

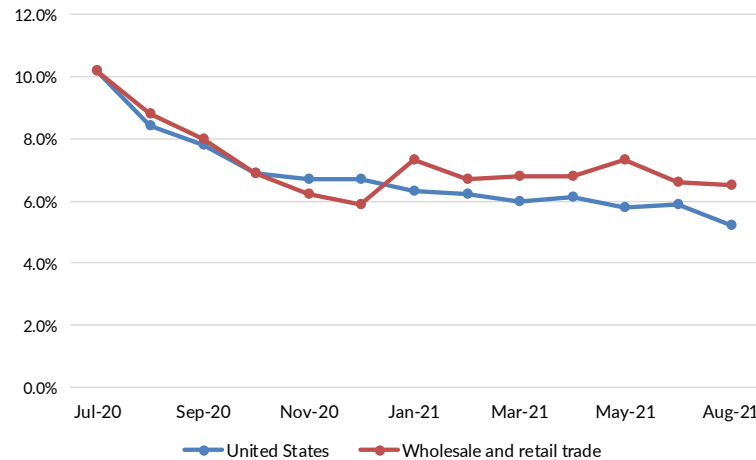
US Shopping Center Sales Volume & Buying Trends – August 2021

COVID-19 surfaced in the United States in Mid-March 2020, over one year ago. Federal, state, and local governments responded by issuing strict stay-at-home orders and closing nonessential business. Trends in retail sales, vacancy rates, rent collection rates, and unemployment underscored the crippling effects of COVID-19 on American consumers and businesses alike. Pre-crisis, there was uncertainty surrounding the retail market as well. Given the rise in e-commerce, shopping patterns and preferences have changed, questioning the demand for brick-and-mortar retail, and multi-tenant shopping centers in particular.

This report analyzes trends in investment sales in the United States shopping center market from January 2019 through August 2021.

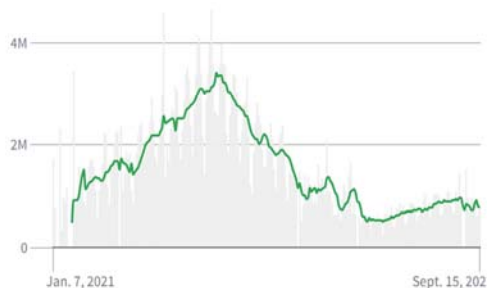
National unemployment increased significantly in 2020, from 3.5% in February to a peak of 14.8% in April 2020. Job losses in the wholesale and retail trade sector were particularly significant. Since April 2020, businesses have re-opened, and unemployment is showing signs of improvement. However, the recent rising number of new cases due to the delta variant is slowing down this progress. This metric will be watched carefully as we continue through 2021 and into 2022.

Unemployment Rate



Vaccine doses given

7-day avg: 762,809
63.4% at least one dose

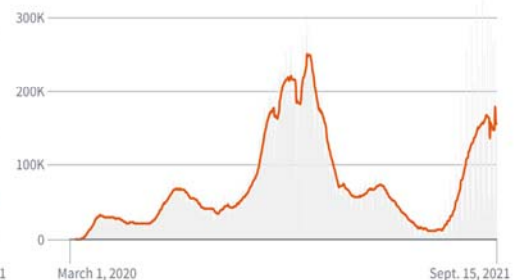


Source: Reuters

United States

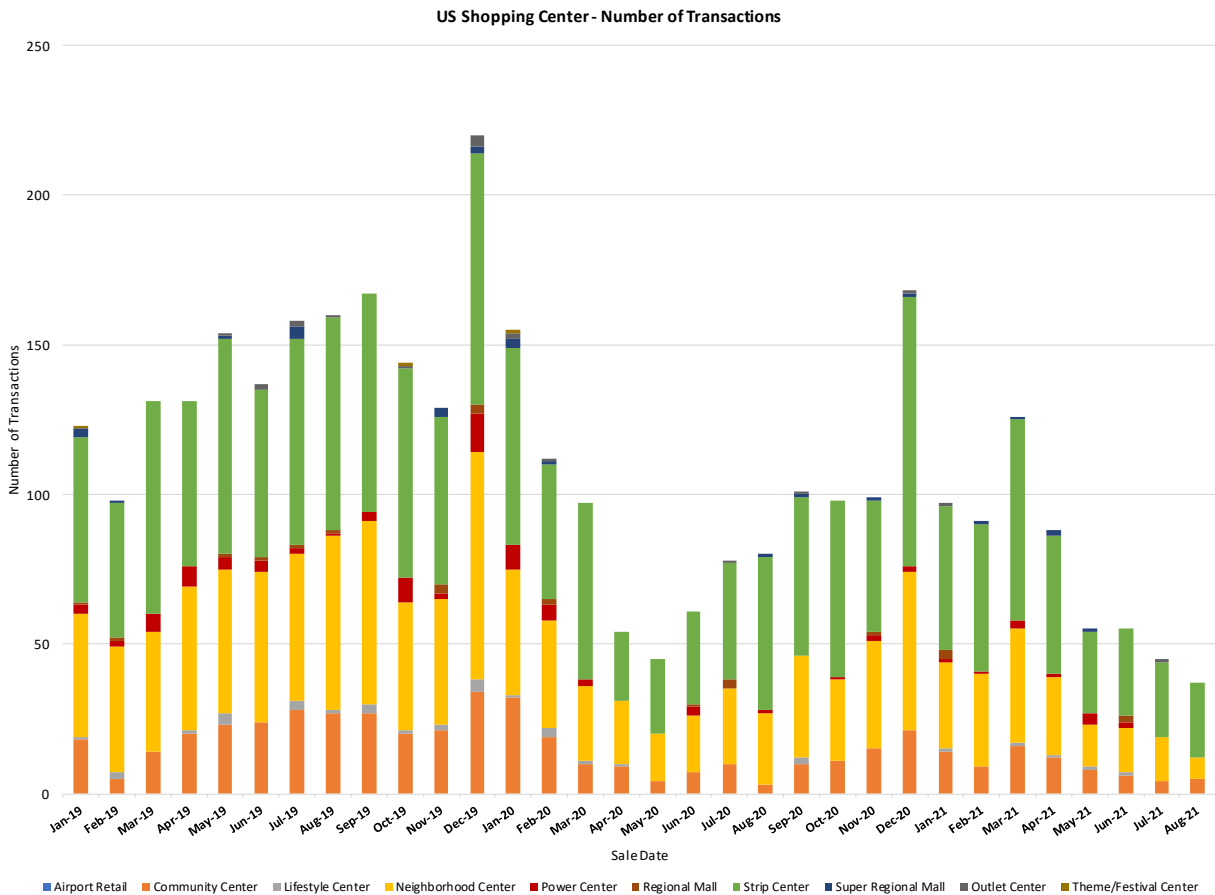
New cases

7-day avg: 153,936



Number of Sales Transactions

- Parameters: Multi-tenanted, shopping center, investment sales from January 2019 through August 2021, segmented by type of shopping center.
- Going into 2020, shopping centers were viewed as a relatively risky property type, and the ongoing crisis is perpetuating this trend.
- Originally focused on traditional retail use, shopping centers are looking at more work, play, live uses, and interim uses such as drive-through movie theaters, as the outlook for dry retail is grim.
- April 2020- initial COVID shockwaves grip market, number of transactions plummets.
- Uptick in transaction volume from May 2020 to October 2020 coincides with lower case counts.
- December 2020- 168 total transactions- the highest number of monthly sales seen since December 2019.
- August 2021- 37 total transactions - the lowest number of sales even compared to the 45 transactions seen in May 2020, which was closer to the start of the pandemic.
- The number of sales are currently downward trending and volume will be watched carefully throughout the rest of 2021 as the delta variant plays into effect.



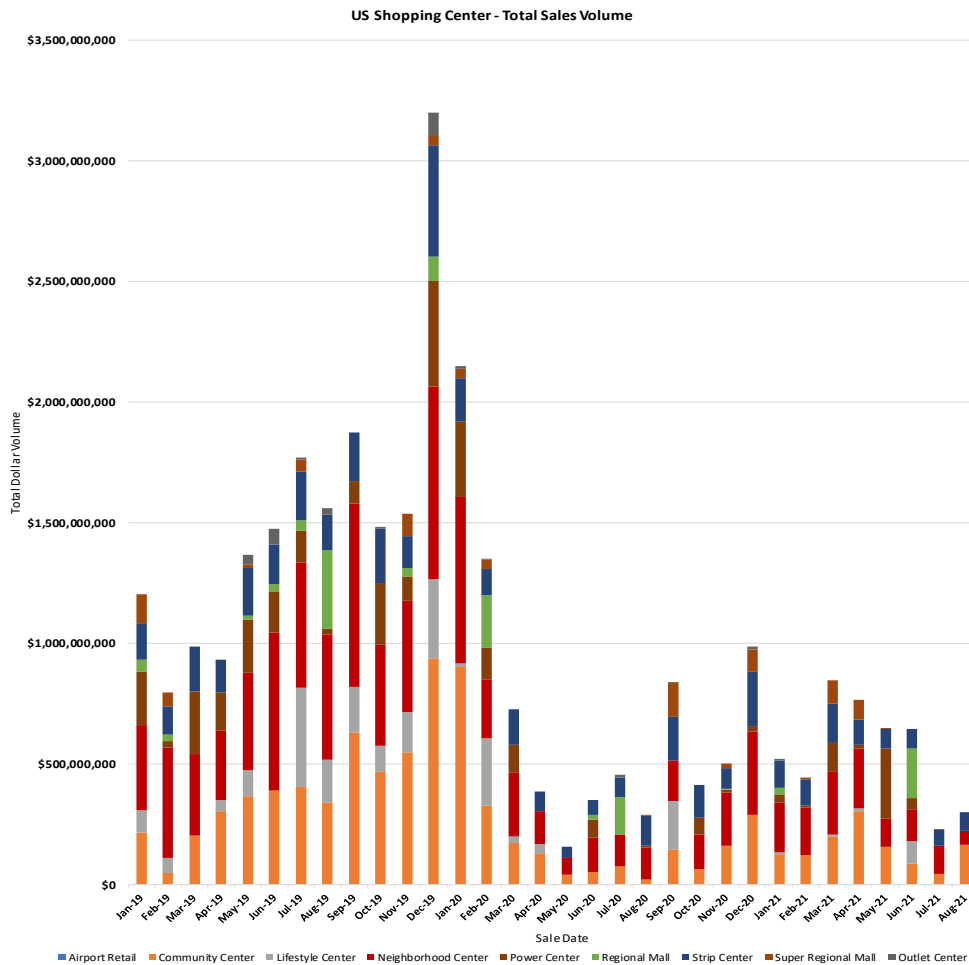
The pandemic has caused consumer spending habits to change dramatically, with ecommerce offering convenience and safety to consumers. Dry retail has suffered and will face a lot of questions in the near term, likely leading to revised store formats and greater use of in-store technology. Grocery anchored centers, and centers having “essential” services have fared better than most other segments. Despite the increase in transactions seen at the end of 2020, so far this year, overall sales volume has been trending downward and the most recent month reflects a new low point.

Dollar Volume of Sales Transactions

In 2019, the average monthly sales volume was approximately \$1.5 billion, with the peak occurring in December 2019 at \$3.2 billion. Comparatively, the average monthly sales volume in 2020 was roughly \$718 million, reflecting a decrease of approximately 53%. As of August 2021, year to date monthly volume averaged \$549 million, which is 23.5% below the 2020 average.

Monthly Dollar Volume - United States Shopping Center			
YEAR	2019	2020	2021 (Jan-Aug)
Min	\$794,017,600	\$155,484,892	\$229,145,075
Max	\$3,197,776,690	\$2,177,273,959	\$845,310,950
Average	\$1,519,872,748	\$717,692,870	\$548,783,398
% Difference	-	-52.8%	-23.5%

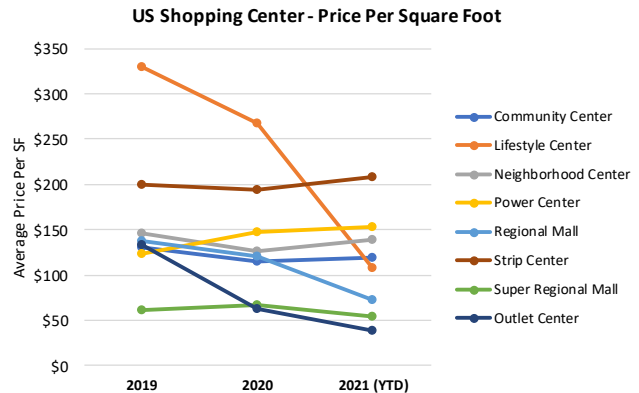
- The category with the highest transaction dollar volume over the analysis period is in the “Neighborhood Center” category, which comprises approximately 32% of total dollar volume. There were only seven sales in this category in August 2021.
- The category that recorded the second highest transaction dollar volume over the analysis period was in the “Community Center” category, which comprises approximately 27% of total dollar volume. There were only five sales in this category in August 2021.
- There were zero sales in the Airport Retail, Lifestyle Center, Power Center, Regional Mall, Super Regional Mall, Outlet Center, and Theme/Festival Center categories in August 2021.



Price Per Square Foot

In 2019, the average price per square foot was \$179, which is higher than 2020 figures at an average price per square foot figure of \$145, and higher than year to date figures as of August 2021, which was \$112. For all property types, overall price per square foot has dropped 38% when comparing 2019 to 2021.

Price Per Square Foot from 2019 to 2021				
Average \$ Per SF	2019	2020	2021 (YTD)	% Change
Airport Retail	N/A	N/A	N/A	N/A
Community Center	\$131	\$115	\$119	-9.0%
Lifestyle Center	\$329	\$268	\$108	-67.2%
Neighborhood Center	\$146	\$127	\$139	-5.1%
Power Center	\$123	\$148	\$153	24.3%
Regional Mall	\$138	\$121	\$73	-47.3%
Strip Center	\$200	\$194	\$208	4.3%
Super Regional Mall	\$61	\$67	\$54	-11.6%
Outlet Center	\$133	\$63	\$39	-70.7%
Theme/Festival Center	\$355	\$205	N/A	-42.3%
Average	\$179	\$145	\$112	-37.8%

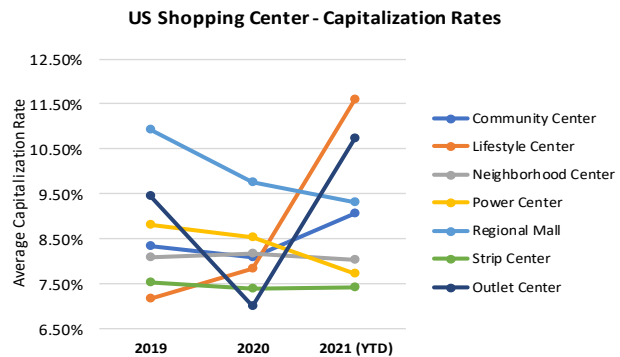


The “Outlet Center” category demonstrated a 70.7% decrease in average price per square foot from 2019 to 2021 YTD, the most significant decrease seen in the various shopping center types. Almost every segment is seeing declines compared to the past two years. The “Strip Center” category saw slight growth in average price per square foot over the past two years while the “Power Center” category increased 24.3%.

Average Capitalization Rates

In 2019, the average cap rate for the US shopping center market was 8.13%. This figure increased to 8.63% in 2020, and so far, there has been an increase to 9.13% in 2021.

Average Capitalization Rate from 2019 to 2021				
Average OAR	2019	2020	2021 (YTD)	Basis Point Change
Airport Retail	N/A	N/A	N/A	N/A
Community Center	8.36%	8.09%	9.08%	72.53
Lifestyle Center	7.17%	7.85%	11.60%	442.05
Neighborhood Center	8.09%	8.17%	8.04%	-5.12
Power Center	8.82%	8.55%	7.72%	-109.90
Regional Mall	10.92%	9.75%	9.31%	-161.20
Strip Center	7.53%	7.39%	7.42%	-10.41
Super Regional Mall	7.85%	12.20%	N/A	435.00
Outlet Center	9.47%	7.00%	10.73%	126.38
Theme/Festival Center	5.00%	N/A	N/A	N/A
Average	8.13%	8.63%	9.13%	99.45



We note that the 2021 stats may include un-stabilized properties, or distressed sales, which both can lead to higher cap rates. Given the large amount of uncertainty, price discovery has proven to be an area of difficulty and landlords may wait for the dust to settle before they trade their assets at low valuations. Given the current climate, which has been marked by rent collection issues, and vacancy increases, we could see cap rates push upwards as 2021 continues.



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SOURCE: CoStar, STDB, US Bureau of Labor Statistics, The Motley Fool and Marshall & Stevens