

Stimulus Checks, Reopenings Boost Retail Sales in March

March retail sales signal dramatic economic turnaround. Consumer spending surged in March as the national economy continued to regain its footing and government stimulus reached more of the population. Core retail sales jumped 8.2 percent from February to March as stimulus checks hit residents' bank accounts, with every major retail category advancing. Year over year, retail sales jumped 17.9 percent, though many retailers were forced to close during March 2020 as fears of COVID-19 spread across the nation. All but one major category is up annually. More people have begun eating in restaurants and panic purchases declined, reducing sales at grocery stores.

Retail real estate well-positioned to thrive. The number of retailers expected to shutter in the months ahead is expected to fall significantly as more states relax occupancy restrictions and stimulus checks flow through the economy. Restaurants, which were particularly hard-hit by lockdown orders, saw a jump in sales of 36 percent from last year. Dining establishments that have weathered the pandemic thus far are expected to remain open barring a variant that is vaccine resistant. Those establishments in states that have fully opened, such as Arizona, Texas and Florida, are exceptionally insulated from health-crisis-related challenges. States that were under strict closures are also seeing a resurgence in restaurant traffic. New York and California, for example, recorded an approximate 200 percent rise in restaurant visits in March relative to last year.

Apparel stores record largest increase year over year. Vaccines are now available to nearly every American adult, which will encourage companies to reopen offices, though full distribution remains a few months away. Parents will also be more readily able to return to workplaces as approximately 55 percent of students are back in school at least part time. The return of employees and students to places of work and learning is encouraging purchases of new attire. The amplified child tax credit that is part of the American Rescue Plan will support a return to offices over the next few months.

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Retail Market Poised for Resurgence

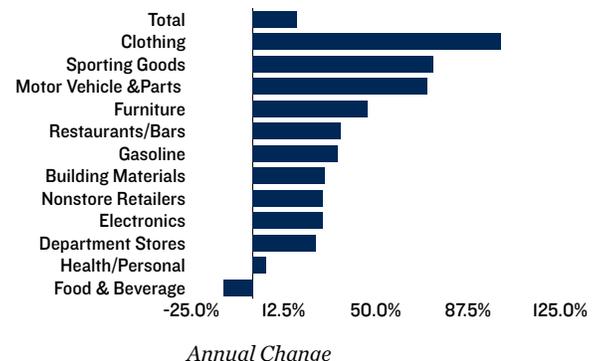
End of health crises coming into sight. Retailers are beginning to look at long-term plans as positive COVID-19 tests level off and vaccine distribution exceeds 3 million people per day. Several older malls will close permanently and will likely be adapted to other uses in the coming years. The reopening economy has bolstered the outlook for lifestyle centers, but they will need to backfill space that fell victim to the pandemic. While these are notable challenges, the more than \$5 trillion of stimulus pumped into the economy by Congress and enormous pent-up demand should support new business creation.

Consumer spending has tailwinds. In addition to stimulus checks, older residents who have sheltered themselves over the past year due to their disproportionate risk to the novel coronavirus are quickly getting vaccinated and will begin reentering retail stores in the coming months. This sector of the population generally has the most wealth after a lifetime of work and should propel retail sales over the next few months.

17.9% Annual Gain in Core Retail Sales in March

8.2% Monthly Increase in Core Retail Sales in March

Retail Sales Surge in March



Sources: Marcus & Millichap Research Services; American Psychological Association; Centers for Disease Control; Federal Reserve; U.S. Census Bureau