

Capital Trends

US Retail

18.8% YOY price change
\$5.9b Transaction volume
34% YOY volume change

Climbing 34% from the prior year, growth in the sale of retail assets was second only to hotels for the month of May. The double-digit growth was not a function of historically-low activity in the prior period. A record-high level of individual asset sales bolstered retail transaction activity in May, with total volume reaching \$5.9b.

Between the retail subtypes, centers fared better in May. Volume for this segment of the market totaled \$4.4b, 65% above the prior year's level. Centers have been a growing focus for investors, with centers' share of total retail investment rising in each month of 2022. In May, shopping center activity was behind nearly three-quarters of retail sales volume.

Helping to drive the popularity of shopping centers was a continued interest in grocery-anchored retail. Growth for these assets has continued at a double- or triple-digit clip since the beginning of the year. For May, the \$1.2b in sales represented a 91% increase in volume versus a year prior.

The picture for shops was not as rosy. Sales of shops totaled \$1.5b in May, falling 14% from a year ago. At this level of activity, and excluding the pandemic-induced anemia of 2020, May volume for shops has not been so low since 2013. Activity for the shops subtype was 27% below the average May in the five years prior to the pandemic.

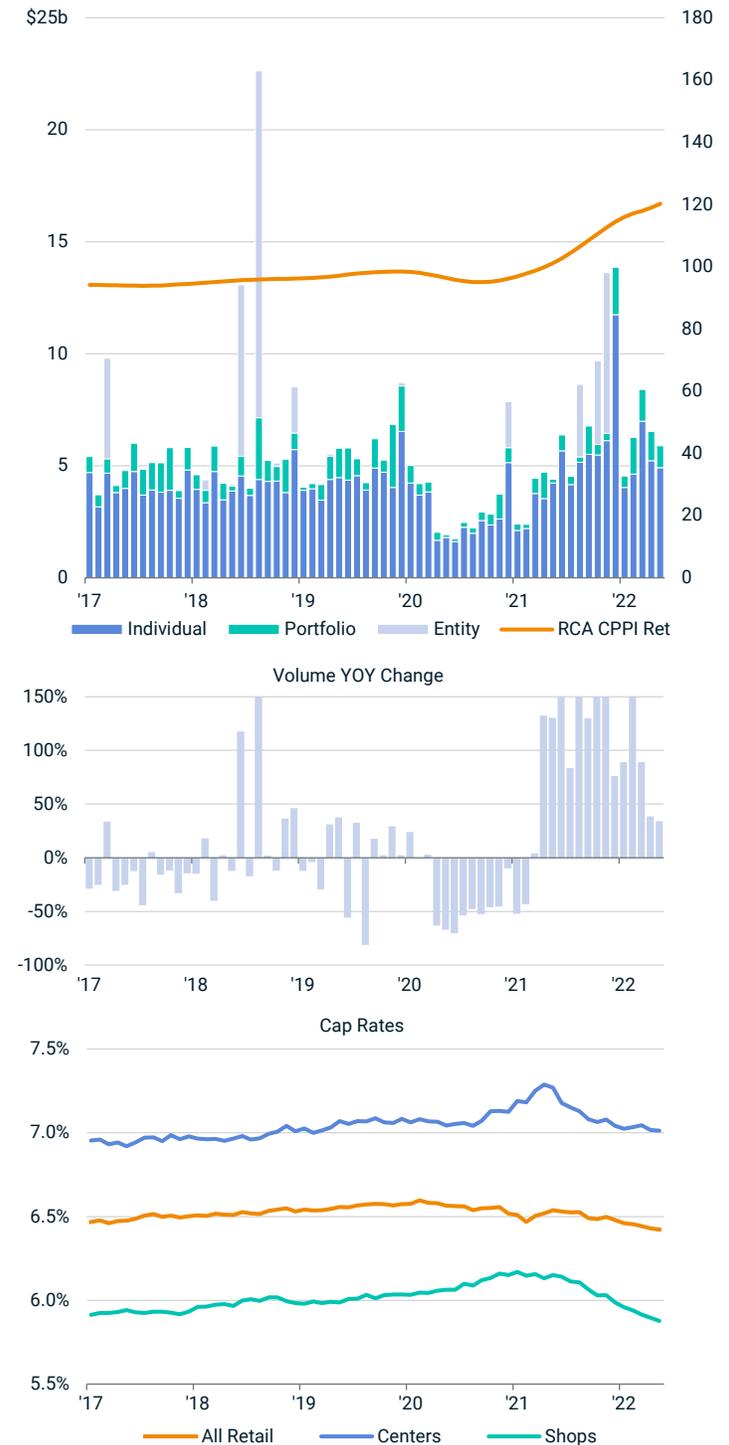
Deal volume can sometimes cloud the true picture of demand. While volume from January through May of 2022 handsomely outpaced 2021, transaction activity has slowed through the second quarter. Moreover, by week 21 of the year, the count of transactions recorded in the retail sector had fallen below the 2021 level.

The RCA CPPI for retail climbed 18.8% YOY in May. Still, price growth has been decelerating since February when annual growth had reached 19.8%. Cap rates stood at 6.4% in May, down 10 bps from a year earlier. With the 10yr UST at 2.9%, the spread between the average cap rate and 10yr UST was 350 bps, some 150 bps narrower than the spread in May of 2021.

Transaction Volume Summary

	May 2022		YTD 2022	
	Vol (\$b)	YOY	Vol (\$b)	YOY
Retail Total	5.9	34%	31.7	73%
Centers	4.4	65%	21.4	140%
Shops	1.5	-14%	10.3	9%
Single Asset	4.9	16%	25.8	63%
Portfolio	1.0	456%	5.9	134%

Monthly Transaction Volume and Pricing



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

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Methodology

Data based on properties and portfolios \$2.5m and greater unless otherwise stated. Data as of June 21, 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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