April 2022

мясі Capital Trends US Retail

18.4% YOY price change\$5.2b Transaction volume10% YOY volume change

Sales involving retail properties were a bright spot for commercial real estate investment in April. Deal volume was up from a year earlier for the sector, a situation not seen for most property types. This story of growth is particularly healthy as activity at the bedrock of the market — individual asset sales was the source of the growth.

Across most property sectors, deal volume fell from a year earlier in April as uncertainty around the change in the interest rate environment challenged underwriting assumptions. The 10yr UST pushed higher than the 2% level in mid-March and averaged 2.75% in April making it more difficult for some deals to pencil relative to earlier in the year.

It is not as if retail faced no challenges, however. Deal volume had been expanding at high double- and triple-digit rates and in one month switched to a 10% pace of growth. Still, the needle was moving in a positive direction in April. The fear and uncertainty around retail properties in the face of the pandemic was sharper than for other sectors, and as elements of that fear were removed, the sector still had enough momentum to avoid the interest-rate-driven declines seen elsewhere.

Sales of individual assets climbed 20% from a year earlier in April. This climb is from an admittedly low level of activity even in 2021. Still, the \$4.2b in individual asset sales seen in April of this year is on par with the average pace set for April over the five years before the pandemic.

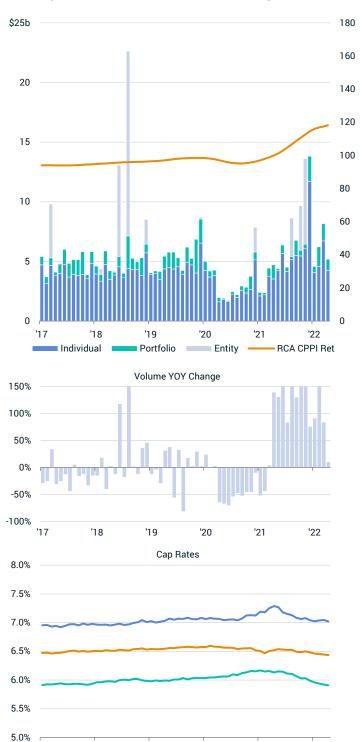
Deals involving portfolios fell 20% from a year earlier. The portfolio sales that were seen were not driven by one big transaction – activity was broad-based. No entity-level transactions closed in April, though two are pending which would involve nearly 9 million square feet of space.

Pricing measures are showing some signs of change into April. The RCA CPPI for retail climbed 18.4% YOY in April though looking at the change from March paints a different picture. The annualized pace of growth stood at only 7.7% for the month, suggesting that price growth is decelerating sharply. Cap rates stood at 6.4% in April, down 10 bps from a year earlier.

Transaction Volume Summary

	April 2022		YTD 2022	
	Vol (\$b)	YOY	Vol (\$b)	YOY
Retail Total	5.2	10%	24.2	74%
Centers	3.7	92%	16.0	155%
Shops	1.5	-47%	8.2	7%
Single Asset	4.2	20%	19.6	69%
Portfolio	0.9	-20%	4.6	95%

Monthly Transaction Volume and Pricing



Trailing 12-mth cap rates; volume YOY change truncated at 150%

'19

'20

Centers

'21

Shops

'18

All Retail

'17

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'22



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Methodology

Data based on properties and portfolios \$2.5m and greater unless otherwise stated. Data as of May 24, 2022 unless otherwise stated.

About Capital Trends

Capital Trends reports analyze and interpret trends in the global real estate market. US Capital Trends is a monthly edition comprising an overview of the U.S. market and separate reports on the five main property types. Asia Pacific, Australia, Europe and Global Capital Trends are published quarterly.

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