

# Austin Retail

Q1 2025

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## Austin Retail Market Shows Signs of Slowing Demand Amid a Tightly Leased Market

### Executive Summary

#### Q1 2025 In Review

The Austin retail market showed signs of slowing down in early 2025, with net absorption sharply down 77.8% over the quarter and 77.6% over the year, mostly due to a low vacancy rate of 3.3%. New construction deliveries increased slightly over the quarter by 4.7% but were down 20% annually. Leasing fell in Q1, decreasing 13.9% to 622,488 sq. ft.; however, there were still some significant transactions like Ikea, Bassett Furniture, and Old Navy. Meanwhile, the construction pipeline grew 47.7% year-over-year, signaling renewed opportunities for expanding retail tenants after quarters of constrained supply. Notable completions in early 2025 included Crunch Fitness on Amberwood Loop and developments in Georgetown and Northeast Austin.

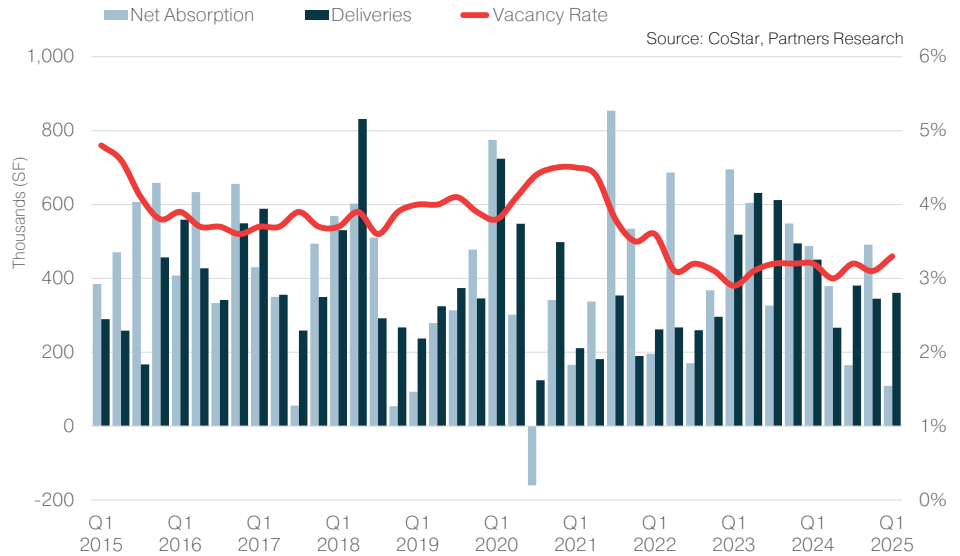
Investment sales remained active, with a cumulative 12-month volume of \$151 million and an average transaction price of \$302 per square foot. Key sales included the 55,000-square-foot Hobby Lobby in Pflugerville and the Cat Hollow Center in Round Rock. Rents barely decreased 0.9% for the quarter, remaining relatively flat at \$26.22 per sq. ft, with the CBD commanding the highest rates. With tight vacancy and limited supply, rents are expected to remain steady, positioning Austin's retail market for continued growth in 2025.

#### Austin Economic Update

According to the latest release of Austin's Economic Indicators, Austin's unemployment rate dipped to 3.3% in December, below the state and national rates of 4.2% and 4.1%, respectively. In December, the local labor force expanded at an annualized 7.5%, outpacing the state's 3.1% increase and the nation's 1.7% growth. Employment growth strengthened to an annualized 2.4% in December, up from 0.5% in November, with fourth-quarter job growth averaging 2.0%. Growth was broad-based, with the greatest gains in government (2,700 jobs) and construction and mining (1,900 jobs). Sectors that saw declines included leisure and hospitality (1,400 jobs) and manufacturing (500 jobs). Year over year, Austin's employment growth remained sluggish at an annualized 0.5%, trailing the state's 1.7% increase and the nation's 1.3% growth.

Average hourly earnings rose to \$35.51, reflecting

### Supply & Demand



### Key Market Indicators

	CURRENT Q1 2025	PRIOR QUARTER Q4 2024		PRIOR YEAR Q1 2024	
Vacancy (%)	3.3	3.1	↑	3.2	↑
Net Absorption (SF)	109,097	491,321	↓	487,726	↓
Leasing Activity (SF)	622,488	723,385	↓	754,917	↓
Deliveries (SF)	360,899	344,809	↑	450,722	↓
Construction (SF)	2,499,765	2,277,333	↑	1,692,234	↑
Inventory (SF)	105,126,000	104,765,131	↑	103,773,381	↑
Avg Asking NNN Rent (\$)	\$26.22	\$26.45	↓	\$26.44	↓

# Market Overview

## Austin Economic Update - continued

a year-over-year increase of 4.1%, while home prices and inventories climbed, and single-family housing permits increased in December, though they remained down for the year. The Austin Business-Cycle Index, a broad measure of economic activity, grew at an annualized 5.9% in December, accelerating from the 1.2% gain in November. Year over year, the index was up 1.4%

## Healthy Net Absorption Not Far Behind Deliveries for the Year

Net absorption—move-ins minus move-outs—was at 109,097 sq. ft. for Q1 2025, 77% less than the previous quarter and year. For the 12 months ending Q1 2025, net absorption was a healthy 1.1 million sq. ft., which wasn't far behind the 1.3 million sq. ft. of new construction deliveries for the year.

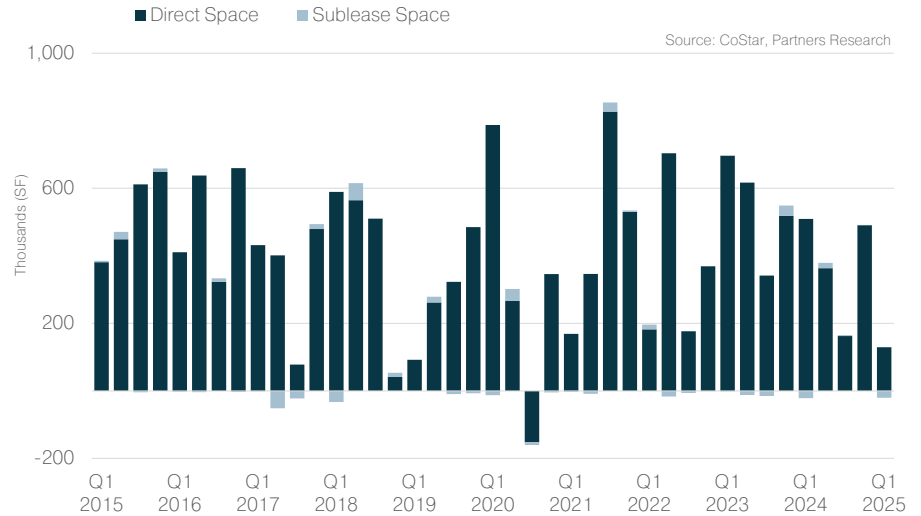
## Construction Pipeline Picks Up in Early 2025

As of Q1 2025, the under-construction pipeline increased over the past year by 48% to 2.5 million sq. ft. This is positive for the market, as the limited supply over recent quarters has limited growth opportunities for retail tenants looking to expand. Notable retail completions in early 2025 include The EastVillage Storefront Lifestyle Center, a new 32,000 sq. ft. Crunch Fitness at 1625 Amberwood Loop, and the 15,120 sq. ft. Bryson Ridge Crossing in Georgetown.

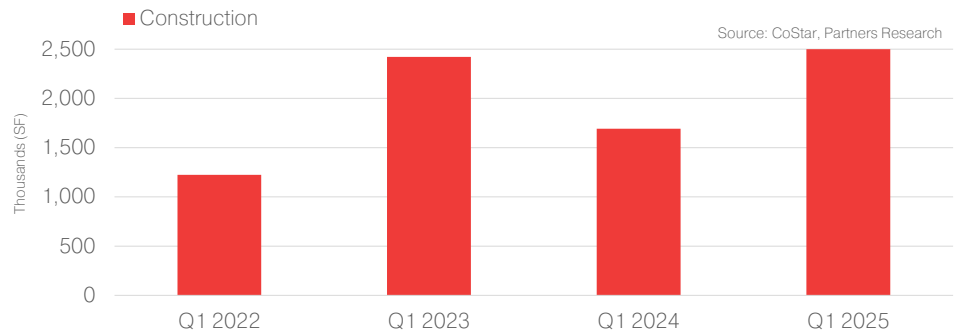
## Leasing Activity Down 13.9% Over the Quarter

Leasing activity declined 13.9% over the quarter, recording 622,488 sq. ft. in Q1 2025. Notable deals signed in early 2025 include Ikea signing a deal for 34,874 sq. ft. at San Mar Plaza, Bassett Furniture's renewal of 24,000 sq. ft. at 7801 Burnet Rd, Old Navy signing a 15,000 sq. ft. lease, and Boot Barn leasing 13,800 sq. ft., both in Lakeline Plaza.

# Net Absorption



# Construction



# Market Overview

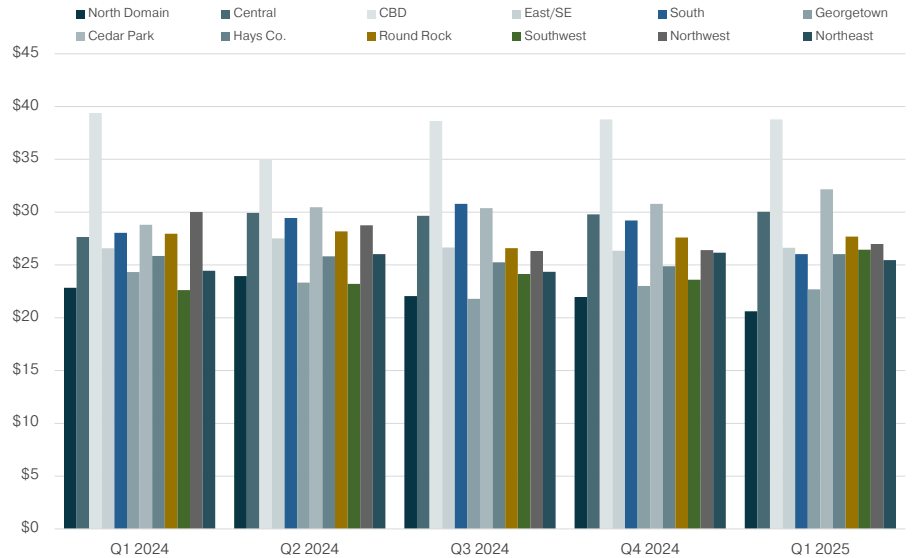
## Investment Sales Trends

CoStar Capital Market Analytics reports the cumulative 12-month sales volume for Q1 2025 at \$151 million. Over the past year, 144 properties were sold with an average transaction price of \$302 per sq. ft. and an average cap rate of 6.6%. Notable early 2025 transactions include Timmerman Commercial Investments LP's sale of a 55,000 sq. ft. Hobby Lobby in Pflugerville for approximately \$179 per sq. ft. to an unknown buyer. Linden Pioneers, LLC, purchased the 11,025 sq. ft. Cat Hollow Center from Round Rock Partners LLC for an undisclosed amount. Some tenants in the 100% leased strip center include Pizza Hut, Scott & White, and Santiago's Tex Mex & Cantina.

## Rates Marginally Down for the Quarter and 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)	Q1 2025 Vacancy (%)	Q4 2024 Vacancy (%)	Q1 2025 Net Absorption (SF)	Q4 2024 Net Absorption (SF)	Q1 2025 Leasing Activity (SF)	Q1 2025 Deliveries (SF)	Under Construction (SF)	Total Avg Asking Rent NNN (\$/PSF)
CBD	1,996,438	3.3	1.3	-38,904	26,758	6,527	0	0	38.78
Cedar Park	9,585,909	3.7	3.6	48,191	78,807	115,546	55,421	1,016,628	32.16
Central	8,928,232	6.0	6.0	3,859	84,095	49,064	0	0	30.04
East/Southeast	7,452,339	2.3	2.4	13,550	-32,988	32,240	6,500	38,500	26.63
Georgetown	9,523,080	3.4	3.5	93,344	78,793	50,150	85,144	512,431	22.69
Hays County	11,168,128	1.2	1.3	55,080	23,837	61,270	39,595	152,882	26.03
North Domain	8,171,150	3.5	2.6	-71,325	36,440	28,904	0	0	20.61
Northeast	9,023,770	4.2	3.4	74,328	78,175	101,796	147,318	655,572	25.46
Northwest	9,584,736	4.6	4.3	-22,350	-41,579	63,625	0	0	26.98
Round Rock	8,349,122	2.7	2.6	20,398	-21,175	42,544	26,921	94,324	27.68
South	12,194,910	2.9	2.6	-36,987	147,691	46,230	0	18,678	26.02
Southwest	9,148,186	2.6	2.2	-30,087	32,467	24,592	0	10,750	26.44
Austin Total	105,126,000	3.3	3.1	109,097	491,321	622,488	360,899	2,499,765	26.22

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