

# TEXAS RETAIL MARKETS WINTER 2024



## Positive Leasing, Construction Gains Throughout All Major Metros

### Q4 2024 House View

Texas's four major markets concluded CY 2024 with a 1.8 percent year-over-year increase to overall payrolls, or 259,000 workers in November with gains for San Antonio, Houston, Dallas/Fort Worth, and Austin to the tune of 2.1, 1.8, 1.4, and 1.3 percent growth, ranked respectively.

Retail construction for Texas's major metros came in at just under 11.3 million square feet at the end of December 2024, a 1.8 million square foot increase over Fall 2024. Dallas/Fort Worth leads the metros with just over 4.7 million square feet under development, a nearly 1.0 million square foot increase from Fall 2024, followed by Houston with 3.5 million square feet, and Austin with 2.1 million square feet. San Antonio, for the seventh quarter in a row, remains under 1.0 million square feet with nearly 950,000 square feet.

Retail demand eclipsed over 1.0 million square feet this reporting period across the four major metros. Austin led with 513,645 square feet, followed by Houston with 331,316 square feet, Dallas/Fort Worth with 161,637 square feet, and San Antonio's 30,131 square feet.

Dallas/Fort Worth		
	Q4 24	Y-O-Y
Population Growth	-	▲ 128,410
Unemployment	3.5%	▲ 0.2%
Inventory (SF)	394,036,000	-
Net Absorption	162,000	1,613,000
Vacancy	4.2%	◀▶

Houston		
	Q4 24	Y-O-Y
Population Growth	-	▲ 109,010
Unemployment	4.1%	▲ 0.3%
Inventory (SF)	379,549,000	-
Net Absorption	331,000	1,440,000
Vacancy	4.6%	▲ 0.2%

Austin		
	Q4 24	Y-O-Y
Population Growth	-	▲ 64,452
Unemployment	3.1%	▲ 0.1%
Inventory (SF)	102,152,000	-
Net Absorption	514,000	1,477,000
Vacancy	2.9%	▲ 0.1%

San Antonio		
	Q4 24	Y-O-Y
Population Growth	-	▲ 42,590
Unemployment	3.4%	▲ 0.3%
Inventory (SF)	112,989,000	-
Net Absorption	30,000	489,000
Vacancy	3.8%	▲ 0.3%

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

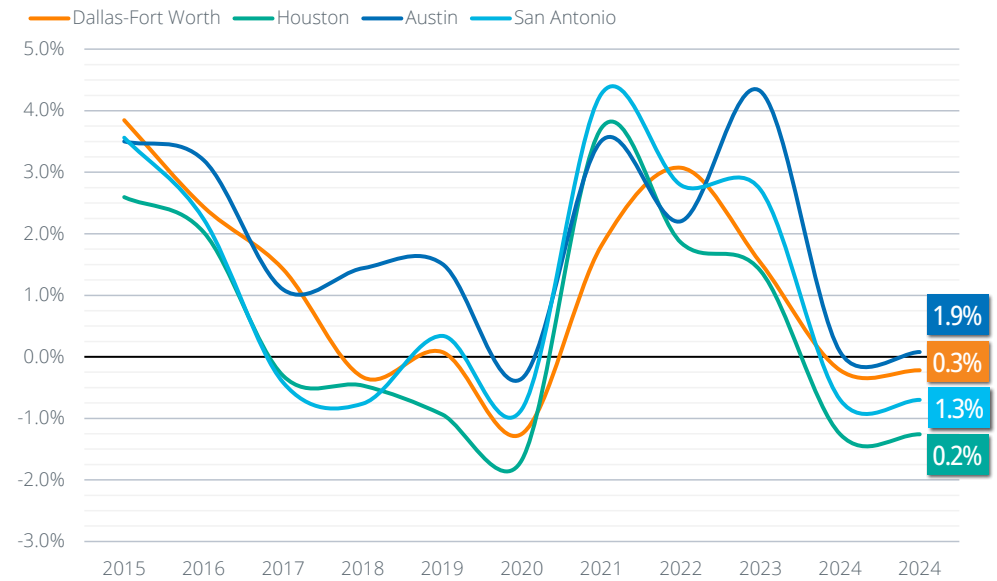


### TEXAS ECONOMY

#### Texas Job Growth Slows in Second Half of 2024; Annual State Sales Tax Receipts Top \$8.6 Billion

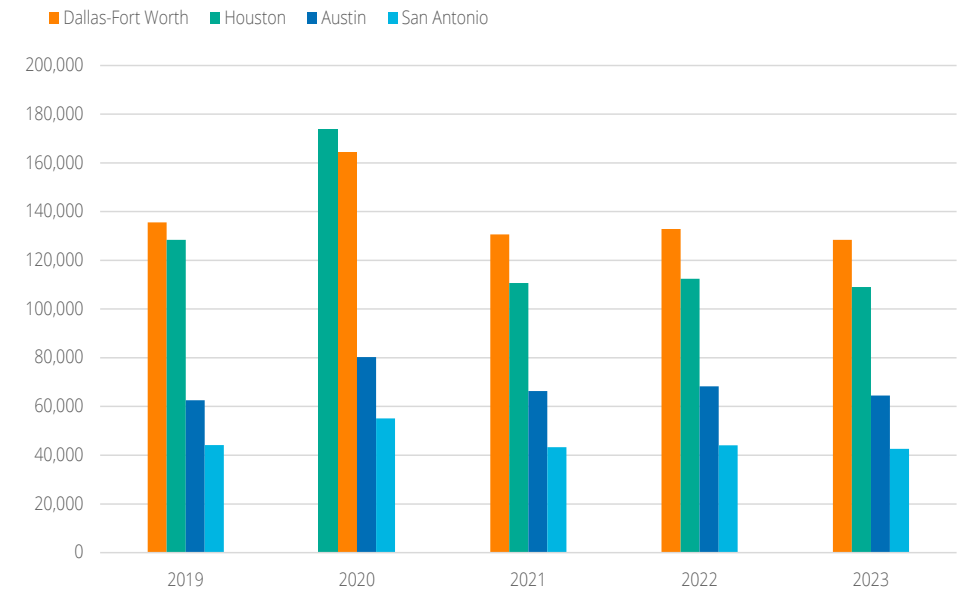
- The total Texas nonfarm employment increased by 259,000 workers in November, a 1.8 percent rise from the same period last year. Compared to the U.S., Texas’s nonfarm employment outpaces the nation by 60 basis points. However, payroll growth started to slow during the Q4 2024 with early estimates putting the annual job growth slowing to 2.0 percent, down from 2023’s rate of 2.4 percent, according to the Dallas Federal Reserve Bank. A key area which contributed Texas’s softening employment during the second half of 2024 is the professional and business services, which specifically saw contractions in the management consulting, employment services, and high-tech services. Additionally, government employment growth at the state and local level experienced noteworthy contractions during back half of 2024.
- By the close of CY 2024, the Texas Comptroller of Public Accounts had collected over \$8.6 billion in annual sales, a nominal increase of 1.9 percent from CY 2023.
- An additional key economic indicator for November 2024 includes average hourly earnings, which saw November decrease to \$33.39 but still achieving a year-over-year growth of 4.9 percent. Amongst the four major metros, two metros experienced hourly wage growth with San Antonio being the largest with a \$0.53 increase, and Austin, which trails by over half, increasing by \$0.25. Houston’s hourly wage growth remained flat, while Dallas/Fort Worth decreased by \$0.36.

### 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.

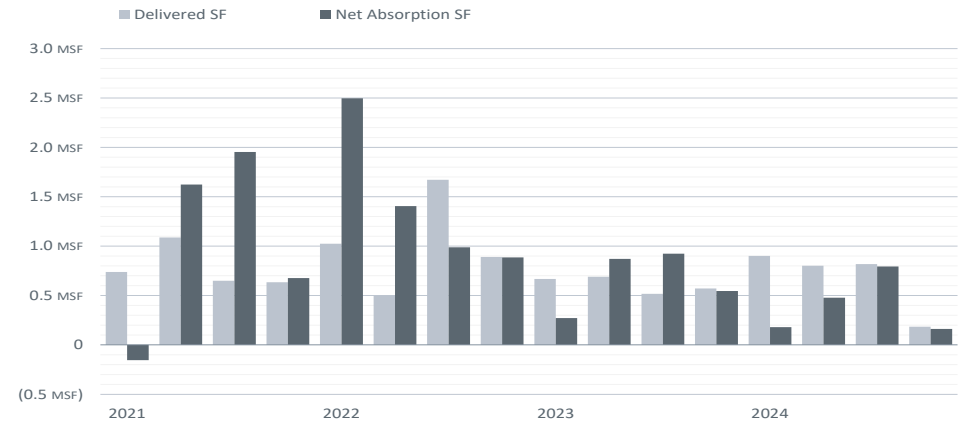


## DALLAS/FORT WORTH

### Large Retail Starts in Mixed-Use Projects Will Characterize Metroplex Construction in 2025

- Retail construction in North Texas surged during the final quarter of 2024 by more than a fifth to 4.7 million square feet, up from 3.9 million in the autumn for both metros, Dallas and Fort Worth. Strip center construction was most active in Dallas while Fort Worth is measuring more than 326,000 square feet in neighborhood/community retail category.
- Bright Realty LLC is progressing on a \$1.3 billion mixed-use project in Lewisville's Castle Hills and is gearing up to deliver the development's shopping component. Retail for the 140-acre development, called Crown Centre, is expected to break ground during 2025. The retail component of the project comes after a four-story, \$50 million office building, Crown Centre II, opened for leasing in fall 2024, which marked a major milestone in the development.
- Construction likewise has begun on a retail center anchored by a Tom Thumb grocery store north of Fort Worth, an area rapidly growing with new housing with a groundbreaking on the 63,000-square-foot store at 1046 Market Way in Argyle. The store is estimated to open in spring 2026.

## DELIVERY IMPACT ON KEY INDICATORS



Source: Transwestern Research, CoStar

- Dallas/Fort Worth's combined retail sector absorbed just slightly less than 165,000 square feet this quarter while the availability rate in Dallas tightened 10 basis points to 5.4 percent and 20 basis points to 5.2 in Fort Worth. Rents moved down again this period slightly in Dallas to \$21.34 per square foot after peaking from \$22.10 in the summer. Fort Worth likewise saw rent compression to \$17.88 per square foot compared to \$18.15 per square foot during the past 90 days. Meanwhile vacancy remained steady at 4.1 percent in Dallas and 4.2 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
<b>Dallas - All Retail</b>	<b>265,960,990</b>	<b>11,004,497</b>	<b>4.1%</b>	<b>14,507,308</b>	<b>5.4%</b>	<b>(18,094)</b>	<b>974,321</b>	<b>3,591,749</b>	<b>\$21.34</b>
Strip Center	20,122,009	1,191,772	5.9%	1,498,475	7.4%	(22,895)	37,099	250,312	\$20.64
Neighborhood/Community	81,771,759	4,474,211	5.5%	5,550,070	6.8%	0	147,159	94,954	\$18.40
Power Center	23,572,809	881,381	3.7%	1,036,697	4.4%	(81,406)	194,755	149,293	\$33.41
<b>Fort Worth - All Retail</b>	<b>128,075,367</b>	<b>5,387,013</b>	<b>4.2%</b>	<b>6,704,238</b>	<b>5.2%</b>	<b>179,731</b>	<b>638,272</b>	<b>1,087,148</b>	<b>\$17.88</b>
Strip Center	10,907,945	633,893	5.8%	746,729	6.8%	(1,551)	25,073	37,759	\$19.41
Neighborhood/Community	34,825,544	2,491,361	7.2%	3,154,024	9.0%	45,438	282,565	326,520	\$15.23
Power Center	8,905,571	271,054	3.0%	382,748	-	25,806	10,107	-	-

\*Includes properties not in shopping centers below

Source: Transwestern Research, CoStar

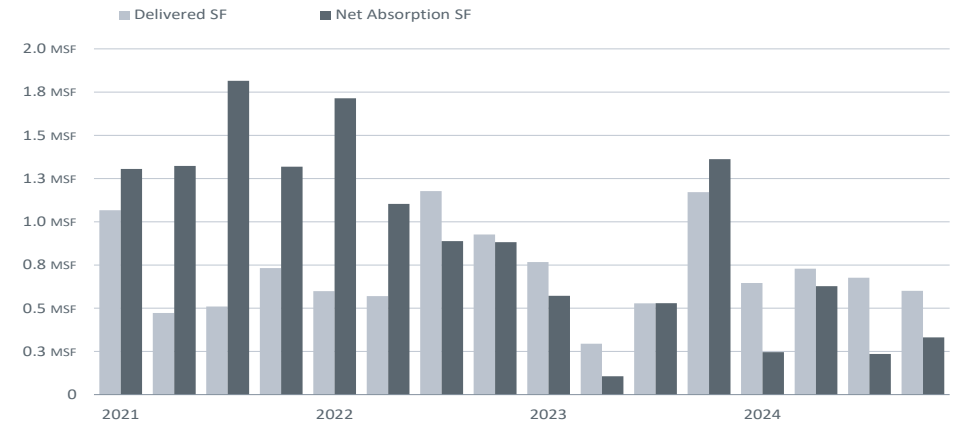


## HOUSTON

### Power Centers See New Construction Starts as Completed Inventory Totals Nearly 380 Million Square Feet

- Houston’s retail construction pipeline delivered just over half million square feet as the year drew to close mainly in the neighborhood/community retail category. New starts topped 300,000 square feet, with more than half of that in power centers. Currently, Houston has approximately 3.5 million square feet underway with total availability measuring 24.6 million square feet, or 6.4 percent – up a slight 10 basis points over the autumn, with the largest being in neighborhood/power centers rising 30 basis points to a total of ten million square feet.
- As power center construction geared up during the final quarter of 2024, Fidelis Realty Partners, a Houston-area developer known for big-box retail centers, purchased 33 acres in New Caney, a fast-growing suburban community north of Houston. The landsite is located within the Trails, a 1,400-acre master-planned community underway off Grand Parkway 99, according to Austin-based Castle Hill Partners, developer of the Trails. The acquisition gives Fidelis a foothold in a community expected to have 2,000 new homes when complete. Castle Hill Partners said this would be the first commercial development within the Trails.
- Nearly two years after demolishing the last components of the former San Jacinto Mall in Baytown, Fidelis Realty Partners also broke ground on the project to redevelop it into San Jacinto Marketplace, as reported early during the quarter. The 105-acre future mixed-use development at Interstate 10 and Garth Road will include a 550,000-square-foot shopping center with

## DELIVERY IMPACT ON KEY INDICATORS



Source: Transwestern Research, CoStar

- open green space, 10 anchor tenants comprising 75 percent of all retail space, restaurants, multitenant buildings and pad sites; one or two three-story apartment complexes; a hotel; and office buildings. The goal is to complete Phase 1, including all the retail and restaurants, by December 2026.
- Summarizing Houston’s retail sector performance this quarter, rents inched up slightly to \$20.88 per square foot, with gains being mostly etched out for neighborhood/community centers. Vacancy clipped up 10 basis points again this quarter after doing the same in Q3 2024 to 4.6 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
<b>Houston - All Retail</b>	<b>379,548,590</b>	<b>17,632,548</b>	<b>4.6%</b>	<b>24,580,117</b>	<b>6.4%</b>	<b>331,316</b>	<b>1,439,730</b>	<b>3,474,739</b>	<b>\$20.88</b>
Strip Center	40,692,481	2,678,812	6.6%	3,432,286	8.4%	114,367	112,151	255,257	\$21.67
Neighborhood/Community	118,256,139	7,776,340	6.6%	10,052,395	8.5%	12,928	(770,011)	687,474	\$18.68
Power Center	29,785,674	919,022	3.1%	1,328,169	4.4%	(60,698)	10,787	124,440	\$30.14

\*Includes properties not in shopping centers below

Source: Transwestern Research, CoStar

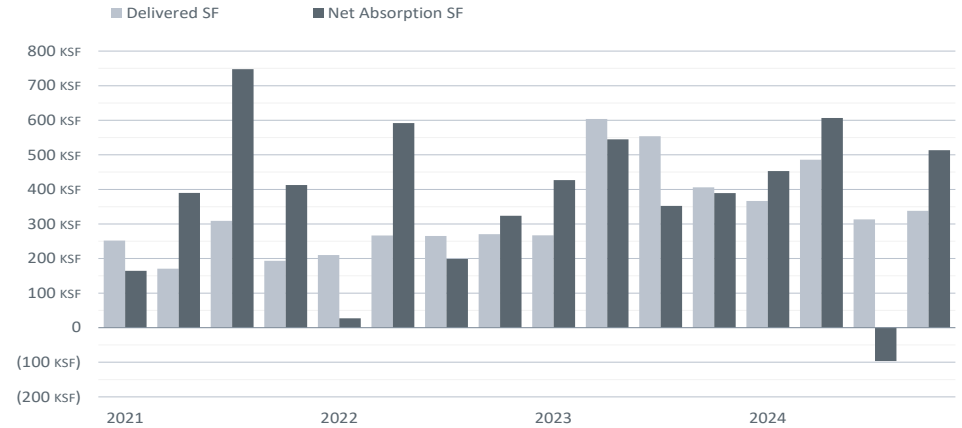


**AUSTIN**

**Local Retail Sector Posts Demand, Rent Gains in Final Quarter**

- The Austin retail sector closed the year on a positive note, with approximately 500,000 square feet of net absorption, a notable improvement from the negative 96,000 square feet recorded last quarter. In comparison to the same quarter last year, net absorption has increased, with Q4 2023 seeing 390,000 square feet of absorption. Power centers led the way, contributing a positive 123,000 square feet. On the other hand, Neighborhood/Community centers—representing the majority of the retail inventory—experienced the lowest net absorption, with a decline of 2,200 square feet.
- Overall, asking rates for triple net leases increased by \$0.50 compared to last quarter but remain unchanged from Q4 2023. The most significant shift occurred in power centers, where asking rates dropped by \$2.50. Meanwhile, strip centers, as well as neighborhood and community centers, saw a modest increase of approximately \$0.30 quarter-over-quarter.
- Overall, Austin’s vacancy remained relatively stable, improving by just 10 basis points from last quarter and slipping by 10 basis points compared to Q4 2023. The most notable changes occurred in strip centers and power centers. Despite experiencing approximately 98,000 square feet of positive net absorption, strip centers saw a 40 basis point increase in their vacancy rate, largely due to 128,000 square feet being delivered mostly vacant. In contrast, power centers improved their vacancy rate by 80 basis points, driven by 122,000 square feet of positive net absorption and no new 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>102,152,315</b>	<b>2,941,703</b>	<b>2.9%</b>	<b>4,502,827</b>	<b>4.3%</b>	<b>513,645</b>	<b>1,477,035</b>	<b>2,163,186</b>	<b>\$26.26</b>
Strip Center	7,736,655	399,824	5.2%	783,346	9.8%	97,830	243,954	239,519	\$26.58
Neighborhood/Community Center	26,466,959	931,393	3.5%	1,422,403	5.3%	(2,232)	235,378	138,941	\$25.88
Power Center	15,780,857	322,647	2.0%	402,188	2.5%	122,429	273,796	70,000	\$41.72

\*Includes properties not in shopping centers below

Source: Transwestern Research, CoStar

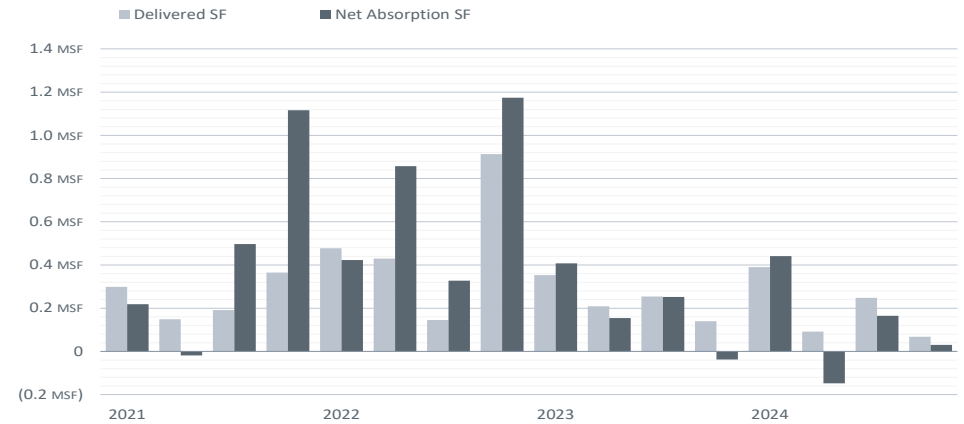


## SAN ANTONIO

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

- The San Antonio retail sector experienced approximately 30,000 square feet of positive net absorption, a decrease from last quarter's 165,000 square feet. However, compared to the same quarter last year, net absorption showed improvement, as Q4 2023 saw a negative 37,000 square feet. Strip centers led the way with about 62,000 square feet of positive net absorption. On the other hand, neighborhood and community centers, which make up the bulk of the inventory, saw the most significant negative net absorption, with around 63,000 square feet. Power centers also experienced a decline, with a negative 13,000 square feet of net absorption.
- Asking rents remained unchanged quarter-over-quarter. However, compared to last year, asking rates have increased by \$0.30/PSF/YR. Power and strip centers stayed relatively steady from last quarter, with only a \$0.10/PSF/YR change. In contrast, neighborhood and community centers saw a decrease of approximately \$0.30/PSF/YR from the previous quarter.
- The overall vacancy rate remained steady, with only a 10 basis point increase from last quarter. However, it has risen compared to last year, with a 30 basis point increase from Q4 2023. Notable changes were seen in strip centers and neighborhood/community centers. Strip centers improved their vacancy rate by 30 basis points from last quarter, though

## DELIVERY IMPACT ON KEY INDICATORS



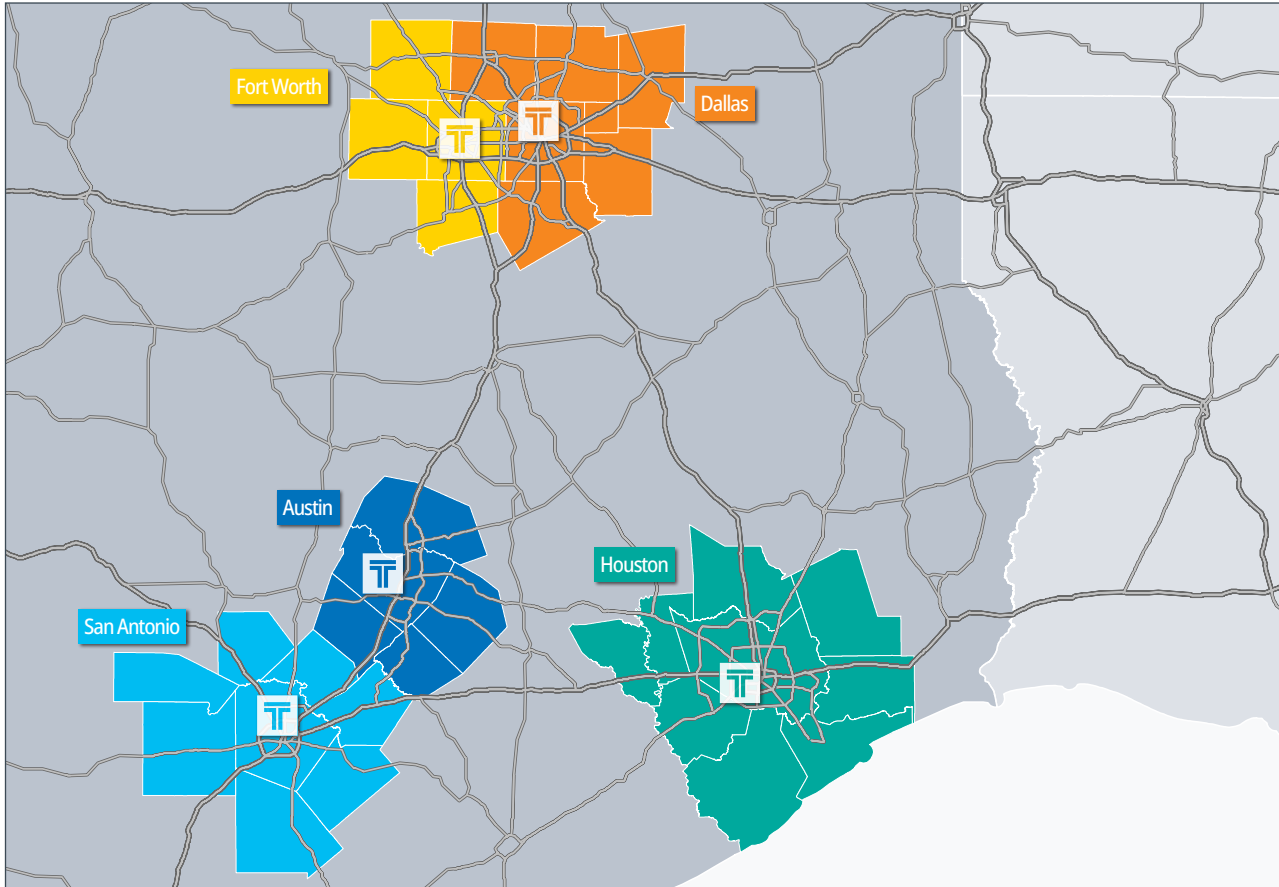
Source: Transwestern Research, CoStar

- they saw a 30 basis point increase compared to last year. On the other hand, neighborhood and community centers experienced a 60 basis point increase from the previous quarter, and a 130 basis point increase compared to the same time last year.
- San Antonio construction increased to approximately 950,000 square feet, with 68,000 square feet in deliveries this quarter. The majority of the new construction is coming from outside strip centers, neighborhood, community, and power centers. Additionally, the deliveries this quarter were not associated with any strip, neighborhood, community, or power centers.

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>121,988,967</b>	<b>4,619,558</b>	<b>3.8%</b>	<b>7,038,886</b>	<b>5.7%</b>	<b>30,131</b>	<b>488,703</b>	<b>948,108</b>	<b>\$20.13</b>
Strip Center	9,892,325	618,405	6.3%	799,793	8.1%	62,055	24,827	20,136	\$19.44
Neighborhood/Community Center	33,088,931	2,172,447	6.6%	2,956,470	8.9%	(63,137)	(315,750)	147,848	\$15.92
Power Center	10,462,922	429,470	4.1%	640,804	6.1%	(13,527)	(3,893)	36,306	\$27.23

\*Includes properties not in shopping centers below

Source: Transwestern Research, CoStar



**FOR MORE INFORMATION**

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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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