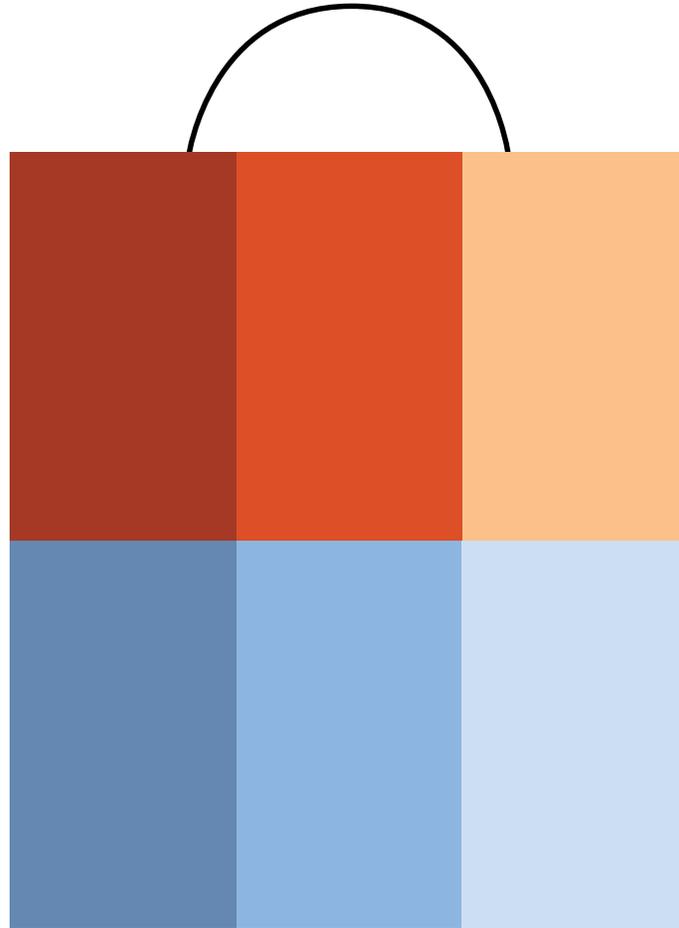


WHOLESALE CHANGE



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Retail has gone from being the weakest asset class to a promising one due to modest inventory growth and the elimination of redundant space. Opportunities abound in growing markets in which retail has not yet caught up with an increasing population.

In 2014, we published an article titled “Challenges Confronting US Retail Properties,” in which we outlined the major challenges confronting retail properties and voiced concern about the health of the sector.¹

During the subsequent period the sector continued to exhibit weakness and many retail facilities became redundant or obsolete. Delinquency rates have remained elevated for most of that time period. In response to this weakness, the level of new construction decreased substantially, and more than 280 million square feet of space was demolished over the past decade. As a result, retail vacancy rates are lower now than they were pre-COVID (the only major sector of which that can be said).

In the future, more obsolete retail space is expected to be destroyed or repurposed. The sector appears to be getting closer to recalibration based on the combination of reduced construction and demolitions. Nevertheless, nearly every retail property in America competes with Amazon (and other online retailers).

In urban areas, retail rents differ from block, mid-block, and corner; and in suburban and exurban areas, rents differ by favorable/unfavorable intersection, and curb-cut to curb-cut. It is perhaps the most location-specific property type because visual exposure, access, and pedestrian and vehicular traffic patterns impact desirability to a granular extreme.

While each retail property has unique characteristics and involves very targeted investment decision-making, the sector is impacted by metro area supply and demand characteristics as well as national economic considerations. On the market level, factors like population growth, household income growth, and retail per capita impact potential performance in the retail sector. On the national macro level, the health of the economy, wages, savings, and retail sales impact the sector.

We begin our discussion on the macroeconomic level.

STAGNANT WAGE GROWTH AND EXHAUSTION OF COVID-ERA SAVINGS

Stagnant wage growth and the exhaustion of excess savings derived from COVID-era fiscal stimulus could pressure retail sales in the future. Over the past fifteen years, annual wage growth (nominal) has averaged 3.1%, only slightly outstripped average annual inflation over that period, resulting in *real* average wage growth of just 0.5% annually over the past 15 years.

As of October 2024, real wage growth of 1.6% YOY is an improvement, but it comes on the heels of nearly two years of high inflation and negative real wage growth. Since the pandemic began, inflation-adjusted wages are up a cumulative 2.3% over that four-and-a-half-year period. Workers who have experienced wage growth that has barely kept up with inflation may be forced to reduce discretionary spending in order to pay for necessities.

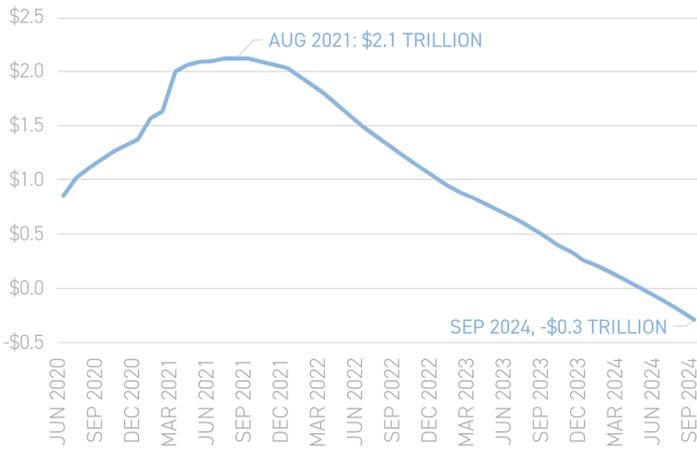
EXHIBIT 1: AVERAGE HOURLY EARNINGS GROWTH IN THE PRIVATE SECTOR



Source: US Bureau of Labor Statistics

Americans’ excess savings climbed to a high of nearly \$2.1 trillion in August 2021, boosted by a combination of fiscal stimulus and inability to spend on services during the pandemic. However, this has now been exhausted, and the level of Americans’ savings is below the level prior to the beginning of the COVID response, according to the San Francisco Federal Reserve.

EXHIBIT 2: AMERICANS’ EXCESS SAVINGS (\$ TRILLIONS)

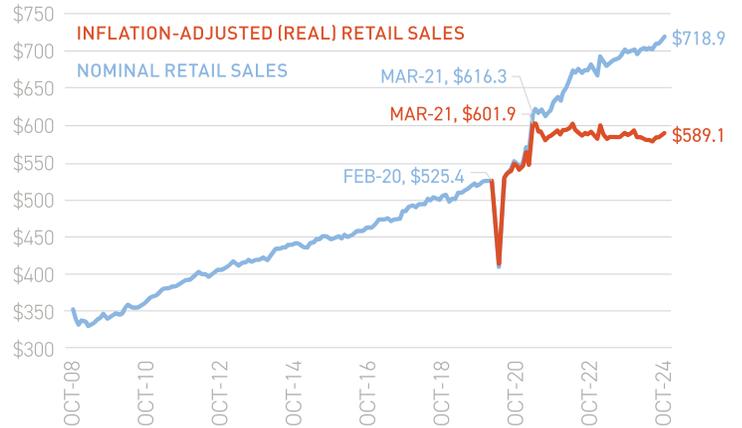


Source: US Bureau of Economic Analysis; San Francisco Federal Reserve; as of September 2024

RETAIL SALES ARE FLAT ON REAL BASIS

Retail sales on a nominal basis are up 2.8% YOY as of October 2024. However, real retail sales are up 0.3% YOY. Similarly, from March 2021, nominal retail sales are up 17%, while real retail sales are down—2% over the same period. This stagnation in real retail sales demonstrates that consumer spending may not be as strong as headline nominal retail sales would imply.

EXHIBIT 3: INFLATION-ADJUSTED RETAIL SALES IN RETAIL IN FOOD SERVICES



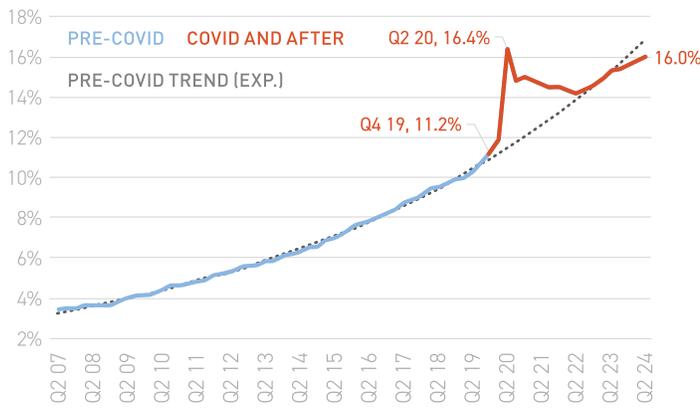
Source: US Census Bureau, “Advance Monthly Retail Sales: October 2024”

EVERY RETAIL PROPERTY HAS A VIRTUAL MALL NEXT DOOR

Every retail property in America competes with a virtual mall situated in the palm of each American’s hand. This comes in the form of Amazon as well as other online retailers. E-commerce as a share of total sales increased from 15.8% in Q1 2024 to 16.0% in Q2 2024. The growth in e-commerce sales has slowed in both nominal and real terms, from 8.1% and 4.6% YOY in Q1 2024, down to 6.7% and 3.7% YOY in Q2 2024, respectively. Not dissimilar from retail sales, e-commerce sales were up 83.1% on a nominal since Q1 2020, however, real e-commerce sales were up 51% over the same period.

In terms of occupancy level, retail has been the best-performing major property type since the beginning of the pandemic.

EXHIBIT 4: QUARTERLY E-COMMERCE SALES, AS PERCENTAGE OF TOTAL RETAIL SALES



Source: US Census Bureau; as of 2024

EXHIBIT 5: QUARTERLY E-COMMERCE RETAIL SALES



Source: US Census Bureau; as of 2024

CRE RETAIL FUNDAMENTALS

In terms of occupancy level, retail has been the best-performing major property type since the beginning of the pandemic. Among the four major property types, it is the only one with a vacancy rate lower than it was pre-COVID. A major factor in this good performance has been the nominal new construction that has entered the market since pre-COVID. Apart from industrial, retail asking rent growth has outstripped the other property types over the past year as of Q2 2024.

EXHIBIT 6: VACANCY AND RENT GROWTH IN THE US

PROPERTY TYPE	VACANCY RATE, %		RENT GROWTH (YR/YR)	RENT GROWTH SINCE COVID BEGAN
	Q1 20	Q2 24	Q2 24	Q2 24
MULTIFAMILY	6.7%	7.8%	1.1%	18.6%
OFFICE	9.4%	13.8%	0.8%	0.9%
INDUSTRIAL	5.2%	6.5%	4.3%	36.3%
RETAIL	4.5%	4.1%	2.7%	14.7%

Note: Since the pandemic. Began as defined Q1 2020 through Q2 2024. Multifamily rent is effective rent.

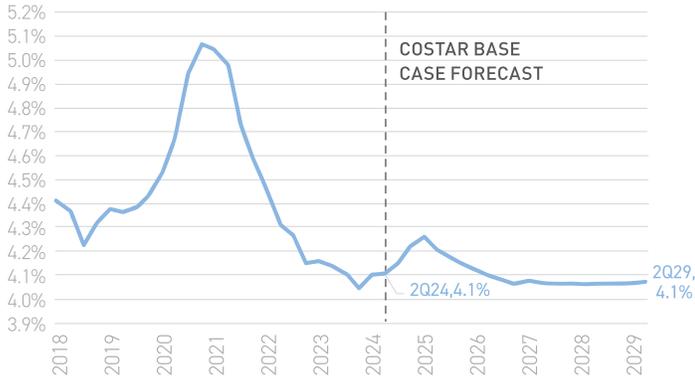
Source: CoStar Group; as of Q2 2024.

Apart from industrial, retail asking rent growth has outstripped the other property types over the past year as of Q2 2024.

Forecasts project the very-low level of construction to continue, and for supply and demand to remain largely neutral, resulting in similar vacancy rates over the next five years. Asking rents, which have grown 2.7% YOY on a nominal basis, are projected to have only modest rent increases of about 2% annually over the next five years.

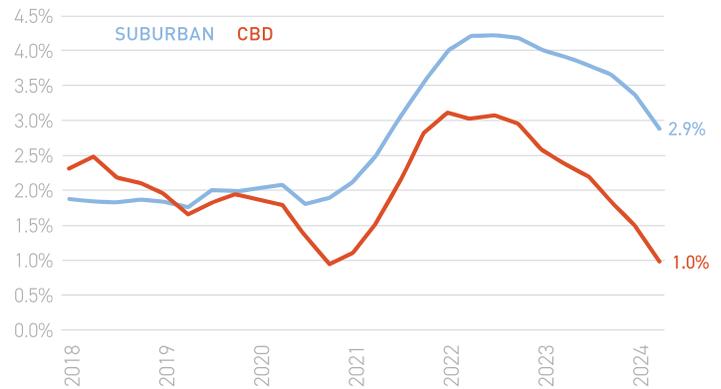
As of Q2 2024, the retail vacancy rates in central business districts (CBDs) and suburban locations were 4.5% and 3.9%, respectively.

EXHIBIT 7: TOP 88 MARKETS, RETAIL VACANCY RATES



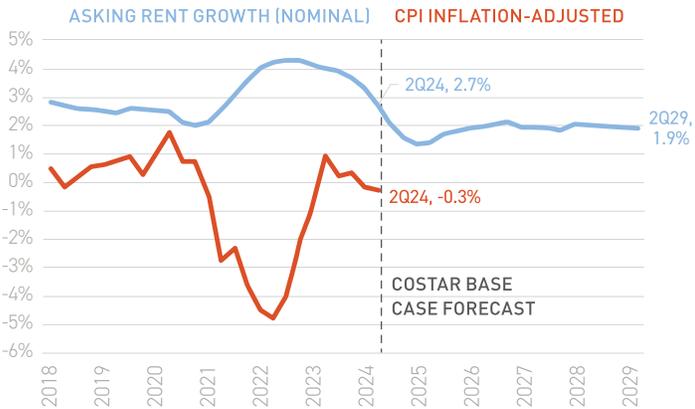
Source: CoStar Group; as of Q2 2024

EXHIBIT 9: TOP 88 MARKETS, RETAIL ASKING RENT GROWTH (PERCENT YEAR-OVER-YEAR)



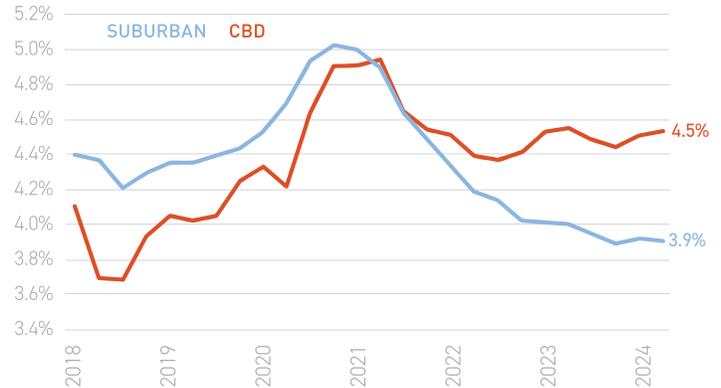
Source: CoStar Group; as of Q2 2024

EXHIBIT 8: TOP 88 MARKETS, RETAIL RENT GROWTH (YEAR-OVER-YEAR)



Source: CoStar Group; as of Q2 2024

EXHIBIT 10: TOP 88 MARKETS, RETAIL VACANCY RATE (PERCENT)



Source: CoStar Group; as of Q2 2024

Demand for urban retail has been weakened by less daytime foot traffic in certain urban cores stemming from remote work. Conversely, suburban neighborhood centers are seeing some of the benefits from remote work, and we expect this dynamic to continue. Prior to 2019, urban retail experienced lower vacancy rates and greater rent growth relative to suburban locations. Since COVID, this trend has reversed. As of Q2 2024, the retail vacancy rates in central business districts (CBDs) and suburban locations were 4.5% and 3.9%, respectively. Likewise, suburban retail asking rent growth of 2.9% YOY outstrips 1.0% YOY growth for retail properties in CBD locations.

NET STORE OPENINGS FLAT AFTER STRONG PAST THREE YEARS

In 2024 year-to-date, retail store openings are down slightly on a net basis. Over the previous three years, store openings have outpaced closures, which was a shift from before COVID, when closures significantly outpaced openings between 2015 and 2020.

EXHIBIT 11: RETAIL SPACE ANNOUNCED OPENINGS AND CLOSINGS (MILLION SQUARE FEET)

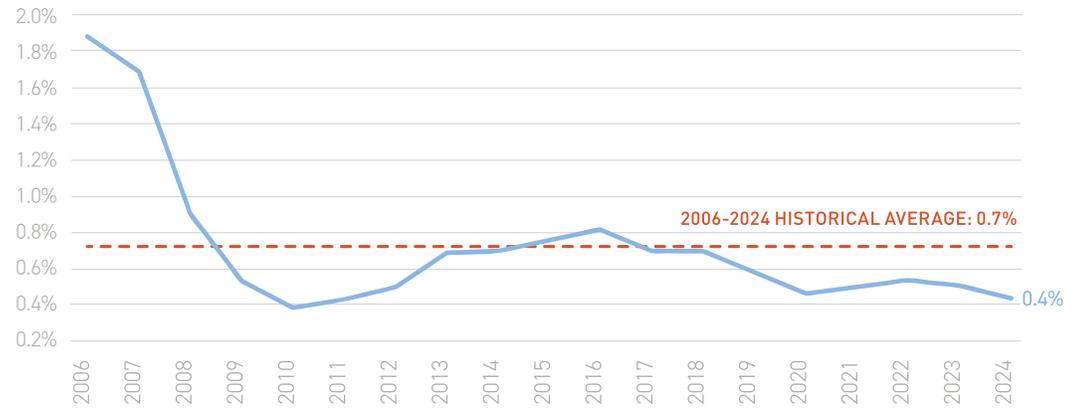


Source: Coresight Research; CoStar Group; as of August 9, 2024

CONSTRUCTION IS SUBSTANTIALLY BELOW PAST LEVELS

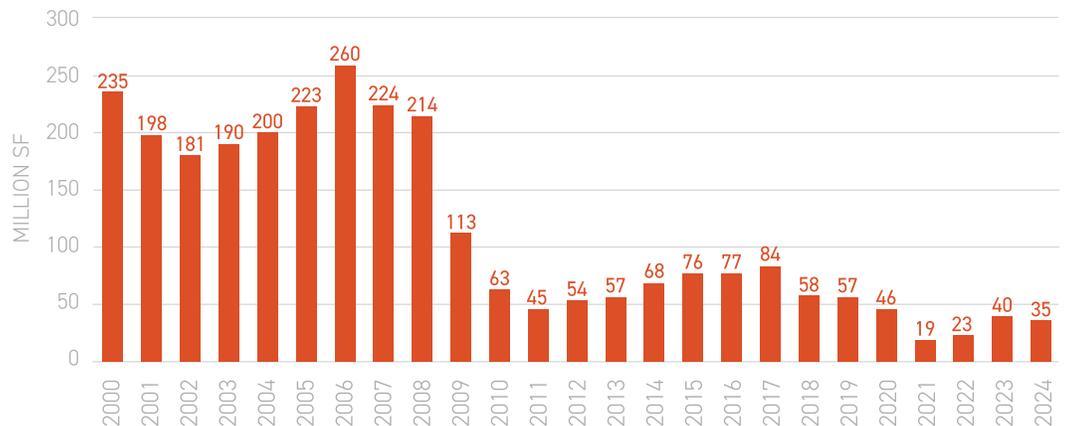
The level of retail space currently under construction stands at just 0.4% of existing inventory, which is below average over the past 18 years of 0.7%. In the years prior to the Global Financial Crisis (GFC), an average 214 million square feet of retail space was delivered annually in the US. Since the GFC (from 2009 to 2024), the average has fallen to 57 million square feet. Retail new supply hit a record low in 2021 during the COVID pandemic.

EXHIBIT 12: TOP 88 MARKETS, RETAIL UNDER CONSTRUCTION (SQURE FEET, AS PERCENT OF EXISTING INVENTORY)



Source: CoStar Group; as of Q2 2024

EXHIBIT 13: TOP 88 MARKETS, NET DELIVERED RETAIL SQUARE FEET (ANNUAL)

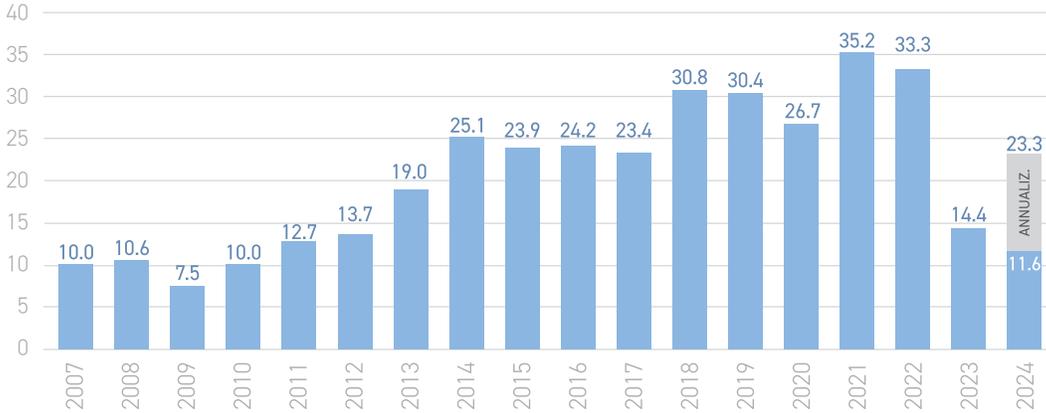


Note: 2024 is annualized based on data through Q2

Source: CoStar Group; as of Q2 2024

Although the level of gross retail construction remains low by historical standards, another factor leading to the low level of net retail construction is the demolished retail space across the US. Over the past four and a half years, 122 million square feet have been removed from inventory, and 280 million square feet over the past decade.

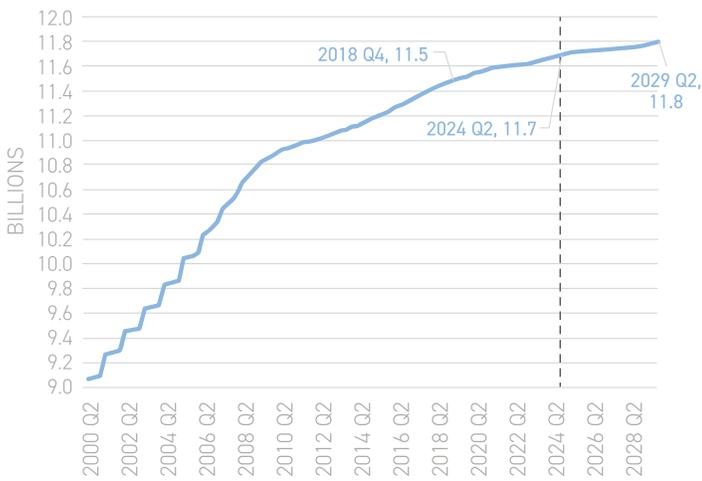
EXHIBIT 14: RETAIL SPACE DEMOLISHED BY YEAR (MILLIONS OF SQUARE FEET)



Source: CoStar Group; as of Q2 2024

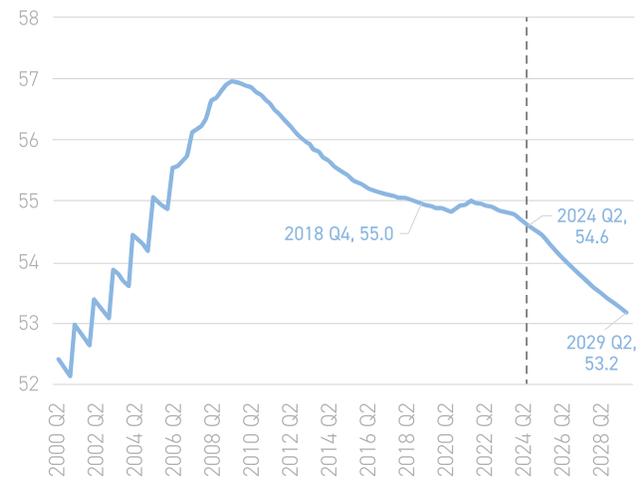
Total retail inventory has grown at an anemic rate over the past fifteen years. This is the result of little new construction and the demolition and reimagining of some existing space. However, considering that the US population has grown over the same time period, the per capita retail space has plummeted at a significant rate.

EXHIBIT 15: TOP 88 MARKETS, TOTAL RETAIL INVENTORY (SQUARE FEET)



Source: CoStar Group; as of Q2 2024

EXHIBIT 16: TOP 88 MARKETS, RETAIL PER CAPITA (SQUARE FEET PER PERSON)

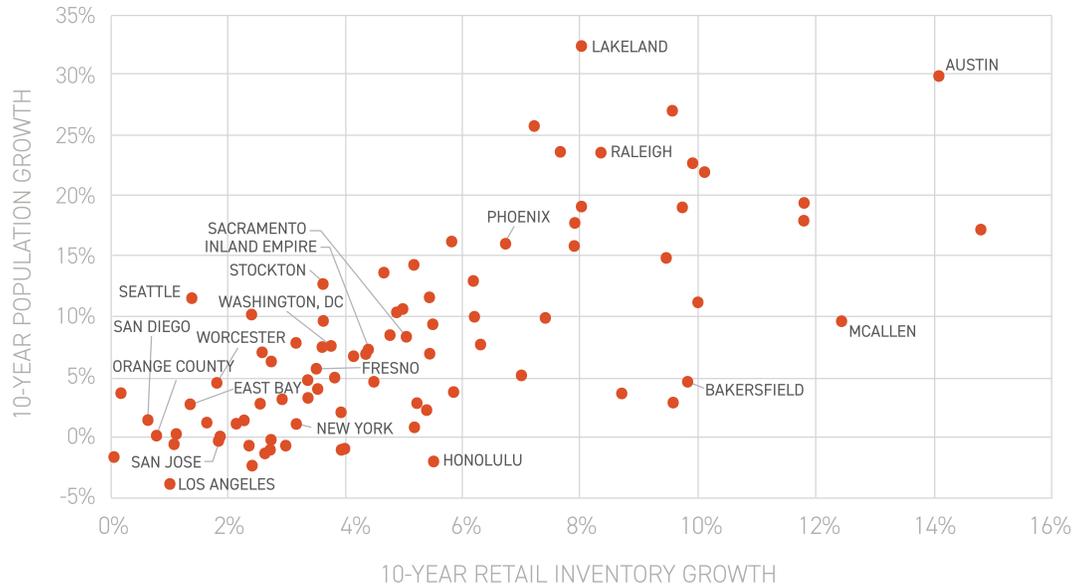


Source: CoStar Group; as of Q2 2024

POPULATION GROWING FASTER THAN INVENTORY IN MOST MARKETS

Over the past decade, the rate of population growth has outpaced the rate of retail inventory growth in fifty-five of the top eighty-eight markets. Of markets with population growth greater than 22% over this period, only Austin had retail inventory growth that surpassed 10%. Generally, metro areas above the black line could represent retail markets that are less at risk of oversupply.

EXHIBIT 17: POPULATION GROWTH AND RETAIL INVENTORY GROWTH, 2014-24



Source: CoStar Group; as of Q2 2024

Over the past decade, the rate of population growth has outpaced the rate of retail inventory growth in 55 of the top 88 markets.

OVERBUILT RETAIL, NOT EVENLY DISTRIBUTED

The US retail market is still widely considered overbuilt. According to the International Council of Shopping Centers (ICSC),² the US has twenty-four square feet of shopping center and mall retail per capita, significantly more than Canada (17), Australia (11), U.K. (5), France (4), China (3), and Germany (2). When all retail is considered, the US has thirty-six square feet per capita, compared to 19.5 in the UK, according to CoStar.³ However, this overcapacity is not evenly distributed.

In this section, we examine which parts of the US are most oversupplied.⁴ The oversupply is particularly relevant considering that retail is also challenged by relatively stagnant wage growth and e-commerce.

EXHIBIT 18: RETAIL SPACE PER CAPITA

RANK	METRO AREA	RETAIL PER CAPITA (SF/PERSON)	RANK	METRO AREA	RETAIL PER CAPITA (SF/PERSON)	RANK	METRO AREA	RETAIL PER CAPITA (SF/PERSON)
1	Dayton - OH	75.4	31	Grand Rapids - MI	60.6	60	Tampa - FL	52.8
2	Albany - NY	74.4	32	Kansas City - MO	60.1	61	Palm Beach - FL	52.7
3	Birmingham - AL	73.8	33	Cincinnati - OH	60.0	62	Las Vegas - NV	52.2
4	Little Rock - AR	73.7	34	Richmond - VA	59.7	63	Northern New Jersey - NJ	52.2
5	Rochester - NY	73.2	35	Atlanta - GA	59.1	64	Boise - ID	51.6
6	Milwaukee - WI	73.1	36	Lehigh Valley - PA	59.1	65	Baltimore - MD	51.0
7	Cleveland - OH	70.9	37	Fort Myers - FL	58.9	66	Boston - MA	50.8
8	Memphis - TN	70.0	38	Sarasota - FL	58.8	67	Ventura - CA	50.6
9	Oklahoma City - OK	69.6	39	Jacksonville - FL	58.7	68	Portland - OR	50.1
10	Buffalo - NY	69.5	40	Nashville - TN	58.6	69	Worcester - MA	50.0
11	Tulsa - OK	68.8	41	Houston - TX	58.4	70	Raleigh - NC	49.8
12	New Orleans - LA	68.7	42	Colorado Springs - CO	58.0	71	Austin - TX	49.4
13	Greensboro - NC	68.5	43	Dallas-Fort Worth - TX	57.5	72	Fresno - CA	48.6
14	Pittsburgh - PA	68.2	44	Charleston - SC	57.5	73	Phoenix - AZ	47.6
15	Omaha - NE	66.6	45	Salt Lake City - UT	57.0	74	Los Angeles - CA	47.0
16	Savannah - GA	66.3	46	Fort Lauderdale - FL	56.8	75	McAllen - TX	46.7
17	Greenville - SC	65.9	47	Columbus - OH	56.6	76	Sacramento - CA	46.4
18	Columbia - SC	65.7	48	Stamford - CT	56.4	77	Orange County - CA	45.8
19	New Haven - CT	65.6	49	Baton Rouge - LA	55.9	78	East Bay - CA	44.7
20	Hartford - CT	65.3	50	Minneapolis - MN	55.5	79	New York - NY	44.6
21	Knoxville - TN	64.9	51	Orlando - FL	55.5	80	Seattle - WA	44.6
22	Louisville - KY	63.9	52	San Antonio - TX	55.4	81	Inland Empire - CA	43.0
23	Saint Louis - MO	63.6	53	Philadelphia - PA	55.3	82	San Diego - CA	42.8
24	Chicago - IL	62.7	54	Miami - FL	54.9	83	Washington - DC	42.2
25	Albuquerque - NM	62.5	55	Denver - CO	54.6	84	Honolulu - HI	42.1
26	Indianapolis - IN	62.2		88 Market Average	54.6	85	San Jose - CA	41.2
27	El Paso - TX	61.9	56	Charlotte - NC	54.5	86	Lakeland - FL	40.4
28	Norfolk - VA	61.6	57	Long Island - NY	53.9	87	Stockton - CA	39.4
29	Providence - RI	61.2	58	San Francisco - CA	53.0	88	Bakersfield - CA	38.8
30	Detroit - MI	60.6	59	Tucson - AZ	53.0		United States	36.0

Source: CoStar Group; as of Q2 2024

There are two components to retail space per capita change; 1) population change, and 2) retail inventory levels.

Overbuilt retail markets in the US tend to be concentrated in areas that have experienced stagnant to declining population change. In general, these markets include features of post-industrial economies. In the period from 2000 to 2024, the US population grew 19.4%, while markets with high retail per capita grew slower or declined, like Dayton (population growth of +0.9%), Rochester, NY (+0.8%), Milwaukee (+3.9%), Cleveland (-4.1%), Buffalo (-1.6%), New Orleans (-7.0%), Pittsburgh (-4.0%), New Haven (+4.7%), and Hartford (+5.5%). Growth in retail inventory (even if moderate) coupled with anemic or declining population has resulted in high retail per capita in these markets.

The pandemic was also a catalyst for migration. In the period from 2018 to 2024, the US population grew 2.2%, while some markets with high retail per capita saw population growth which was slower or declined, like Dayton (+0.4%), Albany (+0.7%), Birmingham (+1.3%), Rochester, NY (-1.4%),

Milwaukee (-0.8%), Cleveland (-1.3%), Memphis (-0.5%), and Buffalo (-0.9%). In fact, eight of the ten markets with the highest retail per capita also had population growth below the national average over both the 2000–24 and 2018–24 time periods.

Oklahoma City and Memphis had two of the top ten retail per capita figures in 2024. This is due to being two large US metro areas in terms of geographic area relative to their population, at 5,500 and 4,600 square miles, respectively.⁵ This results in relatively lower population density. Since the population is spread out over a large land area, more retail is required. Since 2018, Oklahoma City has benefitted from population growth, and now ranks ninth, down from sixth in 2018. Memphis did not benefit from population growth and now has a higher retail per capita, currently ranked eighth, up from twelfth in 2018.

Metros with some of the lowest retail per capita are large metro areas such as Washington, D.C., Seattle, New York, and Los Angeles. In the age of e-commerce, low retail per capita does not necessarily translate into sustained low vacancy rates. Manhattan's retail vacancy and availability rates have climbed from 3.4% and 5.1% in 4Q2018 to 5.1% and 6.5% as of Q2 2024, despite its relatively light retail footprint, economic prosperity, and near record-setting tourism levels. However, Manhattan has suffered a 3.6% population decline since pre-COVID and online prices are substantially lower than high priced Manhattan retailers can offer.⁶ In addition, many Manhattan landlords are financially squeezed by large mortgages and may be postponing leasing in the hope of signing a high-end restaurant chain or a

bank branch. Post-pandemic, remote work, less urban foot traffic, increased crime, and homelessness have negatively impacted urban retail in many locations in the US, including Manhattan.

California metros also dominate the bottom of the list. The low per capita retail may be due to the large, concentrated population centers in the state and, perhaps, some retailers being reluctant to locate or remain in some of the higher-crime, very-high-density areas of Los Angeles. Barriers to entry, including topography, anti-growth politics, and the infill nature of a built-out environment probably contribute to the relatively light retail footprint. The Inland Empire has a relatively concentrated population for suburban areas.

In the age of e-commerce, low retail per capita does not necessarily translate into sustained low vacancy rates.

The pandemic caused accelerated migration around the US from expensive coastal metros to lower cost/tax areas in the sunbelt and intermountain west.

CHANGE IN RETAIL SPACE PER CAPITA SINCE COVID

As noted, there are two components to retail space per capita change; 1) population change, and 2) retail inventory levels. The pandemic caused accelerated migration around the US from expensive coastal metros to lower cost/tax areas in the sunbelt and intermountain west. This resulted in more excess retail space in areas that lost population and less space per capita in fast growing parts of the US. Most of the increase per capita resulted from increasing or declining populations, however, there are several examples of increased inventory being the cause. Although Miami, recorded almost no population change between 2018 and 2024, its retail inventory increased 4.1% compared to 1.8% for the US. Austin recorded the greatest inventory increase at 7.6%, but it was outstripped by population growth of 14.8%. Likewise, other fast-growing areas like Houston, San Antonio, Jacksonville, Boise, Dallas, Charleston, Lakeland, and Orlando added retail space but not nearly at the rate of population increases. Despite retail inventory growth, major markets like Raleigh, Austin, Charlotte, Jacksonville, Tampa, and Phoenix have a low retail per capita relative to other major markets.

Conversely, migratory trends away from more expensive coastal markets, which accelerated during COVID, caused retail per capita to rise in these markets. San Francisco moved up from ranking 71st to 58th highest retail per capita in the nation. Similarly, Los Angeles was up from 79th to 74th rank, New York (82nd to 79th), and San Jose (87th to 85th). Although rising retail per capita due to population loss is a particular challenge for these markets, retail precision-investing⁷ strategies still apply.

Many post-industrial markets, which have experienced stagnating and declining population over the past 20 years, continue to become even more overbuilt due to continued outmigration. Chicago went from rank 35th to 24th, Cleveland from 11th to 7th, Rochester, NY from 7th to 5th, Buffalo from 17th to 10th and Pittsburgh from 19th to 14th, Detroit from 41st to 30th.

Border metros such as El Paso, McAllen, Laredo, and Buffalo service international shoppers from Mexico or Canada and thus justify higher retail per capita.

EXHIBIT 19: CHANGE IN RETAIL SPACE PER CAPITA, 2018-24

RANK	METRO AREA	INVENTORY % CHANGE (‘18-‘24)	POPULATION % CHANGE (‘18-‘24)	RETAIL PER CAPITA % CHANGE (‘18-‘24)	RANK	METRO AREA	INVENTORY % CHANGE (‘18-‘24)	POPULATION % CHANGE (‘18-‘24)	RETAIL PER CAPITA % CHANGE (‘18-‘24)
1	San Francisco - CA	-0.2%	-6.4%	6.6%	44	Kansas City - MO	1.9%	2.9%	-1.0%
2	Los Angeles - CA	0.1%	-4.2%	4.5%	45	Little Rock - AR	2.1%	3.1%	-1.0%
3	Miami - FL	4.1%	0.0%	4.1%	46	Providence - RI	-0.5%	0.9%	-1.3%
4	Honolulu - HI	0.6%	-3.3%	3.9%	47	Worcester - MA	0.3%	1.6%	-1.3%
5	New York - NY	1.5%	-2.0%	3.6%	48	Cincinnati - OH	0.7%	2.1%	-1.4%
6	San Jose - CA	0.7%	-2.8%	3.5%	49	Washington - DC	1.1%	2.5%	-1.4%
7	Chicago - IL	0.6%	-2.3%	3.0%	50	Inland Empire - CA	1.7%	3.2%	-1.5%
8	Cleveland - OH	1.5%	-1.3%	2.9%	51	Indianapolis - IN	2.7%	4.6%	-1.8%
9	Rochester - NY	1.2%	-1.4%	2.6%	52	Columbus - OH	2.1%	4.1%	-1.9%
10	Stamford - CT	2.3%	0.1%	2.2%	53	Greensboro - NC	1.1%	3.1%	-2.0%
11	Ventura - CA	-0.1%	-2.2%	2.2%	54	Salt Lake City - UT	1.1%	3.2%	-2.0%
12	El Paso - TX	3.8%	1.9%	1.9%	55	Denver - CO	1.5%	3.6%	-2.1%
13	East Bay - CA	0.0%	-1.8%	1.8%	56	Colorado Springs - CO	2.1%	4.3%	-2.1%
14	Hartford - CT	1.5%	-0.2%	1.8%	57	Houston - TX	6.0%	8.3%	-2.1%
15	Buffalo - NY	0.8%	-0.9%	1.8%	58	Tulsa - OK	2.1%	4.3%	-2.1%
16	Pittsburgh - PA	0.3%	-1.4%	1.7%	59	Tucson - AZ	1.4%	3.8%	-2.3%
17	New Orleans - LA	-0.4%	-2.0%	1.7%	60	Minneapolis - MN	-0.2%	2.3%	-2.4%
18	Memphis - TN	1.1%	-0.5%	1.6%	61	Oklahoma City - OK	3.2%	6.0%	-2.6%
19	Saint Louis - MO	0.6%	-0.8%	1.4%	62	Palm Beach - FL	2.3%	5.2%	-2.8%
20	Detroit - MI	0.3%	-1.0%	1.3%	63	Omaha - NE	1.0%	3.9%	-2.8%
21	New Haven - CT	0.9%	-0.4%	1.3%	64	Las Vegas - NV	3.5%	6.7%	-3.0%
22	Baltimore - MD	1.1%	0.0%	1.1%	65	San Antonio - TX	5.7%	9.0%	-3.0%
23	Albany - NY	1.5%	0.7%	0.8%	66	Baton Rouge - LA	-2.2%	1.2%	-3.3%
24	Orange County - CA	-0.8%	-1.6%	0.8%	67	Stockton - CA	1.5%	5.2%	-3.5%
25	Northern New Jersey - NJ	1.9%	1.2%	0.6%	68	Nashville - TN	3.9%	7.8%	-3.6%
26	Long Island - NY	0.5%	-0.2%	0.6%	69	Savannah - GA	3.6%	7.6%	-3.7%
27	Louisville - KY	1.7%	1.2%	0.4%	70	Richmond - VA	0.7%	4.7%	-3.8%
28	Norfolk - VA	1.6%	1.2%	0.4%	71	Atlanta - GA	2.0%	6.1%	-3.8%
29	Milwaukee - WI	-0.5%	-0.8%	0.3%	72	Seattle - WA	-0.6%	3.4%	-3.9%
30	Bakersfield - CA	1.5%	1.2%	0.3%	73	Orlando - FL	4.6%	9.0%	-4.1%
31	Albuquerque - NM	1.6%	1.4%	0.2%	74	Columbia - SC	0.4%	4.7%	-4.1%
32	Birmingham - AL	1.4%	1.3%	0.1%	75	Dallas-Fort Worth - TX	5.0%	9.7%	-4.2%
33	Boston - MA	1.3%	1.3%	0.0%	76	Charleston - SC	4.9%	9.7%	-4.4%
34	San Diego - CA	-0.9%	-0.8%	-0.1%	77	Greenville - SC	2.8%	7.8%	-4.6%
35	Sacramento - CA	2.2%	2.4%	-0.2%	78	Phoenix - AZ	3.1%	8.3%	-4.8%
36	Fresno - CA	1.5%	1.7%	-0.3%	79	Tampa - FL	2.4%	8.0%	-5.2%
37	Dayton - OH	0.0%	0.4%	-0.4%	80	Jacksonville - FL	5.2%	10.9%	-5.2%
	United States	1.8%	2.2%	-0.4%	81	Knoxville - TN	0.1%	6.2%	-5.7%
38	Fort Lauderdale - FL	1.5%	2.0%	-0.5%	82	Charlotte - NC	3.0%	9.4%	-5.8%
39	Philadelphia - PA	0.3%	0.8%	-0.5%	83	Austin - TX	7.6%	14.8%	-6.2%
	88 Market Average	1.8%	2.5%	-0.7%	84	Raleigh - NC	2.7%	11.4%	-7.8%
40	Portland - OR	0.9%	1.6%	-0.7%	85	Boise - ID	5.1%	14.2%	-7.9%
41	McAllen - TX	4.4%	5.3%	-0.9%	86	Sarasota - FL	3.4%	12.6%	-8.1%
42	Lehigh Valley - PA	1.0%	1.9%	-0.9%	87	Fort Myers - FL	2.5%	13.4%	-9.6%
43	Grand Rapids - MI	1.7%	2.7%	-0.9%	88	Lakeland - FL	4.9%	18.8%	-11.7%

Source: CoStar Group; as of Q2 2024

BUYING POWER

Another way of looking at retail supply is by comparing the product of the number of households and the real median household income (Buying Power). Buying Power is then observed on a per retail square foot basis.

Markets that have experienced the greatest growth in “buying power per retail square foot” include those with both fast-growing populations and median incomes, where retail construction has not kept up. This includes Boise (27.2%), Austin (24.5%), Phoenix (22.8%), Fort Myers (22.6%), and Jacksonville (21.8%). Many of these markets were bolstered not only by population growth, but also by median household income growth as well.

There are four markets which saw a decline in this metric, San Francisco (-2.9%), New York (-2.7%), Hartford (-2.0%), Stamford (-0.5%). Although real median household income rose in these markets, severe population losses offset this benefit. Other markets with below-average growth in “buying power per retail square foot” are markets in the Midwest, such as Cleveland (1.4%), Chicago (2.8%), Pittsburgh (3.3%), Milwaukee (3.4%), and Detroit (3.7%), which were adversely impacted by both sluggish income growth and slow-to-declining population growth.

EXHIBIT 20: BUYING POWER PER RETAIL INVENTORY SQUARE FEET, 2018-24

RANK	METRO AREA	BUYING POWER/ RETAIL INV. 2018Q4	BUYING POWER/ RETAIL INV. 2024Q2	% CHANGE	RANK	METRO AREA	BUYING POWER/ RETAIL INV. 2018Q4	BUYING POWER/ RETAIL INV. 2024Q2	% CHANGE
1	Boise - ID	\$395	\$502	27.2%	46	Philadelphia - PA	\$478	\$521	9.1%
2	Austin - TX	\$543	\$676	24.5%	47	Richmond - VA	\$427	\$465	9.0%
3	Phoenix - AZ	\$464	\$570	22.8%	48	Portland - OR	\$572	\$621	8.6%
4	Fort Myers - FL	\$352	\$432	22.6%	49	Houston - TX	\$372	\$402	8.0%
5	Jacksonville - FL	\$372	\$454	21.8%	50	East Bay - CA	\$795	\$858	8.0%
6	Fresno - CA	\$334	\$403	20.6%	51	Worcester - MA	\$523	\$565	8.0%
7	Salt Lake City - UT	\$421	\$500	18.9%		88 Market Average	\$471	\$508	8.0%
8	Sarasota - FL	\$417	\$495	18.7%	52	Ventura - CA	\$558	\$602	7.9%
9	Charlotte - NC	\$408	\$480	17.7%	53	Dayton - OH	\$298	\$321	7.9%
10	Stockton - CA	\$484	\$567	17.2%		United States	\$640	\$690	7.8%
11	Tampa - FL	\$398	\$465	16.7%	54	Cincinnati - OH	\$401	\$432	7.7%
12	Orlando - FL	\$365	\$425	16.5%	55	El Paso - TX	\$242	\$261	7.6%
13	Charleston - SC	\$414	\$481	16.2%	56	Columbus - OH	\$427	\$458	7.4%
14	Omaha - NE	\$369	\$426	15.6%	57	Saint Louis - MO	\$400	\$429	7.4%
15	Seattle - WA	\$725	\$837	15.5%	58	Memphis - TN	\$276	\$296	7.2%
16	Providence - RI	\$407	\$468	15.2%	59	Kansas City - MO	\$420	\$449	6.9%
17	Albuquerque - NM	\$324	\$372	15.0%	60	Greensboro - NC	\$285	\$304	6.7%
18	Lakeland - FL	\$419	\$482	14.9%	61	Los Angeles - CA	\$504	\$536	6.2%
19	Raleigh - NC	\$522	\$599	14.7%	62	Minneapolis - MN	\$533	\$566	6.2%
20	Nashville - TN	\$414	\$475	14.6%	63	Honolulu - HI	\$654	\$693	5.9%
21	Denver - CO	\$553	\$633	14.4%	64	Albany - NY	\$389	\$411	5.8%
22	Palm Beach - FL	\$446	\$510	14.4%	65	Washington - DC	\$863	\$912	5.6%
23	Knoxville - TN	\$309	\$352	13.9%	66	Boston - MA	\$661	\$698	5.6%
24	McAllen - TX	\$235	\$268	13.9%	67	Little Rock - AR	\$277	\$291	5.2%
25	Colorado Springs - CO	\$422	\$478	13.3%	68	Baton Rouge - LA	\$371	\$388	4.6%
26	Miami - FL	\$342	\$387	13.2%	69	New Orleans - LA	\$293	\$306	4.5%
27	Buffalo - NY	\$340	\$383	12.7%	70	Lehigh Valley - PA	\$419	\$437	4.3%
28	Savannah - GA	\$322	\$363	12.7%	71	Rochester - NY	\$339	\$352	4.0%
29	San Antonio - TX	\$353	\$397	12.4%	72	New Haven - CT	\$410	\$427	3.9%
30	San Diego - CA	\$637	\$714	12.0%	73	Detroit - MI	\$396	\$411	3.7%
31	Tucson - AZ	\$390	\$435	11.5%	74	Oklahoma City - OK	\$307	\$318	3.4%
32	Inland Empire - CA	\$459	\$508	10.8%	75	Milwaukee - WI	\$338	\$349	3.4%
33	Sacramento - CA	\$556	\$615	10.7%	76	Pittsburgh - PA	\$376	\$388	3.3%
34	Indianapolis - IN	\$368	\$408	10.7%	77	Northern New Jersey - NJ	\$600	\$619	3.1%
35	Bakersfield - CA	\$408	\$451	10.7%	78	Chicago - IL	\$434	\$446	2.8%
36	Greenville - SC	\$312	\$345	10.6%	79	Tulsa - OK	\$302	\$310	2.8%
37	Las Vegas - NV	\$392	\$433	10.5%	80	Norfolk - VA	\$409	\$418	2.3%
38	Atlanta - GA	\$408	\$451	10.5%	81	Baltimore - MD	\$601	\$610	1.5%
39	Dallas-Fort Worth - TX	\$408	\$450	10.3%	82	Cleveland - OH	\$340	\$344	1.4%
40	Long Island - NY	\$654	\$720	10.1%	83	San Jose - CA	\$1,040	\$1,053	1.3%
41	Fort Lauderdale - FL	\$377	\$415	10.1%	84	Birmingham - AL	\$298	\$298	0.2%
42	Columbia - SC	\$305	\$336	10.0%	85	Stamford - CT	\$603	\$600	-0.5%
43	Grand Rapids - MI	\$383	\$420	9.8%	86	Hartford - CT	\$467	\$457	-2.0%
44	Louisville - KY	\$358	\$392	9.5%	87	New York - NY	\$616	\$600	-2.7%
45	Orange County - CA	\$651	\$711	9.3%	88	San Francisco - CA	\$901	\$875	-2.9%

Source: CoStar Group; as of Q2 2024

Overall, this metric follows the general patterns of the retail per capita measure.

THE FUTURE OF RETAIL

Retail has gone from being the weakest asset class to a promising one due to modest inventory growth and the elimination of redundant space. Opportunities abound in growing markets in which retail has not yet caught up with an increasing population. This includes markets with low retail per capita like Raleigh, Austin, Charlotte, Jacksonville, Tampa, and Phoenix.

Increased buying power due to both household growth and median income growth bolster these markets. Additionally, overbuilding in retail in these markets may be less likely because the impact of e-commerce on retail space is more well known. Areas with barriers to building and reduced prices may afford good investment opportunities. Suburban retail has benefitted from remote work, has outperformed, and offers good investment prospects, especially in growing areas with barriers to retail building. Some have found success redeveloping existing redundant retail facilities into other uses.

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Areas with barriers to building and reduced prices may afford good investment opportunities.

NOTES

¹ Rubin, Stewart. "Challenges Confronting US Retail Properties." CREFC Finance World (Summer 2014). Other Strategy & Research Group articles on the topic of retail include: Rubin, Stewart. "Challenges Confronting Regional Malls Intensify." IRE Americas (September 2017).
Rubin, Stewart. "Overbuilt Retail – Not Evenly Distributed." (December 2018).

² Based on 2018 data. More update data was not available.

³ Source: CoStar Group. Data for other nations is not available.

⁴ "All Retail" is used for the metro-by-metro analysis in this whitepaper.

⁵ with over 500,000 people. Source: US Census Bureau

⁶ E-Commerce is particularly attractive in New York City since prices are very high to pay for expensive rent and labor.

⁷ That is to say, investing in promising targeted areas within a metro that has less attractive fundamentals.

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Opportunities abound in growing markets in which retail has not yet caught up with an increasing population.