

Houston Retail Market Expands to Meet Demand

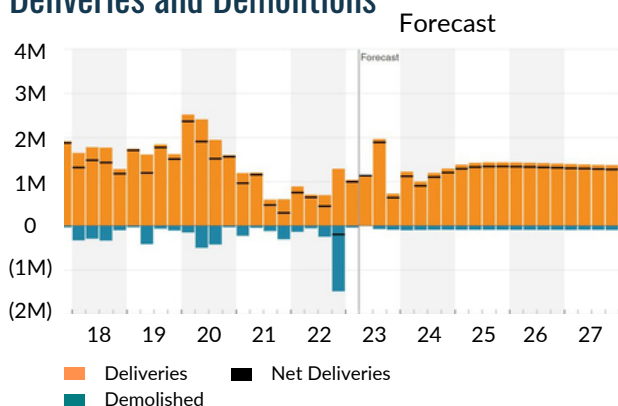
The Houston retail market looks promising as it works to keep up with rooftops and strong consumer demand. Houston retail is the 5th largest market in the US with over 428 million SF supporting its robust, growing population. With only 20.6 million SF available, its 4.8% vacancy is primarily older centers looking for new life. This lack of new product has motivated tenants and developers to deliver over 993,000 SF in 1Q23 and start construction on over 4.5 million SF of new retail projects, which is already over 60% pre-leased. The Houston region will continue to be a bright spot in the quarters ahead as jobs and growth continue to attract all ages to move to Houston or one of its many suburban master-planned communities. Houston's retail sector remains optimistic due to its location, strong population, household growth, and affordability.

Inflation Rate Influencing Rent

Houston is experiencing high inflation like the rest of the country over the past year causing lease rates to surge, with strip centers increasing by 4.3%, neighborhood rents by 5.1%, and malls by 5.9% for a net increase of 4.5% across the market. As long as inflation continues to increase it will continue to impact lease rates, but we expect once the Federal Reserve gets it under control, lease rates will ease. Landlords and tenants all want this to happen quickly.



Deliveries and Demolitions



Mixed-Use Development Properties Start

After two years of limited new supply, retail construction activity is well under way. Nearly 5 million SF of new supply is expected to be delivered in 2023 which is 3 times more than the volume delivered in all of 2022. A common trend surrounding new retail development is mixed-use properties to meet Houston's redeveloping urban areas and booming suburban communities with strong demographic growth. The Houston retail market is adding exciting, new concepts and we expect this to continue through 2023.

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