Contrary to the insinuations of some sensational headlines in the media, shopping center occupancy rates remained strong in the first quarter of 2018, reaching 93.2%. (See Table 1.) This is slightly above Q4-2017 (93.1%) and Q1-2017 (92.4%), reflecting landlords’ success in continually refreshing their tenant mix and replacing departing tenants with others—both retail and services. Moreover, those new tenants’ inclusion did not come at the expense of lower base rents, as these increased by 2.3% in Q1-2018 compared with Q1-2017—$4.95 vs. $4.84 per square foot (psf), respectively. Overall, net operating income (NOI) at shopping centers across the nation rose by 1.4% in Q1-2018 compared with Q1-2017 ($4.84 vs. $4.77 psf, respectively)—another excellent sign of industry health.

By property type, as shown in Table 2, open-air centers (aggregate of neighborhood, community and power centers) saw their occupancy rates reach 93.5% in Q1-2018, up from 93.1% in Q4-2017 and a full percentage point higher than Q1-2017 (92.5%). The most current figure is also the highest rate since Q3-2016 (93.6%). Base rents (+2.6%) and NOI (+0.8%) also grew in Q1-2018 on a year-over-year basis.

Malls performed solidly last quarter, too. Compared with Q1-2017, base rents at malls grew by 1.6% in Q1-2018 and NOI by 3.0%. Although occupancy rates slipped to 92.4% in Q1-2018—the weakest since Q2-2017 (92.3%)—it remains significantly higher than the lowest (88.6%) recorded during the last recession in Q3-2009.

Regionally, NOI for U.S. shopping centers varied during the first three months of 2018. (See Table 3.) The strongest performance was in the Midwest, surging ahead by a hefty 8.8% from the same period last year, aided by a substantial increase among neighborhood centers in that part of the country. The South followed, with a 4.1% increase. In both the Eastern and Western regions, NOI declined marginally, -0.3% and -0.1%, respectively. Furthermore, shopping centers in the South (93.8%) and East (93.6%) had the highest occupancy rates.

Overall, these positive performance metrics provided by the National Council of Real Estate Investment Fiduciaries (NCREIF) and collected from investment managers for approximately 1,000 shopping-center properties suggest that the shopping center industry is vibrant. Although the rate at which they have grown has varied, both base rents and NOI have now increased 25 consecutive quarters while occupancy rates, despite some big-name retailer bankruptcies and store closures, have been stable and are nearly at pre-recession levels.