How is business in the U.S. shopping-center industry? Well, the financial statistics suggest it is pretty good. ICSC Research, using data provided by the National Council of Real Estate Investment Fiduciaries (NCREIF), reports that the industry’s net operating income (NOI) continued to increase nationally in 2017. Last year, total operating income of all U.S. shopping centers on a square foot basis rose 2.6% from the previous year, while operating expenses grew by 3.8%. (See Table 1.) As a result, NOI per square foot posted a 2.1% gain from 2016, which extended the industry’s winning streak. As shown in Chart 1, fourth quarter NOI for all centers advanced 2.5%, better than the 1.6% increase from the same quarter of 2016. These shopping-center performance data are based on NCREIF’s proprietary database of U.S. property operating information collected from investment managers for approximately 1,000 shopping-center properties.

In another bright spot for the industry, occupancy rates remained strong. Despite some companies store closures, shopping centers have successfully integrated new tenants into their properties. In addition to food and beverage (F&B) establishments, other concepts—many of them also service-based—address consumers’ preference for more amenities, convenience and an experience. Nationally, non-retail/non-F&B tenants occupied 22.4% of total shopping-center gross leasable area, with arts/entertainment/recreation and health care accounting for slightly more than 5% of that. (CoStar Realty Information Inc., www.costar.com)

Regionally, NOI for U.S. shopping centers varied in 2017. The strongest performance was in the West, posting a 3.0% gain for the year and boosted by a particularly robust fourth quarter (+5.2%). The South followed, which saw its NOI up by 1.7%, and in the Midwest, it increased by a modest 1.1% last year compared with 2016. NOI in the East declined by 0.2%.

By format, all types of shopping centers posted a gain. Regional malls in particular performed very well, as their NOI surged ahead by a hefty 13.0% from the previous year, while other formats saw more moderate NOI advances. (See Table 2.) Despite having the lowest annual year-over-year increase, community centers had a very strong fourth quarter, increasing 6.0%, second only to regional malls.

The truth about the shopping-center industry is in the numbers, not sensationalized narratives that ignore widespread progress. This latest batch of performance data suggests that the industry is continuing to do quite well as it navigates through a period of change, adapting to a new, consumer-driven environment. As ICSC surveys have shown, consumers want more engaging and exciting experiences and shopping centers will be at the forefront to satisfy that appetite.

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