CBRE

Japan High Street Retail

Shifting domestic consumption patterns to boost demand for high street stores

VIEWPOINT

AS DOMESTIC CONSUMPTION PATTERNS EVOLVE AMID PERSISTENT INFLATION, HIGH STREET STORES ARE GAINING STRATEGIC IMPORTANCE AS ESSENTIAL HUBS FOR VALUE-ADDED PRODUCTS AND EXPERIENTIAL RETAIL.

CBRE RESEARCH
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1. Domestic consumption pivots toward personal preferences and experiential value

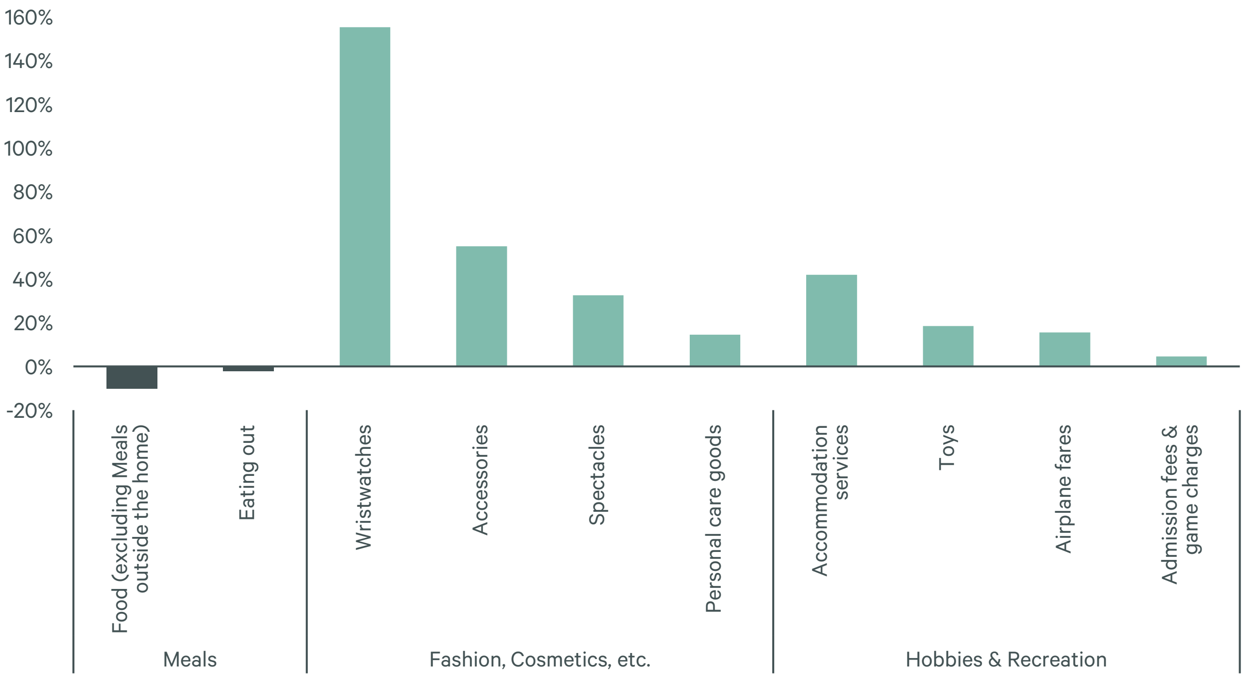
Inflation as a catalyst for selective consumption patterns

Selective consumption is a key feature of Japan's retail market at present. This trend is seeing consumers keep everyday expenses to a minimum but continuing to spend on products related to their personal preference and on experiences.

Since 2022, a combination of pandemic-driven supply chain disruptions, escalating geopolitical volatility, and the surge in import costs fueled by a weakening yen has substantially pushed up prices in Japan. A comparison of domestic consumption patterns in 2019, prior to the inflationary shift, and 2024 reveals structural changes in consumer spending (Figure 1).

During this period, the real growth rate (adjusted for inflation) of consumption expenditure on essential foodstuffs was negative. This indicates that consumers are tightening their belts and curbing spending on basic commodities in response to inflation. In contrast, real expenditure on wristwatches and accessories (within the "Fashion, Cosmetics, etc." category), as well as on experiences such as accommodation and toys (under "Hobbies & Recreation"), has seen an upward trend. This shift highlights a growing appetite for spending on personal tastes, hobbies, and experiential value.

Figure 1: Real Growth Rate of Consumption Expenditure by Item (2019 vs. 2024)



* Consumption expenditure represents the average monthly value for worker households, comparing data from 2019 and 2024. The Consumer Price Index (CPI) by expenditure item was utilized to adjust for price fluctuations during this period. The real growth rate is calculated by subtracting the CPI growth rate from the change rate of consumer spending.

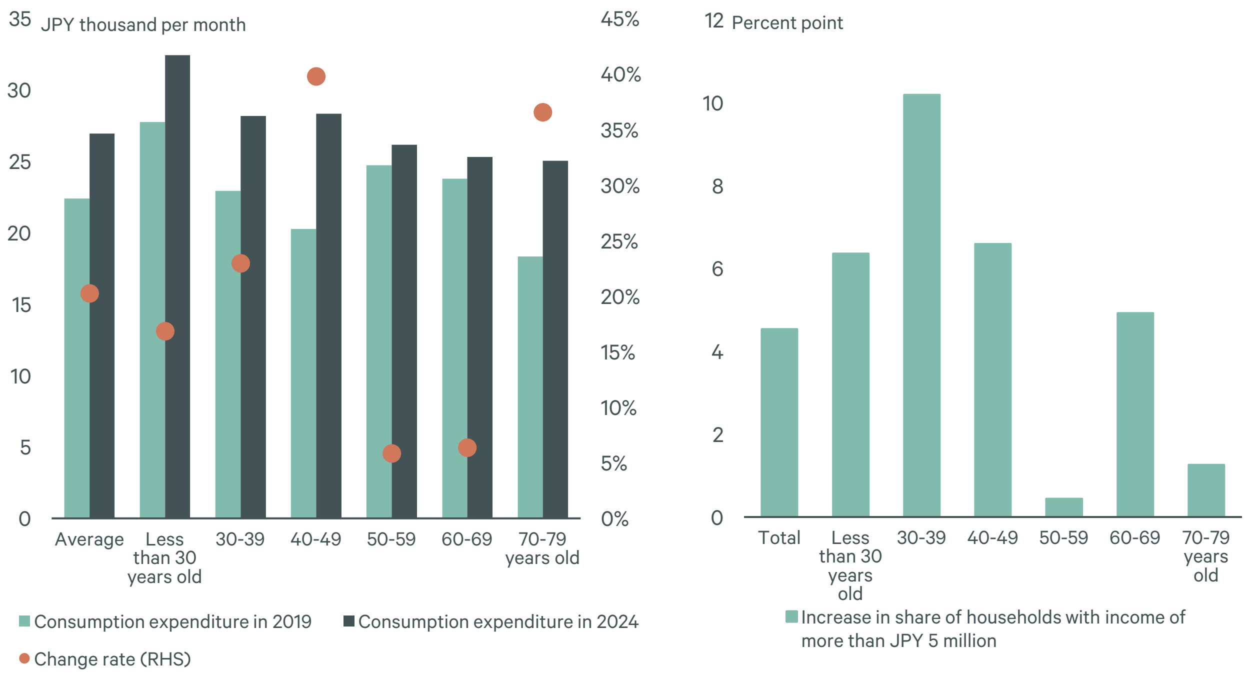
Source: Official Statistics of Japan "National Survey of Family Income, Consumption and Wealth", "Consumer Price Index", CBRE, April 2026.

Rising purchasing power drives spending on personal preferences and experiences

An analysis by age group of consumption expenditure in categories associated with personal taste and experiences—"Fashion, Cosmetics, etc." and "Hobbies & Recreation"—reveals growth across all generations up to and including those in their 70s (Figure 2, left). Notably, whereas the highest spending in 2019 was recorded by households in their 30s, followed by those in their 50s and 60s, 2024 data shows that the 30s and 40s age groups are now outspending older generations. This trend suggests that the pursuit of personal preferences and experiential value has become increasingly prominent among the younger working-age population.

The proportion of households with an annual income exceeding JPY 5 million has risen across all age brackets, with a particularly notable increase among the working-age population where the head of household is under 50. This shift has strengthened purchasing power and driven up overall consumption expenditure (Figure 2, right). Key drivers behind this trend include sustained wage growth, a further rise in dual-income households and employed seniors, and increased investment income resulting from higher asset prices.

Figure 2: Changes in Consumption Expenditure and Household Annual Income by Age of Household Head (2019 vs. 2024)



* Consumption expenditure represents the average monthly value for worker households, calculated as the total of the following expenditure items, adjusted for household size. Fashion, Cosmetics, etc. include wristwatches, accessories, bags, clothing, shirts & sweaters, spectacles, footwear, sporting goods and personal care goods. Hobbies & Recreation include eating out, accommodation services, airplane fares, package tours, purchase of bicycles, taxi fares, admission fees & game charges and toys.

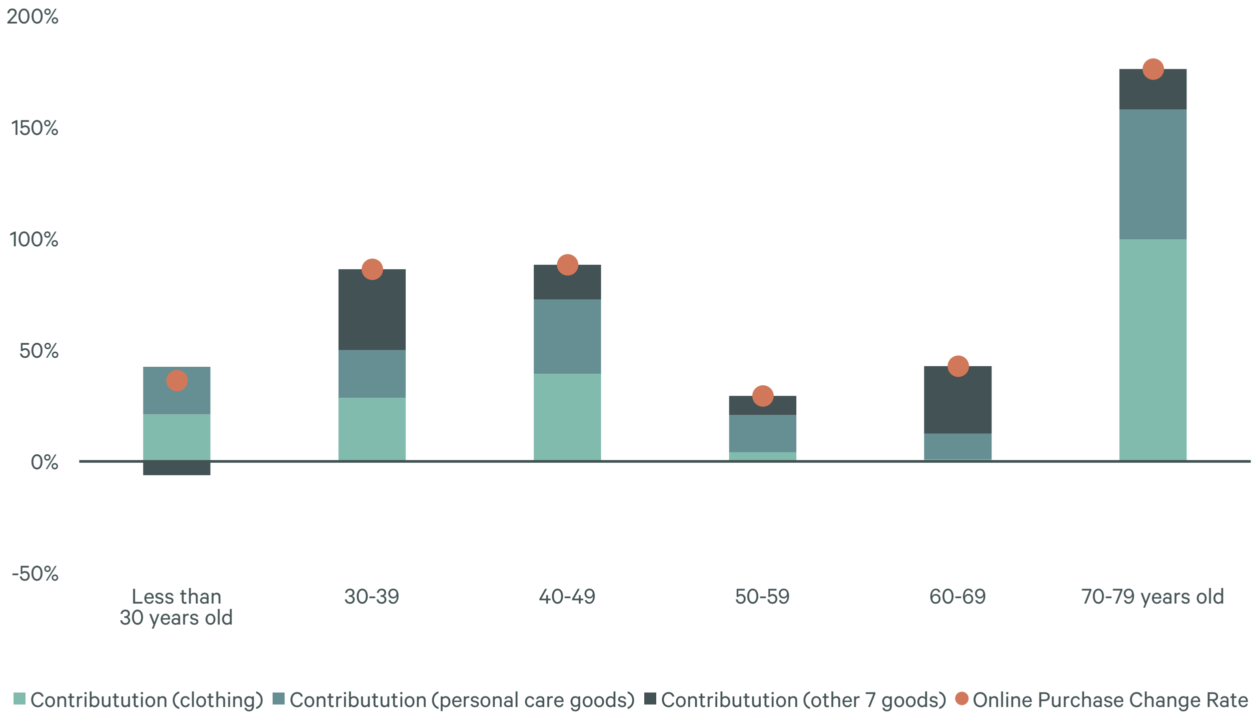
Source: Official Statistics of Japan "National Survey of Family Income, Consumption and Wealth", CBRE, April 2026.

E-commerce stimulates demand for pursuit of personal taste

Consumption of Items in the category of “Fashion, Cosmetics, etc.”, which are often discretionary and reflect personal taste, tend to be highly sensitive to rising costs as they are passed on to consumers through higher retail prices. However, the recent growth in spending in this sector is likely fueled by technological advancements that are unlocking new demand for personalized consumer experiences. One key factor in this regard is the continued proliferation of e-commerce, which allows consumers to shop at their own convenience. The most significant increases in online purchase volume for “Fashion, Cosmetics, etc.” have been observed among customers in their 70s, 40s, and 30s, in that order (Figure 3). Factors contributing to this include rising digital literacy among the elderly and the prioritization of time efficiency among younger generations.

Online data harvesting has enabled retailers to gain a far more nuanced understanding of consumer demographics and preferences, leading to a more precise alignment of supply with demand. When analyzing online purchases by category, clothing and personal care goods have emerged as the primary drivers of recent growth. A deeper grasp of individual consumer data allows retailers to offer products tailored to specific needs, while enabling consumers to discover their desired products more easily and efficiently.

Figure 3: Rate of Change in Online Purchase Amount and Contribution by Item within “Fashion, Cosmetics, etc.” (2019 vs. 2024)



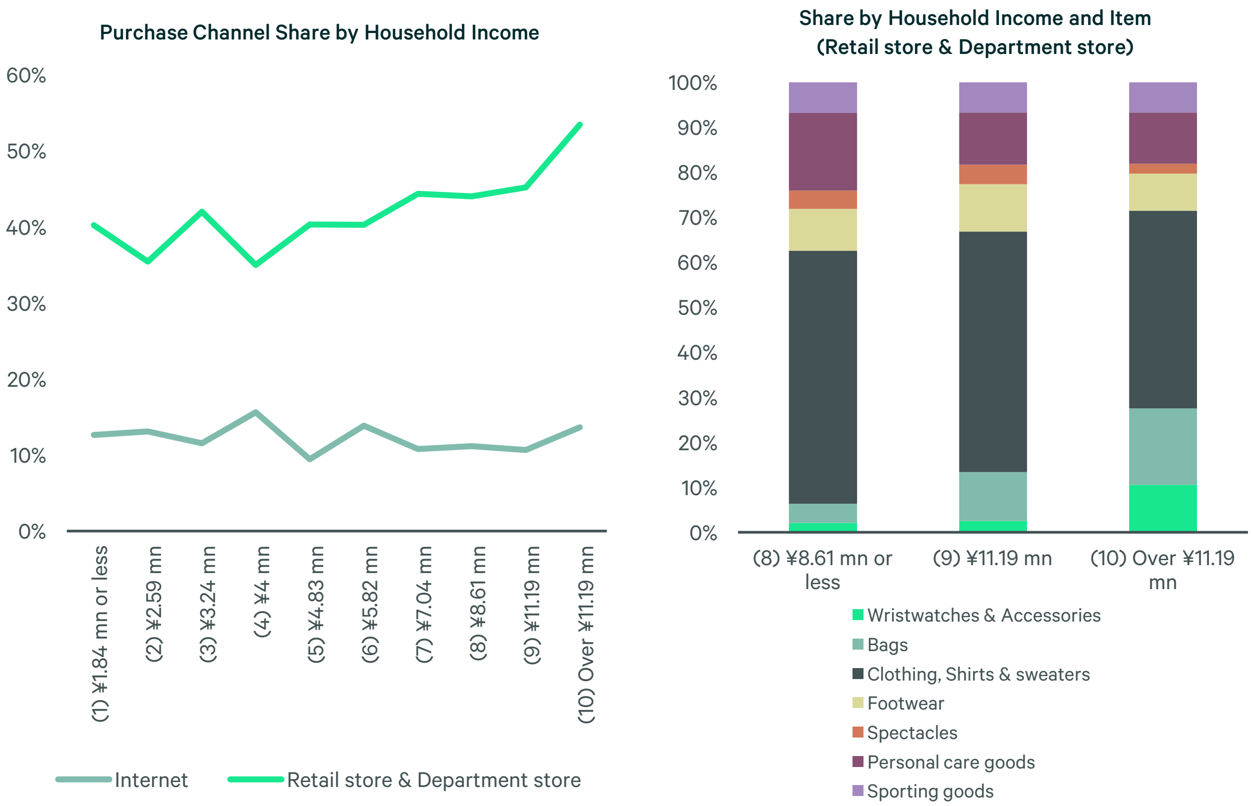
* Consumption expenditure represents the average monthly value for worker households, comparing data from 2019 and 2024. Fashion, Cosmetics, etc. include wristwatches, accessories, bags, clothing, shirts & sweaters, spectacles, footwear, sporting goods and personal care goods.
Source: Official Statistics of Japan "National Survey of Family Income, Consumption and Wealth", CBRE, April 2026.

Consumers seek physical stores in pursuit of value

Meanwhile, consumers seeking added value are increasingly opting for physical stores over online channels. An analysis of 2024 consumption expenditure for "Fashion, Cosmetics, etc." by purchase channel reveals a clear distinction based on household income: while online spending remains relatively consistent across all income levels, high-income earners show a significantly higher propensity to shop at general retail and department stores (Figure 4, left).

Among higher-income households (the top three brackets), expenditures on wristwatches, accessories, and handbags account for a growing proportion of total consumption as income increases (Figure 4, right). These categories are often synonymous with high-value luxury goods. Since authenticity and reliability are paramount when purchasing such items, consumers tend to favor brand-operated boutiques and department stores. Beyond the ability to verify product quality in person, these physical touchpoints offer exceptional customer service and the intrinsic satisfaction of experiencing the brand's world first-hand. Consequently, many consumers continue to prioritize physical stores over online platforms for luxury purchases.

Figure 4: Consumption Expenditure on "Fashion, Cosmetics, etc." in 2024



* Consumption expenditure represents the average monthly value for all households, and annual income is presented by decile ranks. Fashion, Cosmetics, etc. include wristwatches, accessories, bags, clothing, shirts & sweaters, spectacles, footwear, sporting goods and personal care goods.
Source: Official Statistics of Japan "National Survey of Family Income, Consumption and Wealth", CBRE, April 2026.

2. The role of high street stores in an era of selective consumption

In an inflationary environment, domestic consumption in Japan is shifting toward "selective consumption," characterized by increased spending on discretionary items and experiential services. CBRE believes that high street flagship stores are uniquely positioned to capture demand from consumers who prioritize added or experiential value. By offering personalized service and expert communication, these stores serve as a tangible expression of a brand's vision and a hub for consumers to immerse themselves in that identity. In response to the growing demand for experiential consumption, an increasing number of retailers are integrating secondary spaces, such as cafes, to complement their traditional retail floor space.

As the e-commerce sector continues to expand by meeting consumer demand for efficiency and convenience, online shopping alone often falls short of delivering the high levels of satisfaction associated with selective consumption. Added value and unique shopping experiences—the hallmarks of this shift—remain difficult to replicate in a digital-only environment.

When purchasing high-value goods, particularly from luxury brands, consumers place immense value on the trust and prestige cultivated by a retailer. High street brand-operated stores and department stores are uniquely positioned to showcase their heritage and provide the exceptional customer service that reinforces their status as prestigious retailers. Consequently, these physical locations remain an indispensable purchase channel. Furthermore, brick-and-mortar stores possess a distinct advantage over e-commerce through their ability to offer immersive environments and high-quality services. Flagship stores, in particular, provide a level of sensory engagement and brand immersion that online retailers simply cannot match.

As Japan's transition to selective consumption accelerates, the strategic importance of the high street store will only continue to grow.

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