RESEARCH BRIEF

Marcus & Millichap

RETAIL SALES

DECEMBER 2022

Holiday Shopping Season Unable to Lift November Sales

Consumers reserve discretionary buys for promotional events. Apart from several necessity-based segments, spending declined across most retail categories last month, translating to a 0.6 percent drop in sales. This is significant, considering purchasing was up 12 percent year-over-year on Black Friday, and a record $11.3 billion was spent on Cyber Monday. Higher sales volumes were registered during these promotional events, but the overall decline in monthly retail sales suggests many consumers curtailed their discretionary spending during the rest of the month. This behavior is contributing to a slower pace of inflation, as in November consumer prices were up just 0.1 percent on a monthly basis, the lowest increase this year.

Shoppers' reliance on credit has implications for 2023. Despite changes to consumers' holiday shopping habits, a record 158 million individuals are expected to have turned out for Super Saturday, the last Saturday before Christmas, which fell on December 17 this year. When purchasing items, some shoppers are tapping into personal savings; however, a 17-year-low national savings rate suggests more individuals are instead utilizing credit cards. This behavior, paired with higher interest rates, will increase the average U.S. households' credit card debt beyond the already high $8,900 mark set in September, altering discretionary spending volumes in the coming months.

Restaurant sales a bright spot. Spending across restaurants and bars rose 0.9 percent last month, the largest increase noted among retail categories. This increase suggests individuals and families have yet to curb the frequency in which they dine out, despite higher pricing. Consumer demand for food away from home may remain heightened in December, as holiday travel ramps up. Estimates call for nearly 113 million people to drive 50 miles or more away from home over the December 23 to January 2 stretch, the third-highest total on record. Additionally, 7.2 million Americans are expected to fly, a 14 percent gain over last year.

Fed Policy and Retail Insights

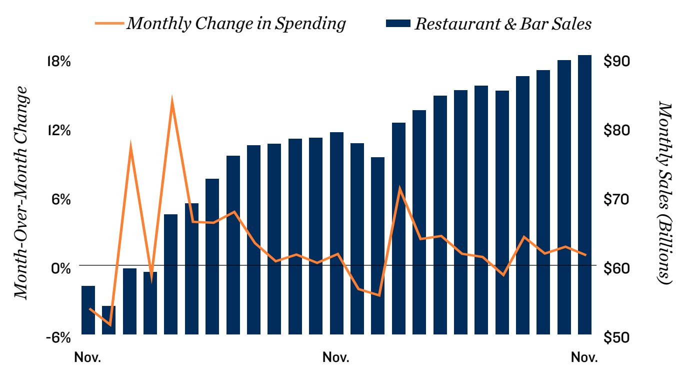
Fed not yet satisfied. Slightly lower inflation in November indicates actions taken by the Federal Reserve are working, allowing for the smaller, 50-basis-point rate hike in mid-December. Still, the employment market remains tight, despite efforts to slow job creation. Last month, employers grew payrolls by 263,000 positions, overcoming forecasts and holding the national unemployment rate at a low of 3.7 percent. This hiring and the Fed's desire to see more evidence of persistent price softening indicate additional action will likely be taken, prior to holding the federal funds rate firm.

Moderate vacancy adjustment on deck. The recent decline in overall spending may be the first sign of a softer consumer environment. Despite this, retail properties are generally in a good position to weather potential headwinds. Nationally, operations are back to pre-pandemic levels, which will allow vacancy to remain historically low, should a moderate increase in availability occur next year. Additionally, retail stock is expected to increase by just 0.5 percent, limiting competition for properties with available space.

14.1% *Increase in Restaurant & Bar Sales Year-Over-Year*

8.5% *Annual Rise in Food Away From Home Prices*

Restaurant Spending Reaches New Heights



Sources: Marcus & Millichap Research Services; U.S. Census Bureau; National Retail Federation; U.S. Department of Labor; Federal Reserve Bank of St. Louis; WalletHub; AAA; Adobe; Mastercard SpendingPulse