

HOUSTON

Retail Q2 2023



	YoY Chg	12-Mo. Forecast
5.1% Overall Vacancy	▬	▬
\$75,500 Median HH Income	▲	▲
1.6% Population Growth	▲	▲
4.4% Unemployment Rate	▲	▼

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

U.S. ECONOMIC INDICATORS Q2 2023

	YoY Chg	12-Mo. Forecast
2.1% GDP Growth	▲	▲
4.0% Consumer Price Index Growth	▼	▲
7.8% Consumer Spending Growth	▼	▲
1.3% Retail Sales Growth	▼	▲

Source: BLS, BEA, Census Bureau

ECONOMY

Houston's retail market ended Q2 2023 with tempered conditions as economic uncertainty inhibits consumer spending, thus impacting the retail footprint. Macro-level retail indicators continue to be a concern, as U.S. year-over-year (YOY) consumer spending growth slowed once again to 7.8% in Q2 2023, compared to 10.0% this time last year. YOY growth in U.S. retail sales also declined further to 1.3% in Q2 2023, compared to 9.3% this time last year.

SUPPLY AND DEMAND

The Houston retail market closed Q2 2023 at 5.1% vacant, relatively unchanged for the third consecutive quarter. Retail deliveries totaled 869,637 square feet (sf) in Q2 2023, bringing the total to 2.0 million square feet (msf) delivered year-to-date (YTD). Nearly 85% of the total deliveries this quarter were concentrated in the outlying areas located in submarkets north, west, and southwest of the city. 190 retail developments totaling 3.8 msf of retail space remain under construction in the market, collectively 68.3% leased, demonstrates demand exists for competitive physical stores in well-located areas.

Following several quarters of immense retail growth in Houston, demand returned to a more sustainable level, and may be indicative of the city entering into a more moderate growth period. The retail market absorbed 1.6 msf YTD, 39.2% down from 2.7 msf during the same time period last year. New leasing activity totaled 1.8 msf in Q2 2023, in line with the 2.0 msf 10-year quarterly average. As with the new deliveries this quarter, new leasing activity was concentrated in the same outlying areas located in submarkets north, west, and southwest of the city. Those leases accounted for 61.5% of the total new leasing activity in the Houston market.

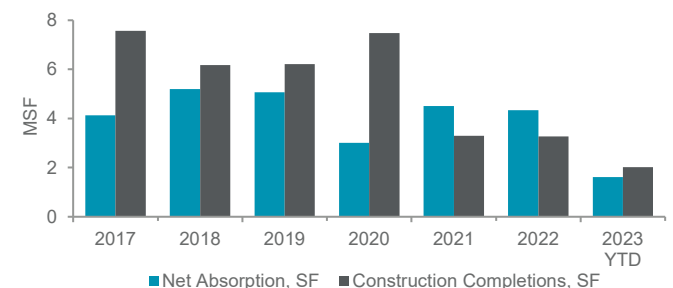
PRICING

Average asking rents closed Q2 2023 at \$20.00 per square foot (psf), a 1.8% quarter-over-quarter (QOQ) increase compared to \$19.65 psf in Q1 2023, and a 3.4% rise YOY from \$19.35 psf in Q2 2022. Asking rents in the Uptown/Galleria submarket experienced the largest YOY increase, more than doubling (106.1%) to \$58.00 psf, followed by Memorial/Westchase, where rents rose 19.8% YOY to \$23.39 psf. With a myriad of high-end retail locations, the Uptown/Galleria commands the highest rents in the city (\$58.00 psf), followed by the Central/Inner Loop submarket (\$31.70 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	31,443,603	1,345,943	2,499	4.3%	3,631	-8,481	486,150	0	153,785	\$31.70	3.7%
Uptown/Galleria	4,489,431	219,924	3,250	5.0%	11,179	4,160	0	0	18,120	\$58.00	106.1%
Memorial/Westchase	15,104,833	599,075	7,830	4.0%	-38,355	-2,989	7,000	0	63,721	\$23.39	19.8%
Katy Area	29,848,946	1,444,653	40,755	5.0%	185,048	407,565	477,690	90,680	263,015	\$23.50	6.6%
West/Northwest	65,321,795	4,478,106	38,521	6.9%	-80,344	89,960	204,899	108,251	232,775	\$17.07	7.2%
Far Northwest	37,589,653	1,893,415	23,397	5.1%	203,213	273,999	642,043	198,395	196,388	\$21.40	2.4%
Far North	32,914,077	1,400,992	34,433	4.4%	1,321	-14,695	474,979	168,654	178,857	\$23.79	12.6%
Spring/Kingwood	10,375,918	674,715	0	6.5%	76,156	67,313	32,221	28,000	14,216	\$16.35	-1.7%
East	23,023,746	916,452	8,898	4.0%	19,204	169,680	308,831	47,403	140,227	\$16.54	-1.6%
NASA/Clear Lake/Galveston	26,269,499	1,361,647	21,553	5.3%	-40,116	76,132	76,405	20,772	89,047	\$16.27	-2.2%
South	47,012,728	2,151,154	44,420	4.7%	-15,029	30,473	182,587	40,860	153,700	\$17.98	10.2%
Southwest	20,949,491	844,180	2,590	4.0%	10,623	97,568	179,877	0	54,024	\$17.65	-0.5%
Far Southwest	42,279,522	2,065,566	44,680	5.0%	253,594	427,105	768,831	166,622	226,380	\$18.91	-8.0%
HOUSTON TOTAL	386,623,242	19,395,822	272,826	5.1%	590,125	1,617,790	3,841,513	869,637	1,784,255	\$20.00	3.4%

FEATURED NEW LEASE TRANSACTIONS

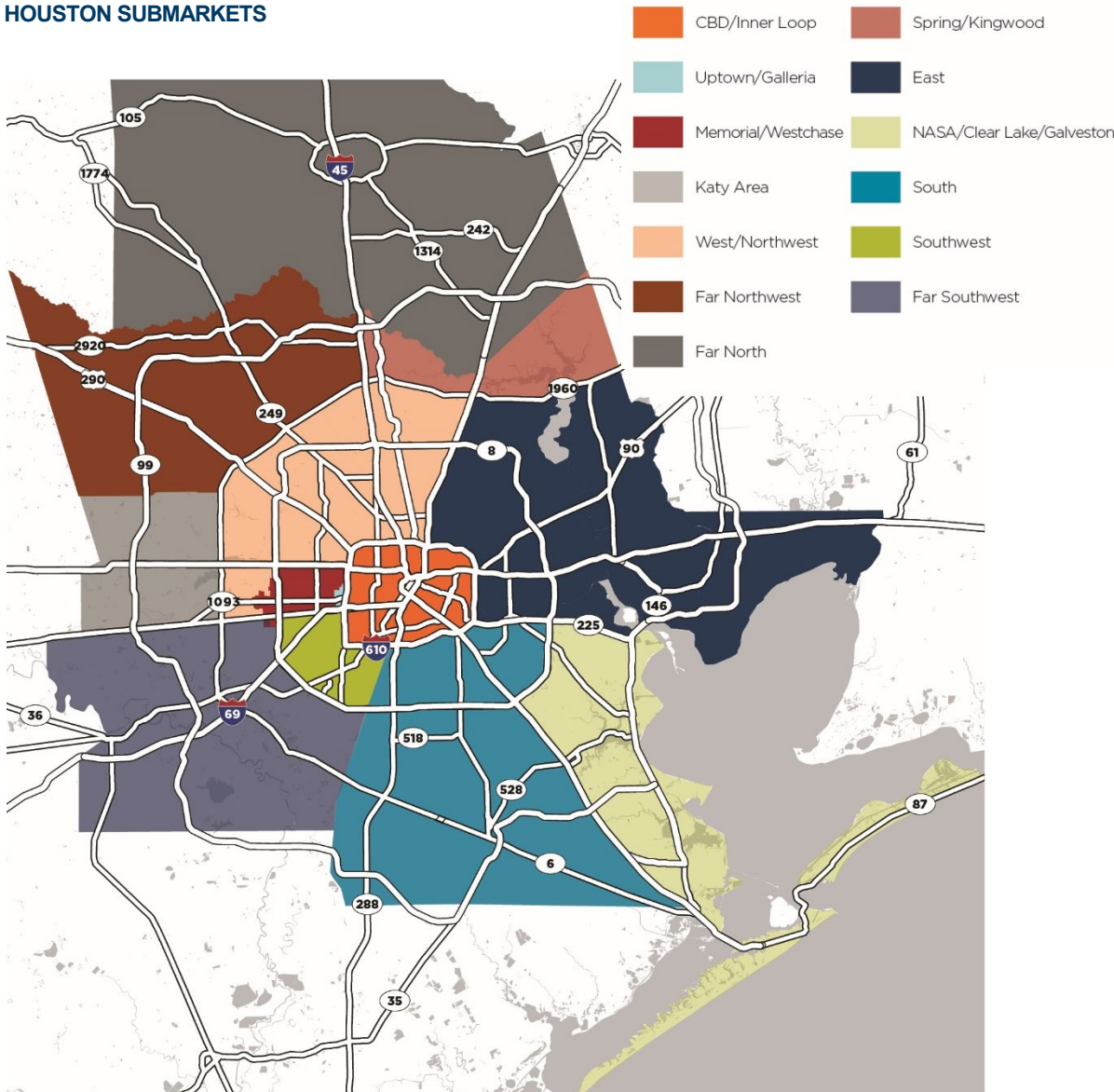
SUBMARKET	PROPERTY	ADDRESS	TENANT	SIZE (SF)	TYPE
Far North	Windvale Center	9420 College Park Drive	Tesla	63,861	Neighborhood Center
Central/Inner Loop	Gulf Freeway Arcade	9209 Gulf Freeway	Sheffield Liquidation	33,000	Neighborhood Center
East	West Town Shopping Center	4128-4216 Decker Drive	O'Riley Auto Parts	30,600	Neighborhood Center
Spring/Kingwood	Deerbrook Crossing Shopping Center	120-124 FM 1960 East	O'Riley Auto Parts	28,547	Community Center
Katy Area	Marcel Gardens	FM 1093 & Skyline Road	Fitness Center	21,000	Lifestyle Center

FEATURED SALES TRANSACTIONS

SUBMARKET	PROPERTY	ADDRESS	SELLER BUYER	% LEASED	SIZE (SF)
West/Northwest	Steeplechase Shopping Center	10703 Jones Road	Schreer Management Highland Capital	82.0%	178,417
Spring/Kingwood	Kingwood Commons – 4 bldgs.	600 Kinwood Drive	Kite Realty Group Dhanani Private Equity	100%	133,267
Central/Inner Loop	Lower Heights District – 4 bldgs.	1440 Studemont Street	Summer Street Retail Festival Properties	94.7%	112,034
Memorial/Westchase	Westchase Plaza	3700 South Gessner Road	Whitestone REIT Bridgewell Property	85.2%	36,478
Memorial/Westchase	Briarcroft Shopping Center	5602 Westheimer Road	Kenneth J Lewis Site Centers Corporation	100%	31,344



HOUSTON SUBMARKETS



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