

Retail Real Estate Finally Recovers from COVID

Vacancy rates remain low in the face of declining new store supply.

Retail real estate faced challenges during the COVID pandemic, with store closures and tenant defaults impacting operating performance even as consumers returned to shop. Before 2023, retail investment sales lagged as owners focused on stabilizing performance metrics. Currently, we identify opportunities to invest in retail real estate with high debt-coverage ratios and robust rent growth.

Sector Commentary

- Real Capital Analytics reports that retail led all commercial real estate sectors in price appreciation over the past year, achieving 5 percent year-over-year growth.
- Retail vacancy rates remain at historic lows, slightly above 4 percent, with values for existing centers bolstered by a consistent decline in new construction supply.
- Recent tenant bankruptcies have been viewed positively by investors, who see opportunities to re-lease spaces at higher current market rents. Owners are receiving multiple competing tenant offers to lease vacant spaces in well-located centers.
- These trends indicate a robust retail real estate market, with strong demand and limited supply driving price appreciation and low vacancy rates. Investors are capitalizing on opportunities to enhance returns by re-leasing spaces at favorable rates, further supporting the sector's growth and stability.

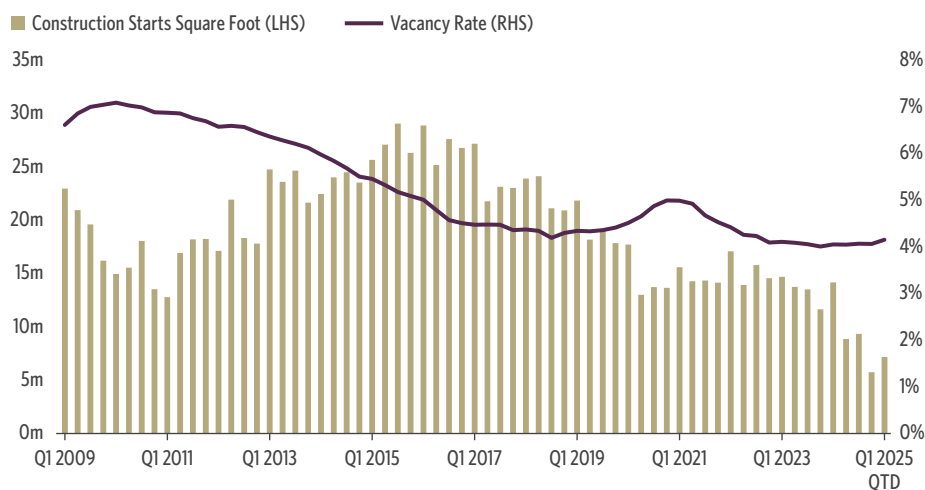
Investment Themes

- Investors continue to favor grocery-anchored neighborhood centers, which have experienced the highest rent growth and some of the lowest vacancy rates in the sector.
- Service-oriented tenants, such as fitness centers, urgent care facilities, and restaurants, are driving increased demand for neighborhood centers, contributing to rent growth.
- A potential reduction in consumer spending could exert pressure on retailers, impacting their performance.
- Tariffs, coupled with higher construction and labor costs, continue to suppress the construction of new centers, supporting retail real estate values.
- These factors highlight the resilience of grocery-anchored centers and the importance of service-oriented tenants in maintaining demand and supporting retail real estate values amid economic uncertainties.

By Jennifer A. Marler and Karen Karwoski

Retail vacancy rates remain at historic lows, slightly above 4 percent, with values for existing centers bolstered by a consistent decline in new construction supply.

Retail Vacancy Rates Have Fallen, Bolstered by Declining Construction



Source: Guggenheim Investments, Real Capital Analytics. Data as of 3.31.2025.

This material is distributed or presented for informational or educational purposes only and should not be considered a recommendation of any particular security, strategy or investment product, or as investing advice of any kind. This material is not provided in a fiduciary capacity, may not be relied upon for or in connection with the making of investment decisions, and does not constitute a solicitation of an offer to buy or sell securities. The content contained herein is not intended to be and should not be construed as legal or tax advice and/or a legal opinion. Always consult a financial, tax and/or legal professional regarding your specific situation.

This material contains opinions of the authors, but not necessarily those of Guggenheim Partners, LLC or its subsidiaries. The opinions contained herein are subject to change without notice. Forward-looking statements, estimates, and certain information contained herein are based upon proprietary and non-proprietary research and other sources. Information contained herein has been obtained from sources believed to be reliable but are not assured as to accuracy. Past performance is not indicative of future results. There is neither representation nor warranty as to the current accuracy of, nor liability for, decisions based on such information.

Investing involves risk, including the possible loss of principal. In general, the value of a fixed-income security falls when interest rates rise and rises when interest rates fall. Longer term bonds are more sensitive to interest rate changes and subject to greater volatility than those with shorter maturities. During periods of declining rates, the interest rates on floating rate securities generally reset downward and their value is unlikely to rise to the same extent as comparable fixed rate securities. High yield and unrated debt securities are at a greater risk of default than investment grade bonds and may be less liquid, which may increase volatility. Investors in asset-backed securities, including mortgage-backed securities and collateralized loan obligations ("CLOs"), generally receive payments that are part interest and part return of principal. These payments may vary based on the rate loans are repaid. Some asset-backed securities may have structures that make their reaction to interest rates and other factors difficult to predict, making their prices volatile and they are subject to liquidity and valuation risk. CLOs bear similar risks to investing in loans directly, such as credit, interest rate, counterparty, prepayment, liquidity, and valuation risks. Loans are often below investment grade, may be unrated, and typically offer a fixed or floating interest rate. Investments in real estate securities are subject to the same risks as direct investments in real estate, which is particularly sensitive to economic downturns.

Guggenheim Investments represents the following affiliated investment management businesses of Guggenheim Partners, LLC: Guggenheim Partners Investment Management, LLC, Security Investors, LLC, Guggenheim Funds Distributors, LLC, Guggenheim Funds Investment Advisors, LLC, Guggenheim Corporate Funding, LLC, Guggenheim Wealth Solutions, LLC, Guggenheim Partners Europe Limited, Guggenheim Partners Japan Limited, GS GAMMA Advisors, LLC, and Guggenheim Private Investments, LLC.

Not FDIC insured. Not bank guaranteed. May lose value.

© 2025, Guggenheim Partners, LLC. All Rights Reserved. No part of this document may be reproduced, stored, or transmitted by any means without the express written consent of Guggenheim Partners, LLC. GPIM 64656