Positive Results for the U.S. Shopping Center Industry in 2018
Boosted by a Strong Fourth Quarter, Key Performance Metrics Rise for the Year

The U.S. shopping center industry ended 2018 on a positive note, by performing well during the fourth quarter. 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 2018 and ended the year at a record high. (See Chart 1.) In Q4-2018, NOI grew by 2.8%—the biggest increase since Q3-2016—thus bringing total NOI for the year to $19.36 per square foot (PSF), a 1.4% increase over 2017. In 2018, total operating income of all U.S. shopping centers on a square-foot basis rose 2.0% from the previous year, while operating expenses grew by 3.0%. (See Table 1.)

By property type, as seen in Table 2, NOI in open-air centers (aggregating neighborhood, community and power centers) hit $4.15 PSF in the fourth quarter—a 1.9% increase from the same period in 2017. For all of 2018, NOI reached $16.62 PSF, 1.6% higher than 2017. Base rents also increased by a healthy 2.1% in Q4 and reached $18.04 PSF for the entire 2018, 1.9% greater than 2017. Occupancy rates at open-air centers remained stable at 93.1%.

The fourth quarter of 2018 was particularly strong for the mall sector after a weak Q3, with base rents rising 6.9% over Q4-2017 and NOI increasing 4.9%. For the year, these final quarterly gains brought rents to $29.07 PSF (2.5% more than 2017) and NOI to $32.46 PSF (1.1% more than 2017).

Regionally, NOI for U.S. shopping centers varied during the fourth quarter of 2018. (See Table 3.) The strongest performance was in the East, increasing by a solid 3.9% from the same period last year. Overall, however, for 2018, shopping centers in the South saw NOI increase the most (3.2%), followed by the Midwest (2.8%) and East (1.5%). NOIs for centers in the West dropped 0.9% for the year.

These performance metrics provided by NCREIF and collected from investment managers for approximately 1,000 shopping center properties illustrate a healthy shopping center industry. The strength during Q4-2018 solidified an overall positive year for the sector, confirming these properties are an important element in the retail landscape.

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More data are available by browsing for Shopping Center Income and Expenses in QuickStats.