July 2022

мяси 🛞 Capital Trends US Retail

17.7% YOY price change\$6.3b Transaction volume39% YOY volume change

Monthly Transaction Volume and Pricing

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.

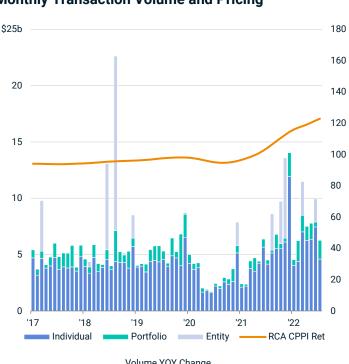
Online shopping has been on a long-run growth trend, taking market share away from brick-and-mortar-based retailing. The onset of the pandemic accelerated that growth, with the share of spending focused on e-commerce activity spiking in 2020. As vaccines were rolled out and restrictions eased, this share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





5.5% '17 '18 '19 '20 '21 '22 ——All Retail ——Centers ——Shops

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

Read Insights for timely data-driven analysis of market trends from across the commercial real estate universe.



Jim Costello

Chief Economist, Real Assets Research

Alexis Maltin Head of Americas Real Assets Research

Haley Crimmins Vice President, Real Assets Research

Wyatt Avery Senior Associate, Real Assets Research

Michael Savino Senior Associate, Real Assets Research

Cole Barker Analyst, Real Assets Research

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.

About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process. To learn more, please visit www.msci.com.

US Capital Trends® Copyright © 2022 MSCI Inc. (MSCI). All rights reserved. This report contains information (the "Information") sourced from MSCI, its affiliates or information providers (the "MSCI Parties") and may have been used to calculate scores, ratings or other indicators. The Information is for internal use only, and may not be reproduced or/ redisseminated in any form, or used as a basis for or a component of any financial instruments or products or indices or for any other commercial exploitation, without MSCI's express written consent. The MSCI Parties do not warrant or guarantee the originality, accuracy and/or completeness of any data or Information herein and expressly disclaim all express or implied warranties, including of merchantability and fitness for a particular purpose. The Information is not intended to constitute investment advice or a recommendation to make (or refrain from making) any investment decision and may not be relied on as such, nor should it be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. None of the MSCI Parties shall have any liability for any errors or omissions in connection with any data or Information herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. MSCI Notice and Disclaimer.