

# RESEARCH BRIEF

## RETAIL SALES

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### New Benchmark for Core Retail Sales Set Prior to Sweeping Tariff Policies

**Consumer resiliency being tested.** Greater spending in March translated into record sales tallies in six of 10 core retail categories, reflecting households' continued prioritization of necessities, discounted items and experiences. Still, the pace of sales growth has been decelerating, as spending and consumer sentiment are being impacted by persistent inflation, economic uncertainty and significant shifts in U.S. trade policy. During the first three months of 2025, core retail sales rose 0.6 percent on a quarterly basis, but when factoring in core CPI inflation, spending in real terms dipped slightly — by 0.1 percent. As the U.S. economy faces potential risks of simultaneously higher inflation and slower growth, a more cautious consumer is likely to materialize. Fortunately, the retail sector is well positioned to handle possible spending-related headwinds, as vacancy was historically low entering April.

**Groceries remain a priority.** The food and beverage category has accounted for a 27 percent share of all store-based retail sales — which exclude spending at bars and restaurants, as well as purchases made online — for 26 straight months. This consistency is poised to continue as more households prioritize necessity items during a potential inflationary period. As such, demand for supermarket space will remain elevated among expansion-minded grocers. Opportunities to increase market share, however, may be limited. Segment vacancy entered April at 2.2 percent, which bodes well for shopping center owners with supermarket anchors.

**More shoppers gravitating to discounts.** The miscellaneous retail and non-store categories noted some of the largest year-over-year spending increases in the first quarter of 2025, indicating consumers are frequenting used merchandise stores and online avenues in search of discounts. Many of these individuals are also shopping at general merchandise stores, which is motivating off-price retailer expansion. Ollie's Bargain Outlet, Ross and Burlington will be among some of the fastest growing brands in 2025, with each planning to open 75 to 100 stores.

**Dining yet to feel meaningful repercussions.** With inflation and consumer caution often favoring budget-friendly retailers and grocers, discretionary segments — including restaurants — could experience softer sales. The dining sector, however, has yet to reach this point. Instead, spending at restaurants and bars climbed 1.8 percent month over month in March against the backdrop of a 0.4 percent rise in the price of food away from home. Moving forward, restaurants that can source North American ingredients should avoid the worst menu-related cost pressures from tariffs.

**Retail retains its appeal.** If recent U.S. trade and economic policies stay fluid, commercial real estate could remain one of the more durable investment options, with the retail sector among the most attractive segments. Preliminary first quarter data shows retail trades accounted for nearly 40 percent of major commercial real estate deal flow. Amid a span of rising operating costs, net-leased listings should attract investors seeking less management-intensive assets that eliminate the need for additional capital infusions.

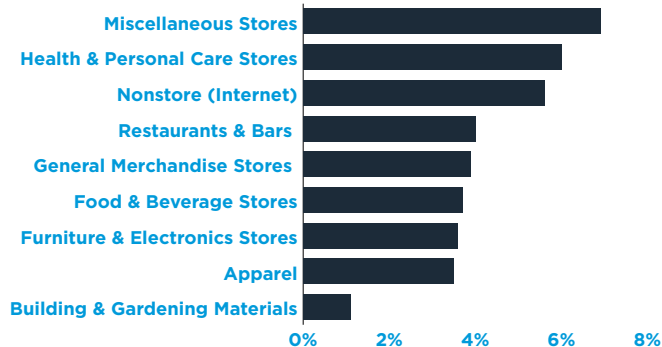
4.2%

Year-Over-Year Increase in Core  
Retail Sales (1Q 2025)

0.6%

Quarter-Over-Quarter Rise in  
Core Retail Sales (1Q 2025)

### Spending Gains Registered Across Core Categories



Change in Retail Sales (1Q 2024 vs. 1Q 2025)



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Note: Core retail sales exclude auto and gasoline purchases

Sources: IPA Research Services; CoStar Group, Inc.; Placer.ai; U.S. Census Bureau