



U.S. Gas Station & Convenience Store Update Q3 2022

7th December 2022

The U.S. Department of Labour reported that the consumer price index increased 8.5% in July 2022 compared with July 2021, down from June's 9.1% CPI figure. The gasoline index declined 7.7% in July, which somehow offset the impact of increases in costs for food (+1.1%) and shelter (+0.5%). The food-at-home index rose 1.3%, while the food-away-from-home index rose 0.7%. The energy index fell 4.6% as prices for gasoline and natural gas fell, but the index for electricity rose.

Inflation in August 2022 rose 8.3% over August 2021 but slowed slightly compared to 8.5% in July and 9.1% in June, as per the Wall Street Journal. However, when looking at the core consumer-price index, which excludes energy and food prices, inflation was up 6.3% year over year, and up sharply from 5.9% in both July and June 2022. Month over month, the core Consumer Price Index rose 0.6% in August 2022, which was double July's pace. Core inflation is closely watched by investors and policymakers because it can replace broad, underlying inflation and predict future inflation. Gasoline prices were down 10.6% in August 2022, but high food prices, new vehicles, medical care, education, electricity and natural gas offset this drop in gas prices. Both food and new vehicle costs were up 0.8% in August over July.

September's inflation figure of 8.2% was lowered by cheaper gas prices but then partially offset by increased food costs; however, the reading was less than August's 8.3% and 9.1% in June.

Housing costs rose the most since the early 1980s. Rental rates have been pushed up due to a strong labor market, and housing makes up two-fifths of the core index. Housing adjusts slowly because leases are usually determined on a yearly basis. That lag means housing costs could keep core CPI high for months, even though private-sector rent measures are declining. (Source: NACS)

Need for Third Spaces

Convenience stores are including more dedicated spaces for customers to gather and socialize. These spots, also known as 'third spaces,' are ways for grocers to earn more revenue and entice shoppers to enter their stores and stay awhile. Many convenience retailers also have incorporated indoor or outdoor spaces for community gatherings, from Friday night high school hangouts to Sunday morning gospel sings.

Third spaces were beginning to gain footing until the pandemic hit, and grocers and convenience retailers moved their focus away from these areas to establish social distancing measures. But these spaces are making their way into food stores once again.

C-stores like TXB Stores in Georgetown, Texas, Wakepoint LBJ in Kingsland, Texas, and Lou Perrine's Gas & Groceries in Kenosha, Wisconsin, among countless others, all are plugging into their local communities and offer third spaces to gather and enjoy time with family, friends and neighbours.

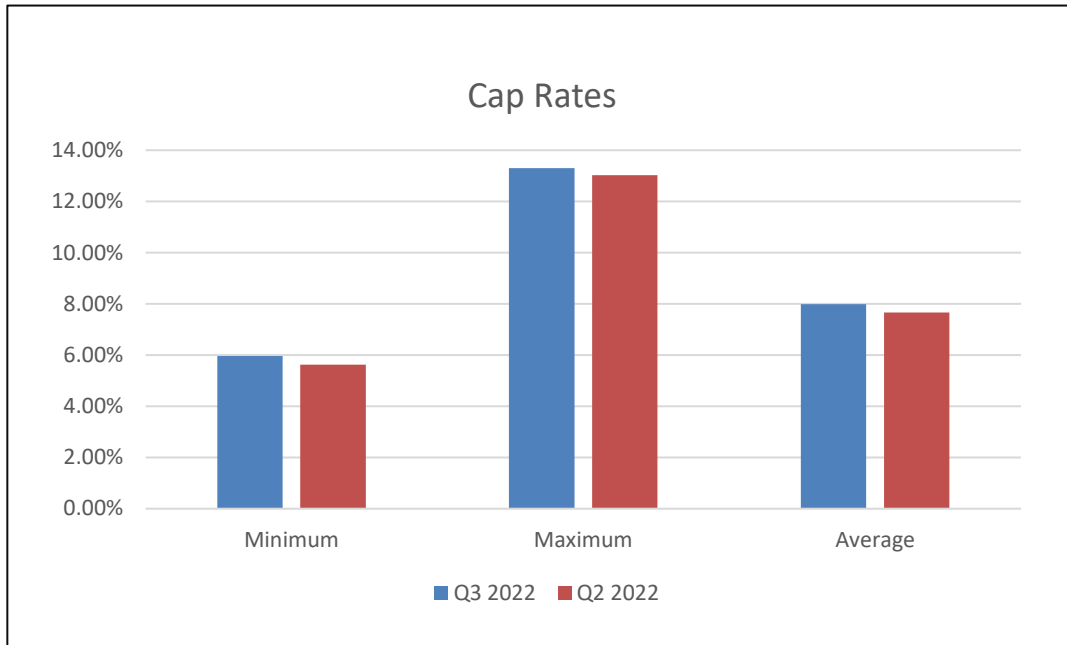
Grocery stores are also looking for ways to get people back into their stores, as online grocery delivery and curbside pickup have increased exponentially since the pandemic, and many consumers have kept those convenient habits.

The emergence of electric vehicles and the time needed to charge them could turn convenience stores into more of a gathering space. Because these EV owners will have time on their hands to spend at c-stores while their vehicles recharge, some retail experts say that c-stores may be required to change their formats and will be required to include third spaces.

Q3 2022 Cap Rates

Average cap rates for U.S. gas stations & c-stores increased by 33 basis points in Q3 2022 as compared to Q2 2022. The following table illustrates minimum, maximum and average cap rates for gas stations & c-stores in Q3 2022 & Q2 2022.

Analytical Summary



Source: RealtyRates.com

Cap Rates	Q3 2022	Q2 2022	Difference (bps)
Minimum	5.96%	5.62%	34
Maximum	13.30%	13.03%	27
Average	7.99%	7.66%	33

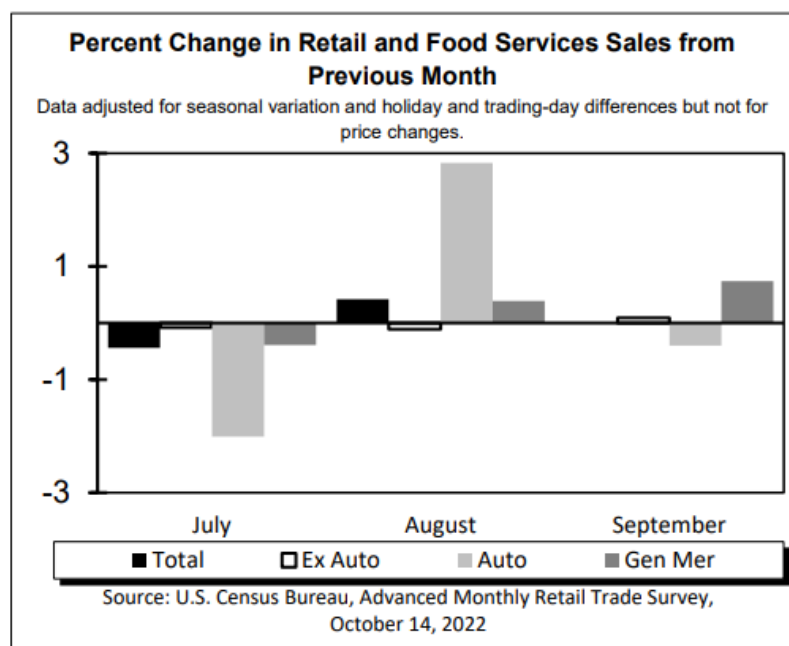
Q3 2022 – Brand in focus

7-Eleven Inc. put 73 gas stations and convenience stores up for sale in Q3 2022. The locations include 33 in New Jersey, Massachusetts and New York; seven in Texas; several in the mid-Atlantic and Midwest; and a few on the West Coast.



7-Eleven operates, franchises or licenses more than 77,700 convenience stores in 19 countries and regions, including about 13,000 in the United States, including about 9,500 under the 7-Eleven banner, around 3,800 under the Speedway banner and about 500 under the Stripes flag, as well as the Laredo Taco Company and Raise the Roost Chicken and Biscuits brands. The sale will create opportunities for retailers of all sizes, including individual operators according to a 7-Eleven spokesperson. (Source: CSP Magazine)

Gas station & c-store sales



Advance estimates of U.S. retail and food services sales for September 2022, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$684.0 billion, virtually unchanged (± 0.5 percent) from the previous month, but 8.2 percent (± 0.7 percent) above September 2021. Total sales for the July 2022 through September 2022 period were up 9.2 percent (± 0.5 percent) from the same period a year ago. Gasoline stations were up 20.6 percent (± 1.6 percent) from September 2021.

Outlook

Holiday sales could reach up to \$960.4 billion, according to the National Retail Federation's (NRF) holiday forecast for 2022, and consumers plan to spend \$832.84 on average on gifts and holiday items such as decorations and food. The association predicts that holiday retail sales during November and December will grow between 6% and 8% over 2021 to between \$942.6 billion and \$960.4 billion. Holiday sales were record-breaking in 2021, up 13.5% over 2020 and totaled \$889.3 billion. Consumers will hope that the gasoline prices continue to remain low in Q4 2022 so that they can spend more on holiday-related food and other retail items. While consumers are feeling the pressure of inflation and higher prices, and while there is continued stratification with consumer spending and behavior among households at different income levels, consumers remain resilient and continue to engage in commerce according to NRF President and CEO Matthew Shay.

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