

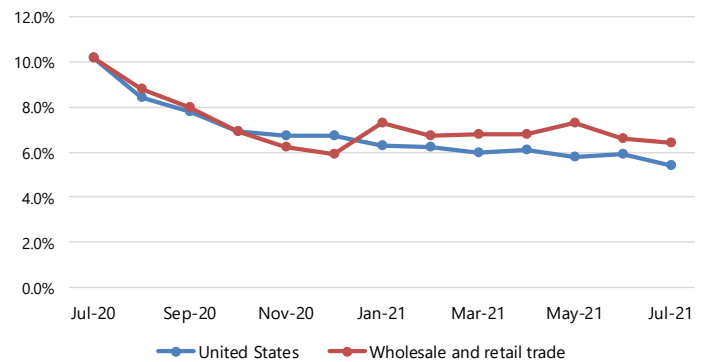
US Shopping Center Sales Volume & Buying Trends – July 2021

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 July 2021.

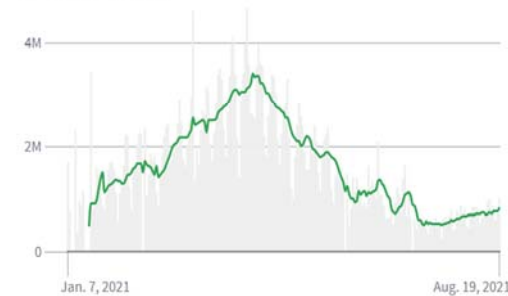
National unemployment increased significantly in 2020, from 3.5% in February to a peak of 14.8% in April 2020. Job losses in the wholesale and retail trade sector were particularly significant. Since April 2020, businesses have re-opened, and unemployment is showing signs of improvement. This metric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

Unemployment Rate



Vaccine doses given

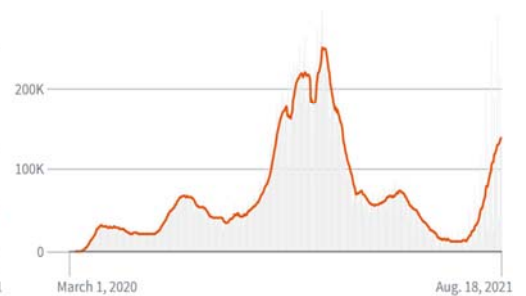
7-day avg: 823,355
60.2% at least one dose



Source: Reuters

United States

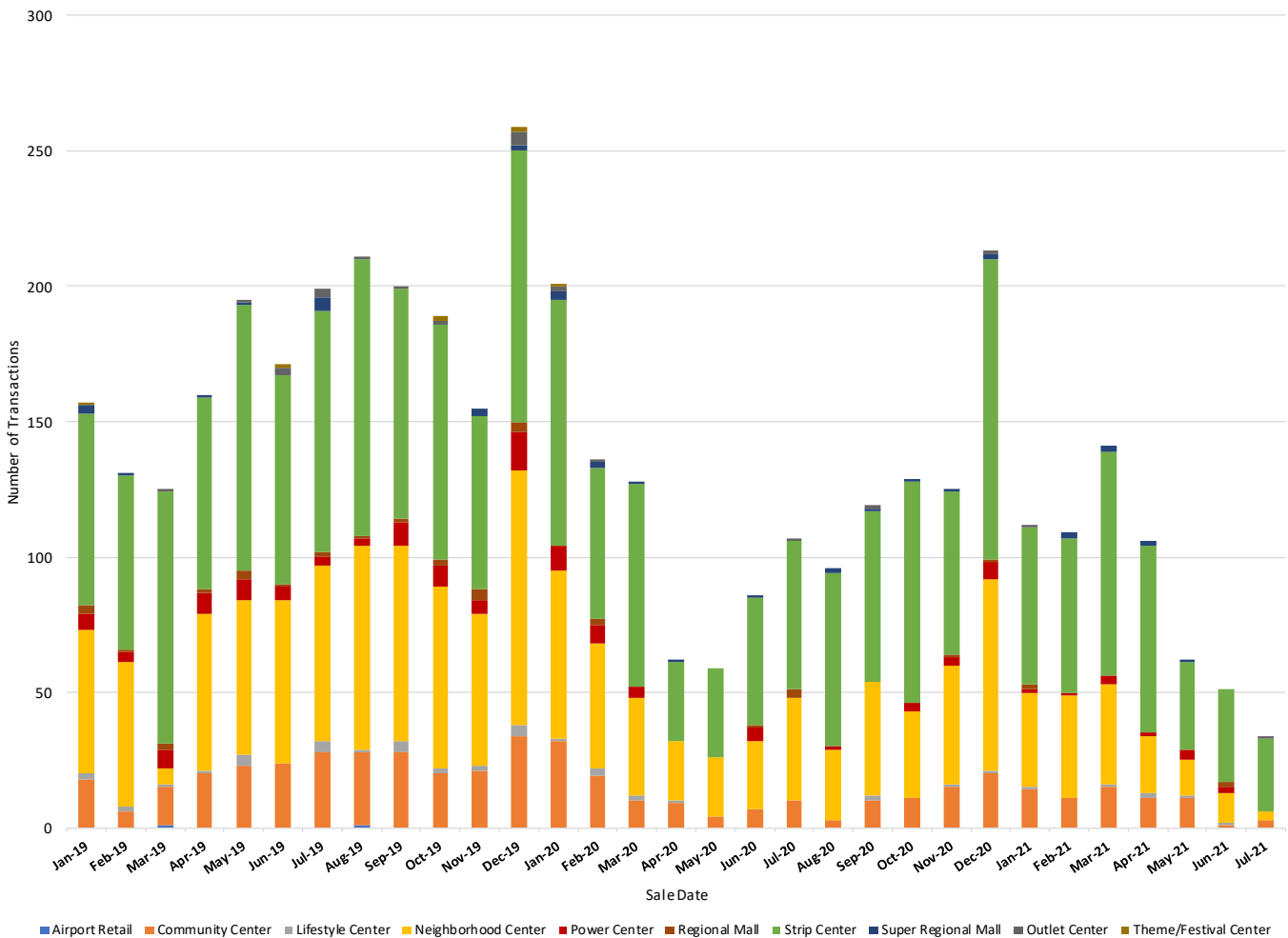
New cases
7-day avg: 138,188



Number of Sales Transactions

- Parameters: Multi-tenanted, shopping center, investment sales from January 2019 through July 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- 213 total transactions- the highest number of monthly sales seen since December 2019.
- July 2021- 34 total transactions - the lowest number of sales even compared to the 59 transactions seen in May 2020, which was closer to the start of the pandemic.
- The market remains in flux and volume will be watched carefully throughout 2021 as businesses re-open and vaccinations continue.

US Shopping Center - Number of Transactions



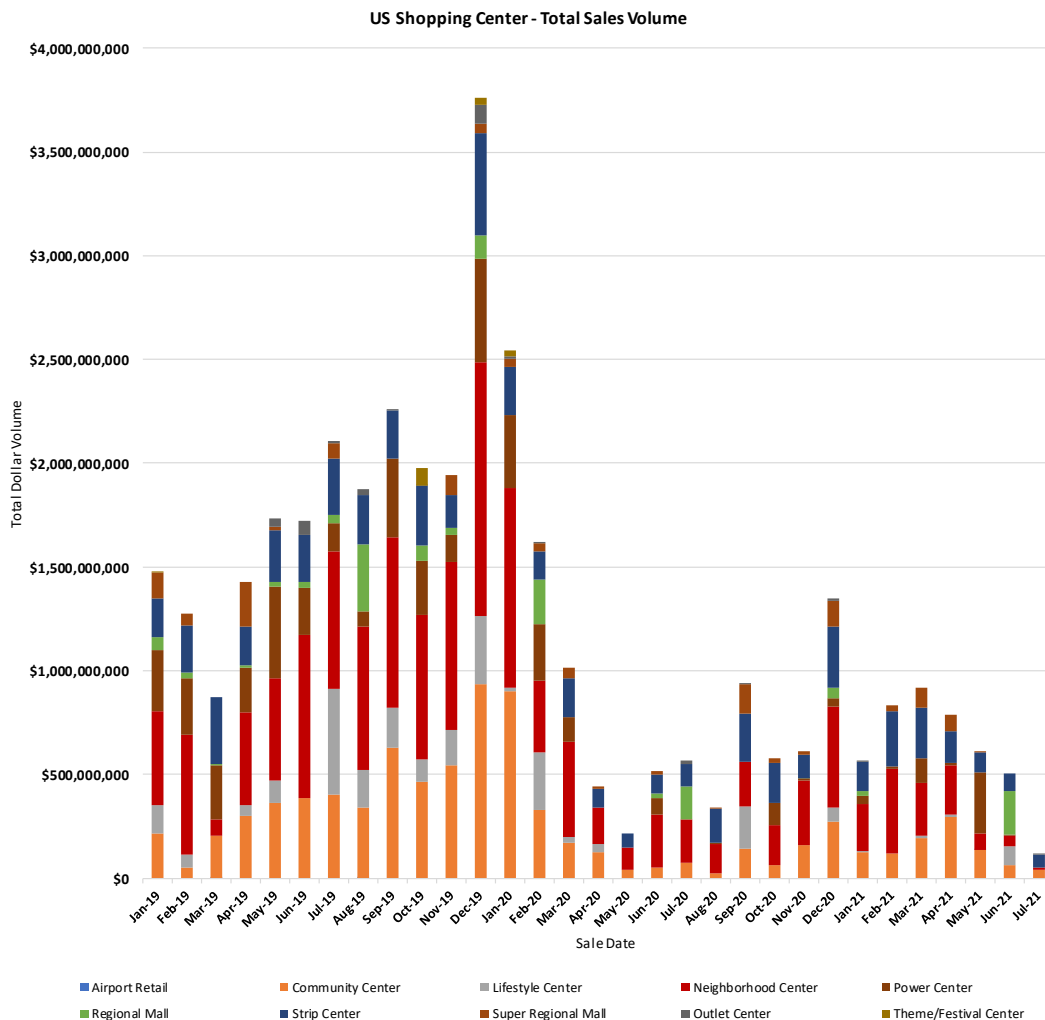
The pandemic has caused consumer spending habits to change dramatically, with ecommerce offering convenience and safety to consumers. Dry retail has suffered and will face a lot of questions in the near term, likely leading to revised store formats and greater use of in-store technology. Grocery anchored 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 \$1.9 billion, with the peak occurring in December 2019 at \$3.8 billion. Comparatively, the average monthly sales volume in 2020 was roughly \$894 million, reflecting a decrease of approximately 52%. As of July 2021, year to date monthly volume averaged \$622 million, which is 30.4% below the 2020 average.

| Monthly Dollar Volume - United States Shopping Center | | | |
|---|-----------------|-----------------|----------------|
| YEAR | 2019 | 2020 | 2021 (Jan-Jul) |
| Min | \$873,381,448 | \$214,186,891 | \$121,310,684 |
| Max | \$3,761,909,114 | \$2,545,692,745 | \$919,118,751 |
| Average | \$1,869,757,965 | \$894,152,682 | \$621,995,128 |
| % Difference | - | -52.2% | -30.4% |

- The category with the highest transaction dollar volume over the analysis period is in the “Neighborhood Center” category, which comprises approximately 34% of total dollar volume. There were only three sales in this category in July 2021.
- The category that recorded the second highest transaction dollar volume over the analysis period was in the “Community Center” category, which comprises approximately 22% of total dollar volume. There were only three sales in this category in July 2021.
- There were zero sales in the Airport Retail, Lifestyle Center, Power Center, Regional Mall, Super Regional Mall, and Theme/Festival Center categories in July 2021.

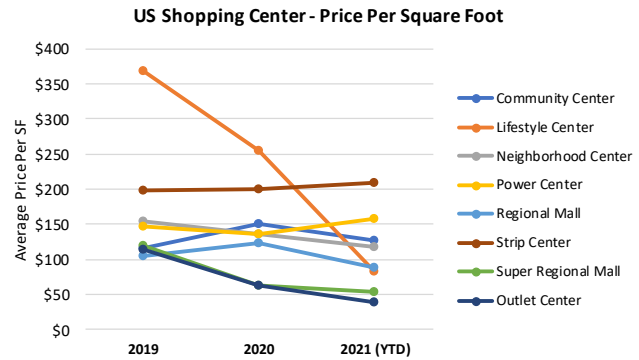


Price Per Square Foot

In 2019, the average price per square foot was \$169, which is higher than 2020 figures at an average price per square foot figure of \$148, and higher than year to date figures as of July 2021, which was \$109. For all property types, overall price per square foot has dropped 35% when comparing 2019 to 2021.

Price Per Square Foot from 2019 to 2021

| Average \$ Per SF | 2019 | 2020 | 2021 (YTD) | % Change |
|-----------------------|-------|-------|------------|----------|
| Airport Retail | \$142 | N/A | N/A | N/A |
| Community Center | \$117 | \$151 | \$126 | 8.0% |
| Lifestyle Center | \$367 | \$255 | \$82 | -77.7% |
| Neighborhood Center | \$154 | \$135 | \$118 | -23.5% |
| Power Center | \$146 | \$137 | \$158 | 8.1% |
| Regional Mall | \$105 | \$123 | \$89 | -15.5% |
| Strip Center | \$199 | \$201 | \$208 | 4.9% |
| Super Regional Mall | \$119 | \$62 | \$54 | -54.9% |
| Outlet Center | \$115 | \$63 | \$39 | -66.0% |
| Theme/Festival Center | \$228 | \$205 | N/A | -10.3% |
| Average | \$169 | \$148 | \$109 | -35.4% |



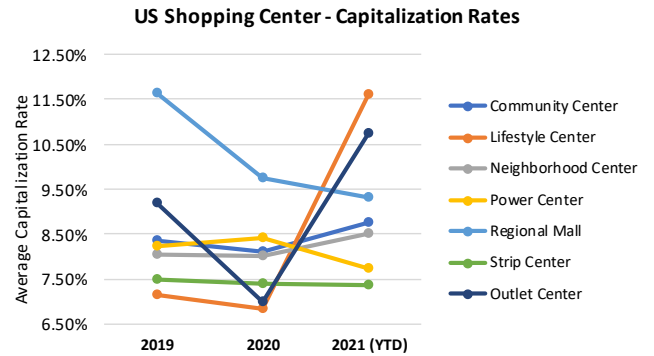
The "Lifestyle Center" category demonstrated a 77.7% decrease in average price per square foot from 2019 to 2021 YTD, the most significant decrease seen in the various shopping center types. Almost every segment is seeing declines compared to the past two years. The "Community Center", "Power Center", and "Strip Center" categories saw slight growth in average price per square foot over the past two years.

Average Capitalization Rates

In 2019, the average cap rate for the US shopping center market was 8.50%. This figure decreased to 8.46% in 2020, but 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 | 8.47% | N/A | N/A | N/A |
| Community Center | 8.35% | 8.12% | 8.74% | 38.61 |
| Lifestyle Center | 7.15% | 6.83% | 11.60% | 444.77 |
| Neighborhood Center | 8.03% | 8.01% | 8.49% | 45.87 |
| Power Center | 8.22% | 8.41% | 7.72% | -49.73 |
| Regional Mall | 11.65% | 9.75% | 9.31% | -233.50 |
| Strip Center | 7.49% | 7.40% | 7.35% | -14.06 |
| Super Regional Mall | 11.43% | 12.20% | N/A | 77.50 |
| Outlet Center | 9.19% | 7.00% | 10.73% | 153.78 |
| Theme/Festival Center | 5.00% | N/A | N/A | N/A |
| Average | 8.50% | 8.46% | 9.13% | 63.65 |



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.



Patrick T. Craig, MAI, MRICS
 Executive Managing Director
 Real Estate Valuation Practice
 212.897.9481
 ptcraig@marshall-stevens.com



Emily Ferreira
 Director
 Real Estate Valuation Practice
 646.438.7605
 eferreira@marshall-stevens.com



Daniel Bryant
 Analyst
 Real Estate Valuation Practice
 dbryant@marshall-stevens.com

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