

# Austin Retail

## Q2 2024

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## Quarterly Market Report

Austin's retail market continues to exhibit exceptional strength, driven by robust demand, limited supply, and a thriving economy. Rates are at an all-time high as a result.

### Executive Summary

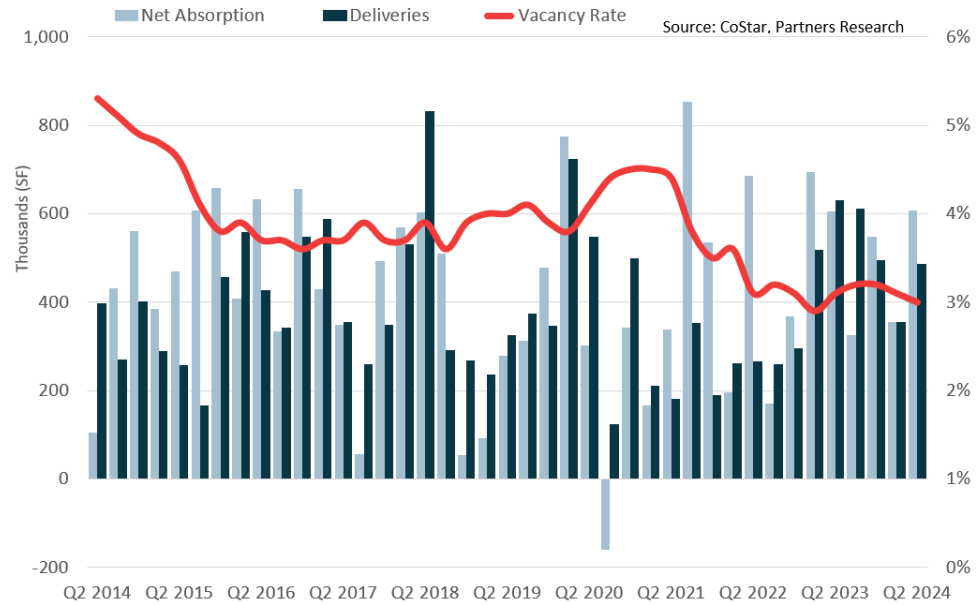
#### Q2 2024 In Review

Austin's retail market continues to demonstrate exceptional strength. Positive net absorption, coupled with an extremely low vacancy rate of 3%, underscores robust demand for retail space. Despite a decline in the construction pipeline, ongoing development projects and strong pre-leasing activity suggest sustained market tightness. Rents have reached record highs and are expected to climb further due to limited supply and high demand. Investment sales activity is subdued, but property values remain elevated, reflecting investor confidence in the market. Overall, Austin's retail sector exhibits a resilient and dynamic performance.

#### Austin Economic Update

According to the latest release of Austin's Economic Indicators, Austin's unemployment rate stayed at 3.4% in May, remaining below the state's and nation's rates of 4.0%. In May, the local labor force increased an annualized 2.3%, while the state's increased 2.9%, and the nation's fell 1.8%. Austin employment grew 2.9% in May after increasing 3.4% in April. The sectors with the most growth were leisure and hospitality (1,916 jobs) and trade, transportation and utilities (974 jobs). Sectors that saw a decline included professional and business services (-1,198 jobs) and information (-429 jobs). Year to date, Austin employment growth was 2.2%, below the state's 2.8% gains and above the nation's 1.9% increase.

### Supply & Demand



### Key Market Indicators

	CURRENT Q2 2024	PRIOR QUARTER Q1 2024		PRIOR YEAR Q2 2023	
Vacancy (%)	3.0	3.1	↓	3.1	↓
Net Absorption (SF)	607,124	354,078	↑	533,768	↓
Leasing Activity (SF)	415,287	611,643	↓	462,729	↓
Deliveries (SF)	485,745	355,412	↑	631,439	↑
Construction (SF)	1,467,664	1,839,643	↓	2,730,521	↑
Inventory (SF)	100,806,506	100,336,495	↑	100,267,934	↑
Avg Asking NNN Rent (\$)	\$27.00	\$26.67	↑	\$25.28	↑

# Market Overview

## Positive Net Absorption Continues

Net absorption—move-ins minus move-outs—is at 607,124 sq. ft., marking 15 consecutive quarters of positive net absorption. For the year so far, almost 1 million sq. ft. of space has been absorbed (961,202 sq. ft.), with the majority going into brand new construction deliveries. Notable recent move-ins include Crunch Fitness taking 32,900 sq. ft. of sublease space at the University Oaks Shopping Center in Round Rock and Cavender's taking 25,036 sq. ft. at The Parke in Cedar Park.

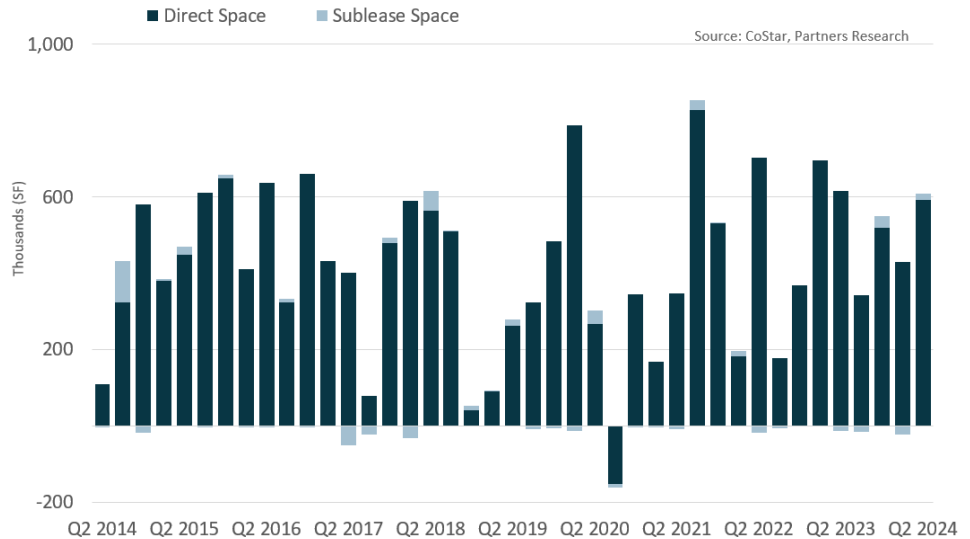
## Vacancy Rate Extremely Tight at 3%

The overall vacancy rate in Austin's retail market is at 3%. The total vacancy rate has been hovering around 3% for several quarters now, demand for new construction is keeping the market in balance. Recently signed leases where the tenant has not moved in, point to continued low vacancy in the near term, including Couch Potatoes committed to 100,000 sq. ft. at the Shops at Tech Ridge, Hobby Lobby set to take occupancy of 58,000 sq. ft. near year-end at Braker Lane Village and Austin Pickle Ranch set to move into 49,500 sq. ft. at 11000 N I-35 later this year.

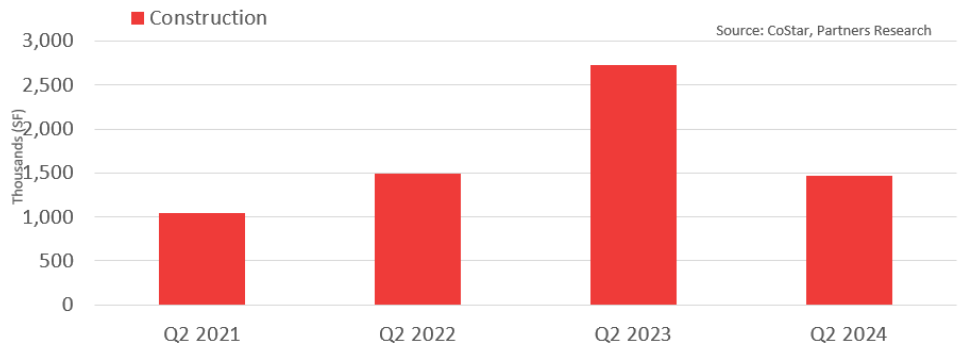
## Construction Pipeline Trending Downward

As of Q2 2024, deliveries in Austin's retail market are at 485,745 sq. ft. This is down 23% from the same time last year (2Q 2023). Not only are deliveries down, the under-construction pipeline has also been trending downward over recent quarters and is 46% below the 2.7 million sq. ft. underway in Q2 2023. Notable retail projects currently underway include a 145,000 sq. ft. H-E-B at 2400 S Congress Ave and Co-Op District 12, a 70,000 sq. ft. shopping center in the Georgetown submarket. Co-op District 12 is 53% pre-leased and scheduled for delivery in June of 2025.

# Net Absorption



# Construction



# Market Overview

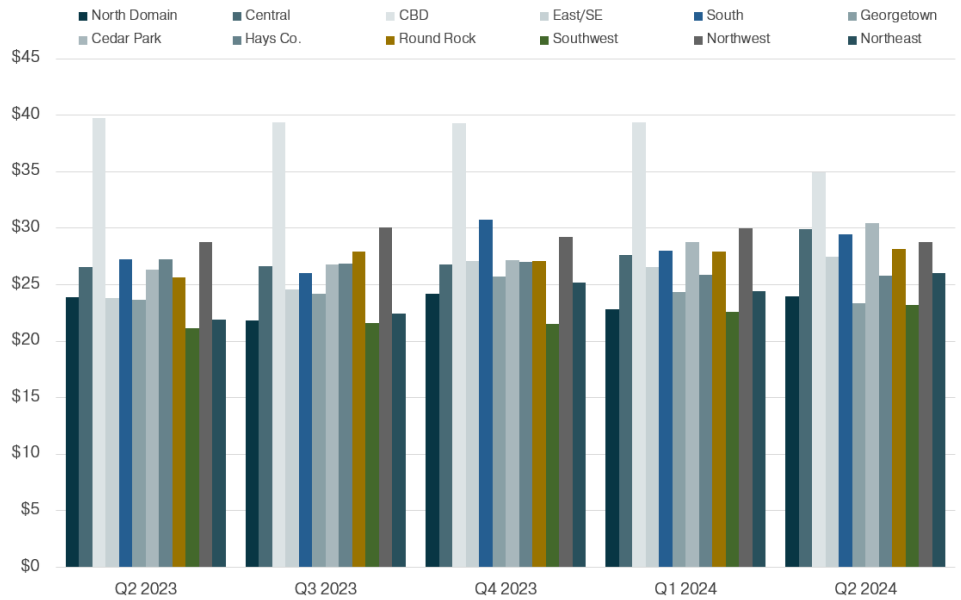
## Investment Sales Trends Subdued but Price Per Sq. Ft. Remain High

CoStar Capital Market Analytics reports the cumulative 12-month sales volume for Q2 2024 at \$117 million. For the past year, 144 retail properties were sold with an average \$421 price per sq. ft. and an average cap rate of 5.9%. Notable recent sale transactions include Lifetime Fitness doing a sale leaseback of their 109,045 sq. ft. property at 7101 S Mo Pac Expressway which sold for \$366 per sq. ft., JLM Financial buying a vacant former 67,654 sq. ft. H-E-B at Georgetown Crossing as part of a larger portfolio sale and PEBB Enterprises selling the 57,702 sq. ft. Walden Park Shopping Center in Cedar Park. Phillips Edison & Company purchased the shopping center for \$270 per sq. ft.

## Record-High Asking Rents

Austin's average asking rent currently stands at \$27.00 per sq. ft.—a record-high for the metro's retail sector. Quarter-over-quarter, the average rate increased 1.2% from \$26.67 per sq. ft. in Q1 2024. Year-over-year, the average rate increased an impressive 12% from \$25.28 per sq. ft. in Q2 2023. With the construction pipeline decreasing and vacancy near a historic low, rate increases are expected to continue for the foreseeable future.

## Average Asking Rent (NNN)



# Market Overview

## Submarket Stats

Submarket Statistics (Total reflects Flex/Manf/WD)	Net Rentable Area (SF)	Vacancy (%)	Q2 2024 Net Absorption (SF)	YTD Net Absorption (SF)	Q2 2024 Leasing Activity (SF)	Q2 2024 Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Total Avg Asking Rent NNN (\$/PSF)
CBD	2,107,253	3.0	-16,138	-26,191	1,600	0	0	0	34.96
Cedar Park	9,392,967	3.7	24,017	24,819	79,378	96,366	121,156	207,160	30.46
Central	7,877,891	6.0	-19,546	-6,806	11,070	0	0	0	29.93
East/Southeast	7,531,769	2.1	-12,527	-4,825	35,724	0	0	67,618	27.51
Georgetown	9,265,932	3.1	83,278	92,708	46,161	33,875	109,976	381,334	23.22
Hays County	10,890,374	1.5	28,295	177,355	36,879	22,662	149,503	268,252	25.81
North Domain	8,133,670	1.9	11,723	-19,393	11,802	0	0	0	23.95
Northeast	9,468,308	2.8	255,755	285,176	18,456	260,835	315,835	213,240	26.03
Northwest	6,621,085	3.9	51,276	155,797	18,767	0	0	0	28.75
Round Rock	8,239,768	2.1	107,093	135,926	63,343	0	16,848	179,360	28.18
South	11,935,219	3.1	346	58,592	26,293	0	0	150,700	29.45
Southwest	9,342,270	2.4	93,552	88,044	65,814	72,007	72,007	0	23.21
Austin Total	100,806,506	3.0	607,124	961,202	415,287	485,745	785,325	1,467,664	27.00

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