

# Houston Retail

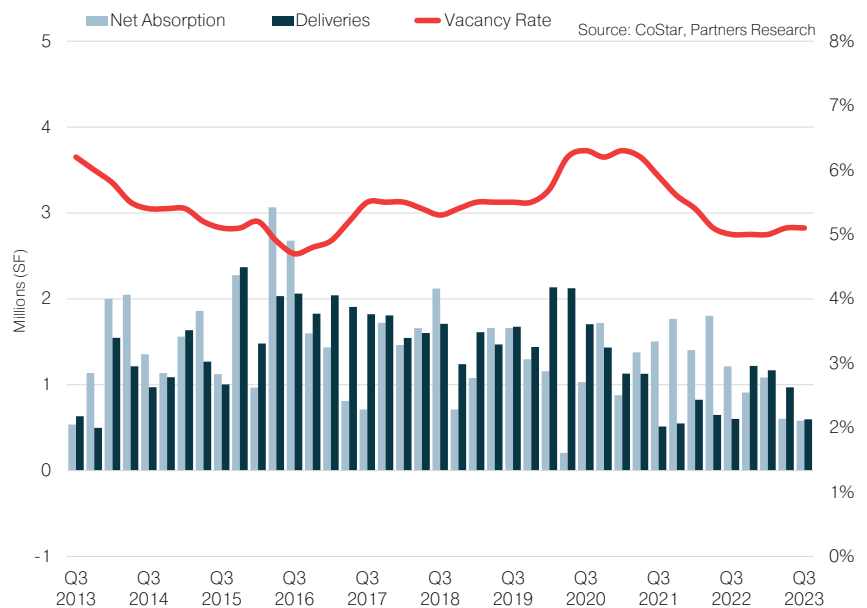
## Q3 2023

## Houston Retail asking rent reaches record-high of \$20.43 per sq. ft.

### Q3 In Review

By the end of Q3 2023, the overall vacancy rate and availability rate in the Houston retail market have remained flat from the previous quarter at 5.1% and 6.0%, respectively. Consistent demand and healthy market fundamentals have kept these rates below their historical 5-year averages of 5.6% and 6.5%, respectively. Net absorption is at 581,912 sq. ft., slightly down from the prior quarter's 603,273 sq. ft. Deliveries decreased slightly year-over-year from 601,669 sq. ft. to 597,572 sq. ft. Despite the decrease, year-to-date deliveries (2.7 million sq. ft.) outpaced year-to-date net absorption (2.2 million sq. ft.), by 464,398 sq. ft. Construction is at 4.6 million sq. ft., up 3% from the prior quarter—with the Southwest submarket accounting for 1.4 million sq. ft. (31%) of all space under development. Lastly, the metro's annual rent growth outpaced the national average by 130 basis points, standing at \$20.43 per sq. ft.—a 4.8% increase from \$19.49 per sq. ft. in Q3 2022.

### Supply & Demand



### Houston Economic Update

Houston's unemployment rate increased to 4.9% in August 2023 (up from 4.8% in July 2023). The metro's jobless rate lagged the state's and the nation's rates at 4.5% and 3.9%, respectively. Houston's employment stood at 3.3 million in August 2023. The largest job gains by sector included: other services (+3,900 jobs, 3.3%), leisure and hospitality (+3,400 jobs, 1.0%), and financial activities (+1,800 jobs, 1.0%). The largest job declines by sector included: professional and business services (-3,300 jobs, -0.6%), construction (-2,300 jobs, -1.0%), and trade, transportation, and utilities (-600 jobs, -1.0%).

### Key Market Indicators

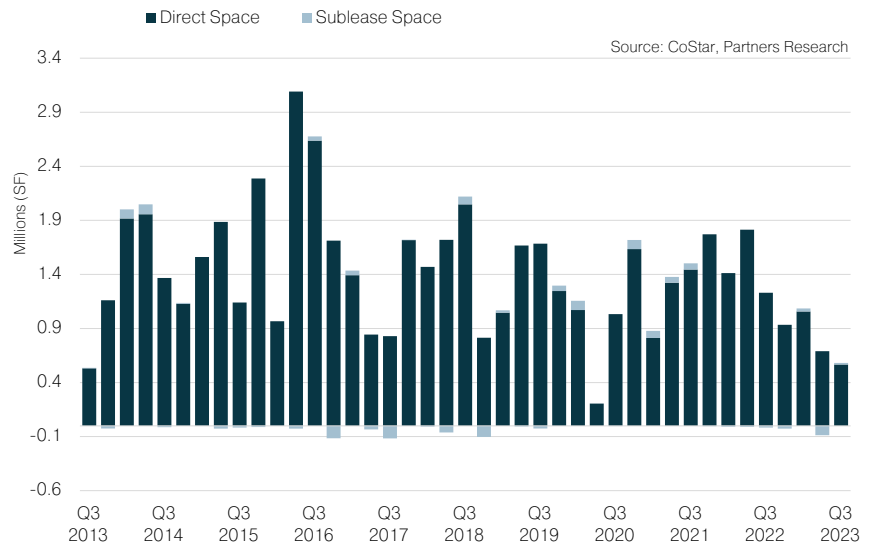
	CURRENT Q3 2023	PRIOR QUARTER Q2 2023		PRIOR YEAR Q3 2022	
Vacant Total (%)	5.1%	5.1%	—	5.0%	▲
Net Absorption (SF)	581,912	603,273	▼	1,214,284	▼
Leasing Activity (SF)	1,645,515	1,685,238	▼	2,005,475	▼
Deliveries (SF)	597,572	969,174	▼	601,669	▼
Construction (SF)	4,680,627	4,535,791	▲	4,638,162	▲
Inventory (SF)	387,613,548	387,015,976	▲	383,659,796	▲
Avg Asking NNN Rent (\$)	\$20.43	\$20.04	▲	\$19.49	▲

## 01

### Vacancy and Availability Rates Remain Below The 5-Year Historical Average

The overall vacancy and availability rate in Houston retail market remained flat from the previous quarter at 5.1% and 6.0%, respectively. Consistent tenant demand for retail space kept the overall vacancy rate and availability rate below their historical 5-year averages of 5.6% and 6.5%, respectively. The Southwest submarket noted the greatest quarter-over-quarter decrease in its vacancy rate, down 20 basis points from 4.7% to 4.5%. Meanwhile, the Southeast submarket experienced the greatest quarter-over-quarter decrease in its availability rate, down 40 basis points from 6.5% to 6.1%. Net absorption is at 581,912 sq. ft., slightly down from 603,273 sq. ft. in Q2 2023. Year-to-date, net absorption is at 2.2 million sq. ft.

### Net Absorption

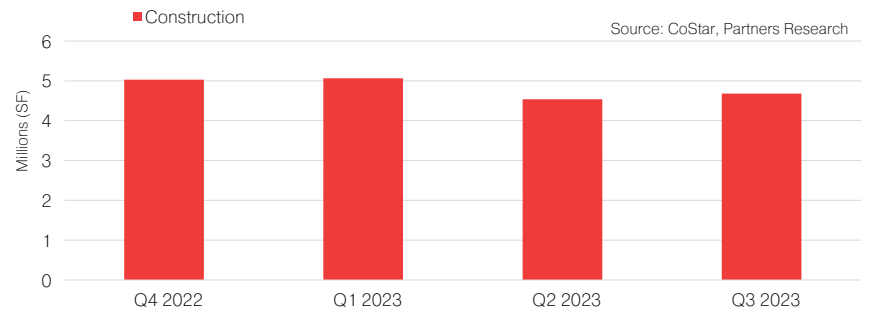


## 02

### Southwest Submarket Led Construction

Retail construction is at 4.6 million sq. ft., up 3% from 4.5 million sq. ft. the last quarter. Year-over-year construction increased 1%--with an additional 42,465 sq. ft. of projects underway. Over the prior three years, construction averaged 4.3 million sq. ft. annually—indicating construction activity has remained relatively strong in Houston’s retail sector, despite monetary pressures such as rising construction costs affecting the current real estate environment. The Southwest submarket led construction, with 1.4 million sq. ft.—or 31%—of all space under development, followed by the North submarket with 909,627 sq. ft. (19%). A notable construction start in Q3 2023 included a 147,111-sq.-ft. retail center at 5200 Navigation Boulevard. This building is expected to be completed in February 2024. On the flip side, deliveries decreased slightly year-over-year from 601,669 sq. ft. to 597,572 sq. ft. Year-to-date, deliveries are at 2.7 million sq. ft.—32% higher than the prior year-to-date delivery figure of 2.0 million sq. ft.

### Construction



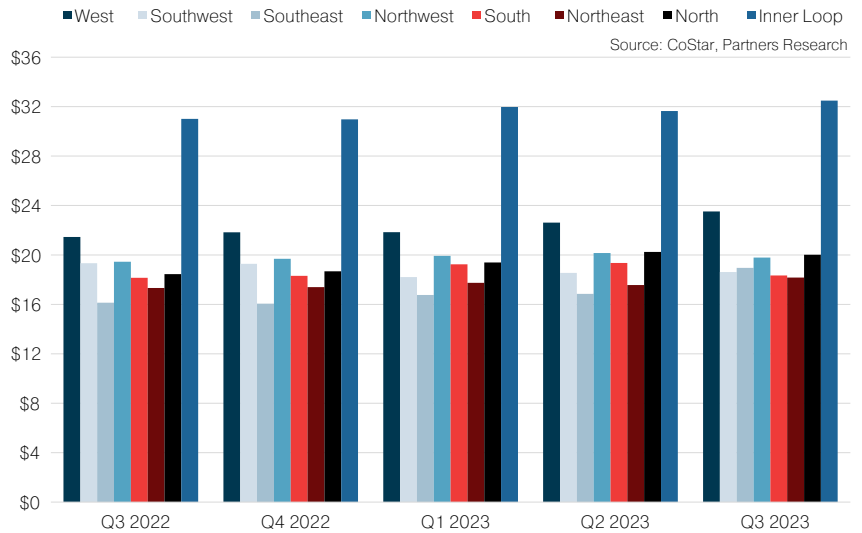
# Market Overview

## 03

### Record-High Asking Rents

Low availability rates and rising retail sales drove the average asking rent in the Houston retail market to a record-high—\$20.43 per sq. ft. in Q3 2023. Year-over-year, the metro’s average asking rent increased 4.8% from \$19.49 per sq. ft. in Q3 2022—outpacing the national average’s annual rent growth by 130 basis points (3.5%). On the quarter, the Inner Loop submarket had the highest average rate at \$32.49 per sq. ft. On the other hand, the Northeast submarket had the lowest average rate at \$18.17 per sq. ft. Asking rents are projected to remain on an upward trajectory—reaching \$24.64 per sq. ft. by Q3 2028.

### Overall Gross Asking Rent (\$/SF)



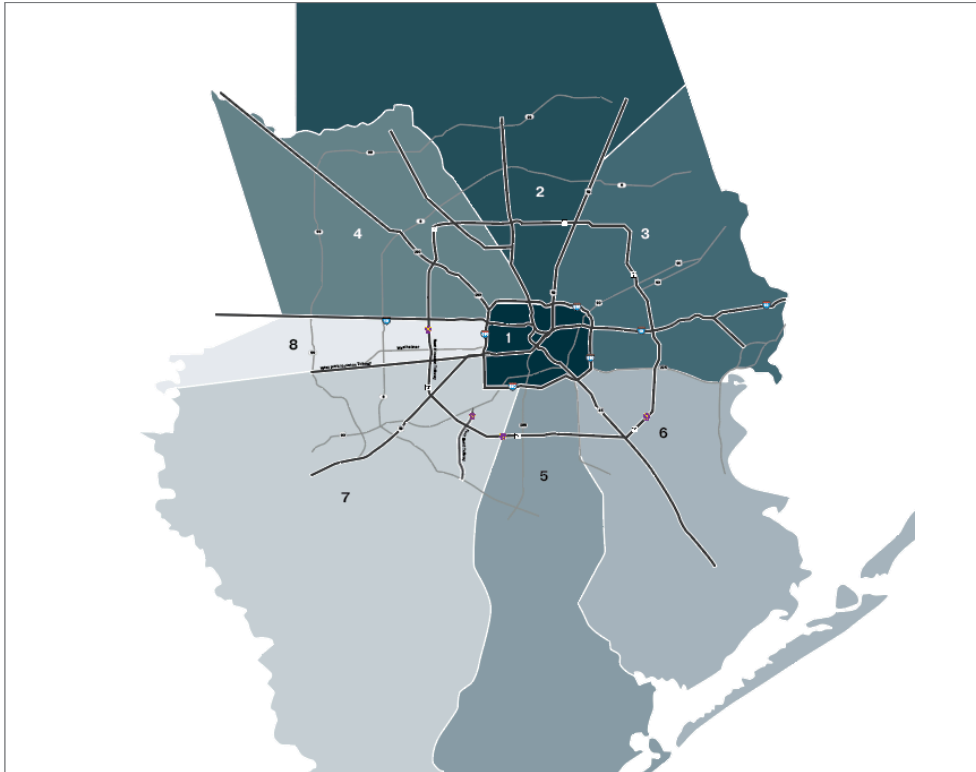
## 04

### Submarket Stats

Submarket Statistics	Net Rentable Area (SF)	Vacancy (%)	Q3 2023 Total Net Absorption (SF)	YTD Total Net Absorption (SF)	Q3 2023 Leasing Activity (SF)	Q3 2023 Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Total Avg Asking Rent NNN (\$/PSF)
Houston Total	387,613,548	5.1	581,912	2,270,179	1,645,515	597,572	2,734,577	4,680,627	20.43
Inner Loop	31,516,236	4.1	5,009	63,808	111,460	14,476	116,577	630,065	32.49
North	75,603,497	5.6	216,898	342,393	228,684	155,956	759,381	909,627	20.02
Northeast	25,800,903	4.2	67,101	242,535	86,620	31,120	100,523	483,585	18.17
Northwest	70,646,593	6.2	23,553	549,031	309,487	79,920	599,922	538,770	19.79
South	16,275,543	3.9	-56,912	13,583	60,684	0	90,804	189,060	18.34
Southeast	57,804,837	5.4	68,588	45,124	292,485	67,829	163,544	201,212	18.95
Southwest	63,475,436	4.5	255,495	802,581	286,046	164,851	690,111	1,467,079	18.62
West	46,490,503	4.7	2,180	211,124	270,049	83,420	213,715	261,229	23.52

## 05

### Houston Retail Submarkets



- 1. Inner Loop
- 2. North
- 3. Northeast
- 4. Northwest
- 5. South
- 6. Southeast
- 7. Southwest
- 8. West

**partners**

**Alex Babcock**  
Senior Market Analyst/Marketing  
713 275 9618  
alex.babcock@partnersrealestate.com