

Austin Retail

Q4 2024

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Austin Retail Market Shows Resilience with Balanced Growth and Rising Leasing Activity in 2024

Executive Summary

Q4 2024 In Review

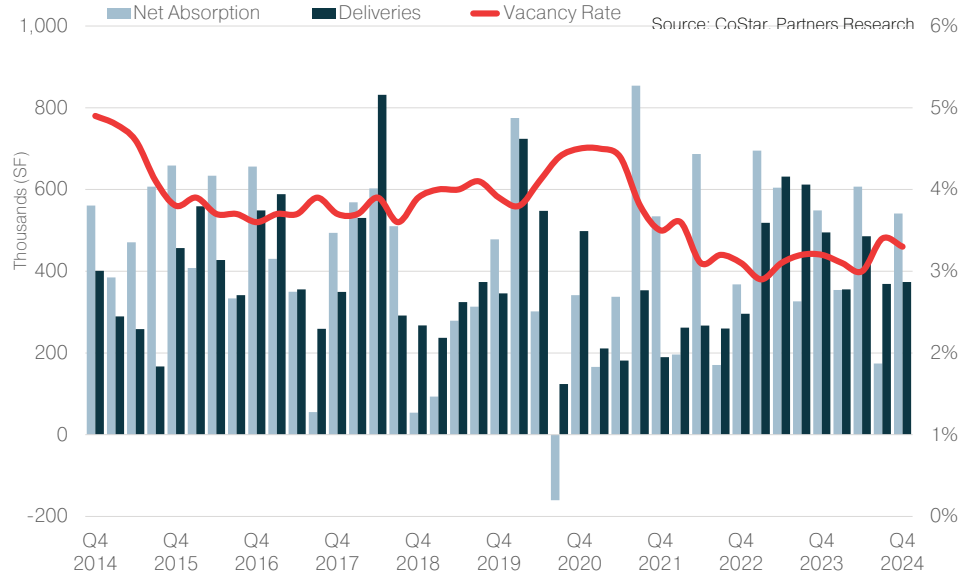
The Austin retail market demonstrated robust performance in 2024, with net absorption reaching 1.5 million sq. ft., matching the year's new construction deliveries. Leasing activity surged in Q4, increasing 32% to 608,275 sq. ft., fueled by significant transactions like Life Time Fitness, Club Studio Fitness, and Gold's Gym. Meanwhile, the construction pipeline grew 26% year-over-year, signaling renewed opportunities for expanding retail tenants after quarters of constrained supply. Notable completions in late 2024 included a H-E-B on South Congress and developments in Pflugerville and North Austin.

Investment sales remained active, with a cumulative 12-month volume of \$135 million and an average transaction price of \$405 per square foot. Key sales included the 218,258-square-foot University Commons retail center and the H-E-B-anchored Bar W Marketplace. Rents rose 1.5% for the quarter, holding steady year-over-year at \$26.39 per sq. ft., with the CBD commanding the highest rates. With tight vacancy and limited supply, rents are expected to remain elevated, positioning Austin's retail market for continued growth in 2025.

Austin Economic Update

According to the latest release of Austin's Economic Indicators, Austin experienced modest employment growth in November accompanied by a stable unemployment rate. Average hourly wages were up, and retail sales tax collections were flat. The Austin Business-Cycle Index, a broad measure of economic activity, grew an annualized 3.5% in November, slower than the 3.8% gain in October. Year over year, the index was up 1.1%. Austin's unemployment rate remained at 3.5% in November, below the state and national rates of 4.2%. In November, the local labor force held steady, while the state's increased 3.1% and the nation's contracted 1.4%. Growth was broad based, with the greatest gains seen in professional and business services (2,700 jobs) and government (2,700 jobs). Sectors that saw declines included leisure and hospitality (600 jobs) and manufacturing (500 jobs). Year to date in November, Austin's employment growth was sluggish at an annualized 0.5%, slower than the state's 1.6% increase and the nation's 1.4% growth.

Supply & Demand



Key Market Indicators

	CURRENT Q4 2024	PRIOR QUARTER Q3 2024		PRIOR YEAR Q4 2023	
Vacancy (%)	3.3%	3.4%	↓	3.2	↑
Net Absorption (SF)	541,340	174,274	↑	548,816	—
Leasing Activity (SF)	608,275	461,057	↑	713,533	↓
Deliveries (SF)	373,533	368,977	↑	494,906	↓
Construction (SF)	2,104,112	1,467,664	↑	1,671,617	↑
Inventory (SF)	105,922,244	104,039,381	↑	104,283,739	↑
Avg Asking NNN Rent (\$)	\$26.39	\$25.99	↑	\$26.40	—

Market Overview

Healthy Net Absorption Matches Deliveries for the Year

Net absorption—move-ins minus move-outs—was at 541,340 sq. ft. for Q4 2024. For 2024 as a whole, net absorption was a healthy 1.5 million sq. ft. which matched the 1.5 million sq. ft. of new construction deliveries for the year.

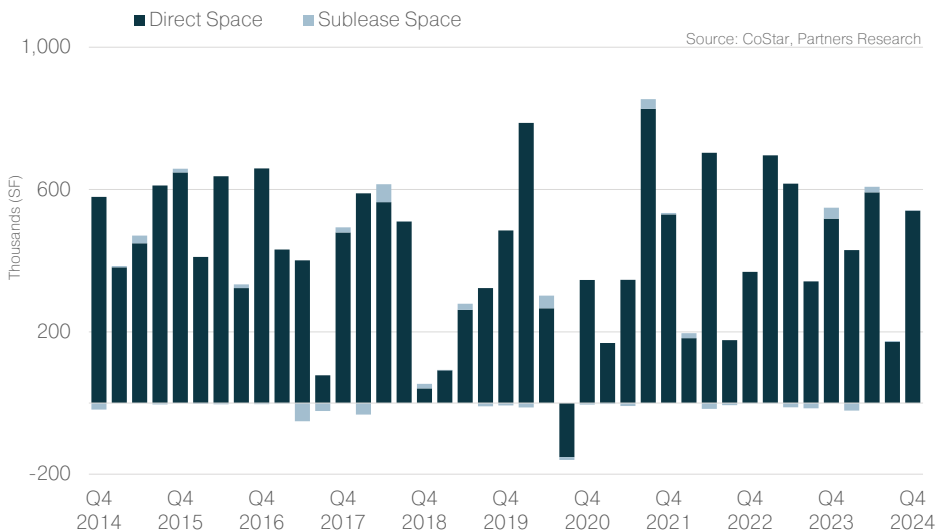
Construction Pipeline Picks Up Moderately in late 2024

As of Q4 2024, the under construction pipeline increased over the past year by 26% to 2.1 million sq. ft. This is a positive for the market as the limited supply over recent quarters has limited growth opportunities retail tenants looking to expand. Notable retail completions in late 2024 include a new 145,000 sq. ft. H-E-B at 2400 S Congress, a new 55,000 sq. ft. Hobby Lobby in Pflugerville, and a new 50,000 sq. ft. Avis Budget car rental facility at 10600N FM 620.

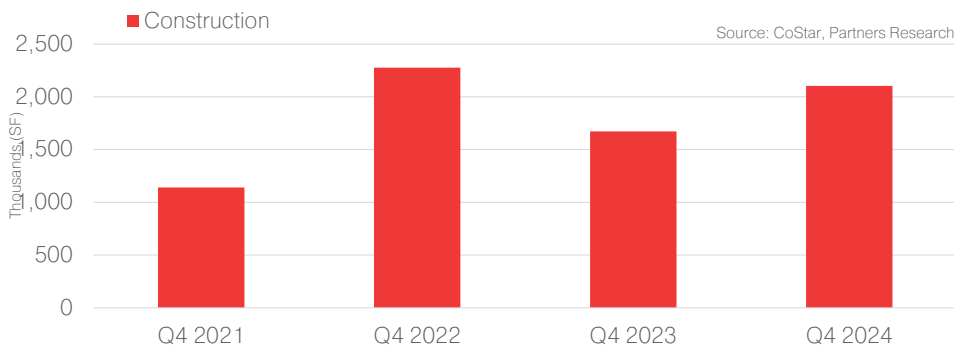
Leasing Activity On the Upswing, Up 32% Over the Quarter

Leasing activity saw a 32% upswing for the quarter, recording 608,275 sq. ft. of leases signed. Notable deals signed in late 2024 include Life Time Fitness signing a deal for 58,761 sq. ft. at 1301 S Lamar, Club Studio Fitness signing a 34,000 sq. ft. lease at Parmer and Samsung Blvd, Golds Gym signing a 28,000 sq. ft. lease at 7301 Burnet and Momentum Sports leasing 22,550 sq. ft. at 21415 Martin Ln.

Net Absorption



Construction



Market Overview

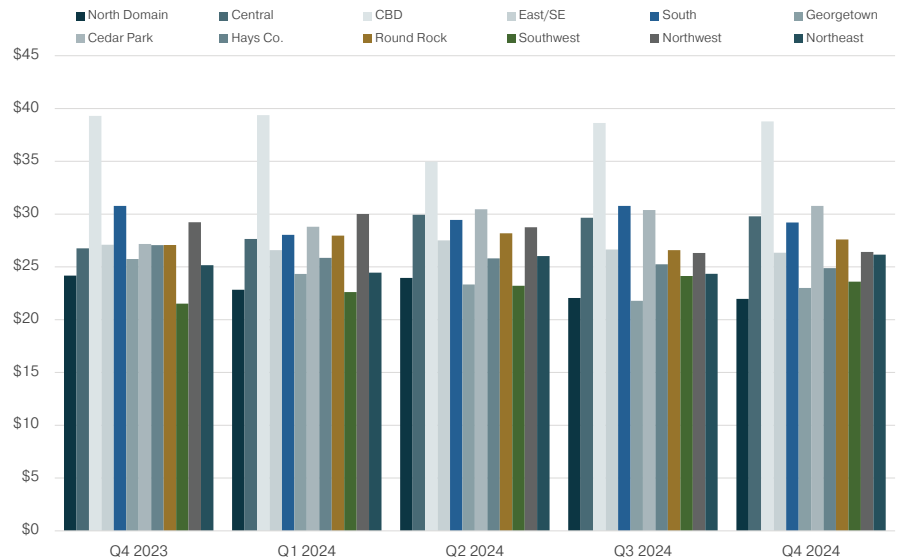
Investment Sales Trends

CoStar Capital Market Analytics reports the cumulative 12-month sales volume for Q4 2024 at \$135 million. Over the past year, 177 properties were sold with an average transaction price of \$405 per sq. ft. and an average cap rate of 6.0%. Notable recent transactions include Lasalle Investment Management sold the 11 building, 218,258 sq. ft. retail center University Commons to Regency Centers. The shopping center is anchored by H-E-B. Also, the 100,763 sq. ft. H-E-B at Bar W Marketplace was purchased by AEW Capital.

Rates Up for the Quarter but Flat Year Over Year

Austin's average asking rent currently stands at \$26.39 per sq. ft.—up 1.5% over the past quarter but flat with Q4 2023. On the quarter, the CBD submarket had the highest average rate at \$38.78 per sq. ft. On the other hand, the North Domain submarket had the lowest average rate at \$21.97 per sq. ft. With near record low vacancy and a limited retail pipeline, rates are expected to remain near record highs.

Average Asking Rent (NNN)



Market Overview

Submarket Stats

Submarket	Net Rentable Area (SF)	Vacancy (%)	Q4 2024 Net Absorption (SF)	YTD Net Absorption (SF)	Q4 2024 Leasing Activity (SF)	Q4 2024 Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Total Avg Asking Rent NNN (\$/PSF)
CBD	2,024,409	1.3	26,758	-17,332	29,631	0	0	0	
Cedar Park	9,485,283	3.4	90,885	31,447	92,079	34,070	149,575	346,071	
Central	9,061,949	5.9	44,595	-18,559	90,874	0	0	0	
East/Southeast	7,610,197	2.5	-1,672	45,745	53,124	0	84,283	57,156	
Georgetown	9,911,063	3.4	98,093	225,061	59,651	73,152	287,469	552,369	
Hays County	11,130,439	1.4	16,838	276,877	54,869	27,574	241,615	192,616	
North Domain	8,205,374	2.6	36,940	13,455	47,500	0	0	0	
Northeast	9,094,785	6.0	78,175	332,276	18,329	60,217	391,368	835,069	
Northwest	9,586,289	4.3	-41,579	118,855	54,288	23,520	47,040	0	
Round Rock	8,485,728	2.6	-18,075	141,729	53,177	0	65,408	102,153	
South	12,134,277	2.6	177,915	239,919	28,307	145,000	145,000	18,678	
Southwest	9,192,451	2.2	32,467	125,105	26,446	10,000	82,007	0	
Austin Total	105,922,244	3.3	541,340	1,514,578	608,275	373,533	1,493,765	2,104,112	26.39



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