

Retail Rent Growth Supported by Drop in New Supply



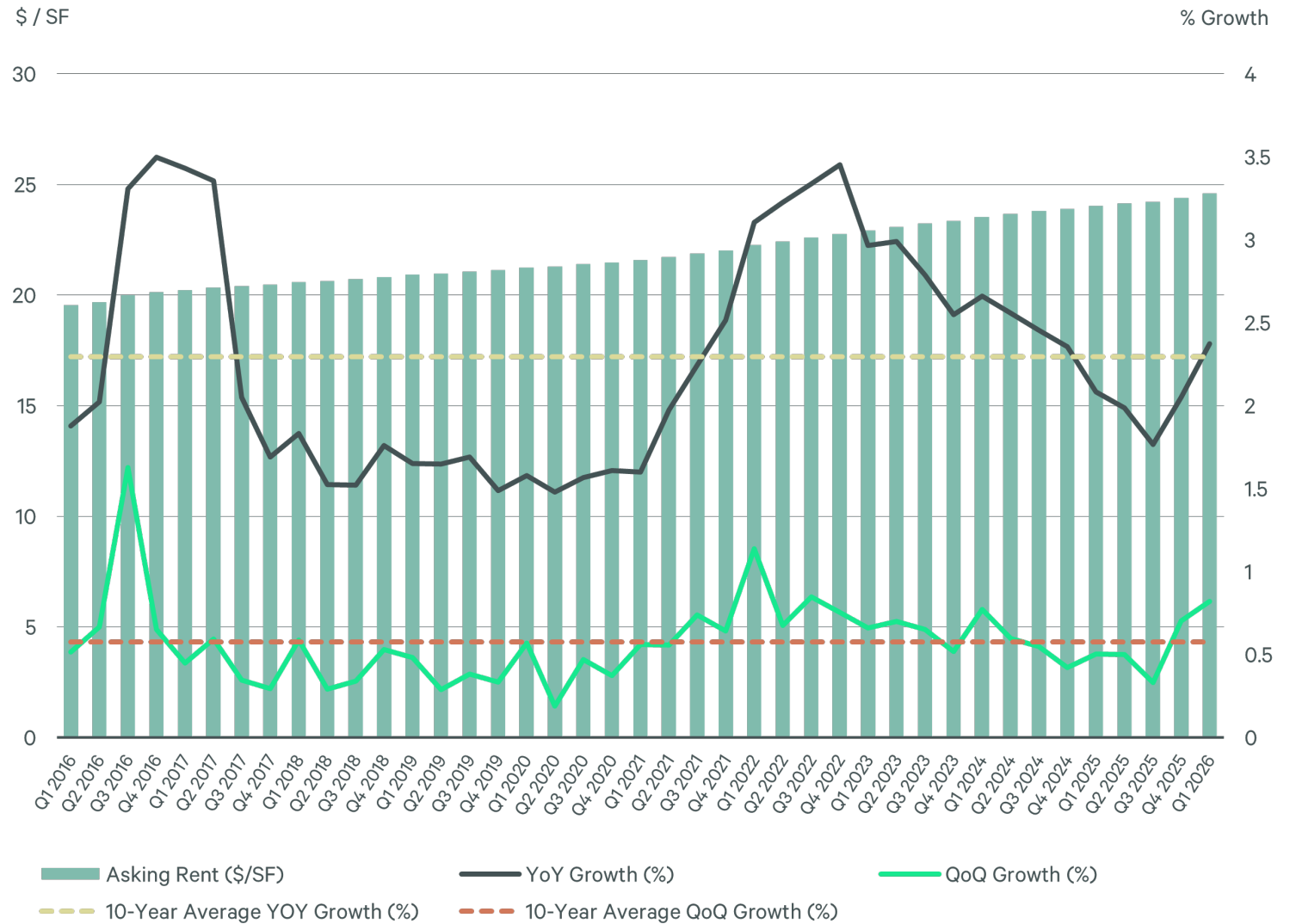
Arrows indicate year-over-year change.

Executive Summary

- Average retail asking rent increased by 2.4% year over year to \$24.59 per sq. ft., supported by historically low construction completions and three consecutive quarters of positive net absorption.
- The retail availability rate rose slightly to 4.9% in Q1, as bankruptcy filings by certain retailers resulted in store closures and space reductions.
- Suburban retail is outperforming downtown retail, as hybrid work continues to drive demand for retail outside of the city center. Since 2022, the overall downtown availability rate has risen by 120 basis points (bps), while suburban availability has fallen by 91 bps.
- Sun Belt markets dominated both new supply additions and net absorption in Q1. Phoenix led all markets in both new construction (744,000 sq. ft.) and net absorption (547,000 sq. ft.) in Q1, while Texas accounted for five of the top 10 construction markets and over 30% of total construction activity.

Figure 1
Average asking rent increases modestly

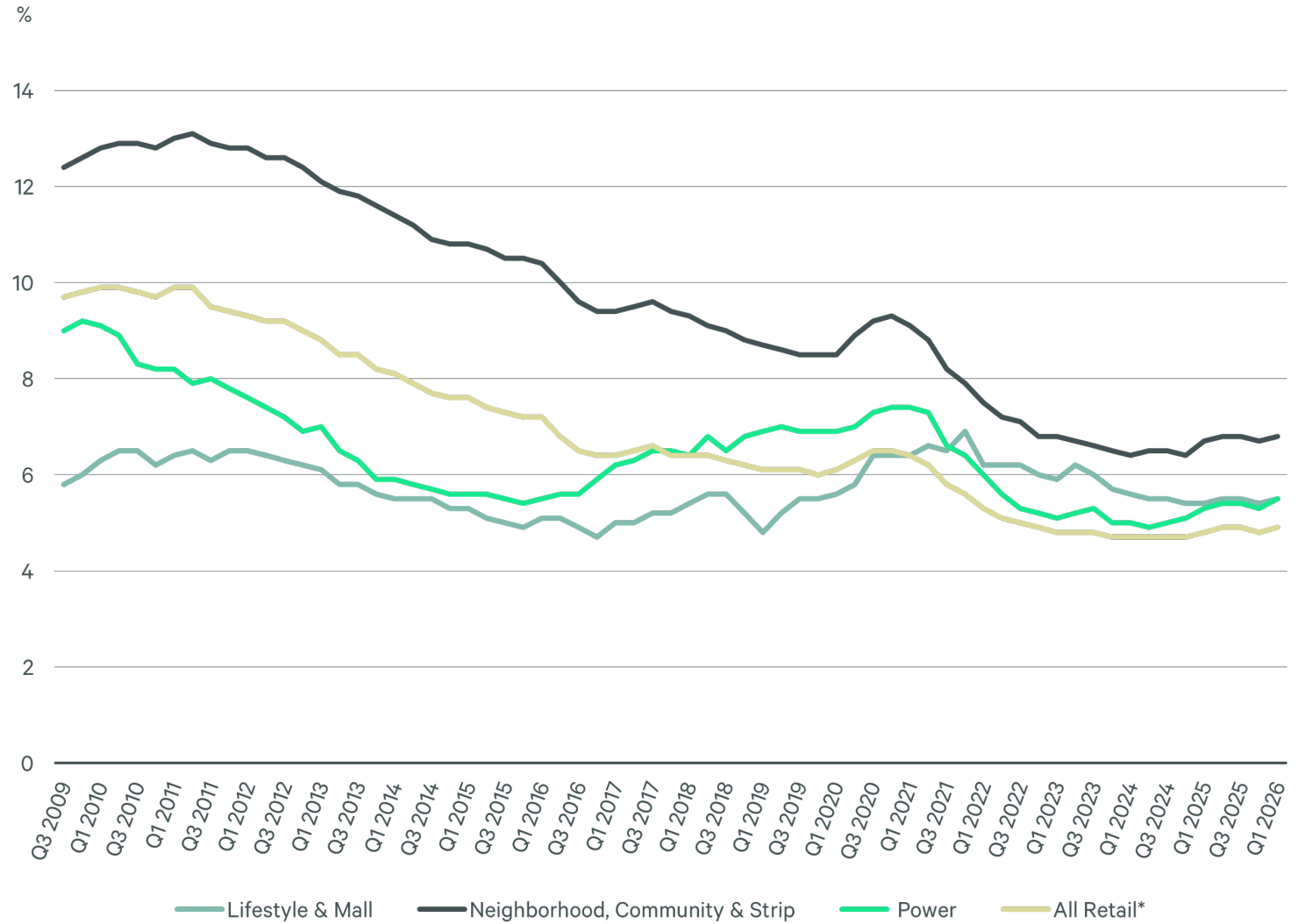
- Average asking rent increased by 2.4% year-over-year to \$24.59 per sq. ft.
- Rent growth has been driven by low availability as a result of historically low construction completions, combined with positive net absorption for three consecutive quarters.
- Q1’s rent growth rate is in line with historical averages due to the amount of obsolete available supply, which therefore cannot command premium rents.



Source: CBRE Econometric Advisors, Q1 2026.

Figure 2 Retail availability ticks up slightly

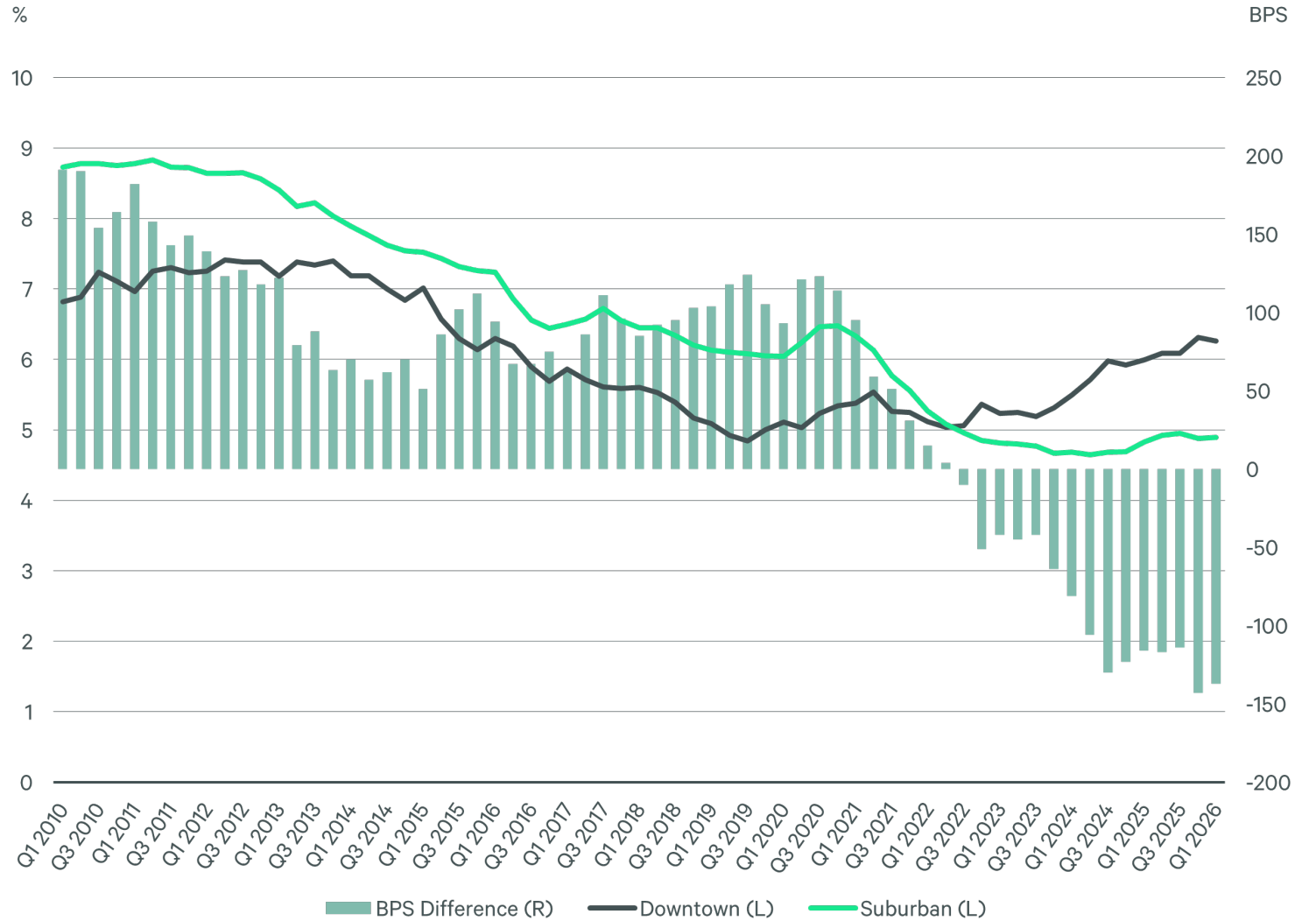
- The overall retail availability rate increased by 10 bps to 4.9% in Q1, with all property types seeing modest increases.
- Despite positive net absorption for the quarter, multiple bankruptcy filings triggered a wave of store closures, which added available space to the market.
- Construction completions fell to a record-low 4.7 million sq. ft. in Q1, which will likely keep the availability rate low in the near term.



Source: CBRE Econometric Advisors, Q1 2026.

Figure 3 Downtown vs. suburban availability rate

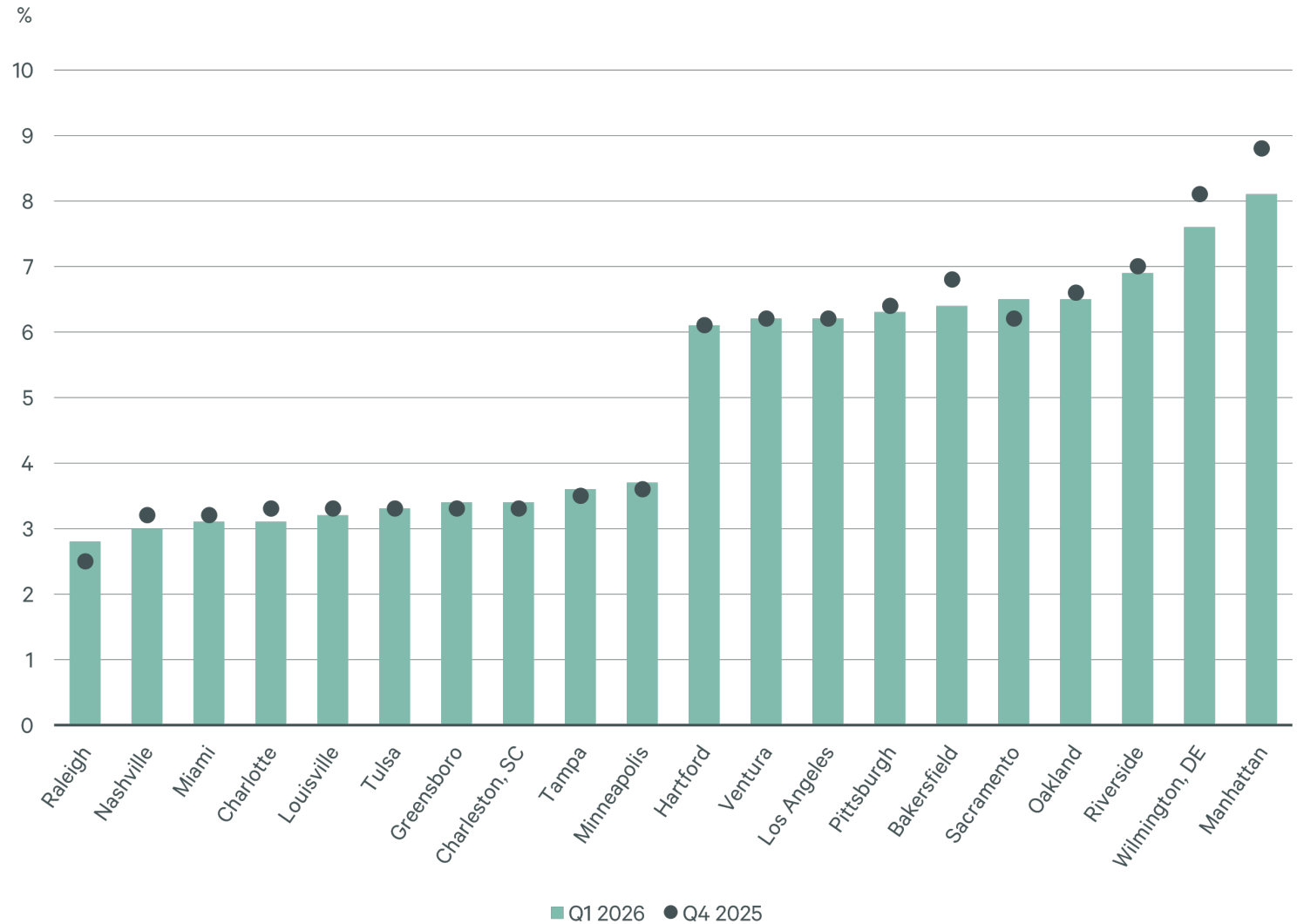
- Divergence between the downtown and suburban availability rates stabilized in Q1, with no change in either one.
- The downtown availability rate has increased by 120 bps since 2022, while the suburban rate has decreased by 91 bps. The difference between the two was 137 bps in Q1, down from 143 bps in Q4 2025.
- Hybrid work arrangements continue to favor suburban over downtown retail locations.



Source: CBRE Econometric Advisors, Q1 2026

Figure 4 Sun Belt dominates for lowest availability rates

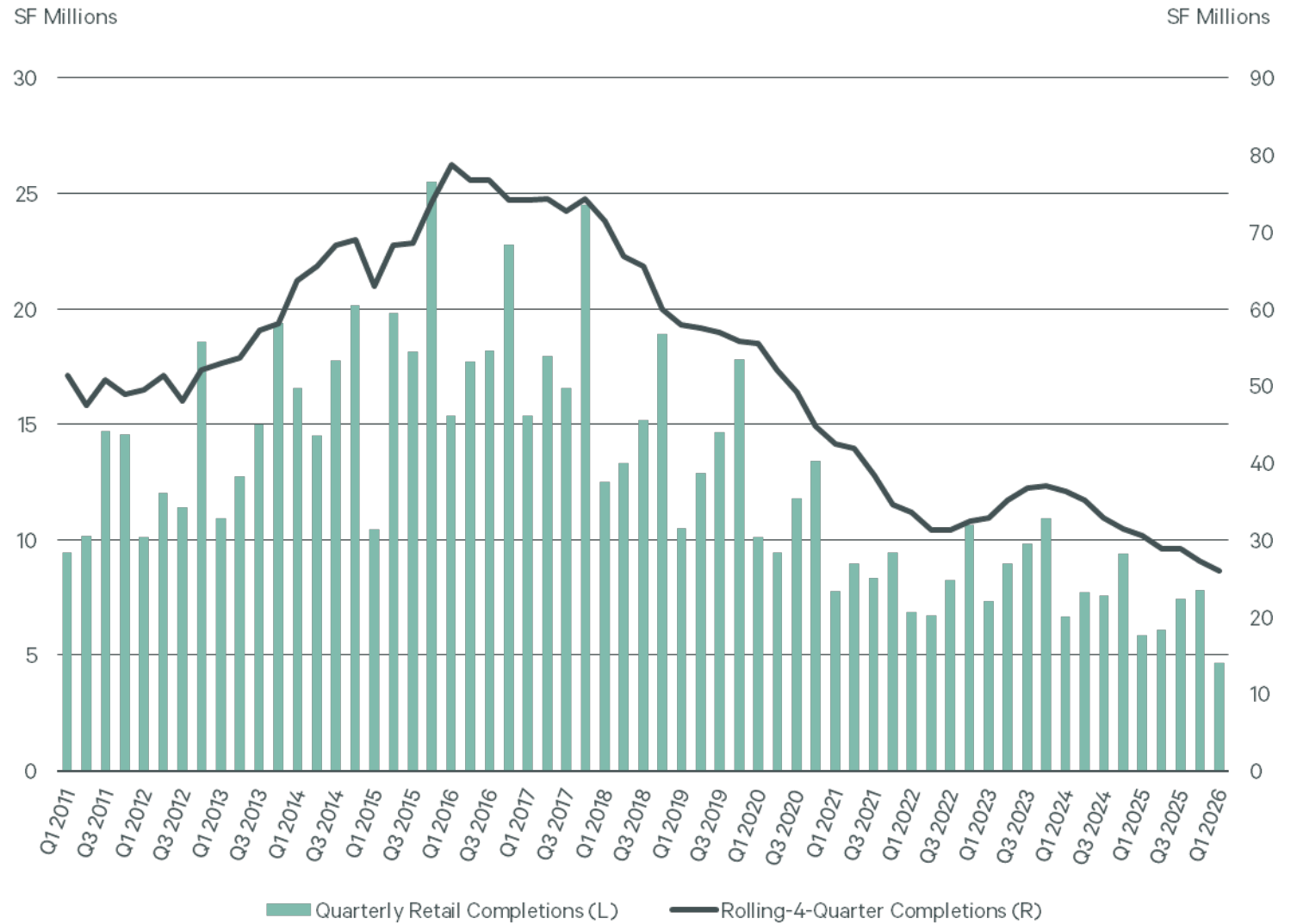
- Despite very little change from Q4, Sun Belt markets had the lowest availability rates in Q1, as ongoing domestic migration to the region continued.
- With the bulk of new retail construction occurring in the Sun Belt, some markets saw marginal upticks in availability.
- Markets with large downtown areas like Manhattan and Los Angeles had higher availability rates due to increased demand for suburban retail as a result of hybrid work arrangements.



Source: CBRE Econometric Advisors, Q1 2026.

Figure 5 Construction completions continue to fall

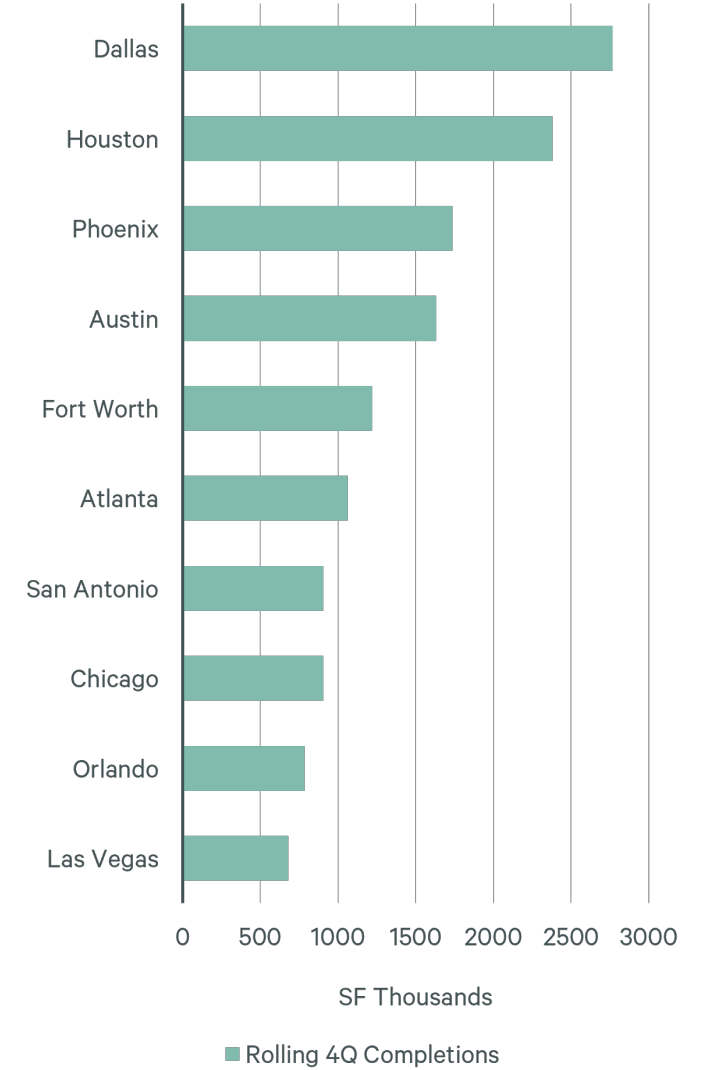
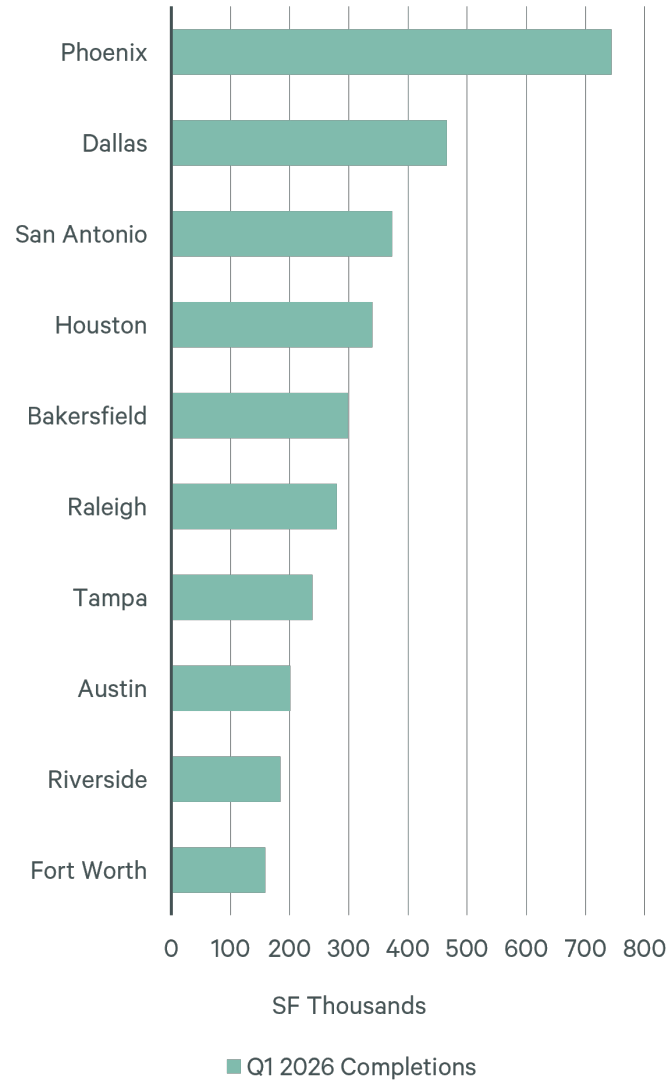
- Retail completions declined to 4.7 million sq. ft. in Q1, the lowest total in our historical dataset, contributing to the lowest rolling-four-quarter total.
- Rising construction costs and a construction labor shortage have lowered the amount of new construction, which has in turn helped keep overall fundamentals healthy.
- Texas accounted for five of the top 10 markets for completions and over 30% of overall construction activity in Q1 across all markets tracked by CBRE.



Source: CBRE Econometric Advisors, Q1 2026.

Figure 6 Top markets for construction completions

- Phoenix unseated Dallas in Q1 as the top market for construction completions, with 744,000 and 466,000 sq. ft., respectively.
- Developers continued to take advantage of population growth in the Sun Belt, as southern markets accounted for eight of the top 10 for construction completions.
- On a rolling-four-quarter basis, Texas markets dominated the top 10 for completions with five of the top 10 led by Dallas.

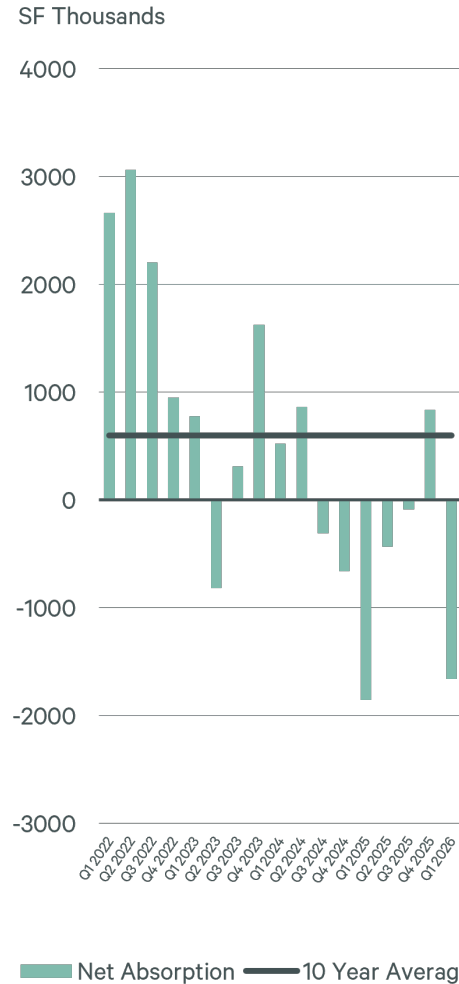


Source: CBRE Econometric Advisors, Q1 2026.

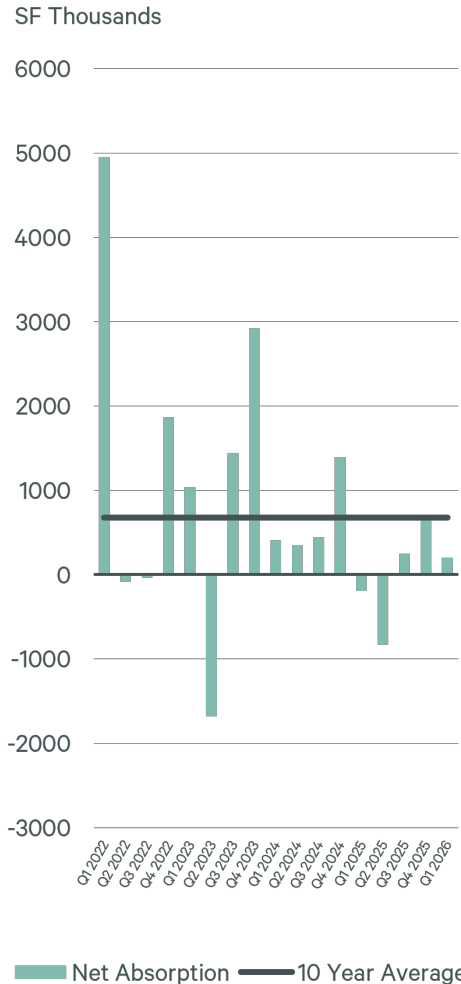
Figure 7 Net absorption by property type

- Excluding freestanding retail, the neighborhood, community & strip center segment (NCS) continued to lead absorption across all property types with 641,000 sq. ft. in Q1.
- Power centers were the only segment that saw negative absorption in Q1 due to store closures from a number of big-box retailer bankruptcy filings.

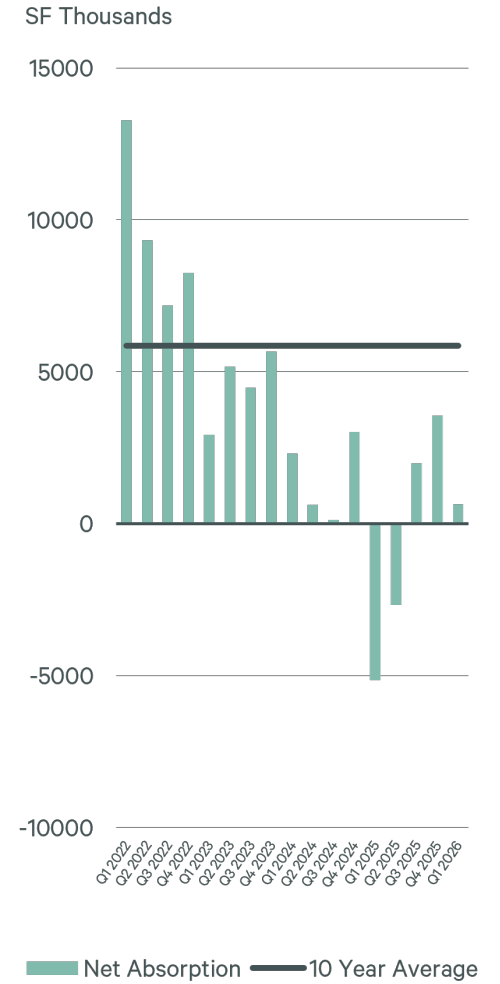
Power Center Net Absorption



Lifestyle & Mall Net Absorption



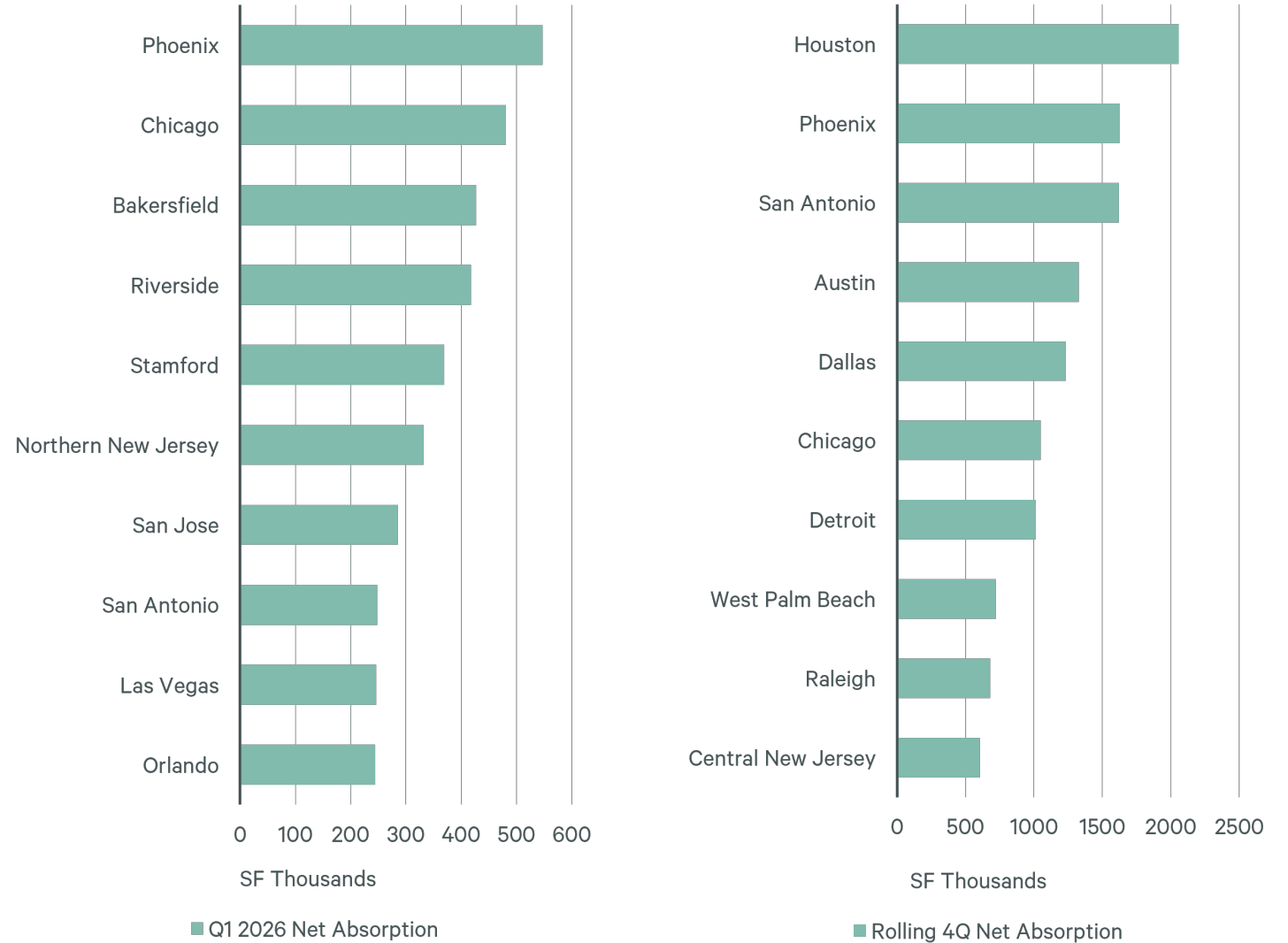
NCS Net Absorption



Source: CBRE Econometric Advisors, Q1 2026.

Figure 8 Absorption continues to follow new construction

- In line with the ongoing flight-to-quality trend, retailers leased the most space in markets with the most construction completions.
- Phoenix was the top market for both new construction and net absorption in Q1, while San Antonio, Bakersfield and Riverside also made the top 10 in both categories.
- Over the past four quarters, multiple Texas markets (Dallas, Houston, San Antonio and Austin) were among the top 10 for both completions and absorption.



Source: CBRE Econometric Advisors, Q1 2026.

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