

# AUSTIN RETAIL MARKET

## 2016 Mid-Year Summary



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The retail market has continued its strong performance over the past six months, with overall occupancy increasing from 95.0% to 95.4%. Between December 2015 and June 2016, citywide absorption was a positive 521,335 square feet. In addition to the increase in occupancy, the average rental rates for vacant space increased \$1.11 per sq. ft., from \$22.05 in December 2015 to \$23.16 in June 2016. This average rate increase reflects the higher average rates for new centers, and increased rates for older retail centers. Construction activity increased in the first six months of 2016, as nine projects with multiple buildings delivered new space. Notable among the new deliveries were two mixed use projects located in the Central market area, Lamar Central (33,057 sq.ft.) and Northshore (30,000 sq.ft.), and a new retail street in the Domain, Rock Rose (100,000 sq.ft.). One neighborhood center, The Oaks at Lakeway, brought additional space to the market that it had begun delivering in the last half of 2015 (75,680 additional sq.ft.).

Positive absorption occurred in eleven of the thirteen market areas. Only Far Northwest and Southeast experienced small amounts of negative absorption. The highest rate of absorption occurred in the Northwest/183 market area (147,457 sq. ft.) followed by the North Central market area (101,151 sq. ft.), and the Central market area (66,133 sq. ft.).

As noted above, citywide occupancy for multi-tenant shopping center space increased from 95.0% in December 2015 to 95.4% in June 2016. Regional center occupancy continued to increase, from 97.1% December 2015 to 98.4% in June 2016. Community center occupancy increased from 95.8% in December to total 96.1% occupancy, neighborhood center occupancy increased from 93.8% to 95.0%, while strip center occupancy decreased slightly from 92.0% to 90.8%.

The retail market continued its strong performance in the first half of 2016, with occupancy increasing to 95.4% and average rental rates reaching \$23.16 per square foot.

Average rental rates in the region increased \$1.11 from December 2015, as newly delivered centers are quoting higher rents, and the amount of available space has decreased. Rental rates in new retail spaces are typically \$24.00 to \$36.00, or higher, especially in high demand areas such as Central Austin or The Domain. Overall, quoted rates increased to \$23.16 due to increases in retail sales and increasing demand from tenants looking for new retail space throughout the region.

Overall market conditions in the Austin MSA continue to be positive, with continued strong absorption and an upward trend in rental rates. Occupancy rose to 95.4%, as the increase in regional sales and strong leasing in existing centers provided the foundation for strong absorption. New construction deliveries continue at a steady pace, and the “pipeline” of new construction in the Austin area now includes more than 1.7 million sq. ft. of new shopping center space under construction, and over 3.0 million sq. ft. of future shopping center space planned throughout the region. As space currently under construction is brought to the market during the second half of 2016, positive absorption will continue, while the increase in retail sales should result in higher rents, particularly among new anchored shopping centers and mixed-use developments.

