MARKETVIEW

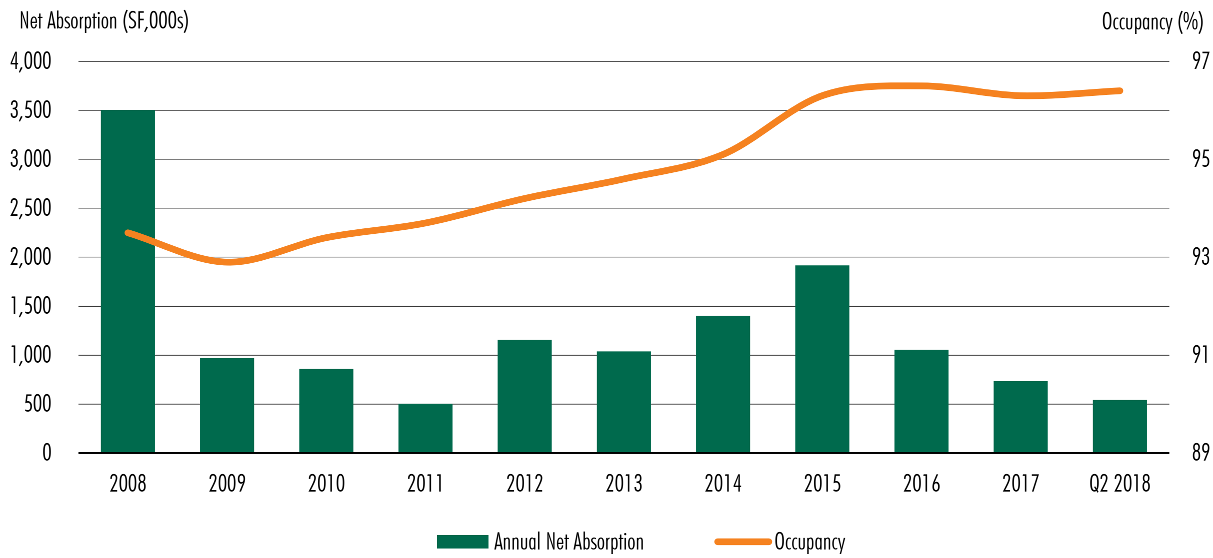
Austin Retail, Q2 2018

Asking rents, occupancy hit new expansion cycle high point

Occupancy	Under Construction	Completions	Net Absorption
96.4%	739,713 SF	536,181 SF	540,739 SF

*Arrows indicate trend from previous quarter.

Figure 1: Net Absorption and Market Occupancy



Source: CBRE Research, Q2 2018.

OCCUPANCY SCALES EVEN HIGHER

Austin's retail market remains at the top of its game. Already at cycle-high levels, occupancy has managed to inch even higher, hitting 96.4% this quarter. High demand prompts high rents, with some prime locations now demanding $40 and even $50 per square foot.

PFLUGERVILLE WELCOMES MASSIVE NEW RETAIL OUTLET

Already home to stores in San Diego, Los Angeles, the Bay Area, Nevada and Arizona, California-based Living Spaces opened its first Texas store in May. The 500,000-square-foot facility is located near the corner of State Highway 45 and Heatherwilde Blvd, just west of the Texas 130 toll road. Its fully leased delivery has pushed absorption from what would have been flat to a sizable, positive amount.

AUSTIN UNEMPLOYMENT FALLS TO 2.8%

Austin's thriving technology sector and its cachet as an entertainment haven have jet-fueled the local economy, with monthly unemployment in May dipping to 2.8 percent. This marks its lowest May rate in nearly two decades, last near the height of the dot-com boom.

ST. ELMO PUBLIC MARKET BEGINS CONSTRUCTION IN SOUTH AUSTIN

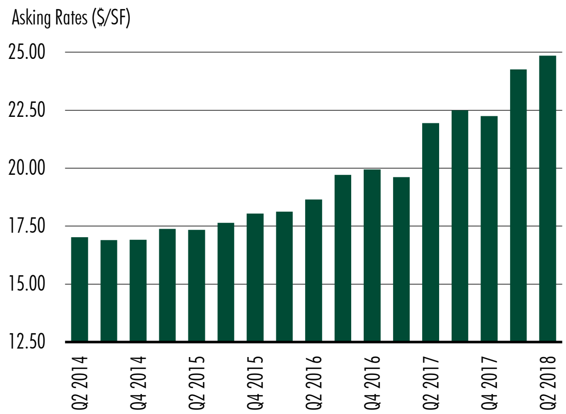
St. Elmo Public Market, set to be the city's first true artisan food retail marketplace, has begun construction and is anticipated to open during spring 2019. When completed, the project will be home to a 40,000-square-foot public market, 108,000 square feet of creative office space, 385 apartment units, and a boutique hotel.

Figure 2: Historical Market Statistics

		2017	Q2 2018
BASTROP COUNTY			
	Absorption (Net, SF)	(16,461)	4,633
	Delivered Construction (SF)	-	-
	Occupancy Rate (%)	96.7	96.8
CALDWELL COUNTY			
	Absorption (Net, SF)	(1,525)	-
	Delivered Construction (SF)	-	-
	Occupancy Rate (%)	97.1	94.2
CENTRAL BUSINESS DISTRICT			
	Absorption (Net, SF)	9,080	(3,482)
	Delivered Construction (SF)	-	-
	Occupancy Rate (%)	98.7	98.7
CEDAR PARK			
	Absorption (Net, SF)	394,795	20,210
	Delivered Construction (SF)	372,515	-
	Occupancy Rate (%)	96.8	97.0
CENTRAL			
	Absorption (Net, SF)	(35,491)	1,045
	Delivered Construction (SF)	-	-
	Occupancy Rate (%)	94.2	93.7
EAST			
	Absorption (Net, SF)	(28,767)	(1,700)
	Delivered Construction (SF)	32,600	-
	Occupancy Rate (%)	97.4	97.1
FAR NORTHEAST			
	Absorption (Net, SF)	71,182	514,100
	Delivered Construction (SF)	112,872	522,531
	Occupancy Rate (%)	96.8	98.1
FAR NORTHWEST			
	Absorption (Net, SF)	(4,542)	5,052
	Delivered Construction (SF)	15,000	-
	Occupancy Rate (%)	92.2	94.3
GEORGETOWN			
	Absorption (Net, SF)	69,161	19,179
	Delivered Construction (SF)	58,200	
	Occupancy Rate (%)	95.4	96.2
HAYS COUNTY			
	Absorption (Net, SF)	68,409	(13,211)
	Delivered Construction (SF)	26,000	
	Occupancy Rate (%)	98.0	97.8
NORTH			
	Absorption (Net, SF)	(36,779)	17,518
	Delivered Construction (SF)	27,988	13,650
	Occupancy Rate (%)	97.1	96.6
NORTHEAST			
	Absorption (Net, SF)	19,660	(93,468)
	Delivered Construction (SF)	11,000	-
	Occupancy Rate (%)	94.0	91.1
NORTHWEST			
	Absorption (Net, SF)	125,701	10,446
	Delivered Construction (SF)	36,600	-
	Occupancy Rate (%)	96.8	97.2
ROUND ROCK			
	Absorption (Net, SF)	91,810	61,001
	Delivered Construction (SF)	171,194	
	Occupancy Rate (%)	93.6	94.3
SOUTH & SOUTHEAST			
	Absorption (Net, SF)	3,623	1,687
	Delivered Construction (SF)	11,050	
	Occupancy Rate (%)	97.3	97.3
SOUTHWEST			
	Absorption (Net, SF)	7,149	(5,261)
	Delivered Construction (SF)	56,390	
	Occupancy Rate (%)	97.7	97.8
WEST CENTRAL			
	Absorption (Net, SF)	(3,063)	2,990
	Delivered Construction (SF)	-	-
	Occupancy Rate (%)	99.1	98.3
AUSTIN MARKET TOTAL			
	Absorption (Net, SF)	**733,942**	**540,739**
	Delivered Construction (SF)	**931,409**	**536,181**
	Occupancy Rate (%)	**96.3**	**96.4**

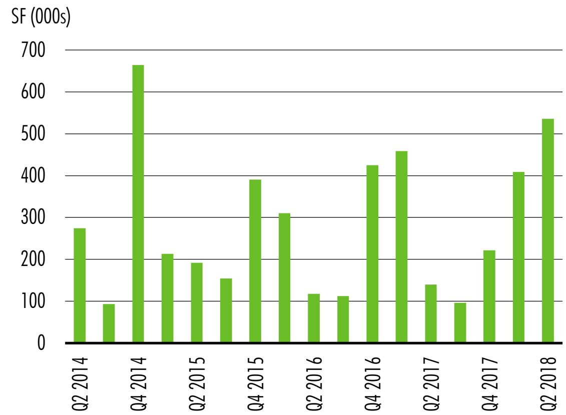
Source: CBRE Research, Q2 2018.

Figure 3: Asking Annual Rents, NNN Avg.



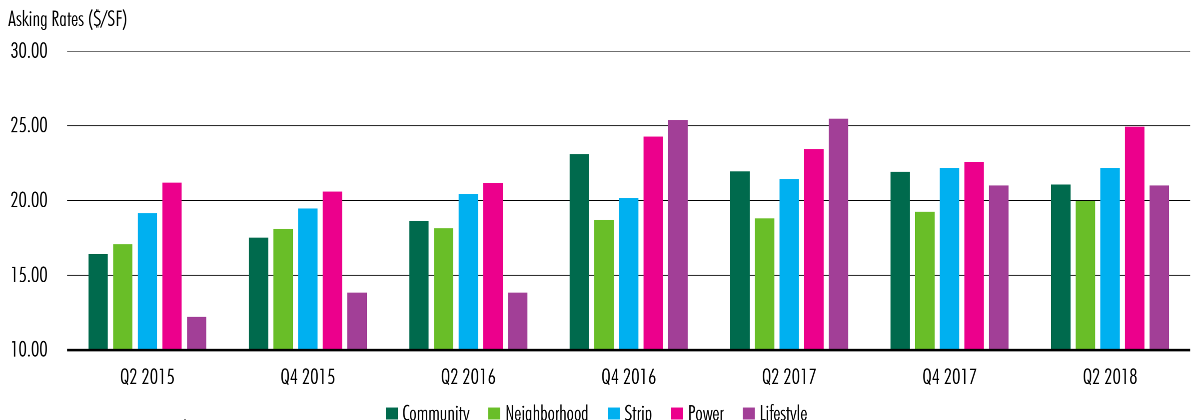
Source: CBRE Research, Q2 2018.

Figure 4: Deliveries



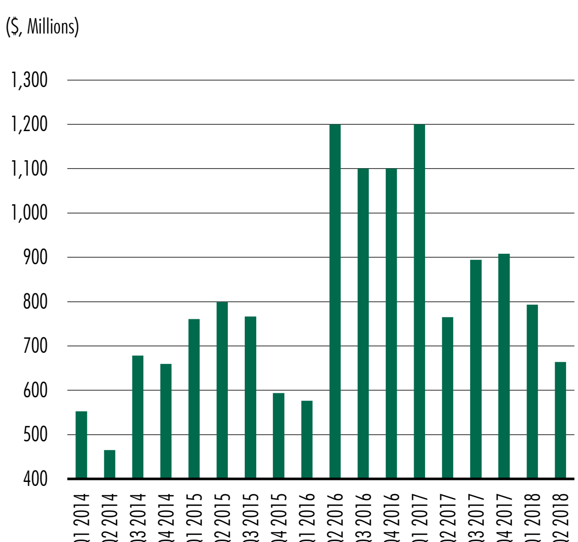
Source: CBRE Research, Q2 2018.

Figure 5: Asking Annual Rents by Center Type, NNN Avg.



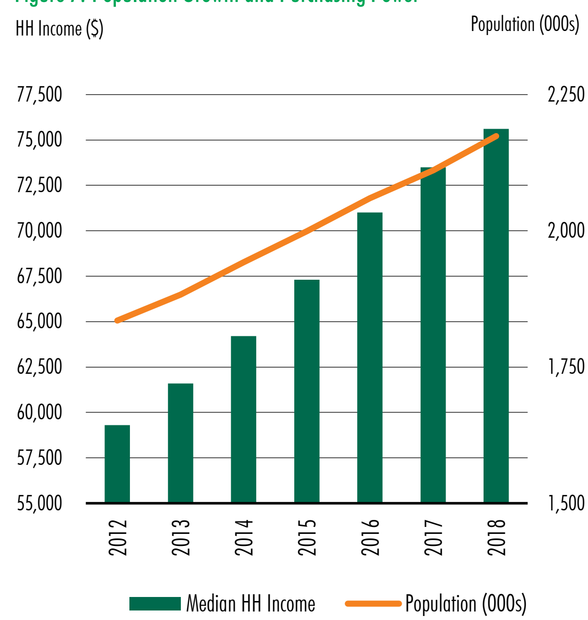
Source: CBRE Research, Q2 2018.

Figure 6: Retail Investment Sales Volume

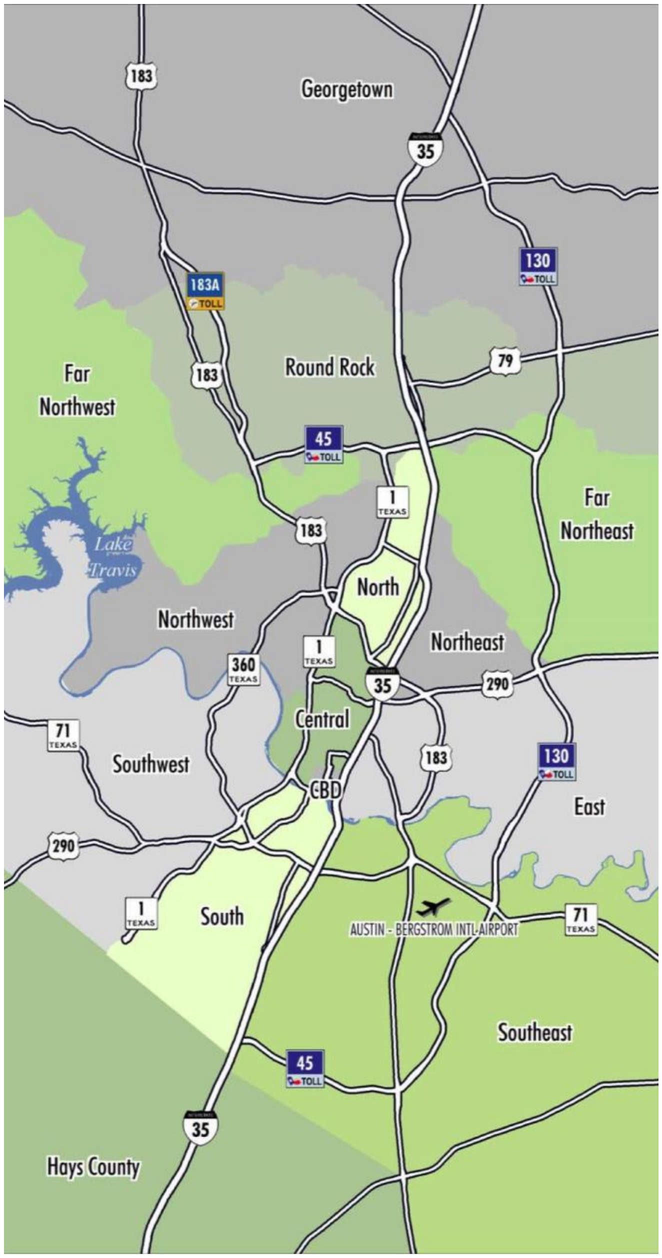


Source: Real Capital Analytics, Q2 2018.

Figure 7: Population Growth and Purchasing Power



Source: Moody's Analytics, Q2 2018.



**The Retail dataset includes properties 10,000-sq.-ft. and up.*

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