Marcus & Millichap

2024 RETAIL

National Investment Forecast

TO OUR VALUED CLIENTS

The retail sector has entered 2024 with its strongest momentum since the early 2000s. Open air centers, in particular, have outperformed, with vacancy levels at or near record lows and with rent growth registering steady gains. The limited construction pipeline, together with some targeted demolition and redevelopment, has supported the sector and empowered sturdy investor activity, despite elevated interest rates.

The outlook for the year is promising for investors, even as the prospect of a soft landing to the Federal Reserve's monetary policy decisions suggests slower economic growth and moderating consumption levels. This will likely be offset by potentially lower interest rates that facilitate investor acquisitions and could help narrow the expectation gap between prospective retail property buyers and sellers. At the same time, lower interest rates could facilitate store openings in 2024, strengthening the demand for retail space.

Reduced interest rates could also bolster demand for single-tenant net-leased retail properties as the yield spread improves, and as increased commercial real estate transaction volume revives 1031 exchange activity. The slowdown in apartment sales last year did weigh on the flow of capital into net- leased assets, but that trend could reverse in 2024. To help commercial real estate investors in their consideration of the variety of opportunities found in different markets across the country, Marcus & Millichap presents the 2024 Retail National Investment Forecast. We hope this report provides useful insights, and our investment and financing professionals look forward to assisting you in meeting your goals.

Thank you and here's to your continued success,

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CLIENT SERVICES

Developed by Marcus & Millichap Research Services.

Additional contributions were made by Marcus & Millichap investment brokerage professionals nationwide.

EXECUTIVE SUMMARY

NATIONAL RETAIL INDEX (NRI)

- Florida and Texas markets dominate the top third of the 2024 Index, supported by favorable in-migration and job creation trends. Tampa, Fort Lauderdale and Miami-Dade rank highest among Florida markets, due to a combination of tight vacancy and strong rent growth, or employment growth projections. All of Texas' prominent markets also note nationally high job creation, propelling Dallas-Fort Worth and Austin into top spots.
- A group of metros slotted at or below the midpoint of the Index will benefit from some of the nation's lowest supply-side pressures. Chicago, Orange County, Milwaukee and Northern New Jersey highlight this list, each with respective inventory expansions of just 0.1 percent in 2024. Scant new supply here and in Los Angeles, San Francisco and Oakland will steer expanding retailers to existing spaces and likely aid local renewal activity.

NATIONAL ECONOMY

- The economy defied pundits' forecasts in 2023, supported by a tight labor market and consumer spending that outpaced inflation. This momentum is expected to carry the economy forward. Still, the heightened cost of debt will impact overall growth. Fortunately, it is anticipated that the Fed will cut rates at some point in 2024 amid a further easing of inflation, factors that appear to support sturdy, albeit modest, economic gains in 2024.
- While approximately 2.7 million jobs were created last year, employment growth is expected to be around two-thirds of that pace in 2024. Of specific consideration for the retail trade sector, 22 states raised their minimum wage at the start of this year. These pay bumps will increase many retailers' payroll-related expenses, potentially limiting job growth in the segment.

NATIONAL RETAIL OVERVIEW

- Fueled by consumers' resiliency, the retail sector should remain in expansion mode this year, with many retailers likely to comb metros' existing inventories during a span of moderate stock growth. For property owners impacted by upcoming store closures, candidates are in place to backfill spaces. Discount retailers may play the largest role, with gyms, sporting goods vendors and off-price retailers among those competing for larger spaces.

CAPITAL MARKETS

- While the Federal Open Market Committee has not ruled out the possibility of additional policy firming moving forward, it is widely anticipated that the Federal Reserve will ultimately cut rates at some point in 2024. The degree of those cuts, however, will depend on the extent to which inflation tempers, and how well labor and financial markets hold up. Nevertheless, the prospect of modest cuts and recently encouraging consumer spending is likely to enhance the attractiveness of retail investment.
- Net-leased assets and shopping centers with high-credit national anchors and long-term leases in place will remain extremely approachable properties for lenders in 2024. A more diverse composition of lenders is likely to result, a dynamic also fueled by more yield-focused investors entering the retail marketplace.

INVESTMENT OUTLOOK

- The prospect of declining interest rates and significant capital awaiting deployment at both the private and institutional levels should bolster investor activity in the retail sector this year. Contrasting some other commercial real estate segments, the availability of higher yielding assets and relatively steady property valuations should also broaden the buyer pool.
- Investors may target major submarkets that have recently undergone rapid apartment expansion, with the expectation that growing consumer bases in these zones will support strong long-term property performance. Others are likely to pursue opportunities in specific metros outside the Sun Belt with record-low vacancy and minimal construction, or tertiary markets with below-average vacancy rates.

SINGLE-TENANT OUTLOOK

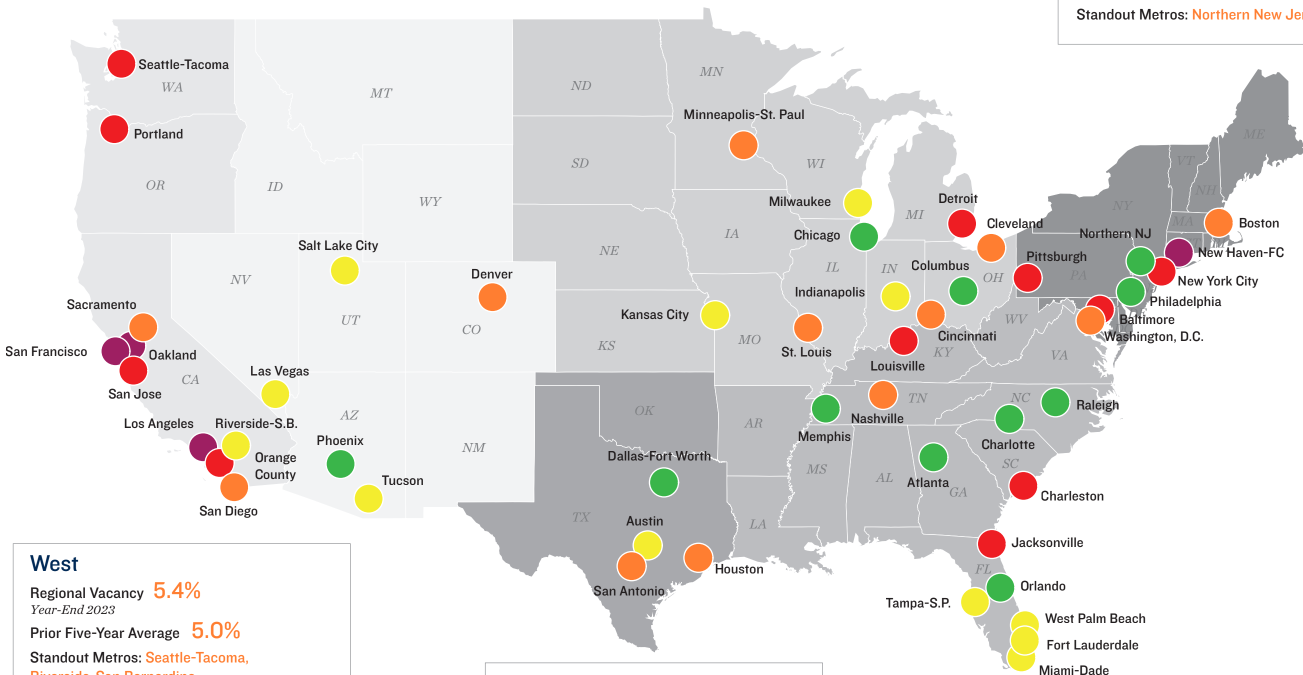
- The single-tenant sector has proven to be extremely resilient, entering 2024 with the lowest vacancy among primary commercial real estate sectors. Strong conditions are widespread, with nearly half of the nation's major retail markets exhibiting sub-4 percent vacancy. Standout conditions extend across market sizes as well, with primary, secondary and tertiary vacancy rates historically tight or tied with their prior low. This broad demand has the sector well equipped to handle potential headwinds.

REGIONAL FUNDAMENTALS REFLECT SECTOR'S OVERALL STRENGTH

Mountain
Regional Vacancy 4.7%
Year-End 2023
Prior Five-Year Average 6.0%
Standout Metros: Phoenix, Salt Lake City

Midwest
Regional Vacancy 5.0%
Year-End 2023
Prior Five-Year Average 5.4%
Standout Metros: Minneapolis-St. Paul, Chicago

Northeast
Regional Vacancy 4.4%
Year-End 2023
Prior Five-Year Average 4.4%
Standout Metros: Northern New Jersey, Boston



West
Regional Vacancy 5.4%
Year-End 2023
Prior Five-Year Average 5.0%
Standout Metros: Seattle-Tacoma, Riverside-San Bernardino

Texas/Oklahoma
Regional Vacancy 4.8%
Year-End 2023
Prior Five-Year Average 5.3%
Standout Metros: Austin, Dallas-Fort Worth

South
Regional Vacancy 3.7%
Year-End 2023
Prior Five-Year Average 4.4%
Standout Metros: Miami-Dade, Charlotte

2023 Vacancy
- *Record Low*
- *60 to 100+ bps below prior five-year mean*
- *10 to 50 bps below prior five-year mean*
- *10 to 50 bps above prior five-year mean*
- *60 to 100+ bps above prior five-year mean*

STANDOUTS	PERFORMANCE HIGHLIGHTS
Austin	*Positive net absorption for 16 straight years*
Boston	*High-2 to mid-3 percent vacancy since 2014*
Charlotte	*Fourth-lowest vacancy rate among major markets*
Chicago	*Demand tripled supply over the past three years*
Dallas-Fort Worth	*Vacancy 200 basis points below long-term mean*
Miami-Dade	*Lowest vacancy among major South markets*
Minneapolis-St. Paul	*Lowest vacancy among major Midwest markets*
Northern New Jersey	*Positive net absorption for 11 straight years*
Phoenix	*Vacancy down 330 basis points since 2020*
Riverside-S.B.	*Three-year span as West's top area for absorption*
Salt Lake City	*30 percent rent growth over the past five years*
Seattle-Tacoma	*Lowest vacancy among major West markets*

Vacancy Impacts Development Dynamics

Historic conditions refill specific growth markets' pipelines. Five Sun Belt metros, each with all-time low vacancy, will account for one-fourth of the nation's new supply in 2024. Dallas-Fort Worth is on pace to receive the most new space of any major U.S. market, at 3.4 million square feet, while Raleigh and Phoenix will record notable year-over-year boosts in delivery volume. Elsewhere, Orlando will represent the only major Florida market to register noteworthy stock expansion, at 1.0 percent, with at least 1 million square feet added in Atlanta for an 18th straight year. In contrast, five major California markets entered this year with 6 percent or higher vacancy. Cognizant of this dynamic, developers will add limited volumes of space across Los Angeles, Oakland, San Francisco and Sacramento in 2024, with the Inland Empire notching the largest stock growth among the group at 0.5 percent.

Note: Regional vacancy reflects the collective vacancy rate of that region's major markets.

Strong Sun Belt Demographics Evident in 2024 NRI; Minimal Construction Aids Metros with Higher Vacancy

Centers of household formation comprise the upper echelon of this year's Index. Major Florida and Texas markets dominate the top third of the 2024 National Retail Index, with favorable in-migration and job creation trends translating to high rankings. West Palm Beach (#16) and Orlando (#17) notch the highest household growth rates among Florida's major metros. Tampa (#3), Fort Lauderdale (#5) and Miami (#7), however, outrank these markets, due to a combination of lower vacancy and stronger rent growth, or employment growth projections. All of Texas' prominent markets also note nationally high job creation this year, propelling Dallas-Fort Worth (#4) and Austin (#12) into top spots. Expanding consumer bases are also supporting lower vacancy in Houston (#8) and San Antonio (#10), aiding their rankings. The same drivers are even more apparent in this year's vanguard. Home to low-3 percent vacancy, Salt Lake City (#1) and Charlotte (#2) will each register standout rates of job creation, supporting strong household and retail sales growth expectations. Notable gains in consumer spending are also anticipated in neighboring Las Vegas (#9) as well as Raleigh (#6), fueled by the nation's strongest rates of household formation.

Market indicators highlighted by a broad lack of near-term supply additions. Metros making comparatively less progress this year, slotted at or below the midpoint of the Index, will nevertheless benefit from some of the nation's lowest supply-side pressures. Orange County (#25), Milwaukee (#30) and Northern New Jersey (#34) highlight this list, each with respective inventory expansions of just 0.1 percent in 2024. Chicago (#40) registers a comparable gain, helping offset the impacts of moderate local retail sales growth. Also included in this group are Los Angeles (#38), San Francisco (#44) and Oakland (#47), with projected inventory gains of 0.2 or 0.3 percent. Scant new supply will steer expanding retailers to existing spaces and likely aid renewal activity; however, vacancy in these markets is forecast to rise slightly, holding each metro's year-end rate above 6 percent.

Index Methodology

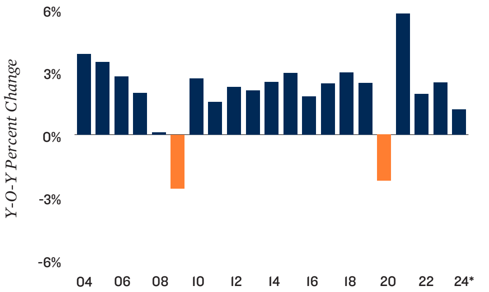
The NRI ranks 50 major markets on a group of 12-month, forward-looking economic indicators and supply and demand variables. Metros are ranked based on their cumulative weighted average scores for various indicators, including projected job growth, vacancy, construction, retail sales, rents, historical price appreciation and cap rate trends. Weighing the history, forecasts and incremental change over the next year, the Index is designed to show relative supply and demand conditions at the market level.

Users of the Index are cautioned to keep several important points in mind. First, the NRI is not designed to predict the performance of individual investments. A carefully chosen property in a bottom-ranked market could easily outperform a poor choice in a higher-ranked market. Second, the NRI is a snapshot of a one-year horizon. A market encountering difficulties in the near term may provide excellent long-term prospects, and vice versa. Third, a market's ranking may fall from one year to the next, even if its fundamentals are improving. The NRI is an ordinal Index, and differences in rankings should be interpreted carefully. A top-ranked market is not necessarily twice as good as the second-ranked market, nor is it 10 times better than the 10th-ranked market.

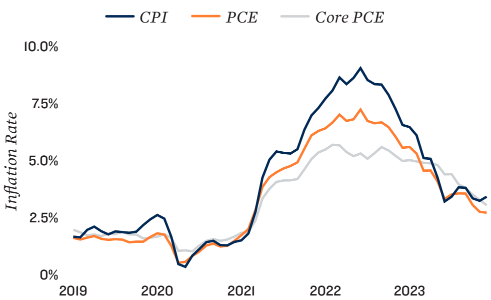
RANK	MARKET
1	*Salt Lake City*
2	*Charlotte*
3	*Tampa-St. Petersburg*
4	*Dallas-Fort Worth*
5	*Fort Lauderdale*
6	*Raleigh*
7	*Miami-Dade*
8	*Houston*
9	*Las Vegas*
10	*San Antonio*
11	*Jacksonville*
12	*Austin*
13	*Phoenix*
14	*Atlanta*
15	*Boston*
16	*West Palm Beach*
17	*Orlando*
18	*Nashville*
19	*Seattle-Tacoma*
20	*Minneapolis-St. Paul*
21	*Philadelphia*
22	*Indianapolis*
23	*Tucson*
24	*Columbus*
25	*Orange County*
26	*Memphis*
27	*Denver*
28	*Charleston*
29	*San Diego*
30	*Milwaukee*
31	*San Jose*
32	*New York City*
33	*Louisville*
34	*Northern New Jersey*
35	*Cleveland*
36	*Portland*
37	*St. Louis*
38	*Los Angeles*
39	*Riverside-San Bernardino*
40	*Chicago*
41	*Pittsburgh*
42	*Washington, D.C.*
43	*Kansas City*
44	*San Francisco*
45	*Cincinnati*
46	*Sacramento*
47	*Oakland*
48	*Baltimore*
49	*Detroit*
50	*New Haven-Fairfield County*

[1] *See National Retail Index Note on page 64*

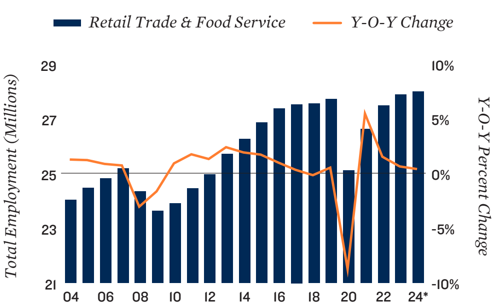
GDP Growth Trends



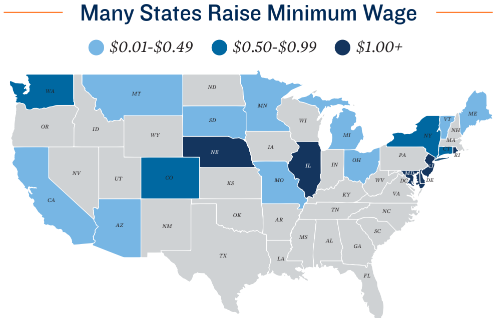
Inflation Cooling from Recent Highs



Retail-Focused Hiring Trends



Many States Raise Minimum Wage



Economy's Durability Tested in 2024; Soft Landing Anticipated, but Severe Headwinds Remain

Recent resiliency and probable rate cuts back optimistic outlook. The economy defied pundits' expectations in 2023. Real GPD growth achieved 2.5 percent last year, supported by a tight labor market and consumer spending that rose in real terms after accounting for inflation. This positive momentum is expected to carry the economy forward, aided by rising household net worth, which reached roughly $151 trillion in the third quarter, thanks to near record home and stock prices. Growing household wealth will help offset the effects of fiscal stimulus wearing off and household debt, which reached $17.29 trillion last September. Still, the heightened cost of debt will impact overall growth. The Federal Reserve's 18-month hiking cycle that ended last year is already constraining investment and development activity across commercial real estate markets. Businesses and consumers are also more likely to avoid major outlays while borrowing costs remain heightened. Fortunately, it is widely anticipated that the Fed will cut rates in 2024 amid a further easing of inflation, factors that appear to support sturdy, albeit modest, economic gains in 2024.

Lower-end pay increases may alter retail hiring. The wave of U.S. corporate debt — an estimated $790 billion — set to mature in 2024, together with rising operating expenses, is poised to impact many firms' bottom lines this year. While approximately 2.7 million jobs were created in 2023, above the 2010-2019 annual average, employment growth is expected to slow to two-thirds of that pace this year, with the risk of job losses in some industries and markets. Of specific consideration for the retail trade sector, 22 states raised their minimum wage at the start of this year. These pay bumps, which range from roughly .25 cents to $2 per hour, will increase many retailers' payroll-related expenses, potentially limiting job growth in the segment.

2024 NATIONAL ECONOMIC OUTLOOK

- **Return-to-office mandates and recent move-ins to improve foot traffic.** Office usage across a collection of major metros registered around 50 percent at the tail-end of last year, the highest recording since early 2020. Nineteen metros noted positive office absorption during 2023, a list headlined by New York City, Houston and Dallas-Fort Worth. Should these trends continue, upticks in midweek CBD foot traffic could result, a boon for nearby retailers, including restaurants.

- **Homeownership hurdles may adversely impact certain retail categories.** Pending home sales in the latter months of 2023 were historically low, with many consumers delaying homebuying plans amid elevated pricing and mortgage rates above 6 percent. Until mortgage rates fall closer in line to current homeowners' existing rates, the volume of for-sale listings is likely to remain limited, keeping prospective homebuyers on the sidelines. In response, furniture, electronics, and building and gardening-related sales — segments that noted year-over-year spending declines in 2023 — may face headwinds, especially if total consumer expenditures taper.

- **Trips pencil for more households.** Domestic travel is expected to be more affordable in 2024, with several sources calling for airfare to drop by double digits. Additionally, rental car rates are expected to decline, suggesting tourist counts in historically popular travel destinations may increase.

* Forecast

Retail Positioned to Become the Nation's Highest Occupancy Commercial Real Estate Sector

Retailers act on consumers' resiliency. The U.S. retail sector remained in expansion mode last year, with store openings surpassing closures by roughly 1,000 locations. This activity and moderate supply growth translated to minimal vacancy adjustment, with the segment's rate just 10 basis points above its all-time low entering 2024. Vendors expect the record spending that occurred across multiple retail categories last year, and consumers' prioritization of necessities and experiences, to continue in 2024, as indicated by store opening plans. Many retailers will comb metros for available space as they grow their footprint, as 36 of 50 major markets are slated to note stock expansion of 0.5 percent or less this year. Together, these dynamics will support positive net absorption and asking rent growth, while also holding vacancy 100 basis points below its long-term mean. Potential headwinds could emerge in some segments of retail. Revolving debt has reached record highs, with total outstanding credit card debt surpassing the $1.0 trillion mark last year, which could curtail spending by some consumer cohorts. Nevertheless, the outlook for retail remains positive. The long-term forecast is bolstered by a consumer base that is expected to grow by more than 4.8 million households from 2024 to 2028, notably eclipsing the prior five-year tally.

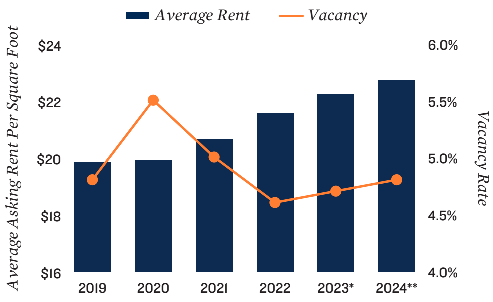
Candidates in place to backfill space. After a wave of closures that included Bed Bath & Beyond, Tuesday Morning and Buybuy Baby locations, another collection of shops will shutter in 2024. This list includes 125 Champs Sports, a group of Rite Aid, Walgreens and CVS stores, and underperforming Family Dollar locations. Fortunately for impacted property owners, a group of retailers remains in expansion mode. Dollar Tree, Dollar General and Five Below ranked as top retailers for square feet leased last year, and should continue to grow their footprints as consumer demand for discounted goods is expected to rise. This dynamic bodes well for vacated spaces of less than 20,000 square feet. Above this threshold, gyms, sporting goods and off-price retailers are candidates to fill available big-box space. Buybuy Baby and other retailers that plan to re-enter the brick-and-mortar zone may also play a role.

2024 NATIONAL RETAIL OUTLOOK

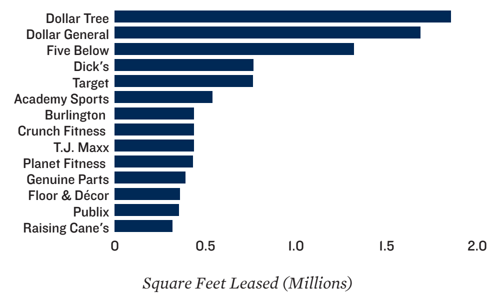
- **Mergers have ramifications for specific property owners.** Two grocery-related consolidations — Kroger and Albertsons' merger and Aldi's acquisition of Southeastern Grocers — are expected to close some time this year. Shopping center owners with stores not slated for conversion will see their circumstances adjust nominally, apart from operational changes. Meanwhile, owners with stores pinned for conversion will see the credit quality of their grocery tenants improve. For markets with overlapping coverage, primarily along the West Coast, questions of potential closures or spinoffs remain. This places owners of one of the 400-plus Kroger or Albertsons-family stores slated for sale to C&S Wholesale Grocers in a more volatile situation.

- **Evolution of "medtail" diversifies centers' tenant mix.** The multi-tenant segment has registered 14 straight years of positive net absorption. The increased presence of health providers and specialists in retail settings is poised to extend this streak. Last year, 1,000-plus retail leases were inked by medical-related groups, including urgent care providers and health systems. This total also included animal hospitals, a trend that should continue as nearly 87 million U.S. households and climbing own a pet.

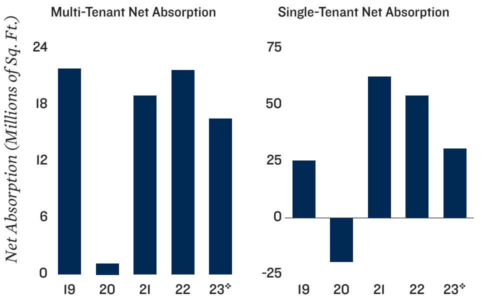
Vacancy & Rent Trends



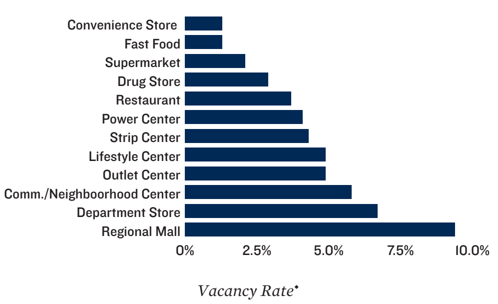
Top Companies for New 2023 Leases



Space Demand by Subsector

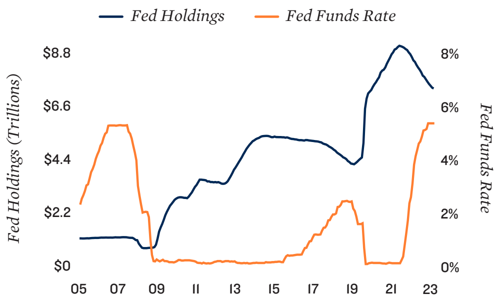


Retail Vacancy by Property Type



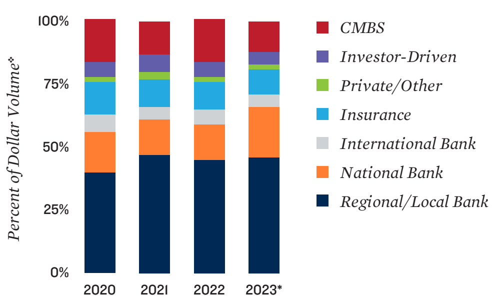
* Estimate
** Forecast
✢ Trailing 12-months through 3Q
• As of 3Q 2023

Monetary Policy Trends

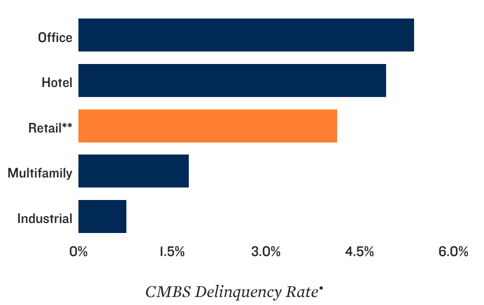


Treasury Yield Trends

Retail Lender Composition



Retail Loan Delinquency Relatively Low



** Estimate*

*** Excluding regional malls*

⁺ Sales Volume $2.5 million and greater

• As of December 2023

Rate Stability and Sector's Strong Performance Bolster Transactions Amid Tight Lending Climate

Short-term rates expected to ease, 10-year Treasury on less certain trajectory. The Federal Reserve concluded its aggressive 18-month hiking spree last July, holding the overnight benchmark rate flat at a 5.25 percent lower bound through the remainder of 2023. While the Federal Open Market Committee has not ruled out the possibility of additional policy firming moving forward, it is widely anticipated that the Fed will ultimately cut rates at some point in 2024. The degree of those rate cuts will depend on the extent to which inflation tempers, and how well labor and financial markets hold up. Should the Fed's quantitative tightening efforts continue through 2024, upward pressure will be applied to the 10-year Treasury, which briefly eclipsed the 5 percent mark last November before ending the year just below 4 percent. However, minutes from the Fed's final policy meeting of 2023 revealed some officials are discussing how to end the reduction of the central bank's cash and bond holdings. Amid this fluid environment, any changes to monetary policy will be closely monitored by investors in the coming quarters. Nevertheless, the combination of modest cuts and encouraging consumer spending is likely to enhance the attractiveness of retail investment.

Lenders' appetite for retail poised to increase near term. Net-leased assets and well-located shopping centers with high-credit national anchors and long-term leases in place were extremely approachable properties for lenders during the second half of last year, a trend that will carry over into 2024. A more diverse composition of lenders is likely to result, a dynamic also fueled by more yield-focused investors entering the retail marketplace. Meanwhile, retail evaluations have held relatively steady, with grocery-anchored centers and power centers providing investors with low- to mid-7 percent and 7 to 8 percent first-year returns, respectively. Buyers with greater risk tolerance can obtain higher yields for unanchored centers. For these investors, CMBS, regional/national banks and life insurance companies will represent primary financing sources, with lending rates starting at 6.5 percent and leverage ranging from 50 percent to a maximum of 65 percent. Borrowers with debt maturing this year will likely have to accept lower leverage and higher rates when they refinance, but generally favorable property performance fundamentals should aid in that process. Only about 15 percent of outstanding retail debt is set to mature in 2024, which further reduces the risk of any defaults on the retail sector more broadly.

2024 CAPITAL MARKETS OUTLOOK

- **Current distress levels well below the height of the Global Financial Crisis.** While some distress could arise as higher-leverage loans obtained over the past five years come due during a period of higher borrowing costs and lower LTVs, retail-related distress is not expected to be widespread. As of last September, retail properties accounted for roughly one-fourth of all commercial real estate distress, which includes both financially troubled and bank-owned assets, and just 14 percent of potential distress.

- **Net-lease construction financing obtainable.** Capital for retail construction has retracted more than for investment sales of existing assets. Still, financing remains accessible for single-tenant net-lease projects, specifically permitted, shovel-ready sites secured by long-term leases with high-credit tenants. Late last year, at least one joint venture was formed to finance such projects, an indication new sources could emerge.

Low Vacancy, Competitive Yields Draw Investors' Attention; Broadly Tight Conditions Disperse Deal Flow

Trading holds above historical norms, despite heightened borrowing costs. While the retail investment landscape was impacted by the Federal Reserve's aggressive monetary tightening actions, the sector still logged more than 20,000 transactions for a ninth straight year in 2023, with deal flow exceeding the 2011-2020 mean. A combination of historically tight vacancy across market sizes, steady rent growth, and resilient consumer spending served to draw private investors — including 1031 exchange buyers — to listings, with more than 90 percent of sales falling between $1 and $10 million. Moving forward, the prospect of modestly declining interest rates and significant capital awaiting deployment at both the private and institutional levels should bolster investor activity in the coming year. Contrasting some other commercial real estate segments, the availability of higher yielding assets and relatively steady property valuations should also broaden the buyer pool over the near term. Investors with an appetite for low-7 to 8 percent first-year returns are likely to pursue grocery-anchored properties and power centers, with the latter subsector home to the tightest vacancy among multi-tenant categories. More hands-on buyers are likely to obtain yields beyond this band for unanchored shopping centers.

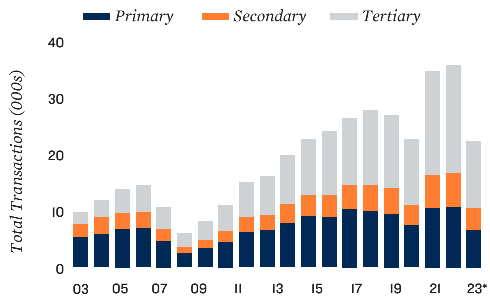
Buyers focused on high-growth markets presented with vast options. Mirroring expanding retailers, investors may target major submarkets that have recently undergone rapid apartment expansion, with the expectation that growing consumer bases in these zones will support strong long-term property performance. Buyers that adhere to this strategy will have a host of areas to examine. Last year, nearly 100 submarkets nationally recorded multifamily stock growth of more than 5 percent. Several submarkets across Austin, Houston, Dallas-Fort Worth, Phoenix, Atlanta and Salt Lake City registered gains over 10 percent. Across these metros' high growth submarkets, well-located centers with solid tenant rosters and net-leased assets will garner obvious attention; however, aging multi-tenant assets and vacant single-tenant properties suited for redevelopment should also carry appeal to investors capable of repositioning their assets.

2024 INVESTMENT OUTLOOK

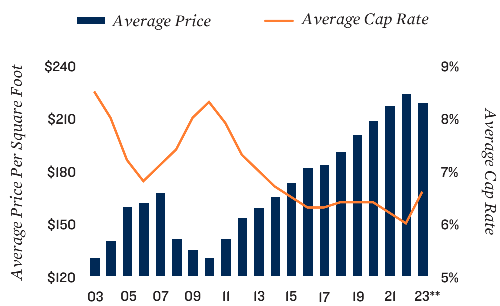
- **Intriguing opportunities exist beyond rapidly expanding cities.** Metros outside the Sun Belt with record-low vacancy and minimal construction pipelines should represent growing pockets of investor competition this year. Chicago, the nation's largest market by stock, headlines this group, with its inventory slated to expand by just 0.1 percent in 2024. Northern New Jersey and Columbus are also home to historically tight conditions, with anticipated delivery slates at or below 300,000 square feet. Investors with higher risk tolerances may also scout major California coastal markets. Across these metros, high barriers to entry and above-average vacancy exist; however, each is expected to note stock growth of 0.1 to 0.3 percent this year.

- **Fundamentals in smaller markets garner investors' attention.** For a second straight year, 55 percent of all retail transactions took place in tertiary metros, an indication buyer demand is holding up across smaller markets. Moving forward, competition for assets should remain steadfast in these areas, supported by sub-4 percent tertiary vacancy and a mean asking rent that has risen by 20 percent since year-end 2019. For private borrowers, regional and local banks should be the primary financing source.

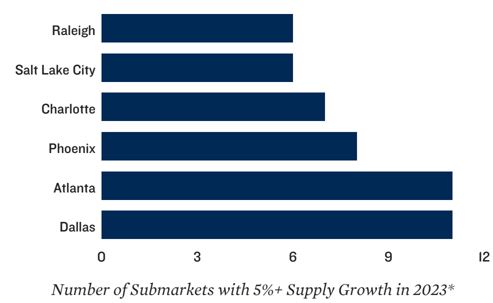
Trading Prevalent in Smaller Metros



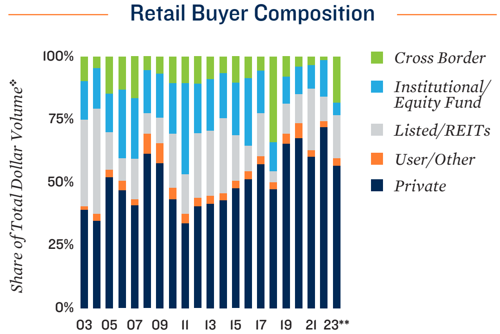
Retail Price and Cap Rate Trends



Metros with High Multifamily Construction



Retail Buyer Composition

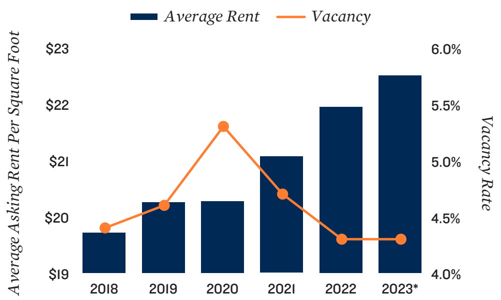


* Trailing 12-months through 3Q

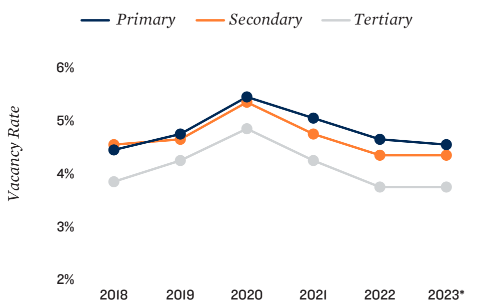
** Estimate

*Sales $2.5 million and greater

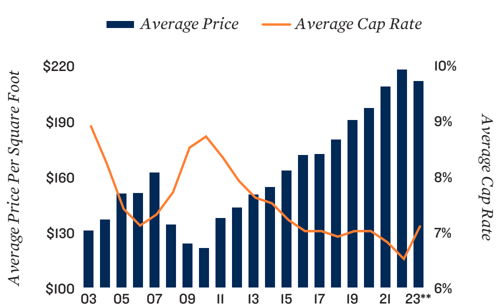
Single-Tenant Vacancy and Rent Trends



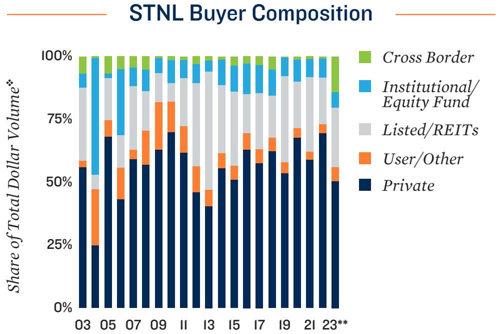
Vacancy Holding Across Market Size



STNL Price & Cap Rate Trends



STNL Buyer Composition



Single-Tenant Retail Properties Remain Attractive to Investors; Sector Expansion Outpacing Development

Multiple fundamentals reflect broad demand for space. The single-tenant sector has proven to be extremely resilient, with leasing and renewal activity fueled by consumers' prioritization of necessity goods, dining out and experiences. Entering 2024, vacancy remained tight at 4.3 percent, tying 2018's record low, with the mean asking rent at an all-time high. Strong conditions are widespread. Specifically, nearly half of the nation's 50 major retail markets exhibit sub-4 percent vacancy. Of these metros, at least 10 entered this year with record-low vacancy — a list that includes a group of Sun Belt markets, along with Chicago, Cincinnati and Philadelphia. Standout conditions extend across market sizes, as primary, secondary and tertiary vacancy rates are historically tight or tied with their prior low. Amid this broad level of demand, an uptick in construction would appear warranted, but the segment will record a third straight year of minimal new supply pressure. The active pipeline this January represents 0.3 percent of existing stock. The combination of minimal completions, many of which are built-to-suit, and broad demand has the sector well equipped to handle potential headwinds.

Standout subsector elicits investment. Restaurant and bar sales accounted for a record share of core retail sales last year, at nearly 18 percent, with quick service and fast casual chains playing a critical role. Many of these restaurants outpaced sit-down and fine-dining franchises in annual sales increases. This dynamic suggests consumers value the convenience associated with fast food chains, despite the price index for limited-service meals rising at an annual pace well above overall inflation. Not surprising, tenant demand for such space has remained robust, with fast food vacancy ending 2023 at a scant 1.3 percent. This is poised to fuel investors' appetites for assets net-leased to these chains and vacant properties with drive-thrus. The segment's growth prospects should also bolster investors' confidence. Jersey Mike's and Chipotle each plan to open more than 300 locations, with Raising Cane's and Bojangles plotting notable expansions as well. The drive-thru coffee segment will also grow as Dutch Bros and 7 Brew Coffee each open roughly 150 stores, and McDonald's launches CosMc's. Heightened labor costs, however, may require chains to lean on loyalty rewards programs to amplify their affordability.

Dry Powder Available for Single-Tenant Deals

Benefits of net-lease investment expand buyer pool. Sales activity for single-tenant properties declined less than most other major commercial real estate segments last year, with more of these assets changing hands in the first three quarters of 2023 than in any full year before 2014. The net-lease sector continues to provide numerous positives for investors, especially those looking for less management-intensive properties that provide long-term stable income. With substantial capital looking to be deployed into the sector and the potential for interest rate cuts later in 2024, an increase in trading velocity and sales volume — including 1031 exchange activity — is plausible. For single-tenant borrowers, local and regional banks will remain the primary financing resource; however, the sector's strong fundamentals may support a more diverse lending platform.

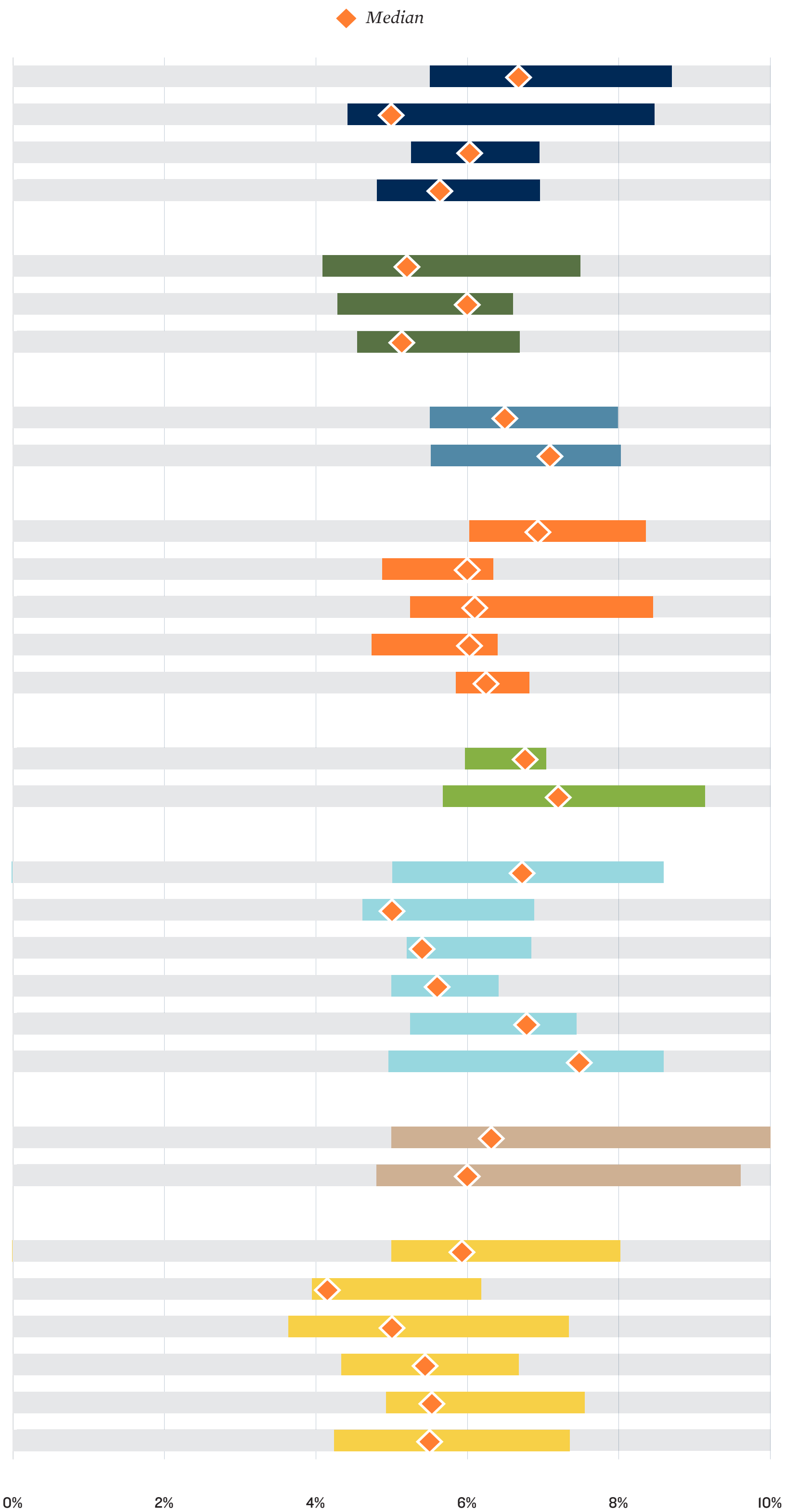
* As of 3Q

** Estimate

* Sales $2.5 million and greater

Brand	Locations*
Auto Parts	
Advance Auto Parts	6,412
AutoZone	7,165
Caliber Collision	1,782
O'Reilly Auto Parts	6,111
Convenience Stores	
7-Eleven	13,167
Circle K	11,167
Wawa	1,000
Dollar Stores	
Dollar General	19,726
Dollar Tree/Family Dollar	16,622
Fast Casual Restaurants	
Applebee's	3,584
Bloomin' Brands	1,148
Chili's	1,651
Darden Restaurants	2,010
Red Lobster	651
Fitness Centers	
LA Fitness	709
Planet Fitness	2,498
Grocery & General Retail	
Kroger	2,719
Aldi	2,250
Safeway	2,272
Sherwin-Williams	4,976
Verizon Wireless	6,316
Walmart	10,509
Pharmacies	
CVS	9,464
Walgreens	12,241
Quick Service Restaurants	
Burger King	30,375
Chick-fil-A	2,806
McDonald's	41,198
Starbucks	38,038
Wendy's	7,166
Yum! Brands	57,274

Closed STNL Cap Rate Range by Brand



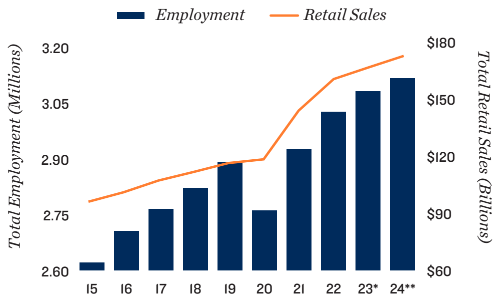
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Moody's Analytics; U.S. Census Bureau

** Number of locations globally, cap rate range derived from U.S. transactions*
Cap rates shown above are representative of transactions that closed in 2023.
Actual yields will vary by locations, tenant, lease terms and other considerations.
Locations sourced from RetailStat for public companies and company websites for private companies.

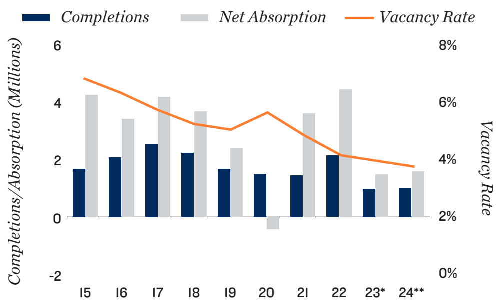
ATLANTA

Ongoing Net-Migration to Credit for Solid Retail Spending and Active Investor Base

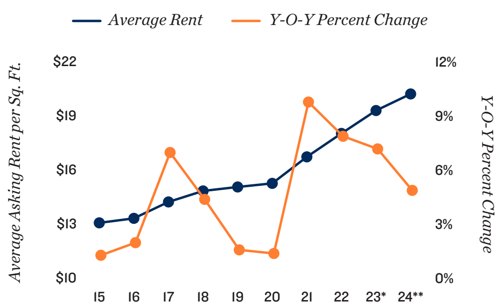
Economic Trends



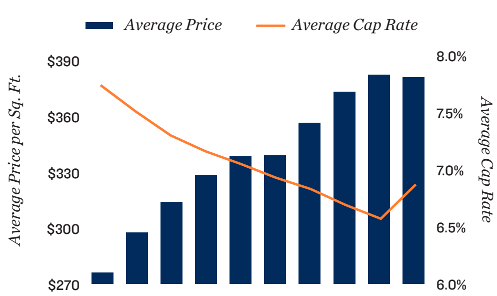
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Record-low vacancy facilitated by favorable population outlook. Local labor markets are tight, with demand for workers outpacing metro supply and necessitating continued recruitment from outside the metro. As more than 38,000 new residents are anticipated by the end of the year, Atlanta will garner the most net in-migration among major markets along the Eastern Seaboard in 2024. This year's larger move-ins highlight the retailers thriving amid this demographic growth, with multiple Publix locations and a Costco opening in the metro's suburbs. The latter expansion exemplifies the resilience of wholesale retailers despite recent pricing pressure, as Atlanta has ranked among the heaviest-impacted markets by inflation in the wake of the pandemic. While that has tempered this year, prices remain elevated, prompting many households to buy in bulk or switch to discount brands to save. Retail sales growth as a whole, however, is expected to outperform the national rate, supporting strong tenant demand amid lax development and bringing metrowide vacancy to its tightest point in multiple decades.

Growing consumer base keeps investors engaged. Atlanta was one of a handful of metros to note steady pricing in the multi-tenant segment last year, despite increasing interest rates. This was facilitated by consistent sector transaction velocity, and is a testament to Atlanta's solid consumer outlook. Investors are often following household formation north of the Interstate 285 Beltway, where new residents are supporting demand for pharmaceutical and grocery providers. Moving forward, strip and neighborhood centers in Marietta, Alpharetta and similar zones should continue to draw capital. Stabilizing borrowing costs should also coax buyers off the sidelines as the year progresses, facilitating heightened competition for assets in these areas.

2024 MARKET FORECAST

NRI RANK 14 — ***Rapid revenue growth amid tightening vacancy places Atlanta solidly in the top half of this year's Index.***

+1.2% — **EMPLOYMENT:** While the expected net addition of 36,000 positions is the most modest increase seen since 2020, this ranks as the sixth-largest growth figure nationally in 2024.

1,000,000 *sq. ft.* — **CONSTRUCTION:** Completions remain tepid, with 2024 set to mark the first instance since at least 2007 during which less than 2 million square feet of space was completed in a two-year span.

-20 bps — **VACANCY:** Limited speculative additions, combined with a growing consumer base, help trim the vacancy rate. The metric will close out the year at 3.7 percent, the lowest level in at least 16 years.

+4.8% — **RENT:** Tight operations across Greater Atlanta keep substantial upward pressure on asking rates, driving the mean marketed rent up to $20.12 per square foot in 2024.

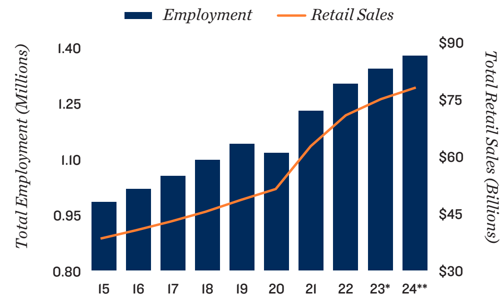
INVESTMENT: *A growing selection of mixed-use projects indicates tenant interest in walkable outdoor locales. Buyers may increasingly target assets in suburban business districts in response.*

Austin is Among U.S. Leaders in Nearly Every Key Retail Metric, Commanding Investor Attention

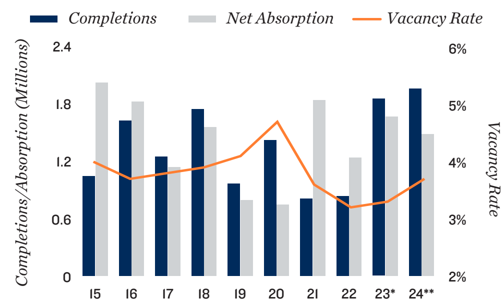
Tenant demand mirrors that of larger markets. The metro is an in-migration hotspot and popular travel destination, fortifying a favorable retail outlook. A pandemic-era surge in the metro's cost of living and recent slowdown in tech sector hiring has nevertheless briefly decelerated local economic momentum. Vendors are likely to scale back expansion plans in response, contributing to modest upward vacancy pressure this year. Although, the increasing rate is more so a byproduct of construction rather than soft demand, as Austin is projected to rank second-fastest nationally for supply growth in 2024. Despite easing relative to last year, net absorption will measure as the nation's fifth strongest, an achievement made more impressive by the group of metros it joins on that list. Only Atlanta, Dallas-Fort Worth, Houston and Phoenix — which have two to four times as much inventory — will have stronger absorption. This helps Austin rank in the top 10 nationally for rent growth, solidifying its status as the highest cost major market to lease space outside of California, Florida and the Northeast.

Affluent suburbs, outlying counties at forefront. Transaction velocity trended at about half of the prior year's pace in 2023, but the potential for interest rate cuts this year could revitalize activity amid nationally prominent fundamentals. Hays County — situated along the increasingly integrated Austin and San Antonio border — has emerged as a focal point. Trading here during the second half of last year outpaced the same six months of 2022. Supermarket-anchored centers, fast casual dining and auto parts shops are the most coveted in this area, as well as in affluent northern suburbs like Georgetown. Rapid growth in East Austin spurred by Tesla is also directing buyers to Bastrop County, where new supply is needed to alleviate sub-1 percent vacancy.

Economic Trends



Supply and Demand



2024 MARKET FORECAST

NRI RANK 12 — ***Strong household creation and job growth aid a top 15 ranking, but rapid new supply keeps Austin below other Texas markets.***

+2.6% — **EMPLOYMENT:** Retail-related jobs hit a record-high count in mid-2023. Losses since that point signal softer tenant demand, but an overall employment gain of 35,000 roles this year will aid spending.

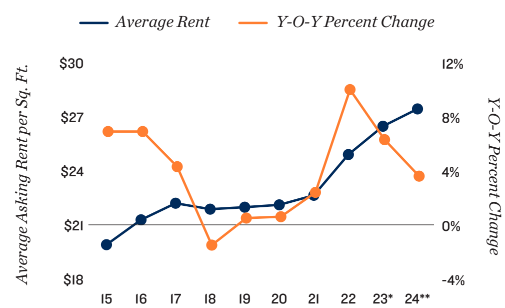
1,950,000 *sq. ft.* — **CONSTRUCTION:** The 2024 delivery slate marks a 15-year high. The 10 largest projects are cumulatively 90 percent pre-leased, however, generating healthy net absorption.

+40 bps — **VACANCY:** Despite a second straight annual vacancy increase, Austin's rate holds as the lowest in Texas at 3.7 percent. The metric also remains more than 100 basis points under the historic mean.

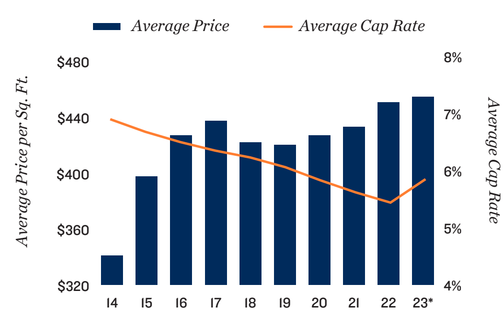
+3.6% — **RENT:** While rent growth pales in comparison to the 10.0 and 6.3 percent surges in 2022-2023, the pace of growth once again leads the Lone Star State by climbing to $27.40 per square foot in 2024.

INVESTMENT: *Entering 2024 with the lowest single-tenant vacancy among major markets west of the Mississippi, spillover demand to areas with more vacant stock like Central and Northwest Austin could present upside.*

Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

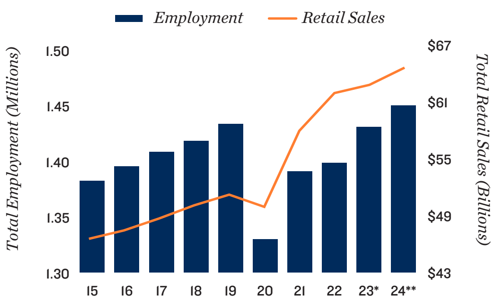
BALTIMORE

New Supply Emerges as an Answer to Suburban Demand, but Additions are Ill-Timed with Out-Migration

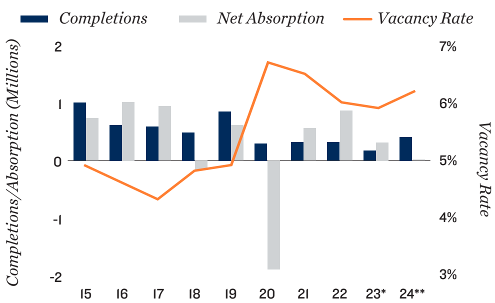
Construction spikes in outlying suburbs. Pressure from new supply on retail property metrics will pick up in the coming months, as Baltimore shifts from a near record-low completion total last year to a half-decade high in 2024. Limited stock growth helped vacancy land at a post-pandemic low of 5.9 percent in 2023, signaling to developers a growing need for updated and well-positioned spaces from tenants. Southern Anne Arundel's double-digit asking rent growth last year was likely a product of this shortage, motivating builders to start on the area's largest pipeline since 2012, at 122,000 square feet. Similarly, another 40 percent of new supply is slated for Harford and Carroll counties, where local inventories grew less than 1.2 percent over the last half-decade, facilitating far-below average vacancies to close out 2023. While tenant demand is expected to slow in 2024 as Baltimore registers a fourth straight year of net out-migration, the strategic positioning of new supply should minimize the adjustment in overall vacancy, sustaining operators' abilities to modestly push asking rents in the near-term.

Investors target highly-supplied areas. Southern Anne Arundel hosted a half-decade high number of trades in 2023. Last year's record rent growth, paired with its generally below-metro average pricing for single-tenant assets, should elicit similar levels of investment here this year. Another budding hub for retail trades, interest in Harford County is also being aided by its prevalence of lower-cost listings. Local vacancy fell 500 basis points last year, combining with the University of Maryland Medical Center's ongoing expansion to improve buyers' sentiment of local assets. Elsewhere, some investors are finding opportunities to acquire discounted assets in the CBD, with the relocation of multiple state agencies providing momentum for local midweek foot traffic.

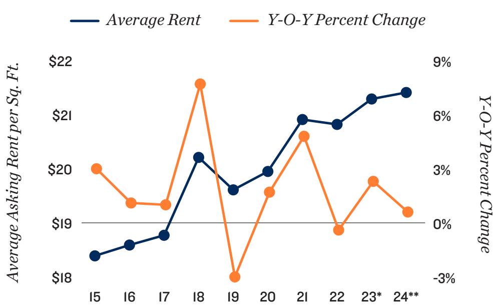
Economic Trends



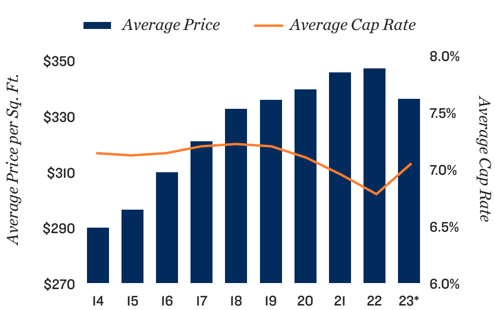
Supply and Demand



Rent Trends



Sales Trends



2024 MARKET FORECAST

NRI RANK 48 *Elevated vacancy pressure and limited prospects for household growth drag down Baltimore's placement in the 2024 NRI.*

+1.3% **EMPLOYMENT:** Job growth exceeds the national pace of 1.1 percent, with 19,000 new roles in 2024. Most hires are likely to be local, as net out-migration is projected for this year.

410,000 sq. ft. **CONSTRUCTION:** The multi- and single-tenant sectors will host the addition of 160,000 and 250,000 square feet, respectively, expanding overall inventory by 0.3 percent this year.

+30 bps **VACANCY:** While Baltimore will end 2024 with one of the four highest vacancy rates in the U.S., at 6.2 percent, the metric will be just 20 basis points above the metro's trailing five-year average.

+0.6% **RENT:** The metro avoids a drop in its mean asking rent, despite noting an increase in vacancy. Ending 2024 at $21.40 per square foot, the rate will rise to more than 9 percent above the 2019 mark.

INVESTMENT: *Over 5,300 full-time state employees are set to relocate to offices in Downtown Baltimore by April of this year. Investors could capitalize on this new source of foot traffic by targeting core retail assets.*

* Estimate; ** Forecast

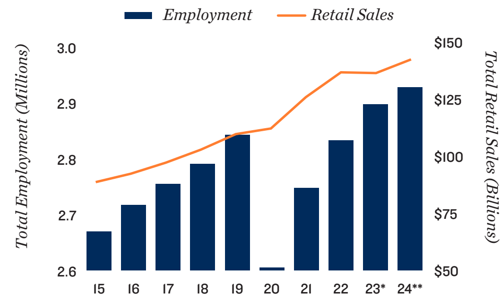
Sources: CoStar Group, Inc.; Real Capital Analytics

Dearth of Development Keeps Vacancy Nationally Low; Intown Boston Outperforms Most Other Cores

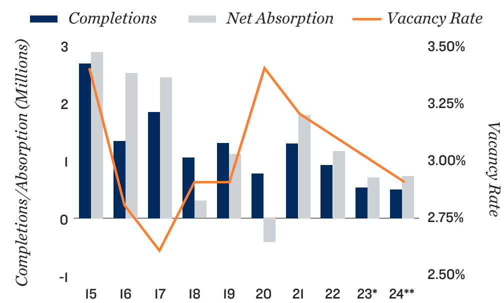
Operations remain tight downtown, despite foot traffic headwinds. Boston was one of the few major metros to see an increase in remote work from June 2022 to October 2023, with more than 46 percent of office employees working fully from home late last year, based on estimates from Oxford Economics. While this will impact tenants dependent on commuter foot traffic, retail concepts debuting this year indicate retailers are bullish on downtown consumer activity. The Prudential Center will be home to a Dick's Sporting Goods "House of Sport" location, joining a Google store as one of the new retail offerings in the Back Bay opening in 2024. Vacancy in Boston proper has held in the low-2 percent range since early 2021, indicating retailers are backfilling move-outs. The supply side offers even more news for optimism. Although inventory expansion has traditionally been constrained by available parcels, starts have fallen further in recent years. Entering 2024, less than 260,000 square feet in the construction pipeline remained unaccounted for, boding well for vacancy for the foreseeable future.

Solid retail performance leads to favorable investment environment across metro. The rise of remote work has significantly shifted Boston's metro population dynamics. Many households that relocated to Essex County or the Manchester-Nashua area are likely to stay, fueling consumer demand and keeping investors active in the market's northern boundaries. Entry costs here are low, with single-tenant net-lease options typically changing hands for less than $2 million. Fundamentals in Boston proper remain solid, however, which should bolster buyer activity closer to the core. Tight conditions here and in Cambridge — which noted a 1.5 percent vacancy rate in late 2023 — are promising signs for investor engagement as interest rates stabilize.

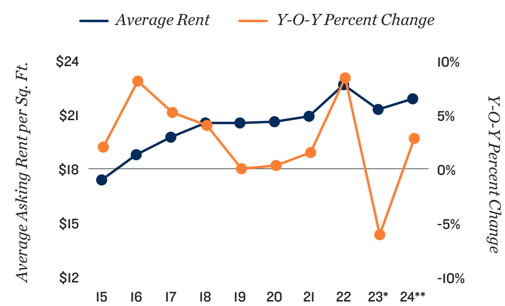
Economic Trends



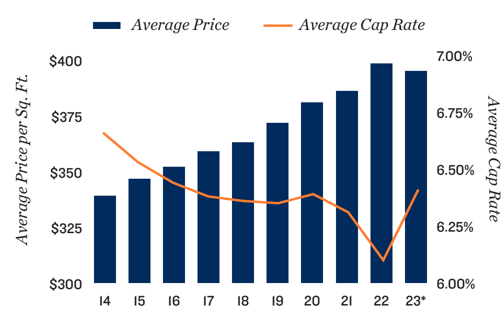
Supply and Demand



Rent Trends



Sales Trends



2024 MARKET FORECAST

NRI RANK 15 — *Tepid development in an already-tight market helps define Boston's upper-half standing in 2024's rankings.*

+1.0% — **EMPLOYMENT:** Boston's employment base will finish the year three percent ahead of the 2019 count, with 30,000 positions expected to be added on net by the end of 2024.

500,000 sq. ft. — **CONSTRUCTION:** Development tapers from 2023, marking the third year in a row during which less than 1 million square feet was completed, and the slowest span since at least 2007.

-10 bps — **VACANCY:** Tepid supply additions will prompt tenants to peruse existing structures, driving vacancy down to 2.9 percent. Boston ties for the lowest such metric among major metros in 2024.

+2.8% — **RENT:** Vacancy returning to the sub-3 percent zone for the first time in more than half a decade will dictate higher marketed rates, bringing the average asking rent to $21.85 per square foot.

INVESTMENT: *Investors looking for retail assets in areas with high growth potential could focus on one of the 12 suburbs that recently ratified high-density zoning districts encompassing a total of 83,000 apartment units.*

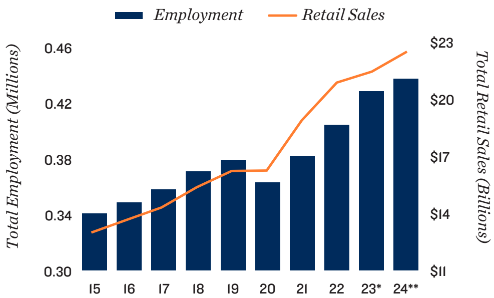
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

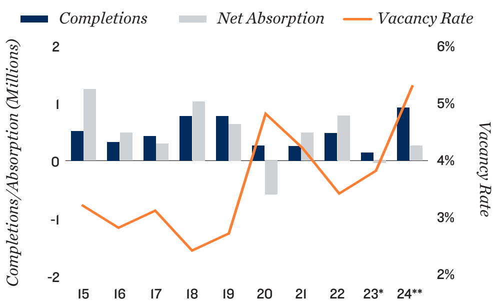
CHARLESTON

Retailer Demand Tested this Year as Charleston Leads All Major Markets for Inventory Expansion

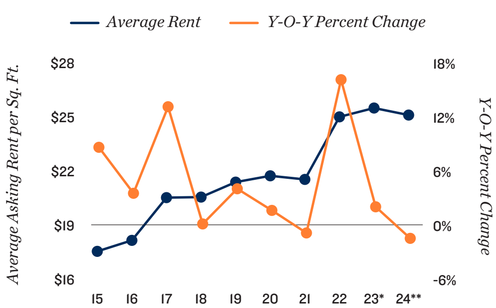
Economic Trends



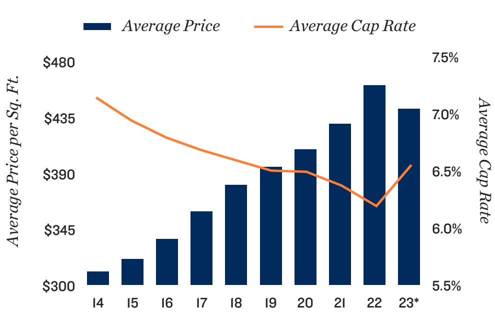
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Rapid economic growth ushers in unprecedented supply wave. Charleston led all major markets in job growth last year, expanding at a 5.9 percent clip. With apartment construction keeping pace at roughly 7,700 rentals, retail builders have rushed to position projects in areas with strong household growth. Summerville-Northwest Charleston especially reflects this trend, as over 400,000 square feet is expected to be completed here this year to complement the coinciding delivery of 1,600 apartments. While this new retail stock will likely lift local vacancy beyond 2.0 percent, multifamily lease-ups should elevate retailer demand in the area over the long-term. Facing less supply pressure, Downtown Charleston is one of only two submarkets anticipating under 100,000 square feet of new supply in 2024. This limited pipeline suggests local vacancy will remain on the decline, after it fell to a half-decade low of 3.1 percent last year. Charleston's hotel bookings were also 6.0 percent higher in 2023 than in 2019. If heightened tourism continues in 2024, elevated demand for core retail spaces may result.

Submarket duo provides attractive opportunities for varying levels of capital. Downtown Charleston is poised to host the most trades for the fourth year in a row. Strengthening property metrics here are drawing buyers, with the planned delivery of 2,600 rentals bolstering the local retail outlook. This construction is also shrinking core parcels available for development, leading even more-challenged assets to command competitive prices for their conversion potential. For buyers looking to limit acquisition costs, Summerville-Northwest Charleston continues to present opportunities. Over one-half of trades here in 2023 penciled under the metro's per-square-foot mean of $442, despite local vacancy ending the year as the market's tightest.

2024 MARKET FORECAST

NRI RANK 28 — *A jump in vacancy weighs on Charleston's NRI rank in 2024, but strong hiring will keep retailers interested in expanding.*

+2.1% — **EMPLOYMENT:** While job growth will land roughly in line with the long-term average of 2.2 percent, with 9,000 roles added this year, the local pace is expected to be among the 10 fastest in the nation.

920,000 *sq. ft.* — **CONSTRUCTION:** Charleston posts record deliveries in 2024. Among the metro's seven largest submarkets, five will receive more than 100,000 square feet of space.

+150 bps — **VACANCY:** For the first time since 2015, vacancy will lift above 5 percent. Most of this increase should stem from new supply in Summerville-Northwest Charleston, where deliveries are concentrated.

-1.5% — **RENT:** Elevated vacancy pulls down the average asking rent for the second time in the last four years. Still, at $25.06 per square foot, the metric will remain 17 percent higher than the 2019 mark.

INVESTMENT: *More investors may target net-leased space and shopping centers that cater to tourists in Mount Pleasant and Isle of Palms. At the end of last year, local hotel bookings were more than 20 percent above 2019.*

The Queen City Maintains a High Level of In-Migration, Prompting Investment in Growing Areas

Favorable supply and population dynamics support low vacancy in 2024. Charlotte will welcome 30,000 new residents in 2024, placing it among the top 10 major U.S. markets for net in-migration for a fourth straight year. Robust residential growth has instilled retailers with confidence that relocations will continue to drive up retail sales, prompting tenant expansions. Move-ins this year by grocers and home goods stores like Publix, Ashley and HomeSense exemplify this trend. Additional retailers intent on taking up larger floor plans will find few options among this year's delivery slate, which is largely comprised of sub-30,000-square-foot projects. Multi-tenant vacancy will hold below 5 percent as a result, while single-tenant vacancy is likely to rank among the lowest in the country. Together, these fundamentals will enable Charlotte to record historically low overall vacancy this year.

Areas with elevated in-migration draw investors. Fast-growing suburbs gained investor interest last year, a trend that is likely to carry into 2024 as an influx of new residents is expected here. Gaston, Iredell and Union counties witnessed several portfolio sales involving multi-tenant assets and buyers seeking below-average sale prices. Several of these trades included assets positioned for redevelopment. Attractive opportunities are unlikely to subside in suburban areas amid promising population growth and local multi-tenant vacancy below the metro's overall mark. Meanwhile, buyers willing to pay a premium for shopping centers and net-leased space may stay in inner neighborhoods along Interstate 85 and NC 27, as these submarkets held vacancy rates of 1.5 and 2.1 percent, respectively, entering 2024. Proximity to Downtown and the affluent incomes of local neighborhoods are also of considerable appeal to investors.

2024 MARKET FORECAST

NRI RANK 2 — ***Standout job creation fosters retail sales growth and nationally low vacancy, placing Charlotte in the Index's vanguard.***

+2.3% — **EMPLOYMENT:** Following three years of abnormally high job growth, Charlotte will add 32,000 roles in 2024, matching the average annual addition during the decade preceding the pandemic.

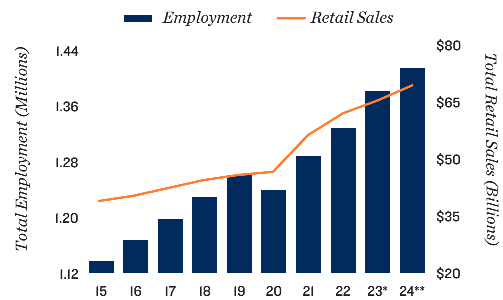
700,000 *sq. ft.* — **CONSTRUCTION:** Although deliveries reach a three-year high in 2024, growing inventory by 0.5 percent, the construction total stays below the metro's annual long-term mean of 1.5 million square feet.

-10 bps — **VACANCY:** Claiming the second-lowest vacancy rate among major U.S. markets, Charlotte will end the year at a mark of 3.0 percent. The metro will also be one of 16 markets to log a decline in 2024.

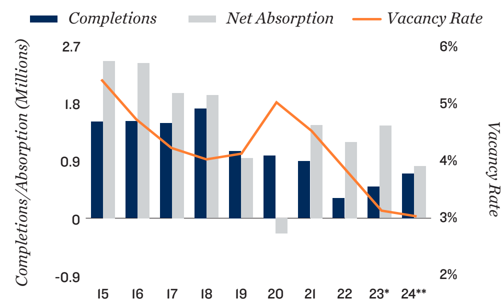
+1.0% — **RENT:** Supported by record-low vacancy, the average asking rent will rise to $19.30 per square foot. Multi-tenant properties may, however, weigh on growth after noting a 3.3 percent drop last year.

INVESTMENT: *In 2024, investors could be drawn to assets net-leased to fast food chains and restaurants in Gaston and York counties, as each area is projected to grow faster than Mecklenburg County through 2027.*

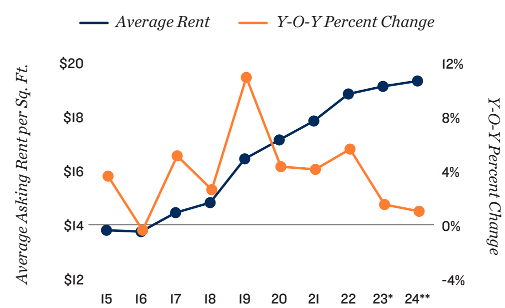
Economic Trends



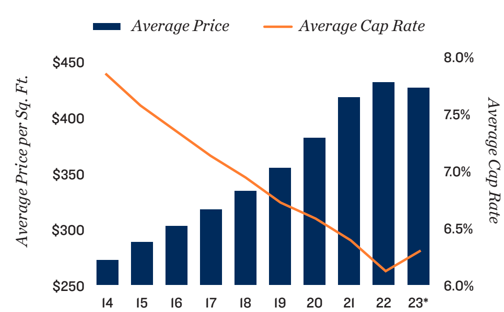
Supply and Demand



Rent Trends



Sales Trends



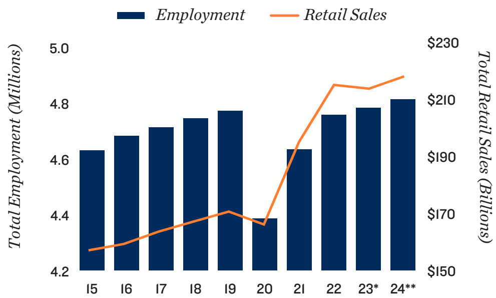
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

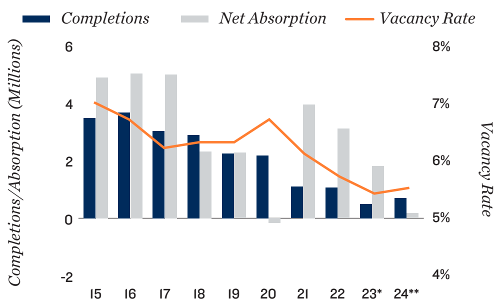
CHICAGO

Limited New Supply Timely as Space Demand Ebbs; Investment Activity Still Poised to Accelerate

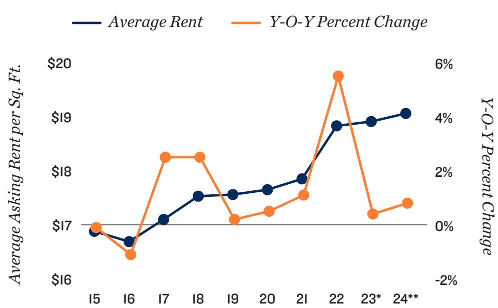
Economic Trends



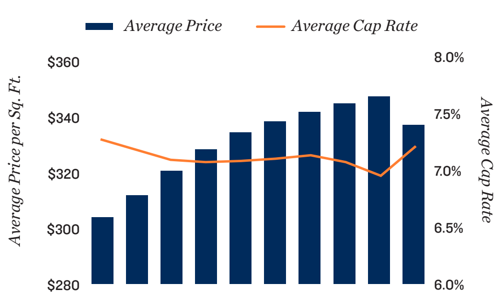
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Economic hurdles moderately soften historically tight conditions. The metro's overall retail vacancy rate stood at its lowest year-end point on record in 2023. This was bolstered by nation-leading, single-tenant net absorption that prompted the segment to register the same historical feat. Momentum could soften this year, however, as household income growth of 11 percent since the onset of the pandemic has failed to keep pace with inflation. This maintains near-term pressure on consumer spending and weighs on retail sales growth in 2024, which will stand 200 basis points below the market's prior decade-long average. Still, the metro is well positioned to overcome these hurdles amid tight conditions and another marginal delivery slate, directing demand to existing floor plans. For a second straight year, completions will total less than 1 million square feet, a measure that had not been observed since before 2007.

CBD-adjacent areas continue to garner investor attention. An improved financing outlook, coupled with the metro's notably tight conditions, should help garner a more active investment market this year. Velocity, nevertheless, is likely to be segmented in select suburbs. An expanded residential populace in the Oak Brook-Naperville-Aurora area correlated with a local retail net absorption total that led all Chicago submarkets last year. As a result, the area garnered the largest share of overall deal flow. This trend likely carries forward this year, concurrent with notable anticipated move-ins. The North Side should also generate investor interest. At the onset of 2024, the area held the lowest vacancy rate among national submarkets with at least 50 million square feet of stock. Single-tenant storefronts below 10,000 square feet trade most frequently here amid a sub-4 percent segment vacancy rate entering 2024.

2024 MARKET FORECAST

NRI RANK 40 — ***Limited job growth and a marginal lift to local retail sales ease space demand and weigh on Chicago's NRI standing this year.***

+0.6% — **EMPLOYMENT:** After eclipsing the metro's pre-pandemic employment total by 10,000 jobs last year, local firms will add a net of 30,000 new positions in 2024.

700,000 *sq. ft.* — **CONSTRUCTION:** This year's delivery slate increases by 200,000 square feet relative to the more than 15-year low recorded in 2023. Completions will be well dispersed across the metro.

+10 bps — **VACANCY:** Despite limited completions, deliveries will outweigh net absorption by more than 500,000 square feet in 2024. As such, Chicago's vacancy rate lifts to 5.5 percent.

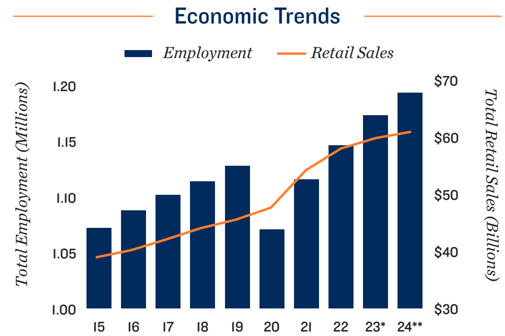
+0.8% — **RENT:** Although 2024's rent growth rate will double last year's limited gain, this pace falls below the 1.4 percent prior 10-year average. Chicago's average asking rent will lift to $19.05 per square foot.

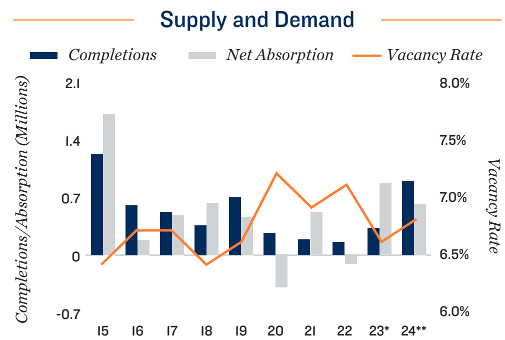
INVESTMENT: *Ongoing discussions to considerably raise Cook County's real estate transfer tax rate may have a noticeable effect on investor sentiment this year, guiding more buyers to assets in surrounding areas.*

Cincinnati Boasts Positive Retail Performance Outside of Western Areas, Drawing Investors to the Riverfront

Solutions to one key, troubled zone enhance metro's positive outlook. Retail performance in Cincinnati is highly variable based on location and property type. Submarkets like Butler County, Downtown, Eastern Cincinnati and Northern Kentucky all entered the year with vacancy rates of 3.5 percent or lower, due to a mix of positive demand trends. Butler County retailers benefit from travel routes through to Dayton and Miami University, while Eastern Cincinnati is home to affluent cities like Kenwood. Still, Cincinnati's overall vacancy will tie for the highest among major metros as Western Cincinnati faces challenges. The area had the highest multi-tenant vacancy among major submarkets nationwide entering 2024. However, several projects are set to eliminate obsolete space, such as the pending redevelopment of the former Forest Fair Mall and the former Saks property at Northgate Mall. This suggests improvement coming to the area, which will better match the rest of the market's relatively tight conditions.

River-adjacent submarkets offer investment opportunities as foot traffic grows. Kroger announced a new return-to-office policy for all local employees in late 2023. This will go into effect by early February, impacting roughly 5,800 workers at the downtown headquarters. Looking past this year, all non-local employees will be expected to relocate to Cincinnati and be in the office three to four days a week by 2025. A rise in regular commuters Downtown will aid foot traffic in the CBD and supplement retailer demand for space. Buyers may view Downtown more favorably this year as vacancy sits as the tightest among the metro's largest submarkets, near 2 percent. Similarly, cities like Newport and Covington could draw investors as recent riverfront builds like Ovation connect the areas and elevate foot traffic south of the river.





2024 MARKET FORECAST

NRI RANK 45 — ***Cincinnati's strong labor market offsets some occupancy woes, but nationally high vacancy still challenges local retail sector.***

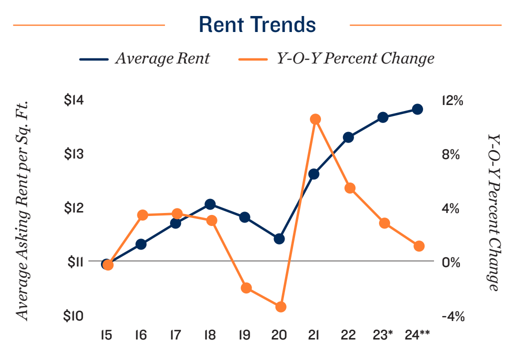
+1.7% — **EMPLOYMENT:** Total employment in Cincinnati will rise by 20,000 jobs this year, bringing the metro's job count more than 65,000 positions over the pre-pandemic high.

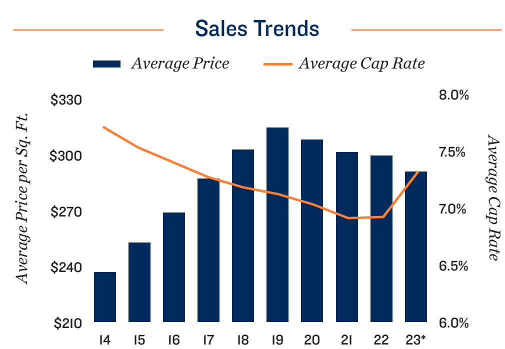
900,000 *sq. ft.* — **CONSTRUCTION:** Three projects account for nearly half of Cincinnati's expected deliveries in 2024, including the Union Promenade, a Bass Pro Shops and a Kroger. Stock will grow by 0.8 percent.

+20 bps — **VACANCY:** Cincinnati retains one of the highest vacancy rates among major markets at 6.8 percent in 2024. Still, improving multi-tenant occupancy keeps the rate lower than the long-term average.

+1.1% — **RENT:** Sustained retailer demand for space this year enables the local mean asking rent to reach $13.80 per square foot. This marks the fourth straight year of this metric increasing.

INVESTMENT: *Investors looking for repositioning opportunities may target Western Cincinnati assets. Improving neighborhoods like College Hill could draw buyers, with lower entry costs and value-add opportunities.*





* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

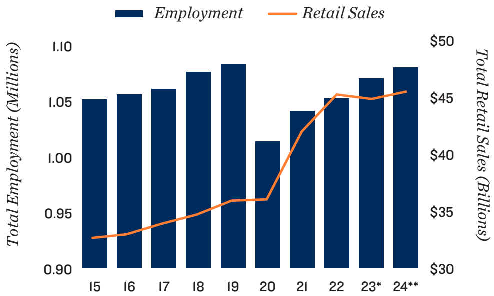
CLEVELAND

New Inventory Falls Below Tenant Space Demand; Investors Focus on Low-Vacancy Areas

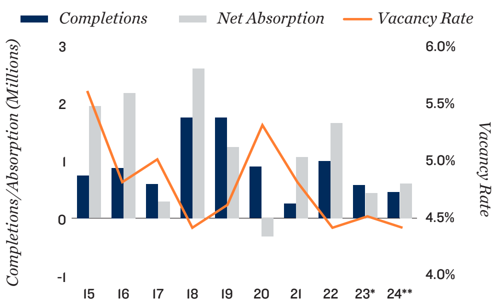
Vacancy in Cleveland is on track to stay near a record low. Cleveland's vacancy rate has been below 5 percent since late 2021. By the end of 2024, this metric will be 180 basis points lower than the metro's long-term average, aided by eight of Cleveland's 15 largest submarkets claiming sub-4 percent vacancy rates. Experiential and discount businesses like Ace Pickleball, Krazy Bins and Burlington are scheduled to move into long-standing vacant spaces left by liquidated companies, such as Borders and HHgregg Electronics, this year. Restrained construction will direct most retailers into existing spaces, particularly those looking for larger floor plans as nearly 80 percent of Cleveland's proposed pipeline through 2026 is composed of builds that are less than 20,000 square feet. This subdued pipeline is well-aligned with Cleveland's declining population, which could limit some tenant expansions in the long run. Without a major influx of supply, however, this is unlikely to place significant upward pressure on vacancy.

Buyers target suburban and lakefront assets. Private investors stayed active in neighborhoods near the lakefront and in Southwest Cleveland last year, a trend that is likely to extend into 2024. Areas like Parma, Strongsville and North Royalton could be popular among multi-tenant investors as sector vacancy hovers around 3.3 percent here. Southwest Cleveland also holds the largest multi-tenant inventory in Cleveland, offering buyers a range of assets at varying price points. Meanwhile, investors seeking single-tenant options may stay active around the lakefront in West Cleveland and Lorain County. Both submarkets had sector vacancy rates of 2.6 percent or lower entering 2024. Neighborhoods like North Ridgeville, North Olmsted and Rocky River situated along Interstates 90, 80 and 480 offer access to downtown and major commuter routes.

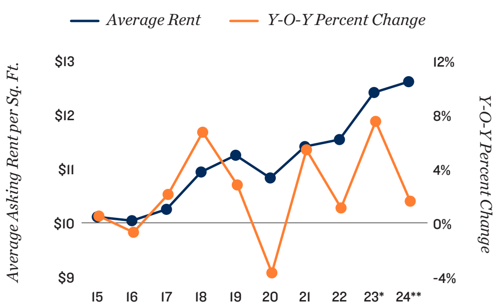
Economic Trends



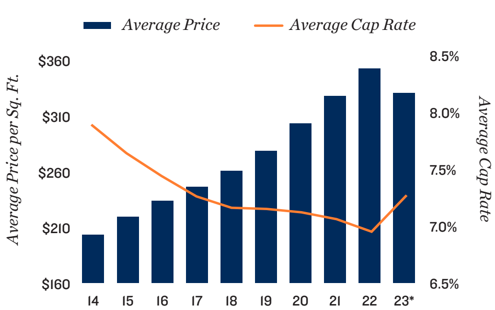
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2024 MARKET FORECAST

NRI RANK 35 *Low vacancy and negligible new supply counterbalance some hiring and retail sales obstacles in Cleveland's Index rank.*

+0.9% **EMPLOYMENT:** Despite the addition of 10,000 jobs this year, Cleveland's total employment will still fall short of the pre-pandemic high, the only major Ohio market yet to reach this milestone.

450,000 *sq. ft.* **CONSTRUCTION:** Inventory will grow by 0.3 percent, matching last year's ranking as the second-slowest stock expansion since 2008. Most deliveries slated for 2024 are under 30,000 square feet.

-10 bps **VACANCY:** Stemming from a minimal and highly pre-leased construction slate, vacancy in Cleveland will decrease to 4.4 percent, well below the metro's long-term average of 6.2 percent.

+1.6% **RENT:** The average asking rent will rise to $12.60 per square foot in 2024. While Cleveland has the fastest pace of rent growth among major Ohio markets, the metro maintains the lowest mean rate.

INVESTMENT: *Mixed-use properties are likely to gain attention as leasing in these spaces rises. Downtown-adjacent submarkets could draw investor interest as offices like the Sherwin-Williams headquarters come online.*

Columbus is on Track for Long-Term Corporate and Population Growth, a Boon for Retail Investors

Central Ohio's single-tenant vacancy is nationally low. Columbus expects more than 60,000 new residents over the next five years, vastly outpacing in-migration to other Ohio markets. This comes as Central Ohio welcomes several major investments from companies like Intel, Google, Microsoft and Amazon, bringing new high-paying jobs. The retail sector reflects this strong long-term outlook. At the onset of 2024, Columbus held the third-lowest single-tenant vacancy rate among major markets at 2.5 percent. None of the metro's submarkets had a single-tenant rate above 3.4 percent, the only market in the nation to claim that distinction. Limited space for stand-alone tenants has warranted new construction, but options for vendors seeking new, sub-20,000-square-foot spaces will stay minimal this year, keeping vacancy near a record low. Multi-tenant space faces more demand-side challenges, but these headwinds are predominantly confined to the east and west edges of Columbus, as well as Fairfield County, which have all noted elevated vacancy rates since before 2019.

Limited availability highlights value-add opportunities. Investors picked up more vacant retail properties for redevelopment in 2023, a trend that could carry forward this year as out-of-market buyers join local investors. Obsolete space in areas like Downtown and Grandview-Upper Arlington could draw buyers seeking value-add opportunities in urban areas. Multi-tenant investors willing to pay a premium will likely stay active in North Columbus around the University District, Dublin and along Interstate 71. The submarket claimed a sub-2 percent multi-tenant vacancy rate entering 2024, highlighting tenant demand for these floor plans. In outer areas, Licking County could draw more investors as Intel's factories and other developments commence.

2024 MARKET FORECAST

NRI RANK 24 *Constrained construction and a promising population outlook keep Columbus near the middle of the Index this year.*

+1.6% **EMPLOYMENT:** Columbus will add 18,000 jobs in 2024, above the trailing 10-year average of roughly 15,000 positions. By year-end, total employment will be 44,000 roles ahead of the 2019 mark.

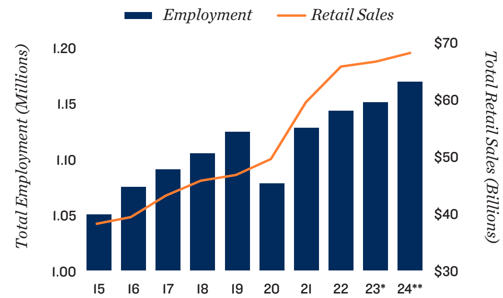
300,000 *sq. ft.* **CONSTRUCTION:** Total inventory will expand by the slowest pace since at least 2008, rising by just 0.3 percent. Delaware County expects roughly half of all new space this year.

+10 bps **VACANCY:** Despite vacancy inching up to 4.0 percent in 2024, Columbus maintains the lowest rate among major Ohio markets. Vacancy will be especially tight among single-tenant spaces.

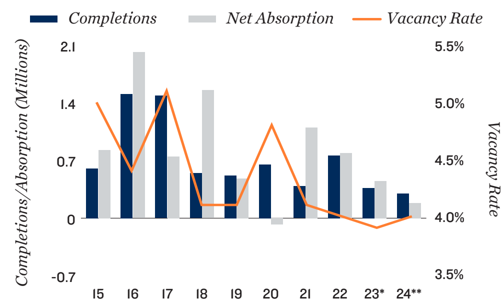
+1.2% **RENT:** By the end of 2024, the average asking rent in Columbus will be $16.50 per square foot, the third-highest rate among major Midwest markets and 25 percent above the metro's 2019 mark.

INVESTMENT: *Private, single-tenant investors have recently favored auto parts shops and fast food locations in outlying thoroughfare areas, like Delaware and Union counties, that receive high levels of transit traffic.*

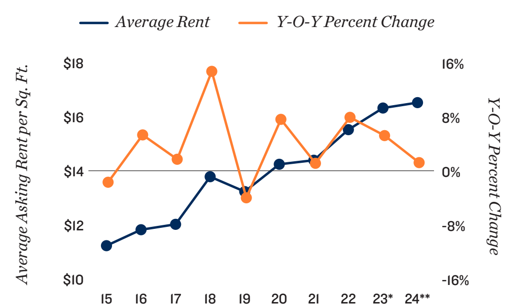
Economic Trends



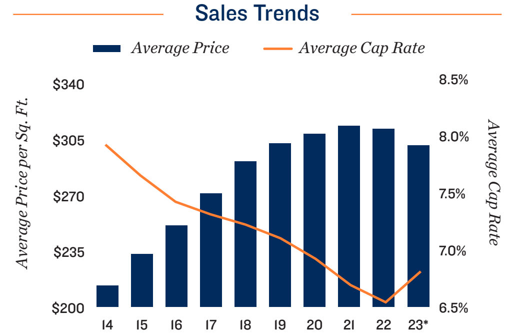
Supply and Demand



Rent Trends



Sales Trends



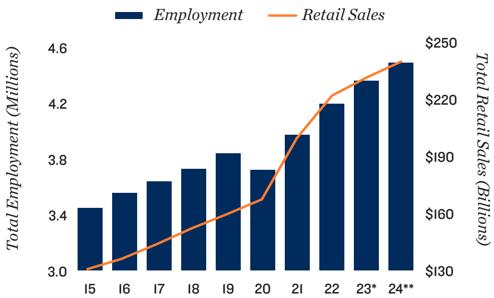
** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

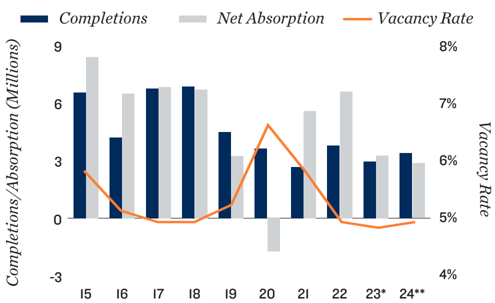
DALLAS-FORT WORTH

Entering the Year with Record-Low Vacancy, Economic Tailwinds Support a Bullish Outlook

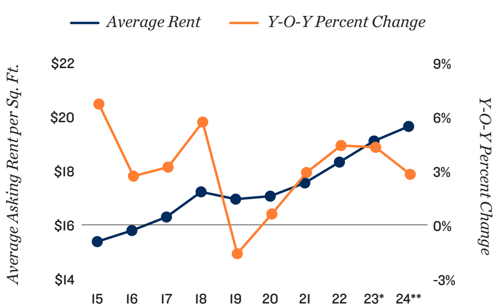
Economic Trends



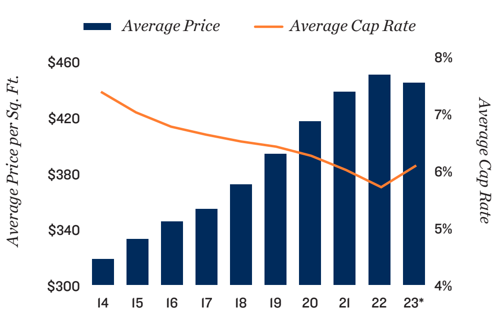
Supply and Demand



Rent Trends



Sales Trends



*Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Expansionary consumer base stokes retailer interest. Dallas-Fort Worth's population rose by more than 600,000 residents over the past five years, fueled by diverse employment prospects and cost-of-living advantages. Reflecting this, the Metroplex has led the U.S. in net job growth since the onset of the pandemic. The enlarging labor force translates to a strengthening long-term retail spending outlook, generating leasing from expanding local brands and new vendors eager to establish a footprint. This momentum compressed vacancy to a record low of 4.8 percent at the onset of 2024. Major submarkets with rates below that mark include Near North, Southeast and West Dallas, as well as Suburban Fort Worth. Historic tightness, meanwhile, is prompting greater development, with 2024's construction volume on track to exceed last year by about 450,000 square feet. Far North and North Central Dallas combine for over half of the new retail space, limiting supply-side pressure elsewhere. Frisco, Prosper and McKinney are gaining a major share of new supply, warranted by fast growing consumer bases.

Deal flow ranks among national leaders; composition is shifting. Dallas-Fort Worth was the third most active U.S. market for retail trades last year, and number two overall for single-tenant sales. Local economic momentum should keep the Metroplex near the top of the nation in 2024. Transaction patterns are shifting, however, with Greater Dallas generating a four-year high share of single-tenant deals last year, while the portion of multi-tenant trades in Greater Fort Worth was at the third-largest mark on record. Household growth in Fort Worth suburbs should continue to direct buyers to strip centers and larger grocery-anchored properties here. Net-lease assets are coveted marketwide, but particularly in Far North Dallas, Central Fort Worth and the Mid-Cities.

2024 MARKET FORECAST

NRI RANK 4 — ***Dallas-Fort Worth grabs the highest score among Texas' major markets this year amid nation-leading job growth.***

+3.0% **EMPLOYMENT:** For the fifth time in six years, with the 2020 shock being the only exception, Dallas-Fort Worth adds over 100,000 jobs. This brings the decade-long expansion above 1.1 million new roles.

3,400,000 *sq. ft.* **CONSTRUCTION:** The Metroplex leads the nation for new retail supply in 2024. Roughly 60 percent of the space scheduled to finalize this year was pre-leased at 2024's onset.

+10 bps **VACANCY:** More than 1 million square feet of new stock is finalizing without a tenant in tow this year. This nudges vacancy up to 4.9 percent, still almost 200 basis points below the long-term mean.

+2.8% **RENT:** Tight vacancy by historic standards allows for a fourth consecutive year of rent growth above 2.0 percent, lifting Dallas-Fort Worth's average asking rate to $19.62 per square foot.

INVESTMENT: *Investors getting in front of headline projects may look near the Fort Worth Convention Center, which is expanding, or near the Arlington Entertainment District, where a plethora of new hotels are underway.*

Marketwide Fundamentals Continue to Normalize, Though Growing Corridors Present Opportunity

Expanding residential areas aid local retail space demand. Between 2019 and late 2023, Cherry Creek and Southeast Aurora each recorded an increase in occupied apartment stock of at least 11 percent. Residential popularity in these areas has corresponded with growing demand for retail space nearby, as both submarkets each held vacancy rates at least 100 basis points below the market measure. Businesses catering to an upper-income populace are at the forefront of leasing activity here, with restaurants, clothing retailers and a pickleball facility having all taken up space late last year. Upcoming move-ins by the Le Colonial restaurant and women's fashion brand Garbarini headline this trend moving forward. Marketwide conditions, however, are set to moderately soften again in 2024 as the rate of household income growth has been outpaced by inflation since 2019. This will continue to impact discretionary spending and, in turn, results in net absorption falling to a five-year low, lifting Denver's metrowide vacancy rate to match its pre-pandemic measure.

Long-term growth prospects support investor sentiment. After a pandemic interruption, Denver once again notes favorable in-migration, supporting a projected population growth rate over the next five years that more than doubles the national pace. Investors are following new residents to Aurora, where trading has held consistent, despite a metrowide slowdown. Lowered single-tenant vacancy and above market average rent growth add incentives here. Similar dynamics have been noticed in western Denver, resulting in such deals accounting for more than three-fourths of all trades here in 2023. Multi-tenant transactions have been well dispersed across the metro. Last year, segment vacancy compressed, dissimilar to the single-tenant measure.

2024 MARKET FORECAST

NRI RANK 27 ***Rising vacancy, coupled with limited employment growth, result in a middle-of-the-pack ranking for Denver this year.***

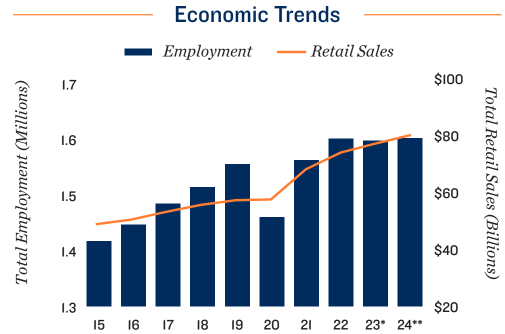
+0.3% **EMPLOYMENT:** Employment gains in 2024 will exceed the number of jobs lost on net last year by 1,000. This lifts Denver's overall workforce 46,600 positions ahead of its 2019 measure.

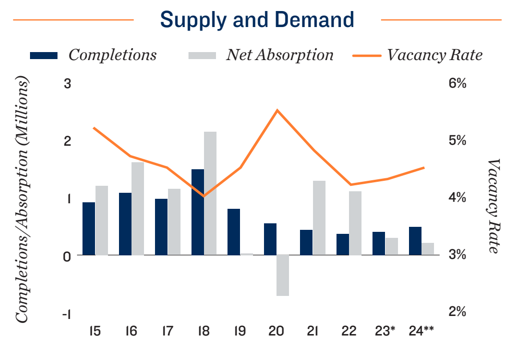
485,000 *sq. ft.* **CONSTRUCTION:** Completions remain under 600,000 square feet for the fifth straight year. Previously, this marginal level of construction had not been noticed since 2010.

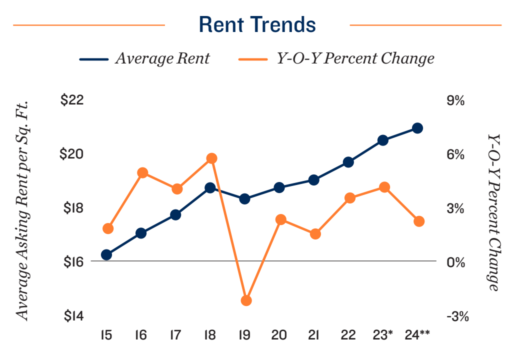
+20 bps **VACANCY:** New supply will surpass net absorption by at least 100,000 square feet for the second consecutive annual period, edging up vacancy to 4.5 percent by year-end.

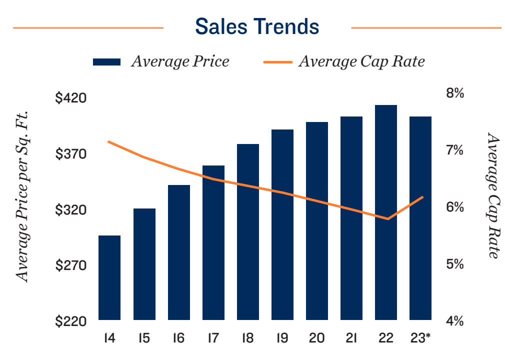
+2.2% **RENT:** Despite decelerating rent growth, the measure exceeds its 1.4 percent long-term average. As such, Denver's mean marketed rate elevates to $20.90 per square foot.

INVESTMENT: *Central Denver garnered well above market average rent growth last year, despite a vacancy lift. Few completions here in 2024 may prompt retailers to backfill this space and increase investor appetites locally.*









* Estimate; ** Forecast

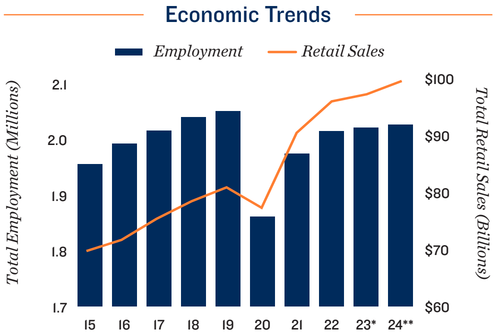
Sources: CoStar Group, Inc.; Real Capital Analytics

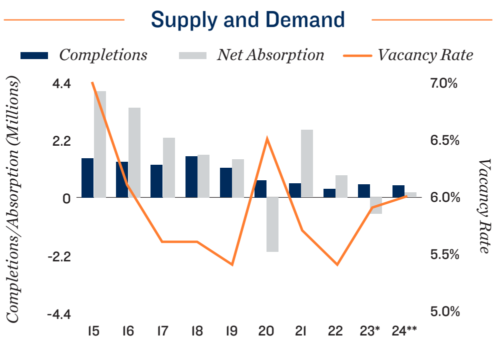
DETROIT

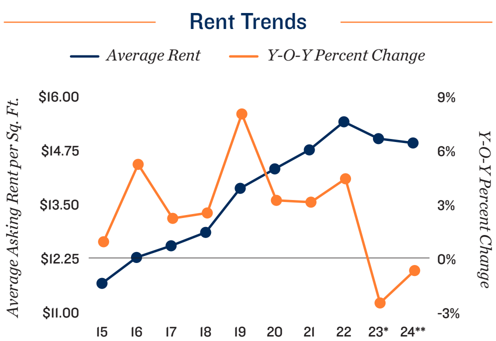
Detroit Holds One of the Lowest Multi-Tenant Vacancy Rates in the Country, Emboldening Sector Investors

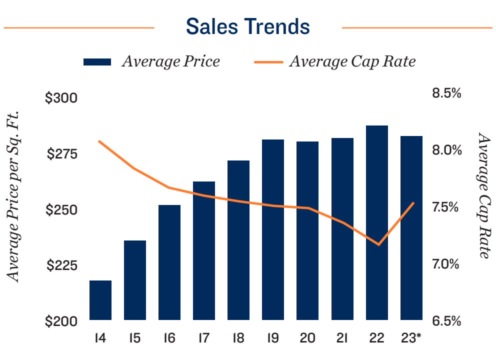
Mixed-use space draws tenants. Detroit entered 2024 with the second-lowest multi-tenant vacancy rate among major U.S. markets. Retailers continue to display a preference for multi-tenant and mixed-use spaces as redevelopments like the former Northland Shopping Center in Southfield attract big leases, even years before opening. Costco is developing a business center here, joining 1,500 apartment units, along with additional underway retail, office and medical space. Growing outer suburbs like Southfield with more available square footage may continue to benefit from tighter conditions in traditional retail neighborhoods like Novi and along the Interstate 96 Corridor. While single-tenant vacancy was much more elevated entering 2024 at around 6 percent, several areas along travel routes kept sub-5 percent rates exiting 2023. This includes Troy along Interstate 75, Royal Oak along I-75 and Interstate 696, and Downriver, where the Gordie Howe Bridge is underway, offering an additional connection to Canada.

New and existing travel routes highlight urban and western assets. Multi-tenant trades are likely to stay elevated in Western Wayne County this year, particularly along Interstates 275 and 96 in Westland, Livonia and Canton. The submarket entered 2024 with multi-tenant vacancy roughly 200 basis points below the local long-term mean and offers proximity to tighter urban areas, like Downriver and Detroit-The Pointes, as well as several travel routes. Both multi- and single-tenant buyers could target assets in Downriver and Detroit-The Pointes around the underway Gordie Howe Bridge. Although the structure's completion date has been pushed back to 2025, investors may target assets around the bridge in anticipation of new traffic between Detroit and Canada driving tenant move-ins.









* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2024 MARKET FORECAST

NRI RANK 49 — ***A weak 2024 labor market hinders retail sales in Detroit, pushing up vacancy and impeding the metro's rank for this year.***

+0.2% — **EMPLOYMENT:** The drop in hiring observed last year will carry into 2024 as just 5,000 positions are added. This will be Detroit's slowest year of employment growth since 2020.

455,000 *sq. ft.* — **CONSTRUCTION:** Deliveries in 2024 will fall below 500,000 square feet for just the second time since 2007. Southfield expects the only single completion over 100,000 square feet this year.

+10 bps — **VACANCY:** Reaching 6.0 percent in 2024, vacancy will be at its highest level observed since mid-2021. Still, this rate is 170 basis points below Detroit's long-term average.

-0.7% — **RENT:** Rising vacancy will push down on rents, lowering the average asking rate to $14.90 per square foot by December. The mean marketed rent is still 8 percent higher than the 2019 mark.

INVESTMENT: *Buyers looking for single-tenant assets priced below average could target Macomb or Roseville, while investors willing to pay a premium could look to areas in Oakland County, like Novi and Pontiac.*

Strong Population Growth and Employment Gains Position Retailers to Withstand a Quieter 2024

Downtown fundamentals reflect strong marketwide conditions. The combination of substantial net in-migration, employment growth and household income gains since before the pandemic has been a boon for retail space demand across Fort Lauderdale. Furthermore, population growth is set to double the 0.4 percent national average in 2024, while white collar employment gains stand higher than all other major U.S. markets, aiding consumers' discretionary budgets from higher wage earners. New office leasing to support these workers is improving daytime foot traffic in Downtown Fort Lauderdale, supporting retailers nearby. Here, retail vacancy compressed 150 basis points last year, which helped drive market-leading rent growth. Despite some overall economic moderation in 2024, relative to recent momentum, retail performance remains ahead of historic norms. By year-end, Fort Lauderdale's vacancy rate will hold nearly 200 basis points below its long-term average of 5.5 percent, spurring rent growth that far exceeds the metro's 2.6 percent historical mean.

Investors' attention follows the ebb and flow of tenant space demand. After 2022's sizable uptick in multi-tenant trades, single-tenant assets regained the lion's share of overall activity last year. While the greater Fort Lauderdale area, surrounding Downtown, accounted for a sizable portion of these deals in 2023, investors' focus may shift toward Downtown and Pompano Beach moving forward amid tightened local segment vacancy and limited construction pipelines. Similar conditions within the multi-tenant sector in Pompano Beach and the Northwest Broward-Coral Springs submarkets accompany substantial rent growth noted last year, dynamics that could draw more activity here as investors become more confident in the financing landscape.

2024 MARKET FORECAST

NRI RANK 5	*Considerable employment growth spurs notable household formation this year, aiding in Fort Lauderdale's high ranking.*

+2.2% — **EMPLOYMENT:** The addition of 20,000 positions in 2024 lifts the overall job count by the sixth-fastest pace among major U.S. markets. Half of these gains will be in traditionally office-using sectors.

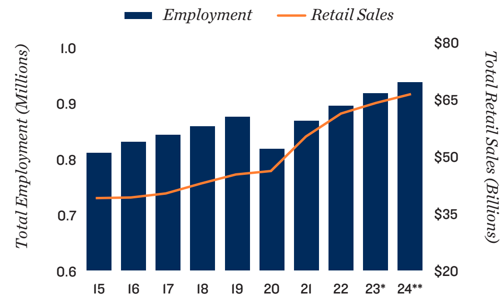
345,000 sq. ft. — **CONSTRUCTION:** For the fourth straight year, deliveries remain below 400,000 square feet, increasing stock by 0.4 percent. Completions are evenly split between single- and multi-tenant properties.

+10 bps — **VACANCY:** After nearly matching the metro's record low last year, vacancy will inch up to 3.7 percent in 2024. This ranks as the ninth-tightest measure across major markets nationally.

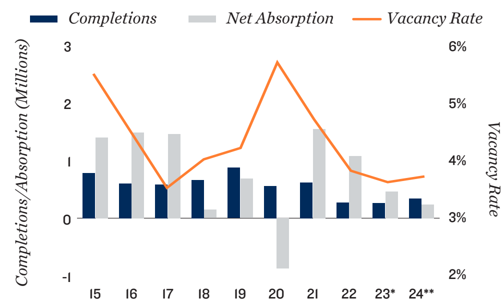
+3.5% — **RENT:** Tight conditions will maintain above-average rent growth, although the pace of gain tempers slightly relative to recent years. The local average asking rent will climb to $30.53 per square foot.

INVESTMENT: *The increasing cost of commercial insurance is partially weighing on investor sentiment. This year's prospect for lower borrowing costs, however, could help offset these higher premiums.*

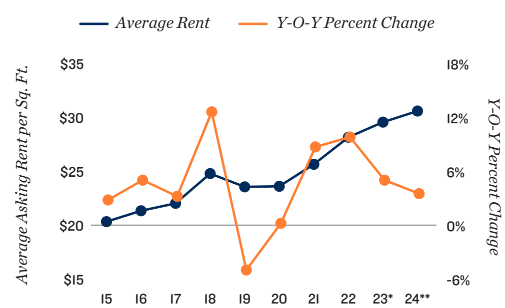
Economic Trends



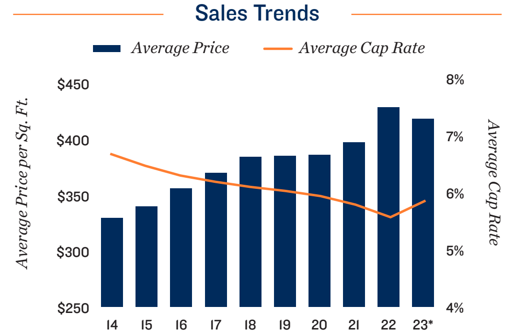
Supply and Demand



Rent Trends



Sales Trends



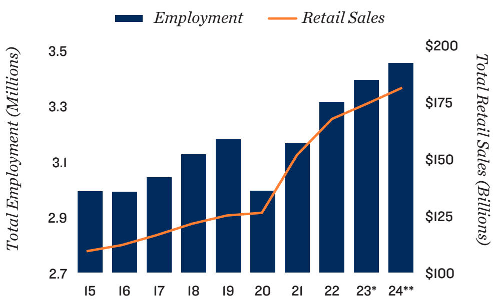
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

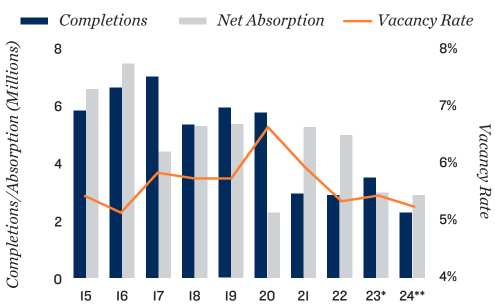
HOUSTON

Houston's Construction Slate No Match for Tenant Demand; Eastern Areas Excelling

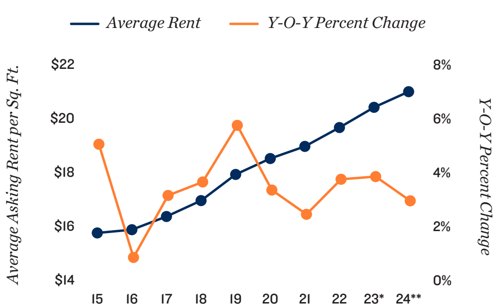
Economic Trends



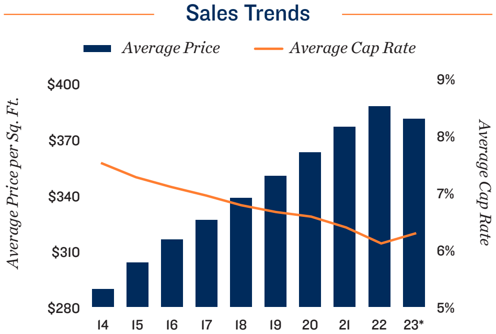
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Submarket trio driving momentum. Houston will add the third-largest amount of new retail space nationally in 2024, trailing only Dallas-Fort Worth and Phoenix. Unlike those two Sun Belt peers, however, Houston will achieve a net absorption total that tops new supply, aided by a pre-leasing rate above 70 percent. As a result, the metro will be the largest in the U.S. by inventory to post a reduction in retail space availability in 2024. Houston's eastern half is powering this performance. The Southeast submarket had the fastest rent growth of any location in the country with at least 50 million square feet of local stock last year. Neighboring East and Northeast Houston, meanwhile, each recorded annual vacancy reductions of at least 50 basis points. Momentum should continue as these three areas combine for less than one-fourth of the 2024 completion slate. Southwest Houston, on the other hand, accounts for a larger share of deliveries than that trio of eastern submarkets put together. Here, significant construction in Missouri City and Richmond is necessitated by ongoing household creation.

Investors explore Houston's offerings with a wide lens. Following greater capital markets stability, deal flow picked up in the second half of last year, and that improvement should be sustained in 2024 — especially if interest rate cuts materialize. Buyers are not confining themselves to specific areas, with the bulk of recent trades spread evenly across North, Northwest, Southeast and Southwest Houston. Among these locations, suburban favorites include Pasadena, Sugar Land, Spring and Conroe, where both multi- and single-tenant buyers are active. Inner Loop trades are also gaining traction with investors gravitating to East End and River Oaks neighborhoods. Here, net-lease restaurants and fast food are popular among both local and out-of-state buyers.

2024 MARKET FORECAST

NRI RANK 8 — ***Downward vacancy movement and favorable employment trends help Houston rank as the second strongest in Texas.***

+1.8% — **EMPLOYMENT:** Houston's 62,000-role addition will be the second largest gain in the nation. The metro is also projected to lead Texas in median household income growth, further driving retail sales.

2,275,000 *sq. ft.* — **CONSTRUCTION:** While the metro's delivery volume ranks as the third largest in the U.S., completions trail the local five-year average by nearly 2 million square feet in 2024.

-20 bps — **VACANCY:** Following the 2020 shock, vacancy declines for the third time in four years to reach 5.2 percent. This rate is just 10 basis points above the record-low measure achieved in 2016.

+2.9% — **RENT:** Marketed retail rents tend to grow at a steady pace in Houston as 2024 represents the fifth straight annual gain between 2 and 4 percent. The overall average will climb to $20.93 per square foot.

INVESTMENT: *Corridors with fast-growing renter pools like Rosenberg-Richmond and Cypress-Waller may lure retail buyers. Occupied apartment stock surged more than 40 percent during the past four years in these areas.*

Far-Out Counties Anchor Marketwide Trends; Investors Target Low Supply Growth Areas

Vacancy stays near its historic low, despite upward momentum. Indianapolis' vacancy rate will stay below 4 percent for the third straight year in 2024, a measure that had not been achieved in any prior period since at least 2007. Supporting this strength, the metro's far-out counties and northern suburbs should preserve even tighter conditions this year. Entering 2024, Morgan, Shelby, Boone, Hendricks and the northern portion of Hamilton County all held measures below 3 percent and could tighten even further, as nominal local construction directs the majority of retailers to existing floor plans. Meanwhile, areas spanning the northern portion of the Interstate 465 Loop, as well as Carmel and Fishers, exhibited downward vacancy momentum associated with retailers' desire for space near expanding residential hubs. Still, near-term momentum is slowing on a market level. Indianapolis is projected to record the third-lowest median household income growth rate among major U.S. metros this year, limiting retail sales growth, and subsequently retailer expansion plans.

Speedway garners elevated investor interest. Despite a pullback in overall transaction velocity in 2023, more deals were accounted for in the Speedway area than any year since before the pandemic. Investor interest is mounting here as the local single-tenant vacancy rate entered the year roughly 150 basis points below its long-term average, prompting rent growth to rank the highest among first-ring suburbs. Assets along notable thoroughfares surrounding the Motor Speedway were traded most frequently. Strong single-tenant performance between uptown and Carmel, and a marginal local segment development pipeline, have also lifted trading activity here. Downward rent momentum in late 2023, however, may be reflective of slowing retailer demand.

2024 MARKET FORECAST

NRI RANK 22 — ***Considerable employment growth on a national scale and sub-4 percent vacancy assist in a top-25 NRI ranking this year.***

+2.0% — **EMPLOYMENT:** The addition of 24,000 roles in 2024 helps mark the fastest rate of job growth among major Midwest metros. In turn, the local workforce stands 100,000 roles ahead of its 2019 count.

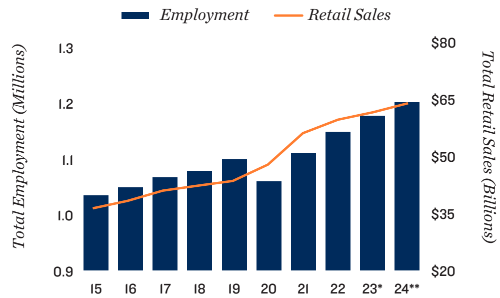
375,000 *sq. ft.* — **CONSTRUCTION:** Completions will amount to 115,000 square feet more than last year's multi-decade low, lifting inventory by 0.4 percent. A 100,000-square-foot project in Carmel headlines deliveries.

+30 bps — **VACANCY:** Vacancy elevates to 3.8 percent this year, up 40 basis points since reaching its lowest point on record in 2022. Still, this year's rate remains well below the 5.6 percent long-term average.

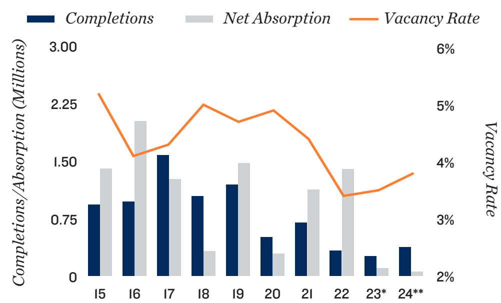
+1.9% — **RENT:** Concurrent with rising vacancy, the rate of rent growth ebbs to its slowest pace since 2019 this year. Nevertheless, the metro's average asking rent rises to $16.40 per square foot by year-end.

INVESTMENT: *Multi-tenant trades likely remain prominent in South County, spanning Garfield Park to Greenwood. Sub-3 percent local vacancy amid outsized household formation should continue to elicit investment.*

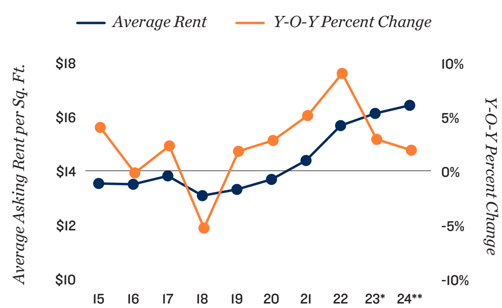
Economic Trends



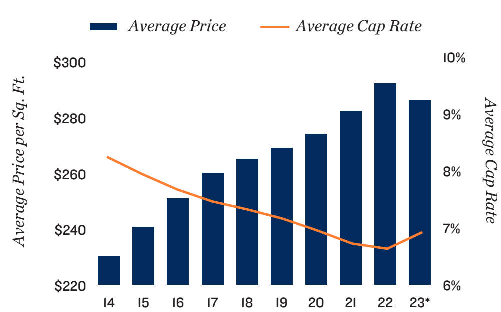
Supply and Demand



Rent Trends



Sales Trends



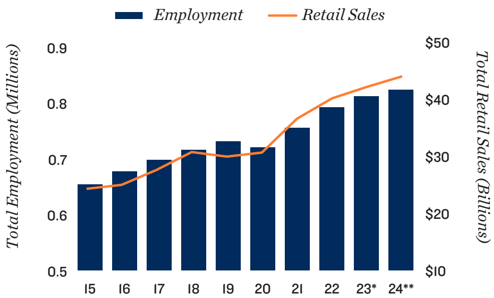
** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

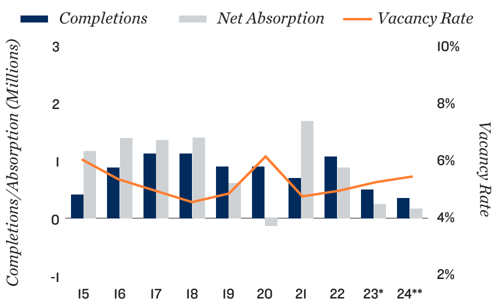
JACKSONVILLE

National Brands Headline Move-ins, Helping Improve the Local Investment Market

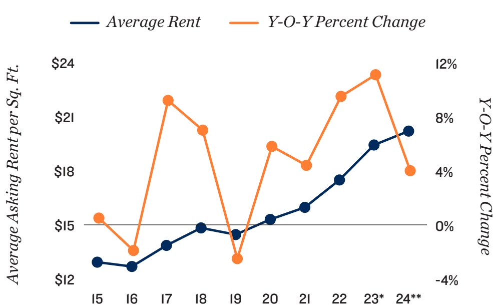
Economic Trends



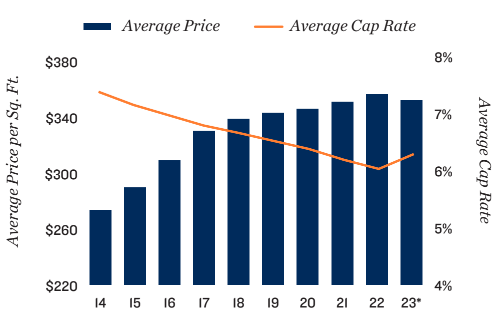
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Residential trends east of the Southbank drive retail demand. Last year, Jacksonville's 11.1 percent pace of rent growth was the third largest among major U.S. metros. This was bolstered by the multi-tenant segment, which also noted a vacancy rate that stood more than 200 basis points below its long-term average entering 2024. Such tenant demand across the market is supported by move-ins from big-box retailers, a trend that is anticipated to continue through 2024, following considerable population growth since the pandemic. Bass Pro Shops, Nordstrom Rack and Texas Roadhouse headline this momentum, occupying a combined 140,000 square feet of space later this year. Across both multi- and single-tenant segments, tight conditions and strong rent growth are prominent along Beach Boulevard, between the Southbank and Intracoastal. This accompanies notable residential popularity here, with the number of local occupied apartment units having grown by more than 2,300 since 2019.

Local economic standing aids deal flow. Increased optimism within capital markets is improving the local investment landscape, exemplified by the recent completion of a notable portfolio acquisition of assets near Jacksonville North Estates. Rent growth here trailed only Downtown Northbank in 2023, supported by local vacancy sitting more than 100 basis points below its long-term mean. Retailers are likely to continue seeking space here as the airport area welcomes further residential expansion. Other key areas as such should experience increased activity moving forward, as economic dynamics stand out on a national scale. By year-end, the local employment base will be 12.6 percent ahead of its 2019 mark. The strong workforce helps spur top 10 retail sales growth, while limited construction activity aids the absorption of existing stock.

2024 MARKET FORECAST

NRI RANK 11 — ***Anticipated revenue growth that stands out on a national scale this year aids in Jacksonville's top-15 NRI positioning.***

+1.5% — **EMPLOYMENT:** A tight unemployment rate relative to local historic norms partially slows the pace of job growth this year. Yet, the metro's workforce will expand by a net of 12,000 roles in 2024.

350,000 *sq. ft.* — **CONSTRUCTION:** This year's 0.4 percent inventory growth rate will be the metro's slowest since 2011. St. Johns County welcomes the bulk of deliveries.

+20 bps — **VACANCY:** Although at a tamed pace, metrowide vacancy will lift again this year, reaching 5.4 percent. The rate will nevertheless be 100 basis points below the market's historical average.

+4.0% — **RENT:** Elevating vacancy places pressure on rent growth in 2024, which tempers from last year's record high. Still, the local average asking rate lifts to $20.17 per square foot by year-end.

INVESTMENT: *An 8.3 percent increase in hotel bookings between 2019 and 2023 in the Beaches submarket stands far ahead of the national recovery. This likely aids resumed retail investment in the area moving forward.*

Wage Growth Supports Consumer Spending and Promotes Retailer Expansions Through 2024

Corporate investment in Johnson County boosts space demand. The median household income in Kansas City is on track to have risen 15 percent from 2019-2024, a trend that aids consumer spending and is reflected by retail vacancy well below historic norms this year. Tenant demand is unlikely to slow as new corporate investments promise long-term employment growth with high-paying roles. In De Soto, construction is underway on the Panasonic Energy EV battery manufacturing plant, slated for completion in early 2025. Hiring for the facility has already begun and is expected to top 4,000 jobs upon completion, driving retailer expansions around the project and in nearby affluent suburbs in outer Overland Park. Subsequently, North Johnson County and Outlying Kansas City are likely to retain below-average vacancy rates in 2024.

Remarkably low urban vacancy and new offices in Johnson County draw investors. Buyers targeting single-tenant assets are likely to stay active downtown this year as projects like the Rock Island Bridge entertainment district take shape. The urban core recorded a sub-1 percent vacancy rate entering 2024 as retailers exhibited record demand levels. Low availability is also due to limited supply here since 2008, a trend that will continue in 2024. Investors looking for value-add opportunities could seek out distressed properties or obsolete space to redevelop in an area with strong tenant demand. Meanwhile, buyers willing to pay a premium for multi-tenant assets could focus on affluent areas like Overland Park, Shawnee and Lenexa. Portfolio sales in these areas were common in 2023 as multi-tenant vacancy in North Johnson County fell to its second-lowest level since 2019. As businesses like Hill's Pet Nutrition and Dialectic Engineering relocate their headquarters here, retailer space demand is unlikely to slow.

2024 MARKET FORECAST

NRI RANK 43 *While Kansas City's vacancy is near the U.S. average, slow hiring in 2024 leads to a lower rank.*

+0.4% **EMPLOYMENT:** Hiring slows in 2024 as Kansas City adds just 5,000 jobs. Still, total employment sits 45,000 roles over the pre-pandemic high recorded in January 2020.

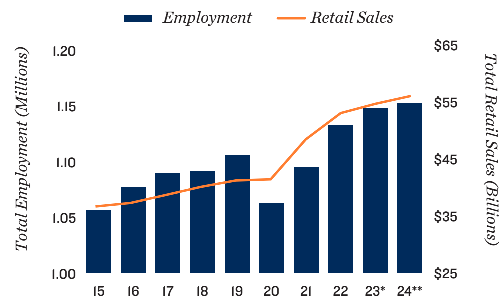
580,000 *sq. ft.* **CONSTRUCTION:** Inventory will increase by 0.4 percent for the third straight year. Most of the projects proposed or under construction this year are under 20,000 square feet.

+10 bps **VACANCY:** Net absorption will fall below completions, putting upward pressure on vacancy. The rate will end 2024 at 4.9 percent, only the third year of sub-5 percent vacancy since at least 2007.

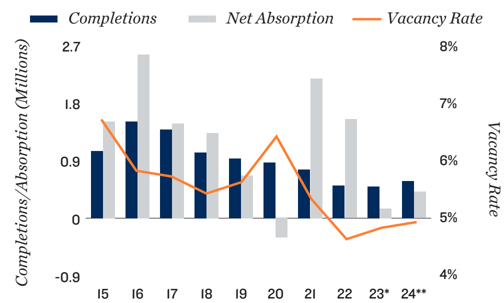
+1.0% **RENT:** Rent growth will decelerate this year, but the average asking rate will still reach $14.95 per square foot, around 15 percent higher than the 2019 mark.

INVESTMENT: *Investors could find opportunities in De Soto this year ahead of the Panasonic Energy Co. EV battery manufacturing facility opening and the subsequent increase in traffic to the area.*

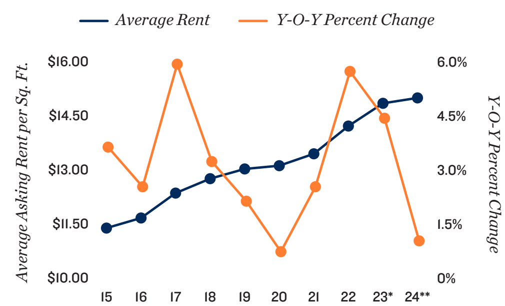
Economic Trends



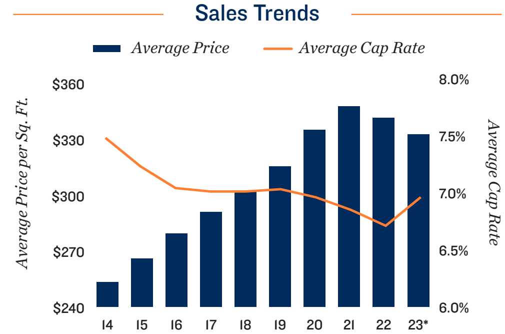
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

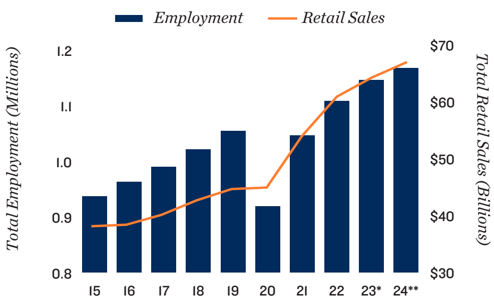
LAS VEGAS

Robust Tenant Demand in Tourism Hubs and Western Suburbs Puts Squeeze on Available Supply

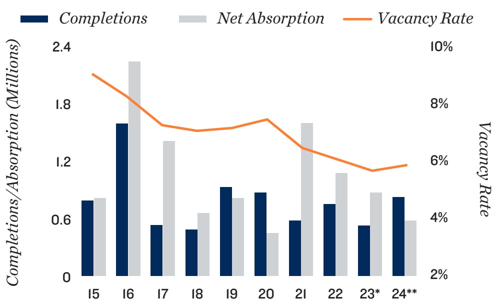
Retail spillover may benefit more vacant areas. Eight of the 10 largest submarkets by inventory posted vacancy reductions last year. Tenant demand is particularly strong in the Resort Corridor, where the local rate plunged more than 250 basis points to a sub-3 percent standing, driven by a domestic leisure travel recovery that invigorated leasing. While tourist-centric areas are leading the charge, suburban pockets of robust household creation are also performing very well. Northwest Las Vegas joined the Resort Corridor as the only two submarkets with vacancy rates that were less than half of the overall metro average entering this year. Southwest Las Vegas, meanwhile, registered the second-strongest drop in space availability in 2023. These three areas combined for just 650,000 square feet of vacant stock to begin this year, compared to a historic average of about 1.3 million square feet. This could potentially direct expanding vendors to nearby submarkets with higher availability, such as Central East and West Las Vegas. Overall net absorption is nevertheless expected to soften this year, in part due to the lack of available space in the most desirable areas, producing a mild uptick in vacancy.

Las Vegas' diversifying landscape appeals to a wider buyer pool. Despite the Resort Corridor's notable performance, retail trades here last year trailed seven other local submarkets. Single-tenant buyers instead concentrated on zones of Central and North Las Vegas, while shopping center investors tended to gravitate west to growing suburban hubs like Henderson. Meanwhile, Las Vegas' evolution from a tourism-centric market to a more diverse economic base is impacting sales metrics. As higher entry cost areas like the Resort Corridor account for a smaller share of overall trades, the average sale price has fallen slightly due to the shifting composition of deals.

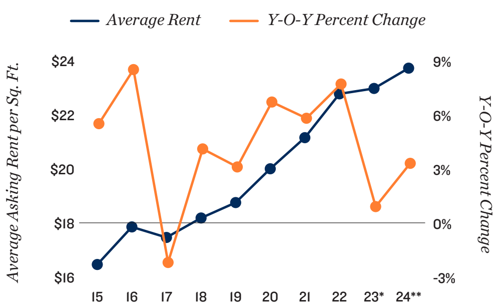
Economic Trends



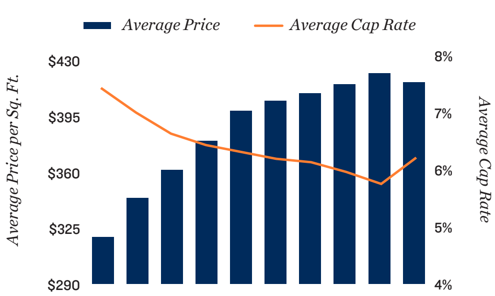
Supply and Demand



Rent Trends



Sales Trends



*Estimate; **Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2024 MARKET FORECAST

NRI RANK 9 *Las Vegas' top 10 ranking is bolstered by a nation-leading rate of household formation and an impressive pace of job creation.*

+1.9% **EMPLOYMENT:** Metro job growth exceeds the national pace for a fourth straight year by adding 22,000 positions. This brings Las Vegas' total headcount over 11 percent ahead of 2019's measure.

820,000 *sq. ft.* **CONSTRUCTION:** Influenced by one project — BLVD on the Strip — Las Vegas' 2024 supply addition is a four-year high. The remaining 320,000-square-foot pipeline is over 70 percent pre-leased.

+20 bps **VACANCY:** While vacancy will rise to 5.8 percent this year, that elevation is just half of 2023's contraction. As a result, the metro rate holds roughly 250 basis points under the long-term mean.

+3.3% **RENT:** After relatively modest 0.9 percent growth last year, historically tight conditions support a stronger rent increase in 2024. Las Vegas' average asking rate climbs to $23.70 per square foot.

INVESTMENT: *North Las Vegas reported the strongest hotel demand improvement in the market last year, likely as visitors sought lower room costs. Retail investors may seek assets near popular travel routes in the area.*

Broader Conditions in the Nation's Second-Largest Market Distract from Pockets of Localized Strength

Suburbs outperform overall metrics. While Los Angeles entered 2024 with the fifth-highest vacancy among major U.S. markets, room for optimism exists. The number of lease executions for sub-5,000-square-foot spaces rose moderately last year when compared to 2022, with the count of 10,000- to 20,000-square-foot commitments relatively consistent. Retailer demand for these floor plans is being fueled by consumers' prioritization of necessities and experiences, trends that will continue this year. Vendors seeking suburban expansion will discover tighter conditions than in Greater Downtown Los Angeles and West Los Angeles, where declining office use has impacted local retail sales. Outside these two areas, vacancy sits in the mid-5 percent range. This tightness should allow vacated big-box spaces to be backfilled here, which, when combined with a well-leased pipeline, should translate to minimal vacancy adjustment.

Private investors remain active in Los Angeles proper. Across the county's primary commercial real estate sectors, the retail segment noted the smallest year-over-year drop in deal flow during 2023, with 1031 exchange and upside-seeking investors active. Contrasting other sectors, one-fourth of retail trading was concentrated in the city of Los Angeles, an area where commercial-related sales activity has been restrained by Measure ULA. Fortunately for investors, the local retail landscape is home to a wealth of sub-$5 million listings that are exempt from the transaction tax. Moving forward, this should continue to support trading in the city, with an upcoming California ballot measure potentially invalidating the initiative. Elsewhere, transaction activity should be well dispersed, with buyers seeking the lowest price points active in the Mid-Cities and San Gabriel Valley submarkets, where below-average vacancy is prevalent.

2024 MARKET FORECAST

NRI RANK 38 — ***Job creation and moderate supply additions serve to partially offset the impacts of historically elevated vacancy.***

+0.9% — **EMPLOYMENT:** After reaching a record mark last year, Los Angeles' job count rises by 40,000 roles during 2024. The expected improvement in white collar-related hiring bodes well for retail sales.

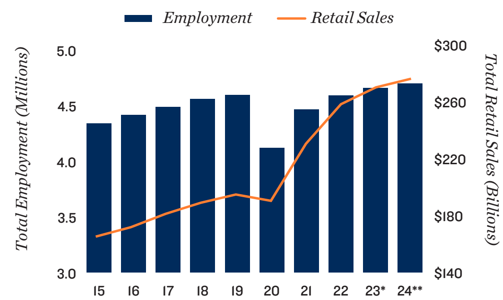
980,000 *sq. ft.* — **CONSTRUCTION:** The metro's retail inventory grows by less than 0.5 percent for a seventh straight year. Apart from South Bay, no submarket is slated to add more than 200,000 square feet of space.

+10 bps — **VACANCY:** Positive net absorption is registered; however, store closures prevent vacancy compression. Instead, the metro's rate rises slightly to 6.2 percent, the highest metric since at least 2007.

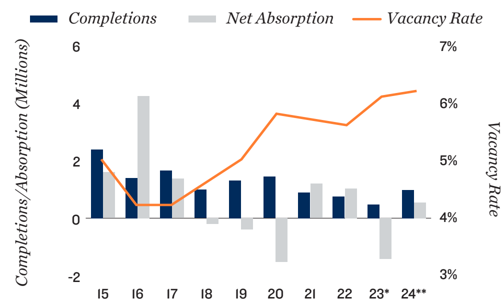
+1.2% — **RENT:** A moderate shift in vacancy allows asking rents to remain on an upward trajectory, with the mean marketed rate reaching $33.50 per square foot. This metric, however, trails Orange County.

INVESTMENT: *San Fernando Valley vacancy has held in the high-4 to mid-5 percent band throughout the past four years. This consistency should steer investors to net-leased assets and centers with varying tenant mixes.*

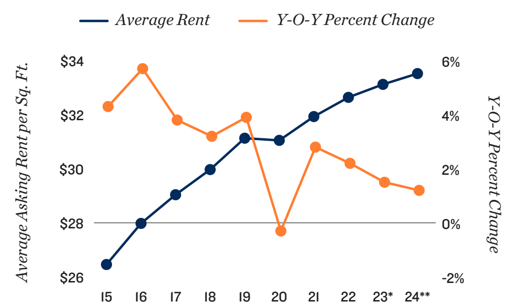
Economic Trends



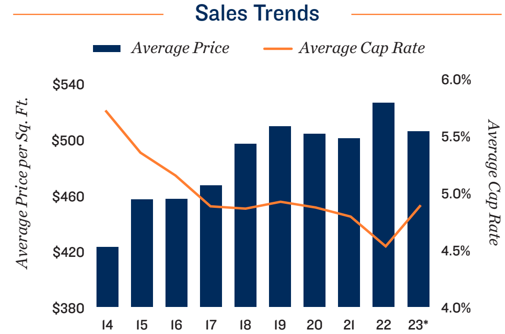
Supply and Demand



Rent Trends



Sales Trends



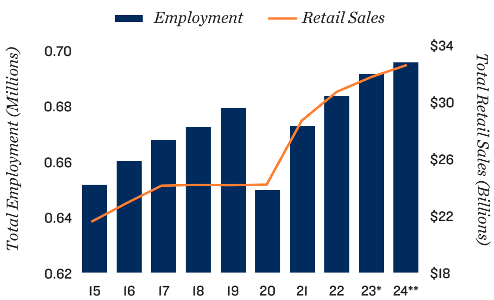
** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

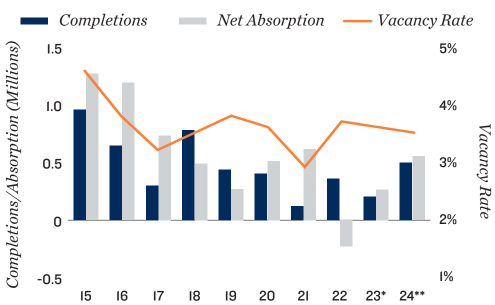
LOUISVILLE

Diverse Urban and Suburban Demand Factors Bolster Retail Leasing and Investment Across the Metro

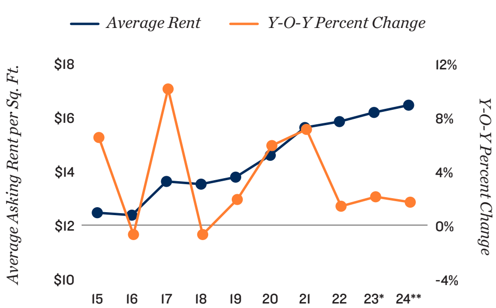
Economic Trends



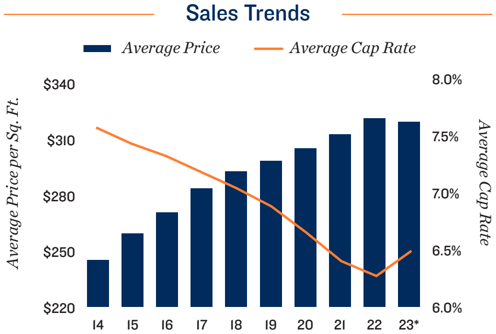
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Office usage downtown, residential needs in the suburbs keep retailers engaged. Louisville's retail sector is poised for an additional year of modest tightening in 2024. In line with national trends, this year's largest move-ins stem from experiential tenants, with Next Level Ranges and Ace Pickleball Club each taking 38,000 square feet off the market. The Hurstbourne-Lyndon submarket is the most popular locale for such leases, as potential tenants are attracted to the area's affluent population. Aside from Jefferson County's eastern suburbs, vendors are actively inking agreements in and around the urban core. Office vacancy was roughly 11.8 percent late last year, the seventh-lowest rate among major U.S. downtowns. This suggests a comparatively consistent flow of office workers in the CBD relative to other large cities, which is welcome news for retail spending in this area. The supply side offers another positive note. While this year's construction total is the largest in over half a decade, speculative additions are limited, with nearly all of the pipeline accounted for as of early 2024.

Signs point to increasing investment, with discount retail prominent. Although financing headwinds subdued trades throughout much of 2023, early indicators suggest the market may have turned the corner entering 2024. Transaction velocity dramatically increased during the second half of last year amid improved rate stability. During this increase, trades involving discount retail options have become more common in the first-ring suburbs to the east and south of Louisville, with investors targeting both freestanding single-tenant opportunities and strip centers anchored by these businesses. General macroeconomic uncertainty entering 2024 could heighten the appeal of these tenants moving forward.

2024 MARKET FORECAST

NRI RANK 33 *Below-national rates of employment and retail sales growth for 2024 translate to a second-half ranking in this year's Index.*

+0.6% **EMPLOYMENT:** Louisville's job market will maintain its upward trajectory, albeit at a more modest pace than what was noted in 2023. Local firms add 4,000 jobs on net by the end of December.

500,000 *sq. ft.* **CONSTRUCTION:** Developers expand stock by 0.7 percent this year, the fastest increase since 2018. Over 360,000 square feet of this year's additions stem from SouthPointe Commons.

-10 bps **VACANCY:** The overall vacancy rate will decline at the same pace as 2023, falling to 3.5 percent at the end of the year. This ties for the third-lowest rate observed since at least 2006.

+1.7% **RENT:** A stable vacancy rate and dearth of speculative additions will dictate increasing marketed rates, driving the average asking rent up to $16.43 per square foot by year-end.

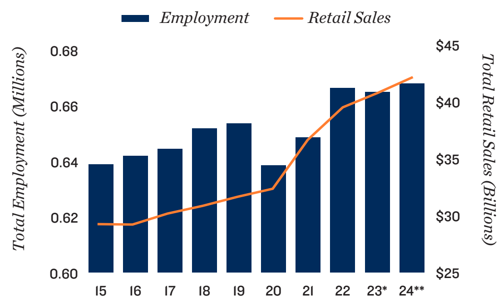
INVESTMENT: *A record-breaking freshman class noted at the University of Louisville in the fall of 2023 should drive investors to retail options immediately south of the Old Louisville area.*

Region's Most Affordable Major Retail Market Positioned to Withstand Softer Business Expansion

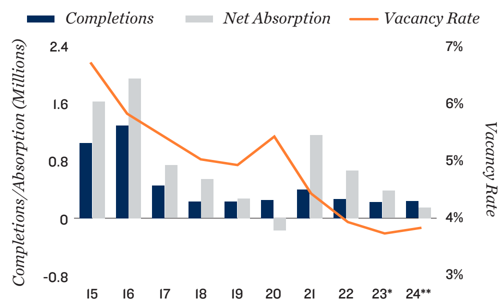
Lower costs and mild development reinforce sector. Following a 170-basis-point vacancy reduction spanning 2021-2023, Memphis' rate entered this year at nearly half its historic average. Progress is slowing as the broad impacts of inflation and the fight against it come to light, however, with higher interest rates impacting both consumers' propensity to spend, as well as businesses' willingness to expand. This has a compounding effect on tenant demand this year, with metrowide net absorption sliding to its second-lowest measure this decade. Despite that trend, vacancy will rise by a modest 10 basis points, aided by a small and highly pre-leased construction pipeline. Supply additions in 2024 represent just 40 percent of what has typically delivered in a year, and less than 20,000 square feet is finalizing without a tenant signed on. The metro should also avoid significant retailer downsizing in a challenging climate, as it offers the lowest average rent of any major Southeast market. Exemplifying this, more affordable areas like South and Southeast Memphis had some of the greatest vacancy drops last year.

Trading in outlying metro contradicts broader trend. Transactions in Memphis fell by about 20 percent in 2023 relative to the prior year; yet, some areas are noting upticks in activity. Deal flow in the growing Southeast suburb of Collierville rose substantially last year, including noteworthy interest from out-of-state buyers. Performance here supports this level of investment, as an expanding resident base helped Collierville achieve the fastest rent growth among Memphis' 10 largest submarkets by inventory in 2023. West of the core across the Mississippi, Crittenden County is also generating buyer attention. The major roadways traversing the area play a key role as investors often target fast food and convenience stores near Interstates 40 and 55.

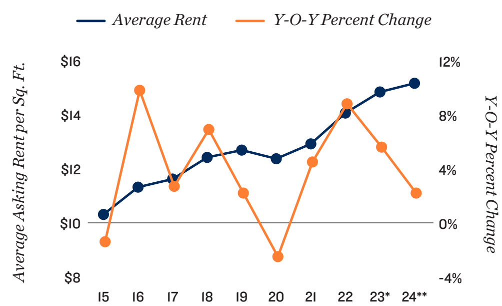
Economic Trends



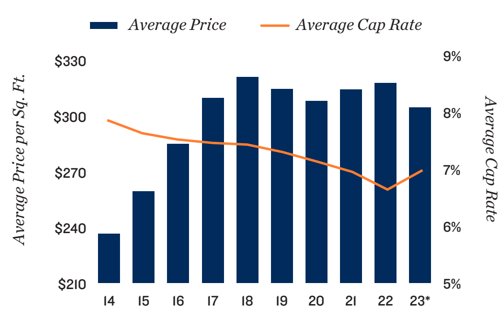
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2024 MARKET FORECAST

NRI RANK 26 — *A balance of tight vacancy and robust rent growth against sluggish employment gains put Memphis in the middle of the Index.*

+0.5% — **EMPLOYMENT:** After a net contraction of 1,500 positions in 2023, Memphis' labor market regains positive momentum with 3,000 new roles this year. That growth should benefit consumer spending.

235,000 *sq. ft.* — **CONSTRUCTION:** Supply additions in 2024 fall about 40,000 square feet shy of the trailing five-year average. All projects larger than 10,000 square feet are scheduled to deliver fully pre-leased.

+10 bps — **VACANCY:** Less aggressive business expansion after an extensive series of interest rate hikes contributes to vacancy rising to 3.8 percent. Still, the rate is 320 basis points below the long-term mean.

+2.2% — **RENT:** A fourth straight year of rent growth places Memphis' average asking rate at $15.14 per square foot. This advancement extends the gain relative to the pre-pandemic figure to almost 20 percent.

INVESTMENT: *Benefiting from the University of Memphis and other attractions, East Memphis is a focal point. The plethora of shopping centers along Poplar Avenue make it an active corridor for multi-tenant trades.*

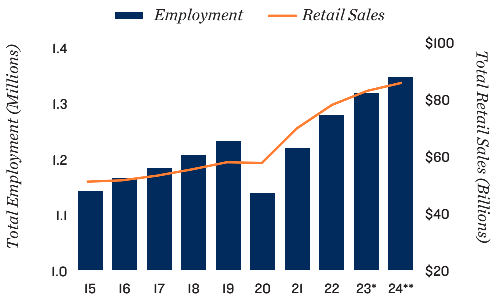
MIAMI-DADE

Favorable Supply-Demand Dynamics Further Miami-Dade's Appeal to Retail Investors

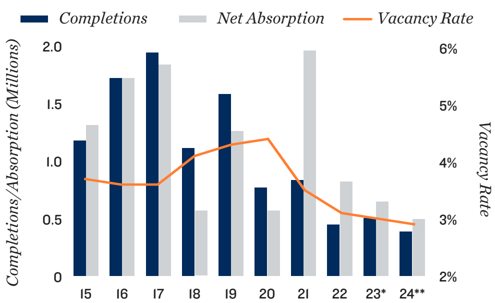
Nationally strong employment market aids tight retail conditions. Miami is home to some of the nation's tightest retail vacancy levels, with eight of the metro's 17 largest submarkets entering 2024 with a sub-2 percent rate. Strong economic growth has bolstered this dynamic. As of late last year, Miami-Dade claimed the lowest unemployment rate across major markets; yet, the pace of job growth is anticipated to register as the nation's fourth quickest in 2024. Falling vacancy in the office sector last year indicates this growing workforce is also utilizing more in-person attendance models and driving additional midweek foot traffic in major business districts. Accompanying this driver of space demand is a marginal delivery slate, directing ongoing leasing activity to existing stock. This maintains downward momentum on the market's overall vacancy rate, allowing it to match the lowest figure among major U.S. markets by year-end.

Multi-tenant trades garner more attention. Despite a pullback in trading velocity last year, deal flow in Miami-Dade remained ahead of pre-pandemic norms as a strong labor market aided investor sentiment. Although single-tenant assets are likely to continue garnering the majority of investor attention in 2024, more bandwidth may be placed on multi-tenant properties. As of late 2023, seven metro areas with at least 1 million square feet of such inventory held a vacancy rate more than 100 basis points under the market figure. Greater Miami, Gladeview and Wynwood may draw a sizable portion of investors' interest this year, concurrent with expanding demand from luxury retailers for space in the Design District. Investors that remain focused on single-tenant assets will direct their attention to South Dade County, where housing affordability has drawn a considerable increase in occupied apartment stock.

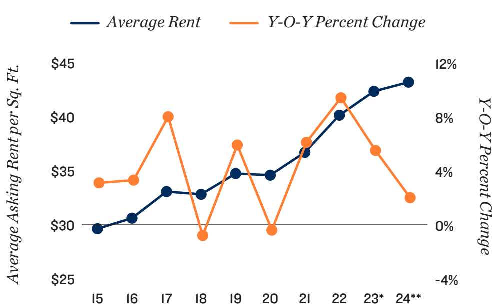
Economic Trends



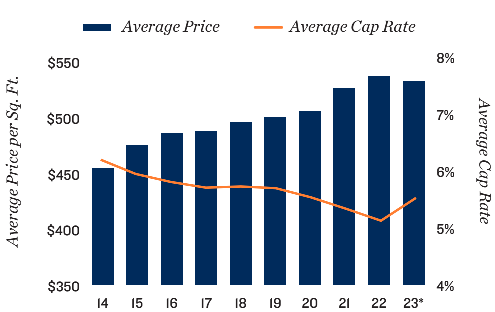
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2024 MARKET FORECAST

NRI RANK 7 — ***Further vacancy compression and sustained employment growth bolster Miami's top-10 standing in this year's NRI.***

+2.3% — **EMPLOYMENT:** Local employers will add 30,000 new positions on net in 2024, lifting the market's overall workforce by the fourth-fastest rate among major U.S. metros.

385,000 sq. ft. — **CONSTRUCTION:** Completions reach a record low this year as inventory expands by just 0.3 percent. The South Dade and greater Miami areas will welcome roughly half of this new space.

-10 bps — **VACANCY:** At 2.9 percent, Miami-Dade matches the lowest vacancy rate among major U.S. metros. This will be 140 basis points below its 2019 measure, the strongest standing among Florida markets.

+2.0% — **RENT:** While vacancy is falling, net absorption is also tempering, contributing to a cooled pace of rent growth. As such, the metro's average asking rate will extend to $43.15 per square foot in 2024.

INVESTMENT: *Rapidly elevated insurance costs may continue to weigh on out-of-state trades. These higher expenses reflect the reality that storms are at a higher risk of occurring and causing damage to properties.*

Milwaukee Stands Among the Most Improved Midwest Retail Markets, Spurring Investment Activity

Strong space demand noticed in Ozaukee. Four years of positive net absorption in Ozaukee County has led to sub-2 percent local vacancy across both the single- and multi-tenant segments entering 2024, well under the submarket's overall measure of 6.1 percent in 2019. Improved retailer space demand here has followed an uptick in residential popularity in northern suburbs, as well as increased enrollment at the nearby Concordia University Wisconsin. Outside these areas, persistently high inflation has had a more noticeable impact on consumer spending and tenant demand. A six-year low retail sales growth figure, paired with a largely stagnant population, will lead to slight space relinquishment in 2024. Yet, while the overall vacancy rate is rising, it will remain 90 basis points below its pre-pandemic figure by year-end. This matches Indianapolis as the largest spread among major Midwestern metros, and stands 170 basis points below the local long-term average.

Racine garners additional investor attention. Tight conditions and an improved capital markets outlook should aid elevated investment activity in Milwaukee this year. Despite experiencing an overall pullback in velocity in 2023, a considerable uptick in deal flow was noted in Racine County. Strong apartment fundamentals in the area should continue to bolster retailers' demand for both single- and multi-tenant spaces, keeping local retail vacancy rates well below the respective metrowide measures. Still, investors are anticipated to remain most active across greater Milwaukee County, surrounding Downtown. Single-tenant trades are most frequent here as conditions remain far tighter than prior to the pandemic, while rent growth exceeds the metrowide average. Retailers here benefit from mounting residential migration closer to Downtown.

2024 MARKET FORECAST

NRI RANK 30 *Limited household formation and retail sales growth contribute to Milwaukee's 2024 ranking in the NRI.*

+0.8% **EMPLOYMENT:** Milwaukee's employment growth rate doubles its long-term average this year. The addition of 7,000 roles on net will bring the metro's workforce within 9,000 positions of its 2019 total.

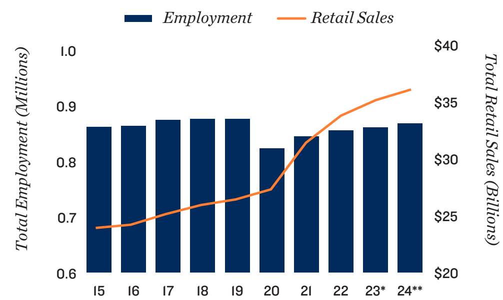
100,000 *sq. ft.* **CONSTRUCTION:** Developers will add just 10,000 more square feet in 2024 than 2021's multi-decade low. This increases local stock by just 0.1 percent for the third time in four years.

+10 bps **VACANCY:** Despite a slight uptick at 4.4 percent, Milwaukee's vacancy rate will remain below 5 percent for a fourth straight period, a level that had not been achieved in any of the prior 15 years.

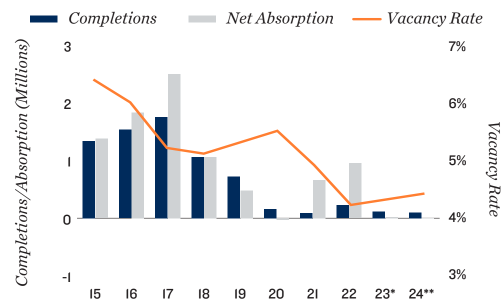
+2.0% **RENT:** Amid cooling retailer demand, the metro's pace of rent growth will temper in 2024. Nevertheless, Milwaukee's average asking rate still reaches a new high of $14.95 per square foot.

INVESTMENT: *Investors drawn toward Milwaukee County's strong fundamentals and large inventory may also look for deals in Waukesha County amid similar market dynamics, but more limited new supply pressure.*

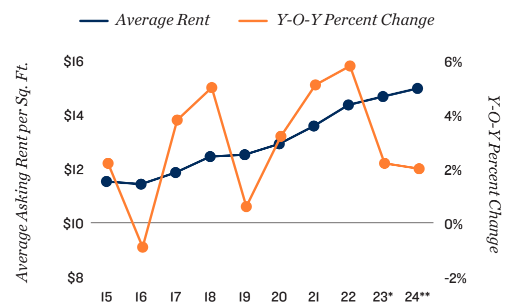
Economic Trends



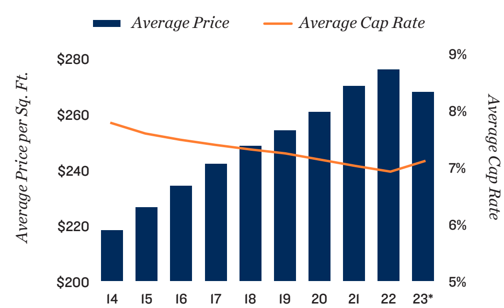
Supply and Demand



Rent Trends



Sales Trends



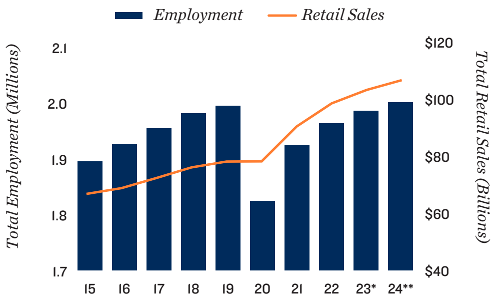
** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

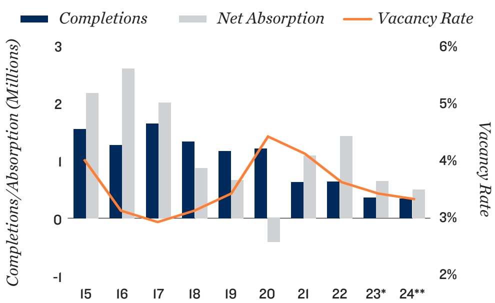
MINNEAPOLIS-ST. PAUL

Post-Pandemic Low Vacancy Driven by Suburban Dynamics, Fueling Investment Activity

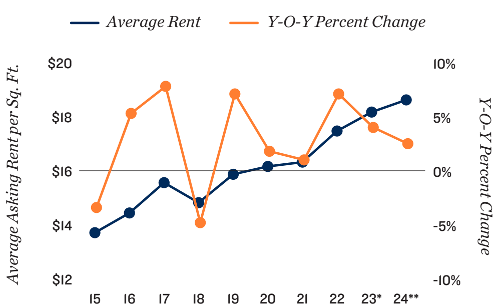
Economic Trends



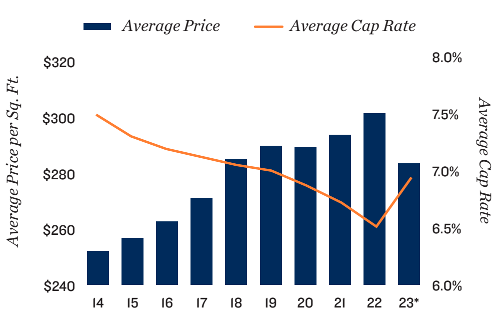
Supply and Demand



Rent Trends



Sales Trends



*Estimate; **Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Market regains its notable national standing. In the years leading up to the pandemic, the Minneapolis-St. Paul metro consistently ranked among the nation's tightest major U.S. retail markets. That status was lost shortly after, however, amid a considerable reshuffling of retailer preferences. Nevertheless, the market is poised to recapture its status as one of the least vacant markets in the country this year. Areas that have recently noticed the strongest demand recovery include Burnsville, Eden Prairie and Woodbury, with each entering this year with local vacancy rates 100 to 200 basis points below their respective 2019 figures. Retail demand has also improved in Downtown Minneapolis amid a considerable lift in occupied apartment stock. Momentum here has begun to stabilize, however, with new retail commitments limited as of early 2024.

Retail sales and income growth aid investor sentiment. Deal flow remained firmly ahead of pre-pandemic norms in 2023, despite a year-over-year slowdown in closings. In 2024, a tempered construction pipeline, the third-lowest average price per square foot among major U.S. markets, and further tightening of metrowide vacancy should foster additional investor engagement. The Minneapolis-St. Paul employment base is also set to surpass its 2019 benchmark this year, supporting household income and retail sales growth that is projected to exceed the national average. Along with increasing optimism of an improved financing landscape, these dynamics should aid local investor sentiment in 2024. Although velocity is likely to remain dispersed across the metro, key submarkets likely garner slightly more attention. The Eden Prairie and Coon Rapids areas are attractive to investors amid tight vacancy rates here, while West St. Paul and Southdale should elicit dealmaking, thanks to above-average rates of rent growth.

2024 MARKET FORECAST

NRI RANK 20 *Vacancy reaching near a local historic low and limited supply pressure assist in the metro's top-25 positioning this year.*

+0.8% **EMPLOYMENT:** Despite tamer hiring this year, the net addition of 15,000 positions will allow the metro's overall workforce to exceed its pre-pandemic measure by 6,000 roles.

345,000 *sq. ft.* **CONSTRUCTION:** Minneapolis-St. Paul welcomes its lowest amount of new retail space since at least 2007. As such, overall stock will increase by just 0.2 percent this year.

-10 bps **VACANCY:** A multi-decade, record-low delivery slate and continued retail space demand compress the metro's vacancy rate to 3.3 percent. This will be the metro's lowest measure since 2018.

+2.5% **RENT:** Concurrent with regionally low vacancy, rent growth measures as the strongest among major Midwest metros. This pace lifts the local average asking rate to $18.60 per square foot.

INVESTMENT: *A considerable portion of 2024's apartment completions are anticipated in Eden Prairie, potentially stimulating retailer space demand even further and warranting additional investor attention.*

Nashville's Popularity to Travelers and New Residents Extending to Retailers, Investors

Robust tourism a key force behind market's performance. Nashville's retail sector continues to stand out on a national scale, boasting a low vacancy rate and rent growth pace that each lie within the top 15 of major metros this year. These favorable metrics are bolstered by levels of household formation and retail sales growth that surpass the U.S. measures. Nashville's hospitality sector has also gained notable prominence, leading the country in hotel room demand growth since 2019 at nearly 17 percent. The next closest market is Austin at 12 percent. Greater tourism is, in turn, supporting retailers in Downtown, Midtown and surrounding suburbs, with sub-3 percent vacancy rates in Bellevue, Donelson-Hermitage and Green Hills-Belle Meade late last year. Operations are also tight in the metro's surrounding, smaller towns — including those in Montgomery, Robertson and Rutherford counties. The dual-strength of both small town and major thoroughfare retailers underscores Nashville's sustained positive momentum.

Dynamic landscape engaging buyers across both core and outer areas. While not as ubiquitous as in 2019, new lease signings are still frequent across Nashville, encouraging investors despite higher borrowing costs. Popular areas for transactions last year, such as Murfreesboro, Gallatin, Hendersonville, the Southeast Corridor and North Nashville, are also focal points for recent and planned move-ins. Active leasing in the CBD, especially around The Gulch and Pie Town, could draw more buyers this year after a fewer-than-normal number of downtown assets changed hands in 2023. Fast food and other types of dining could appeal most to active investors, following strong retail spending growth in that category nationally last year. While in-state investors are most engaged, relatively higher cap rates are also drawing buyers from major coastal metros.

2024 MARKET FORECAST

NRI RANK 18 — ***A vacancy level below many other major metros, paired with strong job growth, support a top-20 ranking this year.***

+1.9% — **EMPLOYMENT:** The 22,000 new jobs in 2024 produce a growth rate that falls just outside the top 10 of major markets. Recent hiring has been strongest in construction and business services.

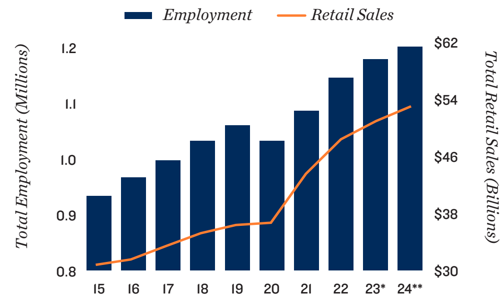
900,000 *sq. ft.* — **CONSTRUCTION:** A mixed-use redevelopment in Nashville's meatpacking district, along with the Marketplace at Savannah Ridge, lead a four-year high annual delivery slate.

+30 bps — **VACANCY:** The metro's vacancy rate rises to 3.7 percent, a three-year high, as the single-tenant rate inches up from its 2.2 percent historic low in 2022. The multi-tenant rate is higher, but falling.

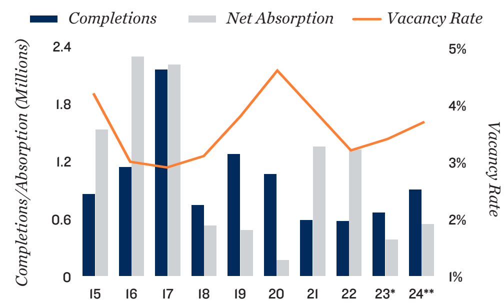
+3.0% — **RENT:** Climbing to a mean of $24.15 per square foot, the market's pace of asking rent growth will fall short of marks from 2022 and 2023, but exceed the 2024 national rate by 80 basis points.

INVESTMENT: *Implied returns of up to 8 percent for auto repair facilities that changed hands last year may prompt investors specifically focusing on yields to look for similar opportunities in the months ahead.*

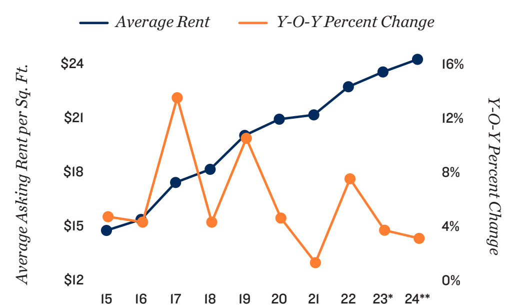
Economic Trends



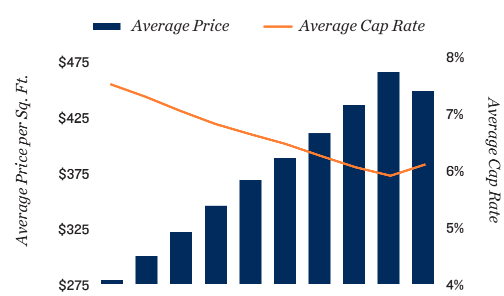
Supply and Demand



Rent Trends



Sales Trends



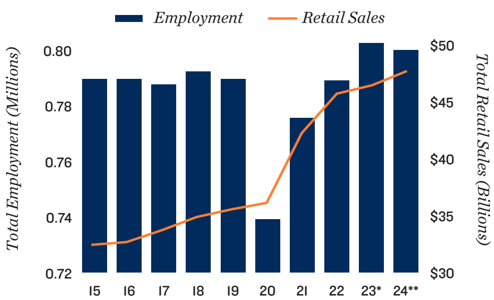
** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

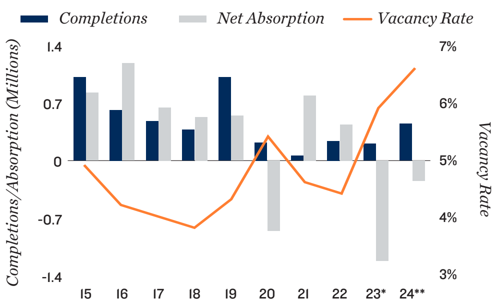
NEW HAVEN-FAIRFIELD COUNTY

Gold Coast Well-Poised to Weather Current Wave of Tenant Relinquishments

Economic Trends



Supply and Demand



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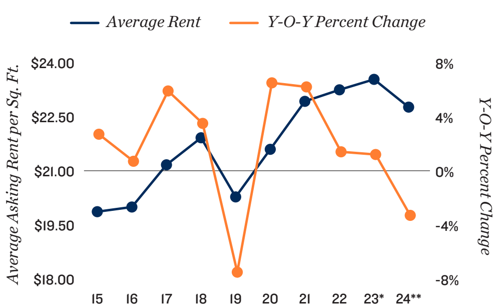
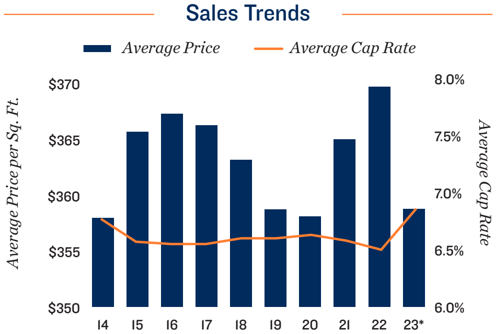


Sales Trends



High-earning populace carries market through headwinds. Despite concerns stemming from longstanding population attrition, southwestern Connecticut's local median income is approaching $200,000 — the highest among major U.S. markets — which helps backstop retail spending. Upward adjustments to vacancy have been less dramatic in upper-income locales, as the metric in Fairfield County increased at roughly half the margin noted in New Haven County last year, a situation that should continue in 2024. Home to Connecticut's Gold Coast, this affluent submarket has been better insulated from recent bouts of inflation than other areas of the U.S., though local consumers have still trimmed their budgets. On a brighter note, price turbulence has eased entering this year, which may aid consumer activity in the coming months, and possibly set the stage for an overall absorption turnaround in late 2024 or early 2025.

Affluent municipalities draw investment amid broader market-level uncertainty. Though down from the record pace noted in 2021 and 2022, transaction velocity is proceeding at a rate comparable to the immediate pre-pandemic equivalent. Notably, single-tenant deals increased in prominence in the latter half of last year, even amid substantial negative net absorption in this segment. Despite more than 1 million square feet being relinquished to the market over the course of 2023, the area boasts a solid selection of nationally-branded, single-tenant net-lease options, which lenders have been more amenable to financing amid mounting capital costs. Trades of this type are heavily concentrated along the Greenwich-Fairfield Corridor, where a well-off consumer base provides a major support in times of economic uncertainty. Clusters of trades here could become more prominent as demographic shifts impact spending elsewhere.

2024 MARKET FORECAST

NRI RANK 50 — ***Declining employment and population levels characterize the market's ranking in the 2024 Index.***

-0.3% — **EMPLOYMENT:** Population attrition and corporate downsizing will translate to a net decrease of roughly 2,500 positions across southwestern Connecticut in 2024.

450,000 *sq. ft.* — **CONSTRUCTION:** This year's selection of broadly built-to-suit projects represent the largest expansion since 2019. Roughly three-quarters of this space will come online in New Haven County.

+70 bps — **VACANCY:** Vacancy will jump to 6.6 percent by year-end. This will be the highest measure noted in the market since at least 2007, and the second-highest increase expected nationwide this year.

-3.3% — **RENT:** Elevated vacancy will prompt lower rents as available storefronts lower their marketed rates to draw in retailers. The average asking rent will fall to $22.75 by year-end.

INVESTMENT: *Investors targeting growing residential areas may look to Waterbury, which has seen an increase of new multifamily renters attracted to northern New Haven County's comparatively low living costs.*

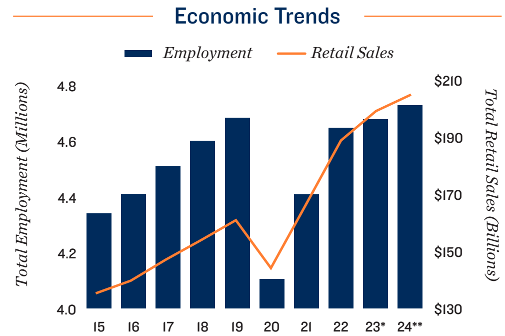
* Estimate; ** Forecast

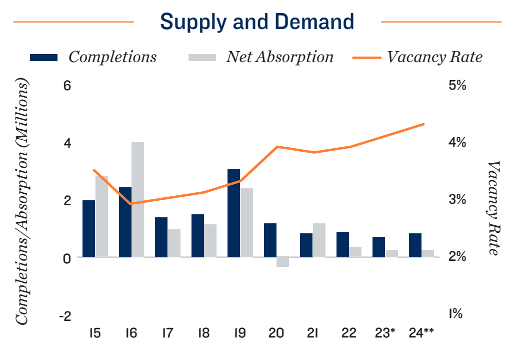
Sources: CoStar Group, Inc.; Real Capital Analytics

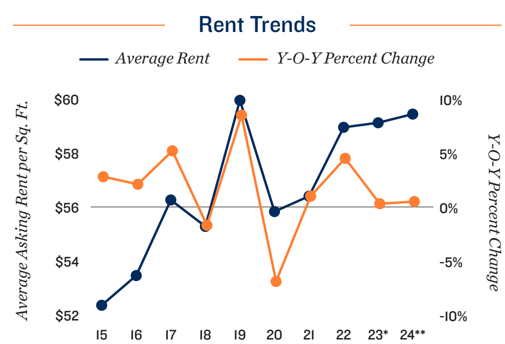
Tenants and Investors Alter Priorities in Response to Shifting Office Usage Patterns

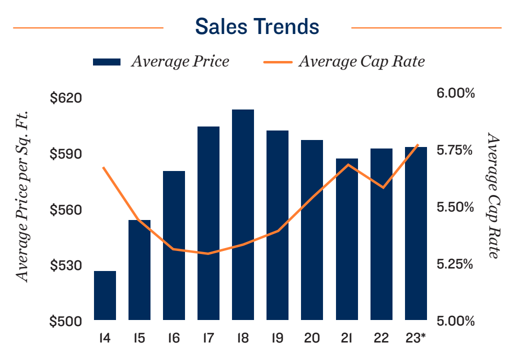
Residential population and enthusiastic tourist base prop up retail sales. Office utilization and the pedestrian traffic that comes with it have continued to improve, with a Partnership for NYC survey conducted in late 2023 placing attendance at nearly 60 percent of the pre-pandemic norm. As the city marks four years since the onset of the health crisis, however, much of the remaining gap is likely to hold in the long-term. Retail tenants may reorient their leasing strategies to focus on the residential neighborhoods and tourist-centric locales that have seen the strongest returns of pedestrian activity. Times Square exemplifies the latter trend, having recouped an equal number of tenants as those lost during the pandemic by the fourth quarter of 2023. This occurred amid consistent downward absorption trends in the broader Midtown submarket. Highlighting opportunities elsewhere, consistently tight multifamily operations showcase the demand for services in residential zones, which will help drive citywide retail sales above the $200 billion mark for the first time on record.

New apartment hotspots offer alternative to office corridors. In addition to financing woes, uncertainty as to pedestrian patterns in a post-health crisis traffic environment has subdued transaction velocity. In 2024, residential neighborhoods could see deal flow pick up as investors pivot toward areas with consistent foot traffic. Brooklyn stands out among the five boroughs in terms of growth potential, with roughly 45 percent of apartment units under construction citywide located here. Several Queens neighborhoods have also picked up in recent years, such as Long Island City, where the number of residential units has more than tripled since 2016. Investors may also bet on rising tourism numbers by acquiring experiential retail options in Manhattan locales.









2024 MARKET FORECAST

NRI RANK 32 — ***Measured inventory growth bolsters New York's position in this year's Index, near the middle of the standings.***

+1.1% — **EMPLOYMENT:** Job creation will accelerate in 2024, thanks to an improvement in the city's office-using segments, leading to the addition of 50,000 positions by the end of December.

825,000 *sq. ft.* — **CONSTRUCTION:** Annual completions fall below the 1-million-square-foot mark for the fourth year in a row. The majority of space slated for delivery this year will come online in Brooklyn.

+20 bps — **VACANCY:** The citywide vacancy rate will adjust to 4.3 percent in 2024. While this is the highest measure noted since 2013, the metric is roughly in line with the post-2006 average.

+0.5% — **RENT:** After a 0.3 percent increase was recorded last year, marketed rents will maintain a similarly tepid pace in 2024, rising to $59.42 per square foot by year-end.

INVESTMENT: *Investors may target the Willets Point neighborhood in Queens, where a new stadium housing NYCFC — the city's first purpose-built Major League Soccer venue — is under construction.*

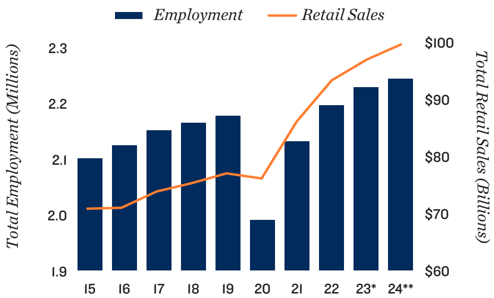
** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

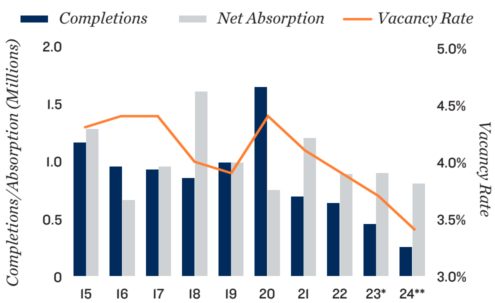
NORTHERN NEW JERSEY

Historically Tight Vacancy Set to Fall Further; Investors Follow Suburban Growth Patterns

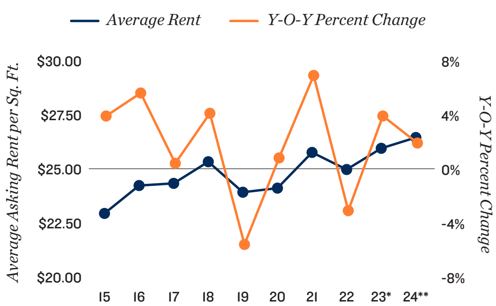
Economic Trends



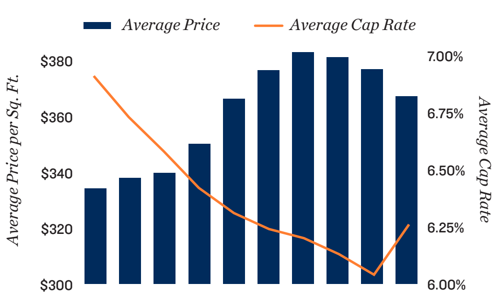
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Affluent consumer base supports largest decrease in retail vacancy nationwide. Northern New Jersey's high median income — surpassing $100,000 in 2024 — has been one of the several factors supporting the local retail sector through the recent inflationary period. Downward trends in construction activity noted since the onset of the health crisis have accelerated, with this year expected to see the smallest square-foot addition in multiple decades. Together, this will translate to the largest decrease in vacancy noted across all major markets nationwide in 2024. Certain locales could see more emphatic declines due to their proximity to nascent office hubs. Jersey City's Hudson Waterfront has emerged as one of the region's hotspots for office leasing in recent years, which should draw retailers seeking to capitalize on the well-compensated employees here, in addition to nearby residents. Morristown has similarly attracted a wide range of firms seeking out lower-cost suburban offices, a dynamic that should benefit nearby retailers in the area's downtown and nearby zones.

Investors drawn to upside prospects around inland downtowns. Contrasting other submarkets where deal flow slowed during the latter half of the year, Morris County noted consistently improving transaction velocity throughout 2023. This likely stems from upside prospects throughout the county. In addition to the firms expanding or placing roots here, the region gained a share of transplants that left New York City for quieter suburban environs during the pandemic, many of which have elected to remain in the area as health conditions normalized. Stabilizing interest rates bode well for retail trades elsewhere in the metro, however, including rapidly growing areas along the Passaic River and Hudson Waterfront.

2024 MARKET FORECAST

NRI RANK 34 — ***Despite notable vacancy compression, sluggish household growth positions the metro below the NRI midpoint.***

+0.7% — **EMPLOYMENT:** Northern New Jersey will see a net gain of 15,000 jobs in 2024. Traditional office-using firms will contribute a third of this increase after losing 10,000 positions last year.

250,000 *sq. ft.* — **CONSTRUCTION:** Developers will expand inventory by just 0.1 percent in 2024. Nearly 60 percent of the space slated for delivery this year is split between two projects in Union County.

-30 bps — **VACANCY:** Tepid speculative development prompts tenants to seek out existing floor plans, driving vacancy down to 3.4 percent. This will be the lowest rate noted since at least 2006.

+1.9% — **RENT:** Historically low vacancy will keep rents climbing steadily upward, bringing the mean marketed rate to $26.42 per square foot. This marks the highest asking rent on record.

INVESTMENT: *Operations at Lionsgate Film Studio's complex in Newark's South Ward are anticipated to commence later this year, which should draw retail tenants and investment to this area.*

Multifamily Development Within the City of Oakland Benefits Local Retail as Investors Lean Farther South

Amid broader softening, central Oakland performing well. The metro's streak of net space relinquishment will reach a seventh year in 2024, leading to a slight rise in vacancy and a minor shift in the mean asking rent. Much of this trouble stems from outside of Oakland proper, however. Within the city, vacancy was under 5 percent last year, reflecting multiple quarters of positive net absorption. Operations are aided by development here — the lack thereof for retail buildings and the abundance of new apartments underway. The large slate of local multifamily arrivals should bring more households here over time, supporting nearby vendors. Operators are, however, facing challenges across the 80 Corridor, where vacancy sat above 9 percent last year, and the 880 Corridor, where the same metric jumped by triple-digit basis points. A slowdown in leasing amid rising overhead costs, such as labor and goods to sell, especially for spaces over 10,000 square feet, is contributing to the recent hurdles.

Investors eye southwestern stretch of market for higher yields. Amid a national slowdown during 2023, sales velocity eased about 20 percent less in Oakland than in nearby metros. Roughly three in every seven Bay Area retail trades last year took place in the market, and of those acquisitions, nearly one in three involved the 880 Corridor. Despite the recent jump in vacancy here, local investors have been pursuing restaurants and mixed-use storefronts for entry costs that can fall below $200 per square foot and cap rates above 6 percent. Similar yields could be found in the city of Oakland proper for older storefronts. The value of higher cap rates amid elevated borrowing costs is likely to extend the metro's momentum this year, as the 5.6 percent mean cap rate exiting 2023 exceeded that of San Francisco and San Jose by 40 to 50 basis points.

2024 MARKET FORECAST

NRI RANK 47 — ***While near-term supply pressure is modest, softening vacancy and minor rent growth weigh on Oakland's ranking for 2024.***

+1.2% — **EMPLOYMENT:** At 15,000 new roles, Oakland employers will generate the largest count of job creation in the Bay Area this year. Hiring is likely to be strongest in health and education services.

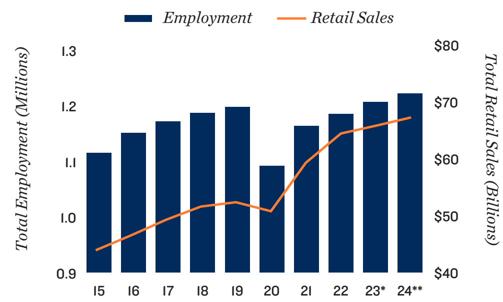
195,000 *sq. ft.* — **CONSTRUCTION:** A 162,000-square-foot Costco in Newark represents the bulk of this year's supply additions. Longer-term, most proposals are situated along the Highway 4 Corridor.

+20 bps — **VACANCY:** Oakland's overall vacancy rate will inch up to 6.2 percent by the end of 2024. The falling multi-tenant rate trails the rising single-tenant measure by a margin of over 100 basis points.

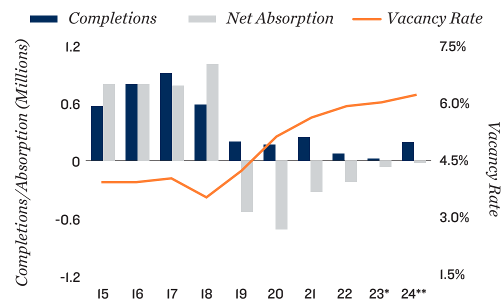
+0.3% — **RENT:** Marketed rents have fluctuated between $28 and $31 per square foot since 2019. In 2024, the mean rate will inch up slightly to $31.05 per square foot, backed by single-tenant momentum.

INVESTMENT: *The combination of comparatively higher cap rates, airport-related foot traffic, and residential density highlights the South Oakland area among investors looking within the city proper.*

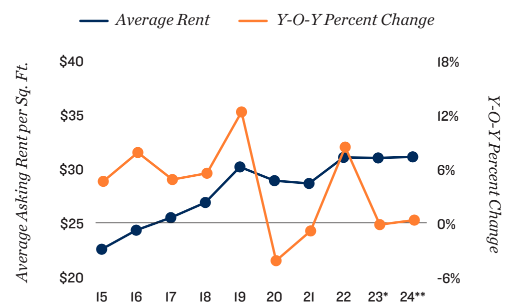
Economic Trends



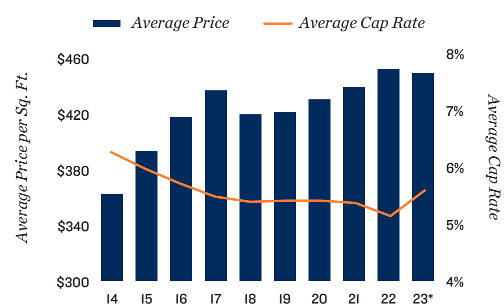
Supply and Demand



Rent Trends



Sales Trends



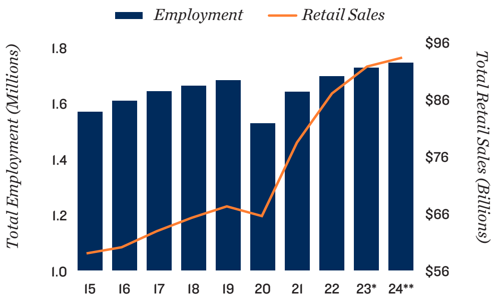
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

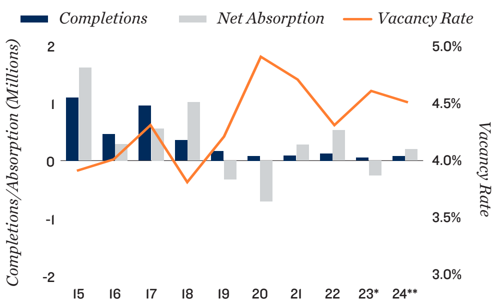
ORANGE COUNTY

California's Tightest Retail Vacancy Calls Investor Attention to Orange County

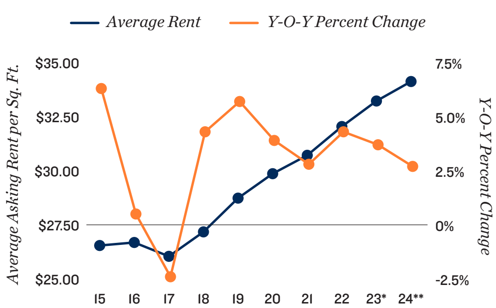
Economic Trends



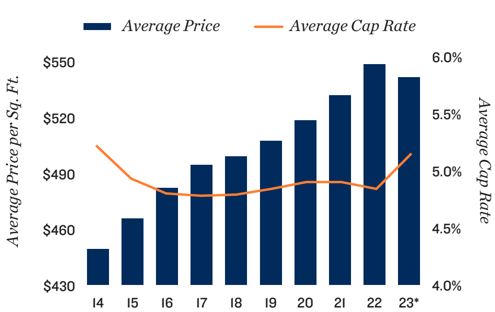
Supply and Demand



Rent Trends



Sales Trends



*Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Rapid apartment development helps recover retail net absorption. Orange County hosts the delivery of just 80,000 square feet of retail space this year, the smallest slate for any major market. Limited new supply will enable vacancy to tick down to 4.5 percent, as rapid construction in the multifamily sector helps revive retailer demand for space. A six-year high apartment completion total set for 2024 is creating new opportunities for retailers to capitalize on the metro's densification. Areas surrounding John Wayne Airport have the strongest potential in this regard. North and South Irvine, in particular, each featured multifamily pipelines exceeding 10 percent of their local inventories at the start of 2024. Elsewhere, Laguna Hills-Aliso Viejo is already seeing a rush in demand from retailers, with Savers, Tesla and Bowlero topping a growing list of tenants moving into the area this year. The demolition and redevelopment of the Laguna Hills Mall, which developers eventually plan to convert to apartments, offices and hotel rooms , should help bring in additional economic activity and retailer interest.

Metro's strength attracts out-of-market capital. Orange County is projected to post the lowest vacancy rate of any major California metro, while the local 2.7 percent gain in the average asking rent will be the state's second highest this year. This overall trajectory should attract more out-of-market capital, especially from the three other major Southern California metros, which may each face higher levels of downside risk from elevated supply in 2024. Laguna Hills-Aliso Viejo, Santa Ana and the Northern Portions of Orange County should be attractive to these types of investors moving forward, due to their below-metro average pricing, as well as their strong leasing trends.

2024 MARKET FORECAST

NRI RANK 25 *Limited vacancy and a scant pipeline propel Orange County to the highest ranking among major California metros in the NRI.*

+1.0% **EMPLOYMENT:** Hiring slows from last year's 1.8 percent pace, but remains akin to 2019, when the labor base grew by 1.1 percent. Approximately 18,000 new roles will be created in 2024.

80,000 *sq. ft.* **CONSTRUCTION:** While this year's completion total will be a national low, stock growth is set to accelerate from the near-negligible addition of just 49,000 square feet in 2023.

-10 bps **VACANCY:** The vacancy rate will resume downward momentum, dropping to 4.5 percent in 2024. Orange County is set to be the only major California market to record a vacancy decline this year.

+2.7% **RENT:** Lower vacancy enables the average asking rent to grow faster than the long-term pace of 1.2 percent. At $34.10 per square foot, the metric will remain as the fifth highest in the U.S. entering 2025.

INVESTMENT: *Improving midweek foot traffic in Santa Ana and Anaheim may draw investors to surrounding retail assets. A net of 361,000 square feet of office space was absorbed here in 2023, the strongest since 2016.*

Orlando's State-Leading Population Growth Drives Foot Traffic and Retailer Space Demand

In-migration and renewed tourism boost the metro's retail sector. Orlando expects the greatest level of net in-migration among major Florida markets this year and beyond. Over the next five years, the metro will add more than 180,000 new residents on net. Tourism to Orlando is also improving as the Orlando International Airport welcomed a record number of passengers in 2023, with traffic increasing most rapidly among international travelers. A growing population, paired with strong tourism growth, will create positive momentum for retail demand and sales in Orlando this year. The sector entered 2024 with near record-low vacancy, despite the influx of new supply in 2023. New inventory will place some upward pressure on vacancy this year, but most builds are slated for the outlying parts of Orange and Seminole counties, where available space is limited. Both multi- and single-tenant segments will add stock in 2024, likely keeping their vacancy rates roughly in line with one another.

Elevated foot traffic downtown draws investors. Private buyers were active in 2023 and are likely to find opportunities in 2024 as foot traffic at ground floor retail spaces improves, particularly around downtown. Office vacancy in the metro will end this year 450 basis points below the U.S. mark, providing a tailwind for retailers that rely on mid-week, corporate-driven foot traffic. Institutions and developers, meanwhile, have been active around Walt Disney World and surrounding areas of late. The Tourist Corridor and south outskirts of Orlando are likely to stay popular among this cohort, specifically those willing to pay a premium for space. Neighborhoods like Florida Center, Caribbean Cay and Park Central are reported to have accounted for nearly one-fourth of total foot traffic in Orlando through the trailing year ended in August 2023.

2024 MARKET FORECAST

NRI RANK 17 — *Consistent employment and household growth keep Orlando in the top half of the Index this year, despite rising vacancy.*

+1.7% — **EMPLOYMENT:** Job growth in 2024 roughly matches last year's pace as 25,000 new roles are added. This is, however, roughly 10,000 positions below Orlando's trailing-decade annual average.

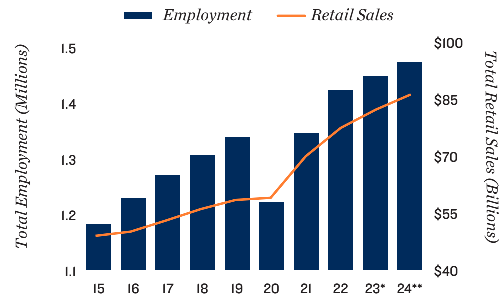
1,300,000 *sq. ft.* — **CONSTRUCTION:** Deliveries will surpass 1 million square feet for the second time in five years. A 200,000-square-foot lifestyle center in West Colonial is the largest project slated for 2024.

+20 bps — **VACANCY:** Orlando's vacancy rate will inch up this year from the record low logged in 2023, but at 4.0 percent, the figure will still be the second-lowest year-end metric in the last 18 years.

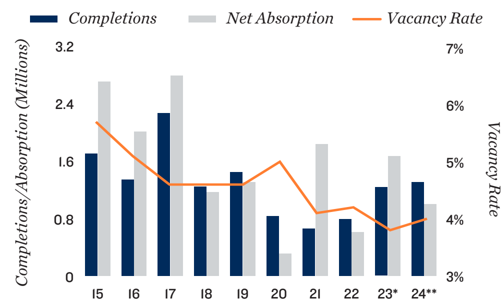
+1.1% — **RENT:** The metro's average asking rate will increase to $22.75 per square foot by December. This marks a 17 percent increase from the mean asking rent recorded at the end of 2019.

INVESTMENT: *Buyers may find opportunities for value-add assets around Casselberry and Orlando Central Park with elevated, but compressing, vacancy rates entering 2024 amid increasing foot traffic.*

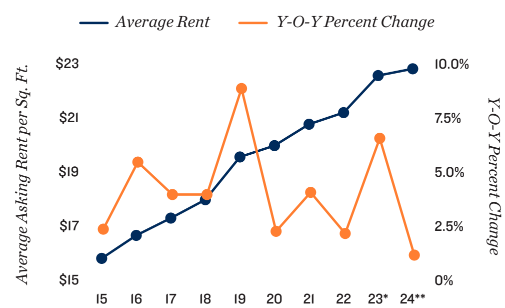
Economic Trends



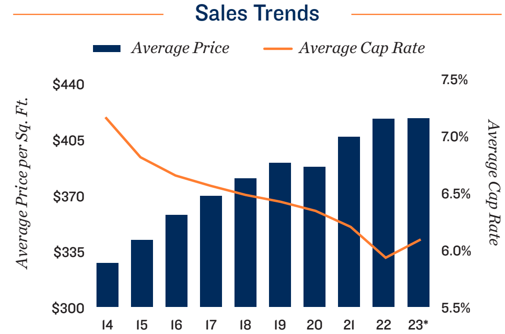
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

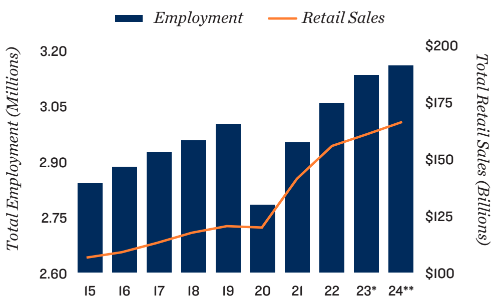
PHILADELPHIA

Tight Retail Vacancy in Philadelphia Proper Prompts New Leasing Strategies, Draws Investment

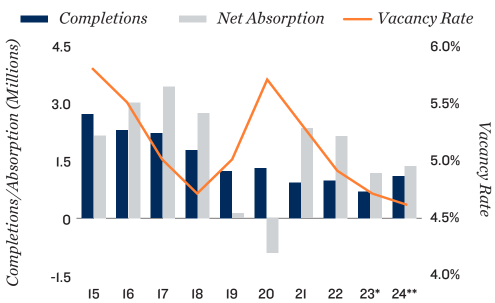
Low vacancy drives larger tenants to compromise on space. Local retail conditions have seldom been tighter, with the expected vacancy metric in 2024 verging on multi-decade lows. Neighborhoods in the city proper have been supported by improving foot traffic, as Philadelphia recorded the greatest decrease in remote-only employees among major U.S. metros from June 2022 to October 2023. The overall market has also seen a number of demolitions — which took 4.2 million square feet of retail space off the market in the past half-decade alone — in tandem with tapering construction. A lack of space is constraining big-box tenants, as the number of leases exceeding 50,000 square feet fell by half in 2023 from just five years prior, with the average lease shrinking roughly 20 percent in that span. With availability in some urban submarkets as low as 1.0 percent in late 2023, retailers may pivot to smaller floor plans and lean on omnichannel approaches to engage consumers. This trend should extend beyond the urban core, exemplified by Macy's opening a small-format store in Mount Laurel this year.

Low entry costs, growing renter base draw buyers to outlying neighborhoods. The metro noted the largest per-square-foot pricing decrease of any metro along the East Coast in 2023. However, this was largely driven by buyers seeking out lower-tier assets, which have become increasingly popular with tenants. Notably tight availability among newer builds is prompting some retailers to seek out floor plans in assets that may otherwise go overlooked. Investors seeking lower entry cost opportunities may look to retail-residential options in Philadelphia's outlying neighborhoods. Multiple quarters of positive multifamily net absorption in Southwest, Northwest, and Northeast Philadelphia submarkets should also draw buyers to these assets.

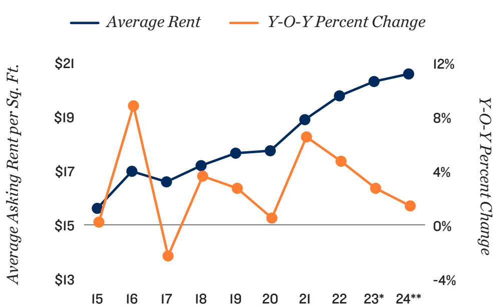
Economic Trends



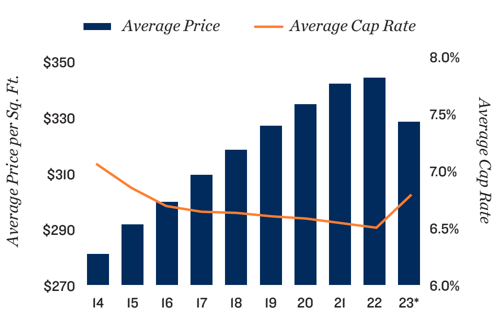
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

2024 MARKET FORECAST

NRI RANK 21 — ***A steady decline in metrowide vacancy places Philadelphia in the top-half of the 2024 Index.***

+0.8% — **EMPLOYMENT:** Although job growth will decelerate on an annual basis, the 25,000 positions expected to be added this year indicate hiring will continue ahead of historical norms.

2,000,000 *sq. ft.* — **CONSTRUCTION:** Space additions exceed the 1-million-square-foot benchmark for the first time since 2020. Still, more than half of the active pipeline was pre-leased as of early 2024.

-10 bps — **VACANCY:** Philadelphia will note contracting vacancy for the fourth year in a row, bringing the metric down to 4.6 percent. This will be the lowest year-end measure noted since at least 2007.

+1.4% — **RENT:** A historically low vacancy measure prompts higher marketed rates, driving the average asking rent up to $20.56 per square foot by the end of December.

INVESTMENT: *Investors targeting multi-tenant assets proximate to affluent consumers seek out options in Montgomery and Bucks counties, affluent suburbs where retailers may be less impacted by budget tightening.*

Population Growth Necessitates Retailer Expansions, Helping Minimize Impact of Elevated Supply

Wave of new households keeps tenant demand heated. Phoenix was one of just three major markets to boast record-low vacancy in both its multi- and single-tenant sectors exiting 2023. While a 15-year high delivery slate this year will bump up these metrics, Phoenix's historical tightness should thwart any potential of a substantial rise. Overall vacancy entered the year at 5.0 percent, nearly 250 basis points below its prior five-year mean, which was the largest difference among any major market. This shortage of viable spaces across the metro will competitively position new available supply to attract tenants, allowing vacancy to close out the year below any rate noted prior to 2023. Also limiting upward pressure, Phoenix's appealing demographics should help keep net absorption above the long-term annual mean of 1.9 million square feet in 2024. Regionally strong population growth is fueling rapid housing creation, in turn raising consumer demand for necessity-based and experiential retailers in areas of heightened multifamily construction. Avondale, Goodyear and greater West Phoenix stand out in this regard, as they collectively expect the delivery of over 8,000 apartments this year.

Greater financial market clarity adds fuel to lively investment landscape. Phoenix hosted an estimated one in every eight retail deals completed across secondary markets in 2023. With household growth continuing at an elevated clip — and a developing trend of lenders coming back into the retail landscape — the metro may be poised to capture an even larger share of U.S. trading this year. Investors may favor assets in West and North Phoenix, as well as the East Valley, after the submarkets ranked first, third and fourth in the U.S. for net absorption in 2023. Single-tenant options are most coveted, with each area noting record-high rent growth in the sector through last year.

2024 MARKET FORECAST

NRI RANK 13 *Blistering household growth supports Phoenix's strong gain in retail sales and its top-15 ranking in the 2024 Index.*

+1.1% **EMPLOYMENT:** Job growth aligns with the national pace this year as fewer than 27,000 roles are added. In 2025, however, the opening of several marquee manufacturing expansions may improve hiring.

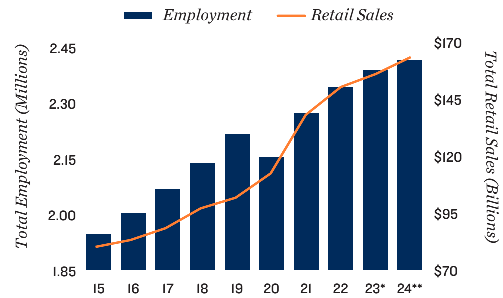
3,000,000 *sq. ft.* **CONSTRUCTION:** Deliveries reach their highest level since 2009, with most new supply underway in West Phoenix. Marketwide, over one-half of all retail construction is intended for multiple tenants.

+30 bps **VACANCY:** Driven by a minimal rise in single-tenant vacancy, the metro's overall rate ticks up to 5.3 percent. Nearly 75 percent of single-tenant deliveries slated for 2024 were pre-leased as of January.

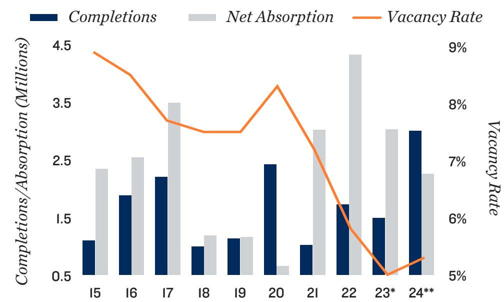
+5.3% **RENT:** While higher vacancy will slow asking rent growth to just over 5 percent, this year's climb to a mean of $20.80 per square foot will still mark the second-fastest pace among major U.S. markets.

INVESTMENT: *Taiwan Semiconductor Manufacturing Company opens its fabrication plant in Deer Valley in 2025. Eventually employing thousands, buyers may capitalize by targeting nearby dining and fast food assets.*

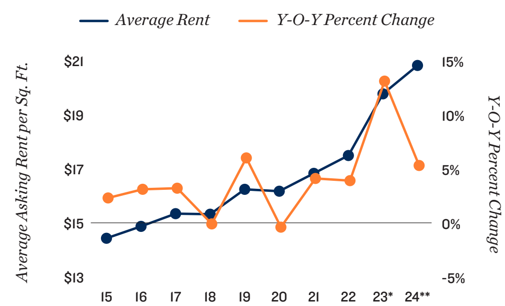
Economic Trends



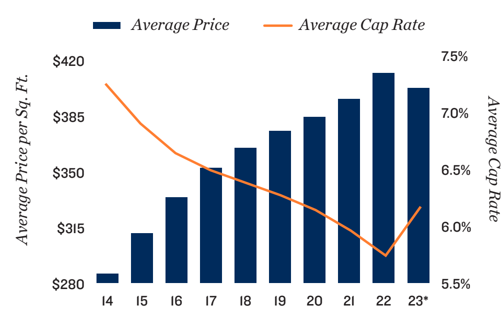
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

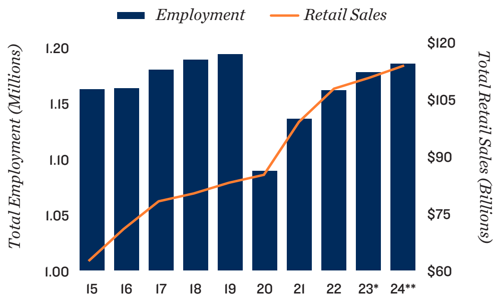
PITTSBURGH

Downtown Adjusts to New Pedestrian Patterns; Out-of-State Capital Here to Stay

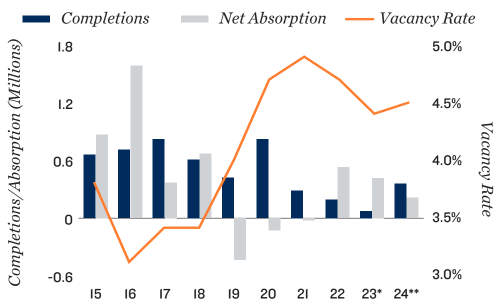
Incoming opportunities in the urban core bolster recovery downtown. Metrowide, leasing activity reflects broader national trends, with sub-10,000-square-foot signings largely composed of discount retail and food service tenants. Still, larger commitments, including an Aldi and two Dick's Sporting Goods locations, indicate that nationally-branded chains are bullish on Pittsburgh's long-term prospects. On a more granular level, urban areas that were impacted by the health crisis and subsequent shifts toward remote work could be poised for a stronger 2024. Downtown's Golden Triangle noted its first quarter of positive net absorption in two years during late 2023, indicating that vacancy in this submarket may have already hit its cyclical peak. Initiatives to revamp downtown entertainment offerings may also backstop pedestrian activity in the area moving forward. A Live Nation-branded concert complex is slated for an early 2026 opening at the former Civic Arena, which should draw retailers anticipating the spillover demand this venue will bring.

Pittsburgh notes increase of out-of-state buyers chasing low entry costs. Although transaction velocity has slowed from the frenetic pace noted in 2021 and 2022, Pittsburgh retains an active investor base, with deal flow in the sub-$10 million tranche outpacing most pre-pandemic years in 2023. The area's low entry costs and increasing tech sector prominence have drawn in a number of private buyers from other states, with deals involving this cohort growing throughout last year. Moving forward, trades may be most prominent in Pittsburgh's first-ring suburbs, where single-tenant properties net leased to national brands are historically available. Buyers may also move back to urban areas, however, as fundamentals in these zones have begun to improve.

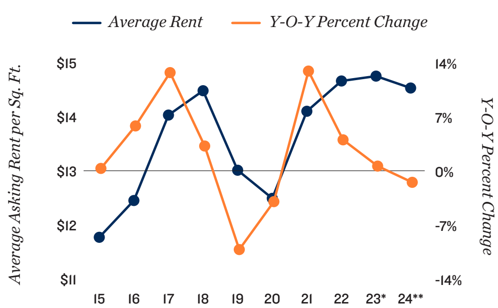
Economic Trends



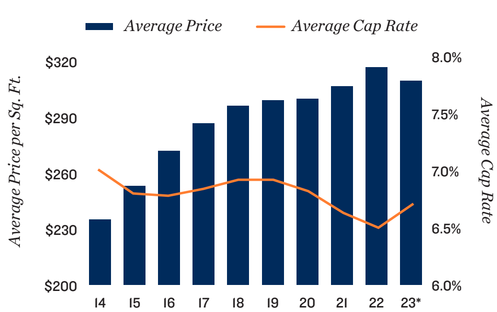
Supply and Demand



Rent Trends



Sales Trends



*Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2024 MARKET FORECAST

NRI RANK 41 *Middle-of-the-road vacancy is offset by tepid household growth, weighing on Pittsburgh's standing in this year's Index.*

+0.7% **EMPLOYMENT:** Pittsburgh's employment base maintains its upward trajectory, but an expected net gain of 8,000 jobs leaves the total headcount 1.1 percent below the pre-pandemic measure.

360,000 sq. ft. **CONSTRUCTION:** This year will see the most square feet added to the market in any annual span since 2020, but a large proportion of built-to-suit space in the pipeline will limit its impact.

+10 bps **VACANCY:** Net absorption holds positive for a third consecutive year, though the overall vacancy metric will tick up to 4.5 percent. This rate is roughly 30 basis points below the post-2006 average.

-1.5% **RENT:** After increasing more than 18 percent over the three-year span prior to 2024, the mean marketed rate notes a slight downward adjustment to $14.52 per square foot.

INVESTMENT: *Spanning the past five years, Pittsburgh has ranked among the top U.S. cities for office-to-residential conversions. In response, investors may prioritize retail assets proximate to new rentals downtown.*

While Portland's Retail Sector Transitions this Year, A More Diverse Investor Pool is Expected to Develop

Population growth and well-placed supply help metro navigate flux. Net migration into Portland is expected to grow to an eight-year high of 15,000 in 2024. This influx should shore up space demand from retailers, after a wave of relinquishment spiked vacancy to 4.2 percent last year. While the addition of 400,000 square feet in 2024 will drive vacancy up, below-typical rates in areas where deliveries are concentrated suggest that the long-term downside risk from new supply is minimal. Nearly 85 percent of deliveries in 2024 are slated for Clark County and the Westside, which both closed out 2023 with local vacancy rates at least 70 basis points below their long-term means. Household growth in both of these submarkets is also expected to far-exceed Portland proper, aiding consumer spending and tenant demand for space. Construction is fortunately nominal in the CBD and Lloyd District, where a slow-moving office recovery has challenged retailer performance. Elevated retail vacancies here continue to weigh on marketwide property metrics, with the two areas combining for 15 percent of Portland's vacant stock volume, despite comprising less than eight percent of total inventory.

Regionally-high yields attract investment. Portland is poised to attract more out-of-state buyers seeking higher yields than their home markets, after posting the fifth-largest mean single-tenant cap rate in the U.S. last year. Well-capitalized investors from California and Washington already accounted for an estimated 18 percent of all deals in 2023, an over three-year high. These types of buyers have favored the Southeast due to its relatively affluent residential base, honing in on restaurants, auto repair shops and grocery stores in heavily-trafficked thoroughfares. In 2023, assets on Main Street, Stark Street and 82nd Avenue accounted for nearly one out of every six deals in the metro.

2024 MARKET FORECAST

NRI RANK 36 — ***Overall space relinquishment will pull down Portland's average asking rent this year, along with its rank in the 2024 NRI.***

+1.0% — **EMPLOYMENT:** While job growth will slow to just 13,000 new roles this year, the pace is expected to remain just above the trailing five-year average of 0.9 percent.

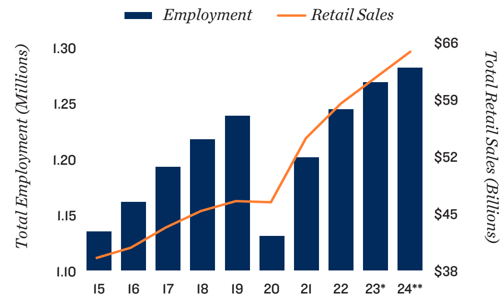
400,000 *sq. ft.* — **CONSTRUCTION:** Completions will reach a six-year high in 2024 as Clark County and the Westside welcome the delivery of 180,000 and 160,000 square feet, respectively.

+70 bps — **VACANCY:** Elevated deliveries and still-recuperating net absorption result in a continued lift in vacancy, with the marketwide metric hitting a 12-year high of 4.9 percent this year.

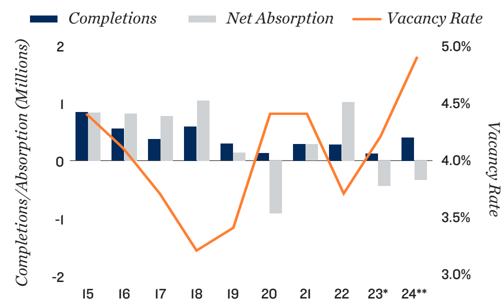
-1.0% — **RENT:** Decade-high vacancy in the multi- and single-tenant sectors will impede upward adjustments to marketed rents, leading the overall average asking rate to tick down to $21.08 per square foot.

INVESTMENT: *Hotel room bookings in Beaverton-Sunset Highway West grew to a near-record high through most of 2023. More retail investors may look to capitalize on this improvement to local foot traffic in 2024.*

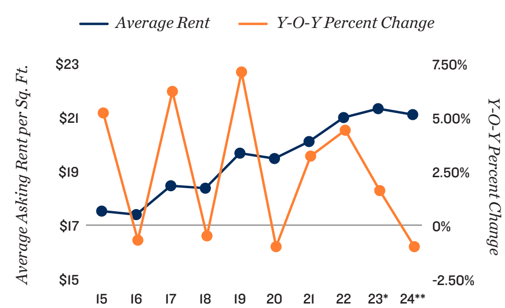
Economic Trends



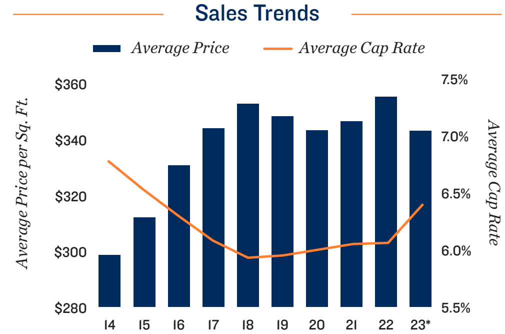
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

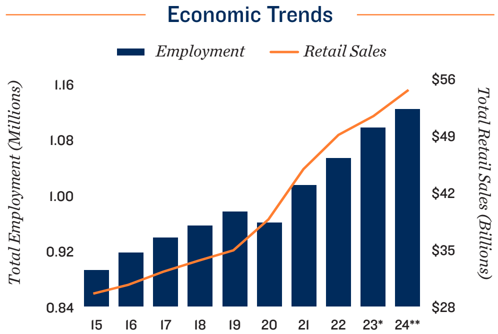
Sources: CoStar Group, Inc.; Real Capital Analytics

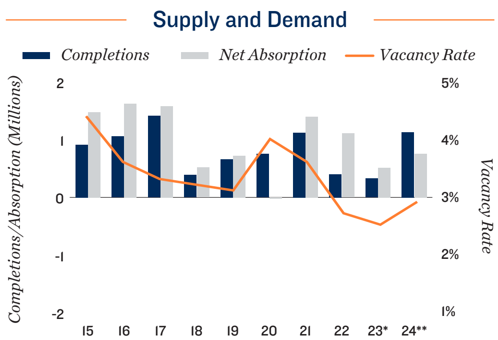
RALEIGH

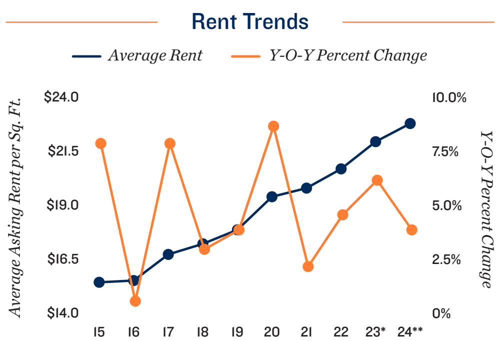
Transformative Job Growth Prospects Help Raleigh's Retail Sector Absorb Supply Wave

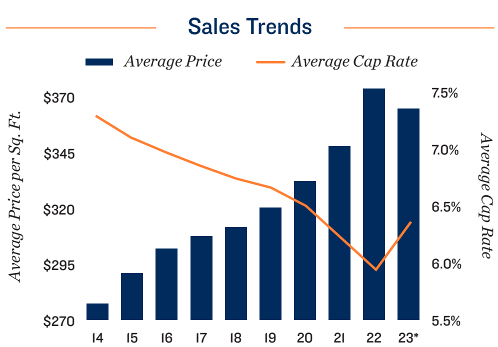
Metro retains nationally-low vacancy, despite robust stock expansion. After recording its third straight decrease, Raleigh entered this year with the lowest vacancy among any major market. While the delivery of 1.1 million square feet in 2024 challenges this historic performance, above-average tenant demand will help preserve Raleigh's status as one of the nation's tightest retail metros. Much of this supply is headed to areas with standout job growth prospects, positioning these builds to generate strong interest from retailers over the medium-term. Chatham County's pipeline, for example, swelled to 27 percent of local stock as of January, in advance of Vinfast and Wolfspeed hiring a combined 9,000 personnel here by 2025. The Research Triangle contrasts this trend as local construction is nominal, despite its notable lineup of private sector investments. Apple will start construction on a new corporate campus here in 2026, with plans to employ over 3,000 by 2030. While this expansion will take some time to impact the area's retail sector, local net absorption already reached a 15-year high in 2023, suggesting that some retailers are looking to get ahead on the Research Triangle's growth.

Investors follow new infrastructure and manufacturing. In 2024, retail investors are keeping a close eye on developments that promise to boost the economy of local communities. The ongoing widening of Interstate 40 and the transitioning of Highway 70 are two such projects. With these upgrades, Johnston County will be one of the few counties in the region to host three major interstates. Fujifilm Diosynth's Holly Springs construction site represents another focal point, with Johnson & Johnson's sublease extending the total local hiring impact over the next two years to over 1,000 roles.









2024 MARKET FORECAST

NRI RANK 6 — *Regionally-strong job growth combines with one of the nation's lowest vacancy rates to give Raleigh a top-10 spot in the NRI.*

+2.4% — **EMPLOYMENT:** While hiring slows from last year's near-record clip, the addition of 26,000 new roles in 2024 will enable Raleigh's labor base to be one of the three fastest-growing in the nation.

1,130,000 *sq. ft.* — **CONSTRUCTION:** North Raleigh receives 360,000 square feet of new supply in 2024, while Johnston, Chatham and West Wake counties are each slated to welcome about 200,000 square feet.

+40 bps — **VACANCY:** Although long-term tenant demand prospects are strong, this year may mark a transitional period as the wider U.S. economy slows, pushing marketwide vacancy up to 2.9 percent.

+3.8% — **RENT:** While the average asking rent will rise to $22.70 per square foot, a declining multi-tenant metric is likely to slow growth from last year. Through 2023, the sector recorded a 2.0 percent drop.

INVESTMENT: *Raleigh is expected to continue hosting the Southeast's fastest household growth in 2024. As formations slow in other nearby higher-cost metros, more regional investors may target the local retail sector.*

** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Inland Empire on Solid Ground Despite Emerging Slowdown, Set to Lead State in Rent Growth Again

Historically tight vacancy buoyed by metro's western front. Net absorption metrowide exceeded new supply by 3.8 million square feet over the past three years, momentum that placed local vacancy at a 16-year low entering 2024. The Inland Empire West submarket — encompassing the Ontario Airport area, Chino-Chino Hills and Upland-Montclair — is helping drive this progress. Here, vacancy fell below the 5.0 percent mark for the first time since early 2008, aided by a sharp drop in available multi-tenant space last year. New shopping center move-ins planned for the area in 2024 include an ALDI in Fontana, Daiso in Chino and a cluster of 2,000- to 5,000-square-foot signings across Rancho Cucamonga, Ontario and Chino Hills. Despite this local strength, however, nearly twice as much new retail space is delivering in the Inland Empire East submarket this year — where vacancy is over 200 basis points higher. This contributes to the first metro-level rate increase since 2020. Still, mild construction in cities bordering Los Angeles and Orange counties amid strong demand helps the metro lead California's major markets in rent growth for a second straight year.

Buyers look to areas with diversified foot traffic. The top spots for deal flow entering this year are the Ontario Airport area and the Coachella Valley — locations on opposite sides of the metro with similar drivers. These spots take in consumer spending from both nearby residential populations and travel-related foot traffic, offering a relative buffer during challenging times. Near the airport, single-tenant buyers often target fast food establishments, while in Coachella Valley cities like Palm Desert, La Quinta and Indio, investors show a preference for auto part shops and quick service restaurants. In both areas, sub-30,000-square-foot strip centers dominate the multi-tenant landscape.

2024 MARKET FORECAST

NRI RANK 39 *State-leading rent growth aids the metro's ranking, but employment headwinds put it in the bottom portion of the Index.*

+0.4% **EMPLOYMENT:** Weighed down by an expected net loss of traditional office-using roles, total employment growth will amount to a modest 6,000 positions in 2024, the smallest gain in California.

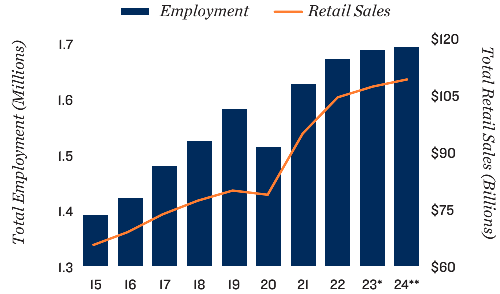
850,000 *sq. ft.* **CONSTRUCTION:** Supply additions hit a four-year high as metro stock expands by 0.5 percent. Cities including Winchester, Murrieta and Jurupa Valley are gaining a substantial share of the new space.

+20 bps **VACANCY:** Metro vacancy inches up to 6.6 percent, still more than 150 basis points below the historic mean. As has long been the case, however, that rate ranks the market among the highest in the U.S.

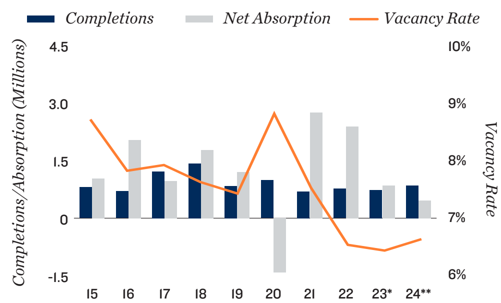
+3.8% **RENT:** Both the multi- and single-tenant segments help lift the overall average asking rate to $21.75 per square foot. The discount relative to Los Angeles and Orange County still exceeds 35 percent.

INVESTMENT: *Inland Empire East, particularly Temecula-Murrieta, is witnessing relatively stronger office leasing of late. The potential for improved weekday foot traffic here could attract retail investors to the area.*

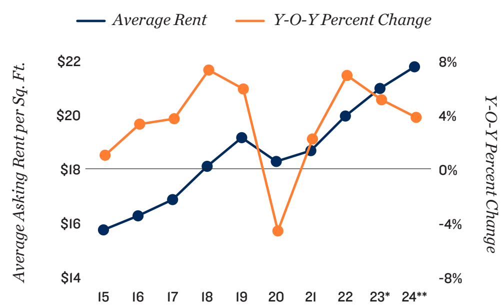
Economic Trends



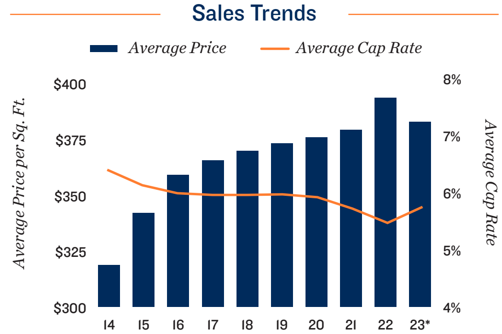
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

SACRAMENTO

Vacancy in Sacramento Holds Near Typical Levels, Which Continue to Range High Nationally

The metro's retail sector enters 2024 in line with historical norms. Sacramento entered the year with one of the highest retail vacancy rates in the country; yet, the local metric has been relatively consistent since 2017, staying roughly between 6 to 7 percent. The single- and multi-tenant sectors are balancing to create this effect. Single-tenant vacancy has been high compared to other major markets, but was improving entering 2024. Meanwhile, properties with multiple tenants are performing better than usual as the sector matched its record-low rate exiting 2023. Limited new supply over the last half-decade has prompted many retailers seeking space to backfill vacated floor plans, like Grocery Outlet moving into a former 24 Hour Fitness space. Some other larger vacant spaces are slated for renovation, including the former Sears at Arden Fair Mall, potentially drawing tenants with modern upgrades. A high level of pre-leasing in this year's pipeline will likely maintain consistent vacancy and benefit existing space.

Higher yields in Sacramento encourage in-state investment. Trades along Interstate 80 and in inner-ring suburbs were common last year. This trend may continue in 2024 as anchored shopping centers and single-tenant assets leased to restaurants, fast food and convenience store tenants along major travel routes offer limited risk exposure. While overall single-tenant vacancy is higher than the multi-tenant segment, the sector also holds a higher average cap rate than any other major California market, potentially drawing in-state, yield-driven investors to triple-net assets in the coming year. Portfolio sales involving multi-tenant assets were also common as institutions stayed active in Placer County, which exited 2023 with a segment vacancy rate around 4 percent, buoyed by tight multifamily rental markets like adjacent Roseville and Rocklin.

2024 MARKET FORECAST

NRI RANK 46	*Sacramento's 2024 rank is hindered by slowing retail sales, but the metro still expects a high regional employment growth rate.*

+1.2% **EMPLOYMENT:** Total employment will expand by 13,000 positions this year, bringing the number of jobs in Sacramento to more than 70,000 roles above the February 2020 mark.

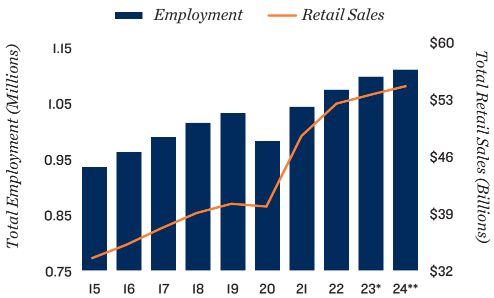
300,000 *sq. ft.* **CONSTRUCTION:** Completions fall below 400,000 square feet for the sixth straight year, expanding inventory by just 0.3 percent. Two Costco's and an LA Fitness account for most of the new space.

+20 bps **VACANCY:** Sacramento will hold the second-highest vacancy rate among major U.S. markets in 2024 at 6.7 percent. Single-tenant properties contribute the most to elevated vacancy.

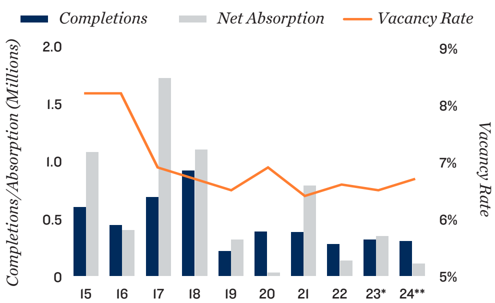
+0.5% **RENT:** The average asking rent will rise to $18.45 per square foot this year. This marks a new record-high mean marketed rate; however, it will be only 5 percent above the 2019 mark.

INVESTMENT: *Investors targeting value-add opportunities may focus in Sacramento County this year, where vacancy is higher, offering a range of below-average price points around downtown and close-in suburbs.*

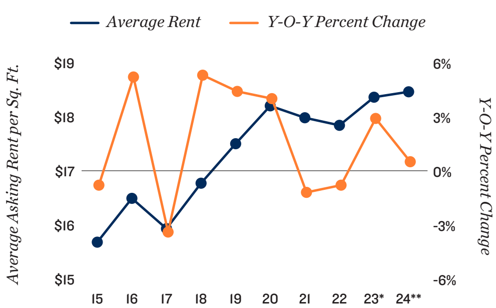
Economic Trends



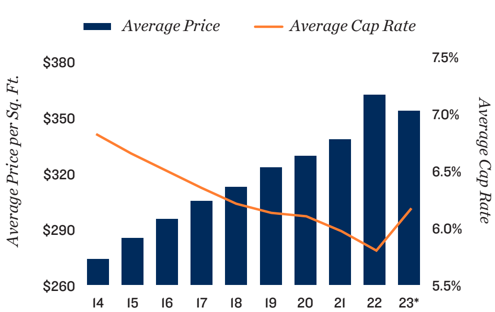
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Nationally Tight Shopping Center Vacancy, Robust Single-Tenant Rent Growth Headline Momentum

Nearly every major submarket helping jolt performance. Salt Lake City entered this year with the tightest multi-tenant vacancy rate among major U.S. markets, made possible by extremely limited shopping center availability in practically every sizable retail area. Half of the 10 largest submarkets finished 2023 with local multi-tenant vacancy below 2 percent, including sub-1 percent rates in the CBD and South Valley. Salt Lake City's robust economic growth trends — with the market's population expanding by more than 160,000 new residents over the past five years — is spurring this level of tenant demand throughout the metro. That momentum is also influencing the single-tenant sector in a positive way, as Salt Lake City ranked in the top three markets nationally for segment rent growth last year. Notable gains occurred in the Central, East and West Valleys, as well as in Summit County. Strength in both the multi- and single-tenant sectors, meanwhile, should produce an overall vacancy rate that ranks as the nation's fifth tightest in 2024, accompanied by the sixth-fastest pace of rent growth.

Modest price appreciation could signal upside potential. Despite Salt Lake City's standing as one of just nine major markets with 3.4 percent vacancy or lower to start this year, and status as the country's leader in rent growth since 2019, local entry costs have not risen too dramatically. In 2023, the metro's average price per square foot stood roughly 3.0 percent above its pre-pandemic figure, about one-third the national gain. This askew dynamic and expectations for Salt Lake City to sustain positive momentum in 2024 may indicate upward pricing pressure is on the horizon, aided by interest rate stability that better allows for buyers and sellers to come to terms. Shopping centers with available space should be particularly compelling amid tight sector vacancy.

2024 MARKET FORECAST

NRI RANK 1 — ***Salt Lake City's nationally strong job growth, historically low vacancy and rapidly increasing rents secure it the top spot.***

+2.0% — **EMPLOYMENT:** Salt Lake City's workforce expands by over 2.0 percent for a fourth straight year, one of only nine major U.S. markets to achieve that. The metro headcount rises by 29,000 positions.

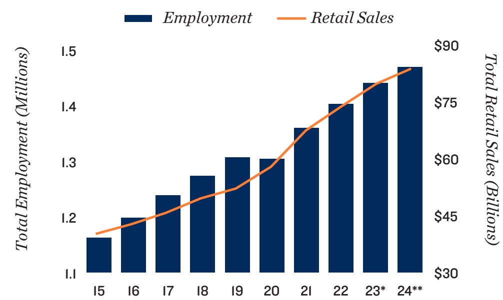
470,000 *sq. ft.* — **CONSTRUCTION:** The amount of new supply falls about 200,000 square feet shy of 2023's total and marks an 11-year low. Saratoga Springs and Spanish Fork in Utah County receive a notable share.

-20 bps — **VACANCY:** Declining development contributes to downward pressure on Salt Lake City's already tight vacancy rate. The metric dips to 3.2 percent, which is 150 basis points under the historic mean.

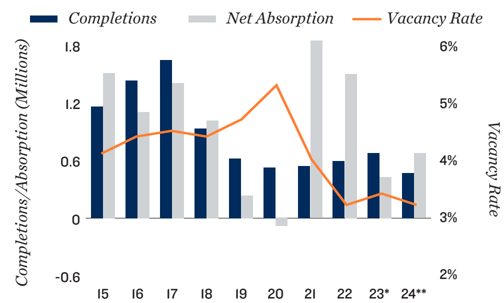
+3.9% — **RENT:** Vacant stock is about 1.2 million square feet short of the long-term average, allowing marketed space to command higher rents. The metro's mean asking rate rises to $22.68 per square foot.

INVESTMENT: *South Valley and Utah County were two of just 16 submarkets in the U.S. with 15 million square feet of stock to have sub-3 percent vacancy and 5-plus percent rent growth last year, meriting buyer attention.*

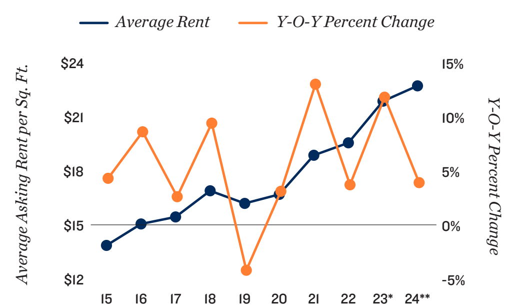
Economic Trends



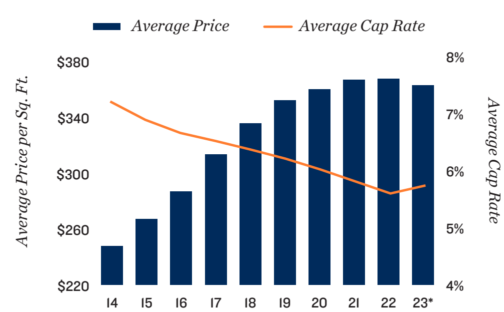
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

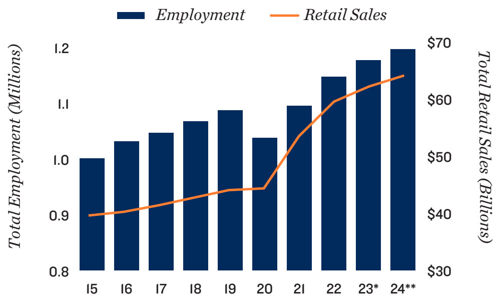
SAN ANTONIO

Outlying Counties Need Supply-Side Relief, Urban Core Rents Surge as Lifestyles Normalize

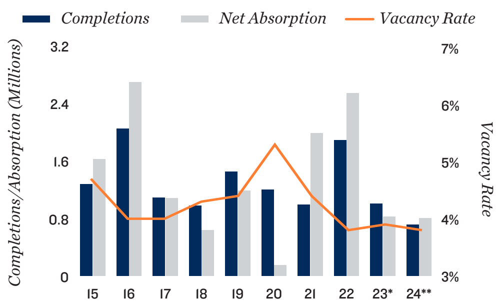
Retail vacancy settles at a new equilibrium. More than half of the metro's 10 largest submarkets by stock had vacancy rates below 3 percent entering this year, reflecting a universally strong sector. Locations with the tightest rates include several outlying suburbs experiencing robust household creation, and as a byproduct tenant demand for retail space, putting a squeeze on available supply amid a dearth of recent development. Atascosa, Comal, Guadalupe, Kendall and Medina counties combined for less than 500,000 square feet of vacant stock at the end of last year, supporting annual rent growth above 10 percent in three of these five submarkets. Aside from Comal County, the call for new supply will go unanswered this year, however, with the four other areas pooled together constituting less than 50,000 square feet of 2024 deliveries. Retail construction as a whole in San Antonio is decelerating. This year's slate is on track to be the smallest since at least 2007, allowing net absorption to exceed new supply for the third time in four years. As a result, vacancy will return to 2022's record-setting low of just 3.8 percent, supporting a pace of rent growth that nearly doubles the historic average.

Neighborhoods north of downtown are investor favorites. As tourists resume travel to area destinations like The Alamo and River Walk, while more local firms like USAA require employees to be in offices, foot traffic in the urban core is improving. This is rejuvenating the appeal of leasing downtown retail, propelling local rents. The average CBD asking rate surged more than 25 percent since 2021's trough, potentially stoking investor interest in 2024. The most liquid submarkets, however, are north of here, spanning the neighborhoods up to Loop 1604. Shopping center trades are most common in the Northeast, while the Northwest has the greatest single-tenant velocity.

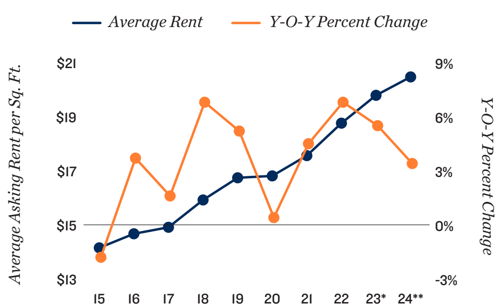
Economic Trends



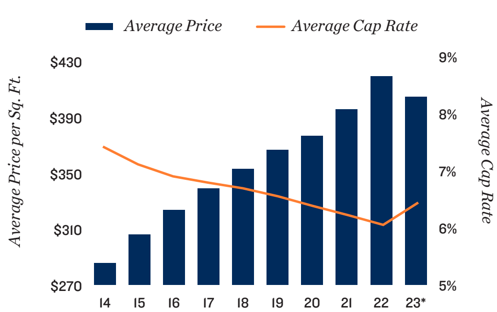
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2024 MARKET FORECAST

NRI RANK 10 — *San Antonio's 2024 ranking slightly beats out neighboring Austin amid declining local vacancy and healthy rent growth.*

+1.7% — **EMPLOYMENT:** San Antonio will add roughly two-thirds the number of new jobs that it created in 2023, pushing total employment nearly 110,000 positions above the pre-pandemic peak.

710,000 sq. ft. — **CONSTRUCTION:** Supply additions shrink by roughly 300,000 square feet relative to last year, producing inventory growth of 0.6 percent. Northwest San Antonio leads with 325,000 square feet.

-10 bps — **VACANCY:** The metrowide vacancy rate retreats to 3.8 percent, down 140 basis points compared to San Antonio's long-term mean. Multi- and single-tenant vacancy entered this year nearly even.

+3.4% — **RENT:** For a fourth straight year, rent growth exceeds 3 percent, pushing San Antonio's average asking rate to $20.45 per square foot. Tight conditions in outlying counties could support greater gains.

INVESTMENT: *After drafting a popular foreign star last summer, attendance at San Antonio Spurs games is up by 8 percent on average in 2023-2024. Retail investment near the stadium and area hotels stands to benefit.*

Metro Ranks Among West Coast's Least Vacant Markets; Local Single-Tenant Trading Also Stands Out

County's largest submarket shines. San Diego's retail sector continues to register steadfast demand. Last year, leasing volume mirrored that of 2022, with most commitments involving spaces comprising less than 5,000 square feet. The strong demand that exists for smaller spaces in shopping centers and standalone buildings suitable for restaurants and fast-food chains is holding vacancy below 5 percent. Demand is most apparent in Central San Diego, which ranks as the least vacant area among California submarkets with more than 25 million square feet of stock. Moving forward, local property performance will be aided by an increase in convention attendance and downtown events. Encouraging pre-leasing activity at the Campus at Horton, which will deliver 300,000 square feet of retail space this year, will also serve to assist local fundamentals. The outlook remains positive metrowide. Tourist-related spending and above-average household income growth will support retail sales, generating vendor demand for space that will equate to a moderate vacancy shift this year.

Single-tenant assets coveted. Reflecting a strong level of investor demand for net-leased assets and opportunities to reinvest 1031 exchange capital, local single-tenant deal flow was unchanged year-over-year during 2023 — a contrast to all but one major U.S. market. The subsector's recently strong asking rent growth, up more than 13 percent over the past two years, and its minimal pipeline should continue to foster a healthy level of investor competition for assets along the metro's many major thoroughfares. Multi-tenant trading, meanwhile, is poised for improvement as segment vacancy entered this year 100 basis points below its long-term average. Aging properties across subsectors should also garner attention for their redevelopment potential.

2024 MARKET FORECAST

NRI RANK 29 — ***Supported by moderate supply additions and sub-5 percent vacancy, San Diego ranks second among California markets.***

+0.7% — **EMPLOYMENT:** Largely driven by blue collar job creation, San Diego's workforce expands by 11,000 positions in 2024, equating to a second consecutive year of moderate growth.

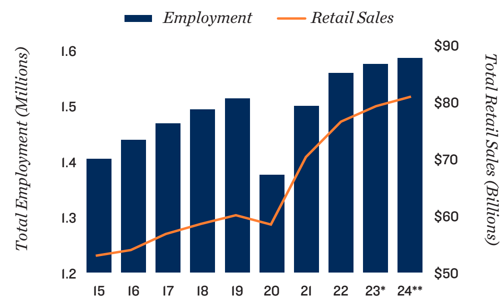
390,000 *sq. ft.* — **CONSTRUCTION:** Retail stock expands by less than 0.5 percent for a seventh straight year. Apart from the Campus at Horton, deliveries are smaller in scope, averaging less than 10,000 square feet.

+20 bps — **VACANCY:** Consistent demand for smaller and recently vacated big-box spaces supports net absorption. At 4.6 percent, year-end vacancy will land 10 basis points below its long-term mean.

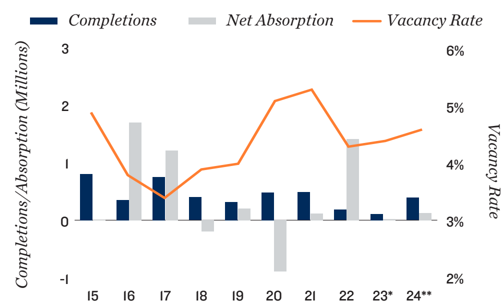
+2.5% — **RENT:** Single- and multi-tenant vacancy rates in the 4 percent range preserve upward momentum in asking rents, lifting San Diego's average marketed rate to $28.90 per square foot.

INVESTMENT: *Listings along the I-15 Corridor stand to receive more buyer interest. The area is home to a group of housing projects, including three golf course conversions, that will notably grow the local consumer base.*

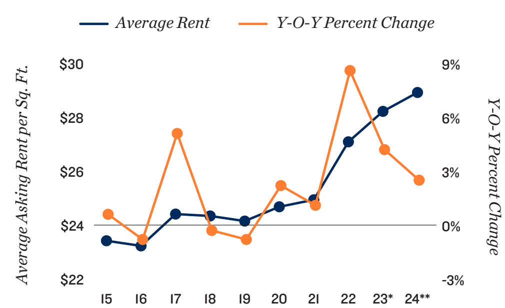
Economic Trends



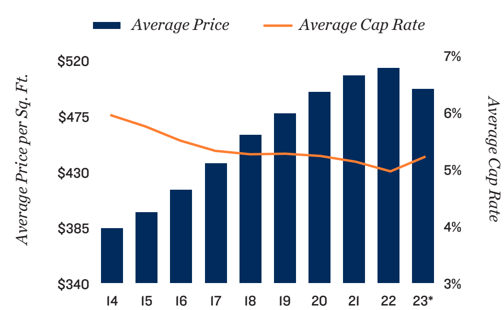
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

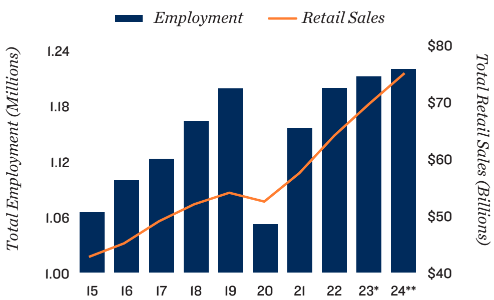
SAN FRANCISCO

Retail-Residential Connection Fueling Market's Stabilization as Local Buyers Find Opportunities

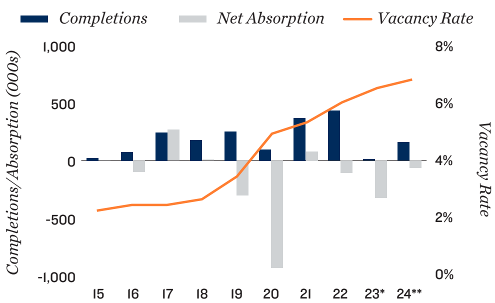
Recovering household count, incomes bolster retail landscape. While certain property types in San Francisco continue to lag the nation in post-pandemic recovery, the metro's retail sector is gathering momentum. A key to this shift is population growth, which resumed in fall 2021, following a year of net out-migration. Many areas of the market are benefiting from this trend, including Downtown, where apartment vacancy in certain neighborhoods has returned to pre-2020 lows. San Francisco also led the country in median household income growth last year, nearing 10 percent. A rising number of households, paired with climbing incomes, bode well for the market's retail outlook. Vacancy in the city, excluding Downtown, continues to hold under 5 percent, with even tighter conditions in South San Mateo County. While high-profile retailer exits in Downtown San Francisco last year pushed vacancy above 10 percent, the greater resident count should encourage improving foot traffic. A rising number of international arrivals at SFO also supports tourism spending both in and outside the metro's core.

Recent challenges clear a path for buyers experienced in the market. Local investors, no strangers to past San Francisco downturns nor the recoveries that follow, were the most active segment of the trading landscape entering this year. A 5 percent decline in the average per-square-foot sale price in 2023, combined with a less competitive sales environment, may be opening repositioning opportunities before the next growth cycle. Trading activity continues to lean west of Van Ness Avenue and south of Golden Gate Park, where vacancy was under 4 percent last year. Restaurants and storefronts near or joined to residential buildings were favored, although some vacant assets also changed hands, revealing some appetite for value-add and redevelopment strategies.

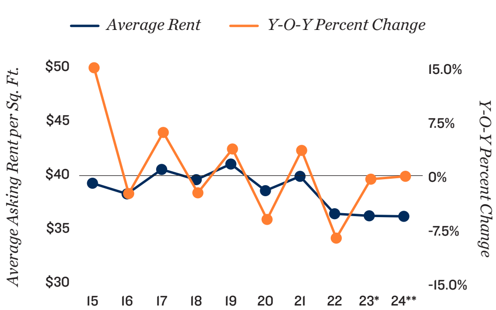
Economic Trends



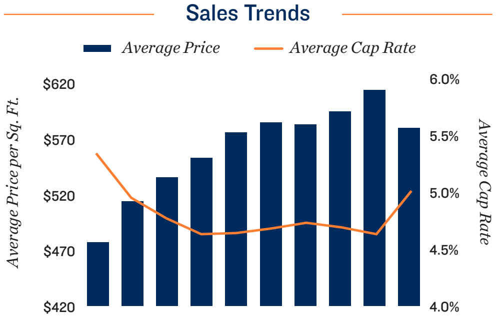
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2024 MARKET FORECAST

NRI RANK 44 *While strong income growth supports the retail sector over the long run, short-term setbacks situate the metro in a lower slot.*

+0.7% **EMPLOYMENT:** Hiring continues to slow in San Francisco, with 8,000 new roles in 2024. Job creation will be most prevalent in the education and health services sectors.

160,000 sq. ft. **CONSTRUCTION:** While completions pick up from last year's negligible additions, a majority of 2024's pipeline stems from the relocating 125,000-square-foot San Francisco Flower Market.

+30 bps **VACANCY:** Minor completions help keep the metrowide vacancy rate from exceeding 6.8 percent this year, leading to the smallest annual vacancy increase since 2018.

-0.1% **RENT:** Asking rents continue to improve in the metro's smaller multi-tenant landscape, while declines among downtown single-tenant spaces lead to an overall mean of $35.95 per square foot.

INVESTMENT: *Despite lackluster headlines and higher vacancy downtown, storefronts are changing hands in Chinatown-Van Ness and other areas, likely encouraged by strengthening apartment occupancy nearby.*

San Jose's Retail Sector Collects Itself in 2024, With Future Growth Drivers Present

Retail landscape stabilizing on back of multifamily growth. Apartment demand will nearly keep pace with elevated openings this year, bolstering the consumer base. Santa Clara leads development, with more than 2,800 rentals underway for this year and beyond, representing 14 percent of existing local inventory. These units will be major entry points for the most expensive housing market in the country, heralding growing consumer spending to come — a boon for area retailers and existing properties, given relatively static local sector stock. While major shopping centers are under proposal here for later in the decade, construction in 2024 is negligible. Retail arrivals for this year are instead heading for Palo Alto and South San Jose. The latter area, housing more than a third of the metro's retail supply, is well-situated to welcome these openings, with vacancy under the 2019 level. This same dynamic is more apparent in North San Jose, where the local rate fell more than 360 basis points in that span. These factors are helping stabilize metro vacancy and rents, with the stage set for future gains.

While not trouble free, favorable signs offer reassurance. Despite the financing hurdles and economic uncertainty created by elevated interest rates, investors have multiple positive trends to look forward to. Roughly as many new retail leases were signed last year across the market as in 2019 or 2018, which, together with stabilizing vacancy and renewed residential growth, point to strengthening tenant demand. Buyers are likely to continue looking toward sizable South San Jose more so than other areas, where dining concepts change hands most often. A 2.5 percent dip in the metro's mean single-tenant sale price last year may have added encouragement for California-based buyers, who are actively looking for both individual and multi-property opportunities.

2024 MARKET FORECAST

NRI RANK 31	*Stability imparted by residential growth and modest retail construction supports a near-middle rank for San Jose in 2024.*

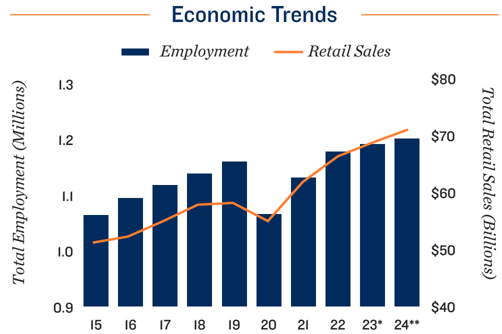
+0.8% — **EMPLOYMENT:** While the metro's prominent tech sector continues to face headwinds, the overall employment base grows by 10,000 roles, slightly exceeding the gain in nearby San Francisco.

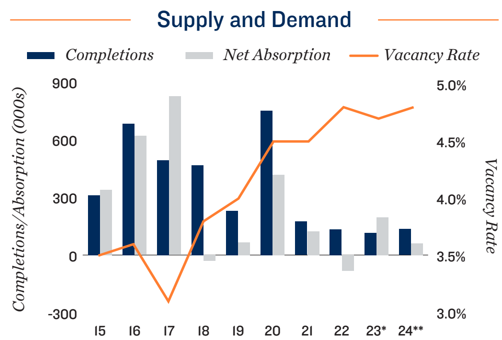
135,000 *sq. ft.* — **CONSTRUCTION:** Arrivals inch up from 2023, but remain under the trailing-decade annual average of 400,000 square feet. Multiple components of Evergreen Circle are set to arrive later this year.

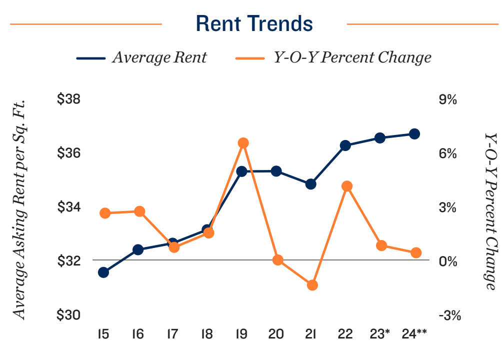
+10 bps — **VACANCY:** San Jose's vacancy rate fell 10 basis points in 2023 to 4.7 percent, which will be undone this year. This stability follows a five-year stretch where the rate rose by a total of 170 basis points.

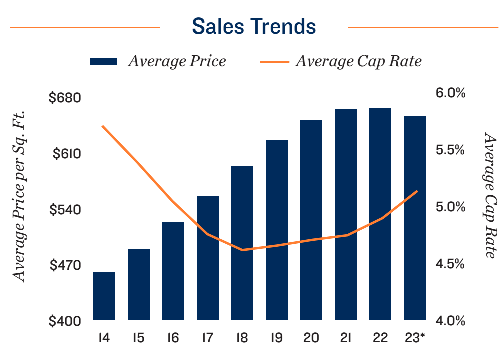
+0.4% — **RENT:** Consistent vacancy is joined by a static mean asking rent, which continues to hover in the $36 per square foot range. A modest 4 percent gain since 2019 opens up options for potential tenants.

INVESTMENT: *Sub-4 percent vacancy in the smaller towns of Morgan Hill and Gilroy likely keep investors' attention. Fast food and other establishments change hands regularly, with yields that can top 7 percent.*









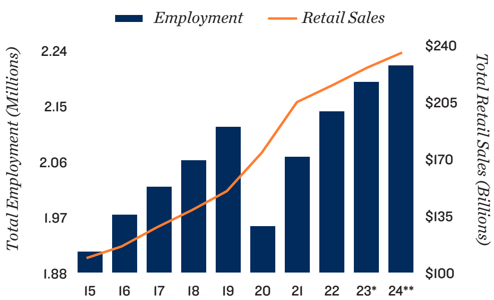
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

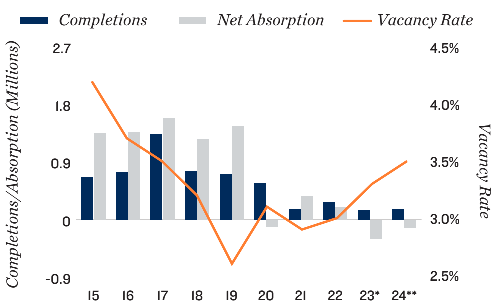
SEATTLE-TACOMA

Retail Landscape Set on Recovery Path as Urban Areas Witness Renewing Midweek Foot Traffic

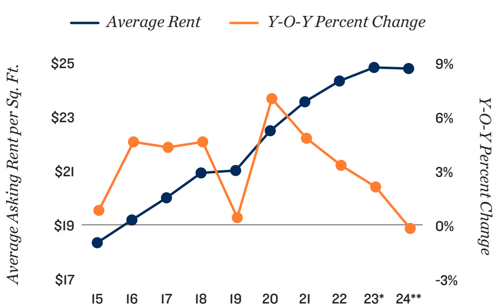
Economic Trends



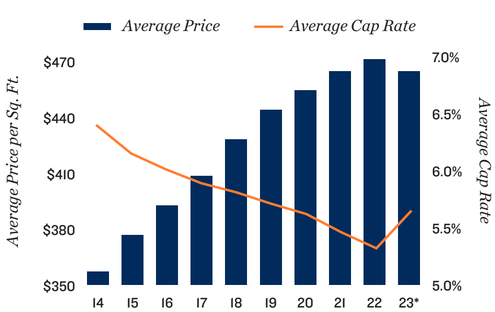
Supply and Demand



Rent Trends



Sales Trends



** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Retailer demand aided by burgeoning office sector recovery. Local vacancy will remain at least 100 basis points below all other major West Coast markets this year, as a negligible injection to stock limits supply-side pressure. Coinciding with this tepid pipeline, net absorption in the office sector is expected to return to positive territory in 2024, potentially motivating more retail tenants to expand and capitalize on returning midweek foot traffic. The Eastside stands out in this regard, with Amazon and other tech companies opening new offices here late last year amid a push to bring workers back to in-person attendance. However, local retail vacancy has been the tightest in the metro, at 2.2 percent entering 2024, reflecting a shortage of available spaces in the submarket. This restraint could shift some expanding tenants to Downtown Seattle, where midweek foot traffic also appears to be on the upswing. At the start of the year, more than 15 office-using firms were slated to move into local floor plans over 10,000 square feet. This could kickstart space demand from retailers in the CBD, after it posted seven consecutive quarters of net relinquishment moving into 2024.

Interest rate cuts could begin to shift trading geography. As lending constraints start to ease in 2024, higher-cost urban locations may register improvements in deal flow. Last year, one-third of all trades took place in suburban Tacoma, Spanaway and University Place-Lakewood. Across these submarkets, assets generally penciled at per-square-foot prices under the metro average, facilitating a greater share of deals by limiting buyers' total borrowing costs. As interest rates may potentially tick down in 2024, investor appetite for discounted urban assets may rise. Improving midweek foot traffic, particularly in Seattle and Bellevue's CBDs, will enhance the potential of this trend.

2024 MARKET FORECAST

NRI RANK 19 — *Seattle-Tacoma lands in the top half of this year's NRI. While vacancy is rising, the rate will still end 2024 at a regional low.*

+1.2% — **EMPLOYMENT:** While overall job growth will slow to 27,000 positions in 2024, office-centric hiring continues at the same pace as last year, with approximately 1,000 roles added.

170,000 *sq. ft.* — **CONSTRUCTION:** Tacoma and Seattle, respectively, anticipate the completion of 70,000 and 100,000 square feet in 2024. These slates combine to bump up marketwide inventory by just 0.1 percent.

+20 bps — **VACANCY:** Several long-standing retailers continue to reduce their physical presence in Seattle, citing operational challenges. This contributes to bumping up overall vacancy to 3.5 percent.

-0.2% — **RENT:** The average asking rent will decrease for the first time since 2013, to $24.76 per square foot, as seven-year high vacancy motivates some operators to adjust marketed rates.

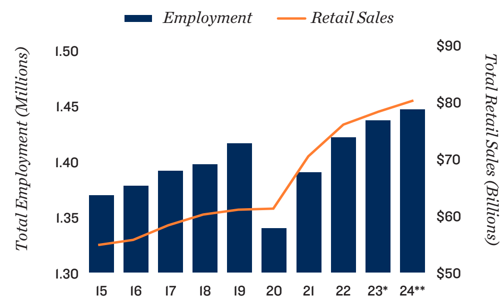
INVESTMENT: *Assets near the Stadium District and Yakima Hill could see more investor interest in 2024. The Hilltop Link light rail station opened here late last year, bringing in greater levels of weekend foot traffic.*

Top-Performing Submarkets Expect Needed Supply; Mixed-Use Assets Draw Buyer Attention

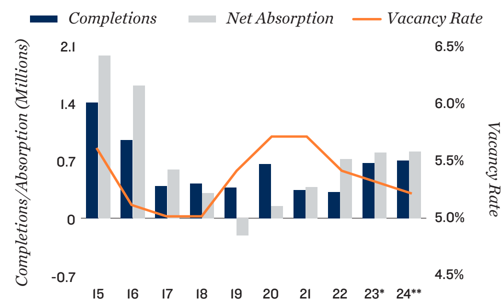
Influx of new stock is well-placed, enabling a vacancy decrease. St. Louis expects its largest delivery total since 2016 this year; however, metro vacancy will decline for the third straight period. At the onset of 2024, nearly all underway space was pre-leased, a positive sign for any project proposals that may break ground later in the year. Most new space is slated for submarkets with below-market vacancy. For instance, Central St. Louis County entered 2024 with a record-low, sub-2 percent rate and accounts for the largest volume of planned space this year. The Northeast Illinois and St. Charles County submarkets host the second and third largest pipelines, warranted by sub-4 percent vacancy. Retailer demand in these areas is unlikely to slow as companies like Energizer Holdings relocate offices to Clayton in Central County. Northeast Illinois houses Interstate 55 — a major travel route — and St. Charles County welcomes new attractions like a 100,000-square-foot Chicken N Pickle pickleball restaurant.

Larger, multi-use spaces draw investor interest in St. Louis. Mixed-use assets commonly traded in St. Louis City and Central St. Louis County last year. Going into 2024, investors are likely to continue targeting highly-populated urban areas, particularly as mixed-use retail developments like the City Foundry STL in Midtown add residential units. Such projects display retail, office and renter demand for these spaces in St. Louis. Central County and the downtown area also house several major universities, providing consistent foot traffic. Multi-tenant investors are likely to stay active as segment vacancy entered 2024 at a record low. Submarkets that include Central, Franklin and Jefferson counties, as well as East Illinois, recorded sub-2 percent vacancy rates, offering opportunities for investors targeting highly-occupied assets.

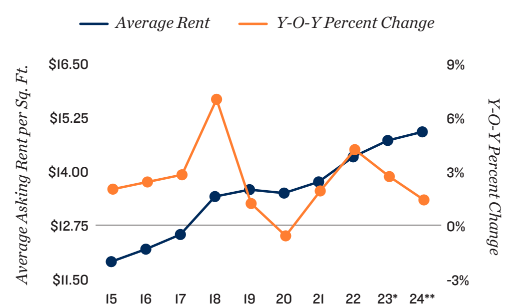
Economic Trends



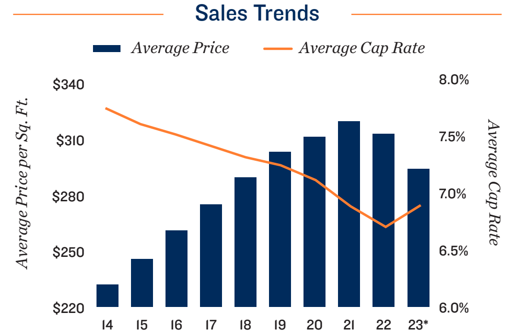
Supply and Demand



Rent Trends



Sales Trends



2024 MARKET FORECAST

NRI RANK 37 *St. Louis expects a slight decrease in vacancy in 2024; however, slow retail sales will offset some of this improvement.*

+0.7% **EMPLOYMENT:** St. Louis will add 10,000 positions in 2024 as hiring slows. Still, the total employment base will end this year roughly 28,000 jobs higher than the February 2020 count.

700,000 *sq. ft.* **CONSTRUCTION:** Deliveries will reach an eight-year high as inventory expands by 0.5 percent. Supermarkets will account for roughly one-fourth of all new space slated to come online.

-10 bps **VACANCY:** Net absorption will still surpass completions, despite an influx of new supply. Vacancy will subsequently decrease, reaching the lowest rate observed since 2018 at 5.2 percent.

+1.4% **RENT:** The average asking rent in St. Louis will log a fourth consecutive year of growth, reaching $14.90 per square foot by December. This sits nearly 10 percent higher than the 2019 mark.

INVESTMENT: *Single-tenant buyers seeking value-add assets may focus on West St. Louis builds, where the volume of vacant space is the greatest in the metro, paired with access to growing Central St. Louis County traffic.*

* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

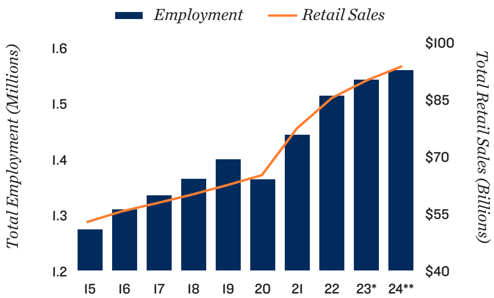
TAMPA-ST. PETERSBURG

Exceptionally Tight Conditions Downtown and in Eastbound Suburbs Accentuate Metro Strength

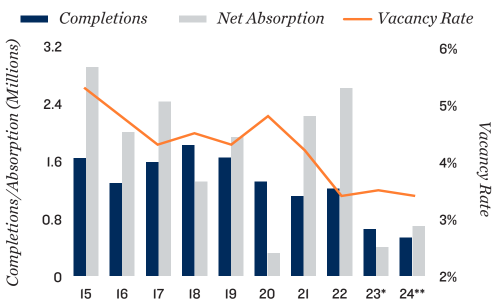
Tampa ranks among U.S. leaders in several metrics. The market entered this year on the heels of significant momentum. Local single-tenant vacancy was tied for the fifth lowest among major U.S. markets in 2023, while multi-tenant rent growth ranked as the second-fastest nationally. Population gains, which drove this progress, have taken a mild step back, however, amid a pandemic-era surge in Tampa's cost of living. The residual aftereffects of interest rate hikes on business expansion also play a role in net absorption dipping to about half of the five-year average. Nevertheless, softer tenant demand will be offset by modest construction as Tampa ties for the slowest supply growth in the Sun Belt. Metro vacancy will hold within the 10 tightest major U.S. markets this year as a result, nourishing a top five pace of rent growth. Central Tampa, the I-75 Corridor, East Hillsborough County and Polk County lead the charge with collective vacancy of 2 percent at 2024's onset. An influx of young adults downtown, household creation in east suburbs and reduced flood risk inland all aid tenant demand here.

Buyers with diverse risk profiles tuning in. Recent natural disasters have ramped up insurance costs in Florida, likely weighing on investment going forward. Buyers looking to avoid the direct threats of hurricanes, however, could gravitate inland where exceptionally tight vacancy backed by ongoing household creation supports a bullish outlook. Assets proximate to Interstate 4 and State Road 60 are among the most coveted here. Meanwhile, investors with an appetite for urban core retail could favor locations with steadier foot traffic, particularly near the University of South Florida or Tampa International Airport. West of here, oceanfront areas like St. Pete Beach command steep entry costs and natural disaster risk but benefit from robust tourism spending.

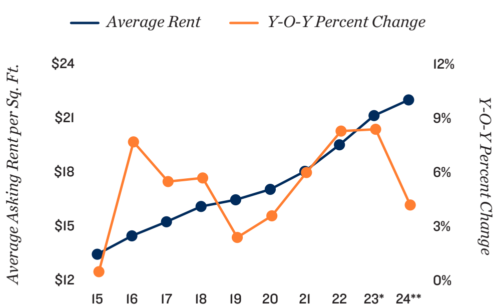
Economic Trends



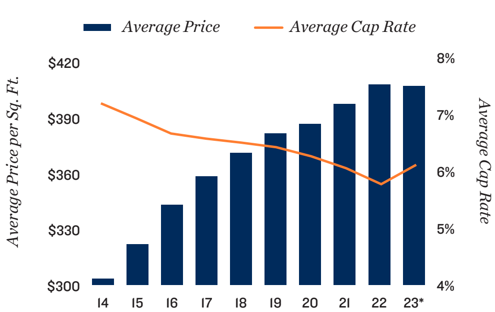
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2024 MARKET FORECAST

NRI RANK 3 — *Leading all Florida markets in the Index, Tampa-St. Petersburg benefits from very tight vacancy and strong rent growth.*

+1.1% — **EMPLOYMENT:** Metro employment grows at the slowest pace among major Florida markets this year, but matches the national rate. The 17,000-role addition is half of the trailing-decade mean.

530,000 sq. ft. — **CONSTRUCTION:** Completions in 2024 measure as the smallest annual total in at least 18 years. Over 90 percent of the new space is either in Pasco County, Pinellas or the I-75 Corridor.

-10 bps — **VACANCY:** Retail vacancy moves down to 3.4 percent, mitigating the 10-basis-point lift recorded last year. This ties with 2022's decade-plus low and trails only Miami-Dade in the state of Florida.

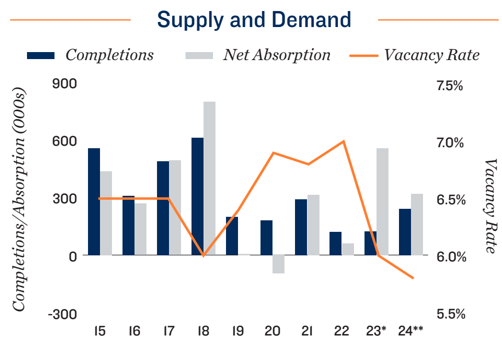
+4.1% — **RENT:** After two straight annual gains of at least 8 percent, the pace of growth slides, yet Tampa still leads the state. On average, the metro's asking rate climbs to $21.90 per square foot.

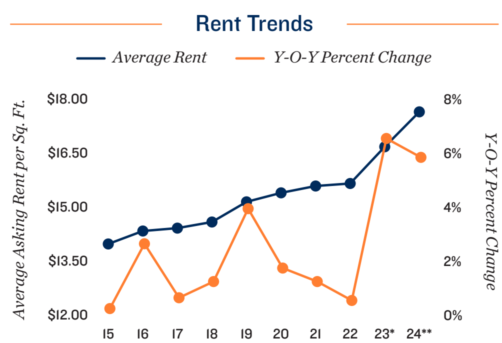
INVESTMENT: *Sarasota-Bradenton accounted for almost half of Tampa's vacant multi-tenant stock at the onset of 2024. A lack of available space in nearby areas may direct tenants here, potentially creating upside.*

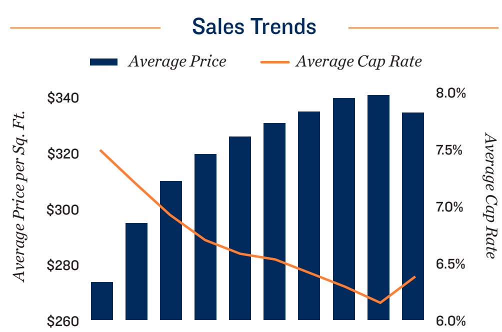
Searing Rent Growth Positions Tucson's Retail Sector To Shine Among Southwestern Investors

Thin availability sparks nation-leading asking rent gain. Tucson closed out 2023 posting the largest drop in vacancy among major U.S. markets. Although the descent should slow this year, vacancy will dip below 6.0 percent for the first time since 2007. This historical tightness will preserve a pace of asking rent growth that ranks as the highest in the nation during 2024. Newer, available builds are becoming scarce, bolstering rent momentum for these types of properties. Vacancy among supply built in the last decade fell by more than 400 basis points last year, to a near record-low 1.8 percent. However, this dynamic will exert an even greater impact on the metro's average asking rent by steering a higher proportion of retailers to older-built stock, driving up marketed rates for lower-cost properties at an even faster pace. Scant multi-tenant deliveries helped lift the sector's mean asking rent by almost 9 percent in 2023, exemplifying this trend. Similar levels of growth should be preserved in 2024 as less than 50,000 square feet of shopping center space sat in the construction pipeline as of January.

Tucson draws more regional buyers. Nation-leading rent growth is emerging at a time when the financing picture is also becoming clearer, leading to more favorable conditions for local retail investment in 2024. The metro's regionally-low pricing should motivate 1031 exchanges, as some owners may be able to move up in asset quality from their other typically higher-cost home markets. This trend began to emerge last year, as an estimated one-third of all buyers came from Phoenix, Las Vegas or Southern California. Many acquired in South Tucson, but the submarket could see even more deal flow after local net absorption rose to a five-year high of over 158,000 square feet in 2023.







2024 MARKET FORECAST

NRI RANK 23 — *Tucson exceeds expectations given its size, with favorable rent growth dynamics enabling the metro to claim a top-half rank.*

+0.5% — **EMPLOYMENT:** Hiring plays only a small part in Tucson's household gains in 2024. Despite the creation of just 2,000 roles this year, household growth is expected to accelerate by 7,600.

240,000 *sq. ft.* — **CONSTRUCTION:** Completions will reach a three-year high, with new supply centered in North and Central Tucson. Still, growth this year will halve the long-term pace of approximately 1.0 percent.

-20 bps — **VACANCY:** Overall vacancy dips to 5.8 percent in 2024 as net absorption outpaces completions. Tucson will be one of only five major markets to record a decline of 20 basis points or more.

+5.8% — **RENT:** While the metro will post the fastest rent gain in the nation this year, the average year-end metric, at $17.60 per square foot, ranks as the lowest out of any major market located west of Texas.

INVESTMENT: *The City of Tucson is underway on a transformational redevelopment of Oracle Road and Miracle Mile near Downtown. Retail assets in the area could generate interest, as some investors look to capitalize.*

** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

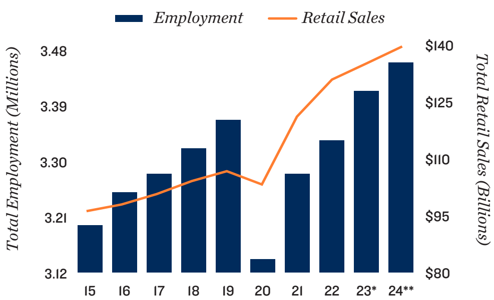
WASHINGTON, D.C.

Metro's Rapid Densification Will Steer the Retail Sector Through Supply-Induced Flux

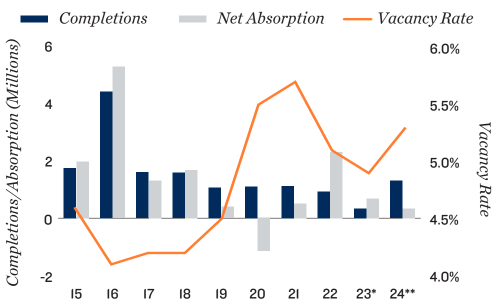
Elevated retail construction follows a surge in apartment stock. Washington, D.C.'s retail sector expects the completion of a half-decade high 1.3 million square feet this year. Construction is generally warranted, as it coincides with the fastest two-year span for apartment creation on record, with over 30,000 units to be delivered between 2023 and 2024. Although 35 percent of new retail supply is anticipated to come online without a tenant this year — resulting in a vacancy bump — the vast rental pipeline should elevate retailers' space needs over the long-term. Navy Yard-Capitol South, Bethesda-Chevy Chase, and Crystal City-Pentagon City have the greatest potential in this regard, as each area's active pipeline comprised more than 10 percent of their local inventories at the onset of 2024. Short-term demand for retail space, however, is concentrated in Fairfax County suburbs, with higher-earning households in Tysons Corner and Falls Church offering retailers stalwart recession resistance. Home to headquarters for Freddie Mac, Capital One, and PBS, among others, Tysons Corner's corporate roster will support a stable base of consumers with a high propensity for discretionary spending.

Investors target developing communities. Crystal City is poised to welcome a wave of investors in the near future. A record multifamily pipeline is underway here amid the construction of Virginia Tech's new Innovation Campus, a project that bodes well for nearby retailer performance and investor interest. Trading activity is similarly heating up in Bethesda and Chevy Chase, with more than 2,600 apartments underway here with completions through 2026. Deal flow in the District, meanwhile, will largely be driven by job creation, with buyers targeting the Capitol Hill Area ahead of Kaiser Permanente and the American Chemistry Council setting up offices in the coming year.

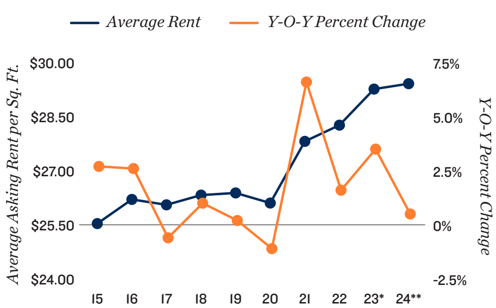
Economic Trends



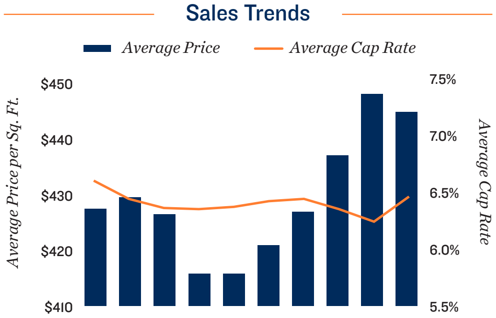
Supply and Demand



Rent Trends



Sales Trends



*Estimate; **Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2024 MARKET FORECAST

NRI RANK 42 — *Higher vacancy this year, spurred by a wave of new retail supply, pulls down Washington, D.C.'s rank in the 2024 NRI.*

+1.3% — **EMPLOYMENT:** While local employers are expected to add 34,000 fewer jobs than last year, the 46,000-role addition in 2024 will still mark the fastest pace among any major mid-Atlantic market.

1,300,000 *sq. ft.* — **CONSTRUCTION:** Suburban Virginia and Maryland are each slated to welcome over 600,000 square feet in 2024. In contrast, construction within the District will total under 20,000 square feet.

+40 bps — **VACANCY:** A wave of completions pushes up overall vacancy to 5.3 percent. Upward pressure may be more pronounced in the multi-tenant sector, as segment stock growth surpasses 1.0 percent.

+0.5% — **RENT:** Higher vacancy weighs on overall asking rent growth this year. Still, the mean marketed rent will tick up to $29.40 per square foot, nearly 12 percent higher than in 2019.

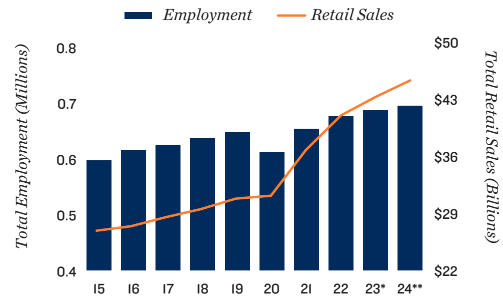
INVESTMENT: *In 2024, Bowman Logistics and Conair will bring a combined 2,000 jobs to Hagerstown as they move into new industrial facilities. Investors may capitalize by targeting nearby dining and fast food assets.*

Specific West Palm Beach Submarkets Emerge as Targets for Investors Amid Favorable Fundamentals

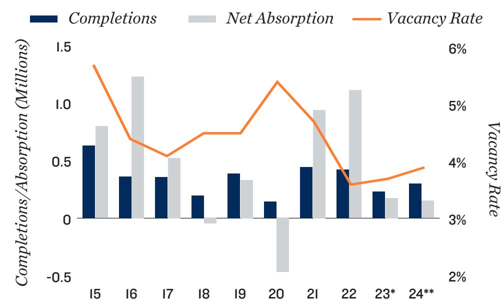
Core areas continue to drive marketwide conditions. Near nation-leading rates of population, household income and retail sales growth since 2020 aid West Palm Beach's already tight vacancy rate this year. The metro's core areas are the largest beneficiaries of these gains, with Boca Raton, Palm Beach and the West Palm Beach CBD each entering 2024 with vacancies below the market rate. This theme is even more apparent in Jupiter, where the local measure has remained under 3 percent since 2022. Despite sustained tight conditions warranting new supply, construction activity is slim across the metro, supporting the absorption of existing stock by expanding retailers. As such, grocers and fitness franchises, such as KC Market and EoS Fitness, are slated to backfill larger spaces this year, while a number of restaurants are anticipated to occupy smaller single- and multi-tenant footprints.

Increasing capital deployment noted in Jupiter. The area's standing as the least vacant submarket by percentage of stock facilitated a sizable uptick in trading activity across Jupiter last year, despite considerable marketwide pullback. Although some demand softening is anticipated, limited development activity locally supports existing stock performance moving forward, which, along with its above-market single-tenant rent growth, should elicit investment. West Palm Beach proper, encompassing the CBD and surrounding areas, should also continue to garner a sizable portion of investor attention amid the area's metro-leading occupied apartment gains since 2019. Single-tenant trades should be most frequent here, concurrent with the area's sub-3 percent segment vacancy rate and rent growth that rivaled Delray Beach and Boynton-Lantana as the strongest in the metro last year.

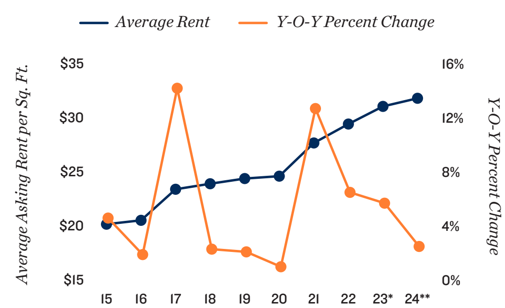
Economic Trends



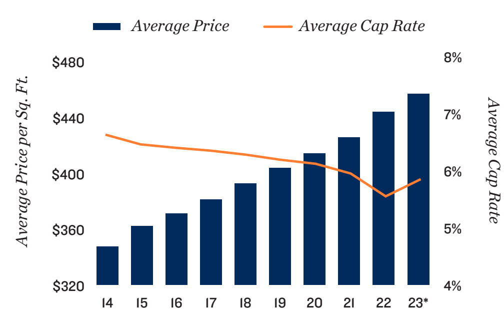
Supply and Demand



Rent Trends



Sales Trends



2024 MARKET FORECAST

NRI RANK 16 *Considerable household formation and retail sales growth this year places West Palm Beach in the Index's top 20.*

+1.2% **EMPLOYMENT:** Headcounts for nearly all job sectors stood above their 2019 marks entering 2024. Additions this year will lift the overall count to 48,000 positions ahead of the pre-pandemic total.

300,000 sq. ft. **CONSTRUCTION:** Although the amount of space delivered this year increases from 2023's recording, inventory growth will still remain below the metro's 0.7 percent long-term average.

+20 bps **VACANCY:** Since reaching an all-time low in 2022, vacancy will inch up slightly for a second straight year. At 3.9 percent, however, the metro's rate remains well below its 5.6 percent historical mean.

+2.4% **RENT:** A slight softening in tenant demand will curtail retail growth, leading to a moderate rent increase. West Palm Beach's average asking rate will rise to $31.65 per square foot by year-end.

INVESTMENT: *The local metro doubled the next highest major U.S. market in sale price per square foot appreciation last year, potentially lifting investor sentiment in 2024 while financing challenges temper.*

** Estimate; ** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

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[1] *National Retail Index Note: Employment and retail data forecasts for 2024 are based on the most up-to-date information available as of December 2023 and are subject to change.*

[2] *Statistical Summary Note: Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of December 2023. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.*

Sources: Marcus & Millichap Research Services; Booking.com; Coresight Research; Concordia University of Wisconsin; CoStar Group, Inc.; Economic Policy Institute; Fannie Mae; Federal Reserve; International Air Transport Association; Kastle Systems; Kayak; Knowland; Moody's Analytics; Mortgage Bankers Association; National Association of Realtors; Placer.ai; PNC Real Estate; Real Capital Analytics; RealPage, Inc.; RetailStat; San Diego Tourism Authority; San Francisco International Airport; Trepp; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; U.S. Census Bureau

STATISTICAL SUMMARY

Market Name	Employment Growth[2]				Completions (000's of Sq. Ft.)[2]				Vacancy Rate[2]				Average Asking Rent[2]				Average Price per Sq. Ft.[2]			Market Name
	2021	2022	2023*	2024**	2021	2022	2023*	2024**	2021	2022	2023*	2024**	2021	2022	2023*	2024**	2021	2022	2023*	
Atlanta	6.0%	3.4%	1.8%	1.2%	1,450	2,130	980	1,000	4.8%	4.1%	3.9%	3.7%	$16.63	$17.93	$19.20	$20.12	$373	$382	$381	Atlanta
Austin	10.0%	6.0%	3.1%	2.6%	810	830	1,850	1,950	3.6%	3.2%	3.3%	3.7%	$22.61	$24.87	$26.44	$27.40	$433	$451	$455	Austin
Baltimore	4.6%	0.5%	2.3%	1.3%	320	320	170	410	6.5%	6.0%	5.9%	6.2%	$20.90	$20.81	$21.28	$21.40	$346	$347	$336	Baltimore
Boston	5.4%	3.1%	2.3%	1.0%	1,290	930	530	500	3.2%	3.1%	3.0%	2.9%	$20.88	$22.63	$21.26	$21.85	$386	$398	$395	Boston
Charleston	5.2%	5.8%	5.9%	2.1%	260	480	140	920	4.2%	3.4%	3.8%	5.3%	$21.49	$24.96	$25.45	$25.06	$430	$461	$442	Charleston
Charlotte	3.9%	3.1%	4.1%	2.3%	890	310	490	700	4.5%	3.8%	3.1%	3.0%	$17.82	$18.82	$19.10	$19.30	$418	$431	$426	Charlotte
Chicago	5.7%	2.7%	0.5%	0.6%	1,090	1,070	490	700	6.1%	5.7%	5.4%	5.5%	$17.84	$18.82	$18.90	$19.05	$345	$347	$337	Chicago
Cincinnati	4.2%	2.7%	2.4%	1.7%	190	160	330	900	6.9%	7.1%	6.6%	6.8%	$12.60	$13.28	$13.65	$13.80	$301	$299	$291	Cincinnati
Cleveland	2.7%	1.1%	1.7%	0.9%	250	990	570	450	4.8%	4.4%	4.5%	4.4%	$11.40	$11.53	$12.40	$12.60	$328	$352	$331	Cleveland
Columbus	4.6%	1.3%	0.7%	1.6%	390	760	370	300	4.1%	4.0%	3.9%	4.0%	$14.37	$15.50	$16.30	$16.50	$313	$311	$301	Columbus
Dallas-Fort Worth	6.7%	5.6%	3.9%	3.0%	2,670	3,780	2,950	3,400	5.8%	4.9%	4.8%	4.9%	$17.53	$18.30	$19.08	$19.62	$438	$450	$445	Dallas-Fort Worth
Denver	7.0%	2.4%	-0.2%	0.3%	430	360	400	490	4.8%	4.2%	4.3%	4.5%	$18.98	$19.64	$20.45	$20.90	$402	$412	$402	Denver
Detroit	6.1%	2.0%	0.3%	0.2%	540	320	500	460	5.7%	5.4%	5.9%	6.0%	$14.74	$15.39	$15.00	$14.90	$281	$287	$282	Detroit
Fort Lauderdale	6.1%	3.1%	2.5%	2.2%	620	270	270	350	4.7%	3.8%	3.6%	3.7%	$25.59	$28.10	$29.50	$30.53	$397	$428	$418	Fort Lauderdale
Houston	5.7%	4.7%	2.4%	1.8%	2,920	2,880	3,490	2,280	5.9%	5.3%	5.4%	5.2%	$18.90	$19.60	$20.35	$20.93	$377	$388	$381	Houston
Indianapolis	4.8%	3.4%	2.5%	2.0%	690	330	260	380	4.4%	3.4%	3.5%	3.8%	$14.36	$15.65	$16.10	$16.40	$282	$292	$286	Indianapolis
Jacksonville	4.9%	5.0%	2.4%	1.5%	700	1,070	500	350	4.7%	4.9%	5.2%	5.4%	$15.94	$17.46	$19.40	$20.17	$351	$356	$352	Jacksonville
Kansas City	3.1%	3.5%	1.3%	0.4%	760	510	490	580	5.3%	4.6%	4.8%	4.9%	$13.40	$14.17	$14.80	$14.95	$348	$341	$333	Kansas City
Las Vegas	13.9%	6.0%	3.3%	1.9%	580	750	520	820	6.4%	6.0%	5.6%	5.8%	$21.13	$22.75	$22.95	$23.70	$415	$422	$416	Las Vegas
Los Angeles	8.4%	2.8%	1.5%	0.9%	890	760	480	980	5.7%	5.6%	6.1%	6.2%	$31.91	$32.62	$33.10	$33.50	$501	$526	$506	Los Angeles
Louisville	3.6%	1.6%	1.2%	0.6%	120	360	210	500	2.9%	3.7%	3.6%	3.5%	$15.60	$15.82	$16.16	$16.43	$313	$321	$319	Louisville
Memphis	1.6%	2.8%	-0.2%	0.5%	400	270	230	240	4.4%	3.9%	3.7%	3.8%	$12.90	$14.04	$14.82	$15.14	$314	$318	$305	Memphis
Miami-Dade	7.1%	4.9%	3.1%	2.3%	830	450	500	390	3.5%	3.1%	3.0%	2.9%	$36.65	$40.09	$42.30	$43.15	$526	$538	$532	Miami-Dade
Milwaukee	2.6%	1.3%	0.6%	0.8%	90	220	120	100	4.9%	4.2%	4.3%	4.4%	$13.56	$14.34	$14.65	$14.95	$270	$276	$268	Milwaukee
Minneapolis-St. Paul	5.4%	2.1%	1.1%	0.8%	620	630	360	350	4.1%	3.6%	3.4%	3.3%	$16.30	$17.45	$18.15	$18.60	$294	$301	$283	Minneapolis-St. Paul
Nashville	5.2%	5.5%	2.9%	1.9%	580	570	660	900	3.9%	3.2%	3.4%	3.7%	$21.07	$22.63	$23.45	$24.15	$436	$465	$448	Nashville
New Haven-Fairfield County	4.9%	1.7%	1.7%	-0.3%	60	240	210	450	4.6%	4.4%	5.9%	6.6%	$22.91	$23.23	$23.52	$22.75	$365	$370	$359	New Haven-Fairfield County
New York City	7.4%	5.4%	0.6%	1.1%	820	880	700	830	3.8%	3.9%	4.1%	4.3%	$56.38	$58.93	$59.10	$59.42	$587	$592	$593	New York City
Northern New Jersey	7.1%	3.0%	1.5%	0.7%	690	630	450	250	4.1%	3.9%	3.7%	3.4%	$25.73	$24.94	$25.92	$26.42	$381	$377	$367	Northern New Jersey
Oakland	6.5%	1.9%	1.9%	1.2%	250	70	20	200	5.6%	5.9%	6.0%	6.2%	$28.59	$31.00	$30.95	$31.05	$439	$452	$449	Oakland
Orange County	7.5%	3.3%	1.8%	1.0%	90	120	50	80	4.7%	4.3%	4.6%	4.5%	$30.69	$32.02	$33.20	$34.10	$532	$548	$541	Orange County
Orlando	10.2%	5.7%	1.8%	1.7%	650	790	1,230	1,300	4.1%	4.2%	3.8%	4.0%	$20.70	$21.13	$22.50	$22.75	$406	$418	$418	Orlando
Philadelphia	6.0%	3.6%	2.5%	0.8%	930	990	700	1,100	5.3%	4.9%	4.7%	4.6%	$18.87	$19.75	$20.28	$20.56	$342	$344	$328	Philadelphia
Phoenix	5.5%	3.1%	2.0%	1.1%	1,020	1,720	1,480	3,000	7.2%	5.8%	5.0%	5.3%	$16.81	$17.47	$19.75	$20.80	$396	$412	$402	Phoenix
Pittsburgh	4.3%	2.3%	1.4%	0.7%	290	190	70	360	4.9%	4.7%	4.4%	4.5%	$14.09	$14.65	$14.74	$14.52	$307	$317	$310	Pittsburgh
Portland	6.2%	3.6%	1.9%	1.0%	290	280	120	400	4.4%	3.7%	4.2%	4.9%	$20.08	$20.97	$21.30	$21.08	$346	$355	$343	Portland
Raleigh	5.6%	3.8%	4.2%	2.4%	1,120	400	330	1,130	3.6%	2.7%	2.5%	2.9%	$19.71	$20.60	$21.86	$22.70	$348	$374	$365	Raleigh
Riverside-San Bernardino	7.4%	2.7%	0.9%	0.4%	700	770	740	850	7.5%	6.5%	6.4%	6.6%	$18.65	$19.93	$20.95	$21.75	$379	$393	$383	Riverside-San Bernardino
Sacramento	6.4%	2.9%	2.1%	1.2%	380	280	320	300	6.4%	6.6%	6.5%	6.7%	$17.97	$17.83	$18.35	$18.45	$338	$362	$353	Sacramento
Salt Lake City	4.3%	3.1%	2.7%	2.0%	540	590	680	470	4.0%	3.2%	3.4%	3.2%	$18.83	$19.52	$21.83	$22.68	$367	$367	$363	Salt Lake City
San Antonio	5.5%	4.7%	2.6%	1.7%	990	1,880	1,000	710	4.4%	3.8%	3.9%	3.8%	$17.54	$18.74	$19.77	$20.45	$396	$419	$404	San Antonio
San Diego	9.0%	3.9%	1.0%	0.7%	490	180	110	390	5.3%	4.3%	4.4%	4.6%	$24.92	$27.07	$28.20	$28.90	$508	$513	$497	San Diego
San Francisco	9.9%	3.8%	1.0%	0.7%	370	430	10	160	5.3%	6.0%	6.5%	6.8%	$39.66	$36.19	$36.00	$35.95	$595	$614	$580	San Francisco
San Jose	6.1%	4.1%	1.2%	0.8%	170	130	110	140	4.5%	4.8%	4.7%	4.8%	$34.79	$36.22	$36.50	$36.65	$664	$665	$655	San Jose
Seattle-Tacoma	5.7%	3.6%	2.2%	1.2%	160	290	160	170	2.9%	3.0%	3.3%	3.5%	$23.53	$24.30	$24.80	$24.76	$465	$471	$465	Seattle-Tacoma
St. Louis	3.7%	2.3%	1.1%	0.7%	340	320	670	700	5.7%	5.4%	5.3%	5.2%	$13.74	$14.32	$14.70	$14.90	$320	$313	$294	St. Louis
Tampa-St. Petersburg	5.8%	4.8%	1.9%	1.1%	1,110	1,210	650	530	4.2%	3.4%	3.5%	3.4%	$17.94	$19.41	$21.03	$21.90	$397	$408	$407	Tampa-St. Petersburg
Tucson	4.5%	2.1%	0.9%	0.5%	290	120	120	240	6.8%	7.0%	6.0%	5.8%	$15.54	$15.61	$16.63	$17.60	$340	$341	$334	Tucson
Washington, D.C.	4.4%	1.7%	2.4%	1.3%	1,120	930	340	1,300	5.7%	5.1%	4.9%	5.3%	$27.80	$28.25	$29.25	$29.40	$437	$448	$445	Washington, D.C.
West Palm Beach	6.8%	3.4%	1.6%	1.2%	440	420	230	300	4.7%	3.6%	3.7%	3.9%	$27.52	$29.27	$30.90	$31.65	$426	$444	$457	West Palm Beach
United States	**5.1%**	**3.2%**	**1.7%**	**1.1%**	**38,020**	**39,820**	**32,000**	**40,000**	**5.0%**	**4.6%**	**4.7%**	**4.8%**	**$20.65**	**$21.59**	**$22.24**	**$22.74**	**$216**	**$224**	**$219**	**United States**

** Estimate ** Forecast*

[2] See Statistical Summary Note on Page 64.

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