

Austin's Retail Space Squeeze: Availability Drops to a Historic Low of 4.0%

Austin Retail

As of April 2023, overall vacancy in the Austin retail market remained at 3.2%, unchanged from the previous year. The availability rate tightened to an unprecedented low of 4.0%—driven by population growth and increased consumer spending leading to retailer expansions. For example, after a two-store debut in Houston last year, Tim Horton's—a Canada-based coffee chain—announced an expansion of 40 stores around the capitol within the next five years. Construction remains robust at 2.9 million sq. ft., up 73% from 1.6 million sq. ft. in April 2022. Likewise, deliveries also increased (77%) year-over-year from 341,606 sq. ft. to 606,627 sq. ft. Net absorption—move-ins minus move-outs—is at 586,195 sq. ft., increasing 24% from last year's 469,767 sq. ft. The average asking rent has kept up with inflation, with an 11% increase from last year, currently standing at \$25.33 per sq. ft.

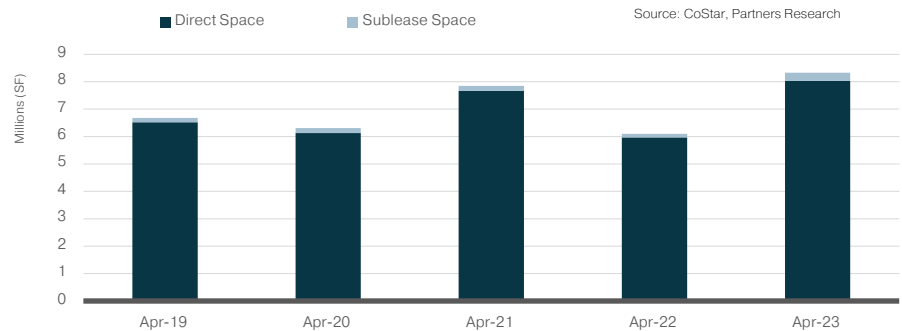
Austin Industrial

The overall vacancy rate in the Austin industrial market as of April 2023 is 7.8%, up 410 basis points from 3.7%, year-over-year. In April, Austin's industrial market recorded 2.6 million sq. ft. of leasing activity, comprised of new leases and renewals, down 30% from the previous year's 3.8 million sq. ft. Net absorption totaled 1.4 million sq. ft., down from a more abundant 7.3 million -sq.-ft. start in 2022. The average monthly rental rate remained at \$1.08 per sq. ft., showing no change from the previous year. Construction surged 46% year-over-year, reaching 16.8 million sq. ft. fourth months into 2023. New construction starts in April included a four-building, 600,000-sq.-ft. industrial park (ATX 130) next to the intersection of Texas 130 Service Rd and Elroy Rd near Austin, with expected completion in January 2024.

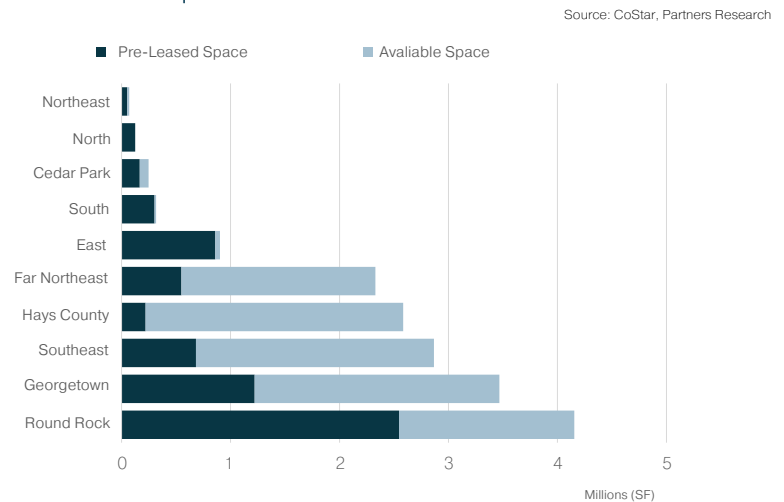
Austin Office

Four months into 2023, the overall vacancy rate reached 17.2%—the highest recorded since April 2003 (18.5%)—driven by office deliveries in the previous quarters that were not pre-leased. Austin's office market accounted for 1.2 million sq. ft. of leasing activity, down 65% from this time last year. Net absorption is at -1.4 million sq. ft., down from 917,438 sq. ft. the previous year. Although still strong, the industrial construction pipeline decreased 14% from 7.8 million sq. ft. in April 2022 to 6.7 million sq. ft. in April 2023. Meanwhile, deliveries totaled 1.2 million sq. ft., increasing 35% from the previous year's 888,480 sq. ft. Prior to 2020, it was a landlord's market, but now tenants have a multitude of options at their fingertips.

Availability | Austin Retail



Construction | Austin Industrial



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