

Developing Trends

- **As e-commerce has grown** to represent 12 percent of retail sales, the two largest retailers are pursuing different strategies to drive revenue growth. Wal-Mart recently acquired Moosejaw, which follows the 2016 purchase of Jets.com, in order to drive more traffic to its web portals. Meanwhile, Amazon is expanding third-party offerings on its platform. A recent announcement highlighted a 50 percent increase in third-party sales over the holidays. Significant growth in e-commerce is driving demand for industrial spaces, prompting a 50-basis-point decline in vacancy to 5.7 percent in 2016.
- **Sales surged 8.5 percent** at health and personal care stores over the past year. Boosted by a deal with Target to acquire their in-store pharmacies, CVS added 1,900 locations in 2016.
- **Nationwide vacancy in retail** properties declined 50 basis points over the past year to 5.5 percent, matching the previous cycle lows. Asking rents rose 3.3 percent over that time frame. The 2017 forecast shows vacancy falling an additional 40 basis points to 5.1 percent.

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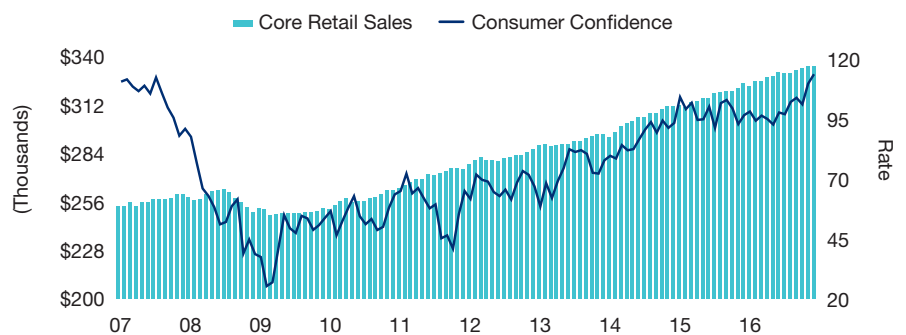
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Confident Consumers Trigger Retail Sales Growth

Consumers followed up robust holiday spending with equally impressive activity in January as core retail sales vaulted 4.4 percent over the past year. Consumer confidence remains near the highest levels of the past decade, reflecting heightened expectations for economic conditions and sentiment. This positive outlook, together with steady job growth and wage gains, has boosted consumption.

Rising inflation, driven by strong gains in oil prices, pushed CPI up 2.5 percent over the past year. The ascending inflation bolsters the case for the Federal Reserve to move towards normalizing interest rates over the coming year. After meeting in December, the Federal Reserve announced their intention to hike interest rates three times in 2017.

Elevated Confidence Boosting Retail Outlays



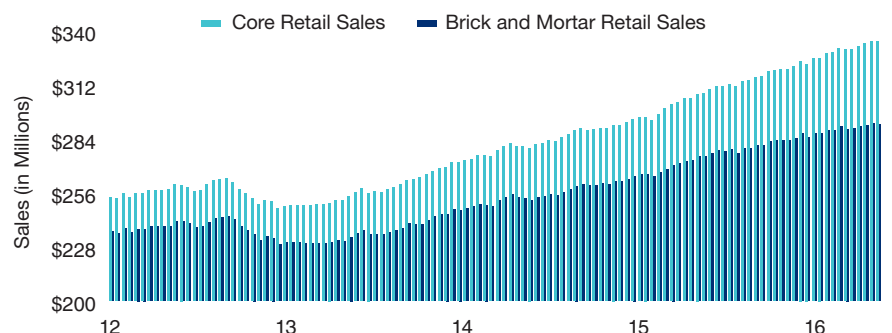
4.4%

Core Retail Sales
Y-O-Y*

2.5%

Inflation/CPI
Y-O-Y*

E-Commerce Driving Retail Sales Growth



* Through January

Sources: Marcus & Millichap Research Services; U.S. Census Bureau; National Retail Federation; University of Michigan Consumer Confidence Index