

January Spending Spree Masks February Retail Sales Performance

Consumer spending dips after January surge. Following the delivery of stimulus checks at the beginning of this year, retail sales jumped across all categories. The surplus spending resulted in a month-over-month decline in February. Core retail sales dipped 3.3 percent last month, though the level is up 6 percent from the same period in 2020. Additional stimulus is currently arriving in most residents' accounts and should reverse the trajectory of consumer spending, particularly due to the significantly higher capital infusion. The latest round of personal checks are \$1,400 for most recipients, more than double the \$600 checks that aided in a 7.4 percent jump in retail sales in January.

Experience-based retailers poised to benefit. After a winter spike in COVID-19 cases that encouraged many states to limit indoor dining, warming weather and falling infection rates are resulting in lifted regulations. A few states have fully removed occupancy restrictions at all establishments, which should funnel new stimulus money into those businesses. Even hard-hit states are widening occupancy levels, further encouraging retail spending at restaurants and theaters. Additional support for experience-based retail real estate is coming from recently vaccinated seniors that elected to remain exceptionally cautious during the health crisis. Approximately 2.5 million adults are vaccinated daily, releasing pent-up demand for retail spending.

Return to school to support retailers. After spending the past year at home, school reopenings are occurring at a heightened pace. A decline in school-related spending has been a significant drag on many shops, particularly apparel stores. Sales at clothing retailers are down 11.3 percent year over year, the third largest annual decline among major retail businesses. Department stores, which also rely heavily on school spending, recorded a 14.5 percent yearly decrease in sales in February. As schools reopen, more parents will also be able to return to work and will opt to update their wardrobes after a year away from the office.

Future Spending to Come into Focus

Rising inflation a concern. After passing the \$1.9 trillion COVID-19 relief package, the American Rescue Plan Act, concerns over the amount of capital pumped into the economy are surfacing among budget hawks. Due to the thin majorities in both chambers of Congress, additional COVID-19 relief may be challenging to pursue or be more narrowly targeted. Tempered prospects for future stimulus will provide retail property owners some direction regarding how tenants will survive the downturn. Retailers will also begin to consolidate into locations where vacancy levels are lower.

Post-pandemic spending patterns forming. Following the exhaustion of the latest spending package, the permanence in the change of consumer behavior due to the health crisis will become clearer. Online purchases, which are up nearly 26 percent year over year, will remain strong, though some of those gains are expected to be surrendered. The balance between grocery and restaurant spending should also begin to balance, but a reduction in options may initially limit receipts.

6.0% Annual Gain in Core Retail Sales in February

3.3% Monthly Decrease in Core Retail Sales in February

E-Commerce Share of Core Retail Sales



*Forecast

Sources: Marcus & Millichap Research Services; U.S. Census Bureau