

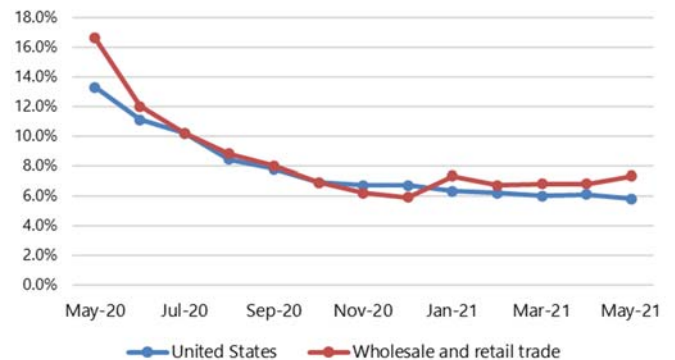
# US Shopping Center Sales Volume & Buying Trends – May 2021

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 May 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 into 2021.

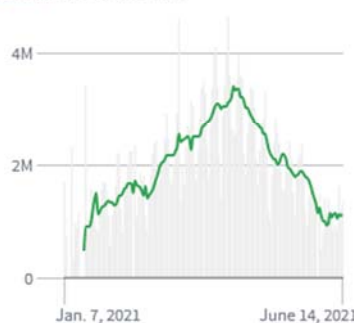
Unemployment Rate



United States

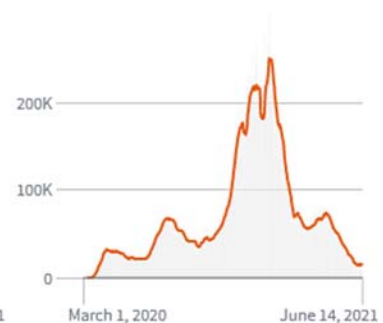
**Vaccine doses given**

7-day avg: **1,113,416**  
 52.5% at least one dose



**New cases**

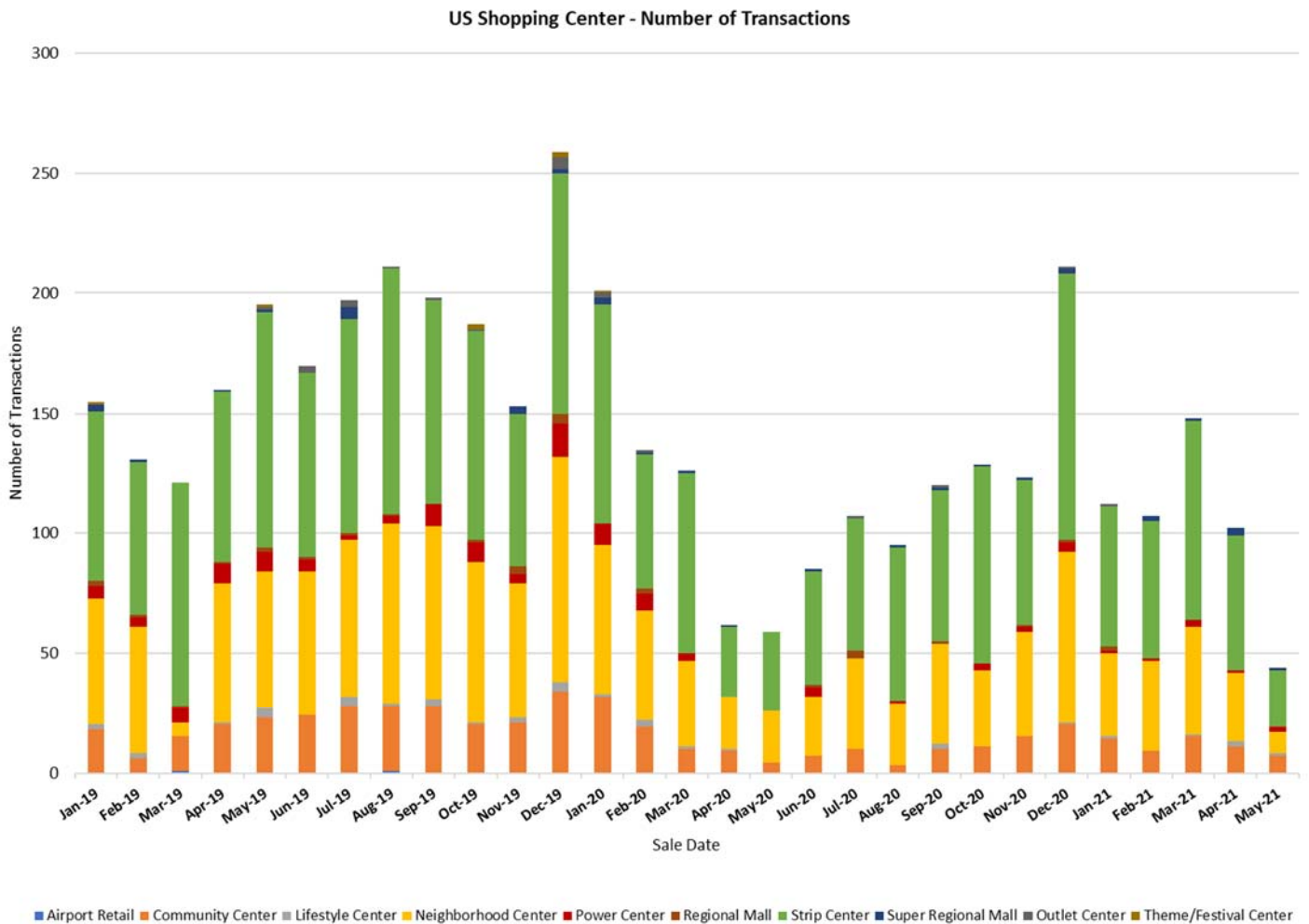
7-day avg: **14,120**



Source: Reuters

**Number of Sales Transactions**

- Parameters: Multi-tenanted, shopping center, investment sales from January 2019 through May 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- 211 total transactions- the highest number of monthly sales seen since December 2019.
- May 2021- 44 total transactions - the lowest number of sales even compared to the 59 transactions seen in May 2020, one year prior.
- The market remains in flux and volume will be watched carefully throughout 2021 as businesses re-open and vaccinations continue.



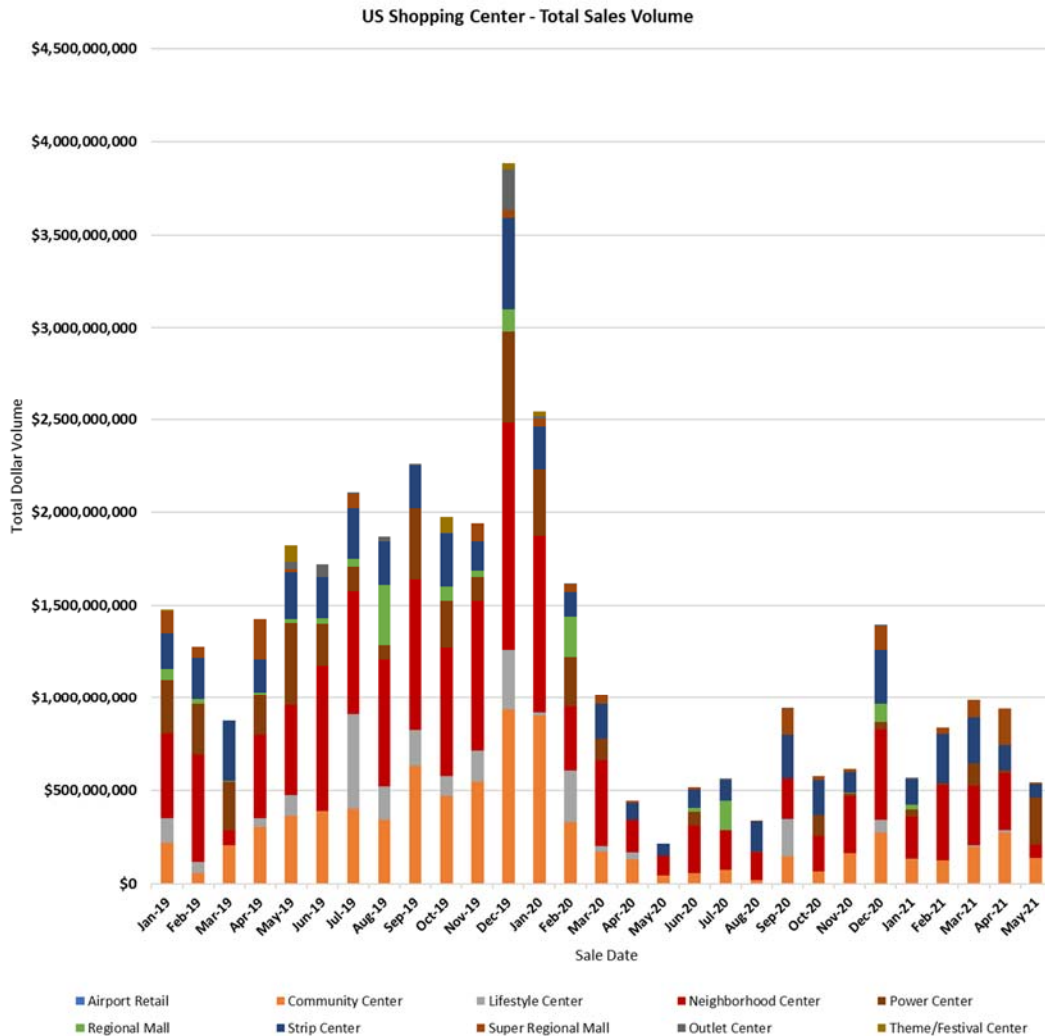
The pandemic has caused consumer spending habits to change dramatically, with ecommerce offering convenience and safety to consumers. Dry retail has suffered and will face a lot of questions in the near term, likely leading to revised store formats and greater use of in-store technology. Grocery anchored centers, and centers having “essential” services have fared better than most other segments. So far this year, sales volume has been relatively low and trending downward as we head toward the summer months.

**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 \$3.9 billion. Comparatively, the average monthly sales volume in 2020 was roughly \$0.9 billion, reflecting a decrease of approximately 52%. As of May 2021, year to date volume averaged \$775 million, which is 13.8% below the 2020 Average.

Monthly Dollar Volume - United States Shopping Center			
YEAR	2019	2020	2021 (Jan-May)
Min	\$873,381,448	\$214,186,891	\$541,661,062
Max	\$3,881,909,114	\$2,545,692,745	\$986,765,251
Average	\$1,887,257,965	\$898,288,182	\$774,636,304
% Difference	-	-52.4%	-13.8%

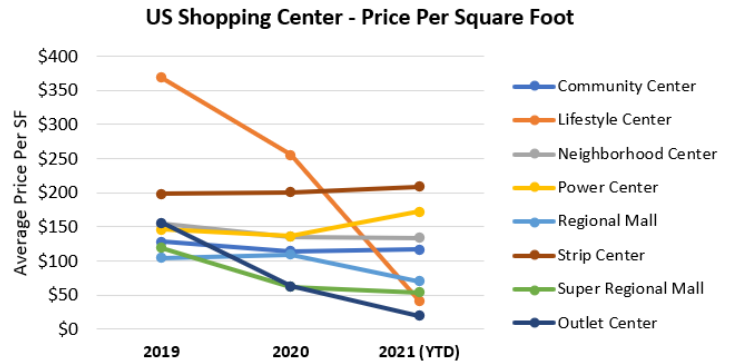
- The category with the highest transaction volume is in the "Neighborhood Center" category, which comprises approximately 35% of total dollar volume. There were only 9 sales in this category in May 2021.
- The category that recorded the second highest amount of transaction volume was in the "Community Center" category, which comprises approximately 22% of total dollar volume. There were only 7 sales in this category in May 2021.
- There were zero sales in the Airport Retail, Regional Mall, Outlet Center, and Theme/Festival Center categories in May 2021.



**Price Per Square Foot**

In 2019, the average price per square foot was \$181, which is higher than 2020 figures at an average price per square foot figure of \$142, and higher than year to date figures as of May 2021. For all property types, overall price per square foot has dropped 44% 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	\$128	\$115	\$117	-8.7%
Lifestyle Center	\$369	\$255	\$42	-88.7%
Neighborhood Center	\$154	\$135	\$134	-13.4%
Power Center	\$146	\$137	\$172	17.7%
Regional Mall	\$105	\$109	\$70	-32.9%
Strip Center	\$199	\$201	\$208	5.0%
Super Regional Mall	\$119	\$62	\$54	-54.9%
Outlet Center	\$156	\$63	\$19	-87.5%
Theme/Festival Center	\$297	\$205	N/A	-31.1%
Average	\$181	\$142	\$102	-43.8%

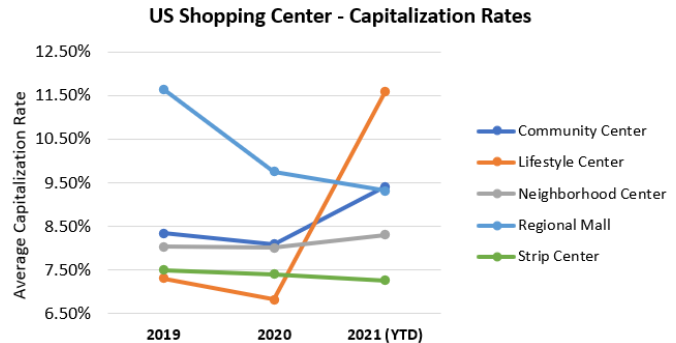


The "Lifestyle Center" category demonstrated an 88.7% decrease in average price per square foot from 2019 to 2021 YTD, the most significant decrease seen in the various shopping center types. Almost every segment is seeing declines compared to the past two years. The "Strip Center" category has seen slight growth, with a 5.0% increase 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 8.51%. This figure dropped to 8.46% in 2020, but so far there have been significant increases 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	8.34%	8.09%	9.42%	107.18
Lifestyle Center	7.31%	6.83%	11.60%	428.30
Neighborhood Center	8.03%	8.01%	8.31%	27.41
Power Center	8.22%	8.41%	N/A	19.52
Regional Mall	11.65%	9.75%	9.31%	-233.50
Strip Center	7.49%	7.40%	7.26%	-23.09
Super Regional Mall	11.43%	12.20%	N/A	77.50
Outlet Center	9.19%	7.00%	N/A	-219.22
Theme/Festival Center	5.00%	N/A	N/A	N/A
Average	8.51%	8.46%	9.18%	66.49



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. The magnitude to which cap rates move is still up in the air and market participants will be eager to see what the data shows, as more transaction information becomes available.



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