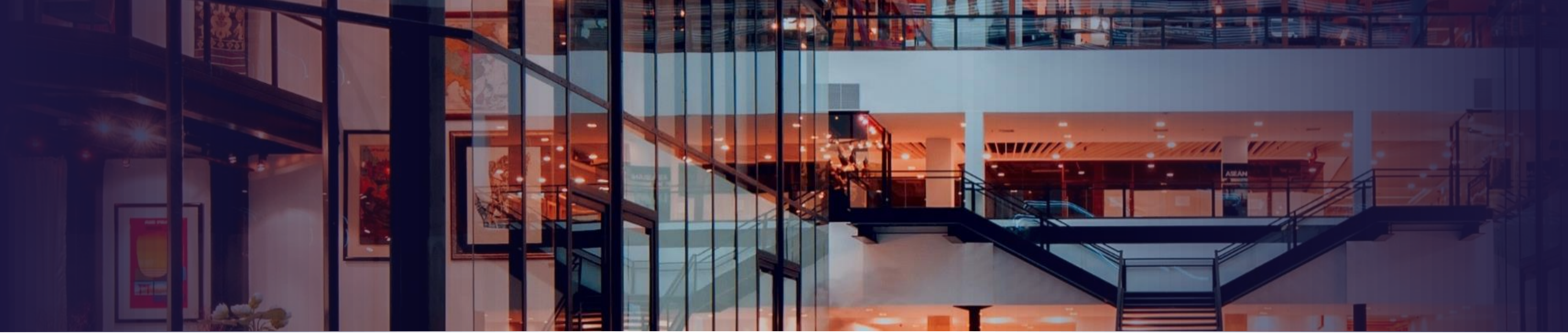
MARKETBEAT
HOUSTON
RETAIL Q4 2024



CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
5.4% Overall Vacancy	▲	▬
$20.86 Avg. Direct NNN Rent	▲	▲
$82,700 Median HH Income	▲	▲
2.2% Population Growth (YOY)	▲	▲
4.5% Unemployment Rate	▲	▼

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.1% GDP Growth	▲	▲
2.5% Consumer Price Index Growth	▼	▲
2.7% Consumer Spending Growth	▬	▲
1.9% Retail Sales Growth	▼	▲

Source: BLS, BEA, Census Bureau, CoStar, Cushman & Wakefield Research

ECONOMY

Total employment stood at 3.5 million in Houston's metro area (MSA) at the end of 2024, representing a 1.8% year-over-year (YOY) increase. Houston’s YOY job growth is higher than the 1.4% YOY increase experienced nation-wide and among the 10 U.S. markets with the largest labor forces, Houston’s YOY growth ranked first.

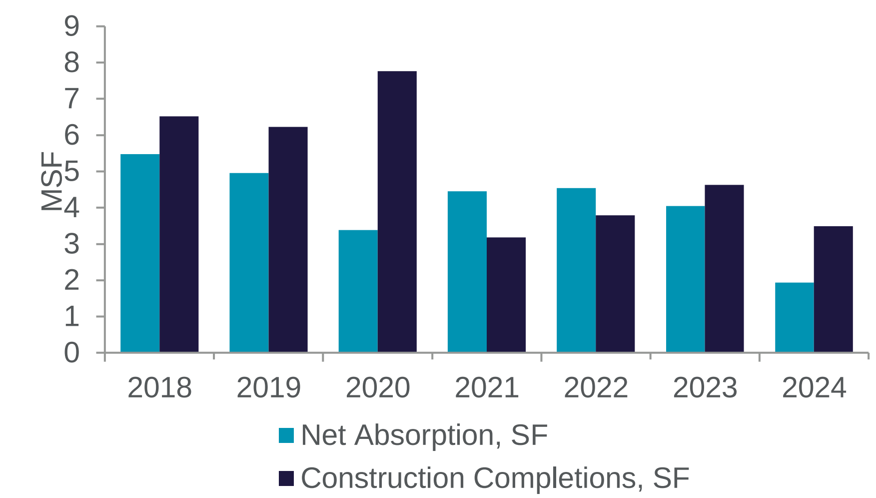
The Houston MSA private employment sectors with the largest YOY growth include Construction (6.2%), Other Services (6.0%), Education & Health Services (3.8%), Financial Activities (2.4%), Manufacturing (1.8%), and Mining & Logging (1.4%). Just one sector declined in YOY growth – Information (-2.6%). Houston’s unemployment rate increased 40 basis points (bps) YOY, ending 2024 at 4.5% and stands just above the 4.2% unemployment rate nation-wide.

SUPPLY AND DEMAND

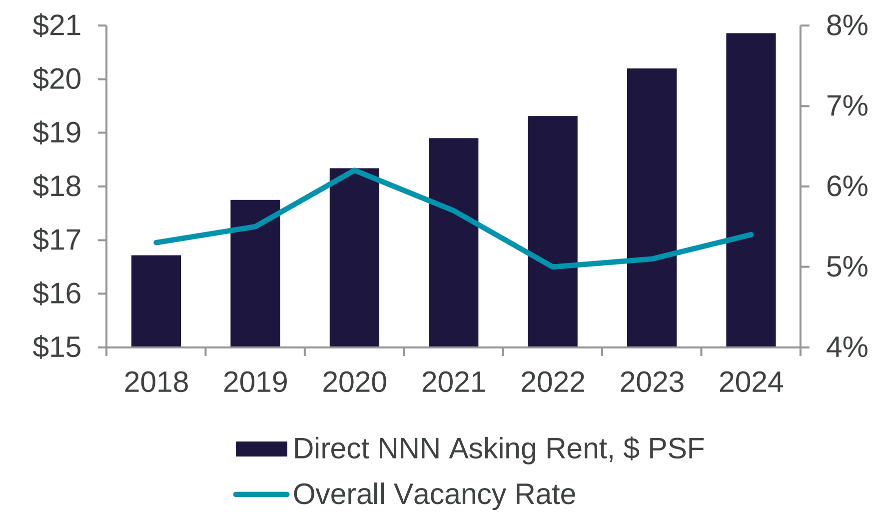
The Houston retail market closed Q4 2024 at 5.4% vacant, 10 bps higher quarter-over-quarter (QOQ), and 30 bps higher YOY. Despite the slight uptick, vacancy remains significantly below historical averages, making it challenging for tenants to find suitable space. Retail deliveries totaled 499,502 square feet (sf) in Q4 2024, a 52.2% decrease from 1.0 million square feet (msf) delivered in Q3 2024. Total deliveries for the year amounted to 2.7 msf, a 24.6% decline from 4.6 msf delivered in 2023. The Far Southwest (612,524 sf), Katy Area (608,886 sf), and Far Northwest (534,240 sf) markets led in deliveries, contributing more than half (55.3%) of the year’s new supply. There are 128 developments totaling 3.4 msf under construction. The South submarket is leading the way, with 20 developments totaling 1.0 msf underway.

Houston’s retail market recorded 201,228 sf of net absorption in Q4 2024, with several tenants commencing in the Far North (277,658 sf), Far Southwest (185,349 sf), and Far Northwest (160,077 sf) submarkets. Leasing activity experienced a 5.2% QOQ increase, totaling 2.1 msf in Q4 2024, bringing the total for the year to 8.7 msf. This is on par with the 5-year average of 8.4 msf. West/Northwest led all submarkets with 1.6 msf of leasing activity in 2024, followed by Far Southwest (1.0 msf), and Katy Area (973,091 sf). These submarkets dominated leasing activity, closing 41.5% of the total leasing activity recorded during 2024.

SPACE DEMAND / DELIVERIES



ASKING RENT & VACANCY RATE



PRICING

Overall average asking rents closed 2024 at $20.86 per square foot (psf), relatively unchanged (0.2%) from the previous quarter, but 3.3% higher than $20.20 psf at the closed of 2023. Three submarkets experienced YOY rent growth – Southwest (19.5%), Far Southwest (9.1%), and Spring/Kingwood (8.0%).

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR NET ABSORPTION (SF)	TOTAL NET ABSORPTION (SF)	UNDER CONSTR (SF)	DELIVERIES (SF)	LEASING ACTIVITY(SF)	DIRECT AVG NNN ASKING RENT	ASKING RENT % CHANGE YOY
Central/Inner Loop	32,844,044	1,726,214	72,509	5.5%	-144,474	-142,661	369,293	5,000	137,412	$29.66	-8.5%
Uptown/Galleria	4,587,217	240,233	1,253	5.3%	-609	-26,130	0	0	5,184	$46.92	-14.7%
Memorial/Westchase	15,166,193	717,748	5,554	4.8%	-9,123	-55,357	12,094	0	108,445	$23.58	2.8%
Katy Area	31,435,475	1,441,708	23,921	4.7%	6,303	708,270	280,618	31,363	128,133	$24.82	7.3%
West/Northwest	68,447,464	4,664,349	54,669	6.9%	-275,656	-37,494	52,137	0	447,899	$17.25	1.2%
Far Northwest	38,407,282	2,019,380	56,499	5.4%	160,077	490,645	709,233	35,547	145,566	$24.11	21.9%
Far North	34,620,860	1,260,486	70,269	3.8%	277,658	426,051	433,767	132,900	213,894	$21.57	-4.9%
Spring/Kingwood	10,641,616	572,175	0	5.4%	23,672	33,323	0	0	10,909	$18.91	8.0%
East	24,307,971	975,598	0	4.0%	-25,434	156,015	64,571	27,200	218,250	$19.65	4.4%
NASA/Clear Lake/Galveston	27,533,121	1,809,945	25,088	6.7%	-38,814	-191,975	81,030	13,000	117,808	$16.25	-0.5%
South	49,024,716	2,557,011	36,522	5.3%	14,580	-230,883	1,030,639	90,718	291,888	$17.53	-11.9%
Southwest	20,629,326	805,636	8,738	3.9%	27,699	170,729	16,368	0	63,188	$21.00	19.5%
Far Southwest	44,094,630	2,412,511	6,864	5.5%	185,349	633,606	371,498	163,774	161,670	$21.15	9.1%
HOUSTON TOTAL	401,739,915	21,202,994	361,886	5.4%	201,228	1,934,139	3,421,248	499,502	2,050,246	$20.86	3.3%

KEY LEASE TRANSACTIONS Q4 2024

BUILDING	ADDRESS	SUBMARKET	TENANT	SF
Manvel Town Center	17118 Highway 6	South	Lowe's	140,000
The Market at the Groves	16000 Woodland Hills Drive	East	H-E-B	117,000
College Park Shopping Center	16590 Interstate 45 Drive South	Far North	Confidential Tenant	66,517
Town & Country North	10516 Katy Freeway	West/Northwest	Confidential Tenant	53,000

KEY SALES TRANSACTIONS Q4 2024

BUILDING	ADDRESS	SUBMARKET	SELLER | BUYER	% LEASED	SF
Deerbrook Mall	20131 Highway 59 North	Spring/Kingwood	Transformco | Cosmos Furniture	0%	139,578
Bass Pro Shops	1771 Spring Stuebner Road	Far Northwest	Omereo Del Papa | Felipe & Maria A Sandoval	100%	125,000
Magnolia Village	4427 Magnolia Village Drive	Far North	Parkside Magnolia East LLC | Magnol LLC	100%	94,000
Providence Plaza	9400-9478 South Highway 6 South	Far Southwest	Whitestone REIT | Ajay G Thomas	97%	90,327

LEADING RESTAURANT BAR SALES (REPORTED ALCOHOL TOTAL RECEIPTS TRAILING SIX-MONTH)

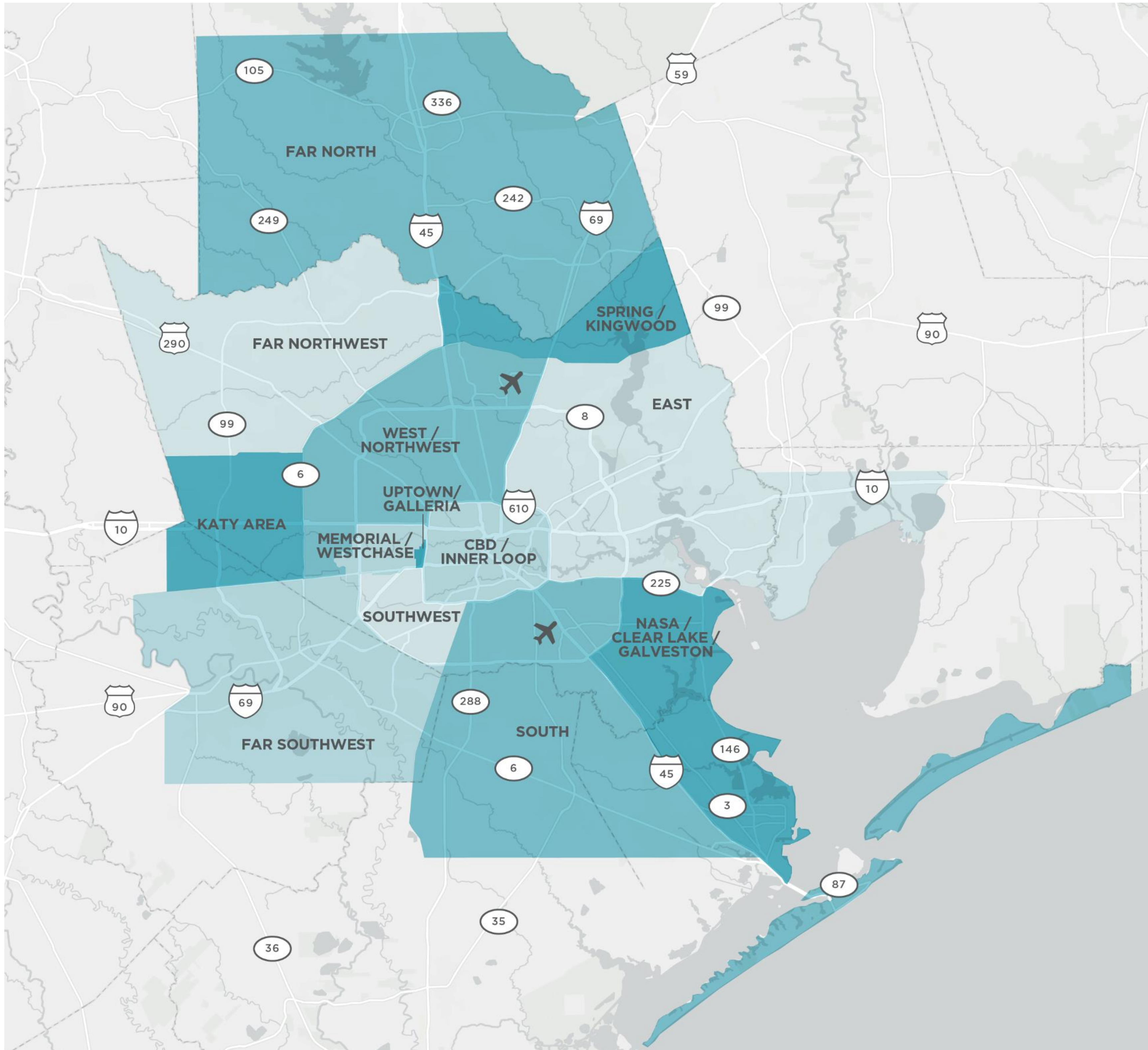
ESTABLISHMENT	MONTHLY AVERAGE
Perry's Steakhouse & Grille	$504,304.00
Lombardi Cucina Italiana	$476,022.00
The Post Oak	$464,209.00
Joey Uptown	$415,633.00

ESTABLISHMENT	MONTHLY AVERAGE
Steak 48	$414,873.00
Fabian's Latin Flavors	$403,458.00
Vic & Anthony's Steakhouse	$358,261.00
Moxie's Grill & BarVic	$350,077.00

ESTABLISHMENT	MONTHLY AVERAGE
B&B Butchers	$330,519.00
Taste Of Texas	$330,052.00
Brasserie 19	$304,096.00
Café Toulouse	$303,642.00

Source: Texas Alcohol Beverage Commission (TABSREPORT)

RETAIL SUBMARKETS



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