PERE
Deals

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Clarion's Josh Pristaw: '2027 will be the year of shopping centers'

Retail investment activity accelerated in H1 with volume reaching $33bn, up 14 percent year-on-year.

Josh Pristaw, Clarion Partners' president, is doubling down on retail. With a $4 billion retail portfolio already under management, the Clarion executive expects his firm to deploy another $1 billion into the sector over the next two years – and expects rivals to follow.

"We are at the start of a new real estate cycle," Pristaw told PERE, citing eight consecutive quarters of positive returns in the private real estate market according to the NCREIF Property Index.

"This new cycle is going to be driven by net operational income and cashflow growth, not yield compressions."

"We are interested in increasing our exposure in retail," Pristaw said. "We see a lot of our clients and our partners similarly feeling they're underallocated to retail and wanting to add more."

Josh Pristaw

Capital is already moving

There has been a rebound of interest in retail over the last year, and the early dollars overwhelmingly went into open-air grocery-anchored shopping centers, Pristaw highlighted. The capital chasing those assets has mostly been seeking opportunistic to value-add returns.

In April, Ares took Whitestone REIT private in a $1.7 billion all-cash deal; Blackstone paid $4 billion for Retail Opportunity Investments, a grocery-anchored REIT; Starwood Property Trust agreed to buy Fundamental Income Properties for $2.2 billion in July last year; and Bain Capital raised $1.6 billion to acquire open-air centers across the US and Canada.

But now, "you'll start to see more core and core plus capital move into the space," Pristaw said.

In August, Australian Retirement Trust and Almanac Realty Investors made the first deployment through their $1 billion Horizon Fund, committing $250 million to Stamford, Connecticut-based AmCap Ventures to acquire grocery-anchored and necessity retail centers across the US.

Norges Bank Investment Management, which manages the world's largest sovereign wealth fund, has made a similar push. In June, it joined Canadian pensions PSP Investments and La Caisse to back TPG Real Estate's $2 billion acquisition of grocery-anchored platform ECHO Realty. The following month, it committed $500 million to Charlotte-based Asana Partners, through a separate account, to buy and hold US shopping centers.

Other institutional names moving back into the sector include PSP, Oxford Properties, GIC, Nuveen, DWS, AEW and Cohen & Steers, according to a source familiar with the market.

Retail performs well

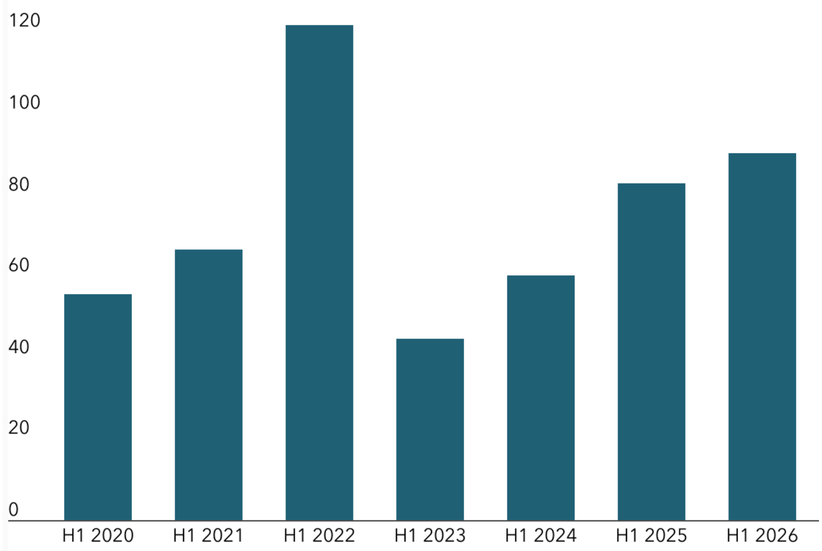
Common wisdom says retail is dying. The numbers say otherwise: since 2009, retail sales have surged 96 percent cumulatively while new shopping center supply has crept up just 8.5 percent, according to research by Clarion Partners.

As of the second quarter, vacancies in American retail hovered at 4.4 percent, according to a report by JLL. Meanwhile, retail investment activity is accelerating, with H1 volume reaching $33 billion, up 14 percent year-on-year and the strongest first half since 2022. Growth built steadily through the period, with Q2's $16.8 billion extending Q1's $16.2 billion. This momentum is tightening pricing, with cap rates compressing across retail sub-types.

Demand is accelerating too: US retail net absorption reached 10.2 million square feet in Q2, snapping back from a negative Q1, minus 4.5 million square feet, to mark the sector's second-strongest quarter in

RETAIL INVESTMENTS IN THE US REBOUNDED

H1 2026 was the strongest investment period since the 2022 peak ($bn)



Source: PEI Group

two years, JLL data shows.

Geographically, Sun Belt and Southwest growth markets continued to outshine other regions. Phoenix and Dallas/Fort Worth led all markets, posting 979,000 and 726,000 square feet of take-up, respectively, driven by population inflows and retailers still catching up on store counts, according to JLL.

For construction, new retail construction remains historically constrained nationwide, keeping availability and vacancy low and reinforcing landlords' pricing power.

National rent growth eased to 1.7 percent year-on-year, but that headline figure masks a clear regional divide. Charlotte leads the country at 6 percent, with Minneapolis, Nashville, and Phoenix all posting gains above 4 percent on sustained population growth and an expanding retail consumer base.

Clarion expands from grocery-anchored retail

Clarion is also targeting open-air convenience-oriented shopping centers as they can present better returns.

According to JLL's 2026 U.S. Retail Thematic Outlook and Investor Survey, 81 percent of investors wish to acquire grocery-anchored retail. But shopping centers without a supermarket have quietly become just as hot, with 73 percent of investors now targeting them. Cap rates between the two formats have compressed to just 50 basis points apart, which shows investors see them as equally attractive.

To inform its investments, Clarion looks at granular metrics such as median home values, average incomes, share of incomes over the threshold of $200,000, the work-from-home ratio and the share of occupations that are WFH-friendly.

"It enables us to have the confidence to not just buy the grocery-anchored shopping center that might have a 20-year lease with very little cashflow growth, but to buy in a location that might have a regional grocer or a local grocer or no grocer, because we know with a degree of confidence from that data that the sales potential is there."

"The convergence in pricing between grocery-anchored and power centers reflects how investors have gotten more sophisticated in evaluating retail," senior managing director and co-leader of the retail group Chris Angelone said in the JLL survey.

Clarion is targeting acquisitions of $30 million to $100 million, aiming to close 10 to 30 deals over the next few years. But scale remains elusive across the sector.

"Retail remains a difficult asset class to invest in at scale, given average transaction size and limited portfolio offerings. As a result, quality opportunities of scale are realizing a premium valuation," Danny Finkle, executive managing director and co-leader of the retail group, told PERE.

Even so, the cashflow case is strong.

"We expect retail to display pretty attractive cashflow growth and rental growth over the next 10 years," Pristaw said. "The cashflow stability that retail provides make it a unique sector to deploy core capital.