HOUSTON RETAIL

Monthly Market Snapshot

AUGUST 2020

Market Highlights

Market fundamentals. Occupancy is at 93.6%, down 80 basis points from this time last year, with June and July marking the first times Houston retail occupancy registered below 94.0% since 2014. In addition, the net amount of square feet absorbed (move-ins minus move-outs) stands at negative 673,000 sq. ft. Overall negative absorption has not been realized in the Houston retail market in over a decade. 2.1 million sq. ft. of new supply has been delivered to the market so far in 2020, of which 71.0% is occupied. Year-to-date through July, the Houston retail market has recorded 3.5 million sq. ft. of leasing activity—which is comprised of both new leases and renewals—down about 25.0% from one year ago. The average asking rate of renting retail space in Houston is at $18.25 per sq. ft. on a triple net basis, up $0.76 compared to this time in 2019, due primarily to the new product added to the market.

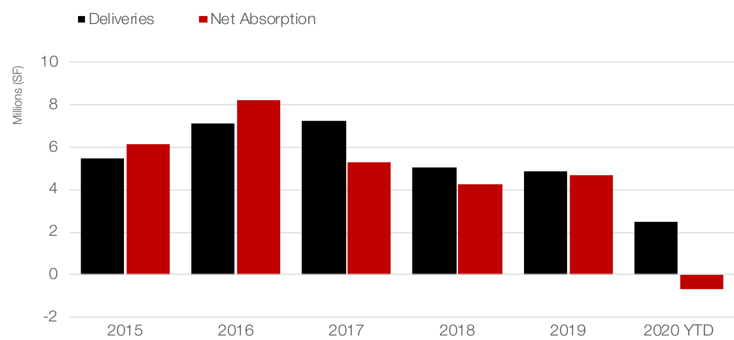
Strong retailers will survive COVID-19. The coronavirus pandemic has been detrimental to the retail industry. Recent causalities include Stage Stores filing for bankruptcy protection in May, 24-Hour Fitness filing for bankruptcy protection in June, closing 12 local locations representing 400,000 sq. ft., and Stein Mart filed for bankruptcy in August after 112 years in business, closing most of its 280 stores. However, local experts point out that even though more customers are shopping online, that hasn't eliminated in-person shopping. Retailers and malls that close may have been weak already, and the stronger ones will continue to evolve as Houstonians continue to shop.

"Certain segments of the retail market have already bounced back more quickly than some may have anticipated, while others continue to struggle with the everchanging environment," said Jason Gaines, Senior Vice President of Retail Services at NAI Partners. "Leasing fundamentals should remain steady, led by strong tenants that have made provisions through 2020 and have a creative plan for 2021, 2022, and even 2023, when rent will hopefully stabilize. At the end of the day, shifting values and shifting dollars are the new terms."

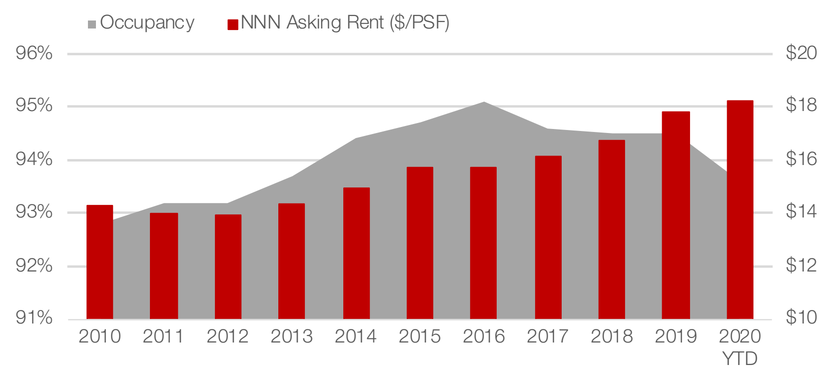
Market Activity

	Year-to-Date July 2020		Year-to-Date July 2019
Occupancy Rate	93.6%	↓	94.4%
Net Absorption (SF)	-673,992	↓	2,518,224
Leasing Activity (SF)	3,509,626	↓	4,688,655
Deliveries (SF)	2,509,626	↓	2,840,953
Under Construction (SF)	2,938,889	↓	3,914,770
Avg Asking NNN Rent (PSF)	$18.25	↑	$17.49
Gross Avg Asking Rent	$0.91	↑	$0.88

Supply & Demand



Occupancy & Rent



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