

When it comes to securing more space, retailers keep their foot on the gas

Concerns over tariffs and cautious consumers have taken a back seat to robust leasing activity



Crunch Fitness led all retailers in the second quarter by leasing nearly 1 million square feet of space. (Crunch)

By Brandon Svec
CoStar Analytics
September 17, 2025 | 3:21 P.M.

Retailers are navigating a complex landscape marked by rising costs from elevated tariffs as increasingly cautious consumers pull back on spending. However, retailers also keep leasing space at a torrid pace, underscoring the strategic importance of securing desired locations in a supply-constrained environment.

During their latest earnings calls, a number of national retailers expressed concern over reduced spending by a more discerning consumer and the impact of higher tariffs, leading many to adopt a more cautious tone when discussing their near-term performance and outlook.

Even so, the broader retail leasing environment appears to tell a different story. With little new retail space expected to be added over the next few years, and availability conditions

sitting near historically tight levels, retailers are staying active in their pursuit of new locations.

Measuring retail-leasing activity can be broken into three buckets. The first and largest bucket includes leases entered during the quarter in which they were recorded. By this measure, leasing activity reached its highest level in over three years during the second quarter of 2025, totaling 51.1 million square feet, up meaningfully from 47.7 million square feet in the first quarter.

The second bucket captures additional retail leasing activity recorded after quarter-end, reflecting a lag in data collection. Historically, it takes about six quarters for all leasing data to be captured.

So far, an additional 7 million square feet of retail leasing has been recorded since the end of the second quarter. The third bucket is an estimate of leasing volume that was signed in the quarter but still to be recorded. That figure stands at 11.3 million square feet, bringing the total amount of recorded and estimated retail leasing volume to just over 70 million square feet.

If estimates hold, the second quarter will be the strongest quarter for retail leasing in the past year and the second-strongest quarter for retail leasing total over the past two years.

This apparent contradiction between rising uncertainty among retailers alongside an increase in leasing activity, may be explained by the limited availability of quality retail space. Retailers recognize that little new construction is underway and that future shortages are likely. As a result, many are taking a longer-term approach to managing and expanding their footprints.

Target's comparable same-store sales declined by 1.9%, and traffic fell 1.3%, reflecting the ongoing challenges retailers face in demand for discretionary goods. (CoStar)

Off-price stores outperform, tariffs start to bite and other takeaways from recent retailer reports

Additionally, recent bankruptcies by Joann, Party City, Rite Aid, and Big Lots have created new leasing opportunities in strong retail locations. These vacant spaces have generally seen strong demand, further boosting leasing activity.

With demand for quality store locations high and space constrained, retail leasing velocity has accelerated. In the three years following the pandemic, 64% of retail spaces were leased within 15 months of being listed. Over the past year, that has jumped to 73%. Even more notably, 60% of available retail spaces leased within the past year were on the market for less than 10 months compared to just 51% between 2021 and 2023. This increased

velocity is a positive indicator for landlords and highlights the still strong demand for quality spaces as they come to market.

While consumer caution and tariff-related risks remain, retail sales continue to support leasing demand and current rent levels. However, early signs of a weakening employment market and the lingering effects of tariffs are risks to monitor.

Despite the recent concerns expressed in earnings calls, retailers appear committed to securing space now to ensure future sales growth.