

There is a widespread myth that needs to be questioned and confronted, and it goes something like this: First came Amazon and then came COVID-19, and both killed retail. However widespread, this view of the retail market is inaccurate and incomplete. To be sure, parts of the retail sector are experiencing challenging disruptions, but other aspects of the industry are expanding and thriving. The state of the retail market is a mixed picture of disruption, change, adaptation, and success. This report will review recent consumer retail sales data from the holiday season and January, as well as explain the current state and trends within the sector.

1 In an otherwise robust holiday shopping season that started earlier in the year for most consumers, retail sales fell 1.9% in December. It was the first drop after four straight months of sales increases, though the gain in November slowed from October because of the lengthened holiday shopping season brought on by fears of product shortages and price increases.

2 Total sales for October through December 2021 were up 17.1% from a year earlier, and December sales rose 16.9% from 2020.¹

3 2022 saw gains across nearly all retail sectors, according to Mastercard.² Excluding auto sales, in January 2022 retail sales increased 7.2% year-over-year (YOY), with online sales growing 10.4% compared to January 2021.

4 Following the strong showing during the holiday season, key consumer trends continued in 2022. Of these trends, three, in particular, are worth highlighting:

THE SHIFT BACK TO SERVICES: The pandemic stopped a decades-long trend of more spending on services vs goods. Since the middle of last year, this tide has begun to shift back to services – or experiences – as consumers resume in-person activities. According to Mastercard SpendingPulse, Restaurant sales grew 36.7% YOY and 16.6% compared to pre-pandemic levels.

E-COMMERCE SALES CONTINUE TO GROW: E-commerce sales growth shows no signs of stopping, with double-digit increases in January even compared to the strong base in 2021. Compared to pre-pandemic levels, e-commerce sales were up 110.1%, underscoring the sustained and significant nature of the shift to online retail.

APPAREL AND DEPARTMENT STORE SALES GREW IN 2022: Apparel sales were up 37.6% in January YOY, the strongest growth rate for January in SpendingPulse history. The Apparel sector has experienced positive growth for 11 consecutive months as consumers refresh wardrobes and “dress to impress” for gatherings and events taking place in 2022. Department Stores have similarly gained from resurgent spending, with January sales up 10.5% YOY and 9.8% vs. pre-pandemic levels.³

MASTERCARD SPENDINGPULSE™

U.S. Snapshot - January 2022

	SALES GROWTH JAN. 2022 vs. 2021	SALES GROWTH JAN. 2022 vs. 2019
Total Retail	+ 7.2%	+ 22.1%
E-Commerce	+ 10.4%	+ 110.1%
In-Store	+ 5.0%	+ 10.5%
BY SECTOR		
Apparel	+ 37.6%	+ 34.1%
Department Stores	+ 10.5%	+ 9.8%
Electronics & Appliances	+ 15.0%	+ 20.4%
Grocery	+ 11.0%	+ 21.0%
Jewelry	+ 19.8%	+ 31.1%
Luxury (Excluding Jewelry)	+ 45.3%	+ 21.9%
Restaurants	+ 36.7%	+ 16.6%

Source: Mastercard SpendingPulse, which measures in-store and online retail sales across all forms of payment.

5 The retail sector is recovering well in terms of commercial real estate trends. Last quarter, landlords filled 17 million square feet of additional real-estate space in open-air shopping centers, a 49% increase from 2019. That marks a 10-year high for net absorption.

6 Since 2010, sales per sq. ft. of U.S. retail space have been on the rise. From 2010 to 2020, retail sales grew 42%, while retail supply grew just 4%. The pandemic forced a temporary pause in this trend, but activity in 2021 shows that retailers are using space more efficiently than ever.

7 In terms of capital market trends, retail investment roared back in 2021. REITs increased acquisitions, which already reached their second-largest annual total over the past 10 years through Q3 2021. Grocery-anchored centers attracted \$5 billion in investment activity in the U.S. in Q3 2021, the segment's second-most active quarter over the last decade.

8 It is widely known that grocery-anchored retail assets have been doing exceptionally well during the pandemic as they never closed during the crisis. They are still benefiting from a shift to at-home cooking that started early on in 2020, when indoor dining was closed. However, what is surprising is the mall sector. This part of retail is often thought to be in deep decline, but data from mall-owning REITs shows a mixed picture. Lower-classed properties are indeed experiencing growing vacancies. However, foot traffic data from Placer.ai suggests a strong resilience within regional and super-regional malls. Indoor malls exhibited a year-over-two-year visit gap of just negative 0.1% during the summer of 2021, and outdoor malls grew their total visits by 2.1%, suggesting a complete recovery in foot traffic.

Shopping centers, moreover, have also benefited from people moving to the suburbs, and the flexibility of remote work has made it easier for people to shop close to home and on weekdays. Despite the pandemic-prompted boom in online shopping, brick-and-mortar retail has remained surprisingly resilient, with e-commerce representing just one-fifth of core retail sales.

Retailers are also using their existing stores as distribution and fulfillment hubs, a strategy that is paying off as it becomes increasingly difficult to find industrial space for last-mile warehouses. Making it easier for customers to buy online and pick up or return items in-store has the added benefit of drawing more traffic to shopping centers.⁴

So, no, retail is not dead.

Sources:

¹ Data for points 1 and 2 are from the Commerce Department. <https://bit.ly/3uQesR6>

² Mastercard SpendingPulse™: <https://mstr.cd/36ghuEf>

³ Ibid. <https://mstr.cd/36ghuEf>

⁴ Data for points 5-8 are based on reports from WSJ and Placer.ai. Respectively, vide: <https://on.wsj.com/3rO7b2i> and <https://bit.ly/33orB8W>.

The information and details contained herein have been obtained from third-party sources believed to be reliable, however, Lee & Associates has not independently verified its accuracy. Lee & Associates makes no representations, guarantees, or express or implied warranties of any kind regarding the accuracy or completeness of the information and details provided herein, including but not limited to, the implied warranty of suitability and fitness for a particular purpose. Interested parties should perform their own due diligence regarding the accuracy of the information. The information provided herein, including any sale or lease terms, is being provided subject to errors, omissions, changes of price or conditions, prior sale or lease, and withdrawal without notice. Third-party data sources: The sources listed above, CoStar Group, Inc., and Lee & Associates proprietary data. © Copyright 2022 Lee & Associates all rights reserved.