INNOVATION REPORT · RETAIL ASSET CLASS

Retail Reinvented

PropTech Innovation, Investment, and the Future of Physical Retail

Prop Tech and the Digital Evolution of Real Estate | REAL1-GC 2720 | Summer 2026

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EXECUTIVE SUMMARY

Retail Real Estate Is Back — On Different Terms

+4%
Store openings projected to outpace closings in 2026 — first reversal since the pandemic

4.4%
National retail vacancy, with new supply at historic lows

92%
Of commercial real estate firms now run live AI pilots or implementations

$16.7B
Proptech venture funding in 2025, up 67.9% year-over-year

The Bottom Line

- Innovation in retail real estate is no longer about individual point solutions — it is about treating the physical center as a data platform, a media platform, and a fulfillment platform simultaneously
- Winning landlords are the ones underwriting properties as engagement destinations with diversified revenue, not simply collecting rent on square footage
- The next 18 months will separate operators who convert AI pilots into measurable ROI from those still "AI-washing" their tech stack

What Innovation Means in Retail — and Where the ROI Lives

Defining Innovation

- Using data, automation, and space reconfiguration to raise revenue per square foot — not adopting technology for its own sake
- Shifting from static leasing to dynamic, data-informed tenant mix and site strategy
- Treating the shopping center as a platform: retail, media, fulfillment, and experience layered on one footprint
- Measured success against occupancy, dwell time, sales productivity, and total revenue per visit — not just square footage leased

Where ROI Comes From

1. **Leasing Velocity**

   Void-analysis and fit-scoring tools cut vacancy time and match tenants to trade areas.

2. **New Revenue Layers**

   Retail media, parking data, and fulfillment subleases monetize space beyond base rent.

3. **Operating Efficiency**

   Predictive maintenance and agentic workflows cut operating costs 20–30%.

4. **Risk Mitigation**

   Real-time valuation and climate data replace lagging quarterly appraisals.

MARKET CONTEXT

Retail Real Estate Enters the "Backfill Economy"

3 yrs

Of net square footage contraction that reversed in 2026

$15B+

Q1 2026 retail transaction volume — strongest first quarter since 2023

2.0%

National rent growth, with Sun Belt markets outpacing the average

> *“The retail real estate executives I respect most have stopped underwriting these properties as ‘shopping centers.’ They are underwriting them as town squares with lease income.”*
>
> — MetaProp, A Venture Map of Retail in 2026

TREND 01

AI-Powered Location Intelligence Becomes Table Stakes

- Landlords now triangulate mobile foot traffic, third-party visitation panels, and anonymized transaction data to make leasing decisions once based on intuition
- Agentic AI layers on top — generating forecasts, flagging rent anomalies, and reading shopper age, gender, and dwell time through computer vision

Placer.ai

- Leads on mobile foot traffic and Void Analysis, ranking prospective tenants by fit score for any vacancy.

Pass_by

- Specializes in third-party visitation panels for cross-market benchmarking.

CenterCheck

- Uses anonymized card transaction data — a closer proxy to true store sales than visitation alone.

Proof point: Using Placer's visitation data, Floor & Decor improved its model for customer transfer between stores by 80%, sharpening site and market decisions.

TREND 02

The Physical Store Becomes a Media & Data Platform

- Digital screen networks (Mood Media's In-Store Marketplace, Stratacache, Barrows Connected Stores) are rolling out tens of thousands of connected displays across major grocery and pharmacy chains
- 76% of purchases still occur in physical retail locations, making in-store media one of the largest untapped advertising frontiers
- Parking and curb space are being monetized too: Vestar uses AirGarage's license-plate-reading cameras for dynamic pricing on a 30M+ square-foot portfolio.
- Privacy regulation (GDPR, CCPA) and "clean room" data-sharing structures are becoming prerequisites, not afterthoughts, for landlord media programs.

76%

of all retail purchases still happen inside a physical store — the core rationale for in-store media investment

~$140B

Projected size of the broader retail media market in 2026, growing toward $300B by 2030

“That's the kind of proptech that really moves the needle. It can boost revenue for owners and improve the customer experience.”

— Kean Thomas, VP Finance & Development, Vestar

Micro-Fulfillment and the Blurring of Retail vs. Industrial

- Fulfillment is quietly absorbing millions of square feet a year — in showrooms, loading docks, basements, and abandoned anchor boxes.

Traditional Retail Box

- Optimized for browsing, dwell time, and in-person conversion
- Leased on long-term, fixed-rent structures
- Valued and zoned squarely as retail real estate
- Vacant anchors historically read as a "death sentence" for the center

Dark Store / Micro-Fulfillment

- Optimized purely for pick-to-pack speed — no walk-in customers
- Commands 3–4x rent per square foot but needs ~90% less space per order volume
- Classification gray zone: retail, industrial, or both — creating zoning friction
- Increasingly the preferred backfill for underperforming or dark boxes

Regulatory watch: cities are debating whether dark stores belong in retail-zoned corridors at all, given delivery-rider safety and traffic concerns.

TREND 04

Experiential Retail and Mixed-Use Reinvention

- Shopping centers are repositioning as “consumer engagement spaces” — blending retail with entertainment, healthcare, and residential uses.

Case: Northgate Station, Seattle (Simon)

- Live-work-play-stay-shop transit-oriented re-development
- 234 luxury apartments opening alongside Class A office space
- Anchored by the Kraken Community Iceplex, an $80M NHL practice facility
- 54,000 sq ft of communal gathering space designed for repeat visits

Case: Smith Haven Mall, NY (Simon)

- Multimillion-dollar re-development adding dining and an outdoor plaza
- Golf Lounge 18 indoor simulator with 200+ virtual courses
- Stony Brook Medicine bringing healthcare into a former retail-only footprint
- Signals a widening landlord-occupier conversation on tenant mix and data-sharing

Leading Investors Backing Retail-Relevant PropTech

$16.7B

Proptech venture funding in 2025 — up 67.9% year-over-year (CRETI)

Real estate strategics are now writing venture checks directly into the technology companies that serve them — REITs, LPs in Fifth Wall's funds, and operators like Vestar deploying proptech at the property level.

Fifth Wall

Largest proptech VC by AUM; LP base includes major REIT and hospitality strategics

Camber Creek

~$250M+ AUM; backs proptech from pre-seed through Series C

MetaProp

175+ portfolio companies; runs the MetaProp Accelerator and NYC Real Estate Tech Week

JLL Spark

$380M+ deployed across 45 early-stage proptech startups

RET Ventures

Industry-backed fund connecting rental and retail owners to rent-tech

Zigg Capital

NYC-based specialist with 50+ proptech investments

PropTech Companies and Retail Owners Setting the Pace

PropTech Companies to Watch

- Location intelligence: Placer.ai, Pass_by, CenterCheck
- In-store media & digital screens: Mood Media, Stratacache, Barrows Connected Stores
- Parking & dynamic pricing: AirGarage
- Core operating stack: MRI Real Estate Software, Yardi, Salesforce, Oracle JD Edwards
- Experiential retail platforms: b8ta and Showfields-style formats, now being absorbed back into mall portfolios

Most Innovative Retail Owners

Simon Property Group

Leading experiential redevelopment — mixed-use, entertainment, and healthcare integration at scale

Kimco Realty

Repositioned its grocery-anchored portfolio as a strategic bet on AI-era, format-flexible retail

Vestar

30M+ sq ft portfolio running a full proptech stack from parking AI to shopper-facing tools

Sustainability Moves From Reputation to Regulation

62%

Of new commercial leases now include green-lease provisions, up from ~50%

11-22%

Average energy-use reduction in buildings with green leases in place

88%

Increase in CRE insurance premiums, 2020-2025, tied to rising climate risk

Regulatory Pressure Is Rising

- California SB 253 requires detailed, third-party-assured GHG emissions disclosure
- NYC Local Law 97 and DC's Building Energy Performance Standards impose building-level emissions caps
- ESG data is increasingly treated with the same rigor as regulated financial reporting

Where Retail Landlords Are Acting

- EV charging rollouts and HVAC / exterior lighting retrofits (Phillips Edison)
- Formal ESG task forces and public annual ESG reporting (Kite Realty, Retail Opportunity Investments Corp.)
- Automated energy-management and GHG-reporting platforms replacing manual spreadsheets

Flags, Friction Points, and Hard-Won Lessons

1	**AI-Washing**	The market is crowded with tools claiming AI that deliver little measurable ROI — buyers must separate substance from marketing.
2	**Legacy System Drag**	61% of CRE firms still run core operations on legacy infrastructure, and less than half are actively modernizing it.
3	**Point-Solution Sprawl**	The average real estate firm juggles 12-15 disparate systems, creating data silos that undercut any single tool's value.
4	**Adoption Is a People Problem**	Firms with structured training see 3.4x higher adoption and reach ROI 45% faster than those relying on vendor documentation alone.
5	**Regulatory Lag**	Zoning and land-use categories haven't caught up to blended-use formats like dark stores, creating approval uncertainty.

Opportunities Left on the Table — and What to Watch

Under Addressed Opportunities

- Standardized data-sharing frameworks between tenants and landlords remain rare, despite widespread agreement that data is "the currency of the future"
- Mid-market and smaller landlords lack the resources to adopt AI at the pace of national REITs, risking a widening capability gap
- Performance-linked rent structures tied to data and media revenue are still the exception, not the norm
- Cross-tenant customer journey mapping (understanding how shoppers move between stores) is underused in leasing strategy

Areas to Monitor

- Agentic AI moving from pilot programs to autonomous execution in leasing, pricing, and maintenance
- Dark store reclassification reshaping zoning, valuation, and even asset-class definitions
- Retail media network maturation colliding with tightening privacy regulation (GDPR, CCPA, clean rooms)
- Continued institutional capital inflows into retail, and whether cap-rate compression outpaces fundamentals

Next-Gen Talent and Practices Worth Borrowing

Talent for the Next Generation

- Leasing and asset management professionals increasingly need fluency in data analysis, not just deal-making
- Industry associations are formalizing the shift: ICSC launched ICSC+PROPTECH and ICSC+Women in CRE in 2026 to connect talent, technology, and leadership
- Emerging roles cited across the industry include shopper-behavior specialists tasked with continuously observing and interpreting how people move through a center
- Cross-functional hires who sit between IT, leasing, and marketing are becoming essential to run retail media and data programs

Practices to Borrow From Other Industries

- Airlines & hospitality: dynamic, demand-based pricing — already applied to parking (AirGarage) and ripe for short-term and pop-up leasing
- E-commerce: closed-loop attribution and data clean rooms, now being adapted for in-store retail media measurement
- Aviation & logistics: predictive maintenance models, applied to shopping center mechanical and HVAC systems
- Consumer tech: continuous, iterative product testing culture, applied to tenant mix and store-format experimentation

RECOMMENDATION

A Proposed Tech Stack and 3-Phase Roadmap

Foundation MRI / Yardi (property mgmt) · Salesforce (CRM) · Oracle JD Edwards (ERP)

Location Intelligence Placer.ai · Pass_by · CenterCheck for foot traffic, fit scoring, and site strategy

Monetization Mood Media / Stratacache (in-store media) · AirGarage (dynamic parking)

ESG & Energy Automated GHG reporting and green-lease management platforms

Phase 1

Clean data & consolidate systems

→

Phase 2

Pilot AI in one function, prove ROI

→

Phase 3

Scale agentic AI & new revenue layers