

New National Sales Per Square Foot and Occupancy Costs Figures

A Perspective on Sales and Health Ratios During the Pandemic

Abstract: This article highlights national sales per square foot (psf) figures and occupancy cost percentages/health ratios by specific categories. These data provide sales productivity and health ratio trends and show the impacts of the pandemic on those metrics while providing insight on where industry benchmarks currently stand.

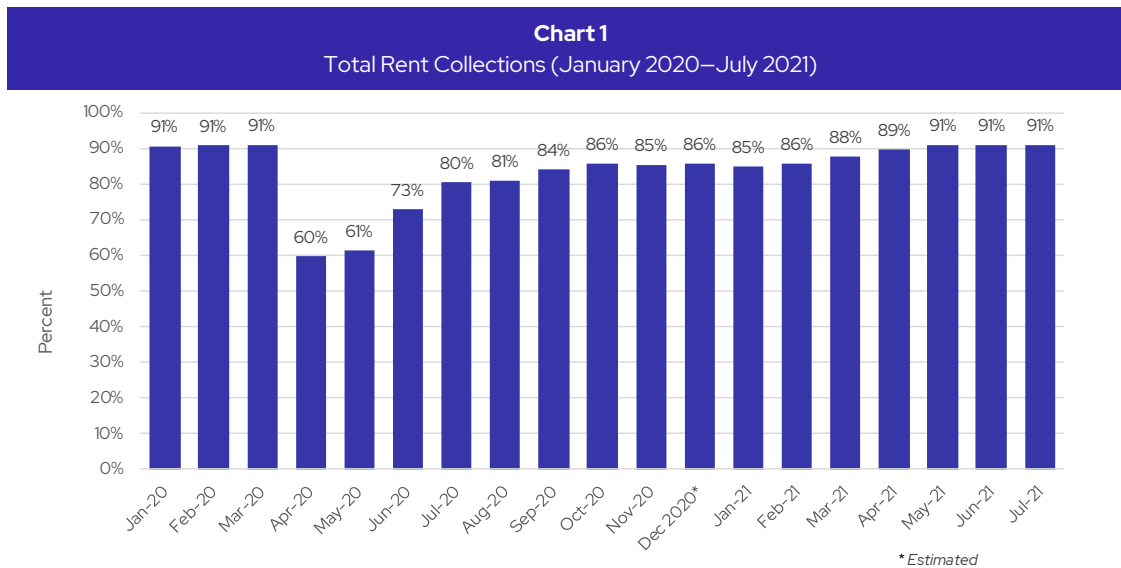
Early during the pandemic there were questions on how much tenant rent was being collected by landlords. Datex¹, a supply chain software company, produced data showing that the total rent collections for national tenants during the first three months of 2020 hovered around 91%. (See Chart 1.) However, beginning in April 2020, rent collections fell to roughly 60%. While collections have steadily risen and stabilized since June of 2020, they stand at 91% as of July 2021. During the pandemic sales decreased dramatically for many tenants and leased rents that were negotiated based on sales volume were disrupted on an unprecedented scale, leading to a decrease in rent collections. Separately, national annualized sales per square foot figures at the category level² and occupancy costs percentages³ are data that can be used to measure performance, gauge tenant health and help indicate a tenant's capacity to pay rent.

Pandemic Impacts

Annualized Sales Per Square Foot Shifts

Throughout the pandemic many tenants faced drops in their sales levels due to in-store safety concerns and state mandates that limited capacity. As a result, some sales per square foot figures were dramatically altered and not all tenants were affected equally. As the pandemic lifts, we are beginning to understand what categories were affected most and what trends have emerged during the recovery.

As shown in Table 1, comparing pre-pandemic (April 2019–March 2020) and pandemic periods (April 2020–March 2021), movie theaters saw the largest decline (-85.0%) in sales per square foot. With many theaters forced to close or reduce capacity, sales psf for that large-venue tenant declined from about \$134 to \$20 psf.



Source: Datex

¹ Datex develops and sells supply chain software as well as hardware from industry-leading manufacturers Zebra and Honeywell. As an end-to-end solution provider, Datex also provides services such as EDI, integrations, mobile device management and an array of professional services including implementation, training and more.

² Category descriptions: Hair—Retailers that principally cut and/or blow-dry hair. Salon—Retailers that do massage, eyelashes, waxing and nails. Specialty Food—Inclusive of juices, ice cream, yogurt and donuts. Fast Food—Quick serve and takeaway-focused meals. Restaurants—Principally sit-down dining focused. Specialty Restaurants—Dining with an integral experience component. Fitness—Gym, yoga and workout facilities. Services—A standalone category capturing all other service retailers including cash checking, insurance, dental, copy/print, weight loss, shipping and wireless. Craft—Retailers focused on arts, crafts and making. Specialty Retail—Specifically focused on a narrow vertical such as books, parties, backpacking or devices.

³ Also referred to as the tenant health ratio, occupancy cost percentage represents a tenant's total annual occupancy cost as a percentage of total annual tenant sales at the property. This metric is used by investors in the marketplaces industry to better assess the financial health of the tenant at a given location.

Specialty restaurants, such as Chuck E. Cheese or Dave & Buster's, that have an experiential element saw a 47% decline on a April–March year-over-year and falling from \$164 to \$87 psf. Fitness centers were also impacted by capacity restrictions and declined by 40% over the same period, equating to a decrease of \$47 psf.

With need for home activities, the demand for pets and the search for value items and necessities, categories like craft stores (+10.4%), pet supplies (+7.8%) and dollar stores (+3.4%) all saw gains during the pandemic period compared to the same period in the prior year.

Occupancy Cost Percentages

Occupancy cost percentages consist of annual rents divided by annual sales and gives guidance on how much rent a tenant can pay, and that number varies depending on the tenant type. For example, an apparel tenant's annual rent may represent 12% of their total annual sales while a drug store may be only 7%. With these data a landlord can determine the likelihood of a tenant's long-term ability to pay rent consistently and ultimately measure the overall health of its property. Additionally, the data may also help landlords make decisions that can directly affect property values and capitalization rates.

Comparing pre-pandemic (April 2019–March 2020) and pandemic periods (April 2020–March 2021), movie theaters saw the largest health ratio percentage point (pp.) change of any category (+79.1 pp.). In the period prior to the pandemic, movie theaters operated with a health ratio of roughly 20% and rose to 99%. While far less significant, fitness centers saw a spike of 35.5 pp over the same period. Categories such as sporting goods (-1.1 pp), dollar stores (-0.6 pp), home goods (-0.3 pp) and craft stores (-0.1 pp) all saw slight health ratio improvement.

Current Snapshot

Annualized Sales Per Square Foot

On a rolling 12-month basis between July 2020 and June 2021, movie theaters show a sales psf of \$27, the lowest of any category and representing a year-over-year (YoY) decline of 74%. (See Table 2.) Department stores (-11.3%), drug stores (-11.0%) are also down significantly YoY over the same period. Fitness centers remain significantly lower than pre-pandemic levels but are trending upward reaching \$87 psf. However, the category remains down YoY by -4.4%.

| Table 1 U.S. National Sales Productivity and Occupancy Costs by Category (Pandemic) | | | | | | |
|--|--|---|-----------------|--|---|-----------------------------------|
| Category | Pandemic Perspective | | | | | |
| | ANNUALIZED SALES PSF | | | OCCUPANCY COST PERCENTAGE | | |
| | Rolling 12-Months (Apr 2019 - Mar 2020) Pre-Pandemic | Rolling 12-Months (Apr 2020 - Mar 2021) During-Pandemic | YOY % Change | Rolling 12-Months (Apr 2019 - Mar 2020) Pre-Pandemic | Rolling 12-Months (Apr 2020 - Mar 2021) During-Pandemic | YOY Percentage Point Change |
| Apparel | \$252 | \$223 | -11.4% | 9.3% | 11.9% | 2.6 |
| Beauty Supplies | \$519 | \$427 | -17.8% | 6.2% | 9.0% | 2.7 |
| Craft | \$123 | \$135 | 10.4% | 12.2% | 12.2% | -0.1 |
| Department Store | \$316 | \$261 | -17.3% | 3.3% | 4.5% | 1.2 |
| Dollar Store | \$139 | \$143 | 3.4% | 7.5% | 6.9% | -0.6 |
| Drug Store | \$365 | \$348 | -4.7% | 6.0% | 6.3% | 0.3 |
| Fast Food | \$553 | \$546 | -1.2% | 7.6% | 8.1% | 0.5 |
| Fitness | \$117 | \$70 | -40.0% | 15.2% | 50.7% | 35.5 |
| Hair | \$263 | \$172 | -34.6% | 13.2% | 21.5% | 8.3 |
| Home Goods | \$246 | \$306 | 24.1% | 9.4% | 9.1% | -0.3 |
| Movie Theater | \$135 | \$20 | -85.0% | 20.1% | 99.2% | 79.1 |
| Pet Supplies | \$203 | \$219 | 7.8% | 11.3% | 11.5% | 0.2 |
| Restaurant | \$542 | \$408 | -24.6% | 6.7% | 9.2% | 2.6 |
| Salon | \$425 | \$288 | -32.2% | 9.5% | 14.8% | 5.2 |
| Services | \$486 | \$418 | -14.1% | 10.8% | 13.4% | 2.6 |
| Shoes | \$220 | \$193 | -12.5% | 9.7% | 14.0% | 4.3 |
| Specialty Food | \$402 | \$389 | -3.4% | 11.0% | 11.9% | 0.8 |
| Specialty Restaurant | \$404 | \$87 | -78.4% | 15.4% | 36.2% | 20.8 |
| Specialty Retail | \$388 | \$299 | -22.9% | 7.0% | 9.7% | 2.7 |
| Sporting Goods | \$188 | \$180 | -4.1% | 9.2% | 8.1% | -1.1 |

Source: Datex

Occupancy Cost Percentages

The average health ratios by category between June 2020 and May 2021 provide a glimpse into where retail and services tenants currently stand. Categories such as movie theaters (88.4%), fitness centers (31.7%) and specialty restaurants (23.5%) maintain the largest health ratios. On the other hand, department stores (6.5%), drug stores (6.3%) and beauty supplies are some of the lowest.

Conclusion:

The relationship between sales and rent is a fundamental element to the success of many retailers and landlords. The importance of that balance was never clearer than during the pandemic. With these newly available benchmarks, ICSC members now have a resource that may help provide some guidance when making leasing decisions. While these figures are only available at the national level, they do serve, at the very least, as a starting point to customize calculations and evaluations. Going forward, these sales per square foot and health ratio data will be a resource available to ICSC members and can be accessed at [QuickStats Industry Reports](#).

| Table 2 U.S. National Sales Productivity and Occupancy Costs by Category (Current) (Rolling 12-Month July-June) | | | | | | |
|---|--|--|--------------------------|--------------------------|---|--|
| | Current Perspective | | | | | |
| | ANNUALIZED SALES PSF | | | | OCCUPANCY COST PERCENTAGE | |
| Category | Rolling 12-Months (Jul 2020 - Jun 2021) | YOY % Over Same period of prior year (Jul 2019 - Jun 2020) | Calendar Year 2019 | Calendar Year 2020 | Rolling 12-month average (Jul 2020 - Jun 2021) | |
| Apparel | \$262 | 17.2% | \$ 264 | \$ 208 | 10.1% | |
| Beauty Supplies | \$509 | 12.9% | \$ 529 | \$ 417 | 6.5% | |
| Craft | \$136 | 12.1% | \$ 126 | \$ 134 | 12.4% | |
| Department Store | \$270 | -11.3% | \$ 323 | \$ 283 | 6.4% | |
| Dollar Store | \$141 | 2.0% | \$ 148 | \$ 138 | 7.2% | |
| Drug Store | \$329 | -11.0% | \$ 366 | \$ 370 | 6.3% | |
| Fast Food | \$589 | 11.2% | \$ 562 | \$ 527 | 7.7% | |
| Fitness | \$87 | -4.4% | \$ 121 | \$ 75 | 31.7% | |
| Hair | \$206 | -9.1% | \$ 272 | \$ 179 | 19.3% | |
| Home Goods | \$387 | 67.2% | \$ 256 | \$ 245 | 7.9% | |
| Movie Theater | \$27 | -73.7% | \$ 142 | \$ 36 | 88.4% | |
| Pet Supplies | \$238 | 17.3% | \$ 195 | \$ 210 | 10.6% | |
| Restaurant | \$491 | 2.1% | \$ 552 | \$ 408 | 7.7% | |
| Salon | \$344 | -1.3% | \$ 431 | \$ 297 | 11.7% | |
| Services | \$448 | -1.5% | \$ 509 | \$ 405 | 12.7% | |
| Shoes | \$231 | 18.3% | \$ 228 | \$ 180 | 11.5% | |
| Specialty Food | \$464 | 23.7% | \$ 403 | \$ 385 | 10.9% | |
| Specialty Restaurant | \$125 | -6.2% | \$ 177 | \$ 88 | 23.5% | |
| Specialty Retail | \$346 | -1.1% | \$ 397 | \$ 300 | 8.1% | |
| Sporting Goods | \$202 | 13.5% | \$ 195 | \$ 170 | 6.8% | |

Source: Datex