



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 2024

THE VIEW FROM HERE



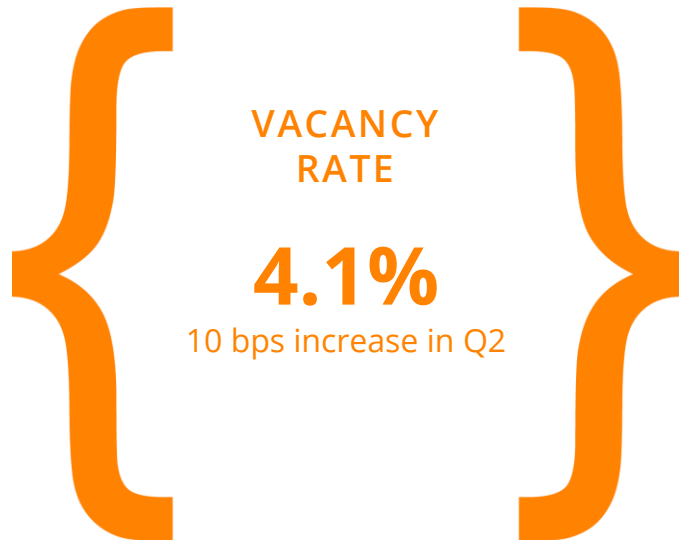
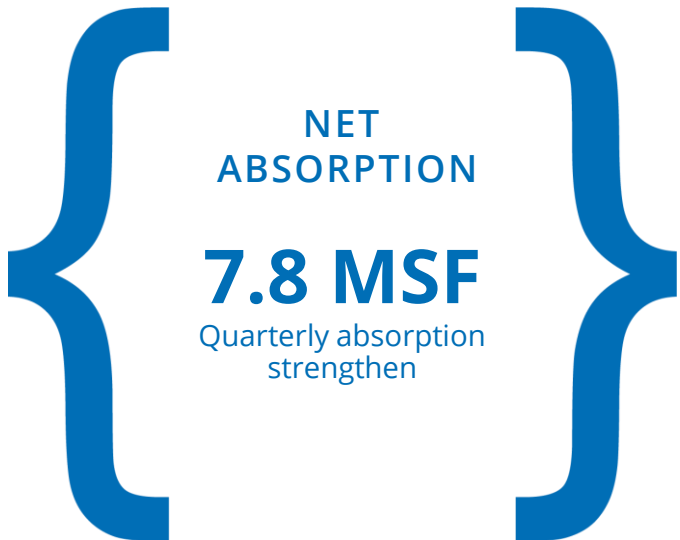

An anticipated interest rate cut is contributing to high consumer confidence.



Leasing interest is up in urban areas, but deals are taking longer to close.



Tight market fundamentals portend healthy real estate performance over the next several quarters.

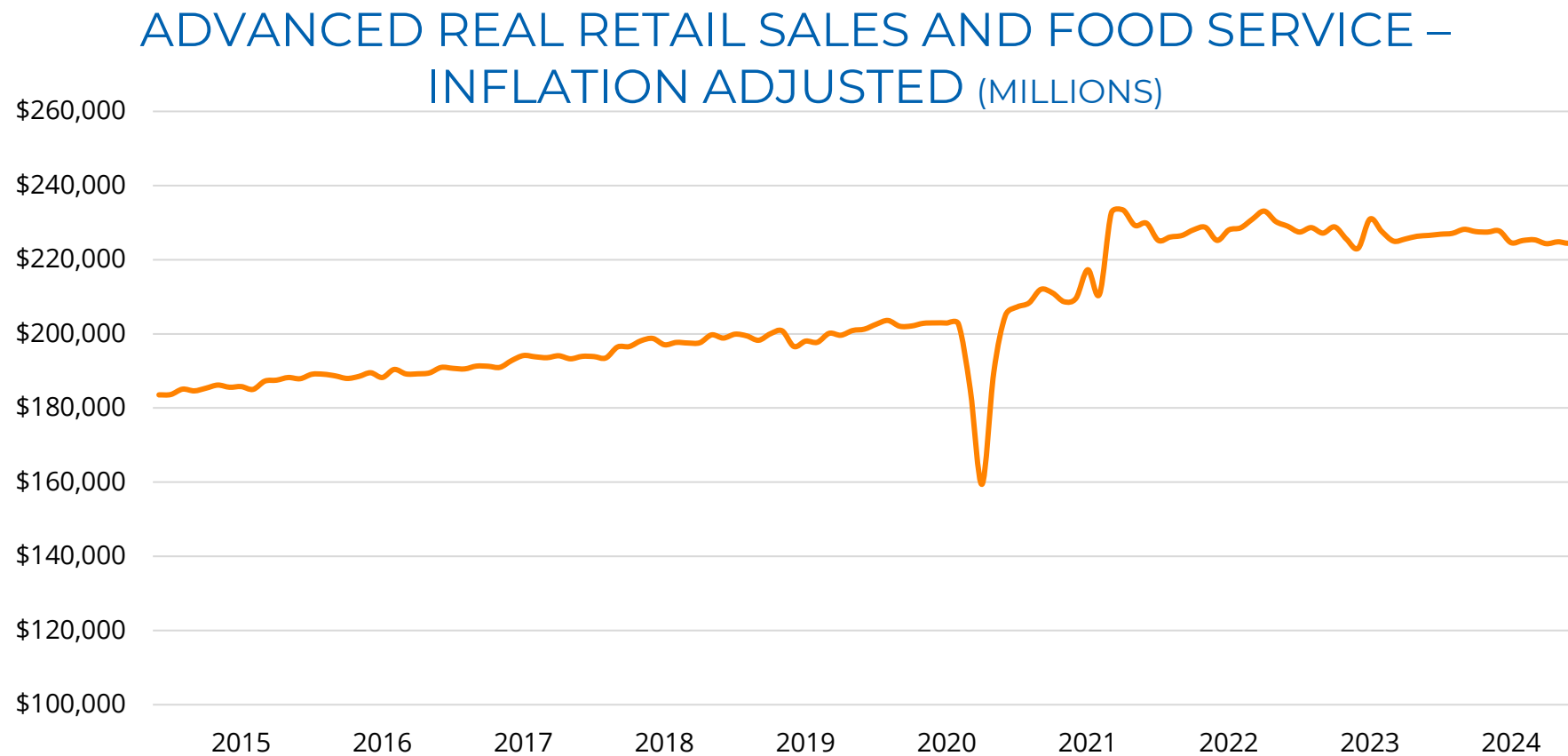
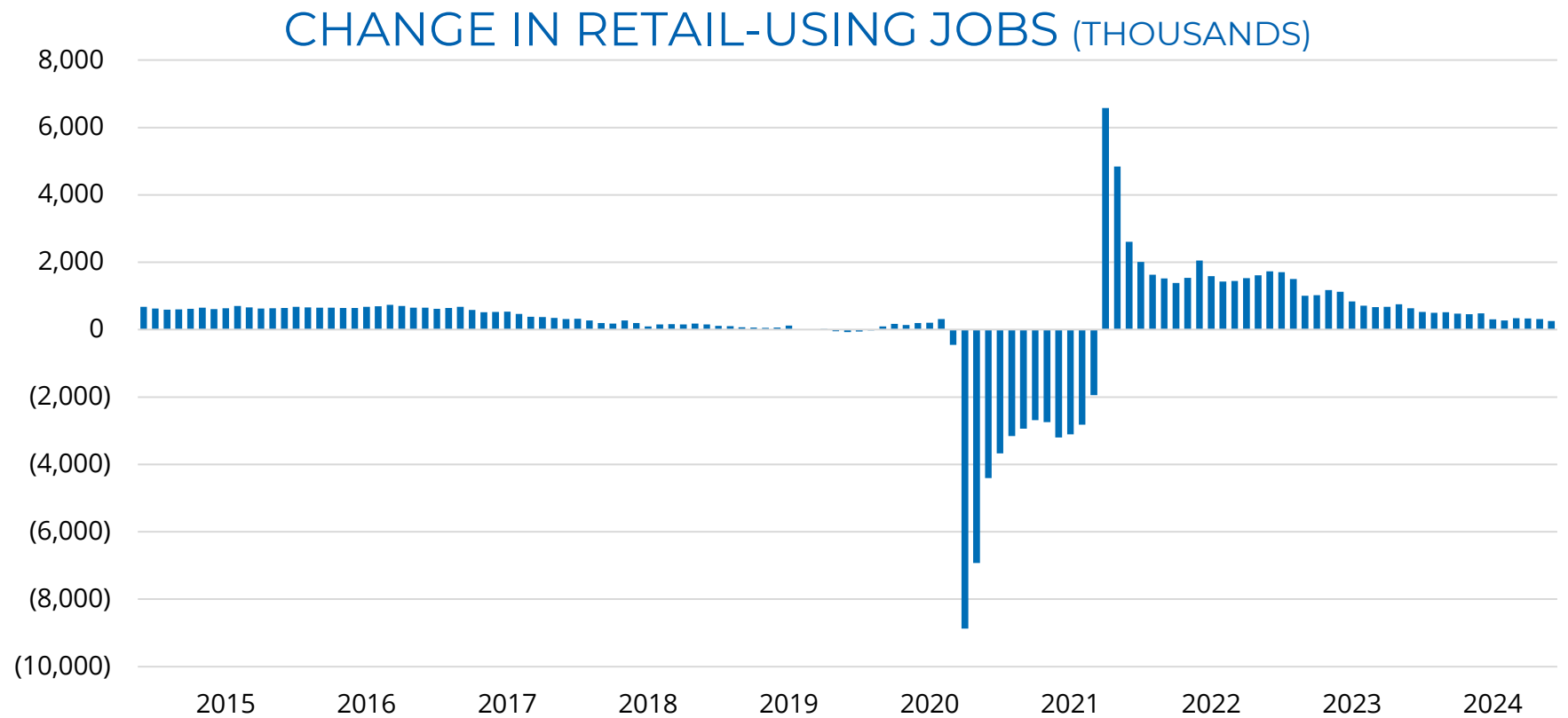


ECONOMIC HIGHLIGHTS

- Retail-using employment reached 29.6 million in Q2 2024, 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 2024 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 \$224.5 billion in June 2024, which is a 0.9% decrease YoY when adjusted for inflation. Over the first six months of the year, retail spending decreased year-over-year five of the previous six months, hinting that consumers may be getting fatigued.
- Consumer debt increased to \$17.8 trillion in Q2; a 4.3% rise YoY. Credit card debt increased at a slower rate from previous quarters; up by 10.8% YoY from \$1.03 trillion to \$1.14 trillion. Credit card debt increased on average 15.1% from Q2 2022 to Q1 2024.
- CPI growth was 3.0% in June, it’s lowest level since March 2021. This was driven by lower energy prices, smaller increase in the cost of housing, and a 10% decrease in used car prices. Additionally real wage growth increased by nearly 1% YoY.
- The University of Michigan Survey of Consumer Sentiment reported that consumer sentiment was at 68.2 in June, down from 79 in January as worries about the economic outlook increased. Yet consumers remained upbeat about the labor market and expectations that inflation will continue to moderate over the next year.

Source: Bureau of Labor Statistics, FRED.

HISTORICAL

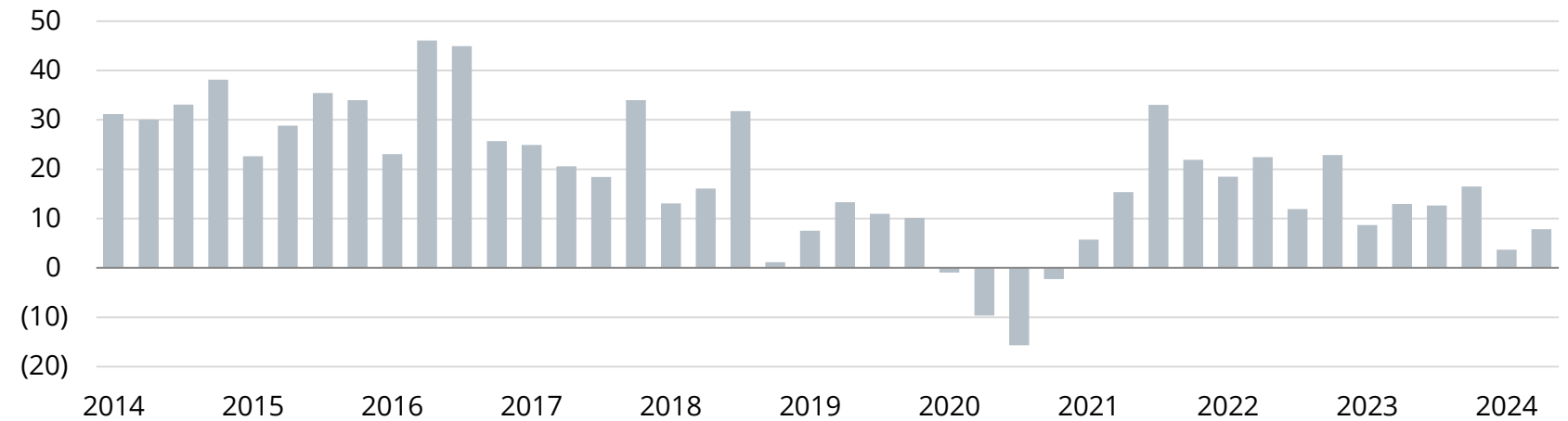


MARKET HIGHLIGHTS

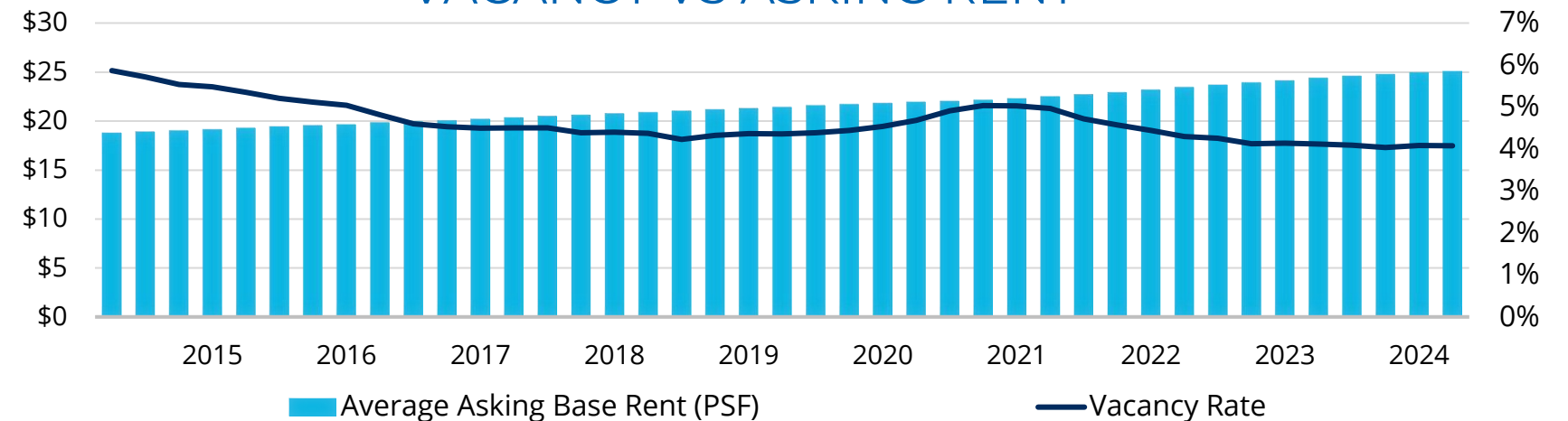
- Net absorption was 7.8 million SF during Q2, marking the 14th consecutive quarter of positive net absorption in the U.S. While net absorption continues to be positive, it has significantly decreased over the last year when it totaled 12.9 million SF.
- The vacancy rate was unchanged from the previous year, staying at 4.1%, displaying the stability of the retail market. 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 increased by 2.8% YoY, its smallest increase since Q2 2021. This is the first quarter since Q3 2021 that asking rent growth was below 3%. Rent growth is slowing as vacancy rates stabilize as demand for space is subsiding. This is occurring at a time of slowed consumer spending putting pressure on overall retail demand.
- Retail deliveries totaled 7.0 million SF in Q2, a decrease from previous three quarters where deliveries averaged 10.2 million SF.
- The U.S. had 50.3 million SF under construction in Q2, a decrease of 7.3% from the previous quarter and down 20% YoY. Construction continues to decline due to high interest rates, reduced construction loan availability, and high labor and material cost.
- Retail is in an interesting spot as the market responds to a slowing economy. Interest rates have finally cooled, and the retail market adjusts to slower demand for retail space.

HISTORICAL

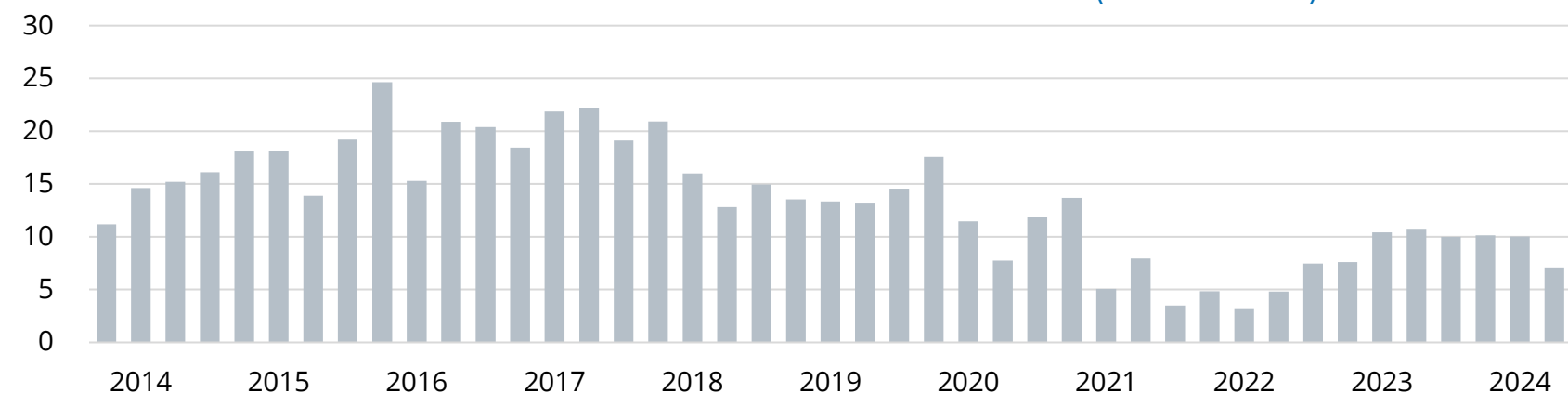
NET ABSORPTION (MILLION SF)



VACANCY VS ASKING RENT

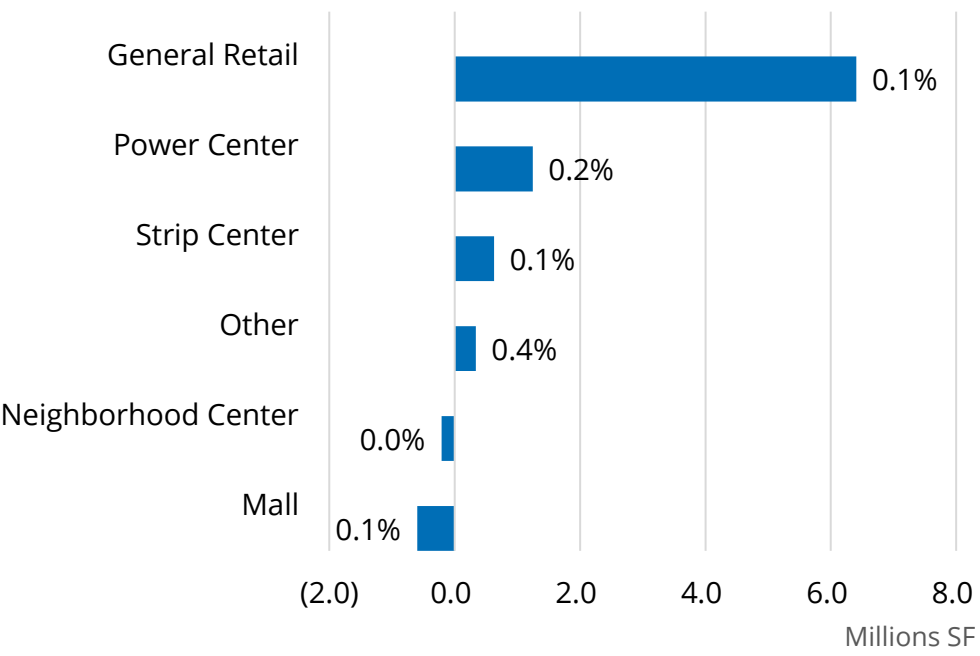


CONSTRUCTION – DELIVERED (MILLION SF)



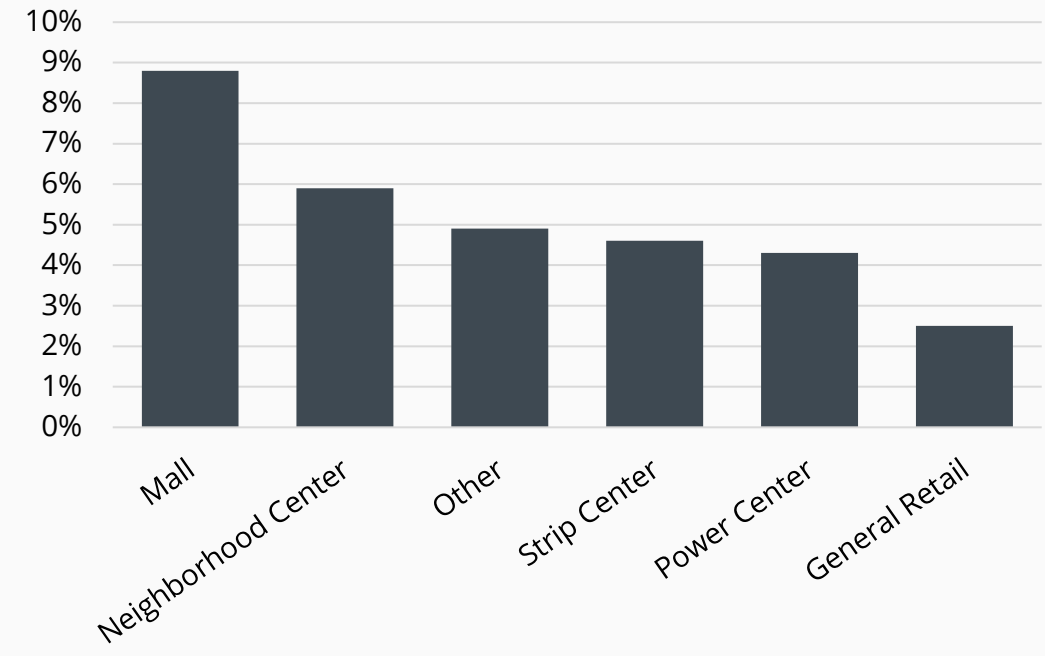
NET ABSORPTION

Q2 2024 Net Absorption and % of Stock



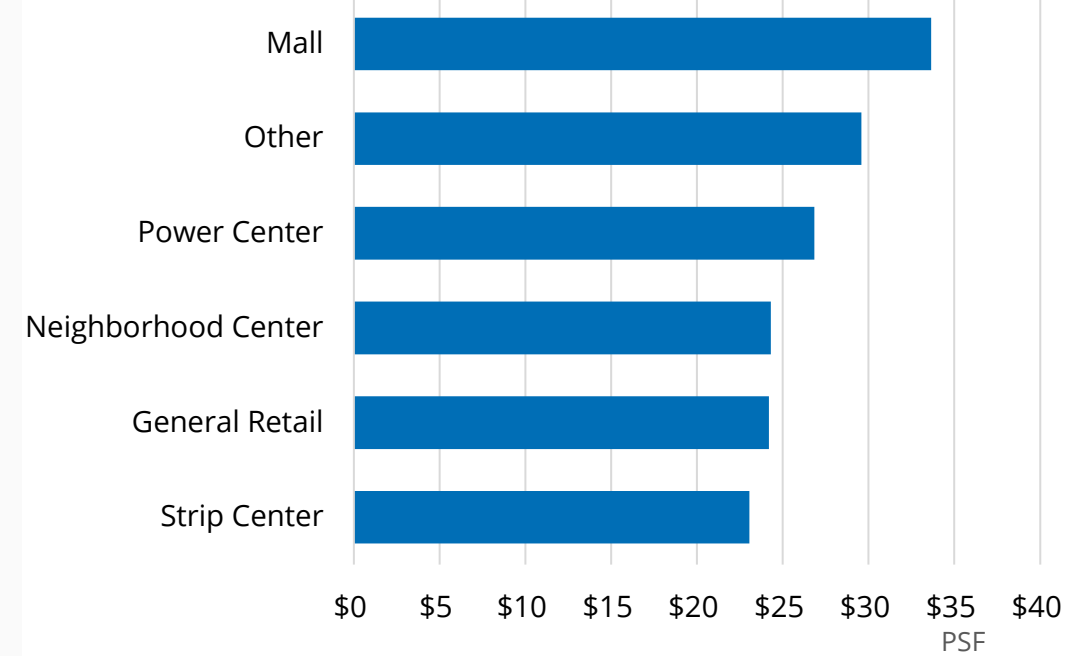
VACANCY/CONSTRUCTION

Q2 2024 Overall Vacancy Rate

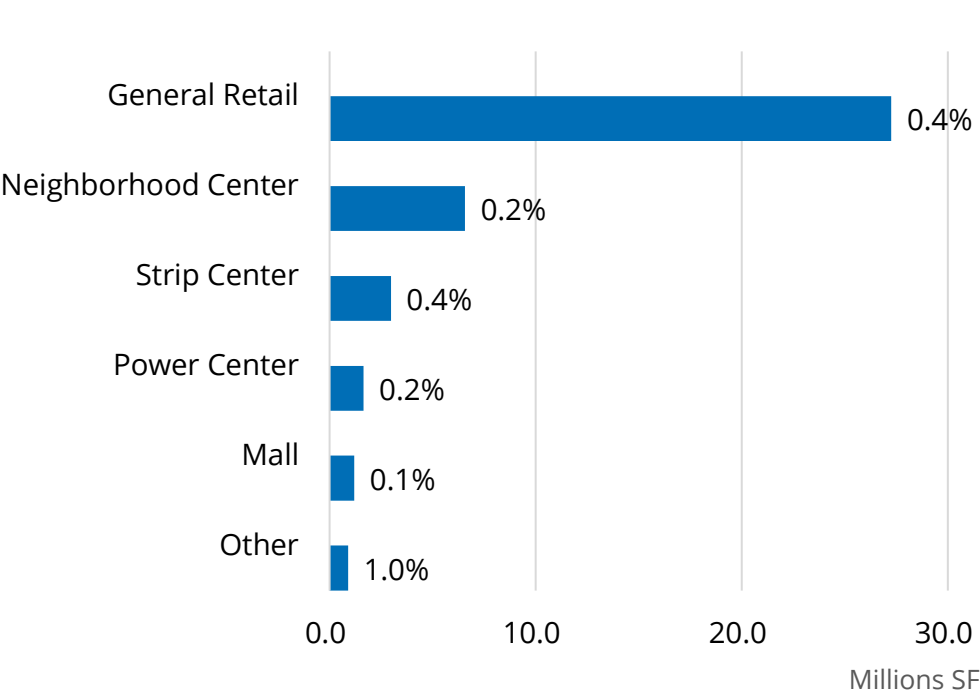


ASKING RENTS

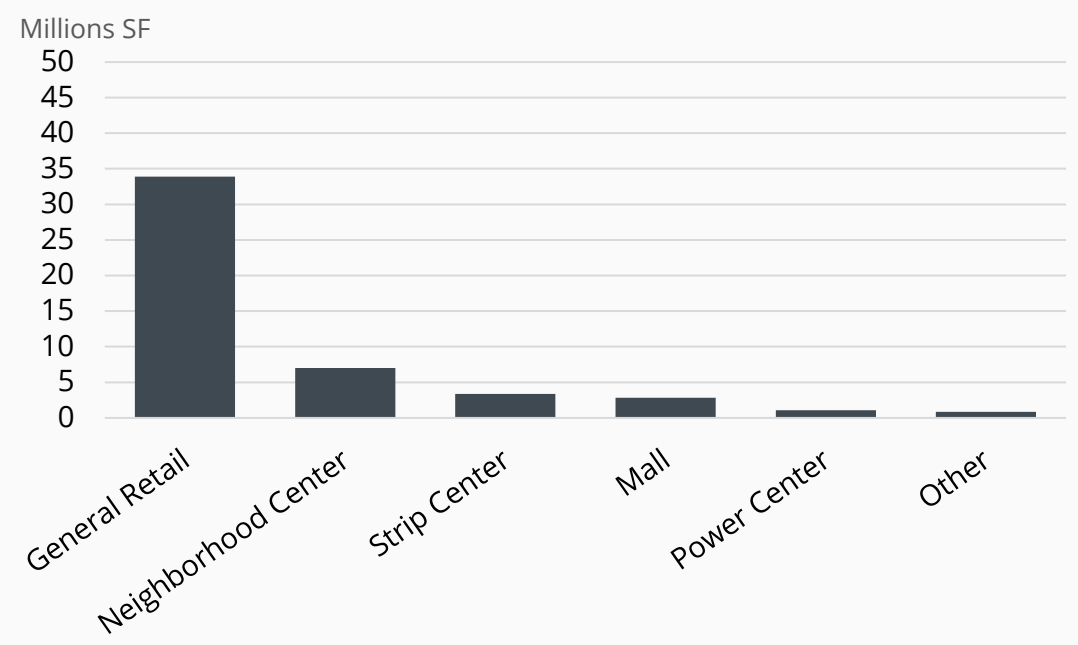
Q2 2024 Market Rent



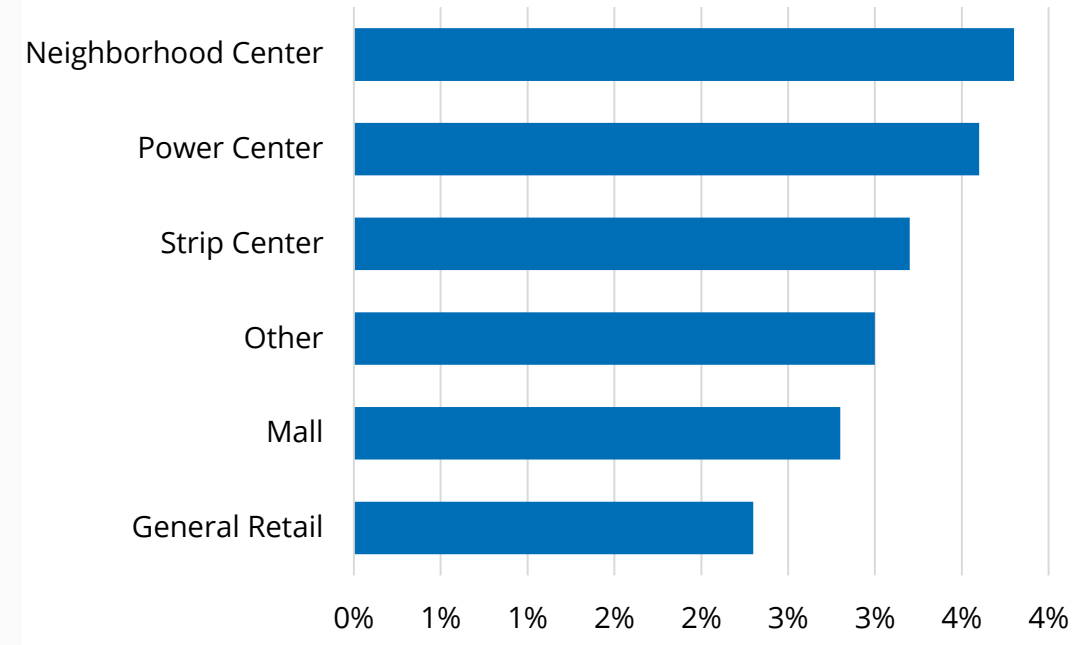
Trailing 4-Qtr Net Absorption and % of Stock



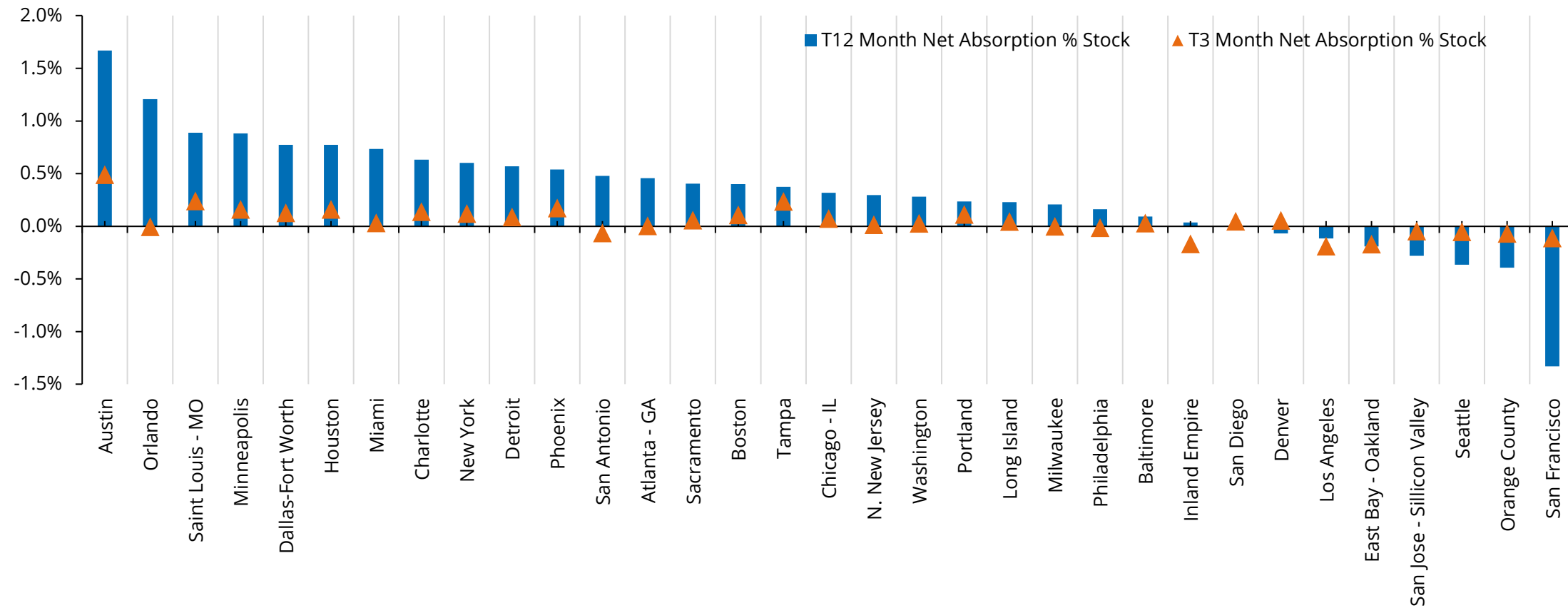
Q2 2024 Under Construction



Year-Over-Year Rent Growth

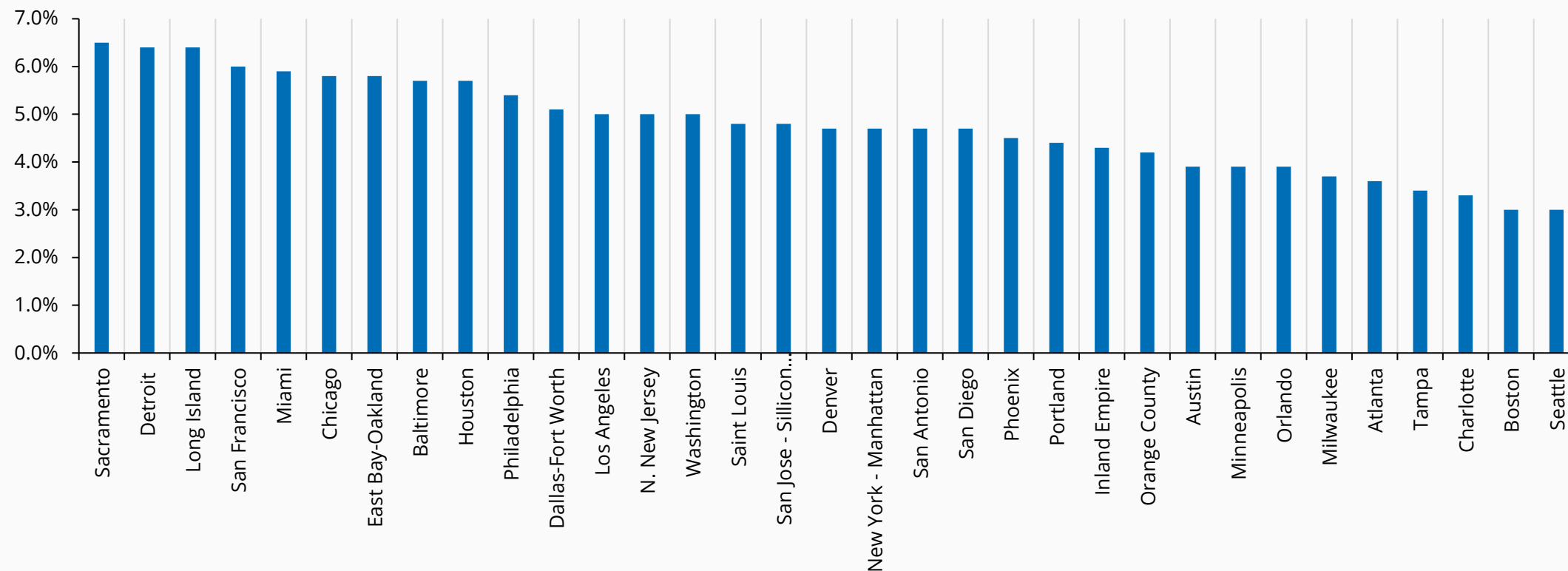


NET ABSORPTION % STOCK



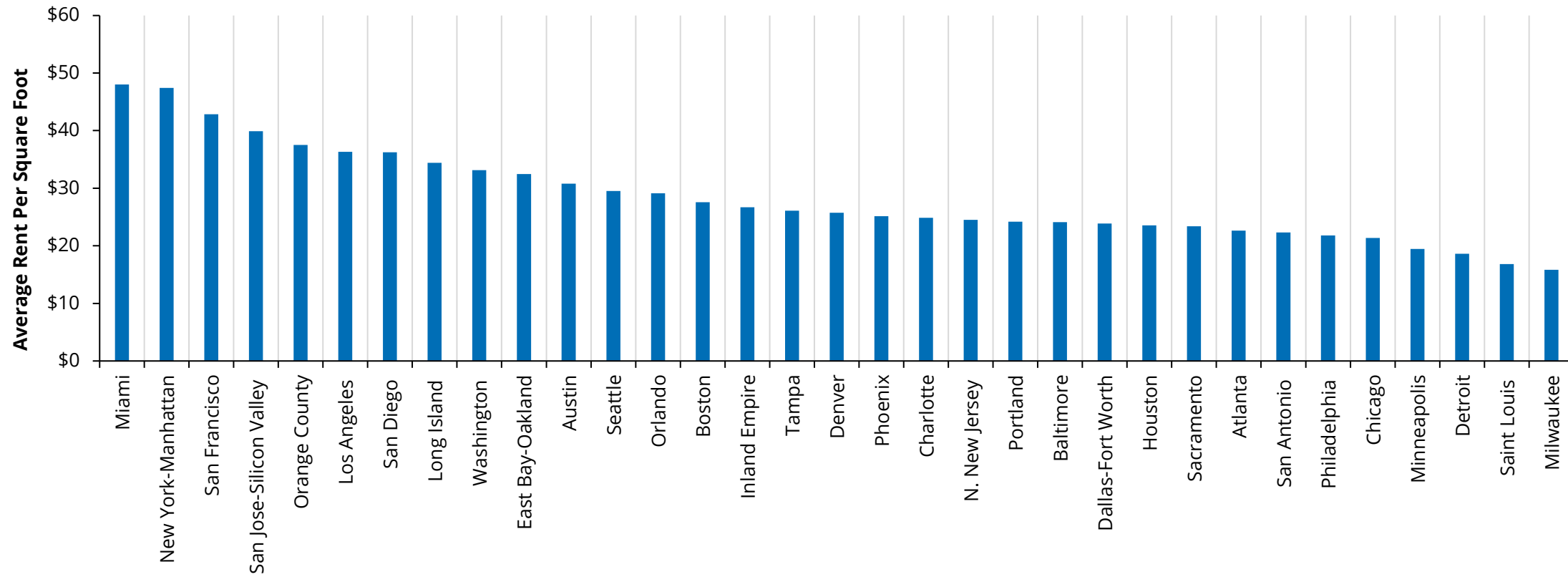
- All but eight of the 33 tracked markets registered positive net absorption as a share of stock over the past 12 months, led by Austin, Orlando, and St. Louis.
- 67% of tracked markets recorded positive absorption, down from the 85% in Q1 showing slowing market activity. Orlando and San Antonio saw negative net absorption for the first time since Q4 2022 and Q3 2020 respectively.
- Markets where the quarterly net absorption outpaced the 12-month trailing included San Francisco, Orange County, and Seattle, showing that retail is potentially recovering in those markets.

AVAILABILITY % STOCK



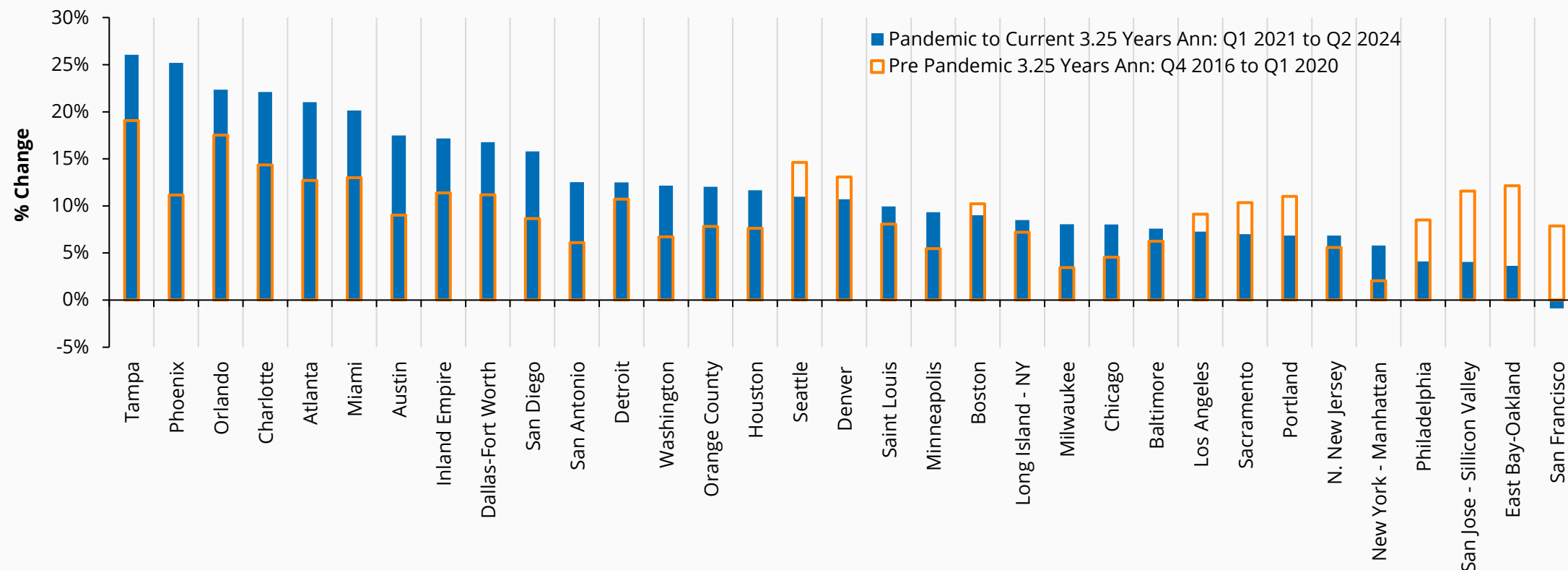
- Availability as a percent of stock can be a potential determinate of softening or tightening within a market.
- As demand is elevated and new supply continued to be in short supply availability rates declined YoY in most markets tracked.
- The most notable YoY decline in availability occurred in Minneapolis, St. Louis and Northern New Jersey, while San Francisco saw the largest increase in availability.
- Regions with the largest availability as a percent of stock include Sacramento, Detroit, and the Inland Empire.

RENTAL RATES



- Rental rates grew in the Sun Belt as tenants fight for limited space in these fast-growing markets.
- Miami now has the most expensive rental rate among the tracked markets, totaling \$48.00/SF, as rental rate growth continues to be consistent. New York – Manhattan and San Francisco rent growth totaled 1.1% and -2.2% respectively.
- Phoenix and Tampa had the largest increase in rental rates YoY, up 7.6% and 6.4%, respectively.

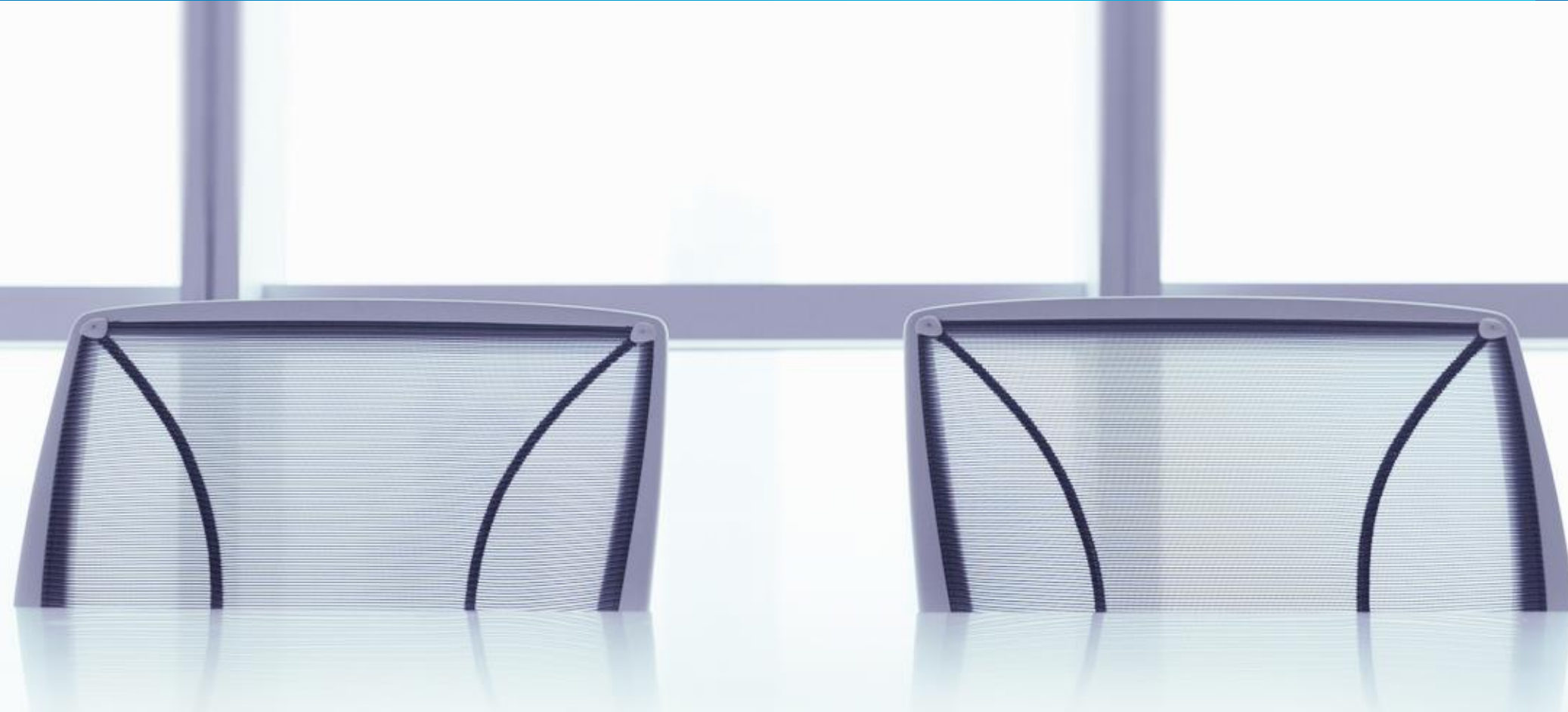
RENTAL RATE CHANGE: PRE-PANDEMIC vs PRE-PANDEMIC to CURRENT



- 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, Austin, and Atlanta.
- San Francisco continues to see rental rate growth lag pre-pandemic levels as rent growth is -1% since Q1 2021, compared to 8% growth pre-pandemic.

Market	Inventory SF	Overall Vacancy Rate	Net Absorption	12-Month Net Absorption	Market Rent	Annual Rent Change	Under Construction
Atlanta	375,413,676	3.6%	17,361	1,711,098	\$22.63	5.7%	865,137
Austin	124,031,669	2.8%	606,311	2,069,814	\$30.78	4.7%	1,498,792
Baltimore	144,874,918	5.3%	44,107	133,933	\$24.12	2.5%	290,992
Boston	251,685,228	2.4%	269,280	1,009,979	\$27.56	1.2%	920,273
Charlotte	153,352,198	2.7%	210,582	970,827	\$24.85	6.1%	669,040
Chicago	590,510,256	4.8%	428,952	1,872,424	\$21.37	1.0%	820,994
Dallas-Fort Worth	475,390,528	4.6%	608,665	3,674,481	\$23.87	4.7%	4,914,529
Denver	165,500,956	4.0%	92,358	(113,912)	\$25.74	2.1%	466,091
Detroit	263,751,346	4.9%	235,088	1,505,042	\$18.62	3.9%	290,533
East Bay-Oakland	124,977,178	5.7%	(213,726)	(240,428)	\$32.46	0.2%	131,785
Houston	442,482,016	5.0%	702,306	3,420,082	\$23.55	1.9%	3,733,080
Inland Empire	202,459,877	5.8%	(341,203)	72,462	\$26.69	4.3%	772,835
Long Island	156,495,569	4.1%	70,036	359,337	\$34.39	0.2%	776,822
Los Angeles	454,307,255	5.5%	(859,603)	(524,151)	\$36.31	0.0%	1,382,004
Miami	148,696,667	2.7%	46,423	1,093,681	\$48.00	3.9%	1,103,899
Milwaukee	114,189,776	4.0%	(573)	237,394	\$15.84	3.6%	155,588
Minneapolis	208,235,946	2.5%	334,210	1,835,219	\$19.44	1.7%	421,874

Market	Inventory SF	Overall Vacancy Rate	Net Absorption	12-Month Net Absorption	Market Rent	Annual Rent Change	Under Construction
New York-Manhattan	644,554,422	4.0%	94,396	1,904,289	\$47.41	1.1%	2,264,656
Northern New Jersey	137,513,512	4.0%	166,168	828,529	\$24.50	2.7%	311,263
Orange County	143,924,241	4.3%	(97,566)	(565,877)	\$37.50	2.5%	229,013
Orlando	158,577,145	3.4%	(8,901)	1,913,253	\$29.12	5.8%	957,941
Philadelphia	345,950,722	4.2%	(51,078)	563,154	\$21.81	-0.5%	1,376,585
Phoenix	243,874,153	4.8%	421,538	1,312,590	\$25.14	7.6%	2,409,815
Portland	126,554,624	3.9%	141,711	297,060	\$24.17	-0.2%	456,037
Sacramento	112,684,954	6.0%	66,042	456,154	\$23.38	0.2%	298,927
Saint Louis	177,914,289	4.3%	425,313	1,578,860	\$16.82	2.9%	38,560
San Antonio	151,249,138	3.6%	(94,758)	723,063	\$22.30	2.7%	949,665
San Diego	140,213,417	4.3%	65,903	(31,643)	\$36.23	4.3%	557,205
San Francisco	82,074,992	6.5%	(91,577)	(1,091,357)	\$42.83	-2.2%	155,735
San Jose-Silicon Valley	80,604,558	4.6%	(37,595)	(225,885)	\$39.91	0.4%	318,249
Seattle	182,350,179	3.4%	(95,000)	(664,186)	\$29.52	3.1%	381,791
Tampa	178,024,159	3.1%	420,528	667,465	\$26.08	6.3%	703,347
Washington	272,206,123	4.3%	73,863	765,801	\$33.14	3.4%	1,089,618



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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://www.instagram.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.