

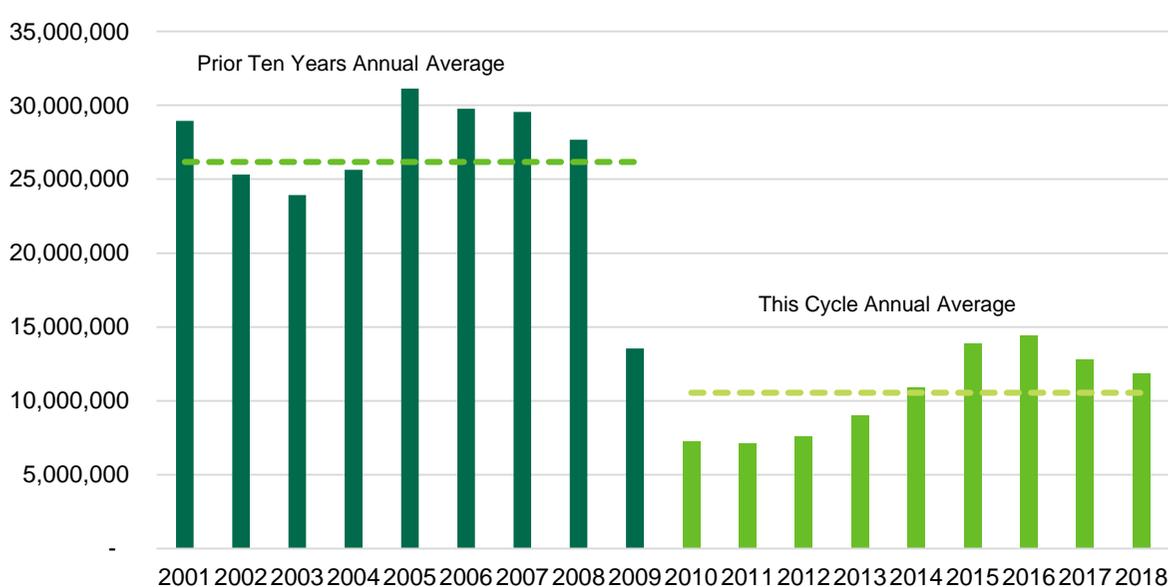
Population boom bodes well for Texas retail markets

- Texas has become prominent in its ability to attract population growth in the United States.
- Purchasing power across Texas' 4 major metros has increased by an average of more than 53 percent since 2010.
- The fundamentals of population growth and spending, the main drivers for Texas' growth in the sector, bode well for retail investors, offering them a unique opportunity for rental growth and income security in the medium to long term.

Deliveries have slowed in Texas

The explosion of e-commerce, paired with the constantly changing retail experience has slightly tarnished the retail sector this cycle. While over the past few years big box stores have been closing locations at a rapid pace throughout the country, the reality is that a large portion of retail is performing very well. In Texas, specifically, one of the key culprits behind the success within the retail sector has been the dearth of building this cycle, as compared to the prior decade. From 2000 to 2009, collective net completions across the four major Texas metros amounted to a staggering 235 million square feet. Since 2010, however, retail deliveries in those four markets have plunged, with deliveries totaling just a little over 95 million square feet. All four major Texas metros have slashed net completions by nearly 60 percent per year this cycle, with Austin leading the way with a 64 percent drop, trailed by DFW with 61 percent less, Houston with 58 percent less and San Antonio dipping 56 percent.

Texas Retail Deliveries

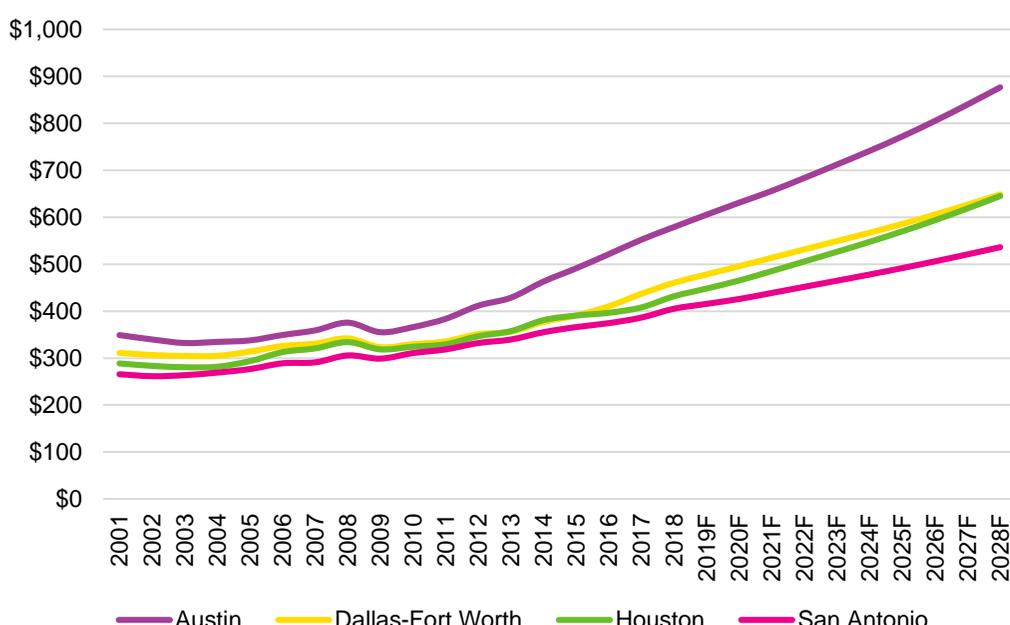


Sources: CBRE Research, CoStar, April 2019

While wallets have grown

In the meantime, major demand drivers for retail, population growth and purchasing power, have increased significantly this cycle, as compared to the previous 10 years. Texas has become prominent in its ability to attract population growth in the United States. Total population across the four major metros has swelled by about 18 percent this cycle over an eight-year period, versus a 23 percent increase over the prior eight years. Though population growth on a percentage basis has diminished slightly this cycle, the nominal growth has been phenomenal, growing from a larger base this cycle than the last: this cycle the big 4 have added a combined 2.92 million residents, compared to the previous cycle's new 2.71 million new residents. Naturally, this population increase has boded well for retailers, fueling an increase in purchasing power by an average of more than 53 percent across these metros four since 2010. Last year, the average purchasing power per square foot of retail across Texas' four big metros stood at \$469, a number expected to swell by more than 44 percent in just ten years, to hit \$676 per square foot.

Purchasing Power per Retail SF



Sources: CBRE Research, CoStar, April 2019

Purchasing power is often used as a metric by developers to help assess the viability of new retail developments. The remarkable buying power across Texas metros is credited to our low cost of living, thriving local economies, and absence of state income tax. As construction continues to curb, expect retail demand to soon eclipse supply.