

Austin Retail, Q4 2017

No room on store shelves. Occupancy highest in Texas; causes slower leasing activity

▲ Occupancy
96.3%

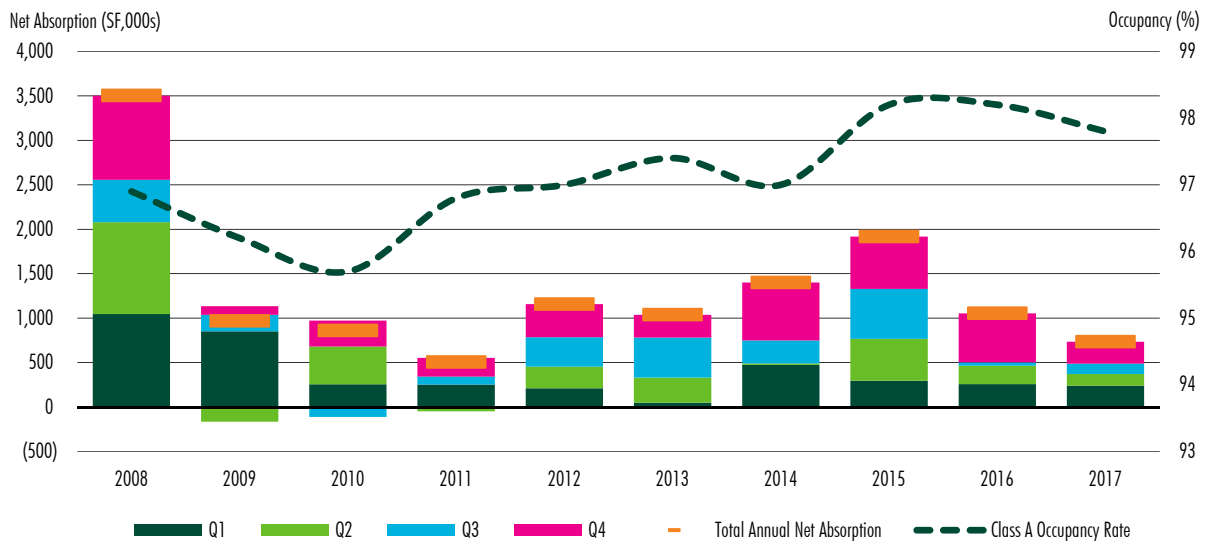
▼ Under Construction
883,232 SF

▼ Avg. Asking Rate
\$22.25 PSF

▲ Net Absorption
246,856 SF

*Arrows indicate trend from previous quarter.

Figure 1: Net Absorption and Class A Occupancy



Source: CBRE Research, Q4 2017.

AUSTIN'S CLASS A OCCUPANCY NEARS 98%

Limited availability continues to constrict market activity. Class A occupancy only registered down slightly during the final 90 days of 2017. Retailers aren't just on the search for prime, Class A space, overall occupancy is high as well at 96.3%—the highest measured in Texas.

LARGEST BLOCKS OF SPACE TAKEN UP BY FITNESS AND INLINE STORES

Net absorption continued to fall off peak levels registered in 2015, while new construction captured a large portion of demand—over 150,000 sq. ft. of the 247,000 sq. ft. absorbed. Large blocks were occupied this quarter by fitness tenants including Crunch Fitness and Orangetheory Fitness.

2018 RETAIL SALES GAINS EXPECTED

CBRE Econometric Advisors forecasts Austin retail sales volumes to reach \$29.7 billion in 2018, a 6% increase from 2017. Similar sales growth is projected to continue over the next five years at an annual rate of 5.6%, higher than the U.S. average.

NEW NEIGHBORS: TEXAS ADDS 400,000 OF THEM SAYS U.S. CENSUS

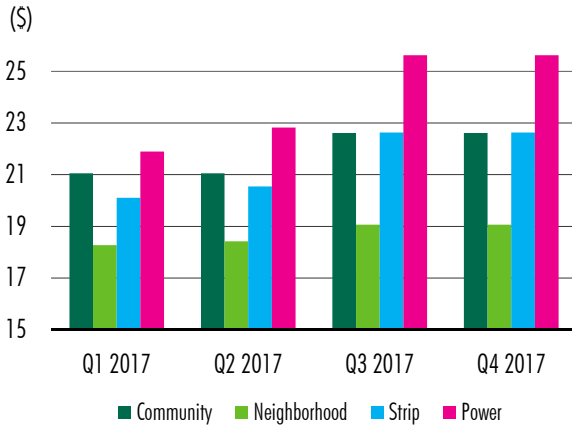
Once again Texas population gains grew faster than any other state between July 2016 and July 2017. This reflects 190,000 net migrations from elsewhere into Texas, according to recent data from the U.S. Census Bureau. Growth in the technology industry has contributed to population gains in Austin which are concentrated in suburban submarkets like Williamson County.

Figure 2: Market Snapshot

Market	Number of Centers	Net Rentable Area (SF)	Vacancy (%)	Asking Rate, NNN Avg. Annual (\$/SF)	Under Construction (SF)	Delivered Construction (SF)	Q4 2017 Net Absorption (SF)	2017 Net Absorption (SF)
Bastrop County	73	2,291,556	3.3	20.26	0	0	(12,100)	(16,461)
Caldwell County	17	449,337	2.9	26.50	0	0	(1,000)	(1,525)
CBD	63	1,826,593	1.3	13.50	0	0	(1,738)	9,080
Cedar Park	159	7,251,755	3.2	26.50	0	0	57,477	394,795
Central	186	6,281,261	5.8	22.72	0	0	(12,752)	(35,491)
East	84	2,964,886	2.6	22.00	260,000	0	(22,390)	(28,767)
Far Northeast	83	2,658,778	3.2	20.33	0	40,722	47,561	71,182
Far Northwest	82	3,437,317	7.8	21.98	0	0	(15,878)	(4,542)
Georgetown	146	5,030,167	4.6	16.80	145,475	0	30,668	69,161
Hays County	200	7,655,087	2.0	24.91	262,450	0	21,001	68,409
North	157	6,401,585	2.9	20.62	13,650	0	18,660	(36,779)
Northeast	62	2,542,511	6.0	19.73	12,800	11,000	17,973	19,660
Northwest	122	4,597,324	3.2	25.93	0	17,600	56,111	125,701
Round Rock	166	6,870,180	6.4	22.12	78,400	142,294	56,602	91,810
South	225	9,361,403	3.1	22.99	0	0	(14,201)	(10,524)
Southeast	54	2,099,059	0.8	24.85	48,700	0	9,464	14,147
Southwest	187	7,887,046	2.3	26.44	43,757	10,169	15,238	7,149
West Central	33	686,618	0.9	20.00	18,000	0	(3,840)	(3,063)
Austin Total	2,099	80,292,463	3.7	22.25	883,232	221,785	246,856	733,942

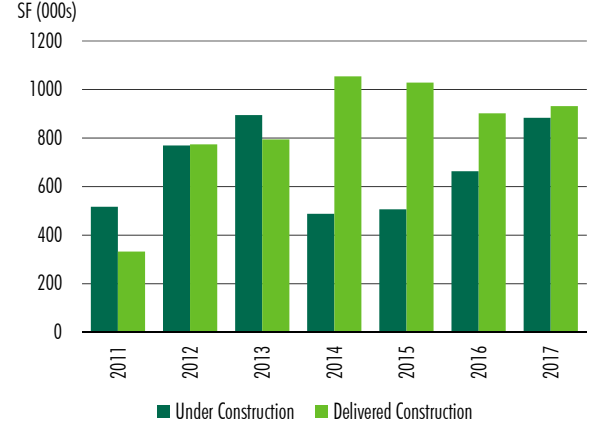
Source: CBRE Research, Q4 2017.

Figure 3: Asking Annual Rents, NNN Avg.



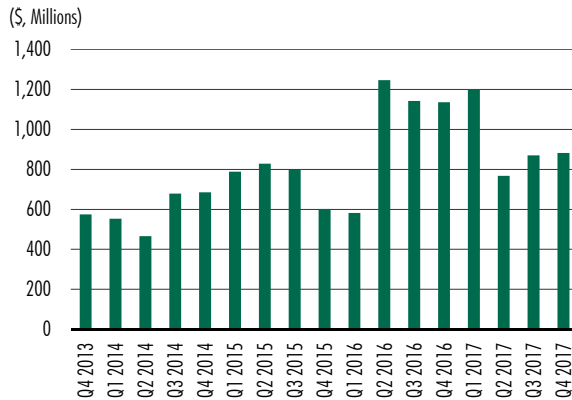
Source: CBRE Research, Q4 2017.

Figure 4: Construction



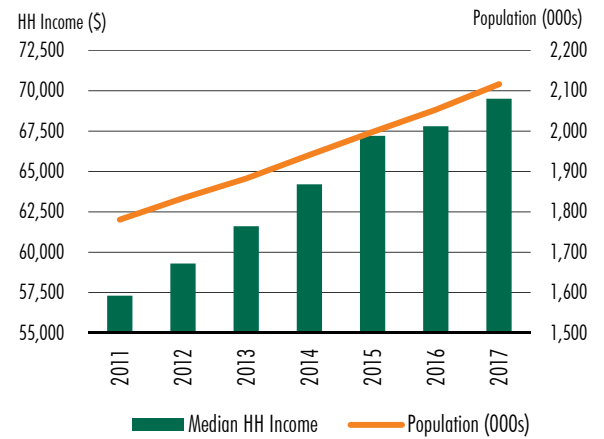
Source: CBRE Research, Q4 2017.

Figure 5: Retail Investment Sales Volume



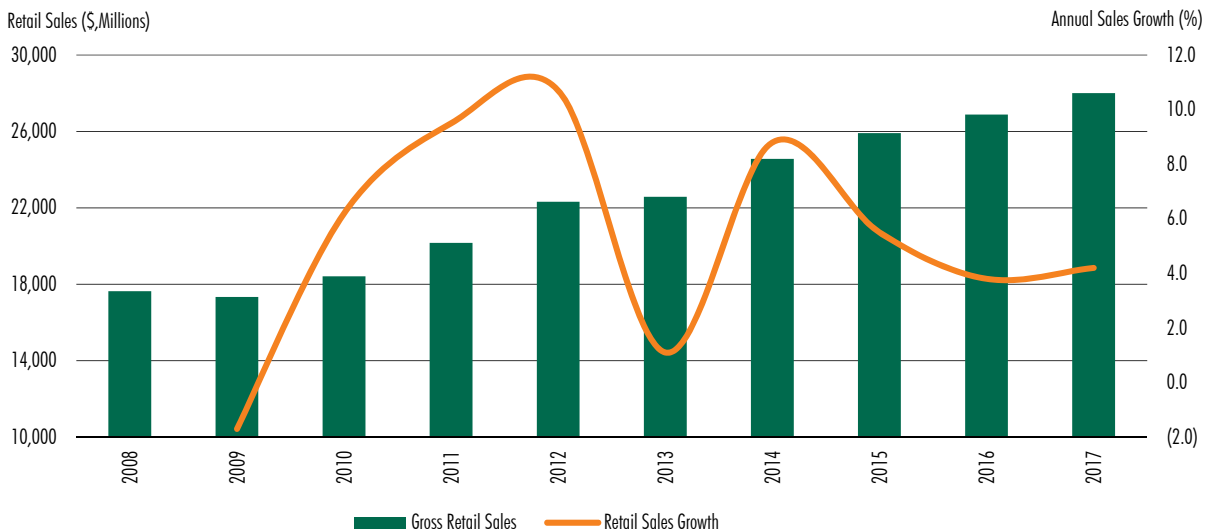
Source: Real Capital Analytics, Q4 2017.

Figure 6: Population Growth and Purchasing Power

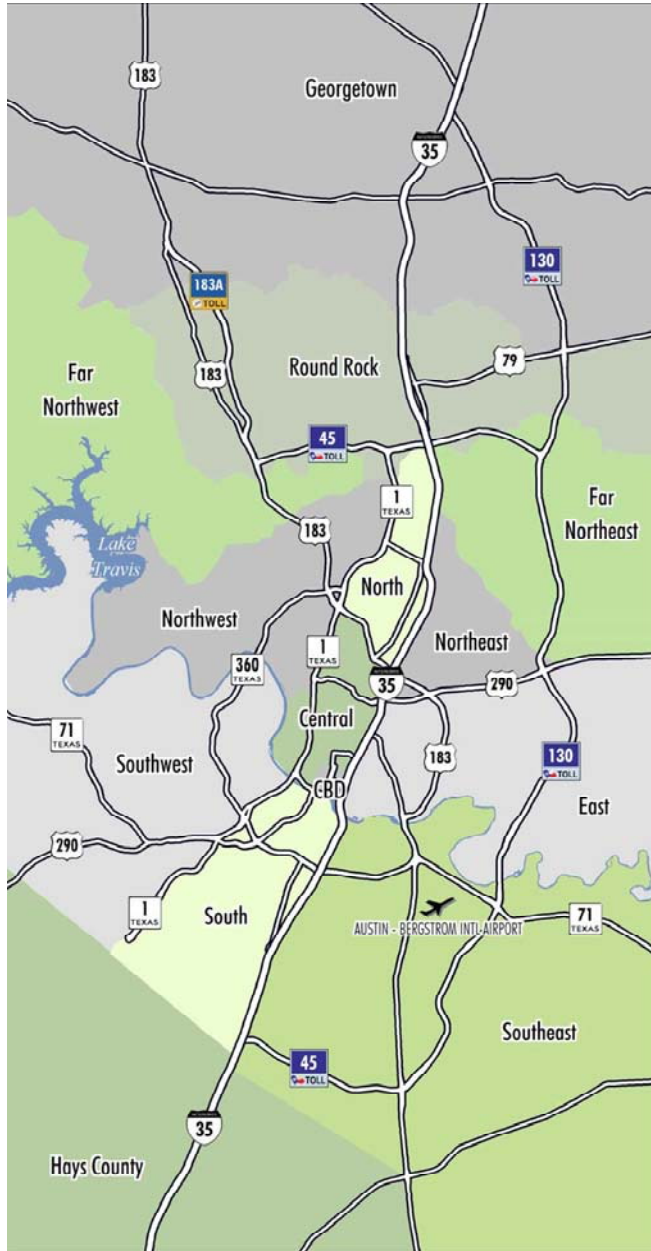


Source Moody's Analytics, Q3 2017.

Figure 7: Austin MSA Retail Sales



Source: CBRE Econometric Advisors, Q4 2017.



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