

Austin Retail

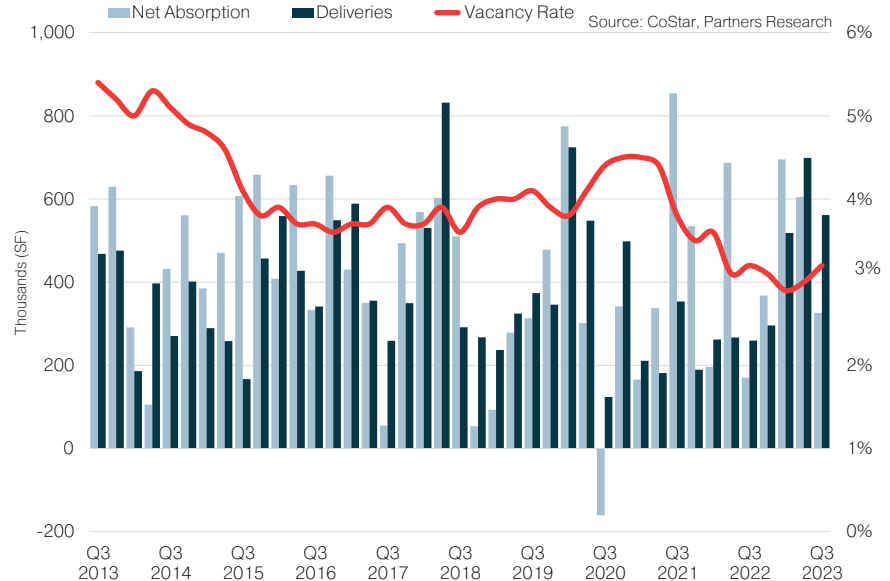
Q3 2023

Deliveries double year-over-year in Austin Retail

Q3 In Review

By the end of Q3 2023, the overall vacancy rate in the Austin retail market rose 20 basis points quarter-over-quarter, from 3.0% to 3.2%. Net absorption is at 326,447 sq. ft. Year-to-date, net absorption amounted to 1.6 million sq. ft. Year-to-date, deliveries totaled 1.7 million sq. ft. On the quarter, deliveries are at 561,635 sq. ft., more than doubling from 259,713 sq. ft. year-over-year. A notable completion within the last year was a 160,437-sq.-ft. supermarket (Costco) at 2201 North Interstate Highway 35 in July 2023. In addition, construction is at 2.4 million sq. ft., 8% up from the prior year's 2.2 million sq. ft. Lastly, the average asking rent reached a record-high—currently standing at \$26.52 per sq. ft., increasing 5% from \$25.18 per sq. ft. in Q2 2023.

Supply & Demand



Austin Economic Update

Austin's unemployment rate increased to 3.6% in August 2023, slightly up from 3.5% in July 2023. The metro's jobless rate was lower than both the nation's rate (3.8%) and the state's rate (4.1%). Austin's employment fell 1.9% in August, the first month the rate declined since February 2021. The largest declines by sector included: health and educational services (-5,033 jobs, -32.4%), leisure and hospitality (-1,503 jobs, -11.7%), and financial activities (-480 jobs, -6.6%). The largest gains by sector included: construction and mining (1,475 jobs, 23.2%) and government (1,871 jobs, 12.8%). Year-to-date, Austin's payroll employment has grown 3.8%, higher than both the nation (1.9%) and the state (3.3%).

Key Market Indicators

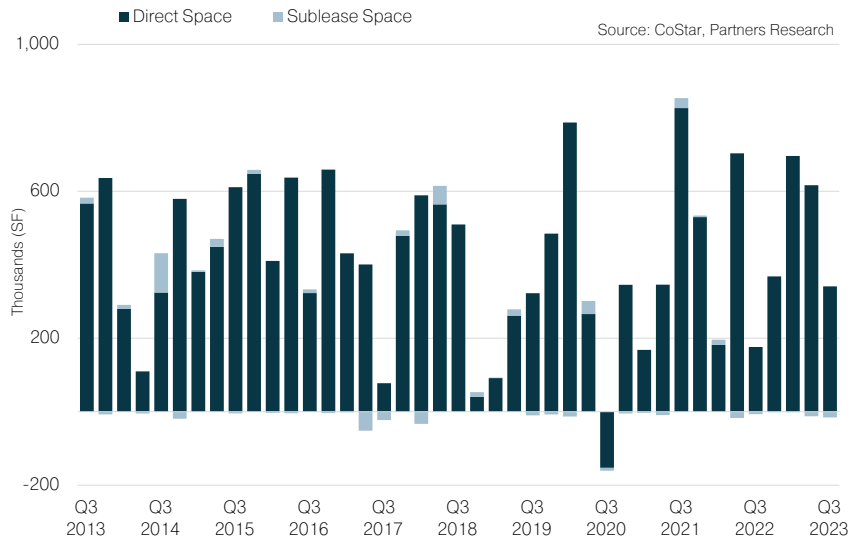
	CURRENT Q3 2023	PRIOR QUARTER Q2 2023		PRIOR YEAR Q3 2022	
Vacant Total (%)	3.2%	3.0%	▲	3.2%	▬
Net Absorption (SF)	326,447	604,650	▼	170,486	▲
Leasing Activity (SF)	456,348	537,255	▼	526,158	▼
Deliveries (SF)	561,335	698,710	▼	259,713	▲
Construction (SF)	2,421,949	2,727,508	▼	2,250,292	▲
Inventory (SF)	102,951,567	102,390,232	▲	100,877,289	▲
Avg Asking NNN Rent (\$)	\$26.52	\$25.18	▲	\$23.12	▲

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Positive Net Absorption In Q3 2023

Net absorption—move-ins minus move-outs—is at 236,447 sq. ft., 46% down from 604,450 sq. ft. in Q2 2023. Despite the decrease, net absorption hasn't dipped into negative territory for 12 straight quarters—dating back to Q3 2020 (-160,385 sq. ft.) Year-to-date, net absorption registered at 1.6 million sq. ft., 54% higher than the prior year-to-date net absorption figure of 1.0 million sq. ft. H-E-B filled 105,689 sq. ft. of retail space at 12021 West Highway 290 in July, and HomeGoods occupied 25,000 sq. ft. of retail space at 9600 South Interstate 35 in September. In addition, the overall vacancy rate rose 20 basis points quarter-over-quarter, from 3.0% to 3.2%. The slight increase in the overall vacancy rate can be attributed to the influx of new retail space delivered within the past year. Nevertheless, vacancy rates are projected to remain at or below 4% over the next four quarters—signaling healthy demand for Austin's retail sector.

Net Absorption

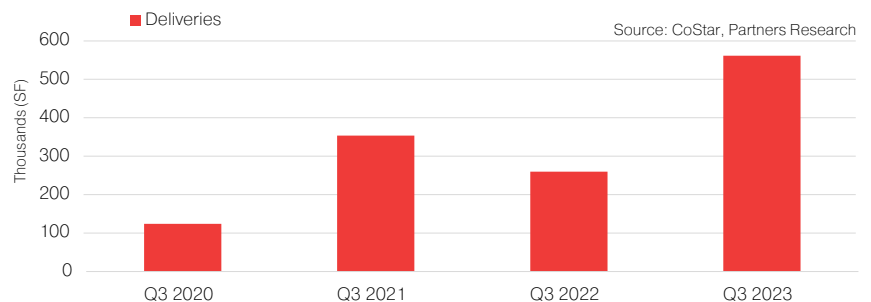


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Deliveries More Than Double From Prior Year

As of Q3 2023, deliveries in Austin's retail market are at 561,335 sq. ft. Although down 20% quarter-over-quarter, deliveries more than doubled from 259,713 sq. ft. in Q3 2022. Year-to-date, deliveries totaled 1.7 million sq. ft. This surge in deliveries was primarily driven by strong construction starts in Q1 2023 (3.1 million sq. ft.)—the highest quarterly construction starts on record since Q3 2007 (3.4 million sq. ft.). Notable retail completions within the last year include a 35,719-sq.-ft. daycare center at 11812 Millwright Parkway in September 2022, and a 160,437-sq.-ft. supermarket (Costco) at 2201 North Interstate Highway 35 in July 2023. On the quarter, construction is at 2.4 million sq. ft.—across 111 buildings—increasing 8% from the prior year's 2.2 million sq. ft. According to a recent CoStar publication, the Austin retail market now has the highest square footage under construction in the U.S. with 2.0% of inventory underway.

Deliveries



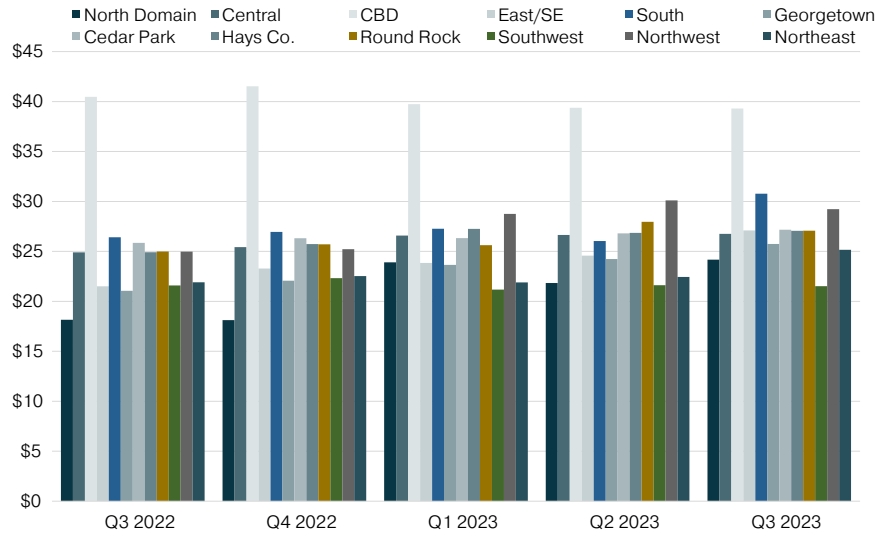
Market Overview

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Record-High Asking Rents

Austin's average asking rent currently stands at \$26.52 per sq. ft.—a record-high for the metro's retail sector. Quarter-over-quarter, the average rate increased 5% from \$25.18 per sq. ft. in Q2 2023. Year-over-year, the average rate increased 15% from \$23.12 per sq. ft. in Q3 2022. This marks the highest annual rent growth recorded since Q3 2016(11% year-over-year increase to \$20.35 per sq. ft.) On the quarter, the CBD submarket had the highest average rate at \$39.30 per sq. ft. On the other hand, the Southwest submarket had the lowest average rate at \$21.52 per sq. ft. Despite the minimal increases to the vacancy rate in the forecast, rents are expected to continue to climb higher, albeit at a slower pace that is more consistent with historical averages.

Overall Gross Asking Rent (\$/SF)



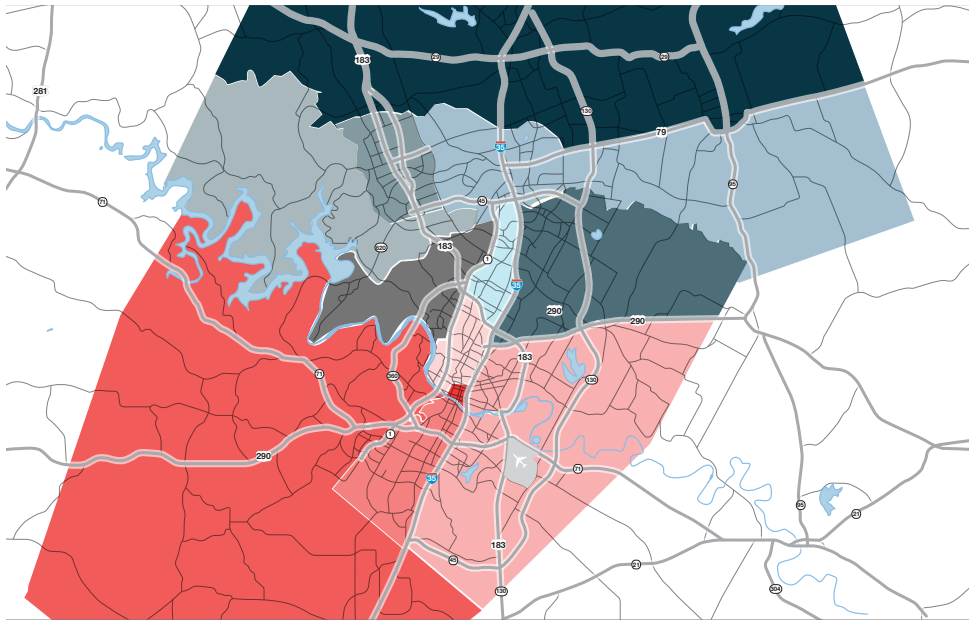
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









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)
Austin Total	102,951,567	3.2	326,447	1,626,299	456,348	561,335	1,778,396	2,421,949	26.52
CBD	2,043,517	1.1	14,571	33,049	7,037	0	0	0	39.30
Cedar Park	9,274,168	2.4	96,498	547,566	40,961	87,309	382,033	96,869	27.17
Central	9,039,512	6.3	-48,691	7,058	32,444	0	122,000	11,668	26.76
East/Southeast	7,610,794	2.0	819	41,197	14,211	7,731	47,228	191,238	27.10
Georgetown	8,823,196	2.9	225,583	479,921	51,678	179,577	456,086	539,523	25.74
Hays County	10,625,191	1.7	209,786	461,052	46,353	224,644	465,348	455,628	27.06
North Domain	7,969,126	2.1	5,720	35,981	14,444	0	19,884	0	24.17
Northeast	8,682,489	4.1	11,183	40,929	103,339	14,500	58,900	588,411	25.16
Northwest	9,509,716	5.1	-102,552	-39,629	66,419	18,404	39,076	93,274	29.23
Round Rock	8,135,752	3.5	-3,838	42,536	20,038	18,170	80,743	137,246	27.07
South	11,929,166	2.6	-41,408	-9,988	48,316	11,000	66,698	233,555	30.78
Southwest	9,308,940	3.3	-41,224	-13,373	11,108	0	40,400	74,537	21.52

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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