

TEXAS RETAIL MARKETS

FALL 2024

Strong Leasing Activity, Construction Tapers to 9.5M SF

Q3 2024 House View

Texas's major markets finished this reporting period with payrolls increasing 7.3 percent, or 83,200 workers. The boost in employment falls right in line with recent key economic indicators pointing towards growth, such as the Texas Leading Economic Index increasing by 3.2 percent and consumer confidence increasing 6 percent statewide.

Retail construction for Texas's major metros came in at just under 9.5 million square feet at the end of Fall 2024, a roughly 1 million square foot decrease over Summer 2024. The breakdown of construction by metro: Dallas-Fort Worth (3.8 million square feet), Houston (3.4 million square feet), Austin (1.4 million square feet), and San Antonio (855,000 square feet).

The demand for new retail space this period reached just under 1.1 million square feet across the four major metros. Three metros: Dallas-Fort Worth, Houston, and San Antonio, were responsible for the positive gains with their net absorption of 793,953 square feet, 235,095 square feet, and 165,037 square feet, respectively.

Dallas/Fort Worth

	Q3 24	Y-O-Y
Population Growth	-	▲ 128,410
Unemployment	3.9%	◀▶
Inventory (SF)	390,920,000	-
Net Absorption	794,000	1,996,000
Vacancy	4.1%	▼ 0.1%

Houston

	Q3 24	Y-O-Y
Population Growth	-	▲ 109,010
Unemployment	4.4%	◀▶
Inventory (SF)	376,608,000	-
Net Absorption	235,000	2,471,000
Vacancy	4.5%	◀▶

Austin

	Q3 24	Y-O-Y
Population Growth	-	▲ 64,452
Unemployment	3.8%	▲ 0.3%
Inventory (SF)	101,857,000	-
Net Absorption	(96,000)	1,353,000
Vacancy	3.0%	◀▶

San Antonio

	Q3 24	Y-O-Y
Population Growth	-	▲ 42,590
Unemployment	4.2%	▲ 0.3%
Inventory (SF)	112,313,000	-
Net Absorption	165,000	421,000
Vacancy	3.7%	◀▶

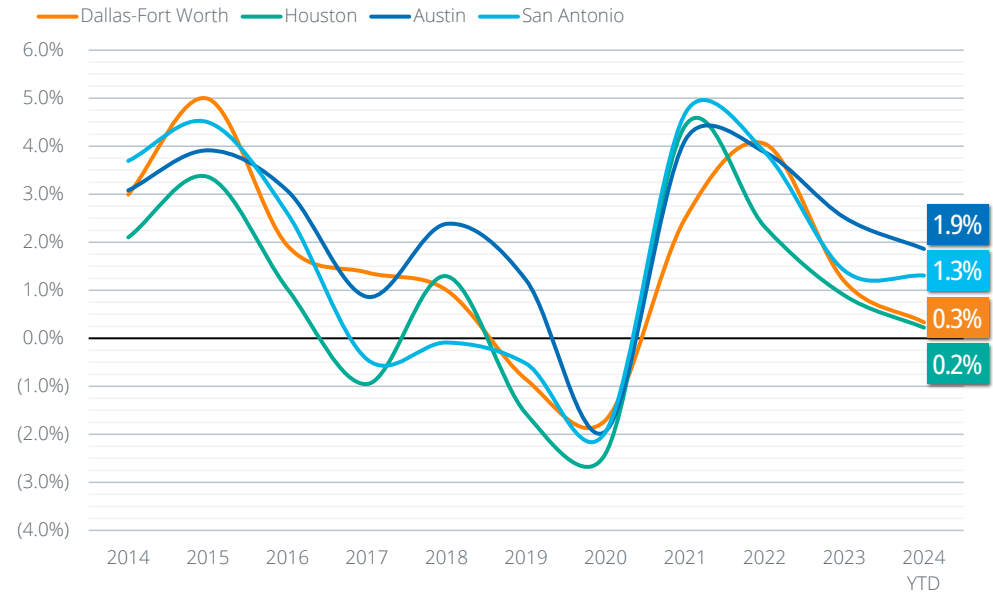


TEXAS ECONOMY

Key Retail Jobs Categories Record Positive Growth Through 2024; Retail Sales Soften Statewide

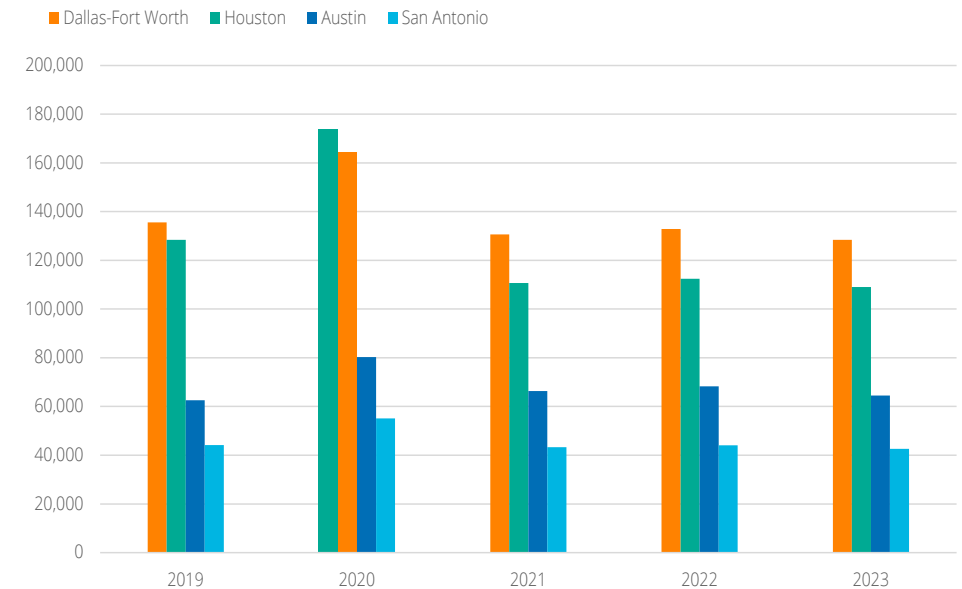
- The total Texas nonfarm employment increased by 83,200 workers in August, a 7.3 percent rise from the same period last year. These numbers set Texas job growth above that of the U.S. for the first eight months of the year. Houston experienced one of the biggest rebounds with 28,000 jobs gained during August after Hurricane Beryl and other natural disasters pushed 17,000 works out during June and July. According to the Dallas Federal Reserve Bank, Texas employment growth 2024 year-to-date for trade and transportation reached 1.6 percent and it reached 2.1 percent for leisure and hospitality seasonally adjusted. Both job sectors are key to the overall retail sector and indicate continued demand throughout the supply chain.
- In August, the sales index, a key indicator of state retail performance, indicated activity declined during the month. The exact numbers show a soft decline, specifically an improvement to -6.2 from -18.1, but it should be noted that inventories still rose to 15.8 during the month.
- Additional key economic indicators for August 2024 include a 3.2-point increase in the Texas Leading Economic Index, a 6 percent increase month-over-month for Texas consumer confidence, and overall earnings across the four major metros were mostly negative with Houston, Austin, and Dallas/Fort Worth decreasing by \$0.75, \$0.62, and \$0.18, respectively. San Antoino being an outlier with the metro recording positive gains to the tune of \$0.24 during the month.

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.

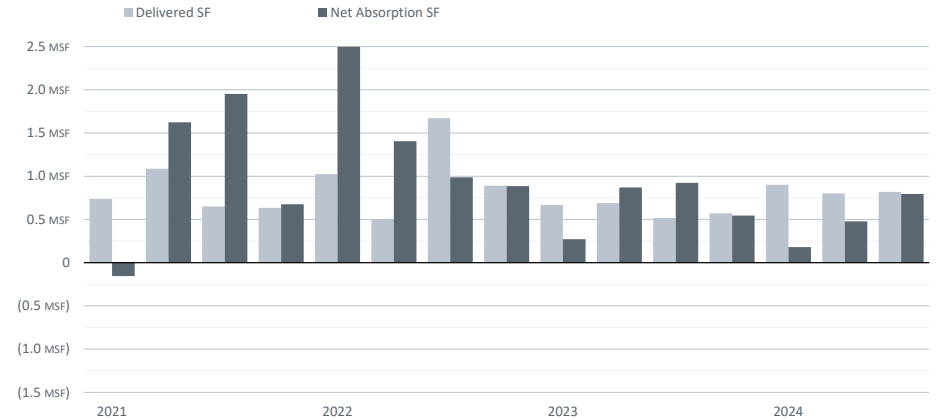


DALLAS/FORT WORTH

New Big-Name Tenants Open in North Texas; Leasing Hits 1.2 Million SF in past 12 Months

- North Texas' retail sector saw its current construction pipeline subside in the past 90 days to just under 3.0 million square feet down from 3.8 million just a few months ago. Strip center construction was most active in Dallas while Fort Worth is measuring more than 326,000 square feet in neighborhood/community retail category.
- Sumner, Washington-based retail chain Recreational Equipment Inc., the outdoor gear retailer better known as REI, reports that it is expanding to Prosper and is planning to open its fifth store in the Dallas-Fort Worth area in 2026 in The Gates of Prosper, near Preston Road and East University Drive. The new store, expected to be approximately 24,000 square feet will add to the area's big-name retail tenants.
- In other news, Japanese fashion retailer Uniqlo made its North Texas debut recently by opening its newest 20,000 square foot location in the Galleria. In total, Uniqlo has five stores planned in Texas, including three in North Texas and two in the Houston area. Its two forthcoming locations in Dallas-Fort Worth are The Parks Mall at Arlington and Stonebriar Centre in Frisco.

DELIVERY IMPACT ON KEY INDICATORS



Source: Transwestern Research, CoStar

- Dallas/Fort Worth's retail sector absorbed just slightly less than 375,000 square feet this quarter while the availability rate in Dallas tightened to 5.5 percent and 5.4 in Fort Worth. Rents moved down slightly in Dallas to \$21.70 per square foot from \$22.10 in the summer. Fort Worth likewise saw rent compression to \$18.15 per square foot compared to \$18.46 per square foot during the past 90 days. Meanwhile the availability rate shrank slightly to 5.5 percent in Dallas and 5.4 percent in Fort Worth.

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	263,802,646	10,716,167	4.1%	14,702,904	5.5%	373,087	1,224,324	2,966,717	\$21.70
Strip Center	20,128,740	1,184,993	5.9%	1,758,473	8.5%	(15,743)	72,614	511,377	\$20.96
Neighborhood/Community	81,838,768	4,483,366	5.5%	5,533,475	6.8%	147,159	147,159	94,954	\$18.66
Power Center	23,523,488	796,896	3.4%	965,680	4.1%	108,277	212,923	149,293	\$33.53
Fort Worth - All Retail	127,117,795	5,411,503	4.3%	6,875,134	5.4%	420,866	771,816	900,520	\$18.15
Strip Center	10,889,242	628,743	5.8%	739,363	6.8%	(23,427)	28,079	37,759	\$19.32
Neighborhood/Community	34,828,097	2,480,543	7.1%	3,041,228	8.7%	269,327	209,346	326,520	\$15.80
Power Center	8,852,259	290,930	3.3%	401,070	-	(12,820)	(9,427)	-	-

*Includes properties not in shopping centers below

Source: Transwestern Research, CoStar

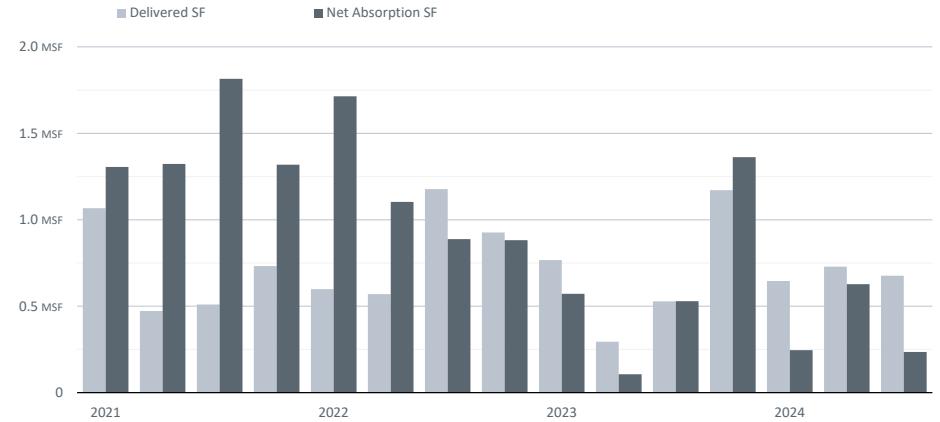


HOUSTON

Absorption Slows to 235,095 SF. Conn's Store Closings Could Bring Landlords New Leasing Opportunities

- Houston's retail construction pipeline sustained its expansion trend again this quarter buy adding new starts to the strip center and neighborhood/community retail categories. Currently, Houston has just over 3.4 million square feet underway with both featuring an availability rate greater than 8.6 and 8.2 percent, respectively.
- The Woodlands-based furniture, electronics and appliances retailer announced that it plans to close all 174 Conn's HomePlus Stores as well as approximately 38 Badcock Furniture Home Stores after filing for bankruptcy in July. Including its office, industrial and retail stores, Conn's has 83 locations in Texas, Partners data shows. Conn's also occupies 51K SF of office space at 2445 Technology Forest Blvd. in The Woodlands, which is listed as available for sublease. As Houston has been posting string population and job gains, boosting local consumer spending on bigger ticket items, Conn's closure could give retail landlords the opportunity to lease to new tenants and boost rents, as with Houston landlords seeing in the wake of the 99 Cents Only Stores bankruptcy.
- Restaurant and entertainment venue openings also grabbed headlines this quarter. Examples include Hudson House Restaurant and Raw Bar preparing to open a second Houston location in Rice Village. Chicago-based

DELIVERY IMPACT ON KEY INDICATORS



Source: Transwestern Research, CoStar

- Nuveen Real Estate announced Sept. 23 that it has signed Intown Golf Club as a tenant for its Four Oaks Place office complex. The members-only club will fully occupy the existing 14,075-square-foot building located at 1415 S. Post Oak Lane about a mile north of The Galleria mall.
- Wrapping up the market performance this quarter, rents inched up slightly to \$20.86 per square foot, with gains being etched out for neighborhood/community centers and power centers. Vacancy clipped up 10 basis points to 4.5 percent and is still registering the highest for each of Texas's major retail markets at during the past 90 days.

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	376,608,442	17,066,996	4.5%	23,925,312	6.3%	235,095	2,471,006	3,400,812	\$20.86
Strip Center	40,678,944	2,774,580	6.8%	3,523,641	8.6%	47,665	221,493	263,328	\$21.75
Neighborhood/Community	117,989,965	7,420,420	6.3%	9,762,788	8.2%	(251,087)	(685,273)	625,819	\$18.85
Power Center	29,420,239	922,543	3.1%	1,300,903	4.4%	(100,377)	252,006	-	\$30.17

*Includes properties not in shopping centers below

Source: Transwestern Research, CoStar

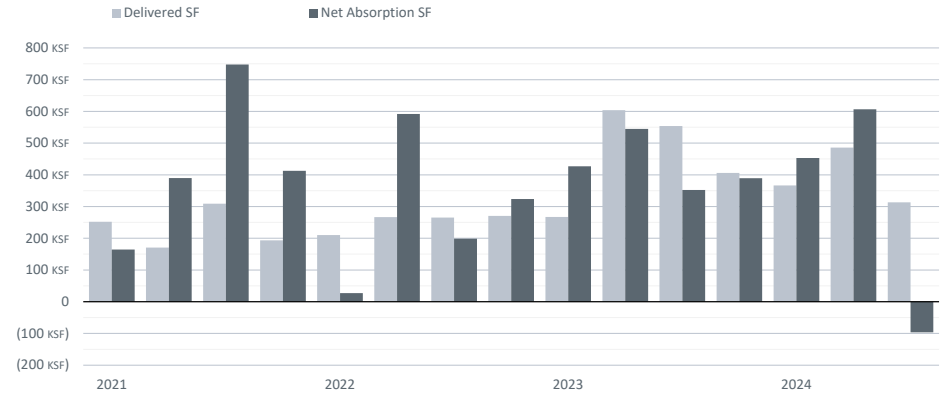


AUSTIN

Construction Tapers Slightly in Past 90 Days, But Tightened 11.5% Year-Over-Year

- The retail sector in Austin slowed this quarter, with a net absorption of negative 96,000 square feet. This is a decrease from the 607,000 square feet absorbed in the second quarter. The largest absorption occurred in strip centers, with nearly 18,000 square feet, followed by neighborhood/community centers at more than 16,000 square feet and power centers at 7,000 square feet. Over the past 12 months, there has been a net absorption of more than 1.35 million square feet.
- Asking rates decreased to \$25.76 per square foot per year, reflecting a \$0.92 decrease from the previous quarter and a \$0.37 decrease from last year.
- The vacancy rate has risen to 3.0%, a 50-basis point increase from the previous quarter and a 20 basis point increase compared to last year.
- Retail construction decreased to 1.44 million square feet, which was a 3.7% drop from the previous quarter's 1.5 million square feet. Compared to Q3 2023, construction is down by 11.5% from the nearly 1.63 million square feet. In the quarter, Austin saw nearly 314,000 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
Austin - All Retail*	101,856,612	3,023,311	3.0%	4,603,830	4.5%	(96,305)	1,352,754	1,441,649	\$25.76
Strip Center	7,807,161	375,387	4.8%	723,792	9.0%	17,978	150,930	274,384	\$26.21
Neighborhood/Community Center	26,262,852	912,635	3.5%	1,490,915	5.6%	16,186	381,158	179,648	\$25.50
Power Center	15,779,284	434,524	2.8%	526,674	3.3%	6,940	137,475	70,000	\$44.39

*Includes properties not in shopping centers below

Source: Transwestern Research, CoStar

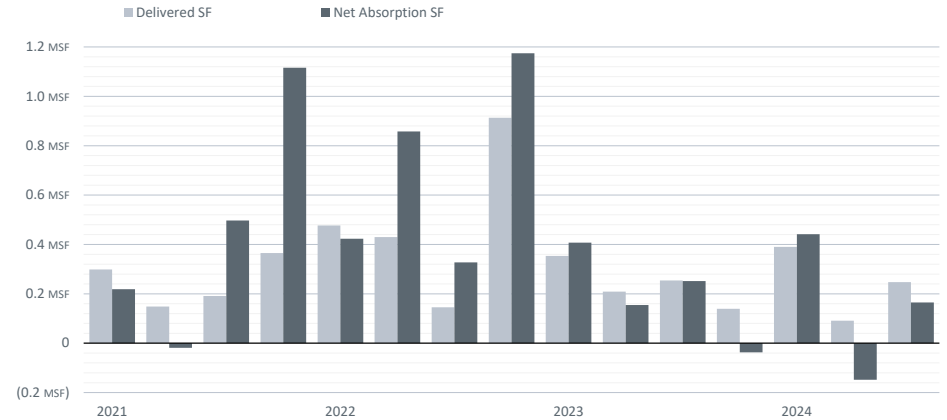


SAN ANTONIO

Net Leasing Gains Steam, Reversing the Summer Trend of Negative Growth

- In the third quarter of 2024, the San Antonio Retail Market saw a positive net absorption of approximately 165,000 square feet, a notable improvement from the previous quarter's negative net absorption of 148,000 square feet. Over the trailing 12 months, there were approximately 421,000 square feet of positive net absorption. Among the categories, strip centers performed the best, with a positive net absorption of 43,000 square feet.
- Asking rates increased to \$20.13 per square foot per year, reflecting a \$0.20 increase from the previous quarter and a \$0.60 increase from last year.
- The vacancy rate remained steady at 3.7%, with a slight increase of 10 basis points compared to both the previous quarter and year-over-year.
- San Antonio's retail construction has decreased to approximately 856,000 square feet, which remains steady from the nearly 862,000 square feet reported last quarter. Most 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 suburban and residential areas.

DELIVERY IMPACT ON KEY INDICATORS

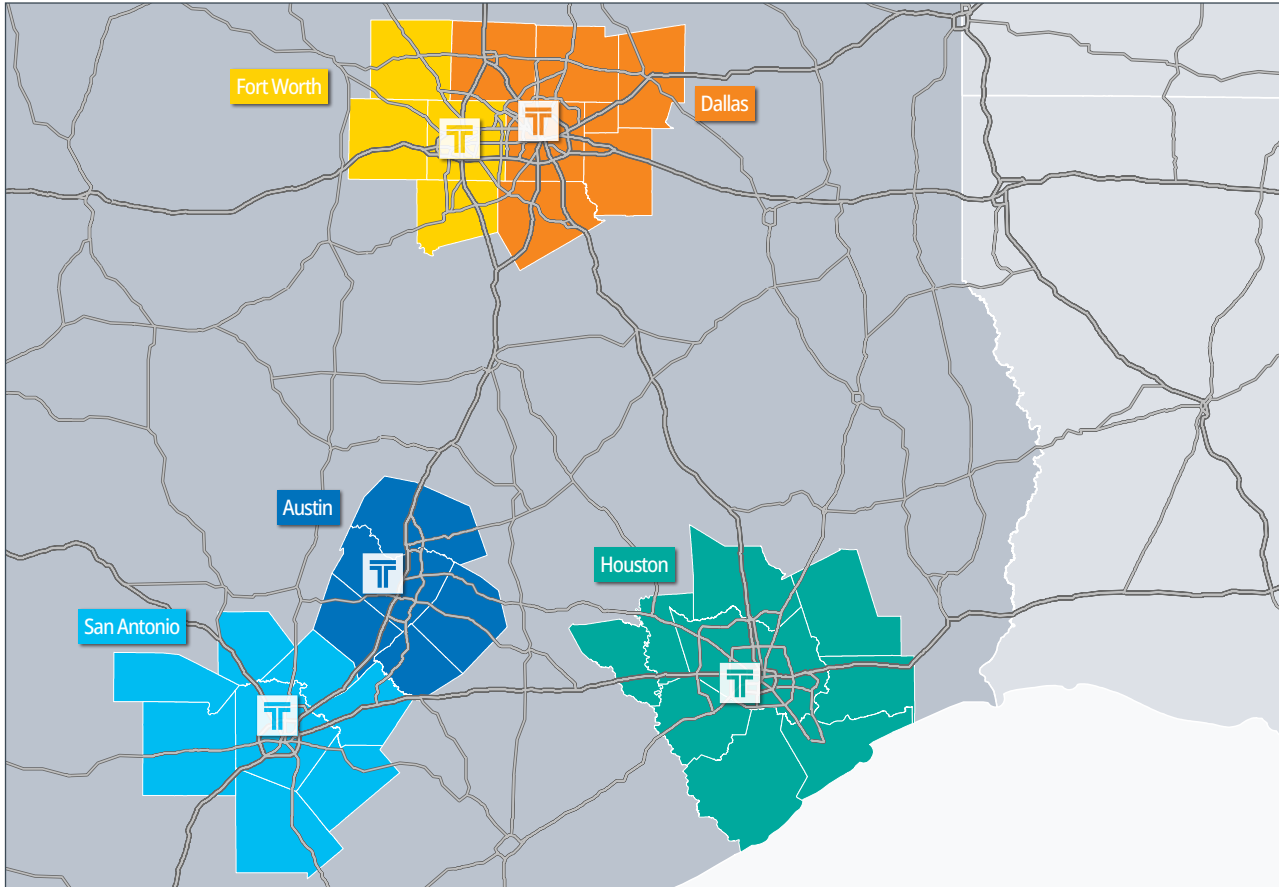


Source: Transwestern Research, CoStar

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*	120,312,888	4,398,081	3.7%	6,713,303	5.5%	165,037	421,343	855,741	\$20.13
Strip Center	9,846,652	651,800	6.6%	824,027	8.4%	42,587	(69,160)	20,136	\$19.53
Neighborhood/Community Center	33,152,282	1,991,368	6.0%	2,824,711	8.5%	(247,627)	(206,434)	163,736	\$16.16
Power Center	10,462,263	391,892	3.7%	587,800	5.6%	5,662	(14,583)	-	\$26.95

*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. Auto dealer, auto repair, bank, quick service, 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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