



The U.S. Retail Space Market

Perspective and Prospective on the Retail Real Estate Industry

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U.S. retail space, as measured in square feet¹, grew at about twice the average pace of the U.S. population over the last 35 years (see Table 3-1). By 2004, there was an estimated median of 40.5 square feet per person for total retail space—including freestanding stores, shopping centers, street retail and retail at mixed-use projects—among the nation’s 361 Metropolitan Statistical Areas (MSAs). Shopping center space for the entire United States, on the other hand, is estimated at 20.3 square feet per capita², as shown in Table 3-2.³

Table 3-2

AVERAGE PER CAPITA RETAIL BUILDING STOCK (Square Footage per capita)			
Period	Total Retail*	Shopping Centers	Shopping Center Spaces as Shares of Total Retail (%)
1970-1979	29.0	9.4	38.4
1980-1989	32.3	14.7	54.6
1990-1999	35.8	18.9	63.5
2000-2003	39.1	20.0	63.5
2004 (est.)	40.5	20.3	62.8

* Based on the median per year for 361 MSAs

Sources: McGraw Hill Construction; National Research Bureau—a subsidiary of CoStar Group; ICSC Research.

Table 3-1

AVERAGE ANNUAL GROWTH PER YEAR IN RETAIL BUILDING STOCK* AND POPULATION (Square Footage and Number of People)			
Period	Total Retail Stock Growth Rate (Geometric Averages)	Total Population Growth Rate (Geometric Averages)	Growth Rate Gap: Stock - Population (Percentage Points)
1970-1979	2.2%	1.1%	1.1 pp.
1980-1989	1.9	0.9	1.0
1990-1999	1.9	1.0	0.9
2000-2003	2.3	1.4	0.9
2004 (est.)	2.0	1.0	1.0

* Based on the total for 361 Metropolitan Statistical Areas (MSAs).

Sources: McGraw Hill Construction; U.S. Census Bureau; ICSC Research

Retail per capita figures in and of themselves are not benchmarks, nor are they very meaningful in isolation. However, in context with similar figures for all metro markets and over an extended period of time those statistics can help to identify which markets have greater or lesser retail space and can, in turn, be used as a “first pass” look at

over- or under-supply. This article goes one step further and examines the relationship between per capita retail stock and the unemployment rate as a guide to the market’s risk.

SHOPPING CENTER MARKET SHARE GROWTH

During the 1970s, shopping center space accounted for about one-third of the nation’s 361 metro markets⁴. As a share of the population, there were 9.4 square feet of shopping center space per capita, on average, in the United States during the 10-year period ending 1979. The seemingly large jump to over 20 square feet per capita by 2004 reflected an increased market share of total retail stock in the form of shopping centers. *By the 1990s, shopping centers accounted for two-thirds of the nation’s retail stock relative to those same markets.*

¹These estimates of total retail stock are from McGraw-Hill Construction.

²These figures come from ICSC’s [Scope USA](#) and are explored in Bindu Nair, “The Shopping Center Industry in 2004,” *Research Review*, International Council of Shopping Centers, Vol. 12 (No. 1), 2005, pp. 13-15.

³Keep in mind that the population denominators between the median retail stock per capita and the shopping center stock per capita are different. Therefore, it is inappropriate to divide the median retail stock per capita by the shopping center stock per capita to determine shopping center growth relative to the total retail (proxied by the 361 market areas) presented in column 3 of Table 3-2.

⁴By population, those 361 metro areas accounted for 83% of the total population in 2000 and probably represented an even larger share of the total retail building stock in the United States. However, the only national data that we have are summed up from those metro areas, so our use of the term “total retail” is for those markets only. For this study, we use today’s Census Bureau’s definitions of metro markets and extend those concepts back in time. Special thanks to the Census Bureau for its help in getting those historically consistent data.



LARGEST RETAIL SPACE MARKETS

As shown in Table 3-3, the largest metro area market for retail is the New York-Northern New Jersey-Long Island, New York-New Jersey-Connecticut-Pennsylvania MSA. That MSA area alone accounted for 7.7% of the national metro area population in 2003 (the last actual), but only 5.0% of the retail space market for those same 361 geographic markets. Benchmarked to the largest retail space market, the next largest is Los Angeles, which is about 8% smaller than the greater New York City area. Not surprisingly, among the top retail markets are Chicago (3), Dallas (4), Miami (5), Philadelphia (6), Atlanta (7), Houston (8), Detroit (9) and Washington (10). Of significance in the wake of Hurricane Katrina is that the New Orleans metro area ranked as the 35th largest for retail space in 2003.

Among the largest 50 markets for retail space, the median density per market was 41.0 square feet per capita in 2003 compared with 40.0 for the median of all 361 markets.

HIGH RETAIL DENSITY MARKETS

The decision to build or expand retail space is made on a project-by-project basis yielding a potentially different composition of the retail stock in any given MSA. Nevertheless, the MSA ranking of 2003 retail stock per capita, as shown in Table 3-4, shows that the Myrtle Beach, South Carolina metro area had the highest stock per person at 74.8 square feet relative, almost twice the national average.⁵

Ohio metro areas as a group stand out as having among the nation’s highest retail stock per capita. Lima, Ohio had 70.5 square feet of retail space per capita—the second highest stock per person among the 361 metro areas. But even beyond that, 11 metro markets in Ohio were among the highest 13 with an average of 63.8 square feet of retail space per person. *To be sure, this “macro” view does not address the quality or composition of that space, just the quantity.* Nonetheless, Ohio claimed a considerable amount of retail density, and this is not a new story.

⁵Myrtle Beach is a resort city and attracts 14 million visitors annually compared to its resident population in the metro area of about 210,000. Hence, that explains the high retail space per capita.

Table 3-3

FIFTY LARGEST RETAIL MARKETS IN THE UNITED STATES BY METROPOLITAN AREA FOR 2003

Rank	Metropolitan Statistical Area	Size Relative to Largest Market*
1	New York-Northern New Jersey-Long Island, NY-NJ-PA	100.0
2	Los Angeles-Long Beach-Santa Ana, CA	92.1
3	Chicago-Naperville-Joliet, IL-IN-WI	74.7
4	Dallas-Fort Worth-Arlington, TX	54.2
5	Miami-Fort Lauderdale-Miami Beach, FL	48.3
6	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	44.2
7	Atlanta-Sandy Springs-Marietta, GA	44.2
8	Houston-Baytown-Sugar Land, TX	43.3
9	Detroit-Warren-Livonia, MI	37.7
10	Washington-Arlington-Alexandria, DC-VA-MD-WV	36.3
11	Boston-Cambridge-Quincy, MA-NH	32.0
12	Phoenix-Mesa-Scottsdale, AZ	31.1
13	San Francisco-Oakland-Fremont, CA	29.5
14	Cleveland-Elyria-Mentor, OH	28.7
15	Minneapolis-St. Paul-Bloomington, MN-WI	25.8
16	Seattle-Tacoma-Bellevue, WA	25.7
17	Riverside-San Bernardino-Ontario, CA	23.5
18	Cincinnati-Middletown, OH-KY-IN	23.4
19	Tampa-St. Petersburg-Clearwater, FL	22.8
20	Columbus, OH	22.4
21	St. Louis, MO-IL	21.7
22	Denver-Aurora, CO	21.4
23	Pittsburgh, PA	21.3
24	San Diego-Carlsbad-San Marcos, CA	21.2
25	Baltimore-Towson, MD	20.8
26	Kansas City, MO-KS	20.0
27	Orlando, FL	18.4
28	Portland-Vancouver-Beaverton, OR-WA	15.8
29	Indianapolis, IN	15.7
30	Charlotte-Gastonia-Concord, NC-SC	15.4
31	San Antonio, TX	14.1
32	Sacramento-Arden-Arcade-Roseville, CA	14.1
33	Las Vegas-Paradise, NV	14.0
34	Nashville-Davidson-Murfreesboro, TN	13.5
35	New Orleans-Metairie-Kenner, LA	13.0
36	Milwaukee-Waukesha-West Allis, WI	12.3
37	Virginia Beach-Norfolk-Newport News, VA-NC	12.2
38	Dayton, OH	12.1
39	San Jose-Sunnyvale-Santa Clara, CA	12.0
40	Providence-New Bedford-Fall River, RI-MA	11.9
41	Memphis, TN-MS-AR	11.6
42	Salt Lake City, UT	11.1
43	Oklahoma City, OK	11.1
44	Jacksonville, FL	10.8
45	Buffalo-Niagara Falls, NY	10.7
46	Louisville, KY-IN	10.5
47	Birmingham-Hoover, AL	10.1
48	Austin-Round Rock, TX	10.0
49	Hartford-West Hartford-East Hartford, CT	9.7
50	Toledo, OH	9.7

* Markets indexed with largest equal 100.
Sources: McGraw-Hill Construction; ICSC Research.



Table 3-4

Table 3-5

FIFTY METRO AREAS WITH HIGHEST PER CAPITA RETAIL BUILDING STOCK (Square Footage Per Capita for 2003)		
Rank	Metropolitan Statistical Area	Retail Stock Per Capita
1	Myrtle Beach-Conway-North Myrtle Beach, SC	74.8
2	Lima, OH	70.5
3	Sandusky, OH	69.7
4	Toledo, OH	68.8
5	Dayton, OH	67.1
6	Cleveland-Elyria-Mentor, OH	62.9
7	Columbus, OH	62.7
8	Canton-Massillon, OH	62.6
9	Mansfield, OH	61.4
10	Youngstown-Warren-Boardman, OH-PA	59.8
11	Akron, OH	59.0
12	Grand Forks, ND-MN	57.3
13	Springfield, OH	57.0
14	Vero Beach, FL	56.4
15	Greensboro-High Point, NC	56.1
16	Wheeling, WV-OH	55.4
17	Macon, GA	55.2
18	Rome, GA	55.1
19	Midland, TX	55.0
20	La Crosse, WI-MN	54.5
21	Cincinnati-Middletown, OH-KY-IN	53.7
22	Amarillo, TX	53.3
23	Boulder, CO	53.0
24	Dothan, AL	52.7
25	Salt Lake City, UT	51.7
26	Great Falls, MT	51.3
27	Pocatello, ID	50.6
28	Weirton-Steubenville, WV-OH	50.5
29	Billings, MT	50.2
30	Charlotte-Gastonia-Concord, NC-SC	50.2
31	Muncie, IN	50.1
32	Lubbock, TX	49.9
33	Chattanooga, TN-GA	49.7
34	Lexington-Fayette, KY	49.7
35	Sarasota-Bradenton-Venice, FL	49.4
36	Lawrence, KS	49.3
37	Kansas City, MO-KS	49.3
38	Cheyenne, WY	49.2
39	Columbus, IN	48.9
40	Cape Coral-Fort Myers, FL	48.8
41	Lafayette, LA	48.7
42	Hattiesburg, MS	48.5
43	Fargo, ND-MN	48.4
44	Spartanburg, SC	48.1
45	Orlando, FL	48.0
46	Wichita Falls, TX	47.9
47	Hot Springs, AR	47.9
48	Abilene, TX	47.7
49	Huntsville, AL	47.5
50	Fort Wayne, IN	47.4
Average of Highest Fifty Markets		54.3
Median of Highest Fifty Markets		51.5
U.S. Median for 361 Markets		40.0

FIFTY METRO AREAS WITH LOWEST PER CAPITA RETAIL BUILDING STOCK (Square Footage Per Capita for 2003)		
Rank	Metropolitan Statistical Area	Retail Stock Per Capita
361	Madera, CA	19.4
360	Hanford-Corcoran, CA	19.5
359	Hinesville-Fort Stewart, GA	19.5
358	McAllen-Edinburg-Pharr, TX	19.5
357	Merced, CA	19.6
356	Greeley, CO	20.9
355	Visalia-Porterville, CA	22.4
354	El Centro, CA	24.4
353	Monroe, MI	24.4
352	Napa, CA	24.5
351	Morristown, TN	24.8
350	Killeen-Temple-Fort Hood, TX	25.1
349	New York-Northern New Jersey-Long Island, NY-NJ-PA	25.2
348	Stockton, CA	25.5
347	Cumberland, MD-WV	25.8
346	Williamsport, PA	26.3
345	Worcester, MA	26.3
344	Kingston, NY	26.5
343	Yuma, AZ	26.7
342	Bakersfield, CA	27.2
341	Prescott, AZ	27.3
340	Jefferson City, MO	27.4
339	Lebanon, PA	28.1
338	Modesto, CA	28.2
337	Yuba City, CA	28.2
336	Honolulu, HI	28.2
335	Corvallis, OR	28.4
334	Charlottesville, VA	28.4
333	Niles-Benton Harbor, MI	28.6
332	Lancaster, PA	28.6
331	Bangor, ME	29.0
330	Holland-Grand Haven, MI	29.2
329	Wenatchee, WA	29.3
328	Santa Cruz-Watsonville, CA	29.3
327	Salinas, CA	29.4
326	Ithaca, NY	30.1
325	Glens Falls, NY	30.2
324	Fresno, CA	30.2
323	Riverside-San Bernardino-Ontario, CA	30.3
322	Lewiston-Auburn, ME	30.3
321	State College, PA	30.5
320	Brownsville-Harlingen, TX	30.5
319	Lynchburg, VA	30.8
318	Laredo, TX	30.8
317	Fort Smith, AR-OK	30.9
316	Vineland-Millville-Bridgeton, NJ	30.9
315	Morgantown, WV	31.1
314	Reading, PA	31.1
313	Fairbanks, AK	31.4
312	Vallejo-Fairfield, CA	31.4
Average of Lowest Fifty Markets		27.2
Median of Lowest Fifty Markets		28.2
U.S. Median for 361 Markets		40.0

Sources: McGraw-Hill Construction; U.S. Census Bureau; ICSC Research.

Sources: McGraw-Hill Construction; U.S. Census Bureau; ICSC Research.



Between 1970 and 2003, those 11 Ohio metro markets averaged approximately 75% more retail space per capita than the nation.

As a whole, the average retail stock per person of the highest 50 metro areas was 54.3 square feet in 2003, with a median of 51.5 square feet.

LOW RETAIL DENSITY MARKETS

On the low retail density side, the Madera, California metro area ranked as the lowest among the 361 MSAs in 2003. With 19.4 square feet per person, that was about half of the nation’s average and well below the median of the lowest 50 in 2003, as shown in Table 3-5, of 28.2 square feet per capita (or an average of 27.2 square feet).

Of note among the low retail density markets is the New York metropolitan area, which ranks as the largest retail market in absolute size, but the 349th of 361 based on population density. The New York MSA had 25.2 square feet per capita in 2003 and is an anomaly among the major MSAs.⁶

WHERE’S THE GROWTH?

Over the five-year period from 1998 through 2003, total retail building stock grew by 2.3% per year and, according to McGraw-Hill Construction, will slow to an average pace of 1.9% per year in the subsequent five years. The fastest-growing retail market between 1998 and 2003 was in St. George, Utah, with a hefty 8.4% increase per year. Carson City, Nevada had the second-fastest retail expansion of the 361 MSAs, as shown in Table 3-6, with an 8.0% average annual increase.

Although the McGraw-Hill Construction projection generally looks for a dramatic slowdown in retail expansion among the 50 fastest-growing markets between 1998 and 2003, there is one notable exception: Myrtle Beach—which was ranked seventh among the top 50. After average annual growth of 6.3% per year during that period, the

⁶A similar finding was noted in Mark Eppli and Steven P. Laposo, “A Descriptive Analysis of the Retail Real Estate Markets at the Metropolitan Level,” *Journal of Real Estate Research*, Vol. 14 (No. 3), 1997, pp. 321-338. This “anomaly” may suggest that there is a non-linear sales productivity relationship based on some population size threshold, which might explain less “need” for a proportionally larger retail stock, or it may suggest that there is a “supply restriction” that is holding back development and expansion. The answer to that question is well beyond the scope of this article and the power of these data.

Table 3-6

FIFTY FASTEST GROWING RETAIL MARKETS BY METROPOLITAN AREA (1998-2003)		
Rank	Metropolitan Statistical Area	Average Annual Growth (%)
1	St. George, UT	8.4
2	Carson City, NV	8.0
3	Hagerstown-Martinsburg, MD-WV	7.7
4	Las Vegas-Paradise, NV	7.0
5	Hinesville-Fort Stewart, GA	7.0
6	Boulder, CO	6.6
7	Iowa City, IA	6.5
8	Myrtle Beach-Conway-North Myrtle Beach, SC	6.3
9	Brownsville-Harlingen, TX	6.0
10	Boise City-Nampa, ID	6.0
11	Vineland-Millville-Bridgeton, NJ	5.9
12	Logan, UT-ID	5.8
13	Wilmington, NC	5.7
14	Orlando, FL	5.7
15	Muskegon-Norton Shores, MI	5.6
16	Huntsville, AL	5.6
17	Auburn-Opelika, AL	5.5
18	Blacksburg-Christiansburg-Radford, VA	5.4
19	Durham, NC	5.4
20	Warner Robins, GA	5.2
21	Phoenix-Mesa-Scottsdale, AZ	5.2
22	Naples-Marco Island, FL	5.2
23	Grand Forks, ND-MN	5.1
24	Cape Coral-Fort Myers, FL	5.1
25	Atlanta-Sandy Springs-Marietta, GA	5.0
26	Rochester, MN	4.6
27	Columbus, IN	4.5
28	Fort Collins-Loveland, CO	4.5
29	Dallas-Fort Worth-Arlington, TX	4.4
30	Grand Rapids-Wyoming, MI	4.4
31	Coeur d'Alene, ID	4.4
32	Trenton-Ewing, NJ	4.4
33	Raleigh-Cary, NC	4.3
34	Prescott, AZ	4.3
35	Fort Walton Beach-Crestview-Destin, FL	4.2
36	Gainesville, GA	4.2
37	Houston-Baytown-Sugar Land, TX	3.9
38	Salisbury, MD	3.9
39	Cheyenne, WY	3.9
40	Pensacola-Ferry Pass-Brent, FL	3.9
41	Kennewick-Richland-Pasco, WA	3.9
42	Sarasota-Bradenton-Venice, FL	3.8
43	Macon, GA	3.8
44	Sacramento-Arden-Arcade-Roseville, CA	3.7
45	Charlotte-Gastonia-Concord, NC-SC	3.7
46	Olympia, WA	3.7
47	Nashville-Davidson-Murfreesboro, TN	3.7
48	Bend, OR	3.6
49	Virginia Beach-Norfolk-Newport News, VA-NC	3.6
50	Hickory-Lenoir-Morganton, NC	3.5

Sources: McGraw-Hill Construction; ICSC Research.



MSA is projected to see a slightly faster pace of 6.6% over the subsequent five years.

Another notable fact among the top 50 growing retail markets is that Carson City and Las Vegas are the only two MSAs from the same state among the five or 10 fastest-growing areas. Las Vegas, which is known for its explosion in population and tourist draw, is projected to add retail space by an average of 5.0% per year between 2003 and 2008.

Generally, the retail expansion will occur in many smaller markets between 2003 and 2008, according to McGraw Hill. The El Centro, California MSA is projected to expand by a rapid 8.0% per year—making it the fastest-growing market for retail space—followed by Harrisonburg, Virginia (+7.2%), Greeley, Colorado (+6.8%), Myrtle Beach, South Carolina (+6.6%—as noted above) and Fort Walton Beach, Florida (+6.0%).

RISKY MARKETS

So far, this discussion has been descriptive. The article has parsed the retail space data by various size and growth characteristics. This can be useful to get a perspective on the regional development. However, this sidesteps the question of whether or not these markets have too much or too little retail space. Generally, a complete answer to this question is dependent on secular and cyclical factors, and that discussion is beyond the scope of this particular review. On the other hand, certain markets may be more risky than others simply given the relative economic landscape—despite the retail density.

Consider a simple paring of the unemployment rate and the retail stock per capita relative to the national average for both. Using this metric⁷, the “most risky” retail markets in 2003 were not necessarily the obvious ones. As shown in Table 3-7, El Centro, California came to the top of that list since its local unemployment rate was three times the national average in 2003—even though its retail stock per capita was a relatively low 24.4 square feet per person—well

below the national average. Indeed, some of the markets with the highest cyclical risk (using that simple data screen based on the unemployment rate) were in California. Similarly, the high unemployment rate in the New York metropolitan area in 2003 also suggested that even though its retail stock was low, its risk was high.

The point of this simple exercise is that reading these data in isolation is itself a risky endeavor. Only by combining the data with a supply and demand framework can real judgments be made. *Nevertheless, the starting point of that type of analysis still requires looking at the data.*

Table 3-7

ASSESSING “RISK POTENTIAL” TOP 30 RETAIL MARKETS IN 2003			
Rank	Market	Unemployment Rate	Retail Stock Per Capita
1	El Centro, CA	18.8	24.4
2	Merced, CA	14.9	19.6
3	Hanford-Corcoran, CA	14.4	19.5
4	Visalia-Porterville, CA	16.4	22.4
5	McAllen-Edinburg-Pharr, TX	13.4	19.5
6	Madera, CA	12.8	19.4
7	Yuma, AZ	17.2	26.7
8	Yuba City, CA	14.2	28.2
9	Salinas, CA	14.1	29.4
10	Bakersfield, CA	13.0	27.2
11	Fresno, CA	14.1	30.2
12	Stockton, CA	10.3	25.5
13	Yakima, WA	13.2	33.1
14	Modesto, CA	11.1	28.2
15	Brownsville-Harlingen, TX	11.1	30.5
16	Wenatchee, WA	9.9	29.3
17	Greeley, CO	6.7	20.9
18	Santa Cruz-Watsonville, CA	9.2	29.3
19	Longview, WA	9.6	31.7
20	Ocean City, NJ	12.2	41.0
21	Danville, VA	9.3	32.0
22	Cumberland, MD-WV	7.1	25.8
23	Monroe, MI	6.3	24.4
24	Kennewick-Richland-Pasco, WA	8.8	34.1
25	Florence, SC	8.4	33.8
26	Vineland-Millville-Bridgeton, NJ	7.6	30.9
27	Niles-Benton Harbor, MI	6.9	28.6
28	Redding, CA	8.1	34.6
29	New York-Northern New Jersey-Long Island, NY-NJ-PA	5.8	25.2
30	Salem, OR	7.4	32.3

Sources: McGraw-Hill Construction; U.S. Department of Labor; ICSC Research.

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⁷ This is a crude way to segment the data for analytical purposes; there are considerably more sophisticated methods to do that. However, this simple metric using the ratio of the metro area retail stock per capita divided by the unemployment rate and normalized by the national average ratio demonstrates the point.