

# THE CoSTAR RETAIL REPORT

FIRST QUARTER 2014

## Austin Retail Market

Presented By:



## CoSTAR GROUP

## AUSTIN RETAIL MARKET

CoSTAR GROUP

OVERVIEW

## AUSTIN'S VACANCY DECREASES TO 4.8%

### Net Absorption Positive 295,543 SF in the Quarter

The Austin retail market did not experience much change in market conditions in the first quarter 2014. The vacancy rate went from 4.9% in the previous quarter to 4.8% in the current quarter. Net absorption was positive 295,543 square feet, and vacant sublease space decreased by (17,129) square feet. Quoted rental rates increased from fourth quarter 2013 levels, ending at \$17.45 per square foot per year. A total of 18 retail buildings with 256,300 square feet of retail space were delivered to the market in the quarter, with 542,125 square feet still under construction at the end of the quarter.

#### Net Absorption

Retail net absorption was strong in Austin first quarter 2014, with positive 295,543 square feet absorbed in the quarter. In fourth quarter 2013, net absorption was positive 306,842 square feet, while in third quarter 2013, absorption came in at positive 284,407 square feet. In second quarter 2013, positive 354,333 square feet was absorbed in the market.

Tenants moving out of large blocks of space in 2014 include: The Shops at Arbor Trails; Michaels moving out of 24,000 square feet at 10900 Lakeline Mall Blvd; and Antone's moving out of 5,880 square feet at 213 W 5th St.

Tenants moving into large blocks of space in 2014 include: Aveda moving into 17,339 square feet at 6001 Middle Fiskville Rd; The Tile Shop, LLC moving into 17,250 square feet at 5033 W Highway 290; and Cloud Imperium moving into 14,293 square feet at Hill Country Galleria – Bldg. A.

#### Vacancy

Austin's retail vacancy rate decreased in the first quarter

2014, ending the quarter at 4.8%. Over the past four quarters, the market has seen an overall decrease in the vacancy rate, with the rate going from 5.2% in the second quarter 2013, to 5.1% at the end of the third quarter 2013, 4.9% at the end of the fourth quarter 2013, to 4.8% in the current quarter.

The amount of vacant sublease space in the Austin market has trended down over the past four quarters. At the end of the second quarter 2013, there were 186,524 square feet of vacant sublease space. Currently, there are 168,824 square feet vacant in the market.

#### Largest Lease Signings

The largest lease signings occurring in 2014 included: the 8,956-square-foot-lease signed by Gulf Coast Veterinary Surgery at Ladera Bend; the 4,680-square-foot-deal signed by USPS at 2883 Highway 71 E; and the 4,249-square-foot-lease signed by Jazzercise at Lakeline Plaza Pads.

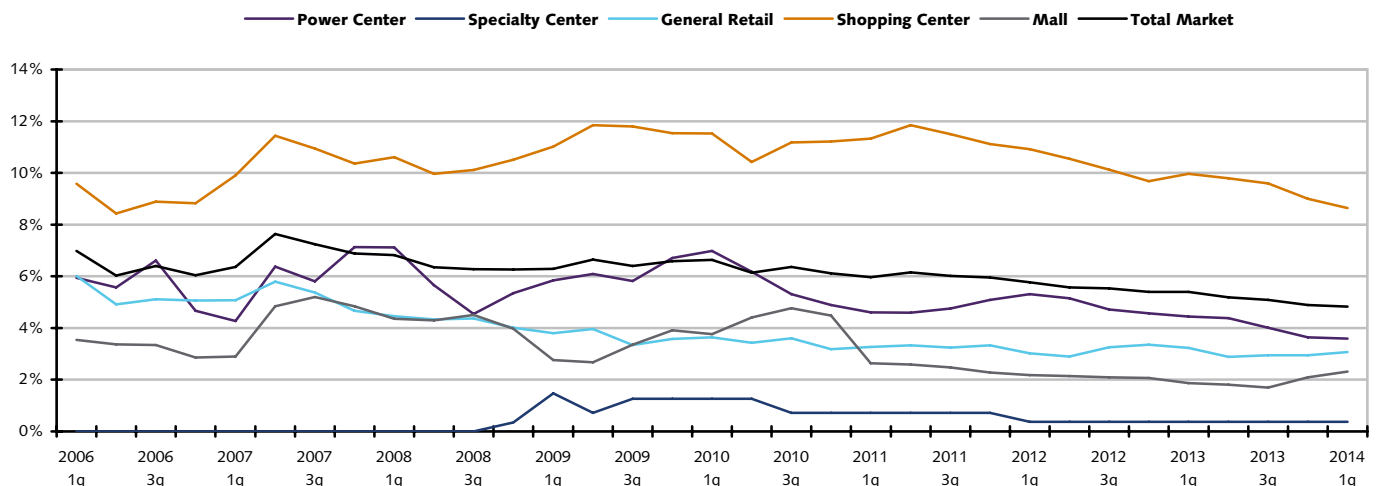
#### Rental Rates

Average quoted asking rental rates in the Austin retail market are up over previous quarter levels, and up from their levels four quarters ago. Quoted rents ended the first quarter 2014 at \$17.45 per square foot per year. That compares to \$17.40 per square foot in the fourth quarter 2013, and \$17.43 per square foot at the end of the second quarter 2013. This represents a 0.3% increase in rental rates in the current quarter, and a 0.11% increase from four quarters ago.

#### Inventory & Construction

During the first quarter 2014, 18 buildings totaling 256,300 square feet were completed in the Austin retail market. Over the

### VACANCY RATES BY BUILDING TYPE 2006-2014



Source: CoStar Property®

past four quarters, a total of 711,573 square feet of retail space has been built in Austin. In addition to the current quarter, six buildings with 116,384 square feet were completed in fourth quarter 2013, 14 buildings totaling 196,185 square feet completed in third quarter 2013, and 142,704 square feet in 11 buildings completed in second quarter 2013.

There were 542,125 square feet of retail space under construction at the end of the first quarter 2014.

Some of the notable 2014 deliveries include: Whole Foods, a 55,000-square-foot facility that delivered in first quarter 2014 and is now 100% occupied, and Hill Country Galleria - Building W, a 54,750-square-foot building that delivered in first quarter 2014 and is now 53% occupied.

Total retail inventory in the Austin market area amounted to 101,254,896 square feet in 8,370 buildings and 804 centers as of the end of the first quarter 2014.

**Shopping Center**

The Shopping Center market in Austin currently consists of 758 projects with 32,674,166 square feet of retail space in 1,407 buildings. In this report the Shopping Center market is comprised of all Community Center, Neighborhood Center, and Strip Centers.

After absorbing 136,278 square feet and delivering 18,772 square feet in the current quarter, the Shopping Center sector saw the vacancy rate go from 9.0% at the end of the fourth quarter 2013 to 8.6% this quarter.

Over the past four quarters, the Shopping Center vacancy rate has gone from 9.8% at the end of the second quarter 2013, to 9.6% at the end of the third quarter 2013, to 9.0% at the end of the fourth quarter 2013, and finally to 8.6% at the end of the current quarter.

Rental rates ended the first quarter 2014 at \$16.88 per square foot, up from the \$16.58 they were at the end of fourth quarter 2013. Rental rates have trended down over the past year,

going from \$17.41 per square foot a year ago to their current levels.

Net absorption in the Shopping Center sector has totaled 590,141 square feet over the past four quarters. In addition to the positive 136,278 square feet absorbed this quarter, positive 195,633 square feet was absorbed in the fourth quarter 2013, positive 153,436 square feet was absorbed in the third quarter 2013, and positive 104,794 square feet was absorbed in the second quarter 2013.

**Power Centers**

The Power Center average vacancy rate was 3.6% in the first quarter 2014. With positive 7,407 square feet of net absorption and no new deliveries, the vacancy rate went from 3.6% at the end of last quarter to 3.6% at the end of the first quarter.

In the fourth quarter 2013, Power Centers absorbed positive 50,120 square feet, delivered no new space, and the vacancy rate went from 4.0% to 3.6% over the course of the quarter. Rental started the quarter at \$17.96 per square foot and ended the quarter at \$18.05 per square foot.

A year ago, in first quarter 2013, the vacancy rate was 4.4%. Over the past four quarters, Power Centers have absorbed a cumulative 119,811 square feet of space and delivered cumulative 4,500 square feet of space. Vacant sublease space has gone from 61,637 square feet to 62,352 square feet over that time period, and rental rates have gone from \$19.16 to \$17.91.

At the end of the first quarter 2014, there was no space under construction in the Austin market. The total stock of Power Center space in Austin currently sits at 13,432,570 square feet in 28 centers comprised of 316 buildings.

No space was under construction at the end of the first quarter 2014.

**General Retail Properties**

The General Retail sector of the market, which includes all freestanding retail buildings, except those contained within a center, reported a vacancy rate of 3.1% at the end of first quarter 2014. There was a total of 1,349,096 square feet vacant at that time. The General Retail sector in Austin currently has average rental rates of \$18.28 per square foot per year. There are 428,710 square feet of space under construction in this sector, with 182,778 square feet having been completed in the first quarter. In all, there are a total of 6,490 buildings with 43,962,816 square feet of General Retail space in Austin.

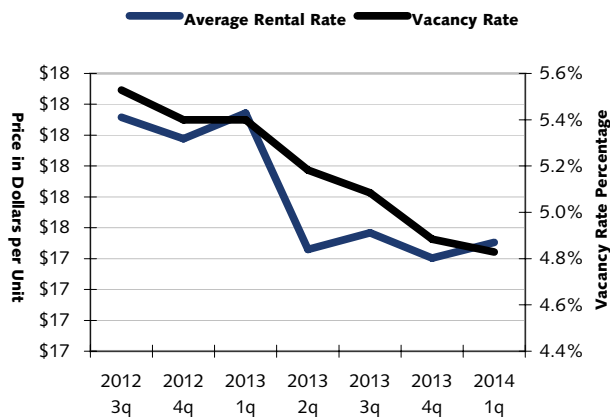
**Specialty Centers**

There are currently 3 Specialty Centers in the Austin market, making up 1,198,720 square feet of retail space. In this report the Specialty Center market is comprised of Outlet Center, Airport Retail and Theme/Festival Centers.

Specialty Centers in the Austin market have experienced no net absorption in 2014. The vacancy rate currently stands at 0.4%, and rental rates average \$32.48 per square foot.

**VACANCY & RENT**

**Past 7 Quarters**



Source: CoStar Property

## AUSTIN RETAIL MARKET

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## OVERVIEW

**Malls**

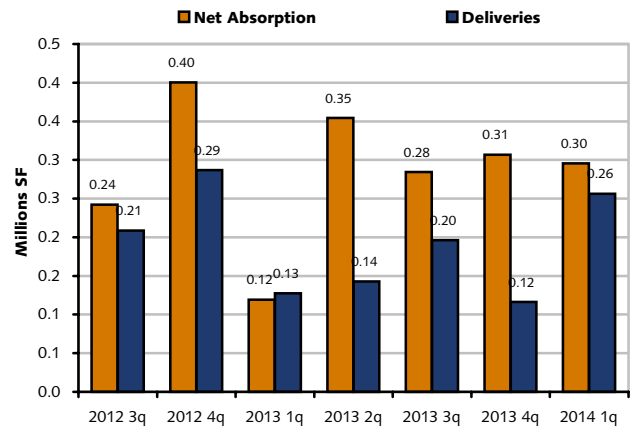
Malls recorded net absorption of positive 30,544 square feet in the first quarter 2014. This net absorption number, combined with the 54,750 square feet that was built in the quarter, caused the vacancy rate to go from 2.1% a quarter ago to 2.3% at the end of the first quarter 2014. Rental rates went from \$23.39 per square foot to \$23.37 per square foot during that time. In this report the Mall market is comprised of 15 Lifestyle Center, Regional Mall and Super Regional Malls.

**Sales Activity**

Tallying retail building sales of 15,000 square feet or larger, Austin retail sales figures rose during the fourth quarter 2013 in terms of dollar volume compared to the third quarter of 2013.

In the fourth quarter, four retail transactions closed with a total volume of \$96,918,500. The four buildings totaled 471,753 square feet and the average price per square foot equated to \$205.44 per square foot. That compares to six transactions totaling \$39,735,000 in the third quarter 2013. The total square footage in the third quarter was 188,651 square feet for an average price per square foot of \$210.63.

Total retail center sales activity in 2013 was up compared to 2012. In the twelve months of 2013, the market saw 12 retail sales transactions with a total volume of \$146,196,500. The price per square foot averaged \$191.89. In the same twelve months of 2012, the market posted six transactions with a total volume of \$75,344,590. The price per square foot averaged \$119.87.

**ABSORPTION & DELIVERIES****Past 7 Quarters**

Source: CoStar Property\*

Cap rates have been lower in 2013, averaging 7.31% compared to the same period in 2012 when they averaged 7.37%.

One of the largest transactions that occurred within the last four quarters in the Austin market is the sale of Mueller Regional Retail Center in Austin. This 355,635 square foot retail center sold for \$80,500,000, or \$226.36 per square foot. The property sold on 10/2/2013, at a 7.17% cap rate.

Reports compiled by: Jim Filler, CoStar Research Manager

## AUSTIN RETAIL MARKET

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FIGURES AT A GLANCE

## GENERAL RETAIL MARKET STATISTICS

First Quarter 2014

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total GLA	Direct SF	Total SF	Vac %				
Bastrop County	336	2,288,324	44,636	44,636	2.0%	(6,789)	0	0	\$12.71
Caldwell County	93	605,779	13,150	13,150	2.2%	6,072	10,272	0	\$14.29
CBD	349	2,204,942	51,380	51,380	2.3%	32,021	18,466	0	\$29.37
Cedar Park	279	2,440,542	133,511	137,511	5.6%	(61,697)	0	68,577	\$16.67
Central	752	4,643,817	164,943	164,943	3.6%	65,324	0	0	\$19.74
East	576	2,702,146	33,231	33,231	1.2%	45,935	33,355	59,773	\$20.50
Far Northeast	105	656,685	24,444	24,444	3.7%	14,120	0	0	\$18.18
Far Northwest	200	2,036,218	57,688	75,330	3.7%	220	0	0	\$19.46
Georgetown	540	3,211,139	275,462	275,462	8.6%	(57,583)	0	16,340	\$12.25
Hays County	467	3,861,066	74,428	74,428	1.9%	62,622	58,805	32,944	\$18.42
North	380	2,754,349	101,440	107,840	3.9%	30,167	58,880	0	\$12.78
Northeast	113	1,446,952	19,348	19,348	1.3%	1,500	0	5,000	\$18.82
Northwest	255	2,173,971	58,351	58,351	2.7%	15,862	0	0	\$23.25
Round Rock	412	2,831,179	62,216	62,216	2.2%	(235)	0	45,296	\$18.60
South	905	5,416,144	106,372	106,372	2.0%	(27,796)	3,000	100,780	\$17.37
Southeast	235	1,701,193	19,804	19,804	1.2%	6,317	0	100,000	\$19.34
Southwest	283	2,132,202	71,058	71,058	3.3%	(5,773)	0	0	\$22.74
West Central	210	856,168	9,592	9,592	1.1%	1,027	0	0	\$27.27
<b>Totals</b>	<b>6,490</b>	<b>43,962,816</b>	<b>1,321,054</b>	<b>1,349,096</b>	<b>3.1%</b>	<b>121,314</b>	<b>182,778</b>	<b>428,710</b>	<b>\$18.28</b>

Source: CoStar Property®

## MALL MARKET STATISTICS

First Quarter 2014

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Ctrs	Total GLA	Direct SF	Total SF	Vac %				
Bastrop County	0	0	0	0	0.0%	0	0	0	\$0.00
Caldwell County	0	0	0	0	0.0%	0	0	0	\$0.00
CBD	0	0	0	0	0.0%	0	0	0	\$0.00
Cedar Park	1	1,097,692	4,988	4,988	0.5%	0	0	0	\$0.00
Central	2	1,580,693	15,113	15,113	1.0%	(1,250)	0	0	\$24.59
East	1	366,480	6,870	6,870	1.9%	0	0	0	\$0.00
Far Northeast	2	872,891	67,788	67,788	7.8%	0	0	0	\$18.00
Far Northwest	1	489,258	6,316	6,316	1.3%	33,900	0	0	\$0.00
Georgetown	0	0	0	0	0.0%	0	0	0	\$0.00
Hays County	2	548,987	14,778	14,778	2.7%	0	0	18,000	\$26.00
North	1	1,451,117	0	0	0.0%	0	0	0	\$0.00
Northeast	0	0	0	0	0.0%	0	0	0	\$0.00
Northwest	1	269,799	2,701	2,701	1.0%	565	0	0	\$0.00
Round Rock	0	0	0	0	0.0%	0	0	0	\$0.00
South	2	1,072,838	36,668	36,668	3.4%	(27,684)	0	0	\$36.00
Southeast	0	0	0	0	0.0%	0	0	0	\$0.00
Southwest	2	2,236,869	71,474	76,474	3.4%	25,013	54,750	0	\$21.00
West Central	0	0	0	0	0.0%	0	0	0	\$0.00
<b>Totals</b>	<b>15</b>	<b>9,986,624</b>	<b>226,696</b>	<b>231,696</b>	<b>2.3%</b>	<b>30,544</b>	<b>54,750</b>	<b>18,000</b>	<b>\$23.37</b>

Source: CoStar Property®

## POWER CENTER MARKET STATISTICS

First Quarter 2014

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Ctrs	Total GLA	Direct SF	Total SF	Vac %				
Bastrop County	0	0	0	0	0.0%	0	0	0	\$0.00
Caldwell County	0	0	0	0	0.0%	0	0	0	\$0.00
CBD	0	0	0	0	0.0%	0	0	0	\$0.00
Cedar Park	3	1,818,936	66,605	66,605	3.7%	0	0	0	\$11.69
Central	0	0	0	0	0.0%	0	0	0	\$0.00
East	1	357,109	11,233	11,233	3.1%	0	0	0	\$16.50
Far Northeast	2	534,209	8,755	8,755	1.6%	0	0	0	\$15.85
Far Northwest	1	400,563	6,630	8,680	2.2%	0	0	0	\$19.16
Georgetown	2	1,046,491	16,122	16,122	1.5%	4,993	0	0	\$20.78
Hays County	3	1,210,932	7,707	7,707	0.6%	0	0	0	\$23.20
North	3	1,160,658	5,660	5,660	0.5%	(1,230)	0	0	\$26.27
Northeast	2	1,024,591	72,373	104,036	10.2%	(31,173)	0	0	\$13.18
Northwest	2	879,515	76,667	76,667	8.7%	31,897	0	0	\$17.50
Round Rock	2	2,000,286	79,234	79,234	4.0%	0	0	0	\$25.43
South	5	2,185,059	46,550	75,189	3.4%	5,120	0	0	\$27.81
Southeast	0	0	0	0	0.0%	0	0	0	\$0.00
Southwest	2	814,221	21,483	21,483	2.6%	(2,200)	0	0	\$0.00
West Central	0	0	0	0	0.0%	0	0	0	\$0.00
<b>Totals</b>	<b>28</b>	<b>13,432,570</b>	<b>419,019</b>	<b>481,371</b>	<b>3.6%</b>	<b>7,407</b>	<b>0</b>	<b>0</b>	<b>\$17.91</b>

Source: CoStar Property®

## SHOPPING CENTER MARKET STATISTICS

First Quarter 2014

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Ctrs	Total GLA	Direct SF	Total SF	Vac %				
Bastrop County	14	567,849	78,620	78,620	13.8%	2,604	0	0	\$14.34
Caldwell County	6	97,789	7,050	7,050	7.2%	0	0	0	\$11.97
CBD	10	343,420	8,900	8,900	2.6%	0	0	0	\$25.00
Cedar Park	57	2,147,207	229,953	232,905	10.8%	8,304	0	56,240	\$18.80
Central	95	4,533,167	358,854	360,046	7.9%	(61,838)	0	0	\$18.28
East	30	1,181,271	88,776	88,776	7.5%	(450)	0	0	\$14.78
Far Northeast	28	756,311	89,194	89,194	11.8%	32,536	0	0	\$15.59
Far Northwest	35	1,835,497	313,163	313,163	17.1%	60,561	0	0	\$14.68
Georgetown	55	2,036,122	190,178	190,178	9.3%	11,314	15,222	0	\$15.92
Hays County	53	1,911,229	255,865	255,865	13.4%	21,753	3,550	0	\$12.63
North	53	2,120,600	249,090	258,146	12.2%	(23,820)	0	0	\$16.54
Northeast	23	703,926	57,757	57,757	8.2%	4,718	0	0	\$17.74
Northwest	55	2,404,899	204,380	205,180	8.5%	499	0	0	\$21.08
Round Rock	51	3,012,558	266,589	266,589	8.8%	37,163	0	0	\$16.32
South	85	4,095,269	134,780	194,210	4.7%	(13,429)	0	0	\$17.70
Southeast	25	1,088,176	36,247	36,247	3.3%	50,053	0	27,175	\$20.64
Southwest	61	3,309,896	172,314	172,314	5.2%	1,530	0	12,000	\$20.84
West Central	22	528,980	7,053	7,053	1.3%	4,780	0	0	\$29.86
<b>Totals</b>	<b>758</b>	<b>32,674,166</b>	<b>2,748,763</b>	<b>2,822,193</b>	<b>8.6%</b>	<b>136,278</b>	<b>18,772</b>	<b>95,415</b>	<b>\$16.88</b>

Source: CoStar Property®