

2023

RETAIL

*National
Investment Forecast*





TO OUR VALUED CLIENTS

Retail real estate generally outperformed investor expectations through the pandemic, and it delivered a healthy bounce over the last year. As we enter 2023, retail vacancies are back in alignment with pre-COVID-19 levels, and rents stand 10 percent higher than in 2019. This positive momentum has drawn increasing attention from the investor community, especially as yields on other investment alternatives were squeezed by rising interest rates. Looking into the coming year, retail real estate, especially neighborhood and community centers, could emerge as a leading investment avenue.

While supply chain challenges, labor shortages, inflation and rising recession risks will continue to form headwinds for retailers, the significant levels of cash savings — some \$4.4 trillion above pre-pandemic marks — will likely substantially offset these impediments as consumers continue to spend. This will be amplified by the ingenuity, adaptability and flexibility retailers developed during the pandemic. Companies in the sector are rewriting traditional rules, integrating lessons learned in the health crisis.

To help commercial real estate investors capitalize on the retail sector momentum in the evolving economic and investment climate, Marcus & Millichap presents the 2023 National Retail Investment Forecast. As always, our investment brokerage and financing specialists across the U.S. and Canada are at your disposal, providing street-level investment guidance to empower your decisions.

Thank you and here's to your continued success,



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National Retail Index (NRI)

- Southeast Florida tops the 2023 NRI, with West Palm Beach and Fort Lauderdale claiming the first two spots, respectively, as less severe health crisis restrictions placed vendors on a solid foundation for post-pandemic growth. Focal points of household formation are favored in the Index.
- Despite relatively positive employment outlooks, already-high living costs — together with elevated inflation — are challenging household budgets in certain large gateway markets. Minimal-to-no job growth and stagnant population metrics are behind many lower rankings for 2023.

National Economy

- The economy is moving into a lower gear, following a historic post-pandemic recovery and expansion. The return of consumer and business demand was uneven, however, contributing to elevated inflation in 2022 that lingers into this year, with important implications.
- Individuals are having to adjust to higher prices across nearly every category, including necessities like food, energy and housing. In response, many households are tightening on spending, prompting businesses to become circumspect in regard to personnel needs. A potential pullback in personal and corporate investment would dampen GDP growth in 2023.
- The subdued economic outlook is shifting labor market dynamics, with mixed implications for the retail sector. While labor shortages in the industry could let up, fewer new jobs in general will have a direct impact on retail spending by coaxing individuals to avoid unnecessary purchases.

National Retail Overview

- Despite ample concerns early in the pandemic, the U.S. retail segment has largely recovered and is generally in a good position to weather a softer consumer environment during 2023. Nationally, operations are back to pre-pandemic levels.
- Tight conditions are supported by a moderate construction pipeline, which will limit options for expanding retailers and tenants with upcoming lease expirations, a boon for retail property owners. Among the nation's largest markets, more than half will record inventory growth of less than 0.5 percent this year, with Texas and Florida metros collectively accounting for 40 percent of near-term supply additions.
- Consumers' focus on essential goods bodes well for supermarket and drug store performance moving forward, aiding single-tenant demand and leasing activity at shopping centers anchored by these tenants.

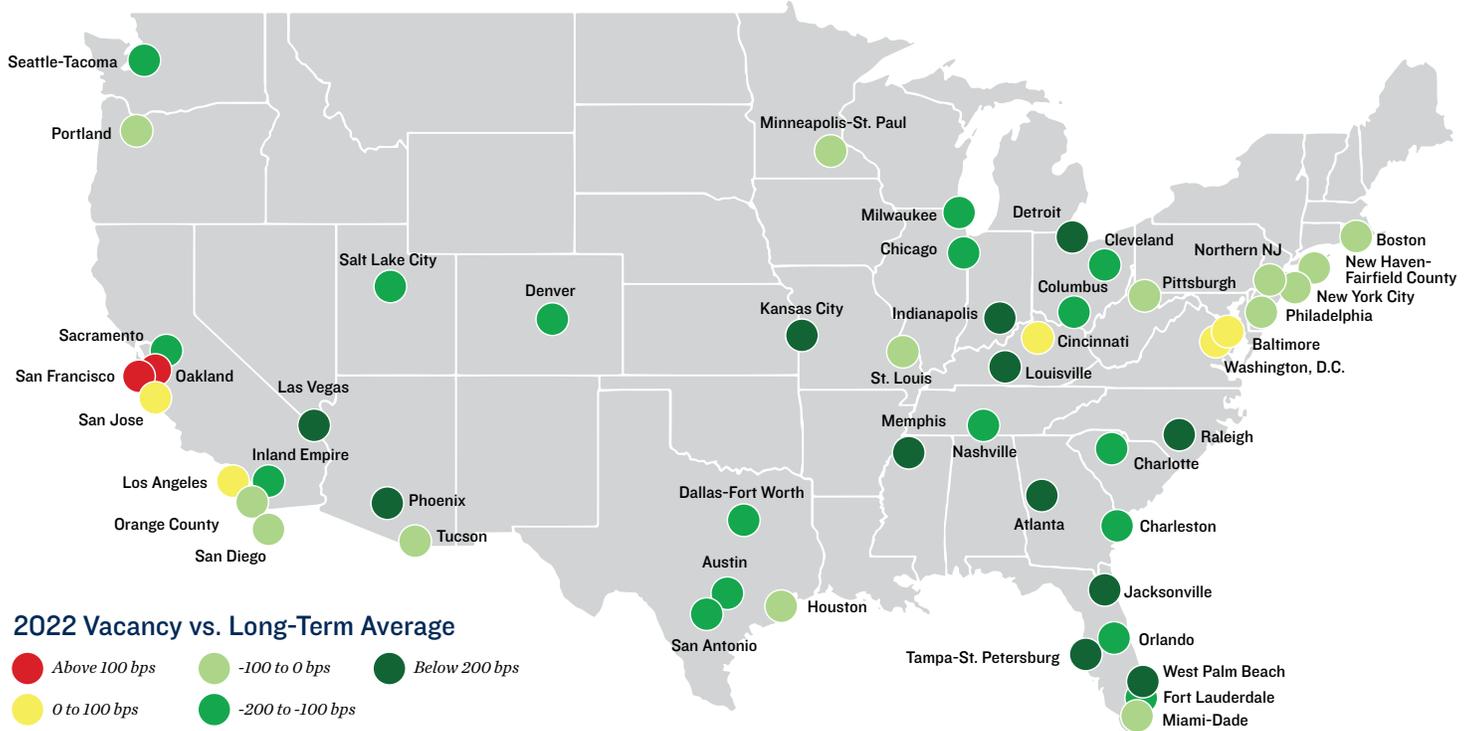
Capital Markets

- Multi-decade high inflation last year forced the Federal Reserve to dramatically tighten monetary policy. A series of successive hikes increased the federal funds rate from a zero lower bound in March to over 4 percent by the end of 2023, with additional increases anticipated.
- The speed and magnitude of the rate increases so far have substantially disrupted financial markets, yet once the Fed arrives at a holding position, more lenders and investors should be able to better determine valuations.
- Amid a less certain near-term economic outlook, capital providers have tightened underwriting criteria. Yet, the main hindrance is the higher cost to borrow. A narrowing spread between debt costs and recent retail cap rates has led to a greater disconnect between buyers and sellers.

Investment Outlook

- Rising interest rates and more stringent lending standards moderated sales activity in the second half of last year. A similar financing environment anticipated through at least early 2023, along with the potential for softening consumer spending, may keep velocity tempered.
- The shrinking margin between commercial cap rates and borrowing costs will prompt yield-driven buyers to broaden their acquisition criteria this year. Solid fundamentals and a lack of supply pressure may also bring more active investors into the retail sector.
- Competition for well-performing suburban shopping centers and single-tenant properties may motivate some investors to look elsewhere for listings. Urban cores with notable improvements in apartment leasing last year may catch these buyers' attention going forward.

Most Metros Entered Year with Well-Below Average Retail Vacancy



Top Markets Most Below Average

Market	2022 Vacancy	Long-Term Average	Difference
Memphis	3.9%	7.4%	-350
Atlanta	4.4%	7.6%	-320
Phoenix	6.7%	9.4%	-270
Kansas City	4.6%	7.2%	-260
Las Vegas	6.2%	8.7%	-250
West Palm Beach	3.5%	5.9%	-240
Detroit	5.7%	8.0%	-230
Jacksonville	4.5%	6.6%	-210
Raleigh	3.0%	5.1%	-210
Tampa-St. Petersburg	3.7%	5.8%	-210
United States	4.9%	6.0%	-110

Top Markets Most Above Average

Market	2022 Vacancy	Long-Term Average	Difference
Tucson	6.6%	6.8%	-20
New York City	4.0%	4.1%	-10
St. Louis	6.4%	6.5%	-10
Cincinnati	7.6%	7.4%	20
San Jose	4.7%	4.5%	20
Los Angeles	5.5%	5.0%	50
Washington, D.C.	5.7%	5.1%	60
Baltimore	6.1%	5.4%	70
Oakland	5.9%	4.8%	110
San Francisco	6.0%	3.2%	280
United States	4.9%	6.0%	-110

Long-term average for 2007-2021

Sources: Marcus & Millichap Research Services; CoStar Group, Inc.

Vacancy Historically Low Across Markets

Relocation destinations exhibit the largest gaps. Sun Belt metros highlight the list of major U.S. markets with a vacancy rate at least 200 basis points below its long-term average. Across these locales, tight conditions are being supported by notable in-migration, with populaces growing by at least 2 percent over the past three years. Larger resident counts have encouraged retailer expansions and renewals, driving demand for available space. Las Vegas, Phoenix and Raleigh stand out, with each noting 4 percent-plus population growth over the past three years — gains that coincided with local vacancy rates falling to historically-low levels. Near term, in-migration to these and other Sun Belt markets will continue, trends that should bolster consumer demand for necessity stores and dining options.

Middle America another bright spot. Nearly all major Midwest markets entered 2023 with a vacancy rate below their long-term mean, spotlighted by Detroit, Indianapolis and Kansas City. These metros' retail sectors are benefiting from a lack of new supply. Spanning the past three years, local inventories have risen by less than 2 percent, limiting options for retailers. Moderate construction activity is well suited for what can be negative or subdued local population growth. Most of these markets maintain a relatively low square footage-to-resident ratio, a boon for foot traffic at area retailers.

U.S. Retail Index

Regional Geographic Trends at Play in 2023 NRI; Minimal Construction Lends Support to Outlooks of Most Markets

Focal points of household formation dominate Index this year. Southeast Florida leads the 2023 National Retail Index, with West Palm Beach and Fort Lauderdale claiming the first two spots, respectively. Less severe health crisis restrictions mitigated disruption to the local retail sectors, placing vendors on a solid foundation for post-pandemic growth. That momentum carries into this year, aided by robust household formation and net in-migration trends, lifting rent growth expectations. Miami-Dade lands in the ninth position due to regionally softer household creation, while similar demographic factors place fellow Florida metros Jacksonville (#3) and Tampa-St. Petersburg (#7) in strong positions. Orlando rests lower at 19 because of a nation-leading pace of retail construction this year. While Austin (#5) also faces new supply pressure, a positive employment outlook relative to the rest of the country helps the market rank above the other major Southwestern metros of Las Vegas (#16), Phoenix (#17) and Dallas-Fort Worth (#18). Although, all four lie within the upper-third of the Index, due to advantageous in-migration trends. Favorable retail consumer sales growth expectations also bolster the outlooks of Charlotte (#10), Charleston (#11) and Raleigh (#13) in the Carolinas.

Local factors drive divergence in gateway metro placements. Contracting vacancy across Southern California this year helps place San Diego (#20), Riverside-San Bernardino (#21) and Los Angeles (#22) in the top half of the 2023 Index. Of the other major gateway markets, Seattle-Tacoma (#12) ranks the highest. The lowest vacancy rate in the country, paired with negligible construction, bodes well for rent gains in the metro this year. New York City (#33) and San Francisco (#34) place lower, due to softer growth expectations in consumer spending. Despite relatively positive employment outlooks, already-high living costs — together with elevated inflation — are challenging household budgets there. Markets ranking lower in the NRI generally share the same tepid improvement in property revenues since the pandemic began. A range of factors are at play across metros like Boston (#40), Northern New Jersey (#43), St. Louis (#45) and Baltimore (#50), including minimal-to-no job growth and stagnant population metrics. Nevertheless, minimal development is helping to stabilize retail property performance, with none of the markets in this cohort reporting a vacancy increase above 40 basis points.

Index Methodology

The NRI ranks 50 major markets on a collection of 12-month, forward-looking economic indicators and supply-and-demand variables. Markets are ranked based on their cumulative weighted average scores for various indicators, including projected job growth, vacancy, construction, retail sales growth, 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, the NRI is an ordinal Index, and differences in rankings should be carefully interpreted. 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.

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

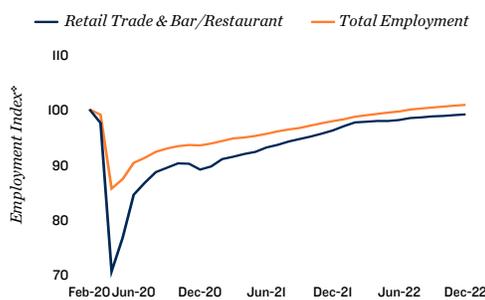
¹ See National Retail Index Note on page 64

Economy Moves into Lower Gear After a High-Speed Expansion, Influencing Consumer and Retailer Behavior

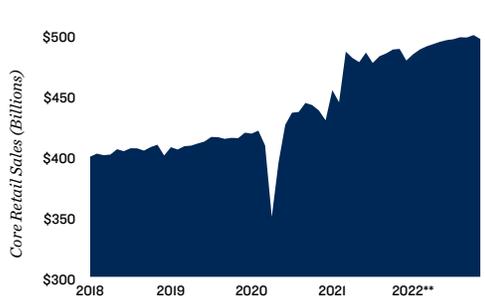
GDP Growth Pulling Back in 2023



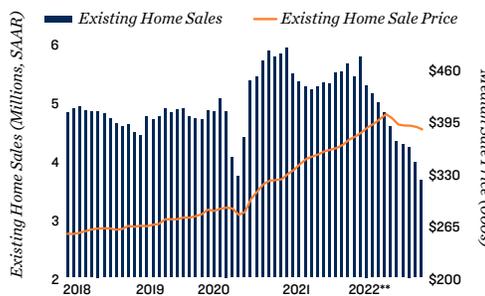
Retail Employment Recovery Lagging



Inflation-Adjusted Retail Sales



Home Sales & Prices Softening



Consumption impeded by inflation and the fight against it. The historic economic resurgence from the COVID-19 pandemic, assisted by robust fiscal and monetary policy support, resulted in an uneven return of consumer and business demand relative to supply. While many households and businesses progressed or sustained their financial standing during the health crisis, global supply chains were hindered, which contributed to a subsequent period of heightened inflation that lingers into 2023. Individuals are having to adjust to loftier prices in nearly every category, including necessities like food, energy and housing. In response, many households are tightening up their spending, while businesses are becoming circumspect in regard to personnel needs. As such, consumers are facing the dual-impacts of potential employment headwinds, alongside inflationary pressures. While increases to the Consumer Price Index decelerated late last year, aided by persistent monetary policy tightening, prices are still going up faster than the typical annual pace and the Federal Reserve’s target range. These factors, coupled with a period of elevated debt service costs, will dampen GDP growth and consumer spending in 2023.

Looser labor market could have contrasting effects on the retail sector. The subdued economic outlook is prompting employers across various industries to brace for headwinds by re-evaluating staff needs, including layoffs. This represents a fundamental shift in the labor market dynamic after workers, for a lengthy period, had significant leverage when a surplus of job openings warranted aggressive compensation. A less favorable employment landscape has mixed implications for the retail sector. On the positive side, labor shortages in the industry could let up, after many businesses had to recalibrate operations amid acute worker deficits over the past few years. Unemployed individuals will have fewer options to sort through, while others could be inclined to find second jobs in retail professions to help shore up budgets amid inflation or unexpected losses of income in the household. Conversely, the potential for employment reductions and stalled career advancement will have a direct impact on retail spending, coaxing many individuals to be more selective with their consumption habits and avoid unnecessary purchases.

2023 National Economic Outlook

- **Most consumers remain on sturdy ground.** While the economy is poised to soften in 2023 and some job losses are possible, the majority of Americans will weather the storm. Very strong wage growth last year, accumulated savings by affluent households during much of the pandemic, and untapped equity from robust home price increases support purchasing power in 2023. Nonetheless, bifurcation will emerge as some consumers moderate their spending to mostly essential goods, while others fall back on financial cushions to maintain their consumption habits.
- **Lower fuel costs may aid travel-based spending.** The price of oil and gas retreated late last year, providing some relief for consumers. While that downward trajectory could revert if the war in Ukraine escalates or OPEC production cutbacks become more extreme, the current trend is positive. Lower prices at the pump could encourage domestic road trips, aiding retailers near travel routes and lodging facilities.
- **Housing market inactivity reverberates to select retail segments.** Higher mortgage rates, still-elevated home prices and a lack of incentive to relocate will stall single-family housing mobility in 2023. As a result, the demand for home furnishings could be diminished. On the other hand, homeowners staying put at their current residence for longer than expected could prompt improvement and renovation projects.

* Forecast
 ** Through November
 † Feb. 2020 = 100

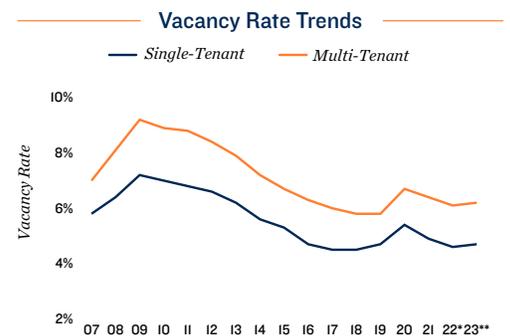
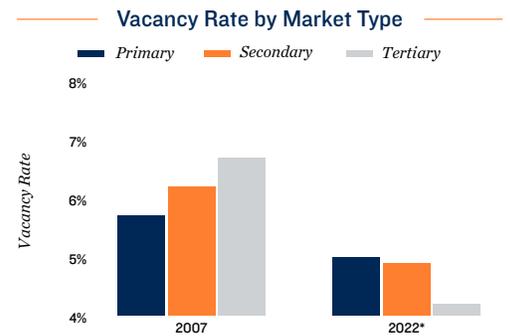
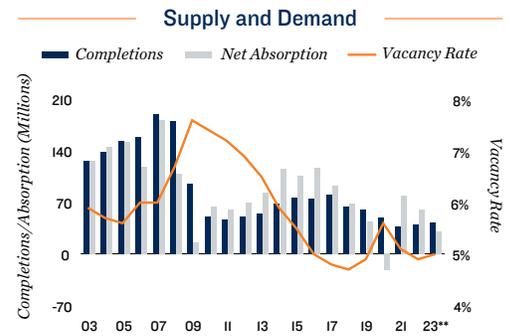
Low Vacancy Aids Sector as Potential Headwinds Form; Necessity Retail in a Position of Strength

Sector bolstered against hurdles. Despite ample concerns early in the pandemic, the U.S. retail segment has largely recovered and is generally in a good position to weather a softer consumer environment during 2023. Nationally, operations are back to pre-pandemic levels. In fact, most major metros entered this year with vacancy below their long-term average — including nearly 20 major markets where availability was at least 100 basis points under the prior 15-year mean. As such, even if a demand slowdown leads to a moderate vacancy increase this year, availability will still be historically low in most areas. Tight conditions are supported by a moderate construction pipeline, which will limit options for expanding retailers and tenants with upcoming lease expirations, a boon for retail property owners. Among the nation’s largest markets, more than half will record inventory growth of less than 0.5 percent this year, with Texas and Florida metros collectively accounting for 40 percent of near-term supply additions. Recent leasing activity and population gains in both states indicate newly-built space should be well received, however. Conversely, California’s eight major markets will add just 2 million square feet this year, limiting supply-side pressure for a region further behind in its recovery.

Confluence of forces cloud outlook. Despite signs of a slowdown in consumer demand at the tail-end of last year, sales across necessity-based and dining categories continued to reach record marks, with spending increasing in real terms across the grocery and restaurant and bar segments. Consumers’ focus on essential goods bodes well for supermarket and drug store performance moving forward, aiding single-tenant demand and leasing activity at shopping centers anchored by these tenants. Restaurants and other retailers that cater to midweek foot traffic may also be in higher demand, as major companies are walking back their flexible work models, often requiring staff to be in-office at least three days a week. In contrast, retailers that fall into the discretionary category may face a more uncertain future. Entering this year, the national savings rate was at a 17-year-low, and more individuals are utilizing credit cards for purchases. This behavior, paired with higher interest rates, will increase the average U.S. households’ credit card debt beyond the already high mark reached last year. Combined with a notable slowdown in job creation, this may force more families to curtail their discretionary purchasing.

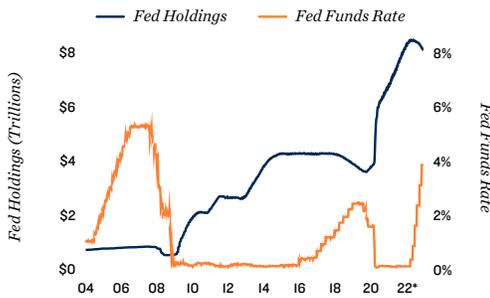
2023 National Retail Outlook

- **Domestic tourism elevates.** Urban retail corridors reliant on outside visitors may receive a boost as domestic airline passenger volume is slated to grow by 6 percent annually, reaching a pre-pandemic level of demand. The impact of this gain, however, may be tempered by international visitorship, which is not projected to fully recover this year.
- **Retailers expand their reach.** Smaller store formats and other experimental concepts will play a larger role in major retailers’ growth strategies as these vendors attempt to reach larger or new consumer bases. Short-term pop-ups and smaller store layouts will represent a boon for malls and other shopping centers attempting to combat recent move-outs. In contrast, store-within-a-store layouts may have a negative impact on space demand, as retailers expand by occupying space already net-leased to another company.
- **Corporate pullbacks impact stores.** After returning to two-thirds of its pre-pandemic level last year, domestic business travel may temper in 2023. Aligning with corporate hiring freezes and potential job cuts, firms are expected to limit non-essential business travel, acting as a counterbalance to the positive impacts of higher domestic tourism.

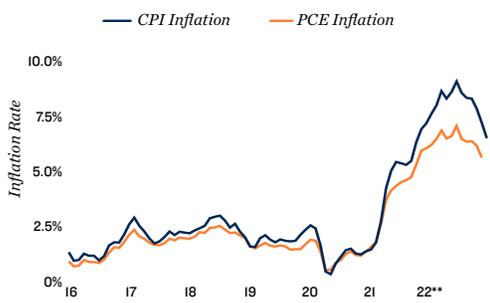


* Estimate
** Forecast
*** Through 3Q

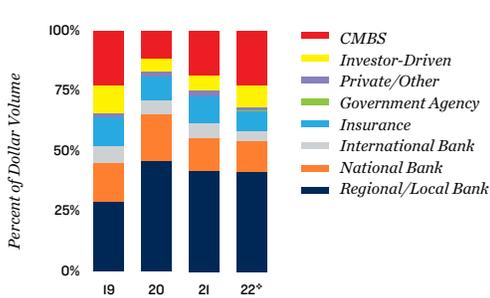
Monetary Policy Rapidly Tightens



Inflation Starting to Cool



Retail Lender Composition



Higher Treasury Rate Environment Returns



Tightening Monetary Policy Challenges Lenders; Borrowers Faced with Higher Capital Costs

Fed's inflation response clouds financial markets. Multi-decade high inflation last year forced the Federal Reserve to dramatically tighten monetary policy, following an exceedingly accommodative stance during the pandemic. The Fed both reduced its balance sheet and raised the rate on overnight lending. Through a series of successive hikes, the Federal Open Market Committee increased the federal funds rate from a zero lower bound in March of last year to above 4 percent by December. With higher capital costs, the FOMC aims to reduce inflation by softening the labor market, shearing some momentum off both wage growth and consumer spending. These policy decisions are having the intended effect, as the rate of ascension for the Consumer Price Index began shrinking at the tail-end of 2022. Inflation is still above the FOMC's target, however, suggesting the Fed will continue hiking interest rates through at least part of this year. The speed and magnitude of the rate increases so far have substantially disrupted financial markets, yet once the Fed arrives at a holding position, more lenders and investors should be able to better determine valuations. Rate decreases this year, though, are unlikely unless the economy deteriorates more than expected.

Higher interest rates complicate lending. The Fed's shift to a much tighter monetary policy stance has created a challenging capital markets environment for at least the first several months of this year. Amid a less certain near-term economic outlook, capital providers have tightened underwriting criteria. A heavy emphasis is being placed on debt service coverage to ensure prospective borrowers will have the cash flows in place to meet their commitments. Amid a more cautious setting, CMBS and life insurance companies are providing less capital for retail investment sales than they have in the past, while local and regional banks have assumed a larger share of the lending market. Overall, the main hurdle is not a lack of available capital, but rather the heightened cost to borrow. Interest rates have broadly climbed in response to the Fed's 400-basis-point lift to the overnight lending rate last year, shrinking the spread between debt costs and recent retail cap rates. This narrowing margin has led to a greater disconnect in pricing expectations between buyers and sellers, which has become a notable hurdle to transaction activity. Once interest rates stabilize, however, and some clarity on the economic outlook emerges, this expectations gap should narrow and bolster trading activity.

2023 Capital Markets Outlook

- **Appeal of necessity retail extends to lenders.** The quality of a tenant is an important factor in obtaining financing for a retail investment acquisition. While discretionary consumer spending is projected to take a step back in 2023, sales at necessity retailers should remain sound. As such, grocery-anchored centers, as well as single-tenant properties net-leased with long terms to personal and health care vendors — such as pharmacies and convenience stores — carry lower risk perceptions among capital providers.
- **Declining loan delinquency reflects retail strength.** Improvements in the retail sector since the early part of the pandemic are also reflected in CMBS loan delinquency rates. Peaking at 9.4 percent in July 2020, loan delinquency for retail properties, excluding malls, has since fallen to about 5 percent of sales, below the 2017-2019 average.
- **Distress may become relevant in 2023.** Despite declining loan delinquency overall, distressed sales may become more prevalent later this year. Some properties face maturing debt in an environment of much higher capital costs. So far distress has held well below global financial crisis peaks, exiting last year around 2.7 percent.

* Through December 14

** CPI through December; PCE through November

* Estimate

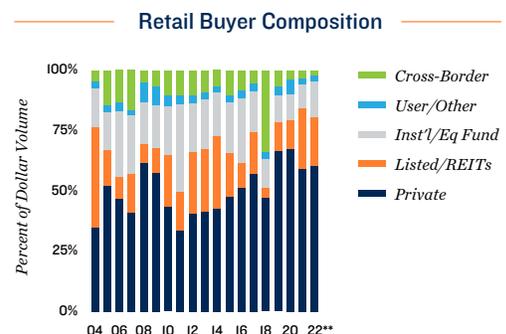
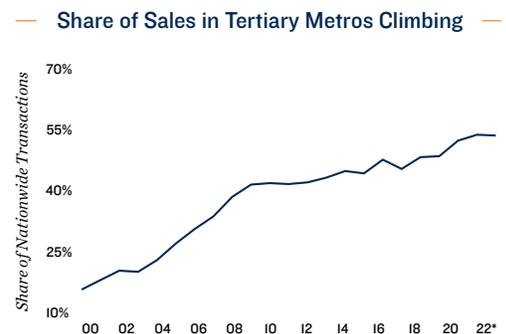
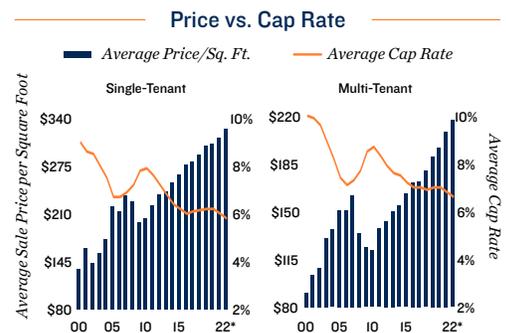
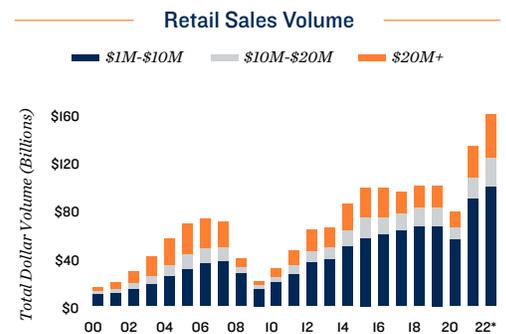
Investors Encouraged by Retail Outlook; Yield-Focused Buyers May Favor Sector

Retail’s broad-based strength warrants attention. Reflecting the impact of rising interest rates and more stringent lending standards, sales activity moderated across the single- and multi-tenant segments in the second half of last year. A similar financing environment anticipated through at least the first few months of 2023, along with the potential for softening consumer spending, may translate to comparably tempered transaction velocity this year. Nevertheless, retail property performance suggests the sector will be targeted by a diverse mix of private and institutional investors active in the marketplace. Nationally, the retail sector is expected to record the smallest vacancy fluctuation among major commercial real estate property types in 2023, while also registering the lowest annual inventory increase. Furthermore, the pace of asking rent growth is expected to exceed the retail sector’s long-term average, an attractant for investors seeking properties in well-trafficked areas with upcoming lease expirations. On a metro level, the long list of major U.S. markets with a retail vacancy rate below their long-term average may prompt active buyers to expand their directory of target investment destinations. This has the potential to support a wider dispersal of regional closings than in prior years.

Higher yields available in top-performing markets. The shrinking margin between commercial cap rates and borrowing costs will prompt yield-driven buyers to broaden their acquisition criteria this year. While a softened consumer outlook offers some near-term risk, solid fundamentals, a lack of supply pressure and average returns above many other property types may push more active investors into the retail sector. Entering this year, the gap between the average U.S. retail cap rate and the 10-year treasury was above 200 basis points. The average yield for a multi-tenant retail property is also in line with the office sector, a segment whose immediate outlook remains more clouded. Active investors seeking some of the nation’s highest returns could turn their attention to the Midwest. Kansas City, Indianapolis and Detroit highlight the region, with vacancy rates at least in 200 basis points below their respective long-term average. Buyers targeting metros with similar availability trends and stronger population growth projections could concentrate on Austin, Orlando, Las Vegas and Phoenix.

2023 Investment Outlook

- **Smaller markets stand out.** Vacancy across tertiary markets reached an all-time low during the second half of last year, with the pace of rent growth elevated compared to primary and secondary metros. This performance has the potential to attract active investors to San Antonio, Salt Lake City and Raleigh – tertiary locales where 6 percent-plus cap rates and regionally discounted pricing exist.
- **Urban retail an appealing option in expanding downtowns.** Competition for well-performing suburban shopping centers and single-tenant properties with high-credit tenants should remain healthy this year, potentially motivating some investors to look elsewhere for listings. Urban cores that recorded notable improvements in apartment leasing last year may catch these buyers’ attention. Downtown Nashville and the Seattle CBD top this list. In both locales, heightened apartment development downtown has attracted more residents to the urban core, lifting demand for nearby retail.
- **Later-recovery metros provide opportunities.** Bay Area markets, along with Los Angeles and Washington, D.C., each entered 2023 with vacancy rates above their long-term averages. While operations here are taking longer to recover, more entrepreneurial buyers may find less competition for assets positioned for redevelopment or re-tenanting.



* Through 3Q; trailing 12-months through 3Q for sales trends
 ** Estimate

Consumers Prioritize Essential Purchases, Preserving Historically Strong Single-Tenant Fundamentals

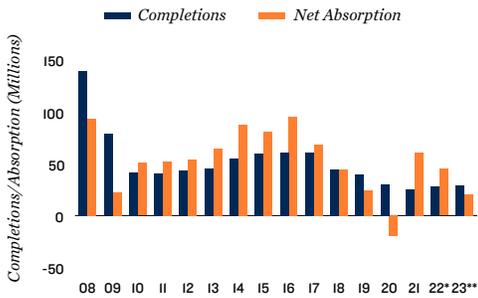
Span of noteworthy absorption poised to extend. Household demand for necessity retail is expected to remain steadfast in the face of economic challenges this year, supporting a positive single-tenant outlook. Recent retail sales data suggests consumers may be reluctant to curb the amount of groceries, personal care and wellness items they purchase in 2023. This behavior has the potential to establish record monthly sales totals across these necessity-based categories throughout the year, which will have positive implications for a single-tenant sector already on solid footing. Entering 2023, availability in the segment was historically tight, following an eight-quarter stretch in which tenants absorbed more than 100 million square feet. Recent leasing activity was notable across different parts of the country, as well as metros large and small, signaling that widespread demand exists among grocers, drug stores and low-cost restaurant chains. This appears to warrant an uptick in construction activity; however, the approximately 8.8 million square feet of single-tenant space underway at the onset of this year equated to just 0.1 percent of existing stock. Restrained development indicates single-tenant availability may hold firm or compress over the near term if additional vendors grow their businesses and backfill available space.

Net-lease assets may gain prominence among active investors. Expectations for strong single-tenant property performance and record asking rents should fortify confidence among investors this year, with recent core spending metrics further bolstering the appeal and perceived stability of net-lease retail ownership. Buyers seeking long-term cash flow and less management-intensive properties may capitalize on high pricing in other sectors and move equity into single-tenant assets with high-credit tenants. Concurrently, owners may extract value via a property sale, as over the past five years the nation's average single-tenant sales price rose approximately 16 percent. Listings occupied by high-credit tenants, and buildings with long-term leases in place, should receive attention from larger investors looking to minimize risk and obtain financing amid a period of more stringent underwriting. This action may push more private buyers into the sub-\$3 million tranche, with some potentially considering transitional assets and properties occupied by non-credit tenants that were able to withstand the pandemic.

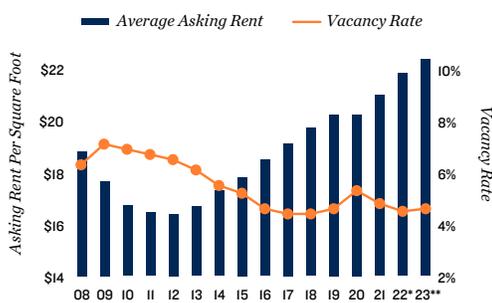
Active Investors Slated to Cast Wider Nets, Alter Criteria

Buyers scour metros of varying scope. The epicenter of standout single-tenant rent growth and sub-4 percent vacancy, Florida and its collection of six, growing major markets should continue to rank among the more active locales for single-tenant investment over the near term. Robust population growth and recent vacancy compression in major Mountain markets like Phoenix should also translate to investor competition for available listings this year. Still, narrowing margins and record single-tenant pricing in these locales may influence investors active in the marketplace to consider assets in smaller markets, where tight conditions and above-average rent growth are also prevalent. Columbus and Raleigh could top investors' lists of tertiary cities, as each locale is home to extremely tight single-tenant vacancy, a growing tech base and major universities that serve as the foundation for long-term retail demand.

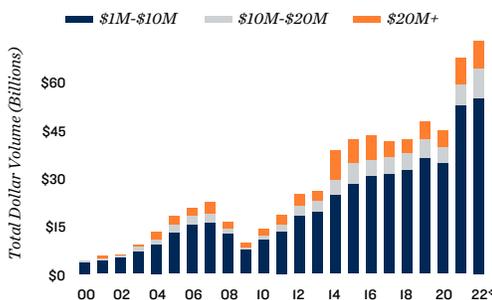
Single-Tenant Supply and Demand



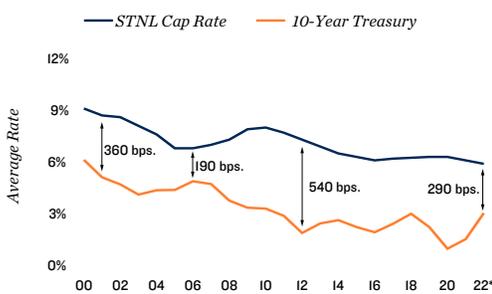
Single-Tenant Vacancy & Rent Trends



Single-Tenant Retail Sales Volume



Single-Tenant Cap Rate Trends



* Estimate

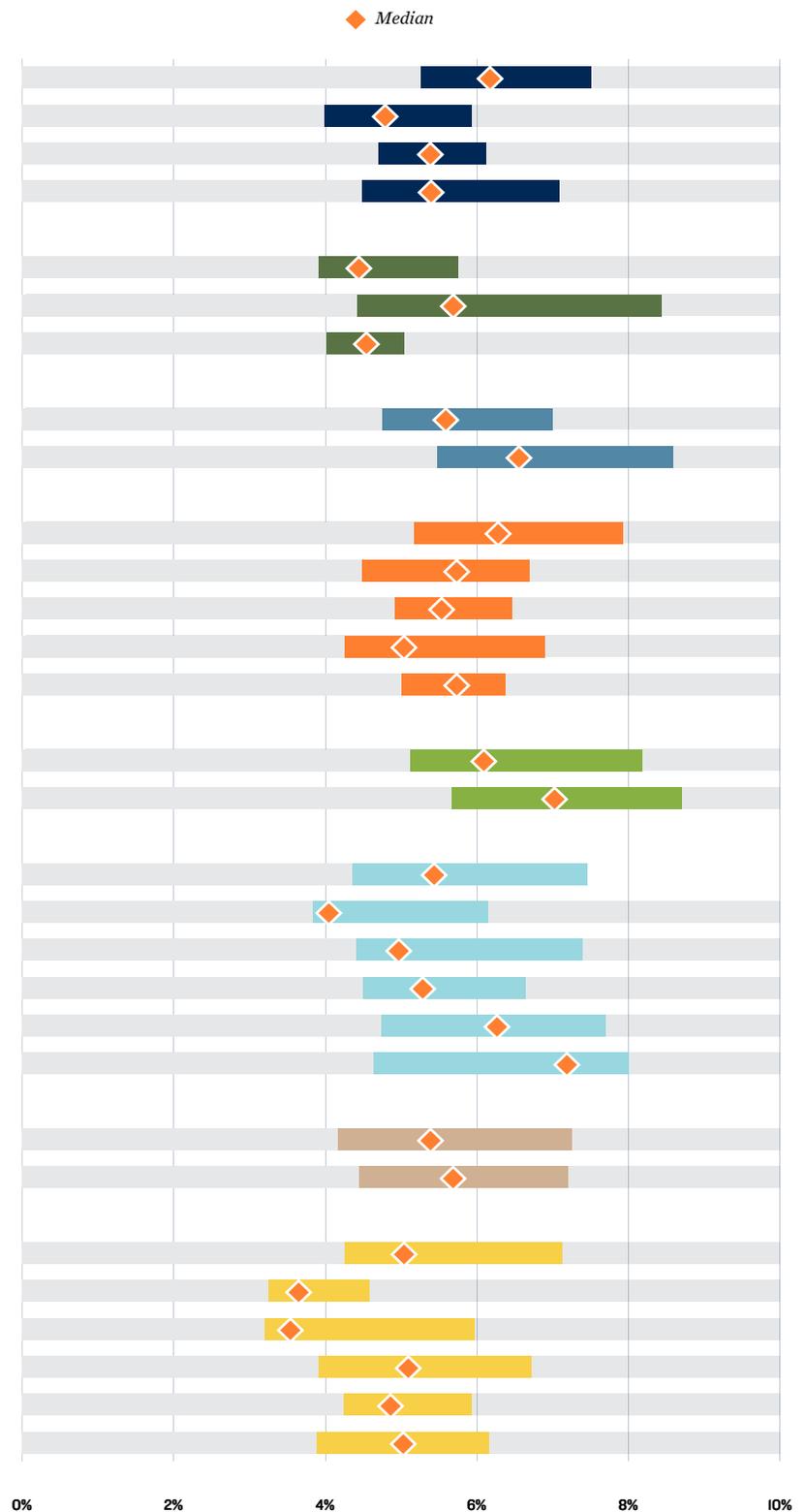
** Forecast

* Trailing 12-months through 3Q

Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Federal Reserve; Real Capital Analytics; Moody's Analytics

Brand	Locations*
Auto Parts	
Advance Auto Parts	6,395
AutoZone	6,978
Caliber Collision	1,625
O'Reilly Auto Parts	5,938
Convenience Stores	
7-Eleven	9,884
Circle K	11,167
Wawa	975
Dollar Stores	
Dollar General	18,818
Dollar Tree/Family Dollar	16,293
Fast Casual Restaurants	
Applebee's	3,436
Bloomin' Brands	1,159
Chili's	1,645
Darden Restaurants	1,875
Red Lobster	667
Fitness Centers	
LA Fitness	709
Planet Fitness	2,353
Grocery & General Retail	
Kroger	2,720
Aldi	2,156
Safeway	2,272
Sherwin-Williams	4,891
Verizon Wireless	6,358
Walmart	10,586
Pharmacies	
CVS	9,712
Walgreens	8,901
Quick Service Restaurants	
Burger King	29,968
Chick-fil-A	2,704
McDonald's	39,980
Starbucks	35,711
Wendy's	7,080
Yum! Brands	53,994

Closed STNL Cap Rate Range by Brand



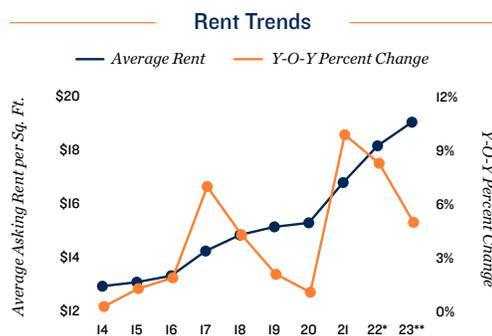
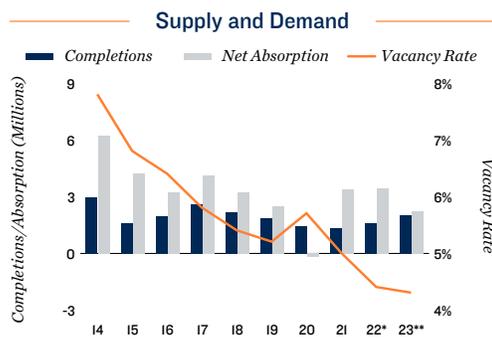
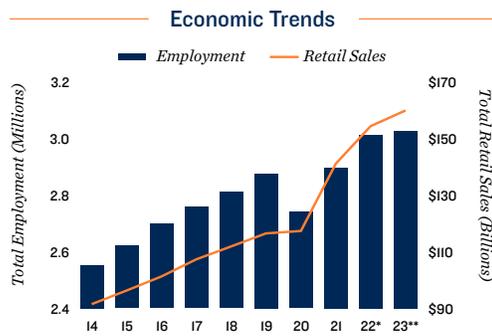
* Number of locations globally, cap rate range derived from U.S. transactions
 Cap rates shown above are representative of transactions that closed in the trailing 12 months ended 3Q 2022.
 Actual yields will vary by locations, tenant, lease terms and other considerations.
 Locations sourced from CreditNtell for public companies and company websites for private companies.

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

Multi-Decade Vacancy Low Expected in 2023; High Cap Rates Entice Investment Amid Financing Headwinds

Demand tailwinds support tight operations. Ongoing, albeit modest, labor market expansion across multiple employment segments will stimulate retail spending in Greater Atlanta this year. Cybersecurity hubs from Walmart and Nike opening in 2023, operating alongside current logistics initiatives, will support recruitment in the local tech sector, despite national uncertainty. Robust demand is reflected with net absorption as well, projected to total over 2 million square feet during 2023. Many of this year's largest moves are for more affluent neighborhoods along the northern perimeter and suburbs like Marietta, where consumer spending will be more resilient. Among these are a number of experiential and wellness offerings, such as Puttshack and Crunch Fitness, targeting a growing number of young professionals. While fundamentals remain solid, climbing consumer prices will nevertheless weigh on retail performance. Atlanta's rapid population gains as of late have kept the metro within the top five nationwide for overall pace of inflation, which will impact discretionary spending until this metric normalizes.

Above-average yields support investment amid financing difficulties. Solid demographics kept investors engaged throughout most of 2022 during a period of mounting capital costs, as transaction activity during the first three quarters of the year proceeded at a pace roughly equivalent to the same span in 2021. As elevated interest rates continue to impede the financing process, however, deal flow is expected to slow. On a brighter note, comparatively high local cap rates relative to other primary metros could help facilitate transactions in the face of these headwinds. Despite its prodigious growth in recent years, Atlanta still boasts a yield gap of roughly 60 basis points over the national average as of late 2022. This could continue to draw investment from non-local buyers, who represented an outsized portion of sales volume during the 12-month period preceding last December.



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

- NRI Rank** 4 Record-low availability and a robust employment market secure Atlanta a position near the top of this year's Index.
- Employment** up 0.5% Firms continue adding staff this year, though the 15,000 jobs created are roughly one-eighth the rate of last year's gains.
- Construction** 2,000,000 sq. ft. Developers breach the 2 million-square-foot threshold for the first annual period since 2018, expanding Greater Atlanta's retail stock by 0.6 percent.
- Vacancy** down 10 bps Despite recording a five-year high in completions, net absorption will still outpace development, pulling vacancy to 4.3 percent and marking the tightest conditions since at least 2007.
- Rent** up 4.9% After posting annual gains exceeding 8 percent in both 2021 and 2022, rent growth slows down to a more sustainable pace. The mean marketed rent closes out 2023 at \$18.98 per square foot.
- Investment** Out-of-state investors seeking to take advantage of the region's robust demographic gains may look to the northern suburbs, where many well-compensated workers have settled.

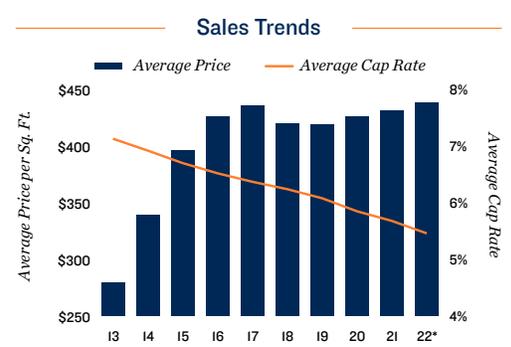
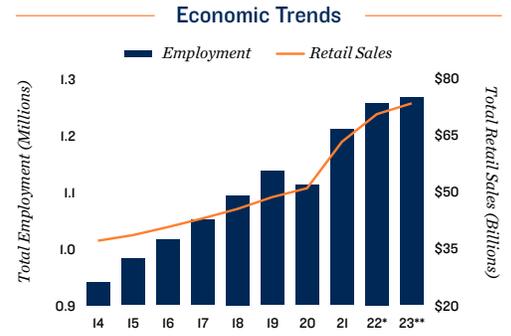
Austin Boasts Lowest Availability Among Major Texas Markets; Investors Look to Single-Tenant Properties

Net in-migration and rising job count augment demand for retail space. Vendors have continued to pursue space in Austin as the metro expands at an accelerated pace, fueled by recent company relocations. While recessionary fears have slowed the pace of hiring relative to last year, in 2023 Austin will still rank among the top six major U.S. markets for employment growth and volume of new residents. Net in-migration and a boosted local job count have lifted retail sales over the last two years, and by relation tenant demand for space. The 1.2 million-square-foot construction pipeline will place slight pressure on vacancy, but availability will remain below 4 percent for the second consecutive year. Over half of the pipeline was pre-leased as of December 2022, showing tenant willingness to pay a premium for new, well-located space. Large leases signed by retailers like Ashley Home-Store and Brookshire Brothers exhibit the effect of an expanding population on long-term demand for home decor and additional grocery store locations.

Comparatively low single-tenant entry costs draw in-state investors to Austin. Heightened competition for retail assets elevated the average price per square foot last year, leading to Austin ending 2022 with the highest price point in Texas for multi-tenant properties. Conversely, Dallas-Fort Worth and San Antonio remained above Austin's price point for single-tenant buildings, potentially attracting buyers from elsewhere in the state seeking lower entry costs for long-term, stable cash flow investments. As Austin's vacancy rate remains the lowest in Texas, investors will likely be drawn to areas of limited construction poised for further tightening, such as in the CBD. Assets in San Marcos will also likely gain attention as the area is advantageously located between San Antonio and Austin, serving as an increasingly popular commuter location and travel stop. Investors targeting newer-built space, in particular, may look to Hays County, which has seen a rise in construction as the area's consumer base grows.

2023 Market Forecast

- NRI Rank** 5 Strong employment growth, paired with a high rate of household formation, will keep Austin in the top five of the Index.
- Employment** ↑ Total employment expands by 10,000 positions in 2023, slowing up 0.8%.
- Construction** ↑ Completions will fall in-line with the trailing 10-year average in 2023. Total inventory will expand by 1.2 percent, with the bulk of projects slated for Georgetown and Hays County.
- Vacancy** ↑ The metro's substantial pipeline will have a minimal impact on vacancy as nearly 1 million square feet is absorbed on a net basis, leading availability to inch up to just 3.7 percent.
- Rent** ↑ Following last year's 7.3 percent gain, the average asking rent in Austin will continue to climb, albeit at a slower pace, to \$25.02 per square foot by year-end.
- Investment** ○ Auto parts locations along the Interstate 35 corridor draw further investor interest, as the route is utilized for travel between the increasingly intertwined San Antonio and Austin areas.



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Revitalization Efforts May Drive Increased Foot Traffic to Downtown Baltimore and the Inner Harbor

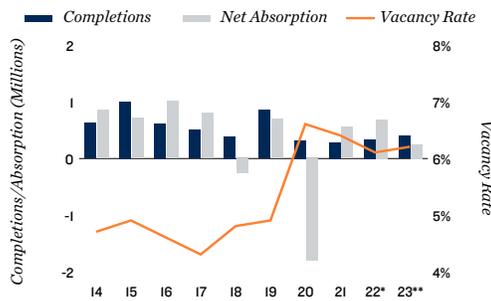
Sustained leasing provides optimism in the sector. Several retailers in the Baltimore metro delayed move-ins until health concerns subsided in late 2021. As pandemic restrictions were lifted, pent-up consumer demand elevated discretionary spending, restoring tenants' confidence to lease space. Entering this year, the metro recorded five consecutive quarters of positive net absorption for the first time since 2017. Leasing has been widespread, with tenants like AutoZone, Giant Food, Dick's Sporting Goods, and Gavigan's Furniture each recently committing to floor plans over 40,000 square feet. While national economic headwinds are expected to slow retailer leasing in the near term, limited development will help keep availability relatively steady through this year. Looking ahead, revitalization efforts along the waterfront have the potential to increase both local and transient foot traffic in the area, which would provide a boost to space demand for properties nearby. The Lexington market reopened late last year after undergoing renovations, while redevelopment plans are in the works for Harborplace in an attempt to create a landmark destination as the centerpiece of Baltimore's Inner Harbor.

Macroeconomic headwinds expected to complicate deal making in 2023. Despite a challenging lending environment, transaction velocity remained robust for retail assets in Baltimore in 2022. However, trading activity is likely to slow in the near term as rising interest rates widen the gap between buyer and seller expectations, extending the timeline for the overall transaction process. Single-tenant properties – such as auto parts shops, drug stores and restaurants – are coveted in Baltimore proper, with entry costs that average above \$500 per square foot. For multi-tenant properties, grocery-anchored community centers are frequently targeted, due to their strong performance throughout the pandemic and economic downturns. These types of assets often change hands in suburban areas, such as Ellicott City-Columbia and Harford County.

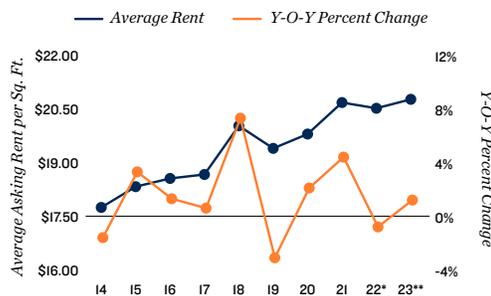
Economic Trends



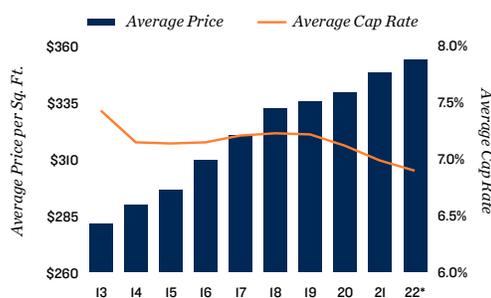
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

- NRI Rank 48** Baltimore falls near the bottom of this year's NRI, due to rising vacancy and a slow pace of household growth.
- Employment up 0.4%** Job growth slows in Baltimore relative to last year, as employers add roughly 5,000 new positions in 2023.
- Construction 400,000 sq. ft.** Although development activity rises this year, the pace of construction remains well below the metro's long-term average. Retail inventory is expected to increase by just 0.3 percent.
- Vacancy up 10 bps** Availability will inch-up slightly in 2023, as economic uncertainty slows job growth and moderates spending. Local vacancy will climb to 6.2 percent by year-end.
- Rent up 1.2%** After retreating 0.8 percent last year, rent growth returns to positive territory in 2023. The average asking rate is projected to reach \$20.75 per square foot.
- Investment** Regionally discounted pricing and average first-year returns well above the national benchmark could drive more out-of-state buyers to the Baltimore metro over the next year.

Record-Low Deliveries Expected in 2023; Active Investors Chase Opportunities North of City

Sparse development benefits market in time of uncertainty. Home to a high median household income, Boston will be somewhat insulated from economic headwinds this year. Nevertheless, elevated pricing will lead inflation-weary consumers to pare back their discretionary spending, impacting sales at local retailers. On the supply side, however, property fundamentals will be aided by a narrow pipeline, as Boston developers have become more deliberate with supply additions. For a second year, less than 1 million square feet will be finalized across the metro. This comes after builders completed an average of 1.3 million square feet annually during the prior five years. Fundamentals in Boston proper and close-in northern suburbs will be bolstered by this dearth of speculative supply. Availability in these locales was 2.1 percent and 1.7 percent as of late 2022, trailing the market average by at least 100 basis points. Developers may, however, increasingly target these zones moving forward, in response to these tight conditions.

Limited availability and narrow pipeline increase appeal of close-in suburban assets. Sales of single-tenant properties proceeded at a commendable rate in 2022, despite financing headwinds, equaling the prior annual record in the first nine months of the year. Mounting capital costs may temper transaction velocity moving forward; however, recent single-tenant deal flow indicates sizable investor demand should exist for these listings in 2023. Close-in sections of Middlesex and Essex counties should garner investment due to the aforementioned tight operations in these zones. Metrowide, shopping centers should also retain some distinct buyer appeal, particularly those anchored by necessity-based tenants, such as grocers and drug stores. Centers with nationally-branded discount retailers and low-cost dining options could also become more attractive in affluent environs, as an increasing number of upper-middle-income households tighten their spending.

2023 Market Forecast

NRI Rank 40 The combination of job losses and a slight rent dip contribute to Boston's low ranking among major markets in 2023.

Employment down 0.4% Boston's job base contracts after solid gains last year, with 10,000 positions lost representing an eighth of 2022's growth.

Construction 650,000 sq. ft. Annual supply additions fall to a multi-decade low in terms of square footage and inventory growth, with nearly a third of this year's space coming online in Southern New Hampshire.

Vacancy up 30 bps Amid tepid stock expansion, some retailers will recalibrate physical space needs in response to shifts in local consumer demand, lifting availability up to 3.6 percent.

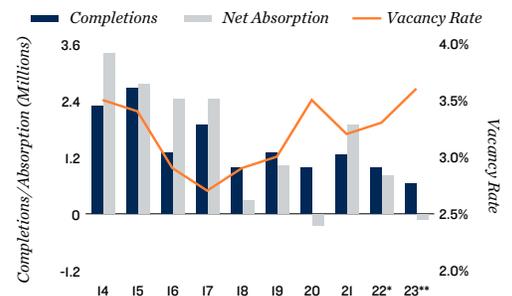
Rent down 0.3% The pace of marketed rent growth backtracks slightly, after last year's 8.5 percent boost. Nevertheless, the mean asking rent of \$22.86 per square foot is the second highest in metro history.

Investment Notable in-migration to Southern New Hampshire in recent years should attract active investors to retail listings in the local cores of Portsmouth and Manchester.

Economic Trends



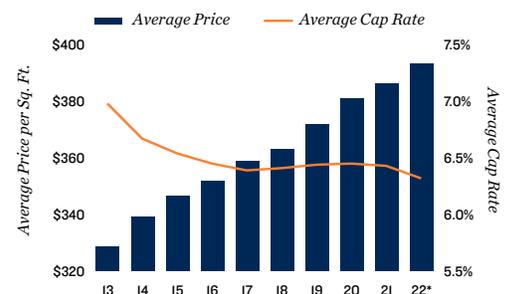
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Market's Absorption Stands Out Nationally; Buyers Drawn to Demographic Hotspots

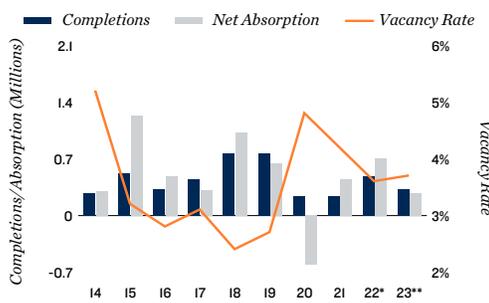
Residential surge entices retailers, especially in outlying counties. Vendors' bullishness on Charleston is evidenced by its net absorption-to-inventory ratio, which was the third strongest among NRI-ranked markets during 2022. Retailer demand is being catalyzed by ongoing population growth, which in turn is stoking tailwinds for local consumption of goods and services. The metro has averaged nearly 10,000 new residents per year through the past decade, encouraging suburban sprawl. Single-family permits rose to a 17-year high in September 2022, marking a 33 percent increase over the same frame in 2021. As transplants move into homes, they are often in need of necessities and furnishings. Thus, areas hosting the construction of large subdivisions — primarily Outlying Berkeley County and Dorchester County — are seeing the strongest competition from vendors, with both areas recording sub-2 percent vacancy amid elevated construction at the tail-end of 2022. The metro is not without challenges, however, as 50 percent of the space slated for completion this year is currently unaccounted for. Many of these projects are likely to remain vacant in the near term as the local job market undergoes some flux.

Investors seek opportunities in areas with minimal vacancy. The Outlying Berkeley County area enters 2023 with one of the lowest single-tenant vacancy rates among U.S. submarkets. This is bolstering sizable asking rent growth in the locale, which buyers should favor amid metrowide rent deceleration. Dorchester County is exhibiting a similar single-tenant rent advance, in turn motivating trades for local assets, despite slowing demographics. These areas have benefited from notable residential growth in recent years, supporting local consumption, and stimulating leasing from vendors. Meanwhile, listings in the core stand to gain interest from demand improvements to the hospitality and office sectors, which buyers anticipate will increase midweek foot traffic volumes.

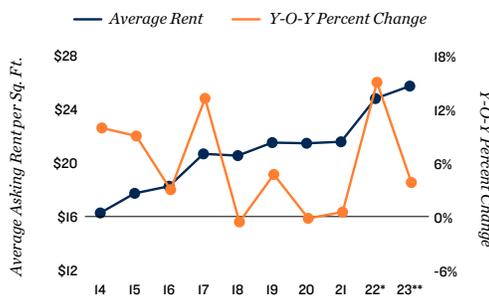
Economic Trends



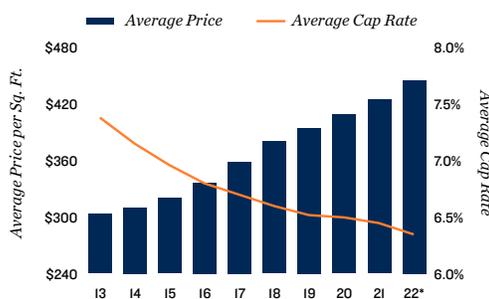
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

- NRI Rank** || Charleston nears the top 10 in its NRI debut, with a robust spending outlook bolstered by continued employment gains.
- Employment** up 1.2% While hiring slows to only 5,000 positions, Charleston's rate of job creation will rank as the fastest among major U.S. markets.
- Construction** 325,000 sq. ft. Retail inventory is projected to expand by 0.8 percent this year, falling just short of the long-term construction pace. Most of the ongoing pipeline is concentrated in Dorchester County.
- Vacancy** up 10 bps Deliveries outpace net absorption for the first 12-month span since 2020, nudging vacancy up to 3.7 percent. Nonetheless, the rate remains 110 basis points lower than the 15-year mean.
- Rent** up 3.8% An uptick in vacancy pulls rent growth down from its 15 percent high recorded during 2022. The mean marketed rent will still notch an increase, reaching \$25.68 per square foot.
- Investment** Downtown Charleston's hotel bookings during 2022 surpassed 2019's volume, a trend that may lead more active investors to target the core's restaurants, bars and experiential retail.

Metro Remains Well-Positioned, Despite Ongoing Debt Market Challenges and Investor Uncertainty

Positive long-term trajectory hits speed bump this year. Charlotte has proven to be one of the more resilient retail markets in the nation, as illustrated by overall vacancy remaining at least 60 basis points below the long-term mean throughout the pandemic. Development is at a multi-decade low and will hardly improve in 2023, with the majority of space scheduled to come online already accounted for entering the year. Although this will help deter substantial upward movement in vacancy, economic uncertainty is putting a pause on many retailers’ plans for expansions, resulting in feeble net absorption projected for the coming quarters. Some retail segments are nevertheless reporting positive leasing velocity. Households are continuing to form, supporting consumer demand for home goods and department stores. Additionally, Charlotte has recently hosted larger leases from furniture store chains, like American Freight and Conn’s HomePlus, as well as signings by other department stores expanding their footprints. Recent move-ins by gyms also suggest confidence in the metro’s long-term residential growth.

Buyers remain tentative amid uncertainty. Charlotte’s investment landscape is cooling from its fervent pace observed in late 2021. Ongoing challenges in the lending market are urging investors to re-assess potential acquisitions, fostering greater buyer-seller disconnect, extending timelines and suppressing sales price growth. For those still active, however, net-leased properties and neighborhood centers with high-credit tenants will be viewed favorably as investors look to minimize exposure risk. The Inner Southeast submarket is well-positioned to satiate this demand, with prices well-above the metro average reflective of competition for listings there. Properties located in areas with pronounced residential growth, such as Iredell and Gaston counties, should steadily draw interest as well, as consumption is likely to rise in tandem. In either area, discounted pricing should facilitate private, middle-market investment.

2023 Market Forecast

NRI Rank 10 Charlotte’s substantial job market expansion post-2019 supports a top-tier retail sales outlook and NRI ranking this year.

Employment up 0.8% Recruitment carries on in Charlotte as the total job tally grows by a net 10,000 positions for the year.

Construction 375,000 sq. ft. Metro inventory is slated to expand by a mere 0.3 percent throughout 2023, a pace that falls well-below the long-term average construction rate.

Vacancy up 20 bps On a net basis, 700,000 less square feet is absorbed relative to last year. This lifts vacancy to 4.5 percent, marking the first year-over-year decompression since June 2021.

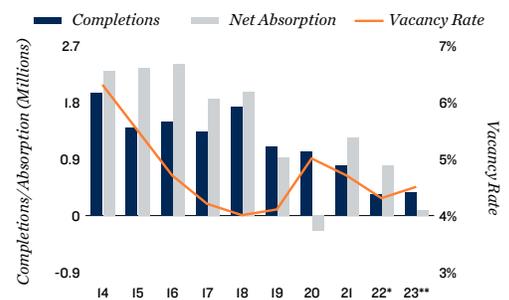
Rent up 2.6% Despite being much slower than last year’s 6.8 percent advance, in 2023, rent growth will surpass the historic pace by 90 basis points. The mean asking rate will rise to \$19.44 per square foot.

Investment Johnston County’s robust population gains — growing 4.9 percent between just April 2020 and July 2021 — should serve as a long-term demand driver and generate interest in local assets.

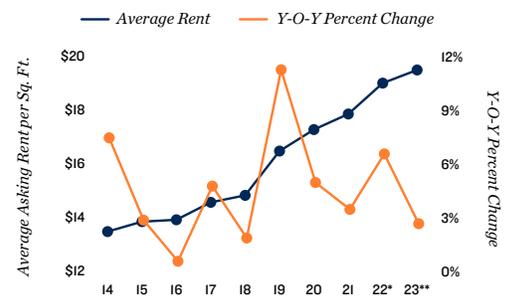
Economic Trends



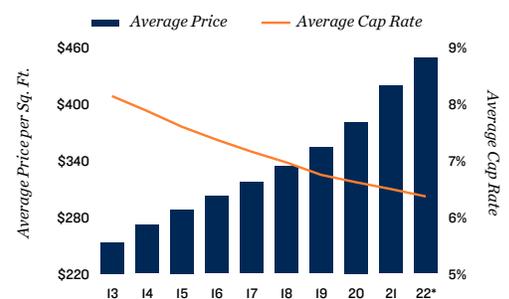
Supply and Demand



Rent Trends



Sales Trends



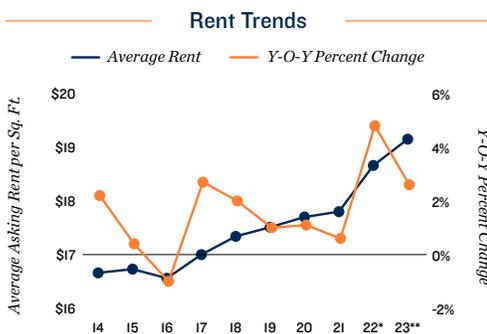
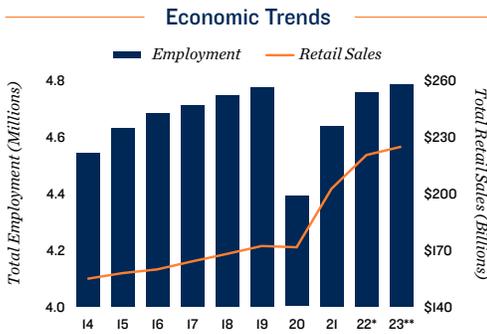
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Favorable Long-Term Demographic Trends Draw Tenants and Investors North and West of Urban Chicago

Retailers outside of city limits benefit from growing populations. Long before pandemic-motivated trends shifted some households out of city centers, Chicago's northern and western suburbs were focal points for residential growth. As these neighborhoods continue to expand, so does the demand for retail services. More affluent households are residing here, as the metro's labor force transitions toward high-skill sectors, including health and professional services. The combined benefit to retail operations is illustrated in areas like Schaumburg and Oak Brook, where vacancy rates entering 2023 are lower than their year-end 2019 levels. Nevertheless, strength here will not be enough to withstand stubbornly elevated availability in The Loop and the Magnificent Mile. Declining consumer demand from elevated inflation and a softening labor market are diminishing tenant demand, calling for negative net absorption. The metro, however, records its smallest delivery count since 2007, helping blunt a portion of the impact.

Urban investment environment challenged amid local and national hurdles. Deal flow in the Chicago metro hit a record mark before entering 2023. The market's mean sale price nevertheless remains the second lowest among gateway metros, bolstering the highest average cap rate among these same markets. This is appealing to non-local investors, who accounted for over one-quarter of 2022 trades, particularly when borrowing costs are climbing. As a popular area to deploy capital in the sub-\$5 million range last year, the Northwest City submarket – spanning Wicker Park to Jefferson Park along the Kennedy Expressway— may continue to see activity this year. Transactions within Chicago city limits, however, may slow. Economic concerns, tighter lending and conversations of a significant transfer tax hike are impacting investor sentiment. This could have a notable effect on transaction flow in the near term, at least until interest rates stabilize.



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

NRI Rank 37 Chicago remains in the bottom quarter of the NRI, given notably slowed retail sales growth and receding tenant demand.

Employment up 0.5% The metro welcomes 26,000 new roles this year, as employment climbs above the year-end 2019 count.

Construction 950,000 sq. ft. Supply additions mark their lowest point on record, expanding inventory by 0.2 percent for the year. A notable portion of completions will arrive near the Oak Brook neighborhood.

Vacancy up 20 bps Following two consecutive years of tightening availability, easing multi-tenant leasing contributes to vacancy expanding in 2023. This brings the overall rate to 6.4 percent.

Rent up 2.6% Tame tenant demand, despite a minimal construction pipeline, slows the pace of rent growth this year, bringing the metro's average marketed rate to \$19.14 per square foot.

Investment Investors targeting assets in the Far Northwest submarket, near Crystal Lake and Elgin, can find higher than market average first-year returns amid strong fundamentals here.

Statewide Revitalization Program Poised to Benefit Cincinnati, Despite High Near-Term Vacancy

Bright spots emerge amid rising multi-tenant availability. While overall metro vacancy crept up throughout 2022, several submarkets noted positive trends that will likely carry into this year. The most prominently featured were the city of Cincinnati and Northern Kentucky locales. Among metro areas with more than 5 million square feet of inventory, the CBD logged the lowest vacancy in the second half of the year, hovering around 2 percent. Single-tenant properties supported the area’s tight conditions. High leasing activity by tenants looking for urban spaces will likely keep the rate compressed here throughout 2023, helping offset the impact of underperforming multi-tenant buildings. In particular, Western Cincinnati — which is the largest submarket by inventory — has grappled with lofty multi-tenant vacancy, as over 40 percent of this retail segment here was unoccupied in late 2022. The area is, however, positioned to eliminate nearly 2 million square feet of obsolete space as the former Forest Fair Mall in Fairfield is set to be demolished through the Ohio Building Demolition and Site Revitalization Program.

Redevelopment opportunities highlight suburbs. Cincinnati multi-tenant properties noted the lowest mean sale price per square foot in the Midwest at the end of last year. As the metro sees large portions of unoccupied stock removed from the market, such as the impending demolitions of the Tri-County Mall and the former Forest Fair Mall, investors may pursue additional redevelopment opportunities, with largely vacant properties at regionally low entry costs. Conversely, buyers looking to capitalize on lower vacancy rates and rising rents among single-tenant assets may be drawn downtown as professional sport teams, the summer riverfront concert series and annual festivals, such as BLINK Cincinnati, continue to generate foot traffic and encourage leasing activity in the core. Deal flow may also be redirected across the river, as investors look near Newport and CVG International Airport for higher yields and proximity to the CBD.

2023 Market Forecast

NRI Rank 50 Nationally high vacancy, sluggish retail sales and a shrinking job count push Cincinnati to the final place on the Index.

Employment Total employment in the metro will remain below the pre-pandemic level as 2023 notes a 3,000 position contraction.

Construction Cincinnati has the smallest regional construction pipeline, with inventory growing by just 0.2 percent this year. Butler County and downtown are expecting the largest volume of projects.

Vacancy Availability continues upward, despite limited arrivals, reaching a decade-high 7.9 percent. The metro retains a substantial vacancy gap between the single- and multi-tenant measures.

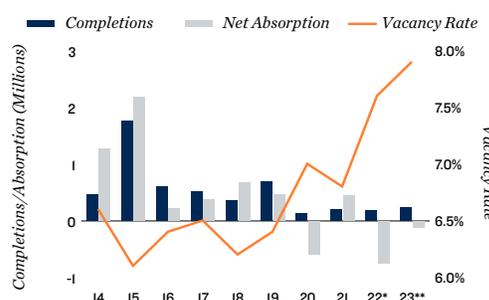
Rent The average asking rent will fall for the second consecutive year, landing at \$12.60 per square foot. This follows an 11.3 percent increase in 2021.

Investment Investors looking to acquire multi-tenant assets in affluent areas may target lifestyle centers in the Northern Cincinnati Area, specifically around Kenwood and Mason-Montgomery.

Economic Trends



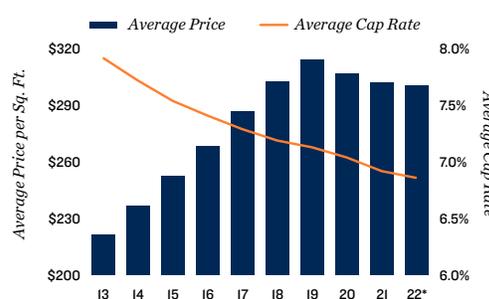
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

High Pre-Leasing Lessens Pressure on Vacancy; Metro Tourism Tailwinds Lift Long-Term Retail Outlook

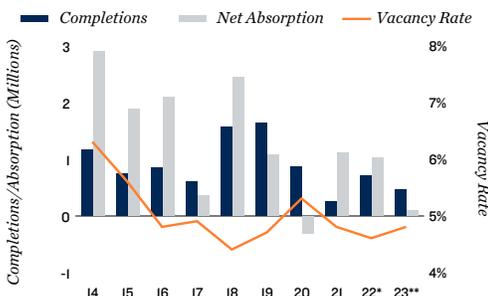
Leasing concentrates around experiential offerings and in the CBD. Overall metro vacancy will inch up in 2023, following two years of declines as a contracting labor market weighs on retail sales. Leasing downtown and in outer submarkets, however, is expected to benefit from a rise in domestic tourism in 2023. An advancing development proposal on the Lake Erie lakefront is situated to aid the area’s travel appeal if it comes to fruition. The impending completion of the new Sherwin-Williams headquarters scheduled for 2024, may also boost foot traffic in the urban core if it proves a signal for wider return-to-office policies. Cleveland has also seen an uptick in experiential businesses targeting the outer suburbs, following a lull during the pandemic. Last year, Urban Air Adventure Park signed a 65,120-square-foot lease in Stark County. Hall of Fame Village – which will be a 147,000-square-foot football-themed water park – is currently underway and expected to open in the submarket this year. These projects will encourage retailers to establish early footprints in some outer areas to benefit from rising local traffic, while the lakefront proposal could usher in the same for the urban core.

Limited construction and new tourism drivers appeal to investors. Cleveland offers opportunities for out-of-state buyers seeking a metro with a more passive development slate than their current markets. Over 430,000 square feet of space is underway and scheduled for 2023, but a 200,000-square-foot Costco in Stark County accounts for almost half of the active pipeline. Limited construction will prevent a surge in vacancy as retailers adjust physical space needs to softening macroeconomic conditions. Some additional retail foot traffic could come from international visitors. The Cleveland Hopkins International Airport will begin receiving direct flights from Dublin, Ireland later this year – the airport’s only European route. Investors may seek out space near the airport in preparation for an expected increase in airport traffic and international travelers.

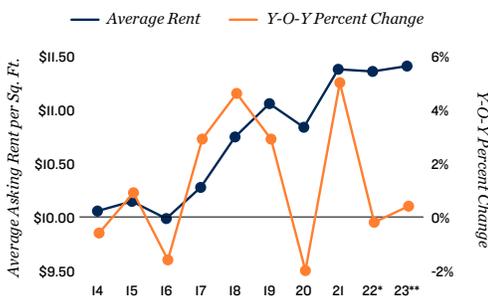
Economic Trends



Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

- NRI Rank** **49** A contraction in total employment, paired with slow retail sales, push the metro to the second-lowest place on the Index.
- Employment** **down 0.3%** Following last year’s gain of 24,500 positions, Cleveland’s total employment base will shrink by 3,500 jobs in 2023.
- Construction** **460,000 sq. ft.** Deliveries slated to come online this year will fall nearly 250,000 square feet short of 2022’s total. Inventory is expected to expand by just 0.3 percent this year.
- Vacancy** **up 20 bps** Net absorption will remain positive through year-end; however, availability is expected to inch up to 4.8 percent as supply outpaces demand.
- Rent** **up 0.4%** The mean asking rent in Cleveland will climb to \$11.40 per square foot as vacancy remains 140 basis points below the metro’s long-term average, facilitating rent growth.
- Investment** Cleveland noted the second-highest mean sale price per square foot among Midwest markets last year, driven by sustained buyer demand for single-tenant properties.

Retailers Anticipate Consumer Base Growth as Columbus Becomes a Regional Tech and Manufacturing Hub

Company relocations boost net in-migration and retail demand. While Ohio’s overall population has declined across the last two decades, Central Ohio has seen notable growth. This trend continues in 2023, as Columbus is expected to gain over 14,500 residents through net in-migration alone, a reflection of growing tech and manufacturing sectors. Corporate entrances like Intel, with two chip factories in New Albany, and Hyperion’s new global headquarters in Franklin County will add construction jobs in the near term and skilled positions further in the future. This could boost incomes and spawn recruitment efforts from outside of the metro. Anticipating a rise in consumer demand, retailers should compete for available space this year, supporting a rate of absorption that exceeds last year’s tally. Meanwhile, this year’s completion total is well-below the long-term average, with most of the space already accounted for. This may encourage project proposals, specifically in areas receiving major corporate investments, such as Licking County. The Ohio Building Demolition and Site Revitalization Program is also being applied to two buildings in Delaware County, removing this space from the retail stock.

Investor confidence enhanced by economic advancement and tight conditions. Major corporate expansions in Columbus have the potential to draw out-of-state investors to the market, specifically those seeking assets in top-performing tertiary locales. Regionally, Columbus has a lower sale price per square foot than most other major Midwest markets and some of the tightest vacancy, positioning the metro to stand out. Outlying submarkets – particularly Licking County, home to Intel’s new semiconductor factories – may garner interest from a larger pool of active investors as vacancy there dropped to a 16-year-low in September. Meanwhile, a potentially stronger leasing environment may emerge in downtown, coinciding with companies’ new in-office work requirements. The resulting rise in midweek foot traffic may stir interest for mixed-use, urban listings.

2023 Market Forecast

NRI Rank 39 Columbus claims the highest ranking among the three major Ohio markets, aided by its higher employment growth.

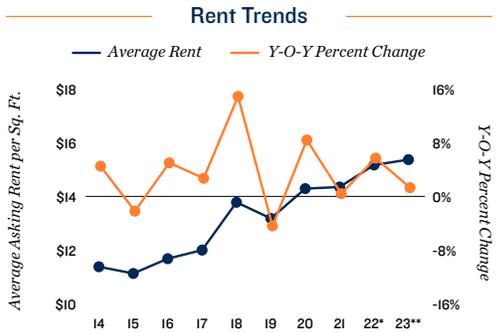
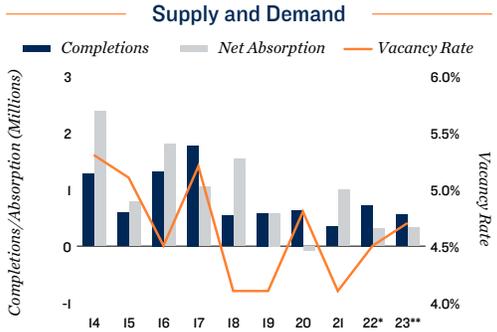
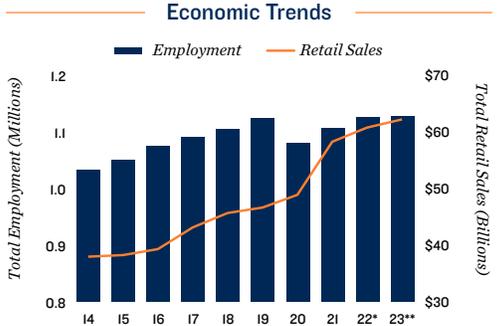
Employment ↑ After total employment surpassed the pre-pandemic peak last year, an additional 2,000 positions will be added in 2023.
up 0.2%

Construction ↓ Completions will expand metro inventory by 0.6 percent, just below the long-term average. Columbus North and West will receive the largest volume of new space.
560,000 sq. ft.

Vacancy ↑ Metro availability rises to 4.7 percent, the lowest rate among the three major Ohio markets. Net absorption is expected to remain positive; however, demand will trail completions.
up 20 bps

Rent ↑ Building off the 5.7 percent gain noted in 2022, the average asking rent will increase to \$15.35 per square foot. This will mark the fourth consecutive year of positive rent growth.
up 1.3%

Investment ● Columbus entered this year with one of the nation’s lowest single-tenant vacancy rates. This standing should attract investors to net-leased listings in downtown-adjacent locales.



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Suburban Expansion Continues to Draw Tenants; Investment Stagers in Light of Financing Complexities

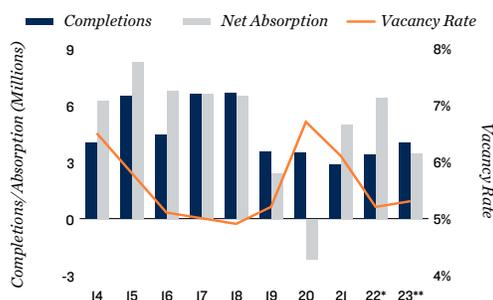
Northern residential areas well-positioned to overcome hurdles. Dallas-Fort Worth is projected to add 78,000 new residents this year through in-migration alone, a half-decade high that beats out the next-best market, Phoenix, by 14,000 people. Meanwhile, firms continue to fortify payrolls – albeit, at a slower clip than prior years – enabling the nation’s second-strongest pace of median income growth during 2023. Rising wages and an expanding population suggest that consumption drivers will remain steady, anchoring retailers’ operations. Still, a transitional period may be underway. Elevated construction this year will outstrip a moderate net absorption volume, facilitating rising vacancy and decelerating rent growth. Fundamental softening should be concentrated in urban areas, as lower midweek foot traffic negatively impacts local retailer sentiment. However, the suburbs – particularly those in northern portions of Greater Dallas – are well-positioned to sustain performance improvements, as lower housing costs and density continue to draw residential gains and stoke consumption. North Central Dallas, which includes suburbs like Addison and Frisco, welcomes move-ins from Crunch Fitness and sports retailer 2nd Swing Golf this year, confirming the ongoing growth trend.

Buyers assess resiliency amid rising overall availability. Trades gradually slowed through 2022 amid higher financing costs, culminating in a more tepid investment landscape entering the year. However, still-active investors will closely track variations in property performance between submarkets, frequenting those that appear to be best-absorbing new supply amid a metrowide vacancy rise. Far North Dallas should be one such area, exhibiting declining availability, despite having the fastest stock expansion among comparably-sized U.S. submarkets during 2022. Additionally, the submarket hosted about one-fourth of Metroplex multi-tenant trades last year, a trend likely to hold in 2023 as multi-tenant vacancy here has been falling at the fastest rate in the market.

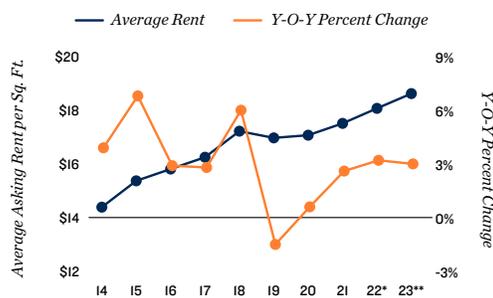
Economic Trends



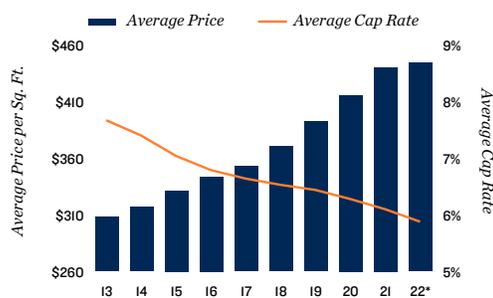
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

NRI Rank 18 Dallas-Fort Worth’s high rank is bolstered by its sustained hiring, which is supporting household formation in the metro.

Employment up 0.7% Although job creation falls to 0.7 percent, the metro adds the most new hires among major markets west of the Mississippi.

Construction 4,000,000 sq. ft. Deliveries rise to their highest annual volume in five years, as retail inventory grows by 1.1 percent. Nonetheless, stock expansion will remain 0.2 percent slower than the long-term pace.

Vacancy up 10 bps Net absorption weakens to about one-half of its 2022 volume, pushing up vacancy to 5.3 percent. This marks the first year-over-year vacancy increase since June 2021.

Rent up 3.0% Rent growth decelerates with a sizable batch of new supply easing competition for existing available stock. The year-end average asking rate will lift up to \$18.60 per square foot.

Investment Single-tenant vacancy is the tightest in West Dallas, compressing nearly 200 basis points during 2022. Single-tenant buyers could frequent this area amid competition in other suburbs.

Retailers Look to Downtown’s Surrounding Suburbs; Decreased Investor Competition Offers Opportunity

CBD-adjacent locales backstop fundamentals amid easing retail recovery. Strong leasing activity continued last year, helping push vacancy to its lowest point since the onset of the pandemic. This metrowide rebound was most prevalent in the Aurora, Northwest and Southeast submarkets, where vacancy compressed by at least 100 basis points in 2022. Growing residential neighborhoods here should continue to attract retailers, partially offsetting the impact of metrowide headwinds. A contracting labor market amid elevated inflation will weigh on households’ incomes and discretionary spending this year, leading to a short-term delay in Denver’s retail sector recovery. Fortunately, new supply will be minimal in 2023. Looking further down the line, however, several sizable developments are in the proposed pipeline, including the \$1 billion Cherry Creek West project. Here, recently notable rent gains, a lack of construction and relatively stable vacancy indicate this new space should be well received in the submarket moving forward.

Investors target well-performing submarkets with room for growth. Transaction velocity reached a record mark in 2022 as investor competition drove Denver’s average cap rate below the 6 percent mark, while the average entry cost surpassed \$400 per square foot. Sales momentum slowed at the tail-end of the year, however, as near-term economic challenges became more apparent. Tempered deal flow is expected during 2023, as increased lending rates and a softer consumer spending environment push buyers to the sidelines. This pullback, especially among institutions, may create more opportunities for local buyers. Active investors seeking mid-tier neighborhood and strip centers across Adams and Jefferson counties may identify the Northeast and Northwest submarkets. Multi-tenant availability was at an all-time low in the Northwest, while the Northeast claimed the lowest single-tenant vacancy rate among metro submarkets in the second half of 2022. Nevertheless, cap rates here are typically below the market mean.

2023 Market Forecast

NRI Rank 27 Negative absorption, resulting in modest revenue growth, contributes to Denver’s middle-tier ranking in this year’s NRI.

Employment  The metro loses a net 4,000 positions this year as employers continue to evaluate the economic environment ahead.
down 0.3%

Construction  A historically small active pipeline equates to annual inventory growth of just 0.2 percent. A mixed-use project in the Arts District highlights the minimal development this year.
225,000 sq. ft.

Vacancy  Vacancy lifts in 2023 after recent improvements, bringing the rate to 5.1 percent. Still, availability remains 70 basis points below its pandemic high.
up 30 bps

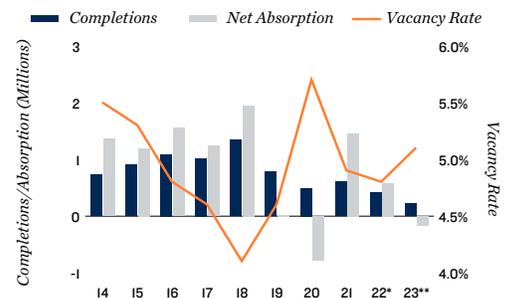
Rent  The moderate volume of additions this year outpaces demand, slowing the pace of rent growth. Still, a positive gain is noted, elevating the average asking rate to \$20.14 per square foot.
up 2.8%

Investment  Active investors in the CBD may seek single-tenant assets and smaller shopping centers proximate to Union Station, as a near-term increase in transit-related foot traffic is anticipated.

Economic Trends



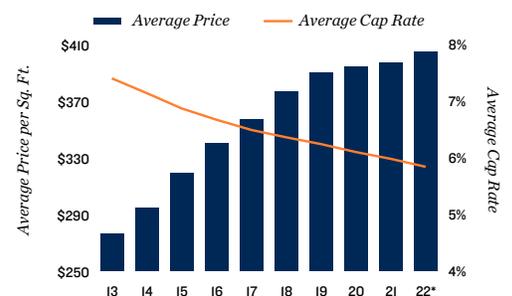
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Limited Construction, Revitalization Efforts Alleviate Impact of Potential Economic Downturn on Detroit Retail

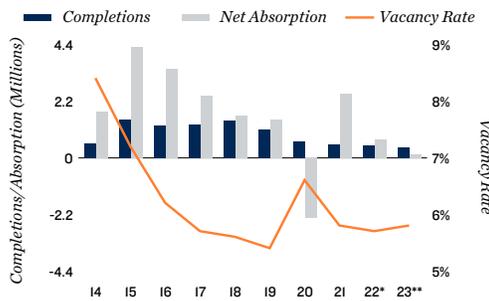
Minimal new supply and increased foot traffic a tailwind for retail properties. Over the last three years, Detroit has seen annual inventory additions at only around half of the long-term average. This limited construction enabled vacancy to approach record lows in 2022 and facilitated modest rent growth. Completions in 2023 are expected to remain low. Supply chain constraints and developer concerns surrounding the cost of financing may stall future projects going forward as well. Meanwhile, redevelopment initiatives are becoming increasingly interesting to retailers, such as the underway 444 Peterboro mixed-use project in Detroit-The Pointes. This development was over 95 percent leased at the close of last year, nearly 12 months before its estimated delivery. Foot traffic is also improving downtown. Tourist visits to popular areas like the River Walk have returned to levels similar to 2019, while looking forward, companies like General Motors intend to bring the majority of workers back to the office at least on a hybrid schedule in 2023.

Return-to-office plans highlight retail space in the CBD. Increasingly prevalent in-person work schedules downtown are boosting weekday foot traffic, factoring into investors' decision-making. Buyers with a preference for assets in the core may target areas around Michigan Central Station. Ford and Google are bringing an Innovation District there, with the goal of growing startups. An imminent deal to bring a new auto parts manufacturer to the former American Motors Corp. headquarters in Detroit proper should also provide momentum that will support close-in suburban retail tenant demand, and by relation investor interest. Revitalizations like these should aid foot traffic and retail vacancy in the core, improving the long-term investment outlook. On the more immediate horizon, investors are contending with challenges presented by higher borrowing costs and a potential recession. These factors may encourage well-capitalized buyers from outside the market to look at Detroit listings, due to comparatively higher cap rates.

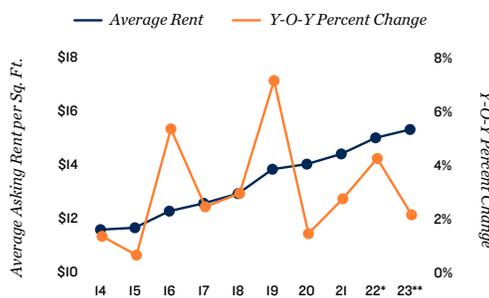
Economic Trends



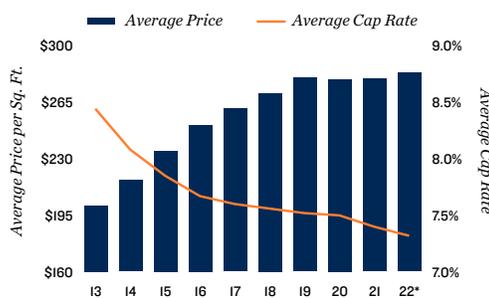
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

- NRI Rank** 44 Limited completions aid the metro's rank; however, sluggish retail sales keep Detroit near the bottom of the Index.
- Employment** ↘ Following the addition of 37,000 jobs in 2022, total employment down 0.2%. Employment will contract by around 5,000 positions this year.
- Construction** ↘ Inventory will grow by only 0.2 percent in 2023, with Southfield expecting the largest single project. Annual deliveries will be the lowest on record since at least 2007. 420,000 sq. ft.
- Vacancy** ↔ Low construction and sustained leasing activity will lead to little change in the metro's vacancy rate. Market retail availability will just inch up slightly to 5.8 percent. up 10 bps
- Rent** ↗ The average asking rent will rise to \$15.26 per square foot as demand for retail space persists. This increase is a more modest gain than last year's 4.2 percent rise. up 2.1%
- Investment** ○ Detroit noted the highest cap rate among major Midwest markets in 2022, appealing to out-of-state buyers with lower first-year returns in their home markets going into 2023.

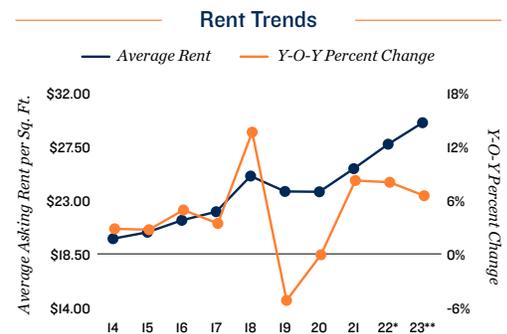
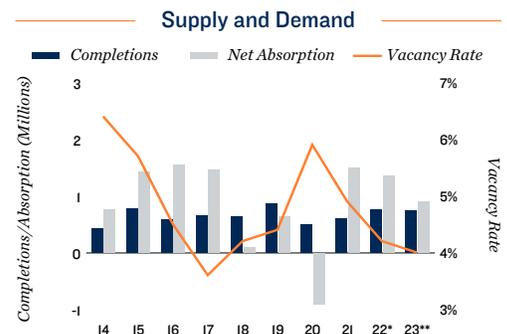
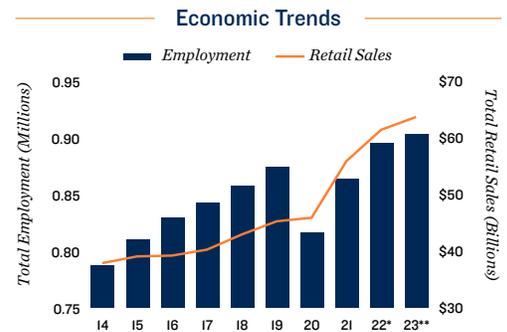
Recovery in the Cruise Industry Provides Another Tailwind for Fort Lauderdale’s Retail Sector

Retailers show confidence in the metro’s long-term demand drivers. Broward County’s retail sector is displaying growth across all key indicators. Net absorption surpassed 1.3 million square feet in both 2021 and 2022, with the average asking rent increasing by at least 8 percent per year during that span. This surge in leasing activity compressed vacancy to 4.2 percent entering 2023, a rate 20 basis points below the pre-pandemic level. Although national economic headwinds pose a threat to this momentum, local market conditions are expected to remain tight this year, as tenants are confident in the market’s long-term demand drivers. Fort Lauderdale has been successful in attracting companies, which will continue to drive in-migration to the area as jobs are created. Additionally, South Florida observed a resurgence in tourism during the past two years, while the cruise industry remained in recovery. Projections suggest passenger volumes will return to pre-health crisis levels in 2023, which may propel even more visitation to the region moving forward. New construction will also have a minimal impact on availability, as roughly 75 percent of the underway pipeline was pre-leased heading into this year.

Tight market conditions drive deal flow. Declining vacancy and strong rent growth have piqued the interest of many retail investors. Despite elevated borrowing costs, deal flow reached a record high in 2022, indicating buyers are optimistic that market conditions will remain steady during this period of uncertainty. However, as interest rates continue to climb, it is likely that overall trading activity will moderate in 2023. Buyers who seek out single-tenant assets may concentrate on properties with high-credit tenants to minimize their downside risk. Restaurants, discount retailers and convenience stores are coveted within this segment in high-density submarkets, such as Downtown Fort Lauderdale and Hollywood. Meanwhile, shopping centers with strong anchor tenants are sought after in Hallandale, where local retail vacancy was below 2 percent entering 2023.

2023 Market Forecast

- NRI Rank** 2 Declining availability and robust rent growth elevate Fort Lauderdale to the second spot in this year’s rankings.
- Employment** ↑ Roughly 8,000 new jobs are expected to be created in Fort Lauderdale, equating to one-fourth of last year’s employment gains.
 up 0.9%
- Construction** ↔ Developers will expand metro retail inventory by 0.8 percent in 2023. The largest project in the active pipeline is Seneca Town Center delivering in the Hallandale submarket.
 750,000 sq. ft.
- Vacancy** ↓ Bucking the national trend, vacancy in Broward County is expected to further tighten in 2023. Availability will fall to 4.0 percent, the lowest rate since 2017.
 down 20 bps
- Rent** ↑ Fort Lauderdale is projected to lead all major U.S. markets in rent growth this year, with the average asking rate increasing to \$29.45 per square foot.
 up 6.5%
- Investment** ● Business travel could potentially provide another tailwind for the retail sector and heighten investor interest as the Broward County Convention Center undergoes a \$1.1 billion expansion.

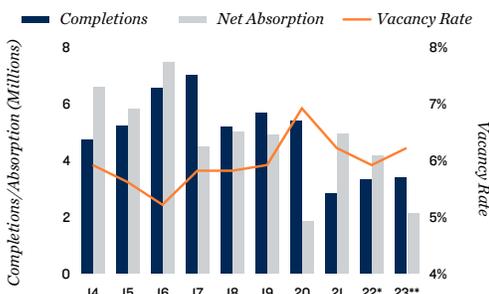


* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

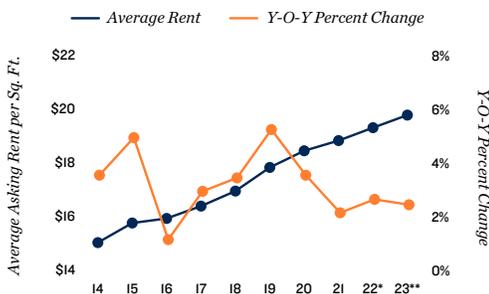
Economic Trends



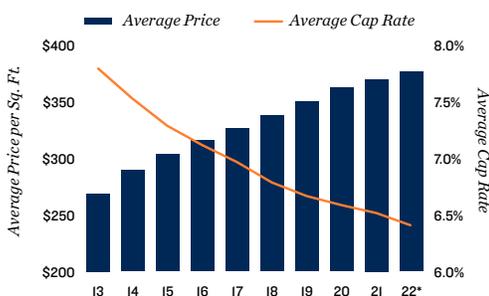
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Residential Growth Pulls Tenants to Western Submarkets, While Local Investors Flock to the North

Notable construction results in a push away from metro recovery. Houston boasts the country's second-largest 2023 retail construction pipeline, even as projected deliveries for this year trail the past decade's annual average by about 30 percent. A notable portion of this development arrives in the Northwest side of the market, highlighted by a 150,000-square-foot multi-tenant project in Cypress. Triple-digit-basis-point declines in vacancy across the metro's western submarkets last year warrant the new stock in the long term, as a growing number of residents call the area home. In the immediate future, however, economic headwinds will curtail performance improvements. Softer retail sales and median household income growth against persistently elevated inflation contribute to reduced tenant sentiment, curbing net absorption to about half of the 2022 figure. These short-term challenges will extend lease-up timelines for the new supply coming in 2023, lifting vacancy for the first time in three years. At the same time, new, high-quality space entering the market enhances the average asking rent.

Northern suburbs backstop receding deal flow. Coming off a record transaction count in 2021, sales velocity in 2022 dropped substantially. Increased borrowing costs and a historically high average price per square foot metric veered many investors to the sidelines, most notably risk-averse institutional firms. This dynamic is likely to continue for much of this year. Reduced competition from out-of-state buyers, however, presents potential opportunity. Active local, private purchasers accounted for over three-fourths of the recent transaction pool, with a pattern of focus in the northern suburbs. Across Montgomery County, investors with less than \$10 million in capital to deploy are finding vintage assets below the metro average price per square foot. Fundamentals in the area are favorable, with net absorption here accounting for over one-fifth of the metro's total last year. The 2023 leasing outlook is also positive amid rising suburban retail sales.

2023 Market Forecast

NRI Rank **24** Significant supply additions and a mild jump in vacancy results in a bottom half ranking for Houston this year.

Employment **up 0.6%** The pace of employment growth slows substantially this year as the metro adds a net of 20,000 jobs.

Construction **3,400,000 sq. ft.** Inventory increases 1 percent in 2023 as strong net in-migration warrants new supply. A notable portion of the retail completions come from large projects in Southwest Houston.

Vacancy **up 30 bps** Supply additions in an easing economic environment lead to reduced leasing competition in 2023. This brings the metro's vacancy rate to 6.2 percent by year-end.

Rent **up 2.4%** Despite rising availability, the market records annual rent growth for the 12th consecutive year, bumping the metro's average asking rate to \$19.72 per square foot in 2023.

Investment Investors seeking assets within the Inner Loop submarket favor multi-tenant properties in the River Oaks neighborhood, given minimal recent inventory growth and positive demand trends.

Minimal Construction Places Indianapolis in a Historically Strong Position; Headwinds Present Opportunity

Low availability persists, despite headwinds. Regardless of initial disruptions, Indianapolis retailers shrugged off pandemic challenges, entering 2023 with a multi-decade low year-end vacancy level. This was due, in part, to a minimal construction slate last year, which directed retailers to sort through fewer options. Additionally, construction will fail to exceed 400,000 square feet yet again this year, helping funnel expanding retailers to existing properties. On the other hand, Salesforce’s announcement of a 10 percent companywide layoff, which would impact some of the 2,300 employees in the metro, spearheads the market’s negative employment projection for 2023. This will adversely impact consumer spending in 2023 as the rate of retail sales growth drops to 3.2 percent from the strong 9.1 percent gain felt last year. Nevertheless, increased net in-migration and expanding median household income growth will support Indianapolis retail fundamentals, making the market well-suited to mitigate this downward pressure in the near term.

Local private buyers deploy capital in high growth areas. Entering a period of persistent headwinds amid rising debt costs and a softer retail sales outlook, investors are holding cautionary strategies. Following elevated out-of-state investment in recent years, national buyers accounted for a smaller portion of deal flow in 2022, a trend that is likely to continue as institutions rework their investment strategies. This decline in competition could create opportunities for local buyers in the South County submarket, where national investors were most frequent in previous years. Here, the multi-tenant segment bolstered deal flow, accounting for more than three quarters of velocity. Furthermore, these properties have become more prominent targets metrowide, making up the majority of all activity while maintaining an average purchase price below \$5 million. Despite this notable portion of the transaction pool, easing overall velocity has already started to slow the pace of growth in the metro’s average price per square foot.

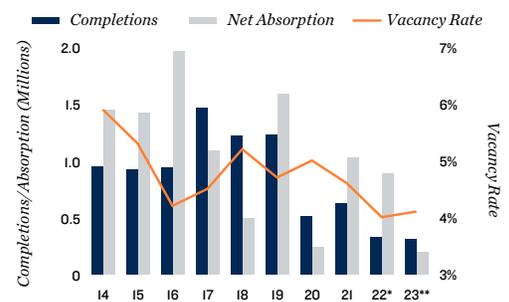
2023 Market Forecast

- NRI Rank** 15 Accelerating net in-migration and household income growth contribute to the metro grabbing the Midwest’s top ranking.
- Employment** ↘ Indianapolis sheds a net 2,000 positions this year as economic challenges produce diminished hiring efforts. down 0.2%
- Construction** ↘ Inventory growth holds at a mild pace, expanding metrowide supply 0.3 percent this year. Record-low availability near Speedway warrants over one-fifth of this new supply. 315,000 sq. ft.
- Vacancy** ↗ A sizable drop in net absorption, amid softening retail sales growth, lifts vacancy to 4.1 percent. Despite expanding this year, the rate remains well-below its historical average. up 10 bps
- Rent** ↗ A minimal construction pipeline promotes leasing competition for existing retail space this year, bringing the average asking rent to \$15.91 per square foot by year-end. up 3.3%
- Investment** ○ Strong leasing activity and minimal additions in the Northeast submarket continue to prompt investment in the locale this year as active buyers seek highly-occupied properties here.

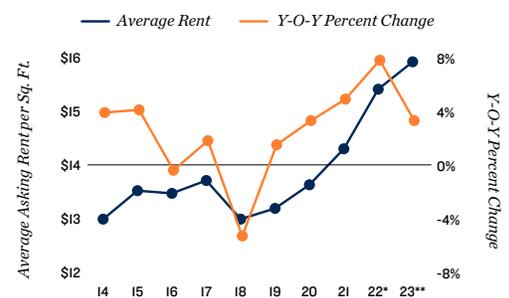
Economic Trends



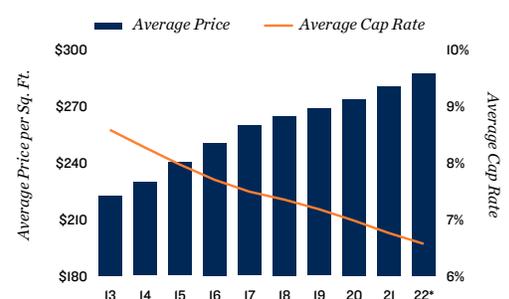
Supply and Demand



Rent Trends



Sales Trends

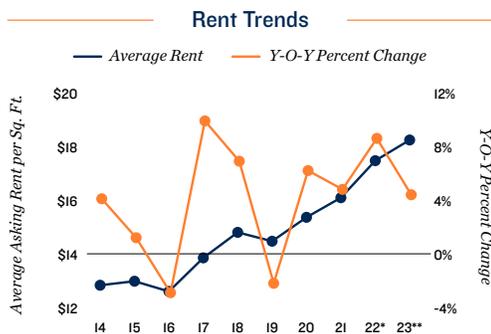
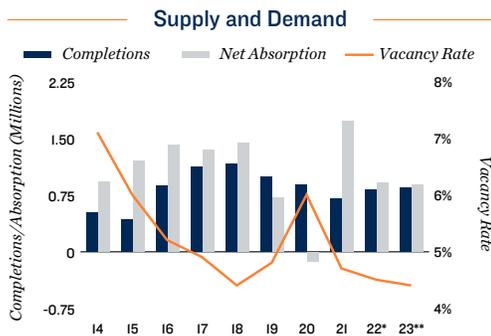
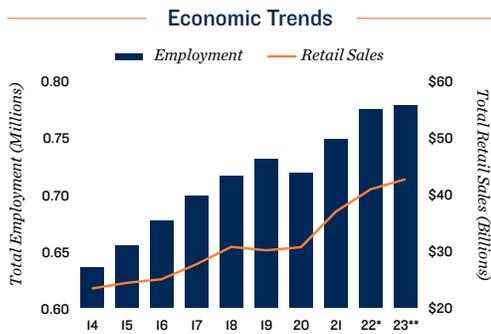


* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Tightening Operations Proceed, Despite Accelerating Construction Activity; Investors Seek Stability

Developers double down on well-performing submarkets. Capping off 2022, Jacksonville noted one of the strongest rent gains nationwide, expanding the average marketed rate more than 8.5 percent. This was due, in part, to strong tenant demand in the metro's Downtown Northbank and St. Johns County submarkets. Elevated tourism has sparked upcoming hospitality developments across the waterfront, including a showcase Four Seasons project near the Sports Complex, a long-term bet on local foot traffic. Over along the coast in St. Johns County — spanning from Sampson to Matanzas State Forest — net absorption has been consistently positive, even as local inventory grew by the fastest pace in all of Jacksonville. This favorable leasing trend should continue this year, despite the area accounting for over one-third of the new retail space. Common among this pipeline are mixed-use storefront-office properties under 30,000 square feet. With most of the 2023 construction headed to well-performing submarkets, Jacksonville remains positioned to maintain a vacancy rate more than 50 basis points below the national average, even as the metro claims the nation's third-largest inventory growth metric.

Jacksonville investment environment normalizing. Throughout the pandemic recovery, Florida metros were flush with investor activity amid strong net in-migration and rapid average rent gains. The Jacksonville metro maintained this trend as transaction volume grew nearly 20 percent last year. However, an increasingly challenging lending environment likely contributes to a pullback in deal flow in 2023. Investors remaining active this year will identify properties to the east and west of the St. Johns River, south of Jacksonville proper. Making up roughly 30 percent of overall deal flow in recent years, the Riverside and Southside submarkets should remain popular targets in 2023, given their vacancy rates are well-below the metro average and notable rent growth last year. Metrowide, improving fundamentals and a growing population bolster investor sentiment this year.



2023 Market Forecast

- NRI Rank** 3 Jacksonville grabs a top five spot this year, with added spending from a growing consumer base bolstering retail conditions.
- Employment** ↗ Jacksonville adds 4,000 positions this year, as economic headwinds slow the pace of job gains from 3.5 percent in 2022. **up 0.5%**
- Construction** ↗ The metro experiences an uptick in development, with the active pipeline growing retail inventory 1.1 percent. Supply additions remain below the metro's historical average. **850,000 sq. ft.**
- Vacancy** ↘ Strong tenant demand since the start of 2021 continues to bolster market vacancy in 2023, compressing the rate to 4.4 percent by the end of this year. **down 10 bps**
- Rent** ↗ The pace of rent growth slows from an 8.6 percent jump in 2022. Still, the average asking rate expands at a faster clip than its long-term mean, elevating to \$18.22 per square foot. **up 4.4%**
- Investment** ○ Receding institutional deal flow may present opportunities to private buyers across Jacksonville this year, amid a potential decline in competition from out-of-state investors.

* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Urban Residential Demand Draws Retailers to the CBD; Kansas City's Central Location Augments Investor Pool

Metro poised to reach record-low vacancy for the third straight year. Kansas City retail availability is set to compress in 2023, as space demand will outpace a moderate delivery slate. A potential improvement in downtown leasing may represent the catalyst for vacancy tightening and rent growth over the near term. Here, the apartment renter pool is expanding, with the local multifamily vacancy rate shrinking 100 basis points below the pre-pandemic level in the second half of last year. Retail sales generated by a growing resident base in the CBD will also be supplemented long term by proposed developments. Last year, the Kansas City Royals announced their intention to build a new stadium and surrounding district with housing, hotels, offices and retail in the CBD. While this project will take some time to arrive, the advancing proposal may motivate retailers to preemptively claim space downtown. Competition for available space, however, should be notable, as downtown had a low-2 percent vacancy rate as of late last year. This has the potential to push retailers to adjacent zones, a boon for leasing activity.

Kansas City's above-average first-year returns appeal to out-of-state buyers. Substantial investor demand has placed upward pressure on the average cost per square foot in Kansas City, giving it the highest mean price point in the Midwest at the end of last year. The metro's position near the center of the country makes it appealing to out-of-state buyers seeking space along prominent travel routes. Auto parts shops and properties that accommodate fast-food tenants have been largely targeted along these well-traveled thoroughfares, specifically North of the River near the Interstate 35 corridor. Furthermore, Kansas City's average cap rate was roughly 80 basis points above the national mean at the end of 2022. This disparity has the potential to attract active investors to net-leased assets and shopping centers during a period of elevated interest rates, specifically buyers that have shifted focus to top-performing tertiary markets.

2023 Market Forecast

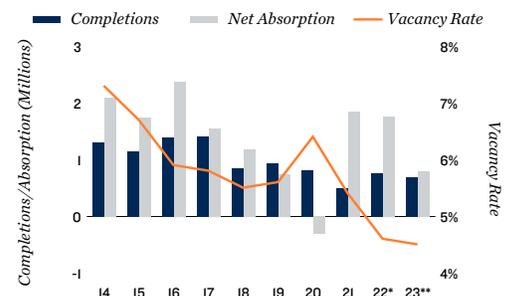
NRI Rank 26 Kansas City ranks near the middle of the Index as vacancy compresses for a third year, despite slowing retail sales growth.

- Employment** ↗ Employers add 2,000 positions in 2023, bringing the year-end count to 12,700 roles under the pre-pandemic high.
up 0.2%
- Construction** ↘ Deliveries will expand metro inventory by 0.5 percent, as less than 1 million square feet is finalized for a sixth consecutive year. This continuation limits near-term, supply-side pressure.
700,000 sq. ft.
- Vacancy** ↘ Retailers are expected to absorb more than 800,000 square feet of space this year, leasing activity that will compress availability to a new low of 4.5 percent.
down 10 bps
- Rent** ↗ Noteworthy retailer demand and the historically tight conditions that result allow the average asking rent to reach \$14.30 per square foot, a new high.
up 2.9%
- Investment** ● The delivery of more than 3 million square feet in Johnson County over the past 10 years, and a fairly active 2023 pipeline, may draw investors seeking newer-built assets.

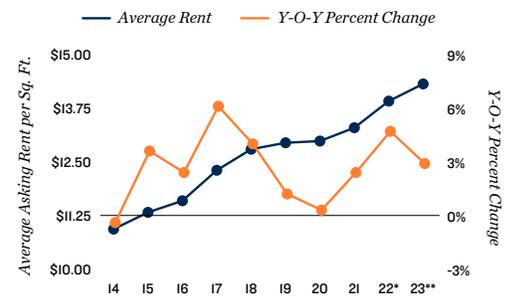
Economic Trends



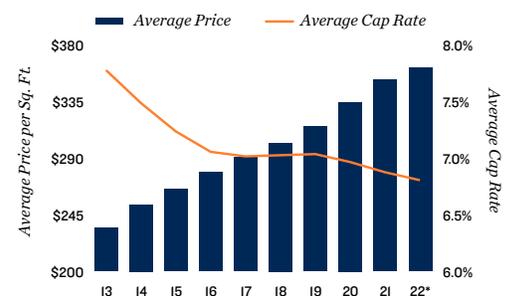
Supply and Demand



Rent Trends

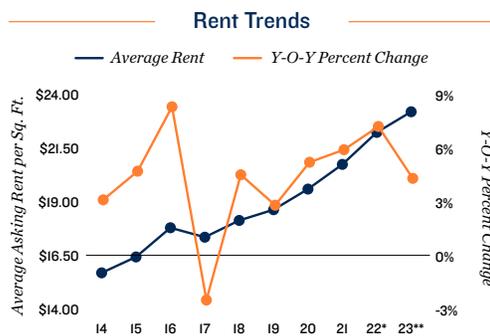
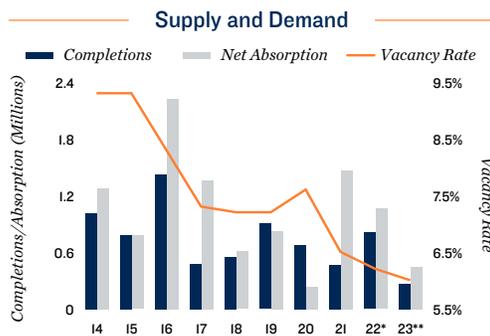
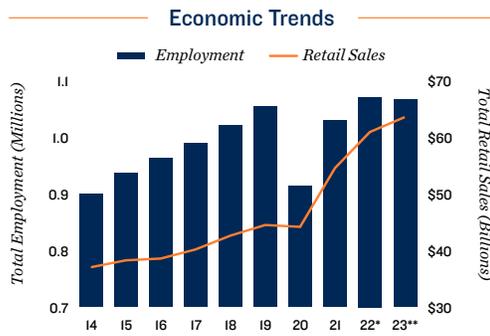


Sales Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Local Economic Expansion Fortifies Market During a Likely Slowdown in Tourism and Discretionary Spending



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Suburbs in a better near-term spot than tourism-fueled areas. Las Vegas is historically among the most impacted markets during periods of economic headwinds, as the metro’s leisure travel retail spending foundation entails visitors feel comfortable in their financial standing. However, recent internal growth fueled by net in-migration should bolster the market’s appeal to retailers leasing space this year, even as spending by traveling consumers softens. In 2023, the metro will register the second-fastest pace of population expansion among major markets nationally, producing the quickest rate of household formation in the country. These residents and households warrant new shopping options, likely nudging retailers to favor fast-growing suburbs over tourism-heavy zones. Northwest Las Vegas could maintain the tightest vacancy in the metro, having entered 2023 with a rate more than 100 basis points below any other submarket, with less than 25,000 square feet expected to deliver here in 2023. Conversely, the Resort Corridor may be the most impacted locale in the near term, as a moderation in tourism-related activity could curb tenant demand for local floor plans. Meanwhile, Project 63 is set to finalize about 50,000 square feet of retail space here that was unaccounted for at the onset of 2023.

Buyers gravitate to residential zones in accord with leasing trends. Performance metrics and the potential for upside to help overcome higher interest rates will be paramount for investors this year. Suburbs recording robust household creation may present the type of attractive opportunities that buyers are seeking out. The Southeast Las Vegas submarket encompassing expansionary neighborhoods proximate to Interstate 215, as well as Southwest Las Vegas where the average retail asking rent grew more than 40 percent since 2019, may be the most coveted. This dynamic began to play out subsequent to interest rate hikes last year, as these two submarkets accounted for roughly one-third of metrowide deal flow in the fourth quarter of 2022, which could continue through 2023.

2023 Market Forecast

- NRI Rank** **16** The metro grabs a spot in the top 20 of this year’s Index, underscored by declining vacancy and robust household creation.
- Employment** **down 0.4%** Las Vegas’ service sector could face some challenges amid milder tourism activity, leading to a net contraction of 4,000 jobs.
- Construction** **270,000 sq. ft.** New supply arriving in 2023 plummets to a 12-year low and trails 2022’s volume by over 500,000 square feet. This moderate pace helps Las Vegas overcome near-term hurdles.
- Vacancy** **down 20 bps** Marking the third consecutive year of vacancy compression, availability dips to 6.0 percent. This will be the lowest year-end rate for Las Vegas since before 2008.
- Rent** **up 4.3%** Reinforced by the downward vacancy trajectory, Las Vegas registers a sixth straight year of annual asking rent growth, reaching an average of \$23.16 per square foot in 2023.
- Investment** Portfolio and multi-property trades remain present this year, even as some institutions stay on the sidelines. The University District and Winchester are hotbeds for these type of deals.

Los Angeles' Retail Makes Headway, Ranking the Metro Among the Top Markets for Vacancy Contraction

Annual net absorption total reaches seven-year high. Los Angeles entered 2023 with a vacancy rate above its long-term average; however, the metro's retail recovery is making strides. Both single- and multi-tenant availability is trending downward, following positive absorption across most submarkets during the second half of last year. A similar level of retailer demand is expected during 2023, a dynamic that will coincide with historically low delivery volume. This combination will steer expanding vendors to existing stock, aiding properties with available space. Further assistance appears lined up for the sector as major employers are walking back their flexible work models, often requiring staff to be in-office at least three days a week. The near-term rise in foot traffic that may result in Greater Downtown Los Angeles and West Los Angeles would be a welcomed occurrence for existing retailers that rely on midweek patronage. Larger work crowds may also stoke vendor demand for space in the two locales, which are home to the highest availability among major submarkets – accounting for 30 percent of the metro's vacant stock.

In-metro migration trends influence investor decisions. Retail listings in submarkets known for their below-average apartment and office rents are poised to attract investment this year. Recent data indicates additional households and businesses are relocating to these areas to reduce their living expenses and operating costs, heightening demand for nearby stores. Most of these locales, including the San Gabriel Valley and Southeast Los Angeles, are home to the metro's tightest retail vacancies, enhancing the appeal of investment. Within the city of Los Angeles, a new fee on all real property sales priced over \$5 million is slated to take effect this year, requiring buyers to weigh the taxation that awaits at the end of a hold when contemplating a near-term purchase. This may motivate some buyers active within the municipality to target net-leased assets and smaller shopping centers, as these properties are commonly available for less than \$5 million.

2023 Market Forecast

NRI Rank 22 A subpar sales growth ranking keeps Los Angeles outside the top 20, despite notable vacancy compression this year.

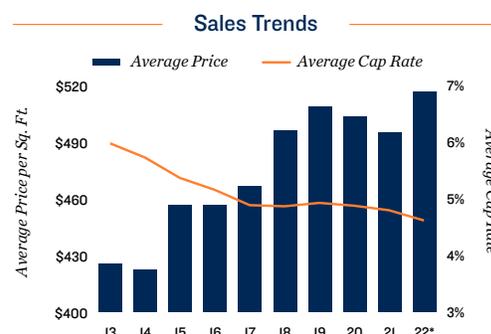
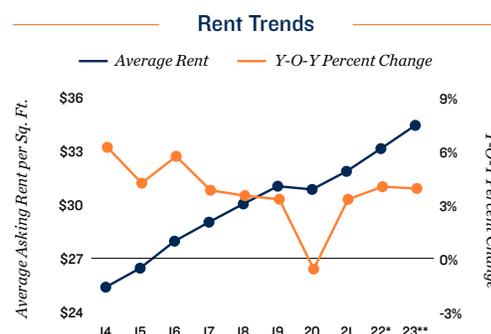
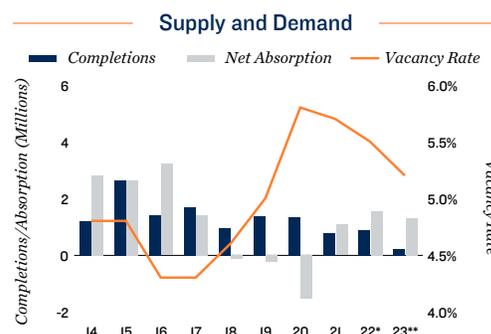
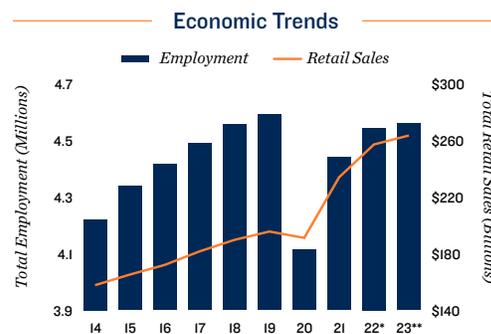
Employment ↑ up 0.3% Despite a third straight year of positive hiring, the number of jobs metrowide remains below the pre-pandemic mark.

Construction ↓ 230,000 sq. ft. Developers increase retail stock by just 0.1 percent, the slowest annual pace dating back to 2007. Deliveries at Inglewood's Hollywood Park account for more than half of this year's additions.

Vacancy ↓ down 30 bps Retailer demand for available square footage is expected to hold strong during 2023, compressing vacancy to 5.2 percent. Still, more than 19 million square feet will be available at year-end.

Rent ↑ up 3.9% A third consecutive year of positive net absorption and a lack of competition from new supply allow owners to raise the metro's average asking rent to \$34.40 per square foot.

Investment ○ Limited land availability for housing projects and industrial facilities will prompt certain investors to acquire retail assets for redevelopment purposes, removing this space from inventory.



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Large Chains Maintain Focus on Louisville; Investment Market Adjusts to Financing, Inflationary Hurdles

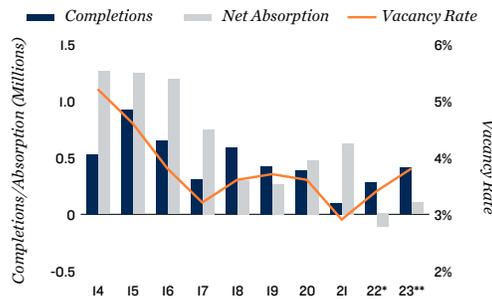
National brands continue expansion amid headwinds. In February, Crunch Fitness will move into a 30,000-square-foot storefront on Bardstown Road, inaugurating its third Louisville facility after entering the market in 2019. Florida-based grocer Publix is also set to maintain a commendable pace in its ongoing Kentucky expansion, opening two additional operations in Jefferson County over the next 18 months. High-profile experiential retail additions are also on the way, with Puttshack and Sky Zone taking a combined 53,700 square feet off the market in the first quarter. These new offerings will, however, contest with short-term demand headwinds. The local employment base will follow up last year's strong growth with a minor contraction, which will likely result in some belt-tightening as inflation enters 2023 above the typical annual rate. On a more positive note, the market's long-term prospects — including a major cargo hub at Louisville International Airport — should give tenants a solid incentive to pursue space despite shifting economic outlooks, keeping net absorption positive.

Economic uncertainty draws attention to lower-risk-profile assets. Comparatively reduced entry costs have helped insulate the metro from slowing transaction velocity observed in many other metros. Deal flow in the third quarter of 2022 was roughly equivalent to the same span during the previous year, though financing hurdles will still create a significant impediment to deals moving forward. Investors may seek out opportunities in affluent close-in suburbs of eastern Jefferson County, where consumer spending is likely to be more resilient during an economic downturn. Buyers in these locales could seek out single-tenant builds housing high-credit finance sector occupants, or pursue multi-tenant options with grocery or pharmaceutical anchors. In further-flung regions of the metro, investors are more likely to target discount retail and dining options, in response to shifting consumer demand favoring lower-cost shopping choices.

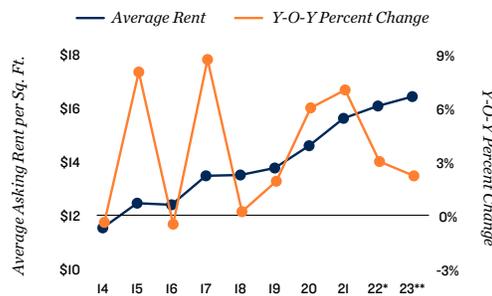
Economic Trends



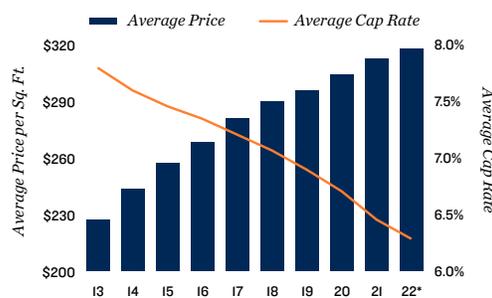
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

- NRI Rank** 41 Louisville's low 2023 placement is attributed to falling consumer demand stemming from near-term labor market headwinds.
- Employment** down 0.4% Roughly 3,000 positions are expected to be lost in 2023, just over one-sixth of the jobs gained last year.
- Construction** 410,000 sq. ft. Completions rise dramatically on an annual basis by space added, though 360,000 of 2023's square feet stem from South-Pointe Commons, a lifestyle center on Bardstown Road.
- Vacancy** up 40 bps A marked increase in supply additions amid uncertain economic outlooks will push availability up to 3.8 percent, the highest level since 2015.
- Rent** up 2.2% Despite the uptick in vacancy, the injection of high quality stock into the market should continue to push the mean marketed rate upward, closing out the year at \$16.40 per square foot.
- Investment** Investors are increasingly looking north of the Ohio River in response to residential growth in Indiana locales, with Clarksville and Jeffersonville featured heavily among recent sales.

Labor Market Contraction in Parallel to an Extensive Supply Infusion Will Test Strong Metro Fundamentals

Memphis' impressive pandemic rebound hits a roadblock. Following a two-year span in which net absorption eclipsed new supply by more than 1 million square feet, the metro entered 2023 as one of just 14 major U.S. markets with a sub-4 percent vacancy rate. The rapid depletion of available stock allowed Memphis' average asking rent to rise at a pace that ranked among the top 10 fastest nationally in 2022. However, the tides are shifting. Economic headwinds coincide with a delivery slate that is the largest since 2016. Inventory is projected to expand by the most rapid clip of any major metro not located in Florida or Texas in 2023. Larger-scale projects opening this year include The Cascades, a 200,000-square-foot mixed-use development in Olive Branch, with a significant portion of the retail component unaccounted for as of late 2022. The other 100,000-square-foot-plus property set for 2023 completion is a fully-leased Kroger Marketplace in Arlington, which should have less of an impact on local fundamentals. Memphis, as a whole, will tie for the largest vacancy rise of any major U.S. market this year, however, as retailers curb expansion plans, due to weaker economic conditions in the market. Still, the metro will retain a vacancy rate below the national average and its own respective 2019 measure.

Buyers shift to single-tenant assets in high-occupancy zones. Deal flow was on an upward bend spanning 2021 through the first half of last year, but retreated suddenly as the Federal Reserve combated inflation by hiking interest rates. In the final six months of 2022, trading activity fell by more than 50 percent relative to the same period one year prior, and those challenges will carry into 2023. Investors that remain active in the market most frequently look to North and Southeast Memphis. Single-tenant assets in the northern submarket are particularly appealing, as the area boasted a 2.0 percent segment vacancy rate late last year. Buyer favorites here and elsewhere in the metro include auto service shops and fast-food chains, with cap rates in the mid-5 percent range common.

2023 Market Forecast

NRI Rank 28 Memphis holds a spot in the middle segment of the Index, as strong momentum witnessed in recent years begins to let off.

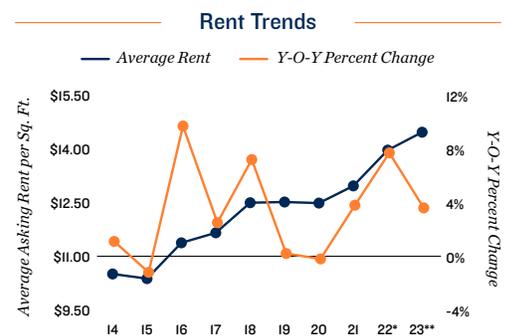
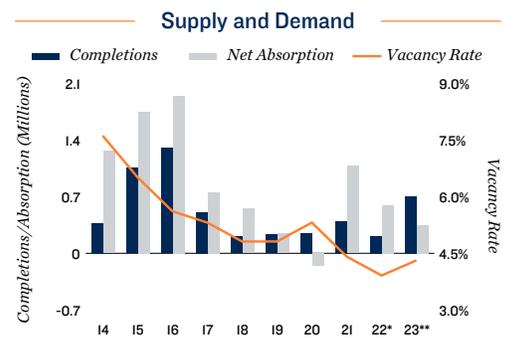
Employment ↘ Employers in the market shed a net 2,000 jobs in 2023, returning a slice of the 15,000 roles added in the previous year.
down 0.3%

Construction ↗ Retail completions surpass the prior two-year tally by almost 100,000 square feet. Downtown-Midtown has the largest pipeline, excluding the major builds in Olive Branch and Arlington.
700,000 sq. ft.

Vacancy ↗ Vacancy climbs to 4.3 percent, as the market registers its lowest annual net absorption total since 2020. Still, metro availability ends the year nearly 300 basis points below its long-term mean.
up 40 bps

Rent ↗ Memphis' average asking rent advances at half of last year's pace to reach \$14.45 per square foot. Marketed rate growth in the single-tenant sector should be comparatively stronger.
up 3.6%

Investment ● The Walk, a 29-acre downtown project featuring several hotels and 700 apartments, may break ground this year. Upon a 2025 opening, the new foot traffic could aid local investment appeal.



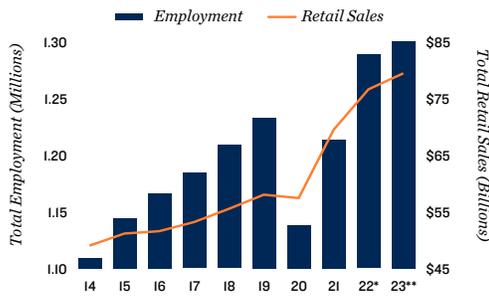
* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Robust Net In-Migration and Tourism Resurgence Elevate Investor and Tenant Demand for Miami Retail

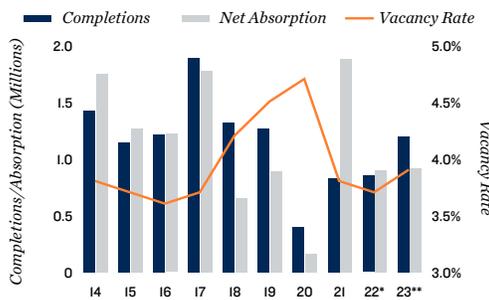
Sector outlook remains bright. Since the onset of the health crisis, Miami-Dade has gained nearly 50,000 new residents. This surge in population occurred alongside historic levels of domestic tourism, as evidenced by passenger arrivals at Miami International Airport reaching a record high in 2022. These factors spearheaded local consumer spending, which greatly benefited retail fundamentals. Entering this year, availability was sitting 80 basis points below the pre-pandemic rate. In addition, strong household formation is spurring leasing activity from grocers, gyms, and home and decor retailers. Medical tenants that have historically utilized offices are also taking advantage of household growth as well, leasing retail space in neighborhood shopping centers to provide health care access closer to residential clusters. Although a slowing economy may present short-term headwinds for the local retail sector, market conditions will remain tight. Over 85 percent of the 2023 pipeline was pre-leased entering this year, limiting upward supply pressure. Furthermore, net in-migration in 2023 is expected to exceed last year's total, which may boost leasing activity as the region's consumer base continues to broaden.

Strong performance supports investment. Tightening fundamentals over the past two years have elevated buyer interest in Miami's retail sector. Deal flow in 2022 was well-above historical norms, even amid rising interest rates, indicating that investors are optimistic about the long-run demand drivers present in the metro. While this momentum is expected to ease in the near term, retail assets in Miami will likely remain on investors' radars as robust net in-migration and tourism help insulate the market from economic headwinds. Buyers may look to target single-tenant assets, or shopping centers with strong anchors, to reduce their downside risk during a period of uncertainty. High-density submarkets like Downtown Miami-South Beach and Coral Gables-South Miami will garner investor interest, as both areas recorded double-digit rent growth last year.

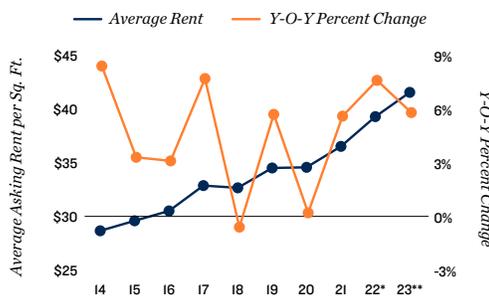
Economic Trends



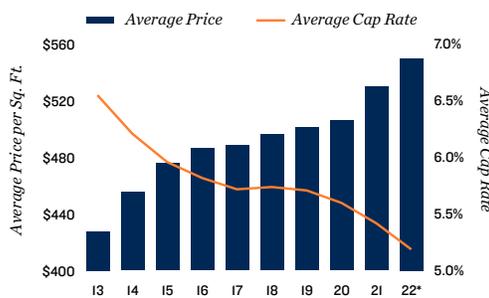
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

- NRI Rank** 9 Robust rent and job growth relative to the national benchmark solidifies Miami's spot in the top 10 of this year's Index.
- Employment** up 0.9% Miami outpaces all other major Florida markets in employment growth this year, with the addition of 12,000 new jobs.
- Construction** 1,200,000 sq. ft. Deliveries exceed 1 million square feet for the first time since 2019 as local inventory increases by 1 percent. Completions this year are concentrated near Miami Airport and the CBD.
- Vacancy** up 20 bps Macroeconomic headwinds will likely moderate consumer spending, resulting in a slight uptick in vacancy this year. The rate is expected to reach 3.9 percent.
- Rent** up 5.8% The pace of rent growth remains strong in Miami, outpacing the national mean by nearly 300 basis points in 2023. The average asking rate will rise to \$41.50 per square foot.
- Investment** Sub-2 percent vacancy rates in Northeast Dade and South Dade entering 2023 may potentially heighten investor interest for retail assets in these areas over the next year.

Single-Tenant Performance Holds Vacancy Well Below its Long-Term Average, Generating Buyer Interest

The metro's retail sector on solid footing entering a potentially turbulent stretch. The Milwaukee metro could experience a stark pullback in retail fundamentals during 2023, after notable strides were made across the previous two years. During this period, the metro added less than 300,000 square feet of space, coinciding with six straight quarters of positive net absorption. This performance pushed metro vacancy to its lowest point on record. Single-tenant demand is to credit for the metro's improvement. Making up over 80 percent of Milwaukee's inventory, this retail segment averaged the second-lowest availability in the Midwest, behind only Columbus. A slowing local economy, continued net out-migration, declining retail sales growth and continued pressure on the lending environment, however, will diminish tenant demand in Milwaukee. This results in negative net absorption this year for the first time since 2020. At the same time, minimal construction activity should help preserve fundamentals to some degree. The lack of new retail space coming online directs expanding vendors to existing floor plans, particularly in the Washington County submarket where development is barren.

Milwaukee a potential tertiary standout for national investment. The metro entered 2023 with one of the nation's highest average cap rates at 7 percent. Paired with minimal development and a vacancy rate below the national mean, this should help hold interest from out-of-state investors during a period of economic and lending headwinds. Also accounting for the country's lowest average price per square foot, Milwaukee should remain attractive to cost-sensitive private buyers focused on sub-\$5 million listings. With the aforementioned second-lowest single-tenant availability level among major Midwest markets, these trades have become more frequent. Notable activity of this variety can be found in the northwest and southeast portions of Milwaukee County amid sub-3 percent segment vacancy here.

2023 Market Forecast

NRI Rank 35 Declining consumer sentiment and softer household formation contributes to Milwaukee ranking 35th this year.

Employment up 0.2% National economic challenges curb local hiring efforts, as employers add a net 2,000 positions in 2023.

Construction 330,000 sq. ft. Tight availability spurs an uptick in deliveries this year, increasing inventory by 0.3 percent. The cities of Racine and Wauwatosa see a notable portion of this supply.

Vacancy up 30 bps Completions outpace retailer space demand, pushing vacancy up to 4.9 percent. Multi-tenant availability lies in the double digits, while the single-tenant metric will hold under 4 percent.

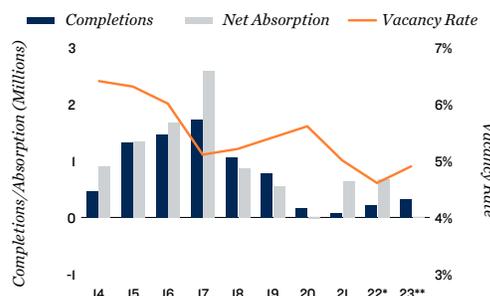
Rent up 3.1% The average marketed rate expands at a slightly slower pace this year, reaching \$14.02 per square foot. Asking rent declines in Downtown could reach an inflection point this year.

Investment Multi-tenant availability that exceeds 15 percent could caution buyers that pursue shopping center listings in Milwaukee County outside of the city, a boon for less risk-averse investors.

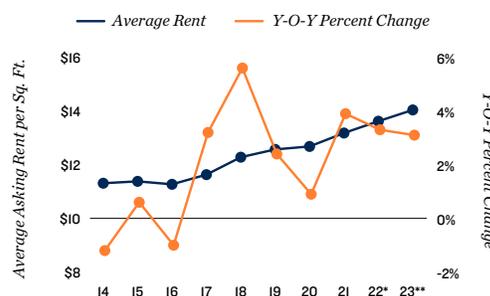
Economic Trends



Supply and Demand



Rent Trends



Sales Trends



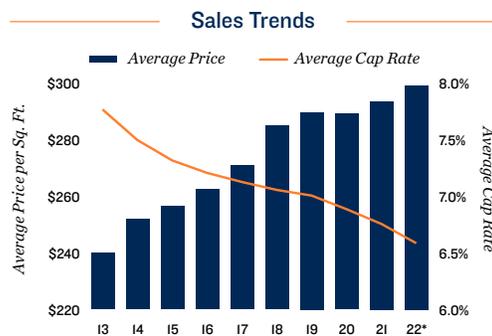
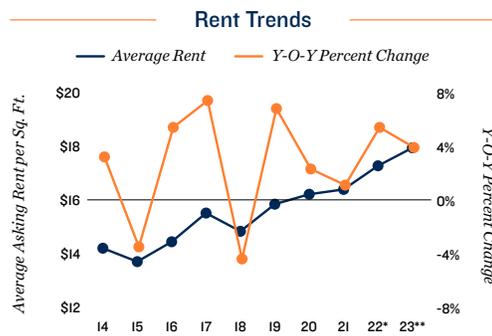
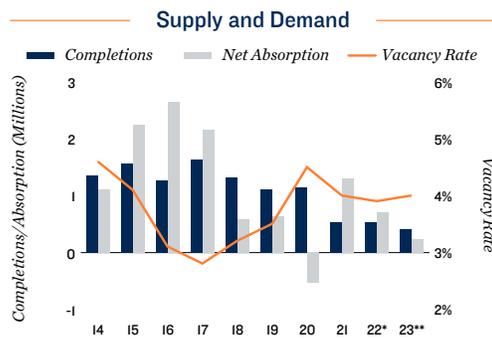
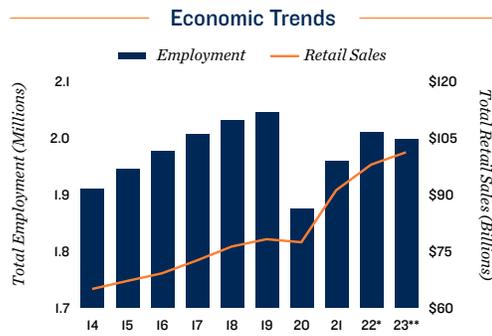
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

The Metro Remains Well-Positioned Entering a Period of Uncertainty; Suburban Trades Lead Market Velocity

Local economic conditions bolster the Twin Cities' retail outlook. Property fundamentals improved substantially entering 2023, marking the second consecutive year of positive net absorption and subsequent vacancy compression, helping accelerate the metro's pace of rent growth. This performance was partially supported by first-ring suburbs, such as the Ridgedale submarket, where recent renovations to the area's main shopping center have encouraged heightened leasing activity in the vicinity. This year, the market boasts median household income growth on par with its 10-year average, while net in-migration sets a five-year high — a boon for the long-term outlook as employment in high-skilled industries persists. An increasingly challenging lending environment, however, could affect retailer expansions, putting downward pressure on fundamentals. Nevertheless, Minneapolis-St. Paul retains its claim on the lowest vacancy in the Midwest and also strongest regional rent growth metric, a new distinction for this year.

Suburban submarkets regain a notable share of deal flow. An ongoing return of urban core foot traffic, amid improving residential demand and office utilization, sparked enhanced retail performance last year that contributed to a historic 2022 transaction count. Entering 2023, however, the outlook differs as overall deal flow could stay on a downward trajectory started late last year amid rising debt costs, altering near-term investor expectations. Those that remain active in the metro will likely favor premier suburban residential areas. The Apple Valley-Lakeville submarket highlights such locales, accounting for a notable portion of the transaction pool last year, while kickstarting 2023 with well-below market average vacancy. The outlook for the Southdale area also appears positive this year, with the trade of a regional mall sparking elevated investor sentiment, amid proximity to Edina and Uptown. As institutional investors slow their acquisition initiatives this year, lower-caliber assets in the metro's popular suburbs should remain notable targets.



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

- NRI Rank 30** Minneapolis-St. Paul ranks 30th in this year's NRI amid a decreasing employment base and moderate retail sales growth.
- Employment** The metro loses a net 12,000 jobs this year as economic headwinds bring the employment base below the 2 million mark. **down 0.6%**
- Construction** Despite tight conditions last year, the construction pipeline drops to its lowest point on record. The Apple Valley-Lakeville submarket welcomes roughly one-quarter of this supply. **420,000 sq. ft.**
- Vacancy** Net absorption eases to roughly one-third of its 2022 metric this year. This softening contributes to an uptick in vacancy, bringing the rate to 4.0 percent by the end of 2023. **up 10 bps**
- Rent** Moderate leasing activity amid constrained retail sales growth results in an easing pace of rent gains, pushing the market rate to \$17.92 per square foot this year. **up 3.9%**
- Investment** Urban expansion over the next decade could stimulate popularity in the Calhoun submarket. Buyers here are acquiring multi- and single-tenant properties below \$10 million.

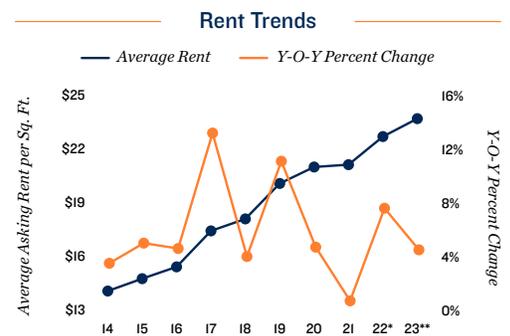
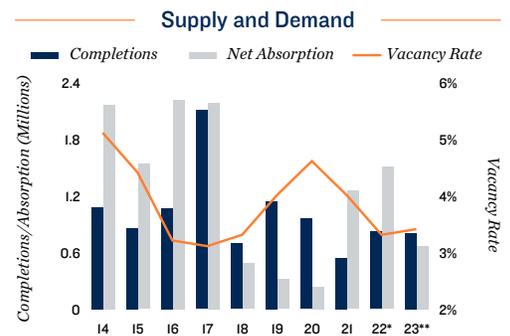
Tight Retail Availability Omnipresent Across Nashville; Investors Weigh Debt Costs Against Strong Appreciation

Retail metrics distinguishable on a national stage. Young professionals continue to move in from other parts of the country for quality-of-life factors, while an outward expanding resident base produces new suburban household clusters. These trends support the need for additional shopping options, which is being met by ongoing leasing activity near residential hubs. While a broad-based economic softening will coax many retailers to be less aggressive with their expansion plans, holding net absorption to the lowest tally in three years, the outlook remains strong. Metro vacancy will end 2023 tied for the third tightest among major U.S. markets, while the pace of rent growth ranks in the top 10. Low retail availability is extensive throughout the metro. Last year, 13 of Nashville's 16 largest submarkets by inventory had a vacancy rate below 3 percent. More than half of these areas boasted a sub-2 percent recording. The primary exception to the marketwide strength is the Southeast Corridor, where availability rested above 9 percent last year. This submarket also has the largest construction pipeline in the metro, entering 2023 at roughly 350,000 square feet, including the biggest individual project. The Tanger Outlets in Antioch, an open-air center, plans to host about 70 different retailers after opening.

Price gains accompany impressive metrics, higher rates impact activity. Since 2017, Nashville has regularly ranked in the top five major U.S. metros for retail asset per-square-foot sale price growth, and was the third fastest through late 2022. This consistent appreciation could help facilitate deals amid higher borrowing costs this year. Nonetheless, the new lending climate is creating an adjustment period. Deal flow in the second half of last year fell almost 50 percent relative to the equivalent frame of 2021 and challenges remain. Trading will likely not revive until the Federal Reserve settles on lending rates. Triple-net assets may be the primary investor focus in 2023, as the metro claimed the lowest single-tenant vacancy rate among major U.S. markets late last year.

2023 Market Forecast

- NRI Rank** 8 Nashville generates a top-10 score in the Index, due to its rapidly expanding consumer base fueled by net in-migration.
- Employment** ↑ up 0.2% Following the addition of 100,000 jobs across 2021 and 2022, the gain this year is significantly smaller at 2,500 positions.
- Construction** ↓ 800,000 sq. ft. Builders finalize 20,000 less square feet than in 2022, with the annual delivery volume measuring as the second smallest in five years. This will help put a lid on upward vacancy movement.
- Vacancy** ↑ up 10 bps Despite a slight vacancy bump to 3.4 percent, Nashville is among the tightest major markets. Single-tenant availability could hold more than 400 basis points below multi-tenant.
- Rent** ↑ up 4.4% Annual asking rent growth retreats from 7.5 percent last year, but still registers as one of the fastest in the nation. The average marketed rate will improve to \$23.60 per square foot.
- Investment** ● Higher vacancy and considerable supply pressure in the Southeast Corridor could create some buying opportunities. The area has a sizable selection of community and neighborhood centers.

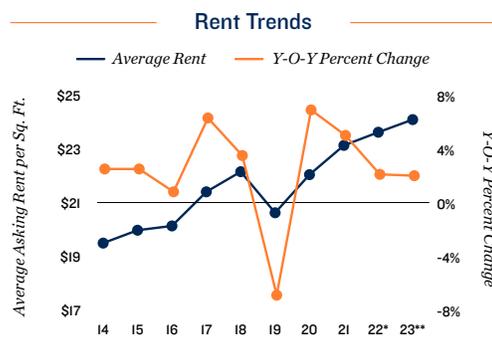
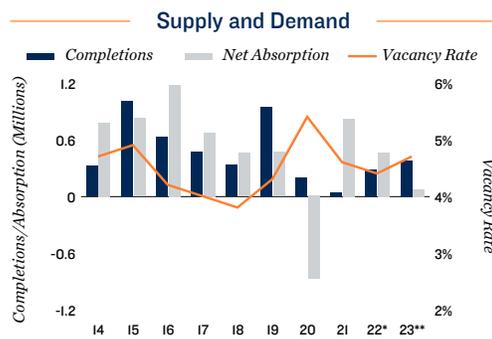


* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Affluent Consumer Base Supports Fundamentals and Encourages Investment as Retail Sector Faces Hurdles

Regional consumer demand well-positioned to withstand headwinds. At the end of 2023, the region is anticipated to retain the highest median household income among major U.S. markets. This should support retail spending, even as high inflation continues to weigh on consumers. A measured pace of inventory additions provide another note of optimism, with developers expected to expand stock by just 0.4 percent marketwide this year. As of late 2022, more than 90 percent of the active construction pipeline had already been leased, foreshadowing minimal supply impact on vacancy during the near term. Macroeconomic factors will nevertheless create some hurdles for the local retail landscape this year as the region's job market undergoes a minor contraction. Softening economic outlooks have convinced some tenants to pause or cancel planned expansions, translating into the lowest positive net absorption figure in more than 15 years. While certain locales like Bridgeport and New Haven could face stronger headwinds, a relatively affluent overall consumer base should meter regional upward movement in availability.

Solid retail base reflected in active investment market. Persistently elevated inflation has generated concern over retail performance nationwide, though an active local consumer base has kept investors engaged in New Haven and Fairfield counties entering 2023. Despite shifting investor sentiment and mounting financing headwinds, southwestern Connecticut marked record annual transaction velocity in both the single- and multi-tenant segments, prior to the end of last year's third quarter. Though deal flow will likely decelerate, pending further rising interest rates, buyers may continue to find opportunities amid the current economic flux. Investors focusing on discount retail options for their necessity appeal could pursue assets in the area's downtown cores of Stamford, Bridgeport and New Haven. The region is also abundant with single-tenant net-lease options for private investors operating in the \$1 to \$3 million price tranche.



2023 Market Forecast

NRI Rank 47 Tepid long-term employment growth, due to population attrition, leads to a ranking near the bottom of this year's Index.

Employment Regional employment contracts by 4,000 jobs in 2023, shedding down 0.5%

Construction Square footage additions increase more than 30 percent on an annual basis. Though at 0.4 percent, the expected rate of stock expansion still trails the historical average.

Vacancy Availability will observe a slight bump as retail tenants anticipate this year's macroeconomic challenges. Overall vacancy will close out 2023 at 4.7 percent.

Rent Despite the uptick in vacancy, the mean marketed rent will maintain a steady upward trajectory comparable to 2022, reaching \$24.07 per square foot by the end of December.

Investment As of late 2022, the region retains the highest average yield among major New England and New York Tri-State markets, facilitating the search for financing in a challenging time.

* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Recovering Leisure Travel Facilitates Demand Backstop; Leasing Activity Shines Spotlight on Outer Boroughs

Tourism recovery provides note of optimism amid vacancy uptick. Entering 2023, consumer activity in Manhattan was still impacted by the after-effects of the health crisis. With projections showing just over 50 percent of workers returned in the office by mid-January, low attendance is the largest hurdle to clear on the path to a full recovery, and will be a significant contributing factor driving rising availability this year. On a brighter note, Metro-North Railroad and Long Island Rail Road usage has improved, with weekend ridership consistently surpassing the pre-pandemic level by the end of last year. Contemporary tourism figures from NYC & Company stand at 85 percent of 2019 counts. This lines up with other comparable visitation metrics forecasting a full domestic tourism recovery before the end of this year. Long-term outlooks in the more residential outer boroughs are also positive, with leasing activity reaching an all-time high outside of Manhattan during last year's fourth quarter. The city's employment base is expected to observe further growth in 2023, stimulating consumer activity in these locales.

Investment market slows in response to cooling economic expectations. Quarterly transaction velocity reported consistent declines over the course of 2022, owing to mounting capital costs and tepid gains in office usage, suppressing foot traffic in major business districts. Shifting outlooks have also translated into pricing declines in both the single- and multi-tenant segments. Buyers with long-term strategies may take advantage of this softening in anticipation of future growth cycles. The outer boroughs could also take up a larger share of citywide deal flow moving forward, with buyers pursuing single-tenant net-lease opportunities in residential zones of the Bronx and Queens. Investors that remain active in core Manhattan and Brooklyn business districts could target assets with experiential retail options, as pedestrians on leisure or recreational trips make up a larger composition of foot traffic.

2023 Market Forecast

NRI Rank 33 Though high vacancy hampers New York's standing, job growth keeps the city from ranking further down on the 2023 Index.

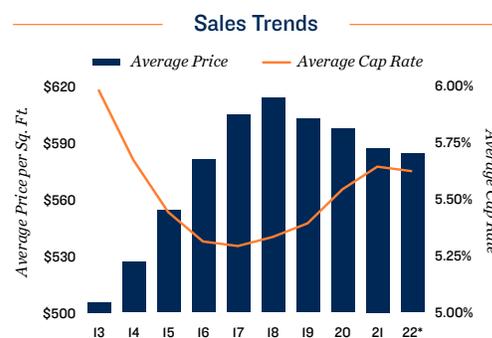
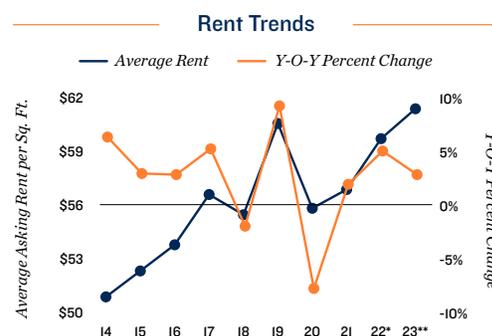
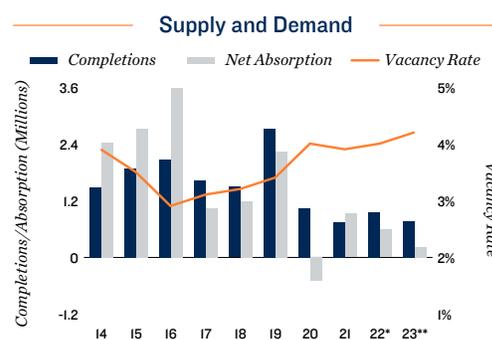
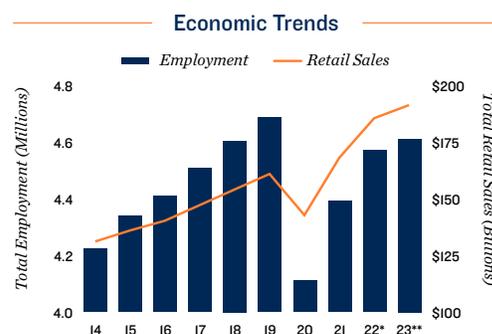
Employment up 0.9%  New York City firms will continue expansion efforts in 2023, ultimately growing payrolls by a net 40,000 new positions.

Construction 775,000 sq. ft.  Developers complete the second-smallest amount of square footage in multiple decades, with the annual total falling below the 1-million-square-foot mark for a third consecutive year.

Vacancy up 20 bps  Although net absorption remains positive, availability bumps up to 4.2 percent amid economic headwinds. The overall vacancy rate will notch a 10-year high.

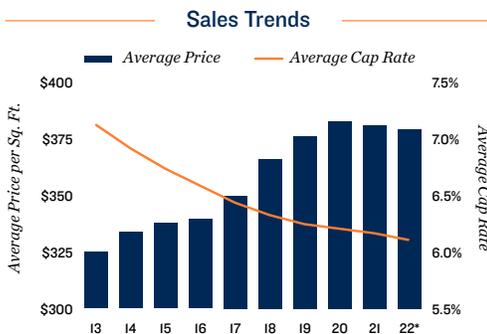
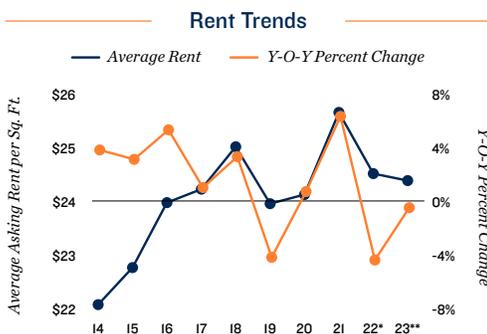
Rent up 2.8%  As tourists return to New York City, tepid supply gains and increasing foot traffic allow rent gains to continue. The average asking rate will close out the year at \$61.33 per square foot.

Investment  While recovery in business districts continues, buyers may seek out discount retail and dining options in the city's outer boroughs in response to shifting consumer habits.



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Silver Linings Appear, Despite Economic Concerns; Some High-Credit Tenants Draw Investment Amid Flux



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Job growth and stable inventory expansion guide retail sector through headwinds. While mounting economic uncertainty will bump up vacancy as many retailers pause store expansions moving into 2023, the region retains various positive demand factors. Despite economic flux, area firms are projected to grow the employment base across multiple sectors by year-end. Proactive state tax incentives have also spurred relocations by financial technology and life sciences employers, allowing for an average discretionary income above the national mean. Accommodating these drivers, supply additions are continuing at a stable, yet mild, pace of 0.4 percent inventory expansion for a third year. A majority of the active pipeline’s square footage has already been leased, including larger move-ins by LA Fitness and Lidl. In addition, the two largest leases beginning in 2023, signed by Macy’s Furniture and Target, comprise a combined 128,000 square feet at properties both built in the 1970s, indicating vintage properties can maintain tenant appeal.

Investors shift acquisition targets in response to changing economic expectations. Driven by surging trades of multi-tenant assets, transaction activity marked a new record during the second quarter of last year. Nevertheless, sales activity declined precipitously in the latter half of 2022, due to a combination of rising interest rates and shifting economic outlooks. As financing headwinds intensify, buyers will likely look to assets housing high-credit tenants, focusing on national brands with perceived resiliency during an economic downturn. Discount retail and dining options have traded more frequently, reflecting uncertainty that has grown throughout the past calendar year, prompting consumers to more closely manage budgets. On the other hand, some buyers may continue to seek out higher-end retail assets in 2023, due to the region’s lofty median income. Investors targeting an affluent consumer base may look to downtown locales in Bergen and Essex counties.

2023 Market Forecast

- NRI Rank** **43** Long-term revenue concerns place the region in the bottom fifth of ranked metros in the 2023 Index.
- Employment** up 0.5% Employers recruit at least 11,000 workers this year as job gains ease to roughly one-seventh the size of 2022’s increase.
- Construction** 750,000 sq. ft. Deliveries rise by 50,000 square feet from the previous annual span as developers complete a mix of single- and multi-tenant properties spread throughout the region.
- Vacancy** up 20 bps Though net absorption will remain positive throughout this year, demand nevertheless trails inventory expansion. Overall availability will end 2023 at 4.2 percent.
- Rent** down 0.5% While rents will continue their downward trajectory, the pace of declines slows from last year’s 4.4 percent decrease. The mean marketed rent will fall to \$24.37 per square foot.
- Investment** Densely populated locales along the waterfront feature a number of assets that could draw investors interested in mixed-use retail/residential options.

Retail Fundamentals in Oakland Remain Challenged; Regionally High Yields Facilitate Transaction Activity

Vacancy continues to climb upward. Large-scale move-outs continue to hinder market conditions in Oakland’s retail sector. Entering 2023, annual net absorption has been in the red for four consecutive years. While this stretch of negative space demand is unprecedented, the metro’s vacancy rate remains below the historical high achieved during the aftermath of the Global Financial Crisis, aided by moderate development. Availability is tightest inside the city of Oakland and in areas along the 880 Corridor, where local vacancy was at least 140 basis points below the market average as of the fourth quarter in 2022. Heading into this year, widespread inflation and rising interest rates are expected to slow wage and job growth across the metro in the near term. The negative impact these factors will have on discretionary spending and leasing activity will serve as headwinds to the retail sector, resulting in the fifth consecutive year of annual vacancy expansion in the East Bay. However, the long-term outlook is more optimistic, as BART’s ongoing extension to San Jose will expand commuting options for Oakland residents, and regional affordability continues to draw net in-migration to the area. These factors should help broaden the local consumer base and provide tailwinds for overall retail market performance.

Deal flow outpaces all other Bay Area metros. Transaction velocity in Oakland reached a three-year high in 2022, even amid a rising interest rate environment, outpacing all other metros in the Bay Area. Regionally low entry costs and average first-year returns that are at least 50 basis points higher than San Francisco and San Jose likely spurred much of the recent activity. However, macroeconomic headwinds may moderate trading activity in the near term. Investors active inside the city of Oakland are often searching in the north side, or targeting properties proximate to the airport. Assets in growing affluent neighborhoods like Berkeley are also highly coveted due to strong tenant demand, where local vacancy was in the high-3 percent range entering 2023.

2023 Market Forecast

NRI Rank 46 Elevated vacancy and slow growth in retail sales drops Oakland to the 46th spot in this year’s ranking.

Employment  Employers add 8,000 new positions in Oakland, as job gains ease to nearly one-fifth of the hiring recorded in 2022.
up 0.7%

Construction  Although completions increase on an annual basis, construction activity remains well below the long-term average of 605,000 square feet per annum.
177,000 sq. ft.

Vacancy  Availability continues on its upward trajectory, as net absorption remains in negative territory for the fifth straight year. The vacancy rate will rise to 6.2 percent.
up 30 bps

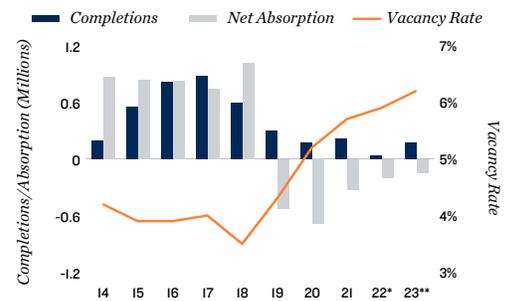
Rent  The average asking rent will climb again in 2023, albeit at a slower pace than last year. The rate will reach \$31.47 per square foot, marking a new all-time high in the East Bay.
up 2.0%

Investment  Strong household formation may heighten buyer demand for retail assets in suburban submarkets, such as Antioch-Pittsburg and Martinez-Pacheco-Hercules.

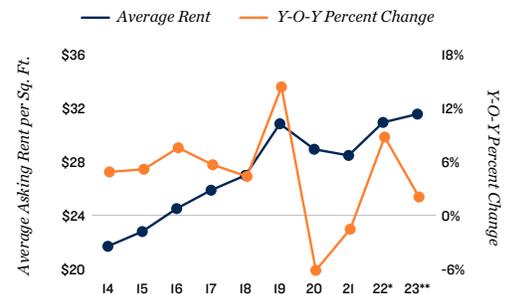
Economic Trends



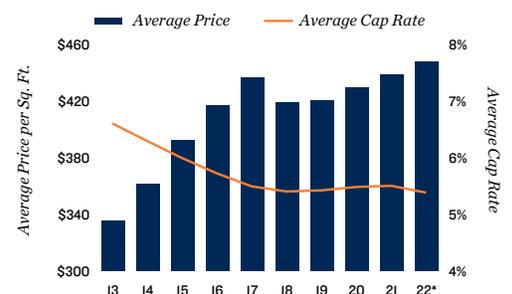
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

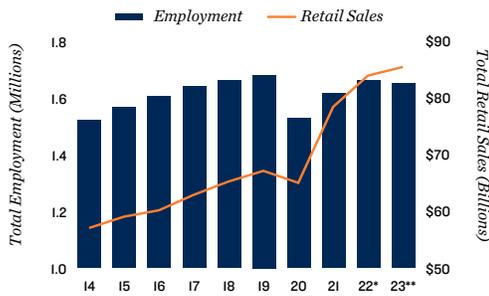
Sources: CoStar Group, Inc.; Real Capital Analytics

Lack of Construction Steers Retailers to Existing Stock; Metro's Consistency Warrants Investor Attention

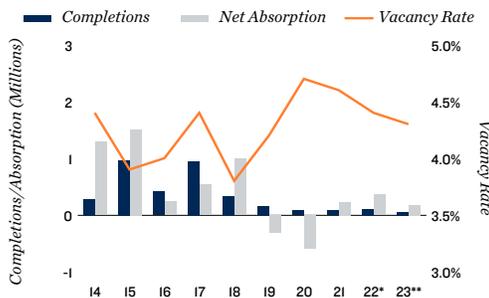
Tourists and higher-earning residents support retailer growth. Orange County entered this year with the nation's smallest retail pipeline and California's lowest vacancy rate. These conditions and a recent improvement in leasing velocity suggest tenant competition for available square footage will be palpable during 2023, as several factors motivate vendors to grow their local footprints or renew existing leases. Supported by a sizable cohort of higher-earning professionals, the metro's median household income is among the nation's highest, indicating Orange County residents may have larger discretionary budgets than individuals in nearby markets during a period of potential economic volatility. Additionally, visitor volumes have rebounded, bolstering prospects for retailers near amusement parks and beaches. While inflation and a possible recession could temper the tourism industry's recovery this year, a full slate of major conventions could prevent a notable drop in outside patronage from occurring. The Anaheim Convention Center is scheduled to host at least 44 large events this year that will each support more than 1,000 room nights at area hotels.

Pandemic-era stability an attractant. Local retail vacancy has remained consistent throughout the past three years, with the metro's average cap rate hovering in the high-4 percent range during the same interval. This stability and recent price growth in other sectors may motivate some owners to exchange out of existing holdings and invest proceeds in less management-intensive retail assets that provide long-term cash flow. Active net-leased buyers could target listings in Anaheim and other North County cities, where availability nearly reached an all-time low last year. The ongoing construction of the OC Streetcar has the potential to generate investor demand for shopping centers in Santa Ana and Garden Grove proximate to the light rail line. Central County's extremely tight multi-tenant vacancy should further support demand for listings in these locales.

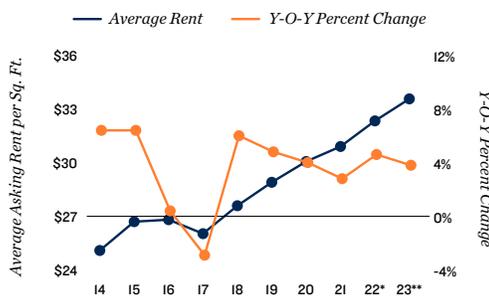
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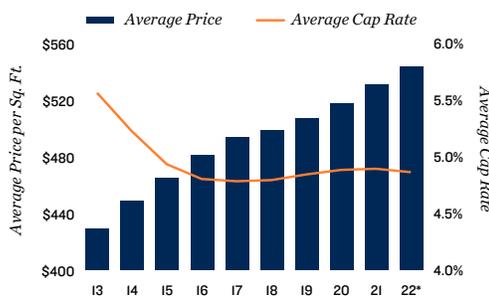
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

- NRI Rank 29** Vacancy compression is offset by job losses and tempered sales growth, placing Orange County outside the top 25.
- Employment** down 0.6% After adding 45,000 positions last year, the metro's job count retreats by 10,000 roles in 2023 amid corporate hiring freezes.
- Construction** 60,000 sq. ft. Orange County's retail inventory nominally expands for a fifth straight year. Single-tenant properties north of Irvine account for the bulk of this year's completions.
- Vacancy** down 10 bps Minimal new supply requires expanding retailers to seek existing space, aiding leasing velocity and renewals. This drops vacancy to 4.3 percent, the lowest year-end rate since 2019.
- Rent** up 3.8% Tight conditions have Orange County poised to record a sixth consecutive year of positive rent growth. By year-end, the average marketed rate will reach \$33.53 per square foot.
- Investment** The implementation of a new tax on real estate transactions in the city of Los Angeles may shift some active Southern California buyers' focus to Orange County listings.

Central Florida’s Global Tourism Hub and Growing Population Bolster Retail Spending

Revived consumption by international visitors aids metro. Retail space demand in Orlando has long been underpinned by its tourism backbone, and more recently, nationally strong household formation. The metro’s array of theme parks, which attract tourists from across the globe, have regained prominence as pandemic health concerns have subsided. In March of last year, Orlando International Airport recorded the third-busiest month ever for international passenger volume — a nearly 500 percent boost from 2021. However, as the economy slows globally, tourism spending may taper this year. Helping to backstop any losses to consumer demand, the metro is expected to record rapid net in-migration. Specifically, Orlando is projected to add the fifth most new residents among major U.S. markets in 2023. These demand tailwinds are reflected in recent leasing activity. Major move-ins this year include a 100,000-square-foot BJ’s Wholesale Club in Casselberry and two new Publix supermarkets in the Tourist Corridor and outlying Osceola County. Still, retailer demand will struggle to keep up with supply in 2023, as the completion of 2.3 million square feet places upward pressure on vacancy in the near term.

National buyers continue to admire the tourist spending foundation. With the highest availability among major Florida metros, the market may attract investors with backgrounds in renovation and re-tenanting. In addition, Orlando has historically observed some of the highest cap rates in the state, which could be beneficial during the current period of elevated interest rates. Investors targeting stabilized assets in well-trafficked areas look to the Tourist Corridor. Globally-known amusement parks direct much of the transient consumer spending to the area. Buyers may also find opportunities in the adjacent suburbs that comprise the South Outlier submarket, which boasts the largest retail inventory metrowide. The area achieved a record-low vacancy rate below 1 percent late last year, providing operational margins in the face of macroeconomic headwinds.

2023 Market Forecast

NRI Rank 19 Orlando ranks in the top 20 this year. However, rising vacancy positions the metro below the other five major Florida markets.

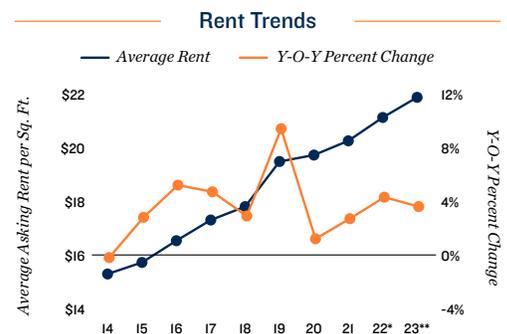
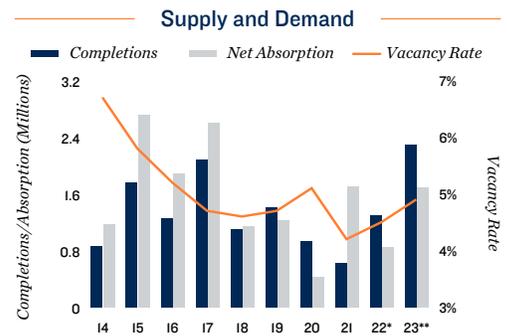
Employment Job growth tapers this year as 8,000 new positions will be added, bringing employment 42,300 jobs above the 2019 mark.
up 0.6%

Construction Completions reach a 15-year high, equating to the third-largest delivery volume among major U.S. markets. The largest share comes to the South Outlier area, especially Lake Buena Vista.
2,300,000 sq. ft.

Vacancy Robust completions will outpace accelerated net absorption to lift vacancy this year. The rate will be pushed to 4.9 percent, which is 20 basis points above the pre-pandemic measure.
up 40 bps

Rent The pace of rent growth slows on an annual basis, while still remaining above the 10-year average. The mean asking rate will climb to \$21.85 by year-end, led by single-tenant gains.
up 3.6%

Investment Robust inbound migration is warranting expansion into previously undeveloped land in Lake County. This has the potential to attract investors to more outlying areas of the metro.



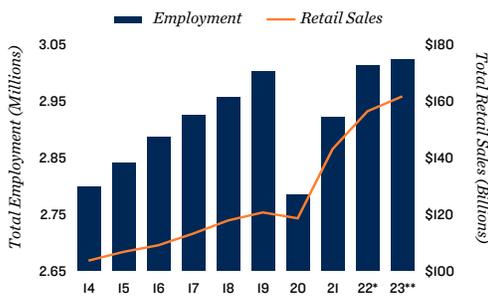
* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Job Gains and Narrow Supply Pipeline Bolster Retail; Uncertainty Pushes Buyers to High-Credit Tenants

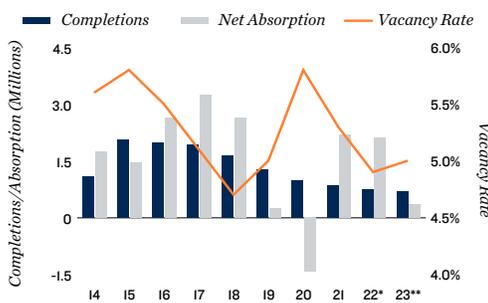
Labor market resilience backstops consumer spending amid urban comeback. Having entered the year at record staffing counts, Philadelphia firms will continue to boost totals across diverse sectors, including well-compensated positions that should help insulate consumer spending in a time of increasing uncertainty. The metro is also well-poised to withstand incoming macroeconomic headwinds on the retail operations side. At 4.9 percent, marketwide vacancy at the start of 2023 was tighter than the immediate pre-health crisis equivalent. Despite an uptick expected this year, solid leasing activity into late 2022 should meter availability decompression moving forward. Upcoming move-ins are a promising sign that some of the region's districts are still steadily recovering from the aftermath of the pandemic, as several of the largest leases beginning next year are located within Philadelphia proper. Furthermore, according to Center City District figures, CBD foot traffic from residential sources had reached nearly 120 percent of the 2019 level by October of last year. Returning office workers should facilitate an additional source of demand in Center City and adjacent locales as the year continues.

Rising interest rates complicate investment, despite solid fundamentals. Increasing financing hurdles translated to a marked quarter-by-quarter slowdown in transaction velocity throughout 2022. Declining bidding activity, in tandem with general economic flux, have frustrated price discovery. Annual pricing gains decelerated to the slowest pace observed in the metro since the immediate aftermath of the financial crisis, with some attrition seen in the single-tenant segment. Nevertheless, investors are still active, with trades featuring high-credit tenants representing a larger share of deal flow as current uncertainty encourages buyers to pursue these assets. If macroeconomic outlooks continue to deteriorate, a greater proportion of capital may shift to more affluent regions, such as Philadelphia's northern suburbs and similar areas of southern New Jersey.

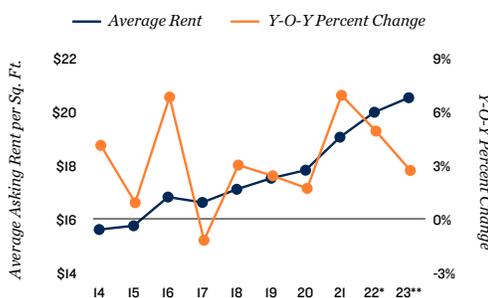
Economic Trends



Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

- NRI Rank** 23 Modest supply gains, contrasted with tepid household growth, place Philadelphia near the middle of the 2023 Index.
- Employment** ↑ up 0.4% The metro's employment base reaches new heights as area firms expand staff counts by 12,000 positions.
- Construction** ↓ 700,000 sq. ft. Annual construction totals reach a record low for a second consecutive year as developers add stock at a measured pace. Since 2019, completions have not exceeded 1 million square feet.
- Vacancy** ↑ up 10 bps Restrained development activity limits upward movement in the vacancy metric. Availability bumps up to 5.0 percent, after entering 2023 at a three-year low.
- Rent** ↑ up 2.7% Rent growth will ease to the lowest pace since 2020, when asking rents advanced at a 1.7 percent annual clip. The mean marketed rent closes out 2023 at \$20.49 per square foot.
- Investment** ● Investors seeking out recently constructed inventory are most active in southern New Jersey, with most post-millennium builds changing hands in the suburbs here.

Retailer Sentiment Shines Brightly Across Phoenix; Investors Maintain a More Measured Approach

Residential growth continues to produce tailwinds for vendor demand. The 70 percent gain in Phoenix’s retail sales volume over the past five years can mostly be attributed to its ongoing population boom, which has jolted consumption. During this span, the metro welcomed a net 330,000 new residents, with its regionally affordable housing and relatively low income tax spurring relocations from Southern California and the Midwest. Continued expansion will assist Phoenix in weathering 2023’s labor market flux, as its pace of net in-migration is projected to be the second strongest among major U.S. metros. Recent leasing activity confirms retailers are expanding local footprints in response to population growth, with Burlington signing five leases during 2022 and fitness club EōS signing three. These commitments equated to more than 400,000 square feet of space, helping to compress vacancy well-below the 20-year mean. Looking ahead, a slower pace of development should increase the likelihood of a near-term vacancy decline, with nearly 80 percent of the space slated for completion accounted for as of January.

Investors attempt to mitigate risk by focusing on top-performing submarkets. Among major U.S. markets, Phoenix boasts the largest proportion of multi-tenant stock relative to overall inventory. This composition — and a multi-tenant vacancy rate that continues to compress, despite elevated new supply — should support competition for what may be fewer listings this year. Top-performing shopping centers and well-located multi-tenant properties with re-tenanting opportunities should garner attention in the East Valley, as localized population growth and a 15-year-low multi-tenant vacancy rate attract risk-averse buyers. Net-leased assets in this area also stand to gain the attention of active investors, as the submarket accounts for a third of the metro’s single-tenant inventory. Elsewhere, Scottsdale and Northwest Phoenix’s relatively high asking rents and favorable demographics make both areas suitable for these investors as well.

2023 Market Forecast

NRI Rank 17 Phoenix places in the top 20 of the Index as a rapid pace of household formation improves retail sales volume.

Employment Local employers shed 5,000 positions during 2023 — a loss that equates to 6 percent of last year’s job creation.
down 0.2%

Construction Completions are headlined by the 700,000-square-foot Village at Prasada, an outdoor shopping center in Surprise. This project and other near-term additions grow stock by 0.8 percent.
1,500,000 sq. ft.

Vacancy Retailer demand for space surpasses supply additions for a third consecutive year. This performance compresses vacancy to a rate 300 basis points below the metro’s long-term mean.
down 10 bps

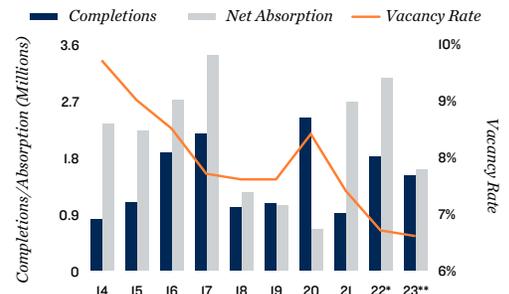
Rent Despite some moderation, the pace of asking rent growth continues to exceed the historical average, with the mean marketed rate advancing up to \$17.73 per square foot.
up 2.8%

Investment Downtown’s recent stretch of scant supply facilitated record rent growth last year, a trend that should sustain interest in local listings despite a pullback in overall trading.

Economic Trends



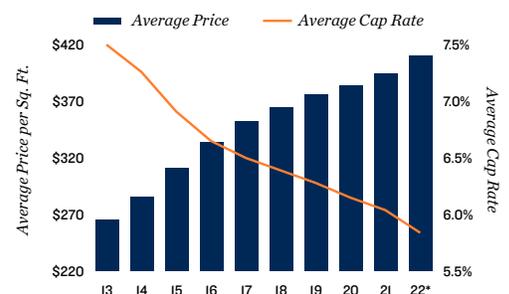
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Tepid Development Keeps Metro Mostly in Balance; Cost Advantage Attracts Out-of-State Buyers

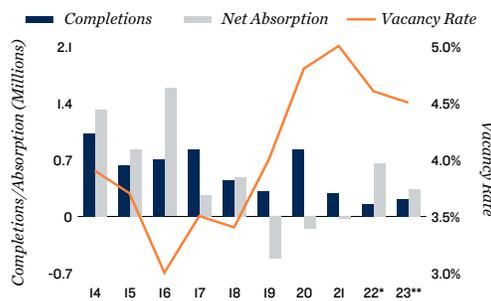
Conservative construction pace allows recovery to carry on. Pittsburgh has seen a number of fitness and experiential retailers open their doors in recent years. In 2023, the city's first-ring suburbs will accrue more of these operations, with Planet Fitness, K1 Speed Kart Racing and Ascend Rock Climbing among the largest anticipated move-ins. Many of these retailers were drawn here as the tech sector became a prominent aspect of the local economy, a fact that could begin to work against consumer activity. Much of this segment is expected to freeze hiring or downsize this year alongside the broader employment base, indicating demand headwinds are to come. Trends on the supply side are more positive, however. The languorous pace of stock expansion will continue, which has not exceeded 0.2 percent on an annual basis since 2020. Over 90 percent of the active pipeline is accounted for, further minimizing the impact on the market. Restrained development should facilitate a three-year availability low. In further cause for optimism, absorption will stay positive for a second consecutive year, the first such span since 2018.

Low entry costs facilitate capital inflows. The local investment market recorded one of its most active years in 2022, supported by a sharp increase in out-of-state buyers as this segment took notice of the metro's cost advantage over nearby cities. These investors are primarily pursuing assets in Pittsburgh proper or first-ring suburbs, and to a lesser extent Washington and Westmoreland counties. Following wider trends, these investors target high-credit national brands, typically seeking out discount retail and dining options. In addition to being attractive assets in times of economic flux, these tenants are often easier to finance, and can represent a higher portion of successful trades during periods of mounting capital costs. Though rising interest rates will weigh on investor sentiment in 2023, many of these actors are private buyers operating in the sub-\$10 million tranche, who often have wider cap rate targets than their institutional counterparts.

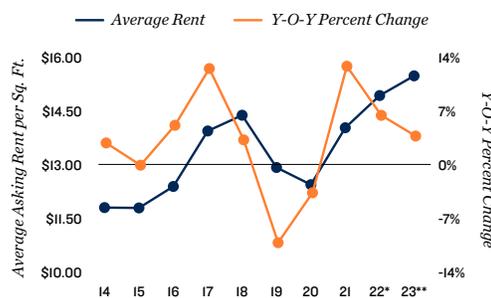
Economic Trends



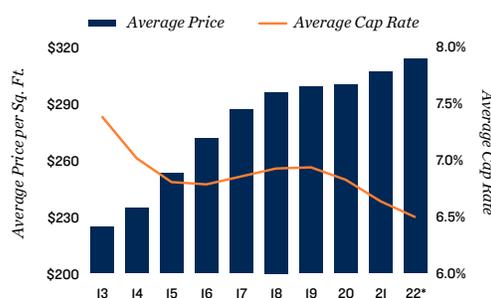
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

NRI Rank 38 A contracting job market and sluggish household growth place the metro squarely in the bottom half of nationwide rankings.

Employment down 0.8% Pittsburgh employers shed roughly 9,000 jobs on net in 2023, roughly one-third of the gains achieved last year.

Construction 210,000 sq. ft. Though supply additions increase by roughly 40 percent on an annual basis from 2022, developers will nevertheless complete the second-lowest amount of square footage since at least 2007.

Vacancy down 10 bps Slow stock expansion allows for another year of declining vacancy, after a 40-basis-point compression was observed last year. Availability will finish 2023 at 4.5 percent.

Rent up 3.7% Rent growth continues for a third consecutive year, but decelerates after a respectable 6.4 percent gain was observed in 2022. The mean marketed rent reaches \$15.46 per square foot.

Investment Buyers seeking properties adjacent to stable consumer demand sources may look to the Oakdale-Shadyside submarket, near both Carnegie Mellon and the University of Pittsburgh.

The Rose City Welcomes Regional, Cost-Conscious Transplants, Supporting Retail Spending and Investment

Comparatively-low living costs draw migration from nearest major metros. An average multifamily rent at least \$330 below Seattle and Bay Area markets, along with a lower income tax rate, is attracting new households to Portland. Net in-migration reached a five-year high in 2022 – with 21,400 new residents – and the metric is projected to grow further in 2023. Many transplants operate on a remote work schedule, bringing comparatively-high Bay Area and Seattle-based wages to the metro. Paired with Oregon’s absence of a state excise tax, this trend is fueling income growth and the near-term consumption outlook. Portland is projected to have the second-largest retail sales growth among major U.S. markets during 2023. Still, many businesses are hesitant to expand, in light of recent layoffs from the metro’s largest firms. Uncertainty among some vendors is compounded in the core by an ongoing housing crisis, which has diminished foot traffic downtown. As such, overall vacancy will rise to 4.2 percent by year-end; however, strong in-migration should help return operations to historical norms in the coming years.

Investors keen on population growth hubs. Retail trading remained elevated in Portland up until September of last year, when buyers pulled back amid persistently higher interest rates. Investors that remain active are pursuing opportunities in locales where long-term demand drivers are most pronounced. Assets in Clark County should garner interest, as roughly 2,500 apartments were under construction at the onset of this year, brightening the outlook for future local consumer demand. Much of the development here is mixed-use, potentially attracting buyers seeking newly-built, ground floor retail space. Buyers targeting areas of residential growth and encouraging retail leasing activity should also be active in the Southeast, specifically Clackamas and Milwaukie. Here, fitness centers and new grocers are popping up, a reflection of vendors’ confidence in the submarket’s long-term demand drivers for health and necessity-based retail.

2023 Market Forecast

NRI Rank 32 Layoffs and rising vacancy outweigh pronounced retail sales growth, giving Portland a bottom-half ranking in the Index.

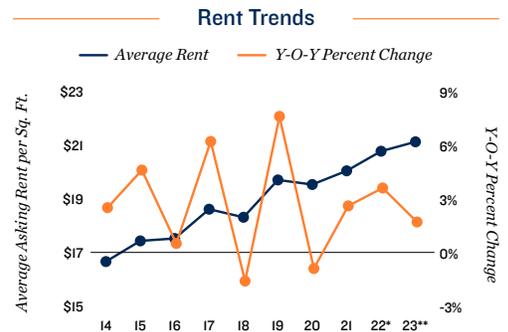
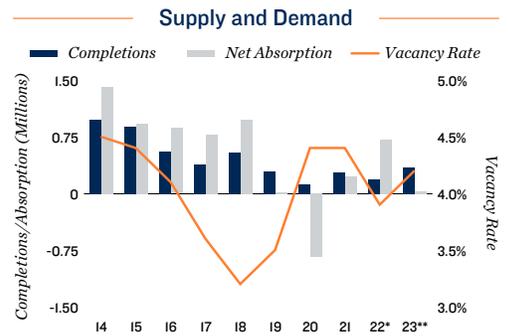
Employment down 0.3% Positive job creation comes to a halt, with local employers anticipated to shed 4,000 positions on net in 2023.

Construction 350,000 sq. ft. Delivery volume rises after a year in which builders completed less than 200,000 square feet. Projects slated for finalization during 2023 are concentrated in Clark County.

Vacancy up 30 bps Positive net absorption is recorded for a third year; however, retail demand will be outpaced by supply additions during 2023, lifting the year-end vacancy rate to 4.2 percent.

Rent up 1.7% Higher vacancy gives tenants more options to sort through, easing competition for available space. This translates to the mean asking rate inching up to \$21.10 per square foot.

Investment Intel-related expansions on the Westside are expected to heighten demand for nearby retail as the company adds personnel, bolstering investors’ confidence in the submarket.

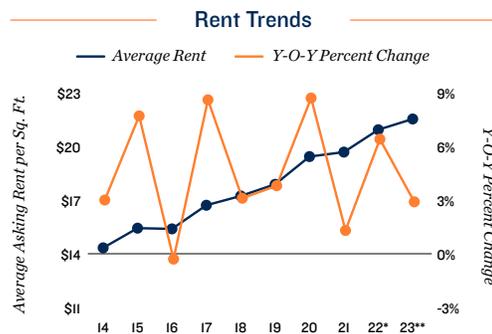
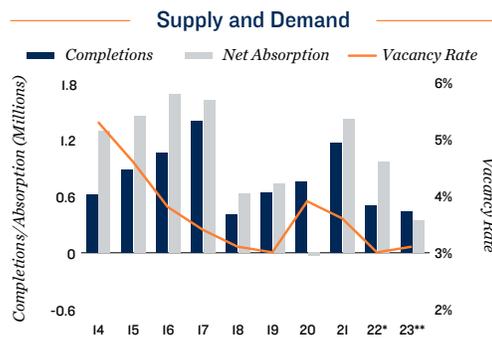
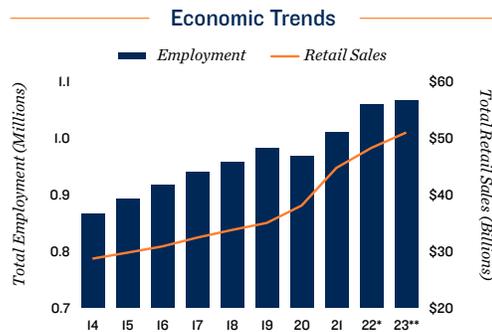


* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Strong Demographics Support Exceptional Occupancy; Investors Pause, Anticipating Flux

High-wage job creation maintains nationally-tight availability. Competition among expanding vendors for available retail space remains stark in Raleigh, with the metro tied for the lowest vacancy rate among major U.S. markets entering the year. Consumer spending is being stimulated by the recuperation and expansion of staff by local firms, which have added nearly 70,000 new jobs since the onset of the health crisis, compared to just 40,000 during the equivalent two-year span prior to February 2020. The typically high-wage tech, finance and medical sectors have accounted for most of this recent hiring, allowing Raleigh to lay claim to the Southeast’s largest median household income. A collection of well-earning professionals, paired with continued household formation and net in-migration, will enable the market to register the fastest retail sales growth in the nation this year. These factors should stoke retailer demand for space, with a lull in new supply steering expanding vendors to existing properties. This dynamic will maintain extremely tight conditions, despite near-term job market uncertainty that is expected to negatively impact some households’ discretionary spending power.

Some buyers hesitate amid professional services hiring pause. Despite the market’s recently strong performance, investors may curtail the number of retail opportunities they pursue in Raleigh this year. The metro’s sizable roster of tech employers – including Intel, Microsoft and Apple – are freezing hiring or reducing staff and contributing to some cautiousness among buyers, specifically in retail corridors that are reliant on midweek foot traffic. For those still active in the market, however, North Raleigh should represent a favored locale. Historically, pricing well-below the metro average exists here, translating to some of the metro’s highest cap rates. For this reason, retail listings should register their share of buyer competition during 2023, as investors attempt to meet first-year return targets amid an elevated interest rate environment.



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

- NRI Rank** **13** An encouraging outlook for local retail sales is buoyed by rapid household expansion, placing Raleigh in the top 15 of the Index.
- Employment** up 0.7% An estimated 7,000 new jobs will be filled during 2023, marking a sizable moderation from the 50,000 roles created last year.
- Construction** 440,000 sq. ft. Retail inventory expands by 0.5 percent, a pace that is less than half of the post-2006 annual average. The Orange County sub-market is slated to add the most space this year.
- Vacancy** up 10 bps Despite notching its first year-over-year availability increase since June 2021, the vacancy rate – at 3.1 percent – remains 190 basis points below the long-term average.
- Rent** up 2.9% The pace of rent growth tempers as metrowide net absorption shrinks to about one-third of its 2022 volume. Still, the mean asking rate will reach a record mark of \$21.50 per square foot.
- Investment** Buyers seeking highly-occupied shopping centers may pursue assets in Durham County, where multi-tenant vacancy is the lowest among U.S. submarkets, with 5-million-plus square feet.

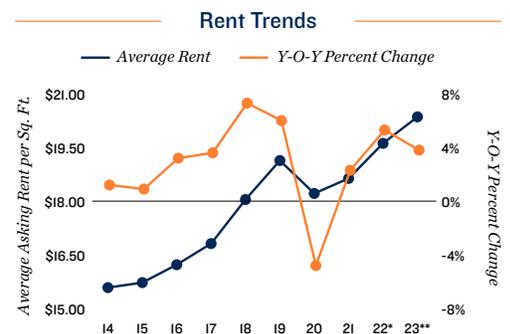
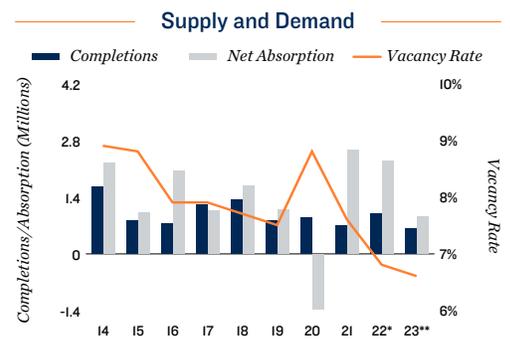
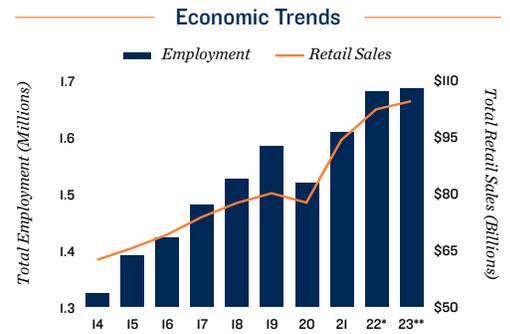
Vacancy on Path to the Lowest Mark in Over a Decade; Western Locations Warrant Greater Buyer Attention

Mild construction helps one of the nation's most vacant markets gain traction. Riverside-San Bernardino enters 2023 on very solid ground historically speaking. Vacancy sits at 6.8 percent compared to a trailing 10-year mean of 8.4 percent, while the average asking rent is on pace to eclipse the \$20.00 per square foot threshold for the first time since the global financial crisis. During both 2021 and 2022, net absorption surpassed 2 million square feet, which had only occurred twice across the prior decade. This robust demand dropped vacancy by 200 basis points in that two-year stretch, and the rate will remain on a downward trajectory in 2023. While leasing activity will struggle to match those recent periods amid economic headwinds, reduced construction should help prevent a rise in available space, as this year's delivery volume is projected to be the smallest since 2011. Despite these positive strides, however, Riverside-San Bernardino's retail sector remains one of the most vacant among major U.S. markets. Single-tenant availability was tied for the highest rate in the country, entering this year north of 6 percent, while multi-tenant vacancy above 8 percent ranked as the fifth largest.

Improving performance metrics and regional yield advantages underpin deal flow. Strong transaction activity over the past two years contributed to Riverside-San Bernardino's mean cap rate falling 20 basis points to 5.7 percent. Even with this decline, the market retains average retail asset yields that are 70 to 110 basis points higher than Los Angeles, Orange County and San Diego. Investors that remain active in a higher interest rate climate will favor residential and leisure travel areas on the east side of the metro, including Coachella Valley and Riverside. Buyers may also look to places where fundamentals are improving more rapidly. One such area is the Inland Empire West submarket, where vacancy fell more than 150 basis points year-over-year through late 2022. This corridor includes the Airport Area, as well as Chino-Chino Hills and Upland-Montclair.

2023 Market Forecast

- NRI Rank** 21 Riverside-San Bernardino's placement just outside the top 20 is the second-best score for a major California metro this year.
- Employment** ↑ Buoyed by the creation of industrial sector jobs, Riverside-San Bernardino adds 5,000 positions to its total employment count.
 up 0.3%
- Construction** ↓ Developers complete 370,000 less square feet in 2023 than in the prior year. Nonetheless, the 0.4 percent rate of inventory growth is the highest among major southern California metros.
 630,000 sq. ft.
- Vacancy** ↓ Retail availability in the Inland Empire falls for a third straight year, reaching 6.6 percent by the end of 2023. An improving vacancy metric facilitates a third year of rent growth as well.
 down 20 bps
- Rent** ↑ Building off last year's 5.3 percent rise, the average asking rent climbs to \$20.34 per square foot in 2023. This still represents a near-40 percent discount to Los Angeles and Orange County.
 up 3.8%
- Investment** ● Buyers covet single-tenant assets with high-credit tenants during a period of uncertainty, with drug stores and fast food in Riverside proper and Coachella Valley the most sought after.



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Single-Tenant Availability Among the Nation's Highest in Sacramento, with Additional Hurdles Ahead

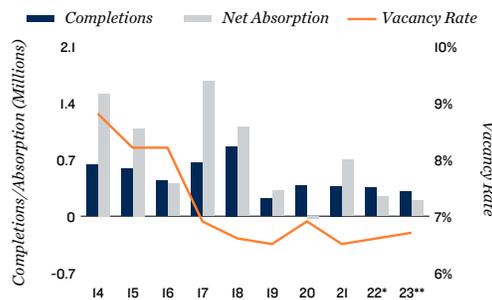
Traditionally high-vacancy metro retains its reputation. Sacramento entered this year with the fourth-largest rate of retail availability among major U.S. markets, and the metro will struggle to improve its position in 2023. Single-tenant vacancy, in particular, tied for the highest in the country late last year. On the surface, these conditions may appear cause for concern, but are not unusual for the market. In fact, the 2022 vacancy rate in the mid-6 percent range was considerably below Sacramento's trailing-decade average of 7.9 percent. Nonetheless, the challenges presented by a weaker economic outlook and some local job losses will sustain pressure on fundamentals. Most notably, the market will stay in the bottom 10 of NRI-ranked metros for rent growth in 2023. Downtown retail that is dependent on weekday foot traffic faces the steepest hurdles, which are unlikely to abate until more in-office workers return on a regular basis. On a positive note, the multi-tenant segment gained substantial ground, with a 100-basis-point-plus decline in availability through late last year. The sector also faces mild competition from new supply, as the construction pipeline contains only a few 50,000-square-foot-plus builds.

Record deal flow before rate hikes implies buyer interest should return. Despite being one of the most vacant major retail markets, Sacramento was recording robust trading before the Federal Reserve lifted interest rates, as in-state buyers from other markets pursued higher yields. In the first three quarters of last year, nearly the same volume of retail assets changed hands as in 2020 and 2021 combined. However, momentum faded quickly, and headwinds will persist until the Fed stabilizes rates and lenders can tighten their spreads. Meanwhile, buyers have focused on first-ring suburbs, while shying away from more outlying areas and office-dense urban locales. A mix of shopping center types, alongside a variety of single-tenant assets, trade in these close-in neighborhoods. To limit risk exposure, triple-net convenience and fast-food stores may be favored here in 2023.

Economic Trends



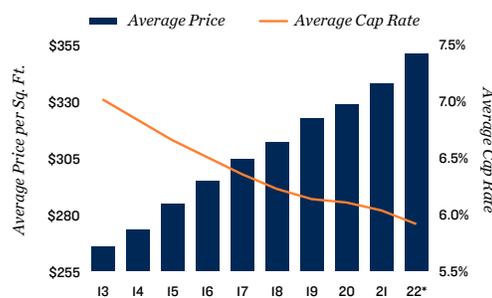
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

- NRI Rank** **42** Still-high retail vacancy and an expected wane in employment this year push Sacramento to the bottom portion of the Index.
- Employment** **down 0.3%** Market employment drops by 3,000 positions in 2023, which is less than 10 percent of the number of jobs added last year.
- Construction** **300,000 sq. ft.** Supply additions have been steady, and that will hold true in 2023. For the fourth consecutive year, the annual delivery volume falls in the 300,000- to 400,000-square-foot range.
- Vacancy** **up 10 bps** Sacramento's vacancy rate rises by the same margin as last year to reach 6.7 percent. Placer County may preserve the lowest rate among submarkets, with only one major project underway.
- Rent** **up 1.3%** For a second straight year, rent growth measures under 2 percent. An average asking rate of \$18.43 per square foot remains a 50-plus percent discount to San Francisco and San Jose.
- Investment** The mean sale price has grown at least 2 percent for 11 consecutive years, while maintaining a 50- to 100-basis-point cap rate advantage to the Bay Area. This should keep buyers tuned in.

Local Economic Growth a Boon for Retail Development; Prior Reliance Clouds Investment Sales Outlook

Near-term influx of supply additions appears warranted. Following a two-year period in which retailers absorbed a net of more than 2.7 million square feet, availability in the metro reached its lowest point on record in the second half of 2022. Tight conditions have escalated construction efforts, with Salt Lake City anticipated to add nearly 1 million square feet of new space this year. Utah County, embodying Provo, will receive a notable portion of this development, highlighted by mixed-use projects that feature a combination of retail and office space. While an overall increase in supply additions across the metro has the potential to place upward pressure on vacancy, near-term deliveries should be well-received by expanding retailers. Continued net in-migration and an above-average rate of median income growth should fuel consumer demand for necessity and discretionary stores, positioning local vendors to handle oncoming headwinds. Locales to the south of downtown – including the Central Valley and Central Valley East submarkets – are particularly well-positioned, with vacancy in both submarkets at least 50 basis points below the metro average at the beginning of this year.

National trends exaggerated across the Wasatch Front. Amid economic headwinds, lending complexities and pricing uncertainty, institutions and regional buyers tighten their investment criteria this year. The potential slowdown in capital deployment that results may have a particular impact for Salt Lake City, as acquisitions by out-of-state buyers accounted for over 30 percent of total trading in each of the last three years. Deal flow in the CBD is likely to be especially affected, as transactions here are more frequent by institutional buyers. Nevertheless, the Davis-Weber Counties submarket should retain some activity this year. The area’s average retail cap rate exceeded the metro mean by roughly 80 basis points last year, while its multi-tenant vacancy rate was roughly 300 basis points below the national average at the onset of 2023.

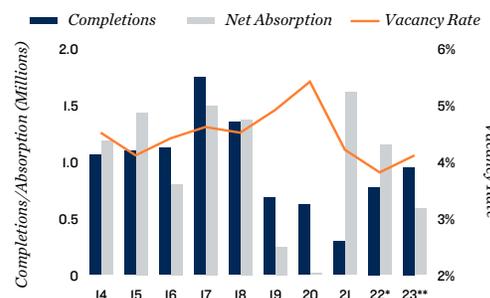
2023 Market Forecast

- NRI Rank** 6 Strong rent gains made since before the pandemic hold Salt Lake City inside the NRI’s top 10 this year.
- Employment** ↑ Salt Lake City welcomes a net 7,000 jobs in 2023, after nearly 100,000 roles were created over the prior two years. up 0.5%
- Construction** ↑ A 140,000-square-foot mixed-use project in Provo highlights metro deliveries in 2023. Overall, retail inventory will expand by 0.9 percent this year, the largest gain since 2018. 950,000 sq. ft.
- Vacancy** ↑ Net absorption roughly halves its 2022 mark as tenants temper expansion plans in 2023, after two years of accelerated activity. This lifts the metro’s vacancy rate to a still-tight 4.1 percent. up 30 bps
- Rent** ↑ The pace of asking rent growth eases, despite a 16th straight year of positive net absorption. The 2023 gain brings the metro’s average marketed rate to \$21.35 per square foot. up 4.3%
- Investment** ● South Valley may account for a notable portion of sales activity, as moderate construction, recently elevated rent growth and an inventory of sub-\$5 million assets attract active private buyers.

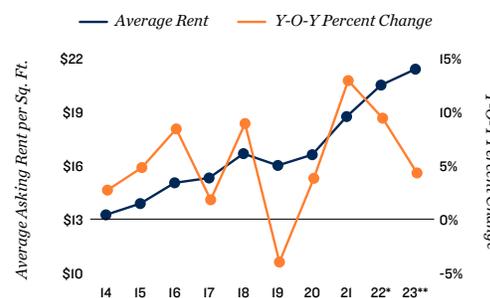
Economic Trends



Supply and Demand



Rent Trends

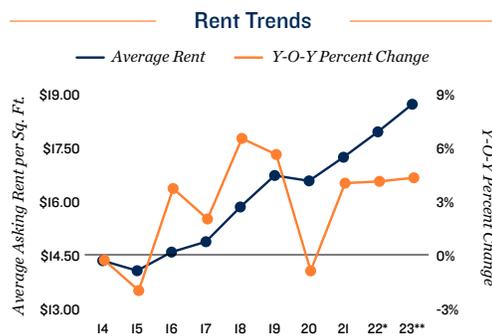
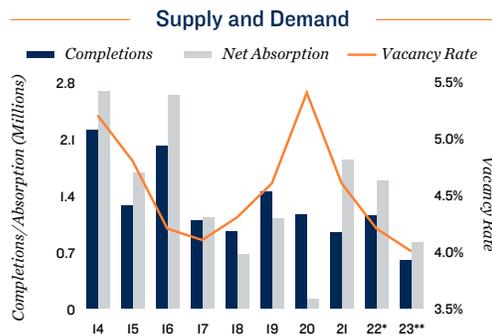
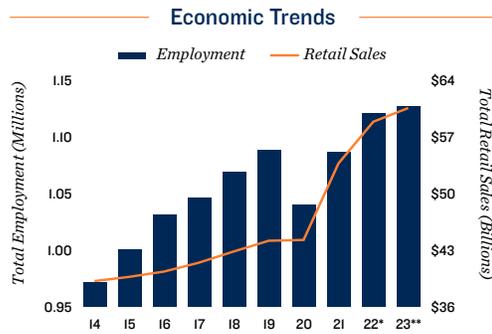


Sales Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

A Decade of Strong In-Migration Bolsters Retailers; Investors Target Areas Between San Antonio and Austin



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Vacancy contracts for the third consecutive year. By the conclusion of 2023, San Antonio will have gained a net of over 250,000 new residents across a decade-long span. In-migration is expected to continue long term as the metro sustains an apartment rental cost advantage over other major Texas markets, fueling retail demand. Despite notably high leasing activity in 2022 and robust consumption trends, construction of retail properties in San Antonio will ease in 2023 to its lowest delivery total since at least 2007. A dearth of new supply will place downward pressure on vacancy, marking the lowest annual rate in over 15 years. San Antonio is also the only major Texas market expected to see vacancy compression in 2023. Shrinking availability will facilitate gains in the average asking rent, yet the metro remains the most affordable major market for tenants in the state, drawing retailers looking to lower operating costs and gain proximity to Austin. In particular, suburbs positioned between the two major west Texas markets are situated to see sustained leasing activity and a continuation of last year's rent growth.

Outer submarkets appeal to investors targeting well-traveled routes. The average sale price of single-tenant properties rose sharply last year with intensifying buyer interest, despite rising debt costs. Auto part shops and convenience stores, in particular, were targeted, a trend that may continue into this year near well-traveled thoroughfares and high-growth suburbs. Conversely, buyers seeking greater managerial control and higher yields may look to multi-tenant properties, as the segment had a regionally high average cap rate last year. Outer areas between San Antonio and Austin, such as New Braunfels, have seen an increase in commuter households between the cities, leading retailers to seek space along the Interstate 35 corridor. As retail leasing activity escalates in the outer counties of Comal and Guadalupe, investors may look for assets catering to necessity retailers, such as grocery stores, home goods and budget-friendly dining properties.

2023 Market Forecast

- NRI Rank** 14 San Antonio lands in the top 15 of the Index this year as falling vacancy this year distinguishes it among many ranked metros.
- Employment** up 0.5% This year's job gain will trail 2022's 3.1 percent rise. However, 6,000 positions will be added in San Antonio.
- Construction** 600,000 sq. ft. Deliveries for 2023 are expected to be about half of last year's total of 1.2 million square feet. Guadalupe County will receive the largest project, surpassing 166,000 square feet.
- Vacancy** down 20 bps A limited construction pipeline slated for this year, paired with sustained retailer demand, will further compress vacancy to 4.0 percent, the lowest year-end rate since before 2007.
- Rent** up 4.3% Falling vacancy and few supply additions will enable the average asking rent to reach \$18.69 per square foot, the greatest gain among the four major Texas markets.
- Investment** Long-term developments, such as the 500,000-plus square foot Human Performance Campus in Northwest San Antonio, may draw buyers to this area in anticipation of greater foot traffic.

Improving Visitor Volumes and an Assemblage of Higher Earning Households Elicit Retailer Expansions

Mainstays of local retail demand poised for growth. San Diego leasing activity increased last year as economic recovery and a lack of supply additions steered expanding vendors to existing properties. The resulting absorption enabled San Diego to enter 2023 as one of the West Coast’s tightest major retail markets, a standing that will be preserved this year. A foundation of the local economy, business and convention-related travel to the metro is slated to increase by 10 percent on an annual basis, with leisure visitations expected to nearly match last year’s rebound spike. Aiding the latter category, a full slate of cruise ship departures are lined up for 2023, bringing additional consumers to waterfront and downtown shops. Outside of tourism, the metro’s high share of well-paying jobs is poised to rise slightly this year, spurred by life science-related hiring. An increase in the number of higher-earning households should aid near-term retail spending, with the longer-term outlook bolstered by major expansion projects across area universities. Encouraged by these drivers, retailers will support a level of demand in 2023 that outpaces construction, generating the strongest rate of rent growth among California markets.

Investors follow housing demand. The metro’s collective of diverse retail demand drivers and its relatively sparse construction pipeline have the potential to attract buyers targeting markets that appear primed for long-term vacancy tightness. Cities along Highway 78 and Interstate 8 that are recording extremely strong rental demand may stand out to single-tenant and shopping center investors, as recent leasing activity suggests retailers are prioritizing these lower-cost areas for local expansion. Elsewhere, net-leased assets and smaller properties in Central San Diego that feature retail space and a residential or office component should garner buyer attention. Listings in locales popular among young professionals, including beach communities and neighborhoods proximate to Balboa Park, should stand out to private investors active in the marketplace.

2023 Market Forecast

NRI Rank 20 San Diego ranks as the top California market in this year’s index, aided by one of the nation’s highest revenue growth rates.

Employment  Positive hiring velocity pushes the metro’s total job count up 0.4%
up 0.4%

Construction  Mirroring other California markets, San Diego’s inventory expands by less than 0.5 percent this year. The Campus at Horton accounts for the bulk of near-term supply additions.
320,000 sq. ft.

Vacancy  Positive net absorption across both the single- and multi-tenant sectors places year-end vacancy at 4.3 percent, a rate 40 basis points below San Diego’s long-term average.
down 20 bps

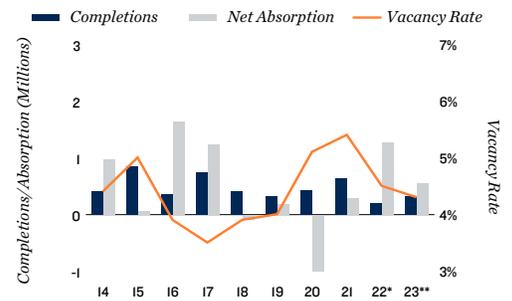
Rent  Tight conditions and a lack of new construction provide owners the impetus to increase asking rents at existing properties, lifting the metro’s average marketed rate to \$27.55 per square foot.
up 4.4%

Investment  A group of large-scale housing projects along the I-15 Corridor will heighten demand for nearby retail as units and homes are delivered this year, stoking buyer competition for listings.

Economic Trends



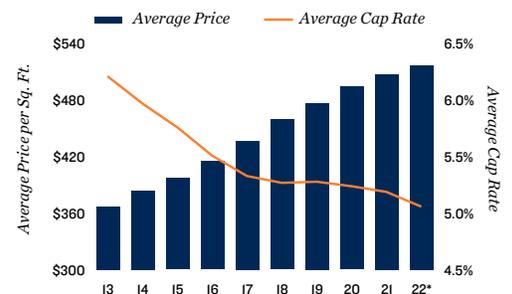
Supply and Demand



Rent Trends



Sales Trends



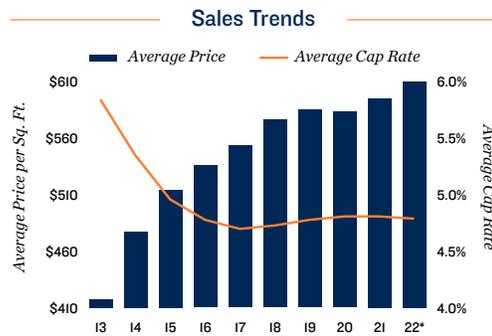
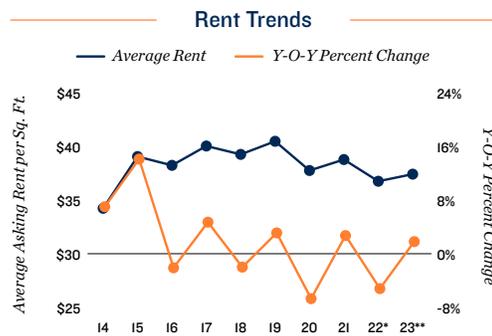
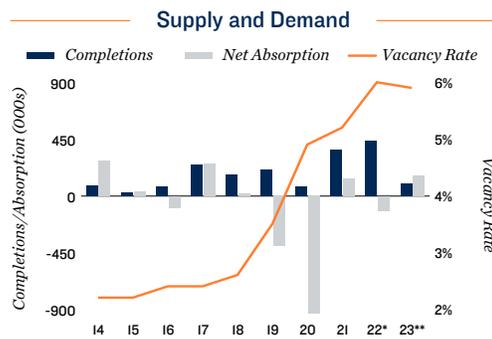
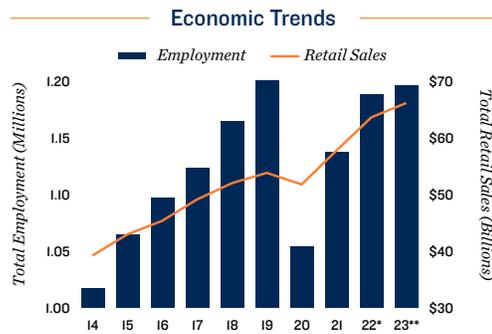
* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Revitalization Efforts in Union Square May Help Bring More Consumers Back to Downtown San Francisco

Vacancy reaches inflection point. Rising interest rates and widespread inflation have negatively impacted consumer sentiment both nationally and locally, while the prevalence of hybrid work schedules significantly reduced daytime foot traffic downtown. As such, leasing activity has slowed, causing availability to rise. Entering this year, the rate is up roughly 250 basis points since 2019, marking a new all-time high. Nevertheless, vacancy may have hit an inflection point and fundamentals could begin to turn the corner. As of early 2023, there were only two notable projects in the pipeline totaling just under 100,000 square feet. Expanding tenants will be required to take up existing space, promoting falling vacancy and positive rent growth on an annual basis for the first time since 2014. Meanwhile, the Union Square Alliance announced plans late last year to revitalize the submarket. Their intentions include increasing security and providing greater flexibility in zoning that will broaden the economic base of the neighborhood. This should help improve local space demand; however, vacancy will likely remain above the long-term average until business travel, tourism and office-usage rates return to normal levels.

Ground floor retail is coveted. Although transaction velocity improved in 2022 relative to the previous year, deal flow remains well below the levels achieved prior to the pandemic. Softer fundamentals and elevated borrowing costs have contributed to this and will likely continue to impact trades in the near term. Buyers active inside the city are favoring storefronts under residential units and office buildings in areas like Van Ness-Chinatown, where pricing often falls below the market average. Similar assets west of this submarket, proximate to Golden Gate Park and the San Francisco Botanical Garden, are also coveted. Fundamentals in this area are strong, with vacancy recording at 2.8 percent entering this year. Investors may also target suburban properties for redevelopment into other uses like biomedical, office or residential.



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

- NRI Rank** **34** Although vacancy declines this year, the rate remains historically high, resulting in San Francisco ranking 34th in the NRI.
- Employment** up 0.7% Roughly 8,000 new jobs are expected to be added this year, lifting total employment to within 1 percent of the 2019 level.
- Construction** 100,000 sq. ft. Annual supply additions reach a three-year low as developers expand retail inventory by just 0.1 percent. Deliveries are concentrated in suburban San Mateo County.
- Vacancy** down 10 bps Limited supply pressure will allow vacancy to compress on an annual basis for the first time in nine years. The rate will inch down to 5.9 percent.
- Rent** up 1.8% Annual rent growth returns to positive territory, following a decline of 5.2 percent in 2022. The average asking rate is expected to reach \$37.36 per square foot by year-end.
- Investment** Investors active in the marketplace could focus more on multi-tenant options, as vacancy in the segment was 90 basis points below the overall market retail average entering this year.

Limited Deliveries and Affluent Residents Help San Jose Maintain the Lowest Vacancy Rate in the Bay Area

Fundamentals remain steady. San Jose’s retail sector has stayed resilient amid economic headwinds. Entering this year, the vacancy rate registered at 4.7 percent, 120 basis points below any other Bay Area metro. While several world-renowned tech companies have reduced staff in recent months, the industry is dynamic, and high-skilled professionals are finding new opportunities relatively quickly. Furthermore, the market boasts the nation’s third-largest median household income at \$160,500 annually. The affluent consumer base helps sustain discretionary spending amid widespread inflation, benefiting retailer space demand. Grocery stores have been opportunistic, with tenants like Costco, Dai Thanh Supermarket, 99 Ranch and Sprouts Farmers Market each committing to blocks of space spanning at least 20,000 square feet in the past year. Although headwinds like rising interest rates are expected to persist in the near term, retail fundamentals may improve in the coming quarters. Completions are projected to fall under 200,000 square feet for the third straight year in 2023. Nominal supply pressure will require expanding tenants to take over existing space, allowing vacancy to decline on an annual basis for the first time since 2017.

Investors search for upside in South San Jose. Transaction velocity in 2022 reached its highest level since the pandemic began; however, this pace of buyer activity remains below levels observed prior to the health crisis. The challenging lending environment is widening the gap between buyer and seller expectations, and these headwinds will likely continue to hinder deal-making in the short-run. Nevertheless, there is activity in the market for both single- and multi-tenant assets. Investors looking to maximize first-year returns may seek strip centers in South San Jose, where yields frequently rise above the metro average. Single-tenant assets near prime office nodes, such as Mountain View-Los Altos and Sunnyvale-Cupertino, are also coveted by buyers favoring stabilized tenancy, with both submarkets recording vacancy rates at or below 3.2 percent entering this year.

2023 Market Forecast

NRI Rank 36 San Jose lands at the 36th position in the 2023 NRI, due to a reduction in total employment this year.

Employment  Higher operational and capital costs have firms re-evaluating their hiring plans, resulting in the loss of 4,000 jobs in 2023.
down 0.3%

Construction  Deliveries for 2023 fall well-below the long-term average of 485,000 square feet, as developers increase retail inventory in San Jose by just 0.2 percent.
150,000 sq. ft.

Vacancy  Limited construction and elevated leasing activity promotes annual vacancy contraction for the first time in roughly six years. The vacancy rate will inch down to 4.6 percent.
down 10 bps

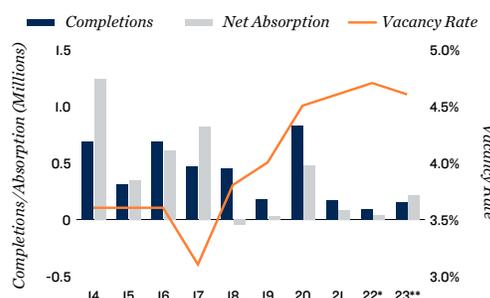
Rent  The pace of rent growth will nearly mirror last year’s gain of 3.2 percent. The average asking rate is projected to reach \$37.05 per square foot in 2023.
up 3.1%

Investment  Related Santa Clara, an 800,000-square-foot mixed-use project may boost foot traffic near Levi’s Stadium upon its 2025 completion, likely elevating investment appeal for assets nearby.

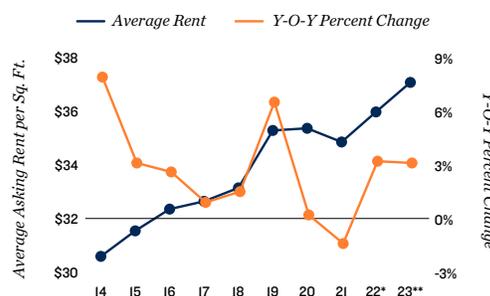
Economic Trends



Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

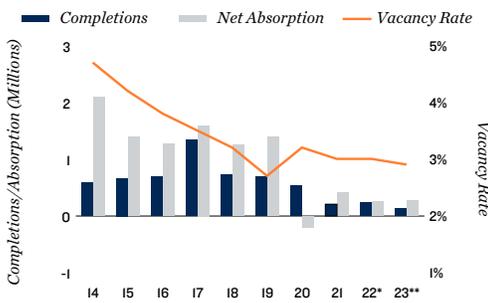
Sources: CoStar Group, Inc.; Real Capital Analytics

Meager Supply Underpins Nationally-Tight Vacancy; Financing Hurdles Complicate Investment

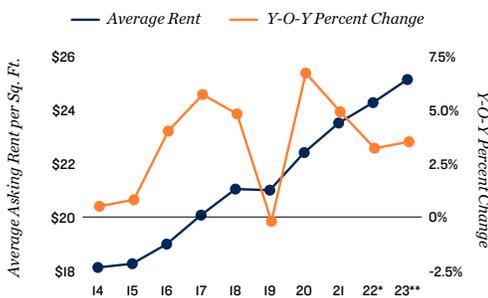
Economic Trends



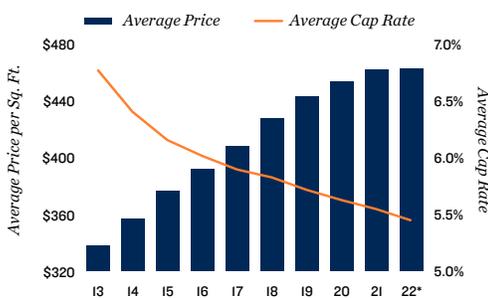
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Dwindling pipeline enables fundamental gains. Seattle-Tacoma enters the year tied with Raleigh for the lowest vacancy rate among major U.S. markets. Given the current demand-to-supply conditions, further compression could take place during 2023. A diversifying economy is supporting above-average in-migration to the Puget Sound, with the metro projected to welcome nearly 30,000 new residents in 2023. Additionally, metro hiring will continue amid nationwide job market uncertainty, helping boost the median household income to nearly \$110,000 per year, fueled by a pace of wage growth that exceeds the national benchmark. Rising incomes, paired with a steadily growing consumer base, will reinforce consumption in a year when many operators expect to see a slowdown in discretionary spending. As such, these factors should encourage vendor expansions, stimulating demand for available retail space. Most of these businesses will comb through the metro’s existing vacant stock, as a historically-low delivery volume is slated for 2023. Sustained space demand and meager supply pressure will facilitate rent acceleration during the coming quarters, while retaining nationally-tight availability.

Investors hone in on discounted opportunities. A challenging lending environment is complicating the deal-making process, likely leading to a slowdown in investment during 2023. Buyer-seller disconnect – with valuations struggling to reflect the higher cost of borrowing – have urged many owners to hold on to their performing properties. Areas with rising vacancy and stalling rents, such as Downtown, could see more deal flow in the coming quarters, with sellers potentially accepting discounted pricing relative to historic norms. The Northend’s recent trading activity may confirm this trend, with below-metro-average pricing there drawing notable interest from buyers. While investment on the Eastside will be bogged down by ongoing price discovery, space there should remain highly coveted as its vacancy rate remains one of the lowest among major U.S. submarkets.

2023 Market Forecast

- NRI Rank** 12 Sparse vacancy, supported by exceptional retail sales growth from 2019 onward, gives Seattle-Tacoma a high NRI ranking.
- Employment** up 0.6% Local employers continue to fortify payrolls, with the addition of 12,000 new jobs in 2023.
- Construction** 130,000 sq. ft. Development winds down to a multi-decade low and grows metro inventory by a mere 0.1 percent. Most supply additions scheduled to finalize this year are underway on the Eastside.
- Vacancy** down 10 bps Availability bumps down to 2.9 percent as net absorption outpaces supply for the third consecutive year. The vacancy rate will fall 160 basis points below the mean over the past 15 years.
- Rent** up 3.5% Rent growth accelerates as minimal new supply directs vendors toward existing available stock, increasing competition. The year-end average asking rate will rise to \$25.10 per square foot.
- Investment** Retail assets located along the Hilltop Tacoma extension of the Sound Transit light rail may catch notice from investors as the project nears completion this year.

Minimal Change in Availability Justifies Long-Term Investment as Market Grapples with Economic Headwinds

Universities and Major League Soccer benefit the CBD. Since 2019, St. Louis has seen only a mild change in overall retail vacancy as deliveries have been sparse. This year, availability will again remain relatively constant, inching up just 10 basis points to a rate on par with the metro’s long-term average. Amid a hiring slowdown, vendors may pull back on committing to retail space in 2023, waiting for more definitive economic conditions. At the same time, several large move-ins are expected to materialize. The two largest leases signed last year, whose terms begin in 2023, emphasize consumer demand for experiential retail. In St. Charles County, pickleball sporting company Chicken N Pickle will set up operations at a 102,000-square-foot space. Meanwhile in the CBD, Topgolf will occupy 95,000 square feet near Saint Louis University’s main campus. Retailers are also targeting space in the urban core, with St. Louis City SC’s inaugural season expected to heighten consumer demand for dining and drinking options proximate to the new downtown stadium. Access to major universities will further fuel retailer interest in the area, holding availability below the metrowide average this year.

Largest submarkets retain their appeal among active buyers. Mirroring other major Midwest metros, retail transaction velocity began to slow in St. Louis at the end of last year amid rising interest rates and growing economic uncertainty. Several pockets of St. Louis, however, may continue to entice active investors in 2023. Vacancy in St. Charles County – the market’s largest submarket by stock – was notably below the metrowide mean at the onset of this year, a dynamic that should attract secondary market buyers with a focus on top-performing locales. Strip centers in the area have been particularly targeted of late, as these assets often trade at low- to mid-7 percent cap rates. Additionally, single-tenant properties in Central St. Louis County should warrant investor interest, specifically net-leased assets proximate to St. Louis and Washington Universities.

2023 Market Forecast

NRI Rank 45 St. Louis finds itself in the bottom 10 of this year’s Index as local vacancy exceeds that of most major U.S. markets.

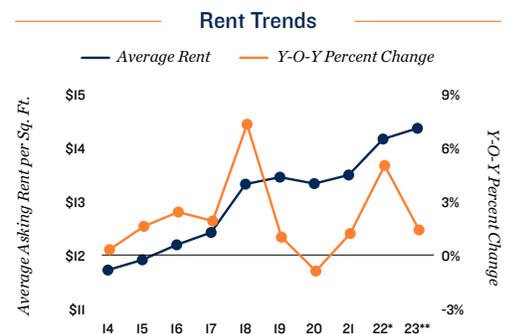
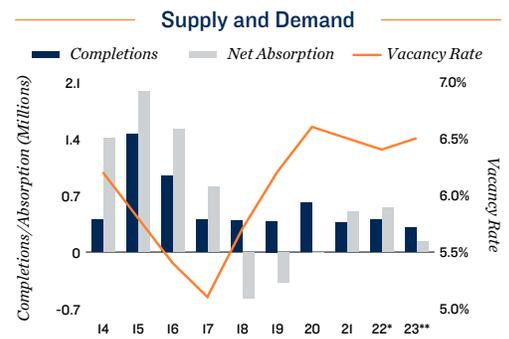
Employment ↘ Local employers will face growing headwinds in 2023, translating to the loss of 2,500 positions this year.

Construction ↘ Delivery volume reaches its lowest level since at least 2007, expanding stock by only 0.2 percent. A 100,000-square-foot project in South St. Louis County headlines this year’s additions.

Vacancy ↗ Limited construction will prevent a major change in vacancy from occurring. Still, the rate will inch up to 6.5 percent as some retailers reassess their physical space needs.

Rent ↗ St. Louis’ average asking rent will continue to climb in 2023, albeit at a slower pace than last year’s 5 percent gain. By year-end, the mean marketed rate will stand at \$14.35 per square foot.

Investment ○ Out-of-state buyers increasingly scout assets in the Metro East Illinois submarket, as the area is slated for limited completions in 2023 and is proximate to several major interstates.



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

Tenacious Population Growth and Tourism Underpin Retail Spending; Chains Expanding Outside the Core

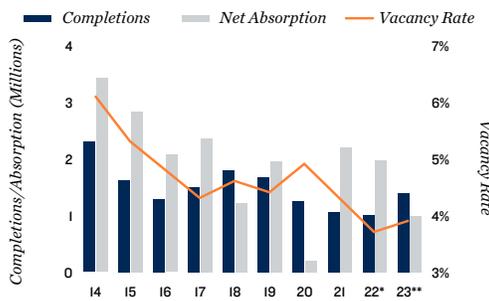
Suburban expansions increasingly necessary. Tampa Bay’s retail spending is supported by an established tourism cornerstone and the second-largest net in-migration projection among major Florida markets this year. To keep pace with robust tenant demand fueled by these dynamics, developers are slated to deliver a four-year high volume of space during 2023. Most of the pipeline is located in outlying areas, such as Pasco County and Sarasota-Bradenton. Retailers seeking to enter the market are gravitating to these areas, due to both limited availability in the urban core and notable suburbanization. Companies wishing to expand into Central Tampa this year should face more competition for available space amid locally low vacancy and a lack of new construction. As a result, many of the chains moving into the metro – such as Raising Cane’s, Fatburger and Dave’s Hot Chicken – are choosing locales like Pinellas, North Hillsborough, Pasco County and Sarasota-Bradenton. Nonetheless, net absorption in 2023 will fall short of the exceptional tallies from recent years as the economy softens, resulting in a slight vacancy uptick.

Outlying areas could prove more stable. An ongoing urban office rebound is poised to boost midweek foot traffic, aiding retailers in Central Tampa. However, with little room for new expansions here, aside from several mixed-use proposals with ground floor retail, other submarkets will gain attention from brands, and as a result, investors. Pinellas County’s robust residential growth and ample retail inventory should remain appealing to active institutional buyers. Cap rates here are historically above the metrowide average, which may be beneficial during a period of rising interest rates. In addition, an older populace with personal savings accumulated could aid local discretionary spending amid broader economic headwinds. Elsewhere, investors may show interest in Sarasota-Bradenton and the I-75 Corridor, areas of standout population and asking rent growth.

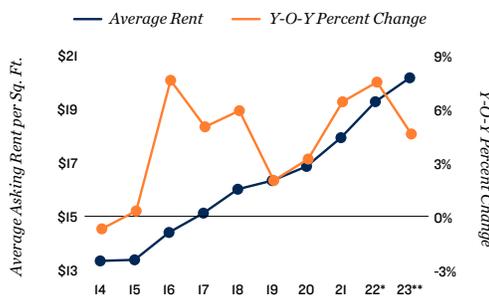
Economic Trends



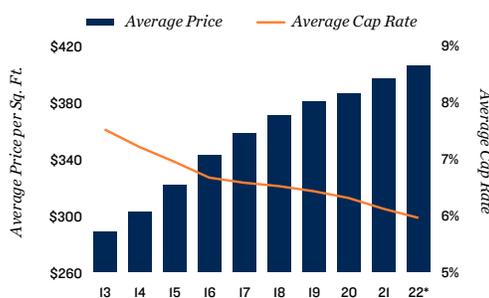
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

- NRI Rank** 7 Tight retail vacancy, alongside robust economic trends, propel Tampa-St. Petersburg to a top-10 ranking in the 2023 Index.
- Employment** up 0.5% As the economy slows, job growth will taper. Nonetheless, 8,000 new roles will be added this year.
- Construction** 1,400,000 sq. ft. Development activity accelerates in 2023, exceeding each of the previous three years’ completions total. Sarasota-Bradenton is receiving the greatest share of finalized space.
- Vacancy** up 20 bps Softer demand, combined with a relatively strong year for completions, will place upward pressure on vacancy, raising the rate to 3.9 percent by the end of 2023.
- Rent** up 4.6% Tampa registers above-average rent growth as in-migration spurs retailer expansions, supporting positive absorption. By year-end, the mean asking rate will sit at \$20.14 per square foot.
- Investment** Areas of reduced density, such as Pasco County, that are seeing construction spread to previously non-residential zones may continue to garner attention among active investors.

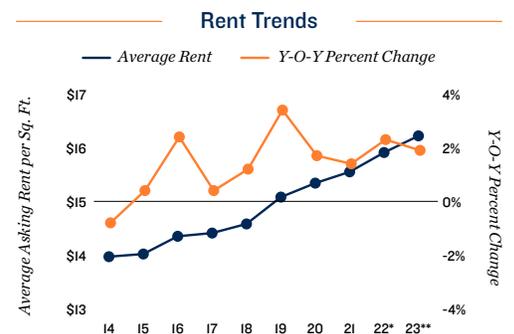
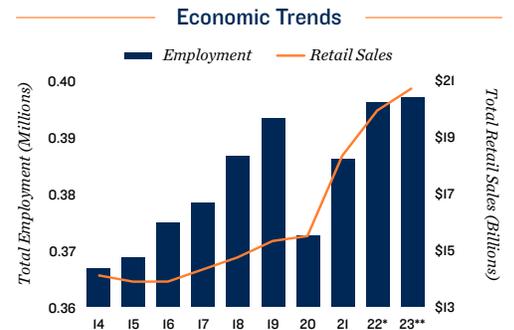
Retail Spending Anchored by Staunch Healthcare Base; Investors Leaning Toward More Risk-Averse Behavior

Health services provide backbone for retailer operations. Even as the local job market ebbs, healthcare firms are expected to bolster staff counts and support retail spending in the near term. Growth in the age 65-plus cohort is cultivating robust demand for medical services, reflected in expansions from providers like Banner Health and Marana Health Center during 2022. Boasting the lowest median home price among the Southwestern markets ranked in the NRI, and offering no tax on Social Security benefits, Tucson should remain an attractive destination for retirees and new hires at healthcare firms. Expansions in this sector should continue to support consumer spending and generate additional commitments from retailers. Current vendor competition is apparent, with the vacancy rate sitting 30 basis points under the long-term mean entering this year. Much of the retailer demand is for built-to-suit floor plans, as nearly all of the completions slated for 2023 have secured tenants. Nonetheless, expectations for a quieter overall job market this year may urge some retailers to pause move-ins, leading to a weaker net absorption volume relative to 2022 and a bump up in vacancy.

Retail investors emphasize asset resiliency. A challenging lending environment is urging many of Tucson’s buyers to temporarily halt acquisitions, leading to a lukewarm investment landscape entering 2023. Single-tenanted fast food and restaurant properties located near major residential hubs — namely, the University and Catalina Foothills — should generate the strongest competition among investors still active in the market. In general, consumers continued to spend more on dining out last year, even as inflation rose, which may signal more resiliency for these assets amid local job market flux. Down-turn stability should also draw buyers to grocery-anchored shopping centers, as necessity spending has caused these properties to generally weather recessions well.

2023 Market Forecast

- NRI Rank** 31 Tucson receives a bottom-half ranking in its NRI debut, as household formations are outweighed by a high vacancy rate.
- Employment** ↗ Hiring slows considerably during 2023 as local firms add just up 0.3% 1,000 new positions on net compared to last year’s 10,000.
- Construction** ↗ Development accelerates after builders delivered a historically-low annual completion volume in 2022. This year, metro-wide inventory is slated to expand by 0.5 percent. 220,000 sq. ft.
- Vacancy** ↗ Softening demand shrinks net absorption to less than half of the 2022 figure, which, when compounded with increased supply growth, will lift overall vacancy up to 6.8 percent. up 20 bps
- Rent** ↗ Despite this year’s availability decompression, asking rent growth will stay relatively on par with last year’s recording. The mean marketed rent will advance to \$16.21 per square foot. up 1.9%
- Investment** ○ A blossoming energy sector, headlined by American Battery Factory’s plans to construct a \$1.2 billion gigafactory, is drawing intrigue from more out-of-state investors to Tucson.



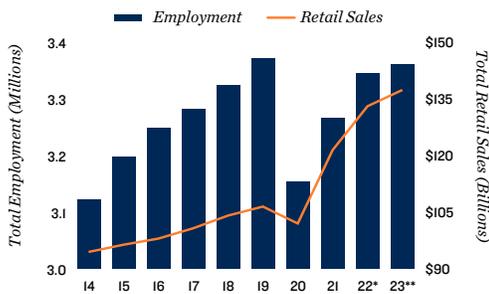
* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

High-Wage Job Growth and Strong Pre-Leasing Provide Stability in Washington, D.C.'s Retail Sector

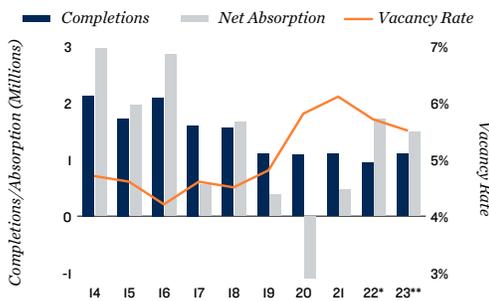
Tenants target growing suburban areas. Washington, D.C. recorded over 1.7 million square feet of positive net absorption last year, marking the highest annual total since 2016. Subsiding health concerns led to increased foot traffic at brick and mortar shops and restaurants, which has spearheaded a resurgence in leasing activity. Retailers are primarily targeting fast-growing regions within the metro like Loudoun County, where the local population increased by more than 30 percent between 2010 and 2020. With the recent completion of the metro Silver Line Extension late last year, this area will likely continue to garner strong interest from both developers and retail tenants moving forward. Although macroeconomic headwinds, such as rising inflation and a slowing economy, loom over the nation as a whole, there is still room for optimism in the D.C. metro. The market boasts a median household income exceeding \$120,000 per year, and local expansions from notable firms like Amazon will continue to drive growth in high-paying jobs, further bolstering consumer spending power. Supply pressure will be minimal as well, with roughly 75 percent of the retail pipeline already pre-leased entering this year.

Affluent consumer base supports retail investment. Transaction velocity for retail assets in Washington, D.C. remained strong in 2022, nearing an all-time high. The metro's affluent consumer base and growing population are driving investment activity to the metro. However, this momentum is expected to slow in the near term as elevated borrowing costs create complexities in the deal-making process. Buyers will likely target single-tenant assets, or well-leased community centers with credit-anchor tenants, to reduce their risk exposure during this period of uncertainty. Inside of the district, investors frequently focus on the Georgetown-Uptown submarket, where the tenant base is strong and pricing averages above \$700 per square foot. Retail properties in rapidly-growing residential areas like Loudoun County, Frederick and Fairfax County are also coveted.

Economic Trends



Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

2023 Market Forecast

- NRI Rank** 25 Compressing vacancy and strong rent growth places Washington, D.C. in the top half of this year's Index.
- Employment** ↑ up 0.4% Employers across the Washington, D.C. metro are expected to add a net of roughly 15,000 new jobs in 2023.
- Construction** ↑ 1,100,000 sq. ft. Supply additions will remain below the market's long-term average of 2.1 million square feet per year, as developers expand local retail inventory by just 0.5 percent.
- Vacancy** ↓ down 20 bps Vacancy contracts for the second straight year as net absorption approaches 1.5 million square feet in 2023. Still, availability will remain 70 basis points above the pre-pandemic rate.
- Rent** ↑ up 4.5% Washington, D.C. records the sixth-fastest rent growth pace among major U.S. metros in 2023. The average asking rate is expected to reach \$30.26 per square foot by year-end.
- Investment** ○ Retail assets in Crystal City and the surrounding areas of Arlington County may receive heightened interest from buyers as phase 1 of Amazon's HQ2 delivers in 2023.

West Palm Beach Holds Florida's Tightest Vacancy Rate; Regionally Elevated Yields Encourage Deal Flow

Growth of local consumer base underpins retail demand. Tax incentives and relocation assistance programs introduced by the local government have encouraged numerous business relocations and expansions, which has spearheaded net in-migration to the region since the onset of the pandemic. During the 2020-2022 span, the metro gained more than 50,000 new residents, growth that is supporting robust leasing activity in the retail sector. Last year, net absorption surpassed 1 million square feet for the first time since 2016, contracting vacancy to 3.5 percent — the lowest rate among all major Florida metros. Although headwinds like rising interest rates and widespread inflation pose a threat to the national economy, West Palm Beach is well-positioned to weather the storm. The metro will continue to draw new residents and visitors in 2023, promoting disposable and discretionary spending in growing submarkets and tourist corridors. Furthermore, the market faces minimal supply pressure, as roughly 75 percent of the construction pipeline was accounted for entering this year.

Relatively lower costs help stimulate buyer activity. Retail pricing in West Palm Beach is more than \$100 per square foot less on average relative to Miami. This comparatively lower price point is helping to sustain deal flow amid a challenging lending environment, as during 2022 transaction velocity remained robust. While macroeconomic headwinds are expected to slow near-term deal making, the metro is expected to remain an attractive destination for active retail investors. Average first-year returns in West Palm Beach are the highest among major South Florida markets. Additionally, strong population growth and tourism will help insulate the metro from upcoming economic challenges. Specifically, assets anchored by high-credit tenants in affluent areas, such as Boca Raton and North Palm Beach, should garner attention as buyers attempt to mitigate risk.

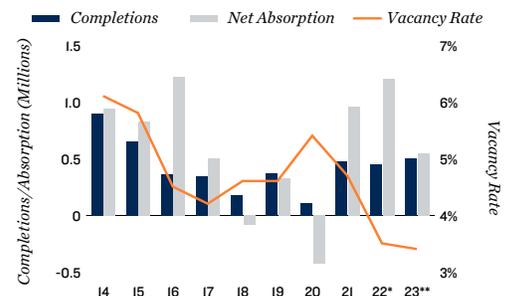
2023 Market Forecast

- NRI Rank** | Record-low vacancy and a rapidly-expanding consumer base lifts West Palm Beach to the top spot in this year's Index.
- Employment** ↑ Job gains are projected to moderate this year, as local employers add roughly 5,000 new positions in 2023.
- Construction** ↑ 500,000 sq. ft. Completions will increase by 50,000 square feet relative to last year. Local inventory is projected to rise by 0.7 percent, with deliveries concentrated in the Palm Beach submarket.
- Vacancy** ↓ down 10 bps Net in-migration and tourism will help sustain tenant demand, resulting in a third straight year of annual vacancy compression. The rate will inch down to 3.4 percent, an all-time low.
- Rent** ↑ up 5.1% Amid tight conditions, annual rent growth this year remains strong, doubling the long-term average. The mean asking rate is expected to reach \$30.95 per square foot by year-end.
- Investment** ● The lowest retail vacancy rate in the state and strong rent growth should continue to draw out-of-state and international investors to West Palm Beach during 2023.

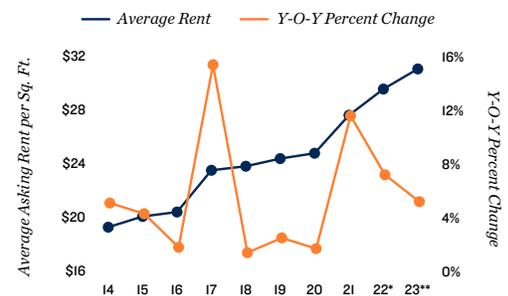
Economic Trends



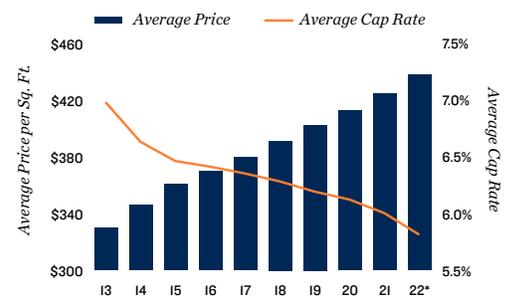
Supply and Demand



Rent Trends



Sales Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics

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

² Statistical Summary Note: Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 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 first 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; American Health Care Association; Austin Chamber of Commerce; CIA World Factbook; CoStar Group, Inc.; Creditintell; Cruise Lines International; Economy.com; Experian; Federal Reserve; Freddie Mac; Gensler; Global Business Travel Association; Kastle Systems; Las Vegas Convention and Visitors Authority; Harvard Joint Centers for Housing Studies; John Burns Real Estate Consulting; major U.S. port authorities; McKinsey & Company; Moody's Analytics; Mortgage Bankers Association; National Association of Realtors; National Restaurant Association; Nareit; New York Times; NMHC; Oxford Economics; Placer.ai; Real Capital Analytics; RealPage, Inc.; San Diego Tourism Authority; Small Business Administration; Standard & Poor's; STR, Inc.; The Conference Board; The Larry A. Green Center; Trepp; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; U.S. Bureau of Transportation Statistics; U.S. Census Bureau; U.S. Department of Education; U.S. Department of Labor; U.S. Transport Security Administration; U.S. Travel Association

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2023 U.S. RETAIL INVESTMENT FORECAST

2023 U.S. RETAIL INVESTMENT FORECAST

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
	2020	2021	2022*	2023**	2020	2021	2022*	2023**	2020	2021	2022*	2023**	2020	2021	2022*	2023**	2020	2021	2022*	
Atlanta	-4.7%	5.7%	4.0%	0.5%	1,460	1,350	1,600	2,000	5.7%	5.0%	4.4%	4.3%	\$15.23	\$16.73	\$18.10	\$18.98	\$355	\$378	\$394	Atlanta
Austin	-2.1%	8.9%	3.8%	0.8%	1,210	830	980	1,200	4.8%	3.8%	3.5%	3.7%	\$21.84	\$22.46	\$24.10	\$25.02	\$425	\$431	\$438	Austin
Baltimore	-7.0%	4.1%	2.7%	0.4%	320	290	340	400	6.6%	6.4%	6.1%	6.2%	\$19.78	\$20.66	\$20.50	\$20.75	\$339	\$348	\$353	Baltimore
Boston	-8.4%	5.6%	2.9%	-0.4%	980	1,260	980	650	3.5%	3.2%	3.3%	3.6%	\$20.71	\$21.13	\$22.92	\$22.86	\$381	\$386	\$393	Boston
Charleston	-4.4%	4.2%	6.1%	1.2%	240	230	480	330	4.8%	4.2%	3.6%	3.7%	\$21.42	\$21.53	\$24.75	\$25.68	\$408	\$424	\$444	Charleston
Charlotte	-1.9%	2.9%	5.5%	0.8%	1,010	790	340	380	5.0%	4.7%	4.3%	4.5%	\$17.22	\$17.80	\$18.95	\$19.44	\$380	\$418	\$448	Charlotte
Chicago	-8.0%	5.6%	2.6%	0.5%	2,600	1,300	1,050	950	7.0%	6.3%	6.2%	6.4%	\$17.69	\$17.79	\$18.65	\$19.14	\$342	\$345	\$348	Chicago
Cincinnati	-5.2%	2.5%	0.3%	-0.3%	140	200	180	230	7.0%	6.8%	7.6%	7.9%	\$11.40	\$12.69	\$12.65	\$12.60	\$306	\$302	\$300	Cincinnati
Cleveland	-6.4%	2.4%	2.4%	-0.3%	870	250	710	460	5.3%	4.8%	4.6%	4.8%	\$10.83	\$11.37	\$11.35	\$11.40	\$303	\$327	\$352	Cleveland
Columbus	-4.0%	2.5%	1.8%	0.2%	630	340	720	560	4.8%	4.1%	4.5%	4.7%	\$14.27	\$14.33	\$15.15	\$15.35	\$308	\$313	\$314	Columbus
Dallas-Fort Worth	-3.0%	6.4%	5.0%	0.7%	3,490	2,880	3,400	4,000	6.7%	6.1%	5.2%	5.3%	\$17.05	\$17.49	\$18.05	\$18.60	\$415	\$440	\$444	Dallas-Fort Worth
Denver	-6.1%	6.1%	2.9%	-0.3%	490	610	420	230	5.7%	4.9%	4.8%	5.1%	\$18.69	\$18.84	\$19.60	\$20.14	\$394	\$397	\$405	Denver
Detroit	-9.3%	6.4%	1.9%	-0.2%	630	510	490	420	6.6%	5.8%	5.7%	5.8%	\$13.97	\$14.35	\$14.95	\$15.26	\$279	\$279	\$283	Detroit
Fort Lauderdale	-6.7%	5.8%	3.7%	0.9%	510	600	770	750	5.9%	4.9%	4.2%	4.0%	\$23.66	\$25.60	\$27.65	\$29.45	\$385	\$396	\$416	Fort Lauderdale
Houston	-5.8%	5.1%	5.1%	0.6%	5,380	2,820	3,300	3,400	6.9%	6.2%	5.9%	6.2%	\$18.39	\$18.77	\$19.25	\$19.72	\$362	\$369	\$376	Houston
Indianapolis	-3.6%	4.6%	1.2%	-0.2%	510	630	330	320	5.0%	4.6%	4.0%	4.1%	\$13.62	\$14.29	\$15.40	\$15.91	\$273	\$280	\$287	Indianapolis
Jacksonville	-1.7%	4.2%	3.5%	0.5%	890	700	820	850	6.0%	4.7%	4.5%	4.4%	\$15.34	\$16.07	\$17.45	\$18.22	\$345	\$350	\$356	Jacksonville
Kansas City	-4.3%	1.6%	1.5%	0.2%	810	500	760	700	6.4%	5.4%	4.6%	4.5%	\$12.97	\$13.28	\$13.90	\$14.30	\$334	\$352	\$361	Kansas City
Las Vegas	-13.3%	12.7%	4.0%	-0.4%	680	470	810	270	7.6%	6.5%	6.2%	6.0%	\$19.56	\$20.71	\$22.20	\$23.16	\$408	\$411	\$418	Las Vegas
Los Angeles	-10.4%	7.9%	2.4%	0.3%	1,350	780	900	230	5.8%	5.7%	5.5%	5.2%	\$30.82	\$31.83	\$33.10	\$34.40	\$503	\$495	\$516	Los Angeles
Louisville	-4.4%	3.1%	2.5%	-0.4%	390	100	280	410	3.6%	2.9%	3.4%	3.8%	\$14.57	\$15.59	\$16.05	\$16.40	\$304	\$312	\$318	Louisville
Memphis	-2.4%	2.5%	2.3%	-0.3%	250	390	210	700	5.3%	4.4%	3.9%	4.3%	\$12.47	\$12.95	\$13.95	\$14.45	\$307	\$314	\$324	Memphis
Miami-Dade	-7.7%	6.6%	6.2%	0.9%	400	830	850	1,200	4.7%	3.8%	3.7%	3.9%	\$34.52	\$36.47	\$39.24	\$41.50	\$505	\$530	\$550	Miami-Dade
Milwaukee	-6.1%	1.6%	1.9%	0.2%	160	70	230	330	5.6%	5.0%	4.6%	4.9%	\$12.66	\$13.16	\$13.60	\$14.02	\$260	\$269	\$277	Milwaukee
Minneapolis-St. Paul	-8.3%	4.5%	2.6%	-0.6%	1,140	530	540	420	4.5%	4.0%	3.9%	4.0%	\$16.19	\$16.37	\$17.25	\$17.92	\$289	\$293	\$299	Minneapolis-St. Paul
Nashville	-2.5%	4.9%	4.5%	0.2%	960	540	820	800	4.6%	4.0%	3.3%	3.4%	\$20.90	\$21.03	\$22.60	\$23.60	\$408	\$434	\$463	Nashville
New Haven-Fairfield County	-6.4%	3.5%	1.3%	-0.5%	200	50	290	380	5.4%	4.6%	4.4%	4.7%	\$22.02	\$23.11	\$23.60	\$24.07	\$357	\$364	\$373	New Haven-Fairfield County
New York City	-12.3%	6.8%	4.1%	0.9%	1,050	750	950	780	4.0%	3.9%	4.0%	4.2%	\$55.77	\$56.82	\$59.66	\$61.33	\$597	\$587	\$584	New York City
Northern New Jersey	-8.5%	5.6%	3.3%	0.5%	1,640	700	700	750	4.5%	4.1%	4.0%	4.2%	\$24.11	\$25.64	\$24.50	\$24.37	\$383	\$381	\$379	Northern New Jersey
Oakland	-8.9%	5.9%	3.2%	0.7%	170	210	40	180	5.2%	5.7%	5.9%	6.2%	\$28.85	\$28.39	\$30.85	\$31.47	\$429	\$438	\$447	Oakland
Orange County	-9.1%	5.8%	2.8%	-0.6%	80	80	110	60	4.7%	4.6%	4.4%	4.3%	\$30.03	\$30.87	\$32.30	\$33.53	\$518	\$531	\$544	Orange County
Orlando	-9.0%	8.6%	3.8%	0.6%	940	630	1,300	2,300	5.1%	4.2%	4.5%	4.9%	\$19.70	\$20.23	\$21.10	\$21.85	\$386	\$407	\$423	Orlando
Philadelphia	-7.2%	5.0%	3.1%	0.4%	980	850	750	700	5.8%	5.3%	4.9%	5.0%	\$17.79	\$19.02	\$19.95	\$20.49	\$334	\$342	\$344	Philadelphia
Phoenix	-2.9%	4.5%	3.6%	-0.2%	2,420	900	1,800	1,500	8.4%	7.4%	6.7%	6.6%	\$16.14	\$16.74	\$17.25	\$17.73	\$384	\$394	\$410	Phoenix
Pittsburgh	-8.7%	3.4%	2.2%	-0.8%	830	280	150	210	4.8%	5.0%	4.6%	4.5%	\$12.42	\$14.01	\$14.91	\$15.46	\$300	\$307	\$313	Pittsburgh
Portland	-8.7%	6.3%	4.2%	-0.3%	120	280	190	350	4.4%	4.4%	3.9%	4.2%	\$19.51	\$20.02	\$20.75	\$21.10	\$342	\$346	\$351	Portland
Raleigh	-1.3%	4.3%	5.0%	0.7%	750	1,160	500	440	3.9%	3.6%	3.0%	3.1%	\$19.40	\$19.65	\$20.90	\$21.50	\$331	\$344	\$359	Raleigh
Riverside-San Bernardino	-4.1%	5.9%	4.4%	0.3%	900	700	1,000	630	8.8%	7.6%	6.8%	6.6%	\$18.20	\$18.62	\$19.60	\$20.34	\$374	\$378	\$387	Riverside-San Bernardino
Sacramento	-5.2%	4.6%	3.4%	-0.3%	380	370	350	300	6.9%	6.5%	6.6%	6.7%	\$18.19	\$17.93	\$18.20	\$18.43	\$329	\$338	\$351	Sacramento
Salt Lake City	-0.3%	4.2%	3.1%	0.5%	620	300	780	950	5.4%	4.2%	3.8%	4.1%	\$16.57	\$18.70	\$20.46	\$21.35	\$358	\$361	\$360	Salt Lake City
San Antonio	-4.5%	4.5%	3.1%	0.5%	1,170	940	1,150	600	5.4%	4.6%	4.2%	4.0%	\$16.55	\$17.21	\$17.92	\$18.69	\$376	\$396	\$416	San Antonio
San Diego	-9.1%	8.0%	3.2%	0.4%	430	640	200	320	5.1%	5.4%	4.5%	4.3%	\$24.65	\$24.81	\$26.40	\$27.55	\$494	\$507	\$516	San Diego
San Francisco	-12.2%	7.9%	4.5%	0.7%	70	370	440	100	4.9%	5.2%	6.0%	5.9%	\$37.70	\$38.72	\$36.70	\$37.36	\$583	\$594	\$609	San Francisco
San Jose	-8.0%	5.9%	4.2%	-0.3%	830	170	100	150	4.5%	4.6%	4.7%	4.6%	\$35.34	\$34.83	\$35.95	\$37.05	\$650	\$661	\$661	San Jose
Seattle-Tacoma	-7.6%	5.2%	3.7%	0.6%	540	210	230	130	3.2%	3.0%	3.0%	2.9%	\$22.38	\$23.48	\$24.24	\$25.10	\$454	\$462	\$463	Seattle-Tacoma
St. Louis	-5.7%	3.1%	0.7%	-0.2%	610	370	400	300	6.6%	6.5%	6.4%	6.5%	\$13.32	\$13.48	\$14.15	\$14.35	\$314	\$333	\$342	St. Louis
Tampa-St. Petersburg	-2.8%	5.1%	4.0%	0.5%	1,260	1,060	1,000	1,400	4.9%	4.3%	3.7%	3.9%	\$16.84	\$17.91	\$19.25	\$20.14	\$386	\$397	\$405	Tampa-St. Petersburg
Tucson	-5.3%	3.6%	2.6%	0.3%	170	280	140	220	7.0%	6.9%	6.6%	6.8%	\$15.33	\$15.54	\$15.90	\$16.21	\$334	\$339	\$338	Tucson
Washington, D.C.	-6.5%	3.6%	2.5%	0.4%	1,090	1,100	950	1,100	5.8%	6.1%	5.7%	5.5%	\$26.29	\$27.86	\$28.97	\$30.26	\$427	\$438	\$446	Washington, D.C.
West Palm Beach	-6.0%	7.3%	4.3%	0.7%	110	480	450	500	5.4%	4.7%	3.5%	3.4%	\$24.67	\$27.50	\$29.45	\$30.95	\$413	\$424	\$438	West Palm Beach
United States	-6.1%	4.7%	3.0%	0.5%	49,300	36,600	40,000	42,000	5.6%	5.1%	4.9%	5.0%	\$19.90	\$20.58	\$21.53	\$22.17	\$208	\$216	\$223	United States

* Estimate ** Forecast

2 See Statistical Summary Note on Page 64.

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