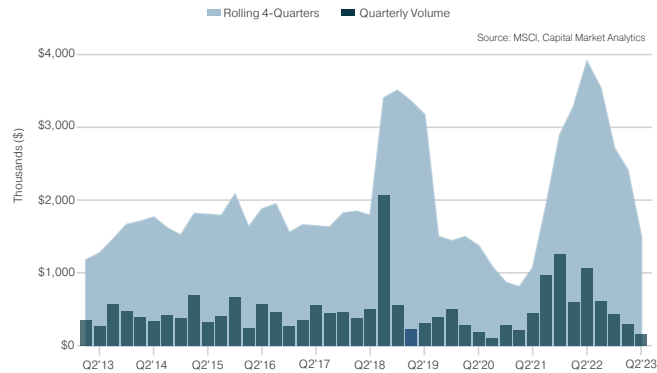


### Navigating Changing Economic Tides: Houston's Retail Market in Q2 2023.

#### Sales Volume

Year-to-date, the cumulative retail sales volume in the greater Houston area registered at \$153.5 million as of Q2 2023 down from a more robust \$1.071 billion in Q2 2022, reports Real Capital Analytics. In perspective, 2022 experienced the highest deal volume in the second quarter thus far. Rising interest rates and fears of a recession have decreased dealmaking throughout 2023, leading to a sales cooldown from the post-pandemic surge in mid-2021 through mid-2022. However, over the next three to six months, price discovery will narrow the dislocation between buyers and sellers ultimately leading to higher transaction volume in the near future.

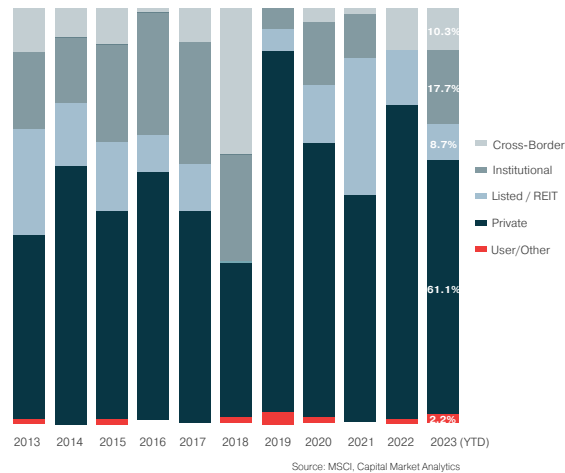
#### Cumulative Monthly Sales Volume



#### Buyers and Sellers

The majority of buyers so far in 2023 consisted of 61% private, 18% institutional, 10% cross-border, 9% REIT/listed, and 2% user/other. The majority of sellers were 56% private and 42% institutional. Investors remain attracted to Houston's retail properties though higher capital costs and a widening gap between buyers' and sellers' expectations are slowing down investment activity. Among recent noteworthy transactions in 2023, Highland Capital Management acquired a 193,085-sq.-ft. retail center (Steeplechase Center) from Schreer Management in April 2023. This retail center holds a variety of tenants such as Palais Royal, 99 Cents Only, and Capital One. In addition, this property, which was built in 1982 and renovated in 1990, sold for \$18 million and was 82% leased at the time of sale.

#### Buyer Capital Composition



#### Market Cap Rates

Houston's retail market cap rates (6.8%) are right in line with the national benchmark of 6.9% as of Q2 2023. The market sales price per remains at \$227 per sq. ft., unchanged from the previous quarter. Neighborhood and power centers—the non-anchored strips—have the highest cap rates at 7.0%, respectively. Overall, retail market cap rates have compressed on average by 10 basis points annually over the past several years (7.1% in Q2 2017). Despite the decline, higher capital costs and uncertainty around monetary policy are starting to force cap rates upward. Cap rates are expected to rise by 40 basis points (7.2%) by the end of 2023.

#### Market Sales Price / SF & Cap Rate

