

# Grocery Report

Grocers continue long-term growth plans despite economic uncertainty



Research


North America  
2024

[jll.com](https://jll.com)

# Table of contents

This report is interactive!

Click on the topics to go straight to that section.

To come back to this page, use  located in the top right corner of each page.

01

Aldi opens the most stores once again

06

02

Inflation slowly improving but remains a concern

10

03

Regional acquisitions made news while Kroger-Albertsons merger is delayed

16

04

U.S. grocery e-commerce sales growing at a steady rate

20

05

Third-party players broaden grocery access for EBT SNAP recipients

25

06

Grocers establish retail media networks to connect with customers

29

07

Grocery-anchored retail property investment poised to revitalize with institutional investors to become increasingly active

33





# Key findings

1

Grocers continued their **long-term growth plans, with Aldi being the most aggressive in its expansion activity once again**—opening 109 new stores nationwide which added nearly 2.5 million s.f. of new space in 2023.

2

Persistent inflation and economic uncertainty continue to be major concerns, prompting grocers to **appeal to consumers through private-label brand products at lower price points**.

3

While the Kroger-Albertsons merger was further delayed, **regional acquisitions by grocers made significant noise last year**, led by Aldi's acquisition of 400 Winn-Dixie and Harveys Supermarket locations in the Southeast from Southeastern Grocers.

4

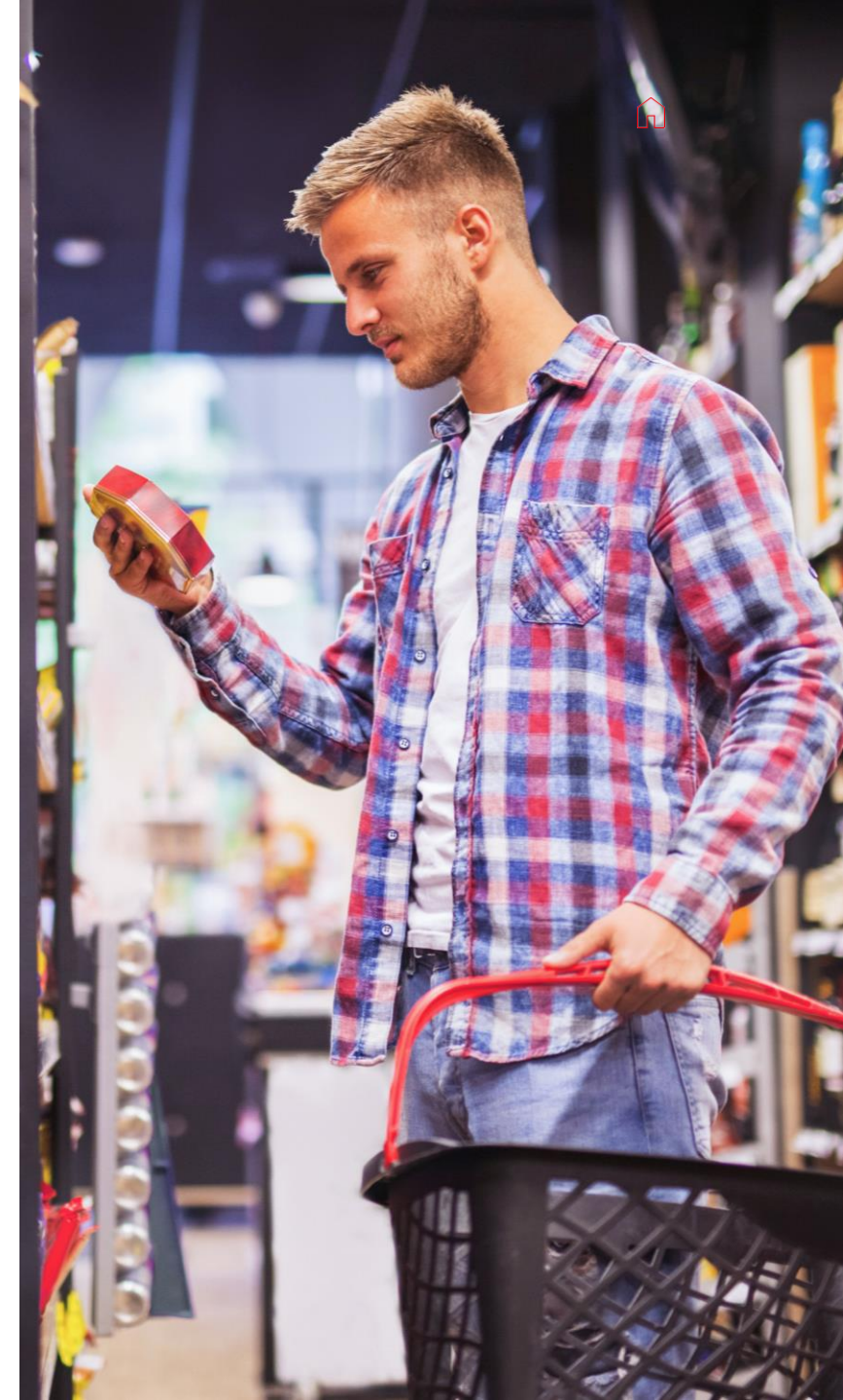
The return to in-store shopping and increased competition from restaurants **has furthered steady growth for grocery e-commerce**, despite new partnerships with third-party players for on-demand grocery delivery services.

5

Equity in fresh groceries accessibility will continue to rise as **EBT SNAP benefits become a more widely accepted form of payment** for on-demand grocery delivery.

6

Grocers established **in-house retail media networks or partnered with third-party players** to effectively establish a personal connection with consumers to stay relevant as consumer preferences change.





# Grocers power on

In 2023, grocery retailers navigated through persistent inflation and economic uncertainty as they continued their long-term growth plans. Elevated grocery prices and increasing competition from the restaurant industry will continue to pose challenges.

Despite ongoing challenges, the grocery industry continues to adapt. Grocers expanded their budget-cost private-label brand offerings and established in-house retail media networks. Third-party marketplace and e-commerce platforms formed new partnerships with grocers for on-demand grocery delivery services and retail media networks, along with broadening fresh grocery accessibility by widely accepting EBT SNAP benefits as payment.

**Looking ahead, grocers who aim to stay relevant and remain competitive will be those who effectively establish personal connections with consumers and continue to innovate in response to changing consumer preferences.**





# Restaurant and bar spending outpaces grocery spending

Grocery spending surpassed dining out spending in March 2020 as the nation locked down. Demand for online grocery orders and deliveries skyrocketed as stay-at-home orders and public health concerns halted in-store grocery shopping.

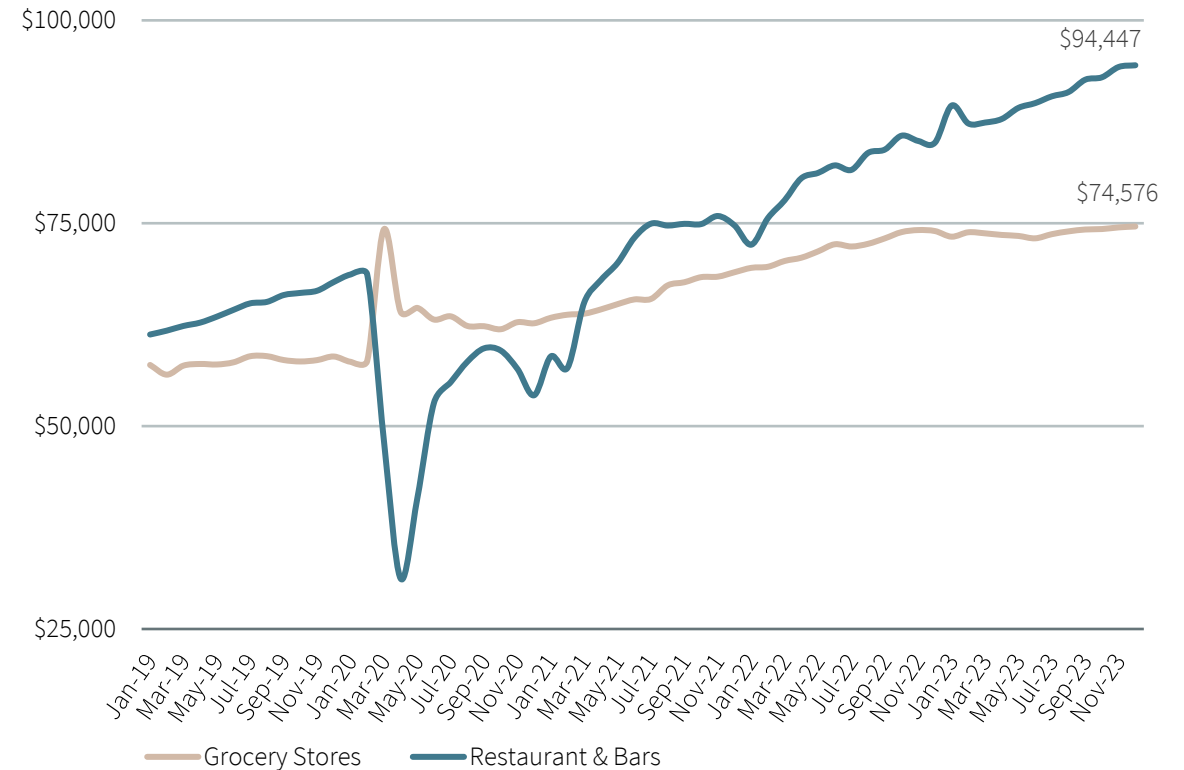
As the economy began to slowly reopen a year later, consumers' desire to socialize, encouraged dining out. Dining out spending at restaurant & bars would surpass grocery spending in March 2021 once again.

The next two years were defined by inflation, with core and grocery inflation peaking in 2022. Grocery inflation would outpace overall inflation until August 2023, which may have pushed consumers to dine out instead of preparing meals at home as the cost of groceries rapidly rose and remains elevated compared to pre-pandemic levels.

**However, despite higher prices, consumers continue to dine out, resulting in dining out spending rising 11.7% in 2023 from 2022, compared to grocery stores' 2.6% increase.**

## Restaurant & bar and grocery store spending

US \$ (millions)



Source: JLL Research, US Census Bureau





# 01

Aldi opens the most stores once again





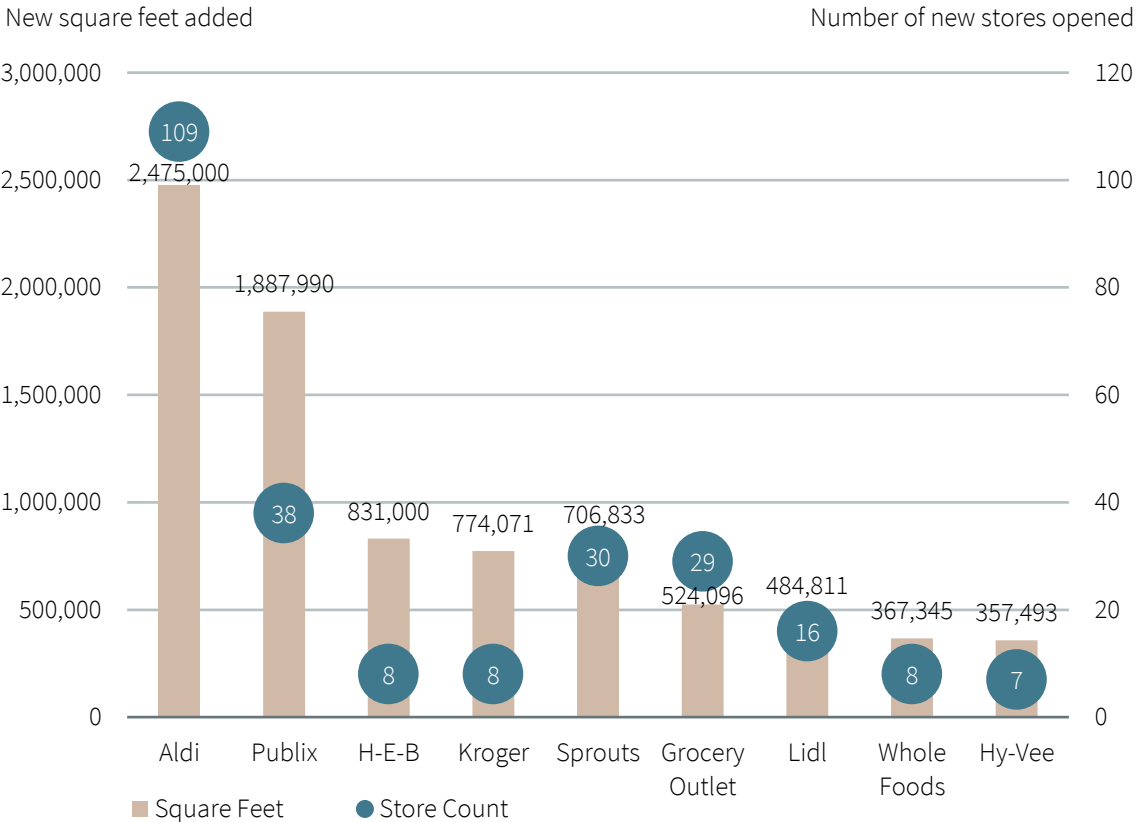
# Aldi leads new store openings

Aldi further solidified its position as one of the fastest growing grocers, leading new store openings once again. Last April, Aldi announced plans to open 120 new stores in 2023, which would bring its store count to 2,400 stores nationwide by the end of 2023. Out of the 120 planned new stores, Aldi opened 109 locations, totaling nearly 2.5 million square feet of new space – a 32.3% increase from 2022.

More than double the average Aldi store size of 22,000 square feet, Publix added roughly 1.9 million square feet of space in 2023, with the opening of 38 new stores. Sprouts expanded as well, opening 30 new stores in the new cost-effective store model of smaller and more efficient stores, adding nearly 707,000 square feet of new space.

Other discount grocers opened new locations as well. Grocery Outlet opened 29 new stores, totaling about 524,000 square feet of new space. Lidl opened 16 new locations, adding nearly 485,000 square feet of new space.

## 2023 fastest-growing grocers



Source: JLL Research, RetailStat  
\*JLL analysis in partnership with RetailStat; includes grocers with more than 100 stores (for companies with multiple banners, at least one banner grocer must have more than 100 stores)



# Sprouts store openings nearly doubled in 2023

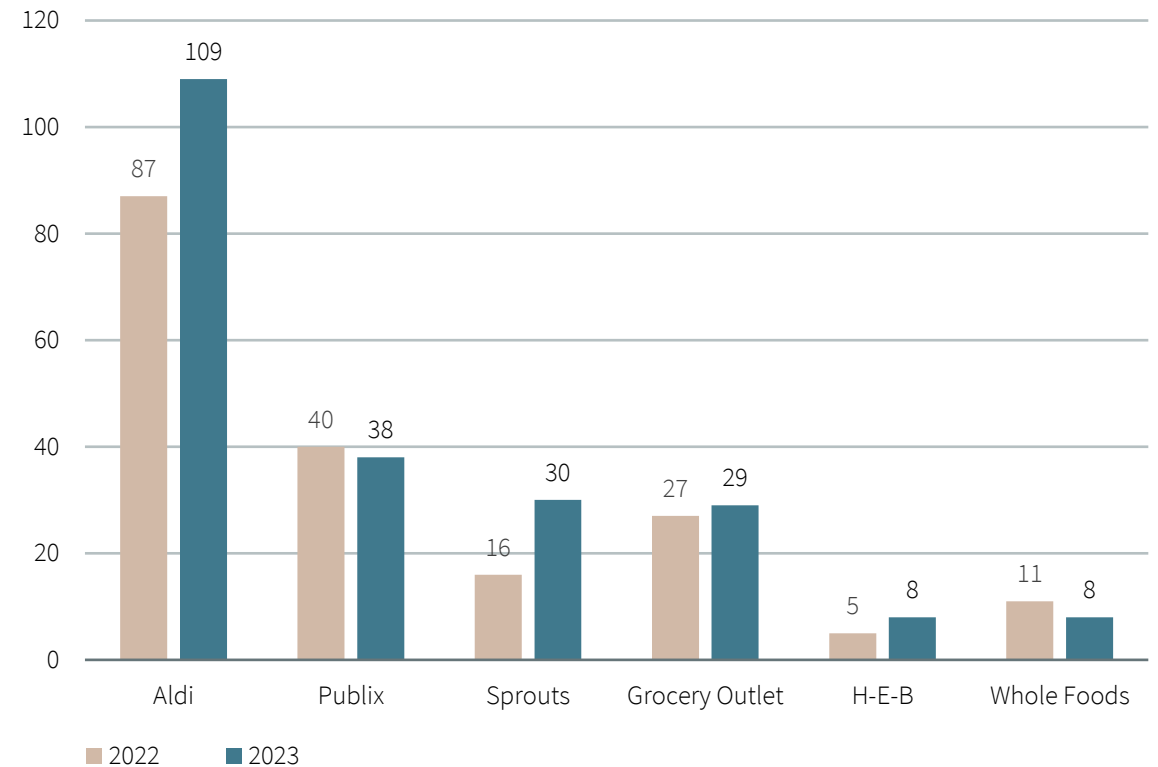
Sprouts had an amazing year with 30 store openings, an 87.5% increase from 2022, and celebrated a major milestone last September - its 400th location in Haddon Township, New Jersey. As part of Sprouts' five-year plan, the company is committed to expanding by 10% year-over-year, opening new stores using its new cost-effective model.

Riding on the tailwinds of a banner year in 2022, Aldi led the pack in expansion activity, with store openings in 2023 rising 25.3% from 2022. Distinct from Aldi with its much larger store size, Texas-based H-E-B added 831,000 square feet of new space in 2023 in the form of eight new store openings, up from 5 store openings in 2022.

Publix and Grocery Outlet expanded as well but remained in-line with 2022 store openings. Publix opened 38 new stores, a 5.0% decrease from 2022, while Grocery Outlet opened 29 new stores, a 7.4% increase from 2022.

## Fastest-growing grocers in 2022 & 2023

Number of new stores opened



Source: JLL Research, RetailStat

\*JLL analysis in partnership with RetailStat; includes grocers with more than 100 stores (for companies with multiple banners, at least one banner grocer must have more than 100 stores)





# Canadian grocers diverge in discount conversion

Canadian grocers are taking different approaches with their discount offerings. Loblaw is focusing on expanding its discount banners - Maxi and No Frills – but Empire is opting to focus on its current portfolio of stores without pursuing further significant expansion in the discount sector.

The demand for discount banners, deals, and private-label products remains strong, as grocers aim to meet the value expectations of Canadian consumers amid higher inflation and economic uncertainty. Companies have witnessed strong performance from their discount banners and products, leading to increased same-store sales, footfall, loyalty membership, and market share.

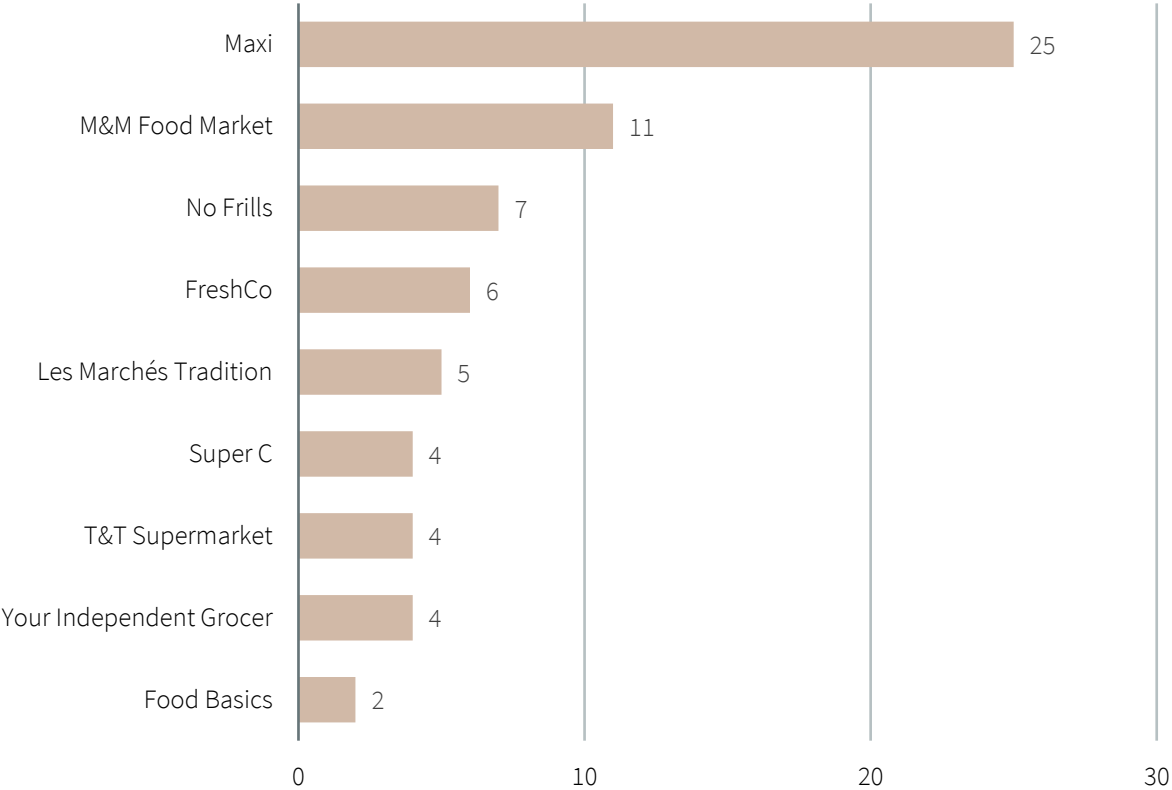
Loblaw is embarking on an ambitious conversion of its full-service Provigo banner to its discount Maxi banner across Quebec. In 2023, the company opened more than twenty new Maxi stores and plans to convert up to thirty more this year.

On the other hand, Empire believes that focusing on full-service stores will position it favorably in the future. The grocer argues that customers shop at both full-service and discount stores, providing an opportunity to deliver value within their existing locations.

While Empire does not foresee significant expansion in the discount sector, the company plans to strategically convert some stores in Western Canada. The company has already converted Safeway and Sobeys stores to FreshCo in the region.

By maintaining its full-service approach, Empire is banking on a period of decreasing inflation and interest rates, when customers might prioritize the shopping experience over steep discounts.

Expansion of Canadian grocery store locations in 2023



Source: ChainXY



## 02

Inflation  
slowly  
improving  
but remains  
a concern





# Food at home inflation has fallen below overall inflation

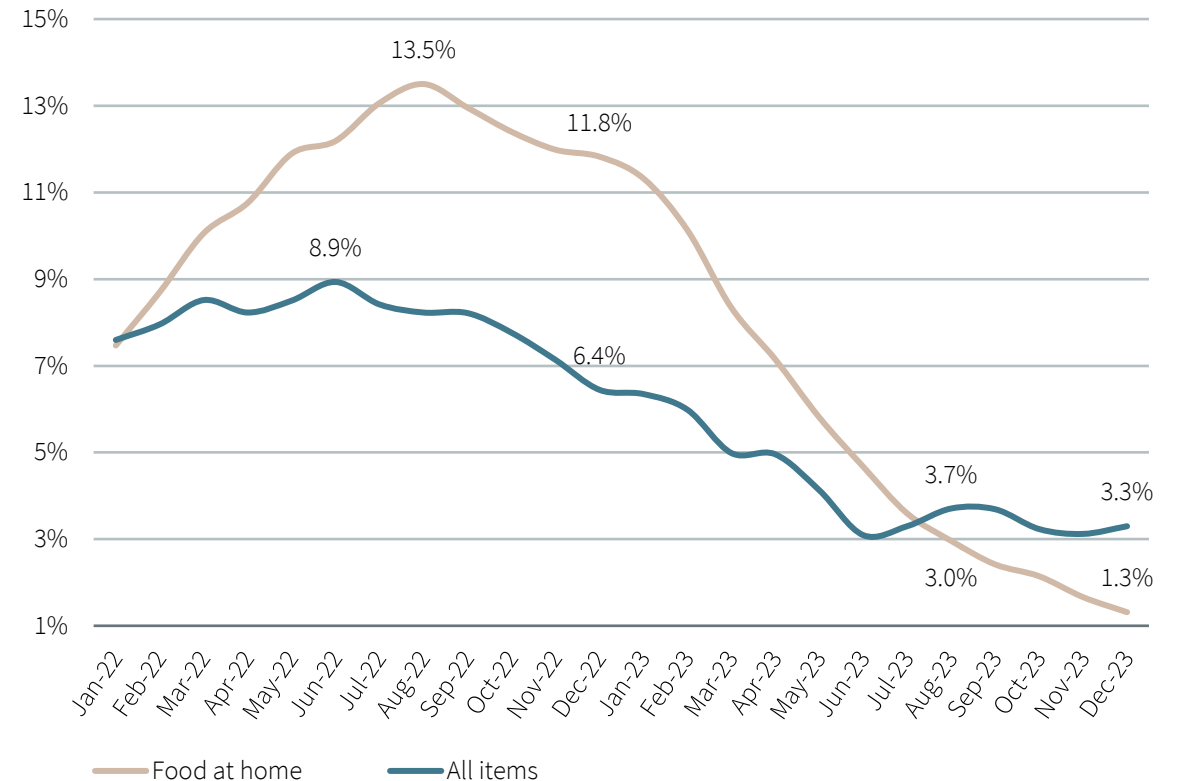
The U.S. Consumer Price Index peaked at 8.9% in June 2022, the highest annual inflation rate since 1981. This complicated the outlook for grocery retailers as the cost of groceries rose rapidly, with “food at home” price inflation peaking at 13.5% in August 2022.

In response to rising prices, the Federal Reserve (Fed) began to gradually hike interest rates. Overall inflation and “food at home” inflation would improve, with overall inflation and “food at home” inflation rising at an annual rate of 6.4% and 11.8%, respectively, by the end of 2022.

As the interest rate hikes continued in 2023, inflation cooled and overall inflation outpaced “food at home” inflation in August 2023, with overall inflation rising at an annual rate of 3.7% compared to “food at home’s” 3.0%.

By the end of 2023, “food at home inflation” continued to improve and fell below the Fed’s 2% inflation target – rising at an annual rate of 1.3%, compared to overall inflation’s 3.3%, which is still 1.3 percentage points above the inflation target.

Overall and grocery inflation since 2022



Source: JLL Research, Bureau of Labor Statistics



# As the cost of groceries remain elevated, consumers turn to private label

Persisting inflation and economic uncertainty continue to worry consumers as they grapple with their impacts in the form of high prices and elevated interest rates.

A recent poll conducted in late 2023 indicated that food prices are a major cause of concern. Yahoo Finance and Ipsos found that 67% of U.S. respondents indicated that inflation has had the most impact on food prices.

While “food at home” inflation has improved drastically from its peak in 2022, the cost of groceries today remains elevated. **The “food at home” index registered in December 2023 was 24.8% higher than its February 2020 level.**

With consumers worried about higher grocery prices, grocers are expanding and investing in their private-label brand offerings, appealing to consumers through lower price points.





# Kroger adds Hispanic-inspired private-label brand to its lineup

Kroger is no stranger to introducing new private-label brand products during an inflationary period. In September 2022, Kroger launched a budget-priced label brand called Smart Way to appeal to customers through lower price points.

According to Numerator's Private Label Dashboard, Smart Way was the fastest-growing private-label brand in the second quarter of 2023, with household penetration rising 4.5 percentage points year-over-year. Following behind Smart Way was Amazon Basics and Aldi-brand items, further supporting the appeal of lower price points.

Building upon its private-label brand successes, Kroger announced the launch of Mercado in October 2023, a new Hispanic-inspired brand. Embracing Hispanic culinary heritage, the brand will offer more than 50 authentic products, including fresh meat, beverages, snacks, sides, and desserts that will create a cultural experience for customers.





# Albertsons consolidates Signature brands into Signature Select

In May 2023, Albertsons announced that it was consolidating its Signature Farms, Signature Care, and Signature Cafe products under one brand – Signature SELECT by early 2024. The new brand's modern design is meant to establish a personal connection with customers and will be the largest brand in Albertsons portfolio, with over 8,000 products.

The consolidation of Albertson's Signature products follows the evolution of the O Organics Brand through a new packaging design along with the redesign of the Open Nature Brand in March 2023.

Albertsons private-label decisions can be explained by a survey commissioned by Albertsons Companies in May 2023, which found that 93% of U.S. respondents indicated that they are embracing and expanding private-label brand purchases. Price is a primary motivator for change in consumer shopping habits as 94% of the survey respondents indicated that prices were important due to the inflationary environment.





# Grocers tap into private-label brand wine

Grocers are tapping into the wine market by launching or expanding their own private-label wine offerings, aiming to become a choice among wine enthusiasts.

Just after launching the Veniforé Collection, a five-bottle collection with a price range between \$15 to \$22 in November 2022, Albertson Companies continues to expand its wine portfolio. In July 2023, Albertsons and Safeway launched Vine & Cellar – a collection of curated wines, ranging from as low as \$10 to more than \$1,000, available online that ships directly to your home in California.

Aldi expanded its wine assortment by launching its Specially Selected Wine Collection in September 2023. Aldi's new 10-bottle wine collection champions affordability, with most bottles retailing under \$10.

National chains are not the only grocers seeking to uncork wine bottles. Gelson's Markets, a Southern California-based grocer, launched its exclusive wine club, allowing customers to try new wines with a price point between \$200 to \$450.





# 03

Regional acquisitions made news while Kroger-Albertsons merger is delayed





# Kroger–Albertsons merger delayed

In October 2022, Kroger announced plans to acquire Albertsons in a deal valued at \$24.6 billion. **According to Kroger, the merger would result in lower prices and more choices for customers.**

Seeking approval from the Federal Trade Commission (FTC), Kroger and Albertsons announced a comprehensive divestiture plan with C&S Wholesale Grocers (C&S) in September 2023. The divestiture transaction, estimated at \$1.9 billion, includes 413 stores, 8 distribution centers, 2 offices, and 5 private-label brands across 17 states and the District of Columbia. The QFC, Mariano's, and Carr Brand Names are included in this agreement.

In January 2024, Kroger, Albertsons, and C&S issued a statement updating their timeline regarding the proposed merger and divestiture plan due to ongoing talks with the FTC and current lawsuit. The merger and divestiture plan is anticipated to close in the first half of Kroger's fiscal 2024, which ends in August.

On February 26, 2024, the FTC filed a suit to block the merger, arguing that the merger will eliminate competition and raise grocery prices.





# Aldi to acquire 400 Winn-Dixie and Harveys in the Southeast

In August 2023, Aldi announced that it has entered an agreement to acquire Winn-Dixie and Harveys Supermarket as part of a larger divestiture of Southeastern Grocers to various companies. The deal includes 400 Winn-Dixie and Harveys locations across Alabama, Florida, Georgia, Louisiana, and Mississippi.

Aldi's recent acquisition announcement supports its long-term growth plan and builds upon a strong year for store openings, with 109 new locations. Also, Aldi strengthened its roots in the Southeast in early 2023, opening a 564,000-square-foot regional headquarters and distribution center in Loxley, Alabama that will support 100 stores and reach more than eight million customers.

In January 2024, Southeast Grocers announced it has completed its divestiture of Fresco y Mas to Fresco Retail Group, LLC. **According to Aldi, this transaction is expected to close in the first half of 2024, subject to approval from the Federal Trade Commission.**





## Smaller regional grocers made deals

While Aldi's acquisition announcement was the most notable deal last year, smaller regional grocers were active on the acquisition front as well.

In April 2023, Minneapolis-based grocer Coborn's announced it was acquiring Illinois-based Sullivan Foods. The acquisition brings Coborn's to its sixth state, Illinois, by adding 11 Sullivan Food stores to its operations.

Heritage Grocers Group, the parent company of Cardenas Markets and Tony's Fresh Market, announced it acquired Texas-based grocer El Rancho Supermercado in June 2023. The acquisition includes 28 stores in Texas and Kansas.

In November 2023, Chicago-based grocer Dom's Kitchen & Market and convenience store retailer Foxtrot Market announced a merger plan to redefine food shopping and dining experience for their local communities by continuing to disrupt the grocery and café landscape. The two companies will form Outfox Hospitality, operating less than 35 locations, currently, in Chicago, Washington, D.C., Dallas, and Austin.





# 04

U.S. grocery  
e-commerce  
sales growing  
at a steady rate







# U.S. grocery e-commerce growth will continue

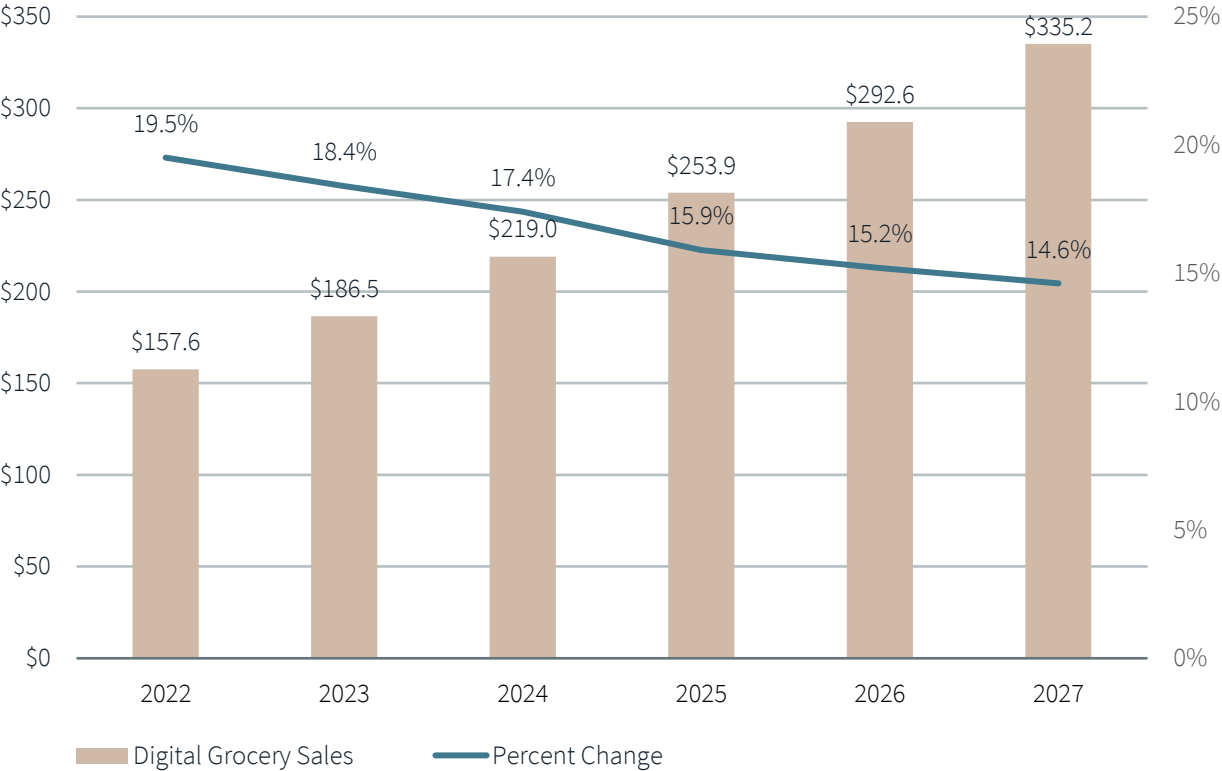
Nearly four years after the onset of the pandemic, grocery e-commerce growth continues at a steady pace. While the online grocery boom has passed as consumers returned to in-store shopping, with Placer.ai data showing that foot traffic to grocery stores in 2023 is 2.6% above 2019 levels, online grocery delivery and pickup services have become a common feature in the grocery industry, with more and more grocers offering these services.

According to eMarketer, grocery e-commerce sales rose to \$186.5 billion in 2023 – an 18.4% year-over-increase, indicating that there continues to be significant demand for online grocery. At the same time, foot traffic to grocery stores declined 1.2% year-over-year in 2023 from 2022 according to Placer.ai, further supporting the cementation of online grocery as another mode of grocery shopping for those who may be too busy to shop in person or would rather catch deals online.

With online grocery here to stay, grocery e-commerce sales are forecasted to rise nearly 80% in the next four years, exceeding \$330 billion by 2027.

## U.S. grocery e-commerce sales

US \$ (billions)



Source: JLL Research, eMarketer



# Grocers partner with third-party players for grocery delivery

Grocers continue to partner with third-party marketplace companies and e-commerce platforms such as Instacart, DoorDash, and Uber for on-demand grocery delivery and pickup services.

Strengthening its claim as the leading grocery technology company in North America, Instacart partnered with Fairway Market, Giant Eagle, and Aldi to launch new express services that offer on-demand grocery deliveries in as fast as 30 minutes or an hour.

DoorDash partnered with local neighborhood community grocers on the West Coast to offer on-demand grocery delivery. DoorDash will provide grocery delivery services for San Francisco staple Gus’s Community Market, Santa Cruz-based New Leaf Community Markets, and Seattle-based PCC Community Markets.

Also, grocers do not have to rely on only one third-party player for on-demand grocery delivery. By forming new partnerships last year, Sprouts, Hy-Vee, and The Fresh Market can be found on all three major third-party marketplace and e-commerce platforms.

## New grocer and third-party player partnerships in 2023

Grocer	Third-party player
Fairway Market	Instacart
Sprouts	DoorDash
Gus’s Community Market	DoorDash
New Leaf Community Markets	Uber
Wegmans	DoorDash
Weis Market	Amazon
Sprouts	Instacart
The Fresh Market	DoorDash
The Fresh Market	Uber
Giant Eagle	Instacart
The Save Mart Companies	Uber
Hy-Vee	Uber
Aldi	Instacart
PCC Community Markets	DoorDash
Aldi	DoorDash

Source: JLL Research



## Notable changes in grocery delivery

Grocer	Partnership	Service	New or Expansion	Month Announced
Fairway Market	Instacart	Fairway Now	New	December
Food Lion	NA	Food Lion To Go	Expansion	December
Sprouts	Uber	On-demand delivery	New	December
Gus's Community Market	DoorDash	On-demand delivery	New	December
New Leaf Community Markets	DoorDash	On-demand delivery	New	December
Wegmans	Instacart	On-demand delivery: alcohol	New	November
Weis Market	Amazon	On-demand delivery	New	November
Sprouts	Instacart	FoodStorm	New	November
Amazon	NA	On-demand delivery & pickup	Expansion	November
The Fresh Market	DoorDash	On-demand delivery	New	October
Hy-Vee	Takeoff Technologies	Micro Fulfillment Centers	New	October
Giant Eagle	Instacart	On-demand delivery	New	September
The Fresh Market	Uber	On-demand delivery	New	September
The Save Mart Companies	Uber	On-demand delivery	New	September
Hy-Vee	Uber	On-demand delivery	New	August
Aldi	Instacart	Aldi Express	New	June
PCC Community Markets	DoorDash	On-demand delivery	New	March
Aldi	DoorDash	On-demand delivery	New	February





## Restaurant openings have bounced back

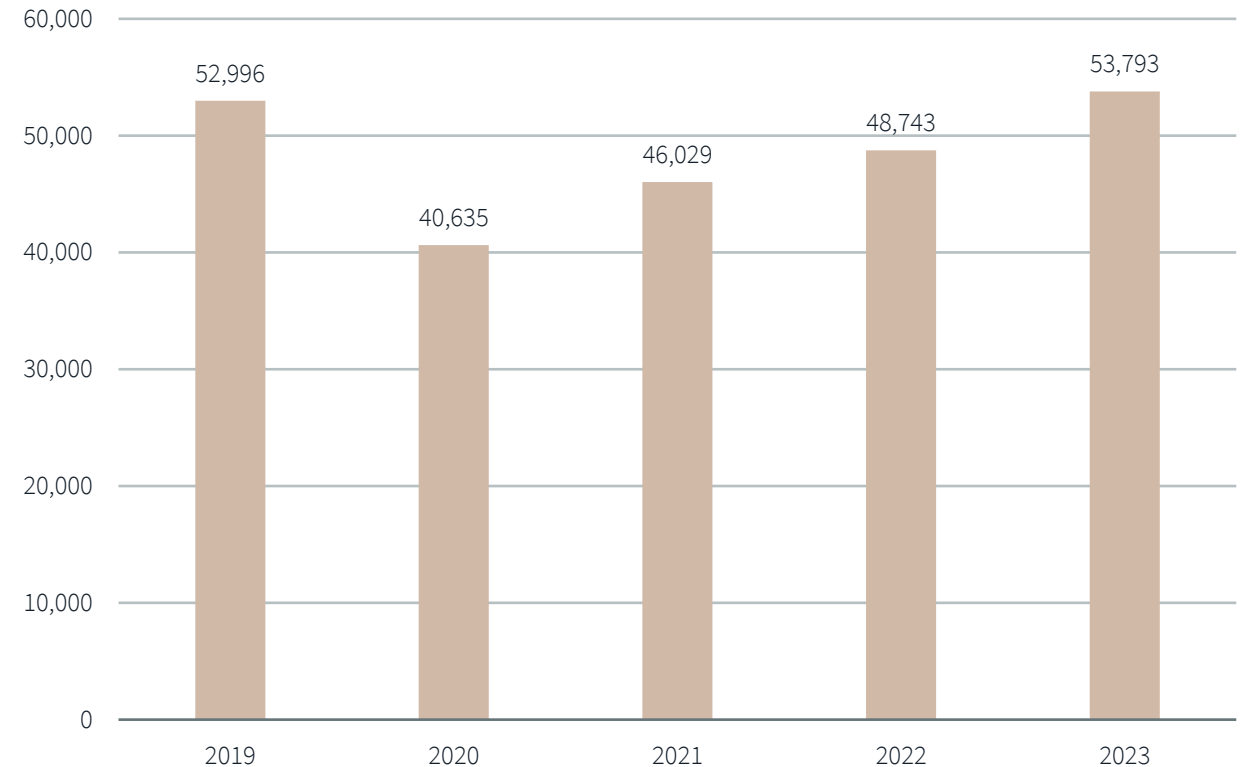
One reason why we expect to see steady growth from grocery retailers' is due to increasing competition from their main competitor: restaurants.

As the pandemic became a memory of the past, consumers' desire to socialize and seek new experiences, encouraged dining out. The rise in spending at F&B places was complemented by new restaurant openings, with entrepreneurs fueling business growth formation in the U.S.

**According to Yelp, new restaurant openings have finally bounced back from the pandemic, with new restaurants openings rising 10.4% from 2022 and 1.5% from 2019.**

As a result, restaurant & bars spending continued to outpace grocery spending in 2023, with the difference in spending between the two totaling nearly \$20 billion in December 2023.

New restaurant openings on Yelp



Source: Yelp



# 05

Third-party  
players broaden  
grocery access for  
EBT SNAP  
recipients







# More than 42 million people participate in SNAP

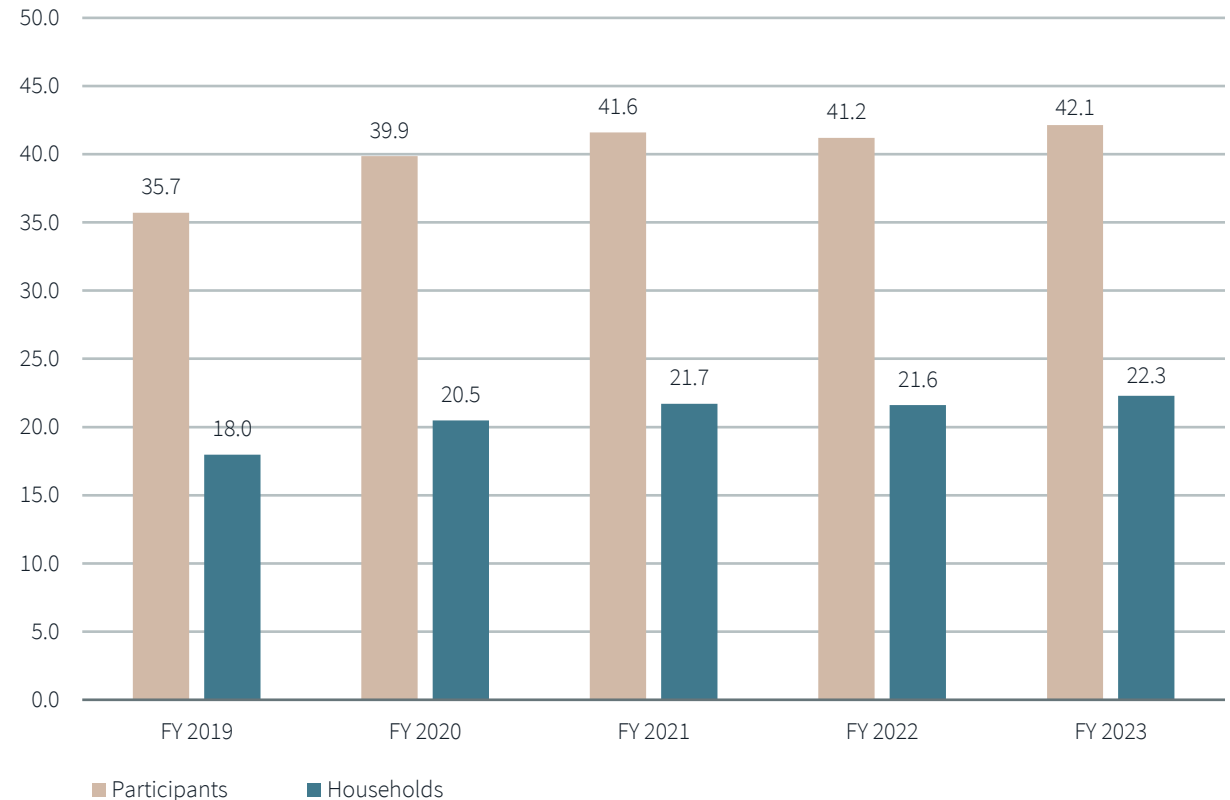
According to the United States Department of Agriculture (USDA), participation in the Supplemental Nutritional Assistant Program (SNAP) rose due to the pandemic, with participants in SNAP rising to 39.9 million in FY 2020 - an 11.6% increase from FY 2019.

In March 2020, Congress passed the SNAP emergency allotments which would temporarily increase SNAP benefits to participating households to address food needs during the pandemic.

SNAP participants rose above 41 million in FY 2021, accounting for over 21 million households, and would remain above those levels as the nation dealt with the effects of the pandemic and would soon confront inflationary pressures.

Despite the end of the SNAP emergency allotments in February 2023, participation in the program rose. **In FY 2023, there were 42.1 million participants in SNAP, a 2.3% increase from FY 2022 and up 18.1% from FY 2019.**

**SNAP Annual Summary: participants & households (millions)**



Source: United States Department of Agriculture (USDA)

\*Note: FY calendar starts in October of previous year and ends in September of current year.

# Instacart broadens fresh grocery accessibility

In October 2020, Instacart and ALDI announced its Electronic Benefit Transfer and Supplemental Nutrition Assistance Program (EBT SNAP) integration with Aldi, allowing EBT SNAP participants in Georgia to order fresh groceries from Aldi through an on-demand grocery delivery and pickup service provided by Instacart.

In December 2020, Instacart announced an expansion of its EBT SNAP integration with Aldi, expanding EBT SNAP online payment access to nearly 1,000 Aldi stores across 23 states and Washington, D.C., following USDA approval of the EBT SNAP pilot program.

In August 2023, Instacart furthered equity in fresh grocery accessibility by announcing that EBT SNAP benefits can be used as payment to purchase groceries nationwide, making Instacart the first third-party marketplace and e-commerce platform to accept EBT SNAP benefits as payment for on-demand grocery delivery in all 50 states and Washington, D.C.





# DoorDash and Uber following Instacart in making fresh groceries more accessible

DoorDash has made strides in broadening food access by making grocery delivery more accessible. In June 2023, DoorDash announced a major update to its app – the launch of EBT SNAP benefits payment for on-demand grocery delivery at select grocers nationwide such as ALDI, Meijer, Albertsons, and Safeway.

Following Instacart's announcement of nationwide acceptance of EBT SNAP benefits as payment, Uber Eats announced in September 2023 that it plans to help reduce barriers in fresh grocery accessibility by accepting EBT SNAP benefits as payment for on-demand grocery delivery in 2024.

In November 2023, DoorDash partnered with The Save Mart Companies, adding Save Mart, Lucky, and FoodMaxx stores to the DoorDash Marketplace for on-demand grocery delivery and customers will soon be able to purchase eligible products with EBT SNAP benefits.





# 06

Grocers establish retail media networks to connect with customers







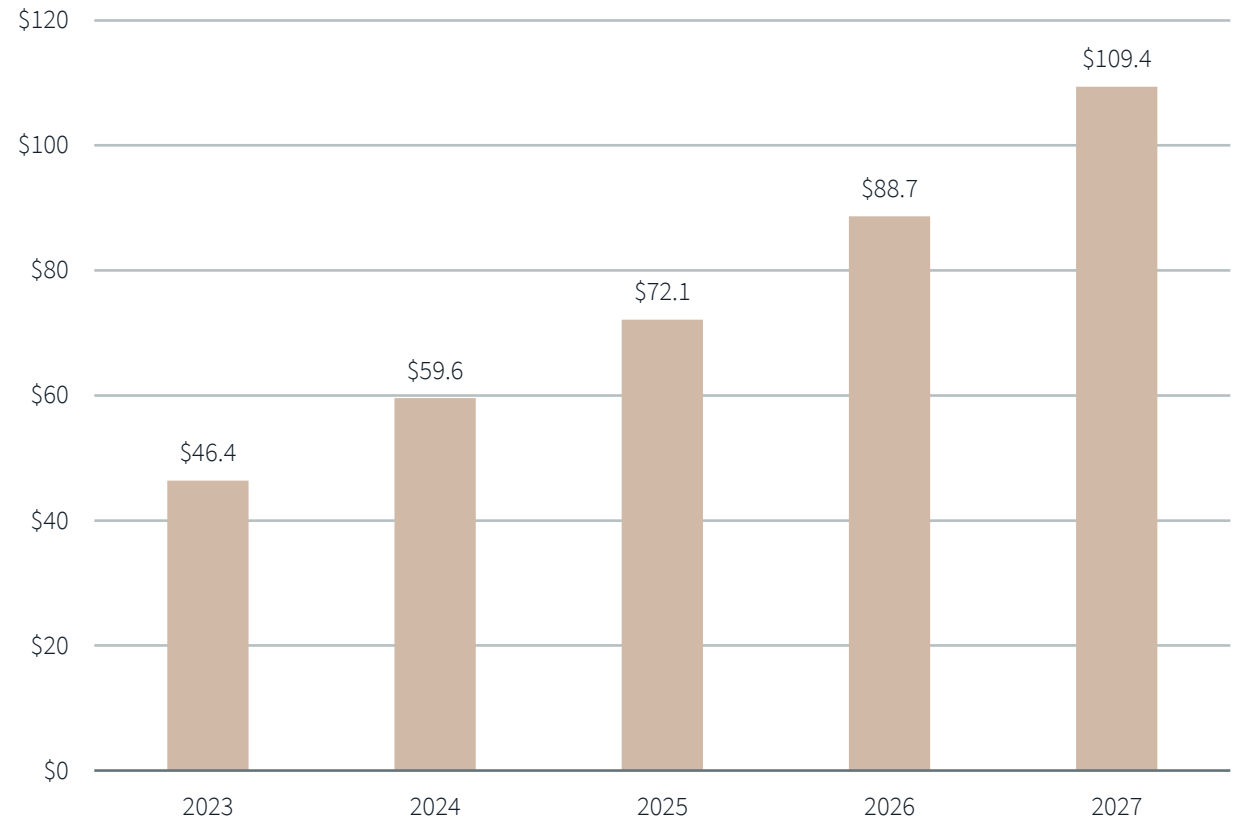
# Retail media ad spending is not slowing down

Grocers are utilizing new technology to establish personal connections with consumers and maintain relevancy in today's grocery landscape. Some grocers have established their own in-house retail media networks while others partnered up with third-party marketplace and e-commerce platforms like Instacart to help set up their platforms.

However, there is yet to be a standard retail media network blueprint for grocers to follow. In June 2022, Albertson Companies took it upon itself to share a preliminary framework that aims to standardize specifications, methodologies, terminology, and disclosures across retail media networks.

According to eMarketer, retail media ad spending totaled \$46.4 billion in 2023, and shows no signs of slowing down. Over the next four years, advertisers are forecasted to more than double their ad spending, with retail media ad spending exceeding \$100 billion by 2027.

**U.S. retail media ad spending (\$ billions )**



Source: eMarketer

# Grocers establish in-house retail media networks

Some grocery retailers established in-house retail media networks, which may be reflective of their desire to have control over their retail media platform's interaction with customers.

Kroger Precision Marketing, Kroger's retail media business, announced in June 2023 that it was bringing its advertising services in-house and building an in-house advertising platform to provide a unified marketing strategy. This comes just after Kroger boosted its retail media by expanding its partnership with Cooler Screens in May 2023, adding digital smart screens to more than 500 stores for customers to interact with.

A few regional grocers have launched in-house retail media networks to compete with national grocers. In June 2023, Giant Eagle debuted Leap Media Group, its in-house retail media network that uses the grocer's customer loyalty program to inform personalized ad placements. Also, Hy-Vee launched RedMedia in September 2023, its full-scale retail media network that will directly connect advertisers and customers through many channels and accelerate brand growth.





## Regional grocers partner up to set up retail media networks

With regional grocers having more limited resources than compared to national grocers, some regional grocers are partnering with third-party players like Instacart to launch their own retail media networks.

Sprouts and Northeast Grocery, the parent company of Price Chopper/Market 32 and Tops Friendly Markets, partnered with Instacart last year to launch retail media networks utilizing its Carrot Ads technology. Announced by Instacart in early 2023, Carrot Ads is designed to help grocers establish and grow their retail media networks by delivering personalized experiences through targeted ad placement in the grocery retailers' e-commerce and app platforms.

The Save Mart Companies announced its partnership with retail technology company Swiftly in May 2023, to launch its retail media network. The partnership will allow advertisers and brands to connect with Save Mart, Lucky, and FoodMaxx customers on a personal level through updated websites and app experiences.







# 07

Grocery-anchored retail property investment poised to revitalize with institutional investors to become increasingly active







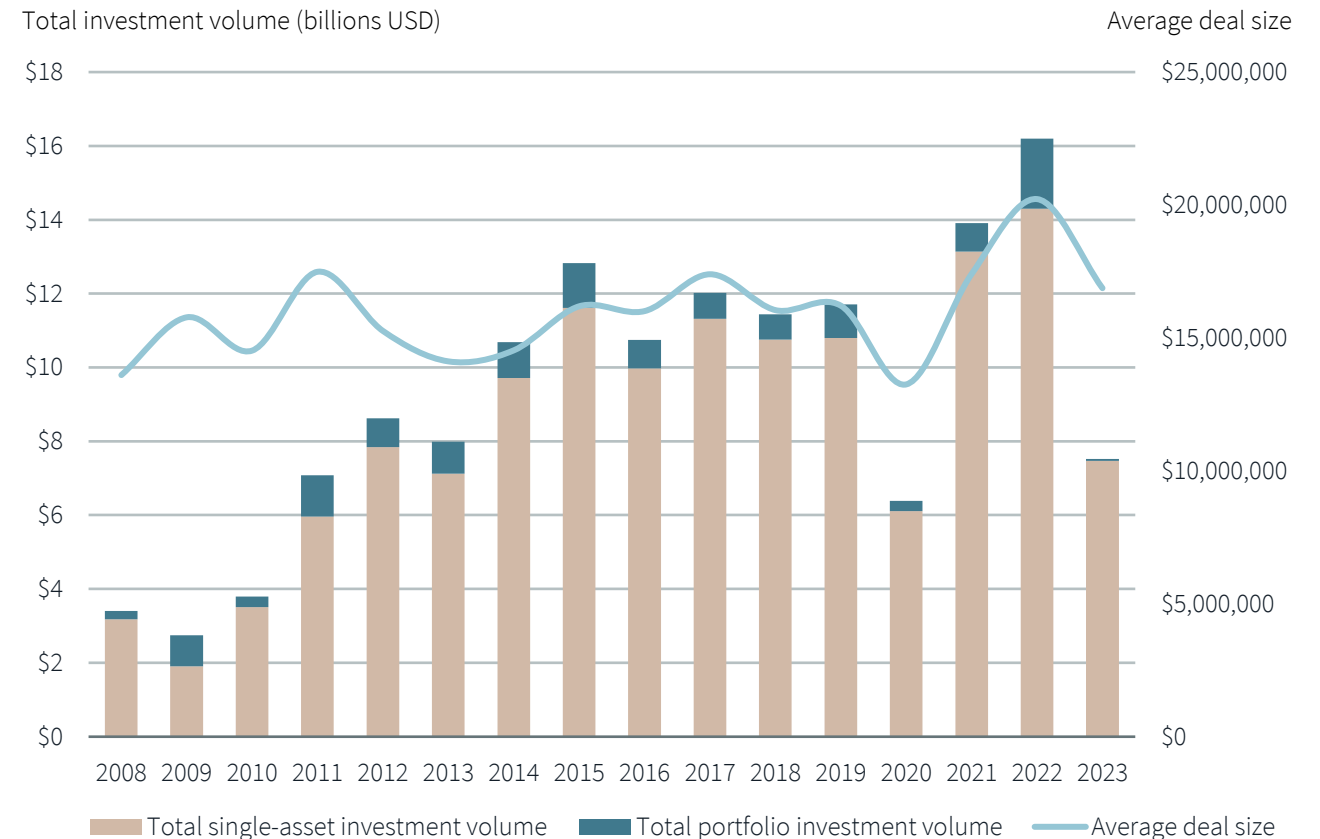
## Despite investment declines in 2023, grocery-anchored retail remains resilient

In 2023, grocery retail investment volume experienced a significant decline that was felt among all core real estate property sectors, due to a challenging transaction environment. Compared to the remarkable levels seen in 2021 and 2022, total investment volume in 2023 decreased to its lowest point in 12 years (when excluding data in 2020), reaching \$7.5 billion. This represents a decline of 53.6% compared to prior year and 35.8% from 2019.

To address the impact of the high debt cost environment and a backdrop of economic uncertainty, investors shifted their focus towards smaller deals, resulting in fewer portfolio and large transactions. Resultantly, the average deal size for grocery retail transactions decreased by 16.6% year-over-year in 2023. Despite the overall decline in grocery retail investment volume, its portion of total U.S. retail liquidity reached 26% by year-end 2023, exceeding the decade-average and record-high of 2022, by 130 and 60 bps, respectively.

Expect grocery retail's portion of total investment volume to rebound as the sector's durable returns and tenant stability continue to attract investors.

### Grocery-anchored retail investment volume and average deal size, 2008 - 2023



Source: JLL Research, Real Capital Analytics

\*Note(s): Pertains to all single-asset and portfolio grocery (multi-tenant) retail transactions of 2.5M+ including entity-level transactions



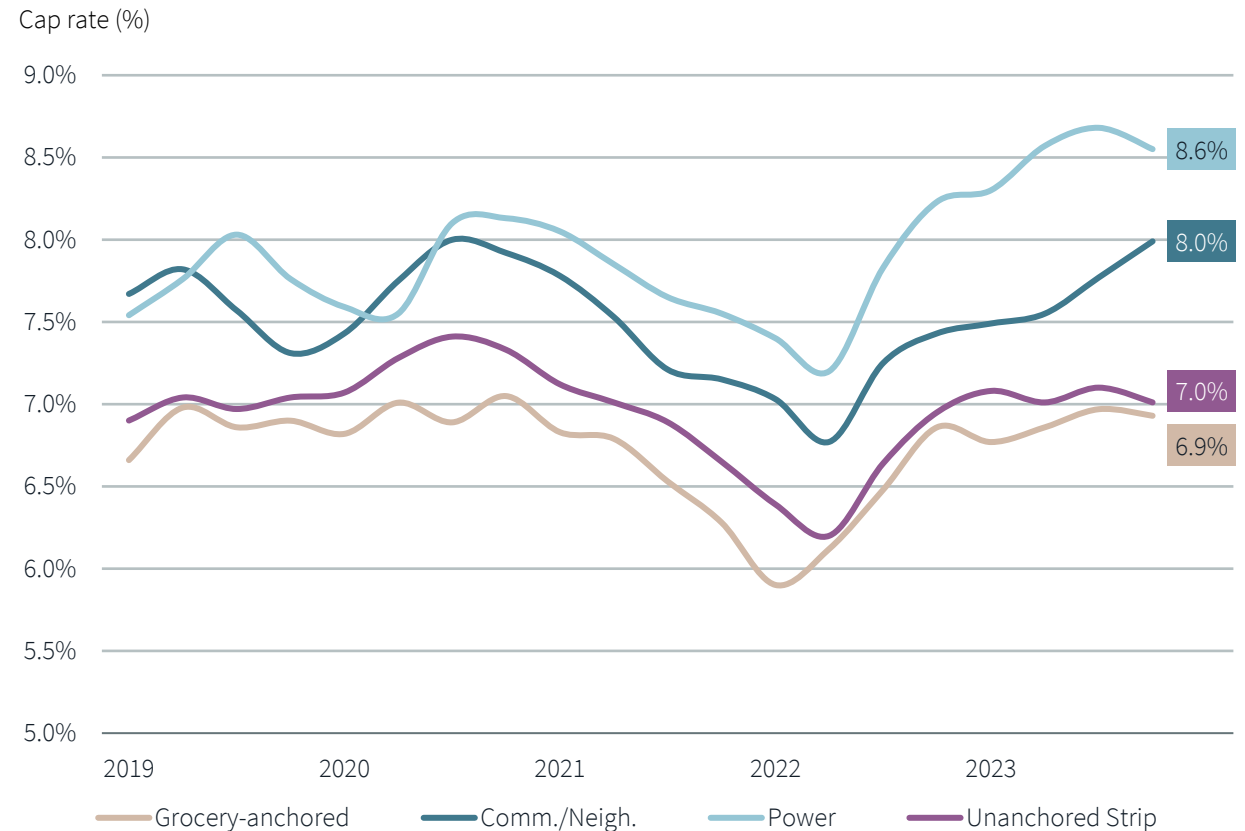
## Stabilizing grocery retail going-in cap rates signal revitalized investor confidence

Since the Federal Reserve's optimism in their September 2023 meeting, indicating potential rate declines in 2024, investor confidence has been revitalizing. As a result, going-in cap rates across all retail subtypes, including grocery retail, have stabilized. In fact, grocery retail was the first subtype to exhibit a stabilization of going-in cap rates. Since the third quarter of 2022, going-in yields for retail properties have remained within the range of 6.7% to 6.9%. We expect the potential for some rate compression as rate cuts start.

In 2023, multi-tenant grocery retail continued to demonstrate consistently lower yields compared to all other retail subtypes. Relative to larger format, power center retail, which commands the highest yield at 8.6%, multi-tenant grocery was 170 bps lower. This can be attributed to strong investor demand driven by its low-risk profile. Grocery retail properties benefit from anchor tenant stability, favorable lease terms, and a reliable cash flow, making them an attractive investment option.

Anticipate an acceleration in grocery retail investment activity over the next 12 to 18 months, supported by robust investor demand and growing optimism surrounding expected interest rate cuts in 2024.

**Multi-tenant retail going-in cap rates by product type, 2019 -2023**



Source: JLL Research, Real Capital Analytics

\*Note(s): Pertains to all single-asset and portfolio grocery (multi-tenant) retail transactions of 2.5M+ including entity-level transactions





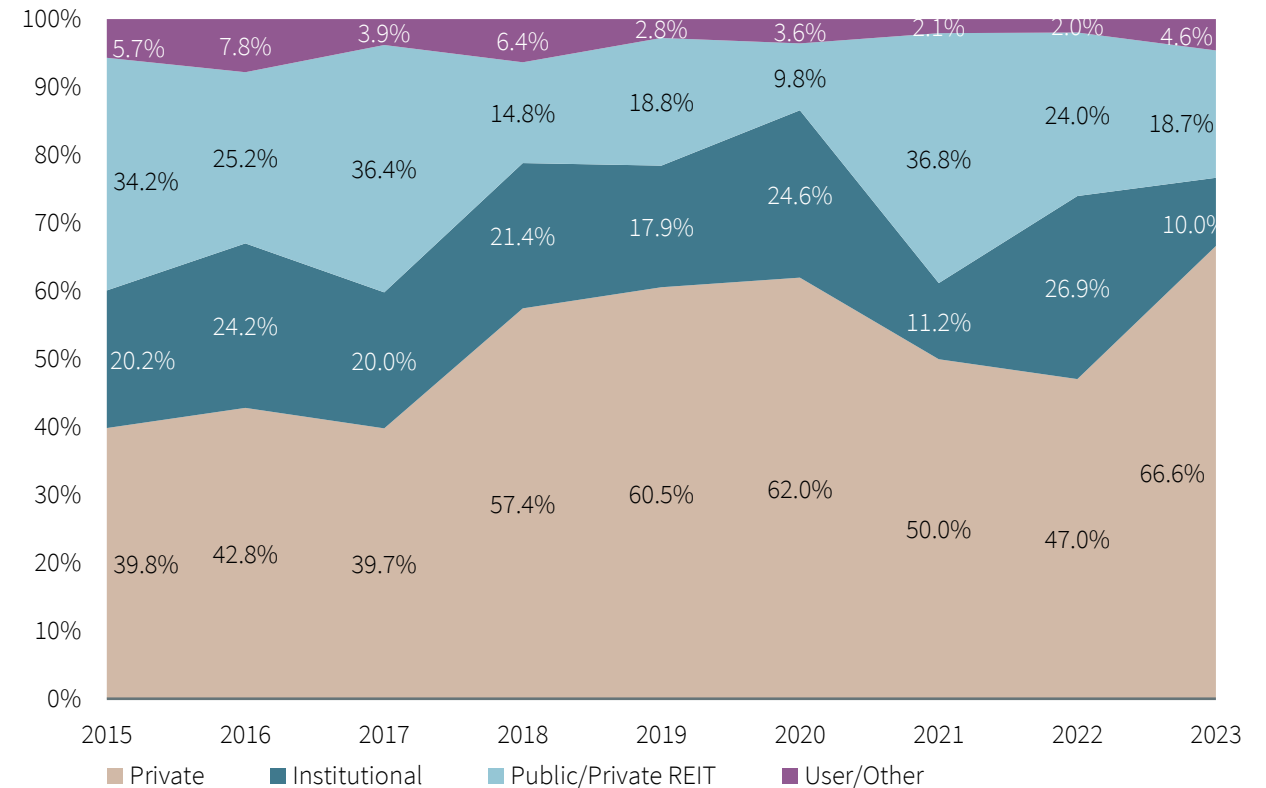
## Grocery-anchored retail's resiliency draws investor interest

In 2023, private capital accounted for a heightened proportion of grocery retail liquidity at 66.6%, demonstrating the growing interest and confidence from private investors in the grocery retail sector. **However, alongside private capital, institutional investors are anticipated to become increasingly active in the grocery retail market.** This is due to the sector's ability to provide stable income streams and its recession-resistant and lower-risk profile, making it an attractive investment option.

Amid changing market dynamics for omni-channel retail and a desire to diversify revenue streams, grocers are increasingly acquiring retail centers outright. In January of this year, for example, Publix Super Market acquired a new shopping center that it anchors for \$26.5 million with the goal of expanding its real estate. For Publix and other acquisitive grocers, this allows them to extend greater control over their real estate assets, optimize tenant mixes, and create synergies between their grocery operations and other businesses within the centers. As a result, grocers are expected to consider a greater number of acquisitions as part of their expansion and diversification strategies. This trend reflects the evolving landscape of the grocery retail sector and the growing role that grocers are playing as key investors in the market.

### Portion of grocery-anchored retail investment volume by buyer type, 2015 - 2023

Portion of investment volume



Source: JLL Research, Real Capital Analytics

\*Note(s): Pertains to all single-asset and portfolio grocery (multi-tenant) retail transactions of 2.5M+ including entity-level transactions



## Research authors

### Saul Lua (author)

Analyst of Research,  
Retail JLL  
saul.lua@jll.com

### Heli Brecailo (contributor)

Manager of Research,  
Retail JLL  
heli.brecailo@jll.com

### Ophelia Makis (contributor)

Senior Analyst of Research,  
Hotels & Retail Capital Markets JLL  
ophelia.makis@jll.com

### James Cook

Americas Director of Research,  
Retail JLL  
jamesd.cook@jll.com

### Keisha Virtue

Senior Analyst of Research,  
Retail JLL  
keisha.virtue@jll.com

## Research at JLL

JLL's research team delivers intelligence, analysis and insight through marketleading reports and services that illuminate today's commercial real estate dynamics and identify tomorrow's challenges and opportunities. Our more than 550 global research professionals track and analyze economic and property trends and forecast future conditions in over 60 countries, producing unrivalled local and global perspectives. Our research and expertise, fueled by real-time information and innovative thinking around the world, creates a competitive advantage for our clients and drives successful strategies and optimal real estate decisions.

## About JLL

For over 200 years, JLL (NYSE: JLL), a leading global commercial real estate and investment management company, has helped clients buy, build, occupy, manage and invest in a variety of commercial, industrial, hotel, residential and retail properties. A Fortune 500® company with annual revenue of \$20.9 billion and operations in over 80 countries around the world, our more than 105,000 employees bring the power of a global platform combined with local expertise. Driven by our purpose to shape the future of real estate for a better world, we help our clients, people and communities SEE A BRIGHTER WAY<sup>SM</sup>. JLL is the brand name, and a registered trademark, of Jones Lang LaSalle Incorporated. For further information, visit [jll.com](https://www.jll.com).

COPYRIGHT © JONES LANG LASALLE IP, INC. 2024

This report has been prepared solely for information purposes and does not necessarily purport to be a complete analysis of the topics discussed, which are inherently unpredictable. It has been based on sources we believe to be reliable, but we have not independently verified those sources and we do not guarantee that the information in the report is accurate or complete. Any views expressed in the report reflect our judgment at this date and are subject to change without notice. Statements that are forward-looking involve known and unknown risks and uncertainties that may cause future realities to be materially different from those implied by such forward-looking statements. Advice we give to clients in particular situations may differ from the views expressed in this report. No investment or other business decisions should be made based solely on the views expressed in this report.