



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

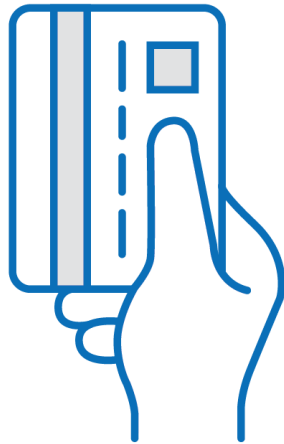
U.S. MARKET | Retail

Q4 2023

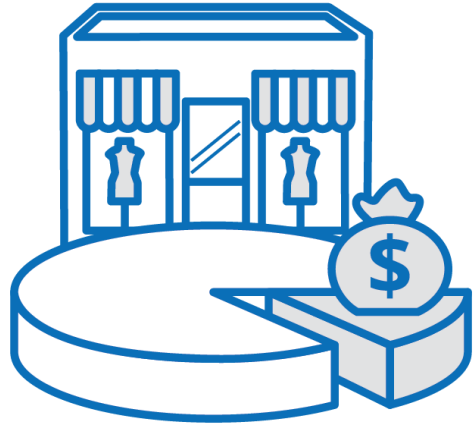
THE VIEW  FROM HERE



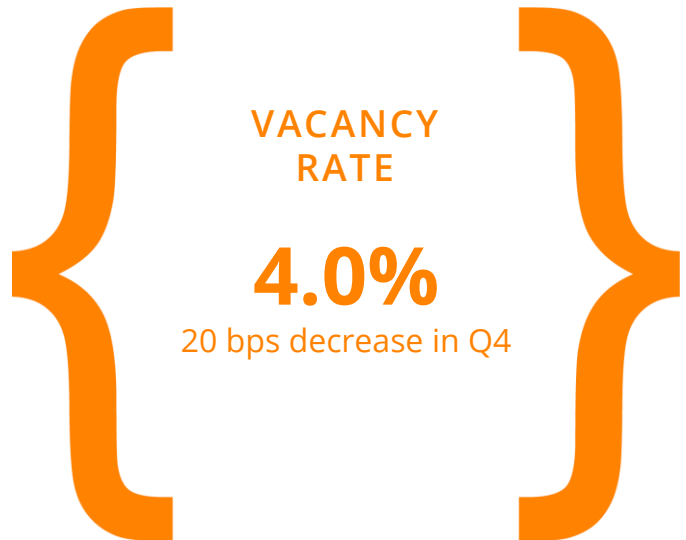
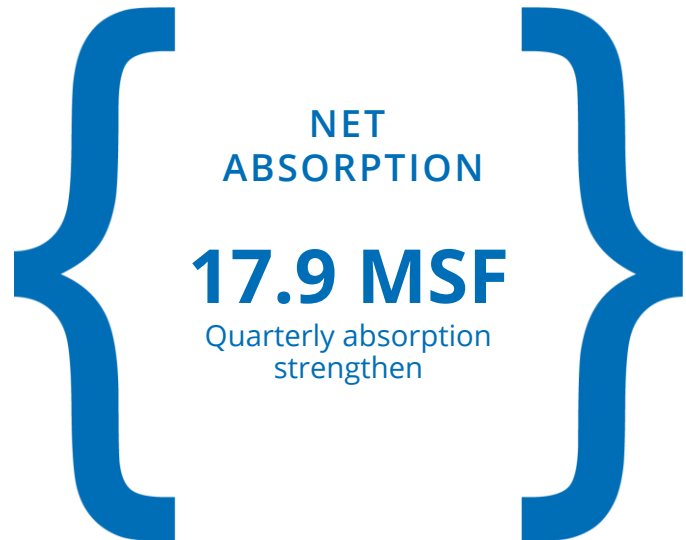
The retail market has tightened significantly since the GFC, resulting in record-low vacancy levels.



Consumer tenacity and strong fundamentals should keep the retail sector in expansion mode this year.



Attractive risk-adjusted returns, retail is regaining a higher share of investor allocations.

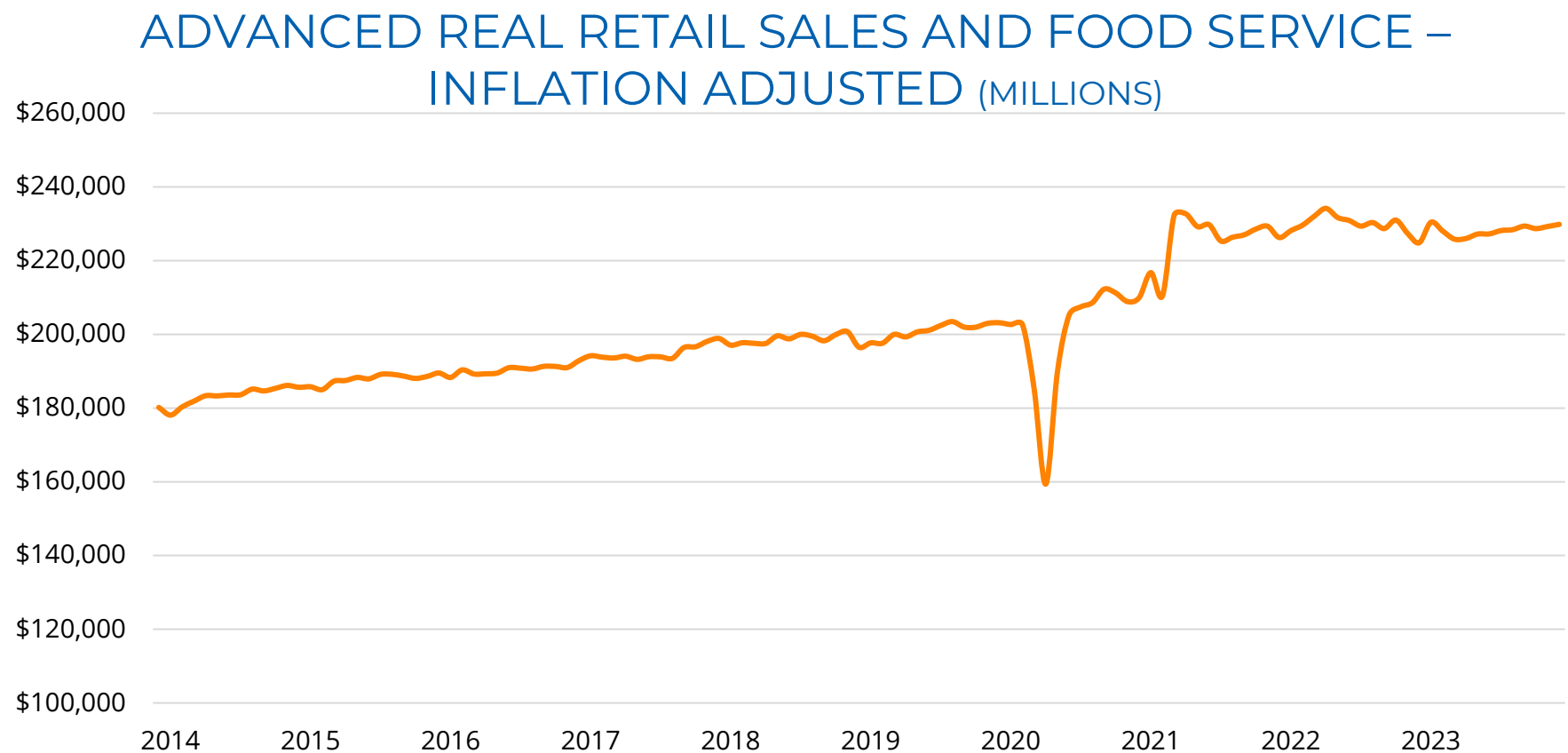
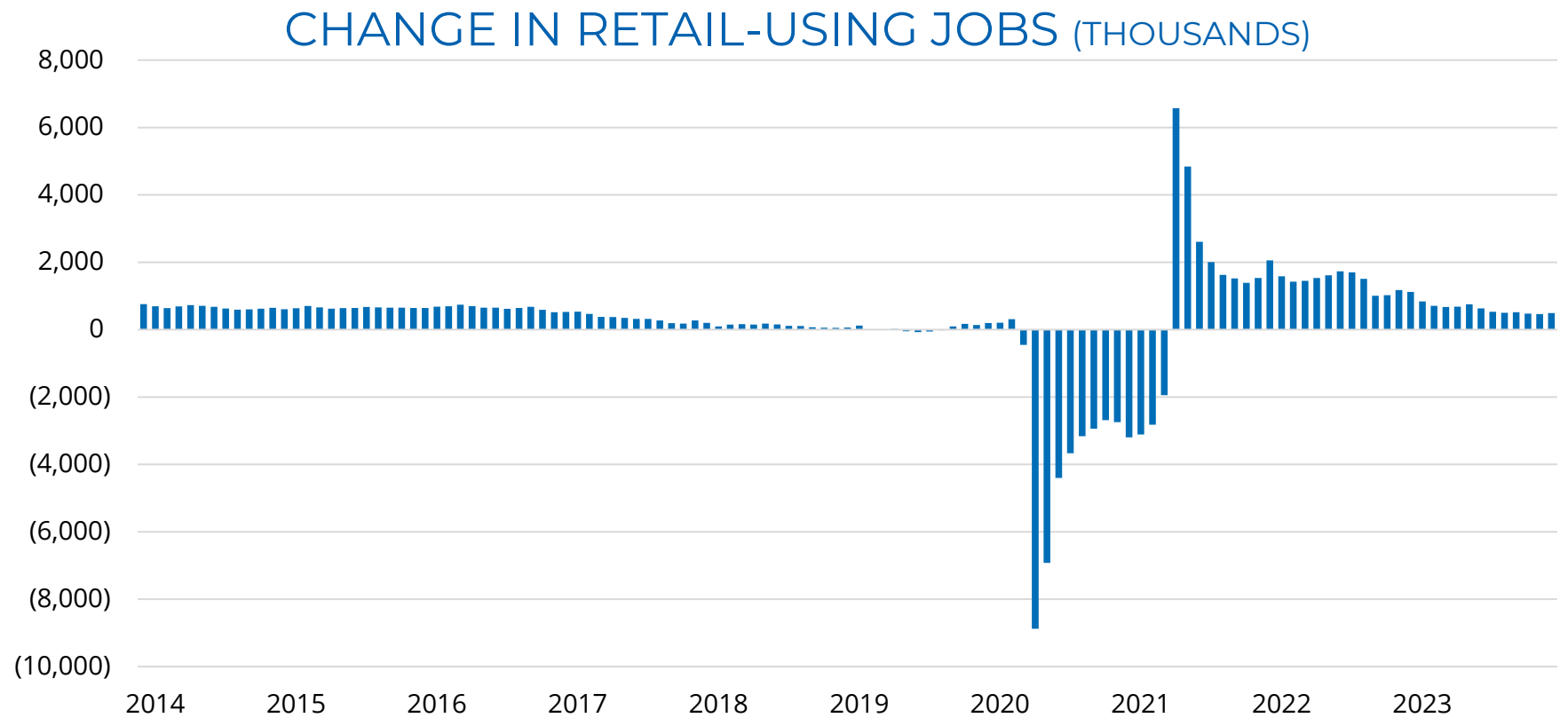


ECONOMIC HIGHLIGHTS

- Retail-using employment reached 29.6 million in Q4 2023, surpassing the pre-pandemic high of 29.2 million in Q4 2019. Retail employment is 1.25% higher from the previous year.
- Retail employment growth in 2023 continues to be steady with a 1.7% rise YoY. While lower than the previous year's employment growth of 2.2%, it is still significantly higher than pre-pandemic growth of 0.7% from 2018-2019.
- Real retail sales totaled \$229.8 billion in December 2023, which is a 2.2% increase YoY when adjusted for inflation. Year over year spending increased by more than 2% for the first time since February 2022 and for the first time since September and October 2022 spending increased in consecutive months.
- Economists expected spending to slow due to credit card debt growth, tighter credit conditions, and higher borrowing costs, but consumers continue to be resilient as the job market remains strong with an unemployment rate below 4% for 23 continuous months, the longest in more than 50 years.
- Another possible reason for continued spending is wage growth which is rising faster than inflation. Wages increased by 4.1% YoY in December 2023, while inflation has receded to 3.3% in the same month.
- Consumer sentiment is also improving. The University of Michigan Survey of Consumer Sentiment reported that the net share of respondents reporting higher sentiment than they had six months prior was nearly 20 percentage points higher in December 2023.

Source: Bureau of Labor Statistics, FRED.

HISTORICAL



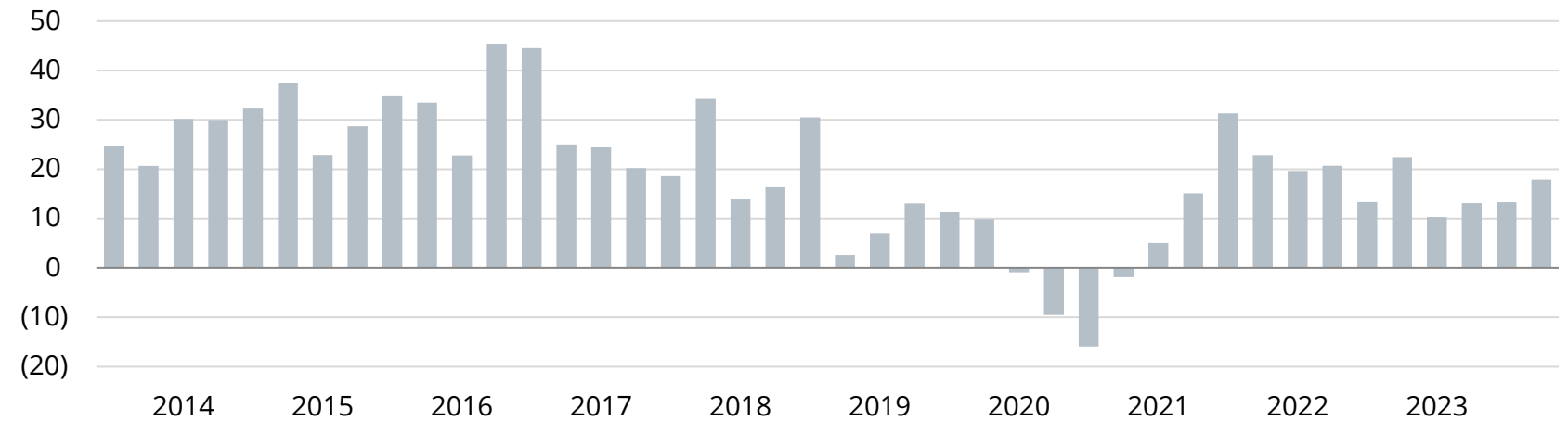
MARKET HIGHLIGHTS

- Net absorption was 17.9 million SF during Q4, marking the 12th consecutive quarter of positive net absorption in the U.S., showing the resiliency of the retail sector. For 2023 net absorption totaled 54.3 million SF.
- The vacancy declined YoY by 20 basis points to 4.0%, as leasing activity is still healthy as all retail categories 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 3.4% YoY as retail demand continues to be strong, vacancy rates are low, and space under construction continues to be limited. Asking rent is predicted to increase at a similar rate in 2024 as similar conditions is expected to continue.
- Retail deliveries increased for the year totaling 41.7 million SF, a 67.9% increase from the previous year. Net delivery of space recovered from pandemic lows, where the quarterly average was 7.1 million SF from Q1 2020 to Q4 2022, while the quarterly average was 10.4 million SF.
- The total SF under construction continues to decrease; 7.9% from the previous quarter and is down 16.7% YoY. Construction declined in 2023 due to significantly higher interest rates, reduced construction loan availability, and increased construction costs as labor and materials continued to be elevated.
- Demand is expected to stay elevated in 2024 as available space continues to be limited especially in prime retail corridors and consumer should remain steady as unemployment remains low and wage growth exceeds inflation.

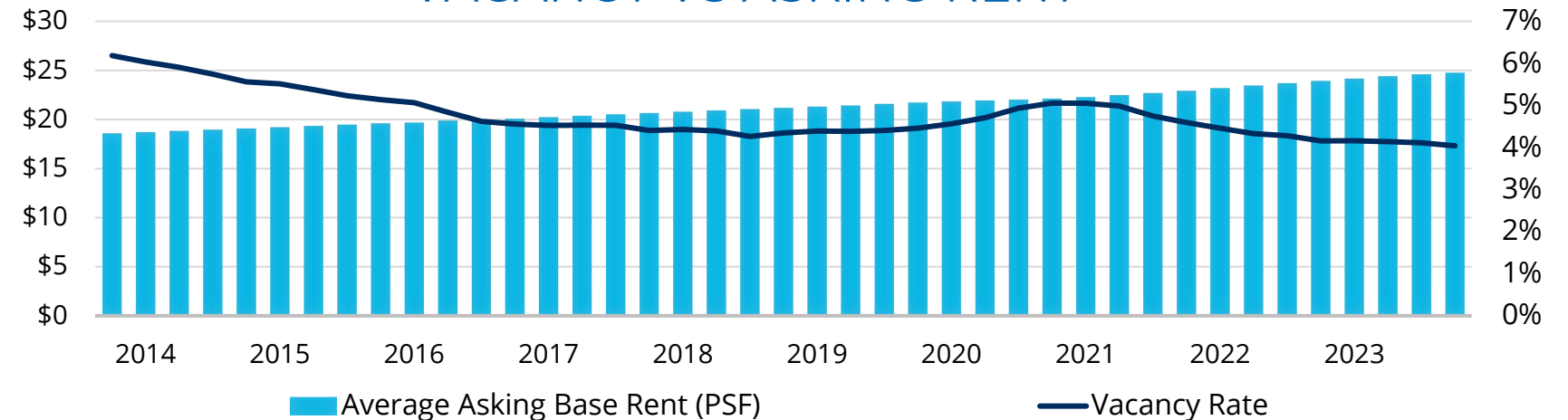
Source: CoStar

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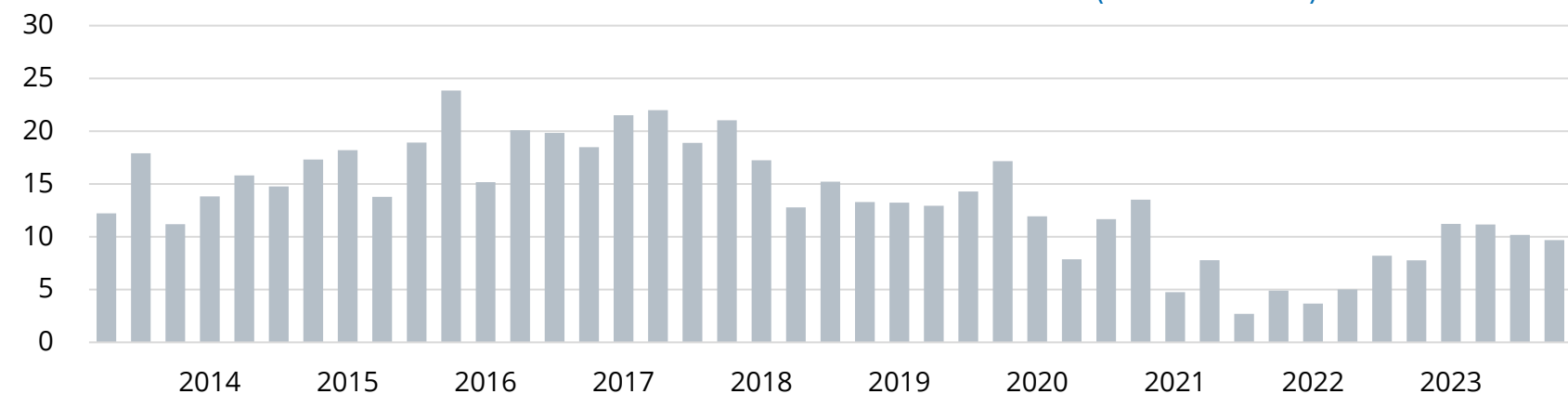
NET ABSORPTION (MILLION SF)



VACANCY VS ASKING RENT

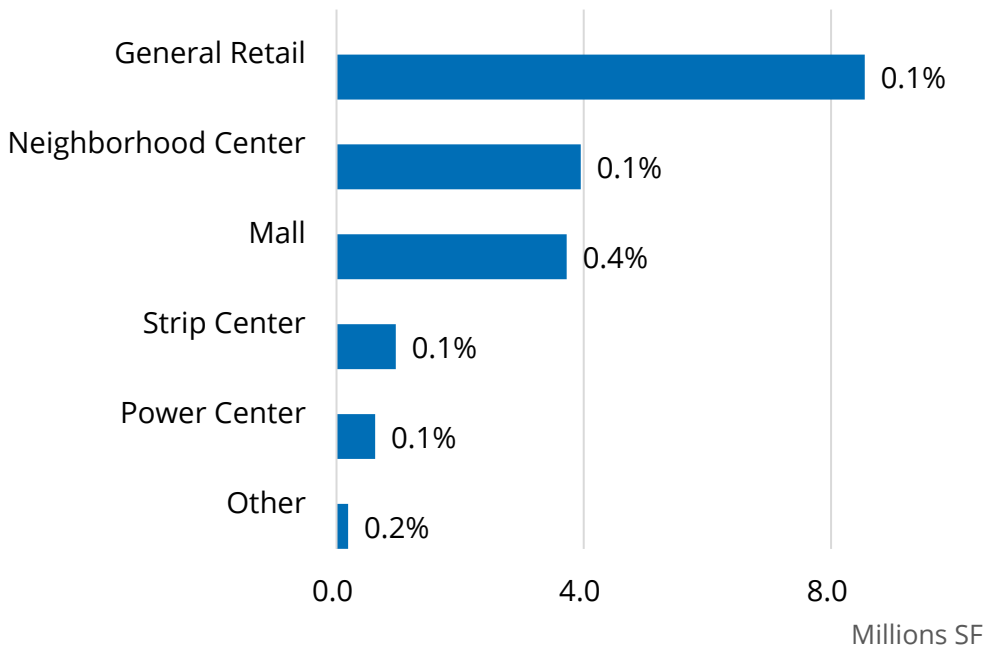


CONSTRUCTION – DELIVERED (MILLION SF)



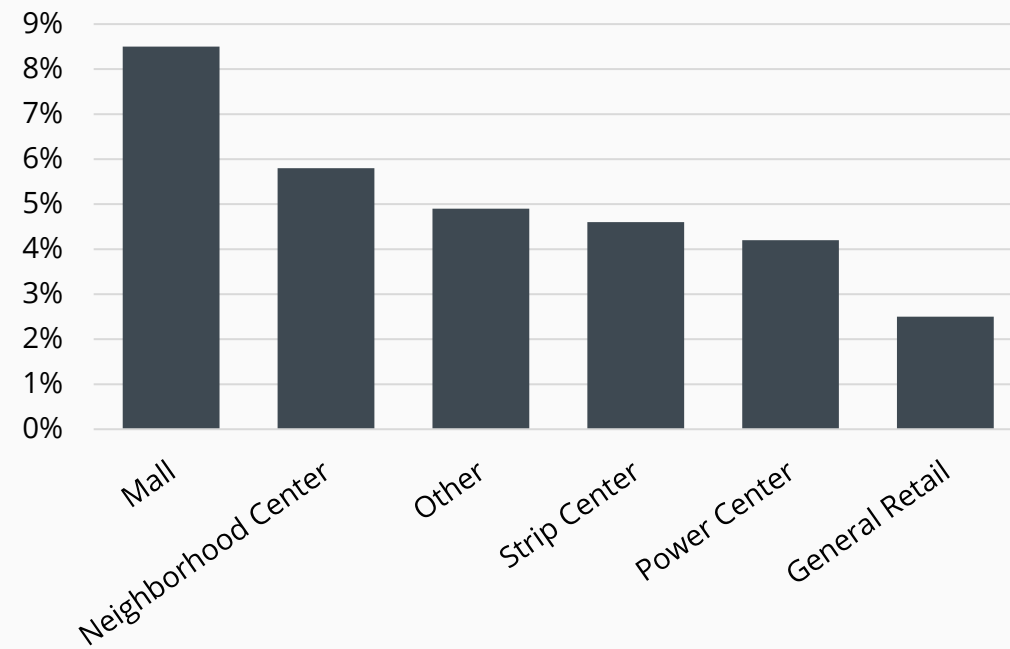
NET ABSORPTION

Q4 2023 Net Absorption and % of Stock



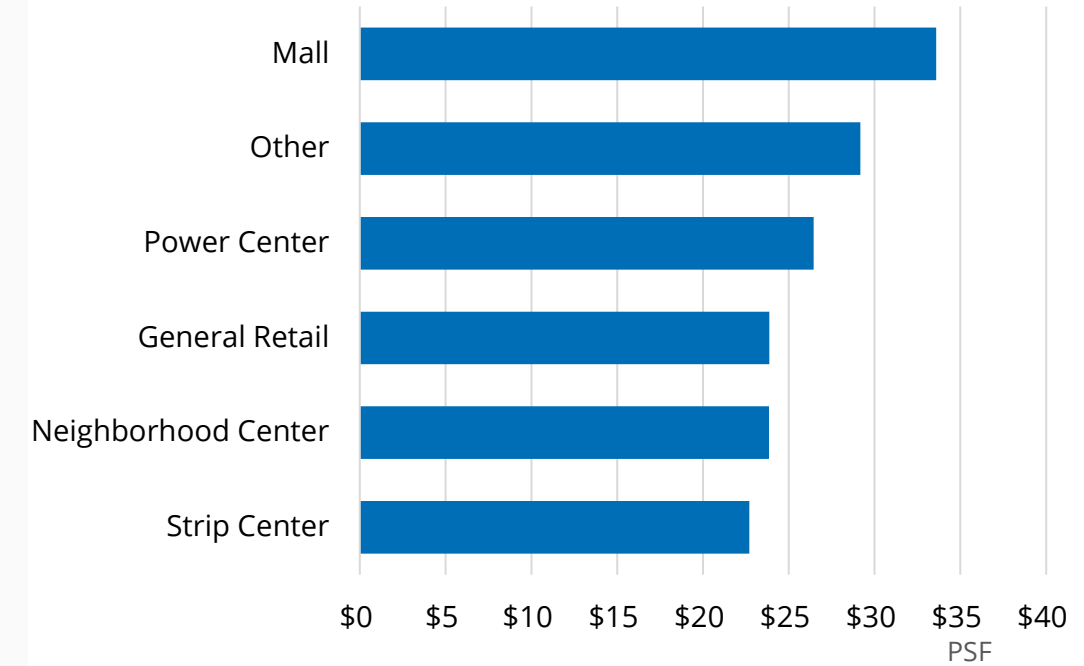
VACANCY/CONSTRUCTION

Q4 2023 Overall Vacancy Rate

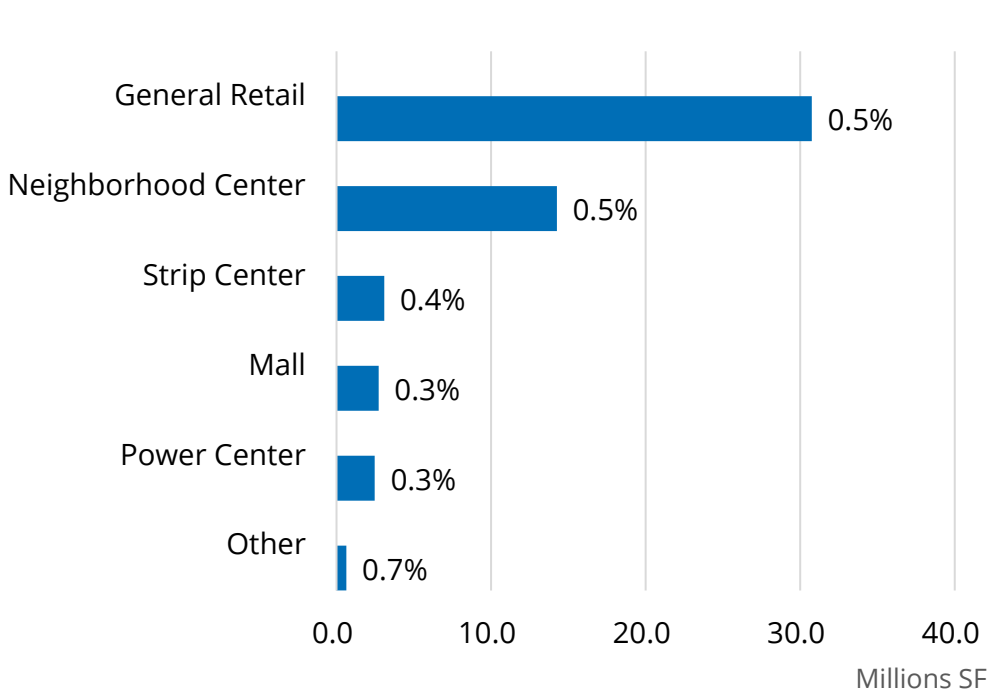


ASKING RENTS

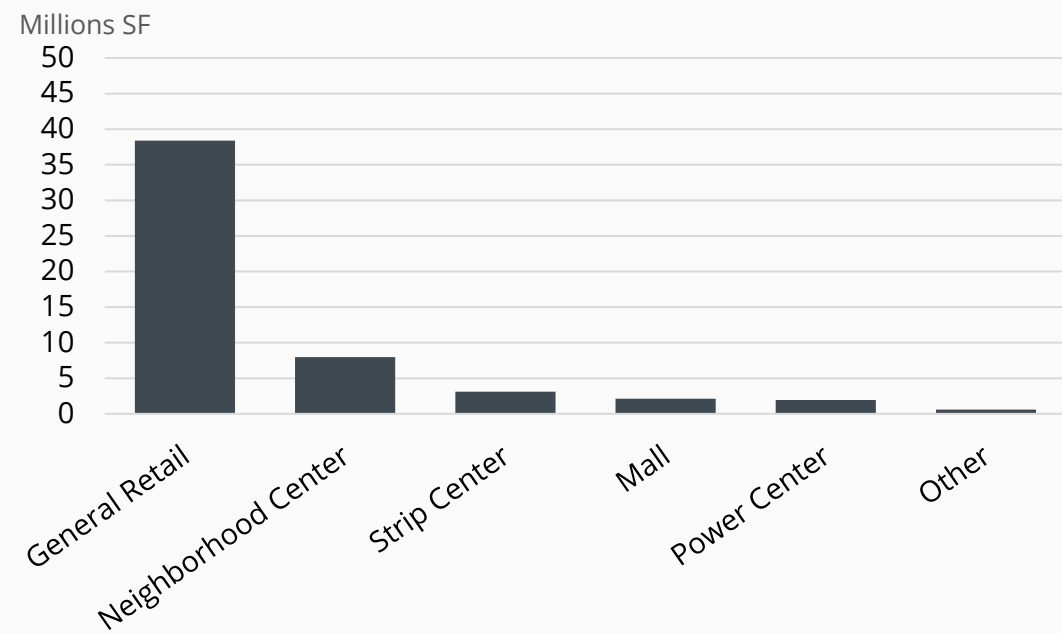
Q4 2023 Market Rent



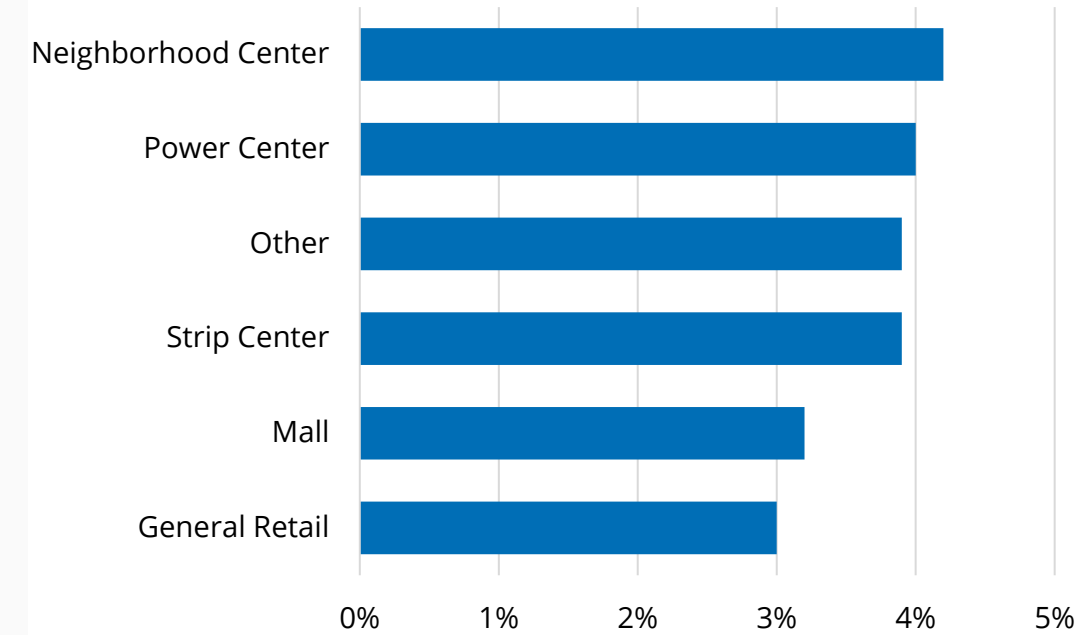
Trailing 4-Qtr Net Absorption and % of Stock



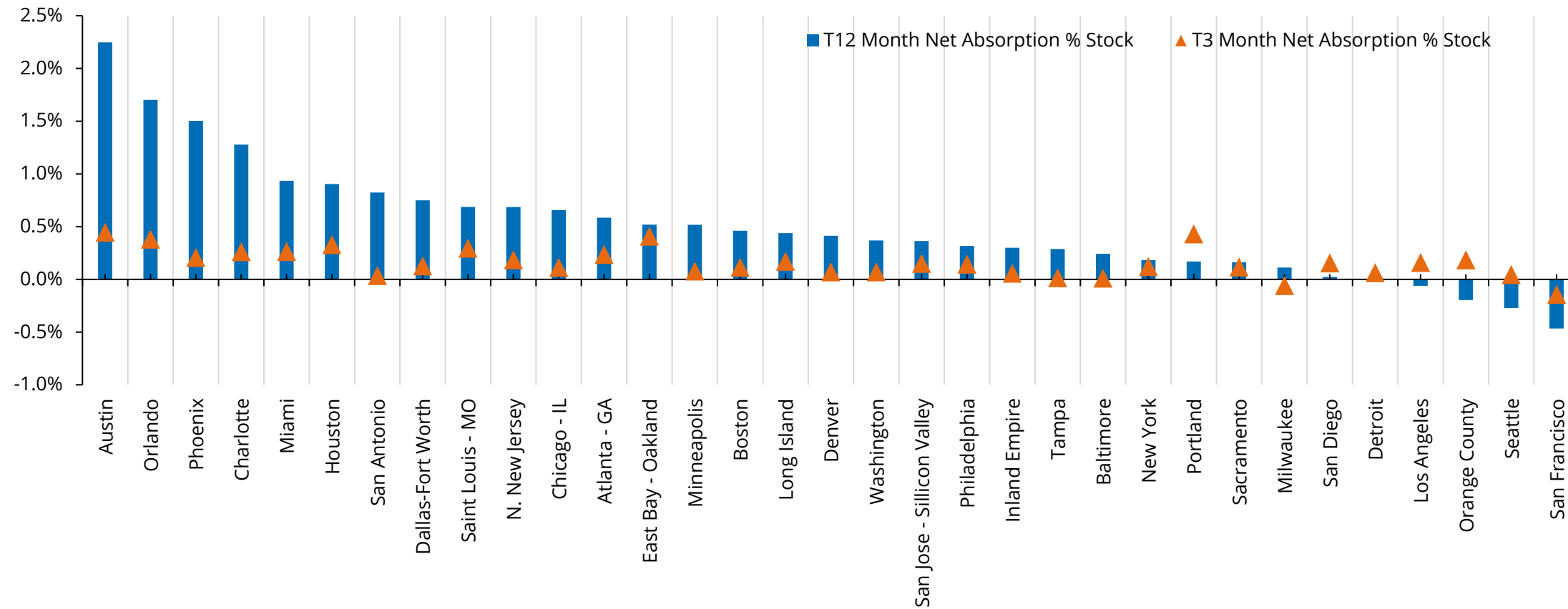
Q4 2023 Under Construction



Year-Over-Year Rent Growth

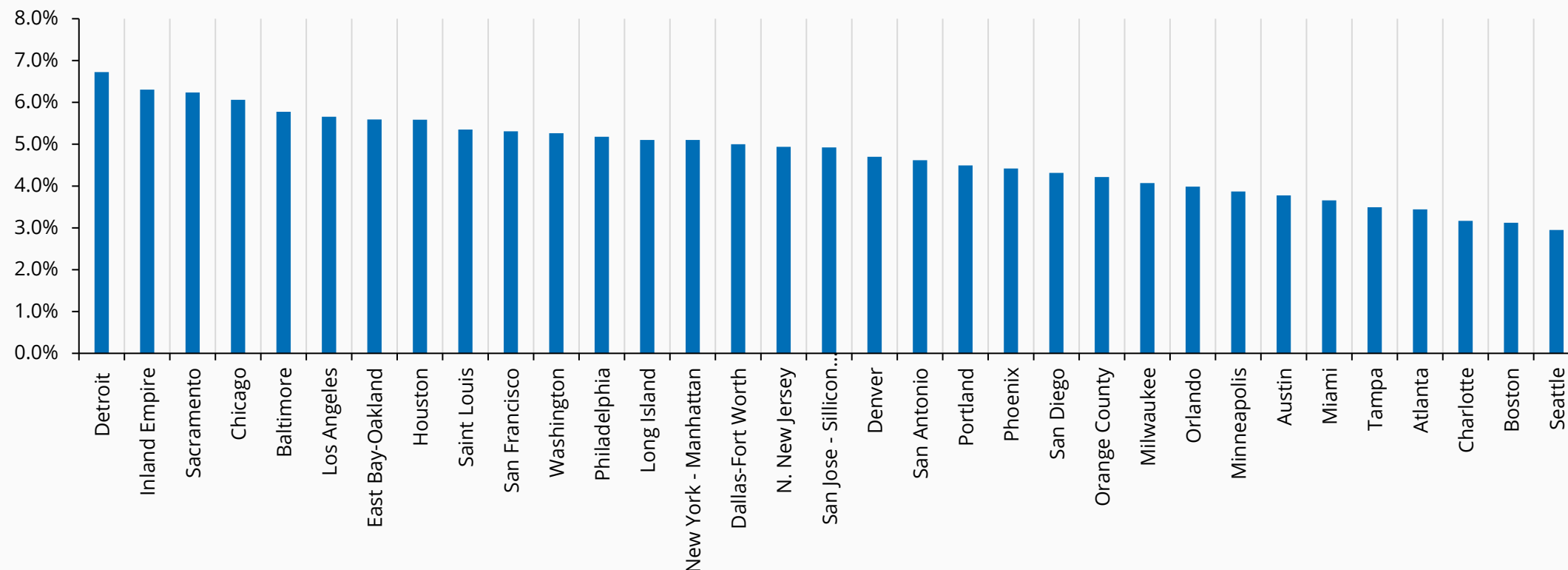


NET ABSORPTION % STOCK



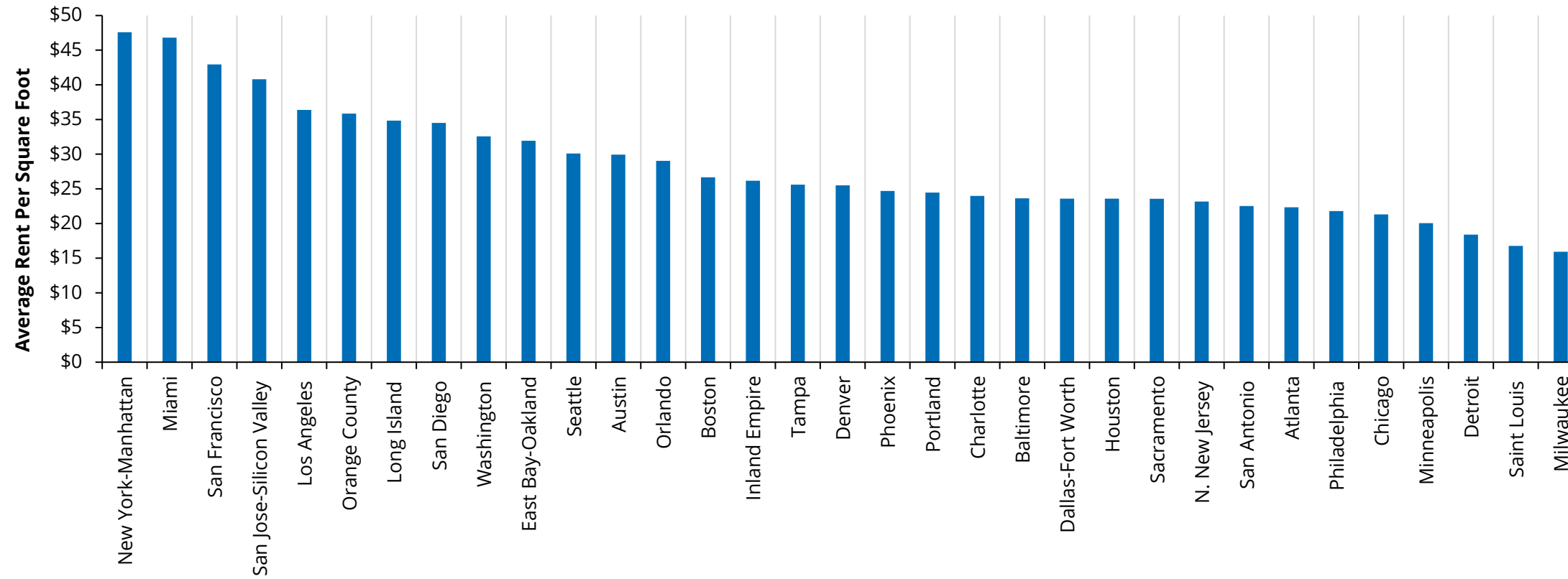
- All but five of the 33 tracked markets registered positive net absorption as a share of stock over the past 12 months, led by Austin, Orlando, and Phoenix.
- Roughly 85% of tracked markets posted positive net absorption for the previous year. Houston, Chicago, Phoenix, and Dallas-Fort Worth recorded 3 million+ SF of space absorbed for the year.
- Markets where the quarterly net absorption outpaced the 12-month trailing included Portland, San Diego, and Detroit.

AVAILABILITY % STOCK



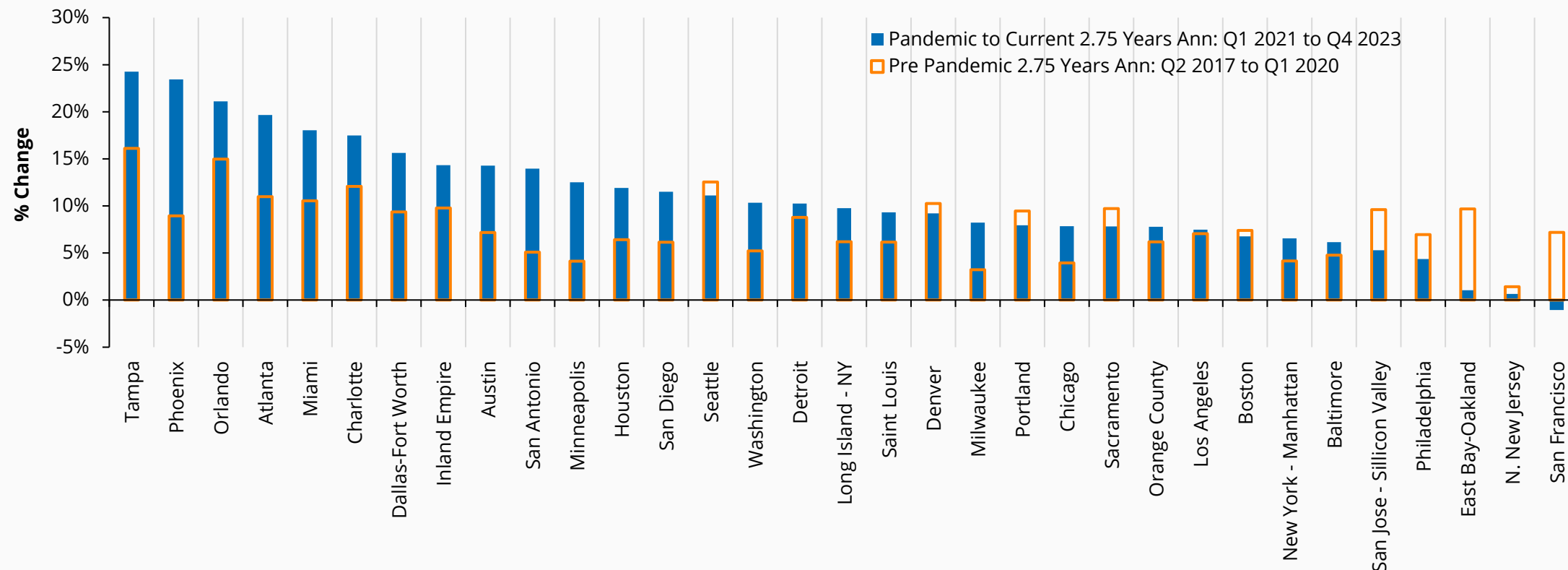
- Availability as a percent of stock can be a potential determinate of softening or tightening within a market.
- As demand is elevated and new supply continued to be in short supply availability rates declined year over year in most markets tracked.
- The most notable YoY decline in availability occurred in Phoenix, Orlando and Charlotte, while the Inland Empire saw a slight increase in availability.
- Regions with the largest availability as a percent of stock include Detroit, Inland Empire, and Sacramento.

RENTAL RATES



- Rental rates continue to see strong growth in Sun Belt markets as tenants continue to fight for limited space in these fast-growing markets.
- While the most expensive retail space continues to be in New York and San Francisco, rate growth continued to lag. New York – Manhattan rental rates increased 1.6%, while San Francisco decreased by 0.8%. In contrast Miami saw rental rates increase by 5.2% YoY.
- Phoenix and Tampa had the largest increase in rental rates YoY, up 9.7% and 9.8%, respectively.

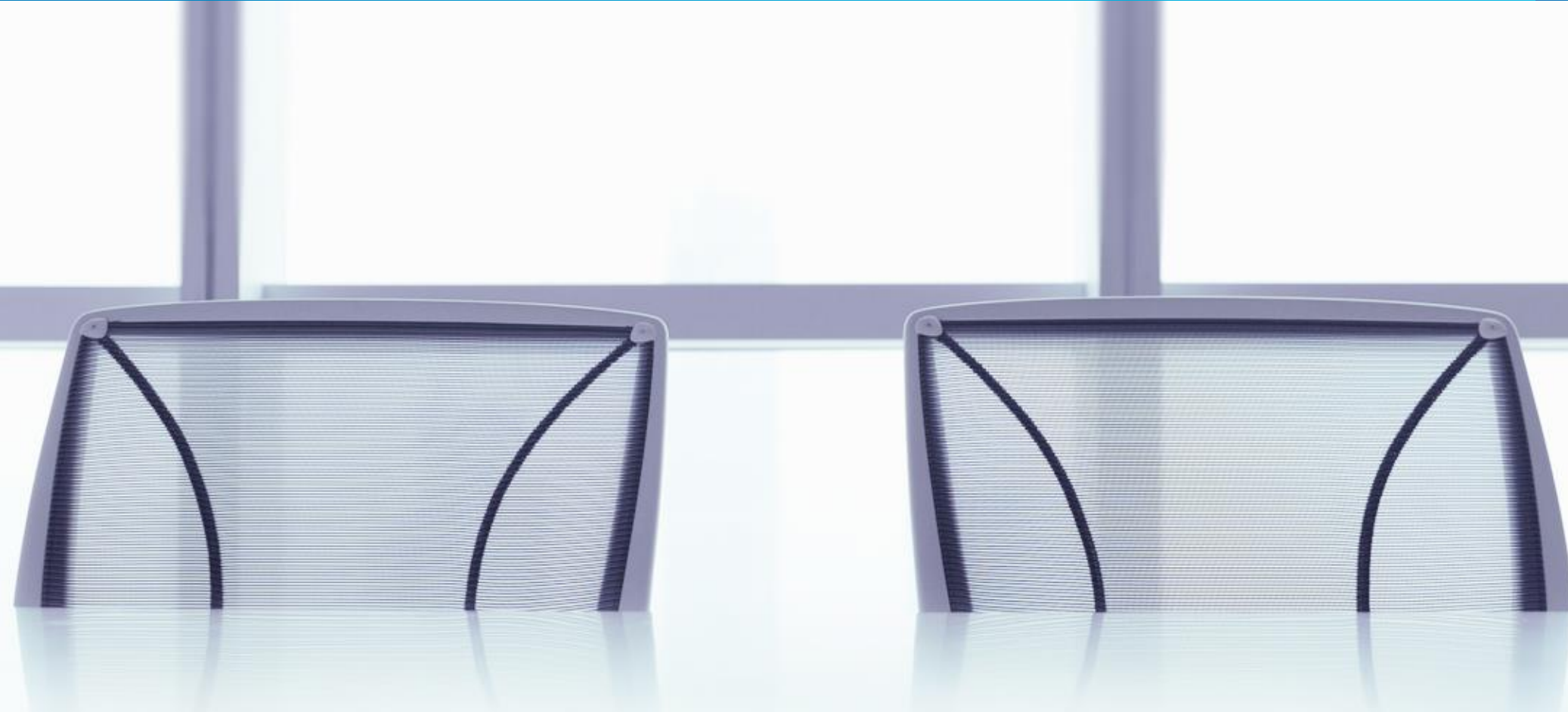
RENTAL RATE CHANGE: PRE-PANDEMIC vs PRE-PANDEMIC to CURRENT



- The highest rental rate growth since the start of the pandemic occurred in the South and Southwest as markets like Tampa, Phoenix, and Orlando have seen rents increase by 20% or more.
- Compared with pre-pandemic rental rate growth, markets experiencing the most relative lift were Phoenix, San Antonio, and Minneapolis.
- San Francisco was the only market where rental rates decreased since the pandemic started compared with pre-pandemic rental rates.

Market	Inventory SF	Overall Vacancy Rate	Net Absorption	12-Month Net Absorption	Market Rent	Annual Rent Change	Under Construction
Atlanta	373,761,196	3.4%	883,214	2,185,912	\$22.34	2.1%	1,133,871
Austin	122,965,069	2.9%	549,640	2,763,042	\$29.93	-0.2%	1,675,886
Baltimore	144,783,231	5.4%	18,211	351,188	\$23.64	2.1%	359,852
Boston	249,462,782	2.4%	290,256	1,149,490	\$26.66	-0.5%	629,683
Charlotte	151,870,693	2.7%	399,843	1,940,196	\$23.98	0.8%	764,059
Chicago	588,271,626	4.8%	673,978	3,868,972	\$21.32	0.2%	1,345,934
Dallas-Fort Worth	468,142,440	4.4%	599,611	3,508,070	\$23.59	1.5%	4,756,476
Denver	164,744,446	3.9%	119,100	681,642	\$25.50	1.0%	380,951
Detroit	262,412,068	5.2%	168,191	(13,266)	\$18.39	1.3%	1,524,349
East Bay-Oakland	124,989,412	5.1%	513,210	648,813	\$31.93	-1.3%	316,633
Houston	436,496,701	4.8%	1,439,514	3,944,226	\$23.58	0.6%	3,287,989
Inland Empire	202,100,404	5.3%	118,523	606,030	\$26.17	0.3%	1,089,770
Long Island	156,430,236	4.0%	269,451	685,688	\$34.84	0.4%	859,267
Los Angeles	453,197,330	5.2%	728,209	(278,496)	\$36.38	0.3%	1,826,798
Miami	146,187,118	2.8%	387,614	1,366,498	\$46.80	0.6%	1,084,837
Milwaukee	113,673,335	4.0%	(65,861)	128,023	\$15.92	3.2%	138,147
Minneapolis	207,708,316	2.9%	165,494	1,075,986	\$20.05	2.1%	385,221

Market	Inventory SF	Overall Vacancy Rate	Net Absorption	12-Month Net Absorption	Market Rent	Annual Rent Change	Under Construction
New York-Manhattan	632,656,491	4.1%	769,739	1,152,907	\$47.59	-0.2%	2,478,275
Northern New Jersey	136,292,937	4.1%	255,472	933,906	\$23.17	-0.4%	339,975
Orange County	143,597,056	4.3%	267,220	(281,949)	\$35.85	-1.0%	99,570
Orlando	157,608,384	3.2%	602,538	2,681,367	\$29.03	1.6%	1,300,602
Philadelphia	344,089,086	4.1%	497,522	1,092,662	\$21.80	-0.6%	1,876,526
Phoenix	242,636,569	4.5%	507,369	3,648,993	\$24.70	2.3%	2,601,059
Portland	125,393,037	3.4%	542,279	213,192	\$24.46	0.0%	332,200
Sacramento	111,773,710	5.7%	132,072	181,499	\$23.56	0.2%	778,795
Saint Louis	175,996,945	4.6%	521,030	1,208,101	\$16.77	1.1%	642,113
San Antonio	150,057,708	3.5%	54,020	1,235,106	\$22.52	1.0%	1,007,229
San Diego	139,816,909	3.8%	218,278	33,019	\$34.50	0.7%	450,728
San Francisco	82,609,553	5.9%	(117,206)	(384,489)	\$42.95	-1.9%	220,300
San Jose-Silicon Valley	80,768,813	4.2%	122,861	293,961	\$40.81	1.1%	295,767
Seattle	182,209,324	3.1%	82,786	(495,133)	\$30.10	1.1%	296,584
Tampa	175,758,012	3.2%	27,446	505,909	\$25.61	1.9%	566,421
Washington	268,150,637	4.4%	192,693	991,088	\$32.56	0.2%	1,010,648



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ABOUT TRANSWESTERN

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award-winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. 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.