

## RETAIL INDEX

### RETAIL SURVIVED AND IS STARTING TO THRIVE

The top-line retail trend is that the total return for the 1Q2021 (-0.45%) is the best of the past five quarters. Income returns for the first quarter (1.06%) are the best of the last four quarters but remain 10 basis points lower than 1Q2020 (1.16%).

Appreciation remained negative for retail in 1Q2021 (-1.51%). One-year appreciation was -9.60%. Combined with the income return (3.93%), the total return was -5.96%.

The West Region was the best overall with a 0.0% total return for the 1Q2021. The West Region's appreciation return for the first quarter was -0.98%. This is 77 to 120 basis-points higher than the East, Midwest and South Regions.

The shifts in the retail landscape have been historic. Retail requires consumers. Office workers and many residents in urban markets fled in the spring of 2020. While urban retail properties suffered, suburban retail offering essential services (ex. grocery, home improvements, carry-out, etc.) had opportunities to flourish. Dominant big-box store retailers (Walmart, Target, Costco, Home Depot, Lowes), which are typically 85-90% corporate owned, did well. With more consumers cooking at home, restaurant demand shifted to grocery demand. Retailers with continued viability have survived. The NCREIF income returns reflect the fact that most NCREIF retail investment properties will also survive. The diminished returns are driven by negative appreciation. As consumers become vaccinated, offices reopen, and employment expands, the retail landscape will shift yet again. Current constraints are finding employees available and willing to work, and retail's increasing labor costs.

A Placer.ai foot-traffic sample of 52 malls in March was up 86% YoY, although still down 24% from March 2019. Dave & Busters (PLAY) reports that during the first-8-weeks of 1Q21, total sales at fully operational stores achieved 74% of 2019 levels. The stock of mall owner Simon (SPG) rebounded to 81% of its 2/21/2020 price as of 4/1/2021. D&B rebounded to 97.2%. Of course, not all retail owners and retailers have done as well. CBL stock is an example.

RCA reports 1Q2021 retail transaction volume at \$7.8B, down 42% YoY, with 2020 volume down 38%. CoStar reports broader retail volume for 1Q2021 at \$11.45B, down 25%, with a 23% decline for 2020. Prices for transacted retail properties however, have held constant on a weighted per square foot basis.

AEW reports 45% of its retail square footage was affected by rent abatements (15%) and deferrals (30%), which got the majority of its tenants through 2020. Repayments are scheduled in 2021. AEW is projecting retail rent recovery starting in 2022 with 2% rent inflation projections.

NRF projects retail sales will increase 6.5% in 2021. ICSC reports that consumer economic sentiment improved in each of the last three months (through 4/4/2021).

Companies are consistently reporting that they are one-to-two years ahead on their five year tech plans to integrate online, store and delivery. Retail survived a pandemic. As 2021 proceeds, retail is starting to thrive.

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### RETAIL TOTAL RETURNS

	Total NPI	Total Retail	East	Midwest	South	West
1st Q 2021	1.72	-0.45	-0.64	-1.10	-0.80	0.00
4th Q 2020	1.15	-1.24	-0.27	-2.85	-1.28	-1.36
One Year	2.61	-5.96	-5.65	-9.61	-6.27	-5.12
Three Years	4.89	-1.63	-2.18	-5.42	-1.56	-0.47
Five Years	5.81	1.42	0.55	-1.42	1.62	2.55
Ten Years	8.82	7.14	6.13	5.25	7.76	7.94
Twenty Years	8.15	8.64	8.31	6.79	8.57	9.53

### RETAIL INCOME RETURNS

	Total NPI	Total Retail	East	Midwest	South	West
1st Q 2021	1.04	1.06	1.11	1.08	1.15	0.97
4th Q 2020	1.01	1.02	1.06	1.06	1.09	0.95
One Year	4.14	3.93	4.17	3.85	4.23	3.63
Three Years	4.40	4.45	4.66	4.36	4.69	4.22
Five Years	4.52	4.57	4.72	4.55	4.73	4.37
Ten Years	5.01	5.19	5.28	5.31	5.35	4.98
Twenty Years	5.93	6.16	6.25	6.27	6.19	6.02

### RETAIL APPRECIATION RETURNS

	Total NPI	Total Retail	East	Midwest	South	West
1st Q 2021	0.67	-1.51	-1.75	-2.18	-1.95	-0.98
4th Q 2020	0.14	-2.26	-1.33	-3.92	-2.36	-2.31
One Year	-1.48	-9.60	-9.52	-13.07	-10.18	-8.52
Three Years	0.48	-5.88	-6.60	-9.47	-6.03	-4.54
Five Years	1.25	-3.04	-4.03	-5.77	-3.01	-1.76
Ten Years	3.68	1.89	0.83	-0.04	2.33	2.87
Twenty Years	2.13	2.38	1.98	0.51	2.28	3.37

### RETAIL INDEX—QUARTILE RANGE OF RETURNS

