

Capital Trends

US Retail

17.7% YOY price change
\$6.3b Transaction volume
39% YOY volume change

The retail property sector was the shining star for July, and it was not a case of being the least-worst performer. As investment activity pulled back for other sectors, property sales for retail grew. The increase in sales was broad-based as well, and not tied to something like a home run of a megadeal, with an investor buying a retail operating platform. Rather, deal volume for the month was largely a story of single and doubles.

Why retail? Everybody was so afraid of the sector just a year ago, and retail became a whipping boy for some investors to talk down a sector with no growth prospects. The growth prospects are still not tremendous, but some of the fears around the future have faded.

Online shopping has been on a long-run growth trend, taking market share away from brick-and-mortar-based retailing. The onset of the pandemic accelerated that growth, with the share of spending focused on e-commerce activity spiking in 2020. As vaccines were rolled out and restrictions eased, this share fell back and is approaching a normal pace for e-commerce retailing. This return to normal is driving a rebound in both in-store sales and property income, a trend that some investors are chasing.

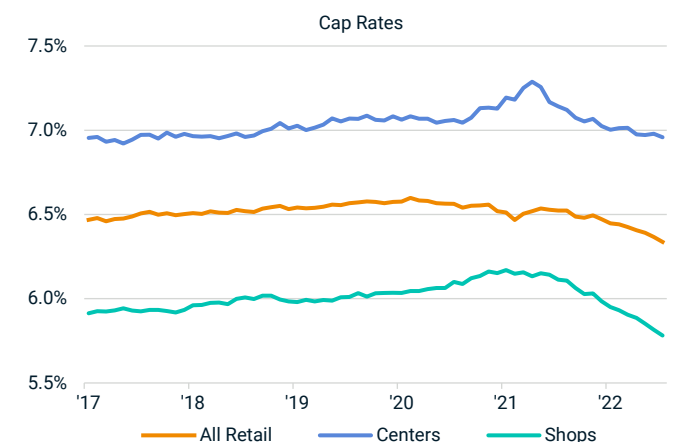
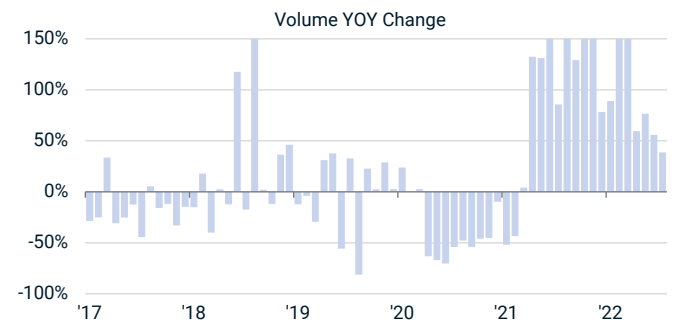
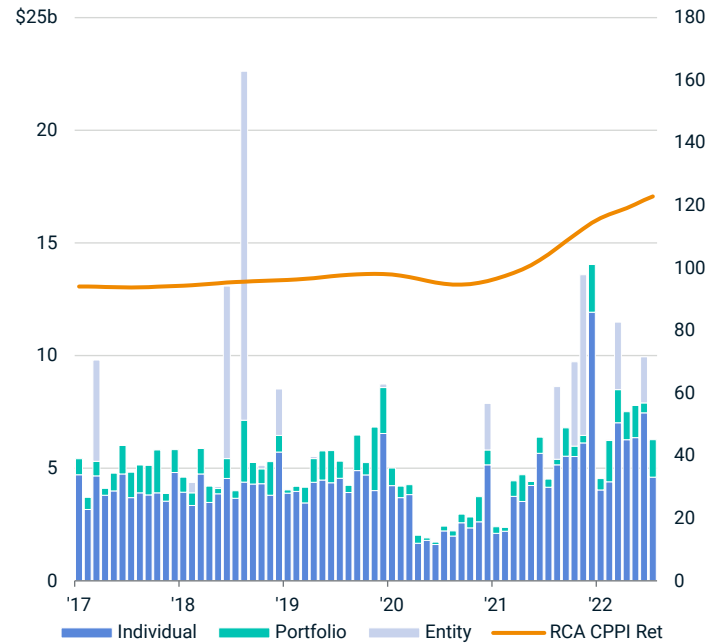
Sales involving shopping centers grew more for the month than did those of the smaller shop spaces. Shopping center activity climbed 91% from a year earlier on sales of \$5.0b. Portfolio sales provided an extra lift here, with such deals representing 32% of all shopping center sales for the month. These attempts to get exposure to shopping centers at scale were not the only story for this retail subtype in the month, however. Deals involving individual buildings were up 41% from a year earlier on sales of \$3.4b.

Retail cap rates averaged 6.3% in July, down 20 bps from a year earlier. Cap rates for shopping centers averaged 7.0% for the month while those for shop space stood at 5.8%.

Transaction Volume Summary

	July 2022		YTD 2022	
	Vol (\$b)	YOY	Vol (\$b)	YOY
Retail Total	6.3	39%	53.8	84%
Centers	5.0	91%	39.1	159%
Shops	1.2	-35%	14.7	4%
Single Asset	4.6	11%	40.1	56%
Portfolio & Entity	1.7	354%	13.7	280%

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 August 23, 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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