Brick-and-Mortar Retail Centers are Becoming an Attractive Asset for Private Investors

By Emily Gallagher

Though the brick-and-mortar retail market plummeted in the wake of the COVID-19 pandemic, retail property sales to family offices, affluent individuals, and small private investment businesses are expanding.

The Wall Street Journal reports that many stores that managed to endure the economic shock of the pandemic are finding that a large portion of their customer base is still enthusiastic about in-person shopping in spite of the pandemic-induced rise in e-commerce shopping. While large REITs and other major players are hesitant to invest in the market sector, private investors are seeing an opportunity for better yields. Smaller buyers were responsible for roughly three-quarters of retail asset acquisitions in 2021, a 30 percent increase over the 10-year historical norm. In total, retail property transaction volume in the United States increased by 24 percent last year to approximately $82 billion. The buying frenzy continued in Q1 of this year, with transaction volume reaching $25 billion by April 30th, up 82 percent from the same time last year.

Retail is already a risky business, especially in this current inflationary landscape, but private investors are seeing dollar signs. Growing population trends in suburban areas are also spurring investor interest for physical retailers, especially when it comes to open-air shopping centers. Grocery-anchored retail is particularly sought after as grocery fulfills the biggest retail need, but the latest bidders for retail properties are particularly interested in shopping centers in more remote areas of the country. Since retail development has been sluggish since 2009, this may indicate a strategy to corner the market for in-person shopping centers in those respective areas. Whatever the case may be, if retail continues to be viewed as a favorable asset, brokers expect REITs and large commercial firms to follow suit.