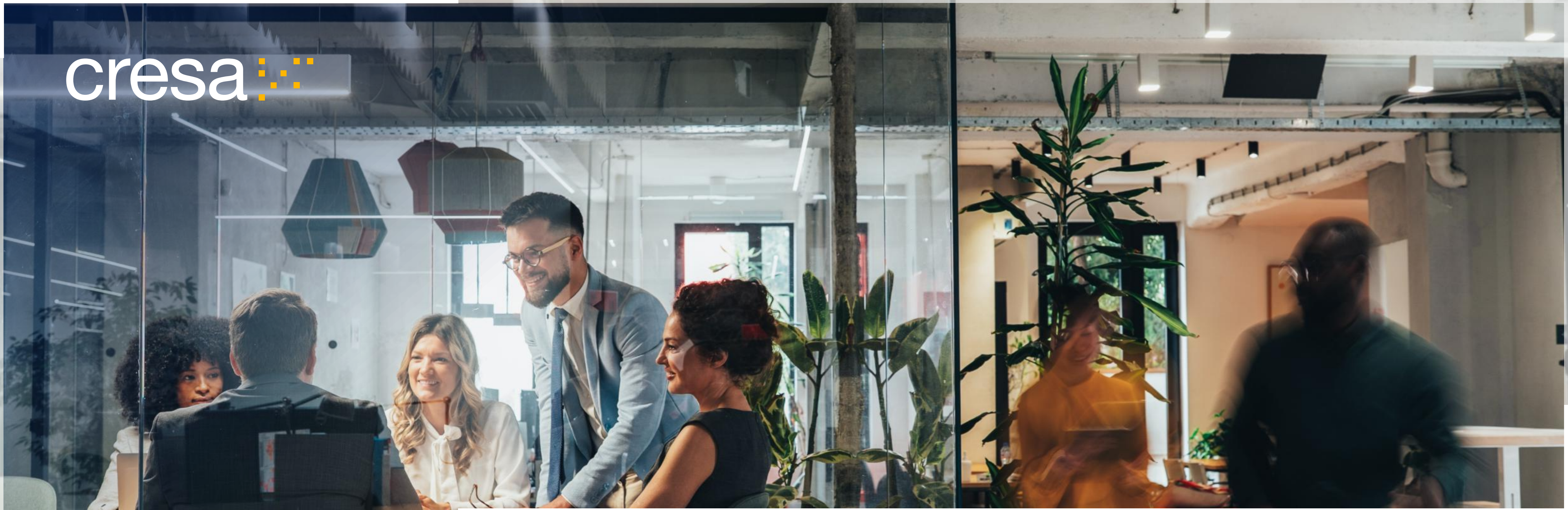


Retail Occupier Outlook

United States Overview:
The Economy and Its Impact on Commercial Real Estate

Cresa Research | Q2, 2026

Economic Overview

Economic Resilience Supports Strategic Real Estate Decisions

The U.S. economy continues to show resilience despite higher interest rates, slowing employment growth, and ongoing geopolitical uncertainty. Economic growth remains positive, supported by business investment, robust consumer spending, and a labor market that continues to add jobs at a slower but sustainable pace. Although inflation has eased from its peak, it still exceeds the Federal Reserve's long-term target, leading policymakers to adopt a cautious approach to monetary policy. While borrowing costs are high, businesses have shifted from rapid expansion to more measured investments, focusing on productivity, operational efficiency, and strategic capital deployment.

The current economic environment is affecting commercial real estate across different property types, with a key trend emerging: occupiers prioritizing flexibility, operational efficiency, and long-term strategy.

Office occupiers are consolidating underutilized spaces and investing in high-quality workplaces to enhance collaboration and attract talent. In the industrial sector, while economic growth has slowed speculative development, demand remains strong in logistics modernization, manufacturing, and data centers influenced by power availability. Retail continues to benefit from robust consumer spending, limited new construction, and low vacancy rates, allowing well-located centers and experiential destinations to excel.

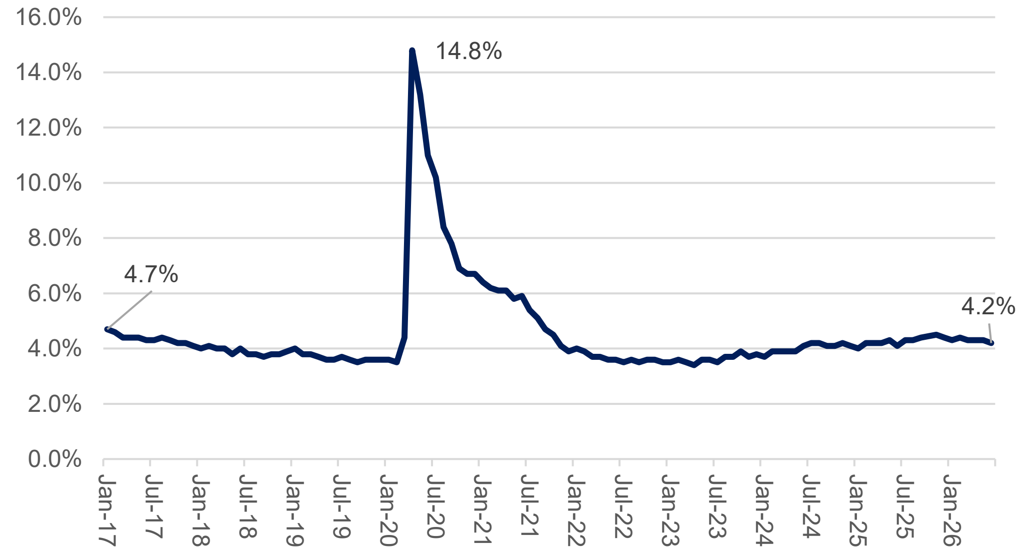
Overall, companies are making more strategic real estate decisions, focusing on locations and facilities that boost productivity and adapt to evolving economic conditions.

Unemployment

Unemployment Steadies After Drifting Higher

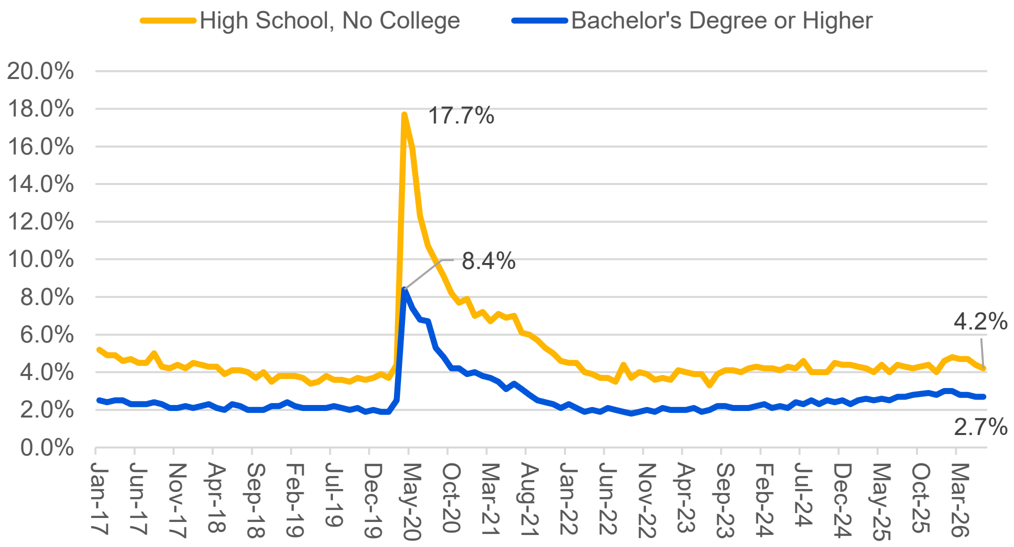
The Bureau of Labor Statistics (BLS) reported a steady U.S. unemployment rate of 4.2 percent in June 2026. The overall labor market shows signs of slowing hiring and limited turnover, indicating a “low-hire, low-fire” environment. The labor market is shifting from resilient growth to a late-cycle slowdown. In June, U.S. employers added 57,000 jobs, below expectations and marking a moderation in hiring.

Total Unemployment: (United States)



Source: U.S. Bureau of Labor Statistics, https://bls.gov; Seasonally adjusted

High School Only vs. Bachelor’s Degree or Higher



Source: U.S. Bureau of Labor Statistics, https://bls.gov, Seasonally adjusted

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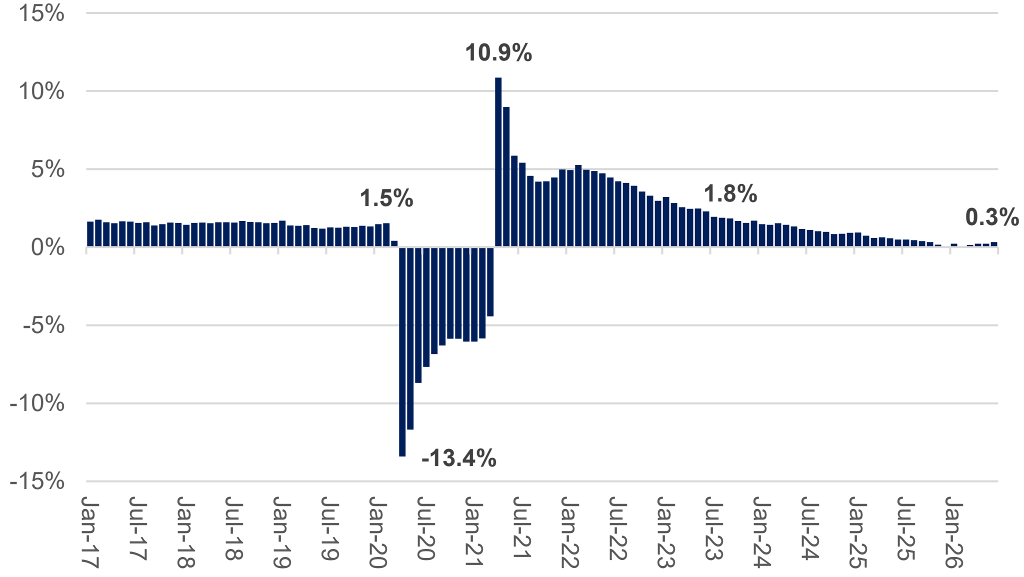
Employment

Job Creation Stalls in the Second Quarter

While employment growth has cooled, layoffs remain relatively limited, suggesting employers continue to retain workers despite a more cautious economic environment. Hiring continues to be concentrated in service-oriented sectors. Professional and business services, healthcare, and social assistance accounted for most of the job gains over the past year. Meanwhile, government, finance, and information jobs have shed positions over the past 12 months.

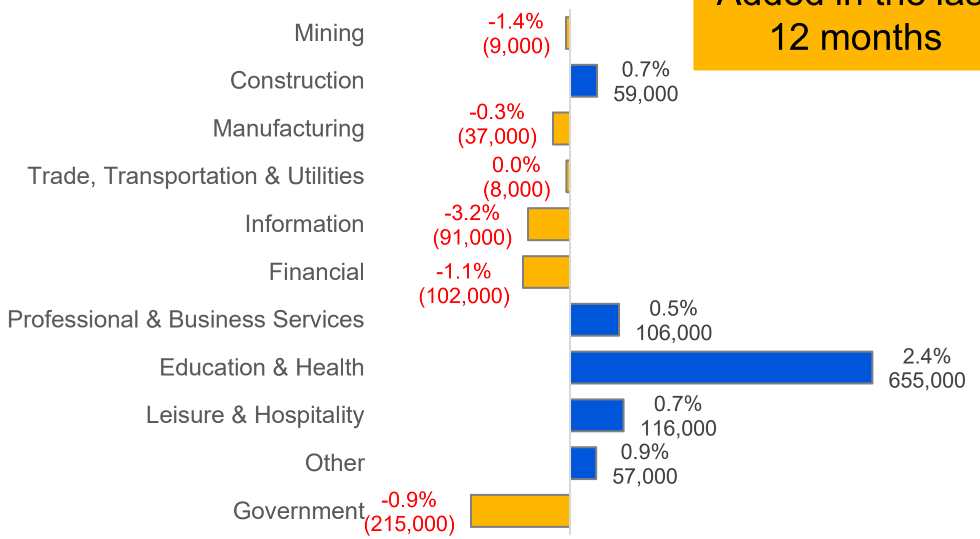
All Job Sectors (12-Month Change)



Source: U.S. Bureau of Labor Statistics, https://bls.gov, Not seasonally adjusted

Job Sector Adjustment (12-Month Change)

531 K JOBS
Added in the last 12 months



Source: U.S. Bureau of Labor Statistics, https://bls.gov, Not seasonally adjusted

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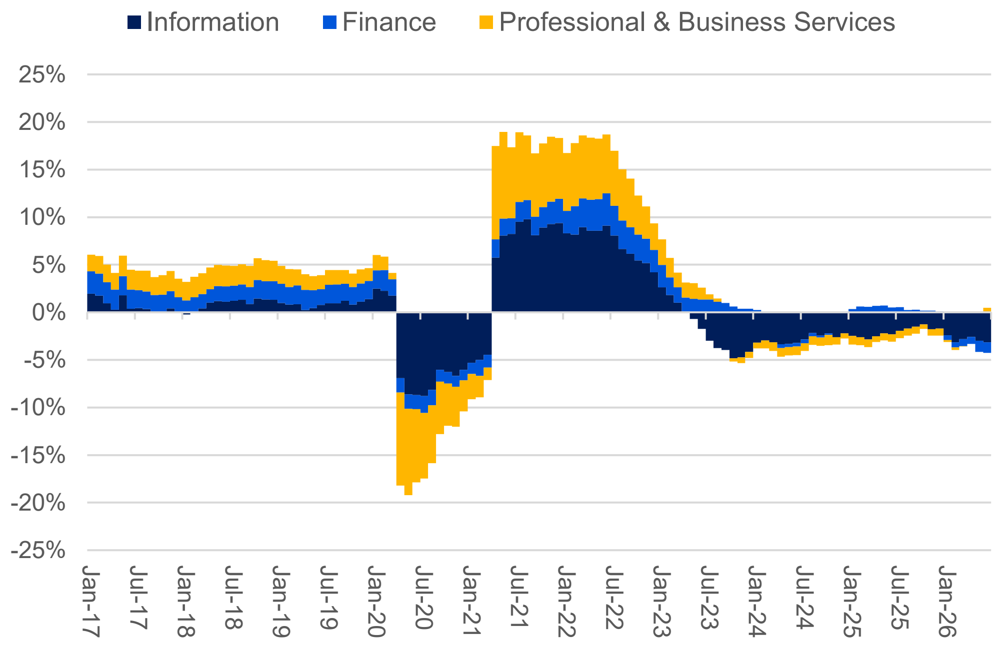
Employment

Hiring Slows, but the Labor Market Remains Resilient

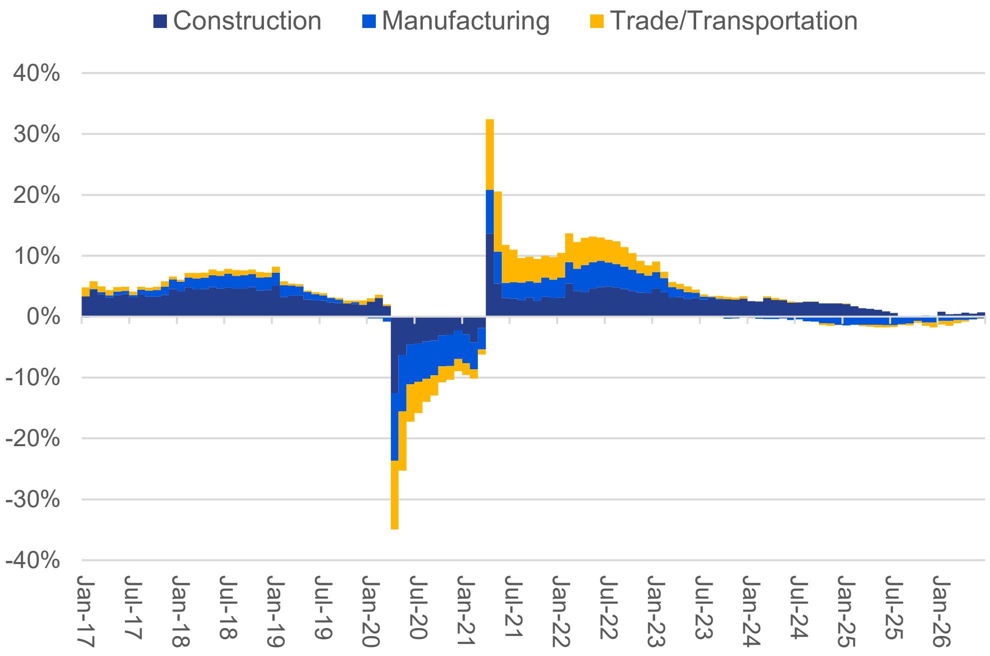
A moderating labor market is likely to temper large-scale office expansions in the near term, encouraging occupiers to remain disciplined in portfolio decisions. At the same time, continued job growth in professional services and healthcare supports demand for high-quality office space, while slower hiring reinforces the emphasis on portfolio optimization. Manufacturing-related jobs have declined or remained steady in the last year, despite manufacturing orders holding steady.

Office-Occupying Jobs (12-Month Change)



Source: U.S. Bureau of Labor Statistics, https://bls.gov, Not seasonally adjusted

Manufacturing Jobs (12-Month Change)



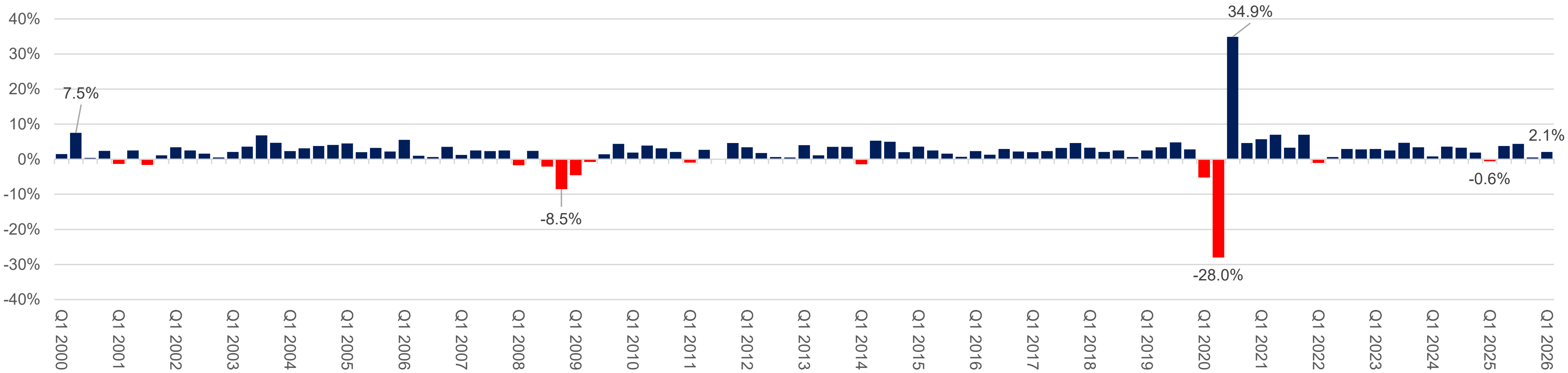
Source: U.S. Bureau of Labor Statistics, https://bls.gov, Not seasonally adjusted

GDP

U.S. Economic Growth Stabilizes as Business Investment Supports Expansion

The U.S. economy grew at an annualized rate of 2.1 percent in the first quarter of 2026, showing a significant improvement from the 0.5 percent growth recorded in the fourth quarter of 2025. This growth was driven by increases in business investment, exports, government spending, and consumer spending. However, the rise in imports partially offset these gains. Continued investment in equipment and technology, including capital expenditures related to artificial intelligence, has contributed to this GDP growth.

Real GDP Percent Change from Preceding Quarter: Q1 2026



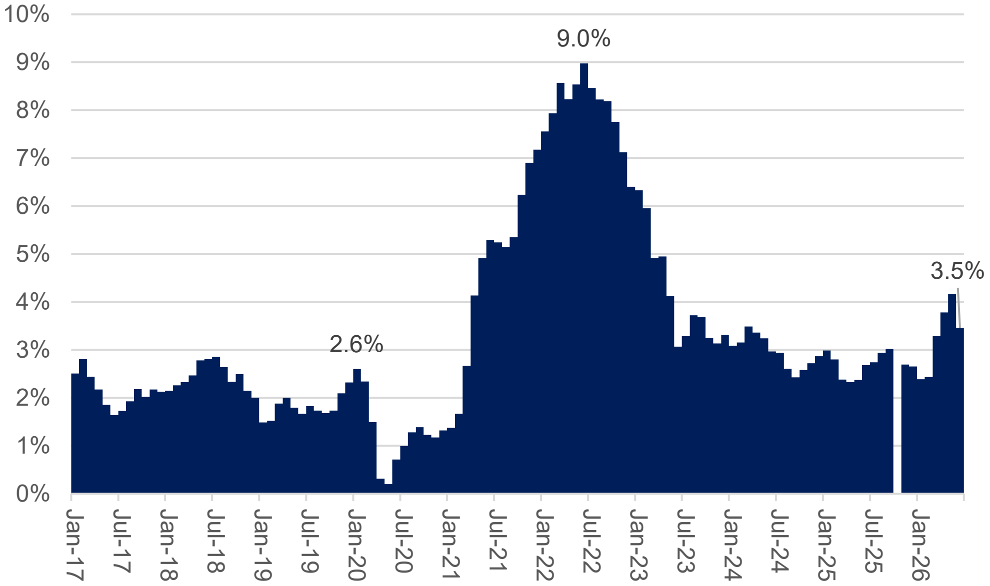
Source [Real Gross Domestic Product (A191RL1Q225SBEA) | FRED | St. Louis Fed (stlouisfed.org)]
Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/A191RL1Q225SBEA, July 15, 2026.

Inflation

Inflation Eases, Offering Encouraging Signs While Price Pressures Remain Above Target

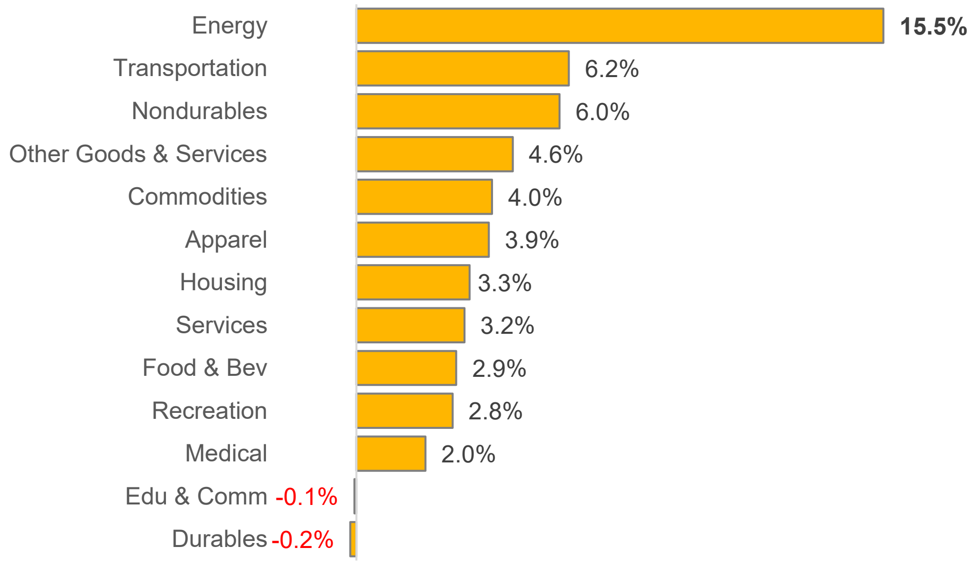
Inflation decreased in June, offering some relief after several months of high price growth. The Consumer Price Index (CPI) fell by 0.4 percent month-over-month, leading to an annual inflation rate of 3.5 percent. This decline was mainly due to lower energy prices, although food and shelter costs continued to rise. For commercial real estate occupiers (CRE), the latest reports reinforce expectations that inflation is gradually easing but remains above the Federal Reserve's target of 2 percent. While easing inflation may improve financing conditions over time, businesses are likely to continue prioritizing cost discipline and workplace efficiency.

Consumer Price Index (12-Month Change)



Source: U.S. Bureau of Labor Statistics, https://bls.gov
Note: Seasonally adjusted, Data pulled July 15, 2026. Data not reported in September 2025

Consumer Price Index by Sector (12-Month Change)



Source: U.S. Bureau of Labor Statistics, https://bls.gov
Note: Seasonally adjusted, Data pulled July 15, 2026

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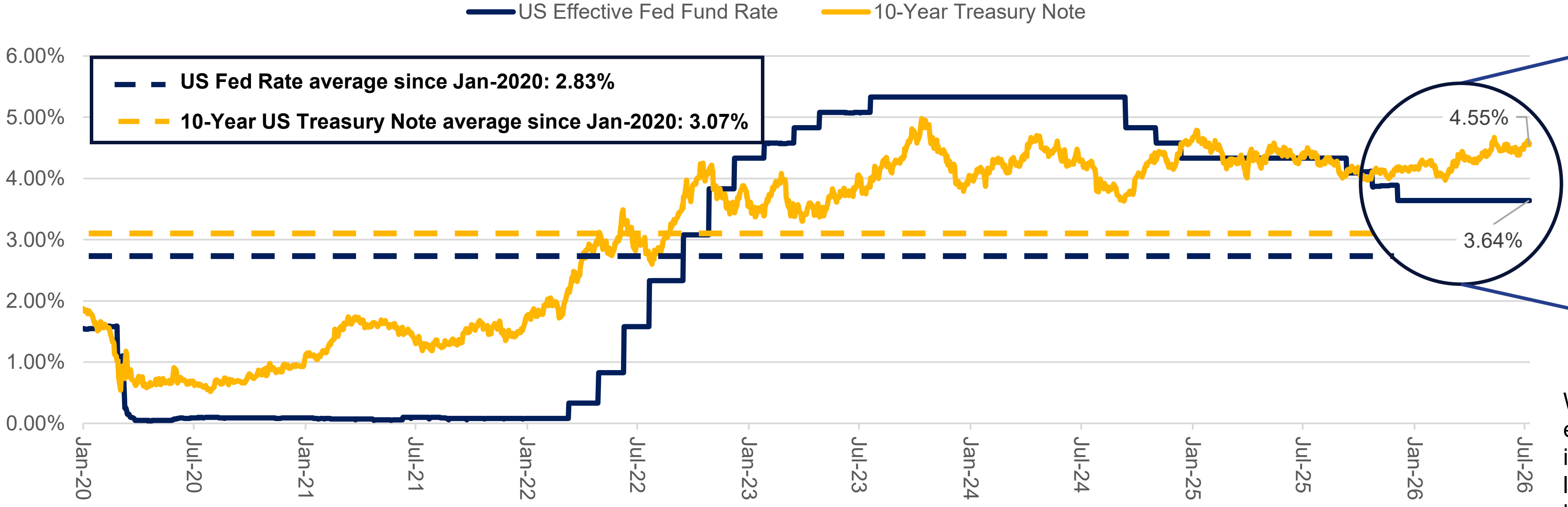
Monetary Policy

Fed Reserve Holds Rates Steady as Long-Term Treasury Yields Reflect Growth and Inflation Expectations

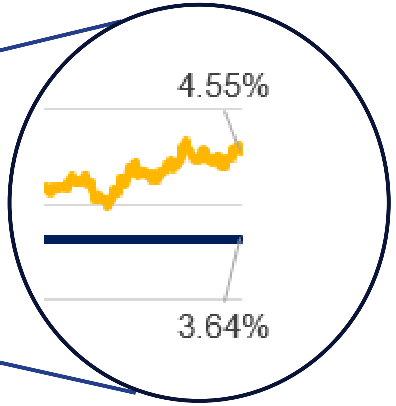
In its June meeting, the Federal Reserve decided to keep the federal funds target range at 3.5 to 3.75 percent. This decision was based on solid economic growth, a strong labor market, and inflation rates that remain above target levels. Policymakers emphasized their data-dependent approach, indicating that a restrictive monetary policy will stay in place until there is sustained improvement in inflation. The 10-year Treasury yield is mainly influenced by investor expectations regarding long-term growth, inflation, and future monetary policy. For CRE occupiers, higher long-term yields are affecting borrowing costs, capitalization rates (cap rates), and investment decisions, even when the Fed keeps its policy rate unchanged.

US Effective Fed Fund Rate & 10-Year Treasury Note



Source: Federal Reserve Economic Data, https://fred.stlouisfed.org; Data is through July 15, 2026
Wall Street Journal; Data is through July 15, 2026

10-Year Treasury Passes US Fed Fund Rate



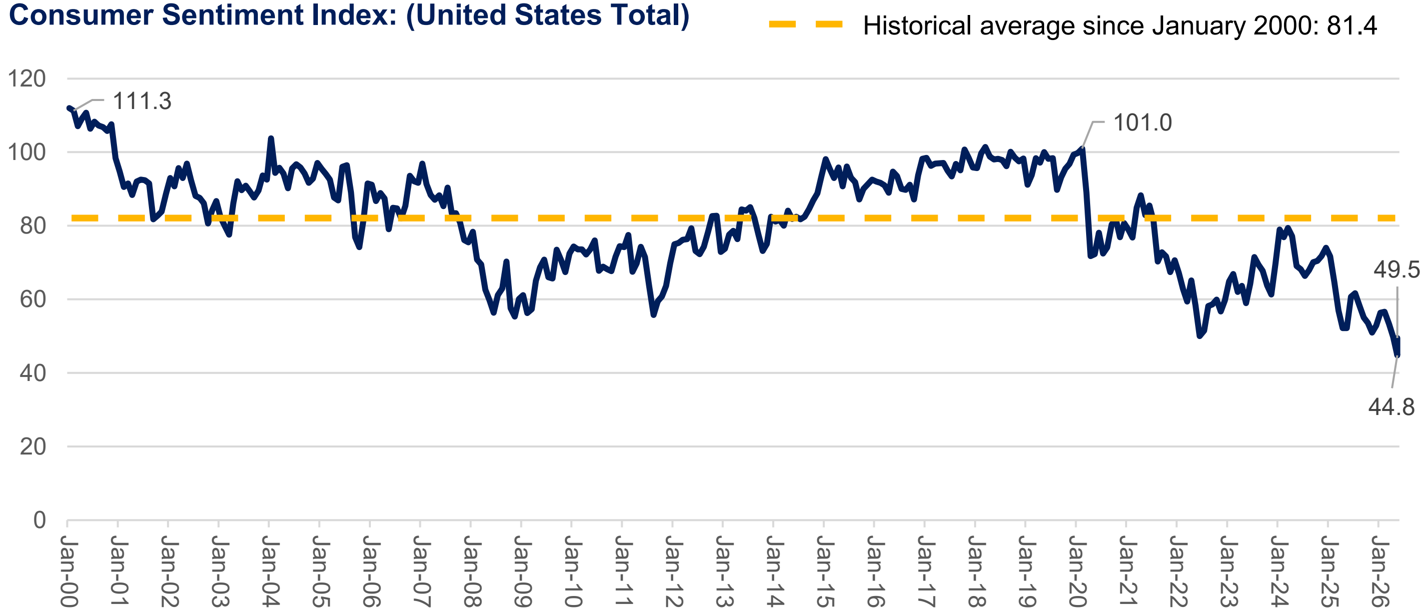
When the 10-year Treasury note yield exceeds the US effective rate, it indicates that investors are demanding higher returns on longer-term bonds. The result is typically higher mortgage rates and higher interest rates on other debt, like credit cards.

Consumers

Consumer Sentiment at Lowest Level Since 2000 in April 2026

The Consumer Sentiment Index rose to 49.5 percent in June, marking the highest reading since February. The improvement was driven primarily by easing gasoline prices and a modest improvement in consumers' views of current economic conditions and future expectations. Despite the recent improvement, consumer confidence remains well below historical averages, reflecting ongoing concerns about affordability, inflation, and the broader economic outlook.

Consumer Sentiment Index: (United States Total)



Consumer Sentiment Index

Consumer sentiment is a statistical measurement of the overall health of the economy as determined by consumer opinion. It considers people's feelings toward their current financial health, the health of the economy in the short-term, and the prospects for longer-term economic growth.

Source: Federal Reserve Economic Data, https://fred.stlouisfed.org;
Note: Data thru May 2026(UMCSENT). Data pulled July 15, 2026

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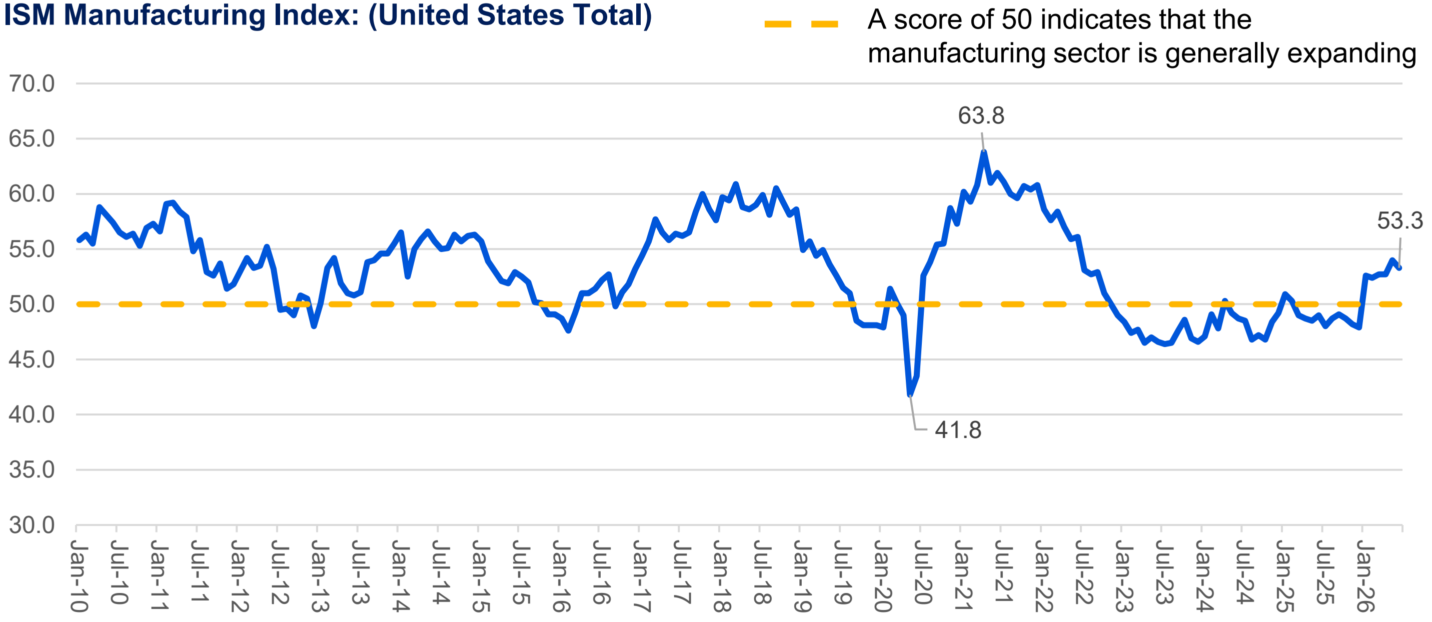
Consumers

ISM Manufacturing PMI Continues to Expand, Signaling Resilient Industrial Activity Despite Moderating Momentum

The Institute for Supply Management (ISM) Manufacturing PMI (Purchasing Managers Index) for June registered 53.3, marking the sixth consecutive month of expansion. Although activity moderated slightly from May's reading of 54, new orders and production remained in expansion territory, indicating continued strength in the manufacturing sector despite a slower pace of growth. For industrial occupiers, the ISM Manufacturing PMI points to steady underlying demand rather than rapid acceleration.

ISM Manufacturing Index: (United States Total)



Source: Institute of Supply Management
Note: Data thru May 2026

ISM Manufacturing PMI

The ISM Manufacturing Index is a key economic indicator that measures the level of demand for products by surveying purchasing managers at manufacturing companies. The PMI is based on five major components: new orders, production, employment, supplier deliveries, and inventories. The index is seasonally adjusted to account for differences in weather, holidays, and other factors. A reading above 50 percent indicates that the manufacturing sector is generally expanding; below 50 percent indicates that it is generally contracting.

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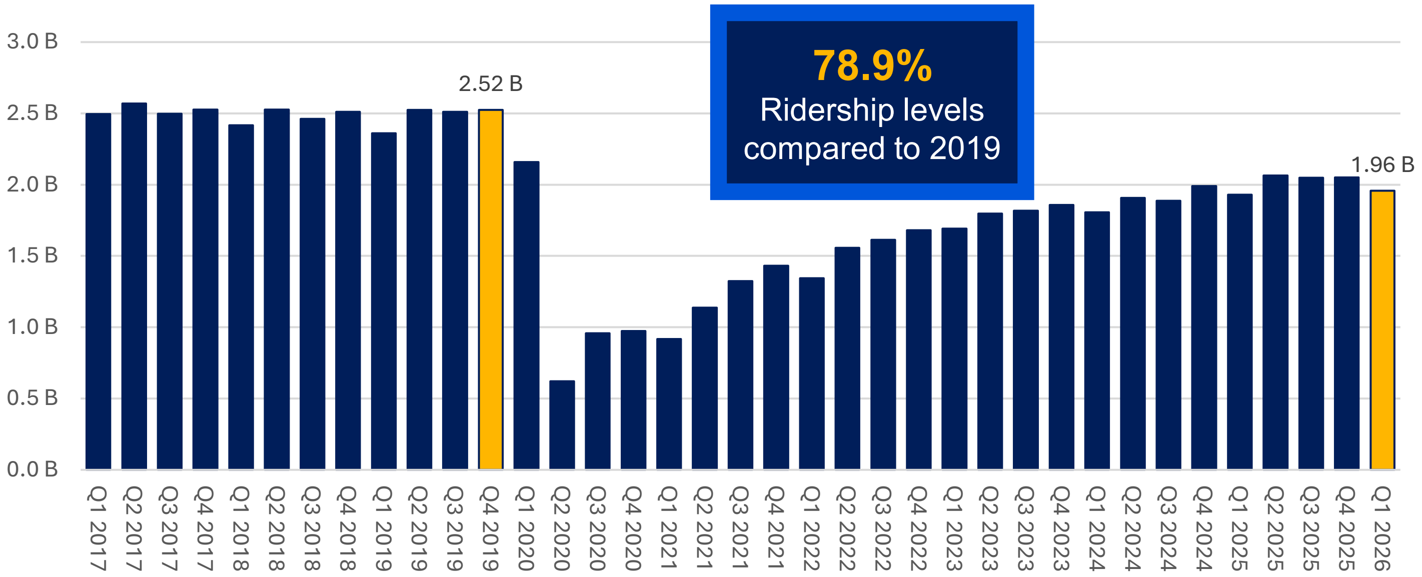
Public Transit

Public Transit Ridership Levels Off

A good indicator of the health of an urban core, and consequently the downtown office market, is the use of public transportation. Public transit ridership dropped to 1.96 billion in the first quarter. Based on several additional indicators, the momentum for returning to office work seems to have stabilized; however, the new administration's stance on return-to-office policies may lead to changes in the future. Despite this, public transit ridership has remained flat over the past ten quarters. Nevertheless, public transit surpassed 2 billion riders in late 2025.

Public Transit Ridership: (United States)



Source: American Public Transportation Association Quarterly Ridership Report. [Ridership Report - American Public Transportation Association (apta.com)]

Public Transit Still Lags Historic Norms

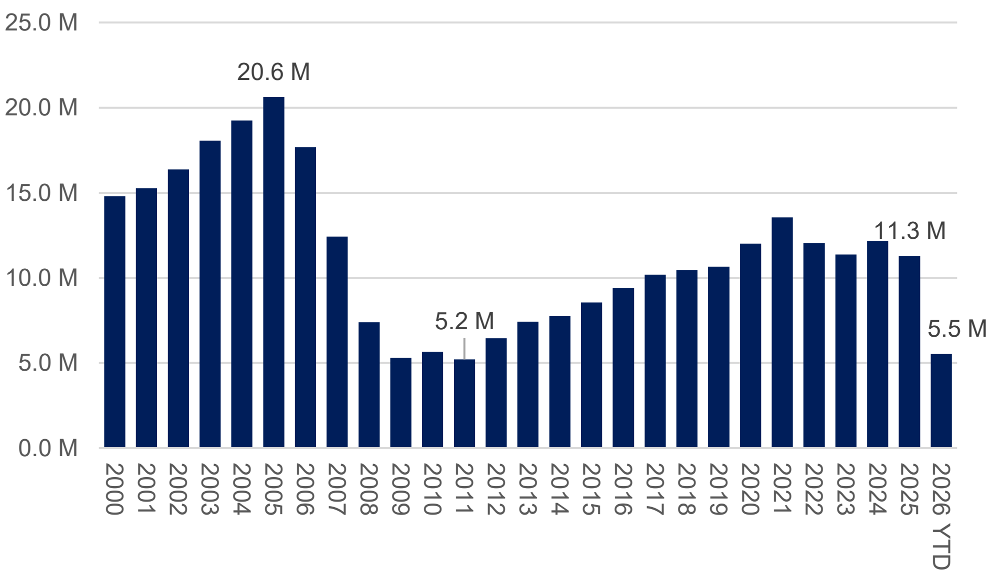
Public transportation has been consistently reliable since the beginning of the century. In 2008, rising gas prices led to a temporary increase in public ridership, but it quickly returned to historic levels. During the first year of the declared pandemic, ridership was cut in half, experiencing a 52.8 percent decrease. As the economy began to reopen in 2021, ridership saw only a modest increase of 3.1 percent compared to the previous year. By early 2022, the economy was moving towards pre-pandemic levels. However, by the end of the first quarter of 2026, public transportation ridership had only reached 78.9 percent of the average ridership from 2019, the last full year before the pandemic began.

Housing

Single-Family Housing Starts Remain Stable as Builders Navigate Affordability and Financing Challenges

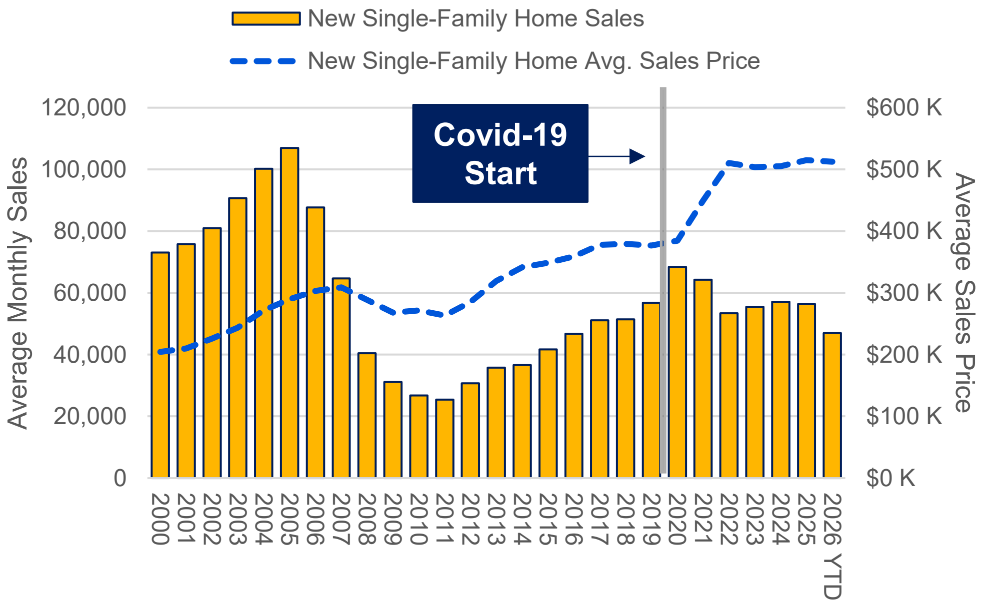
Single-family housing starts were essentially unchanged in June, edging down 2 percent to a seasonally adjusted rate. Elevated mortgage rates, construction costs, and affordability challenges continue to weigh on new single-family development. Limited single-family home inventory, driven by owners holding on to low interest rates has caused home prices to hover near all-time highs.

Single-Family Residential Housing Starts



Source: U.S. Census Bureau, https://census.gov/construction
*Note: Data thru May 2026

Single-Family Homes: No. of Sales vs. Avg Sales Price



Source: U.S. Census Bureau, https://census.gov/construction
Note: Data thru May 2026

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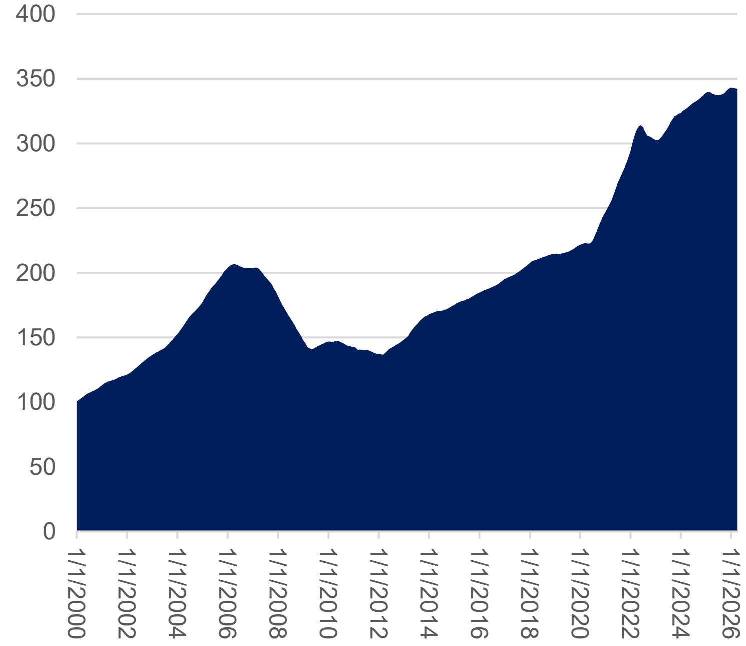
Home Price Index

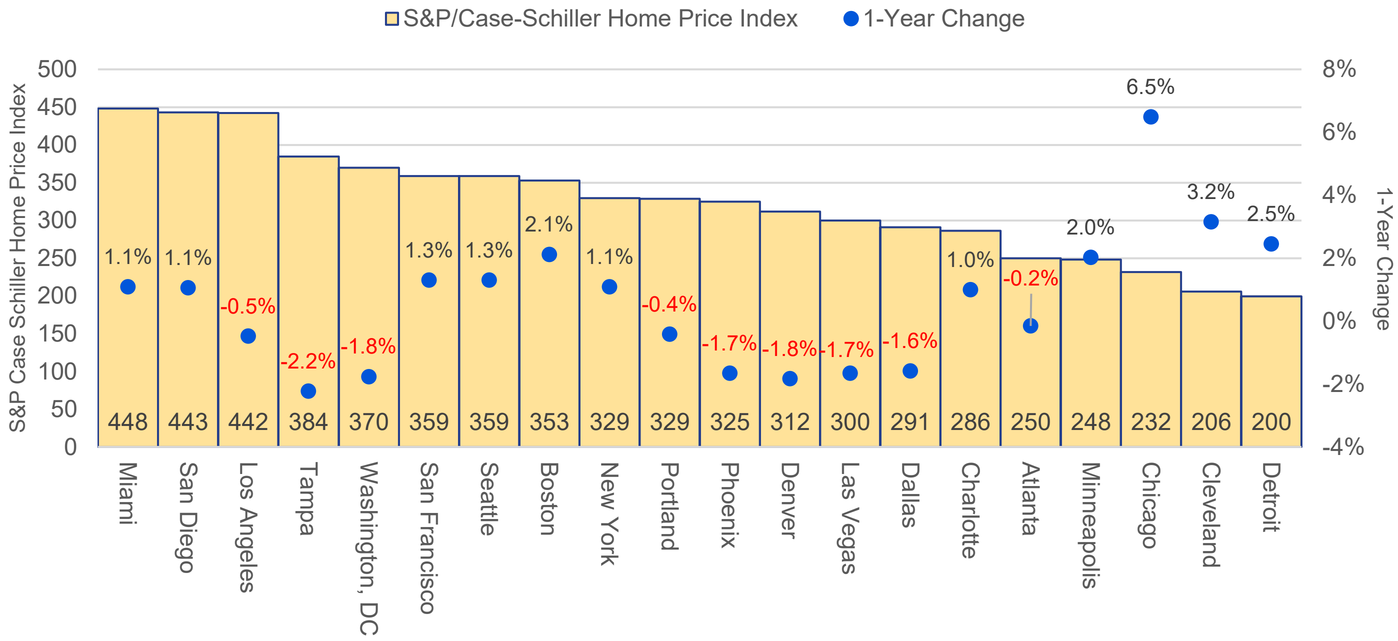
Case-Schiller Home Price Index Peaks in January

The Case-Schiller Index is an economic indicator that measures the monthly change in the value of the U.S. single-family home market. The 20-City Home Price Index briefly peaked in June 2022 and dropped for eight consecutive months before ticking higher over the past two years. The current level marks a continuation of high, albeit slowing, price levels, showing a deceleration in growth Miami and San Diego hold the highest Home Price Indexes. Detroit, Cleveland, and Chicago increased the most in the past 12-months, while 9 of the 20 markets in the index retreated in the past year.

Home Price Index: 20-City Average



S&P/Case-Schiller Home Price Index



Source: S&P Dow Jones Indices LLC, S&P/Case-Shiller U.S. National Home Price Index [CSUSHPINSA], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/CSUSHPINSA, July 15, 2026.

Retail Trends

Selective Consumer Spending Supports a Resilient Retail Market

Retail Transitioning From Expansion to Optimization

The U.S. retail market has remained resilient through the first half of 2026, supported by steady consumer spending and a limited pipeline of new development. While inflation and broader economic uncertainty continued to influence purchasing behavior, demand held up across many shopping center formats, helping support occupancy at well-located properties. At the same time, retailers continued to favor discipline over broad expansion, directing capital toward improving existing portfolios rather than maximizing store counts, with location decisions increasingly driven by long-term market potential, customer demographics, portfolio productivity, and flexibility.

Retail Tenant View

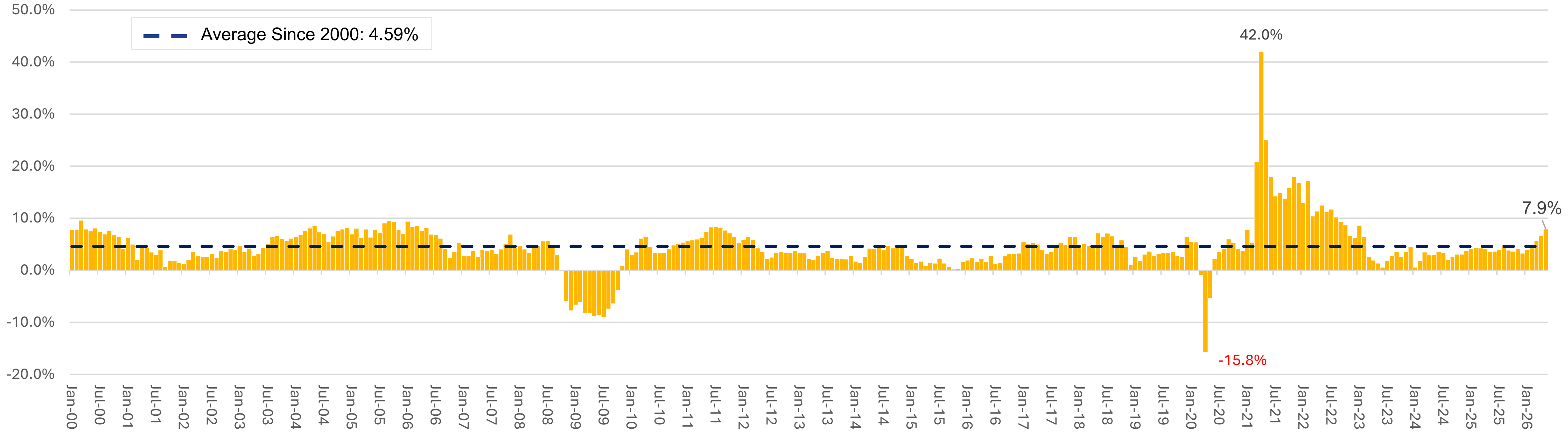
- Portfolio optimization remains a top priority, with retailers emphasizing store productivity, targeted market expansion, and strategic relocations over broad footprint growth.
- Consumer spending remains supportive of retail demand, but performance continues to vary by merchandise category, reinforcing the importance of market-specific site selection and trade area analysis.
- Limited availability of well-located retail space continues to increase competition for high-performing centers, making lease planning and renewal strategies increasingly important for portfolio occupiers.

Consumer Spending

Retail Sales Year-over-Year

Retail sales excluding motor vehicle dealers continued to demonstrate resilient consumer demand through the first half of 2026, supporting stable retail fundamentals despite a more cautious economic environment. While spending growth moderated from earlier in the year, consumers continued to prioritize essential goods and value-oriented purchases, reinforcing demand for well-located shopping centers and neighborhood retail.

Retail Sales: Retail Trade & Food Services (excluding motor vehicles) – Year-over-Year: (United States)



Source: U.S. Census Bureau: Retail Trade and Food Services, Excluding Motor Vehicle and Parts Dealers (MRTSSM44Y72USS): Federal Reserve Bank of St. Louis (FRED): Data pulled July 2026

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Capital Markets

Top Buyers & Sellers (5-Years)

Retail investment activity has strengthened over the past 12 months as institutional investors, private equity firms, REITs, and private capital have increased allocations to high-quality retail assets. Investor demand has been concentrated in grocery-anchored centers, power centers, and other necessity-based retail formats, supported by limited new construction, historically low vacancy, and stable tenant demand.

Retail Reporting Groups

Neighborhood & Convenience Retail
- Neighborhood Center
- Community Center
- Strip Center

Destination Retail
- Power Center
- Retail Park
- Shopping Park
- Outlet Center

Regional & Mixed-Use Destination Retail
- Regional Mall
- Super Regional Mall
- Lifestyle Center
- Urban Center

Source: CoStar and Cresa
Note: Minimum building sizes:
Neighborhood Convenience Retail (20,000+SF);
Destination Retail (50,000+SF;
Regional & Mixed-Use Destination Retail (75,000+SF)

Neighborhood & Convenience Retail

Top Buyers (5 Years)	Sales Volume
Publix Super Markets Inc.	$1.43B
RCG Ventures	$792M
Phillips Edison & Company	$754M
TIAA	$731M
Blackstone Inc.	$678M
Kimco Realty Corporation	$651M
EDENS	$583M
First National Realty Partners	$564M
Slate	$563M
Agree Realty Corporation	$550M

Top Sellers (5 Years)	Sales Volume
SITE Centers	$1.23B
Blackstone Inc.	$886M
DRA Advisors	$763M
Prudential	$641M
Global Net Lease	$623M
Kimco Realty Corporation	$623M
Sun Life	$573M
CIM Group, LP	$533M
Brixmor Property Group	$507M
Merlone Geier Mgmt.	$478M

Destination Retail

Top Buyers (5 Years)	Sales Volume
Bridge33 Capital	$664M
Pine Tree	$578M
RCG Ventures	$575M
Kimco Realty Corp	$568M
Realty Income Corp	$481M
Global Net Lease	$456M
DRA Advisors	$447M
DLC Management Corp	$421M
Agree Realty Corporation	$416M
InvenTrust Properties Corp	$392M

Top Sellers (5 Years)	Sales Volume
SITE Centers	$1.98B
Kimco Realty Corp	$930M
Blackstone Inc.	$889M
Kite Realty Group Trust	$734M
Global Net Lease	$608M
DRA Advisors	$585M
CIM Group, LP	$574M
InvenTrust Properties Corp	$517M
Starwood Capital Group	$505M
SVPGlobal	$488M

Regional & Mixed-Use Destination Retail

Top Buyers (5 Years)	Sales Volume
Summit Properties Ltd	$835M
Simon Property Group, Inc.	$741M
The Macerich Company	$677M
Kohan Retail Investment Group	$638M
NorthPark Management	$570M
Amtrak	$505M
Steerpoint Capital	$487M
The Kroenke Group	$399M
Lincoln Property Company	$393M
Federal Realty Investment Trust	$355M

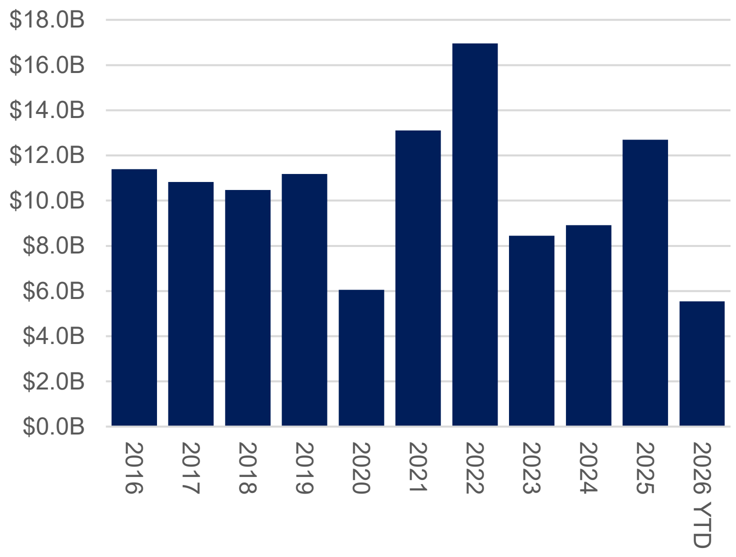
Top Sellers (5 Years)	Sales Volume
Unibail-Rodamco-Westfield	$1.78B
Brookfield Corporation	$1.18B
SVPGlobal	$1.16B
Seritage Growth Properties	$1.05B
Kohan Retail Investment Group	$892M
JPMorgan Chase & Co.	$705M
The Macerich Company	$627M
Starwood Capital Group	$587M
John Swire & Sons	$513M
Rexmark	$505M

Capital Markets

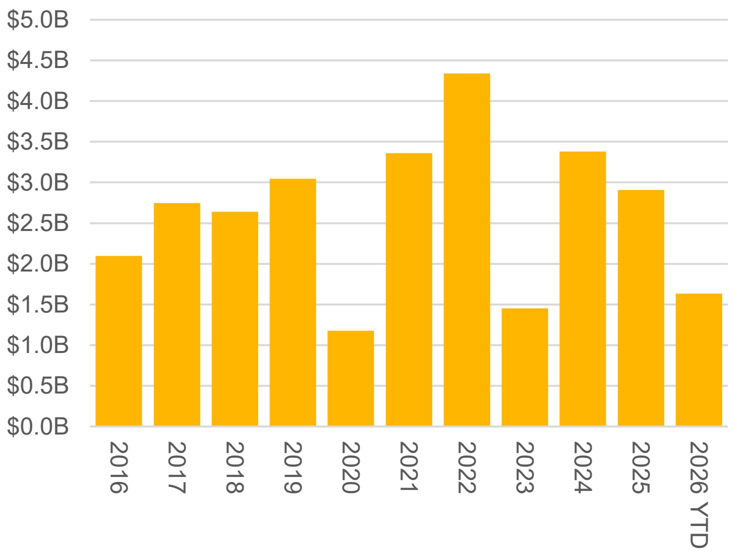
Sales Volume

During 2021 and 2022, record transaction activity was fueled by abundant capital, historically low interest rates, and strong investor demand following the pandemic recovery. Investment sales slowed sharply after this period as interest rates increased, financing costs rose, and buyers and sellers struggled to agree on valuations. Since 2025, capital has gradually returned to the market as pricing stabilized and retail fundamentals remained among the strongest in commercial real estate.

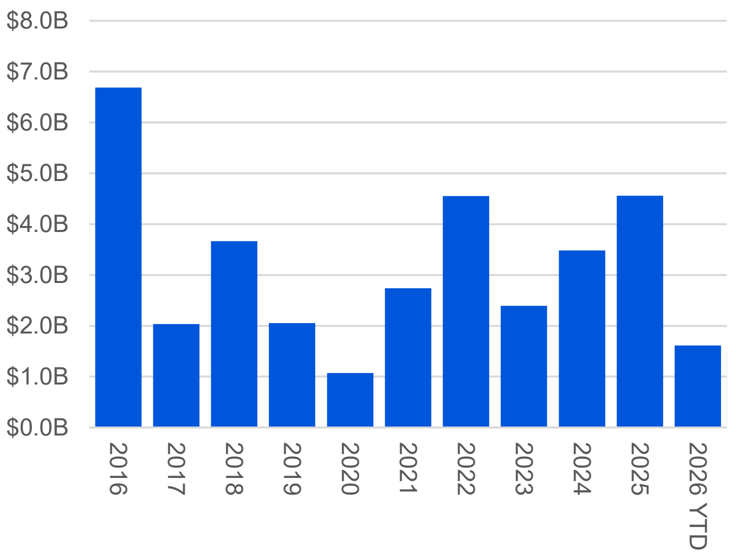
Neighborhood & Convenience



Destination



Regional & Mixed-Use Destination



Source: CoStar and Cresa; thru Q2 2026

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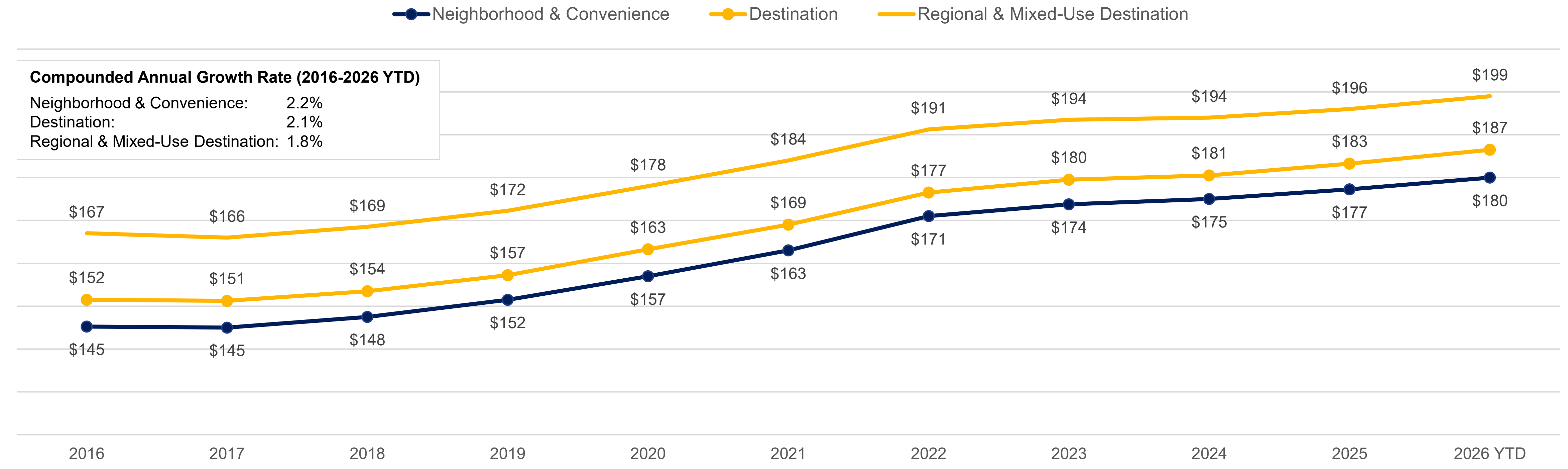
Capital Markets

Sales Price Per Square Foot

The average price per square foot for all three retail types noted below has shown modest but steady growth over the past decade. Prices increased most sharply during the post-pandemic recovery as demand outpaced the limited supply of institutional-quality retail assets.

Price Per Square Foot By Retail Type



Source: CoStar and Cresa; thru Q2 2026

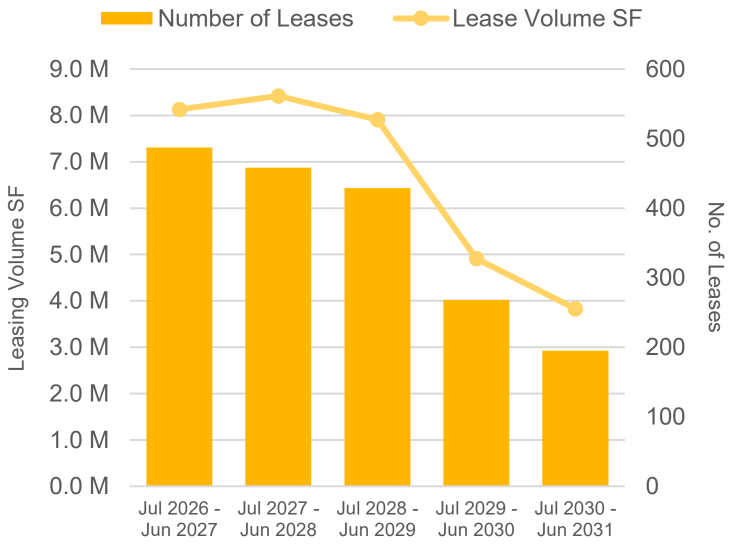
Leasing Expirations

Number of Leases & Leasing Volume SF Expiring by Year

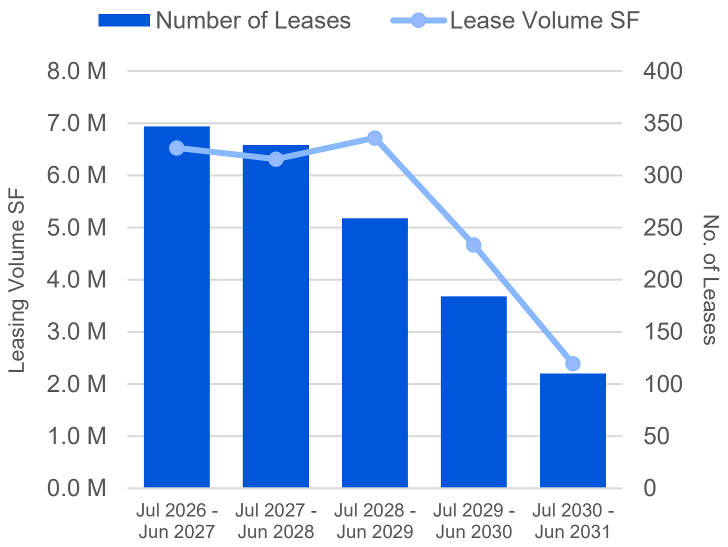
With nearly 50 million square feet of retail leases scheduled to expire over the next 12 months, occupiers have a significant opportunity to evaluate portfolio performance, optimize store locations, and align lease commitments with long-term business objectives. Limited retail availability continues to favor early lease planning.

Neighborhood & Convenience

Destination



Regional & Mixed-Use Destination



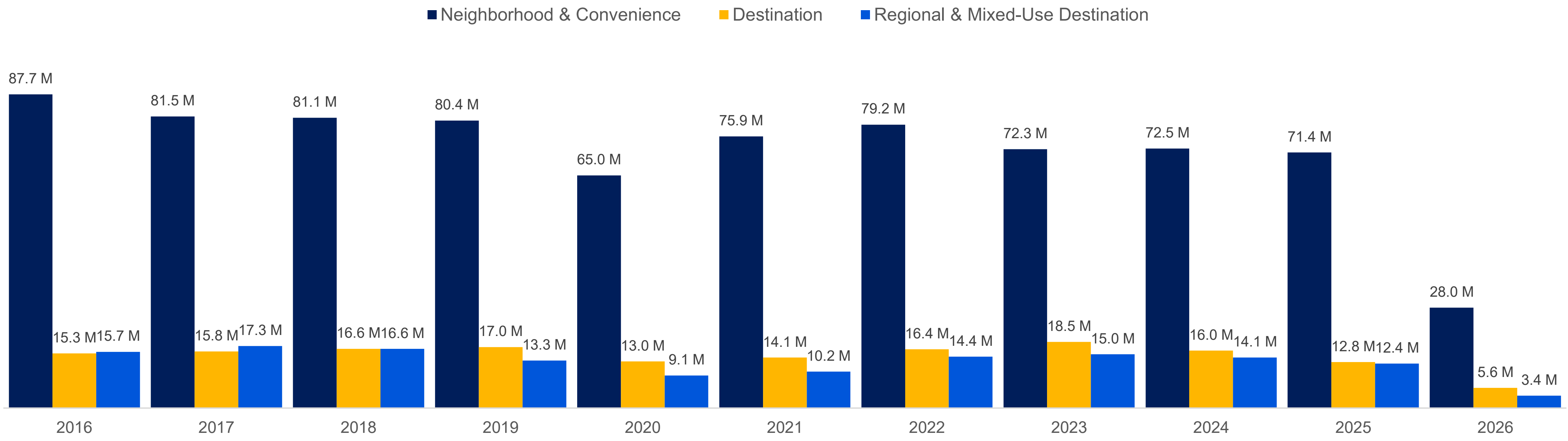
Source: CoStar and Cresa; thru Q2 2026

Leasing

Leasing Volume Square Feet by Retail Type

Leasing volume experienced a rebound in the second quarter of 2026 after a slow start. This improvement was primarily driven by increased move-in activity and a decrease in move-outs. Neighborhood and convenience retail has been remarkably consistent since the COVID dip in 2020. Both destination and regional & mixed-use destination retail types jumped in terms of volume of leasing square footage in 2023 before reverting to long-term norms.

Leasing Volume By Retail Type By Year Signed



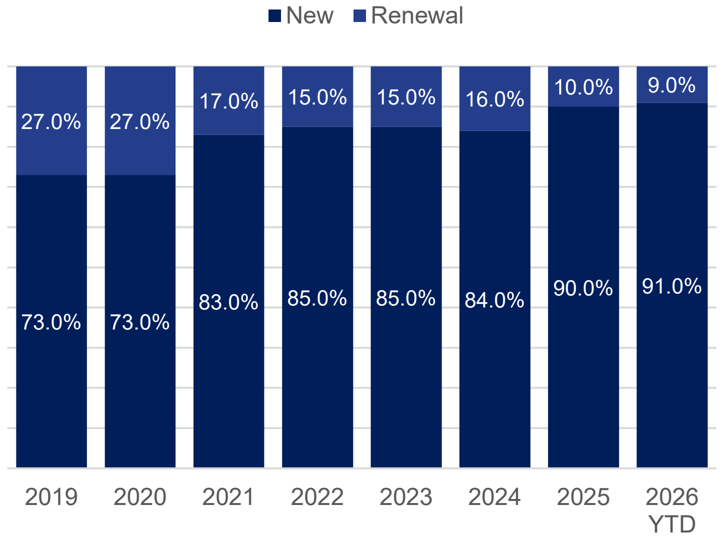
Source: CoStar and Cresa; thru Q2 2026
Note: The leasing activity includes the year the lease was signed, not when occupancy begins

Leasing

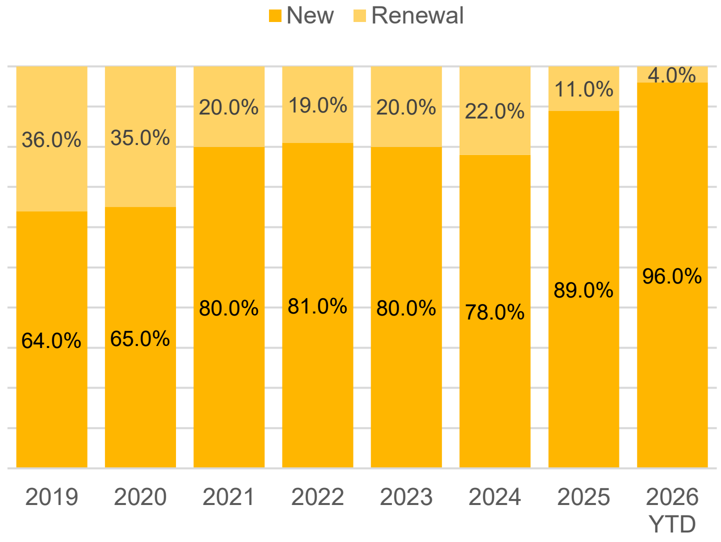
New Leases vs. Renewals by Year Signed by Retail Type

Recent leasing activity across all three retail types has represented a growing share of completed transactions relative to renewals. The trend reflects retailers selectively expanding into high-performing trade areas while capitalizing on second-generation space created by recent store closures and bankruptcies.

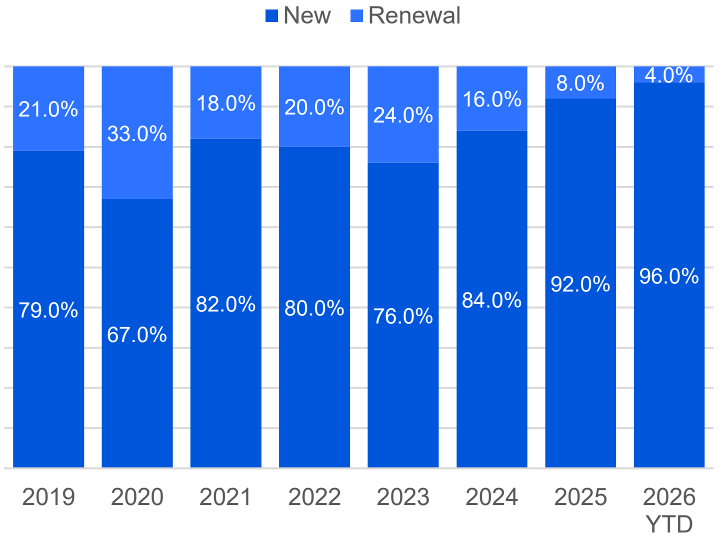
Neighborhood & Convenience



Destination



Regional & Mixed-Use Destination



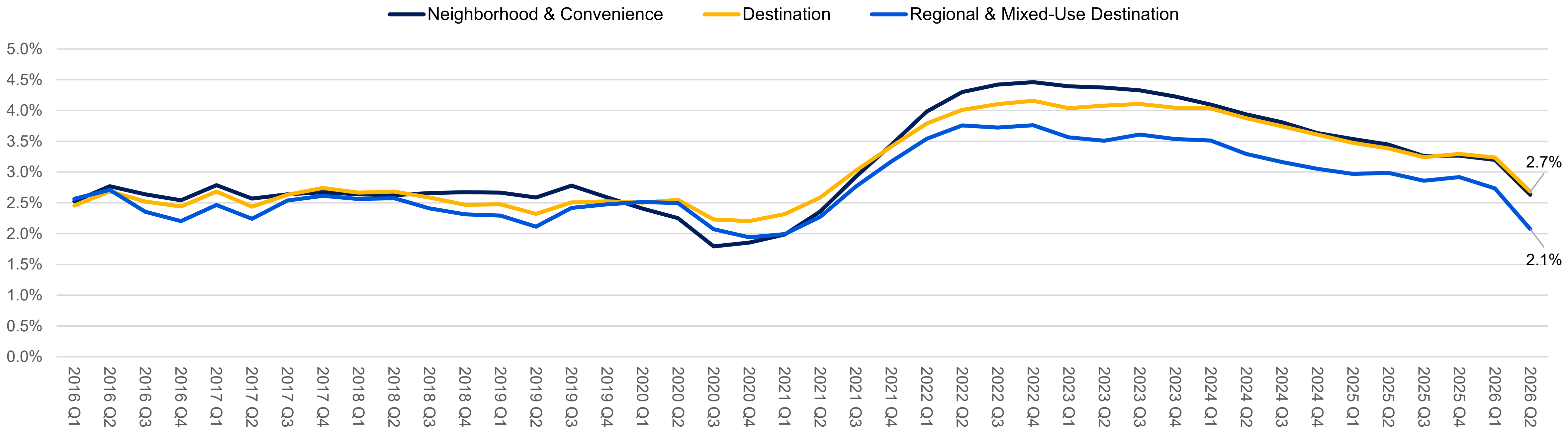
Source: CoStar and Cresa; thru Q2 2026

Rental Growth

Annual Rental Growth by Retail Type

Rent growth has continued to be positive, but it has slowed down from the peaks seen earlier in 2022 through 2024. Both neighborhood & convenience retail and destination retail have shown strong increases in rental rates over the past several years. Specifically, grocery-anchored neighborhood retail, strip centers, and dense suburban or mixed-use developments have outperformed other types of retail.

Annual Market Rent Growth Rate By Retail Type



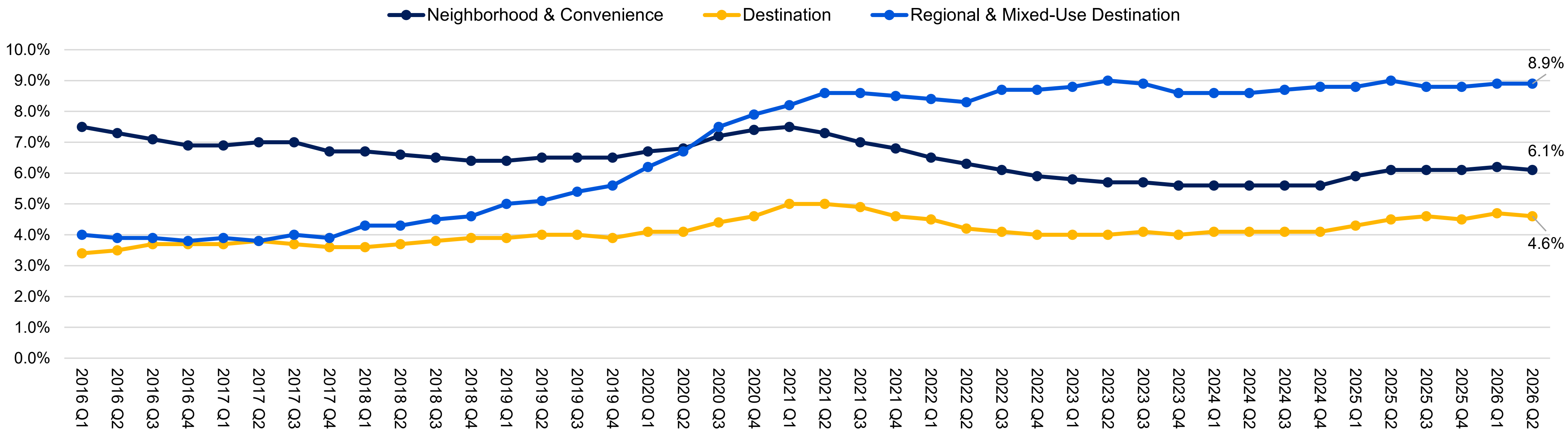
Source: CoStar and Cresa

Vacancy

Vacancy by Retail Type

The vacancy rates for all three retail formats remain historically low, due to years of limited new construction and strong tenant demand. However, regional and mixed-use destination retail has seen the most significant increase in vacancy rates since COVID-19, which may be attributed to ongoing portfolio repositioning and tenant turnover. Still, this increase in vacancy is modest, pointing to a normalization of vacancy rather than an ongoing trend. In contrast, neighborhood and convenience-oriented centers, as well as traditional destination retail, continue to have some of the highest occupancy rates among retail formats.

Vacancy Rate By Retail Type



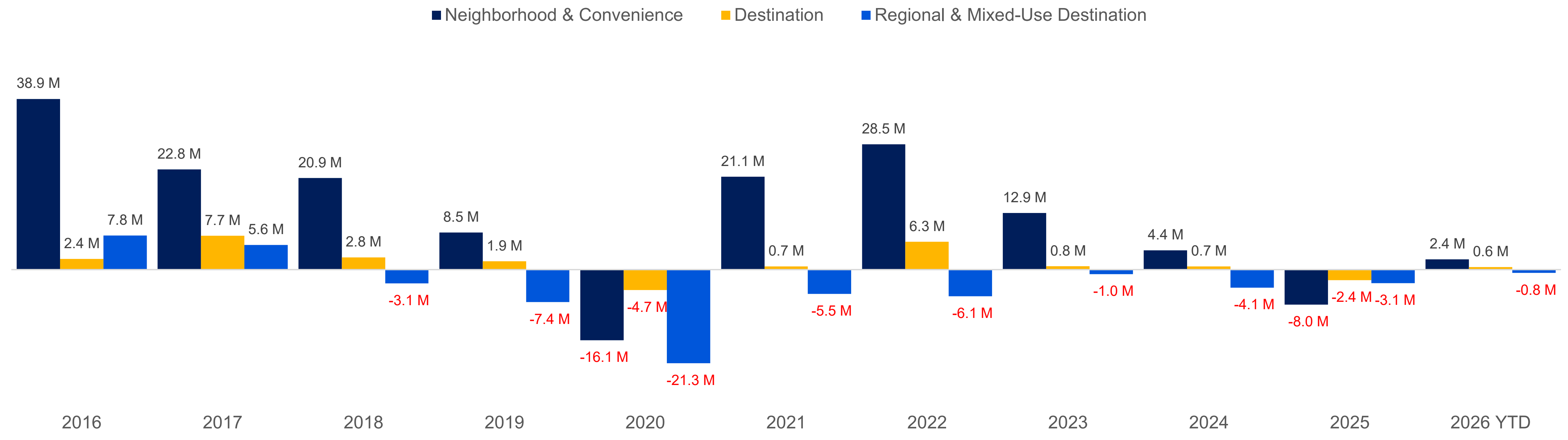
Source: CoStar and Cresa

Net Absorption

Net Absorption SF by Year by Retail Type

Net absorption has moderated from exceptionally strong leasing activity recorded during the post-pandemic recovery, reflecting a more measured pace of retailer expansion rather than weakening market fundamentals. Limited new retail development has helped keep vacancy historically low despite slower occupancy gains. Regional & mixed-use destination retail has recorded the most negative absorption over the last several years, driven by downsizing by department stores and legacy anchors.

Net Absorption SF By Retail Type



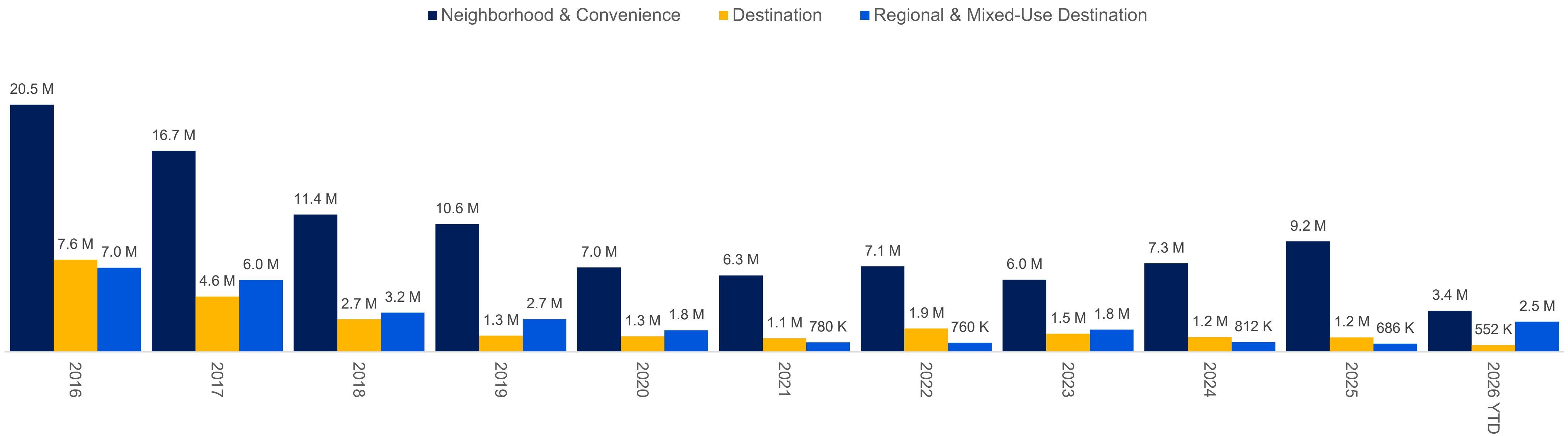
Source: CoStar and Cresa

Construction Starts

Construction Starts SF by Retail Type by Year

Unlike other commercial real estate asset types, retail has been underbuilt for nearly a decade. Lingering concerns about e-commerce in the 2010s and the pandemic, combined with elevated construction and financing costs, have caused developers to remain disciplined. The constrained pipeline has helped maintain historically low vacancy despite a moderation in leasing activity and net absorption, reinforcing the long-term stability of well-located assets.

Construction Starts SF By Retail Type By Year



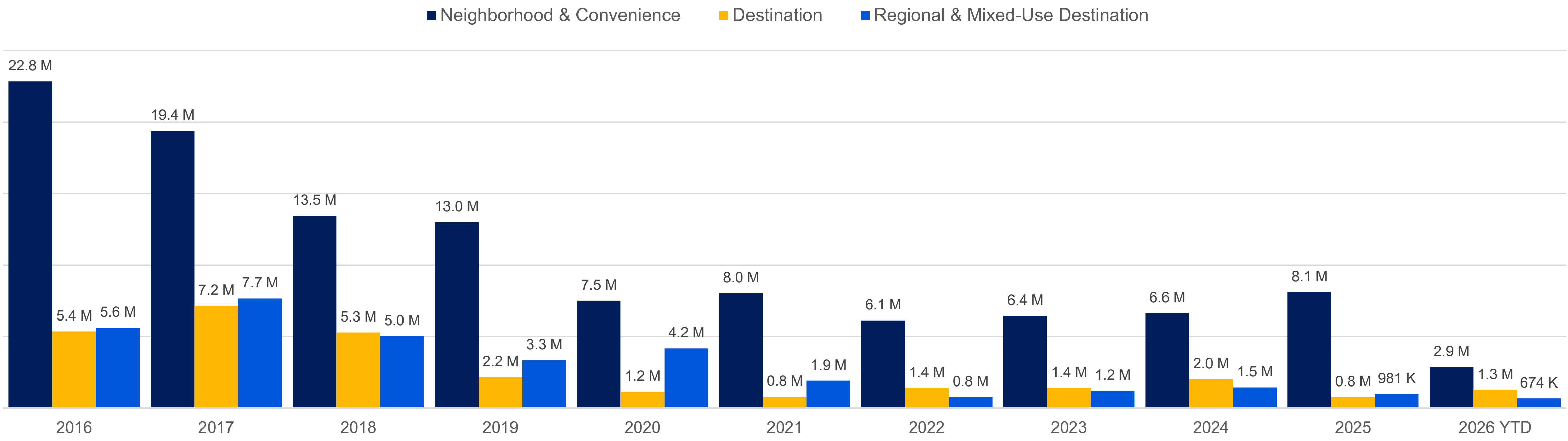
Source: CoStar and Cresa

Net Deliveries

Net Deliveries SF by Retail Type by Year

For occupiers, limited new construction is expected to keep competition elevated for high-quality retail space, making proactive portfolio planning, renewals, and site selection increasingly important as expansion opportunities remain concentrated in existing centers.

Net Deliveries SF By Retail Type By Year



Source: CoStar and Cresa

Retail Occupier Insight

Occupier Trend: Maximizing Existing Assets

Rather than simply reducing square footage, many retailers are maximizing the value of existing locations through demising, adaptive reuse, and selective subleasing. In some cases, retailers retain control of strategically located stores or leaseholds even when operating requirements change, preserving flexibility, influencing future tenant mix, and limiting opportunities for competitors to enter key trade areas.

Occupier Strategies

Strategy	What retailers are doing	Business objective
Demising	Divide oversized stores into smaller, more productive spaces.	Improve productivity and reduce occupancy costs.
Repurposing	Sublease or repurpose excess space with complementary users	Generate income and maximize asset utilization.
Strategic Control	Retain leaseholds or control excess space in key markets.	Preserve flexibility and limit competitive entry.

Retailers are increasingly creating value from existing locations before committing capital to new stores.

The problem with the real estate market is the market itself.

THE MARKET SEES YOU AS A **TARGET.**

THE MARKET CHASES THE **DEAL.**

THE MARKET IS SHORT TERM AND **REACTIVE.**

THE SYSTEM FAVORS **LANDLORDS** NOT OCCUPIERS.

The stakes are high for occupiers. Real estate is expensive and inflexible. With the pandemic, labor dynamics, and economic instability, all bets are off.

It's time to go beyond the market and uncover how your commercial real estate can drive your goals, not impede them.

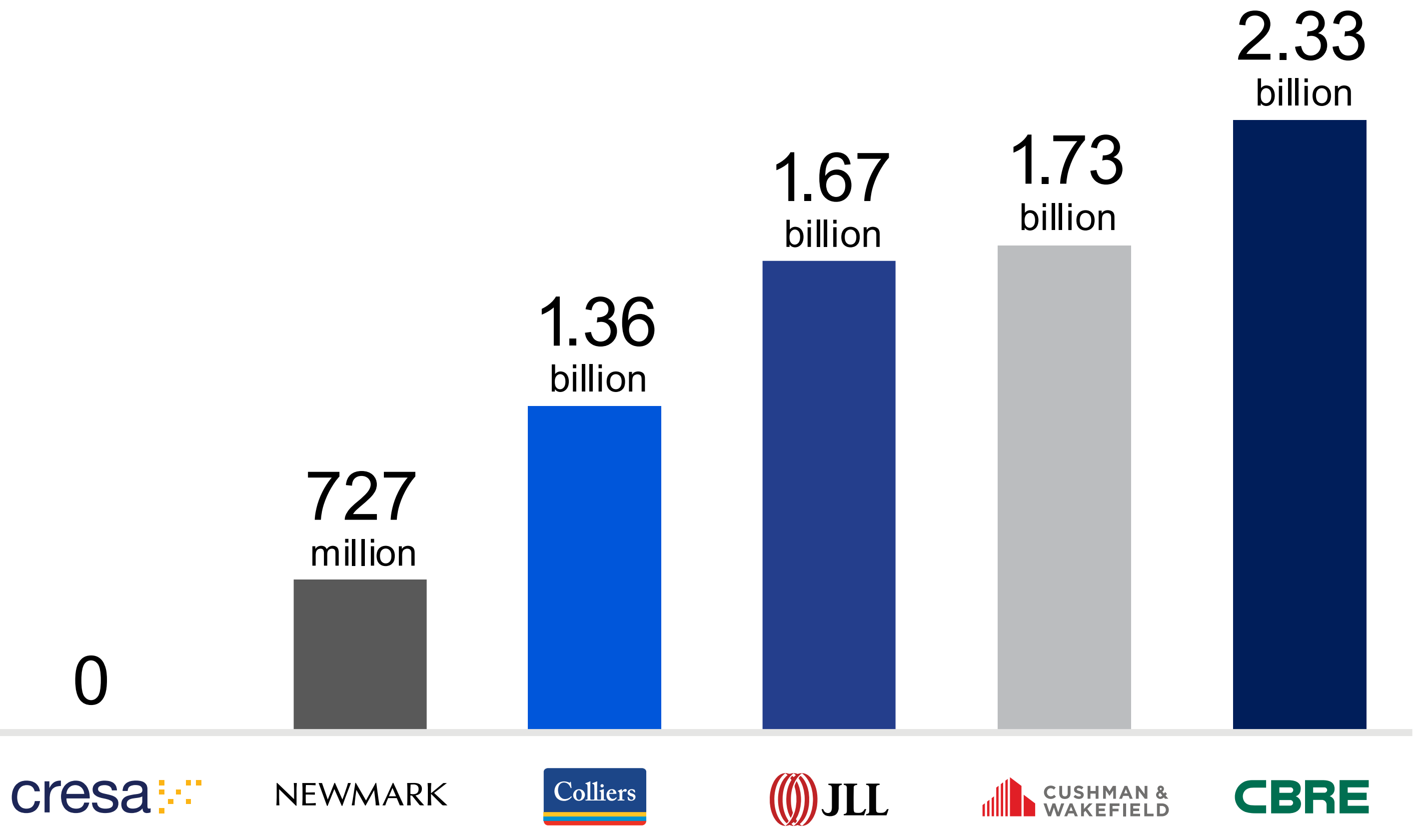
How We’re Different

As the world’s largest corporate real estate provider committed exclusively to serving occupiers, we’re in a league of our own.

We offer creative solutions, unbiased advisory services and executive leadership on every account.

We believe this combination of transparency and executive involvement generates the superior service our clients have come to expect from Cresa.

Billions of square feet are represented on the landlord’s behalf nationally. Cresa never does business on behalf of landlords.



THINK BEYOND SPACE.

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