

5.1%
Overall Vacancy

YoY Chg	12-Mo. Forecast
▼	▼

\$74,900
Median HH Income

YoY Chg	12-Mo. Forecast
▲	▲

1.8%
Population Growth

YoY Chg	12-Mo. Forecast
▲	▲

4.0%
Unemployment Rate

YoY Chg	12-Mo. Forecast
▼	▼

Source: BLS (Economic Indicators are representative of specific county or MSA.)

U.S. ECONOMIC INDICATORS Q1 2023

1.9%
GDP Growth

YoY Chg	12-Mo. Forecast
▼	▲

5.7%
Consumer Price Index

YoY Chg	12-Mo. Forecast
▼	▲

9.4%
Consumer Spending Growth

YoY Chg	12-Mo. Forecast
▼	▲

5.3%
Retail Sales Growth

YoY Chg	12-Mo. Forecast
▼	▲

Source: BLS, BEA, Census Bureau

ECONOMY

Houston's retail market remained strong during Q1 2023, continuing 11 consecutive quarters of robust tenant demand and a healthy amount of new construction deliveries. Macro-level national concerns may temper growth in the Houston retail sector throughout the remainder of the year, as U.S. year-over-year (YOY) consumer spending growth slowed to 9.4% in Q1 2023, compared to 11.8% this time last year. YOY growth in U.S. retail sales also slowed to 5.3% in Q1 2023, compared to 12.8% this time last year.

SUPPLY AND DEMAND

In the first quarter of 2023, the overall vacancy rate in the Houston retail market remained unchanged from the previous quarter at 5.1%, but still 60 basis points lower from this time last year, and the lowest vacancy rate the retail market has seen since mid-2017. Retail deliveries totaled 971,685 square feet (sf) in Q1 2023, bringing the total to 3.4 million square feet (msf) delivered during the previous 12 months. Just over half of the total deliveries this quarter were concentrated in the north and west submarkets. Although a sound 4.7 msf of retail space is currently under construction, financing constraints and rising debt costs may limit future construction projects.

Despite the record-high inflation and a possible looming nationwide recession, Houston's retail tenants continue to expand. The Houston retail market absorbed 916,572 sf in Q1 2023 as 10 out of the 13 submarkets reported positive absorption. New leasing activity totaled 1.8 msf in Q1 2023, in line with the 2.0 msf quarterly average leased during the previous year. During Q1 2023, West/Northwest led all submarkets with 325,542 sf of new leasing activity, followed by the Katy Area (140,909 sf), and Far Southwest (219,696 sf).

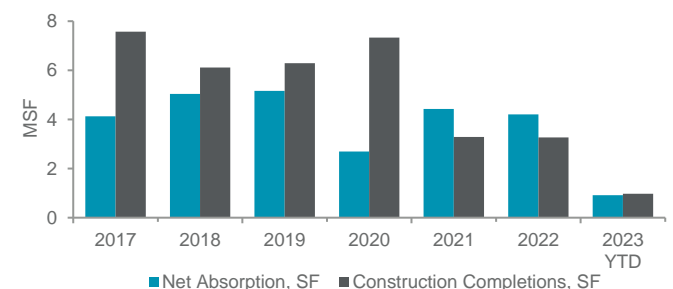
PRICING

The Houston retail market remains landlord-favorable as retail rents continue to climb. Average asking rents rose 2.6% YOY to a record \$19.57 NNN per square foot (psf) in Q1 2023, and nearly 11% higher than \$17.65 psf at the beginning of 2020. Asking rents in the Uptown/Galleria submarket experienced the largest YOY increase, jumping 70.5% to \$58.00, followed by Memorial/Westchase, where rents rose 11.7% YOY to \$21.15 psf.

ASKING RENT & VACANCY RATE



SPACE DEMAND / DELIVERIES



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	DELIVERIES (SF)	LEASING ACTIVITY (SF)	DIRECT AVG NNN ASKING RENT	ASKING RENT % CHANGE YOY
Central/Inner Loop	31,461,845	1,336,214	5,537	4.3%	23,222	23,222	351,924	103,128	67,062	\$31.55	5.9%
Uptown/Galleria	4,490,289	265,439	3,250	6.0%	-7,019	-7,019	0	0	24,588	\$58.00	70.5%
Memorial/Westchase	15,123,502	600,950	5,434	4.0%	35,366	35,366	0	0	54,417	\$21.15	11.7%
Katy Area	29,670,084	1,571,875	90,452	5.4%	194,028	194,028	434,514	140,909	233,370	\$23.41	9.5%
West/Northwest	65,073,846	4,456,586	78,729	6.9%	141,254	141,254	283,288	131,290	325,542	\$16.89	8.1%
Far Northwest	37,017,914	1,895,714	33,771	5.2%	12,986	12,986	558,127	80,840	137,260	\$20.90	3.8%
Far North	32,833,014	1,284,195	84,450	4.0%	-27,984	-27,984	628,353	142,361	119,207	\$22.52	4.8%
Spring/Kingwood	10,367,889	722,871	82,044	7.0%	-8,843	-8,843	32,361	0	75,213	\$16.36	2.3%
East	22,934,868	893,753	14,358	3.9%	150,294	150,294	355,263	0	87,935	\$16.73	-0.7%
NASA/Clear Lake/Galveston	26,181,450	1,281,256	78,783	5.2%	108,848	108,848	121,010	0	186,536	\$16.53	1.2%
South	46,873,877	2,106,225	64,850	4.6%	46,109	46,109	943,547	60,344	157,680	\$17.55	7.2%
Southwest	20,822,342	853,303	3,390	4.1%	54,649	54,649	179,877	0	92,383	\$17.38	-3.5%
Far Southwest	41,979,724	2,166,804	29,554	5.2%	193,662	193,662	770,016	312,813	219,696	\$18.53	-8.9%
HOUSTON TOTAL	384,830,644	19,435,185	574,602	5.1%	916,572	916,572	4,658,280	971,685	1,780,889	\$19.57	2.6%

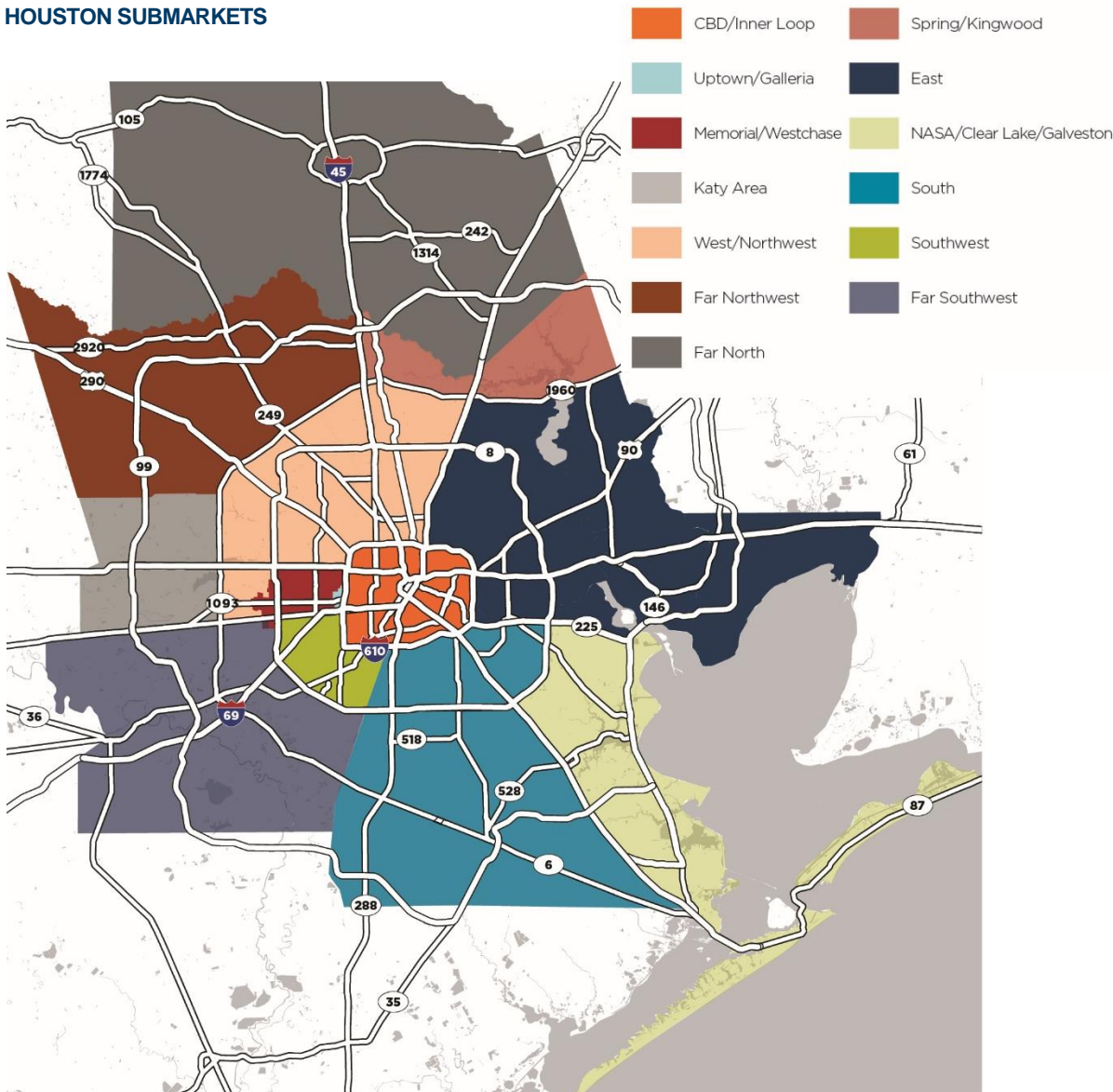
FEATURED NEW LEASE TRANSACTIONS

SUBMARKET	PROPERTY	ADDRESS	TENANT	SIZE (SF)	TYPE
NASA/Clear Lake/Galveston	Baybrook Shopping Center	19801 Gulf Freeway	Dick's Sporting Goods	43,577	Power Center
West/Northwest	Champions Village	5319-5419 FM 1960 Road	Confidential	41,543	Power Center
Memorial/Westchase	Village Plaza at Bunker Hill	9710-9734 Katy Freeway	TJ Maxx	30,000	Power Center
Far Southwest	Lamar Plaza	4310 Avenue H	3 GEMS Reception Hall	29,000	Neighborhood Center
Katy Area	Mason Park	501-521 South Mason Road	Texas Rodeo Saloon	28,750	Strip Center

FEATURED SALES TRANSACTIONS

SUBMARKET	PROPERTY	ADDRESS	TYPE	SIZE (SF)	PRICE	\$ PSF
South	The Center at Ridge Rock	11710 Broadway Street	Neighborhood Center	49,252	\$16.4 M	\$332
Far North	Normandy Shopping Center	12620 Woodforest Boulevard	Neighborhood Center	44,292	\$13.3 M	\$300
Far Southwest	New Territory Center	5720-5870 New Territory Boulevard	Neighborhood Center	41,955	\$7.7 M	\$189
NASA/Clear Lake/Galveston	Bay Area Center	411-433 Bay Area Center	Neighborhood Center	10,328	\$2.0 M	\$189
Far Northwest	Fairfield Country Shops	15201 Mason Road	Neighborhood Center	16,385	\$3.4 M	\$189

HOUSTON SUBMARKETS



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