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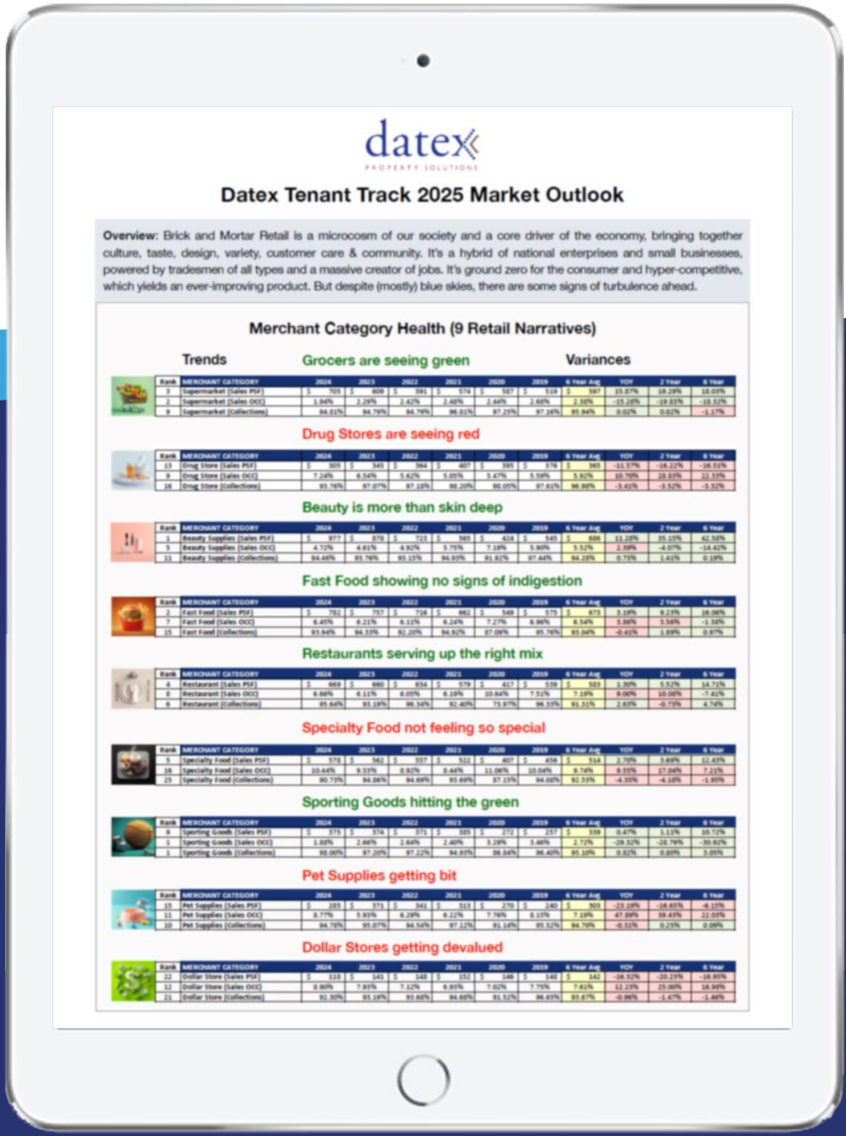
PROPERTY SOLUTIONS

TENANT TRACK

2025 MARKET OUTLOOK REPORT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Datex Tenant Track 2025 Market Outlook

Overview: Brick and Mortar Retail is a microcosm of our society and a core driver of the economy, bringing together culture, taste, design, variety, customer care & community. It's a hybrid of national enterprises and small businesses, powered by tradesmen of all types and a massive creator of jobs. It's ground zero for the consumer and hyper-competitive, which yields an ever-improving product. But despite (mostly) blue skies, there are some signs of turbulence ahead.

Merchant Category Health (9 Retail Narratives)

Trends | Variances

Grocers are seeing green

Drug Stores are seeing red

Beauty is more than skin deep

Fast Food showing no signs of indigestion

Restaurants serving up the right mix

Specialty Food not feeling so special

Sporting Goods hitting the green

Pet Supplies getting bit

Dollar Stores getting devalued

Featured in:

THE WALL STREET JOURNAL WSJ | FOX BUSINESS | ICSC | The Washington Post | Goldman Sachs

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EXECUTIVE SUMMARY

The retail real estate industry operates in a perpetual state of evolution, driven by local economic pressures, changing consumer tastes, and rapid technology shifts.

Towards that end, the 2025 retail real estate environment remains both resilient and fragile.

Key categories like grocery, fast food, and beauty are thriving on robust demand, while drug stores, dollar stores and some specialty retailers face rising occupancy costs, inflationary pressures and shifting consumer preferences.

Rent collection is stable overall but shows recent signs of weakening.

A strong leasing market, coupled with strong tenant retention, favors landlords. Leasing rates are rising, but leasing deals are taking longer to get done, prompted by nervousness as inflation, changing logistics and labor costs pressure margins.

AI technology plays an increasingly strategic role, while a partial return to office promises to reshape shopping habits.

In this environment, flexible scenario planning and data-driven strategies prove crucial for navigating ongoing market dynamics.

Our expanded report combines fresh data (with deep historical comparisons) in a scenario-driven approach to explore nine retail segments, four overarching trends, and key considerations to guide landlords, retailers, and investors in this complex environment.

METHODOLOGY

Datex Tenant Track delivers highly respected market intelligence, analyzing tens of thousands of shopping centers and retailers across the U.S. With six years of historical data, it tracks key retail metrics by segment, merchant category, and national tenants. Trusted by ICSC, leading publications like The Wall Street Journal, and used by the U.S. Federal Reserve, it's an essential resource for data-driven decision-making.

MERCHANT CATEGORY HEALTH

Brick and Mortar Retail is a microcosm of our society and a core driver of the economy, bringing together culture, taste, design, variety, customer care & community. It's a hybrid of national enterprises and small businesses that continues as a massive creator of jobs. It's ground zero for the consumer and hyper-competitive, which yields an ever-improving product. But despite mostly blue skies, there are some signs of turbulence ahead.

Based upon an analysis of Sales, Occupancy Costs and Rent Collection trends over time, the categories that follow each tell a story about the relative health by merchant types.

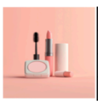
Grocers are seeing green

Rank	MERCHANT CATEGORY	2024	2023	2022	2021	2020	2019	6 Year Avg	YOY	2 Year	6 Year
3	Supermarket (Sales PSF)	$ 705	$ 609	$ 591	$ 574	$ 587	$ 519	$ 597	15.87%	19.29%	18.03%
2	Supermarket (Sales OCC)	1.94%	2.29%	2.42%	2.48%	2.44%	2.68%	2.38%	-15.28%	-19.83%	-18.32%
9	Supermarket (Collections)	94.81%	94.79%	94.79%	96.81%	97.25%	97.16%	95.94%	0.02%	0.02%	-1.17%

Drug Stores are seeing red

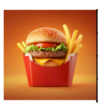
Rank	MERCHANT CATEGORY	2024	2023	2022	2021	2020	2019	6 Year Avg	YOY	2 Year	6 Year
13	Drug Store (Sales PSF)	$ 305	$ 345	$ 364	$ 407	$ 395	$ 376	$ 365	-11.57%	-16.22%	-16.51%
9	Drug Store (Sales OCC)	7.24%	6.54%	5.62%	5.05%	5.47%	5.59%	5.92%	10.70%	28.83%	22.33%
16	Drug Store (Collections)	93.76%	97.07%	97.18%	98.20%	98.05%	97.61%	96.98%	-3.41%	-3.52%	-3.32%

Beauty is more than skin deep



Rank	MERCHANT CATEGORY	2024	2023	2022	2021	2020	2019	6 Year Avg	YOY	2 Year	6 Year
1	Beauty Supplies (Sales PSF)	$ 977	$ 878	$ 723	$ 565	$ 424	$ 545	$ 686	11.28%	35.15%	42.58%
5	Beauty Supplies (Sales OCC)	4.72%	4.61%	4.92%	5.75%	7.19%	5.90%	5.52%	2.39%	-4.07%	-14.42%
11	Beauty Supplies (Collections)	94.46%	93.76%	93.15%	94.93%	91.92%	97.44%	94.28%	0.75%	1.41%	0.19%

Fast Food showing no signs of indigestion

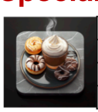


Rank	MERCHANT CATEGORY	2024	2023	2022	2021	2020	2019	6 Year Avg	YOY	2 Year	6 Year
2	Fast Food (Sales PSF)	$ 782	$ 757	$ 716	$ 662	$ 549	$ 575	$ 673	3.19%	9.23%	16.06%
7	Fast Food (Sales OCC)	6.45%	6.21%	6.11%	6.24%	7.27%	6.96%	6.54%	3.86%	5.56%	-1.38%
15	Fast Food (Collections)	93.94%	94.33%	92.20%	94.92%	87.09%	95.76%	93.04%	-0.41%	1.89%	0.97%

Restaurants are serving up the right mix

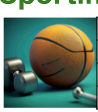
Rank	MERCHANT CATEGORY	2024	2023	2022	2021	2020	2019	6 Year Avg	YOY	2 Year	6 Year
4	Restaurant (Sales PSF)	$ 669	$ 660	$ 634	$ 579	$ 417	$ 539	$ 583	1.30%	5.52%	14.71%
8	Restaurant (Sales OCC)	6.66%	6.11%	6.05%	6.19%	10.64%	7.51%	7.19%	9.00%	10.08%	-7.41%
6	Restaurant (Collections)	95.64%	93.19%	96.34%	92.40%	73.97%	96.33%	91.31%	2.63%	-0.73%	4.74%

Specialty Food is not feeling so special



Rank	MERCHANT CATEGORY	2024	2023	2022	2021	2020	2019	6 Year Avg	YOY	2 Year	6 Year
5	Specialty Food (Sales PSF)	$ 578	$ 562	$ 557	$ 522	$ 407	$ 456	$ 514	2.70%	3.69%	12.43%
16	Specialty Food (Sales OCC)	10.44%	9.53%	8.92%	8.44%	11.06%	10.04%	9.74%	9.55%	17.04%	7.21%
25	Specialty Food (Collections)	90.73%	94.86%	94.69%	93.69%	87.15%	94.08%	92.53%	-4.35%	-4.18%	-1.95%

Sporting Goods is hitting the green

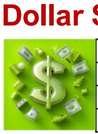


Rank	MERCHANT CATEGORY	2024	2023	2022	2021	2020	2019	6 Year Avg	YOY	2 Year	6 Year
9	Sporting Goods (Sales PSF)	$ 375	$ 374	$ 371	$ 385	$ 272	$ 257	$ 339	0.47%	1.11%	10.72%
1	Sporting Goods (Sales OCC)	1.88%	2.66%	2.64%	2.40%	3.29%	3.46%	2.72%	-29.32%	-28.79%	-30.92%
1	Sporting Goods (Collections)	98.00%	97.20%	97.22%	94.93%	86.84%	96.40%	95.10%	0.82%	0.80%	3.05%

Pet Supplies are getting bit

Rank	MERCHANT CATEGORY	2024	2023	2022	2021	2020	2019	6 Year Avg	YOY	2 Year	6 Year
15	Pet Supplies (Sales PSF)	$ 285	$ 371	$ 341	$ 313	$ 270	$ 240	$ 303	-23.19%	-16.65%	-6.15%
11	Pet Supplies (Sales OCC)	8.77%	5.93%	6.29%	6.22%	7.76%	8.15%	7.19%	47.89%	39.43%	22.03%
10	Pet Supplies (Collections)	94.78%	95.07%	94.54%	97.12%	91.14%	95.52%	94.70%	-0.31%	0.25%	0.09%

Dollar Stores are getting devalued



Rank	MERCHANT CATEGORY	2024	2023	2022	2021	2020	2019	6 Year Avg	YOY	2 Year	6 Year
22	Dollar Store (Sales PSF)	$ 118	$ 141	$ 148	$ 152	$ 146	$ 148	$ 142	-16.32%	-20.23%	-16.95%
12	Dollar Store (Sales OCC)	8.90%	7.93%	7.12%	6.93%	7.02%	7.75%	7.61%	12.23%	25.00%	16.98%
21	Dollar Store (Collections)	92.30%	93.19%	93.68%	94.68%	91.52%	96.65%	93.67%	-0.96%	-1.47%	-1.46%

TREND 1
RETAIL IS ROBUST, WITH CAVEATS

Retail is the most analyzed and actively managed asset class, rewarding successful operators while quickly eliminating weak concepts. Reinvention drives its strength, with limited new developments (18–24 months out) tightening supply. This low optionality fuels higher rents, keeping the market resilient for those who adapt and connect with customers.

Average Rental Rates in Effect continue to Grow

2024	2023	2022	2021	2020	2019	6 Year Avg	YOY	2 Year	6 Year
$ 16.59	$ 16.14	$ 14.91	$ 15.05	$ 16.95	$ 16.08	$ 15.95	2.79%	11.27%	3.99%

Current Retail Occupancy Levels Remain Strong

2024	2023	2022	2021	2020	2019	6 Year Avg	YOY	2 Year	6 Year
87.72%	88.07%	88.15%	85.99%	83.29%	86.91%	86.69%	-0.40%	-0.49%	1.19%

Rent Collections

Trends for rent collections are strong across the board, but payment data is weakening (as compared to rolling 90 Day, Six Month and Year Over Year performance). In such a strong market, a deterioration of timely payments warrants consideration.

Rent Collection Trends are Strong Across the Board

USER SET	2024	2023	2022	2021	2020	2019	6 Year Avg	YOY	2 Year	6 Year
TOTAL	92.01%	91.84%	91.80%	90.25%	78.57%	91.55%	89.34%	0.19%	0.23%	2.99%
National	94.20%	93.81%	94.15%	93.53%	82.57%	95.72%	92.33%	0.42%	0.05%	2.03%
Non National	89.63%	89.59%	88.89%	86.27%	74.46%	87.36%	86.03%	0.04%	0.83%	4.18%

Rent Collection Trends Showing Recent Signs of Weakening

Datex Network Trends	Jan 2025	3 Mo Avg	Variance	6 Mo Avg	Variance	YOY VAR
Total Collections	90.32%	92.41%	-2.26%	92.27%	-2.11%	-1.86%
Nationals Only	91.87%	94.33%	-2.60%	94.25%	-2.53%	-2.41%
NON Nationals Only	88.67%	90.32%	-1.83%	90.07%	-1.56%	-1.06%

Occupancy Costs

Average Merchant Occupancy Costs (a measure of Rents plus Triple Nets divided by Reported Sales) has risen to levels not seen in over six years. This may suggest that merchants' Sales are not keeping pace with their costs in general, and their Rent specifically. All things being equal, higher costs winnow tenant profitability, suggesting that rising Occupancy Costs may be indicative of deteriorating Merchant Health.

Current Retail Occupancy Costs at Six-Year Highs

2024	2023	2022	2021	2020	2019	6 Year Avg	YOY	2 Year	6 Year
7.73%	5.83%	5.69%	5.53%	6.24%	5.88%	6.15%	32.59%	35.85%	25.69%

Deals Taking Longer to Close

Data shows a dichotomy between retail lessees 1) Renewing Leases on Existing Occupancies; and 2) Signing New Leases in Vacant Spaces.

Average Number of Days to Fill a Vacancy at Six-Year Highs

2024	2023	2022	2021	2020	2019	6 Year Avg	YOY	2 Year	6 Year
124	97	115	122	103	120	114	27.84%	7.83%	9.25%

The reasons are simple. With Renewals, Tenants know that the grass isn't greener elsewhere, so Rent continues to consistently increase, with Averaged Rent Changes on Renewals outpacing New Leases.

Rent Increases on Renewals Show Favorable Trend Lines

Renewals	2024	2023	2022	2021	2020	2019	6 Year Avg	YOY	2 Year	6 Year
Percent that Increase	87.30%	84.36%	78.65%	72.17%	66.41%	75.08%	77.33%	3.49%	11.00%	12.90%
Percent that Decrease	4.56%	3.58%	4.49%	12.26%	14.06%	10.94%	8.32%	27.37%	1.56%	-45.16%
Percent that are Flat	8.14%	12.05%	16.85%	15.57%	19.53%	13.98%	14.35%	-32.45%	-51.69%	-43.29%
Averaged Rent Change	9.57%	8.75%	4.61%	3.32%	1.56%	4.39%	5.37%	9.37%	107.59%	78.32%
Average on Increase	13.11%	11.00%	10.31%	10.71%	10.10%	9.63%	10.81%	19.18%	27.16%	21.28%
Average on Decrease	-13.27%	-7.53%	-13.61%	-14.27%	-11.11%	-15.45%	-12.54%	76.23%	-2.50%	5.82%

By contrast, New Leases on Vacant Spaces are split among Increases, Flat and Decreases, and show a lower Averaged Rent Change. As noted above, New Deals on Vacant Spaces are taking longer to close, suggesting more caution among retailers.

Rent Increases on New Leases Show Favorable Trend Lines

New Leases	2024	2023	2022	2021	2020	2019	6 Year Avg	YOY	2 Year	6 Year
Percent that Increase	69.74%	62.71%	56.36%	54.41%	60.78%	61.48%	60.91%	11.21%	23.74%	14.49%
Percent that Decrease	23.03%	26.27%	34.55%	41.18%	33.33%	33.61%	32.00%	-12.33%	-33.34%	-28.02%
Percent that are Flat	7.24%	11.02%	9.09%	4.41%	5.88%	4.92%	7.09%	-34.30%	-20.35%	2.07%
Averaged Rent Change	9.17%	8.14%	4.49%	6.75%	5.43%	4.17%	6.36%	12.65%	104.23%	44.22%
Average on Increase	17.16%	16.04%	15.34%	16.58%	14.61%	16.59%	16.05%	6.98%	11.86%	6.89%
Average on Decrease	-14.26%	-12.12%	-14.81%	-19.37%	-14.63%	-15.53%	-15.12%	17.66%	-3.71%	-5.69%

TREND 2
RETURN TO OFFICE PICKS UP STEAM

Employers increasingly require in-office attendance, boosting weekday foot traffic in urban centers. However, suburban areas—once buoyed by remote workers—may see slower midday, midweek business. This uneven shift underscores why retailers must remain agile, tailoring strategies to local market dynamics.

Occupancy Upheaval

Switching between work-from-home and office routines changes how people manage their time; affecting sleep, exercise routines, family life, and where they shop and dine. Economic realities will invariably influence some households to rethink where they live, where they work, or both.

Geo-Market Dynamics

Cities reliant on weekday office traffic often struggled when workers went remote. Meanwhile, residential areas benefited from increased local spending. As on-site work rebounds, both markets must adapt again to shifting foot traffic and consumer habits.

TREND 3
VOLATILITY RULES

Two key mindsets define this space: “boring is beautiful” versus “disruption breeds bigger, better outcomes.” Currently, the pendulum leans toward persistent social, political, institutional, international, and technological volatility, creating a “powder keg” of uncertainty.

Whether this triggers economic turbulence remains uncertain, but a sense of fragility and caution looms large.

Wild Cards

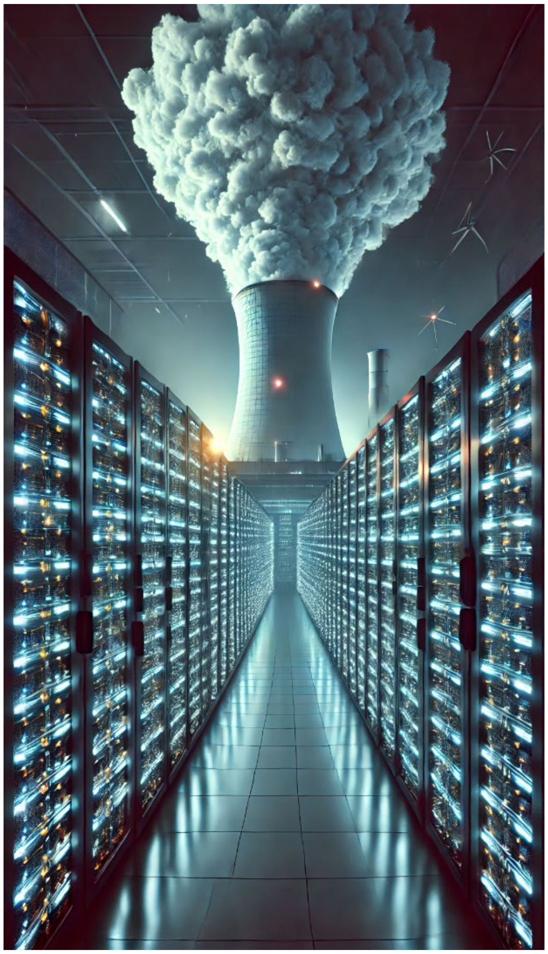
NAFTA’s 30-year legacy is under scrutiny, raising questions about who truly benefits from globalization and the resulting economic policies that should predominate in this environment.

The tradeoff is that while consumers have gained cheaper goods, certain communities suffered job and industry losses, begging the question of what is the right answer?

Simultaneously, AI sparks hope of major progress through innovation, yet stokes fears of workforce displacement. These elements underscore the broader unpredictability of today’s volatile landscape.

TREND 4

APPLIED AI AND INSATIABLE DEMAND FOR DATA



Advanced AI tools and software agents will increasingly simplify and automate complex tasks, such as planning & analysis, market segmentation, strategy, pricing, product mix, sourcing, and logistics.

Retailers and Retail portfolio owners that successfully implement these solutions can differentiate, increase agility, and better serve their customers and stakeholders, while better managing labor costs.

Legitimate concerns exist about workforce displacement and data privacy, but efficient AI adoption provides a generational competitive edge.

This suggests that those that fail to find the appropriate adoption strategy for their business will be left behind.

The Disruption Begins

As AI becomes more capable, higher-paid roles—once earning salaries of $50K or more—can be replaced by autonomous software agents priced at a fraction of that cost.

This shift has broad implications for productivity and job structures, potentially reshaping workforce skill requirements and the very nature of many industries.

Over time, businesses that harness these new AI-driven tools may gain a competitive advantage, but the disruption raises important considerations around job displacement and professional development needs in terms of technical skills training and apprenticeship.

Insatiable Demand for Data

AI's growth is fueling an unprecedented need for computing power and storage. This has implications for the growing need for more Data Centers.

The Power Dilemma

The growth of the Data Center footprint is constrained by access to electrical power. How is the ever-growing need for power going to be served? Nuclear 2.0, feels probable, but also a domain requiring ongoing technical innovation. Look for geographic hotspots where deregulation will drive expedited project approvals for greater power availability.

A FINAL THOUGHT
SALES REPORTING COMPLIANCE

There is the axiom that what gets measured is what gets managed.

Here, landlords can better safeguard revenue, keep a pulse on merchant health and reduce financial surprises by negotiating and enforcing lease provisions that require that their tenants report their retail sales on a recurring basis.

Not only does collecting sales data inform Occupancy Cost and other merchant health benchmarks, but such data can guide rent structures, including when negotiating if Percentage Rent provisions make sense.

As the adjacent table underscores, not all categories are equally receptive to sales reporting, and negotiations are always tougher with national chains than mom and pops.

But as the data also shows, when sales reporting is negotiated into the lease, tenant reporting compliance is 90%+.

So, is it worth the fight to negotiate such provisions with tenants? For a significant number of merchant categories, the answer is yes.

Category	Sales Reporting
Movie Theater	82.50%
Shoes	80.29%
Specialty Restaurant	71.43%
Home Goods	70.37%
Apparel	69.93%
Specialty Food	69.28%
Salon	65.98%
Hair	65.56%
Specialty Retail	56.69%
Restaurant	54.86%
Fast Food	48.32%
Beauty Supplies	47.88%
Craft	47.62%
Department Store	41.95%
Fitness	40.16%
Sporting Goods	37.70%
Supermarket	35.02%
Services	31.62%
Drug Store	30.89%
Dollar Store	26.74%
Office Supplies	26.32%
Pet Supplies	24.75%
Auto	20.00%
Home Improvement	13.89%
Bank	5.88%

TENANT COMPLIANCE OF SALES REPORTING REQUIREMENTS IS 90%+

2024	2023	2022	2021	2020	2019	6 Year Avg	YOY	2 Year	6 Year
92.57%	94.18%	93.53%	94.11%	92.30%	95.79%	93.75%	-1.71%	-1.03%	-1.26%

CONCLUDING THOUGHTS

Retail real estate is part of a living ecosystem—intertwined, constantly evolving, and shaped by powerful macro forces.

You can literally SEE when Retail works. Sadly, the opposite is also true.

A larger takeaway is that we are moving into a time when synergy of new technology, consumer psychology, changing demographics, and broader societal changes will dramatically impact the retail sector.

The range of scenarios and outcomes that play out can diverge widely.

Case in point, the general tilt is toward open-air retail, which has generally been anchored by Supermarkets and Drug Stores.

With Drug Stores facing potentially existential challenges, that is a truth that is evolving.

It has also been a fact that at any given point in time, certain categories are growing and ascendant; like Grocery, Fast Food, Sporting Goods, and Beauty are right now, while others like Drug Stores, Dollar Stores and Pet Supplies are finding themselves needing to adapt aggressively or risk continued decline.

Occupancy costs, rent collections, and inflation are frontline metrics: if they remain manageable, the outlook stays bright; if they spike further, expect potential turbulence.

Landlords and Retailers who keep a pulse on these trends—and cultivate a "source of truth" for the data around their portfolio, people and processes—will be better equipped to weather near-term shocks and remain agile in the long run. This is especially relevant as the age of AI takes hold.

In an age of volatility, strategic flexibility and robust scenario planning will spell the difference between growth and stagnation. In 2025, it's a practical necessity for retailers, property owners, and investors to recognize that resilience is built by anticipating multiple possible futures and continuously innovating.

Leverage your MRI or Yardi data to transform operations for your whole team.

ACTIONABLE REPORTING

Our best-in-class reporting library lets you instantly see your portfolio based on your work, not the data. Track, benchmark and drill into the details that matter for Operating Performance, Rent Collections, Sales, Leasing, Tenant Health and Occupancy.

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