

# Retail market dynamics



**Research**

United States

Q1 2025

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# Key trends

## 1

### Net absorption goes negative

- For the first time in 16 quarters, retail net absorption sank into negative territory, totaling -2.7 million square feet. Much of this decline in net absorption is coming from power centers and neighborhood centers, as closures from the likes of Big Lots and Party City released millions of square feet back into the market.

## 2

### Retailers quick to ink deals for available space

- Freshly vacated space often gets snatched up by expanding retailers. Nearly one-third of the 17,248 new leases signed in the first quarter were on the market for less than 5 months, while more than half were inked within 10 months of the space being listed.

## 3

### Anticipated closures begin to free up retail space

- Previously announced closures have begun to take effect from retailers like Party City, Advance Auto Parts, Big Lots and Walgreens. Because of these closures, millions of square feet of retail space will return to the market, providing much-needed space to retailers looking to expand.

## 4

### Transaction volume slows in face of uncertainty

- U.S. retail investment volume in Q1 2025 grew 13% year-over-year, excluding entity-level deals, fueled by more transactions and larger average deal sizes. However, compared to the previous quarter, total volume slipped 7%, reflecting uncertainty from political changes and trade tensions. Albeit the Fed's planned interest rate cuts are expected to boost investment activity this year.

### By the numbers

**12.1 billion**

Existing inventory (s.f.)

**44.7 million**

Under construction (s.f.)

**4.1%**

Total vacancy

**\$25.51**

Market rent (per s.f.)

**-2.7 million**

Q1 2025 net absorption (s.f.)

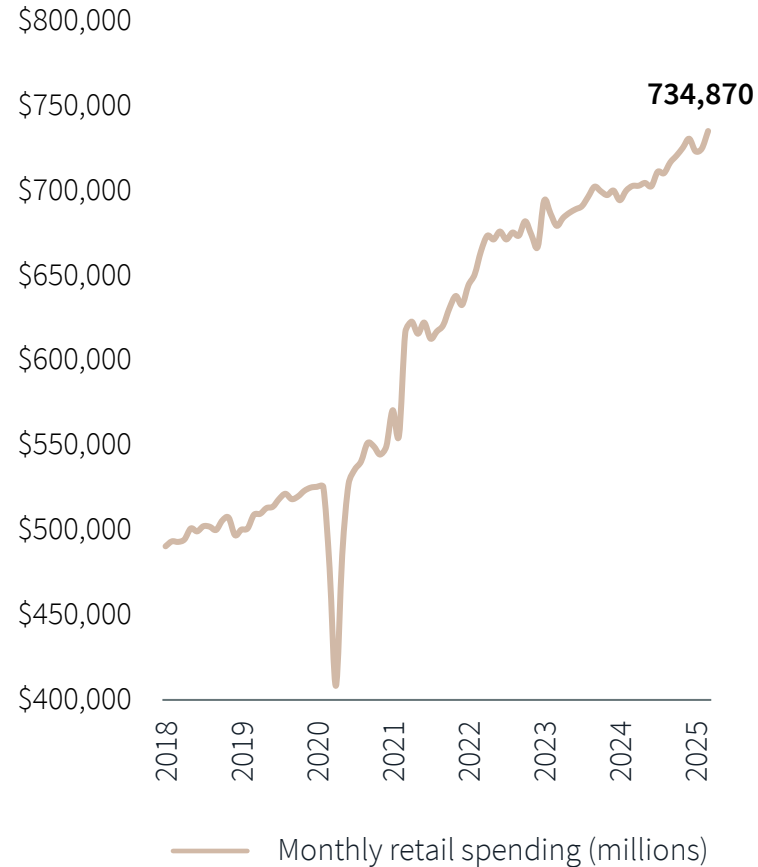
## Consumers up spending as hedge against uncertain economy

The consumer price index dipped slightly in March, slowing to a pace of 2.4% above year-ago levels. Wages are also outpacing inflation, and March 2025 nonfarm employment growth was stronger than expected.

However, these backward-looking fundamentals, while positive, belie the marked uneasiness of consumers in an economically uncertain environment. As a result, consumer sentiment sank to its lowest level since 2022.

March retail sales increased 1.4% month-over-month as consumers made large purchases in anticipation of coming price hikes. The categories which saw the largest rise in sales month-over-month in March were motor vehicles and parts (5.3%), building material and garden (3.3%), sporting goods, hobby & books (2.4%) and restaurant and bars (1.8%).

## Retail spending rises



Source: U.S. Census, adjusted sales

## Consumer sentiment sinks



Source: Institute for Social Research (University of Michigan)

# Retail fundamental statistics Q1 2025

Fundamentals	General retail	Mall	Power center	Neighborhood center	Strip center	Other	All
Inventory SF	6,697,913,797	900,022,921	791,330,653	2,980,677,441	717,512,863	92,761,468	12,196,907,176
Vacancy rate	2.6%	8.7%	4.4%	6.1%	4.7%	4.5%	4.1%
Net absorption SF	4,359,900	(583,712)	(1,578,378)	(5,269,702)	(26,557)	226,157	(2,682,852)
Net delivered SF	5,769,725	(865,844)	(153,826)	1,298,874	576,028	52,835	6,824,596
Under construction SF	29,387,876	2,545,711	974,644	7,678,075	2,624,577	691,200	44,785,440
Market asking rent/SF	\$24.53	\$34.39	\$27.31	\$24.71	\$23.39	\$30.48	\$25.51
Market asking rent growth Q/Q	0.1%	0.4%	0.4%	0.4%	0.2%	0.3%	0.2%
Market asking rent growth Y/Y	1.3%	2.3%	2.6%	2.6%	2.0%	2.4%	1.8%

Source: CoStar - National index markets

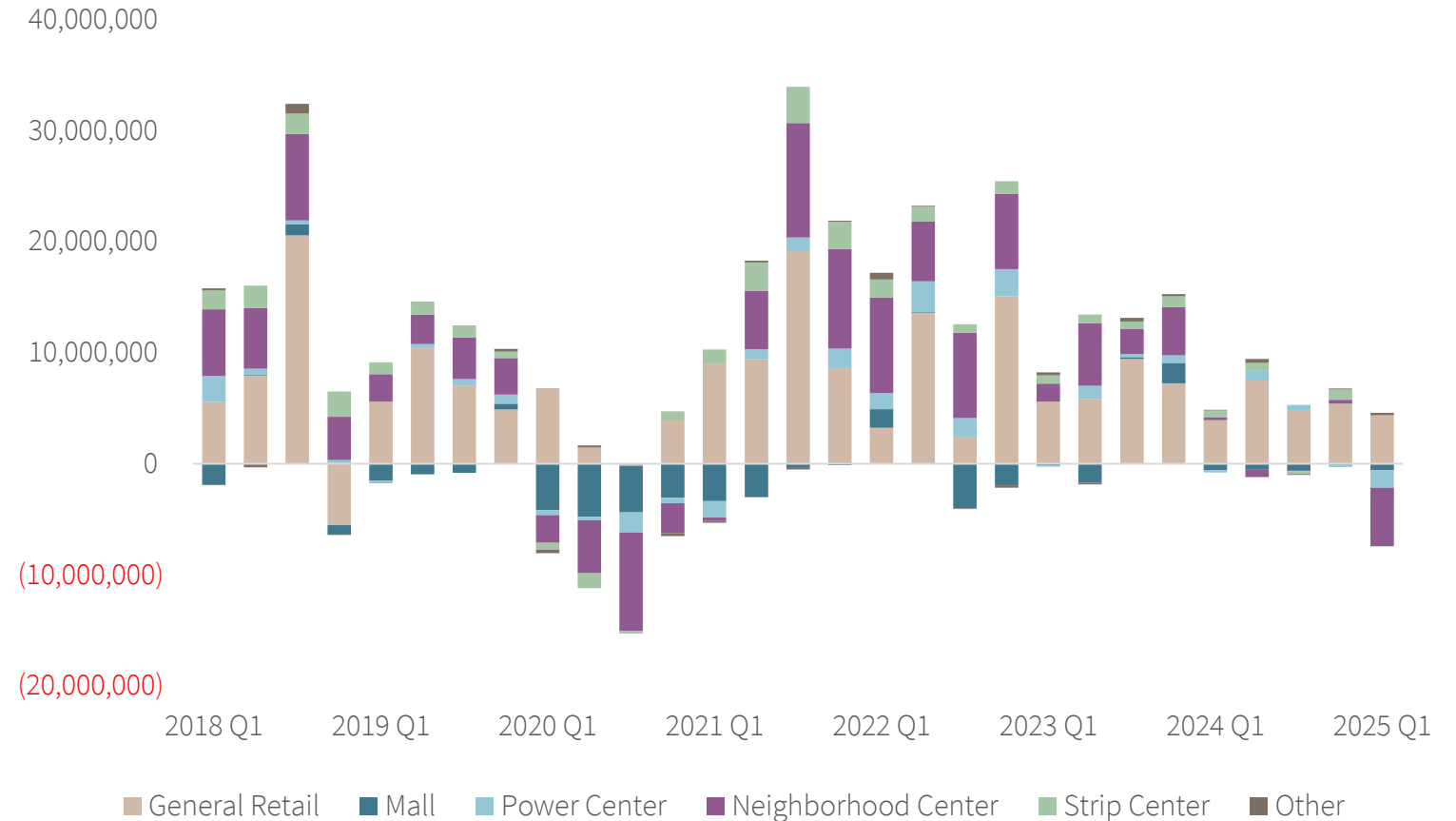


## Net absorption turns negative as closures hit the market

- The spate of store closures announced in 2024 and early 2025 is beginning to take effect.
- For the first time in 16 quarters, retail net absorption sank into negative territory, totaling -2.7 million square feet.
- Much of this decline in net absorption is coming from power centers and neighborhood centers, as closures from the likes of Big Lots and Party City released millions of square feet back on to the market.
- The vacancy rate remained flat at 4.1% as deliveries dipped slightly from the previous quarter. The availability rate, which had been hovering at record lows for the previous two quarters, inched up 10 basis points to 4.8%.

## Historical net absorption

Millions



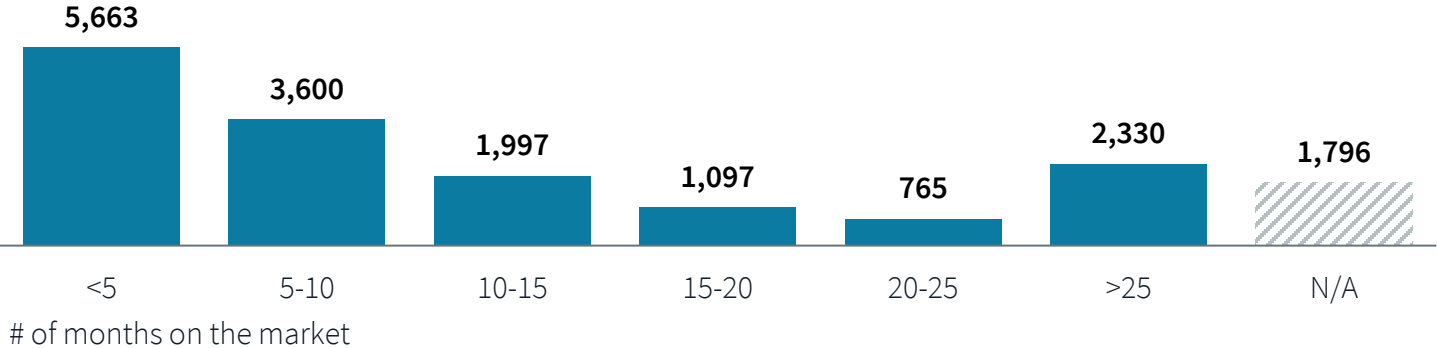
Source: CoStar - National index markets

# Retailers quick to ink deals for available space

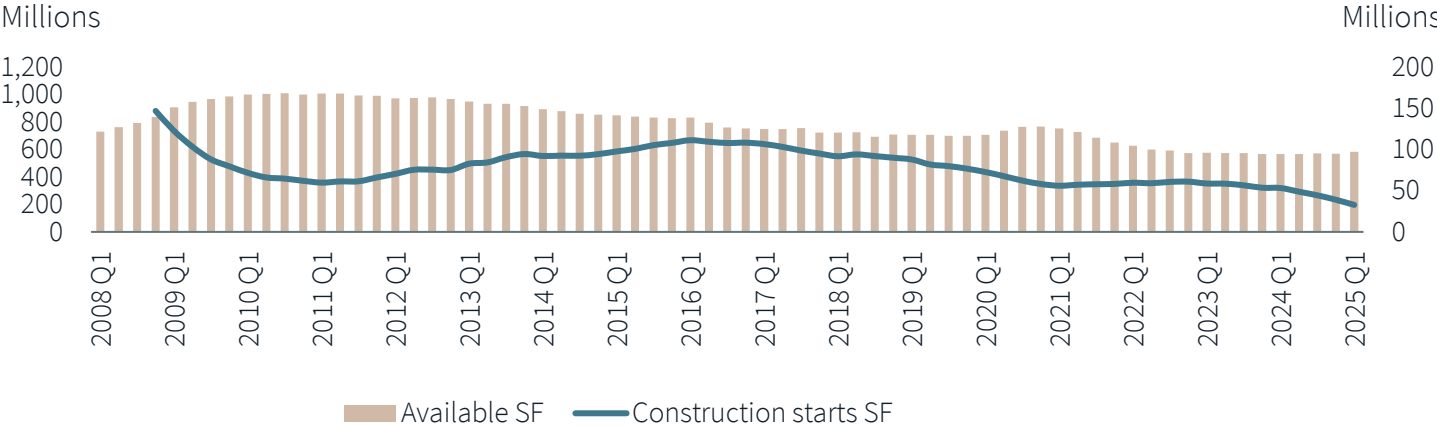
- The flood of expected store closures now hitting the market only tells part of the story, however. Despite rising 10 basis points, availability remains near record lows at 4.8%. Construction starts remain low and quality space is scarce.
- As a result, freshly vacated space often gets snatched up by expanding retailers. Nearly one-third of the 17,248 new leases signed in the first quarter were on the market for less than 5 months, while more than half were inked within 10 months of the space being listed.
- A recent example of this was Party City's bankruptcy auction, where nearly one-third of the 695 leases were bought by other retailers, particularly value stores like Five Below and Dollar Tree.

## Time taken to lease available retail space

# of new retail deals inked in Q125



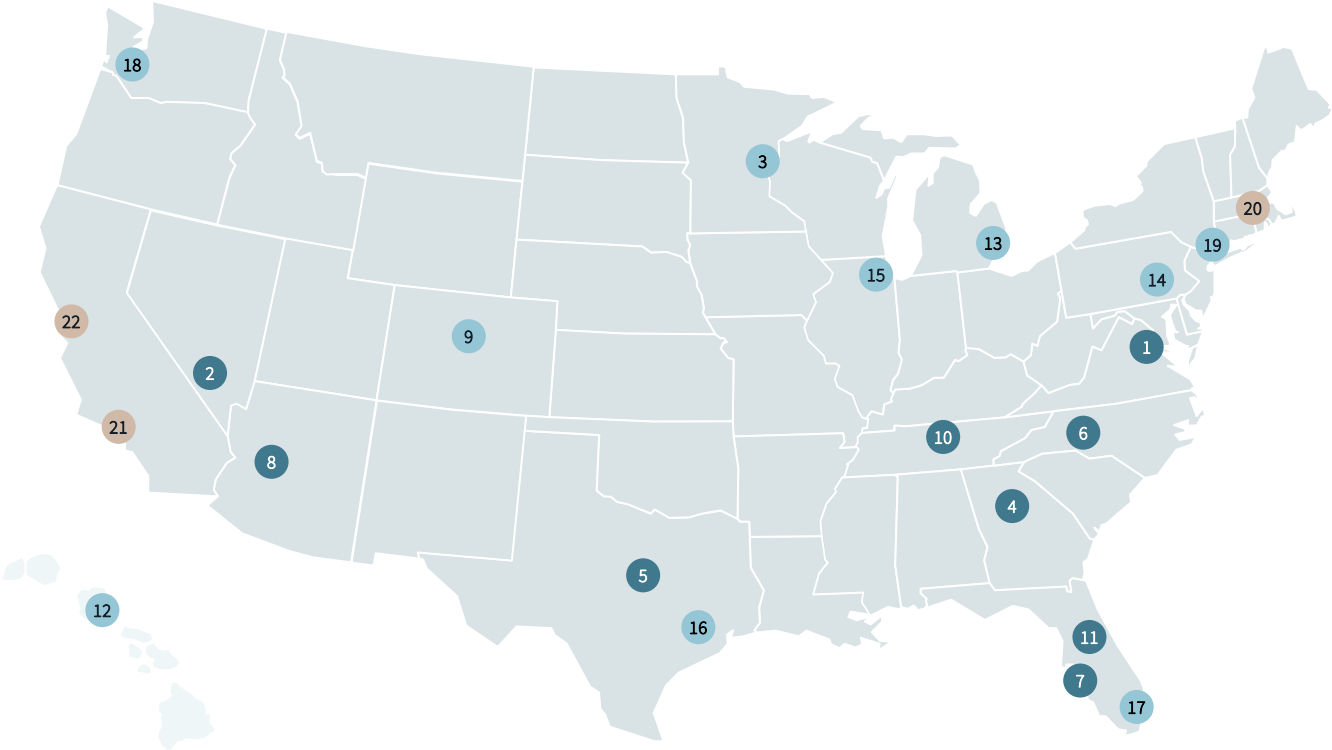
## Available retail space



Source: CoStar - National index markets

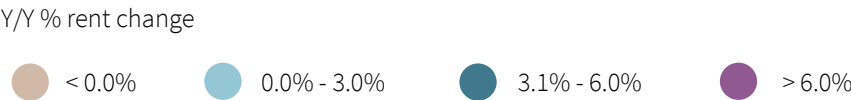
# Major metros still seeing rent growth

In line with recent trends, the pace of rent growth continues to slow, rising a modest 0.2% from the previous quarter and 1.8% from the previous year.



Source: CoStar

1	Washington, D.C.	5.5%	12	Honolulu	2.0%
2	Las Vegas	4.5%	13	Detroit	2.0%
3	Minneapolis	4.4%	14	Philadelphia	1.9%
4	Atlanta	4.2%	15	Chicago	1.6%
5	Dallas	3.9%	16	Houston	0.8%
6	Charlotte	3.5%	17	Miami	0.8%
7	Tampa	3.3%	18	Seattle	0.6%
8	Phoenix	3.0%	19	New York	0.1%
9	Denver	2.9%	20	Boston	-0.2%
10	Nashville	2.7%	21	Los Angeles	-0.4%
11	Orlando	2.4%	22	San Francisco	-0.5%





# Retail spotlight:

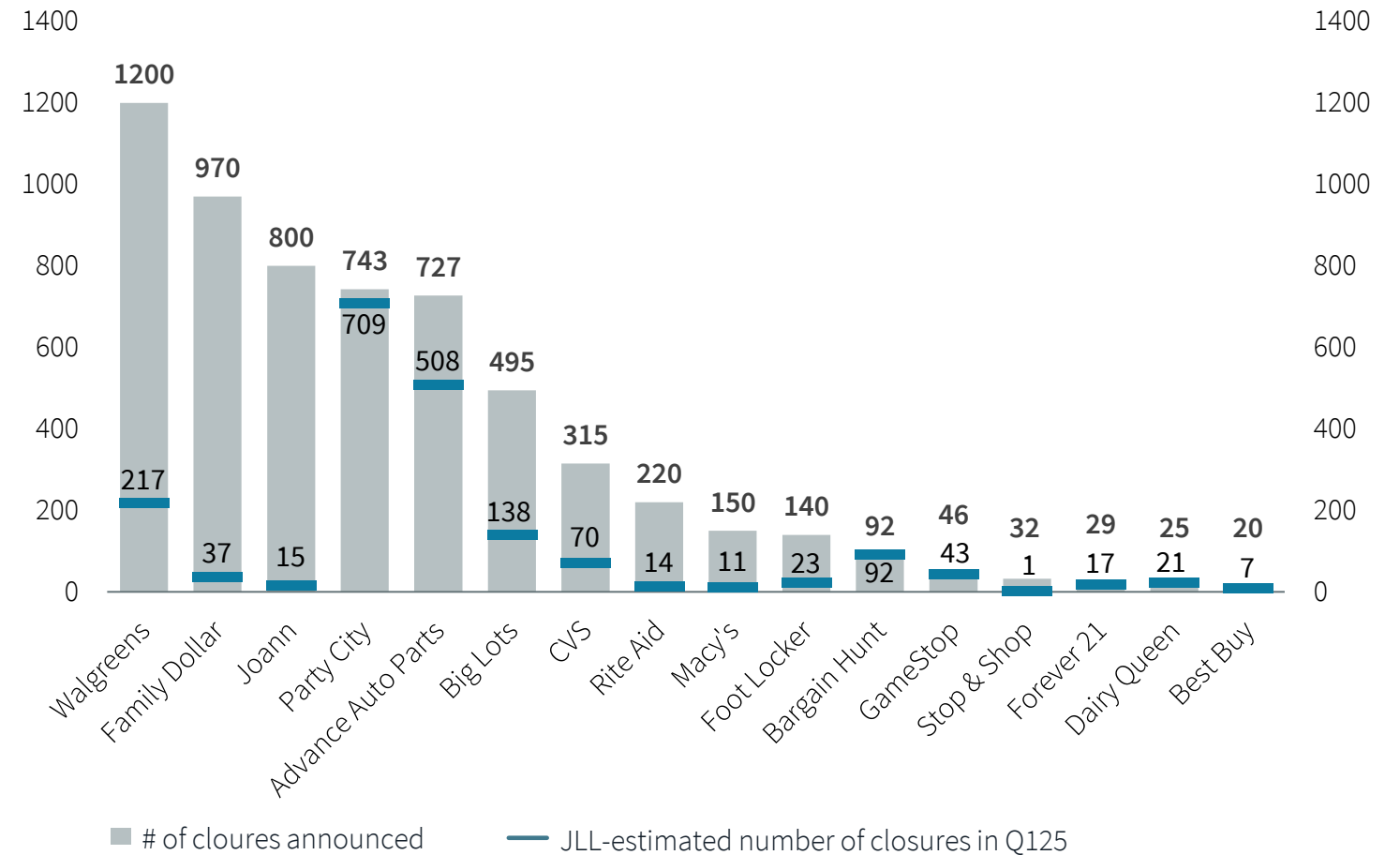
Closures hit  
the market



## Anticipated closures begin to free up retail space

- Announced retail closures between 2024 and early 2025 totaled over 9,900 locations, with the highest numbers coming from discount and dollar stores, drug stores, and big boxes.
- As these closures begin to take place, millions of square feet of retail will return to the market, providing much-needed space to retailers looking to expand.
- Hundreds of previously announced closures have now taken effect from retailers like Party City, Advance Auto Parts, Big Lots and Walgreens.
- As closures continue to unfold throughout the rest of the year, we should see the availability rate rise even higher and new deals inked for premium locations.

## Major announced closures that took place in Q125



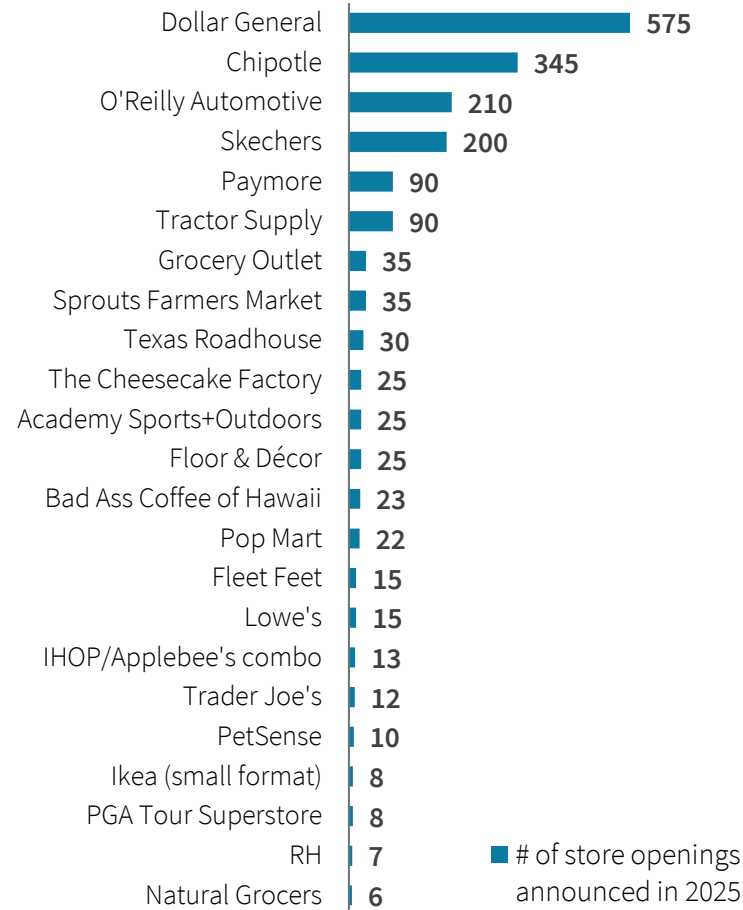
Source: PNC, RetailStat, JLL Research



## Value and F&B continue to dominate openings

- Even as we see some retailers trim down store counts, others are strategically expanding.
- Value retailers continue to benefit from high demand as consumers look to save money. Concurrently, food & beverage tenants, especially quick-service and fast casual are also growing their reach.
- There is a wide variety of tenants backfilling vacant space. For instance, a mix of discounters, sporting goods and experiential tenants are taking over former Bed Bath & Beyond space. Similarly, fitness concepts, grocery and discounters are taking over Big Lots stores. Drug stores have been backfilled by the likes of dollar stores, bookstores and shoe stores. And Forever 21 space has been taken by discount apparel store Primark, as well as experiential tenant Elev8 Fun.

## Announced retailer openings - 2025



Source: PNC CreditIntell, JLL

## Retailers backfilling vacated spaces

Bed Bath & Beyond	Big Lots
Bob's Discount Furniture	Burlington
Burlington	Aldi
Nordstrom Rack	Crunch Fitness
PGA Tour Superstore	Grocery Outlet
REI	Springs Pickleball
Drug stores	Forever 21
Dollar General	Primark
Dumbo Market	
Dollar Tree	
Boot Barn	Elev8 Fun Indoor Adventure
Barnes & Noble	



# Capital Markets

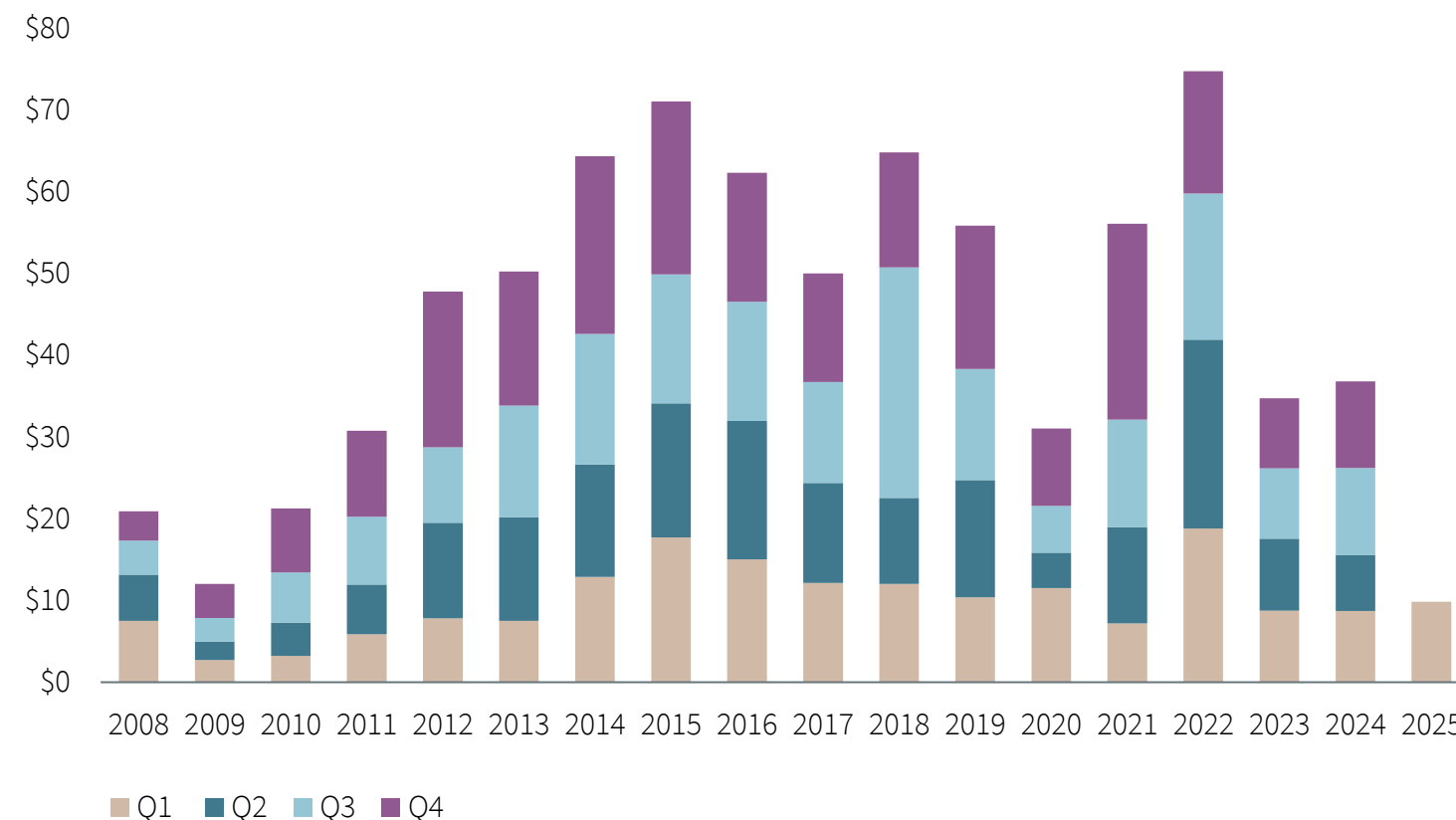


## Q1 2025 investment volume surpasses the prior year, cautious optimism for the coming months

- The retail investment landscape in Q1 2025 demonstrated resilience, with transaction volumes reaching \$9.8 billion. This figure represents a notable increase of 13% and 12% compared to Q1 2024 and Q1 2023, respectively. However, the current high-interest rate environment has impacted the market, resulting in a 48% decrease from the record-breaking Q1 2022 and a 26% reduction compared to the Q1 average from 2014 to 2019.
- Several U.S. regions contributed to this positive trend. The Mid-Atlantic region led with a significant 38% year-over-year growth, followed by the West at 32%, and the Southeast at 17%. In contrast, the Southwest region experienced a 32% decline, primarily due to the previous year's elevated volume from the sale of the \$283 million River Oaks District.
- Urban retail properties continue to attract investor interest, particularly in the Northeast. A prime example of this trend is Uniqlo's \$352.5 million acquisition of its flagship store in New York City, underscoring the ongoing appeal of prime urban retail assets.

## Historical U.S. retail transaction volume, by quarter, 2008 – Q1 2025

Quarterly transaction volume (billions USD)



Source: JLL Research, Real Capital Analytics (RCA).

Notes: Data pertains to single-asset and portfolio, single-tenant and multi-tenant deals \$5m+, excluding entity-level.

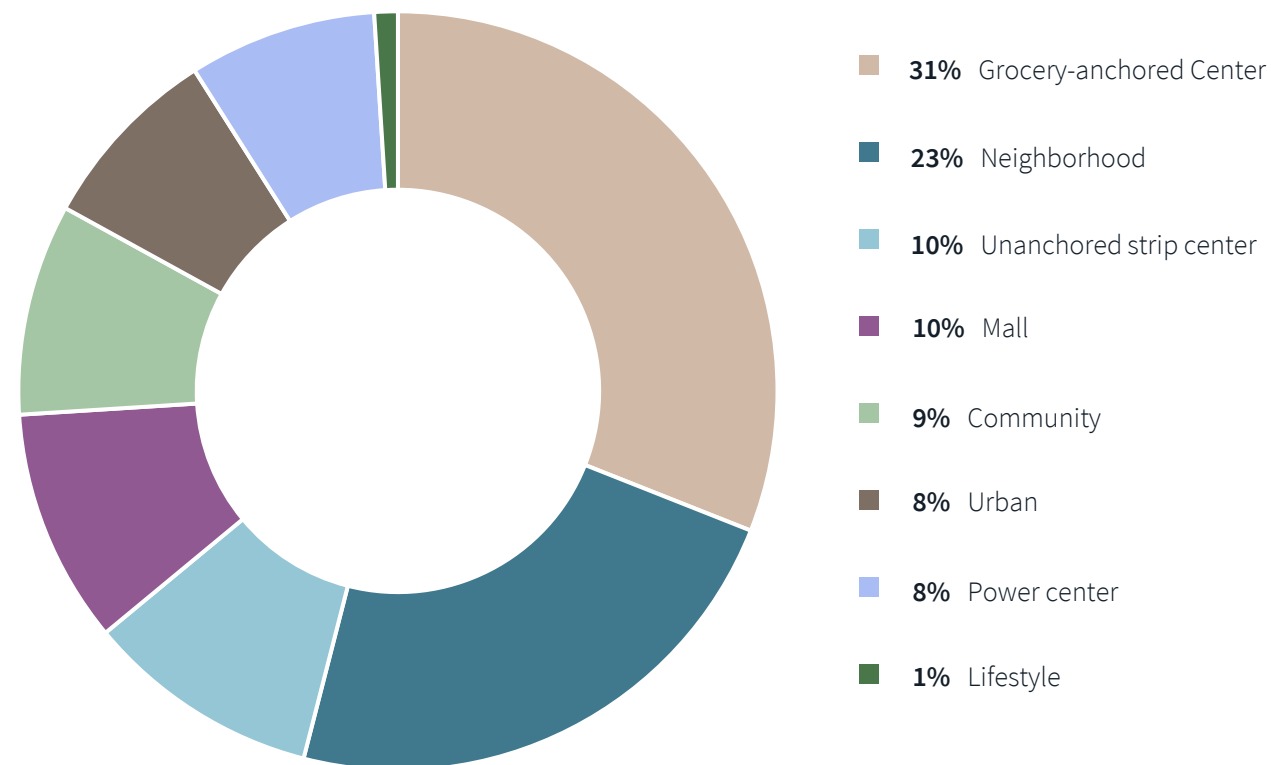
## Grocery-anchored centers have high demand

The investment forecast for the rest of 2025 maintains a cautiously positive tone, influenced by the Federal Reserve's recent commitment to two interest rate reductions this year and in 2026.

However, the evolving political landscape and ongoing trade tensions introduce an element of uncertainty that is expected to persist throughout the year. Investor strategies are likely to prioritize grocery-anchored and unanchored strip centers, reflecting a preference for stable, necessity-driven retail assets.

Additionally, high-value transactions in urban retail locations and big-box shopping centers are expected to attract significant investor attention, indicating a continued interest in prime retail assets despite the broader economic uncertainties.

Percentage of retail acquisition volume by product type, Q1 2025



**Source:** JLL Research, Real Capital Analytics (RCA). Notes: Data pertains to multi-tenant retail, \$5m+ and excludes entity-level deals. Portfolios are included only if they exclusively comprised of a single retail product type. Percentage of retail acquisition volume by product type is as of Q1 2025.



# Malls



## Retail property definitions

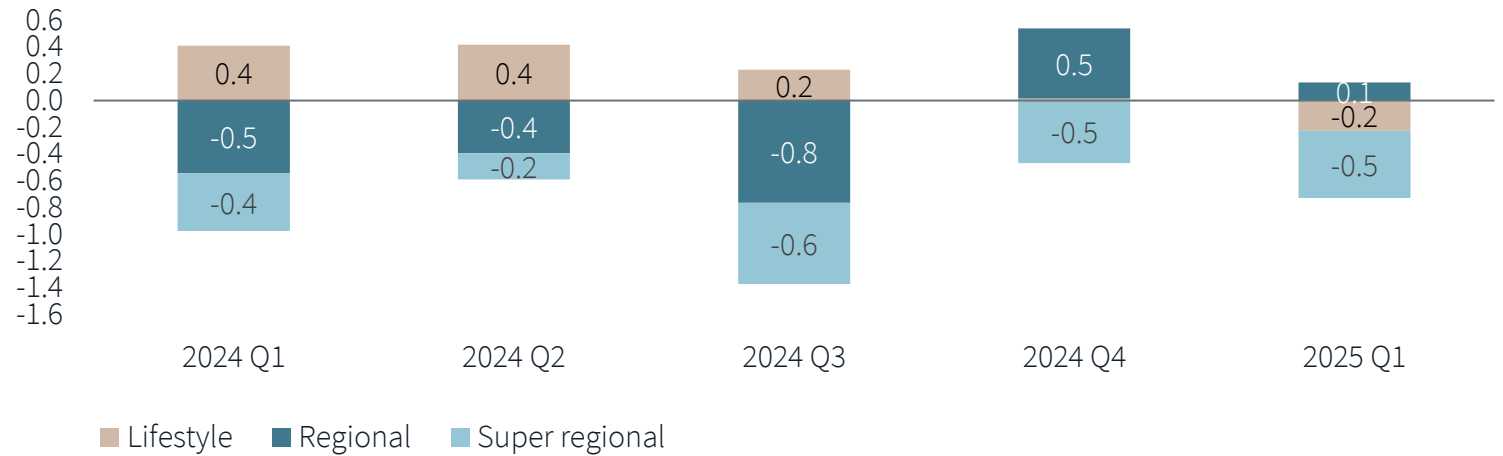
Retail subtype	Definition	Examples
<b>General retail</b>	Consists of single-tenant freestanding general-purpose commercial buildings with parking	Drug stores, some groceries, streetfront urban retail stores
<b>Malls</b>	Includes lifestyle centers, regional malls and super regional malls	Primarily anchored by mass merchants, fashion and department stores
<b>Power centers</b>	Consists of several freestanding anchors with minimal small tenants 250,000 – 600,000 s.F.	Primarily anchored by big box tenants and discount supercenters
<b>Shopping centers</b>	Includes community centers, neighborhood centers and strip centers	Primarily anchored by groceries and local services
<b>Specialty center</b>	Consists of the combined retail center types of airport retail, outlet center and theme/festival center	Primarily anchored by manufacturers' and retailers' outlets
<b>Total retail</b>	All retail building types in both single-tenant and multi-tenant buildings, including owner-occupied buildings	All retail

## Malls exposure to wave of closures is limited

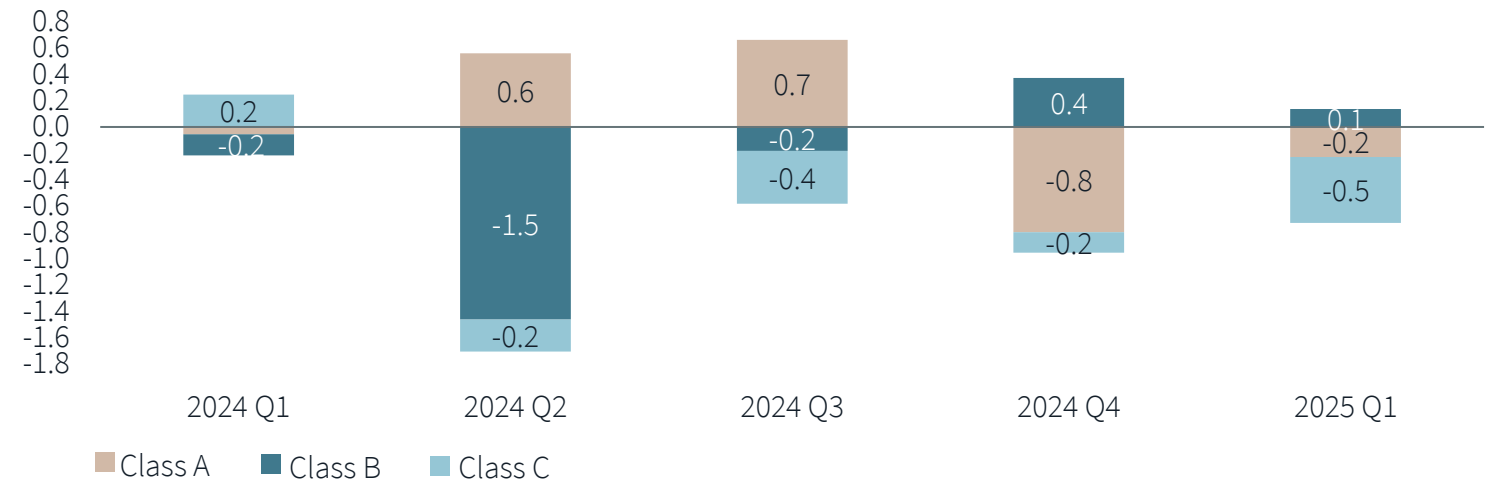
- Malls were somewhat more insulated against the wave of announced store closures playing out during the first quarter. Most retailers with high closure levels and large sizes were concentrated in open air centers. However, there were a few announcements that directly impacted malls – including Macy's, Forever 21 and Foot Locker.
- As a result, while mall net absorption was negative, the effect was more tempered than we see in power centers and smaller shopping centers. Total net absorption was -583,712 square feet during the first quarter.
- Lifestyle centers and super regional malls both experienced negative net absorption, but regional mall net absorption was positive thanks to stronger move-ins during the quarter. Similarly, Class B malls saw positive absorption, while Class A and C malls descended into negative territory.

### Mall net absorption by type and class

Millions



Millions



Source: CoStar, JLL Research  
\*national index markets

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## Mall space

- Despite the negative net absorption, mall vacancy remained flat from the previous quarter at 8.7%, largely because demolished space totaled 1.1 million square feet, erasing any impact of space released to the market through move outs or new deliveries.
- Experiential tenants who inked new mall deals during the quarter include Pickleball Kingdom, Urban Air, Crunch Fitness and Slick City.
- Along with new deals signed, malls saw a mixture of tenants move in including fitness concepts like Stretch Zone and Eos Fitness, entertainment concepts like Round1 Bowling and Athletic Propulsion Labs, and home furnishings retailers like LoveSac and Sleep Number.

### Mall fundamentals

Q1 2025 net absorption	-0.6 million s.f.
Vacancy	8.7%
NNN rent	\$34.39
Under construction	2.6 million s.f.
Deliveries	-0.9 million s.f.

### Q1 2025 mall move-in highlights

	Lifestyle centers	Regional malls	Super regional malls
Big-box tenants	Athletic Propulsion Labs, Eos Fitness, Bass Pro Shops, Urban Air Adventure Park	H&M, HomeGoods, Crunch, Barnes & Noble	Dick's Sporting Goods, Primark, Round1 Bowling, Eataly, Zara
Smaller tenants	LoveSac, Buckle, Plato's Closet, Sephora, Stretch Zone	Sleep Number, Warby Parker, Chick-Fil-A	Activate Games, Mattress Firm, The LEGO Store, IT'SUGAR

Source: CoStar, JLL Research  
\*national index markets



# Power centers



## Power centers see vacancies jump

- A number of the announced closures directly impacted power center space. Big box tenants like Joann, Big Lots and Party City had at least some presence in power centers.
- As a result of closures, power center net absorption fell to -1.6 million square feet. Move-outs jumped over 40% from the previous quarter and year, showing the dip in demand is a direct result of this new spate of closings.
- Power center vacancy rose from 4.2% to 4.4% and availability rose by nearly 1.5 million square feet. This could pave the way for openings from value-oriented retailers like Burlington, Ollies or Ross Dress for Less.

### Power center fundamentals

Q1 2025 net absorption	-1.6 million s.f.
Vacancy	4.4%
NNN rent	\$27.31
Under construction	1.0 million s.f.
Deliveries	-0.2 million s.f.

### Q1 2025 power center move-in highlights

Discounters	Bob's Discount Furniture, Five Below, Daiso, Gabe's
Apparel & accessories	Burlington, Boot Barn, Nordstrom Rack, Skechers
Fitness/Wellness	Onelife Fitness, EoS Fitness, The Picklr, LA Fitness, Planet Fitness
F&B	Jersey Mike's, Panera Bread, CAVA, Popeye's, Chipotle Mexican Grill
Home furnishings	HomeGoods, Mattress Firm, World Market, La-Z-Boy
Sporting Goods	Dick's Sporting Goods, Bass Pro Shops, Academy Sports + Outdoors, Hibbett Sports

Source: CoStar, JLL Research  
\*national index markets



# Shopping centers (neighborhood, community and strip)



## Strip centers continue to see robust demand

- The strongest impact of the wave of closures was felt by smaller shopping centers, especially community and neighborhood. Space vacated by all community centers in the U.S. soared 39.1% from the prior quarter and nearly 50% year over year. Similarly, move outs from neighborhood centers jumped roughly 25% from the previous quarter and year. Strip centers were affected to a lesser extent, with modest negative net absorption of -26,000 square feet.
- Many of the big box tenants with presence in power centers had even more stores in community and neighborhood centers and thus the risk exposure of these centers was even greater.
- Vacancy jumped by 20 basis points and availability surged by nearly 9 million square feet.
- Categories that showed significant move-ins during the first quarter include grocery stores like H-E-B and Grocery Outlet, thrift stores, discounters and fitness concepts.

## Shopping centers fundamentals

Q1 2025 net absorption	-5.3 million s.f.
Vacancy	5.4%
NNN rent	\$24.05
Under construction	10.3 million s.f.
Deliveries	1.9 million s.f.

## Q1 2025 shopping center move-in highlights

	Neighborhood centers	Community centers	Strip centers
Big-box tenants	H-E-B, Publix, LA Fitness, Ollie's Bargain Outlet, Ashley Home Furniture, The Picklr	BJ's Wholesale Club, Burlington, The Picklr, Hobby Lobby, Ocean State Job Lot, Barnes & Noble	Publix, Academy Sports + Outdoors, Grocery Outlet
Smaller tenants	Club Pilates, Once Upon a Child, Goodwill, Pet Supermarket, Great Clips	Stretch Zone, Petsense, ULTA, Bath & Body Works, Paris Baguette, Aspen Dental	Mattress Firm, Fit Body Boot Camp, Chipotle, Paris Baguette, T-Mobile

Source: CoStar, JLL Research  
\*national index markets



## Outlook

1

As we head further into 2025, the closures announced over the last year will continue to play out, bringing millions of square feet of retail space back to the market.

2

Given that supply remains constrained, despite some loosening in the first quarter, this freeing up of existing retail space may present opportunities for retailers looking to expand.

3

At the same time, cooling consumer sentiment could cause retailers and developers to pull back from current expansionary plans until there is more certainty in the market.



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