

**AEW RESEARCH & STRATEGY**

# U.S. Economic & Property Market Perspective

Q2 2024

## For more information, please contact:



**MICHAEL ACTON, CFA®**  
Managing Director, Head of Research & Strategy, North America  
michael.acton@aew.com  
617.261.9577



**ADRIENNE ORTYL**  
Director, AEW Research  
adrienne.ortyl@aew.com  
617.261.9159



**RICK BRACE, CFA®**  
Director, AEW Research  
rick.brace@aew.com  
617.261.9170

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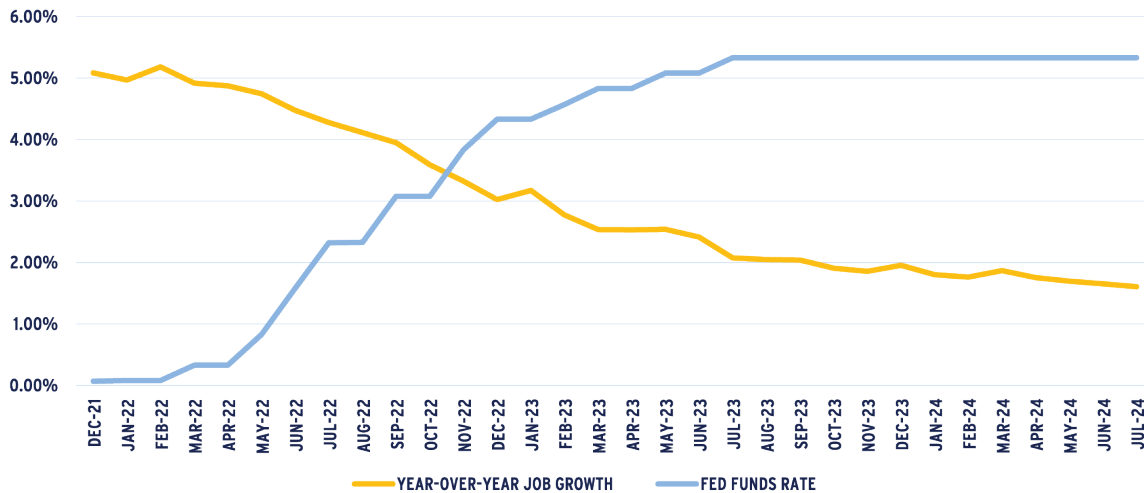
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# Research Update

## U.S. Economic and Property Market Outlook

The U.S. economy expanded at an annual rate of 2.1% during the first six months of 2024, generally above expectations but significantly slower than the 4.1% real GDP growth recorded over the last six months of 2023. U.S. employment growth also continued to slow, with growth decelerating to a year-over-year pace of 1.6% in July, the slowest employment growth pace since the beginning of the Federal Reserve monetary policy tightening at the end of March 2022.

**FIGURE 1: YEAR-OVER-YEAR GROWTH IN U.S. TOTAL EMPLOYMENT AND FED FUNDS RATE**

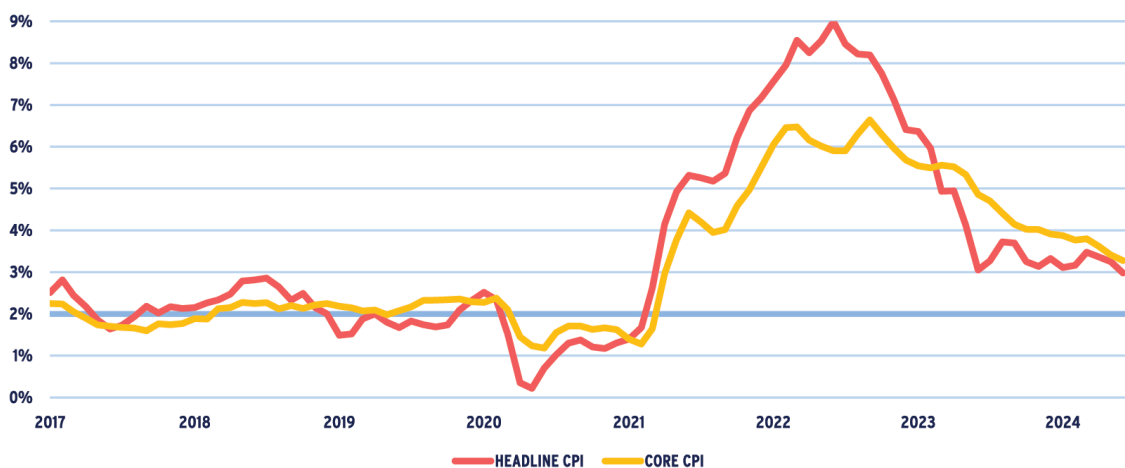


As of June 2024

Source: Bureau of Labor Statistics (BLS), Federal Reserve

Consistent with slower economic growth, various measures of inflation continue to trend towards the Federal Reserve’s target rate of 2% annually. While core inflation, excluding food and energy costs, shows a clear downward trend, the overall consumer price index (CPI) has proven stubbornly persistent at or slightly above 3% on a year-over-year basis. The most recent data, however, show hopeful slowing with an actual monthly decline in the CPI during June and an annualized increase of only 1% over the prior three months.

**FIGURE 2: YEAR-OVER-YEAR CHANGE IN CONSUMER PRICE INDEX(CPI)**

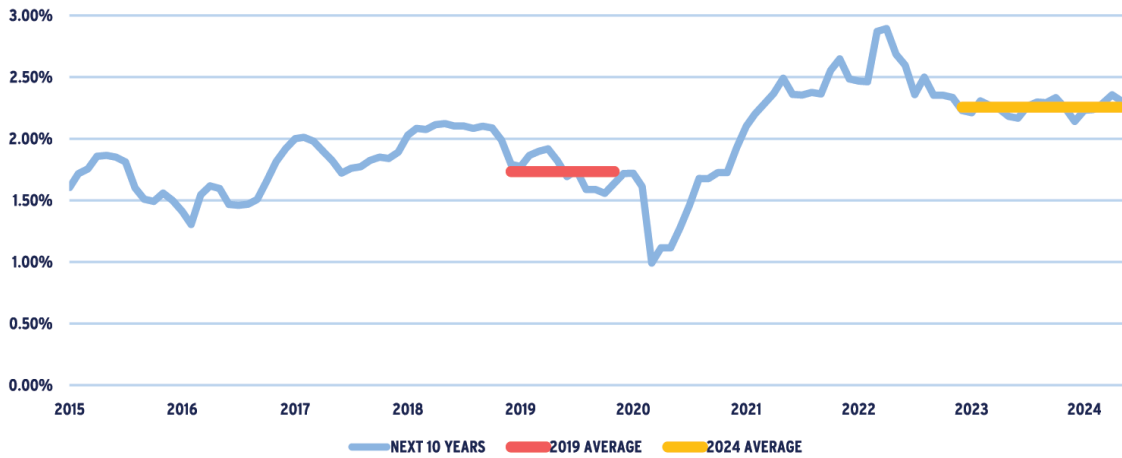


As of June 2024

Source: Bureau of Labor Statistics (BLS)

Longer-term investor inflation expectations have also moderated in step with easing inflationary pressures but are measurably higher than pre-COVID norms. In 2019, investors generally expected long-term consumer price inflation of less than 2% per year. In August 2020, Federal Reserve Chairman Powell, in his virtual Jackson Hole speech, introduced a more nuanced Federal Reserve inflation target averaging 2% over the full economic cycle<sup>1</sup>. This policy refinement, combined with a period of much higher inflation following the pandemic, appears to have re-centered longer-term expectations approximately 50 basis points higher, arguably roughly where the Fed officials hoped to settle.

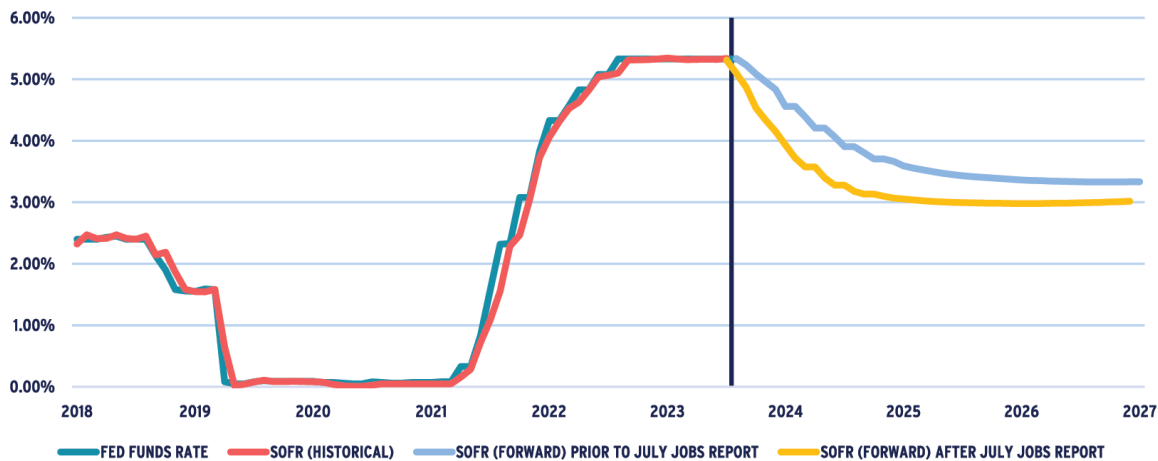
**FIGURE 3: EXPECTED INFLATION OVER THE NEXT 10-YEARS**



As of June 2024  
 Source: U.S. Department of the Treasury

Against this backdrop of slowing economic growth and re-centered inflation expectations, investors are now fully anticipating the beginning of the next credit easing cycle and, more specifically, lower overnight lending rates and commensurately lower long rates as well. Currently, the market expects the overnight lending rate (Fed funds) to be cut to approximately 3.0% by the end of 2025 and to stay near that level through 2026 and 2027. While significantly lower than current levels, current market pricing does not anticipate overnight rates declining as low as the 2.5% pre-COVID norm and certainly not to the near zero nadir of the pandemic period.

**FIGURE 4: FED FUNDS RATE AND FORWARD SOFR RATE**



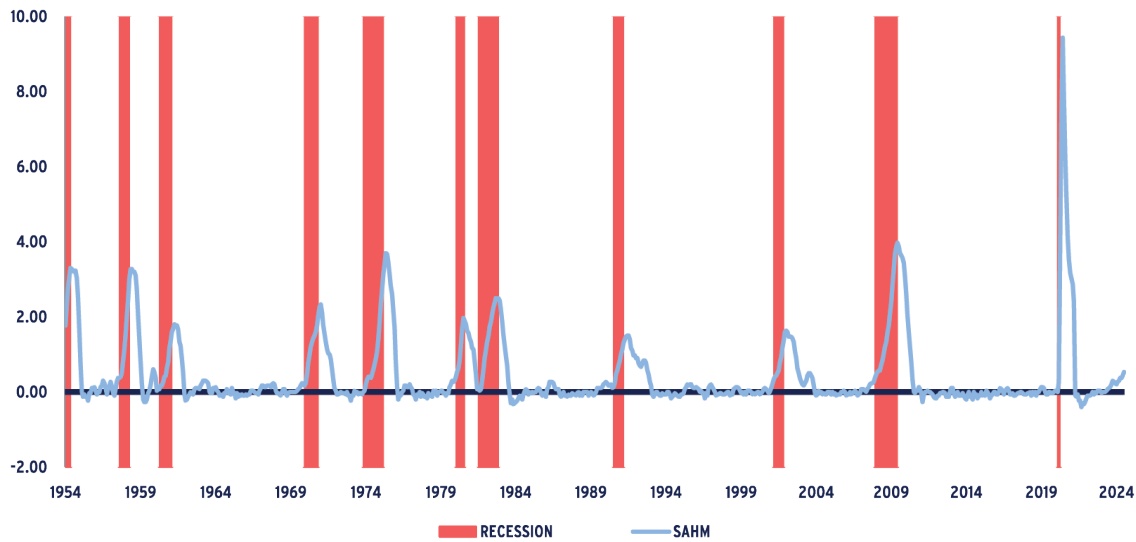
As of July 22, 2024  
 Source: Chatham Financial

The degree to which the yield curve can remain inverted (i.e., long yields staying below short yields) remains to be seen and will depend, in part, on U.S. economic growth stabilizing at today's lower, but still positive, growth, the long-elusive soft

<sup>1</sup> Chair Jerome H. Powell. "New Economic Challenges and the Fed's Monetary Policy Review", August 27, 2020

landing, or continuing to slow towards possible economic contraction (i.e., recession). Previously prescient predictors of recession such as the Federal Reserve Bank of New York’s recession probability indicator or The Conference Board Leading Economic Index® have been signaling recession for some time. Most recently, a recession prediction index originally created by Fed economist Claudia Sahm, the so-called Sahm Rule, moved above the level predictive of past recessions and may be one of the many indicators Fed policy makers are now considering as they signal impending interest rate cuts, possibly as soon as the September FOMC meeting.<sup>2</sup>

**FIGURE 5: SAHM RECESSION INDICATOR AND PAST RECESSIONS**



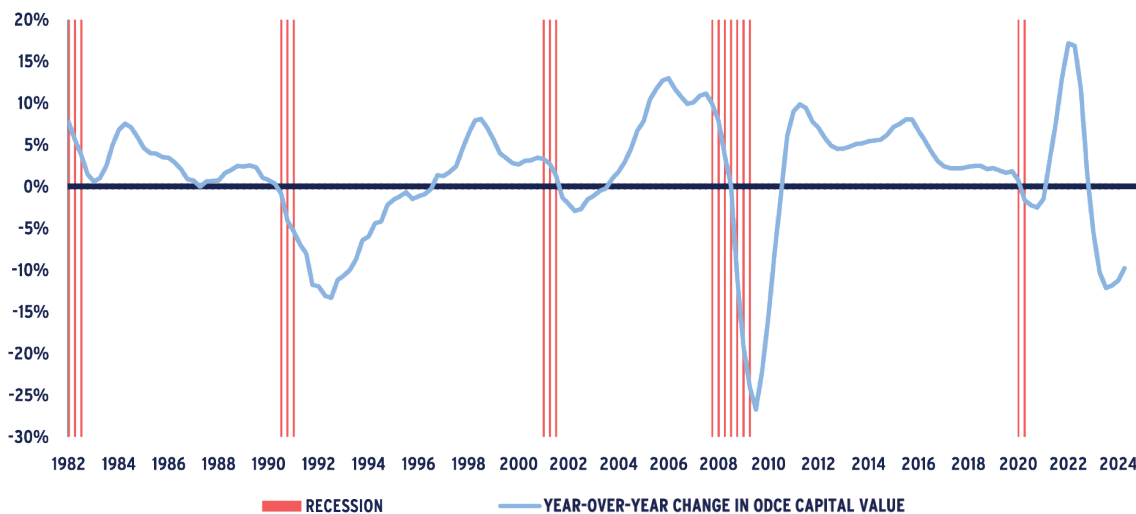
As of June 2024

Source: Federal Reserve Bank of St. Louis

## Commercial Property Outlook

While slower economic growth or outright recession may lie ahead, the absence of recession over the past two years is notable for commercial property investors today. Over the past eight quarters, the capital value component of the NCREIF Property Index has recorded consecutive quarterly declines (i.e., write downs). This marks the first time in the more than 45-year history of NCREIF where U.S. commercial property values have declined without an accompanying recession.

**FIGURE 6: YEAR-OVER-YEAR PERCENT CHANGE IN NPI CAPITAL VALUE INDEX AND PAST RECESSIONS**

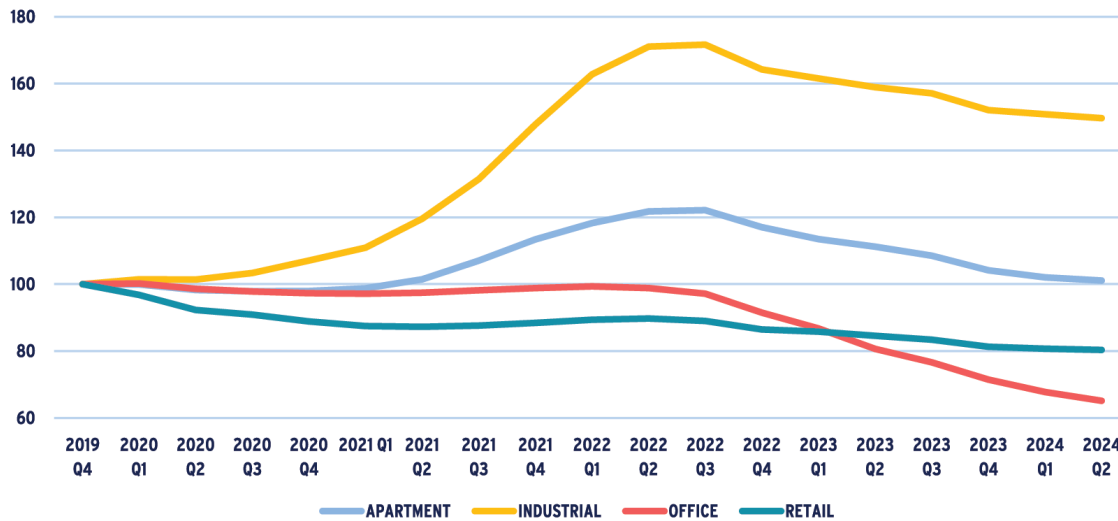


<sup>2</sup> Sahm, Claudia, Real-time Sahm Rule Recession Indicator [SAHMREALTIME], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/SAHMREALTIME>. The Sahm Recession Indicator signals the start of a recession when the three-month moving average of the national unemployment rate (U3) rises by 0.50 percentage points or more relative to its low during the previous 12 months.

As of June 2024  
 Source: NCREIF, National Bureau of Economic Research (NBER)

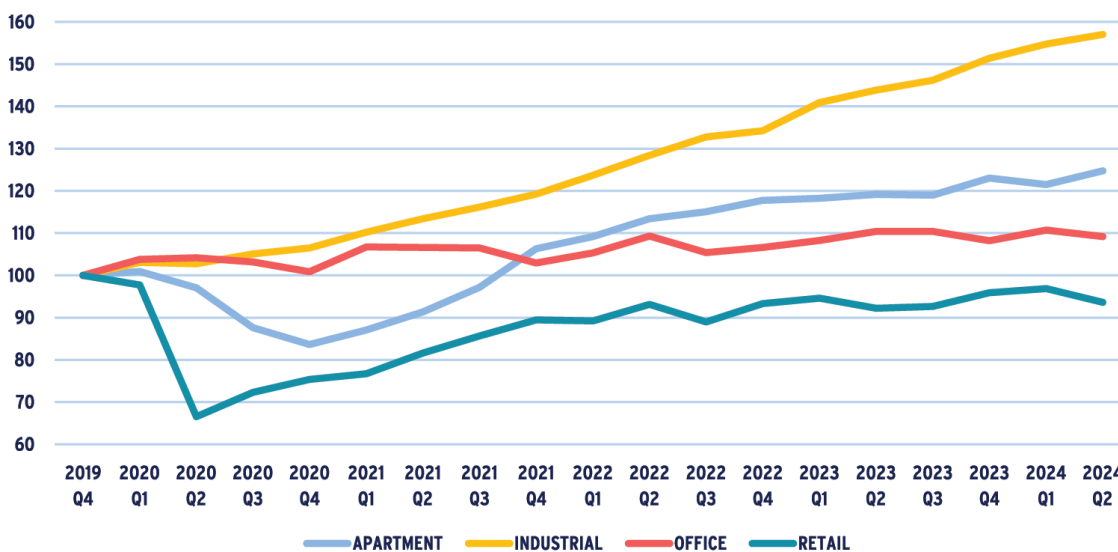
Property operating fundamentals such as occupancy and rental rate growth have also weakened absent recession, particularly in certain apartment and industrial markets, but this has so far been largely a reflection of significant near-term new supply pressures. For its part, office has suffered more acutely from the remote work dynamic with demand more the Achilles heel for that sector. Overall, commercial property net operating income (NOI) growth has been positive or flat over the eight-quarter period of declining values while unleveraged peak-to-trough value declines have ranged from 13% in industrial properties to 35% for office properties. In other words, a significant, though not sole, cause of commercial property value declines over the past eight quarters has been the significant change in the overall yield environment since the Federal Reserve began raising interest rates at the end of March 2022.

**FIGURE 7: NPI CAPITAL VALUE BY PROPERTY TYPE, INDEX = 100 IN 2019 Q4**



As of 2024 Q2  
 Source: NCREIF

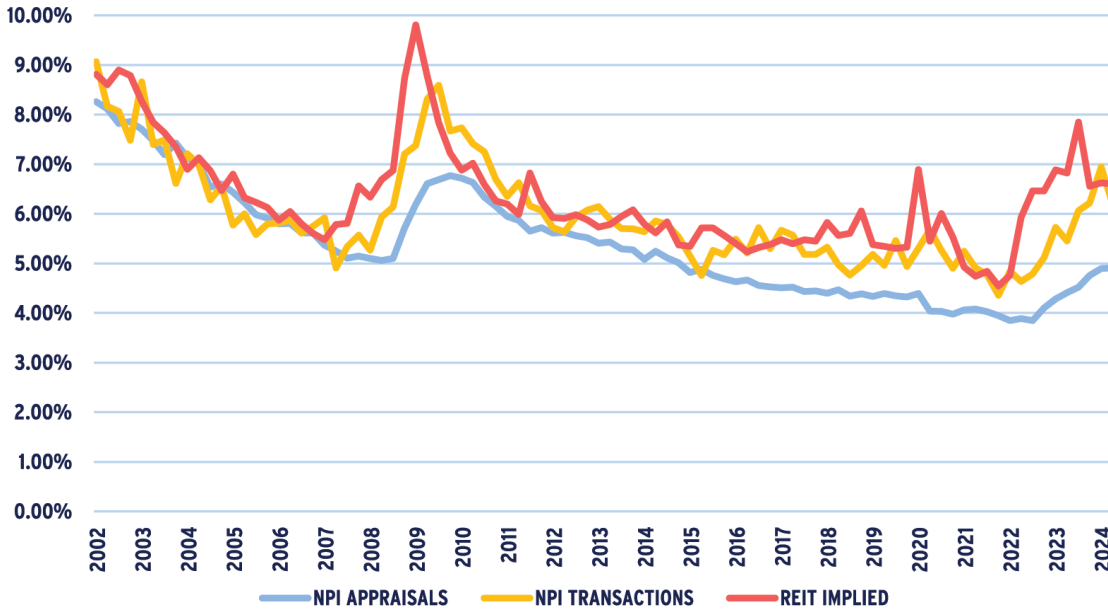
**FIGURE 8: NET OPERATING INCOME BY PROPERTY TYPE, INDEX = 100 IN 2019 Q4**



As of 2024 Q2  
 Source: NCREIF

While it is likely premature to declare the end of quarterly valuation declines in private market commercial property values, public (REIT) and private market valuation metrics are converging. For example, a comparison of property equally weighted capitalization rates across the four major property sectors now shows very similar pricing between the public market’s implied cap rate and transaction cap rates on privately held properties in the NCREIF universe (Figure 9). That said, while appraisal-based pricing does continue to lag the public market, the gap is narrowing.

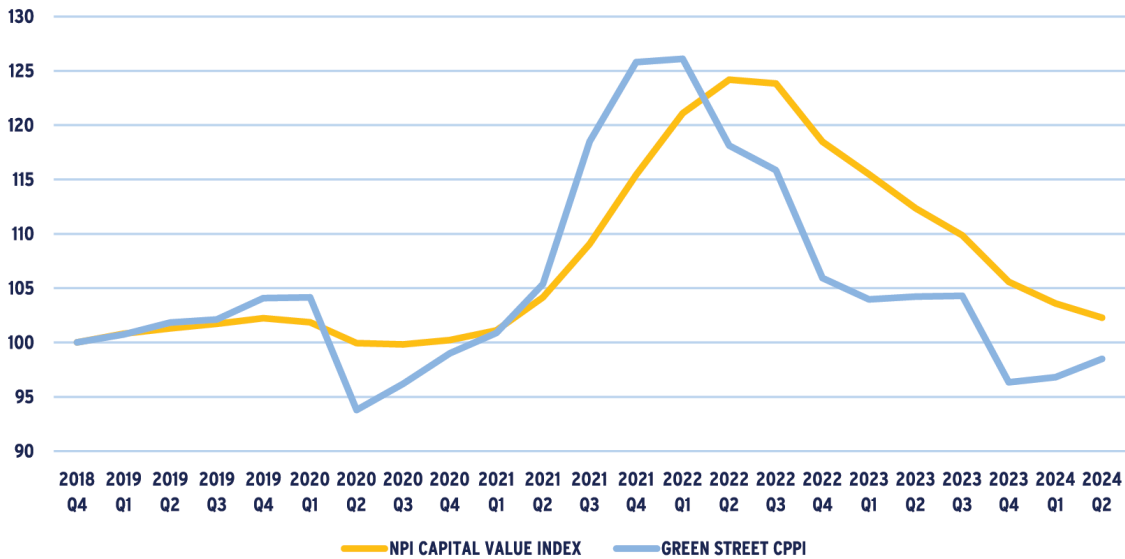
**FIGURE 9: PRIVATE AND PUBLIC MARKET FOUR PROPERTY TYPE AVERAGE CAP RATE**



As of 2024 Q2  
 Source: NCREIF, Green Street

Similarly, a comparison of repeat sales-based price movements and private market capital value indices also show rapid conversion of valuations across the four major property sectors.

**FIGURE 10: PRIVATE AND PUBLIC MARKET FOUR PROPERTY TYPE AVERAGE VALUE INDEX, 2018 Q4 = 100**



As of 2024 Q2  
 Source: NCREIF, Green Street

## Conclusion

Federal Reserve policy makers find themselves in a difficult position. U.S. economic growth has slowed significantly in response to tighter monetary policy by the Federal Reserve and this slowing appears to be intensifying with various well-regarded indicators warning of outright recession. Progress on inflation has been encouraging with rapid slowing in price increases, but in a perfect world policy makers would likely prefer to see a few more affirming data points before they begin easing monetary policy. Against this backdrop, investors are broadly anticipating the beginning of the next interest rate cutting cycle and property investors are beginning to anticipate the beginning of the next pro-cyclical movement in property values. This is already evident in admittedly limited transaction activity. History shows that the period following the trough in valuations is typically a period of outsized property appreciation. The degree to which this cycle follows suit will be largely shaped by the pace and degree of interest rate declines, both short rates and, more importantly, long rates, offset by any weakening of property incomes that may arise from slower economic growth or possible recession.



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# Property Sector Updates

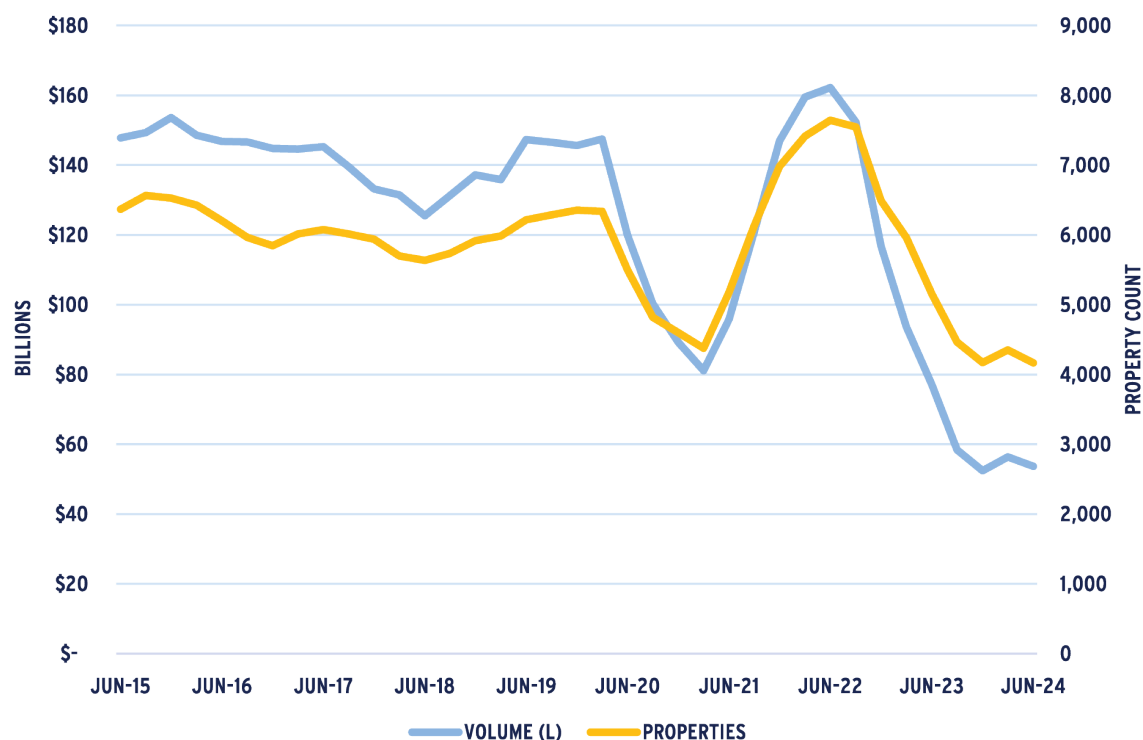
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# Office

At midyear, office market dynamics have not changed materially as fundamentals showed further softening, albeit less dramatically from prior quarters. Several indicators including a plateau in available sublease space suggest the sector is getting closer to an inflection point. However, many companies have yet to fully adjust their space needs, especially those with longer contractual lease structures. Most smaller leases signed prior to 2020 have been exposed to the new market realities given their shorter duration, while larger leases (>10,000 square feet), which account for more than half of all leased space, have yet to roll. Thus far, companies with the ability to adjust their space needs have shown a propensity to reduce their overall space as remote work adoption continues while upgrading the overall quality, a pattern that is likely to continue for the foreseeable future. As we highlighted last quarter, office employment growth has also downshifted, removing another incentive for companies to expand their space needs in the current environment.

The velocity of tenants in the market has notched higher as companies explore their options, but aggregate square feet leased dipped 11% from last quarter and 20% from year-ago levels, representing a run rate about half of what it was pre-pandemic. The net impact on realized demand remains challenging. Second-quarter net absorption did benefit from the delivery of several well-leased assets, but that was not sufficient to offset the 10-million-square-foot (msf) decline to start the year, leaving absorption down 7.8 msf through the first half of 2024 according to CBRE-EA. While painful, this represented a notable improvement over the 29 msf decline in 2023.

FIGURE 11: OFFICE TRANSACTION VOLUME (ROLLING 4-QUARTER)



Source: MSCI/Real Capital Analytics as of 2Q 2024

On the supply side, the pipeline of projects under construction continued to unwind, hitting a cycle low of just under 58 msf. Six markets (Austin, Boston, Dallas, Miami, San Jose and Seattle) account for just over half of the remaining pipeline while the Top 10 markets (including Nashville, Los Angeles, NYC and Denver) account for two-thirds of the pipeline. Boston is a notable outlier with 11 msf of space, or 5.2%, of inventory under construction, although Austin, San Jose, Miami and Nashville also have 5.0% or more under construction. Beyond select special situations, it is difficult to see much in the way of new projects breaking ground over the foreseeable future given current demand and capital market dynamics.

In aggregate, office vacancies climbed 10 basis points (bps) to 19.1% in the second quarter, continuing the pattern of rising rates according to CBRE-EA. Sublease space accounted for 240 bps of the vacancy totals, a slight decline of 10 bps relative to last quarter, with availability rates holding steady at over 25%. Southeast Florida remains among the strongest markets in terms of rent growth and occupancy, while Nashville, Orange County, San Diego, Manhattan and Charlotte notched lower vacancies through the first half of 2024. Boston, Austin, Chicago, Denver, Los Angeles and Seattle saw vacancies rise by 100 bps or more, with Boston rising 230 bps to 17.1%.

Gross asking rents or face rates remain relatively flat (apart from a few markets where rates are down), which is not reflective of the true pressures facing landlords. Competition for tenants is fierce. Robust TI packages, free rent and other concessions are being used aggressively by landlords to win deals with tenants who in turn are scrutinizing ownership’s ability, willingness and commitment to invest in the asset.

The impact on values continues to play out with private equity adjusting at a more measured pace relative to the dynamics seen in the public markets. Through Q2 2024, NCREIF’s capital appreciation index for office reflected an aggregate decline of 34% from previous highs, including a 19% adjustment over the past year. Green Street’s estimate of the overall price decline is closer to 60%. Confirmation of the value impairment is showing up in select trades although aggregate volumes remain depressed. Transaction volume has been tracking last year’s pace, suggesting a potential low point. Approximately \$27 billion changed hands through the first half of 2024, or about one-third the pace averaged prior to COVID. This reflected about 2,050 properties changing hands, or about half the annualized pace prior to the pandemic, with value declines and asset quality accounting for the disparity.

The pressure to “do something” appears to be increasing along with the amount of office debt maturing over the near-term, some of which was previously extended. Distress is becoming more apparent as banks and other lenders increase loan-loss reserves and the CMBS market reports a rising percentage of office loans in special servicing and delinquency. The 30-day office delinquency rate stood at 7.6% in June, a 100-bps increase from March. Nearly 11% of outstanding CMBS office loans are now in special servicing. Correspondingly, financing is highly constrained with many lenders (and owners) looking to reduce their office exposure. Lender facilitated sales are becoming more common solutions to monetizing the most challenged assets. Publicly traded REITs and institutional investors have been reducing their exposure to traditional office assets, while high net worth and private investors have been more active net buyers.

Overall, the office dynamics remain challenging with few signs suggesting a settling out in the capital markets or fundamentals. Owners, investors and lenders are facing increasingly difficult decisions about what to do as loans mature or major leases come due. Each case requires material new capital contributions from ownership to forge an appropriate path forward. With most lenders focused on reducing overall exposure to the office sector and many owners with little to no equity remaining in the asset, it makes for some difficult discussions. From our vantage point, 2024 is another difficult year for recognizing value loss across the sector, and it will take more time to fully play out.

## OFFICE

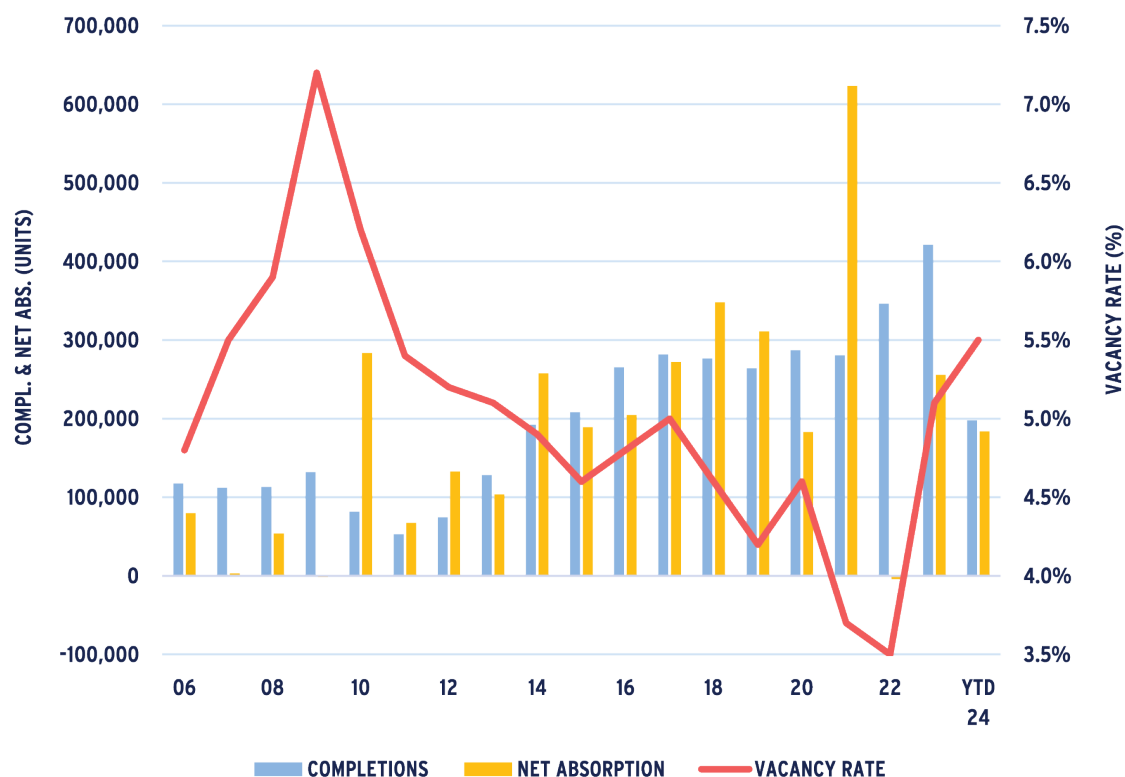
VACANCY RATE	19.1%
12-MONTH HISTORICAL TREND	
VACANCY CHANGE	↑
RENT	↓
ABSORPTION	↓
COMPLETIONS	↓
CAP RATES	↑
TRANSACTION VOLUME	↓

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# Apartment

While apartment vacancies remained at 5.5% in the second quarter of 2024, the highest level since mid-2011, there was a notable improvement in fundamentals. Indeed, the net absorption of nearly 127,000 units was the strongest quarterly absorption since the post-COVID bounce back in mid-2021 and was essentially in line with the 5-year pre-COVID average. Moreover, the first half of the year saw net new demand of nearly 184,000 units, more than double the 83,000 units absorbed in the first half of 2023. Overall, demand is on pace to eclipse both the average annual demand per year from 2015-2019 and 2010-2019 (265,000 units and 217,000 units, respectively). That said, hefty completions of roughly 120,000 units in the quarter prevented an improvement in overall vacancy.

FIGURE 12: 2024 DEMAND ON PACE TO BE ABOVE AVERAGE



Source: CBRE-EA

On the demand side, continued job growth has bolstered new demand while today’s higher mortgage interest rates and record high home prices have limited renters’ ability to move to homeownership, thus stabilizing the back door on existing rent rolls. With respect to new properties, RealPage reported an average of 10 to 11 leases per month for properties in lease up in 2024 Q1, down 10% from the previous year; anecdotal data for Q2, however, indicates an improvement in this stat with some projects recently reporting as many as 30 leases per month in the quarter.

Year-to-date demand as a share of inventory was strongest in Sunbelt markets, with Austin, Jacksonville, Colorado Springs, Orlando, Salt Lake City, Nashville, Richmond, Raleigh, Las Vegas and Tampa ranking as the top 10 markets for new demand. The absorption rate in the markets ranged from a high of 3.3% in Austin to 2.0% in Tampa, all roughly two to three times the U.S. average of 1.1%. While demand has been exceptionally strong in the Sunbelt, new supply remains concentrated in this region.

Austin, Jacksonville, Colorado Springs, Orlando, Raleigh, Tampa, Salt Lake City, Denver and San Antonio reported the highest year-to-date completion rates, ranging from a high of 3.9% in Austin to 2.1% in San Antonio. Like demand, the aforementioned markets reported delivery rates that were roughly two to three times the U.S. average of 1.1%. Notably, net new demand fell

short of supply in all the markets except for Salt Lake City and Richmond. As such, vacancies nudged higher from the end of 2023 in most of these markets and vacancies are generally among the highest in the nation.

Among these heavy supply markets, San Antonio reported the highest vacancy rate at 8.8%, 330 bps above the U.S. average, while Denver, Nashville and Salt Lake City reported a vacancy rate of 6.1%. On the other end of the spectrum, supply remains more constrained in gateway markets with Northern and Southern California, Chicago, New York and Boston reporting year-to-date completions ranging from only 0.4% to 0.8% of inventory. Relatively tight market fundamentals in gateway markets, however, did limit net absorption. Overall, vacancies in these markets are also among the lowest in the nation and are generally below average ranging from only 3.3% in New York to 5.3% in Riverside.

Somewhat countering the improving demand picture, in the near-term, supply will remain robust, with nearly 336,000 units underway for delivery by year-end; however, 2024 will be the high-water mark for new deliveries. Beyond 2024, there are only 336,000 units underway and the completion date for these units is generally spread across the 2025 to 2026 period. Supply growth will likely remain more muted beyond this period too as new authorized building permits for 5 or more units is roughly 40% off peak and are near their 5-year pre-COVID monthly average. Meanwhile, starts for multifamily projects with 5 or more units are also 40% off peak and are modestly (3.2%) below their 5-year pre-COVID monthly average. We continue to expect supply will ebb going forward, particularly as the higher interest rate environment, still elevated construction costs, tighter lending conditions and a general lack of capital for development stymie future starts.

Near-term, gateway markets will continue to outperform, maintaining lower vacancies and stronger rent growth due to the limited new supply in these markets and limitations on homeownership due to the higher mortgage interest rates and strong home prices. Longer-term, however, with supply growth receding, Sunbelt markets should recover quickly. New demand, supported by continued job growth, robust net in-migration and solid household formation, should outpace new supply. Vacancies as a result should compress, allowing for rent growth to re-accelerate. While this is the base case outlook, the risk of recession remains and should a recession occur, this would dampen demand and elongate the recovery in Sunbelt markets and likely weaken gateway market fundamentals as well.

## RESIDENTIAL

VACANCY RATE	5.5%
12-MONTH HISTORICAL TREND	
VACANCY CHANGE	↑
RENT	↔
ABSORPTION	↑
COMPLETIONS	↑
CAP RATES	↑
TRANSACTION VOLUME	↑

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# Industrial

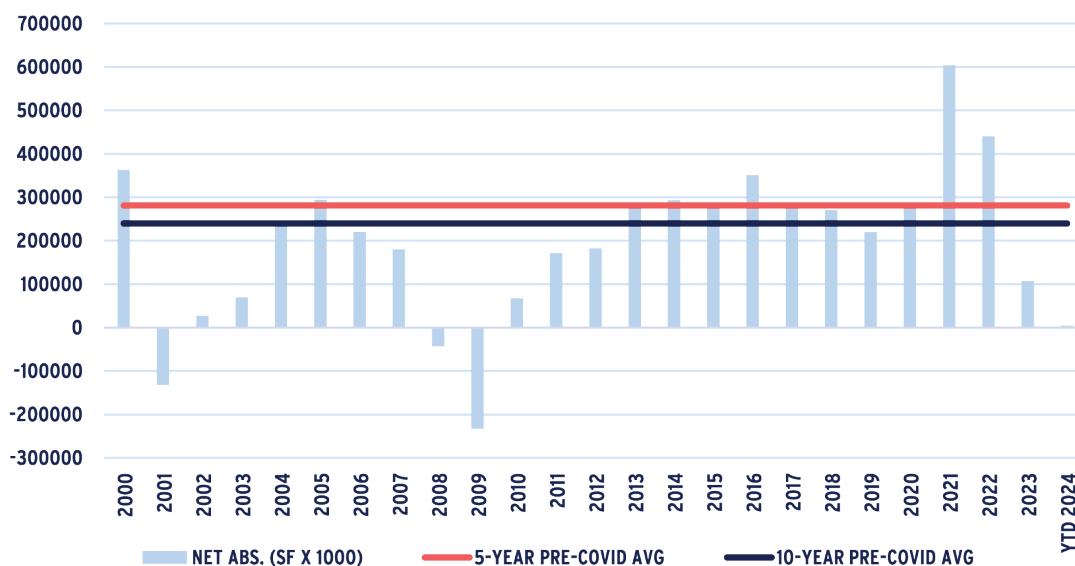
The industrial market is inching closer to stabilizing. Availability edged up in the second quarter of 2024; however, the 40-basis-point (bps) increase, to 8.2%, was the smallest increase over the past year, following increases between 60 and 70 bps in each of the previous three quarters. While today’s availability rate is the highest since mid-2016, it sits between the 5- and 10-year pre-COVID quarterly averages of 7.7% and 10.1%, respectively. Moreover, nearly 30 million square feet (msf) of space was absorbed in the second quarter, more than reversing the 25 msf given back to the market in the first quarter. Construction activity remains robust as roughly 100 msf of space was completed in the quarter, surpassing demand and pushing availability higher.

New deliveries will remain strong through year-end, with an additional 200 msf expected to be completed. Total completions in 2024, however, will be nearly 100 msf less than the roughly 500 msf completed in 2023. Thereafter, development should slow substantially as there is less than 100 msf underway for delivery after 2024. Putting this in perspective, year-to-date completions have totaled 1.2% of inventory and there is an additional 1.3% of inventory underway for delivery this year; beyond 2024, however, there is only 0.6% of inventory under construction today.

Supply growth will slow most notably in the Sunbelt markets where the largest shares of inventory are currently underway. Overall, among markets with 100+ msf of inventory, the 2024 completion total is expected to top 10% in four markets, all in the Sunbelt. Austin (12.8%), Las Vegas (11.4%), Savannah (10.9%) and Phoenix (10.5%) have the heftiest increases in supply expected this year relative to their market size, followed by Charleston (9.3%), Charlotte (4.5%), Jacksonville (4.5%), Dallas (4.2%), Fort Worth (4.0%) and Riverside (4.0%). Beyond 2024, Savannah and Austin will remain hot spots for new construction; however, with roughly 7.0% and 3.4% of stock underway, respectively, the slowdown in supply is notable even for these markets. Overall, only two additional markets—Raleigh (2.8%) and Richmond (2.0%)—have square footage underway totaling 2.0% or more of inventory. Of the 60 markets with 100+ msf of inventory, 45 markets have less than 1.0% of inventory underway while 32 markets have less than 0.5% of inventory underway, including Boston, Central and Northern New Jersey, Chicago, Dallas, Houston, Indianapolis, Los Angeles, Orange County and South Central PA.

While supply has been a large contributor to softening fundamentals, the industrial market has also been hampered by weaker demand in recent quarters. That said, today’s demand is weaker when contrasted with the exceptionally strong demand we saw in 2021 and 2022. Averaging net absorption from 2021 through mid-2024 and the demand picture is still decidedly positive with net absorption running ahead of 5-year and 10-year pre-COVID trends. AEW Research believes this demand moderation is temporary with net absorption expected to return to more normal trends in 2025/2026. Indeed, users that pulled demand forward in response to COVID demand/e-commerce trends are returning to the market.

FIGURE 13: INDUSTRIAL NET ABSORPTION



Source: CBRE-EA

Notably, Amazon has returned to the market and has resumed growing its distribution network. Year-to-date through July, the e-commerce retailer has signed nearly 14 msf of new leases, more than four times the volume signed over the same period last year. Additionally, Amazon commenced leases on nearly 15 msf of space and has moved 27 msf (including leases signed prior to January 1, 2024). Looking at leases over 50,000 sf signed year-to-date, other large and active players include Post Consumer Brands (2.1 msf), Hyundai (2.0 msf), BroadRange Logistics (2.0 msf) Walmart (1.9 msf), Samsung (1.8 msf), Whirlpool (1.7 msf), DHL (1.6 msf), and Nestlé/Nestlé PURINA (1.1 msf) to name a few. In aggregate, CoStar reports nearly 260 msf of new leases have been signed year-to-date, which should bode well for absorption going forward as the signed leases are registered as new demand upon move in. That said, it is difficult to assess net new demand as some leases are likely relocations from existing space. Overall, however, the breadth and scope of the tenants active in the market and the return of Amazon likely portend a strengthening in the demand picture for the coming quarters. Further, in its second-quarter earnings call, Prologis reported strong demand for space, driven by e-commerce growth and supply chain optimization. Growth in imports and the restart of 11 ocean trans-pacific and north-south trade routes also signal demand growth should accelerate.

With construction activity moderating and demand picking up, markets fundamentals should improve going forward. Indeed, vacancy/availability will likely peak in 2025 before improving modestly thereafter. Rent growth, which has decelerated or declined across all markets, should pick up in 2025 and beyond. The risk to this outlook is on the demand side and the impact that a potential recession could have on the consumer. Should the U.S. fall into recession, demand would be diminished and the recovery cycle for the industrial sector would be pushed out.

## INDUSTRIAL

AVAILABILITY RATE	8.2%
12-MONTH HISTORICAL TREND	
AVAILABILITY CHANGE	↑
RENT	↑
ABSORPTION	↓
COMPLETIONS	↑
CAP RATES	↑
TRANSACTION VOLUME	↓

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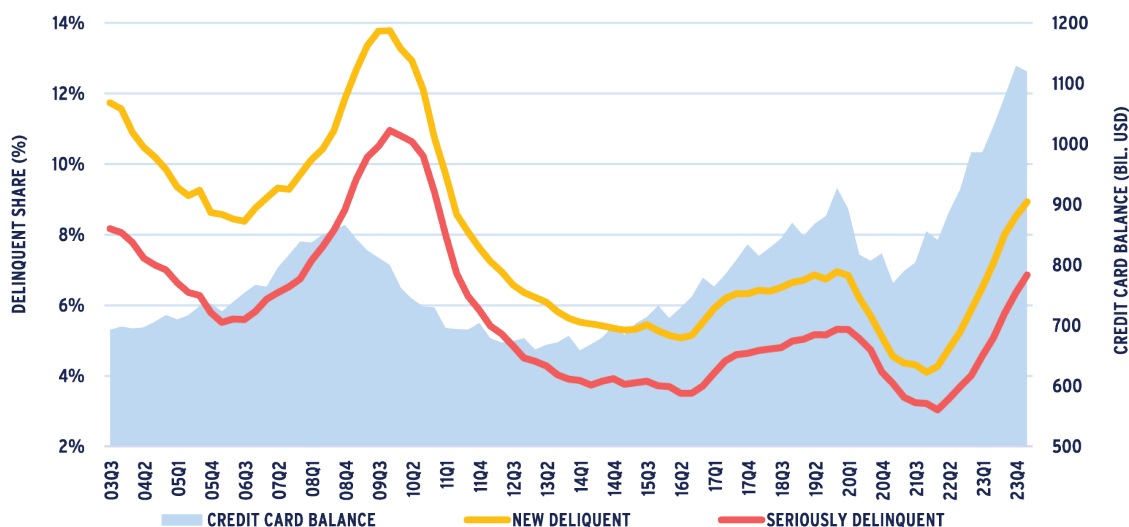
# Retail

The retail sector remained the strongest performing property type in 2024 Q2. Total retail availability held at a record low of 4.7%, unchanged from the previous two quarters. Neighborhood and community shopping center (NCSC) availability, at 6.5%, exhibited the same trajectory as the broader retail market with availability remaining both unchanged from the previous two quarters and holding at a record low. Power center (PC) availability, at 4.9%, was unchanged from Q1 but was down 10 basis points (bps) from 2023 Q4. Meanwhile, the lifestyle and mall segment of the market (LM) saw availability improve by 10 bps on the quarter, dropping to 5.6%. Availability in the LM segment of the market is down 70 bps year over year and 140 bps from the 2021 Q4 COVID high and is now essentially in line with the 10-year pre-COVID historical average.

Demand across all retail subtypes remained healthy, albeit relatively modest given the lack of available space. Overall, the demand picture is much improved from the years leading up to and during the pandemic as retail bankruptcies have slowed and retailers are generally on better financial footing. Additionally, the better fiscal condition is supporting aggressive expansion plans among many retailers. Dollar General (800 stores), Five Below (600), 7-Eleven (200), Aldi (800), Jersey Mike’s (350), Ross Dress for Less (500), Target (300) and Walmart (150) all have ambitious store-opening goals for this year. Additionally, the experiential retailer/retailtainment category remains aggressive in its leasing goals. Per CoStar, experiential retailers (Planet Fitness, Crunch Fitness, Pickle Mall, Dick’s House of Sport, Public Lands, Nike Live, etc.) now account for roughly 15% of all leasing over the past two years, up from roughly 8%-10% in 2015.

Unlike in the industrial and apartment markets, supply remains muted in the retail sector and perhaps below what is needed. Less than 12 million square feet (msf) of space has been added to the market through the first half of 2024 across the retail subtypes. With less than 20 msf currently underway and due in 2024, new supply looks to total less than half the 5-year pre-COVID average of 65 msf. This would mark the third consecutive year in which supply growth was less than half the historical trends.

FIGURE 14: CONSUMER CREDIT CONDITIONS



Source: Federal Reserve Bank of New York (FRBNY)

Given the store openings highlighted above and the absence of new supply, we expect fundamentals will remain strong. This is despite a more tenuous position for consumers. Delinquency and default rates continued to move higher through the second quarter, with total new delinquent credit card balances (30+ days) nearing 9%, the highest level since 2011 and more than double the COVID low. Additionally, seriously delinquent balances (30-90 days) are nearly 7%, again more than double the lows of the pandemic and the highest rate since mid-2011. At the same time, roughly 8% of auto loans are delinquent. While there remain risks to the consumer outlook, we expect retail spending will remain sufficient to support new retail



demand, particularly for necessity and experiential retail. The absence of new supply should also continue to bolster retail fundamentals, keeping retail market conditions in favor of landlords. As such, near-term, rent growth will remain above average across most markets, particularly in the NCSC and PC subtypes. The more discretionary-related merchandise/retail mix within the LM segment will likely lead to more tempered performance relative to the NCSC and PC subtypes.

<b>RETAIL</b>	<b>N&amp;C SHOPPING CENTER</b>	<b>LIFESTYLE &amp; MALL</b>	<b>POWER CENTER</b>
<b>AVAILABILITY RATE</b>	<b>6.5%</b>	<b>5.6%</b>	<b>4.9%</b>
<b>12-MONTH HISTORICAL TREND</b>			
<b>AVAILABILITY CHANGE</b>	↓	↓	↓
<b>RENT</b>	↑	↑	↑
<b>ABSORPTION</b>	↔	↑	↔
<b>COMPLETIONS</b>	↓	↓	↓
<b>CAP RATES</b>	↑	↑	↑
<b>TRANSACTION VOLUME</b>	↑	↓	↑