

Midwest Retail Investment Report

First Quarter - 2022



Market Outlook

Retail sales volume fell more in line with pre-pandemic levels in Q1 following one of the largest quarters in the last 5 years (Q4 2021). Interest rate increases were, and remain, the predominant topic in retail sales with many wondering how the swift increases in rates will affect cap rates and sales volumes moving forward.

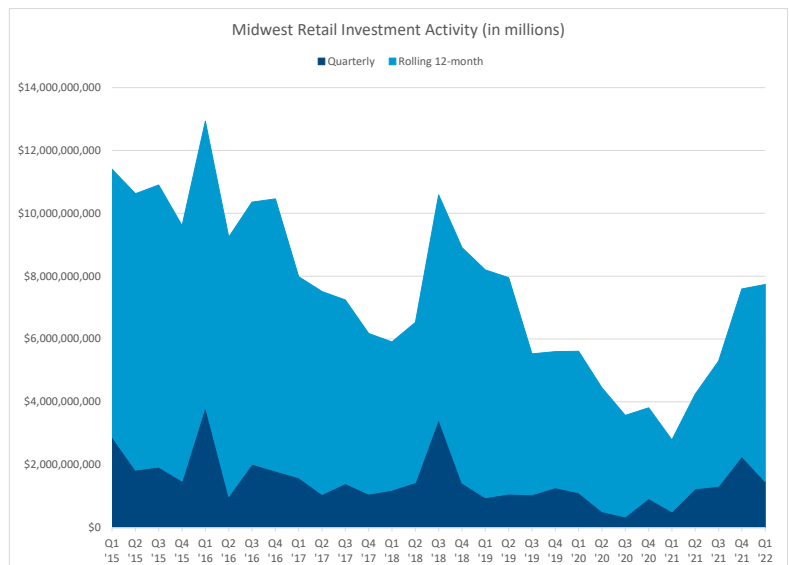
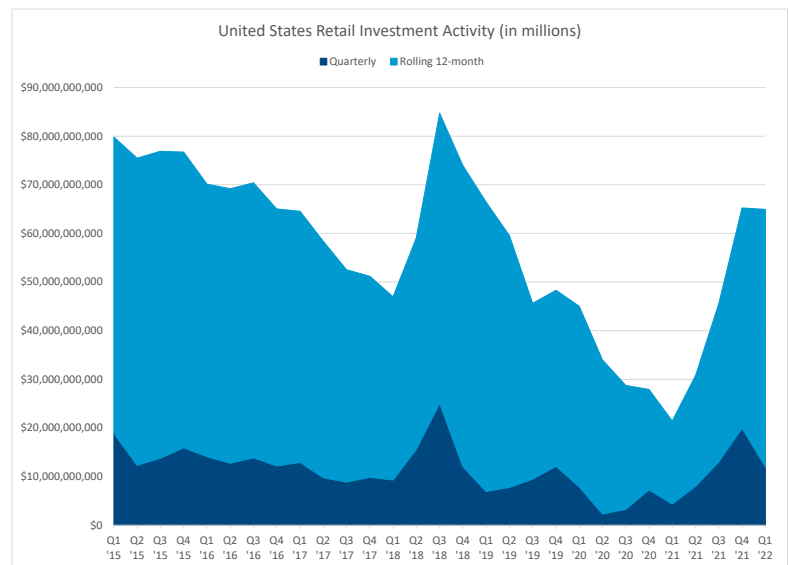
First Quarter Takeaways

Investment Activity: Retail investment activity for the Midwest pulled back slightly in Q1 but is the second highest since 2018 after setting a high in Q4 2021. National investment activity had a more significant pullback in Q1, registering the fifth highest quarter since 2018. This is on trend as Q1 has seen a pullback every year since Q1 2018. The Midwest and National sales volume was still three times and two times Q1 2021, respectively.

Current Inventory: Inventory has seen a slight increase quarter to quarter. Much of this is attributed to increasing interest rates throughout Q1 with expectations of continued increases throughout 2022. Many owners are getting their properties listed to try and take advantage of low cap rates while interest rates remain low.

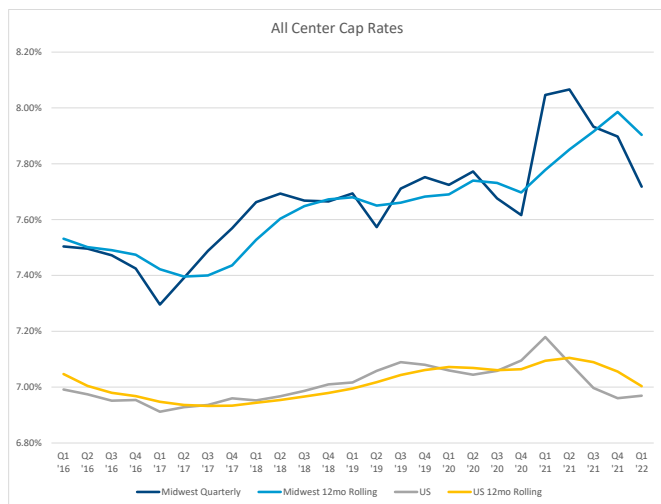
Cap Rate Compression: Net lease cap rates have remained steady with some additional compression, but we expect them to increase with the rapid rise in interest rates at the end of Q1 and continuing throughout 2022.

Pricing Growth: Grocery-anchored centers continue to be a very desirable segment of retail with the price per square foot being the highest since Q4 2017 for Midwest markets and Q2 2018 for National markets. Unanchored centers continued to increase as well in Q1 to \$225.88 psf Nationally, which is the highest we've seen since before 2015.



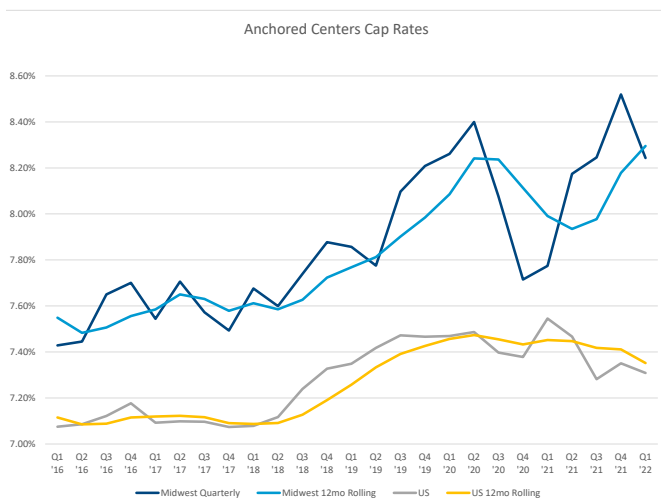
Retail Debt Market

CMBS loan delinquency continued to decrease in Q1 2022. Overall, CMBS delinquency is expected to decrease below pre-pandemic levels by the end of 2022 according to Fitch Ratings, one of the big three American credit rating agencies. Fitch expects the retail delinquency rate to be volatile but end 2022 flat at 7.5% while Trepp, the industry's largest database of secured mortgages, expects the delinquency rate to fall around 2% in 2022. Hotel delinquency recovery is expected to outpace retail recovery this year leaving retail with the highest CMBS delinquency rate of the major asset classes to end 2022, due to slower post pandemic recovery and rising interest rates.



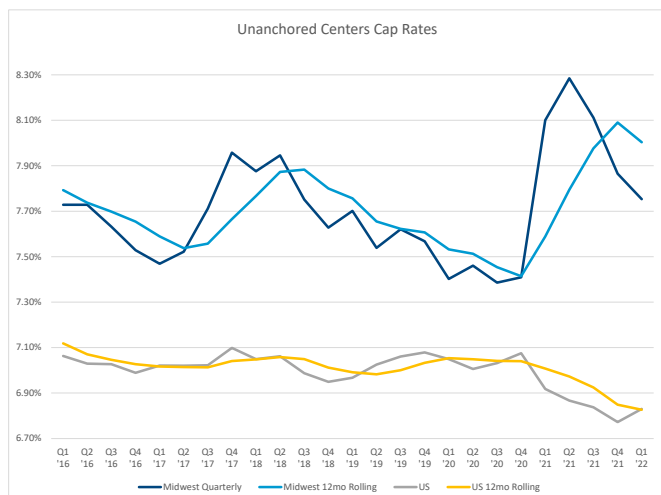
Overall Retail Center Cap Rates:

Cap rates for Midwest and National markets remain very consistent from quarter to quarter. The Midwest saw cap rates decrease slightly across the board in Q1, reinforcing the demand for properties in the Midwest compared to the broader National market.



Anchored Center Cap Rates:

The most significant quarter to quarter change was a decrease of 0.28% for Anchored centers in the Midwest bringing the average quarterly cap rate for these centers to 8.24%, while the rolling 12-month average saw a 0.12% increase to 8.30%. Midwest cap rates seem to be compressing around 8.25%. National cap rates fell slightly to meet around 7.35%.

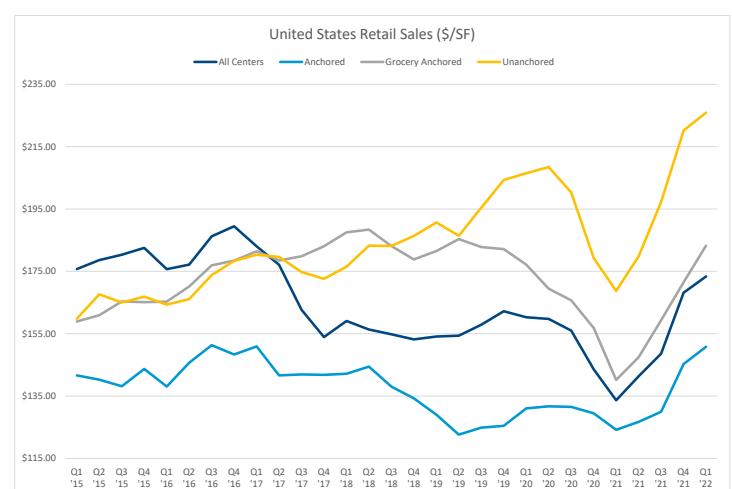
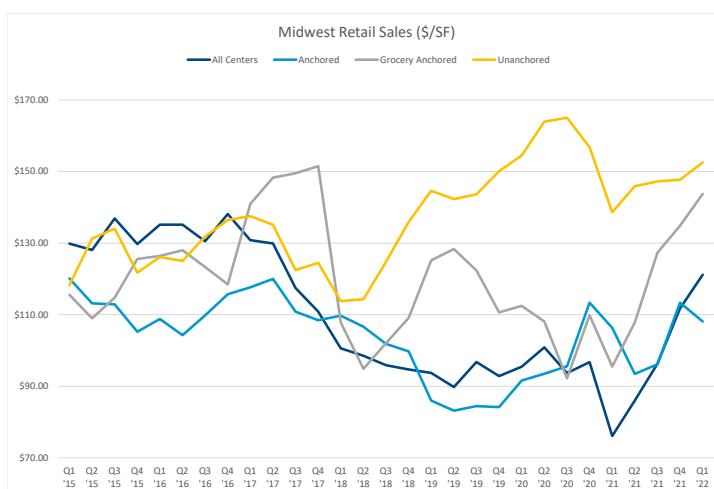
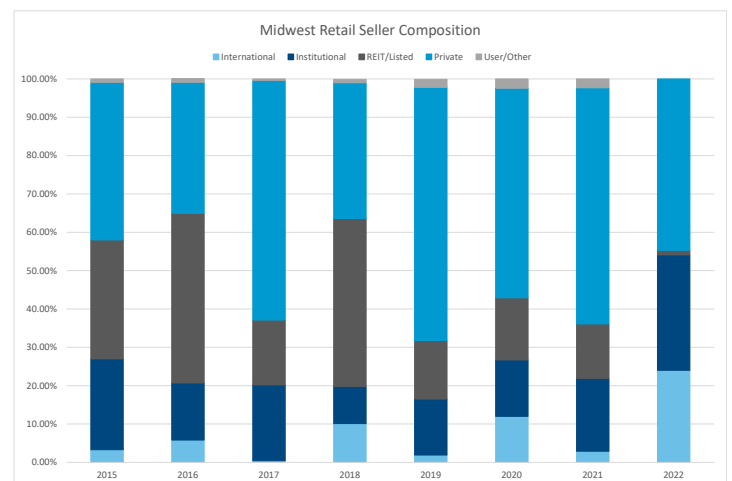
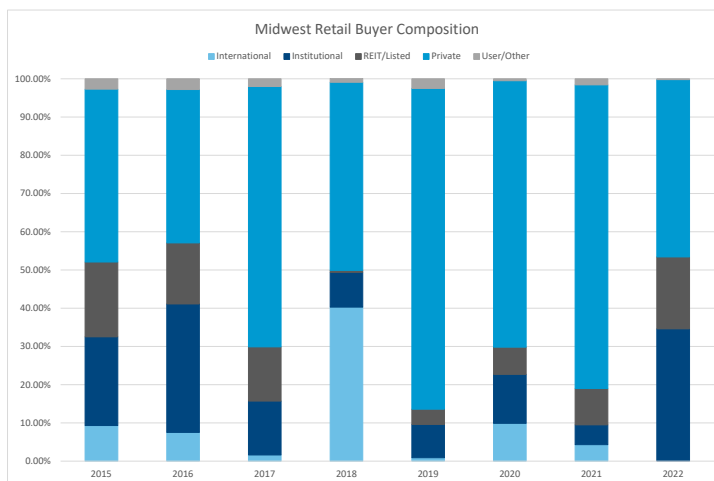


Unanchored Center Cap Rates:

The Midwest market saw a slight decrease from Q4, for the third consecutive quarter, to 7.75%. The National market saw a minor increase in the quarterly cap rates to 6.83% continuing to straddle 6.8% for the fourth quarter in a row.

Midwest Buyer and Seller Profiles

- **International:** International investors are continuing their cautious approach to buying in 2022. We saw an uptick in international sellers in Q1 as international sellers made up 24% of sales in the Midwest.
- **Institutional:** Institutional buyers increased significantly in Q1, making up 34.6% of buyers. Institutional sellers also increased in Q1 to represent 30.1% of sellers. Institutional buyers and sellers remain lower than Private investors, but the gap closed significantly in Q1.
- **REITs:** REITs represented the smallest composition of sellers in Q1 and currently have the highest representation of buyers they have had since 2015. We will continue to monitor this throughout 2022 to determine if this is a long-term trend or simply a quarterly abnormality.
- **Private:** Private investors continued to make up the majority of buyers and sellers, but their composition was the lowest annual make up since 2016 and 2018 respectively.
- **Overall:** Retail sales continued to surge throughout Q1 but with interest rates climbing drastically, it is too early to tell to what degree the momentum could slow due to higher priced debt.



COMING SOON & ON MARKET

Puritas Park Plaza w/ CVS



Cleveland, OH
Price: \$6,470,000

Grocery-Anchored w/ Outlets



Charleston, SC
Price: \$23,800,000

Infill Retail Center



Columbus, OH
Price: \$8,070,000

UNDER CONTRACT & RECENT CLOSINGS

Lakeshore Plaza



Euclid, OH (Cleveland)
Size: 81,020 SF

London Plaza



London, OH (Columbus)
Size: 52,558 SF

Goodwill Center



Granite City, IL (St. Louis)
Size: 32,212 SF

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