

RETAIL INDEX

RETAIL RETURNS DOGGED BY NEGATIVE APPRECIATION

Total returns for retail have lagged the overall NPI by an average of 1.23% the last four quarters. One-year total returns for retail are 1.90% compared to 6.42% for the overall NPI. Negative retail appreciation continues to weigh heavily on total returns and exhibit a fair amount of volatility ranging from -0.43% to 1.74% over the last four quarters. Negative appreciation reflects the state of the brick and mortar segment of the retail market as asset managers are forced to write-down values amid a steady stream of store closings and negative investors sentiment. Quarterly income returns for this property type have conversely outperformed overall NPI income returns by an average of 6 bps over the past year ranging from 1.14% to 1.19%. Over the last year quarterly income returns for the overall NPI have remained relatively flat averaging 1.11% with appreciation returns responsible for a majority of the fluctuation in overall returns. The one-year trailing NPI income return for all properties is 4.52% compared to retail at 4.75%.

Retail performed best in the South and West regions with one-year total returns of 2.78% and 2.95% respectively. The Midwest region posted a negative one-year total return of -2.98% as negative appreciation offset strong income performance that was in line with the national average. Capital values declined across all regions over the past year with negative appreciation ranging -1.53% to -3.64%; the Midwest experienced a decline of -7.38% year to date.

Neighborhood Retail is the strongest performing retail subtype with year to date total return of 4.38% compared with overall Retail posting 1.90% over the same time period. The annual total return for Neighborhood Retail was driven by consistently strong income returns totaling 5.01% compared to the overall NPI income return of 4.52%.

Retail Power Centers were the poorest performing subtype in all regions except for the East which posted a 5.95% one-year total return. Nationally the Retail Power Center subtype rebounded in fourth quarter with a total return of 1.42%, as income increased, and appreciation declined less than it had in the prior two quarters. All the retail property subtypes exhibited positive one-year total returns except for Single-Tenant Retail which suffered -2.20% year to date total return driven by -5.50% appreciation.

Quarterly returns for Retail Power Centers in the East Region increased from 0.65% to 3.84% in the fourth quarter, driven primarily by appreciation, and pushed the property subtype to the top for year to date returns in the region. Neighborhood Retail in the South region also stood out with annual total returns of 5.35% driven by strong income returns.

Increasing pressure from e-commerce and an evolving retail landscape put more pressure on investors in terms of asset pricing however the shift in retail value or appreciation returns could be an opportunity for greater yield through higher quality assets with strong fundamentals.

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RETAIL TOTAL RETURNS

	Total NPI	Total Retail	East	Midwest	South	West
4th Q 2019	1.55	0.05	0.26	-1.79	-0.14	0.46
3rd Q 2019	1.41	0.22	-0.02	-0.28	0.46	0.34
One Year	6.42	1.90	1.19	-2.98	2.78	2.95
Three Years	6.70	3.24	2.09	0.33	3.54	4.52
Five Years	8.25	6.70	5.40	4.43	7.49	7.66
Ten Years	10.18	9.71	8.83	7.91	10.35	10.48
Twenty Years	8.73	9.62	9.24	8.03	9.51	10.52

RETAIL INCOME RETURNS

	Total NPI	Total Retail	East	Midwest	South	West
4th Q 2019	1.10	1.19	1.21	1.14	1.26	1.14
3rd Q 2019	1.11	1.18	1.32	1.18	1.20	1.10
One Year	4.52	4.75	4.97	4.66	4.96	4.52
Three Years	4.59	4.70	4.84	4.68	4.85	4.53
Five Years	4.71	4.83	4.94	4.89	4.93	4.67
Ten Years	5.32	5.55	5.60	5.69	5.70	5.36
Twenty Years	6.20	6.44	6.48	6.56	6.49	6.31

RETAIL APPRECIATION RETURNS

	Total NPI	Total Retail	East	Midwest	South	West
4th Q 2019	0.45	-1.14	-0.95	-2.93	-1.40	-0.69
3rd Q 2019	0.30	-0.96	-1.34	-1.47	-0.74	-0.76
One Year	1.84	-2.75	-3.64	-7.38	-2.10	-1.53
Three Years	2.04	-1.42	-2.66	-4.21	-1.27	-0.01
Five Years	3.42	1.81	0.45	-0.44	2.47	2.89
Ten Years	4.67	3.99	3.10	2.14	4.47	4.92
Twenty Years	2.42	3.04	2.63	1.41	2.88	4.03

RETAIL INDEX—QUARTILE RANGE OF RETURNS

