

Retail Openings Have Eclipsed Closings So Far This Year

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By Philippa Maister

Shopkeepers appear to be brushing aside the gloomy scenario of the past few years with a more cheerful outlook on the future. “Retail tenant move-ins (openings) eclipsed move-outs (closings) by 21 million square feet during the first half of the year. Demand for space has now increased for 10 consecutive quarters,” according to the CoStar Group Real Estate Data Update for August 2023.

Malls are a major exception to this pattern, as demand for space in malls continues to drop, particularly for Class B and C properties. But for the fourth consecutive quarter, there was rising demand for space in single-tenant properties as well as strip, power, and neighborhood centers, CoStar reported.

The South and West accounted for 11 of the top 12 markets that experienced relative demand gains in the past four quarters. Demographic growth was a major factor. Phoenix led the pack with 4.6 million SF, which equates to nearly 2% of the total retail space in the market, followed by San Antonio, Austin, Fort Lauderdale and Kansas City.

However, even though demand is growing, its pace of growth has slowed from 2021 and 2022. And in five major metros — New York, Los Angeles, Seattle, Sacramento, and East Bay — demand fell over the past four quarters. For all but Sacramento, CoStar blames the slump on high rents and shifting consumption patterns.