INSTITUTIONAL PROPERTY ADVISORS

2021

INVESTMENT OUTLOOK

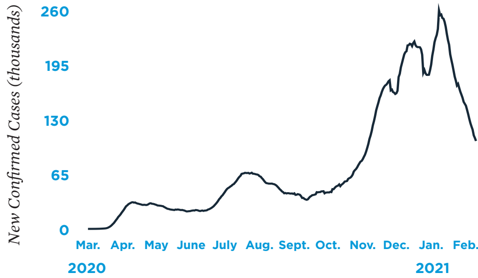
RETAIL

Health Crisis Upends Commercial Real Estate; Uncertainty Will Carry Well Into 2021

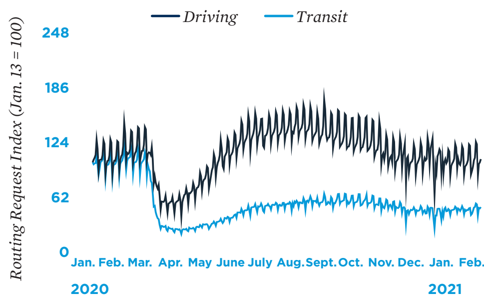
Pandemic transforms commercial real estate. COVID-19 changed the world in early 2020 as efforts to curb the spread of the pandemic had a dramatic impact. Stay-at-home orders, the need to physically distance, and having to abide by health and safety protocols had harsh effects on many real estate sectors. Hospitality, seniors housing and brick-and-mortar retail were hit hard while others including necessity-based retailers, medical offices, e-commerce retailers, life science and pharmaceutical firms, and many industrial segments thrived. As of February 2021, more than 486,000 Americans have died from the coronavirus and after reaching a peak in mid-January that strained healthcare systems across a wide swath of the U.S., cases, hospitalizations and deaths have begun to taper.

Health crisis exacerbated demographic shifts. Employers laying off workers and sending staff home to work remotely contributed to an acceleration of demographic changes that were already underway. Economic uncertainty led many households to search for lower-cost housing, while the need to work from home and attend school online generated demand for larger spaces. Commute times became less of a factor in housing decisions, pushing residential and apartment demand away from dense urban cores that are more reliant on mass transit to the benefit of suburbs as well as secondary and tertiary markets. Although driving returned during the summer months, public transit usage remains well below the pre-coronavirus level as fewer people are commuting to offices and physical distancing protocols limit ridership. Higher unemployment is also leading to more people spending time at home, which consequently may have boosted new business applications to the highest rate since the Great Recession. This surge in entrepreneurship could have positive results in the years ahead.

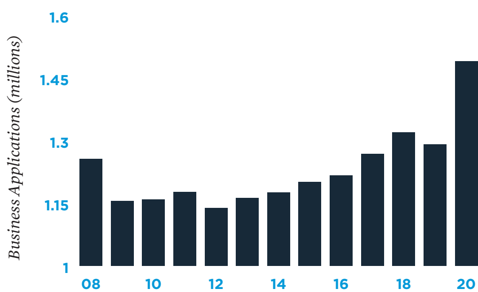
Daily U.S. COVID-19 Cases Ease From Spike



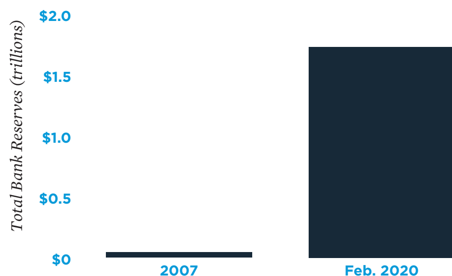
Aversion to Public Transit



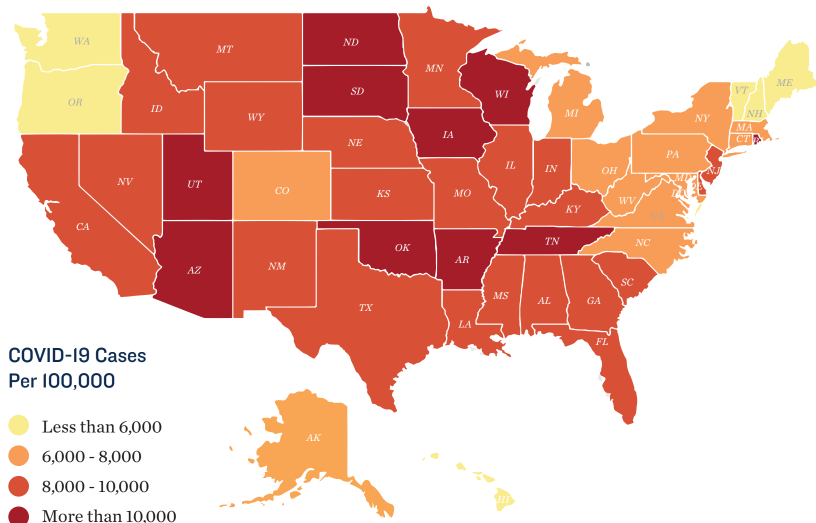
New Business Applications Surge



Banks in Stronger Position Than in 2007



Coronavirus Cases Continue to Spread*



* As of Feb. 11, 2021

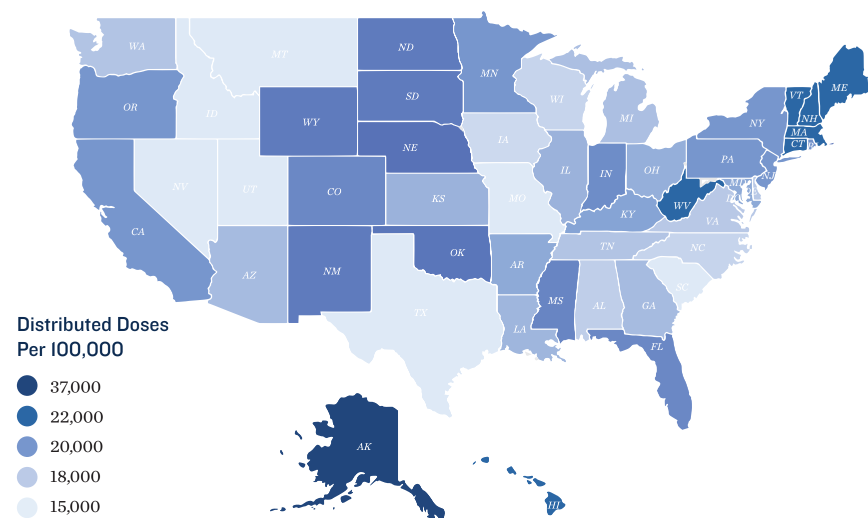
Sources: Apple; Federal Reserve; New York Times; U.S. Census Bureau

Government Response, Market Liquidity, Fast-Tracked Vaccine Development Provide Optimistic Outlook

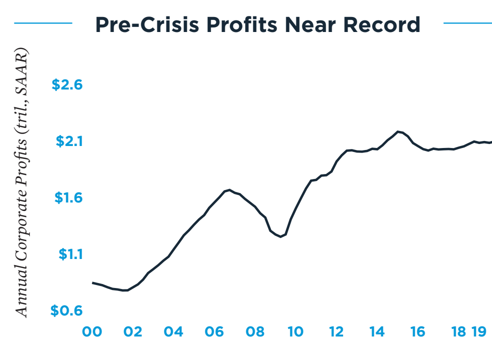
Economy jolted as coronavirus spread. The economy was on relatively solid footing heading into the pandemic. Company profits were hovering near the 20-year peak and corporate cash on hand had set a new high, supplying many firms with cushions to weather a downturn. Bank reserves were also significantly above those registered in 2007, providing a much healthier comparison to the start of the Great Recession. Through the health crisis, the money supply has remained liquid as the federal government quickly infused cash into the market and funded stimulus measures via the CARES Act and other legislation. The Paycheck Protection Program (PPP) was one of several systems that assisted in keeping people employed and allowed businesses and households to make rent payments. Additional infusions in 2021 will provide further economic stimulus.

Immunizations provide a path forward. In response to the pandemic, the government initiative Operation Warp Speed was established to fast track the development and approval of vaccines to combat COVID-19. By the end of 2020, two vaccines had been approved and others were in trial phases. Inoculations were underway by mid-December, providing some hope, especially to real estate segments hit hard by the pandemic. Immunization efforts, however, were slow to ramp up, extending the time needed before enough people are vaccinated to a level that would provide herd immunity and allow a freer movement of people. Although clarity is in sight, these delays will prolong uncertainty for investors well into 2021.

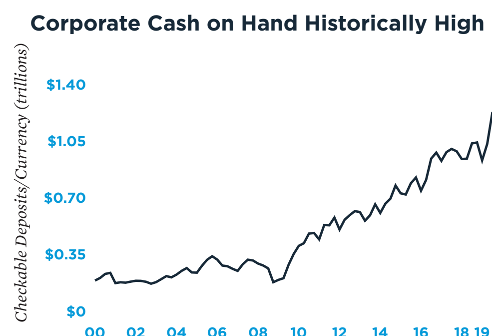
Immunizations Ramping Up Across the Nation*



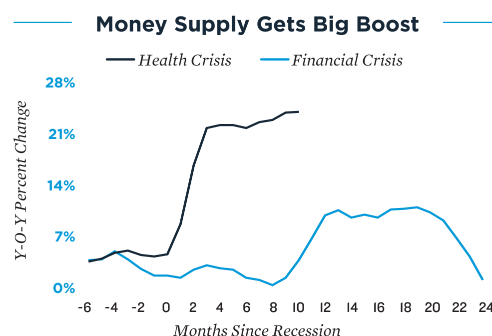
Pre-Crisis Profits Near Record



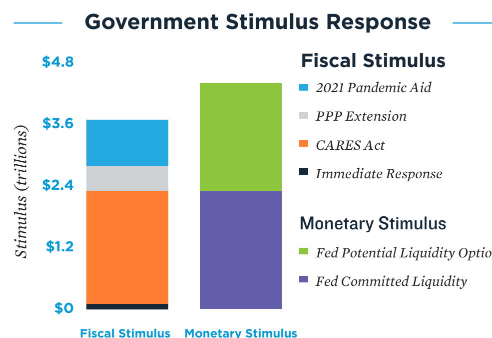
Corporate Cash on Hand Historically High



Money Supply Gets Big Boost



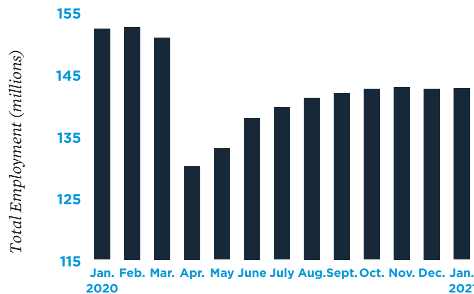
Government Stimulus Response

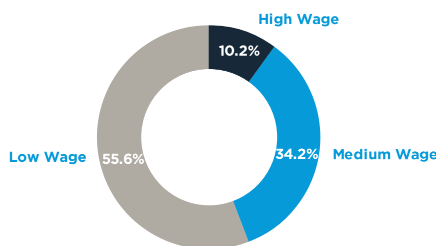


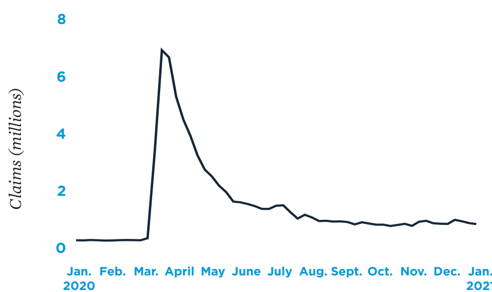
** As of Feb. 11, 2021*

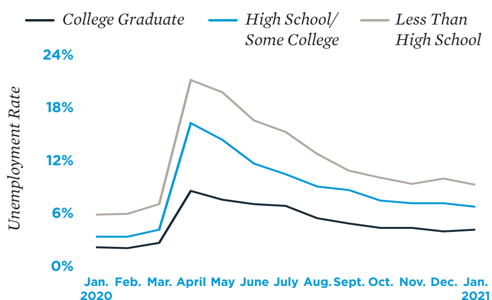
Sources: BEA; Federal Reserve; U.S. Census Bureau

Possibilities for Second Growth Surge or Double Dip in 2021 Hinge on Vaccine Rollout and Labor Recovery









* February to December 2020
Sources: BLS; ETA

Vaccine distribution to play a critical role in economic outlook. The nation's economic situation has regained much of the momentum lost last spring as it continues along an upward path in 2021. Ongoing health challenges and other potential hurdles may suspend or abate that progress, however. If the current set of COVID-19 vaccines are distributed as efficiently as predicted, then enough people may be inoculated by midyear to safely allow most businesses to fully reopen. Employed consumers with idle cash on hand from months in sequestration will be able to more freely travel and patronize bars, restaurants, entertainment venues, and brick-and-mortar retailers, potentially boosting the economy. If, however, the pace of the vaccine rollout is slowed or the nature of the virus changes, these exogenous encumbrances to the economy will remain in place longer. Employers who are challenged by physical distancing requirements and areas of the country where infection risk is higher will fall further behind other segments of the economy. This disparity, if severe enough, could lead to another quarterly economic contraction. The fortitude displayed during the second half of 2020 makes this scenario improbable, however, especially with continued government support.

Economy has been resilient so far, aided by robust federal aid. The forced closure of many businesses last year led to the sharpest decline in Gross Domestic Product in the post-World War II era. After sliding 5 percent in the first quarter, U.S. GDP fell an annualized 31.4 percent in the April-to-June period as 22 million jobs were shed and the unemployment rate soared to 14.8 percent. This unprecedented shock was met with an equally unprecedented government response. Applying lessons learned during the last downturn, the Federal Reserve and Congress collectively delivered roughly $5 trillion in aid within a matter of weeks, divided between direct fiscal stimulus and added financial market liquidity. These actions, followed by the implementation of other lending programs and federal legislation in subsequent months, helped GDP leap 33.4 percent in the third quarter and a more modest 4 percent in the fourth quarter. The strong gains made in the second half of the year mostly offset the earlier losses, translating to an overall economic contraction of 3.5 percent in 2020.

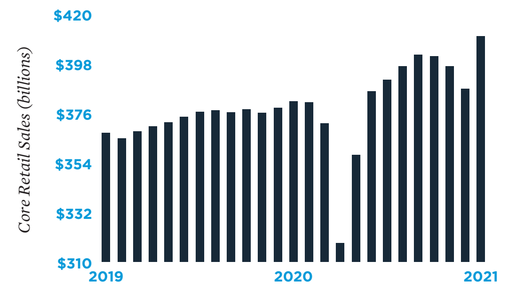
Labor market recovering but some sectors are falling behind. Over half of the jobs lost in March and April last year were restored or replaced by December, but as 2021 progresses certain industries face a longer road to total recovery than others. Physical distancing requirements and travel restrictions had a disproportionate impact on the leisure and hospitality sector, which encompasses hotels, bars, restaurants and other entertainment venues. While the overall employment base remained 6.5 percent below its pre-pandemic level at the start of 2021, the leisure and hospitality sector was still down 23.2 percent. Conversely, staff working in essential services or in positions more easily shifted to a remote setting were better protected. The number of jobs in financial activities, construction and in the trade, transportation and warehousing sector were all at or within 3 percent of their February 2020 mark by the start of the new year. How the labor market improves going forward will depend on how well vaccines are administered. If infection rates drop enough to permit widespread reopening and social patterns normalize, many of the jobs most impaired by the health crisis could quickly return, although not all roles are likely to be restored this year as some employers have permanently closed.

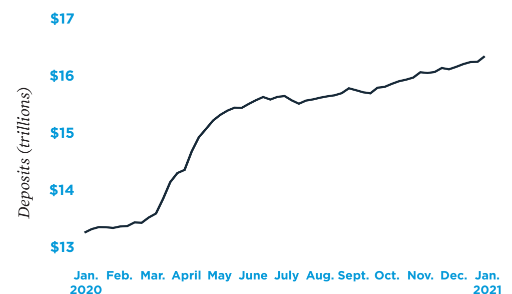
Administration Weighs Policy Goals Against Stimulus Needs While the Federal Reserve Guides Inflation

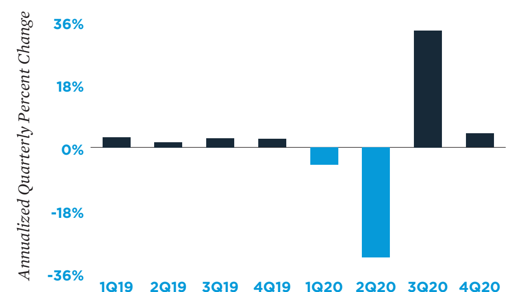
Biden administration must balance policy objectives and health crisis management. President Biden campaigned on a platform of widespread legislative reform, including taxation, healthcare and public spending on infrastructure. Achieving these goals must be managed in relation to the immediate needs of the health crisis. Some intended policy reforms, such as increasing taxes on businesses and investors, could weigh on economic growth in the short term. Even if political division in Congress does not preclude the passage of wide-sweeping changes, the focus of the legislative and executive branches will likely to be dominated by the health crisis through at least the middle of the year. Making more substantial alterations to laws and regulations could create uncertainty among consumers and investors, dampening the intended effects of stimulus measures that the Biden administration is currently pursuing.

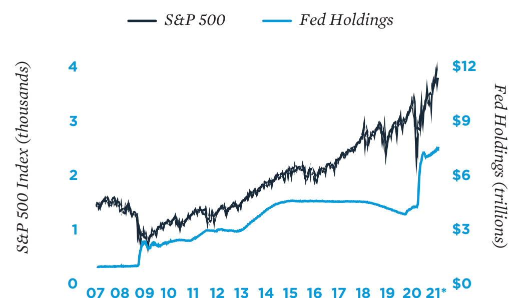
Additional federal aid likely incoming; holds significant implications on growth. The $900 billion stimulus package passed at the end of last year is serving as a vital economic stopgap as the country deals with the difficult health challenges. Many of the legislation's key benefits, such as renewed federal unemployment insurance, will nevertheless fade by the spring. The Biden administration is therefore pursuing a $1.9 trillion stimulus package to further buttress the economy. The legislation would include a third round of larger direct payments to taxpayers as well as expanded unemployment benefits, rental assistance, and funding for state and local governments. While the final stipulations of the bill are almost certain to change, the incoming aid will uplift the economy in the near term, but at the cost of introducing some potential longer-term risks. The extensive deficit spending necessitated by the health crisis will likely result in an overall higher tax burden down the line, whether at the local or federal level or both. The ample amount of liquidity injected into the market also raises inflation risk.

The Federal Reserve continues to carefully monitor inflation. As this year progresses, the Fed will have to walk a tightrope balancing economic growth and the potential for accelerated inflation. The Federal Open Market Committee has already signaled that it is willing to allow inflation to rise above a 2 percent annual growth rate following multiple years of below-target increases. To what extent above that threshold the FOMC will permit is as of yet unclear. Even so, the Fed may still be forced to raise interest rates and tighten monetary policy later this year if the risk of spiraling inflation becomes likely. This shift in policy could elicit an unintended reaction from the market, derailing economic growth in unexpected ways. If the central bank acts too early it could also prematurely temper economic growth. Even if the FOMC executes its strategy flawlessly, high inflation could still occur. Recent government actions have injected ample liquidity into the market. At the same time, many consumers have added to their savings while staying at home, expanding their potential spending power. The financial standings of many households have also improved via rising home equity values, a byproduct of a competitive single-family housing market fueled by low interest rates and recent lifestyle changes. All of these factors together create a scenario in which, once the health crisis is mitigated, consumer spending substantially jumps ahead of the available supply of goods and services, raising prices. Depending on the timing, however, this wave of spending could also act as its own form of stimulus.





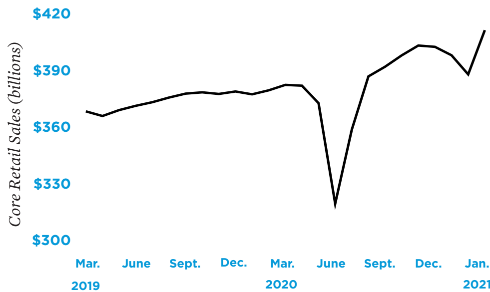


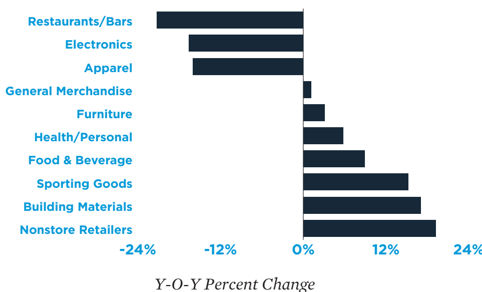


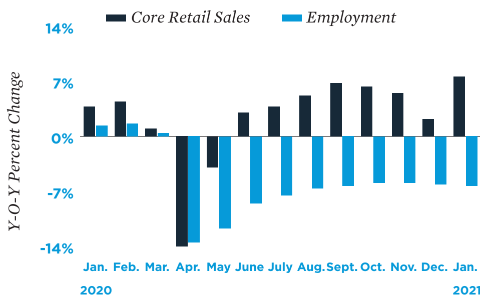
* Through January

Sources: BEA; Federal Reserve; Standard & Poor's; U.S. Census Bureau

RETAIL







Sources: BLS; National Restaurant Association; U.S. Census Bureau

Bifurcated Recovery of Retail Sector Could Yield to Broader-Based Expansion in Second Half

Retail market faces fragmented recovery in 2021. Property performance will fluctuate regionally and by building type as policymakers manage healthcare capacity against economic damage. In dense locations where stricter lockdowns are necessary to prevent the spread of COVID-19, many retailers will struggle to remain in business through the downturn despite a new round of stimulus. Suburban and rural retailers are likely to suffer fewer near-term impacts in the wake of the health crisis, along with properties that host essential businesses. Nonetheless, the consequences of shutdowns, particularly to small retailers and some already-teetering national brands, will ultimately lead to significant damage to some areas of the retail sector.

Vaccine provides light at end of tunnel. After wide vaccine distribution is achieved, the retail market will begin to heal. Experience-based concepts are the largest wild card as many have been unable to open to any degree through the duration of the pandemic. Two different challenges await these businesses following the crisis. First, startup costs may make it prohibitive to reopen. Presumably much of the staff has moved on to other opportunities or relocated. Second, gauging demand after a year hiatus could be challenging. Other concepts will see a post-pandemic surge. Demand for restaurants could soar and choices for diners will be more limited after thousands of restaurants never return.

Retail sales challenged to duplicate 2020 performance. Lockdowns across the nation funneled discretionary spending into the retail sector and away from entertainment options. Concerts, movies, sporting events and other large gatherings should return in the second half of this year, creating competition for consumer dollars. Although an excess $2.5 trillion was sitting in savings accounts at the beginning of the year, retail spending had largely leveled off in the fourth quarter. While headwinds may persist, some encouraging indicators also exist. A full reopening will generate service-industry jobs, and those workers will spend more freely. An additional swell will come in pent-up spending at bars and restaurants, where consumption was down approximately 20 percent year over year at the end of 2020.

Gap between spending and employment to narrow. Since the onset of the health crisis, either closures or a shift in behavior have impaired the ability of retail employees to return to work. Year over year, core retail sales were up approximately 3 percent in 2020, while retail trade employment was down nearly 3 percent and employment at food service and drinking places was off 19 percent. Many of these jobs will not immediately return due to the time it will take to create new establishments. However, by the end of the year new businesses will emerge as entrepreneurs enter the market or establishments that benefited from the health crisis begin expansionary cycles.

Sustained Momentum

Charlotte
Indianapolis
Louisville
Orlando
Raleigh
Salt Lake City
Seattle-Tacoma
Tampa-St. Petersburg

- High-growth markets that were relatively insulated from the downturn make up some of the metros in this category. Nearly all of the markets are building on relatively strong rent positions heading into 2021.
- Seattle-Tacoma is poised for a strong comeback due to the tech sector. Raleigh's combination of positive demographic trends and the Research Triangle support the market's position.

Demographic Tailwinds

Atlanta
Austin
Chicago
Columbus
Houston
Las Vegas
Miami-Dade
Nashville
Sacramento

- The demographic tailwinds in these markets should hasten the retail recovery. Several of these markets, including Atlanta, Austin, Sacramento and Houston, have been a popular destination for workers migrating away from dense gateway cities.
- Orlando and Miami-Dade should receive a boost in tourism when the vaccine is widely distributed. Stimulus money will facilitate travel and a surge in visitors is anticipated in the second half of the year.

Short-Term Setback

Boston
Cincinnati
Milwaukee
Minneapolis-St. Paul
Northern New Jersey
Orange County
Phoenix
Portland
San Jose

- More densely populated markets begin to fill this category and make up the first of the hard-hit metros to recover. Orange County, Portland, Boston and San Jose are among the markets with a fair outlook moving forward.
- Phoenix would occupy a higher group but elevated overall vacancy could be a small hurdle at a time when finding expanding retailers may be difficult.

Pressured Fundamentals

Dallas/Fort Worth
Denver
Kansas City
New Haven-Fairfield County
New York City
Philadelphia
San Antonio
San Diego
St. Louis
West Palm Beach

- New York City, New Haven-Fairfield County and Philadelphia were particularly impacted by the health crisis, and the distribution of a vaccine could hasten the return to workplaces in these cities. Nonetheless, retail sales growth for all of these markets is anticipated to be below average.
- San Antonio faces relatively high vacancy entering 2021. Despite having above-average retail sales growth, a resumption of travel to the area's tourist destinations will be necessary for a stronger recovery.

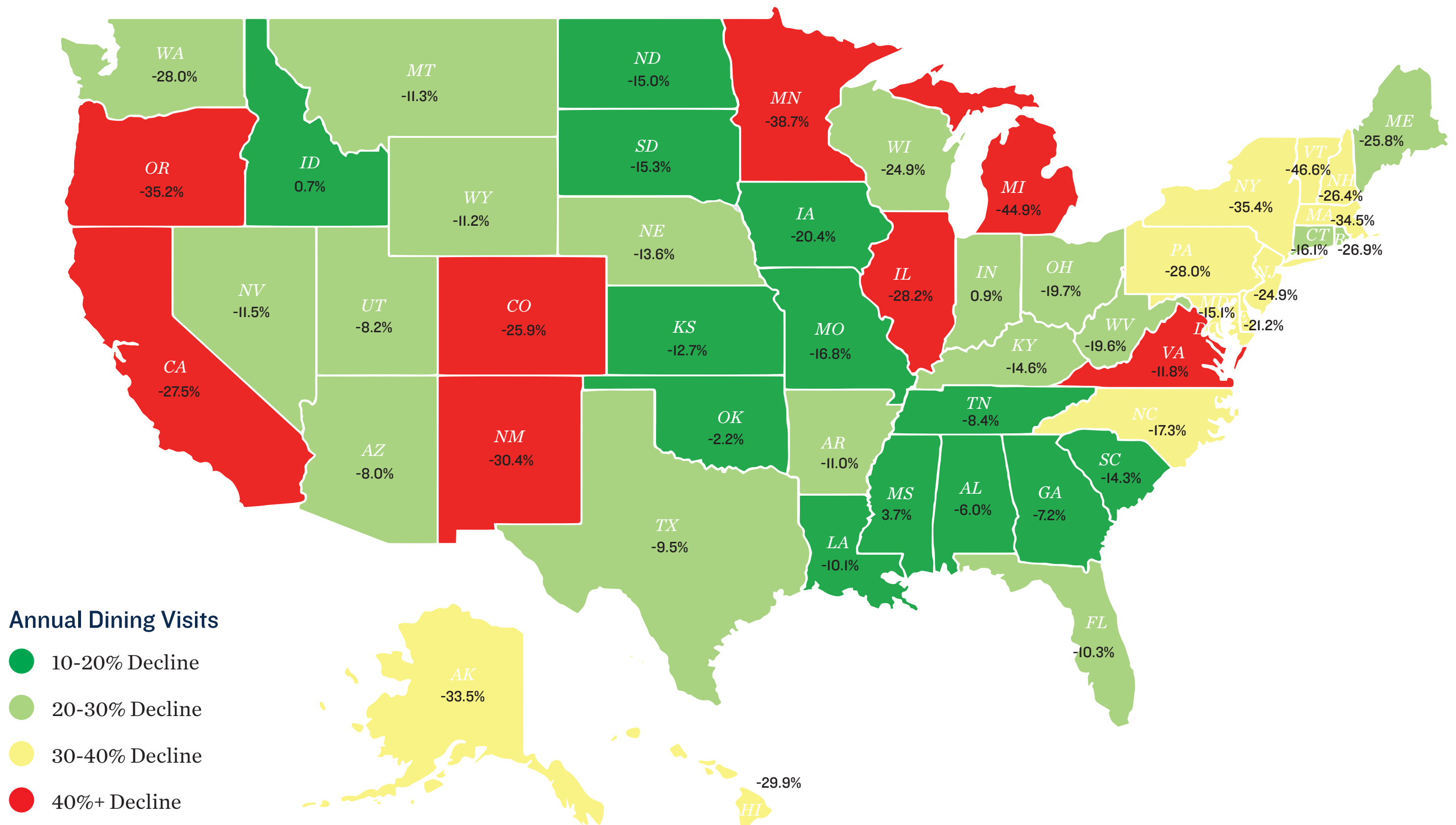
Protracted Recovery

Baltimore
Cleveland
Detroit
Fort Lauderdale
Los Angeles
Oakland
Pittsburgh
Riverside-San Bernardino
San Francisco
Washington, D.C.

- Densely populated or hard-hit markets are a common shared characteristic of this group. San Francisco and Los Angeles may face the longest path to recovery. Washington, D.C., and Baltimore also face weak retail sales projections.
- Some of the slow-growth Midwest metros fall into this group due to their typical economic recoveries. Detroit and Cleveland account for those metros, and Pittsburgh to a lesser extent.

States With Relaxed Reopening Policies Far Ahead in Dining Traffic and Job Recovery

2020 Job Performance at Restaurants and Bars vs. Visits to Dining Establishments



State Color: Annual Change in Visits to Dining Places

State Percentage: Annual Change in Food Services Employment

Top 10 States by Dining Visits

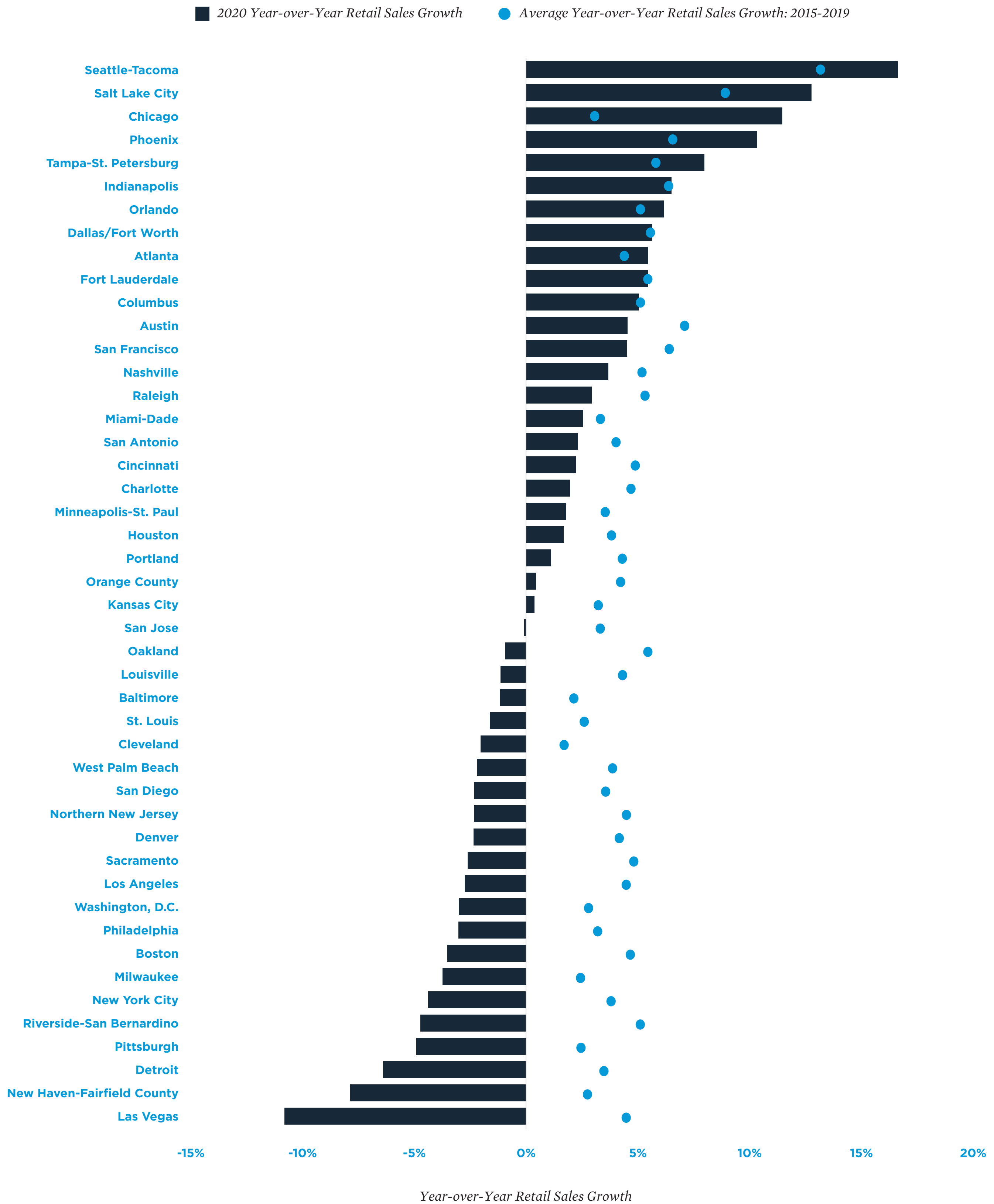
Market	Y-O-Y Dining Visits*
Mississippi	-10.1%
Alabama	-13.2%
Idaho	-13.3%
Missouri	-14.4%
Oklahoma	-15.5%
Kansas	-16.1%
Georgia	-16.6%
North Dakota	-18.5%
Louisiana	-18.6%
South Dakota	-19.2%

** Year-over-year foot traffic through Dec. 31*

Source: Placer.ai

2021 Dining Foot Traffic Outlook

- A combination of policy decisions and geographical advantages have placed several states far ahead in a recovery at dining establishments, which serve as a bellwether for a broader experience-based retailer comeback. Population density and winter weather also pose risks to some areas.
- States in the highest tiers are generally in the South and Midwest, where lockdowns were more relaxed or shorter. The availability of outdoor dining during the winter months has also served as an advantage for states in the Sunbelt.
- The lower two tiers face a steeper recovery from the downturn. Elevated restrictions likely forced a greater percentage of restaurants to permanently close, creating an environment where new establishments will need to be opened.



Source: U.S. Census Bureau

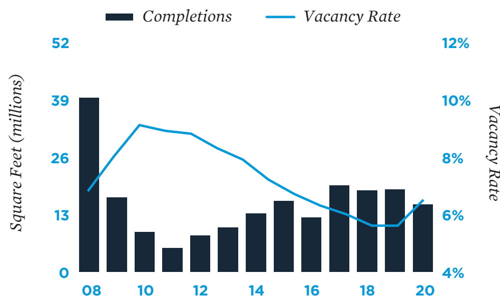
Retail Data Summary

Market Name	Employment Growth				Median Household Income				Retail Sales Growth			
	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
Atlanta	2.2%	1.9%	2.5%	-2.6%	$67,000	$70,100	$72,200	$71,300	4.8%	4.2%	4.0%	5.5%
Austin	3.3%	4.2%	3.6%	-1.0%	$75,100	$78,800	$81,500	$80,300	6.3%	6.9%	7.2%	4.5%
Baltimore	1.1%	0.8%	1.2%	-5.1%	$79,000	$81,300	$83,500	$85,600	2.3%	3.0%	1.8%	-1.2%
Boston	1.3%	1.3%	0.9%	-9.2%	$87,100	$91,400	$95,000	$88,600	4.5%	5.0%	5.2%	-3.5%
Charlotte	2.2%	2.5%	2.3%	-4.9%	$61,800	$64,400	$67,000	$69,400	4.9%	5.2%	4.4%	2.0%
Chicago	0.7%	0.7%	0.4%	-7.4%	$69,400	$73,100	$76,100	$74,700	3.4%	2.8%	2.7%	11.5%
Cincinnati	1.3%	1.1%	0.8%	-4.6%	$62,300	$65,000	$67,400	$69,800	6.4%	4.8%	3.5%	2.2%
Cleveland	0.4%	1.4%	0.5%	-8.6%	$54,200	$56,100	$57,500	$59,500	1.7%	2.8%	3.0%	-2.0%
Columbus	1.3%	1.3%	1.2%	-6.2%	$63,500	$66,000	$67,700	$69,600	10.3%	4.9%	3.9%	5.0%
Dallas/Fort Worth	2.2%	2.5%	3.2%	-2.1%	$67,900	$70,800	$72,500	$72,000	6.1%	5.4%	5.0%	5.7%
Denver	2.6%	2.0%	2.8%	-4.4%	$77,600	$82,700	$86,300	$82,500	4.8%	5.0%	3.3%	-2.4%
Detroit	1.2%	1.3%	0.5%	-11.0%	$59,100	$61,800	$64,000	$63,600	4.8%	3.6%	3.1%	-6.4%
Fort Lauderdale	1.7%	1.8%	1.2%	-7.3%	$57,400	$61,000	$61,600	$61,500	5.0%	6.4%	5.5%	5.5%
Houston	1.6%	2.7%	2.0%	-4.3%	$64,400	$67,400	$69,600	$70,100	3.9%	4.5%	3.3%	1.7%
Indianapolis	1.8%	0.9%	0.9%	-0.8%	$59,700	$61,600	$62,700	$66,400	7.4%	4.8%	4.8%	6.5%
Kansas City	1.3%	0.4%	1.1%	-2.8%	$64,300	$68,000	$70,900	$73,900	3.6%	3.7%	2.8%	0.4%
Las Vegas	2.9%	3.1%	1.9%	-9.5%	$57,900	$62,100	$62,000	$50,500	5.1%	5.6%	4.2%	-10.8%
Los Angeles	1.6%	1.4%	1.1%	-9.1%	$66,800	$71,500	$73,400	$71,700	5.3%	4.8%	3.5%	-2.8%
Louisville	1.1%	0.7%	0.4%	-5.1%	$57,100	$59,600	$61,700	$63,800	5.2%	3.7%	2.1%	-1.2%
Miami-Dade	1.5%	1.8%	1.1%	-5.5%	$51,100	$54,500	$55,300	$55,100	3.7%	4.2%	2.9%	2.6%
Milwaukee	0.9%	0.4%	0.2%	-7.4%	$60,100	$63,400	$66,500	$67,800	4.5%	3.1%	1.3%	-3.8%
Minneapolis-St. Paul	1.5%	1.2%	0.3%	-8.0%	$77,500	$81,800	$84,400	$82,800	4.3%	4.6%	3.0%	1.8%
Nashville	3.1%	3.3%	3.0%	-4.2%	$64,300	$68,200	$70,700	$75,200	5.8%	5.8%	5.5%	3.7%
New Haven-Fairfield County	-0.1%	0.4%	0.0%	-8.0%	$80,000	$82,400	$83,700	$85,100	3.9%	3.5%	2.2%	-7.9%
New York City	2.0%	2.1%	1.8%	-12.2%	$65,800	$70,800	$73,300	$74,000	4.1%	4.8%	4.5%	-4.4%
Northern New Jersey	1.3%	0.5%	0.7%	-9.1%	$82,000	$85,900	$89,200	$91,000	5.9%	3.6%	4.2%	-2.3%
Oakland	1.9%	1.2%	0.1%	-9.6%	$98,300	$104,300	$109,000	$107,200	6.4%	5.3%	2.8%	-0.9%
Orange County	2.0%	1.2%	1.2%	-8.5%	$88,700	$94,300	$96,700	$93,400	5.3%	4.3%	3.4%	0.4%
Orlando	3.4%	2.7%	2.5%	-9.7%	$56,500	$60,000	$62,300	$60,800	6.7%	6.1%	4.9%	6.2%
Philadelphia	1.3%	1.0%	0.9%	-7.2%	$69,300	$72,700	$75,100	$76,400	3.4%	4.2%	3.5%	-3.0%
Phoenix	3.4%	3.4%	3.6%	-2.3%	$62,500	$66,000	$68,400	$69,600	6.7%	6.2%	5.9%	10.3%
Pittsburgh	1.3%	0.8%	0.5%	-7.1%	$58,700	$61,300	$63,100	$65,900	3.4%	3.2%	2.8%	-4.9%
Portland	2.5%	2.0%	1.4%	-8.5%	$73,300	$76,700	$78,800	$77,900	5.6%	4.9%	3.0%	1.1%
Raleigh	2.5%	2.1%	2.0%	-4.5%	$70,000	$73,400	$75,900	$78,700	5.5%	4.3%	4.1%	2.9%
Riverside-San Bernardino	4.0%	3.0%	1.5%	-7.2%	$63,400	$68,100	$72,000	$70,000	6.2%	5.1%	4.2%	-4.7%
Sacramento	2.7%	2.6%	1.5%	-6.9%	$69,900	$74,300	$77,600	$75,700	5.5%	5.3%	3.1%	-2.6%
Salt Lake City	3.2%	2.7%	3.3%	0.4%	$72,800	$77,000	$80,400	$76,100	8.3%	8.5%	7.1%	12.8%
San Antonio	1.6%	2.1%	2.3%	-3.4%	$57,300	$60,200	$63,000	$62,500	4.2%	3.7%	3.9%	2.3%
San Diego	2.1%	1.7%	1.5%	-6.9%	$77,600	$82,400	$84,700	$82,200	5.4%	3.7%	2.8%	-2.3%
San Francisco	2.1%	3.6%	3.0%	-9.9%	$115,000	$124,300	$132,300	$132,000	6.5%	6.4%	4.5%	4.5%
San Jose	2.2%	2.0%	1.3%	-6.9%	$120,100	$127,100	$132,000	$128,300	4.9%	4.6%	1.5%	-0.1%
Seattle-Tacoma	2.4%	2.1%	2.5%	-7.2%	$84,400	$90,400	$95,000	$90,500	14.3%	9.1%	11.3%	16.6%
St. Louis	1.0%	0.3%	0.5%	-4.6%	$62,100	$64,700	$67,100	$70,200	3.9%	3.3%	1.7%	-1.6%
Tampa-St. Petersburg	1.9%	2.2%	2.7%	-3.6%	$53,600	$56,200	$58,300	$59,000	4.2%	5.8%	4.7%	8.0%
Washington, D.C.	1.0%	1.3%	1.7%	-5.2%	$100,400	$103,800	$106,400	$106,700	3.2%	3.4%	1.8%	-3.0%
West Palm Beach	1.6%	1.8%	0.7%	-6.0%	$61,600	$65,800	$66,800	$70,500	4.6%	4.3%	3.4%	-2.2%
United States	1.5%	1.6%	1.4%	-6.1%	$61,000	$63,200	$67,000	$67,000	4.7%	4.4%	3.5%	0.6%

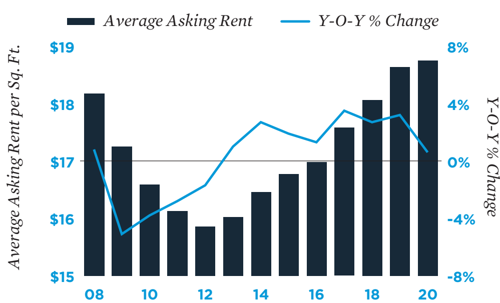
Completions (000s of Sq. Ft.)				Vacancy Rate				Asking Rent per Sq. Ft.				Market Name
2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020	
2,530	2,130	1,790	1,200	6.0%	5.7%	5.6%	6.0%	$14.17	$14.81	$15.06	$15.17	Atlanta
1,100	1,610	870	1,170	3.9%	4.1%	4.2%	4.9%	$22.19	$22.24	$21.95	$22.06	Austin
490	470	830	240	4.0%	4.6%	4.8%	6.3%	$18.48	$19.78	$19.65	$19.78	Baltimore
2,210	980	1,120	710	2.7%	3.1%	3.1%	3.7%	$19.94	$20.85	$20.96	$20.67	Boston
1,160	1,810	1,180	880	4.3%	4.1%	4.2%	4.9%	$14.68	$14.97	$16.75	$17.40	Charlotte
2,840	2,570	1,720	1,900	6.4%	6.5%	6.6%	6.9%	$17.13	$17.44	$17.69	$17.60	Chicago
500	340	580	90	5.2%	4.6%	4.5%	4.8%	$11.63	$12.12	$12.21	$11.80	Cincinnati
570	1,340	1,310	760	5.1%	4.5%	4.8%	5.5%	$10.13	$10.67	$11.13	$10.77	Cleveland
1,620	380	610	480	4.0%	3.0%	2.9%	3.8%	$12.19	$13.92	$13.42	$14.55	Columbus
6,040	5,080	2,930	2,700	5.1%	5.0%	5.3%	6.7%	$16.07	$17.07	$16.75	$16.77	Dallas/Fort Worth
920	1,320	620	560	4.7%	4.1%	4.7%	5.7%	$17.71	$18.58	$18.35	$18.63	Denver
1,220	1,300	940	710	6.0%	5.8%	5.7%	6.5%	$12.97	$13.27	$14.19	$14.35	Detroit
610	810	770	480	3.7%	4.2%	4.5%	5.7%	$21.87	$25.11	$23.36	$22.84	Fort Lauderdale
6,750	4,750	4,990	3,620	5.7%	5.8%	5.9%	6.6%	$16.46	$16.98	$17.74	$18.10	Houston
1,390	620	830	220	4.7%	5.5%	5.1%	5.5%	$13.65	$12.86	$13.13	$13.55	Indianapolis
1,260	780	660	540	5.8%	5.7%	5.8%	6.7%	$12.18	$12.76	$12.94	$13.08	Kansas City
440	320	820	650	7.2%	7.3%	7.1%	7.2%	$17.39	$17.98	$18.60	$19.63	Las Vegas
1,700	910	1,320	960	4.4%	4.8%	5.1%	5.8%	$29.17	$30.06	$30.93	$30.87	Los Angeles
310	420	420	390	3.4%	3.8%	4.0%	3.6%	$13.24	$13.01	$13.33	$14.25	Louisville
1,670	1,010	1,080	420	3.6%	4.1%	4.4%	4.4%	$32.79	$31.95	$33.27	$32.24	Miami-Dade
1,690	1,090	420	110	5.3%	4.3%	4.5%	4.6%	$11.27	$12.18	$12.63	$12.67	Milwaukee
1,640	790	630	420	2.9%	3.2%	3.5%	4.5%	$15.59	$14.99	$15.64	$16.05	Minneapolis-St. Paul
1,230	600	950	630	3.0%	3.2%	3.4%	4.1%	$17.59	$18.39	$20.03	$20.47	Nashville
430	370	780	170	4.2%	4.1%	4.5%	5.7%	$21.18	$21.94	$20.56	$22.05	New Haven-Fairfield County
1,560	1,040	3,140	910	3.2%	3.3%	3.4%	4.0%	$56.69	$56.08	$61.90	$57.43	New York City
830	690	940	1,570	4.6%	4.1%	4.2%	4.7%	$24.19	$25.12	$24.03	$24.16	Northern New Jersey
770	600	260	160	4.0%	3.5%	4.2%	5.0%	$25.46	$26.75	$30.42	$28.69	Oakland
730	450	160	60	4.4%	3.8%	4.1%	4.8%	$25.52	$26.45	$27.71	$28.50	Orange County
2,000	980	1,370	850	4.6%	4.5%	4.7%	5.2%	$17.37	$17.86	$19.28	$19.49	Orlando
1,600	1,590	1,140	830	5.0%	4.6%	5.0%	5.8%	$16.49	$17.17	$17.42	$17.74	Philadelphia
1,930	950	980	1,270	8.0%	7.7%	7.7%	8.6%	$15.26	$15.52	$16.16	$16.07	Phoenix
820	470	270	270	3.6%	3.6%	4.2%	5.1%	$13.66	$14.02	$12.43	$11.98	Pittsburgh
370	390	250	100	3.7%	3.3%	3.6%	4.4%	$18.68	$18.29	$19.66	$19.56	Portland
940	410	650	820	3.5%	3.0%	2.9%	3.6%	$17.04	$17.41	$17.69	$19.08	Raleigh
1,170	1,350	770	860	8.3%	8.1%	7.8%	9.2%	$16.76	$17.98	$18.95	$18.25	Riverside-San Bernardino
1,020	650	220	320	7.0%	6.7%	6.5%	7.0%	$15.82	$16.78	$17.53	$18.25	Sacramento
1,690	1,260	600	630	4.8%	4.6%	5.1%	5.8%	$15.39	$16.63	$15.93	$16.61	Salt Lake City
940	800	1,300	1,060	4.3%	4.5%	4.8%	5.7%	$14.64	$15.63	$16.30	$16.20	San Antonio
740	330	350	260	3.6%	4.1%	4.1%	5.1%	$24.28	$24.18	$24.14	$24.74	San Diego
490	160	210	0	2.7%	3.0%	3.7%	4.9%	$40.14	$39.89	$40.88	$37.88	San Francisco
450	270	160	710	3.0%	3.8%	4.0%	4.5%	$32.44	$33.22	$35.34	$35.04	San Jose
1,540	740	750	520	3.6%	3.4%	2.9%	3.0%	$20.25	$21.16	$21.14	$22.63	Seattle-Tacoma
690	340	360	570	5.0%	4.9%	4.8%	5.1%	$12.52	$13.35	$13.40	$13.25	St. Louis
1,590	1,830	1,500	1,040	4.5%	4.8%	4.5%	4.9%	$15.10	$16.13	$16.51	$17.05	Tampa-St. Petersburg
1,360	1,170	950	770	4.7%	4.7%	4.7%	5.6%	$25.94	$26.31	$26.35	$26.12	Washington, D.C.
350	180	510	160	4.3%	4.7%	4.7%	5.5%	$23.11	$23.78	$23.98	$24.39	West Palm Beach
75,680	57,100	52,470	38,070	4.9%	4.8%	4.9%	5.6%	$18.86	$19.44	$19.93	$19.94	United States

Sources: BLS; Moody's Analytics; CoStar Group, Inc.; U.S. Census Bureau

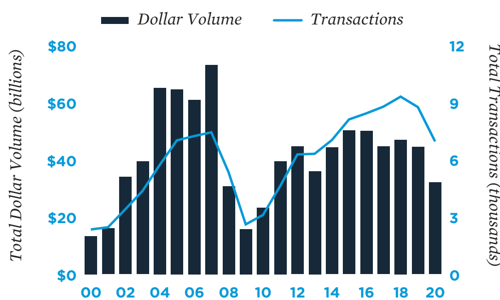
Multi-Tenant Retail Supply and Demand



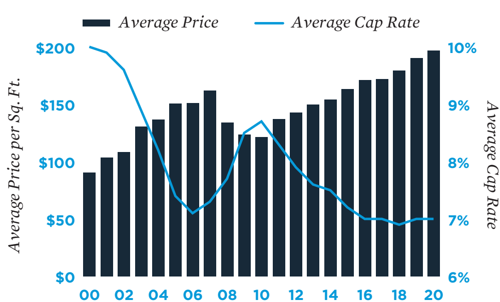
Multi-Tenant Rent Trends



Multi-Tenant Retail Sales Trends



Multi-Tenant Price and Cap Rate Trends



Sources: CoStar Group, Inc.; Real Capital Analytics

Multi-Tenant Retail Faces Transformation; Consolidation on Table This Year

Dead malls temporarily exacerbate supply overhang. Thousands of stores that typically operate in malls will shutter, testing the viability of many properties. Anchors such as J.C. Penney and Macy's are liquidating hundreds of locations to rightsize in the wake of a shift in demand. Gap also recently announced plans to close all of its mall-based stores. Other traditional mall retailers have also shuttered completely, including GNC. These moves will leave a large number of these properties with an insufficient base of retailers to continue operating due to the decrease in traffic. Mall vacancy has jumped more than 100 basis points since the end of 2019, the largest rise across all retail concepts. Mostly constructed in the 1970s and 1980s, these failing properties will need to be repurposed by operators in the coming year. Some will be repositioned as distribution space as owners take advantage of the increase in online sales and prevalence of delivery. Others may be razed and redeveloped by existing operators or sold to developers. A shortage of infill housing units presents the opportunity to repurpose the land for residential units.

Open-air centers to backfill vacant space with tenants from failed properties. Retail refugees from malls and other centers that failed during the prolonged shutdown due to the heath crisis will search for vacant space where traffic generators persist. Centers with multiple essential retailers will be among the first to attract tenants seeking a new location. Power and community centers with the broader mix of tenants should be at the top of retailers' destination lists, filling any vacant in-line space that comes available. An additional stimulus payout for many families could also amplify foot traffic at these centers in the coming months as eager shoppers re-emerge. While the most recent stimulus checks are largely helping immediate needs, the next round of stimulus, if approved, will reach consumers when more retailers are open and capacity restrictions are lower. Shoppers' preference for limited trips will likely persist beyond a next round of individual payments, making power centers ideal locations for consumers. Beyond mall retailers seeking new accommodations, some retail centers will struggle with high vacancy, encouraging the remaining tenants to seek better locations.

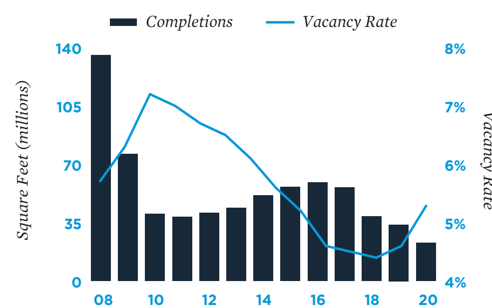
Centers with grocers set to outperform. Necessity-based stores have done fairly well throughout the broad shutdowns. For the first time since 2015, grocery store sales have eclipsed restaurants, reversing a trend that saw restaurants gain in popularity over more than a decade. With so many tenants forced to close to prevent the spread of COVID-19 cases, many multi-tenant properties without a major essential retailer have little traffic from consumers. Shopping centers across the nation saw an approximate 20 percent decline in visits during 2020. Grocery stores, however, only reported a 4 percent decline in traffic last year. The full effect on the retail vacancy rate due to these discrepancies remains to unfold, though tenants from hard-hit strip centers are expected to migrate to grocery anchored-assets as the impact of the heath crisis becomes clearer and space comes available. Unanchored strip centers with a national credit tenant or drive-thru retailer will likely be an exception, while mid-block strip centers may struggle.

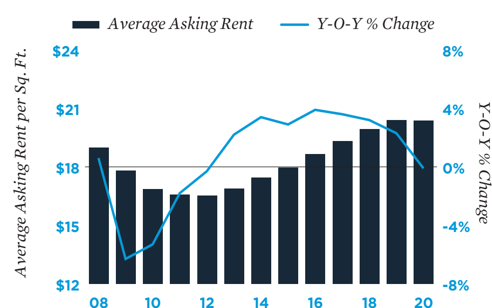
Most Single-Tenant Uniquely Positioned to Handle Crisis; Investors Favor National Credit Tenants

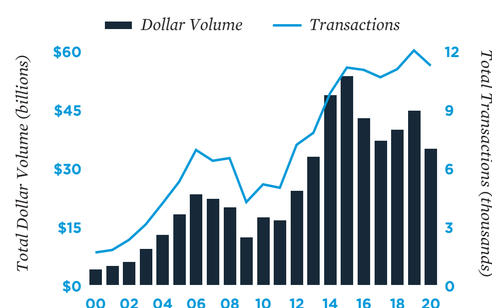
National quick-service restaurant chains weather shutdowns. Although eating places have experienced a 30 percent decline in visits over the last year, the drop at many drive-thru concepts has not continued to impact performance. Closed dining rooms at these locations account for a significant contribution in the decrease in visits while sales have remained healthy. Visits to burger concepts, for instance, are between 55 percent to 65 percent of prior-year levels, though nearly all major chains recorded annual gains in sales in the third quarter. The lack of competition from permanently closed restaurants and casual dining locations has helped boost theses chains. As more states lift capacity restrictions in the coming months, the number of visits to these locations could dampen as diners are presented with a greater number of choices. Apart from mall pad locations, the ability of national chains to manage the health crisis more effectively than smaller operators should provide a boost to property performance and draw investor interest. Local restaurants that emerge from the pandemic will also attract buyer attention due to the perceived strength of these businesses.

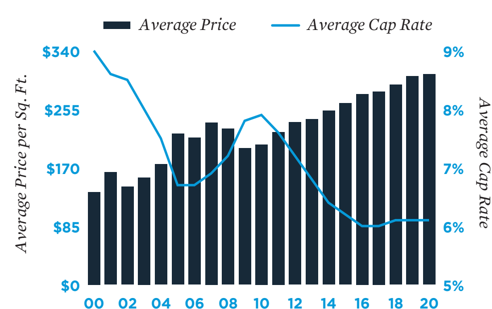
Health crisis boosts drugstores and dollar stores. Shoppers have relied on these two categories over the past year and will continue to frequent them more often as the pandemic persists. Vaccine distribution at local pharmacies should elevate trips to drugstores in the coming months, boosting sales at those locations as consumers package their trips. Drugstores generally experience an uptick in visits during the winter months due to the prevalence of endemic illnesses and availability of flu vaccines. Dollar stores, meanwhile, recorded relatively flat traffic during the past year. However, a rise in shoppers was experienced during December. Although some holiday shopping contributed to the rise, the expiration of federal support related to COVID-19 may have persuaded residents to seek lower-cost options for home essentials. Dollar stores remain on track to increase store openings in 2021. Dollar General has more than 1,000 new locations on tap for next year, while Dollar Tree and Family Dollar also have aggressive expansion plans. Moreover, the dollar stores are remodeling hundreds of existing locations to support coolers and fresh produce.

Convenience stores and casual dining restaurants poised for recovery. Although some convenience stores have remained relatively healthy due to their designation as an essential business, the dramatic decline in commuting is making a dent in spending. In December, gasoline station retail sales were down 12 percent annually, though that level is a significant improvement from the 39 percent annual decline recorded at the onset of the pandemic. Vaccine distribution will enable more workers to return to their traditional offices, elevating the trajectory of the recovery for convenience stores. Casual dining, meanwhile, will be frequented by diners as more locations become available. Several states have reversed course on closures recently, including California and New York, in an effort to prevent too many indoor dining locations from permanently closing as the end of the pandemic comes into focus. Sunbelt states largely remained open, which should orient the casual dining industry in a stronger position this year.

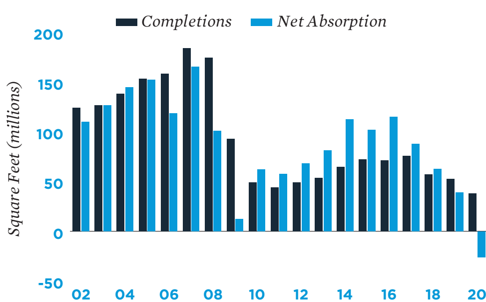


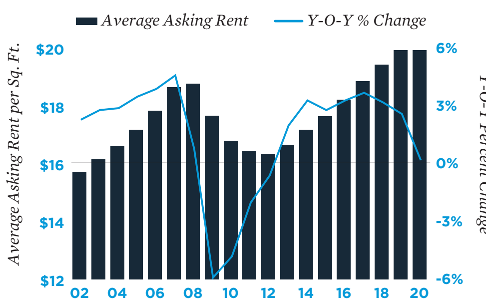


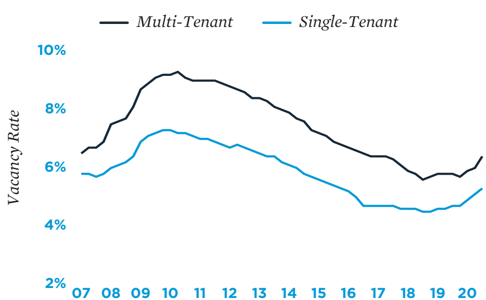




Sources: CoStar Group, Inc.; Real Capital Analytics







Source: CoStar Group, Inc.

Retail Fundamentals Align for Second-Half Stabilization, Carrying Momentum Into Following Year

Renewed unemployment insurance critical for consumer spending. Although most residents received a second stimulus check at the beginning of the year, the impact will be muffled as many households pay down debt or catch up on bills. Families in which workers have remained employed during the shutdown are unlikely to need stimulus to trigger shopping as savings have grown due to the reduced options for dining and experience-based retailers. Additionally, many older consumers will remain extraordinarily cautious in coming months, delaying the impact of liquidity. Nonetheless, the latest round of direct checks should keep retail sales from continuing the decline that started at the end of 2020 Unemployment insurance, meanwhile, should provide a bump as households that were drained of necessity items restock or loosen spending habits. Furthermore, retail sales at restaurants and bars may recover more quickly after several large states have begun allowing restaurants to reopen under capacity restrictions after takeout-only guidelines since Thanksgiving. The next round of stimulus checks, if approved, should help kickstart the economy and retail sales as more shoppers and stores are able to participate in the market.

Lower construction anticipated again in 2021. Last year marked the lowest amount of new inventory in at least two decades as many projects were shelved due to the health crisis. The pace of development was already on the decline as builders generally have taken a cautionary stance since the last downturn, when the supply overhang took years to dissipate. This year, growth markets in Texas and other Sunbelt states should be able to absorb the outsized share they have of projects under construction. Washington, D.C., and New York City, meanwhile, may need additional time to fill space following the health crisis. Currently, properties over 200,000 square feet underway across the country are approximately 70 percent pre-leased, relatively low compared with the pre-pandemic projects that came online. These developments will compete for fewer tenants, potentially applying pressure to nearby existing assets. This year's new construction was underwritten during a stronger rent environment and owners may be forced to fill vacant space at lower rates before a clearer picture about the strength of the economy emerges.

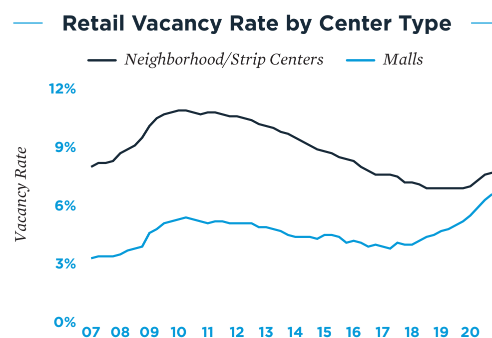
Wide range of vacancy outcomes possible. The rate of marketed space only increased 70 basis points last year to 5.6 percent, though the level of actual vacant space remains clouded by the prevalence of permanent or temporary closures. National chains announced over 20,000 store closings in 2020, more than double the previous year. Many of these will be wrapped up in permanently closed malls and have little consequence on the overall vacancy rate as that inventory is removed from the market. Around 110,000 restaurants closed last year, though some of those are likely temporary shutdowns. A new round of Paycheck Protection Program funding and earlier-than-anticipated reopenings in New York and California could restrain the percent of those closures that end up permanent. Overall, availability will climb, perhaps significantly, in the first half of 2021. If the economy strengthens strongly in the second half, the beginnings of a retail reset could materialize. Nonetheless, vacancy is expected to finish 2021 higher than at the end of last year.

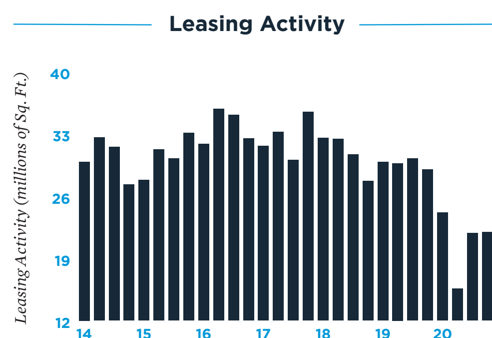
Early-Opening States Have Head Start in Fundamental Improvement; Downturn Potentially Condensed

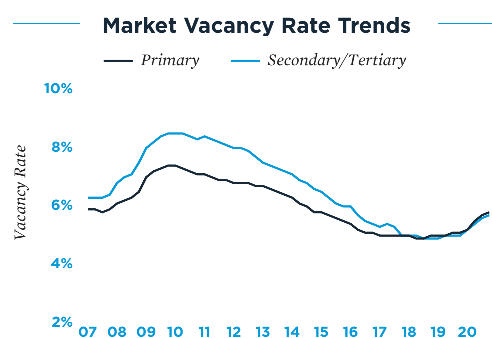
Uneven vacancy increases last year affect recovery. Several factors have contributed to discrepancies in the impact of the health crisis across markets. Strict and long shutdowns pushed vacancy higher in California and the Northeast, while supply growth was a major contributor to a vacancy rise in some Sunbelt markets. San Francisco, which recorded the largest relative increase in vacancy, also saw many high-earning residents leave in search of larger living accommodations as tech companies allowed employees to work remotely. The degree of permanence of remote work will be critical to San Francisco's retail market. New York City, to a lesser degree, faces similar challenges, though major financial institutions have signaled that their employees will come back to the office. Despite elevated vacancy, Phoenix, Sacramento, Houston and Dallas/Fort Worth are well positioned to form a strong retail market this year after serving as primary destinations for lockdown refugees and job seekers in 2020.

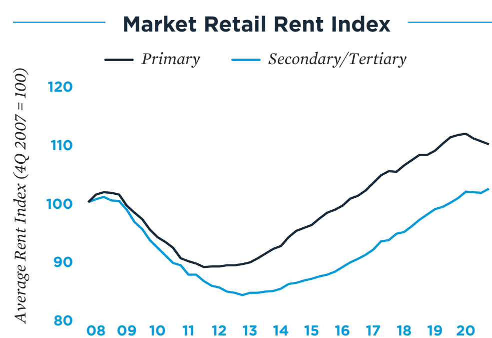
Rent recovery potentially abbreviated. Following the global financial crisis, rents retreated for four consecutive years before turning positive in 2013. The underlying fundamentals of the current downturn indicate a different trajectory. The pace of retail bankruptcies is far more abrupt, which will bring more space to the market at the same time and potentially lead to an initial sharper decrease in rents as the industry searches for new footing. Conditions heading into the recession are a net benefit for operators as well. The market was not overbuilt, and vacancy was approximately 100 basis points lower than the rate at the start of the last recession, setting up the conditions for an abridged recovery. Furthermore, overall asking rents finished 2020 in positive territory, though just barely. More clarity on the economic damage to retailers will need to surface before the depth of a rent correction emerges this year, and that information will not be fully understood until a complete economic reopening. The most optimistic prospects for a return to rent growth will need to include the removal of dilapidated stock from the market to close the supply overhang more quickly. Access to federal aid by local retailers is another contributing factor in the eventual return to rent growth.

Single-tenant fundamentals have brighter near-term outlook than multi-tenant sector. Although the allure of single-tenant space as an avenue to manage COVID-19 conditions will fade in the coming months, retailer demand for the sector will remain sturdy. Overall, vacancy should hover approximately 150 to 200 basis points below the multi-tenant rate nationwide. The spread between the two vacancies is expected to be maximized in fast-growing Sunbelt states where construction has been elevated and some Midwest markets where finding smaller tenants to fill multi-tenant availabilities is more difficult. Rents, meanwhile, will depend on location for the single-tenant sector. Assets with a drive-thru are highly sought after as many consumers may be slow to alter their behavior even when given the opportunity to do so. Suburban areas, which have seen an influx of high-earning individuals move in the past year, should capture pre-pandemic rents. Similarly, in-line, multi-tenant available space in suburban locations will recover more quickly than infill areas.



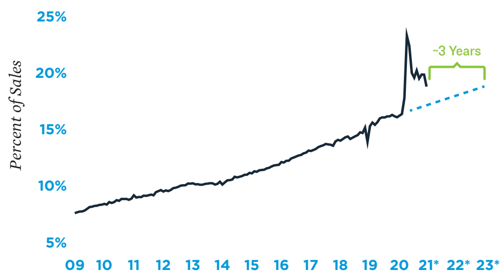




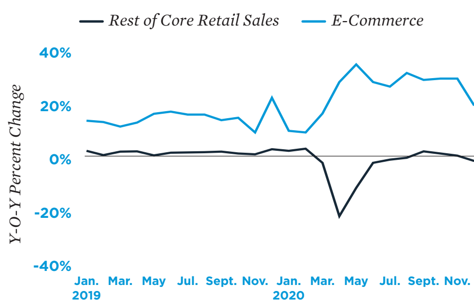


Source: CoStar Group, Inc.

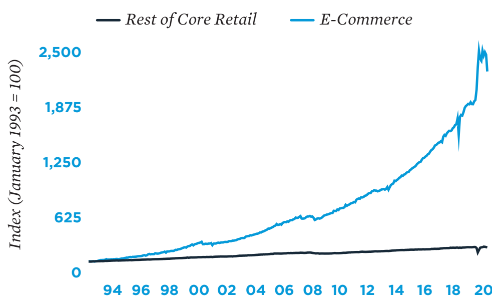
E-Commerce Share of Core Retail Sales



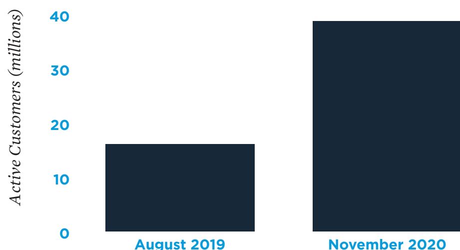
Online Sales Growth Outpacing



Retail Sales Growth Index



Online Grocery Delivery and Pickup Customers



* Forecast

Sources: Bricks Meet Click/Mercatus Grocery Shopping Survey; U.S. Census Bureau

Online Retailing Increases in Popularity; Consumer Behavior Jumps Forward

Health crisis exacerbates existing trends. Prior to the pandemic, the shift to e-commerce shopping was already moving 0.5 to 1.0 percent of retail sales online each year. After significant lockdowns last spring and over the winter, the jump in e-commerce equated to an approximately three-year advance in that trend. Spending at nonstore retailers is up approximately 30 percent year over year, though some of those gains will retreat when the wide distribution of the vaccines enables people to return to brick-and-mortar stores. Nonetheless, some of the rise is expected to remain permanent and e-commerce is anticipated to exceed 15 percent of core retail sales in 2021, roughly double the level just 10 years ago. Older Americans are a driving force in the rise, partially due to the elevated risk of suffering complications from the novel coronavirus. Those age 55 and older increased their frequency of weekly online shopping orders from 27 percent to 34 percent since the onset of the health crisis.

Grocery stores among largest beneficiaries. Following the initial nationwide shutdown when less was known about the transmission of COVID-19, online and pickup grocery sales soared to $7.2 billion in June 2020. Some of those gains have been surrendered as restaurants have opened, safety measures were installed in stores, and concerns regarding contact transmission abated. In November, however, online and pickup sales still accounted for $5.9 billion and nearly 40 million households were taking advantage of these services. The largest change over the past several months is the degree of permanence in online ordering. Many customers had resisted the practice, preferring to choose their own meat and produce rather than leaving those choices to grocery store workers. After less than half of customers who made an initial purchase considered reordering groceries in May, the number of repeat customers soared to more than 80 percent using the service again in November. The massive shift forward in sentiment for the practice could create profound changes in grocery store designs in the coming years. Additional space for outgoing delivery trucks and layouts more conducive to putting together orders for delivery may greatly enhance productivity.

Online shopping demand to help absorb vacant retail space. Many national retail chains have announced thousands of store closures due to the migration to delivery options. The last few years had a record number of store closures despite the strength of the national economy. Last year, a new high watermark of closures was reached, though much of that dark space was inevitable given existing consumer trends. The accelerated pace of shutterings will create more empty retail centers that will be utilized for delivery space in some fashion. Amazon and other online retailers will be able to turn dead malls into last-mile distribution facilities, helping erase the supply overhang resulting from the transition to delivery and a permanent shift in consumer behavior that will equate to fewer visitors to traditional retailers. As a result, consolidation in the sector will be necessary to marry traditional retailers and lifestyle centers. The pace of that transition will be accelerated by the rapid collapse of many national retail chains, giving the remaining tenants with an opt-out clause due to vacancy requirements an opportunity to move to stronger shopping centers rather than delaying the evolution of retailing.

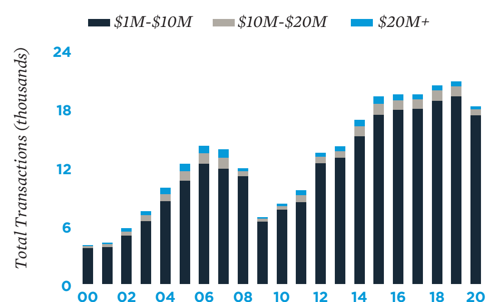
Investors to Target a Larger Pool of Assets as the Year Progresses; Malls to be Repositioned

Retail assets continue to attract investor interest. As the vaccine roll out progresses, buyers will begin to broaden search criteria in terms of both property type and location. During much of the pandemic, single-tenant, net lease assets drew the most attention, followed by anchored multi-tenant buildings. The amount of capital flowing into these properties is unlikely to change significantly even with a plethora options in the coming quarters. A lack of net lease listings has been the limiting factor in the sector, so a drop in demand will be insufficient to alter market dynamics. As the dust settles in the retail sector, buyers and sellers will find price exploration easier to achieve for a wider variety of assets. In addition to a greater number of anchored multi-tenant assets, strip centers with national credit tenants will also draw capital. Due to low interest rates, underwriting will focus on yield spreads, bringing more properties into buyers' crosshairs. Overall, retail assets are expected to be traded in greater numbers this year despite an overall increase in other commercial real estate sectors.

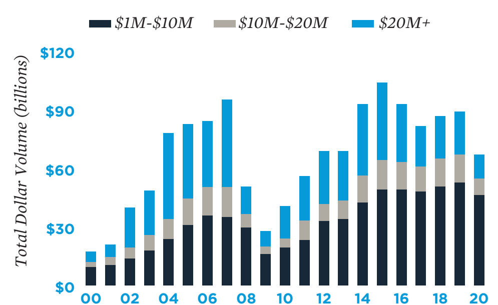
Additional shopping center deals expected despite higher vacancy. The low cost of capital will aid in more deals penciling out this year notwithstanding rental revenue declines. The yield spread for some properties should remain consistent or even widen in the coming months. As a result, the shopping center transaction market should be active this year even as many in-line retailers permanently close. Entering 2021, the average cap rate for these properties was in the low-7 percent range nationwide, with community center first-year returns dipping to approximately 7 percent. The trajectory of the economic recovery, which will become clearer by midyear, will determine the percentage of distressed deals that occur in the second half of 2021. Risk-tolerant buyers will preemptively move ahead on some high-vacancy locations in the first two quarters in an effort to achieve outsized gains. The prevailing trend through the course of this year will be more flexibility in buyers' expectations as more competition enters the market.

Large multi-tenant assets attract institutional capital. Some malls will go dark this year following the closures of many traditional mall concept locations. Many malls were on the path to close in the next few years regardless, and others will need a lifeline to survive. Simon Property Group, the nation's largest mall owner, is the most active buyer as consolidation increases. The firm also acquired J.C. Penney, guaranteeing some stability in the mall anchor space. Vacant malls, meanwhile, will attract investors with repositioning plans. Several options have emerged as leading contenders, including distribution centers, data warehousing and repositioning plays. Raze and redevelop could prove to be lucrative for developers due to the sheer size of contiguous land, though favorable acquisition costs will be necessary. Mixed-use projects with a focus on multifamily in housing-starved locations fit well into infill areas. When available, lifestyle and power centers will draw institutions, REITs and other large investors, though deal flow is anticipated to be limited as owners retain performing assets in the wake of uncertainty.

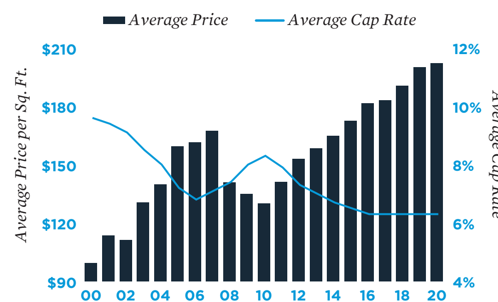
Retail Transactions by Price Tranche



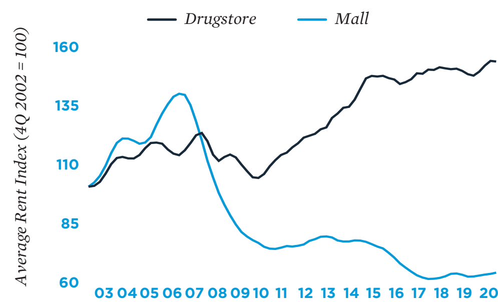
Retail Volume by Price Tranche



Retail Price vs. Cap Rate

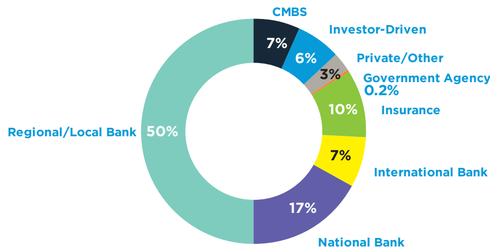


Retail Rent Index

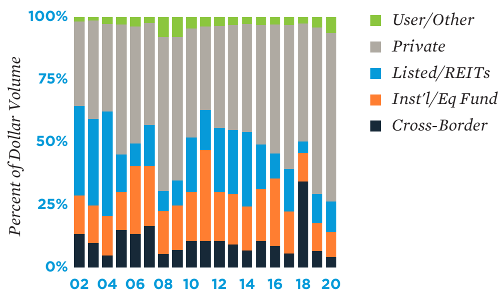


Sources: CoStar Group, Inc.; Real Capital Analytics

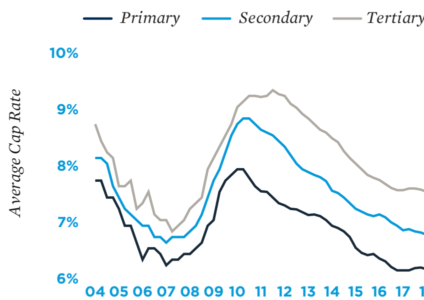
2020 Retail Lender Composition



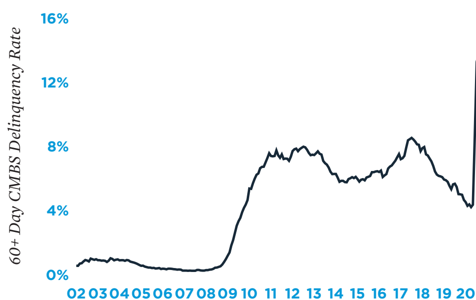
Retail Buyer Composition



Cap Rate by Market Type



Retail Delinquency Trends



Sources: CoStar Group, Inc.; Moody's Analytics; Trepp; Real Capital Analytics

Single-Tenant Properties Attractive Fixed-Income Option; Competition Remains Strong

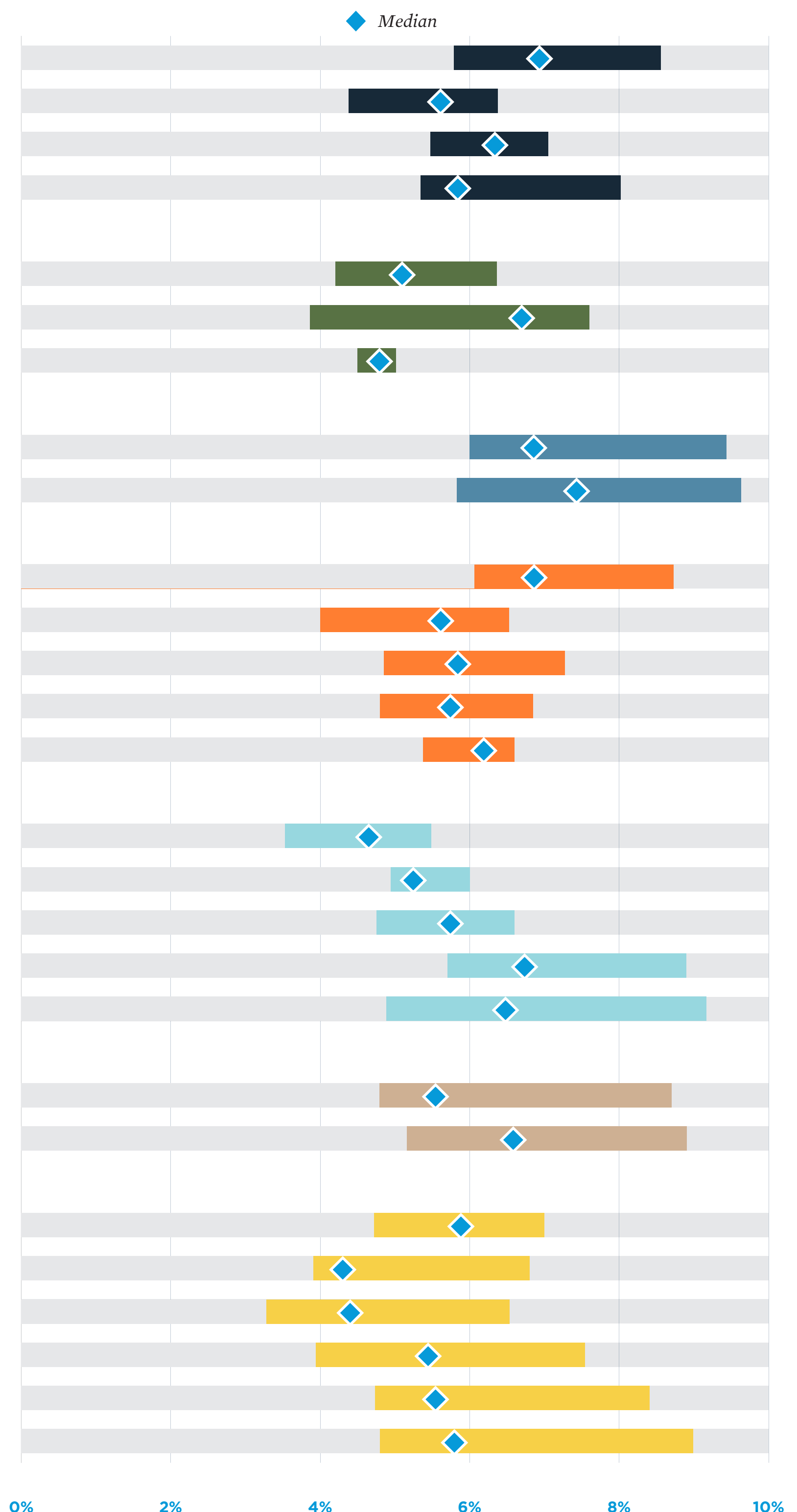
Uncertainty motivates some sellers and buyers. The Biden administration included tax reform that called for the elimination of the like-kind exchange. Section 1031 has also been targeted during previous reform efforts, including the elimination of all assets but real estate with the passage of the Tax Cuts and Jobs Act. Congress is unlikely to take up tax reform until the health crisis dissipates, and there is no guarantee the 1031 exchange will be abolished. Nonetheless, owners considering an exchange in the next year may move plans forward. Capital is likely to follow population migration related to the health crisis. While coastal cities traditionally dominate as origination sources, this trend may accelerate this year. Texas, Arizona and Florida should see an influx of investors. Private buyers are expected to account for the largest group of investors this year. In 2020, 67 percent of dollar volume was from private buyers, the largest share in more than two decades. That trend will continue during the early stages of 2021, though more institutional capital is expected to participate as the year progresses.

Drugstores and quick-service restaurants top investors' wish lists. Drugstores fared well during the pandemic as receipts extended nearly 6 percent last year. Continued strength in the sector is attracting both traditional and exchange buyers. Multifamily sellers from California and New York will compete for these properties with local investors throughout the year. Nationwide, average cap rates for CVS and Walgreens are near 6 percent entering 2021, though new construction or assets with favorable lease terms can trade significantly lower. Quick-service restaurants have remained a popular destination for capital throughout the pandemic and momentum is not anticipated to wane. Average cap rates are generally in the high-5 percent range, though they vary by concept. Chick-fil-A and McDonald's trade 100 basis below that area, while Burger King and Yum Brands have average cap rates on the higher end of the scale. Some cap rate compression between corporate chains and franchisees may occur. Low yields and an abundance of capital chasing assets will encourage more buyers to accept tighter spreads for franchisee-owned properties as the year progresses.

Investors find opportunity in several single-tenant concepts. Discount stores are opening hundreds of new locations across the country this year, offering buyers an avenue to acquire assets with new leases. Typically, first-year yields average in the 7 percent range for all dollar stores, though new locations with freezers and fresh produce will have much lower cap rates. Convenience stores will also change ownership with relative frequency throughout the year at average yields ranging from below 5 percent for WaWa to near 7 percent for Circle K. The wildcard in the single-tenant sector remains casual dining restaurants. Although many locations were unable to open for months during the downturn, the support of a corporate office and the lines of credit that entails should keep them afloat at a much greater percentage than local restaurants. Auto parts stores should rebound as the health crisis winds to a close in the coming months and commuters resume their daily drive. However, total miles traveled may remain subdued for a long time, lowering the frequency of repairs.

Brand	Locations*
Auto Parts	
Advance Auto Parts	4,276
AutoZone	5,815
Caliber Collision	1,062
O'Reilly Auto Parts	5,477
Convenience Stores	
7-Eleven	8,707
Circle K	6,250
Wawa	815
Dollar Stores	
Dollar General	16,278
Dollar Tree/Family Dollar	15,288
Fast Casual Restaurants	
Applebee's	1,682
Bloomin' Brands	1,214
Chili's	1,238
Darden Restaurants	1,812
Red Lobster	749
Grocery and General Retail	
Aldi	1,987
Safeway	895
Sherwin-Williams	4,415
Verizon Wireless	1,703
Walmart	5,078
Pharmacies	
CVS	8,131
Walgreens	8,916
Quick Service Restaurants	
Burger King	7,566
Chick-fil-A	2,497
McDonald's	15,338
Starbucks	16,752
Wendy's	6,289
Yum! Brands	18,841

STNL CAP RATE RANGE BY BRAND



Cap rates shown above are representative of transactions that closed in the trailing 12 months ending in September. Actual yields will vary by locations, tenant, lease terms and other considerations.
Locations sourced from Creditntell for public companies and company websites for private companies.
** U.S. and Canadian locations*
Sources: CoStar Group, Inc.; Real Capital Analytics

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