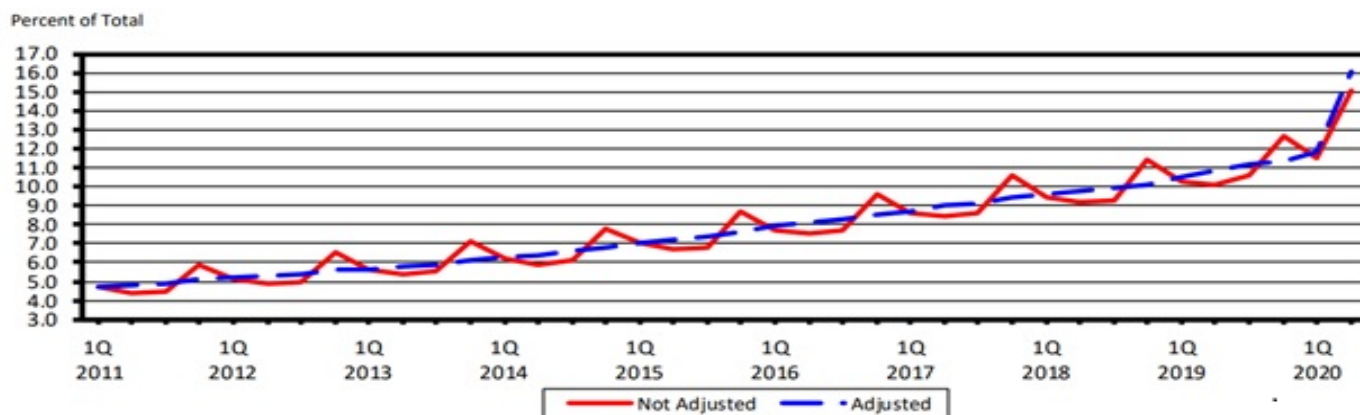


## Chart of the Week – September 18<sup>th</sup> 2020 Retail E-commerce Sales as Percent of Total Retail Sales



Source: Census Bureau

When real estate professionals discuss the impacts of the COVID-19 pandemic on commercial real estate, their comments generally come in one of four themes:

- Countercyclical – that properties, such as industrial, may actually benefit from the changes coming about;
- Speedbump – that properties, such as multifamily, may be temporarily affected by the economic impacts of the recession, but long term should continue to perform as usual;
- Fundamental change – that our relationships with properties, such as offices, may have fundamentally changed; and
- Accelerated – that the pandemic may have sped-up changes that were already taking place, concentrating what might have been many years of gradual change into just a few months.

The property type most commonly tied to this final theme of acceleration is retail.

Even before the onset of the pandemic, retail properties were under the microscope. Practitioners spoke about the United States being “over-retailed” compared to other countries, about a shift to experiential retail with a focus on services rather than goods, and about how the rise in e-commerce is a challenge to bricks-and-mortar. Each of these factors has played a role – although not necessarily as expected – in the difficulties retail has faced during recent months. And each has generally added fodder to the idea that changes were coming to retail – and that the pandemic accelerated them.

Recent data from the U.S. Census Bureau corroborates the e-commerce element of this story line. From the fourth quarter of 2011 to the fourth quarter of 2019, the share of retail sales taking place through e-commerce grew steadily from 5.1% to 11.3%, an average increase of 78 basis points per year. With the onset of the pandemic, the e-commerce share surged to 16.6% in this year’s second quarter – a year-over-year change of 530 basis points, or almost 7 years of change at the previous pace.

Nobody really knows how much – or how quickly – we will bounce back to our previous ways after the pandemic. When it comes to retail, the e-commerce data is most likely showing that a host of forces – speedbumps, fundamental change, and acceleration – are all playing a role in today’s retail market performance.

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