

# Research Brief

March 2018

## RETAIL

### Developing Trends

- **Influx of new positions in February extends job creation streak.** With the addition of 313,000 positions last month, the nation has witnessed employment growth for 89 consecutive months. Retail employers expanded payrolls by 50,000 new hires in February with general merchandisers accounting for over one-third of that figure.
- **High-wage jobs contribute to ascending retail sales.** As positions in healthcare and professional and business services become more prolific, the median household income is expected to increase by 3.3 year over year at the end of the first quarter, in line with the prior quarter-end measure.
- **E-commerce expansion forges elevated industrial interest.** As Internet sales rise, demand for industrial assets remains intensified, resulting in an expected vacancy drop by year end despite this year's anticipated delivery total of nearly 200 million square feet.

### Robust Gain in Retail Spending Reiterates Positive Commercial Real Estate Outlook

**Core retail sales growth extends past holiday season.** Steady spending across an array of categories led to an advancement in core retail sales. Home furnishings continue to climb at a healthy annual clip, supported by millennials seeking their first apartments. The profusion of new households into the market is expected to keep apartment vacancy low despite this year's elevated apartment completion pace. Accelerated household expansion is supporting grocer performance, particularly as the optimization of space and improvement of the overall shopping experience drive foot traffic.

the brisk pace of 4.3 percent, up from January's hike of 1.6 percent. Clothing sales also posted a noteworthy annual boost of 4.6 percent, considerably higher than last month's yearly ascent of 1.9 percent. Discount retailers such as Ross and T.J. Maxx have contributed to the category's strength in past months. Ross Stores recently announced plans to open 100 additional locations this year.

Rising discretionary income strengthens economic metrics. Although increased take-home pay via tax reform has yet to produce quantifiable results, extra dollars circulating through the economy are anticipated to lead continued growth in core retail spending in the coming months. A gain in take-home pay will not only bode well for the retail market but also apartments as tenants are able to keep pace with rent growth.

**Unfavorable weather fails to deter shoppers from brick-and-mortar stores.** Even with the extreme winter weather many parts of the U.S. faced in February, year-over-year electronics and appliances sales advanced at

**4.0%** Core Retail Sales Y-O-Y\*

**12.7 %** Consumer Confidence Index Y-O-Y\*

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\* Through February

Trailing 12-month average

Core retail sales exclude auto and gasoline sales

Sources: Marcus & Millichap Research Services, BEA, BLS, The Conference Board, U.S. Census Bureau

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