

RESEARCH BRIEF

RETAIL SALES

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Retail Sales Regain Momentum; Clothing Stores Recovering

Consumer spending gains strong in September. After the pace of retail sales growth slowed in August following the end of CARES Act stimulus, shoppers accelerated activity by 1.9 percent in September. Year over year, core retail sales are up 5.9 percent. A combination of healthy payroll growth, back-to-school spending, and disaster-relief unemployment aid supported the increase. Retailers in every state have been permitted to open their doors, though the capacity restrictions vary across the country. As the health crisis continues into the winter, the economic damage to retailers and the buildings they occupy will be uneven.

Property performance contingent on spending. The third quarter added some clarity to the post-pandemic retail outlook. Mall retailers, which were already struggling prior to the health crisis, announced thousands of store closings over the past three months, pushing vacancy up approximately 80 basis points, according to early estimates. At neighborhood centers, the availability rate climbed just 30 basis points in the summer period as grocery stores were able to drive traffic. Year over year, retail sales at grocery stores have increased 9.6 percent. Occupancy at strip centers was unexpectedly sturdy during the third quarter as operators worked with tenants when possible.

Back-to-school period boosts retail sales. Many states in the Sunbelt and elsewhere resumed in-person schooling during September, resulting in an 11 percent gain in spending at clothing stores, the largest monthly rise. Department stores posted a 9.7 percent advance in September as well. The increase was propelled not just by students but also parents who are now free to resume a more regular work schedule and likely updated some of their wardrobe that was mothballed last spring. The third largest improvement was at sporting goods, hobby, musical instrument and book retailers, which increased 5.7 percent as organized extracurricular activities resumed.

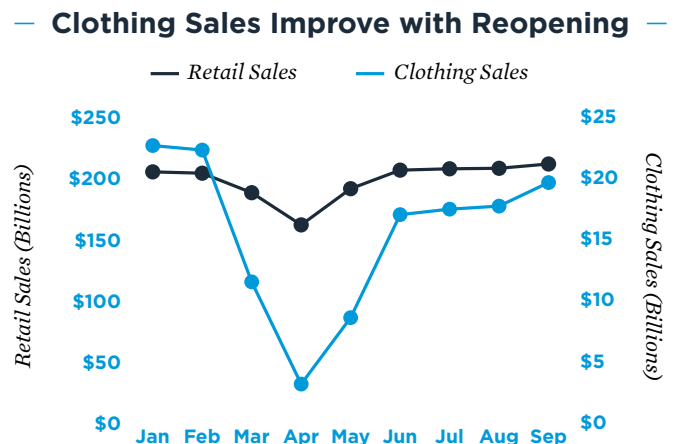
Holiday Retail Sales Outlook

Potential upside to holiday sales could emerge. Several factors may align to boost retail sales in the fourth quarter. The health crisis is not expected to be over for a large percentage of Americans even if the FDA approves a vaccine before year end. As a result, some proceeds that would normally go toward travel may be funneled into retail spending. Furthermore, traditional retailers may get a boost from a lack of alternatives, such as live entertainment options.

Another round of stimulus possible. While stimulus talks have dragged on far longer than originally anticipated, there is some possibility that a deal will be reached after the election. Mounting pressure from both party caucuses is encouraging leadership to reach an agreement. Bipartisan support exists for extended unemployment benefits, the Paycheck Protection Plan, and individual checks. If unemployment benefits and stimulus checks arrive in time, a boost to holiday sales this year could prop up retailers that depend heavily on the season.

1.9% Monthly Gain in Retail Sales in September

11.0% Monthly Gain in Clothing Store Sales in September



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Sources: IPA Research Services, U.S. Census, Department of Labor