

## Steady Retail Sales Momentum Drives Retailer Innovation

**Healthy labor market keeps consumption on solid footing.** Retail spending increased steadily in April, rising 3.2 percent on an annual basis and extending a trend of stabilized consumption. The tight job market continues to fuel the retail sector as unemployment rests at a 50-year low, prompting more discretionary spending as employers boost wages to attract talent.

**Familiar faces headline steady retail sales growth.** Single-tenant-oriented retailers, including bars and restaurants, home improvement vendors and pharmacies, continue to drive spending. Yearly sales growth for these retailers ranged from the upper-3 to upper-4 percent band last month, well outpacing other retail categories. Growth rates for general merchandise and grocery sales were clustered in the mid-2 percent realm, while a variety of other categories recorded negative changes. While spending at single-tenant establishments is further supported by rising levels of discretionary income, performance among these assets has remained consistent as the average cap rate has stayed in a tight range for the past three years. Yields for other commercial property types have shown more deviation during that span, pointing to the stability of the single-tenant sector.

**Online ordering helping brick-and-mortar retailers boost efficiency.** Historically high consumer confidence is benefiting bars and restaurants as this category has averaged 6.2 percent growth over the past year, outperforming most other retail sectors. Increased food delivery orders are underpinning the accelerated pace of growth; however, they are changing restaurant layouts, encouraging kitchen-only sites to counter rising delivery costs. Opening spaces with no dine-in options reduces space needs, slashing rent expenses as well as overall operational costs. Grocery stores have also adapted to the increase in online ordering, creating more curbside pickup locations.

## Developing Trends

**Consumers reap rewards of low joblessness.** The national unemployment rate continued to drop, falling to 3.6 percent with the addition of 263,000 jobs. Consumers are benefiting from the tightening job market as average hourly earnings rose 3.2 percent on a yearly basis in April, on par with the previous six-month average.

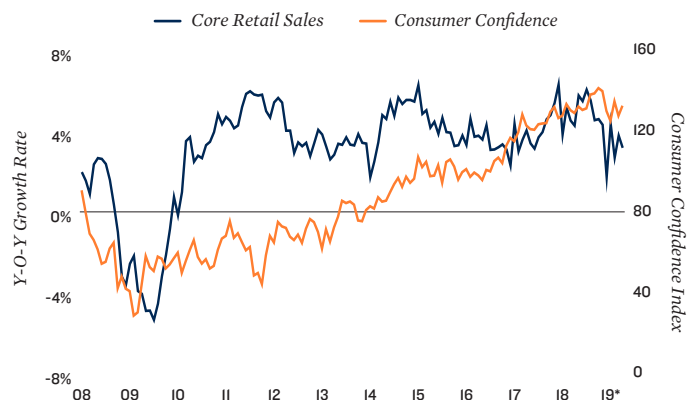
**Trade tensions could threaten economic optimism.** Implications from the recent 25 percent tariff on Chinese goods will likely take several months to reach consumers. Price increases on common goods could weigh on discretionary spending, potentially hampering consumer confidence moving forward.

**Restaurants find ways to cut costs.** With average spaces about a third the size of a typical restaurant, kitchen-only sites help restaurants significantly reduce expenses and focus strictly on deliveries. While Domino's has spearheaded this concept, numerous other food vendors will adopt it in the near future.

3.2% Core Retail Sales Growth Y-O-Y

4.0% Consumer Confidence Index Growth M-O-M

### Consumers Maintain Positive View of Economy



\* Through April

Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; The Conference Board; National Real Estate Investor; Real Capital Analytics; U.S. Census Bureau



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