



TRANSWESTERN

TEXAS RETAIL MARKETS SUMMER 2023



Improved Economic Outlook, Tight Leasing Signal Midyear

At midyear, Texas' economy is upbeat with a strong labor force buttressed by job gains, low unemployment and boosted consumer confidence. Slowing inflation, improved outlooks by the major banks and the Federal Reserve's decision to pause interest rates in June served as encouraging signs, alleviating retailers of an impending slowdown.

Austin registered the tightest vacancy, narrowing down to a nearly visible rate of 2.8% while San Antonio followed with 3.7%. Dallas/Fort Worth and Houston, the two largest retail markets, scored sustained lower vacancy of 4.3% and 4.5%, respectively.

Neighborhood grocery and warehouse expansions characterize new construction across all markets. Openings by Costco, H-E-B and discounters were active while niche and experiential retailers carved out new venues. Operators such as Puttshack, Dick's House and Round1 Bowling & Amusement staked out new storefronts. The latter is a Japanese entertainment concept, which opened in 53,000 square feet in San Antonio's North Star Mall during the first half of 2023.

Dallas/Fort Worth		
	Q2 23	Y-O-Y
Population Growth	-	▲ 115,018
Unemployment	3.9%	▲ 0.1%
Inventory (SF)	379,787,000	-
Net Absorption	870,000	3,015,000
Vacancy	4.3%	▼ 0.2%

Houston		
	Q2 23	Y-O-Y
Population Growth	-	▲ 102,471
Unemployment	4.5%	◀▶ -
Inventory (SF)	365,593,000	-
Net Absorption	572,000	3,446,000
Vacancy	4.5%	▼ 0.9%

Austin		
	Q2 23	Y-O-Y
Population Growth	-	▲ 62,099
Unemployment	3.5%	▲ 0.4%
Inventory (SF)	98,147,000	-
Net Absorption	545,000	1,494,000
Vacancy	2.8%	▼ 0.5%

San Antonio		
	Q2 23	Y-O-Y
Population Growth	-	▲ 41,544
Unemployment	3.9%	▼ 0.1%
Inventory (SF)	117,205,000	-
Net Absorption	155,000	2,064,000
Vacancy	3.7%	▼ 0.3%

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Revista, Transwestern.
Arrow color palette indicates property sector agency leasing, management and investor trending assessment(s).

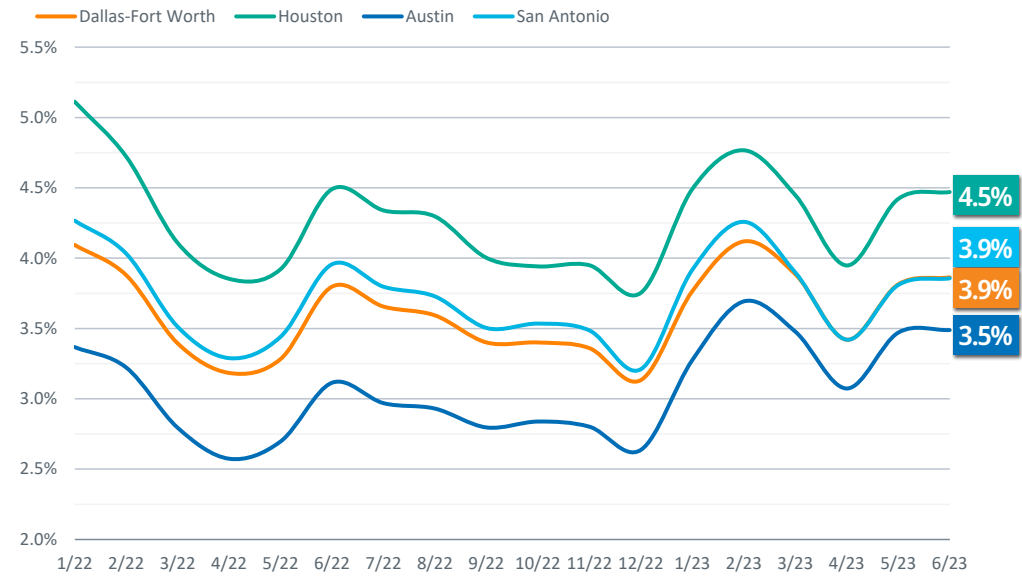


TEXAS ECONOMY

Steady Jobs & Economic Outlook Giving Midyear Lift to Texas Retail Sectors

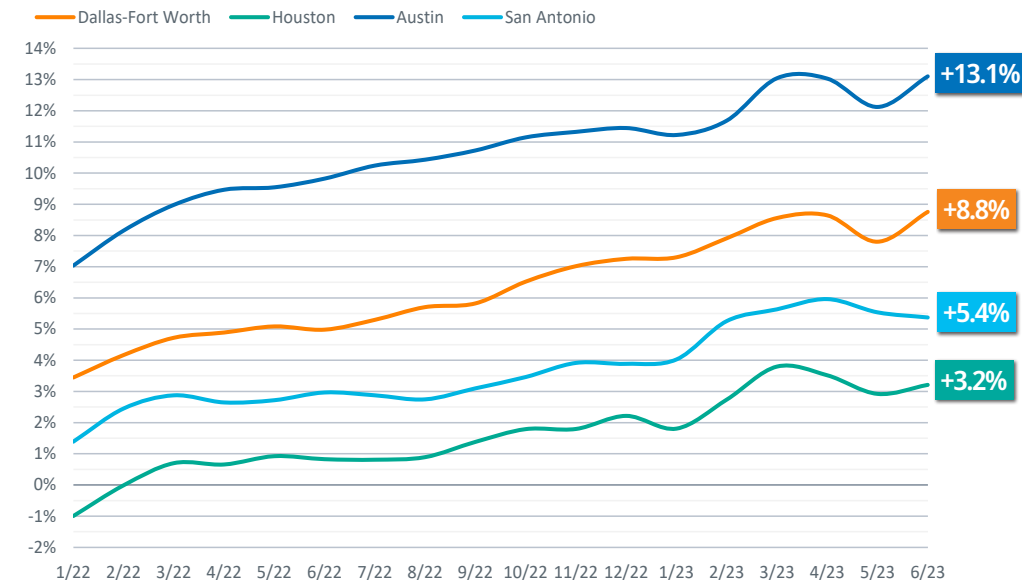
- The average unemployment rate in Texas increased a total of 30bps since this time last year, while initial unemployment claims dipped by 3.1% in June after 11 consecutive weeks of steady increases. During the past 12 months:
 - **Dallas/Fort Worth:** Unemployment is 3.9%, up 0.1%
 - **Houston:** Unemployment is 4.5%, remaining flat
 - **Austin:** Unemployment is 3.5%, up 0.4%
 - **San Antonio:** Unemployment is 3.9%, down 0.1%
- Recent data published from The Federal Reserve Bank of Dallas' highlighted forecast indicates Texas will add 345,400 new jobs throughout 2023. The updated forecast is elevated from prior statements and indicates an annualized growth rate of 2.5%.
- Contributing to the state's payroll gains is the leisure and hospitality sector, adding an estimated 67,500 jobs to-date and nearly 47,000 year-over-year.
- Most Texas retailers noted stabilized consumer sales in surveys recently conducted by the Federal Reserve Bank of Dallas through Q2 2023. Retailer outlooks have meanwhile shifted from a negative to positive sentiment during the late-spring/early-summer months with those surveyed expecting elevated retail activity later in the year driven by a buoyant U.S. economy and revised upward forecasts by the major banks.

UNEMPLOYMENT RATE OVER LAST 18 MONTHS



Source: Transwestern Research, Texas Workforce Commission (not seasonally adjusted)

EMPLOYMENT CHANGE FROM PRE-PANDEMIC HIGHS



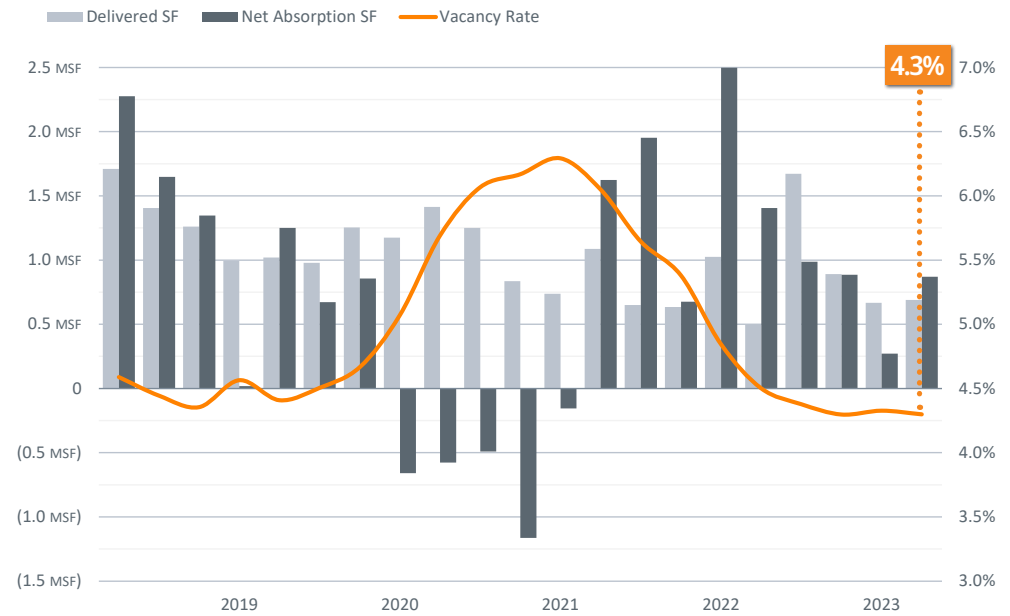
Source: Transwestern Research, Texas Workforce Commission (not seasonally adjusted)

DALLAS/FORT WORTH

Suburban, Urban Grocery Openings & Niche Retailers Drive New Leasing

- The Metroplex's retail sector registered 3.0 million square feet of new demand during the past 12 months, sustaining its streak which now totals nine consecutive quarters. Vacancy remained flat at 4.3%.
- Major announcements include experiential retail and grocery fueled by nearby new suburban residential construction and urban in-fill areas. Examples include Fiesta Mart, a specialty grocer at Valley Square in Lewisville. Closer in, Joe V's Smart Shop, a discount grocery store from H-E-B, announcing plans this year for two urban expansions in southern Dallas and east Dallas.
- Niche and experiential expansions also marked the midyear landscape. Doors opened at pOpshelf, a discount retailer, in Trinity Valley Shopping Center, EoS Fitness, in Glade Parks and Puttshack, a mini-golf-and-entertainment venue, in Village on the Parkway in Addison.

DELIVERY IMPACT ON KEY INDICATORS



Source: Transwestern Research, CoStar

Market / Niche	Inventory	Vacant SF	Vacant %	Total Available SF	Total Available %	Quarterly Net Absorption	12 Month Net Absorption	Under Construction	NNN Rent
Dallas - All Retail*	256,760,598	10,913,848	4.3%	15,321,508	5.9%	468,724	2,268,369	3,695,898	\$20.59
Strip Center	19,752,300	1,191,112	6.0%	1,732,009	8.6%	29,073	109,444	368,214	\$20.82
Neighborhood/Community Center	81,885,071	5,034,089	6.1%	6,560,197	8.0%	7,500	72,863	487,996	\$18.96
Power Center	28,550,685	1,051,423	3.7%	1,287,574	4.5%	90,225	(57,625)	257,015	\$31.20
Fort Worth - All Retail*	123,026,040	5,413,245	4.4%	7,128,488	5.8%	401,493	746,437	831,724	\$17.83
Strip Center	10,859,145	611,137	5.6%	707,316	6.5%	25,329	14,468	32,672	\$18.51
Neighborhood/Community Center	34,848,151	2,489,004	7.1%	3,000,554	8.6%	215,584	512,975	230,498	\$15.24
Power Center	8,850,407	291,897	3.3%	409,761	-	(6,531)	109,370	-	\$29.44

*Includes properties not in shopping centers below

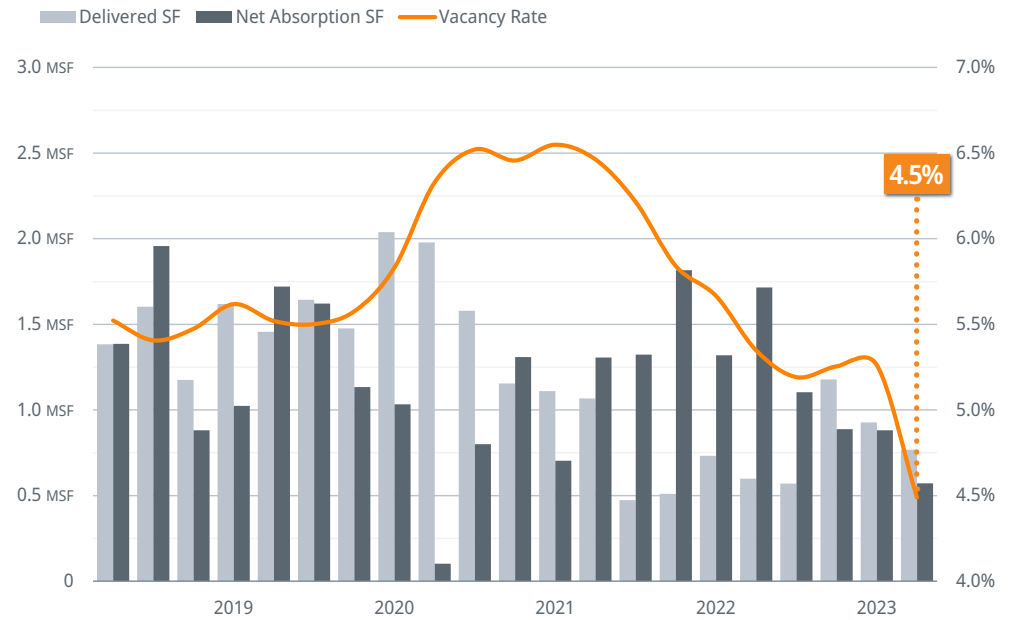
Source: Transwestern Research, CoStar

HOUSTON

Discount & Experiential Retailers Expand

- Brick and mortar retail is sustaining the positive demand trend that began in the final half of 2021 by taking down more than 570,000 square feet during the spring to summer months.
- Construction subsided to nearly 3.6 million square feet after its peak this year at 4.3 million square feet in the spring, the majority being in Neighborhood/Community Centers found along the Grand Parkway circling Houston.
- While direct vacancy dipped below 4.5 percent this period, overall availability rose 10 basis points to 6.2 percent. Occupancy is maintaining its stability due to a steady inflow of expanding big box retail concepts as well as smaller shop models backfilling available existing space.
- For example, the shuttering of three Houston-area grocery stores, Sprouts Farmers Market, and the closures of Bed, Bath & Beyond nationwide, have been offset by discount stores and experiential retail. These include Shoppers World in Steeplechase Shopping Center in Jersey Village on the northwest side and a new concept by Dick’s House of Sport at Baybrook Mall in Friendswood on the southeast side of Houston. The store sells merchandise but also offers experiences including a rock wall and a multi-use sports cage.

DELIVERY IMPACT ON KEY INDICATORS



Source: Transwestern Research, CoStar

Market / Niche	Inventory	Vacant SF	Vacant %	Total Available SF	Total Available %	Quarterly Net Absorption	12 Month Net Absorption	Under Construction	NNN Rent
Houston - All Retail*	365,592,757	16,410,444	4.5%	23,018,654	6.2%	571,817	3,445,603	3,562,040	\$19.59
Strip Center	39,452,102	2,781,826	7.1%	3,469,044	8.7%	29,803	533,330	253,558	\$22.08
Neighborhood/Community Center	118,486,584	6,688,135	5.6%	9,391,288	7.9%	209,403	1,070,372	716,579	\$17.03
Power Center	30,076,186	1,358,934	4.5%	1,934,766	6.4%	(41,073)	116,037	46,534	\$19.36

*Includes properties not in shopping centers below

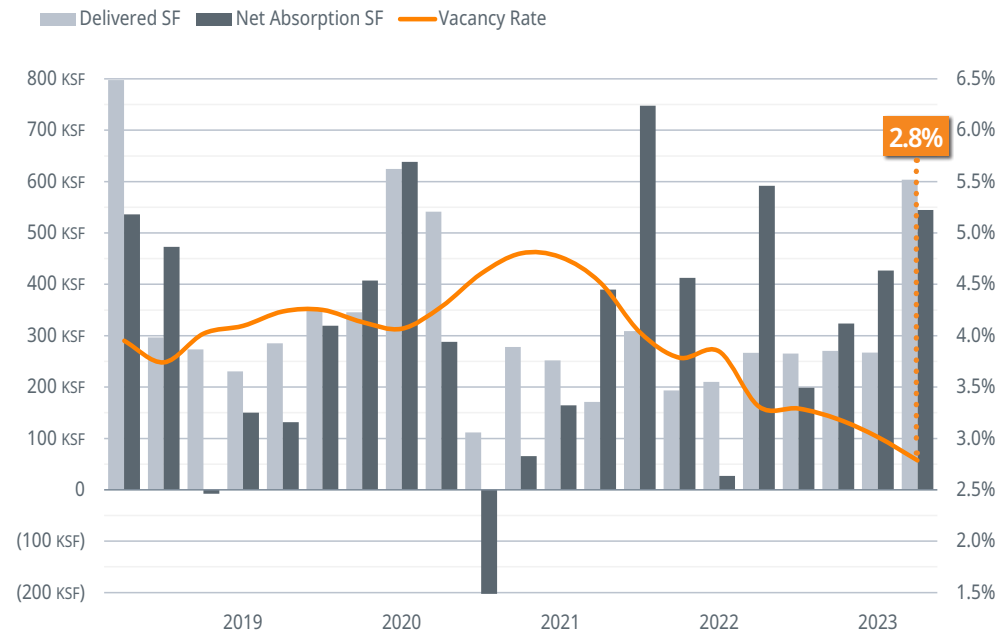
Source: Transwestern Research, CoStar

AUSTIN

Big Box, Grocery Retail Delivers

- Austin's retail sector clocked in 545,000 square feet of positive demand this period, while net absorption over the past year measured just under a positive 1.5 million square feet.
- As a result, vacancy dropped to a negligible 2.8% while the amount of vacant retail space in Austin has compressed by double-digits in the past year.
- More than 600,000 square feet of new construction delivered over the spring and more than double that to 1.4 million square feet completed in previous 12 months. Major grocers entail a large portion of Austin's new retail space. Examples include big box wholesaler Costco with its new 152,000 square-foot property at 19086 Interstate 35 and grocer, H-E-B's new 126,455 square-foot property at 1010 W University Ave. The two facilities delivered in April and May, respectively.
- Meanwhile, Triple Net asking rates did a repeat over the spring by rising again to \$25.31 per square foot, an 11.7% overall increase year-over-year.

DELIVERY IMPACT ON KEY INDICATORS



Source: Transwestern Research, CoStar

Market / Niche	Inventory	Vacant SF	Vacant %	Total Available SF	Total Available %	Quarterly Net Absorption	12 Month Net Absorption	Under Construction	NNN Rent
Austin - All Retail*	98,146,942	2,735,205	2.8%	4,060,745	4.0%	544,562	1,493,889	2,652,244	\$25.31
Strip Center	7,416,461	291,247	3.9%	500,506	6.6%	99,165	227,724	153,192	\$25.71
Neighborhood/Community Center	26,405,655	904,358	3.4%	1,165,582	4.4%	34,110	182,503	135,528	\$21.69
Power Center	15,662,912	513,903	3.3%	646,137	4.1%	175,686	279,033	20,300	\$22.30

*Includes properties not in shopping centers below

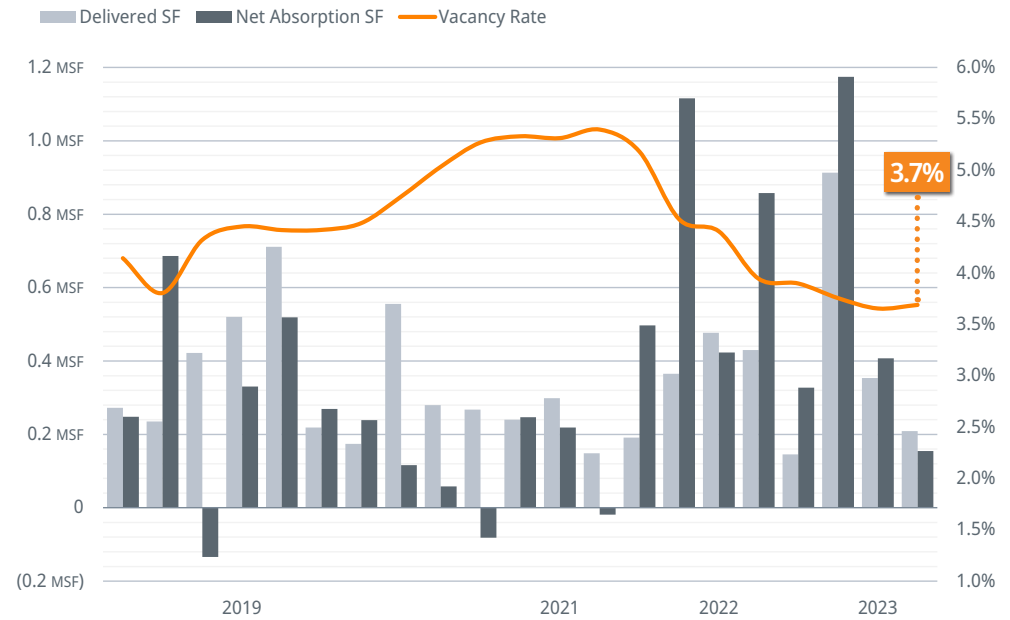
Source: Transwestern Research, CoStar

SAN ANTONIO

Steady Leasing Keeping Vacancy <4%

- San Antonio’s retail market repeated its positive trajectory during the reporting period by chalking up demand exceeding 150,000 square feet while topping nearly 3.0 million square feet since summer 2022.
- Direct vacancy held tight at 3.7% since the spring while constricting 20bps from 12 months ago. In light of the narrow space availability, overall triple net asking rents are up 1.8% quarter-over-quarter and six percent from this time last year.
- Market activity includes a solid development of nearly a million square feet. Veramendi Neighborhood Commercial’s 70,000 square foot retail center at Oak Run Pkwy and Geneva St in the New Braunfels submarket. The property included The Ledge, a 25,000 square foot community center for the adjacent master planned residential area. Given the taut market leasing conditions encouraging smaller retail starts, San Antonio saw 208,916 square feet of new retail construction deliver over the last quarter, entirely comprised of several properties under 30,000 square feet.

DELIVERY IMPACT ON KEY INDICATORS

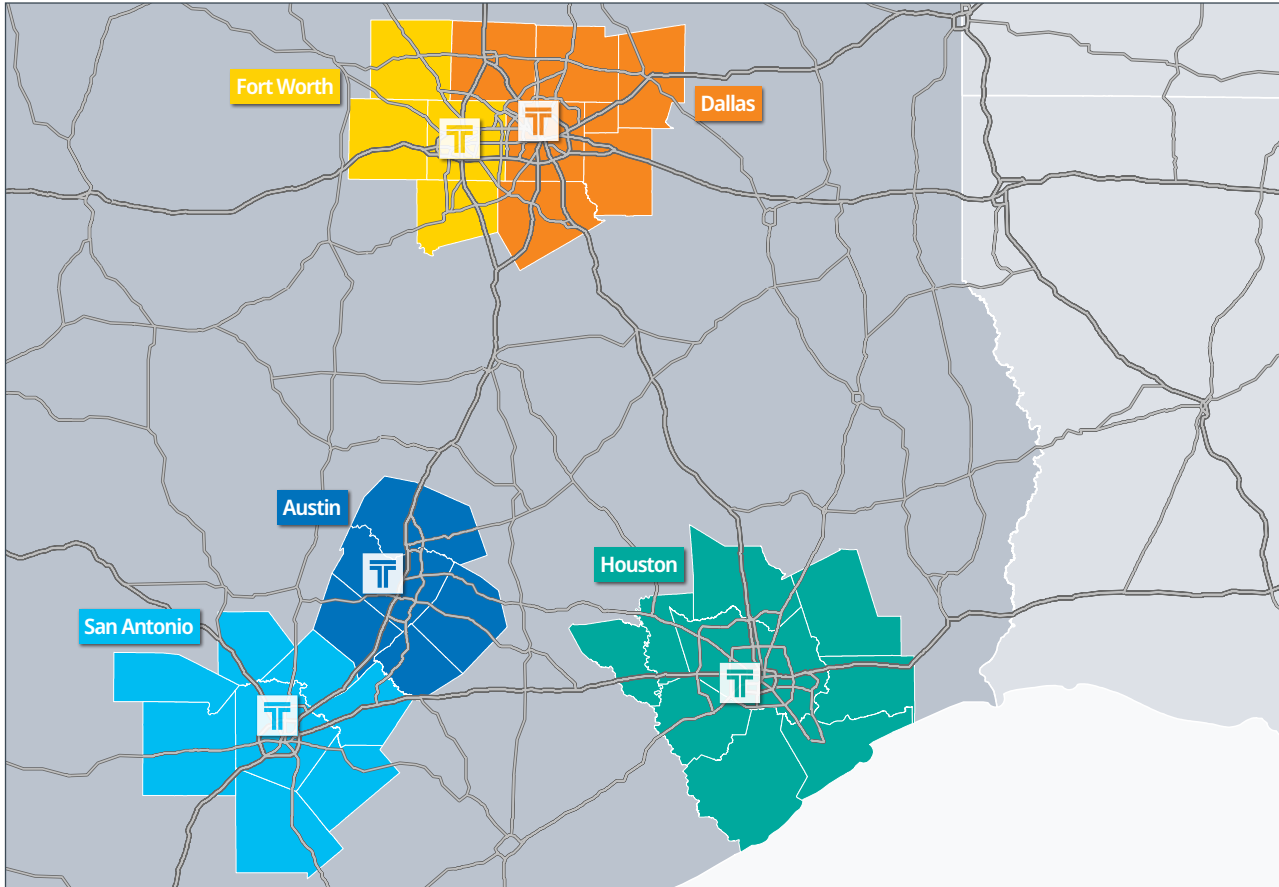


Source: Transwestern Research, CoStar

Market / Niche	Inventory	Vacant SF	Vacant %	Total Available SF	Total Available %	Quarterly Net Absorption	12 Month Net Absorption	Under Construction	NNN Rent
San Antonio - All Retail*	116,995,866	4,274,515	3.7%	6,458,893	5.5%	407,341	2,766,500	1,032,667	\$19.20
Strip Center	9,536,641	499,408	5.2%	697,697	7.3%	39,555	120,924	83,643	\$20.25
Neighborhood/Community Center	32,916,894	1,719,285	5.2%	2,553,006	7.7%	34,110	723,255	152,000	\$16.51
Power Center	10,324,053	270,881	2.6%	453,352	4.4%	46,547	69,995	7,202	\$22.91

*Includes properties not in shopping centers below

Source: Transwestern Research, CoStar



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RESEARCH METHODOLOGY

This report includes retail properties greater than 5,000 SF within the primary Texas markets. Bank, auto dealer, service station, and truck stop properties are excluded.

Unless otherwise specified, vacancy is limited to direct vacant space with immediate availability. Economic data represent 'actual' figures without seasonal adjustment to minimize statistical massaging that obscures trends and turning points.

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