2024

Holiday Retail Trends

Holiday Trends Observations

Supply Chain and Distribution

- E-commerce's share of total retail sales sits at 21.8%, surpassing its previous spike during the pandemic. Sales within 4Q are on average 29.5% higher than the average of 1Q to 3Q across the last 15 years.
- With the ever-growing e-commerce share of total retail sales, a wave of development in modern logistics space has outpaced development of retail space — a factor of five times from 2014 to 2023.

Retailers and Consumers

- Traditionally, retailers stock up massive supplies of goods in October and November, which often led to end-of-season sales and massive discounts. However, the ratio of inventory to sales has since reduced over time.
- In 2023 the ratio was 1.17, which is lower than the ratios for both manufacturers and for merchant wholesalers. This indicates that the retail industry has improved at clearing inventory by way of sales, increasing the chances of retailers to make a profit.
- The role of the store has expanded, as most consumers prefer to buy digitally and pick up and/or return items in-store.

Outlook

- Advances will continue to be made within retailers' supply chains to improve efficiency. Although the footprint of logistics space has expanded exponentially over the last decade, construction of new retail space remained relatively flat. This puts most of the burden on the industrial side.
- Holiday retail sales have outpaced e-commerce sales by 275% since 2020, thus retailers must ensure their supply chain and distribution are within striking distance of their targeted communities.
- Overall demand for logistics space has reset to levels below the pre-2020 baseline, as retailers unload excess space and curb expansion plans to better align with consumer demand.
- Retailers carrying less of an inventory bump by the holiday season benefit in two significant ways: lower inventory carrying costs and mitigating the harm end-of-season discounts can have to the bottom line.
- As more consumers prefer click-and-collect purchases and in-store returns, retailers must adapt by dedicating more space for returns, equipping associates with better in-store logistics technology and focusing on seamless mobile app performance.

Introduction

The 2024 holiday shopping season is well underway, with just under a month left for consumers to complete their treasure hunts for gifts, whether via goods or experiences, for their friends and loved ones.

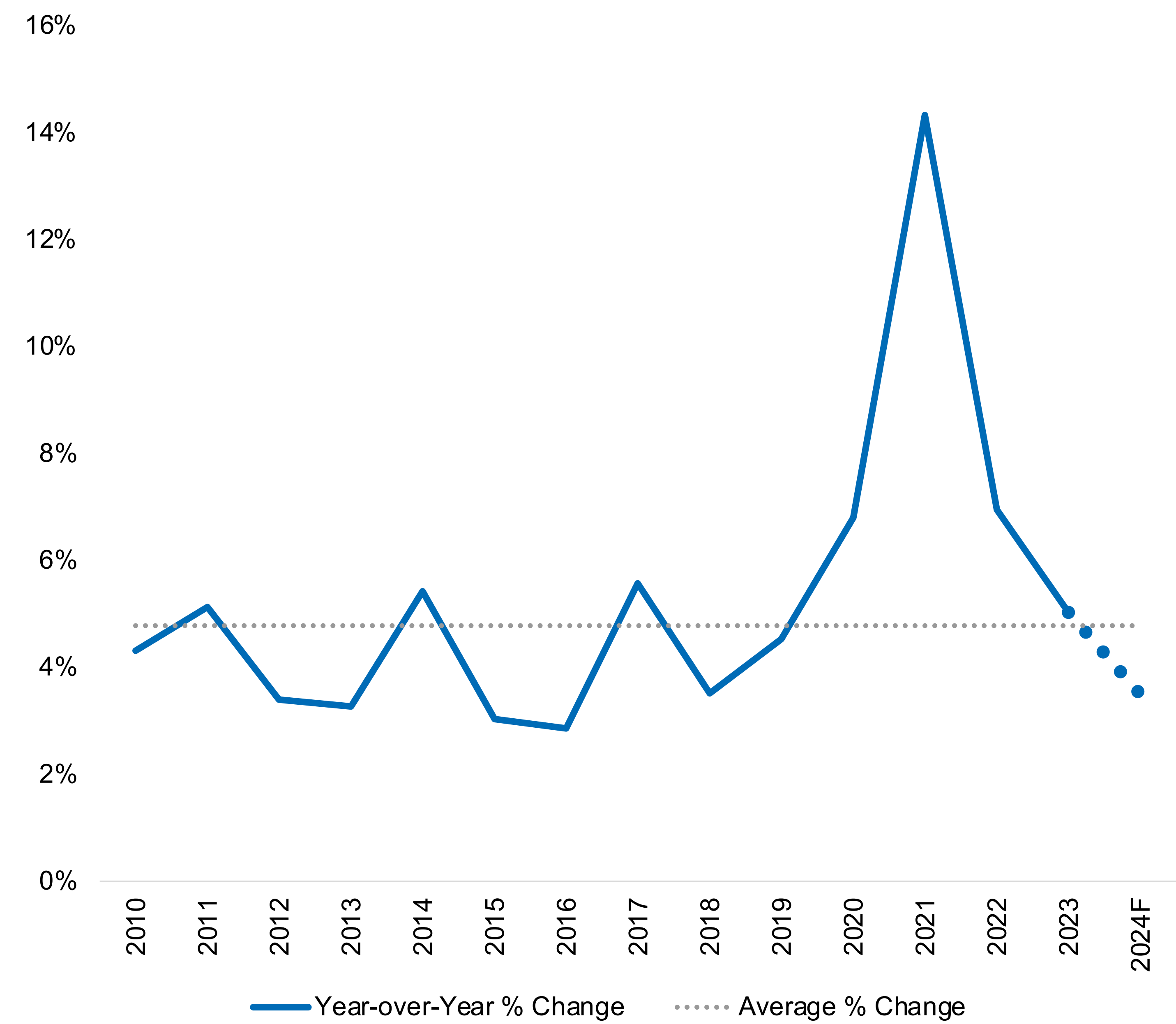
Forecasters estimate an increase in retail sales of 2.4% to 3.6% over last season—a solid, if below-average, performance amid lingering inflation.

E-commerce is expected to capture 7.0% to 8.5% of holiday sales, continuing its growth trajectory as digital channels allow price-sensitive consumers to compare costs instantly and save on expenses like transportation.

The National Retail Federation predicts retail sales will approach $1 trillion for November and December, equating to an estimated $902 per person. Despite a somewhat uncertain economic climate, consumers are prepared to spend.

How will these goods reach their recipients in time? Fortunately, the U.S. logistics network is well-positioned to meet demand.

Holiday Season Retail Sales % Growth, Historical and Forecast



Source: U.S. Census Bureau Advance Retail Trade Survey, Newmark Research, October 2024.

Evolution of Retailers

The supply chain of holidays past was inefficient. Retailers would stock up on massive supplies of goods in October and November, often leading to end-of-season sales and significant discounts. In 1995, the retail industry's inventory-to-sales ratio was the highest among major business types, at 1.65—meaning retailers carried enough inventory to cover 1.65 months of sales.

By 2023, this ratio had decreased to 1.17, lower than those of both manufacturers and merchant wholesalers. This reduction reflects the retail industry's improved ability to clear inventory through sales, increasing profitability.

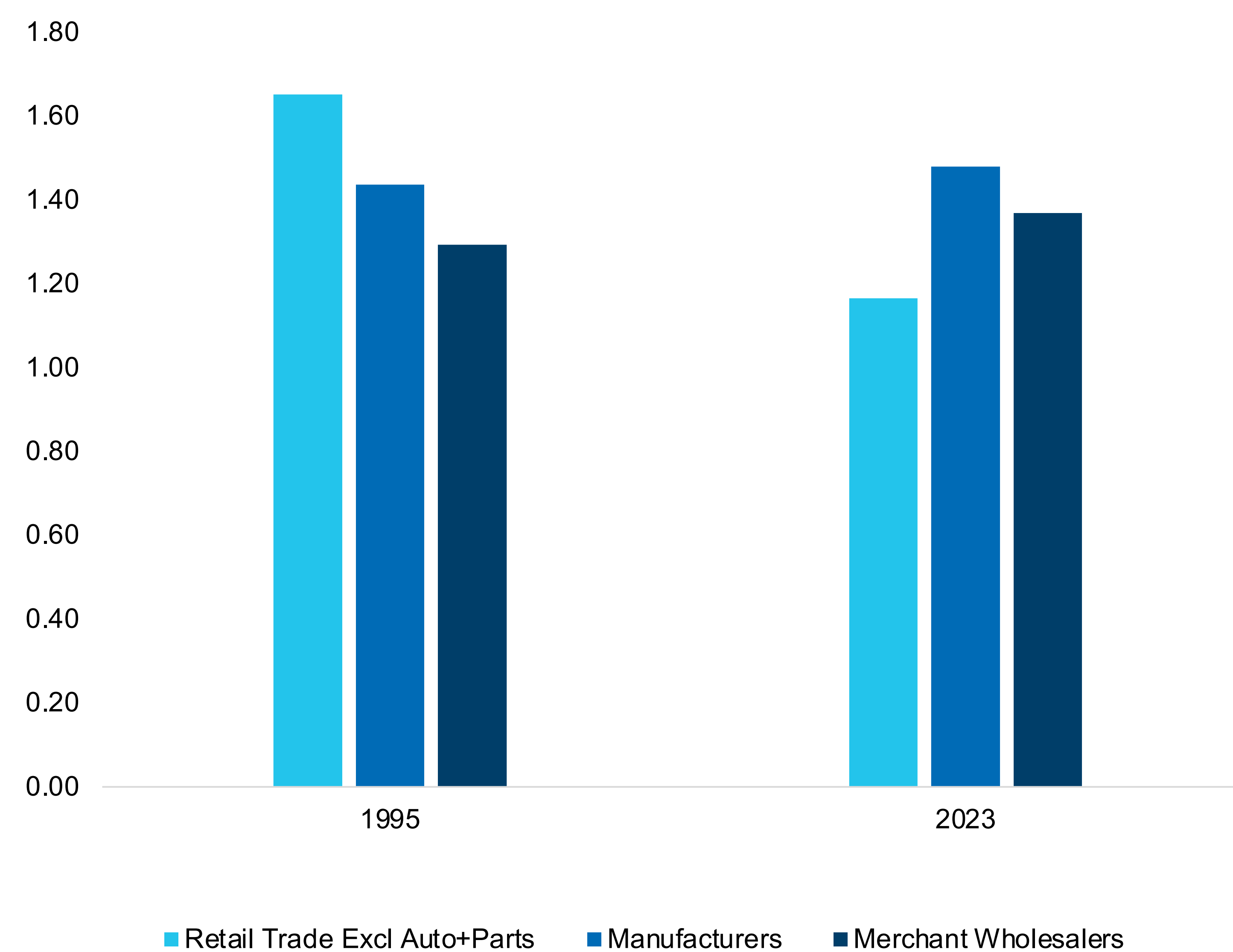
Retailers have capitalized on this efficiency during the holiday season. Comparing October and November inventory levels to the annual average, earlier decades showed a much higher premium. In 1990, the October-November premium was 10.8%, compared to just 3.8% in 2023.

Carrying a smaller inventory bump benefits retailers in two key ways. First, inventory management is costly.

According to Newmark Research, inventory carrying costs account for approximately 23% of business logistics expenses and are growing at a compound annual growth rate (CAGR) of 14%.

Second, reduced inventory levels help retailers avoid end-of-season discounting, which can hurt profitability.

Annual Inventories to Sales Ratios



Source: U.S. Census Bureau Advance Retail Trade Survey, Newmark Research, October 2024.

Evolution of Distribution

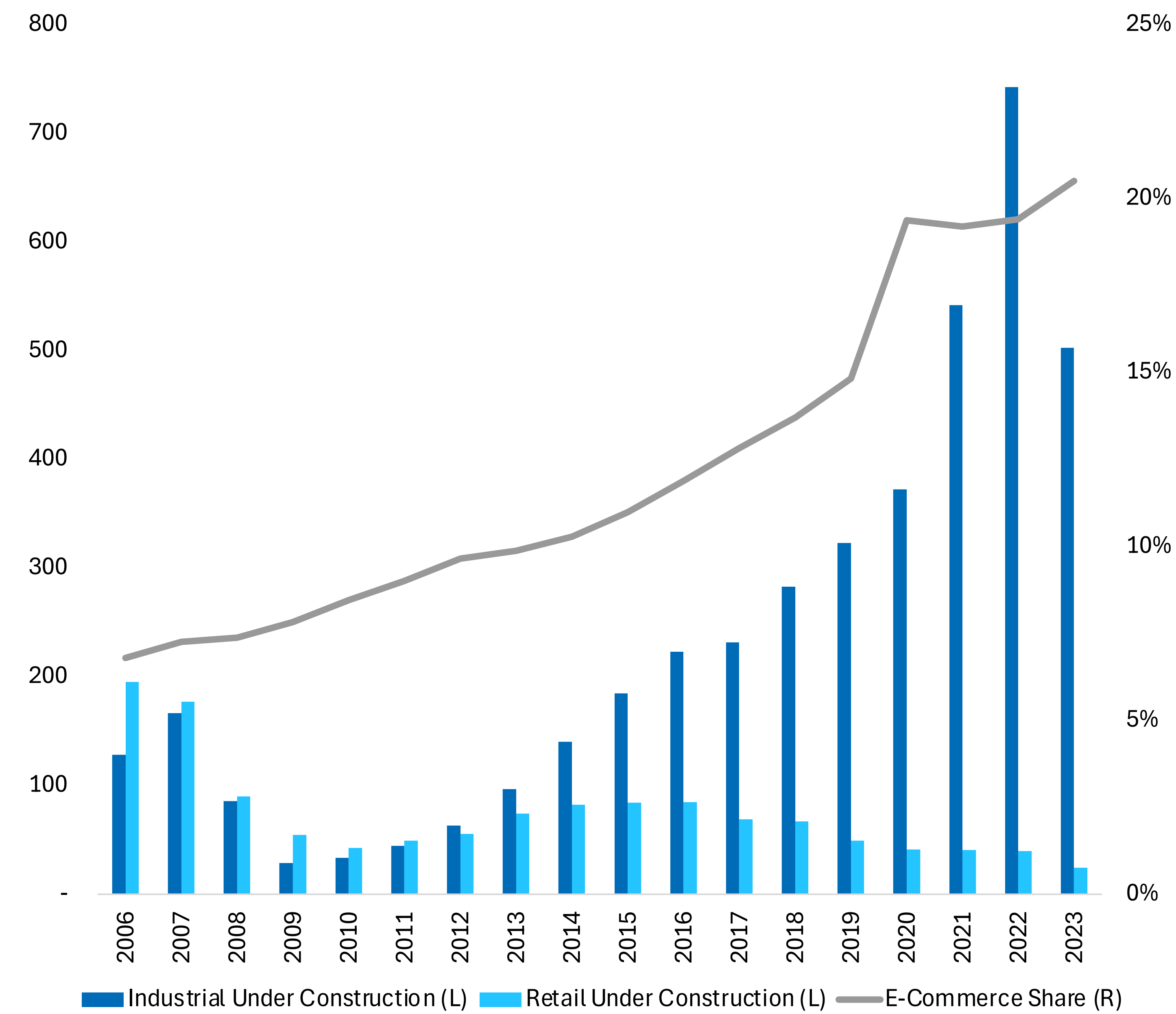
This improvement in inventory efficiency has been driven by the growth of e-commerce, which has created the most transformative shift in supply chain management of the 21st century. E-commerce's share of total retail sales now stands at 21.8%, surpassing the previous pandemic-era spike, according to the most recent retail sales report from the U.S. Census Bureau. This shift has necessitated a surge in modern logistics space development in the U.S., which has outpaced retail space development by a factor of five from 2014 to 2023.

This trend is particularly critical during the holiday season, as more goods must be moved at faster rates. E-commerce sales during the fourth quarter are, on average, 29.5% higher than the average for the first through third quarters over the past 15 years.

E-commerce, however, is not the only factor driving demand for logistics space. Supply chains must also support physical retail stores, where holiday retail sales have exceeded e-commerce sales by 275% since 2020.

Proximity to rapidly growing communities is essential to ensure timely delivery and meet consumer demand.

U.S. Logistics Pipelines in Millions of SF and Ecommerce % Share of Retail Sales



Source: U.S. Census Bureau Advance Retail Trade Survey, Newmark Research, October 2024.

Evolution of Consumers

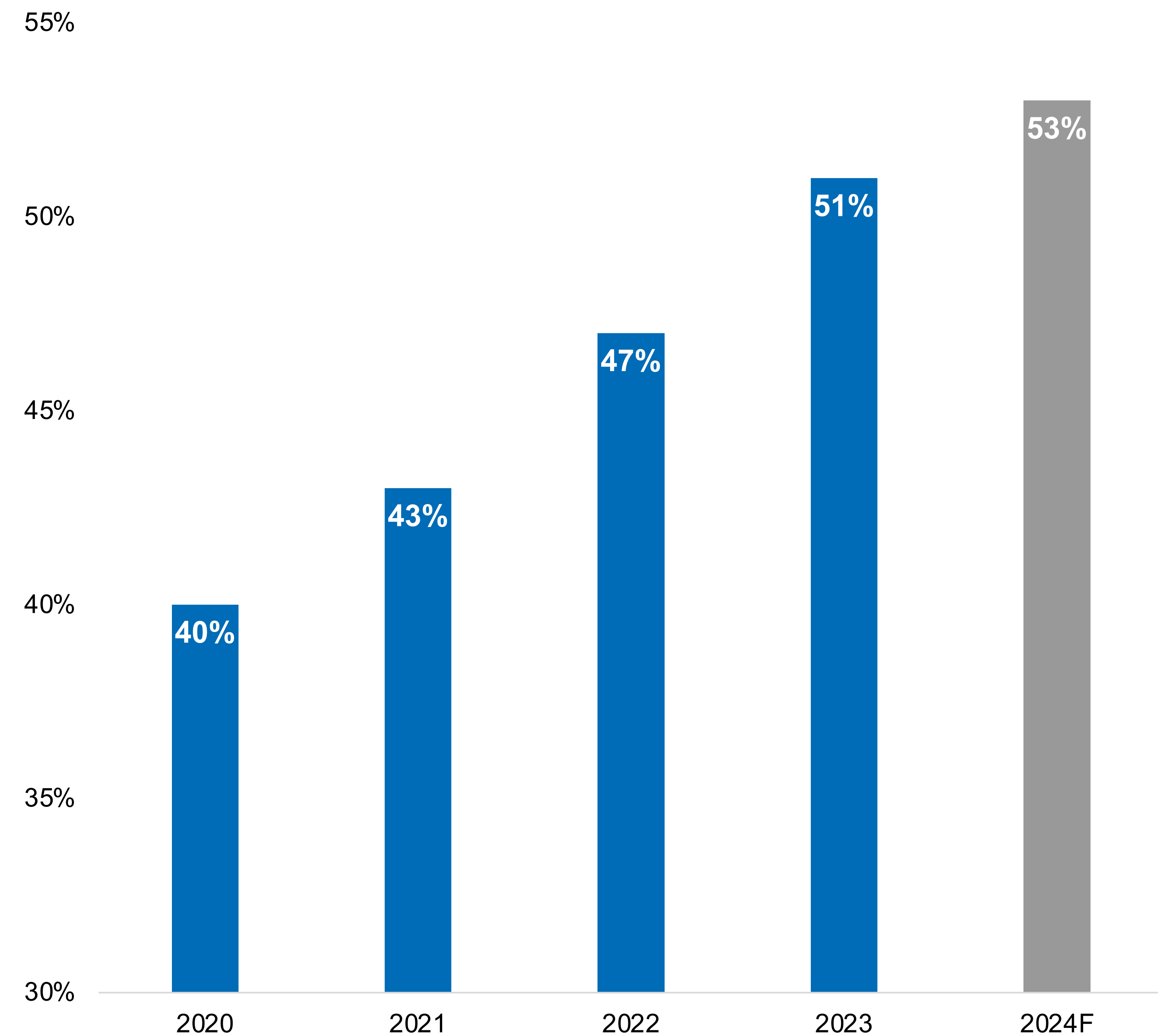
As quickly as retailers and warehouse/distribution centers have evolved, so have consumers. Smartphones, a relatively new concept, were not critical to past holiday shopping seasons. The iPhone was introduced in 2007, and the Pew Research Center reports that only 35% of Americans owned smartphones as recently as 2011. Today, over 91% of Americans own smartphones, transforming the retail landscape.

In 2015, m-commerce accounted for less than 4% of total retail sales, with mobile purchases via tablets and smartphones totaling under $100 billion for the year. For 2024, eMarketer estimates retail m-commerce sales will grow nearly 13% year-over-year, reaching $535 billion—a clear sign that consumers are increasingly comfortable making purchases via mobile websites and apps. This holiday season, Adobe estimates that m-commerce will account for 53% of all digital sales, marking an all-time high.

Smartphone usage continues to evolve. Recent data from the Pew Research Center reveals that 21% of individuals aged 18 to 29 rely on smartphones as their sole internet connection, the highest among all age groups. Surprisingly, the second-highest group is individuals aged 65 and older.

Retailers must continue enhancing their multichannel platforms to ensure a convenient and seamless experience—or risk losing customers to competitors who will.

Mobile Device Share of E-Commerce During the Holiday Season, in % Share



Note: Adobe defines their holiday season as the time between November 1 and December 31 for each year.
Source: Adobe Analytics.

Evolution of Stores

App usage isn't limited to purchases. Mobile devices have become essential tools for connecting with retailers, both in and out of the store.

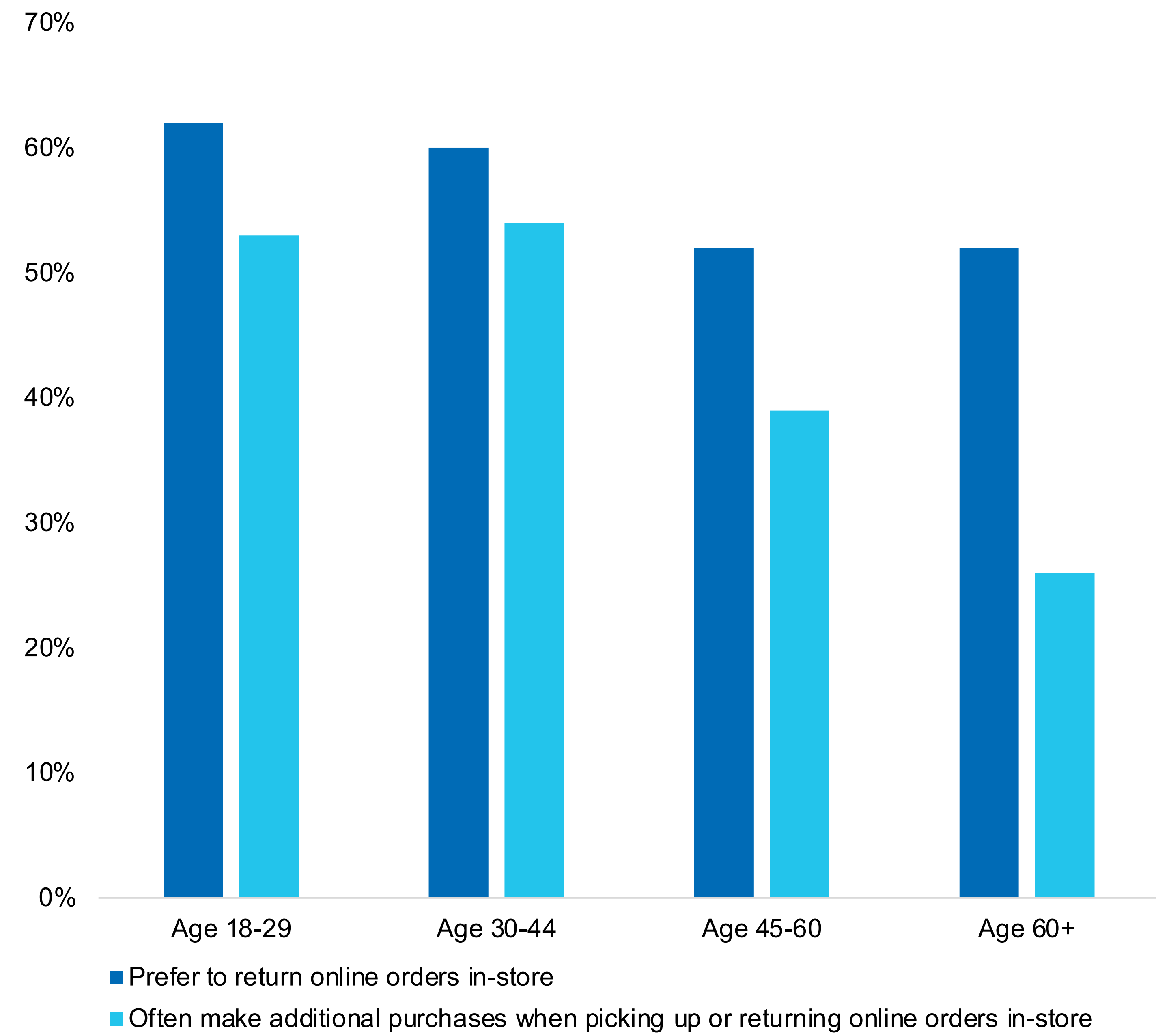
According to an eMarketer survey, about 50% of retail app users rely on apps to find the best prices, while 46% use them to access loyalty rewards. Additionally, approximately 40% of users access apps in-store to compare prices, find discounts, or use coupons.

Another growing trend is the preference for in-store returns among digital shoppers. A study by Ryder found that 55% of digital shoppers prefer to return items in-store rather than via mail—a percentage that increases among younger demographics.

This shift has expanded the role of the store. Traditionally, stores served as places to sell goods and promote brands through physical and visual presence. Now, with 24/7 access to retailers via digital platforms, stores have had to adapt. Retailers are dedicating more space to returns and equipping associates with advanced in-store technology to reintegrate returned items into the logistics network.

Fast fulfillment of buy-online, pick-up-in-store (BOPIS) orders has also driven operational changes. Restaurants, too, are reconfiguring locations—allocating more space for multiple drive-throughs and pick-up windows while reducing dining room areas. These adjustments keep stores efficient during and beyond the holiday shopping season.

Shopping Habits by Consumers, in % of Responses by Age Group



Source: Ryder 2024 E-commerce Consumer Study.

Moving Forward

Looking ahead, advances in retailers' supply chains will continue to drive efficiency.

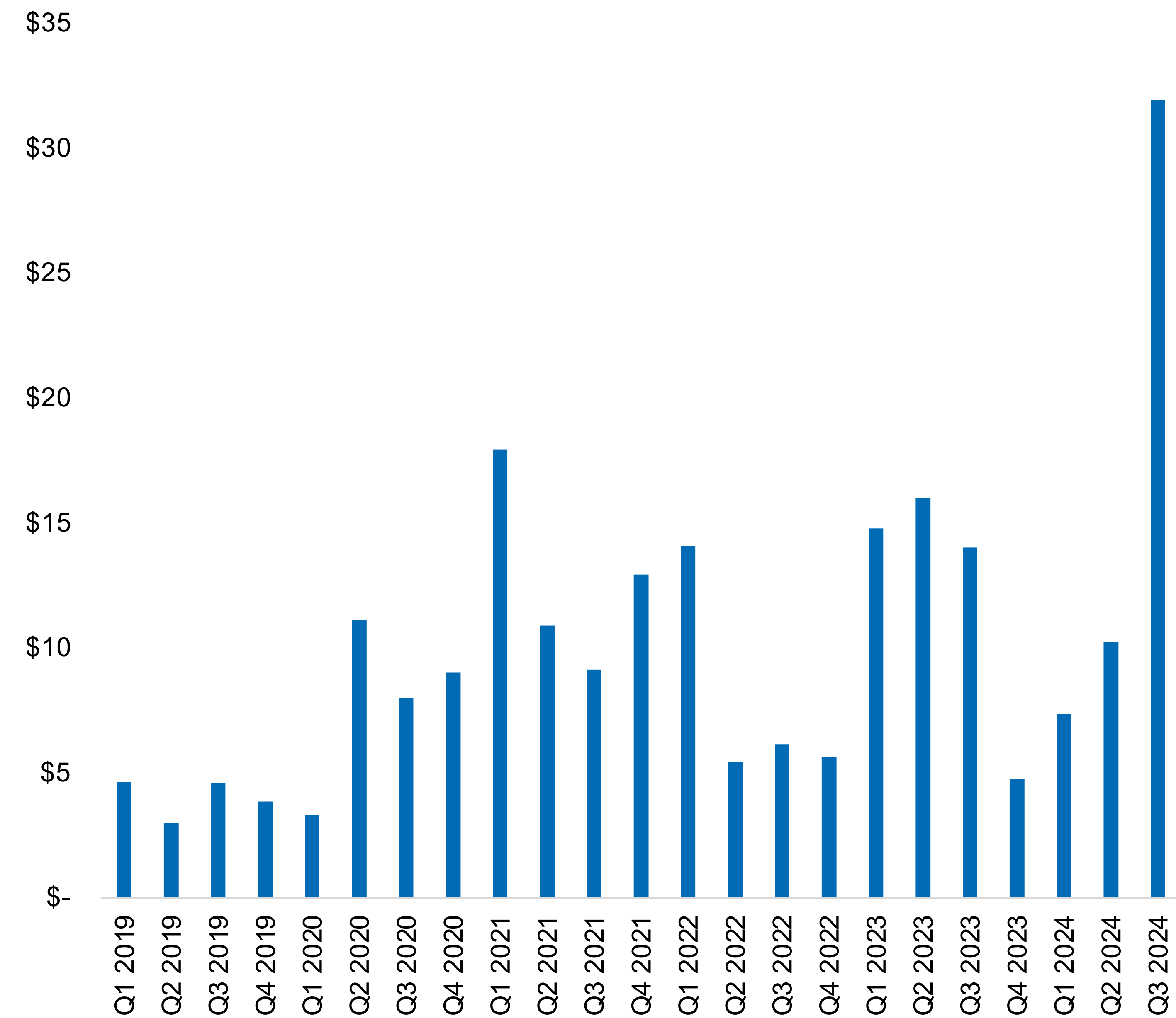
While logistics space has grown exponentially over the past decade, new retail space construction has remained relatively flat, placing most of the burden on the industrial sector.

In this cycle of supply chain optimization, demand for logistics space— which surged during the height of the pandemic—has reset in 2024 to levels below the pre-2020 baseline as retailers shed excess space and recalibrate expansion plans to align with consumer demand. It remains critical for developers to design spaces that meet the modern and evolving needs of retailers and their customers.

Recent CrunchBase data highlights a surge in funding rounds of $30 million or more for industries focused on e-commerce, supply chain, warehouse automation, and related sectors that facilitate the movement of goods. The future focus is on creating warehouse and distribution spaces that work seamlessly with retail locations to deliver goods to consumers swiftly and cost-effectively.

This pursuit of supply chain efficiency is yielding results. Retailers are achieving historically low inventory-to-sales ratios even as sales continue to climb. By stocking less inventory in advance, retailers can reduce overstocks and discounting, positioning themselves for success during another busy holiday shopping season.

Funding Rounds for Retail Supply Chain-Related Companies, in Billions of $



Note: Covers investments of $30 million or higher for companies with industry descriptions of e-commerce, e-commerce platforms, last mile transportation, logistics, retail technology, same day delivery, supply chain management, and warehouse automation.
Source: Crunchbase, November 2024.

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

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