National Retail Index (NRI)

- Prospects for stellar rent growth and low vacancy kept San Francisco (#1) and San Jose (#3) in the top ranks, dislodging New York (#2). San Diego (#5) and Orange County (#8) also rose, while Los Angeles (#10) held rank. Robust population and job growth trends lifted Houston (#6), Dallas/Fort Worth (#12) and San Antonio (#13), while Austin (#4) held position. Tourism and housing boosted Denver (#7) and Miami (#11), but below-average rent gains created big slippages for Seattle-Tacoma (#9) and Boston (#14).
- Late-recovery Florida markets Tampa-St. Petersburg (#21), Fort Lauderdale (#28), and Jacksonville (#34) surged four to seven points; Orlando (#23) and West Palm Beach (#29) both gained one. Momentum in Phoenix (#20) and Atlanta (#26) displaced Nashville (#19) and Charlotte (#30). Below-average job gains and fresh supply caused big swings to the downside for Washington, D.C. (#24), and Portland (#27).
- The outlook for strong revenue growth lifted Cincinnati (#37) and Kansas City (#42), but stubborn vacancy shaved points from Indianapolis (#41) and weak rent growth clipped Milwaukee (#43). The high level of completions relative to below-trend jobs caused a big displacement for Philadelphia (#32) and Northern New Jersey (#38). The brisk pace of retail sales and job growth raised Las Vegas (#40).

National Economy

- Employers added 3.1 million jobs in 2014, the strongest pace of hiring since 1999. Fourth quarter GDP growth measured 2.2 percent, easing from the second and third quarter rates of 4.6 and 3.9 percent, respectively. Nominal retail sales stand 19 percent higher than the prior peak, or 6.7 percent adjusted for inflation.
- Consensus estimates project 2.9 to 3.1 percent GDP growth in 2015 and 3.1 million to 3.5 million new jobs created. Upward pressure on wages will follow.
- The Federal Reserve concluded its quantitative easing program. Inflation remains in check, but liquidity creates upward pressure, and the Fed will closely monitor these risks.

National Retail Overview

- Scarcity of quality chain retail space has resulted in creative redevelopment of select urban storefronts, reconfigured in-line and end-cap space, and repurposing of functionally obsolete buildings.
- Retailers absorbed nearly 75 million square feet in 2014, eclipsing the nearly 40 million square feet of new space delivered and resulting in a 2.2 percent gain in asking rents.
- Dynamic retail conditions carry into 2015 with net absorption of nearly 88 million square feet outpacing still-modest additions to supply. Vacancy is forecast to decline another 60 basis points to 6.0 percent.

Capital Markets

- The spread between Treasuries and both single-tenant and multi-tenant cap rates remains 200 basis points wider than the 2006 peak, and the premium paid for a single-tenant asset is now 100 basis points.
- A robust CMBS market may approach $125 billion in 2015, improving liquidity in secondary and tertiary markets as well as pricing for new or value-add properties that are not yet stabilized.

Retail Investment Outlook

- Greater liquidity and a healthy spread of 80 basis points between secondary and tertiary markets will channel more acquisitions to tertiary markets if supported by the local economy and market demographics.
- Retail sales volume grew 33 percent to $83.5 billion in 2014, surpassing the 2007 peak. Values have recovered 27 percent from the trough of the market.