

Traditional Retailers Gaining Ground as Sector Evolution Continues

Consumption rise supported by diverse drivers. Retail spending picked up in June, climbing 3.8 percent on an annual basis for the third time in the past four months. Stable consumption is supported by a strong economic foundation, highlighted by continued job creation and healthy inflation. The Fed will likely cut interest rates at the end of July, providing a boost to the economy.

Retail sector transformation balances e-commerce growth. Spending was headlined by familiar faces over the past year, with single-tenant staples in restaurants and pharmacies each witnessing approximately 4 percent growth. E-commerce again led all retail categories; however, growth in this segment has trended downward for the past year and a half. June marked the first month this cycle that e-commerce sales failed to reach double-digit growth. Though online shopping remains a key component of retail spending, its prominence has begun to moderate as experiential brick-and-mortar concepts gain more traction with consumers. The industrial sector continues to benefit from both types of retail, driving demand for distribution centers and warehouses. In 2019, roughly 20 percent of the nation's industrial leases will be taken by retailers as they look to strengthen last-mile delivery strategies in dense urban areas as well as increase suburban footprints in response to demographic shifts.

Consumers showing more caution as obstacles arise. Spending on electronics and appliances is slowing on an annual basis, logging negative or no change for the past nine months as the economy sits in a more stabilized state relative to last year. Though increased consumption is still evident across many retail segments, discretionary spending on big-ticket items is moderating. Consumers are being slightly more cost-conscious as the cycle extends and geopolitical challenges persist.

Developing Trends

Employment growth picks back up. Job creation reached 224,000 in June, rebounding from May's muted growth. Employment gains have been rather sporadic, producing a monthly average of 172,000 in 2019. Education and health services led all sectors during that time, adding roughly 320,000 positions; however, a labor shortage for medical workers still exists.

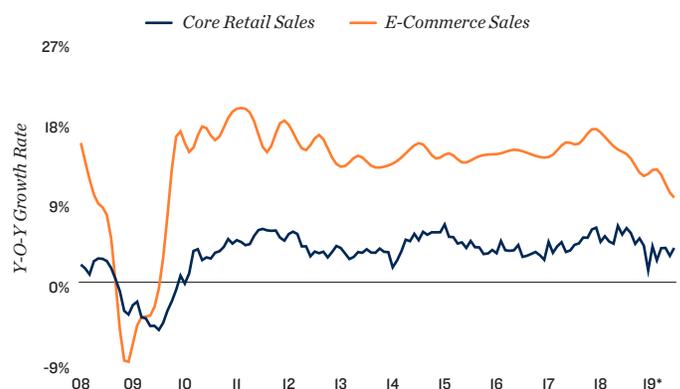
Retailers accommodative to evolving shopping patterns. Industrial space demand for retailers has substantially accelerated over the past several years. In 2008, retail trade accounted for just 14 percent of the nation's industrial leases, while now approximately 20 percent of leases are occupied by retail companies.

Recent tariffs circulating through economy. The latest round of tariffs levied in May could impact consumers within the next couple months as companies' additional materials costs leak through supply chains. This may alter consumer spending patterns as common goods could receive a price bump, potentially leading to higher levels of inflation.

3.8% Core Retail Sales Growth Y-O-Y

9.5% E-Commerce Sales Growth Y-O-Y

Experiential Retailers Beginning to Take Some Would-Be Sales From Online Vendors



* Through June

Sources: Marcus & Millichap Research Services; The Conference Board; CoStar Group, Inc.; U.S. Census Bureau