

Houston Retail Quarterly Report | Q4 2022

Houston Retail scene closes out 2022 with highest annual leasing activity since 2016.

Market Highlights

An analysis of activity during 2022 compared to 2021.

Vacancy rate at 5.2%

To close out 2022, overall vacancy in the Houston retail market has tightened to 5.2%, dropping 60 basis points from this time last year at 5.8. Availability is at 6.1%, down 50 basis points from 6.6% in December 2021. The difference between this figure and the vacancy rate reflects expected future move-outs. 2022 marked the highest amount of annual leasing activity since 2016 for the Houston retail market. 8.4 million sq. ft. of leasing activity comprised of both new leases and renewals was recorded, up 2% from 8.3 million sq. ft. In 2022, net absorption (move-ins minus move-outs) is at 5.1 million sq. ft., equivalent year over year.

Average retail NNN asking rents at all-time highs

Positive trends in leasing and absorption have driven average retail asking rents higher. The Houston metro NNN average asking rent is \$19.58 per sq. ft., up 2.7% from \$19.06 last year. Strengthened by the region's robust demographic growth and a steady development pipeline, rent growth is expected to improve further through the near-term forecast so long as the local economic recovery continues.

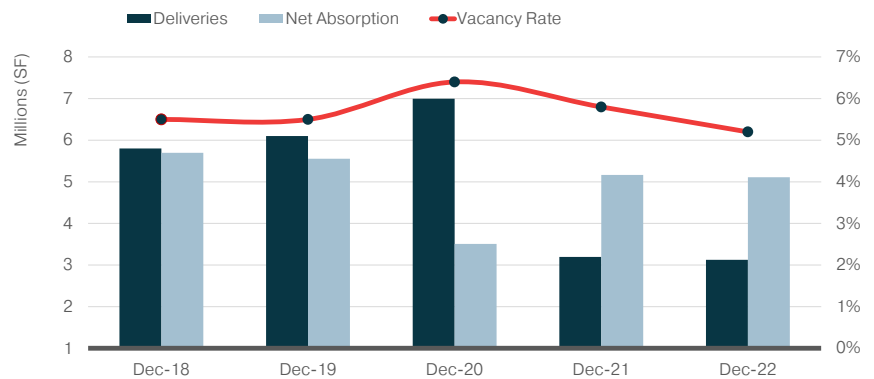
Economic influences put pressure on Houston housing

Mortgage rates, inflation, and lack of affordable inventory interrupt Houston's seven-year run of record-breaking home sales, according to the Houston Association of Realtors. While mortgage rates have fallen steadily since surpassing seven percent in November, home sales continue to slow and will likely remain down through at least the early part of 2023. Single-family home sales for 2022 were down almost 11% compared to 2021's record pace, marking the first year that Houston housing has been in the red since 2015. For the month of December, single-family home sales dropped 32.6%. That marks the ninth straight monthly decline of 2022 and the sharpest.

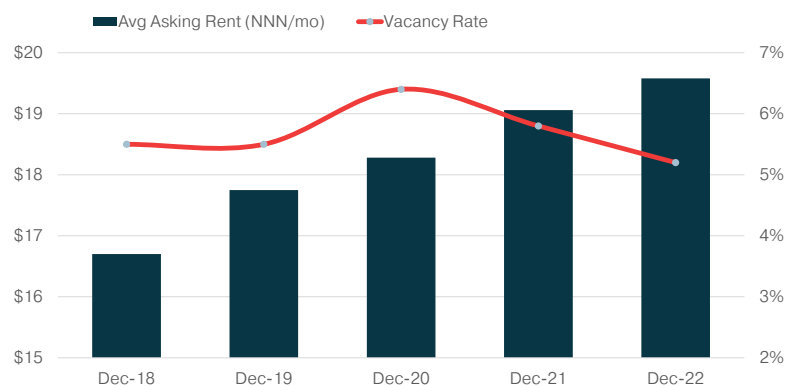
Market Activity

	2022	vs	2021
Vacancy	5.2%	↓	5.8%
Availability	6.1%	↓	6.6%
Under Construction SF	4,343,695	↓	4,848,818
NNN Avg Asking Rent/MO	\$19.58	↑	\$19.06
Net Absorption SF YTD	5,108,769	↓	5,165,875
Leasing Activity SF YTD	8,425,767	↑	8,260,106
Deliveries SF YTD	3,124,129	↓	3,196,886

Supply & Demand | December - Year Over Year



Rent & Vacancy | December - Year Over Year



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