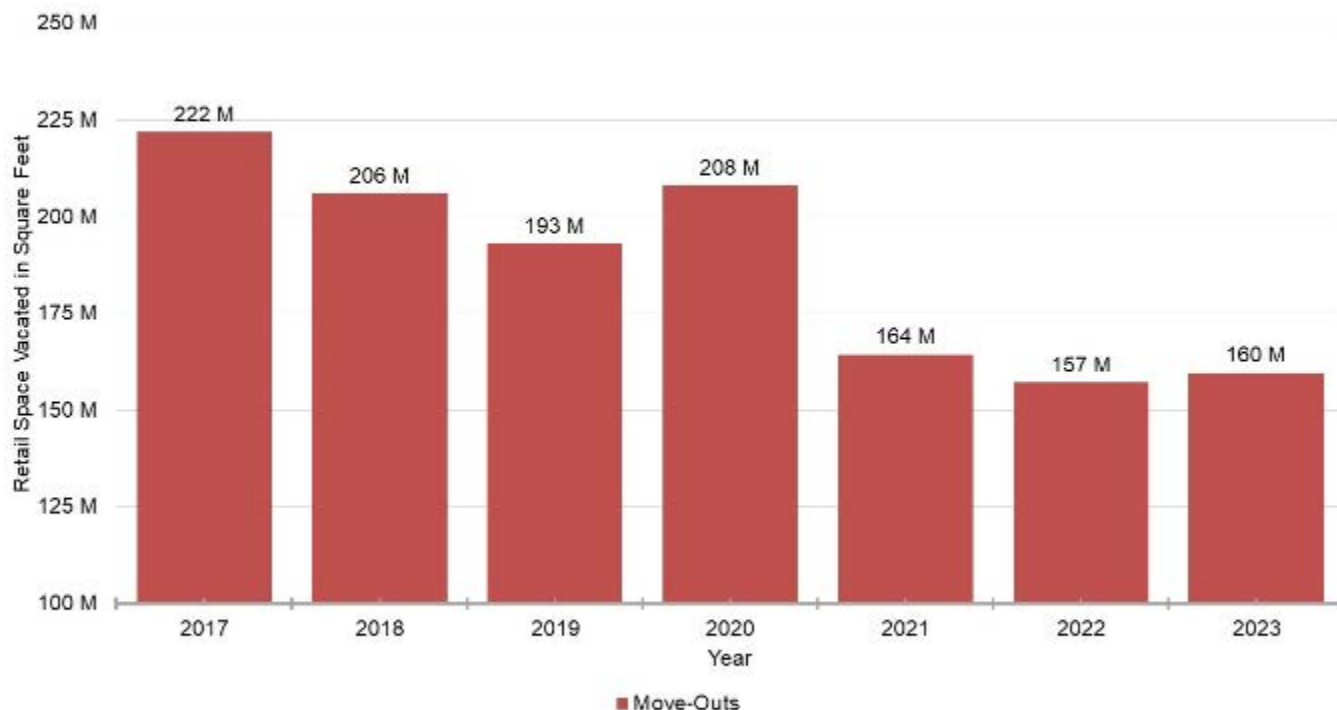


Retail Tenants Stay Put Amid Dwindling Space Options Shopping Centers Across US See Another Year of Below-Average Move-Outs

Vacated Shopping Center Space Holds at Low Level



Source: CoStar
Note: Includes all shopping centertypes except malls



By Brandon Svec

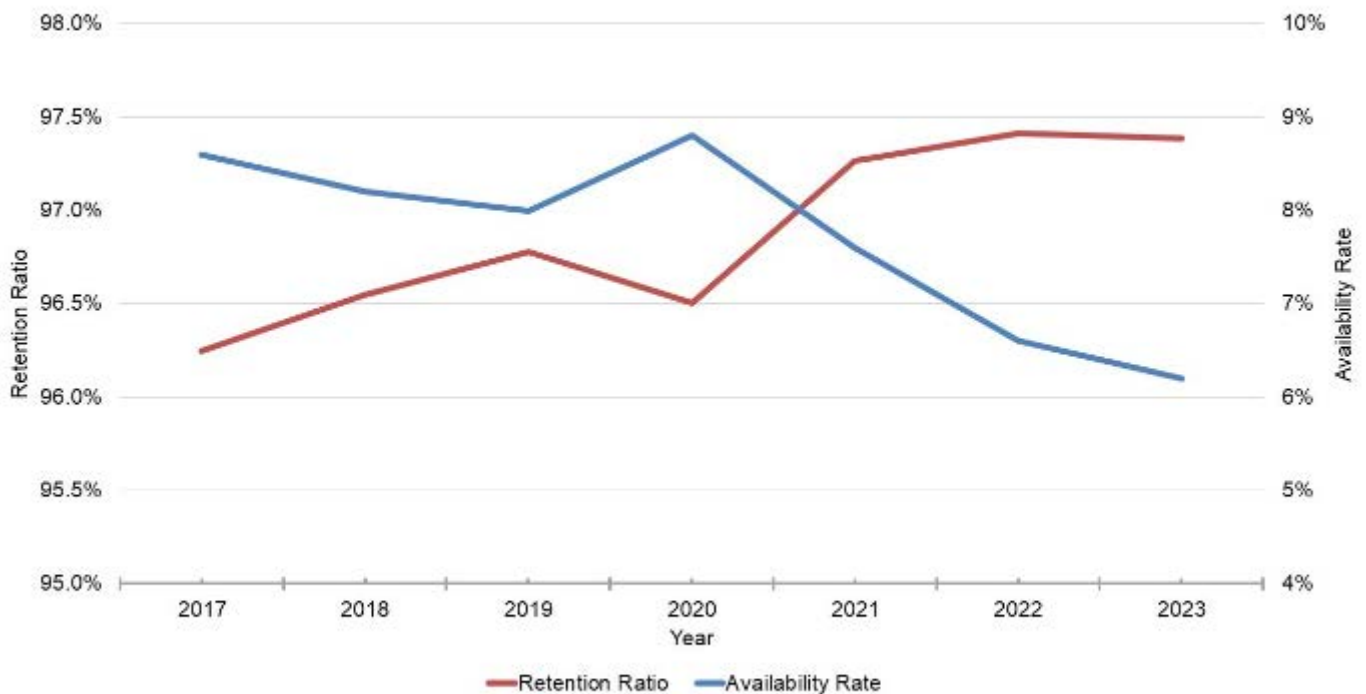
While the bankruptcies of well-known retail chains such as Bed Bath & Beyond, Tuesday Morning and Rite Aid stole headlines and triggered fears of a larger uptick in store closings, tenants in retail centers across the United States held onto their space in 2023 at the same elevated rate as the past two years.

Overall, the retention ratio for shopping centers, or the percentage of occupied square footage that was not vacated during the year, stood at 97.4% in 2023, in line with recent highs and nearly 0.8% higher than the ratio during a wave of store closings from 2017 through 2020. While seemingly small in percentage terms, a 0.8% shift in the retention ratio equates to approximately 42 million square feet of shopping center space not vacated during the year.

The higher space retention ratio reflects a few key trends, including a significant rise in consumption over the past three years and the magnitude of closings and bankruptcies seen before and during the pandemic. That served to cleanse the market of many underperforming stores and retailers and probably accelerated some closings.

In addition, minimal new retail development and persistent demand coming out of the pandemic resulted in a rapid decline in available retail space. Just 6.2% of shopping center space was available for lease at the end of 2023, the lowest level recorded since 2006 and well below the prior 10-year average of 8.8%. Tenants are generally more likely to stay in place as other space options become limited, and when tenants stay in place longer, the market for available space continues to tighten as long as demand for space continues to grow.

Retail Tenants Hold Onto Space



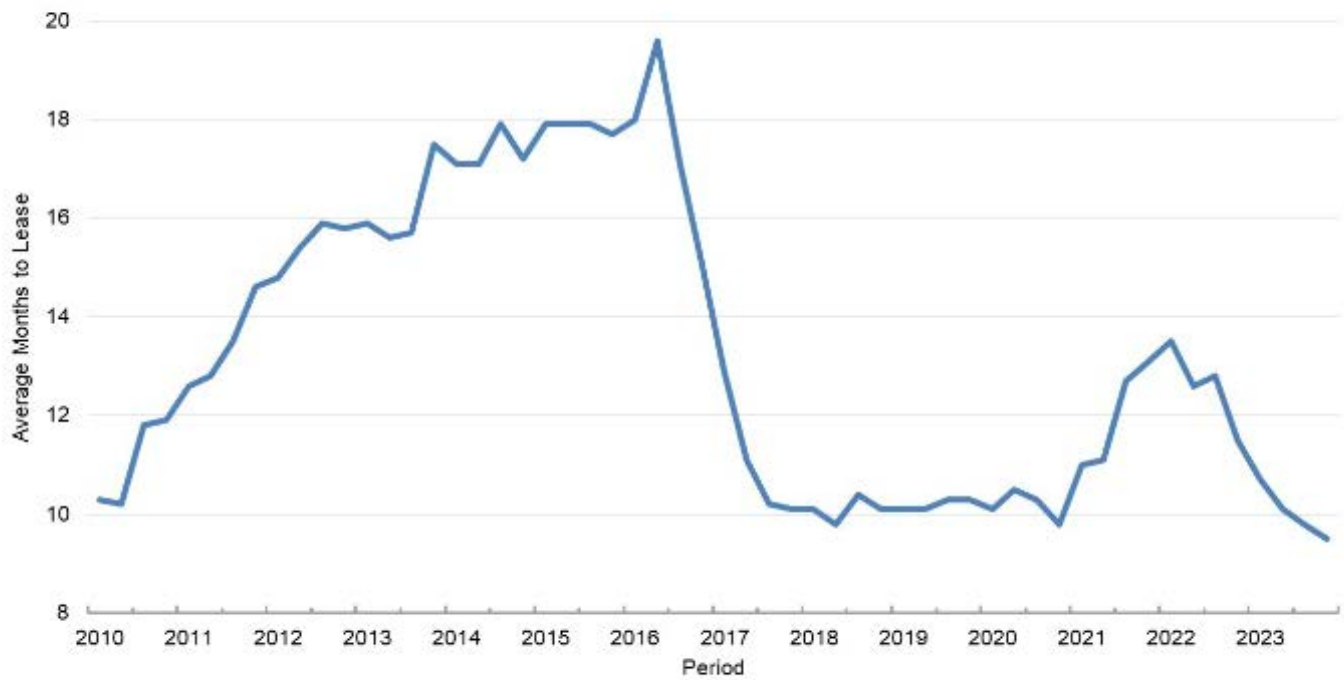
Source: CoStar
 Note: Includes all shopping center types except malls



This is the situation playing out in today’s market, and it is not only benefiting landlords in their ability to retain tenants but also in their ability to quickly fill vacancies when they do occur. After spiking in response to the build-up of space during the pandemic, the average time a retail space remains available before securing a lease has consistently declined, most recently to 9.5 months in the final quarter of 2023, the shortest time recorded since before the Great Recession.

It wasn’t long ago that oversupply was the primary concern in retail space markets, and while that may remain true for certain segments, both fundamentals and tenant behavior support the notion that space in shopping centers is becoming harder to find.

Available Retail Spaces Move Quickly



Source: CoStar
Note: Includes all shopping center types except malls

