

# Austin Retail

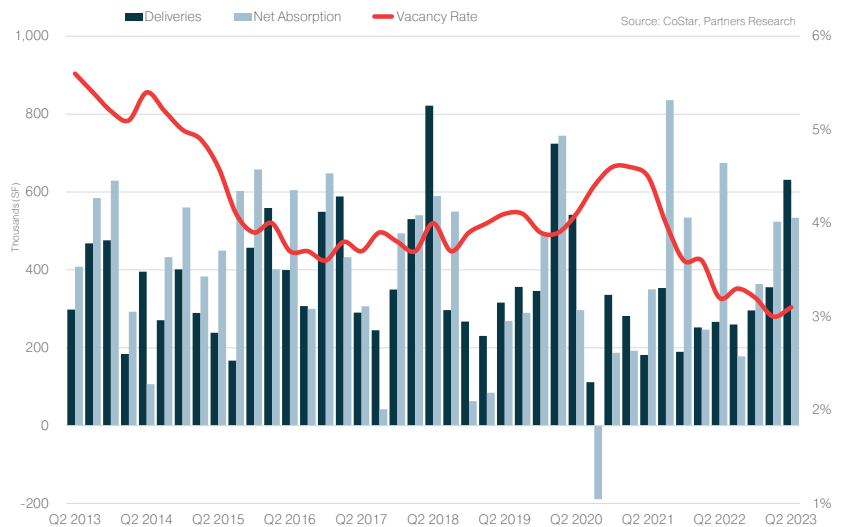
## Q2 2023

## Austin Retail deliveries nearly triple year-over-year.

### Q2 In Review

By the end of Q2 2023, the overall vacancy rate in the Austin retail market rose 10 basis points quarter-over-quarter, from 3.0% to 3.1%. This vacancy rate increase was primarily due to deliveries outpacing net absorption in the second quarter—a difference of 97,761 sq. ft. Net absorption is at 533,768 sq. ft. as of Q2 2023, up from 523,563 sq. ft. in Q1 2023. Deliveries are at 631,439 sq. ft. in the second quarter, up 78% from the prior quarter's 355,412 sq. ft. Year-to-date, deliveries and net absorption are at 986,851 sq. ft. and 1.0 million sq. ft., respectively—indicative of solid market fundamentals. Rent growth continues to keep up with inflation, increasing 12% year-over-year, currently standing at \$25.28 sq. ft.

### Supply & Demand



### Austin Economic Update

The Austin unemployment rate increased to 3.5% in May 2023, slightly up from 3.2% in April 2023. The metro's jobless rate was lower than both the nation's rate (3.7%) and the state's rate (4.1%). Construction and mining (1,670 jobs, 28%) and financial services (1,091 jobs, 17.6%) saw the most growth, while information (411 jobs, 8.8%) experienced the largest decline among the sectors. Although wages decreased by an annualized 2.1% in May 2023, hourly earnings (\$33.46) were still above the nation's average (\$33.32) and the state's average (\$31.21).

### Key Market Indicators

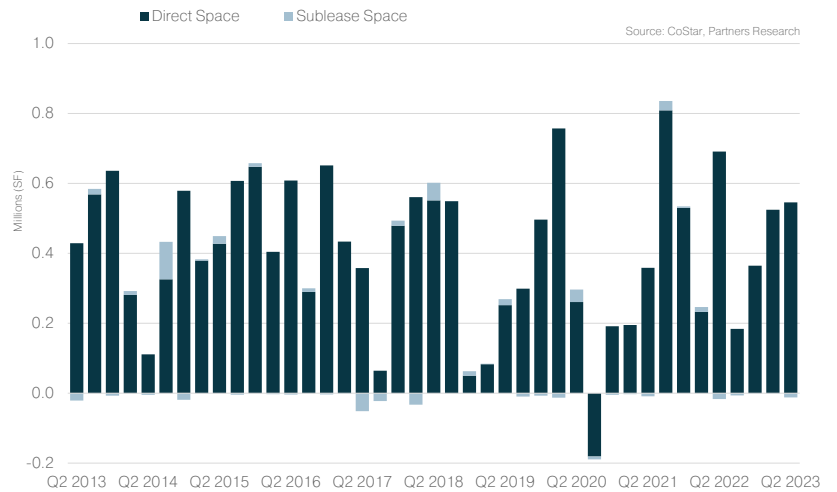
	CURRENT Q2 2023	PRIOR QUARTER Q1 2023		PRIOR YEAR Q2 2022	
Vacant Total	3.1%	3.0%	▲	3.2%	▼
Net Absorption (SF)	533,768	523,563	▲	674,646	▼
Leasing Activity (SF)	462,729	501,834	▼	486,852	▼
Deliveries (SF)	631,439	355,412	▲	266,507	▲
Construction (SF)	2,730,521	3,092,783	▼	1,580,892	▲
Inventory (SF)	100,967,934	100,336,495	▲	99,425,700	▲
Avg Asking NNN Rent (\$)	\$25.28	\$25.15	▲	\$22.58	▲

## 01

### Positive Net Absorption In Q2 2023

Net absorption—move-ins minus move-outs—for the quarter was at 544,768 sq. ft. in Q2 2023, slightly up from 523,563 sq. ft. in Q1 2023. Year-to-date, net absorption is at 1.0 million sq. ft. This marks the 11th straight quarter that the Austin retail market recorded overall positive absorption. Deliveries outpaced net absorption by 97,671 sq. ft. in Q2 2023, which slightly increased the overall vacancy rate from 3.0% to 3.1%, quarter-over-quarter. As of Q2 2023, Austin leads the state with the lowest retail vacancy rate at 3.1%, followed by San Antonio at 3.9%.

### Net Absorption

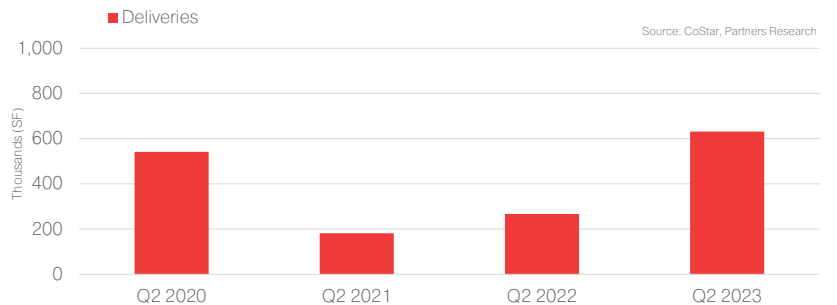


## 02

### High Demand Fills Deliveries

In Q2 2023, deliveries totaled 631,439 sq. ft. in the Austin retail market. Quarter-over-quarter, deliveries increased 77% from 355,412 sq. ft. in Q1 2023. Year-over-year, deliveries rose 137% from 266,507 sq. ft., in Q2 2022. Year-to-date, deliveries totaled 986,851 sq. ft. across 53 buildings. Among the 53 buildings, only 2 buildings are 0% leased—emphasizing the high demand for Austin retail space. Supermarkets accounted for 40% of deliveries thus far in 2023. Recent notable completions in Q2 2023 included a Costco filling 152,000 sq. ft. of retail space at 19086 S I-35 Frontage Road in April 2023, and H-E-B occupying 126,455 sq. ft. of retail space at 1010 West University Avenue in May 2023. In addition, there is 2.7 million sq. ft. in the construction pipeline as of Q2 2023. Over the prior three years, construction averaged 1.2 million sq. ft. annually.

### Deliveries



## 03

### Asking Rents Increase 12% Year-Over-Year

By the end of Q2 2023, Austin's retail triple-net rates stood at \$25.28 per sq. ft., up slightly from \$25.15 per sq. ft. quarter-over-quarter, and up 12% year-over-year from \$22.58 per sq. ft. This marks the highest year-over-year rent growth since Q2 2008, when year-over-year rent growth reached nearly 9%. On the quarter, the CBD submarket had the highest average rate at \$39.98 per sq. ft. On the other hand, the Southwest submarket had the lowest average rate at \$12.78 per sq. ft.

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



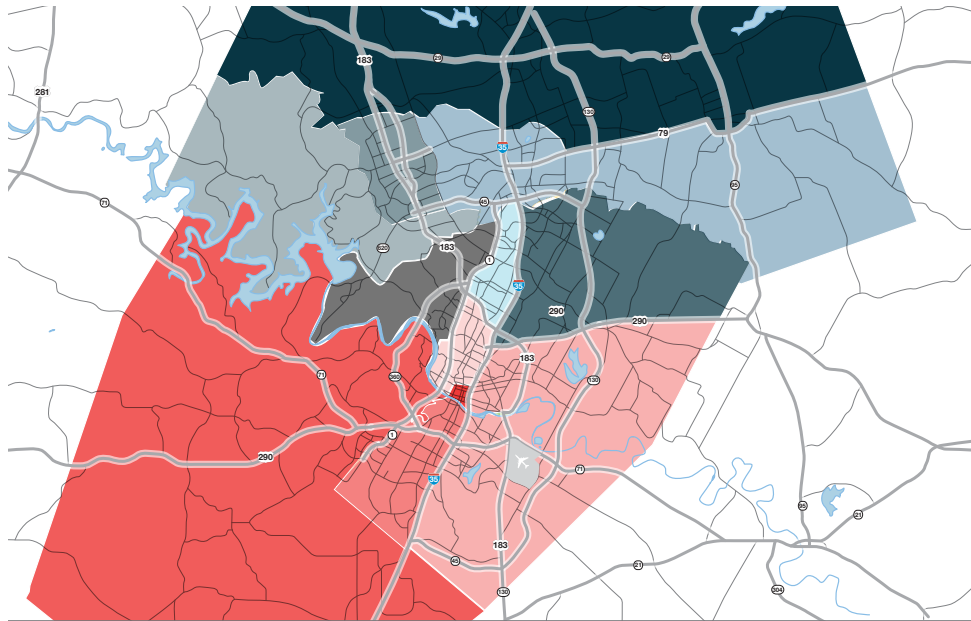
## 04

### Submarket Stats

Submarket Statistics	Net Rentable Area (SF)	Vacancy (%)	Q2 2023 Total Net Absorption (SF)	YTD Total Net Absorption (SF)	Q2 2023 Leasing Activity (SF)	Q2 2023 Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Total Avg Asking Rent NNN (\$/PSF)
Austin Total	100,967,934	3.1	533,768	1,057,331	462,729	631,439	986,851	2,730,521	25.28
CBD	2,043,517	1.8	-3,522	18,478	5,187	0	0	0	39.98
Cedar Park	9,011,103	2.7	69,955	281,768	19,023	78,452	143,824	167,392	26.80
Central	8,945,641	6.1	-13,918	59,399	36,476	25,000	59,399	11,668	26.53
East/Southeast	7,292,985	2.2	41,914	40,378	25,568	41,357	40,378	29,686	26.28
Georgetown	8,507,850	3.5	161,686	209,404	104,680	178,324	209,404	688,666	24.50
Hays County	10,262,692	1.6	205,239	225,430	54,461	197,108	214,368	639,087	26.85
North Domain	7,703,523	2.1	-8,780	34,361	17,223	0	19,884	0	21.84
Northeast	8,578,553	4.1	-7,310	30,946	35,809	34,400	44,400	588,911	22.45
Northwest	9,441,721	3.8	-12,901	60,823	36,724	0	20,672	111,678	30.11
Round Rock	8,138,053	3.0	9,728	35,773	21,725	0	35,773	174,068	28.11
South	11,828,927	2.2	36,784	32,220	53,607	36,398	32,220	244,555	26.04
Southwest	9,213,369	2.9	54,893	28,351	52,246	40,400	28,351	74,810	21.62

## 05

### Austin Retail Submarkets



	1. CBD
	2. Cedar Park
	3. Central
	4. East/Southeast
	5. Georgetown
	6. Hays County
	7. North/Domain
	8. Northeast
	9. Northwest
	10. Round Rock
	11. South
	12. Southwest