

FIGURES | AUSTIN RETAIL | Q4 2023

# Austin retail market records highest annual net absorption since 2015

▼ 97.0%

Occupancy Rate

▼ 118,995

SF Net Absorption

▼ 1,987,261

SF Under Construction

▲ \$24.50

NNN / Lease Rate

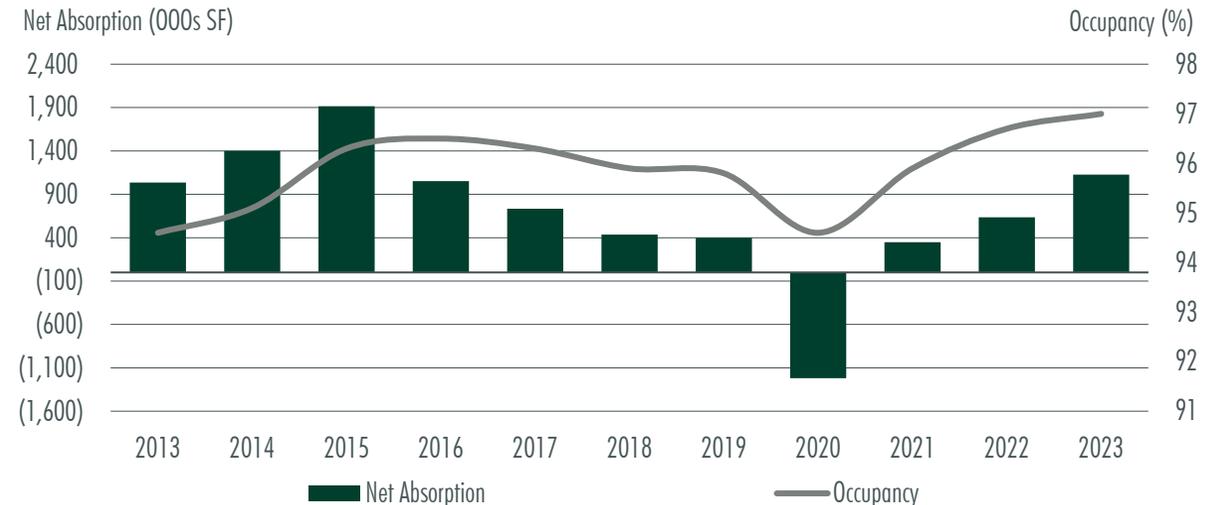
Note: Arrows indicate change from previous quarter.

## KEY TAKEAWAYS

- Despite a minimal quarterly increase of 10 basis points (bps), overall vacancy dipped 30 bps year over year, reaching 3.0% in Q4 2023.
- During the period from September to October 2023, the construction and mining sector showed the most employment growth, increasing by 20.4% or 1,316 jobs.
- Strong demand and population growth have resulted in 56 projects under construction, amounting to nearly two million sq. ft. of retail space currently underway.
- 12 projects delivered during Q4 2023, totaling over 188,026 sq. ft. of new retail space.

The Austin retail market has ended the year on a high, marking the tenth consecutive quarter of positive net absorption and the highest annual net absorption since 2015. Austin has experienced significant population growth in the past few years, which has contributed to the need for more retail space in growing submarkets. The largest new lease of the quarter was signed by Academy Sports + Outdoors, which opened a new location in Georgetown, one of the fastest growing suburbs in the U.S., according to the U.S Census Bureau.

FIGURE 1: Net Absorption and Vacancy



Source: CBRE Research, Q4 2023.

## MARKET FUNDAMENTALS

The Austin retail market showed strong fundamentals as consumer spending rose both quarterly and year-over-year, despite increased inflation and economic uncertainty. As a result of massive population growth in recent years, Austin’s suburban submarkets along I-35 have seen the largest demand for new retail space in recent years and that trend is expected to continue in 2024. Recently, the city of Austin made the decision to remove the minimum parking requirements for restaurant and retail developments. By eliminating the minimum parking mandates, the city is allowing developers more flexibility in designing their projects and encourages new and unique opportunities for retail development in Austin.

### ASKING RATES & VACANCY

The Austin retail market remained stable in Q4 2023, with vacancy increasing slightly by 10 bps quarter-over-quarter. Despite a minimal quarterly increase, overall vacancy dipped 30 bps year-over-year, reaching 3.0% in Q4 2023. Overall average triple net (NNN) asking rents were up \$0.50 quarter-over-quarter to \$24.50.

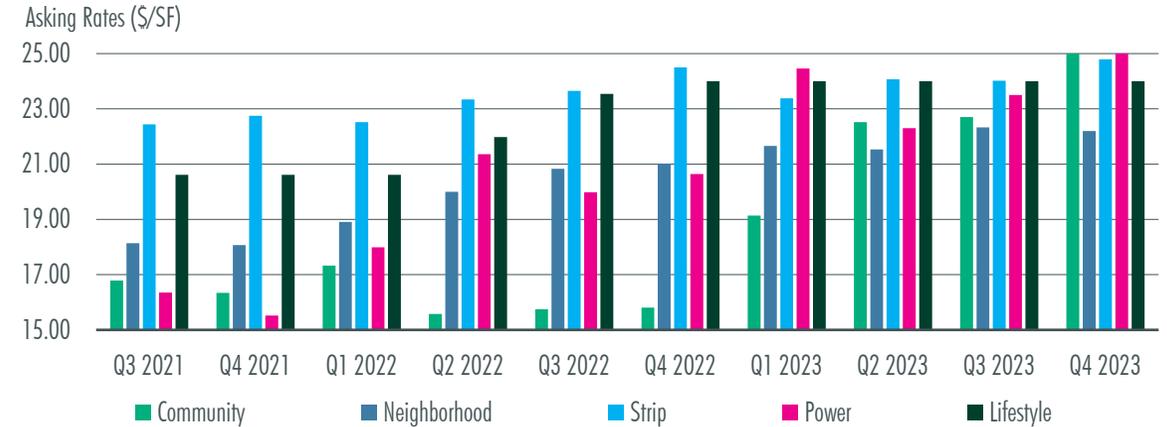
- With limited supply available, occupancy in the Bastrop County and Hays County submarkets remained above 99.0% in Q4 2023.

### DEVELOPMENT PIPELINE

12 projects completed construction from October to December, adding 188,026 sq. ft. of inventory to the retail market this quarter. Meanwhile, roughly two million sq. ft. of retail product is currently underway. The Georgetown submarket saw the largest demand for new retail space, with over 300,000 sq. ft. of supply in the works.

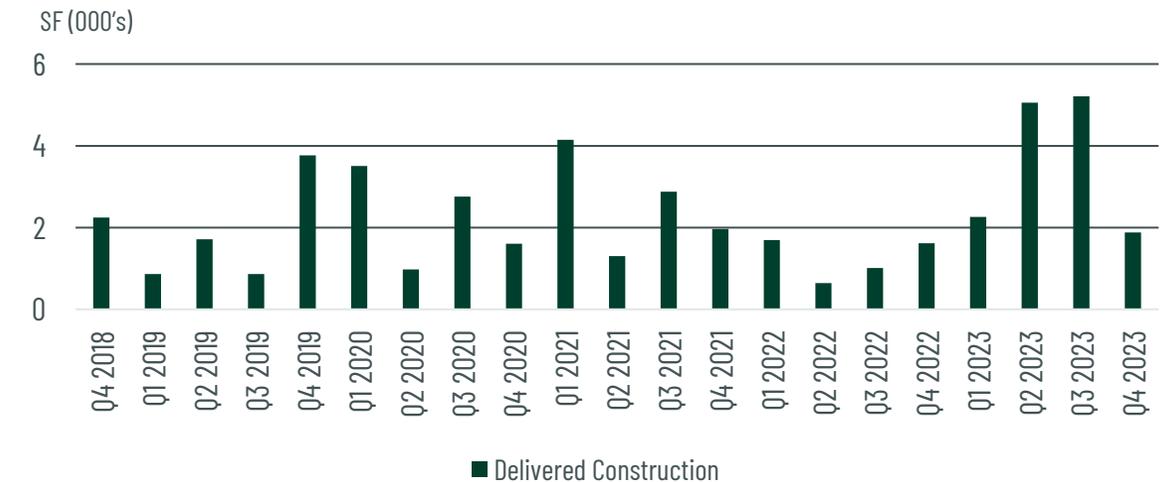
- A new Academy Sport + Outdoors in Georgetown delivered in Q4 2023, bringing over 50,000 sq. ft. of new retail product to the Austin suburb.
- Retail development will continue to thrive in suburban submarkets and along I-35, where there is a consistent high demand for new space.

FIGURE 2: Asking Annual Rents by Center Type, NNN Avg



Source: CBRE Research, Q4 2023.

FIGURE 3: Historical Deliveries



Source: CBRE Research, Q4 2023.

## AUSTIN METRO ECONOMIC TRENDS

In Q4 2023, the overall economic health of the Austin metro area exhibited strength, primarily influenced by population growth and a rise in consumer spending. The Austin Business-Cycle Index (a broad measure of economic activity created by the Federal Reserve Bank of Dallas) increased by 6.6% annually in October.

According to the Federal Reserve Bank of Dallas, the Austin metro experienced a 6.8% year-over-year decline in median home prices. This decrease resulted in a median price of \$464,014 for residential properties in the region.

### Unemployment Trends

The three-month moving average of Austin wages declined 4.2% in October, dropping below the national average for a third month in a row. Austin’s unemployment rate remained stable at 3.6% in October, remaining below the national rate of 3.9%, and the statewide rate of 4.1%.

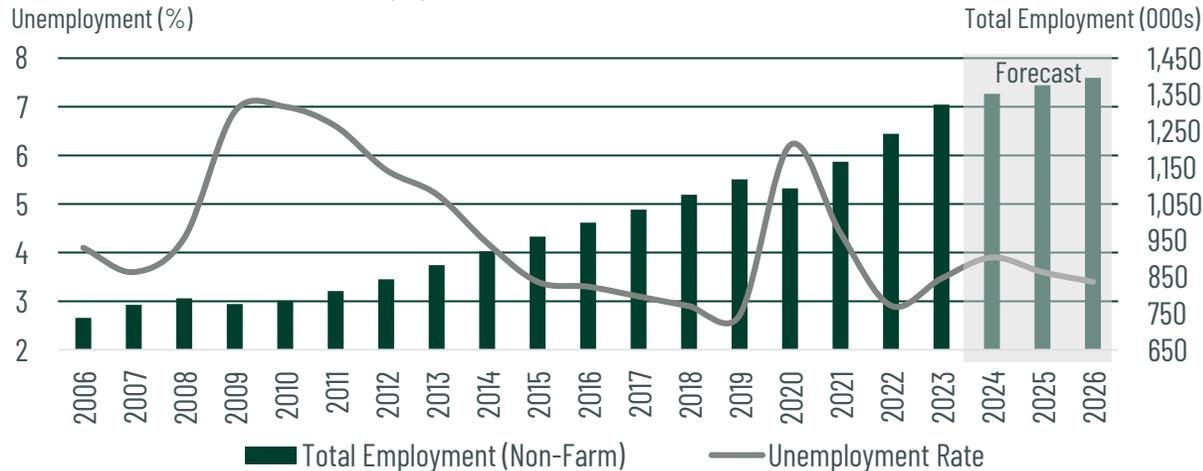
- During the period from September to October 2023, the construction and mining sector showed the most employment growth, increasing by 20.4% or 1,316 jobs.

### Population Growth

According to the most recent U.S Census Bureau population estimates, the city of Austin is now the 10<sup>th</sup> largest city in the U.S, with an estimated population of 974,447. Austin has experienced one of the largest net migration rates in the country since 2020 and has become a popular destination for tech talent.

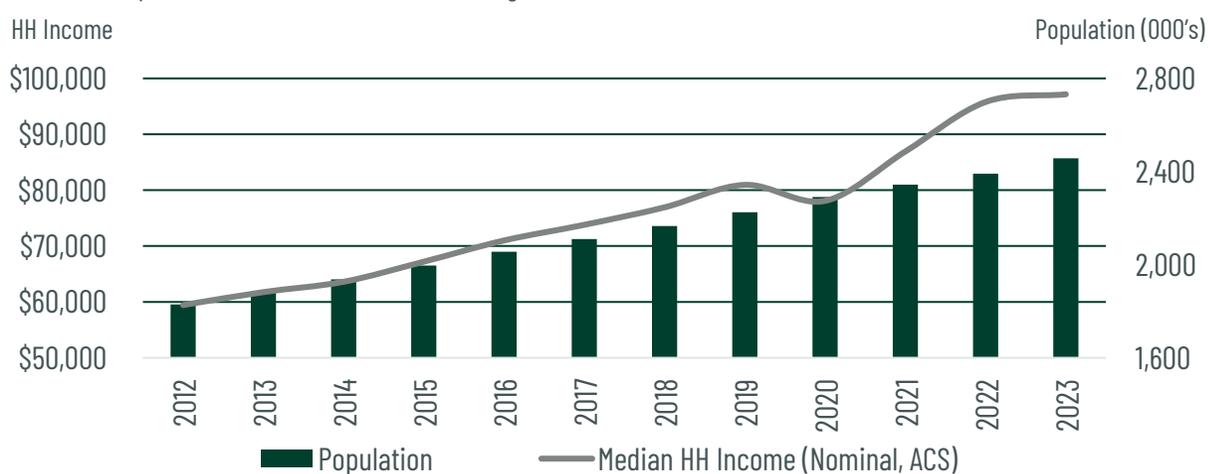
- According to data from Oxford Economics, the population of the Greater Austin Metropolitan area increased by over 82,000 since Q1 2022.
- Data from Oxford Economics forecasts that the Austin-Round Rock Metro population will increase by roughly 100,000 people by 2026.

FIGURE 4: Austin Labor Force and Unemployment



Source: Oxford Economics, December 2023.

FIGURE 5: Population Growth & Household Purchasing Power



Source: Oxford Economics, December 2023.

FIGURE 6: Historical Market Statistics

		2020	2021	2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
BASTROP COUNTY	Absorption (Net SF)	(584)	-2,951	24,271	6,933	1,770	3,000	-
	Asking Rent, Avg. Annual	23.00	19.00	17.94	16.50	24.00	24.00	27.25
	Delivered Construction (SF)	-	-	-	-	-	-	-
	Occupancy Rate (%)	96.7	96.5	99.1	99.1	99.5	99.6	99.6
CALDWELL COUNTY	Absorption (Net SF)	(7,400)	7,400	(5,154)	(15,034)	5,703	75,000	1,000
	Asking Rent, Avg. Annual	8.25	12.00	21.31	21.50	21.25	21.25	21.25
	Delivered Construction (SF)	-	-	-	10,500	10,500	75,000	
	Occupancy Rate (%)	94.9	100.0	99.0	97.0	95.2	95.8	96.0
CBD	Absorption (Net SF)	(10,784)	(21,102)	(2,572)	-	136	-	(2,399)
	Asking Rent, Avg. Annual	33.00	30.00	46.72	42.25	46.75	46.75	46.75
	Delivered Construction (SF)	-	-	-	-	-	-	-
	Occupancy Rate (%)	97.5	97.5	99.0	99.0	99.0	99.0	99.0
CEDAR PARK	Absorption (Net SF)	(269,971)	180,716	(861)	(3,485)	45,729	14,352	13,311
	Asking Rent, Avg. Annual	20.50	17.75	25.79	27.00	26.00	25.50	27.50
	Delivered Construction (SF)	293,560	10,065	149,751	-	78,213	49,093	14,646
	Occupancy Rate (%)	96.5	98.1	95.3	97.7	97.2	96.875854	96.9
CENTRAL	Absorption (Net SF)	(331,154)	(16,133)	43,171	1,022	13,913	(22,525)	50,776
	Asking Rent, Avg. Annual	22.25	20.75	24.26	25.00	24.75	25.25	27.00
	Delivered Construction (SF)	-	17,882	-	-	-	-	-
	Occupancy Rate (%)	95.0	93.3	93.9	93.5	94.2	93.8	94.9
EAST	Absorption (Net SF)	25,077	24,863	15,805	(4,139)	18,937	4,148	2,418
	Asking Rent, Avg. Annual	26.25	21.75	23.00	22.50	24.00	24.00	24.75
	Delivered Construction (SF)	27,618	-	23856	-	-	-	-
	Occupancy Rate (%)	94.2	96.9	96.7	96.7	97.2	97.3	97.3

Source: CBRE Research, Q4 2023.

FIGURE 6: Historical Market Statistics

		2020	2021	2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
FAR NORTHEAST	Absorption (Net SF)	-67,142	31,943	662	17,834	(7,456)	(27,028)	34,911
	Asking Rent, Avg. Annual	19.25	23.50	21.15	21.00	20.25	23.25	24.25
	Delivered Construction (SF)	44,635	-	11,740	10,000	-	-	-
	Occupancy Rate (%)	95.8	96.3	94.6	95.5	95.7	95.8	96.9
FAR NORTHWEST	Absorption (Net SF)	(131,784)	61,176	74,499	13,071	(2,293)	2,967	18,304
	Asking Rent, Avg. Annual	18.50	18.75	23.82	24.00	26.50	25.50	24.50
	Delivered Construction (SF)	22,600	-	35,719	-	-	-	20,774
	Occupancy Rate (%)	94.5	93.9	96.7	96.7	97.1	97.2	97.1
GEORGETOWN	Absorption (Net SF)	(45,267)	84,688	186,198	22,816	131,196	218,456	61,624
	Asking Rent, Avg. Annual	16.25	19.25	20.11	19.50	20.50	21.00	21.50
	Delivered Construction (SF)	80,000	102,000	111,672	17,251	161,824	191,643	70,886
	Occupancy Rate (%)	93.9	94.5	96.5	96.5	96.4	97.3	97.5
HAYS COUNTY	Absorption (Net SF)	(106,522)	(16,693)	117,594	(2,368)	184,628	163,842	26,208
	Asking Rent, Avg. Annual	22.75	25.75	25.23	26.00	26.75	26.5	26.25
	Delivered Construction (SF)	92,797	30,000	21,294	11,294	164,108	161,746	23,300
	Occupancy Rate (%)	97.9	96.5	98.5	98.5	98.8	98.8	99.0
NORTH	Absorption (Net SF)	(39,485)	(39,094)	40,139	10,471	5,179	(16,091)	(969)
	Asking Rent, Avg. Annual	21.75	16.25	15.73	21.75	20.50	23.75	24.25
	Delivered Construction (SF)	-	20,000	-	-	-	-	-
	Occupancy Rate (%)	96.9	96.5	97.5	97.9	98.2	97.908265	98.3
NORTHEAST	Absorption (Net SF)	41,290	(37,039)	(10,996)	12,880	28,448	12,323	42,169
	Asking Rent, Avg. Annual	18.50	19.50	22.07	23.75	22.5	23.75	23.50
	Delivered Construction (SF)	74,267	-	-	34,400	-	-	-
	Occupancy Rate (%)	90.4	95.2	94.7	94.7	96.2	96.7	96.8

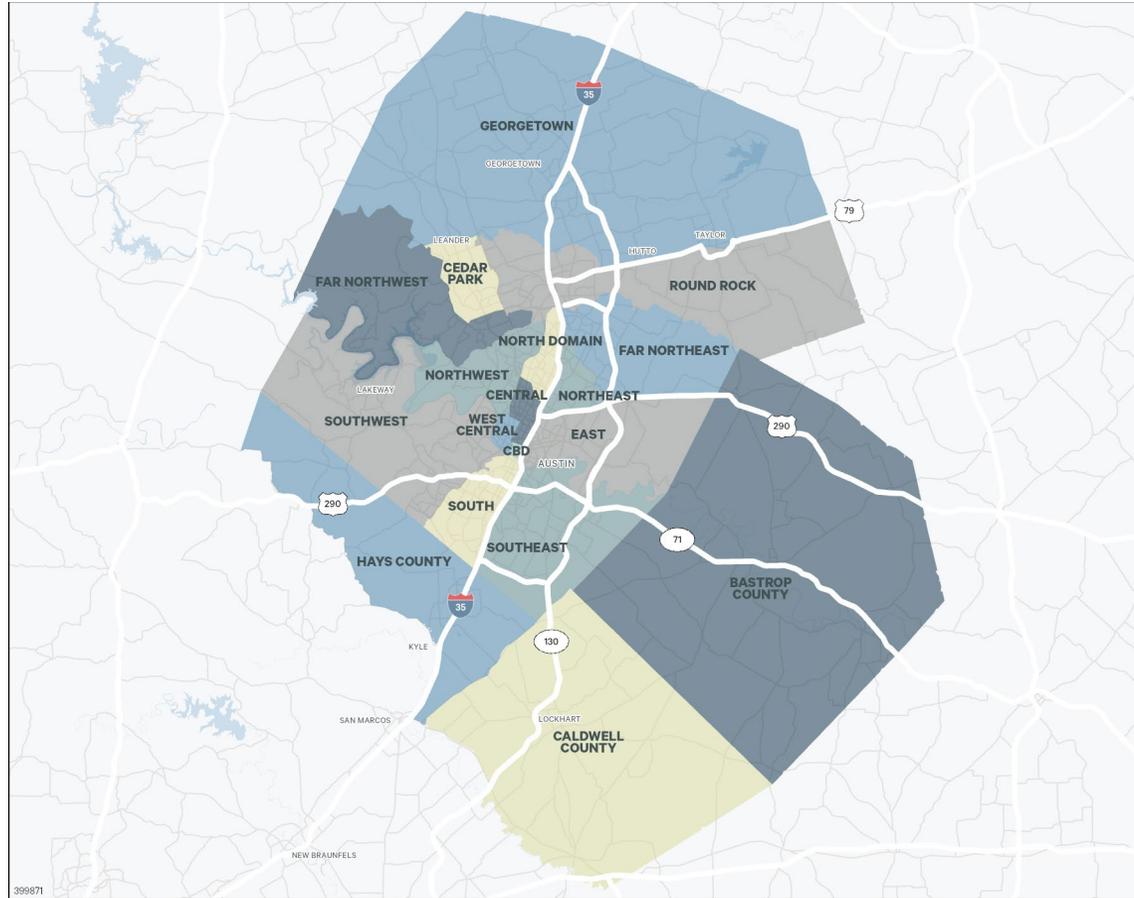
Source: CBRE Research, Q4 2023.

FIGURE 6: Historical Market Statistics

		2020	2021	2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
NORTHWEST	Absorption (Net SF)	(86,592)	(21,192)	(63,934)	(13,826)	41,307	(5,340)	6,520
	Asking Rent, Avg. Annual	26.25	26.25	27.59	27.50	28	27.50	24.00
	Delivered Construction (SF)	-	-	-	-	-	18,404	-
	Occupancy Rate (%)	97.1	94.2	95	96.4	96.9	96.8	94.2
ROUND ROCK	Absorption (Net SF)	(114,291)	68,151	128,701	2,326	14,778	(18,361)	(48,517)
	Asking Rent, Avg. Annual	20	20.25	22.49	22.00	24.50	23.75	24.50
	Delivered Construction (SF)	18,000	-	50,256	29,173	-	25,400	26,370
	Occupancy Rate (%)	93.9	94.1	97	96.5	96.8	96.5	96.0
SOUTH & SOUTHEAST	Absorption (Net SF)	(38,711)	20,409	96,636	(11,316)	11,292	(16,881)	(62,375)
	Asking Rent, Avg. Annual	22.25	24.00	24.94	27.00	26.75	27.50	28.50
	Delivered Construction (SF)	143,096	16,593	82,473	16,500	66,603	-	22,050
	Occupancy Rate (%)	96.6	97.1	97.4	98.7	98.1	98.2	97.5
SOUTHWEST	Absorption (Net SF)	(3,590)	9,843	21,225	(37,812)	37,206	(36,823)	10,758
	Asking Rent, Avg. Annual	27.00	24.00	22.97	20.00	19.75	19.5	19.75
	Delivered Construction (SF)	66,904	-	10,000	-	10,000	-	10,000
	Occupancy Rate (%)	96.5	96.5	97.3	97.3	97.4	96.9	97.0
WEST CENTRAL	Absorption (Net SF)	(32,357)	13,731	(28,374)	59,049	72,337	(3,876)	(34,744)
	Asking Rent, Avg. Annual	28.00	29.00	32.54	32.50	32.50	27.25	27.75
	Delivered Construction (SF)	21,900	-	-	97,000	25,000	-	-
	Occupancy Rate (%)	99.2	90.1	90.5	79.9	93.1	92.6	88.5
AUSTIN TOTAL	<b>Absorption (Net SF)</b>	<b>(1,219,267)</b>	<b>348,716</b>	<b>634,510</b>	<b>58,422</b>	<b>602,810</b>	<b>347,163</b>	<b>118,995</b>
	<b>Asking Rent, Avg. Annual</b>	<b>21.00</b>	<b>21.00</b>	<b>22.20</b>	<b>23.50</b>	<b>23.00</b>	<b>24.00</b>	<b>24.50</b>
	<b>Delivered Construction (SF)</b>	<b>885,377</b>	<b>196,540</b>	<b>496,761</b>	<b>226,118</b>	<b>505,748</b>	<b>521,286</b>	<b>188,026</b>
	<b>Occupancy Rate (%)</b>	<b>95.9</b>	<b>95.9</b>	<b>96.7</b>	<b>96.9</b>	<b>97.2</b>	<b>97.1</b>	<b>97.0</b>

Source: CBRE Research, Q4 2023.

## Market Area Overview



### Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

### Survey Criteria

Includes all non-owner occupied, non-medical, non-auto dealership/repair retail buildings 10,000 sq. ft. and greater in size in greater metropolitan area of Austin, TX. Buildings which have begun construction as evidenced by site excavation or foundation work.

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