Retail Availability Holds Steady as Rents Rise

▶ 4.9%
Availability Rate

▲ 5.0 MSF
Net Absorption

▼ 5.7 MSF
Completions

▲ $24.79
Average Asking Rent

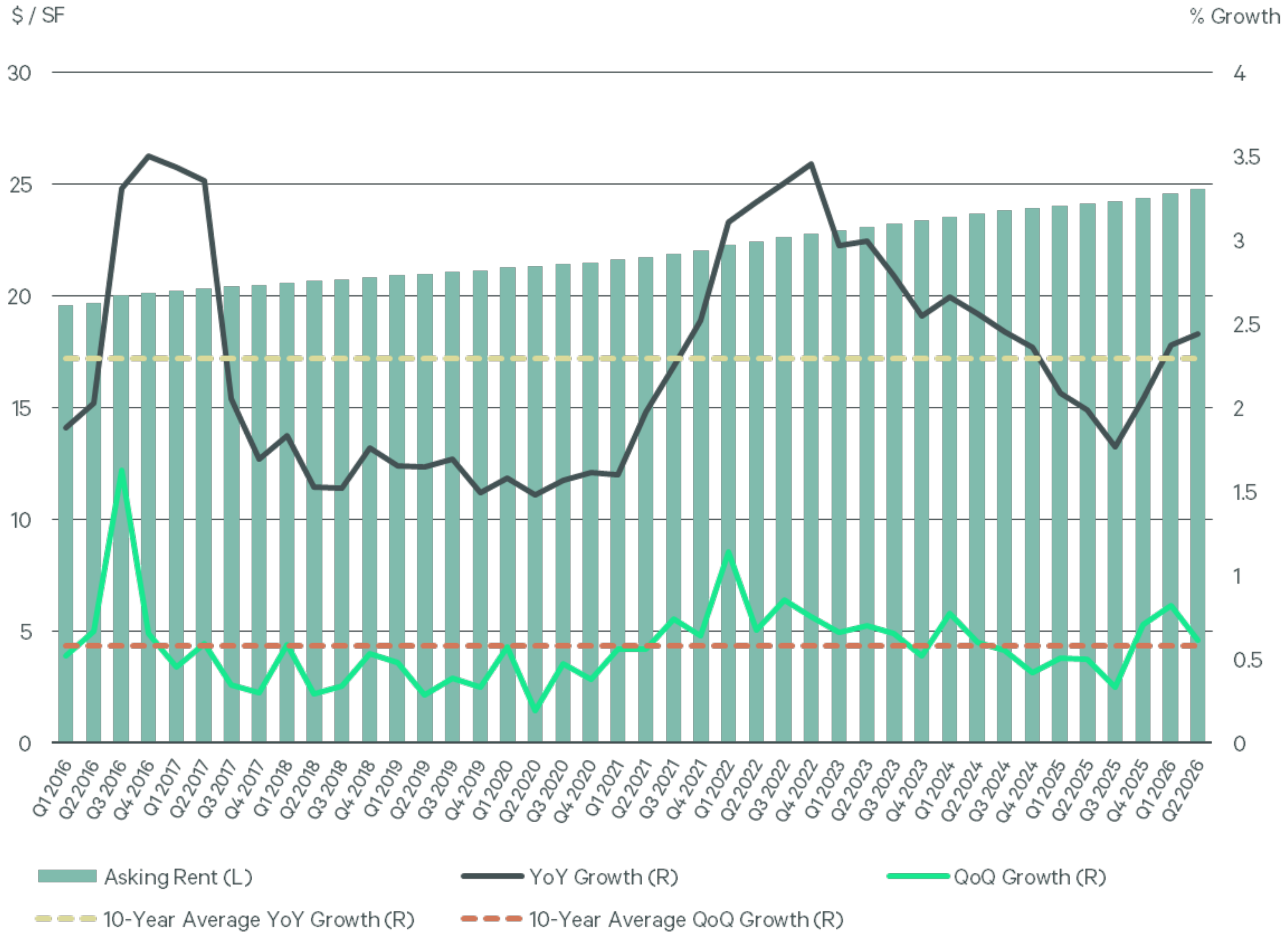
Arrows indicate year-over-year change.

Executive Summary

- Average retail asking rent increased by 2.4% year-over-year to $24.79 per sq. ft., supported by historically low construction completions and four consecutive quarters of positive net absorption.
- The retail availability rate was unchanged at 4.9% in Q2, as retailers continued to favor new construction over outdated supply.
- Sun Belt markets accounted for most of the new construction activity in Q2, along with Midwestern markets like Chicago and St. Louis.
- While Sun Belt markets continued to dominate new construction, net absorption in Q2 was led by Boston and Los Angeles due to aggressive expansion by grocery and apparel retailers in those cities’ downtown cores.

Figure 1
Average asking rent increases modestly

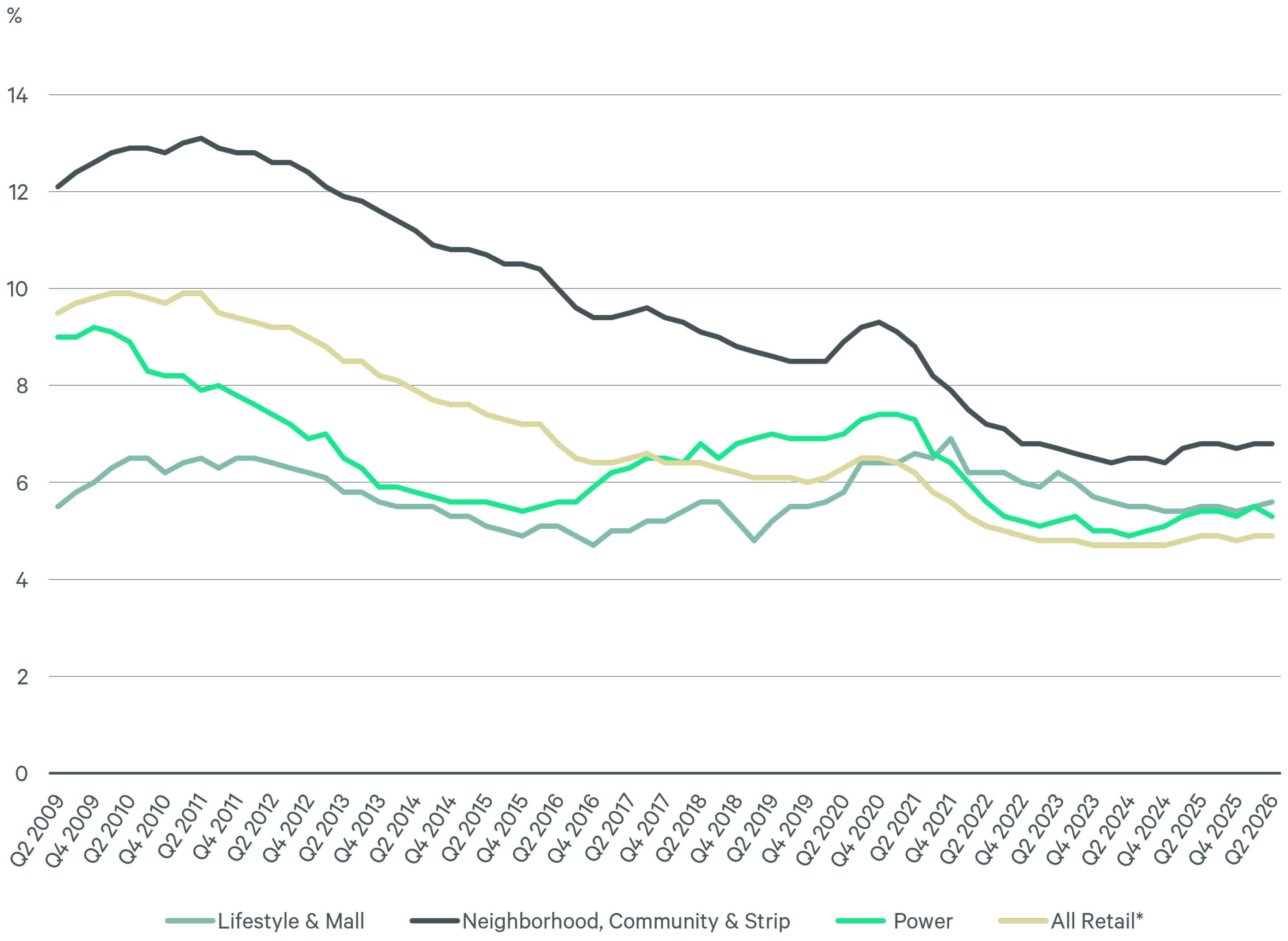
- Average asking rent increased by 2.4% year-over-year to $24.79 per sq. ft.
- Rent growth was driven by low availability due to historically little new construction and four consecutive quarters of positive net absorption.
- Rent growth in Q2 was in line with historical averages and was tempered by the amount of obsolete space that cannot command premium rents.



Source: CBRE Econometric Advisors, Q2 2026.

Figure 2
Retail availability holds steady

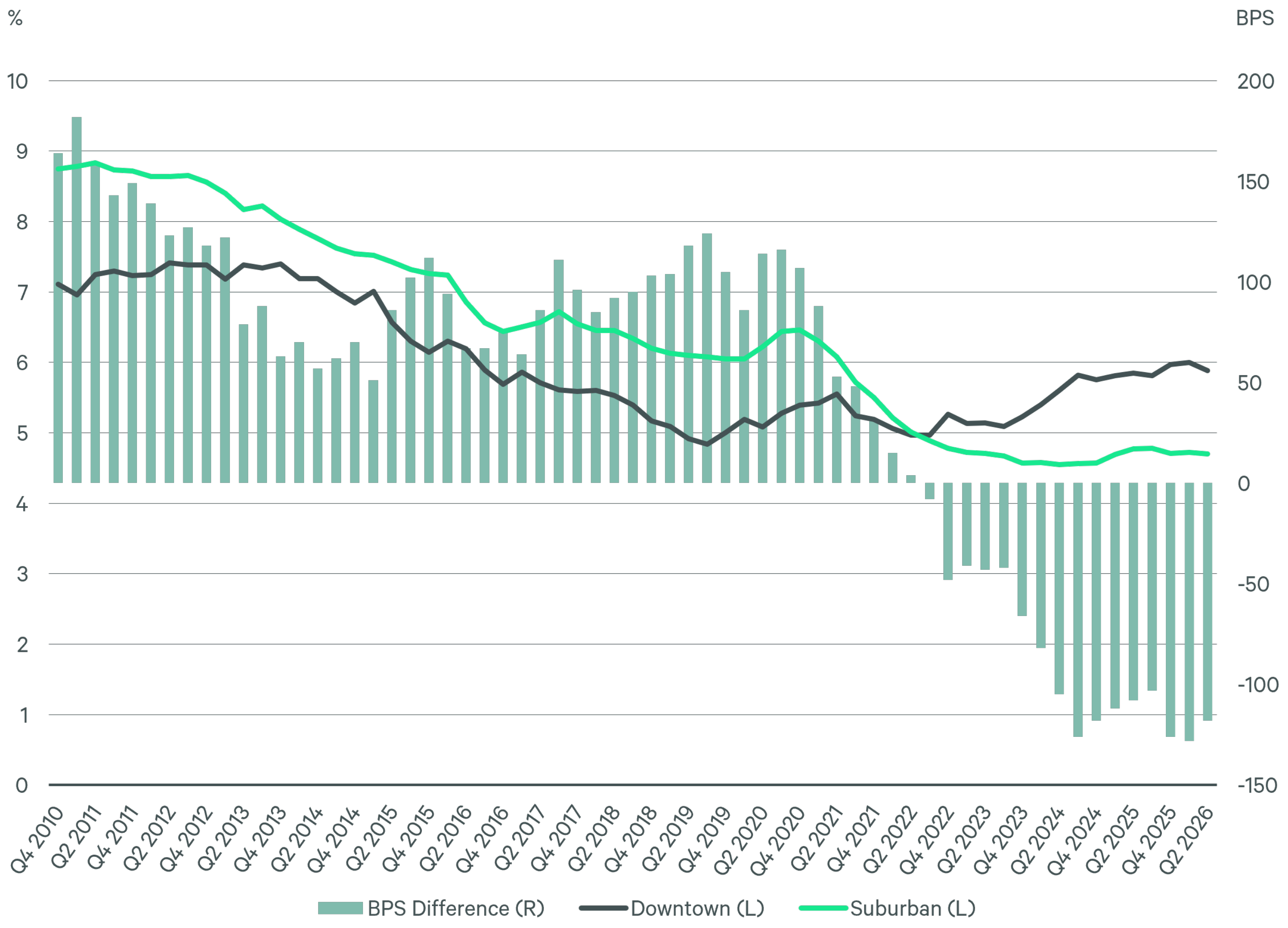
- The overall retail availability rate was unchanged at 4.9% in Q2, with all property types except power centers seeing modest increases.
- Multiple big-box bankruptcies in early 2026 freed up space in some markets, allowing for strong absorption in power centers and slightly lowering this category's availability rate.
- Construction completions fell to a new quarterly low, which should help keep the availability rate low in the near term.



*Includes freestanding and outlet centers.
Source: CBRE Econometric Advisors, Q2 2026.

Figure 3
Downtown vs. suburban availability rate

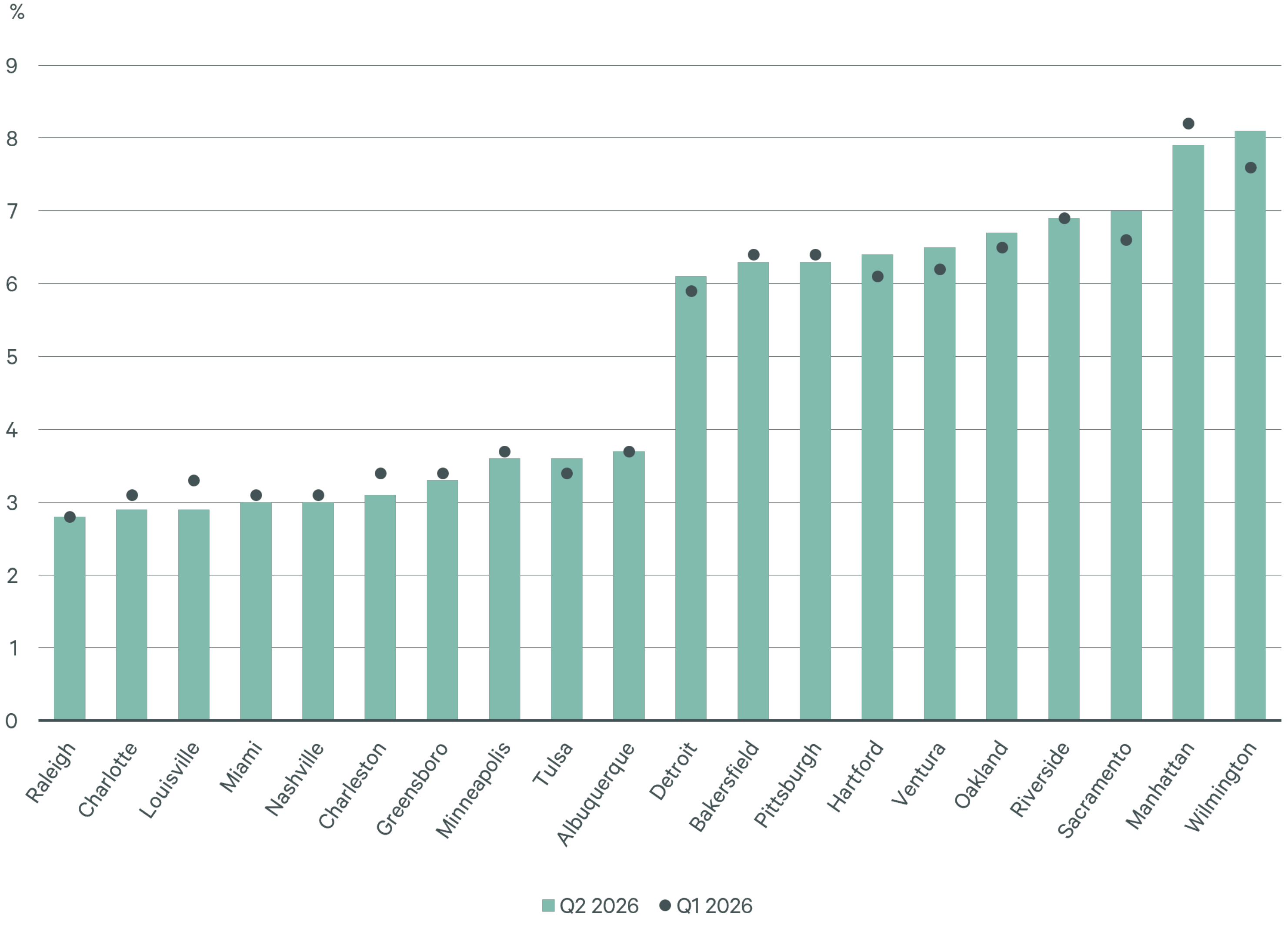
- The gap between downtown and suburban availability rates narrowed by 10 bps in Q2 to 118 bps, as downtown availability declined modestly while suburban availability remained unchanged.
- Although the downtown availability rate decreased slightly in Q2, it has increased by 82 bps since 2022. In contrast, the suburban rate has decreased by 51 bps over the same time.
- Strong absorption in markets like Boston and Los Angeles contributed to the decrease in downtown availability.



Source: CBRE Econometric Advisors, Q2 2026.

Figure 4
Sun Belt dominates for lowest availability rates

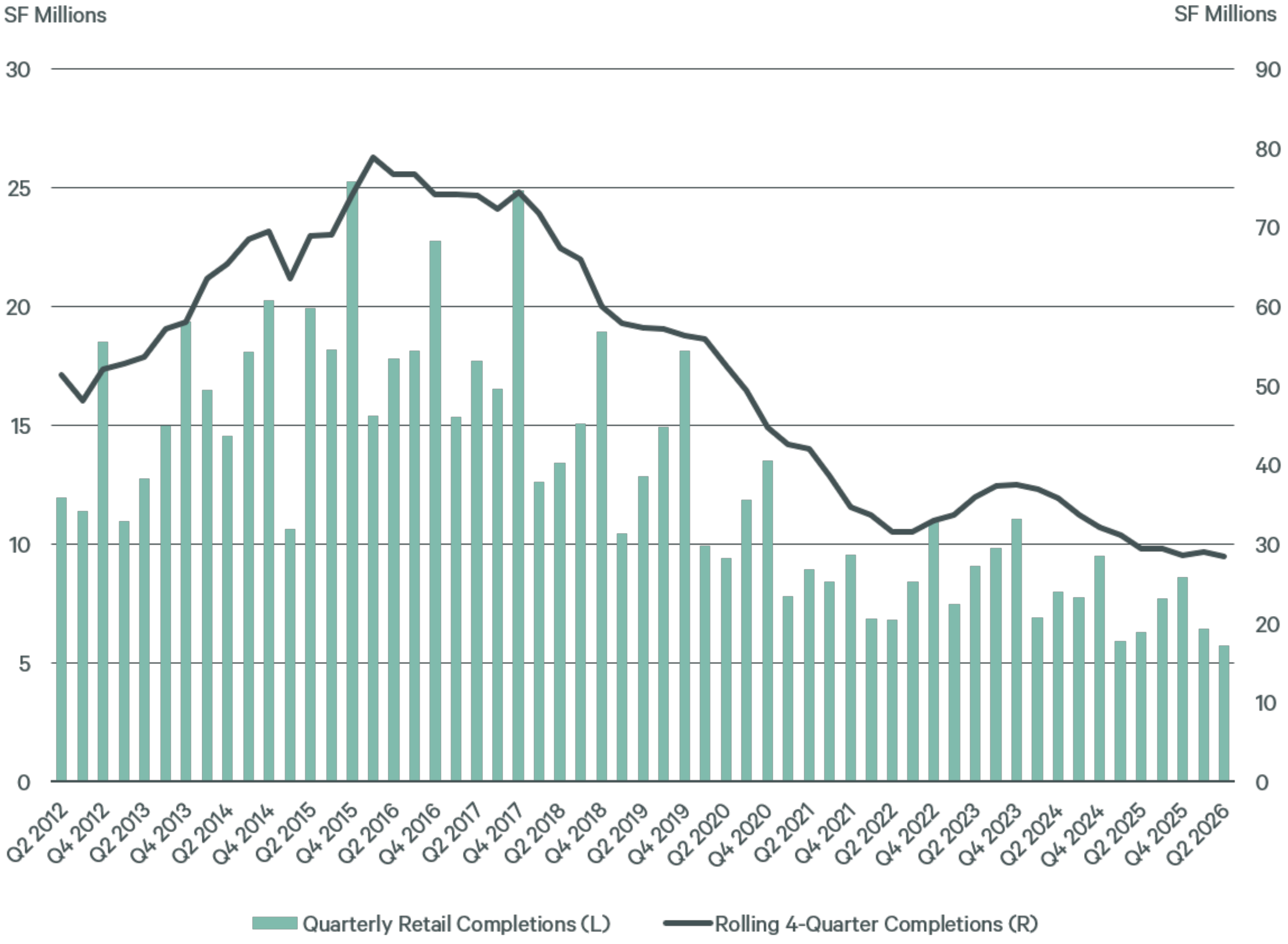
- Sun Belt markets accounted for eight of the top 10 lowest availability rates in Q2, driven by ongoing domestic migration to the region.
- Markets with large downtown areas like Manhattan and Sacramento had higher availability rates, as hybrid work accelerated demand for suburban retail.



Source: CBRE Econometric Advisors, Q2 2026.

Figure 5
Construction completions fall to record low

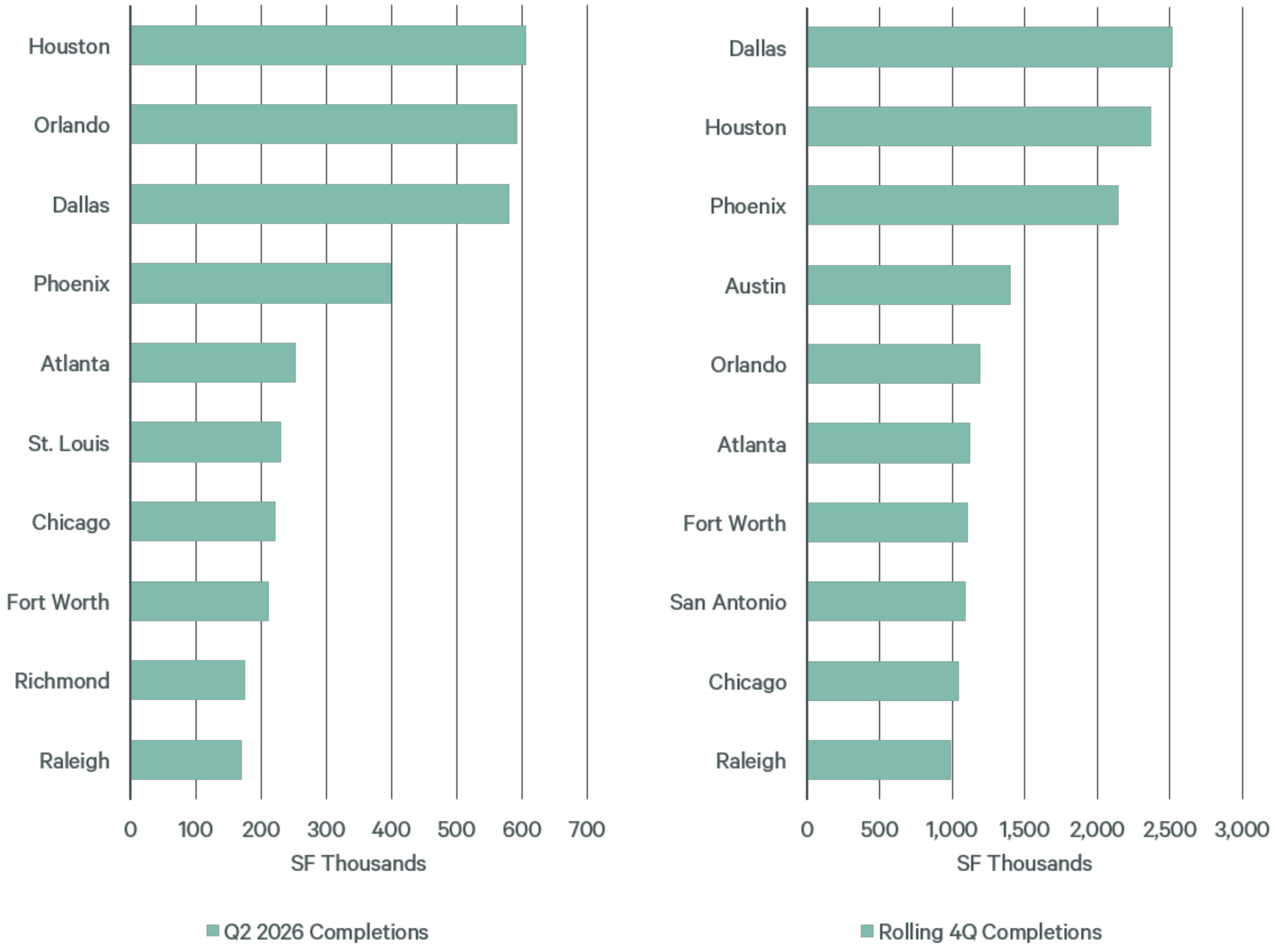
- Retail completions fell to 5.7 million sq. ft. in Q2, setting record lows for both quarterly and rolling-four-quarter totals within our historical data set.
- Rising construction costs and a labor shortage have constrained new construction deliveries, supporting healthy market fundamentals.



Source: CBRE Econometric Advisors, Q2 2026.

Figure 6
Top markets for construction completions

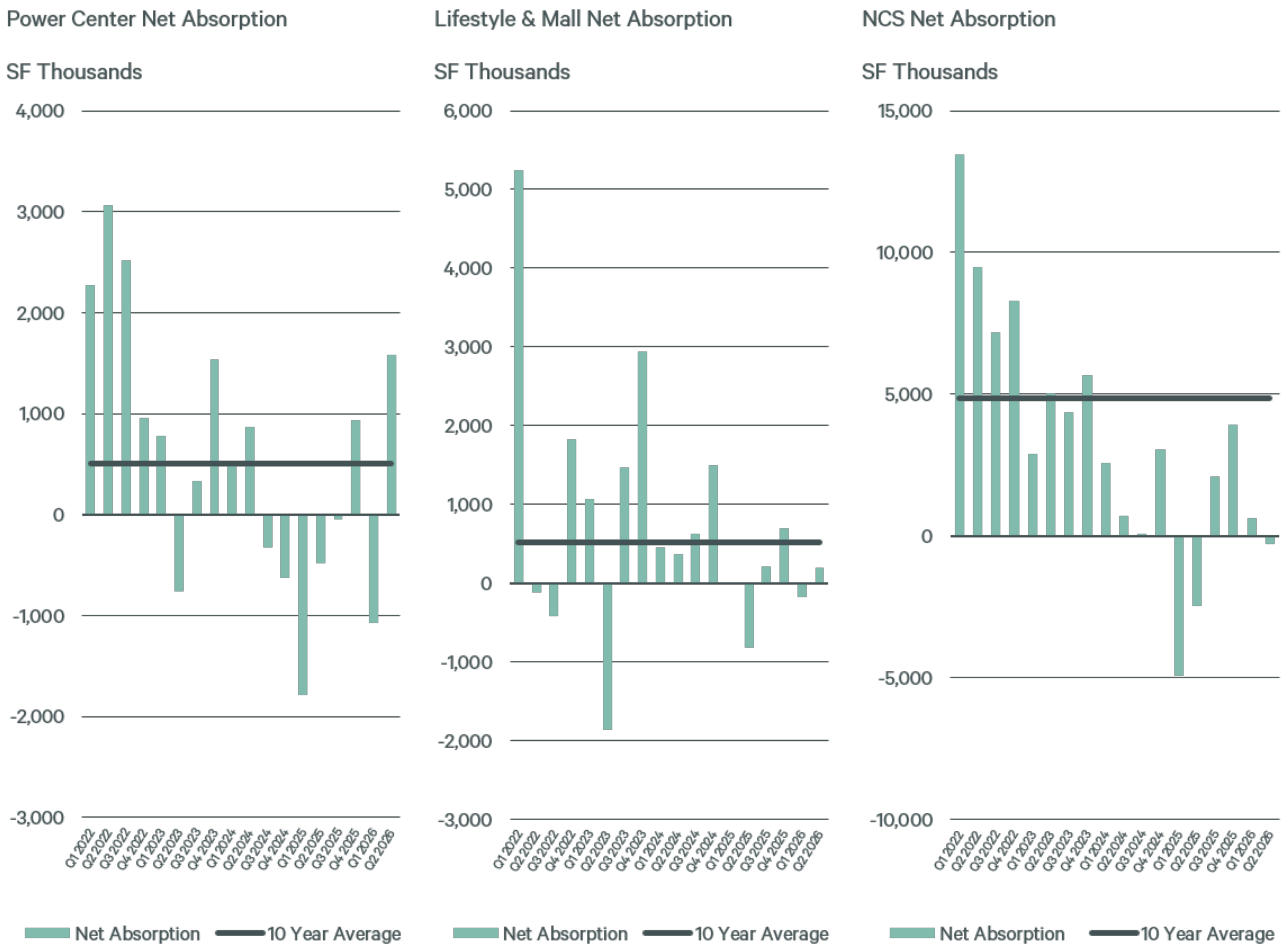
- Houston was the top market for construction completions in Q2 with 606,000 sq. ft., followed by Orlando (593,000), Dallas (580,000) and Phoenix (399,000).
- Southern markets accounted for eight of the top 10 markets for completions due to strong population growth driving demand for new retail. Midwestern markets are seeing more construction activity, with Chicago and St. Louis ranking among the top 10 for the first time this year.
- Five Texas markets led by Dallas are among the top 10 nationally for construction completions over the past four quarters.



Source: CBRE Econometric Advisors, Q2 2026.

Figure 7
Net absorption by property type

- Excluding freestanding retail, the power center segment led absorption across all property types in Q2 with nearly 1.6 million sq. ft.
- Several big-box retailer bankruptcies in early 2026 returned quality space to the market, some of which was absorbed by other large-format retailers that contributed to strong power center absorption.
- Neighborhood, community & strip centers (NCS) saw negative net absorption for the first time since Q2 2025 due to apparel boutique closures and an overall contraction in retail bank branches.



Source: CBRE Econometric Advisors, Q2 2026.

Figure 8
Downtown markets see outsized absorption

- Boston and Los Angeles led the nation for absorption in Q2, driven by significant expansion of grocery and mass-market apparel retailers in those cities' downtown cores.
- Uniqlo and Aldi opened new locations in Boston this year, while Revolve, Cider and Kith expanded into new locations in Los Angeles.
- The flight-to-quality trend continued, as Sun Belt markets with robust pipelines of new construction like Phoenix, Houston and Orlando have led for net absorption over the past four quarters.

Source: CBRE Econometric Advisors, Q2 2026.

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