

Retail Sales Falter, but Demand for Space Persists

Despite January Spending Dip, Sales Relative to Occupied Space Remain Near Historic High

By Brandon Svec

The retail real estate market has shown remarkable resilience and growth in recovering from the pandemic, mirroring the robust environment of retail sales.

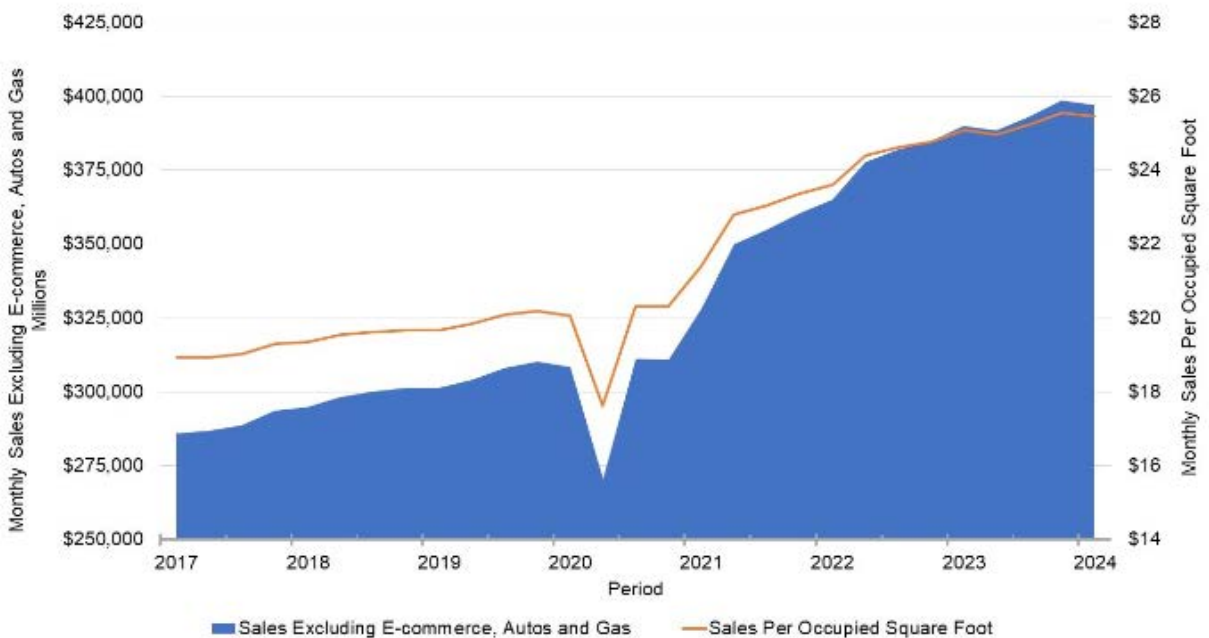
This symbiotic relationship underscores the connection between physical retail spaces and consumer spending habits. As such, market pundits were unnerved by the U.S. Census Bureau’s reporting that spending at retail and food service businesses fell by 0.8% in January. In addition, December’s sales growth was revised downward from 0.6% to 0.4%.

When viewing retail sales from the context of brick-and-mortar retailers, it is essential to filter out the 'noise' associated with e-commerce, gasoline and automobile sales. Excluding these sectors, the decline in January retail sales softens to -0.4%, while maintaining a year-over-year increase of 1%.

This nuanced view provides a more accurate reflection of the traditional retail environment and highlights the sector's resilience over the past year, despite the month-over-month dip.

In addition, and most important, despite the pullback, retail sales continue to support the current demand for space.

Retail Sales Efficiency Holding Near Record Levels



Source: Census Bureau, CoStar, February 2024

