

# Houston Retail

## Q4 2024

# Houston Retail | Q4 2024

## Quarterly Market Report

Houston Retail Market Closed 2024 with Strong Leasing Activity and Stable Vacancy Rates Amid Construction Slowdown

### Executive Summary

#### Q4 2024 In Review

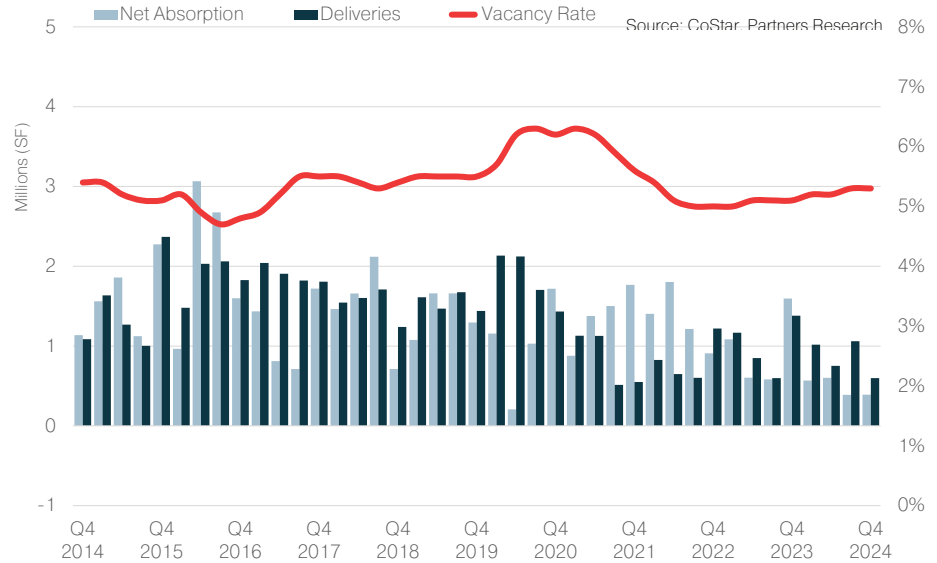
The Houston retail market closed 2024 on a strong note, with vacancy rates holding steady at 5.3%, slightly below the five-year historical average. This stability is attributed to the balance between supply and demand, as net absorption for the quarter came in at 390,159 square feet—flat compared to the previous quarter but contributing to an impressive 1.9 million square feet of positive net absorption for the year. Leasing activity remained robust, topping 2 million square feet in Q4, with notable lease signings by The Picklr, Ampd Fitness, and Memorial Hermann. However, construction deliveries saw a significant decline, with only 597,690 square feet delivered in Q4, representing a 56% annual decrease. Meanwhile, average asking rents dipped slightly from record highs to \$20.78 per square foot but remained up 0.9% year-over-year.

#### Houston Economic Update

The Houston unemployment rate ticked up to 4.6% in October from 4.4% in September where it had been holding steady for three months. A year prior, the Houston unemployment rate was 4.1%. Houston's labor force grew an annualized 0.5% in October, which was a significant slowdown. From January through September, the average monthly labor force growth rate was 3.3%.

Houston dropped 5,164 jobs in October, but there were upward revisions to already-strong payroll growth in August and September that kept recent job growth strong. For the three months ending in October, employment in Houston grew an annualized 4.1%, with 34,488 jobs added. Year over year in October, Houston's labor market grew below trend, with employment expanding 1.2%. Oil and gas grew the most, with year-over-year gains of 8.5%. Larger sectors such as trade, transportation and utilities and professional and business services grew modestly, at 1.8% and 0.1%, respectively.

### Supply & Demand



### Key Market Indicators

	CURRENT Q4 2024	PRIOR QUARTER Q32024		PRIOR YEAR Q4 2023	
Vacancy (%)	5.3	5.3	—	5.0	↑
Availibility (%)	6.1	6.0	↑	5.8	↑
Net Absorption (SF)	390,159	389,336	↑	2,270,179	↓
Leasing Activity (SF)	2,048,696	1,709,170	↑	2,092,258	↓
Deliveries (SF)	597,690	1,060,424	↓	1,350,769	↓
Construction (SF)	3,455,562	3,329,131	↑	4,768,833	↓
Avg Asking NNN Rent (\$)	20.78	20.87	↓	20.27	↑
Inventory (SF)	406,481,958	404,276,511	↑	396,580,956	↑

## Market Overview

### Vacancy Rate Remain Slightly Below The 5-Year Historical Average

With construction deliveries down and demand for space flat with last quarter, the total vacancy rate remained unchanged for the quarter at 5.3%. Over recent quarters, supply and demand have been in lockstep with one another, with most of the net absorption going into new construction deliveries. With the construction pipeline trending downward, the total vacancy rate is expected to remain below average.

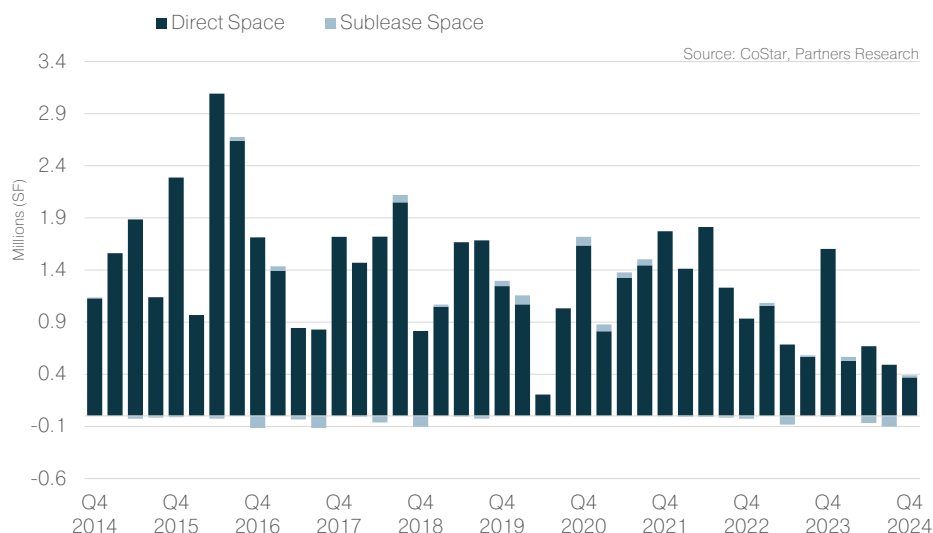
### Demand Remains Strong, Though Trending Down Over Recent Quarters

Net absorption—move-ins minus move-outs—is at 390,159 sq. ft., flat with last quarter. For 2024, net absorption was a healthy 1.9 million sq. ft. Net absorption has been consistently positive, not once dipping into negative territory over the past 10 years. Notable late 2024 move-ins include Texas Oncology moving into 35,000 sq. ft. at the Webster Town Center and Beauty Empire moving into 32,700 sq. ft. at 7323 FM 1960 Rd in Willowbrook.

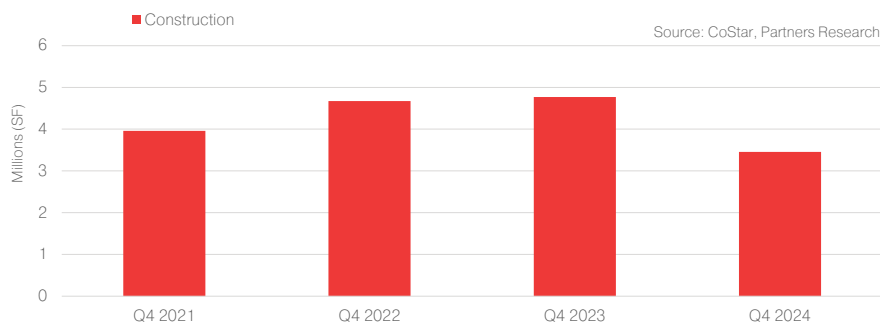
### Leasing Activity Up at Year End, Topping 2 Million sq. ft.

Leasing activity for Q 2024 came in at 2 million sq. ft. This is a healthy number but was down slightly (2%) year over year. Recently signed leases include The Picklr signing a new lease for 66,517 sq. ft. at 16590 I-45 in the Woodlands, Ampd Fitness signing a 35,000 sq. ft. lease at Willowbrook Plaza and Memorial Hermann signing a 27,925 sq. ft. lease at Bridgeland.

## Net Absorption



## Construction | Year-Over-Year



# Market Overview

## Construction Deliveries Decrease, While Pipeline Rises Slightly

Construction deliveries were down significantly for both the quarter and year, as new construction deliveries came in at 597,690 sq. ft. for Q4 2024. This is 44% below last quarter and 56% below deliveries in Q4 2023. The construction pipeline is at 3.5 million sq. ft., down 28% from the 4.8 million sq. ft. from this time last year. Notable construction projects include The Manvel Town Center, a 748,800 sq. ft. retail center in South Houston/Pearland area. Also, H-E-B, Target and Lowe's all have new locations underway.

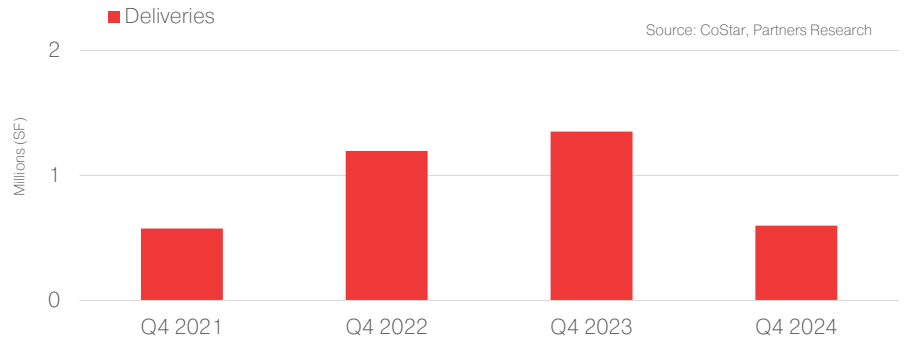
## Investment Sales Trends

CoStar Capital Market Analytics reports the cumulative 12-month sales volume at \$527 million in the Houston retail market. With 636 deals completed, the average transaction price currently stands at \$233 per sq. ft. with an average cap rate at 7.2%. Notable sale transactions in late 2024 include BPS Houston purchased the 125,000 sq. ft. Bass Pro Shops at 1771 Spring Stuebner Rd, Brad Hall and Associates purchased the 99,902 sq. ft. Steeplechase Shopping Center and Longpoint Realty purchased the 77,198 sq. ft. Mason Village shopping center, which anchored by La Michoacana.

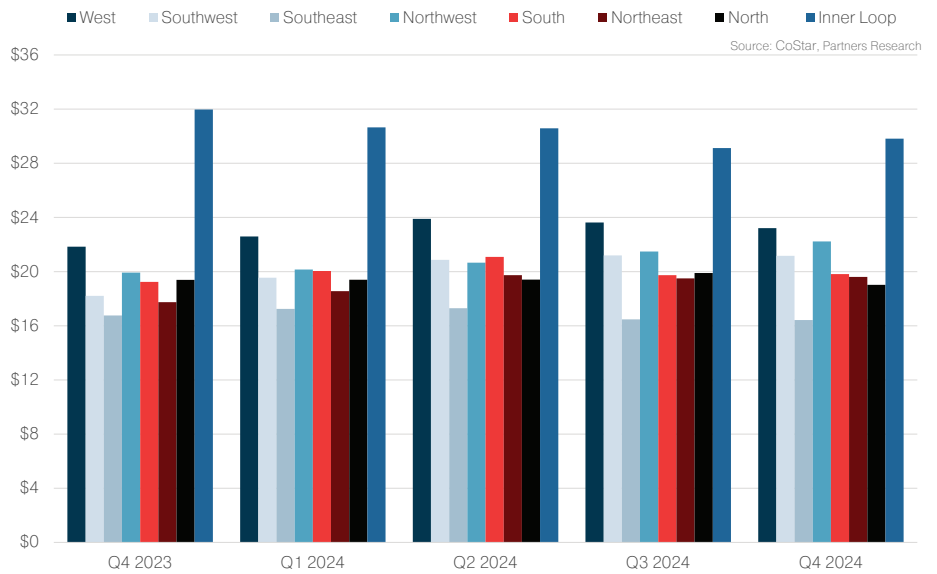
## Rates Dip Slightly from Record Highs, Still Up Year Over Year

Low availability rates and rising retail sales have kept average asking rent in the Houston retail market near record-highs—\$20.78 per sq. ft. in Q4 2024. Year-over-year, the metro's average asking rent increased 0.9% from \$20.27 per sq. ft. in Q4 2023. On a submarket level, the Inner Loop submarket continues to maintain the highest average rate at \$29.82 per sq. ft. On the other hand, the Southeast submarket had the lowest average rate at \$16.42 per sq. ft. Asking rents are projected to remain on an upward trajectory—increasing about 2-3% annually over the next few years.

# Deliveries



# Overall Average Asking NNN Rents



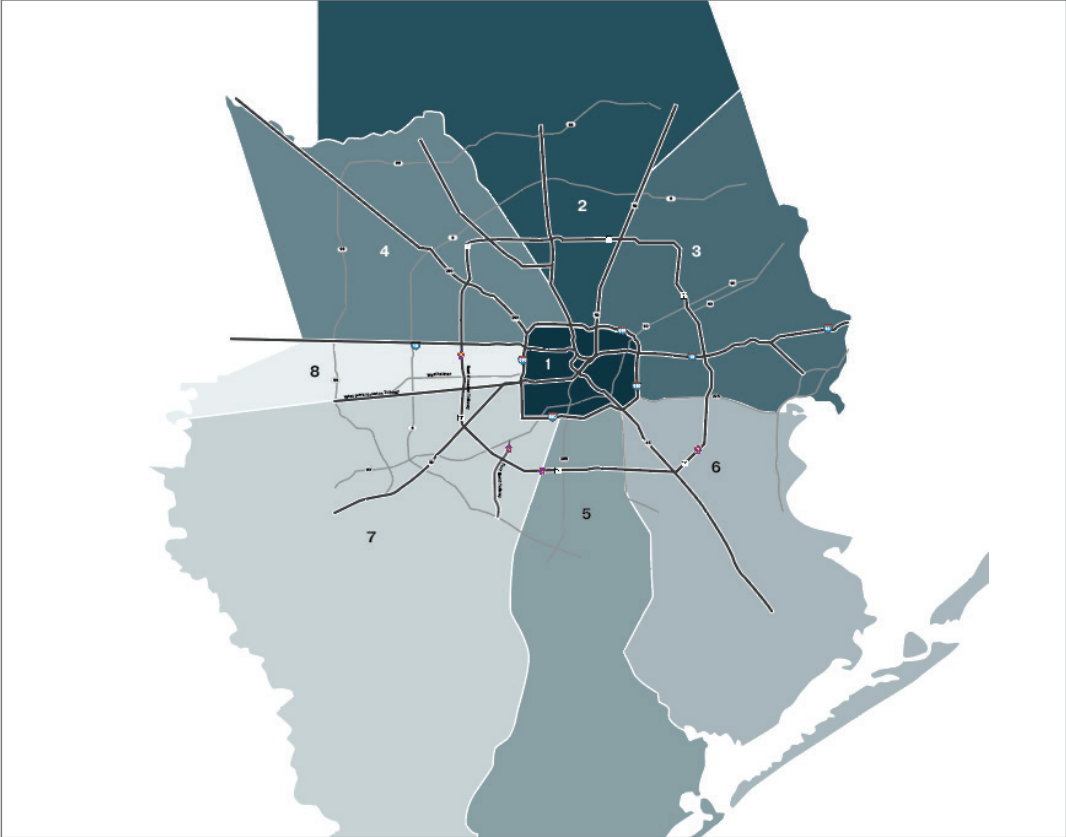
# Market Overview

## Submarket Stats

Submarket	Net Rentable Area	Vacancy	Q4 2024 Total Net Absorption	YTD Total Net Absorption	Q4 2024 Leasing Activity	Q4 2024 Deliveries	YTD Deliveries	Under Construction	Total Avg Asking Rent NNN
	(SF)	(%)	(SF)	(SF)	(SF)	(SF)	(SF)	(SF)	(\$/PSF)
Inner Loop	32,651,536	5.0	-64,379	-79,341	156,597	5,000	75,216	371,293	29.82
North	78,160,122	5.4	273,702	609,925	343,488	132,900	574,259	703,439	19.02
Northeast	31,670,013	3.8	59,044	173,142	225,392	97,618	228,276	80,901	19.61
Northwest	75,250,146	6.3	6,891	763,821	556,140	84,705	1,131,150	609,222	22.23
South	17,604,175	5.0	-14,825	-229,977	57,142	26,000	74,386	939,299	19.82
Southeast	59,044,993	6.0	6,291	-198,365	252,825	77,718	241,544	172,370	16.42
Southwest	64,760,120	5.0	218,083	744,932	229,792	173,749	776,580	387,466	21.17
West	47,340,853	4.5	-94,648	163,537	227,320	0	325,402	191,572	23.21
Houston Total	406,481,958	5.3	390,159	1,947,674	2,048,696	597,690	3,426,813	3,455,562	20.78

# Market Overview

## Houston Retail Submarkets



Information and data within this report were obtained from sources deemed to be reliable. No warranty or representation is made to guarantee its accuracy.

Steve Triolet

SVP of Research and Market Forecasting

tel 214 223 4008

partners

HOUSTON

+ 713 629 0500

1360 Post Oak Blvd #1900

Houston, Texas 77056

[PARTNERSREALESTATE.COM](http://PARTNERSREALESTATE.COM)