

FIGURES | U.S. RETAIL | Q3 2023

Retail Fundamentals Continue to Improve in Q3

▼ 4.8%

Availability Rate

▲ 9.8 MSF

Net Absorption

▼ 5.6 MSF

Completions

▲ \$23.42

EA Asking Rent*

Arrows indicate change from previous quarter.

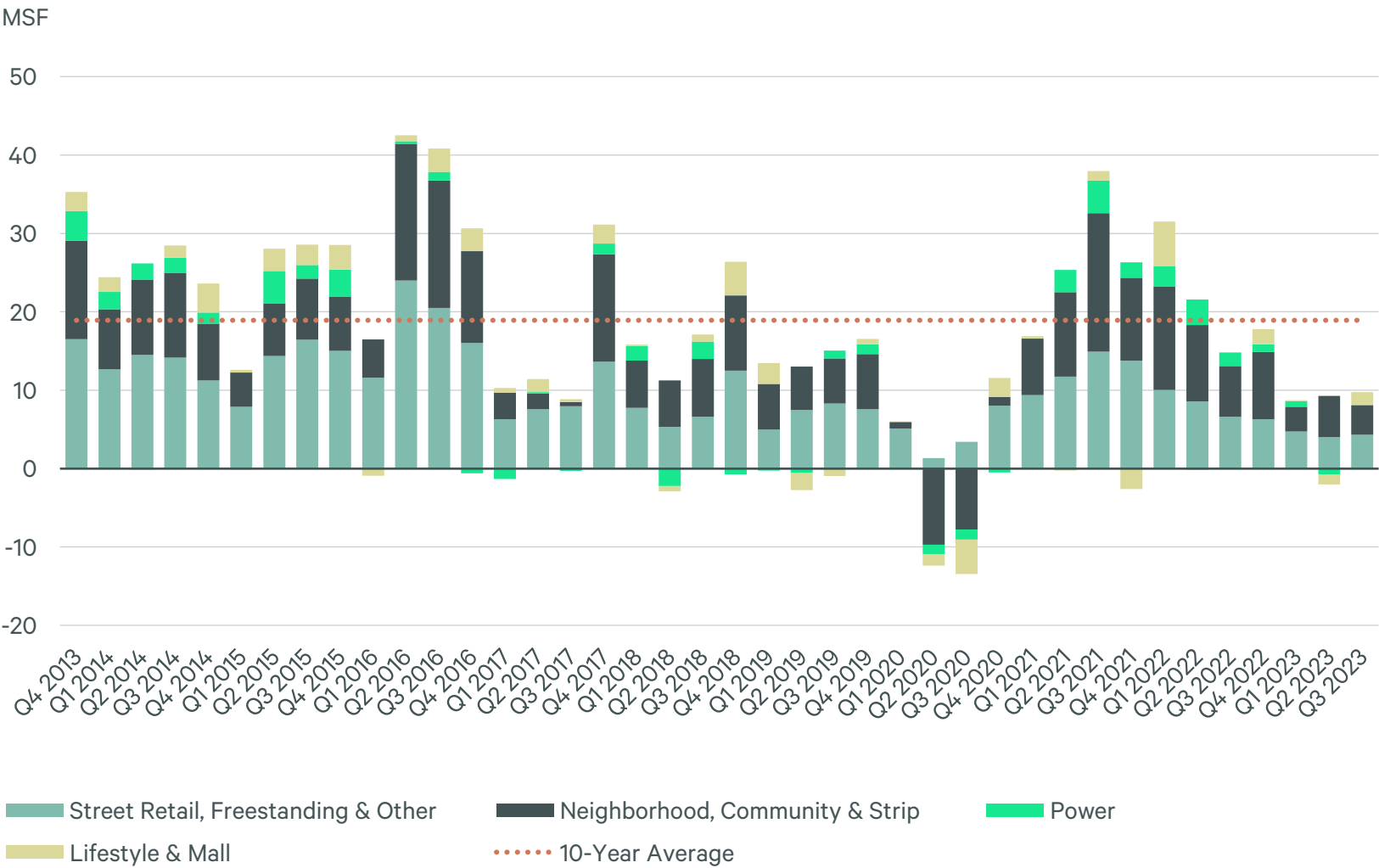
*Determined by CBRE Economic Advisors using repeat rent and building-level interpolation methodology.

Executive Summary

- Demand for retail space increased in Q3, with net absorption up by 34% quarter-over-quarter.
- The overall retail availability rate fell to at least an 18-year low. The neighborhood, community & strip center segment had the biggest year-over-year decrease in availability of 50 basis points (bps).
- Total construction completions remained low in Q3, as high construction costs and tight lending conditions made development less feasible.
- Asking rent growth moderated on a quarter-over-quarter and a year-over-year basis, suggesting that landlords believe demand could ease in coming quarters as the U.S. economy slows.

Figure 1
Absorption picks up in Q3

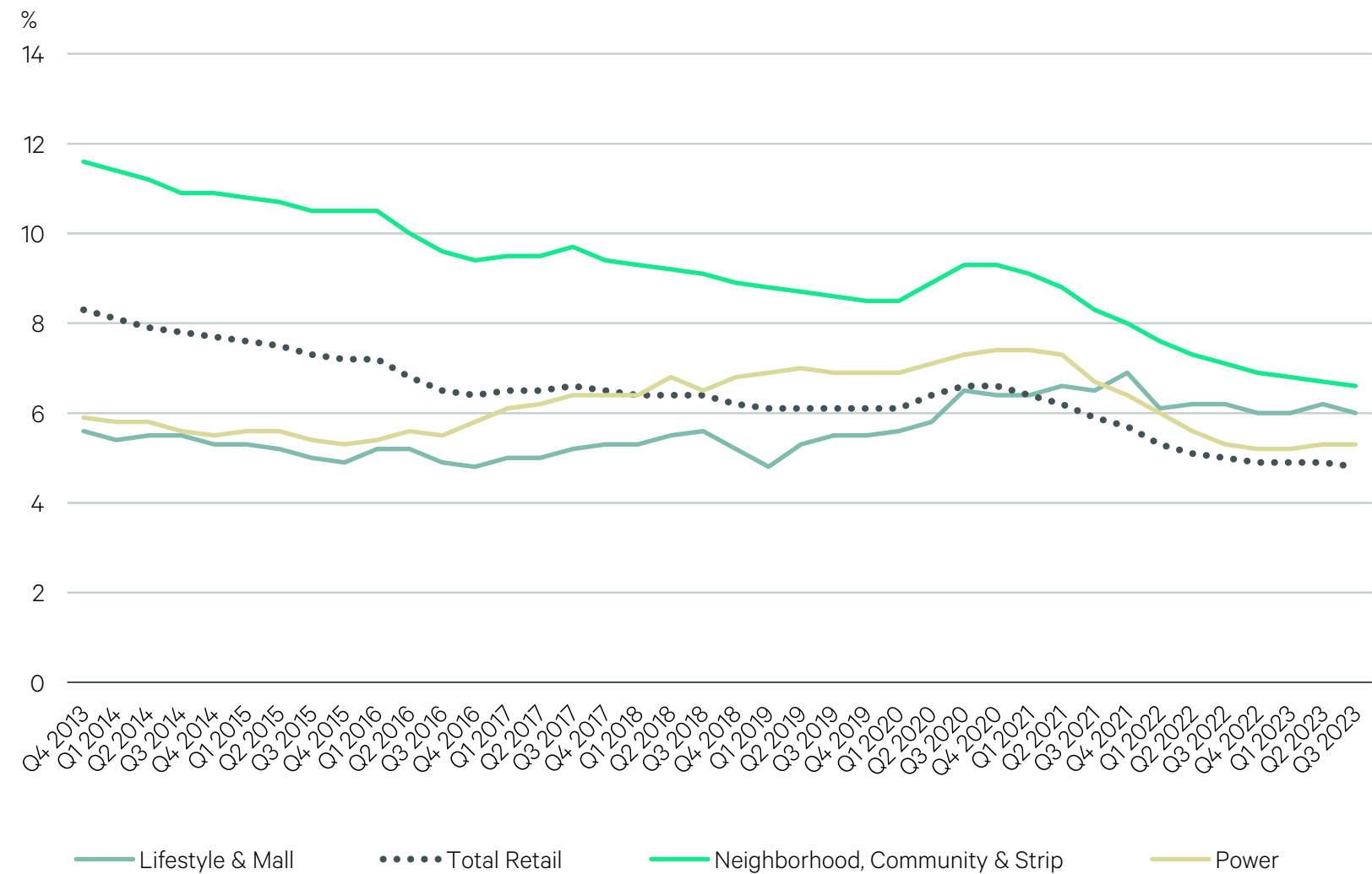
- Net absorption increased by 34% quarter-over-quarter to 9.8 million sq. ft.
- The street retail, freestanding & other segment posted the most net absorption of 4.3 million sq. ft.
- Net absorption for neighborhood, community & strip centers fell by 29% quarter-over-quarter. Absorption for the power center and lifestyle & mall segments turned positive in Q3 after both recorded negative net absorption in Q2.
- Despite positive absorption across all retail segments, total net absorption in Q3 was just 52% of the 10-year quarterly average of 18.9 million sq. ft.



Source: CBRE Econometric Advisors, Q3 2023.

Figure 2
Availability tightens for most retail segments

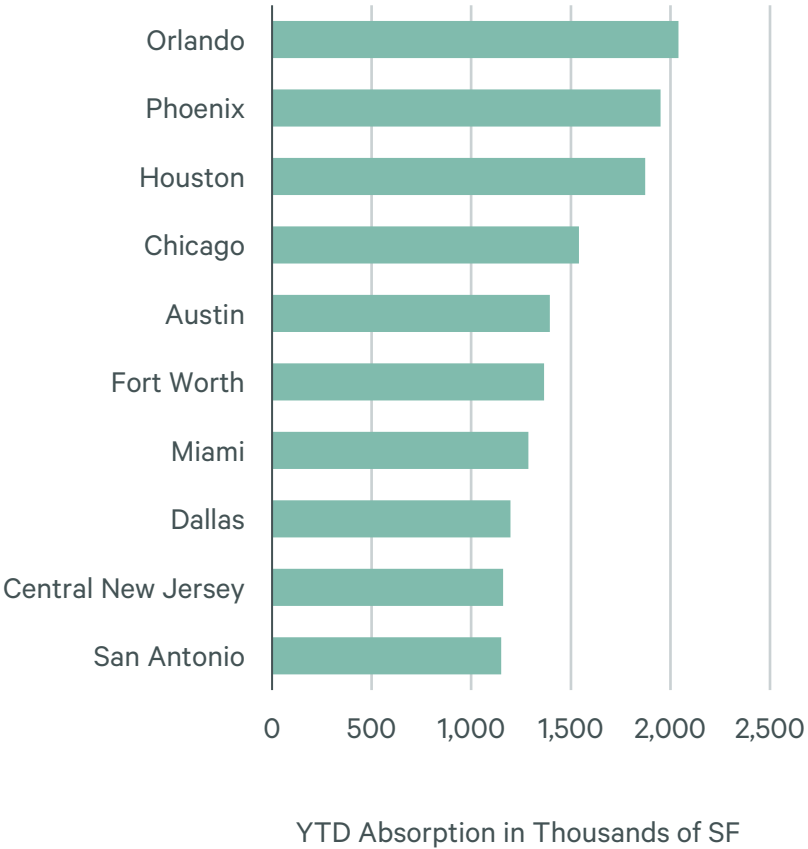
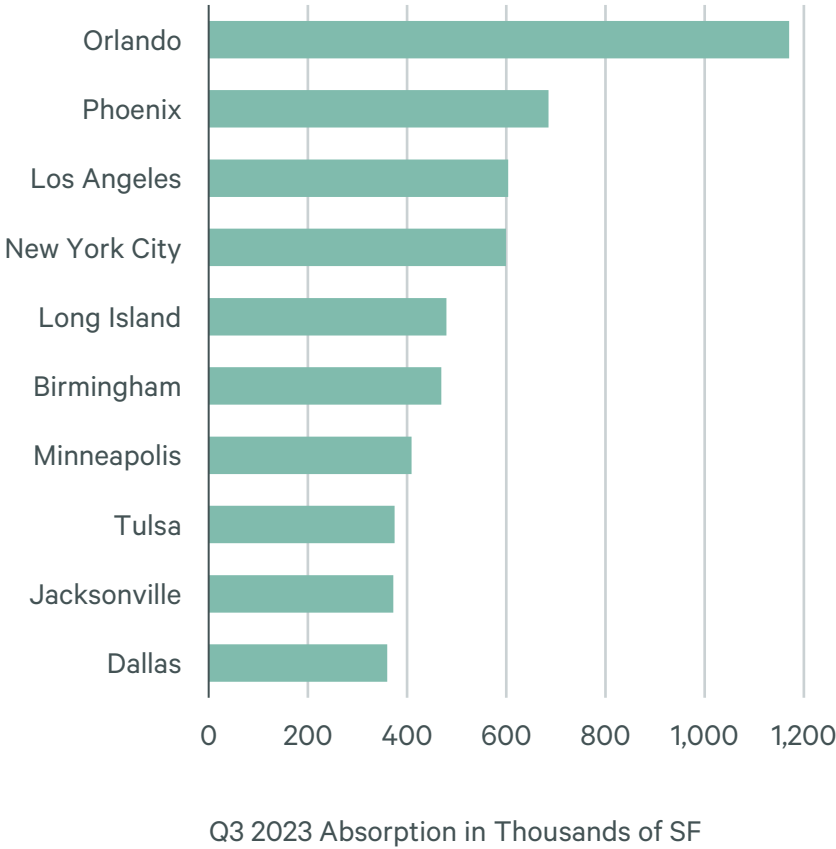
- The overall availability rate fell by 10 bps in Q3 to 4.8%, the lowest level since CBRE began tracking the market in 2005.
- The neighborhood, community & strip center segment had the biggest year-over-year decrease in availability, down by 50 bps to 6.6%.
- The lifestyle & mall availability rate fell by 20 bps year-over-year to 6.0%.
- The power center availability rate was unchanged at 5.3%, as the segment dealt with challenges such as bankrupt Bed, Bath & Beyond’s numerous store closures.



Source: CBRE Econometric Advisors, Q3 2023.

Figure 3
Leading markets for net absorption

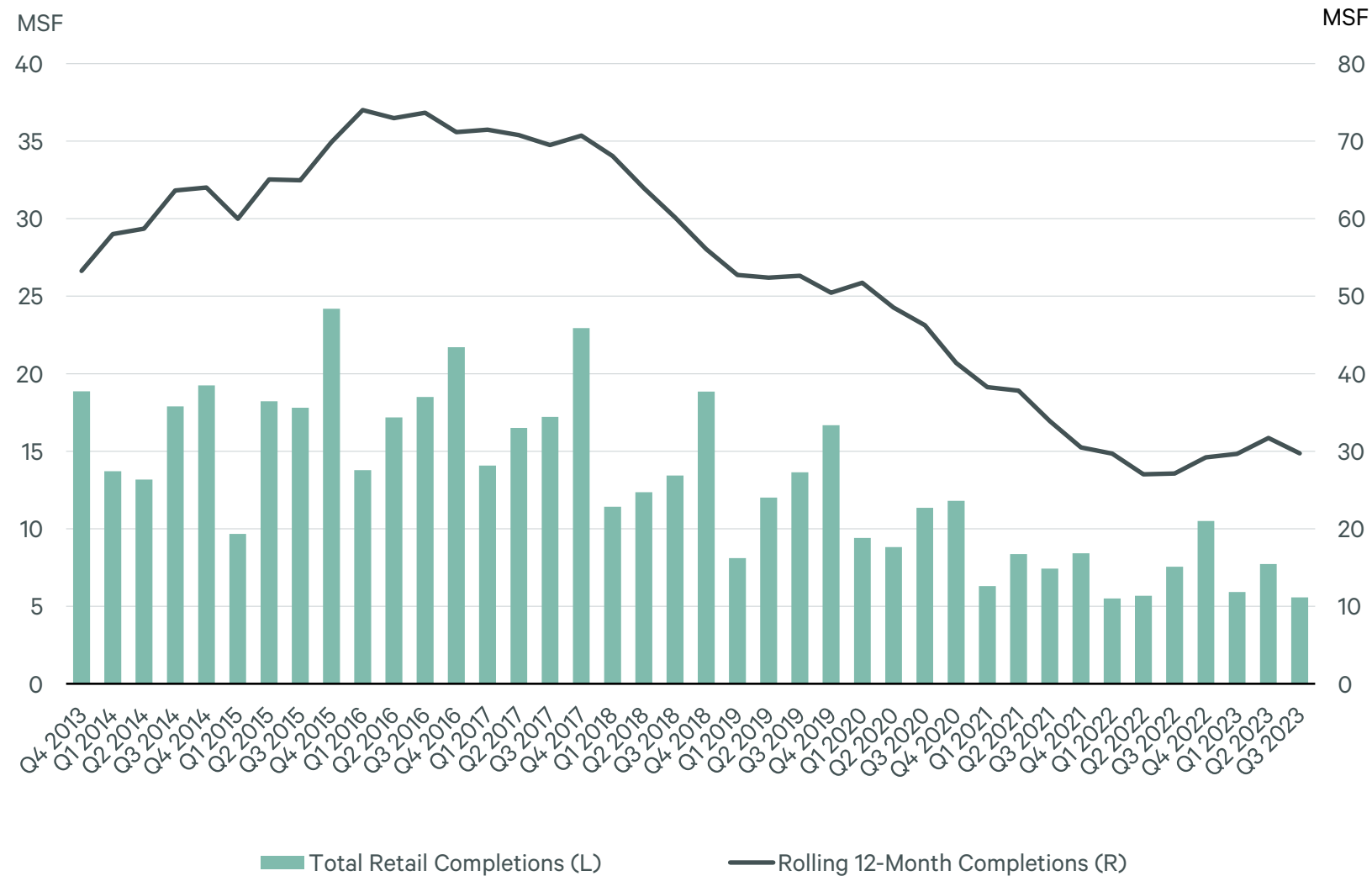
- Orlando led all U.S. markets tracked by CBRE with 1.2 million sq. ft of net absorption in Q3 and more than 2 million sq. ft. year-to-date.
- Phoenix, Los Angeles, New York City and Long Island rounded out the top five markets for net absorption in Q3.
- Five of the top 10 markets for net absorption year-to-date are in Texas.



Source: CBRE Econometric Advisors, Q3 2023

Figure 4
Retail construction completions
fall in Q3

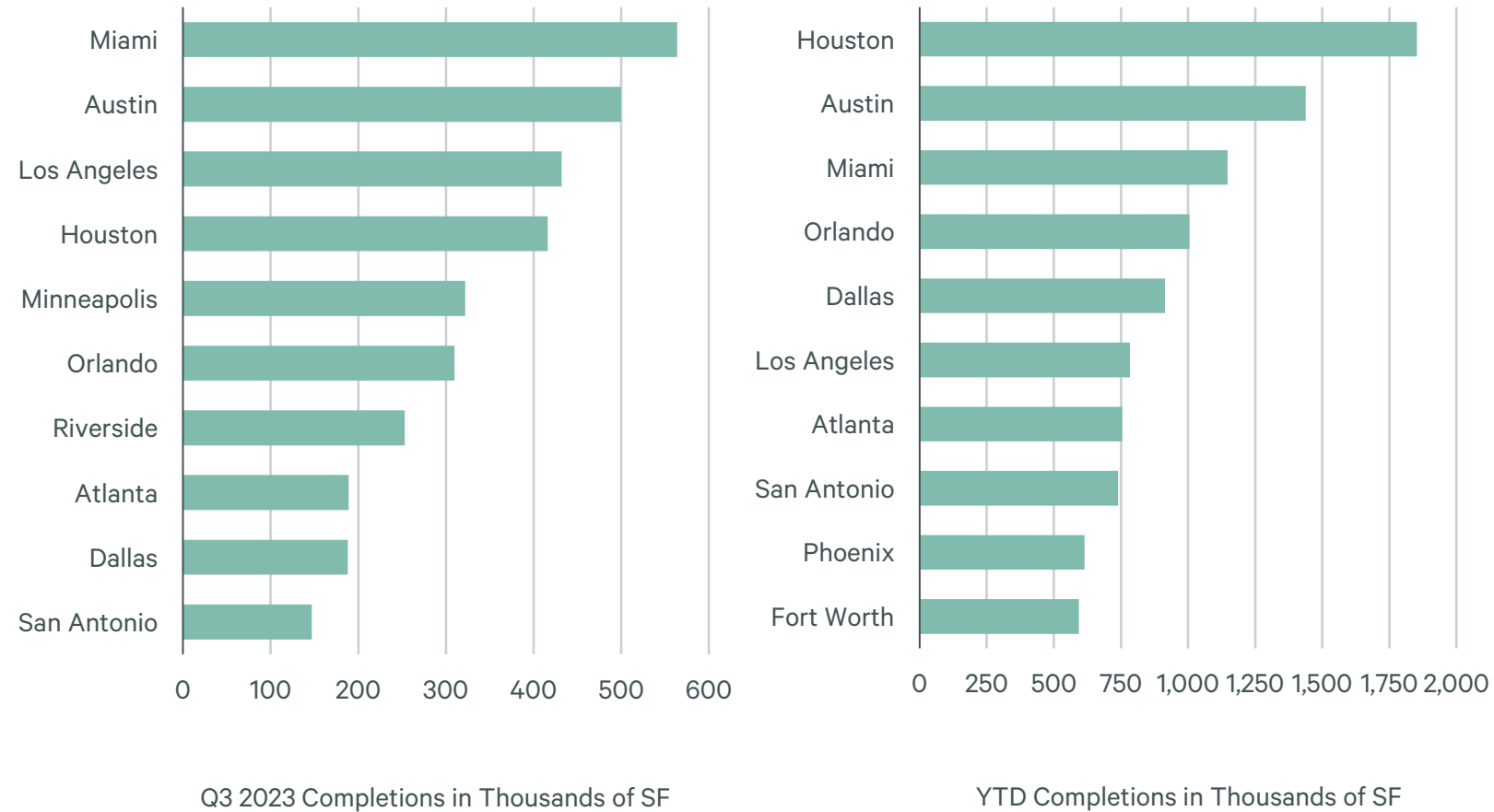
- Total new retail space delivered in Q3 fell by 28% quarter-over-quarter to just under 5.6 million sq. ft., the second-lowest total on record.
- The rolling 12-month total fell for the first time in five quarters, dropping 6% from Q2 to 29.7 million sq. ft.
- High construction costs likely will result in 2023 being the fourth-consecutive year of record-low new development.



Source: CBRE Econometric Advisors, Q3 2023.

Figure 5
Leading markets for
construction completions

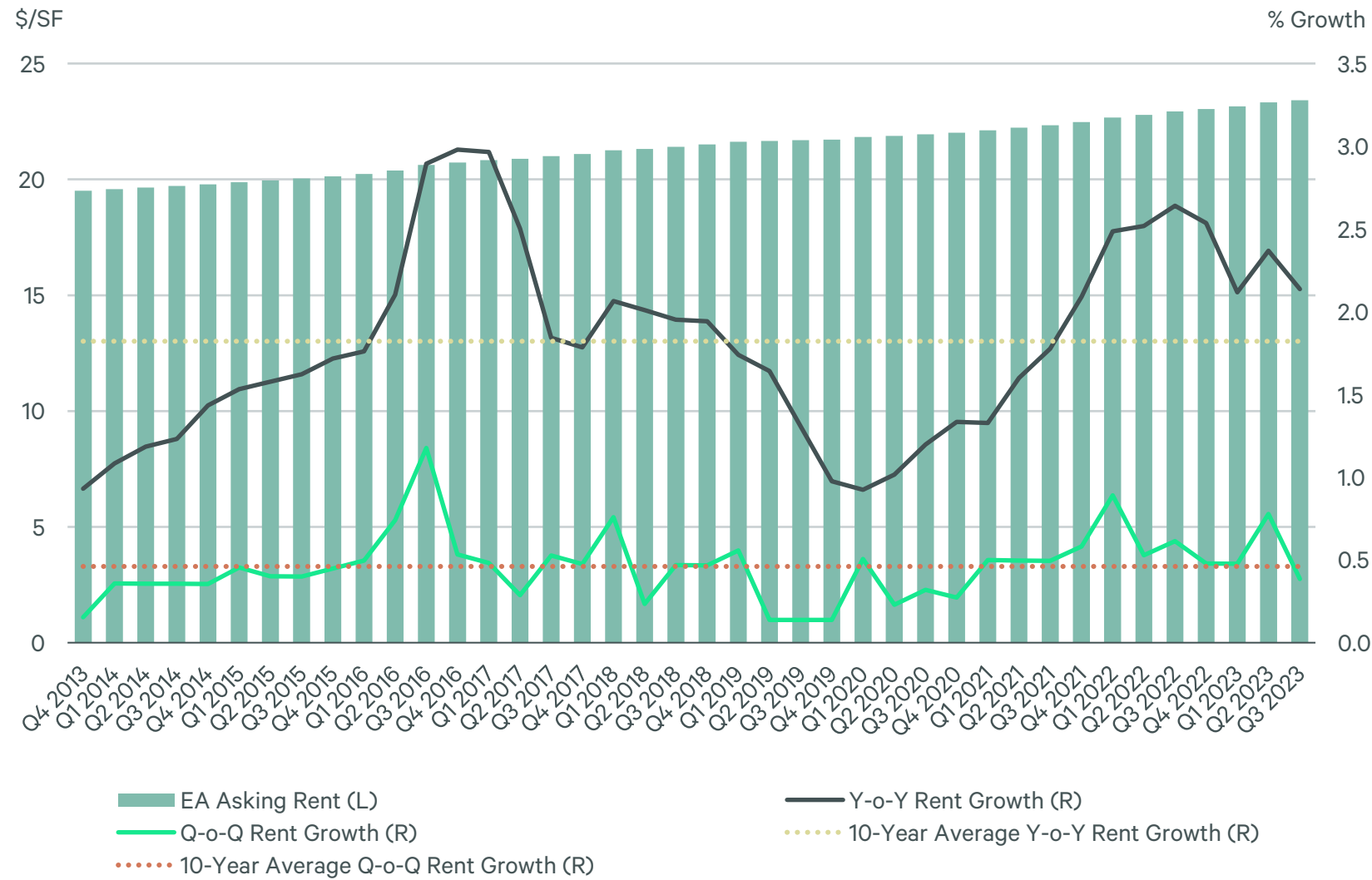
- Miami led all markets for construction completions in Q3 with a total of 564,000 sq. ft., followed by Austin with 500,000 and Los Angeles with 432,000.
- On a year-to-date basis, Houston led all markets with 1.85 million sq. ft. of construction completions, followed by Austin with 1.44 million and Miami with 1.15 million.
- Texas markets have accounted for 29% of new retail space delivered year-to-date, followed by Florida markets with a 17% share.



Source: CBRE Econometric Advisors, Q3 2023

Figure 6
Asking rent growth slows

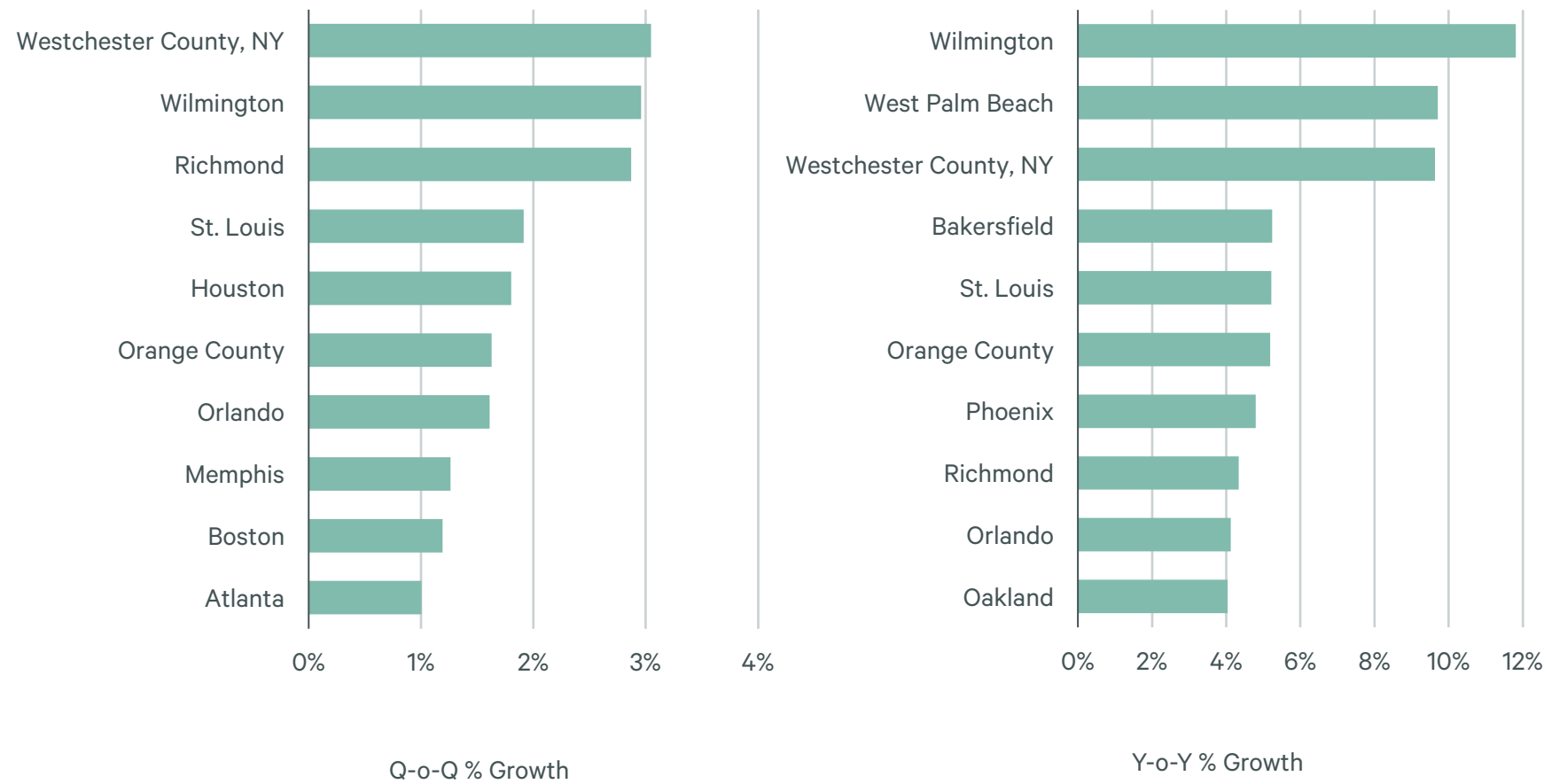
- Asking rent growth fell to just over 2.1% on a year-over-year basis, down by 23 bps from the previous quarter.
- Quarter-over-quarter rent growth fell to 0.4%, below the long-term average of 0.5% for the first time since Q4 2020.
- Overall retail asking rent reached \$23.42 per sq. ft.



Source: CBRE Econometric Advisors, Q3 2023.

Figure 7
Tertiary markets lead for asking rent growth

- Tertiary markets led the way for quarter-over-quarter asking rent growth in Q3, with Westchester County, NY, Wilmington and Richmond all topping 2%.
- On a year-over-year basis, Wilmington, West Palm Beach and Westchester County, NY were the top three markets for asking rent growth.



Source: CBRE Econometric Advisors, Q3 2023.

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