

# RETAIL INDEX

## THE RETAIL CARNAGE DEEPENS

The retail sector experienced the greatest decline of the four major property types in the shadow of COVID-19, adding to the sector's already weak performance prior to the pandemic. Retailers, already facing challenges from the growing e-commerce sector, were further strained by the shutdown of retail facilities and the likely reticence of post-opening shoppers to enter malls. Experiential retail (i.e. restaurants, gyms, food halls, etc.), a source of demand for malls that could not be replicated online, were sidelined during the pandemic and may be slow in returning to optimum strength post-crisis. Neighborhood and Community Centers that sell a higher share of essential goods and services like grocery stores and pharmacies have outperformed relative to malls. Overall, the share of retail sales coming from brick-and-mortar stores will likely never fully recover from the acceleration of e-commerce sales during the time of the COVID-19 pandemic. The research firm eMarketer is predicting U.S. e-commerce sales will make up about 14.5% of total retail sales, or \$709.78 billion, this year. By the end of 2024, that percentage is expected to grow to 18.1% of all retail sales, with online sales surpassing \$1 trillion for the first time.

Chapter 11 filings by major retailers in 2020 have already surpassed 2019's total and show no sign of slowing. It is feared that the unforgiving pace of store closures will continue through the rest of 2020. U.S. retailers may close nearly 25,000 stores this year, more than double the over 9,800 stores that closed in 2019, driven by noteworthy department store and apparel bankruptcies, according to Coresight Research. In 2Q2020, retail experienced negative absorption of over 12 million square feet, a record decline for the sector, according to CoStar data. Some dollar stores and discounters have achieved growth despite the challenging economic conditions. Dollar General Corp. is moving ahead with nearly 1,000 new stores this year, and its rivals Dollar Tree and Family Dollar also adding hundreds of new locations.

Retail markets which are dependent on tourism have been disproportionately impacted over the past several months. Moreover, urban retail has experienced a drop in foot traffic, as the majority of office workers fulfill their duties at home and both domestic and international travel declined to record low levels. The woes of urban retail are further exacerbated by residents that have temporarily or permanently relocated.

Total returns at retail properties declined by -3.85%, compared to a decline of -0.99% for the NPI as a whole. Second quarter retail returns were negative and ranked second lowest among all property types, ahead of only the Hotel sector. Regional and super-regional malls performed worse than non-mall retail locations, with total return declines of -4.81% and -2.73%, respectively. Of the four regions, the West recorded the best relative total return in the second quarter at -4.31%. That said, no region broke into positive territory; each region recorded a decline in total returns. The Midwest recorded its fifth consecutive quarter of total return declines at -9.90% and, as of the second quarter, it recorded the steepest drop in returns compared to the other regions.

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### RETAIL TOTAL RETURNS

	Total NPI	Total Retail	East	Midwest	South	West
2nd Q 2020	-0.99	-3.85	-3.74	-5.02	-3.98	-3.58
1st Q 2020	0.71	-2.06	-2.79	-3.14	-1.96	-1.53
One Year	2.69	-5.58	-6.20	-9.90	-5.57	-4.31
Three Years	5.44	0.16	-0.94	-3.12	0.32	1.52
Five Years	6.77	3.80	2.64	1.39	4.30	4.83
Ten Years	9.70	8.63	7.65	6.75	9.31	9.40
Twenty Years	8.42	9.07	8.69	7.35	8.97	9.99

### RETAIL INCOME RETURNS

	Total NPI	Total Retail	East	Midwest	South	West
2nd Q 2020	1.01	0.82	0.88	0.75	0.87	0.78
1st Q 2020	1.10	1.16	1.21	1.08	1.23	1.11
One Year	4.40	4.42	4.71	4.22	4.64	4.19
Three Years	4.52	4.58	4.75	4.51	4.76	4.39
Five Years	4.63	4.70	4.84	4.72	4.82	4.54
Ten Years	5.19	5.40	5.46	5.52	5.54	5.21
Twenty Years	6.09	6.33	6.39	6.44	6.38	6.20

### RETAIL APPRECIATION RETURNS

	Total NPI	Total Retail	East	Midwest	South	West
2nd Q 2020	-2.00	-4.67	-4.63	-5.77	-4.86	-4.37
1st Q 2020	-0.39	-3.22	-4.00	-4.22	-3.19	-2.64
One Year	-1.65	-9.67	-10.53	-13.67	-9.85	-8.23
Three Years	0.89	-4.27	-5.49	-7.37	-4.28	-2.78
Five Years	2.07	-0.87	-2.13	-3.21	-0.50	0.29
Ten Years	4.35	3.11	2.11	1.19	3.62	4.04
Twenty Years	2.22	2.62	2.20	0.88	2.48	3.64

### RETAIL INDEX—QUARTILE RANGE OF RETURNS

