

# RESEARCH BRIEF

## CANADA RETAIL SALES

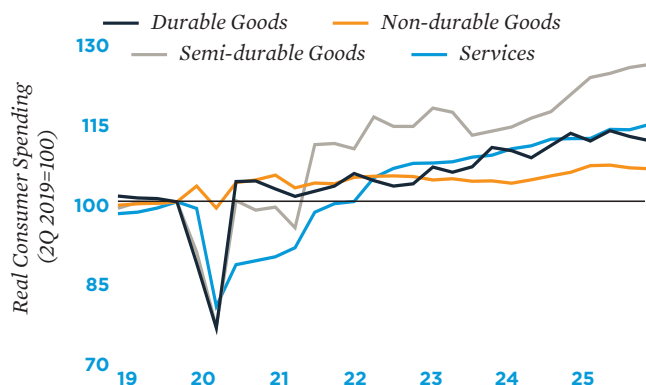
MAY 2026

### Experiential and Essential Retail Outperforming Amid Uncertain Macro Backdrop

**Higher gasoline prices weigh on retail sales volumes.** Canada's retail sector lost momentum in March, as rising gasoline prices and softer discretionary demand weighed on household spending activity. While headline retail sales increased 0.9 per cent to \$72.7 billion, much of the gain was driven by a 12.4 per cent surge in gasoline station sales following the supply shock tied to the ongoing Middle East conflict. In volume terms retail sales declined 0.7 per cent, suggesting consumers purchased fewer goods despite spending more in nominal figures. Excluding gasoline stations and motor vehicle dealers, core retail sales edged down 0.1 per cent, reinforcing signs that underlying consumer demand softened during the month despite retail receipts posting a seventh consecutive quarterly increase overall.

**Discretionary spending remains uneven.** Mixed consumer spending patterns persisted across retail categories in March, with higher fuel costs and ongoing affordability pressures increasingly weighing on discretionary purchases. Sales at building material and garden equipment stores fell 2.9 per cent during the month, while general merchandise retailers also posted a decline. At the same time, spending on essential-based categories remained comparatively resilient, with food and beverage retailers recording a 0.5 per cent increase, led by stronger grocery sales. Preliminary estimates suggest retail sales rose another 0.6 per cent in April, though much of that increase was likely again tied to higher gasoline prices rather than stronger underlying consumption. As a result, household spending momentum appears to be slowing heading into the second quarter.

### Spending Becoming Increasingly Bifurcated



### Commercial Real Estate Outlook

**Necessity and experiential retail outperform.** Consumer trends continue to favour defensive and experience-oriented retail formats within commercial real estate. Grocery-anchored centres and service-based retail assets remain well positioned as consumers continue prioritizing essential purchases amid elevated living costs. At the same time, experiential retail categories tied to dining, entertainment and personal services continue to benefit from consumers allocating a greater share of spending toward experiences rather than larger discretionary goods purchases. This trend is helping support foot traffic across mixed-use retail nodes and urban high streets, particularly in major metropolitan markets where demand for food services and entertainment-oriented space remains relatively healthy.

**Property fundamentals holding despite short-term hurdles.** Although softer discretionary spending may temper retailer expansion in the near term, broader property fundamentals remain healthy. National retail vacancy is forecast to hold below 3 per cent, supported by limited new supply, stable population-driven demand and continued interest in necessity and experiential retail formats. Categories tied to dining, entertainment and personal services continue to benefit from consumers allocating a greater share of spending toward experiences rather than larger-ticket goods. E-commerce sales also rose 1.5 per cent in March, reinforcing demand for distribution space. Industrial vacancy has largely stabilized around 3.5 per cent nationally and is expected to trend marginally lower through 2026 as new supply moderates and leasing demand improves.

### Supply Constraints Supporting Fundamentals



\* Preliminary estimates through 2Q

Sources: IPA Research Services; Altus Data Solutions; Capital Economics; CoStar Group, Inc.; Oxford Economics; Statistics Canada