

RETAIL INDEX

IT'S ALL ABOUT THE ESSENTIALS

In the first quarter, the negative effect from COVID-19 mandates (i.e., store and center closures), shaped performance at retail centers. Total returns at retail centers declined by 2.1%, compared to growth of 0.7% for the NPI. First quarter retail returns were negative and ranked second lowest among all property-types, next only to Hotels. The first quarter's returns came on the heels of a soft performance in 2019; with a larger share of sales going online, retailers are reassessing (and potentially downsizing) their brick-and-mortar holdings, a trend that will likely be accelerated by the COVID-19 crisis. With state mandates requiring that non-essential stores be shut for most of April and part of May, performance at retail centers will likely continue to be negatively impacted in the coming quarters.

Neighborhood centers were the only retail property sub-type that provided positive returns in the first quarter. Bolstered by shopping for daily necessity/essential goods, these centers drew foot traffic and recorded historic sales growth at grocery stores and other necessity-oriented inline tenants (i.e., drug stores). These centers, along with community centers (the center type with the second-best return performance), should weather the COVID-19 crisis better than other retail categories as consumers focus their spending on essential goods. Regional and super-regional malls were the worst performing categories and reported declines of -2.5% and -3.3% respectively.

Of the four regions, the West recorded the highest total return in the first quarter. That said, no region broke into positive territory; each region recorded a decline in total returns. The Midwest recorded its fourth consecutive quarter of total return declines and, as of the first quarter, it recorded the steepest drop in returns compared to the other regions. Those retail markets which are dependent on tourism will be adversely impacted over the next several months. High-street retail and retail centers in these markets are expected to see a drop in foot traffic as travel, both domestic and international, is projected to remain low in the near term.

According to data from CBRE Econometric Advisors, availability rates for each of the major center types remained flat or increased slightly in the first quarter. As mandates are lifted and stores reopen, we will be able to measure the full impact of the ongoing COVID-19 crisis on retail centers in the U.S. One thing we do know is that retail centers will be one of the hardest hit property types, and returns will likely continue to decline in the near term. Essential retailers and retailers with curbside pick-up and "click and collect" capabilities will transition out of the COVID-19 crisis better, while retail centers dependent on tourism spending and centers with a higher concentration of soft goods and experiential retailers will likely take longer to rebound.

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RETAIL TOTAL RETURNS

	Total NPI	Total Retail	East	Midwest	South	West
1st Q 2020	0.71	-2.06	-2.79	-3.14	-1.96	-1.53
4th Q 2019	1.55	0.05	0.26	-1.79	-0.14	0.46
One Year	5.28	-1.91	-3.20	-6.61	-1.16	-0.56
Three Years	6.41	1.99	0.81	-1.16	2.15	3.40
Five Years	7.65	5.24	4.03	2.97	5.76	6.27
Ten Years	10.17	9.35	8.40	7.52	10.03	10.13
Twenty Years	8.64	9.39	9.00	7.75	9.30	10.31

RETAIL INCOME RETURNS

	Total NPI	Total Retail	East	Midwest	South	West
1st Q 2020	1.10	1.16	1.21	1.08	1.23	1.11
4th Q 2019	1.10	1.19	1.21	1.14	1.26	1.14
One Year	4.51	4.75	5.01	4.63	4.95	4.53
Three Years	4.57	4.69	4.85	4.65	4.86	4.50
Five Years	4.68	4.80	4.93	4.83	4.90	4.63
Ten Years	5.26	5.49	5.55	5.63	5.64	5.30
Twenty Years	6.15	6.39	6.45	6.51	6.44	6.26

RETAIL APPRECIATION RETURNS

	Total NPI	Total Retail	East	Midwest	South	West
1st Q 2020	-0.39	-3.22	-4.00	-4.22	-3.19	-2.64
4th Q 2019	0.45	-1.14	-0.95	-2.93	-1.40	-0.69
One Year	0.74	-6.43	-7.91	-10.85	-5.89	-4.92
Three Years	1.77	-2.61	-3.90	-5.61	-2.62	-1.07
Five Years	2.87	0.43	-0.86	-1.80	0.83	1.58
Ten Years	4.73	3.72	2.74	1.82	4.22	4.65
Twenty Years	2.38	2.87	2.44	1.19	2.73	3.87

RETAIL INDEX—QUARTILE RANGE OF RETURNS

