Retail market dynamics

Research
United States
Q2 2026

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Contents

Key trends

1 Demand pendulum swings back to positive

U.S. retail net absorption totaled 10.2 million square feet in the second quarter of 2026, snapping back from a negative first quarter (-4.5 million square feet) and marking the second-strongest quarterly level of the past two years. Geographically, Sun Belt and Southwest growth markets continue to outshine other regions.

2 Dallas-Fort Worth's pipeline outpaces every other market by nearly 40%

New retail construction remains historically constrained nationwide, keeping availability and vacancy low and reinforcing landlords' pricing power. But the national average of 16.4 square feet under construction per 100 residents masks a sharply uneven picture: pipeline activity is concentrated in a handful of high-growth Sun Belt metros, while most of the country has essentially stopped building.

3 Back-to-school budgets up 11.7%

According to our recently released Back-to-school spending report, parents plan to spend an average of $489 per child this year, up from $437 last year. That 11.7% increase runs well ahead of headline consumer inflation around 3.5%. There has also been a marked pivot to value. While Walmart consistently ranks #1 among parents shopping for back-to-school, this year, its popularity soared 22.5 percentage points to 77.3%.

4 Retail sector remains in favor for investor acquisitions

Retail investment activity is accelerating, with H1 2026 volume reaching $33.0 billion, up 14% year-over-year and the strongest first half since 2022. Growth built steadily through the period, with Q2's $16.8 billion extending Q1's $16.2 billion. This momentum is tightening pricing, cap rates compressing across retail sub-types.

By the numbers

11.8 billion
Existing inventory (s.f.)

56.1 million
Under construction (s.f.)

4.4%
Total vacancy

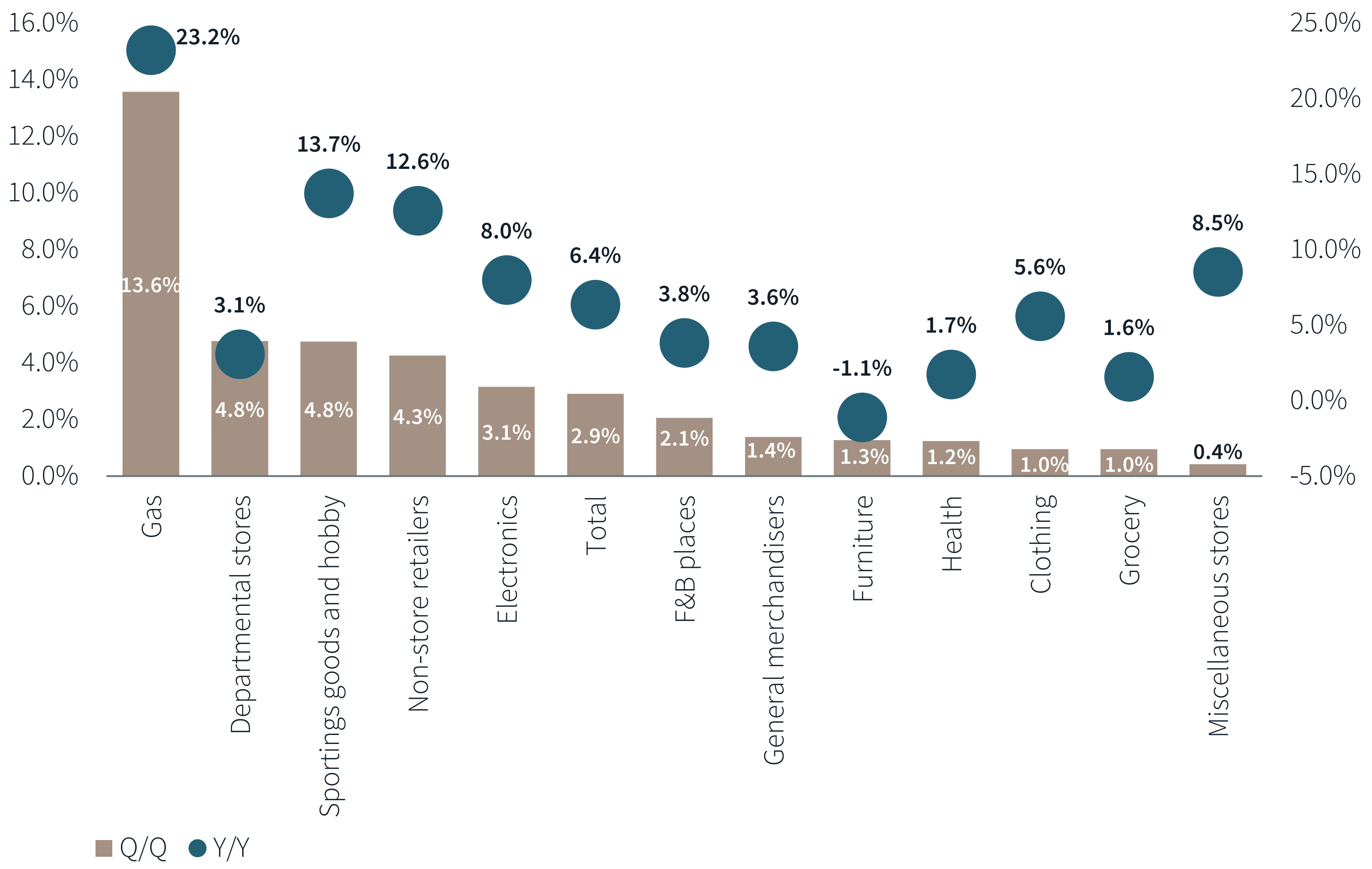
$26.02
Market rent (per s.f.)

10.2 million
Q2 2026 net absorption (s.f.)

Back-to-school shopping lifts second-quarter retail sales

- Retail spending stayed strong in the second quarter. Total retail and food services sales reached $2.3 trillion, up 6.4% from a year ago and 2.9% above first-quarter levels. Even after stripping out gas stations and auto dealers, underlying growth still came in at a healthy 5.1% above year-ago figures, confirming this is genuine consumer demand, not just higher pump prices.
- Three categories stood out in year-over-year growth. Sporting goods, hobby, and bookstores led with 13.7% growth, followed by online and non-store retail at 12.6%, and electronics at 8.0%. Clothing grew a solid 5.6%. The one soft spot was furniture and home furnishings, down 1.1% year-over-year.
- The common thread here is that retail store categories that typically offer back-to-school products saw notable growth, including clothing, non-store retailers, sporting goods, and general merchandisers which include superstores like Walmart as well as discounters and dollar stores.

Q2 2026 retail sales growth

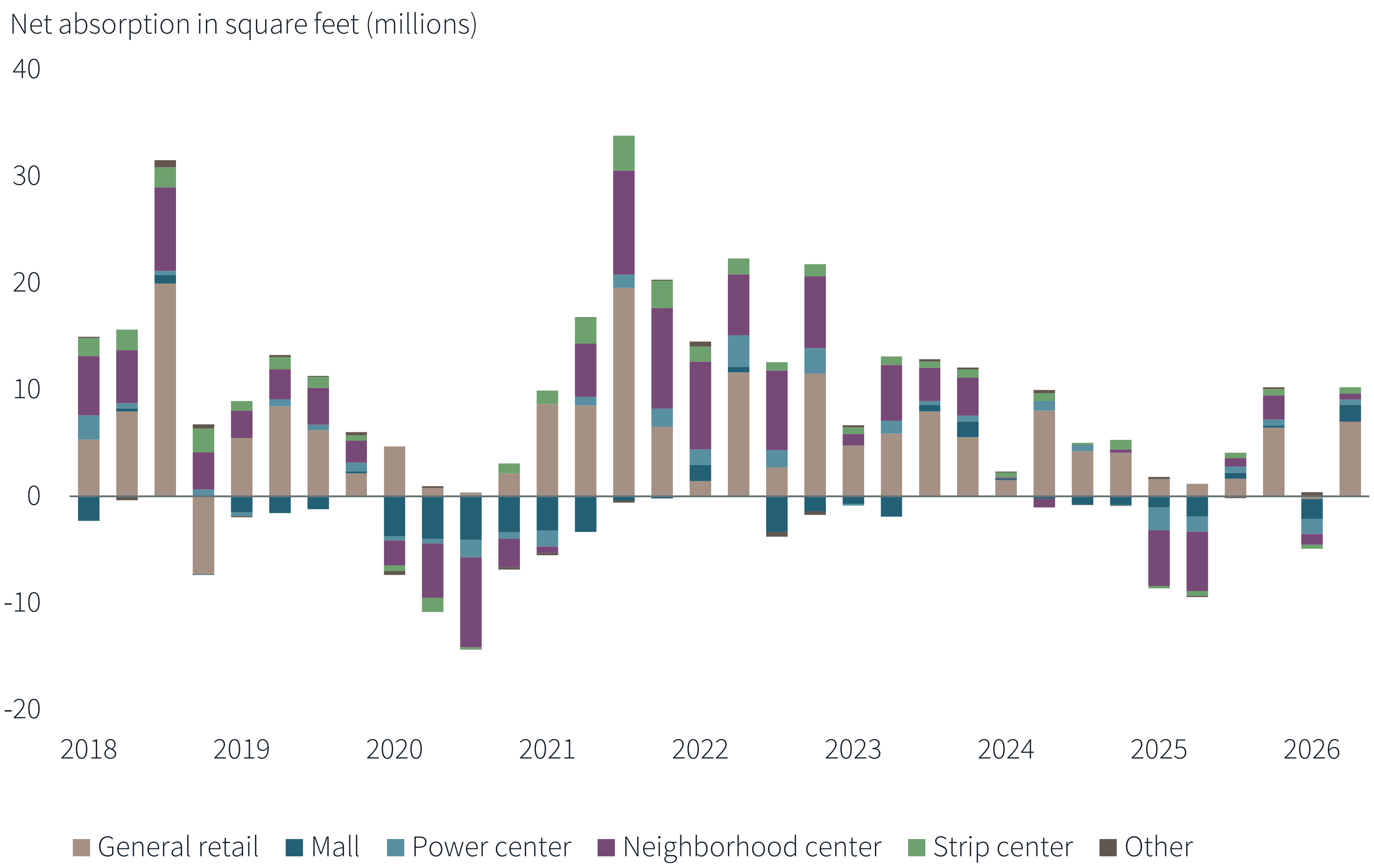


Source: U.S. Census Bureau

Retail demand snaps back with the second-strongest quarter in two years

- U.S. retail net absorption totaled 10.2 million square feet in the second quarter of 2026, snapping back from a negative first quarter (-4.5 million square feet) and marking the second-strongest quarterly level of the past two years.
- General retail (freestanding stores and single-tenant boxes) posted the strongest quarter at nearly 7 million square feet, consistent with its steady, less cyclical profile. But, more notably, malls and neighborhood centers saw meaningful positive absorption this quarter after significant net negative absorption at the start of the year. Malls moved from a negative 12-month trend to positive for the first time in over a year, and neighborhood centers followed suit.
- Geographically, Sun Belt and Southwest growth markets continue to outshine other regions. Phoenix (979,000 square feet) and Dallas/Ft. Worth (726,000 square feet) led all markets in the quarter, and Dallas also tops the 12-month leaderboard at nearly 2.9 million square feet, trailed closely by Phoenix. These markets combine strong population inflows with retailers still playing catch-up on store counts relative to household growth — demand that simply hasn't existed at scale in slower-growing metros.

Demand pendulum swings back to positive in Q2 2026



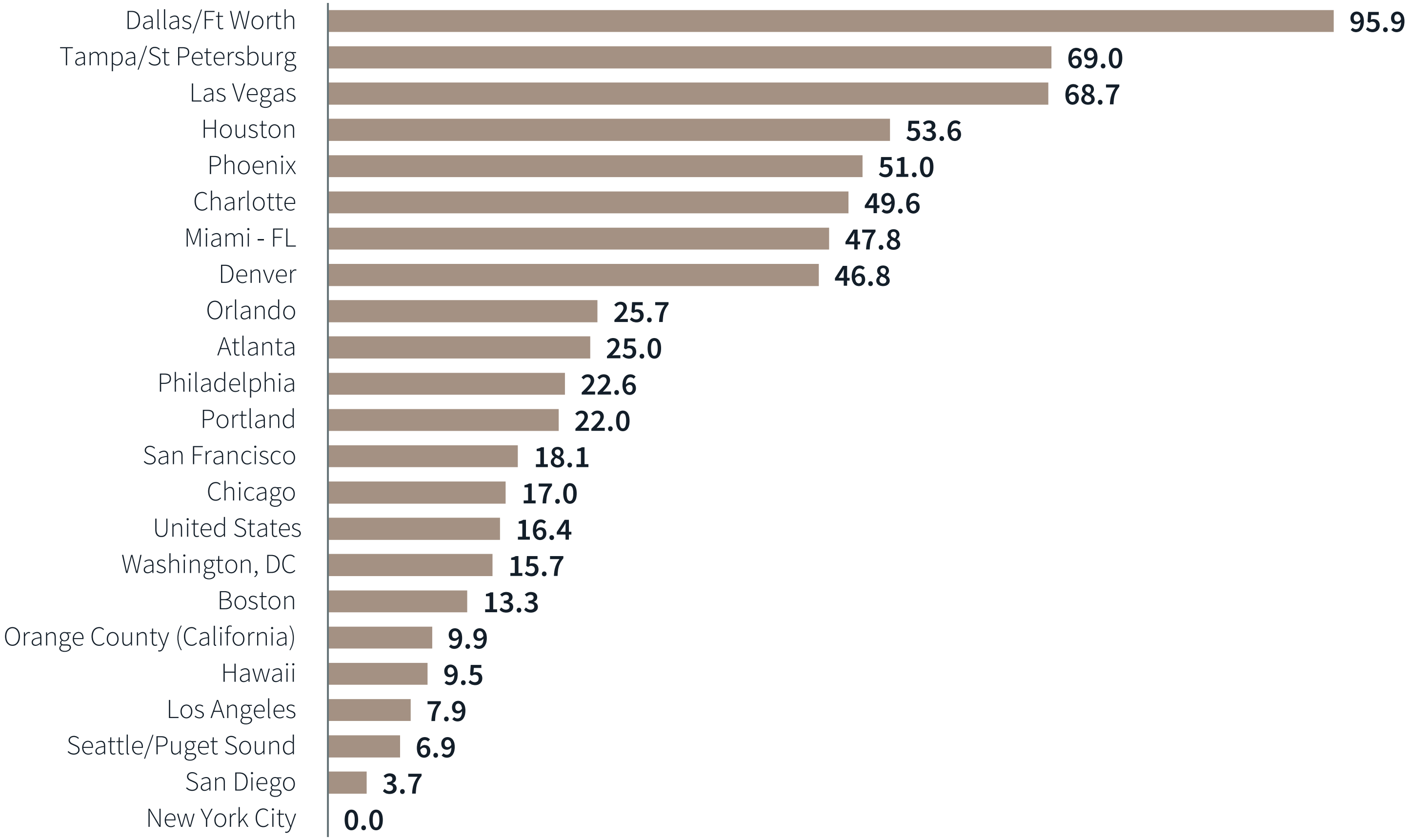
Source: CoStar-National index markets

Dallas-Fort Worth's pipeline outpaces every other market by nearly 40%

- New retail construction remains historically constrained nationwide, keeping availability and vacancy low and reinforcing landlords' pricing power. But the national average of 16.4 square feet under construction per 100 residents masks a sharply uneven picture: pipeline activity is concentrated in a handful of high-growth Sun Belt metros, while most of the country has essentially stopped building.
- Dallas-Fort Worth leads by a wide margin at 95.9 square feet under construction per 100 residents — nearly 40% ahead of the next closest market — consistent with the metro's outsized population growth and pull as a corporate relocation destination. Tampa/St. Petersburg (69.0) and Las Vegas (68.7) round out the top tier, both markets where strong in-migration is outpacing legacy retail stock. Houston, Phoenix, and Charlotte form a second tier in the high-40s to low-50s, building steadily but without the same urgency.
- Miami stands out as the market to watch: a top-five pipeline at 47.8 square feet under construction per 100 residents, yet just 2.1 square feet delivered over the past year — one of the widest pipeline-to-completion gaps in the data set. That construction is still working its way through the pipeline in an already tight market and should be absorbed quickly once it delivers.

Construction activity by population and market

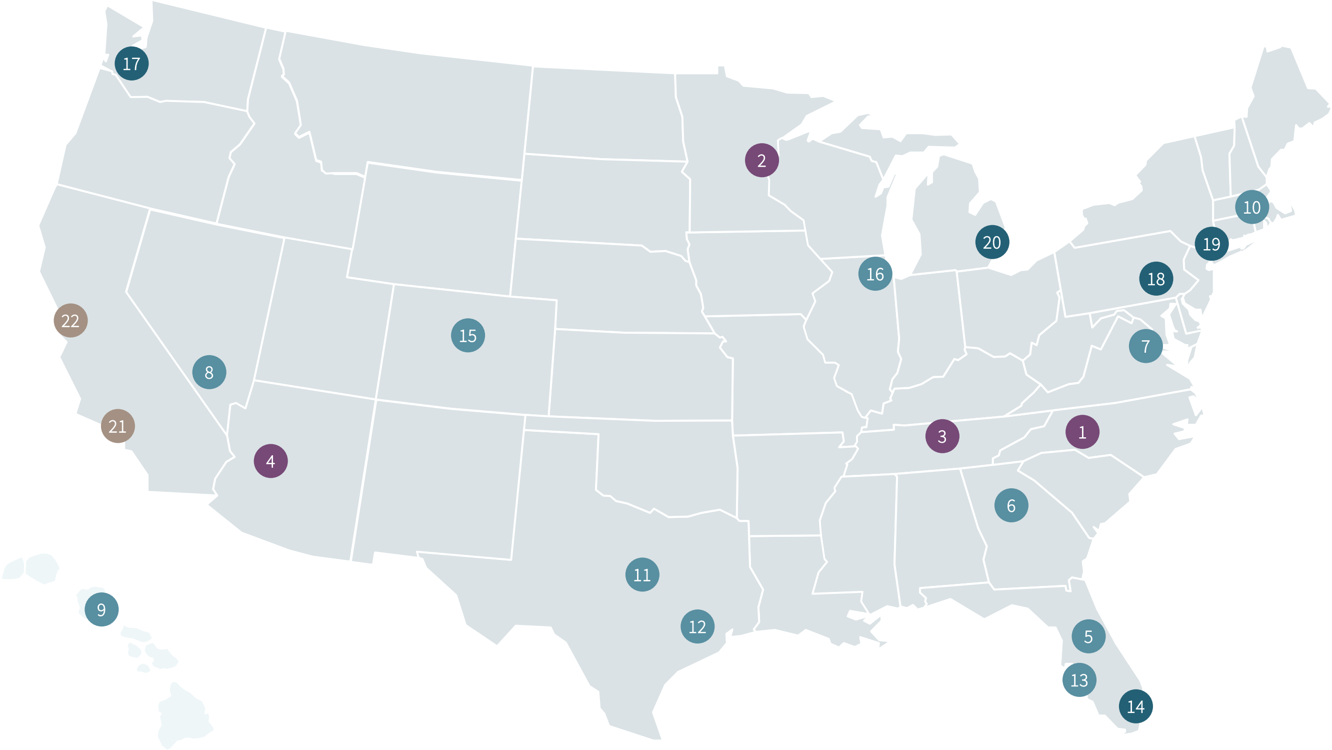
Retail square feet under construction per 100 people



Source: CoStar-National index markets

Sun Belt (and Minneapolis) lead as rent growth slows to 1.7%

National rent growth eased to 1.7% year-over-year, but that headline figure masks a clear regional divide. Charlotte leads the country at 6.0%, with Minneapolis, Nashville, and Phoenix, all posting gains above 4% on sustained population growth and an expanding retail consumer base. Orlando and Atlanta follow close behind, both above 3%. At the other end, a couple of coastal gateway markets are moving the other way, pulling the national average down.



1	Charlotte	6.0%	12	Houston	2.2%
2	Minneapolis	5.2%	13	Tampa	2.1%
3	Nashville	4.6%	14	Miami	1.9%
4	Phoenix	4.3%	15	Denver	1.9%
5	Orlando	3.6%	16	Chicago	1.3%
6	Atlanta	3.4%	17	Seattle	1.0%
7	Washington DC	3.3%	18	Philadelphia	0.5%
8	Las Vegas	3.3%	19	New York	0.4%
9	Honolulu	2.9%	20	Detroit	0.4%
10	Boston	2.6%	21	San Francisco	-0.2%
11	Dallas	2.4%	22	Los Angeles	-1.0%

YoY % rent change

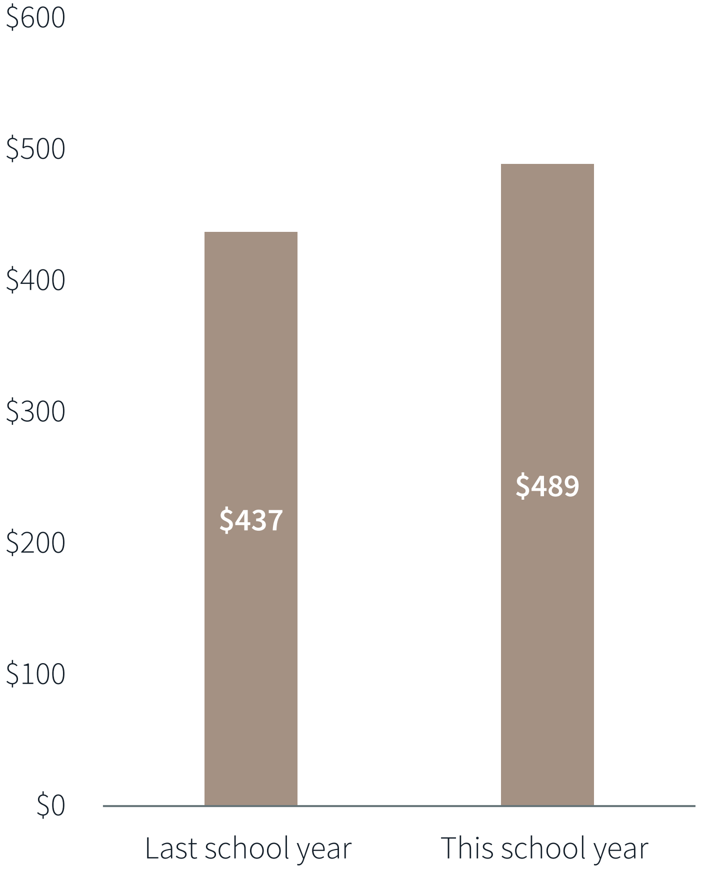
< 0.0% 0.0%-1.9% 2.0%-3.9% > 4.0%

Source: CoStar

Back-to-school budgets up 11.7%

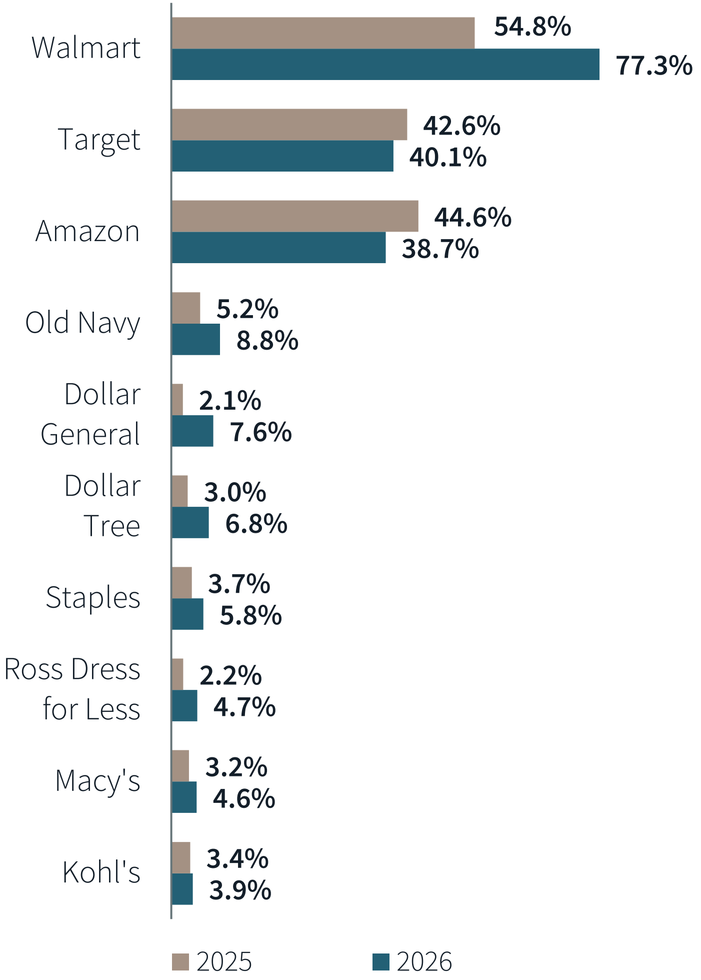
- According to our recently released Back-to-school spending report, parents plan to spend an average of $489 per child this year, up from $437 last year. That 11.7% increase runs well ahead of headline consumer inflation around 3.5% but is a noticeable deceleration from last year's 17.3% jump, showing normalization after two years of unusually strong growth.
- There has also been a marked pivot to value. While Walmart consistently ranks #1 among parents shopping for back-to-school, this year, its popularity soared 22.5 percentage points to 77.3%. Walmart shoppers over-index heavily on saving money and one-stop shopping – the two factors parents prioritize most, particularly this year.
- The barbell economy continues to define retail shopping. Walmart, Target, and Amazon now capture 58% of all Top-3 retailer mentions by parents, and the middle tier is getting squeezed from both ends – budget shoppers consolidating at mass merchandisers and dollar stores, higher-income shoppers dispersing across specialty and off-price.
- Dollar stores broke into the top 10 for the first time, and nearly 60% of their shoppers earn under $50K, reflecting the more pronounced budget constraints of this income segment.

Back-to-school average spending per child



Source: JLL Back-to-school survey 2026

Top 10 retailers parents plan to shop from

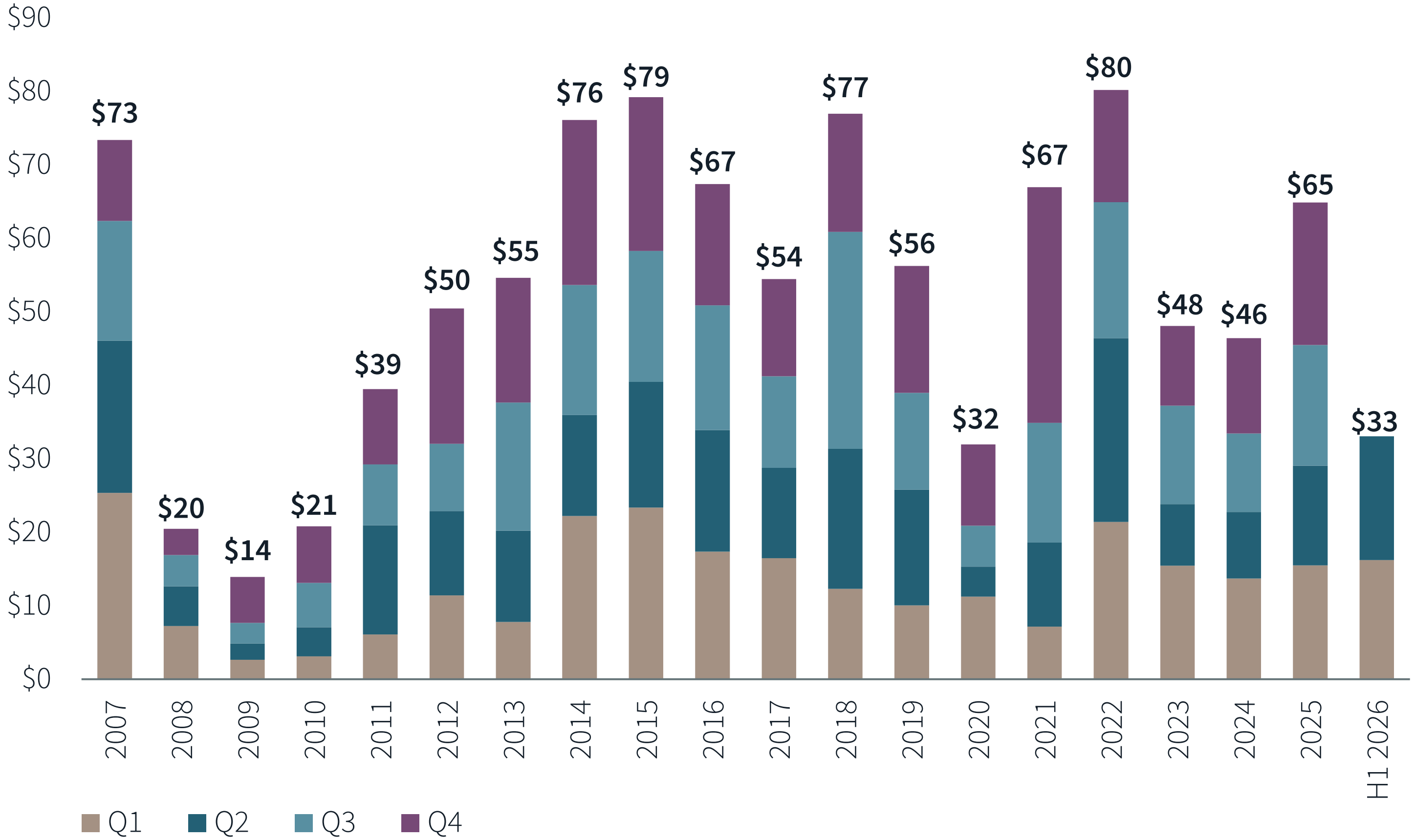


Retail sector remains in favor for investor acquisitions

- Retail investment activity is accelerating, with H1 2026 volume reaching $33.0 billion, up 14% year-over-year and the strongest first half since 2022. Growth built steadily through the period, with Q2's $16.8 billion extending Q1's $16.2 billion. This momentum is tightening pricing, cap rates compressing across retail sub-types. Meanwhile, elevated replacement costs are keeping new construction scarce, reinforcing the case for existing retail assets.
- Investors are firmly in acquisition mode: 64% expect higher 2026 acquisition volume versus just 48% expecting more dispositions, pushing more deals off-market and capital toward secondary markets, where yields can potentially outpace primary markets.
- Institutional players are following suit, seen in deals like TPG's ECHO Realty acquisition and ARES's take-private of Whitestone REIT, while a growing, more flexible lender base is easing financing.

Historical U.S. retail transaction volume, 2007 – H1 2026

Quarterly transaction volume (billions USD)



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

Outlook

1

Landlords will likely keep the upper hand as scarcity persists.
Construction is on pace to stay historically thin and concentrated in a handful of Sun Belt metros, which should keep nationwide vacancy low well into next year. Malls and neighborhood centers are building on this quarter's turn to positive absorption, and the recovery could broaden beyond general retail in the quarters ahead.

2

The pivot to value will keep gaining ground.
As Back-to-school budgets normalize after two years of outsized growth, shoppers will likely keep consolidating around Walmart, discounters and dollar stores while higher-income shoppers lean further into specialty and off-price. Centers anchored by value and everyday-needs tenants are best positioned to capture that shift going forward.

3

Capital continues to flow back into retail real estate.
H1 2026 investment volume climbed 14% year-over-year to $33.0 billion as cap rates compressed, and investors remain in acquisition mode — 64% expect higher 2026 volume vs. just 48% expecting more dispositions. That imbalance could keep pushing more capital toward off-market deals and secondary markets in search of yield.

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