RESEARCH BRIEF

Marcus & Millichap

RETAIL SALES

JANUARY 2026

Core Retail Spending Continues to Outpace Inflation as In-Store Sales Rise

More affluent households behind growth. Core retail sales rose 4.2 percent during the first 11 months of last year compared to the same period in 2024, reflecting consumer resiliency in the face of sweeping economic policies, a slowing labor market, and a government shutdown. When accounting for core CPI inflation, spending also rose 0.2 percent in November. While encouraging, retail sales growth has become dependent on higher-earning households. A Bank of America Institute report found that spending among consumers in the top third of the income distribution rose 4 percent in November on an annual basis compared with a 1 percent increase among households in the lowest third of the income distribution. Fortunately, the impact of tariffs on inflation is expected to ease in the second half of 2026 due to favorable base effects. This, along with still-firm wage growth that was up 3.8 percent annually in December, should provide some cautious optimism about near-term economic conditions.

Sales at brick-and-mortar playing a role. Despite their exposure to inflationary pressures, the health and personal care, apparel, and miscellaneous retail categories all registered notable real-term sales improvements over the first 11 months of last year. These sales included spending at brick-and-mortar locations. Since last June, store-based sales, which exclude purchases made online and spending at restaurants and bars, have risen on a monthly basis. Not since 2019 has such a streak been recorded. This dynamic may influence the decisions of retailers with upcoming lease expirations and those plotting expansion.

Restaurants tackling challenges. Rising labor and wholesale food costs are impacting menu pricing; however, restaurants and bars continue to represent a standout retail category. Over the first 11 months of 2025, spending at these establishments was up 5.4 percent when compared to the same period in 2024. The subsequent addition of 50,000 accommodations and food services roles in December serves as an additional reflection of the segment's relative strength, as does a four-year stretch of mid-3 percent vacancy.

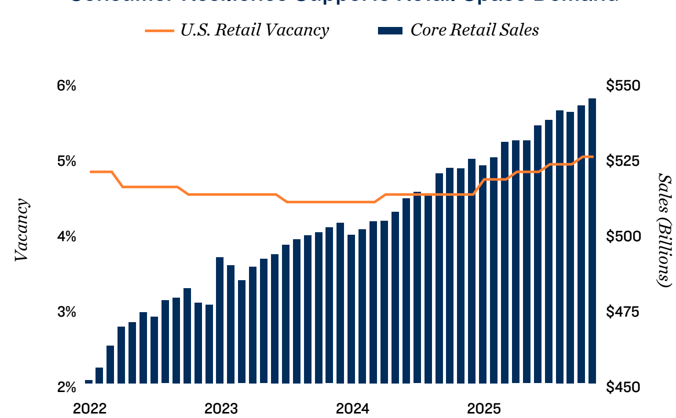
Seasonal shopping provides insight. While concrete sales data for December is unavailable, holiday spending figures from other sources provide a window into how consumers closed out the year. Visa cited a 4.2 percent year-over-year rise in holiday sales that occurred between November 1 and December 22, with approximately 73 percent of transactions occurring in physical stores. Mastercard reported a similar 3.9 percent improvement; however, it is unclear how these purchases impacted consumers' spending on necessities.

Refunds poised to aid future sales. The U.S. economy is positioned to receive a boost in early 2026 through higher tax refunds. Well Fargo Investment Institute estimates $517 billion in tax refunds will be issued this year. Excluding years of pandemic stimulus checks, this will represent the largest total since 2017. As such, many households are slated to receive refunds that are $500 to $1,000 larger than in prior years. This and standard deduction increases should add to real GDP growth as they provide households with some extra cash for discretionary purchases or debt payments.

4.2% *Increase in Core Retail Sales (First 11 Months of 2025 vs. Same Period in 2024)*

0.4% *November Increase in Core Retail Sales*

Consumer Resilience Supports Retail Space Demand



** Through November; Note: Core retail sales exclude auto and gasoline purchases*

Sources: Marcus & Millichap Research Services; Bank of America Institute; CoStar Group, Inc.; Mastercard SpendingPulse; U.S. Bureau of Labor Statistics; U.S. Census Bureau; Visa; Wells Fargo Investment Institute

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