

# Capital Trends

## US Retail

**Q1 2022**

**16.3% YOY price change**

**\$18.6b Transaction volume**

**102% YOY volume change**

Sales of retail properties climbed relative to a year ago in Q1'22 despite the surge in interest rates in March. Commercial property sales are slower to finalize than transactions in the bond markets, with deal closing times measured in weeks or months. The level of activity through the end of March then reflects the sentiment around the sector through the beginning of the year. The fallout from the spiking interest rates, if any, will likely be seen in coming months.

While deal activity climbed, one sign of challenges for the retail property sector came in the form of a deceleration of price growth. The RCA CPPI for retail properties climbed 16.3% from a year earlier in Q1'22, down from the 19.1% YOY pace set in Q4'21. Annualizing the quarterly change in the RCA CPPI for retail properties suggests a 1.7% pace of growth for retail property for the quarter. It is not yet clear though that this deceleration of price growth is a function of the interest rate spikes or simply a return to trend.

Retail property price surged in 2021 in line with deal volume climbing at triple-digit rates. This fantastic growth was not a story of investors becoming enamored with the sector, rather it was a rebound from the fear-driven lows of 2020. As this sense of fear faded in 2021 with the introduction of vaccines and some return to normality, deal activity and pricing moved quickly back towards normal levels. Once that removal of fear had been priced in fully, it would be reasonable to see the price growth slow, independent of interest rate shocks.

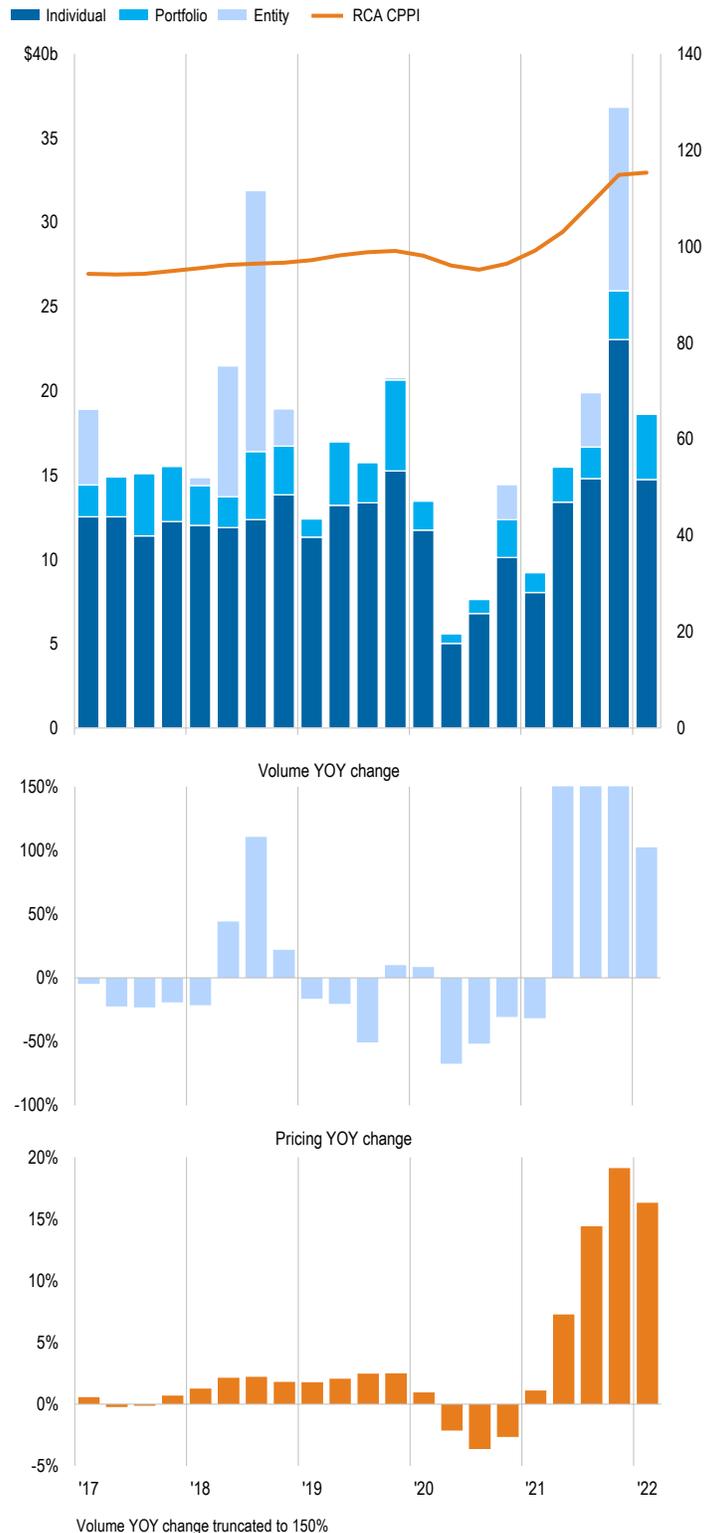
Portfolio and entity-level sales boosted deal activity for the quarter. Such megadeals were up 235% from Q1'21, when there was little in the way of M&A-type transactions. There was not one big portfolio sale that drove the \$3.9b in activity either, there were simply a number of deals where investors found opportunities to buy into retail at scale.

Individual property sales grew at a slower pace than the retail property market overall for the quarter, but the figures were still well above trend. Such transactions in Q1'22 were 83% above the pace set a year earlier.

### Transaction Volume Summary

	Mar '22		Q1 '22	
	Vol (\$b)	YOY	Vol (\$b)	YOY
Retail Total	7.5	70%	18.6	102%
Centers	5.4	152%	12.5	191%
Shops	2.1	-7%	6.1	25%
Single Asset	6.3	67%	14.8	83%
Portfolio	1.3	86%	3.9	235%

### Quarterly Transaction Volume & Pricing



# Recent Trends

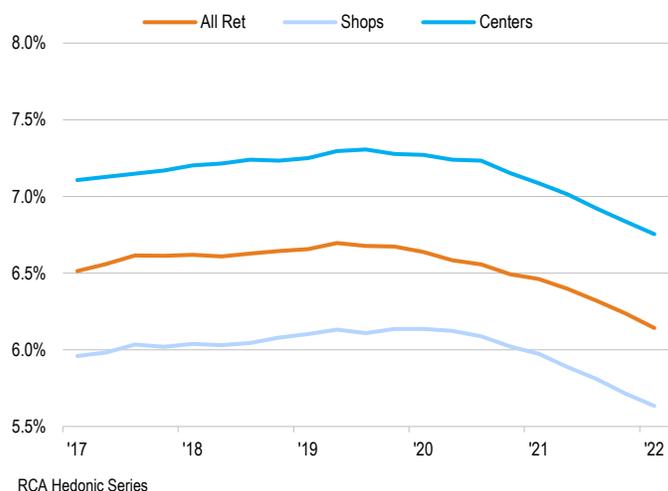
Price growth decelerated the most for the shop segment of the market in Q1'22. The RCA CPPI for shop space climbed 9.8% over the four quarters to the end of Q1'22. The annualized change in prices between Q4'21 and Q1'22, however, was only at a 0.6% pace. The 920 bps downshift between the long- and short-term measure of annual price growth suggests that much of the price momentum in this segment of the market was in the past.

Shopping centers also saw a downshift in price growth into Q1'22, and while the transition was larger on a relative basis, the pace of growth for shopping centers is still stronger than that for shop space. The RCA CPPI for shopping centers climbed 19.2% from a year earlier in Q1'22. The annualized rate of change from Q4'21 to Q1'22 was only 4.0%, however. The 1520 bps swing between the longer-term measure of price growth and the short-term measure was more intense than the downshift in price growth for shop space, though 4.0% annualized growth into Q1'22 is certainly stronger than the 0.6% pace for shop space.

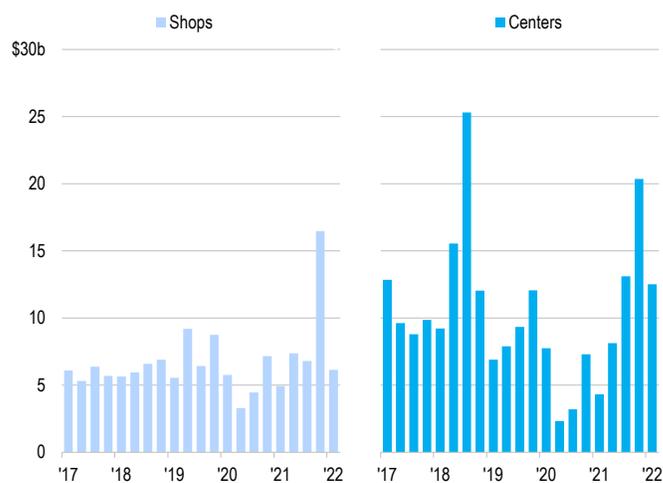
Deal volume climbed for both retail subtypes in Q1'22, with sales involving shopping centers up 191% YOY and sales of shops up 25%. Into March, however, sale activity for shop space declined 7% from a year earlier. So for the quarter, the growth in sales for shop space was clearly front-loaded. Sales of shopping centers posted triple-digit growth rates throughout the quarter. These high rates of growth, though, were more a story of the incredibly weak start that this market had in 2021.

Cap rates compressed for retail property in Q1'22, with cap rates at an average 6.1% in the quarter, down 30 bps from a year earlier. Shop space posted an average 5.6% cap rate, down 30 bps from a year earlier, and the average for shopping centers was also down 30 bps to an average 6.8% level.

## Cap Rates



## Quarterly Transaction Volume by Subtype



## Q1'22 Deal Volume and Pricing Summary

	Quarterly Volume				RCA CPPI			Price Averages	
	\$b	YOY Chg	#Props	YOY Chg	1-qtr Chg	1-yr Chg	\$/sf	Cap Rate	YOY Chg (bps)
Retail Total	18.6	102%	1,445	13%	0.4%	16.3%	211	6.1%	-30
Centers	12.5	191%	688	60%	1.0%	19.2%	175	6.8%	-30
Shops	6.1	25%	757	-10%	0.2%	9.8%	343	5.6%	-30
6 Major Metro	5.3	88%	341	2%	1.1%	12.1%	300		
Non-Major Metro	13.3	109%	1,104	17%	0.8%	16.7%	187		
Grocery	4.1	110%	189	15%	2.1%	20.0%	217	6.3%	-20
Unanchored Retail Center	2.6	58%	349	20%	1.7%	20.1%	228	6.4%	-30
Single Tenant Retail	3.9	21%	444	-15%	1.0%	8.6%	330	5.7%	-30
Drug Store	1.0	27%	140	-7%	1.8%	7.4%	489	5.6%	-30

RCA Hedonic Series cap rates

# Top Brokers Q1 2022

## By Region

### Mid-Atlantic

JLL  
 CBRE  
 Marcus & Millichap  
 Cushman & Wakefield  
 Newmark

### Midwest

CBRE  
 Marcus & Millichap  
 JLL  
 Mid-America RE Group  
 Colliers International

### Northeast

Cushman & Wakefield  
 Newmark  
 CBRE  
 Marcus & Millichap  
 JLL

### Southeast

CBRE  
 JLL  
 Eastdil Secured  
 Marcus & Millichap  
 Colliers International

### Southwest

CBRE  
 Marcus & Millichap  
 JLL  
 Eastdil Secured  
 Disney Investment Group

### West

CBRE  
 Eastdil Secured  
 JLL  
 Marcus & Millichap  
 CPX

Ranked by investment volume

## By Retail Investment Volume

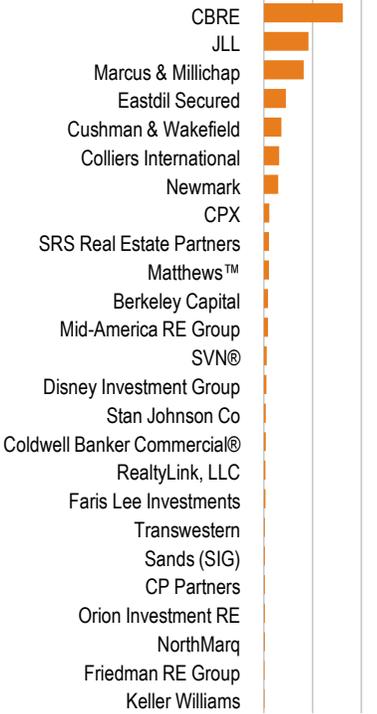
### Centers



### Shops



### All Retail



## By Number of Retail Properties

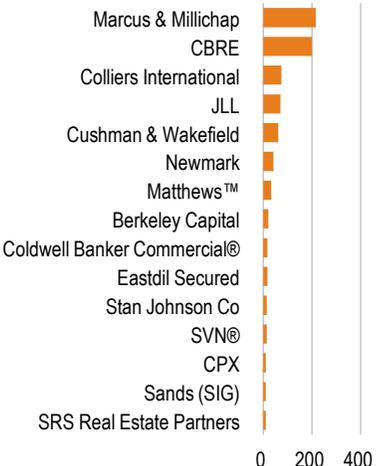
### Centers



### Shops



### All Retail



**Methodology:** Full credit assigned to each broker when multiple brokers involved. For partial-interest, volume is based on the pro-rated share of the total property or portfolio value. Based on sell-side representation. The transaction volume of brokerage firms that have merged are left unconsolidated before the merger date and are attributed to the surviving or newly formed company after the merger date. For more information on rankings please visit the RCA website.

# Top Deals Q1 2022

## Property Sales

	Property	Location	Size	Type	Volume(\$m) <sup>A</sup>	\$/unit	Buyer	Seller
1	1600 Broadway (Condo)	New York, NY	27,000 sq ft	RET	191.5	7,093	Paramount Group (REIT) JV BVK	Sherwood Equities
2	Lincoln Center	Miami Beach, FL	127,000 sq ft	RET	-	-	BH Properties	Credit Agricole JV Societe Generale
3	Providence Town Center	Collegeville, PA	740,000 sq ft	RET	161.8	219	Finmarc Mgmt JV KPR	Brandolini Co JV Invesco Real Estate
4	Galleria	Edina, MN	381,801 sq ft	RET	150.0	393	70th Street Properties	Hines
5	Westfield Promenade	Los Angeles, CA	688,000 sq ft	RET	150.0	218	The Kroenke Group	Unibail-Rodamco-Westfield
6	Oakland Mall	Troy, MI	509,000 sq ft	RET	-	-	MKiezi Investments	Urban Retail Props JV Principal Financial
7	Costa Verde Center	San Diego, CA	178,619 sq ft	RET	125.0	700	Alexandria	Regency Centers
8	Forum at Peachtree Parkway	Norcross, GA	498,730 sq ft	RET	123.5	248	American Properties JV TIAA	AEW
9	Festival at Bel Air	Bel Air, MD	437,227 sq ft	RET	108.0	247	Rappaport Co JV Petroleum Mktg Grp	Crow Holdings
10	Home Depot	Watertown, MA	157,200 sq ft	RET	96.3	612	Boylston Props Co JV JP Morgan	Inland RE Group
11	The Shops at Tanforan	San Bruno, CA	560,628 sq ft	RET	95.2	170	Alexandria	QIC
12	Homestead Pavilion	Homestead, FL	317,270 sq ft	RET	82.8	261	Wharton Realty Group	MMG Equity Ptnrs JV Highline Real Estate Cap
13	Cross Creek Shopping Center	Memphis, TN	363,333 sq ft	RET	-	-	Aspen	Allied Development
14	South Denver Marketplace	Lone Tree, CO	261,135 sq ft	RET	73.5	281	The Kroenke Group	TIAA
15	Freedom Towne Center	Fayetteville, NC	350,838 sq ft	RET	72.5	207	Serota Properties	RealtyLink Development
16	Charleston Plaza	Mountain View, CA	132,653 sq ft	RET	71.8	541	Presidio Bay Ventures	TIAA
17	Fontainebleau Park Plaza	Miami, FL	246,833 sq ft	RET	71.5	290	MG3 Developer Group	Berkowitz Dev Group
18	Exeter Commons	Reading, PA	361,000 sq ft	RET	71.0	197	Wharton Realty Grp JV Cayre Equities	Blackstone
19	Shops at Northfield Stapleton	Denver, CO	769,359 sq ft	RET	71.0	92	Stockdale Cap Ptnrs	QIC
20	Inland Empire Center	Fontana, CA	309,500 sq ft	RET	70.3	227	JH Real Estate Partners	JG Management
21	Shoppes at Woolbright	Boynton Beach, FL	146,759 sq ft	RET	70.2	478	Georgetown Company	Principal Financial
22	Promenade at Carolina Reserve	Van Wyck, SC	255,868 sq ft	RET	70.0	274	Bandera Ventures	The Hutton Company
23	Deptford Landing	Woodbury, NJ	517,000 sq ft	RET	70.0	135	Wharton Realty Group	Blackstone
24	University Square	San Diego, CA	196,482 sq ft	RET	68.8	350	Space Investment Partners	Lakha Investments
25	Shops at Dakota Crossing	Washington, DC	430,000 sq ft	RET	68.1	158	Jade Enterprises	Trammell Crow JV Fort Lincoln New Town

## Portfolio and Entity Sales

	Buyer	Seller	Location	# Props	Type	Volume(\$m) <sup>A</sup>
1	The Necessity Retail REIT	CCO Capital LLC (CIM)	Multiple, USA	56	RET	-
2	EDENS	First Washington Realty	West	8	RET	-
3	InvenTrust	Christopher Commercial	Austin, TX	2	RET	189.3
4	Stockbridge	Branch Properties	Multiple, USA	6	RET	156.8*
5	Fortress JV DJM Capital Partners	Merlone Geier Partners	Multiple, CA	4	RET	151.0
6	Zeckendorf Realty LP JV Stahl Real Estate	Stillman Dev Int'l JV Ceruzzi Properties	New York, NY	1	RET	-
7	Kimco	PGIM Real Estate	Multiple, CA	2	RET	113.9*
8	Inland RE Group	Hy-Vee	Multiple, MN	4	RET	87.7
9	MCB Real Estate	FREIT JV Hekemian & Co	Multiple, MD	3	RET	86.9*
10	Albany Road RE Partners JV Sports Edge Group	FSC Realty LLC; E Street LLC	Boston	5	RET	86.2

<sup>A</sup> When prices are not known, estimated prices are used in the ranking but are not shown. Volume is adjusted pro-rata for partial interests although \$/unit reflects 100% valuation.

\* Partial interest \*\* Forward sale

The number of buyers or sellers shown on a deal is truncated to two. For full deal and player information go to the RCA website.

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## Methodology

Data based on properties and portfolios \$2.5m and greater unless otherwise stated. Data as of April 20, 2022 unless otherwise stated.

## About Capital Trends

Capital Trends reports analyze and interpret trends in the global real estate market using RCA's comprehensive data. 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.

## About Real Capital Analytics

Real Capital Analytics (RCA) is the authority on the deals, the players and the trends that drive the commercial real estate investment markets. Covering all markets globally, RCA delivers timely and reliable data with unique insight into market participants, pricing and capital flows. The most active investors, lenders and advisors depend on RCA's market intelligence to formulate strategy and to source, underwrite and execute deals. An industry pioneer since 2000, RCA has offices in New York, San Jose, London, Singapore and Sydney. RCA is owned by MSCI, a leading provider of critical decision support tools and services for the global investment community. For more information, visit: [www.rcanalytics.com](http://www.rcanalytics.com)

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