

KNOWLEDGE REPORT

Retail Research & Forecast Report Q1 2018

Colliers International | Dayton



Key Takeaways

- ▶ After two consecutive quarters of occupancy losses, Dayton's retail market rebounded during the first quarter of 2018 posting positive net absorption of 53,222 square feet.
- ▶ The overall market vacancy rate decreased during the quarter by 20 basis points to 9.8%, which is 60 basis points higher than at the end of quarter one of 2017.
- ▶ Construction activity remains unchanged and is limited to a few strip centers with significant pre-leasing in premium locations.
- ▶ The overall asking rental rate currently averages \$9.65 per square foot (NNN), which is unchanged on a year-over-year basis. However, this is 3.1% below the market's two-year running average asking rental rate.

Physical Retail is Not Going Away Anytime Soon

With all of the talk of a retail apocalypse, one would expect to see by now an ever growing number of decaying hulks of once vibrant neighborhood shopping centers dotting the landscape across the United States. Are there dead shopping centers and regional malls? Of course, although many of these properties are being re-purposed to alternative uses.

Is e-commerce killing brick-and-mortar stores? Online sales continue to record double digit annual growth, but in-store shopping still comprises 91% of overall retail sales. Even projecting into the future, forecasters estimate that physical stores will still capture more than 80% of total sales in 2025.

Is there simply too much retail space? The U.S. leads the world in retail square footage with 24 square feet per capita. Major European economies record only a fraction of that total. For instance, the United Kingdom's retail footprint totals five square feet per capita, while France and Germany record four and two square feet per capita, respectively. Furthermore, on a per capita sales per square foot basis, the U.K., France and Germany squeeze higher sales out of much less space, suggesting a much more efficient allocation of resources.

If we're in the midst of an apocalypse, then how does one explain the fact that there were 4,080 more store openings last year than closures? Certainly retail is in the midst of a monumental sea change, but the story is much more complicated and nuanced than the sensationalistic, eye-grabbing headlines make it appear.

A new study by Deloitte examines the many factors impacting the retail sector and reveals some surprising insights. Key economic metrics all indicate that the recovery continues as the expansion now enters its 106th month. Median household income has recovered and stands above

Market Indicators

Relative to prior period	Q1 2018	Q2 2018*
VACANCY	↓	↔
NET ABSORPTION	+	+
CONSTRUCTION	↔	↓
RENTAL RATE**	↑	↔

* Projected, relative to prior period

** Neighborhood Center rents

MARKET STATS AT A GLANCE



9.8%

VACANCY RATE



\$9.65

MARKET ASKING RENT



+53,222

ABSORPTION (SF)



31,320

UNDER CONSTRUCTION

its pre-recession peak. Consumer confidence is at an 18-year high. Unemployment is low and housing markets are strong.

Other future-oriented indicators paint a positive picture as well. GDP growth, while modest by historical standards, has been consistently positive. Household net worth has doubled over the past 10 years, household debt has declined and equity markets have reached record levels.

All these factors should be contributing to robust growth in the retail sector, and some segments of retail, such as off-price and luxury brands, are experiencing growth. But if one examines the list of bankruptcies, one finds that most of these retailers target the middle market consumer. Deloitte's study found that over the past 10 years, 80% of American consumers actually found their financial situation worsening. The percentage of discretionary income for low, middle and upper-middle class consumers decreased significantly over that timeframe and for some income cohorts actually turned negative.

This suggests that while retailers at the top and low ends of the spectrum will see additional growth, the middle will continue to be squeezed and the winners in this sector will be those that can truly differentiate themselves with unique product offerings and an outstanding in-store experience.

With regard to discretionary income growth and the increasing wealth gap, some commentators have referred to a "lost decade" for many Americans. Hopefully, continued economic growth and new incentives for business investment can reverse that trend. Whatever the future holds in store, the overall retail landscape has changed and the disruption to traditional retail models will continue

Summary Statistics

Q1 2018 Dayton Retail Market

Dayton

Vacancy Rate	9.8%
Change From Q4 2017 (basis points)	-20
Absorption (Square Feet)	53,222
Under Construction (Square Feet)	31,320
Completions (Square Feet)	0

Asking Rents

Per Square Foot Per Year

Overall Market	\$9.65
Community Center	\$10.26
Neighborhood Center	\$9.27
Conv/Strip Center	\$10.20
Freestanding/Big Box	\$5.22

For a more in depth look at the factors impacting the retail sector and the bifurcation phenomenon,

Download the white paper from Deloitte Insights: ["The Great Retail Bifurcation – Why the Retail 'Apocalypse' is Really a Renaissance"](#)

Notable Retail Sales | Q1 2018

PROPERTY NAME/ADDRESS	SALE DATE	SALE PRICE	BLDG SIZE (SF)	BUYER	SELLER	TYPE	SUBMARKET
20 S Stanfield Rd - Tractor Supply Co	Jan-18	\$2,900,000	19,050	TPP Enterprises LLC	Tractor Supply Company	Freestanding	Upper Valley
3109-3155 Far Hills Ave	Mar-18	\$2,500,000	27,000	JK Real Estate Group LLC	Huber Management Corporation	Conv/Strip Ctr	South
306-310 Looney Rd	Mar-18	\$2,500,000	22,752	Merlins Holdings Ltd	Reckertown LLC	Freestanding	Upper Valley
32-36 Fiesta Ln	Mar-18	\$2,225,000	10,035	Glen Properties LLC	Laneco Inc	Conv/Strip Ctr	South
21 Paceline Cir - Dollar General	Mar-18	\$1,540,800	9,072	Wolcott Family Trust	CBT Realty Corporation	Freestanding	Xenia
650 W National Rd - Dollar General	Feb-18	\$1,346,000	9,157	Thomas D Luby Living Trust	Primax Properties LLC	Freestanding	North
Alex Plaza	Jan-18	\$1,128,800	21,600	Sousa Realty	Starwood Capital Group	Conv/Strip Ctr	South
3415 Seajay Dr	Feb-18	\$1,012,500	27,560	SVG Motors	MDL Holdings LLC	Freestanding	East

Notable Retail Leases | Q1 2018

PROPERTY NAME/ADDRESS	LEASE DATE	LEASE SF	ASKING RATE	TENANT	TYPE	SUBMARKET
Northmont Plaza	Feb-18	20,771	Goodwill	Neighborhood Ctr	North	East
Dayton Mall	Jan-18	10,000	McAlister's Deli	Super Regional Ctr	South	South
Triangle Station	Jan-18	8,450	CVS	Neighborhood Ctr	South	Upper Valley
Lyons Retail Center	Jan-18	8,000	Athletico	Conv/Strip Ctr	South	South
Northtown Center	Mar-18	5,017	Undisclosed	Neighborhood Ctr	North	West
The Mall at Fairfield Commons	Jan-18	4,902	Popcorn Pizzazz	Super Regional Ctr	East	South
452 Springboro Pike	Feb-18	3,600	GEICO Insurance	Conv/Strip Ctr	South	South
5901 Far Hills Ave	Feb-18	3,180	Dunkin' Donuts	Freestanding	South	South



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