

# Retail market dynamics



**Research**

United States

Q1 2026

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# Key trends

## 1 Net absorption returns to negative

Retail absorption dipped to -4.4 million square feet in Q1 2026, repeating the pattern we saw last year, when the same forces were at play: a cluster of first-quarter closures pulled absorption sharply negative before the market found its footing and recovered through 2025.

## 2 Thin supply props up fundamentals

Gross deliveries of 7.8 million square feet were partially offset by 2.6 million square feet of demolitions, mostly obsolete department stores and underperforming strip centers, bringing net new supply to roughly 5.2 million square feet for the quarter. With new supply running well below historical norms, the market is balancing the effects of negative net absorption without a meaningful rise in vacancy.

## 3 Food and value continue to headline openings

Restaurants, discount and grocery lead 2026 openings. Starbucks is adding 175 locations, with Qdoba, Joe & the Juice and Raising Cane's each contributing around 100. On the discount side, Dollar Tree is opening 400 stores and Five Below 150, both riding the consumer shift toward value.

## 4 Institutional investors continue to target retail assets

The retail investment landscape in Q1 2026 demonstrated growth, with transaction volumes reaching over \$15 billion. This represents an increase of 5% compared to Q1 2025. Transaction volume for Q1 2026 posted its highest first quarter investment volume to retail since Q1 2023. Institutional investors are flooding the retail sector representing nearly 24% of multi-tenant retail investment over the past 12 months. This is their highest reported investment share since 2017.

### By the numbers

**11.8 billion**

Existing inventory (s.f.)

**53.0 million**

Under construction (s.f.)

**4.4%**

Total vacancy

**\$25.88**

Market rent (per s.f.)

**-4.4 million**

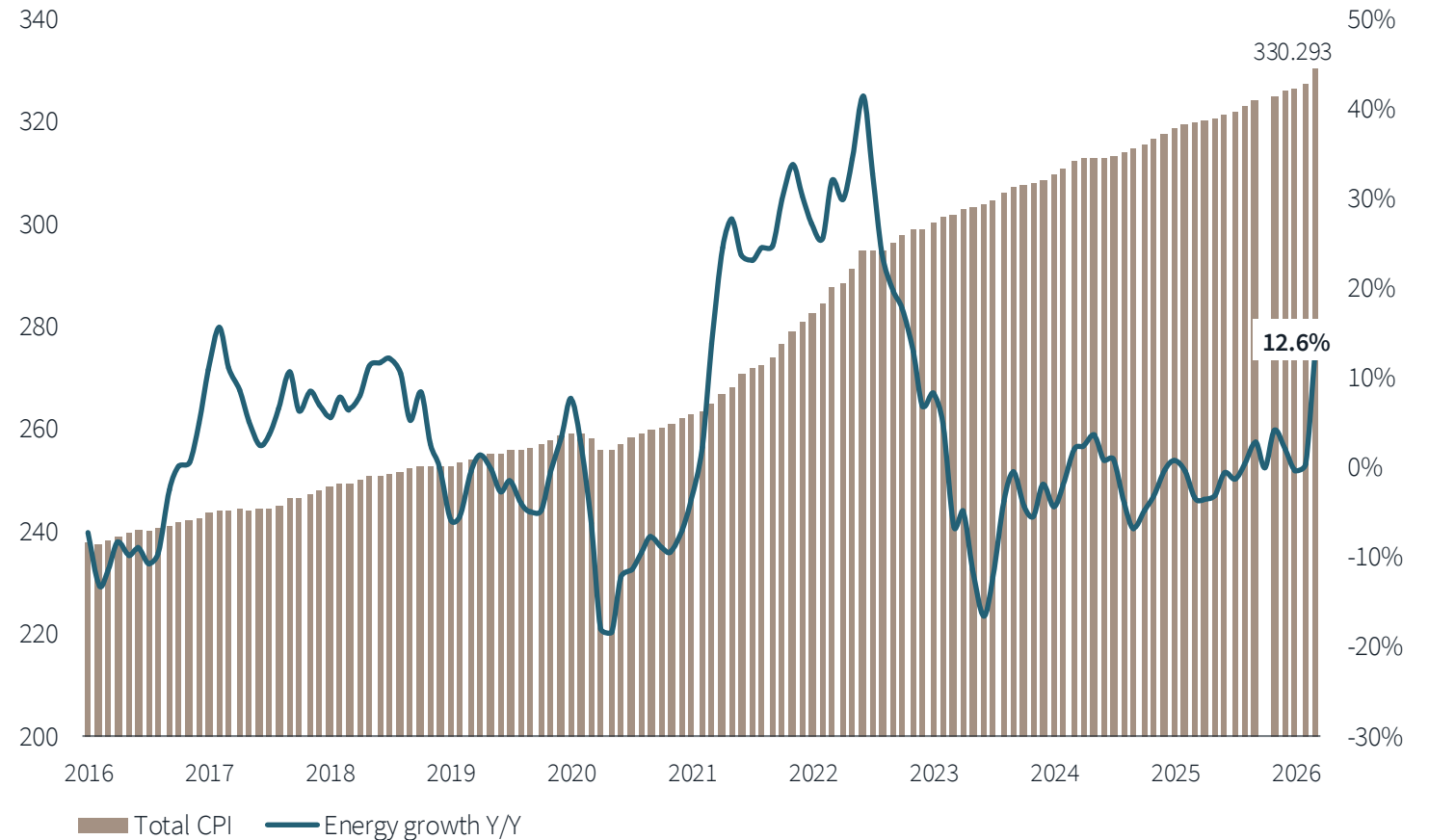
Q1 2026 net absorption (s.f.)

### Energy spike pushes inflation to a 12-month high in March

- Inflation soared to 3.3% in March — its highest reading in over a year and well above the Federal Reserve's 2% target.
- The March spike was largely driven by a sharp rebound in energy prices, which surged 12.6% year-over-year — a reversal from the modest declines seen earlier in the quarter. Core CPI (excluding energy) remained more contained at 2.6%, suggesting the underlying inflationary environment is persistent but not accelerating broadly.
- The renewed inflationary pressure is weighing on consumer confidence. Households, particularly lower- and middle-income, are feeling the squeeze from elevated prices on everyday essentials, reinforcing continued demand for value-oriented retailers and discount formats.
- Despite the macro headwinds, consumer spending has proven resilient. March retail sales jumped 1.7% month-over-month, and rose 0.6% excluding gas stations. Retailers offering everyday needs, services, and value propositions should continue to navigate the environment more successfully than discretionary or apparel-heavy concepts.

### Energy prices soar above year-ago levels

Consumer price index growth over time



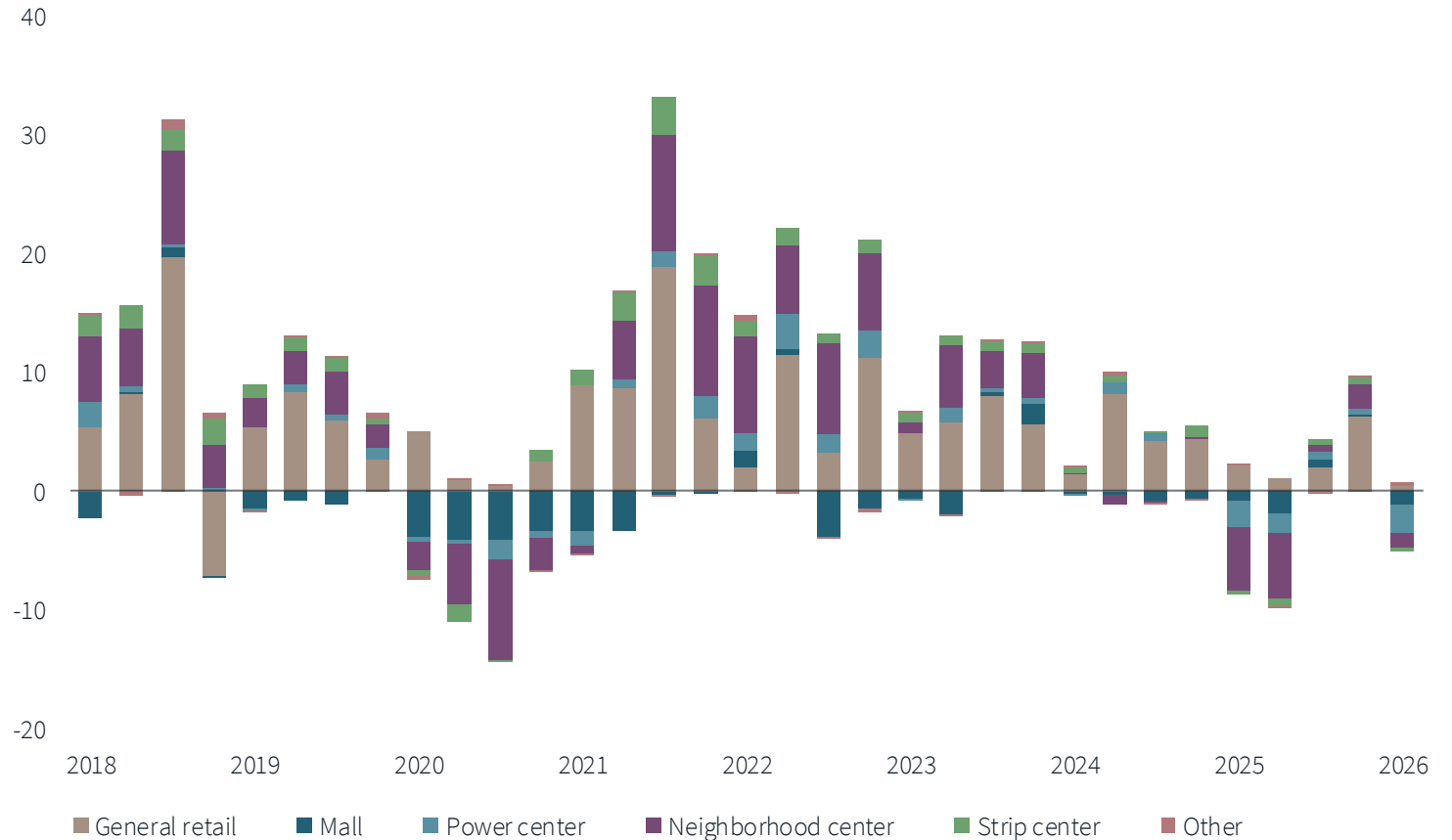
Source: BLS

### A soft first quarter that looks a lot like last year

- Retail absorption dipped to -4.4 million square feet in Q1 2026, repeating the pattern we saw last year, when the same forces were at play: a cluster of first-quarter closures pulled absorption sharply negative before the market found its footing and recovered through 2025. That recovery gives context to where things stand now.
- Power centers accounted for the largest share of the decline at -2.3 msf, with neighborhood centers and malls each contributing -1.2 msf. Mall vacancy has now reached 8.8%, reflecting years of structural adjustment, though demand from experiential and food-and-beverage tenants continues to support top-tier assets.
- Freestanding general retail continued to absorb space positively, adding 0.4 msf on the quarter. With vacancy at just 2.7%, well-located smaller format space remains in short supply and landlords are in a strong position.
- Overall vacancy ticked up to 4.4% from 4.3% in Q4 2025, but the broader picture remains tight by historical standards. Available quality space is scarce across most markets, and that scarcity continues to underpin rent growth as the spring leasing season gets underway.

### Absorption swings back to negative in Q1 2026

Net absorption in square feet (millions)



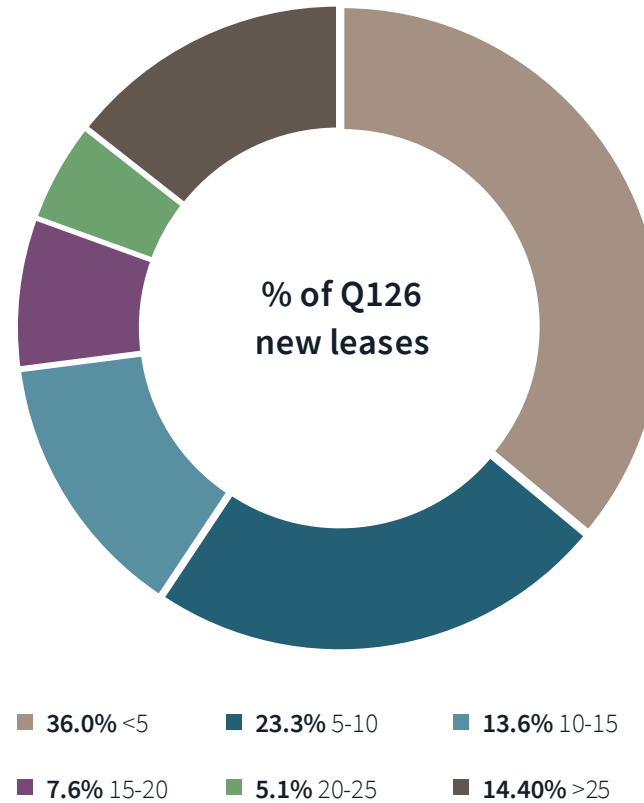
Source: CoStar-National index markets

### Thin supply balances out closures

- With new supply running well below historical norms, the market is balancing the effects of negative net absorption without a meaningful rise in vacancy. The same dynamic played out through 2025, when a soft start gave way to tighter conditions by year end as limited new inventory kept the supply side in check.
- The construction pipeline has continued to shrink, reaching 53.0 million square feet in Q1 2026, down from 53.7 million square feet the prior quarter. Gross deliveries of 7.8 million square feet were partially offset by 2.6 million square feet of demolitions, mostly obsolete department stores and underperforming strip centers, bringing net new supply to roughly 5.2 million square feet for the quarter.
- Demand for existing space remains robust. Some 36% of new leases in Q1 were signed within five months of the space becoming available, a sign that tenants are moving quickly when quality inventory opens up. For landlords, that speed of re-leasing translates directly into pricing power and keeps effective vacancy well below the headline rate.
- With starts running at a fraction of long-term averages and no near-term catalyst for a construction rebound, the supply picture is unlikely to change materially. That structural tightness remains the most important support for occupancy and rents as the market works through the current soft patch.

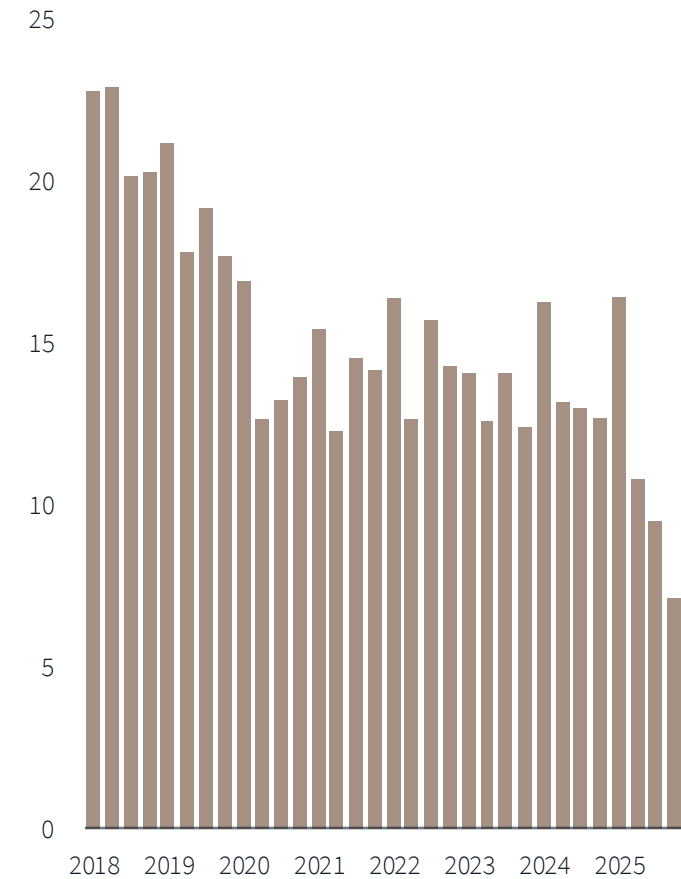
### Low supply leads to quick backfilling of vacant space

Months to lease



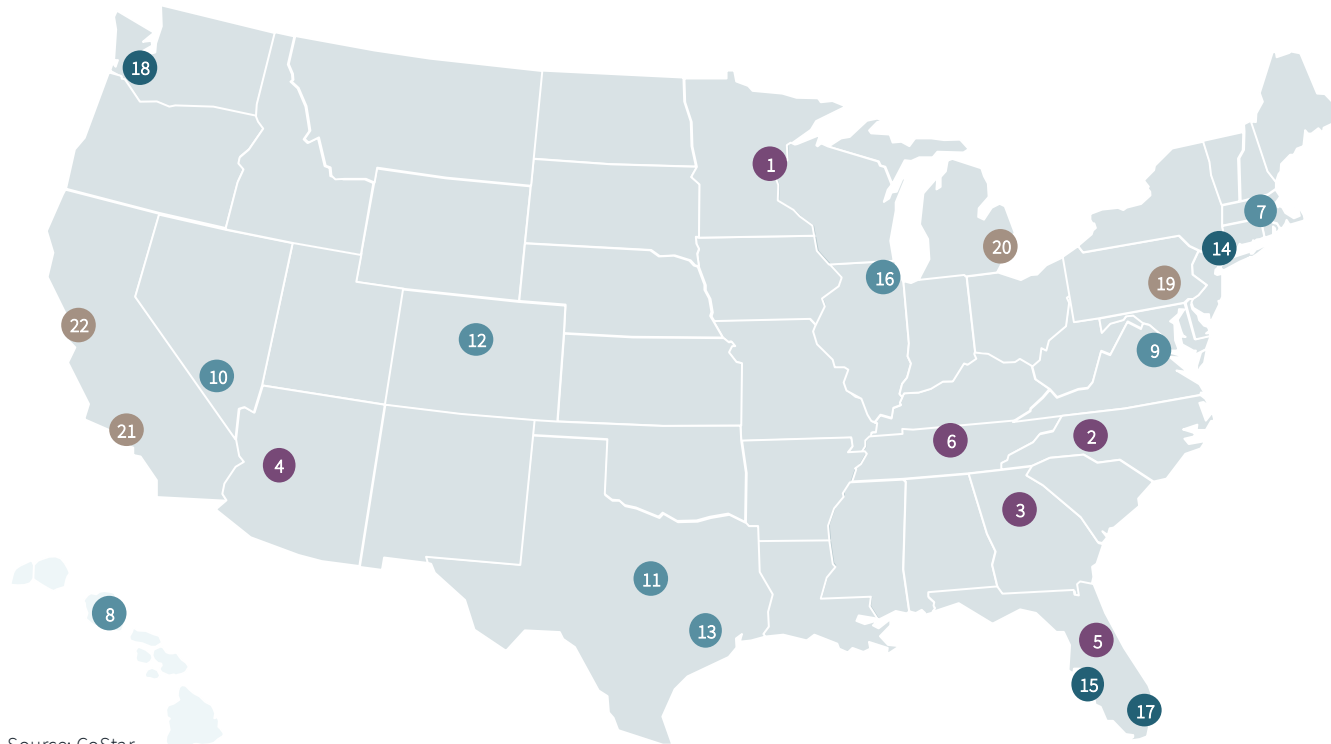
Source: CoStar-National index markets

Construction starts (millions of s.f.)



# Sun Belt (and Minneapolis) lead as rent growth slows to 2.0%

National rent growth has slowed to 2.0% year-over-year, but the headline number masks a clear regional split. Sun Belt markets are doing the heavy lifting, with Charlotte, Atlanta, Phoenix and Orlando all running well ahead of the pack on years of population gains and an expanding retail consumer base. Minneapolis is the notable exception to the regional pattern, topping the country at 6.7%. A handful of coastal gateway markets are moving the other way, pulling the national average down.



Source: CoStar

1	Minneapolis	6.7%	12	Denver	2.5%
2	Charlotte	6.1%	13	Houston	2.1%
3	Atlanta	5.1%	14	New York	1.8%
4	Phoenix	5.0%	15	Tampa	1.1%
5	Orlando	4.9%	16	Chicago	1.1%
6	Nashville	4.1%	17	Miami	0.8%
7	Boston	3.8%	18	Seattle	0.6%
8	Honolulu	3.7%	19	Philadelphia	-0.7%
9	Washington	2.9%	20	Detroit	-0.7%
10	Las Vegas	2.8%	21	Los Angeles	-0.9%
11	Dallas	2.6%	22	San Francisco	-1.9%

YoY % rent change

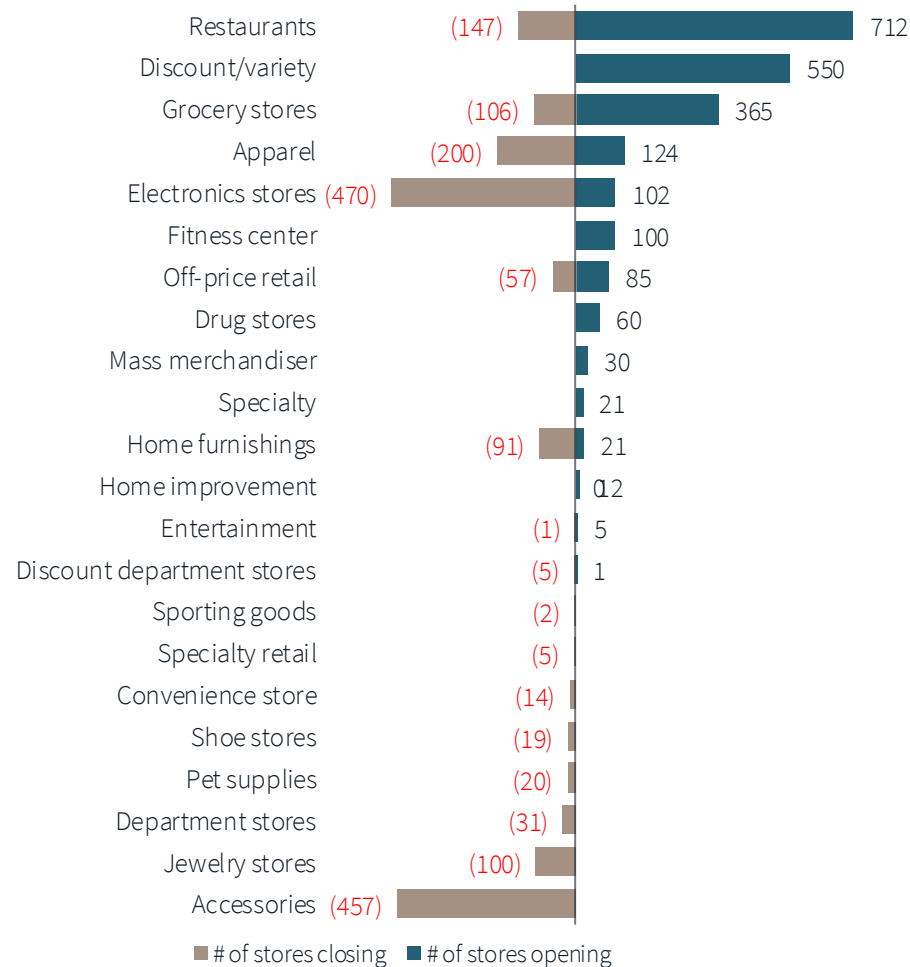
- < 0.0%
- 0.0%-1.9%
- 2.0%-3.9%
- > 4.0%

## Retail market dynamics

### Food and value remain the most active for 2026

- Restaurants, discount and grocery lead 2026 openings. Starbucks is adding 175 locations, with Qdoba, Joe & the Juice and Raising Cane's each contributing around 100. On the discount side, Dollar Tree is opening 400 stores and Five Below 150, both riding the consumer shift toward value. In grocery, Aldi is adding 180 stores and Whole Foods 100, reflecting strong demand at both ends of the market.
- Fitness and off-price round out the growth story, with Crunch Fitness and Ross each adding around 100 locations.
- On the closure side, GameStop is shuttering 470 stores as physical game software fades, while apparel and accessories are contracting sharply. Eddie Bauer filed for bankruptcy and is closing 175 locations, and Francesca's is liquidating 457 stores. Signet Jewelers is closing 100 locations, and Saks Off 5th is winding down 57.
- The backfill market is absorbing closures well. Big Lots, Party City and Bed Bath & Beyond spaces are turning over to grocery, fitness and entertainment tenants, often within the same center.

### Opening and closures announced in 2026



### Notable openings announced

Dollar Tree	400
Aldi	180
Starbucks	175
Five Below	150
Whole Foods (over several yrs)	100
Crunch Fitness	100
Joe & the Juice	100
Qdoba	100

### Notable closings announced

GameStop	470
Francesca's	457
Eddie Bauer	175
Signet Jewelers	100
Value City Furniture	79
Saks Off 5th	57
Amazon Fresh	57
Grocery Outlet	36

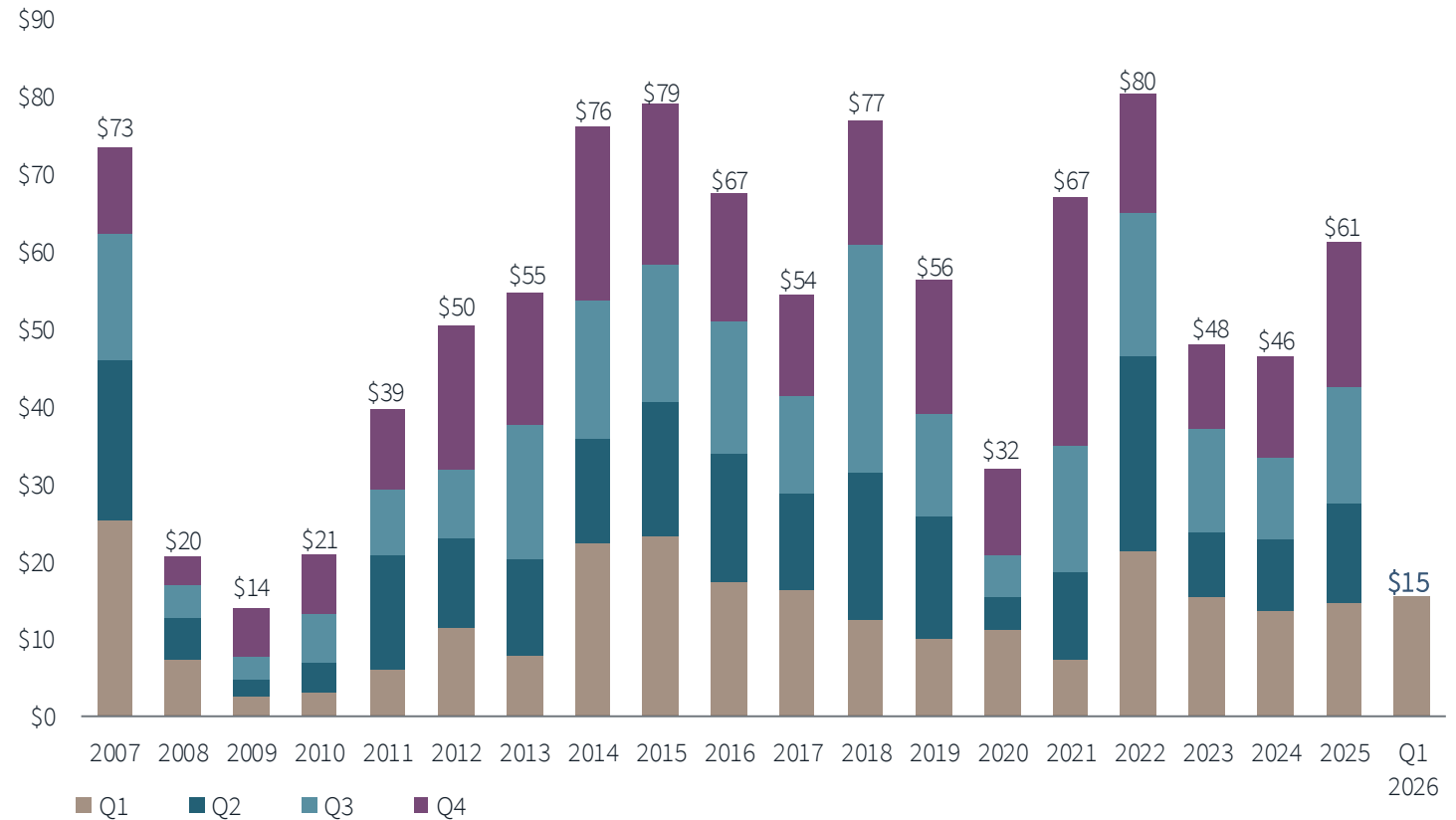
Source: PNC, JLL Research

### Institutional investors chase retail assets

- The retail investment landscape in Q1 2026 demonstrated growth, with transaction volumes reaching over \$15 billion. This represents an increase of 5% compared to Q1 2025. Transaction volume for Q1 2026 posted its highest first quarter investment volume to retail since Q1 2023.
- Institutional investors are flooding the retail sector representing nearly 24% of multi-tenant retail investment over the past 12 months (Q1 2026 T12). This is their highest reported investment share since 2017. Coupled with this, deals of scale (+\$100m) made up 26% of retail investment over the past 12 months, compared to just 13% in 2023. As dry powder for retail assets grows, investors are seeking out large deals to quickly meet aspirational allocation targets.
- However, low supply in the market currently mismatches investors' high demand for the asset class. The number of transactions completed in Q1 2026 over a trailing 12-month period held flat compared to 2025. As a result, trophy retail deals are highly sought after leading to increased bidder competition and, in some cases, pushing up final pricing.

### Historical U.S. retail transaction volume, 2007 – Q1 2026

Quarterly transaction volume (billions USD)



Source: JLL Research  
 Notes: Data includes all transactions \$5m+ and entity-level deals.

# Outlook

1

**Scarcity is the market's most reliable support.**

New supply remains historically thin, and that structural constraint is doing more to protect occupancy than demand alone could. As long as construction stays limited, landlords in well-located corridors will hold pricing power even when quarterly absorption softens.

2

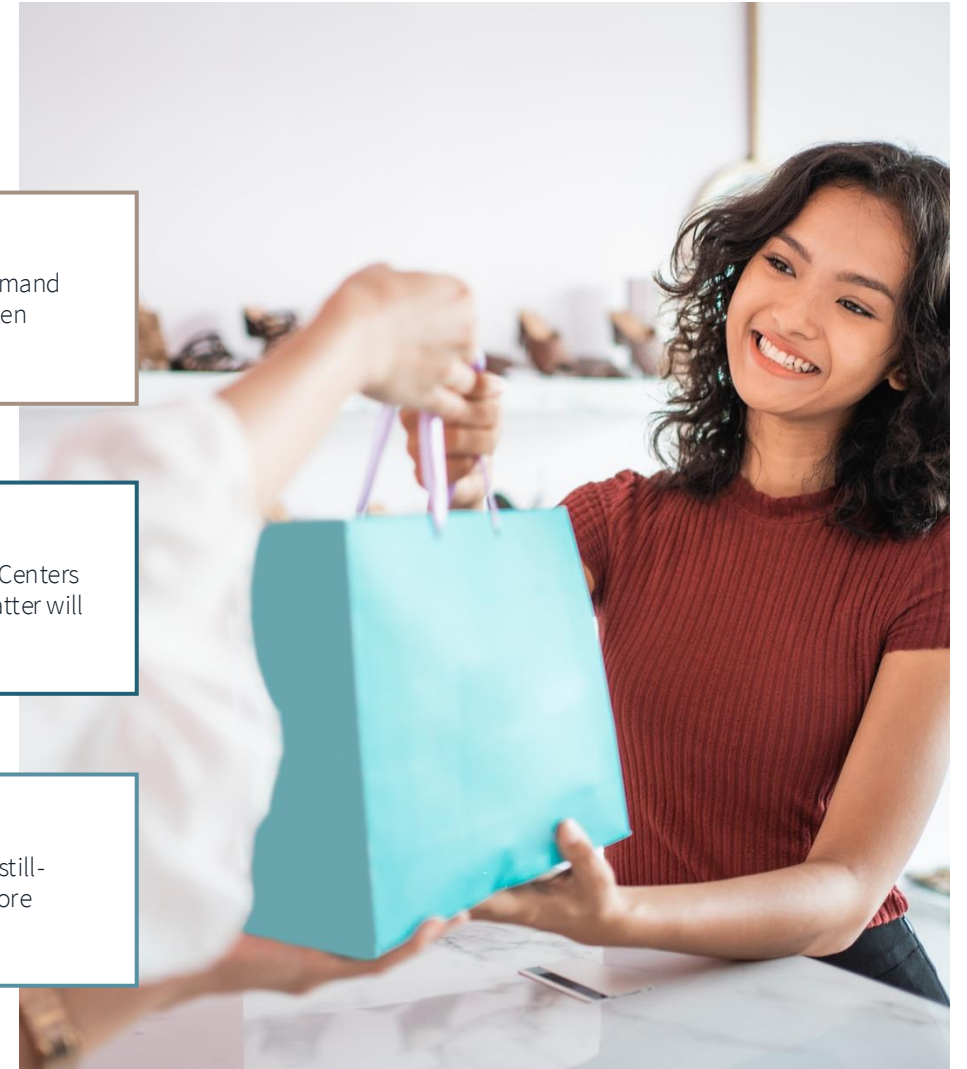
**The tenant mix is shifting, and centers will feel the difference.**

Restaurants, grocery, discount and fitness are expanding; apparel, accessories and electronics are contracting. Centers anchored by the former will attract stronger leasing demand through the rest of the year. Those reliant on the latter will need to work harder for backfill.

3

**Location will matter more than the national average.**

Sun Belt markets are outpacing the country on rent growth by a wide margin, driven by population gains and a still-expanding consumer base. For the remainder of 2026, performance will be less about the market overall and more about which markets a portfolio is in.





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