



TRANSWESTERN

TEXAS RETAIL MARKETS FALL 2023



TX Retail Enters Holiday Season with Record Low Vacancy

As retailers stock shelves and extend store hours ahead of Black Friday, shoppers should expect full parking lots this year. Vacancy across all major Texas metros has reached five-year lows in each market, ranging from 3.0% in Austin to 4.5% in Houston, with each market being <5.0%, beating pre-pandemic levels even as construction pipelines continue to deliver new product.

Both the Metroplex and Houston finished off back-to-school with more than 4.0 million square feet underway while Austin comes in third at 2.4 million and San Antonio rounds out the group with under a million square feet of new construction on-going.

Meanwhile, consumers are fueling robust levels of space demand boosting up net leasing to more than 2.05 million square feet this quarter across the four Texas metros with the lion's share being seen in the Metroplex exceeding 780,000 square feet.

Analysts are turning optimistic on the U.S. economy in the final stretch of the year avoiding any widespread contraction. As a result, Federal Reserve policymakers kept interest rates on hold in November as they assess the health of the economy and future path of inflation.

Dallas/Fort Worth		
	Q3 23	Y-O-Y
Population Growth	-	▲ 115,018
Unemployment	3.9%	▲ 0.5%
Inventory (SF)	383,034,000	-
Net Absorption	924,000	2,951,000
Vacancy	4.2%	▼ 0.1%

Houston		
	Q3 23	Y-O-Y
Population Growth	-	▲ 102,471
Unemployment	4.4%	▲ 0.4%
Inventory (SF)	367,898,000	-
Net Absorption	529,000	2,089,000
Vacancy	4.5%	▼ 0.8%

Austin		
	Q3 23	Y-O-Y
Population Growth	-	▲ 62,099
Unemployment	3.6%	▲ 0.8%
Inventory (SF)	99,236,000	-
Net Absorption	352,000	1,648,000
Vacancy	3.0%	▼ 0.3%

San Antonio		
	Q3 23	Y-O-Y
Population Growth	-	▲ 41,544
Unemployment	3.8%	▲ 0.3%
Inventory (SF)	118,179,000	-
Net Absorption	252,000	1,988,000
Vacancy	3.6%	▼ 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).

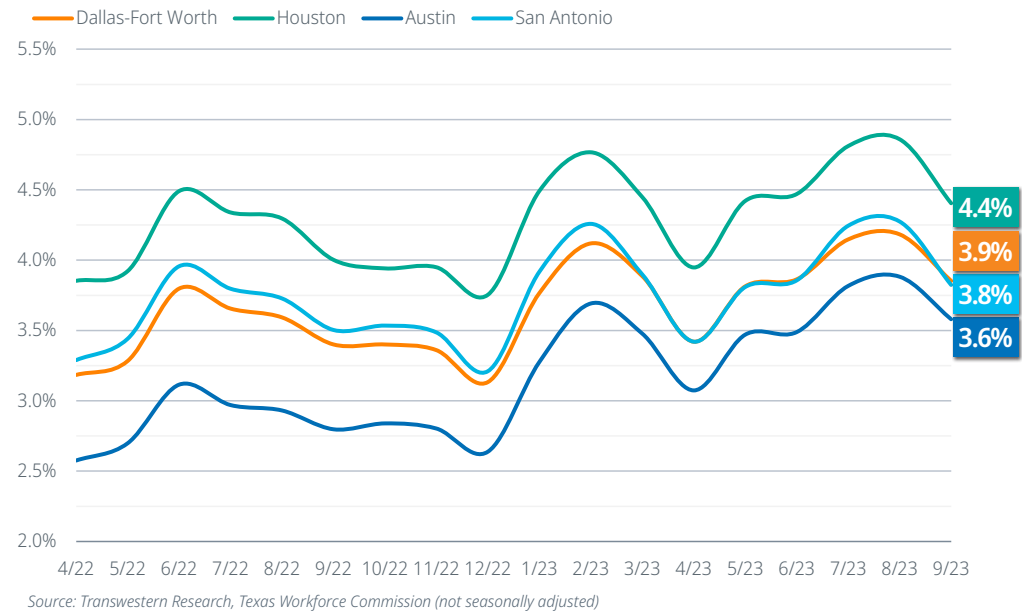


TEXAS ECONOMY

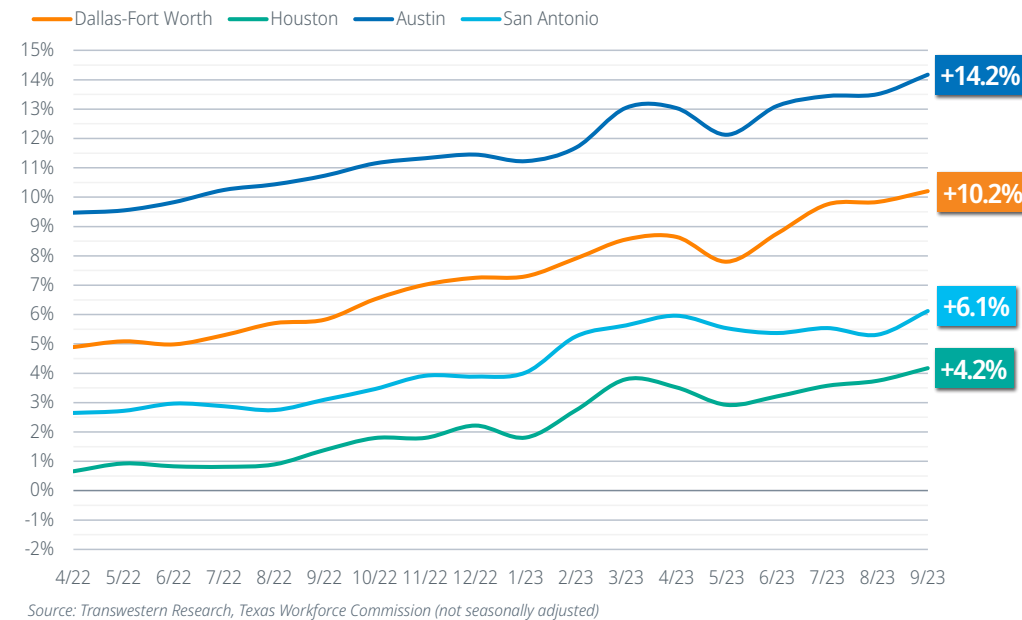
State's Overall Economic Activity Strengthens Even as Employment Growth Slowed, Recession Outlook Lessens

- The average unemployment rate in Texas increased a total of 40 basis points since this time last year, while initial unemployment claims dipped by a significant 30.4% in September after elevated initial unemployment claims during the early summer months. During the past 12 months:
 - **Dallas/Fort Worth:** Unemployment is 3.9%, up 0.5%
 - **Houston:** Unemployment is 4.4%, up 0.4%
 - **Austin:** Unemployment is 3.6%, up 0.8%
 - **San Antonio:** Unemployment is 3.8%, up 0.3%
- Recent data published from The Federal Reserve Bank of Dallas highlighted a slowing employment sector, expanding only 1.1 percent in August, a 3.8 percent decrease from the first half of 2023. It should be noted that respondents of the Texas Business Outlook Surveys reported growth in the service sector along with a rebound in manufacturing production.
- Meanwhile, economists are turning optimistic on the U.S. economy in the final stretch of the year. In the latest quarterly survey by The Wall Street Journal, they now think the national economy will skirt a recession, the Federal Reserve is done raising interest rates and inflation will continue to ease.
- Business and academic economists lowered the probability of a recession within the next year, from 54% on average in July to a more optimistic 48% in October. That is the first time they have put the probability below 50% since the middle of last year.

UNEMPLOYMENT RATE OVER LAST 18 MONTHS



EMPLOYMENT CHANGE FROM PRE-PANDEMIC HIGHS

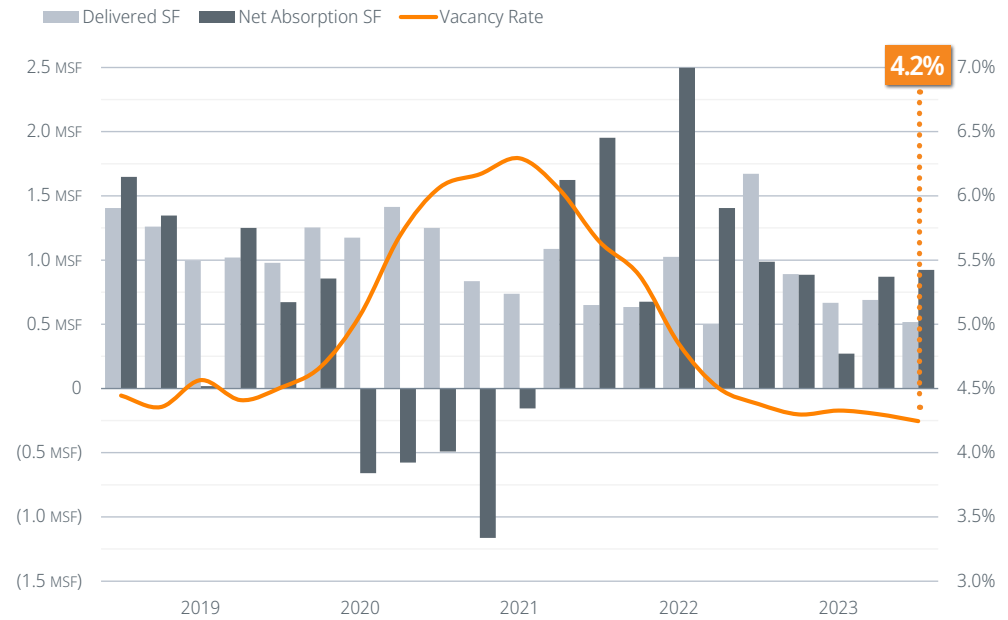


DALLAS/FORT WORTH

Metroplex Retail Scorecard Shows Wins in All Categories

- Dallas-Fort Worth’s retail sector registered 924,000 square feet of new demand during the third quarter and 2.91 million square feet over the past 12 months, maintaining its streak for only positive gains for ten consecutive quarters. Vacancy decreased by 10 basis points during the period, bringing it to 4.2 percent.
- Major announcements include the sale of East Fort Worth’s Eastchase Mark, a 261,700 square foot power center located at the corner of I-30 and Eastchase Pkwy.
- Also announced during the fall season was the sale of MacArthur Park, a 425,600 square foot power center located in Irving at the corner of I-635 and the President George Bush Turnpike.
- Ever increasing demand for retail has been the story for Dallas/Forth Worth post-pandemic. New construction currently sits at 4.9 million square feet, a 33.9 percent increase in total construction year-over-year and a 15.2 percent increase since Q1 2020.

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*	259,111,158	10,889,982	4.2%	15,271,846	5.8%	782,122	1,859,592	4,086,054	\$20.74
Strip Center	19,833,248	1,163,051	5.9%	1,593,514	7.9%	4,355	97,796	392,637	\$20.83
Neighborhood/Community Center	81,920,711	4,985,479	6.1%	6,350,689	7.7%	162,716	195,179	359,522	\$18.94
Power Center	28,577,128	905,820	3.2%	1,324,434	4.6%	247,010	247,295	492,123	\$32.38
Fort Worth - All Retail*	123,922,436	5,370,270	4.3%	7,062,473	5.7%	141,886	1,091,336	771,237	\$18.10
Strip Center	10,862,181	676,009	6.2%	772,029	7.1%	(73,329)	(1,982)	53,290	\$18.70
Neighborhood/Community Center	34,875,620	2,489,642	7.1%	2,934,527	8.4%	78,084	528,199	194,327	\$15.28
Power Center	8,848,296	289,533	3.3%	375,137	-	1,986	117,654	-	\$33.24

*Includes properties not in shopping centers below

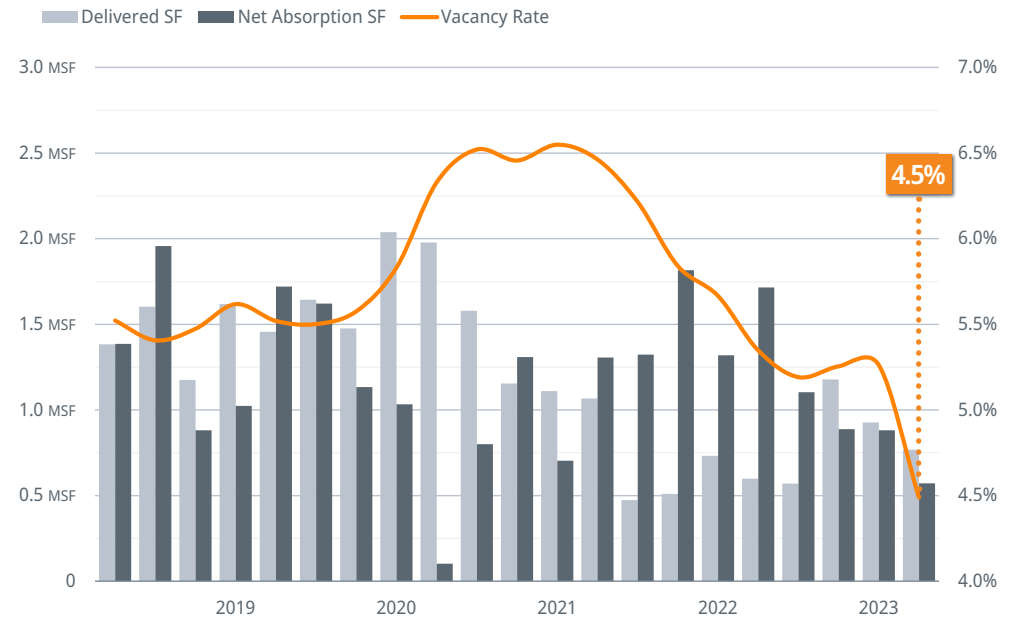
Source: Transwestern Research, CoStar

HOUSTON

H-Town Tops U.S. for New Retail Construction Levels

- Houston's brick and mortar retail is sustaining the positive demand trend that began in the final half of 2021 by taking down more than 528,000 square feet during the spring to fall months.
- Construction ticked up to 4.1 million square feet nearly matching its peak of 4.3 million seen during the Spring of this year, and with most of the new construction continuing to be found in Neighborhood/Community Centers along the Grand Parkway.
- While direct vacancy nearly fell one percent point during the period, total availability rose 10 basis points to 6.3% with the increase marking the third consecutive period of rising, market-wide availability.
- In other news, in a recent report by CoStar Group, Houston ranked first in the U.S. for new retail space completed over the 12 months with an estimated 4.2 million square feet delivered.
- A notable, fashionable project that delivered and made headlines this fall is the 20,015 square foot, Elite Pickleball Club located in the Houston Heights. Dick's Sporting Goods also made headlines with the opening of two, 100,000 square foot, 'House of Sports' locations in The Shoppes at Park West in Katy and Baybrook Mall in Friendswood.

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*	367,897,940	16,522,193	4.5%	23,392,621	6.3%	528,981	2,088,773	4,098,357	\$20.43
Strip Center	39,662,643	2,732,119	6.9%	3,566,577	8.9%	136,571	317,874	297,456	\$22.36
Neighborhood/Community Center	118,108,519	6,855,295	5.8%	9,449,625	7.9%	(49,118)	411,028	884,591	\$17.71
Power Center	30,143,048	1,246,011	4.1%	1,821,501	6.0%	(31,652)	(27,024)	46,534	\$18.93

*Includes properties not in shopping centers below

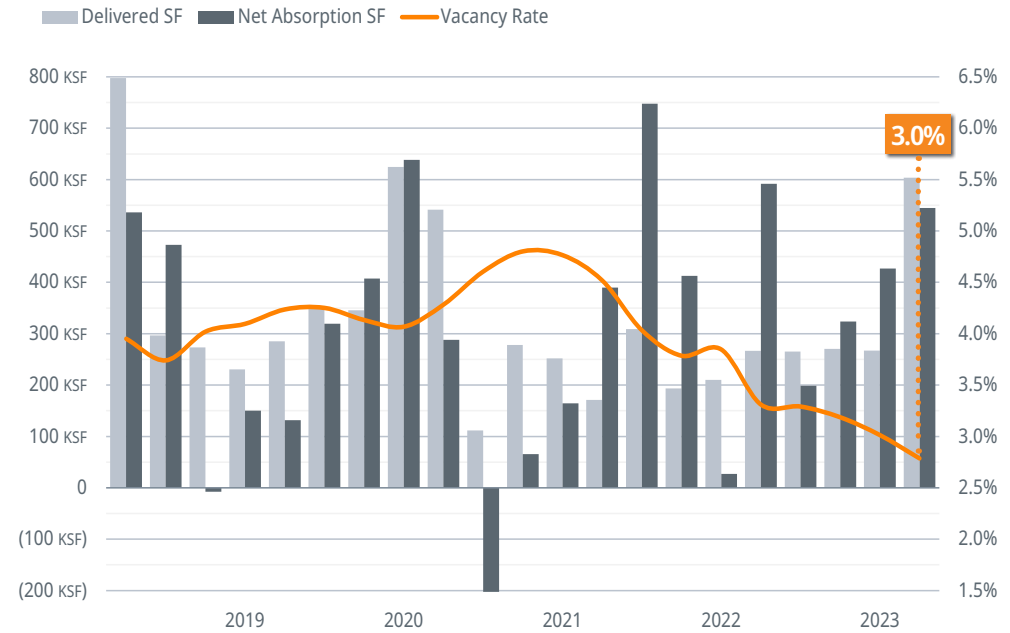
Source: Transwestern Research, CoStar

AUSTIN

New Construction, Tight Vacancy Raises Asking Rents

- Austin’s retail sector clocked in more than 350,000 square feet of positive demand this period, while net absorption over the past year measured over a positive 1.6 million square feet.
- Vacancy increased by 20 basis points over the quarter to 3.0% but is still down 30 basis points from this time last year.
- Overall average triple net asking rates are up 4.8% from last quarter to \$26.52 per square foot and up 9.0% from Fall 2022 when average triple net asking rates were \$23.22 per square foot.
- Power centers saw the greatest increase in rental rates over the quarter jumping to \$38.16 per square foot while average triple net asking rates for Neighborhood/Community Centers and Strip Centers have gone up over the quarter by 19.7 percent and 11.6 percent, respectively.
- Austin’s retail sector has 2.4 million in the development pipeline as the market saw over 544,000 square feet deliver during the quarter, mainly in Strip Centers and Neighborhood/Community retail properties.

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*	99,236,164	2,944,663	3.0%	4,446,796	4.4%	352,406	1,647,684	2,354,444	\$26.52
Strip Center	7,406,683	296,641	4.0%	513,012	6.8%	21,443	202,098	180,530	\$26.03
Neighborhood/Community Center	26,406,739	989,531	3.7%	1,342,342	5.0%	(86,329)	(10,453)	287,822	\$24.07
Power Center	15,749,164	650,936	4.1%	789,614	5.0%	(169,824)	174,112	7,000	\$38.16

*Includes properties not in shopping centers below

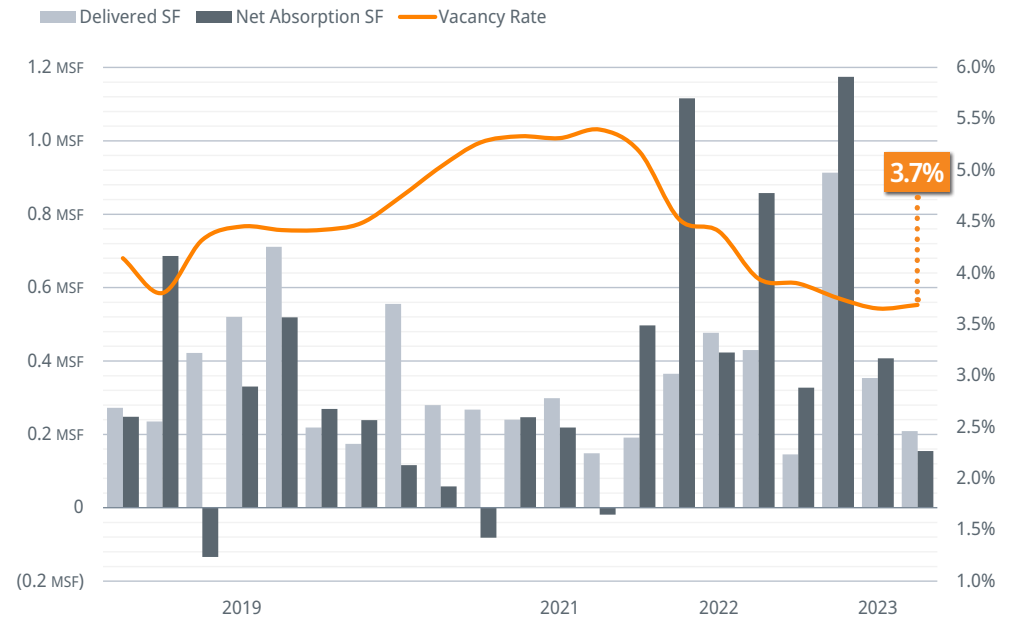
Source: Transwestern Research, CoStar

SAN ANTONIO

Net Demand, New Construction Showcase Expanding Sector

- San Antonio’s retail market repeated its positive trajectory during the reporting period, drawing up demand exceeding 250,000 square feet while topping nearly 2 million square feet since Fall 2022.
- Direct vacancy over the quarter dipped 10 basis points to 3.7% and is down 20 basis points from 12 months ago.
- Overall triple net asking rents are up 10 basis points quarter-over-quarter and 6.1% from this time last year. Neighborhood/Community Centers experienced a 70 basis point increase during the quarter, whereas rents for Strip Centers and Power Centers both decreased by 40 basis points.
- San Antonio saw more than 254,088 square feet of construction deliver this period, leaving 925,627 square feet in the pipeline.

DELIVERY IMPACT ON KEY INDICATORS

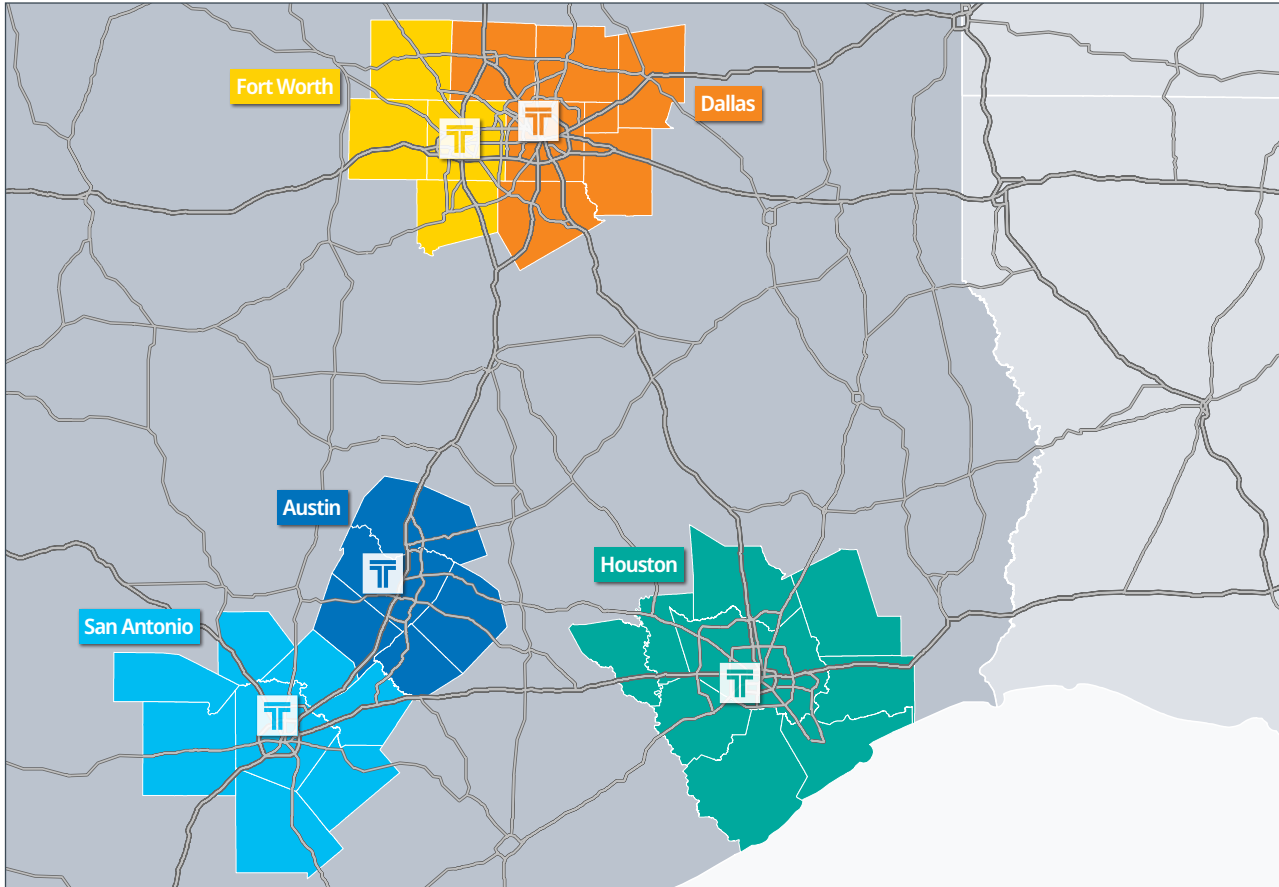


Source: Transwestern Research, CoStar

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*	118,178,930	4,277,011	3.6%	6,618,759	5.6%	251,860	1,988,208	925,627	\$19.58
Strip Center	9,617,331	534,977	5.6%	772,852	8.0%	(6,379)	153,665	63,275	\$20.84
Neighborhood/Community Center	33,045,794	1,767,876	5.3%	2,601,696	7.8%	(74,495)	250,586	100,000	\$16.39
Power Center	10,403,037	245,166	2.4%	475,373	4.5%	12,879	73,363	100,000	\$21.66

*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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