

# TEXAS RETAIL MARKETS SUMMER 2024



## Construction Pipeline, Leasing Activity Show Midyear Boost

### Q2 2024 House View

Major retail markets throughout Texas finished the first half of 2024 with positive annual gains to overall payroll jobs in each with Houston, Austin, San Antonio, and Dallas-Fort Worth experiencing a boost by 2.9 percent, 2.6, 1.7, and 0.4, respectively. The retail sector jobs contracted as consumer spending has pulled back from its strong post-pandemic surge according to recent reporting by The Federal Reserve Bank of Dallas.

But brick-and-mortar construction is keeping pace with population gains – especially in the rapidly expanding suburbs. The current retail construction pipeline for Texas’s major metros came in at just under 10.5 million square feet at the end of Summer 2024, a roughly 500,000 square foot bump over Spring 2024. Dallas-Fort Worth remains the dominate contributor to the development pipeline with just under 4.8 million square feet underway, followed by Houston with 3.4 million square feet, and Austin with 1.5 million square feet. San Antonio remains below the 1.0 million square feet mark with 862,000 square feet in new retail product.

Dallas/Fort Worth		
	Q2 24	Y-O-Y
Population Growth	-	▲ 128,410
Unemployment	4.3%	▲ 0.4%
Inventory (SF)	391,277,000	-
Net Absorption	478,000	2,126,000
Vacancy	4.3%	◀▶

Houston		
	Q2 24	Y-O-Y
Population Growth	-	▲ 109,010
Unemployment	4.8%	▲ 0.3%
Inventory (SF)	375,377,000	-
Net Absorption	627,000	2,765,000
Vacancy	4.4%	▼ 0.1%

Austin		
	Q2 24	Y-O-Y
Population Growth	-	▲ 64,452
Unemployment	3.8%	▲ 0.3%
Inventory (SF)	101,731,000	-
Net Absorption	607,000	1,801,000
Vacancy	2.8%	▼ 0.3%

San Antonio		
	Q2 24	Y-O-Y
Population Growth	-	▲ 42,590
Unemployment	4.2%	▲ 0.3%
Inventory (SF)	119,394,000	-
Net Absorption	(148,000)	508,000
Vacancy	3.6%	▼ 0.1%

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).

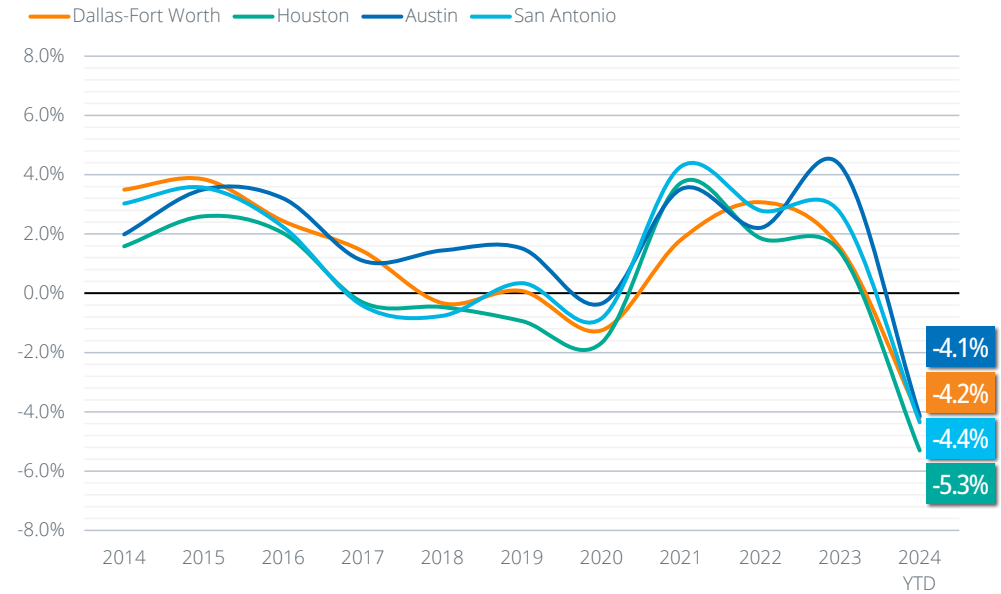


### TEXAS ECONOMY

#### Texas Payrolls Growing But At Slower Rate

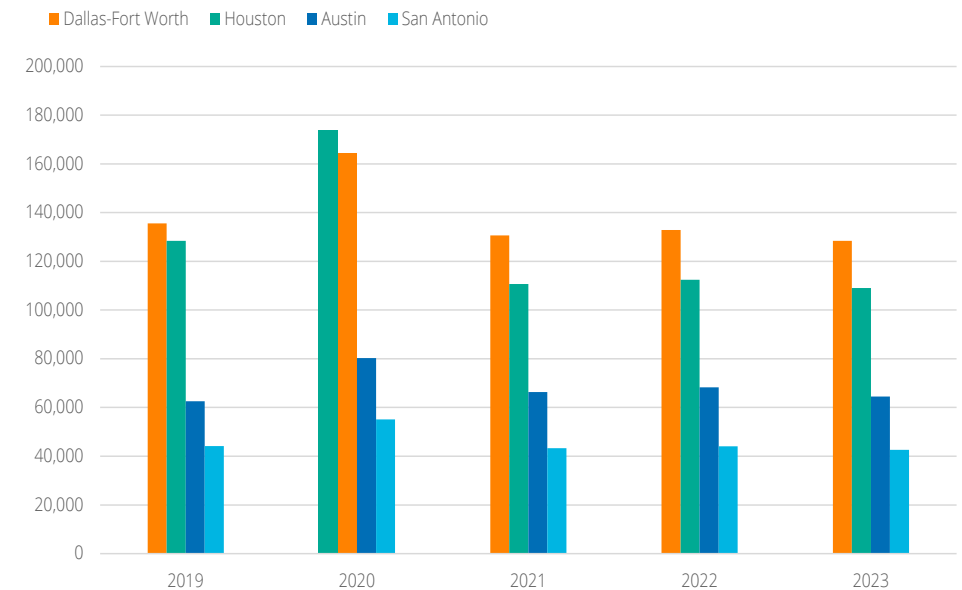
- The total Texas nonfarm employment increased by 41,800 workers, a 30 basis point rise in the final months of the quarter. The positive growth has seen slower momentum during 2024 but Dallas and Houston did post new job growth of 9,300, and 4,900 employees, respectively. The professional and business services sector added 5,200 workers in May, regaining the lead over the education and health services sector (1,400). Trade, transportation, and utilities maintained an upward trend since April and rose by 0.5 percent from the April base. Recent data published from The Federal Reserve Bank of Dallas highlighted declining retail sales during the quarter. Health store and nondurable goods wholesalers reported that consumers have ebbed overall purchases, while auto dealers commented supply and demand fundamentals being misaligned with increases to both sales and inventory.
- In May, the Texas service sector experienced a growth of 30 basis points, similar to the growth in April. According to the Dallas Fed’s Service Sector Outlook Survey, the revenue index, a key measure of state service sector conditions, increased from 0.3 to 6.7, indicating improved positive sentiment. However, retail sales continued to decline. Labor market indicators suggested a renewed increase in employment levels in May, though there was no noticeable increase in hours reported. Overall, the Texas economy showed modest expansion, driven by the service sector. Restaurant meals, electricity, motor vehicle insurance, motor vehicle repairs, shelter, and the other goods and services category saw the greatest year-over-year price increases.
- Demand for new space saw a net positive 1.6 million square feet across the four major Texas metros. Especially robust late-spring and early-summer leasing activity was measured in Houston and Austin with the two metros accounting for more than 1.25 million square feet or more than 75 percent of the recent deal making.

### RETAIL SECTOR JOB GROWTH YEAR-OVER-YEAR



Source: Transwestern Research, Bureau of Labor Statistics (not seasonally adjusted)

### POPULATION GROWTH YEAR-OVER-YEAR



Source: Transwestern Research, Environmental Systems Research Institute, Inc.

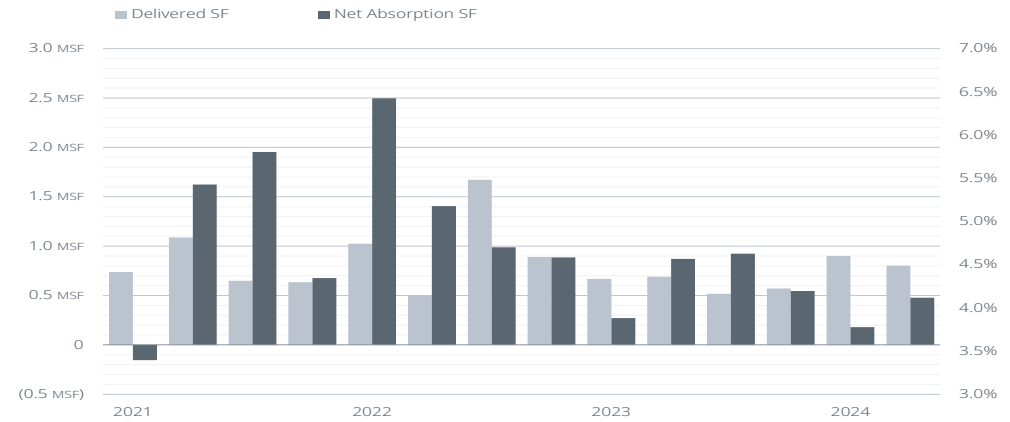


## DALLAS/FORT WORTH

### Retail Renovations, Economic Development Dominate Headlines

- North Texas' retail sector delivered more than a half million square feet during the second quarter, bringing the current construction pipeline to just more than 4.8 million square feet down from 5.3 million just a few months ago. Strip center construction was most active in Dallas while Fort Worth is measuring more than 360,000 square feet in neighborhood/community building.
- Major announcements include North Carolina-based Asana Partners' planned \$27 million renovation of Oak Lawn Design Plaza, a seven-building complex located in Dallas' design district. The firm has acquired numerous portfolios throughout DFW, such as 200,000 square foot shopping center The Hill, and retail developments in Victory Park.
- The Fort Worth City Council approved an incentive agreement for the \$630 million expansion of the historic Stockyards area. The nine-figure expansion looks to add 300,000 square feet of commercial space, a multifamily development with 295 units, a hotel development with 500 rooms, and underground parking facilities.

## DELIVERY IMPACT ON KEY INDICATORS



Source: Transwestern Research, CoStar

- Dallas/Fort Worth's retail sector absorbed just slightly more than 476,000 square feet this quarter while the availability rate in Dallas tightened from 5.8 percent to 5.7 and in Fort Worth it kicked up from 5.5 percent to 5.7 percent. Trailing Austin, which is the most expensive retail for the major Texas metros, rents moved up in Dallas to \$22.10 per square foot from \$21.70 in the first quarter. Fort Worth saw rent compression as the availability rate rose slightly. As a result, Fort Worth retail rents averaged \$18.46 per square foot at midyear, down from \$18.71 per square foot in Q1 2024.

Market / Niche	Inventory	Vacant SF	Vacant %	Total Available SF	Total Available %	Quarterly Net Absorption	12 Month Net Absorption	Under Construction	NNN Rent
<b>Dallas - All Retail*</b>	<b>264,664,816</b>	<b>11,348,176</b>	<b>4.3%</b>	<b>15,349,714</b>	<b>5.7%</b>	<b>436,823</b>	<b>1,633,359</b>	<b>3,796,556</b>	<b>\$22.10</b>
Strip Center	19,958,009	1,164,555	5.8%	1,852,333	9.0%	111,213	92,712	576,848	\$20.60
Neighborhood/Community	81,679,993	4,496,600	5.5%	5,636,254	6.9%	-	162,716	392,513	\$20.94
Power Center	23,470,922	944,962	4.0%	1,057,641	4.5%	239,387	351,656	149,293	\$32.14
<b>Fort Worth - All Retail*</b>	<b>126,612,381</b>	<b>5,634,036</b>	<b>4.4%</b>	<b>7,288,433</b>	<b>5.7%</b>	<b>40,729</b>	<b>492,836</b>	<b>950,965</b>	<b>\$18.46</b>
Strip Center	10,872,784	615,920	5.7%	736,341	6.7%	53,075	(21,823)	57,431	\$18.97
Neighborhood/Community	34,760,213	2,646,263	7.6%	3,242,782	9.2%	(76,390)	18,103	360,464	\$16.19
Power Center	8,857,560	290,841	3.3%	383,680	4.3%	16,259	5,379	-	-

\*Includes properties not in shopping centers below

Source: Transwestern Research, CoStar

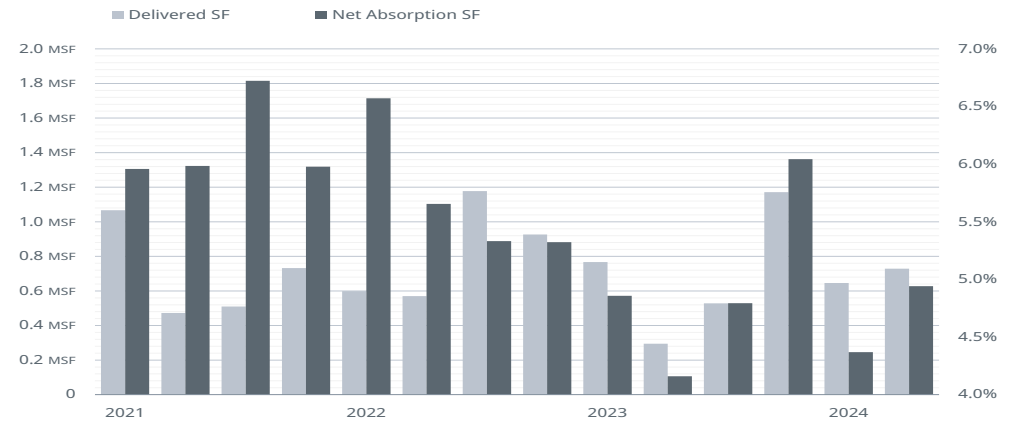


## HOUSTON

### Midyear Leasing Activity Nearly Doubles Over to More Than 627,000 SF

- Houston’s retail construction pipeline sustained its expansion trend again this quarter buy expanding from just over 3.0 million square feet in Q1 2024 to close to 3.4 million square feet by this summer. Neighborhood and community centers have the bulk of the new building activity even as availability rose from 7.9 percent to 8.1 percent in the past 90 days.
- During the quarter, the retail sector had several major announcements make the news. Included among them is Simon Property Group owners of the Houston Galleria, located in the Uptown retail market, which will undergo a multimillion dollar renovation, to attract luxury shoppers. The renovations will modernize sections of the mall stretching from Nordstorm through the Westheimer entrance, according to press reports.
- Other local sector news included Houston restaurateur Mack McDonald setting to open an upscale dining concept, Mack Allen’s, in the renovated 5POP skyscraper just west of River Oaks. The restaurant will occupy 16,000 square feet on the ground floor of the 28-story building on Post Oak Parkway, formerly known as Five Post Oak Park, making it the largest restaurant lease in the region this year.
- Wrapping up the market performance this quarter, rents inched up slightly to \$20.83 per square foot, with gains being etched out for strip centers and neighborhood/community centers. Vacancy tightened to 4.4 percent, but still is registering the highest for each of Texas’s major retail markets at midyear.

## 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
<b>Houston - All Retail*</b>	<b>375,377,204</b>	<b>16,570,598</b>	<b>4.4%</b>	<b>23,562,363</b>	<b>6.2%</b>	<b>627,282</b>	<b>2,764,892</b>	<b>3,386,964</b>	<b>\$20.83</b>
Strip Center	40,513,191	2,759,495	6.8%	3,481,145	8.6%	78,269	310,399	190,661	\$21.80
Neighborhood/Community	117,643,316	7,249,613	6.2%	9,591,335	8.1%	(359,775)	(483,304)	552,022	\$18.41
Power Center	29,668,475	827,936	2.8%	1,419,060	4.8%	(11,971)	320,731	-	\$20.04

\*Includes properties not in shopping centers below

Source: Transwestern Research, CoStar

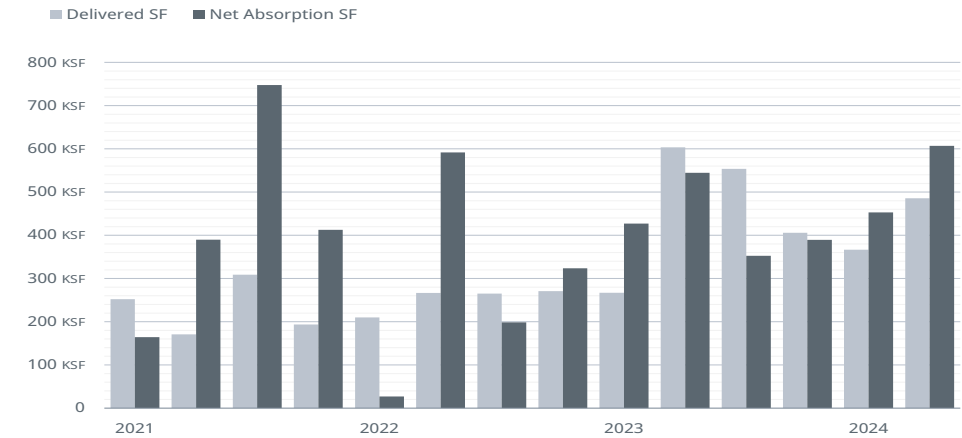


**AUSTIN**

**Tight Vacancy, Rising Rents and Strong Leasing Typify Seasonal Results**

- The retail sector in Austin is showing positive growth, with a net absorption of approximately 607,000 square feet in the second quarter. This is an increase from the 450,000 square feet absorbed in the first quarter. The largest absorption occurred in neighborhood/community centers, with nearly 108,000 square feet, followed by strip centers at more than 62,000 square feet and power centers at 59,000 square feet. Over the past 12 months, there has been a net absorption of more than 1.8 million square feet.
- Asking rates for triple net leases increased by 40 basis points from the previous quarter (Q1 2024) to \$26.68 per square foot, a 5 percent increase from Q2 of 2023 when rates were \$25.31 per square foot.
- The vacancy rate has dropped to 2.5 percent, representing a 30-basis point decrease from the previous quarter.
- Retail construction decreased to 1.5 million square feet, which was a 24 percent drop from the previous quarter's 1.85 million square feet. Compared to Q2 2023, construction is down by 57 percent from the nearly 2.35 million square feet. In the quarter, Austin saw nearly 485,000 square feet of deliveries

**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
<b>Austin - All Retail*</b>	<b>101,731,289</b>	<b>2,578,352</b>	<b>2.5%</b>	<b>4,224,462</b>	<b>4.1%</b>	<b>606,816</b>	<b>1,801,465</b>	<b>1,497,040</b>	<b>\$26.68</b>
Strip Center	7,637,646	312,648	4.1%	635,810	8.0%	63,122	154,395	296,081	\$27.42
Neighborhood/Community Center	26,200,488	880,799	3.4%	1,377,157	5.2%	108,290	278,643	228,810	\$25.51
Power Center	15,773,856	389,082	2.5%	482,512	3.0%	59,104	(39,289)	70,000	\$40.44

\*Includes properties not in shopping centers below

Source: Transwestern Research, CoStar

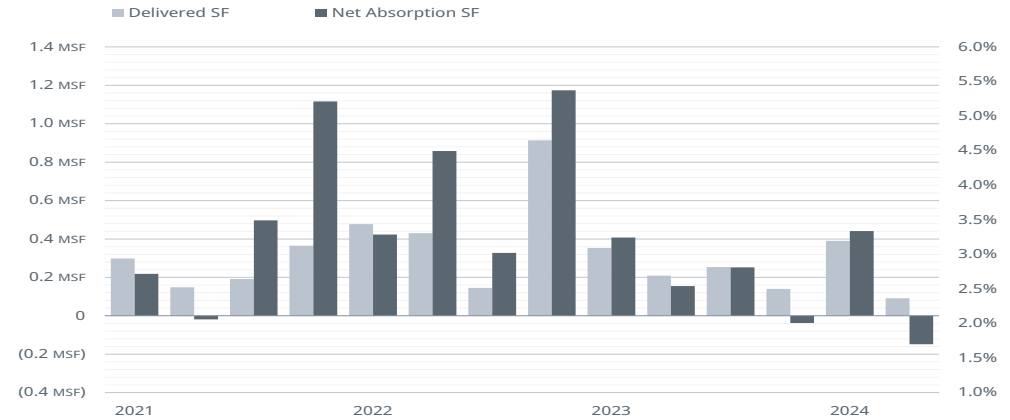


## SAN ANTONIO

### Alamo City Retail Demand Slows But Landlords Register Rent Gains

- In Q2 2024, San Antonio's retail sector experienced a decline, with around 148,000 square feet of negative net absorption - a decrease from the previous quarter's 440,000 square feet. However, over the trailing 12 months, there was approximately 510,000 square feet of positive net absorption. Neighborhood/community centers registered only a slight amount of space contraction, totaling approximately 18,000 square feet of negative net absorption.
- Asking rates for triple net leases increased by 30 basis points from the previous quarter (Q1 2024) to \$19.94 per square foot, a 1.8 percent increase from Q2 of 2023 when rates were \$19.58 per square foot.
- The vacancy rate remained steady at 3.6 percent, with only a 10-basis point increase from the previous quarter and no change year-over-year.
- San Antonio's retail construction has increased to approximately 862,000 square feet, which represents a 30 percent increase from the nearly 600,000 square feet reported last quarter. The majority of the construction is located in the Far Northwest, Far North Central, and Comal County, as San Antonio continues to experience growth in the northern suburbs where home building is highly active.

## DELIVERY IMPACT ON KEY INDICATORS

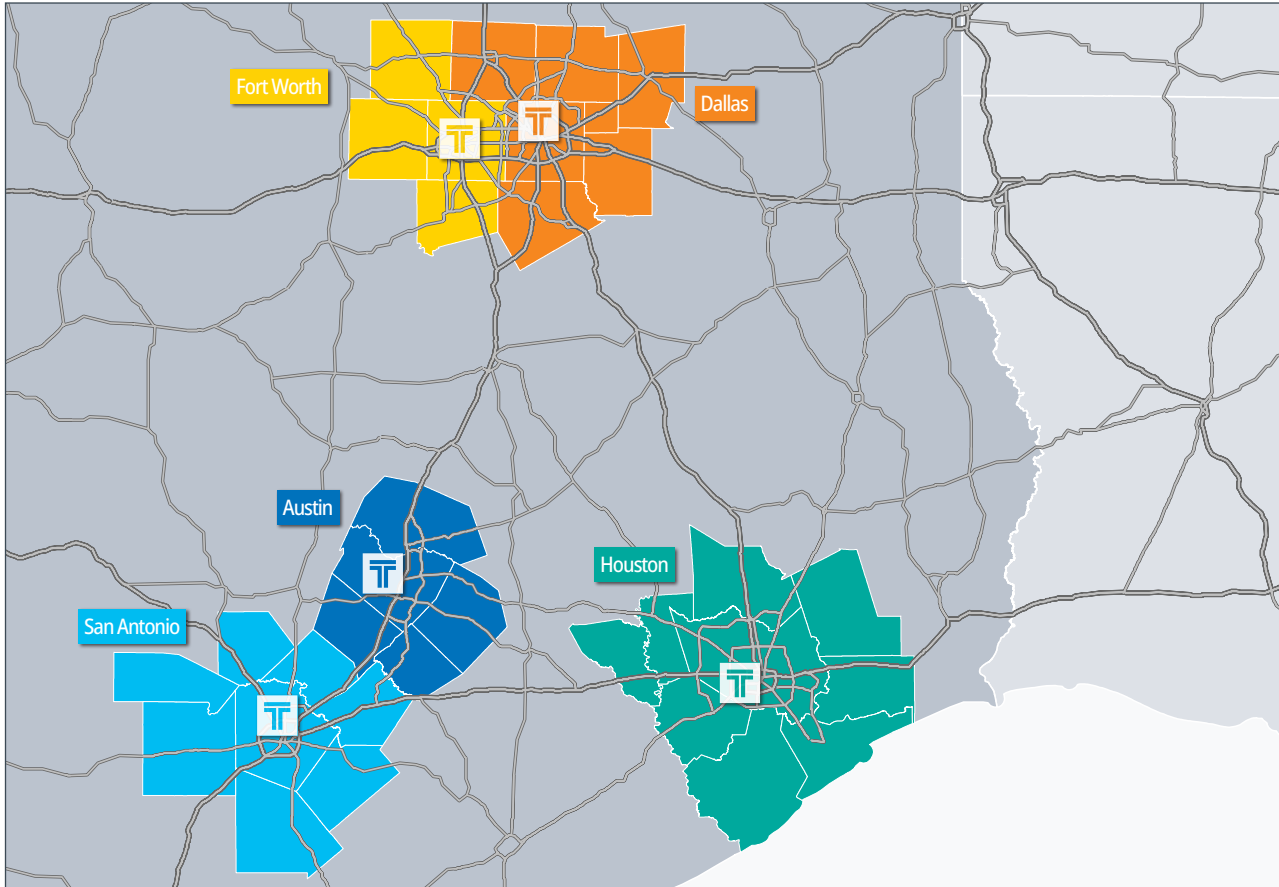


Source: Transwestern Research, CoStar

Market / Niche	Inventory	Vacant SF	Vacant %	Total Available SF	Total Available %	Quarterly Net Absorption	12 Month Net Absorption	Under Construction	NNN Rent
<b>San Antonio - All Retail*</b>	<b>119,393,652</b>	<b>4,304,981</b>	<b>3.6%</b>	<b>6,442,037</b>	<b>5.4%</b>	<b>(147,832)</b>	<b>508,166</b>	<b>862,004</b>	<b>\$19.94</b>
Strip Center	9,833,905	679,686	6.9%	877,622	8.9%	(115,936)	(118,126)	29,762	\$19.52
Neighborhood/Community Center	33,123,276	1,781,245	5.4%	2,562,026	7.7%	(17,608)	(33,302)	82,178	\$16.09
Power Center	10,482,817	351,821	3.4%	508,589	4.9%	(104,494)	(7,366)	-	\$26.95

\*Includes properties not in shopping centers below

Source: Transwestern Research, CoStar



**FOR MORE INFORMATION**

**Robert Kramp**

Vice President  
Research & Investment Analytics

Robert.Kramp@transwestern.com  
713.270.3346

**Harrison Owens**

Senior Analyst  
Research & Investment Analytics

Harrison.Owens@transwestern.com  
713.270.3338

**Guy Liljenwall**

Analyst  
Research & Investment Analytics

Guy.Liljenwall@transwestern.com  
210.202.2677

**RESEARCH METHODOLOGY**

This report includes retail properties greater than 5,000 SF within the primary Texas markets. Bank, auto dealer, auto repair, 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.

**ABOUT TRANSWESTERN**

The privately held Transwestern companies have been delivering a higher level of personalized service and innovative real estate solutions since 1978. Through an integrated, customized approach that begins with fresh ideas, the firm drives value for clients across commercial real estate services, development, investment management, and opportunistic endeavors for high-net-worth investors. Operating from 33 U.S. offices, Transwestern extends its platform capabilities globally through strategic alliance partners whose unique geographic, cultural, and business expertise fuels creative solutions. Learn more at [transwestern.com](https://transwestern.com).