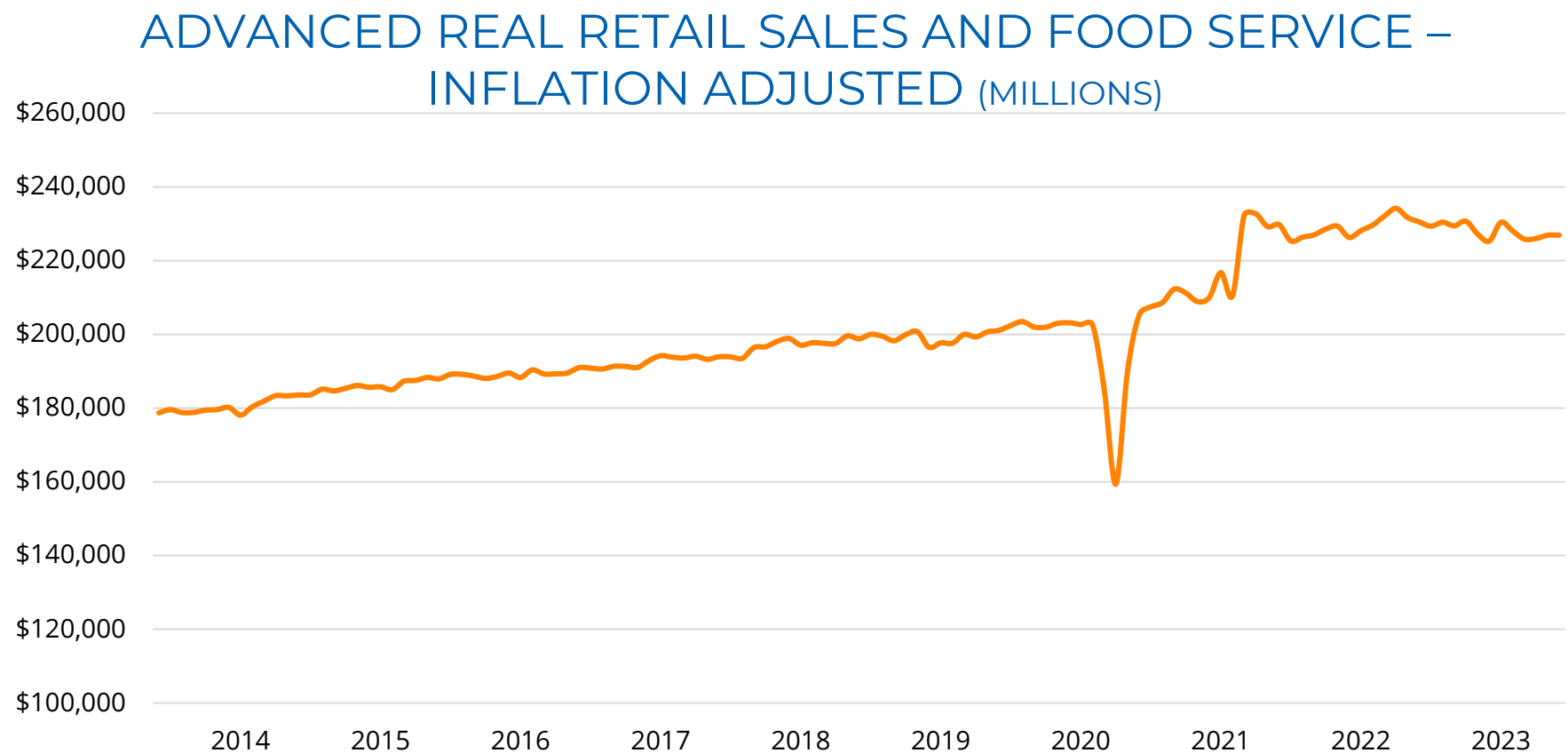
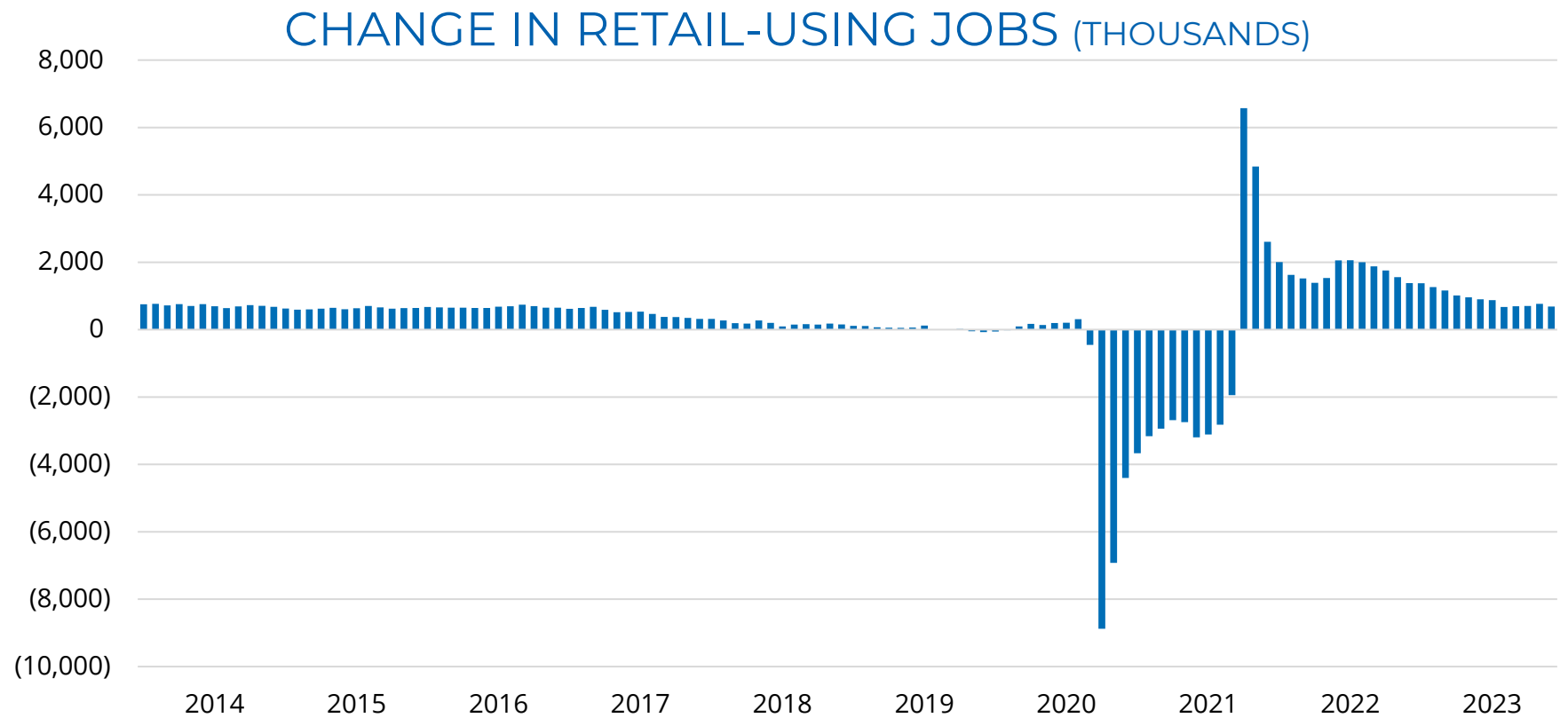


ECONOMIC HIGHLIGHTS

- Retail employment growth remains steady, as employment levels are nearly equal to pre-pandemic levels. During Q2, retail-using jobs accounted for 10.5% of the total 696,300 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 Food Services and Drinking Places, increasing by 4.7% to 12.27 million jobs. Food service employment is now at pre-pandemic levels, it's highest since January 2020.
- Real retail sales totaled \$226.9 billion in June 2023, which is a 1.6% decrease YoY when adjusted for inflation. June was the sixth consecutive month of a decline in retail sales and the last eight of nine months that spending decreased from the previous year.
- Spending continues to slow as consumer debt increased and ongoing interest rate hikes impacted households. Consumer debt increased by 5.6% YoY, and minus student loan debt by 6.4%. Credit card debt, for the first time in history, totaled over \$1 trillion in Q2. That was a 16.2% increase YoY.
- Consumer spending is likely to continue to decelerate as excess savings from the pandemic continues to be spent down, as that specific savings decreased to \$500 billion from approximately \$2.1 trillion in August 2021.
- One potential bright spot is that wage growth is now higher than inflation. Average hourly earnings increased by 4.4% YoY in June, while inflation was 3.1% giving consumers some additional spending power after many months where inflation was outstripping wage growth.

Source: Bureau of Labor Statistics, FRED.

HISTORICAL



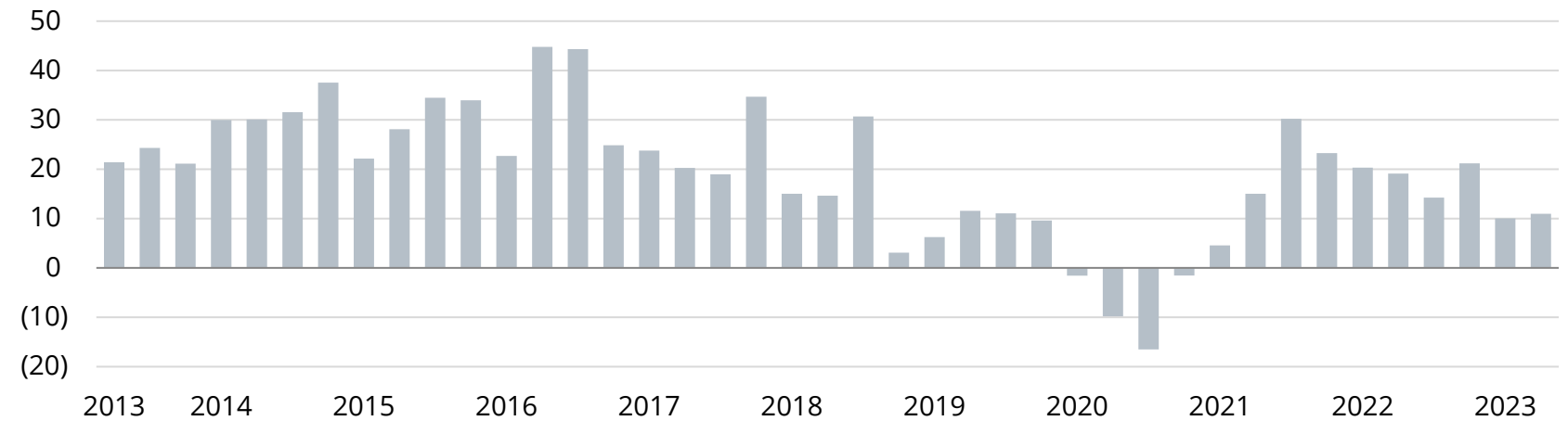
MARKET HIGHLIGHTS

- Net absorption was 10.9 million SF during Q2, marking the 10th consecutive quarter of positive net absorption in the U.S., showing the resiliency of the retail sector.
- 28 out of 33 tracked markets registered positive net absorption, with several of the sun belt markets leading.
- The vacancy declined YoY by 20 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 3.7% 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 slightly decreased during the quarter, by only 0.6%, but are up 120% YoY. Delivery of neighborhood center property recovered significantly YoY delivering a net 1.3 million SF.
- The total SF under construction declined 6% from the previous quarter and is down 5.7% YoY. Construction has declined for three consecutive quarters and remains near its lowest levels of the past decade.
- The reason for the decline is the significantly higher interest rates and reduced construction loan availability as regional and community banks are reducing or even stopping lending for development projects.

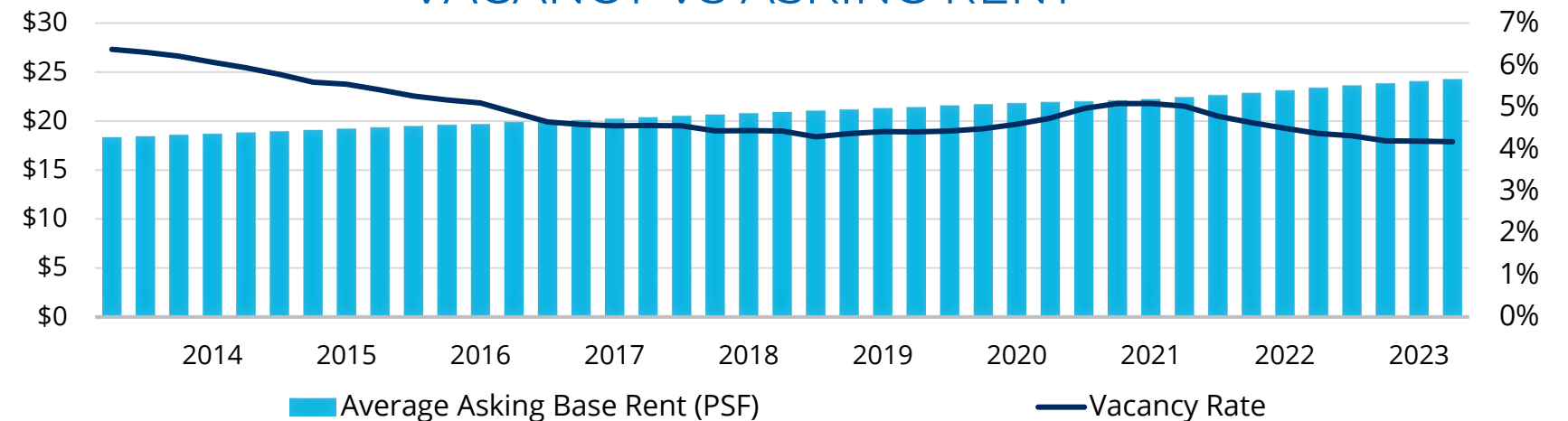
Source: CoStar

HISTORICAL

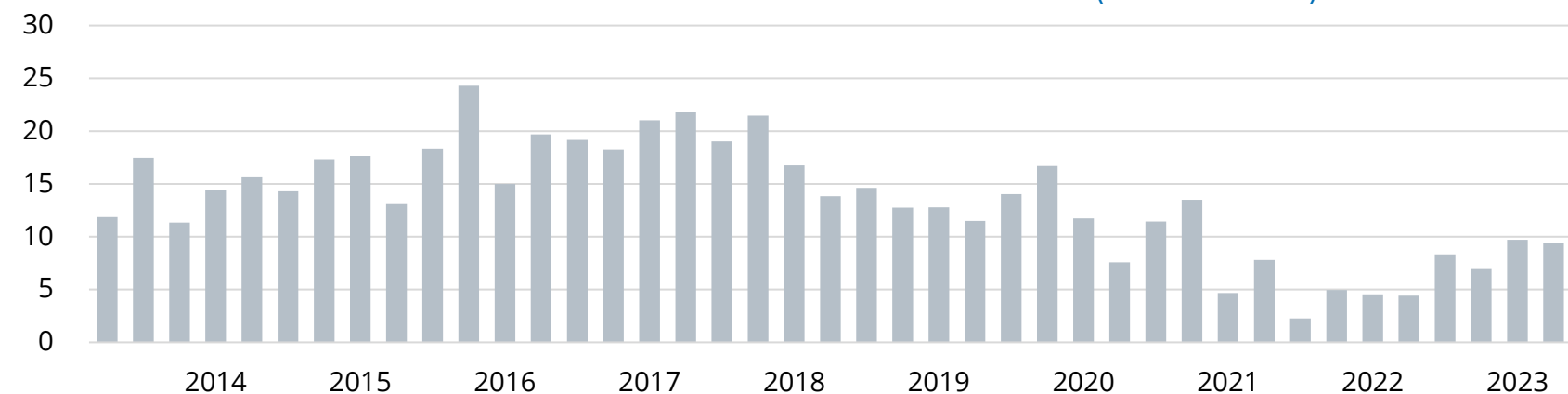
NET ABSORPTION (MILLION SF)



VACANCY VS ASKING RENT

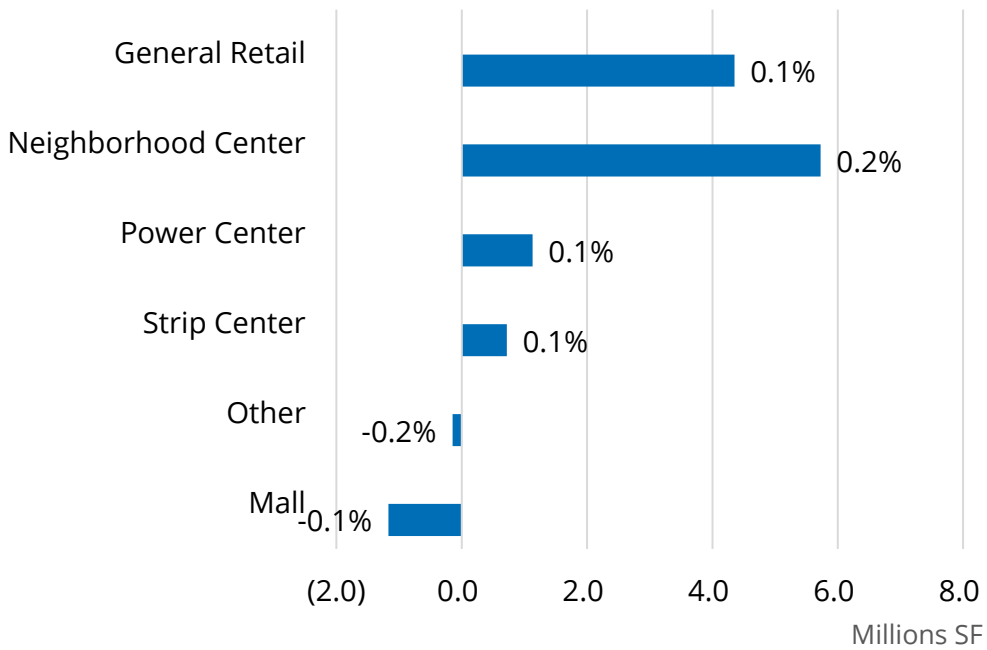


CONSTRUCTION – DELIVERED (MILLION SF)



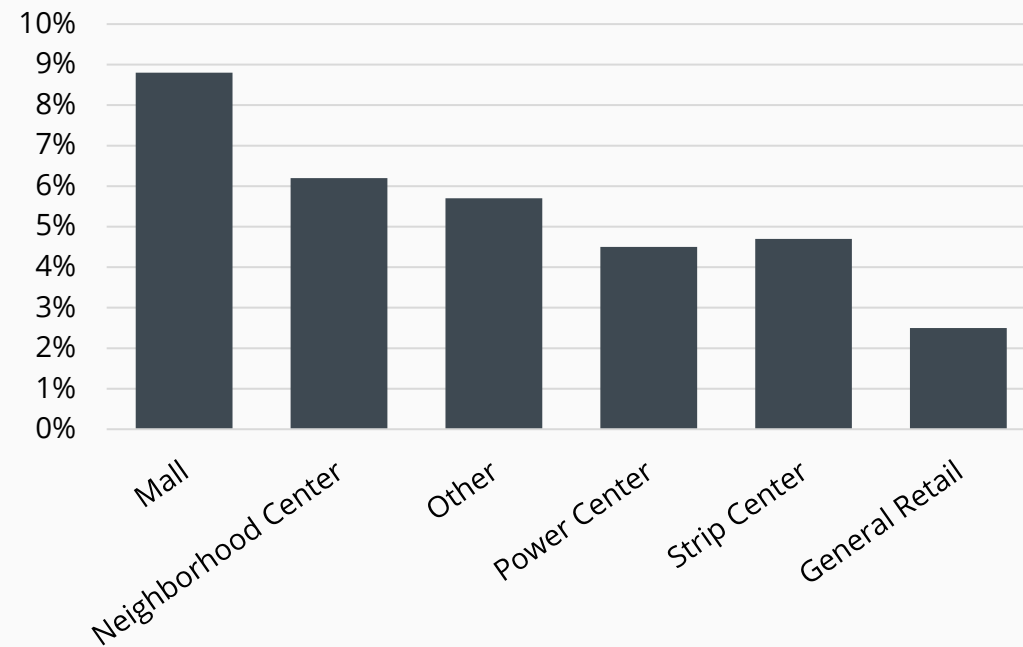
NET ABSORPTION

Q2 2023 Net Absorption and % of Stock



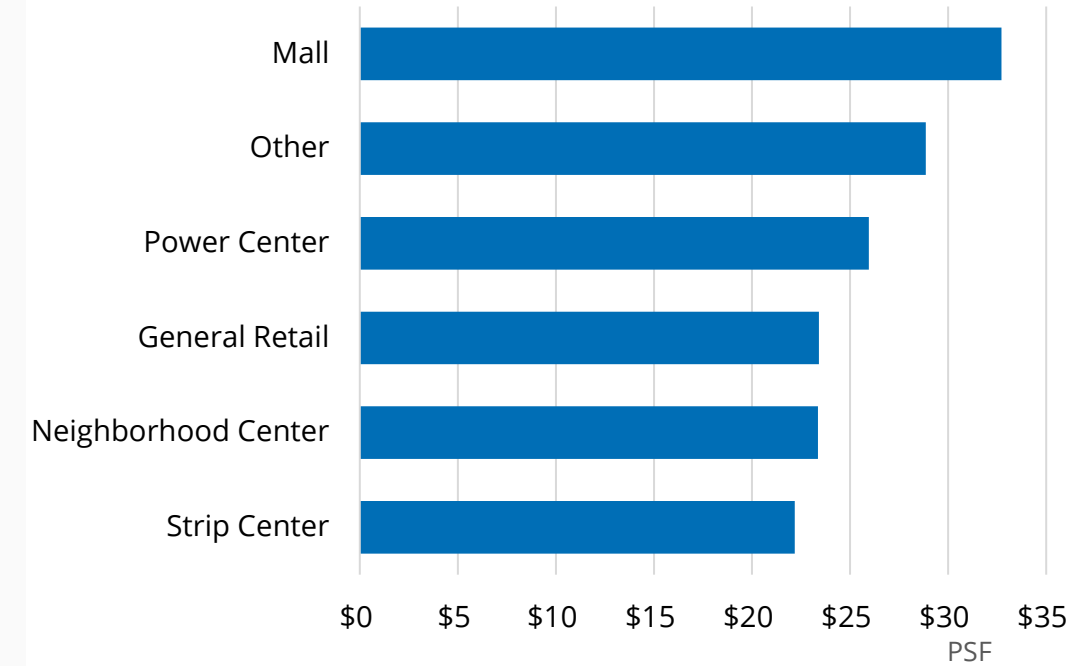
VACANCY/CONSTRUCTION

Q2 2023 Overall Vacancy Rate

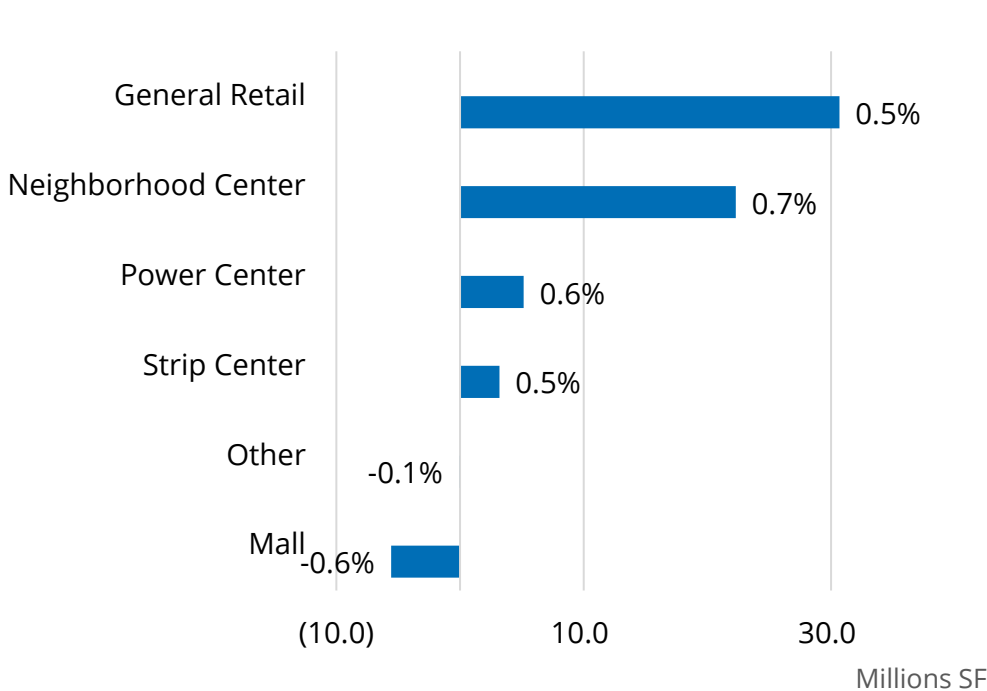


ASKING RENTS

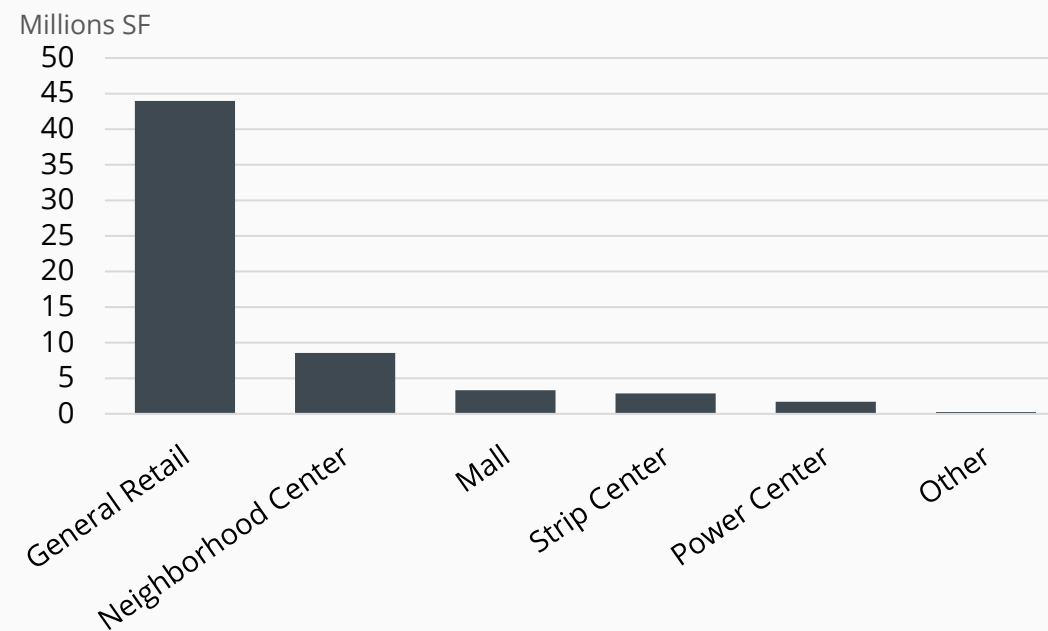
Q2 2023 Market Rent



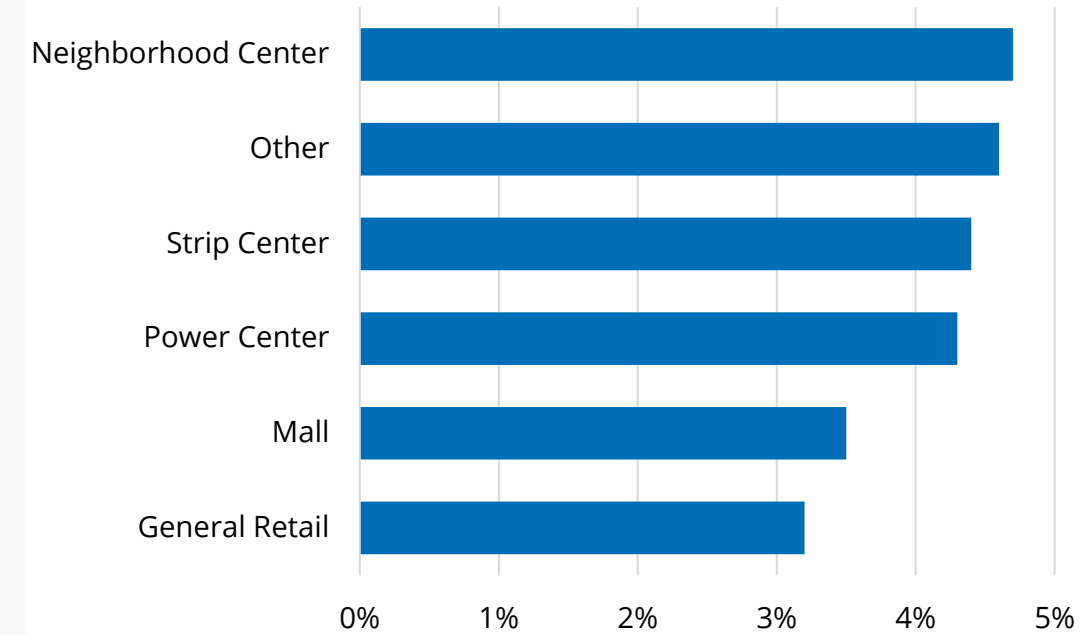
Trailing 4-Qtr Net Absorption and % of Stock



Q2 2023 Under Construction

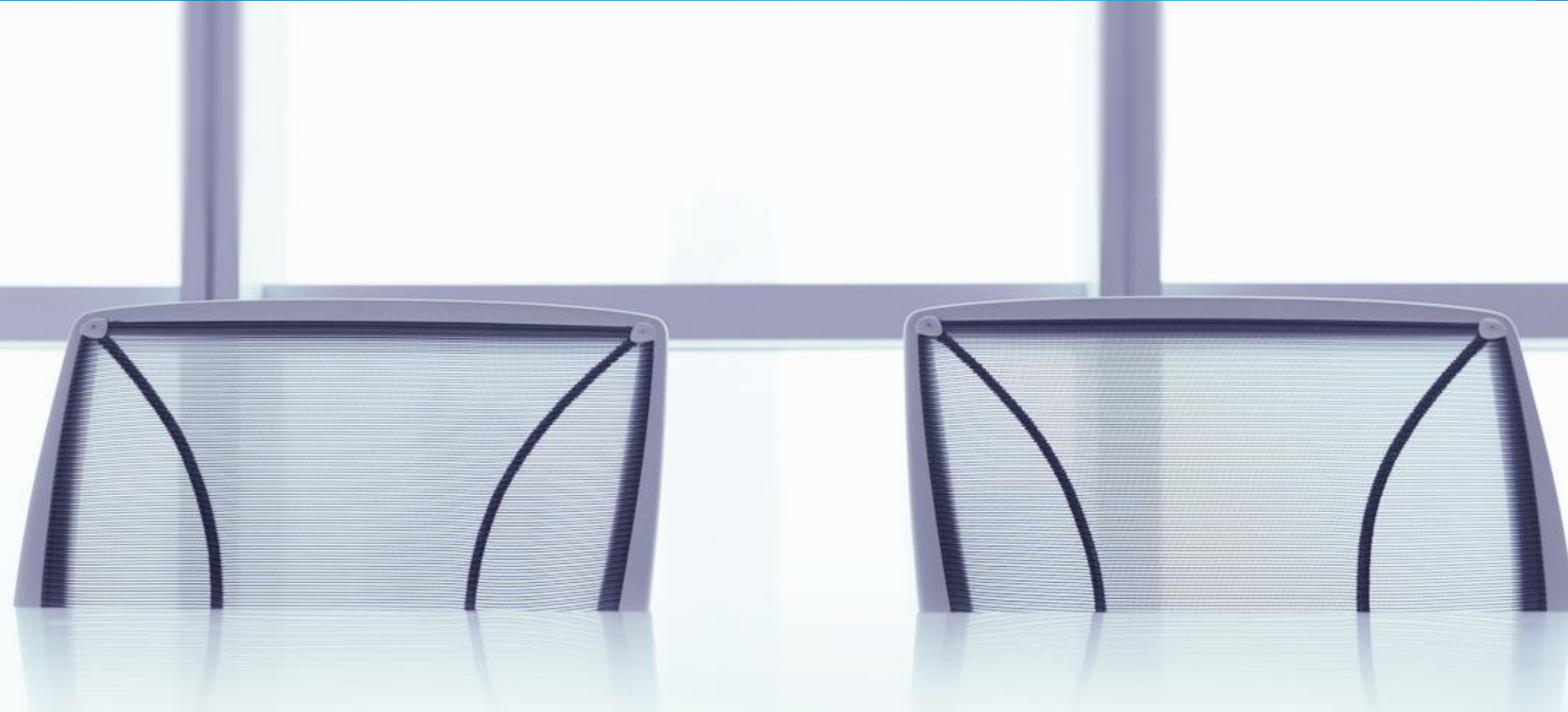


Year-Over-Year Rent Growth



Market	Inventory SF	Overall Vacancy Rate	Net Absorption	12-Month Net Absorption	Market Rent	Annual Rent Change	Under Construction
Atlanta	370,368,469	3.7%	262,799	2,822,861	\$21.45	1.8%	1,832,607
Austin	119,767,079	2.9%	544,594	1,624,588	\$29.79	2.2%	2,900,002
Baltimore	144,535,149	5.6%	158,792	551,475	\$22.97	0.1%	363,076
Boston	247,631,141	2.5%	164,050	520,740	\$26.47	-0.2%	700,591
Charlotte	151,447,895	3.1%	548,352	1,468,712	\$23.47	2.6%	667,135
Chicago	586,157,049	5.1%	1,084,606	4,337,072	\$21.04	-0.1%	1,408,603
Dallas-Fort Worth	460,610,066	4.5%	974,757	3,258,066	\$22.67	1.3%	4,779,133
Denver	159,994,751	4.1%	(183,238)	1,172,731	\$24.98	-0.8%	718,293
Detroit	261,880,447	5.1%	60,608	297,077	\$18.23	1.0%	849,858
East Bay-Oakland	124,524,211	5.1%	180,519	22,197	\$31.69	-2.3%	250,108
Houston	430,342,337	4.8%	662,652	3,518,787	\$22.91	0.4%	3,979,103
Inland Empire	201,304,924	5.9%	19,214	1,089,896	\$25.58	1.2%	1,459,774
Long Island	157,444,924	4.3%	(154,248)	1,012,122	\$33.64	0.8%	536,575
Los Angeles	450,608,240	5.3%	(384,224)	(452,988)	\$35.74	0.0%	1,799,643
Miami	143,466,844	2.9%	473,667	1,226,862	\$43.76	1.3%	2,575,628
Milwaukee	112,873,306	3.9%	(1,772)	511,337	\$15.39	0.8%	328,887
Minneapolis	205,739,532	3.1%	87,604	167,812	\$19.50	3.7%	560,923

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](https://twitter.com/Transwestern).

RESEARCH METHODOLOGY

The information and analysis in this report is based on a compilation of commercial real estate investing and transactions data from Real Capital Analytics (RCA) on select property types within the United States.