

Houston, TX

Q3 2020

Retail Insights



Houston retail's long-term resilience provides stability during pandemic



In the third quarter of 2020, the Houston retail market had positive news compared with the first half of the year. Texas Governor Greg Abbott announced in September an expanded reopening plan for most of the state as COVID-19 numbers continue to drop. Now, restaurants, stores, offices, manufacturing facilities, and gyms can all open at 75 percent capacity in Greater Houston. Also, the Texas Alcoholic Beverage Commission will now allow bars to apply for food and beverage certificates. This would make them restaurants under the law if they serve food from food trucks or other outside vendors. More than 10 popular bars have reopened as restaurants in the metro area.

Houston's apparel and general merchandise consumer spending climbed 8.6 percent from the first quarter of 2020 due to back-to-school shopping. Additionally, some retailers added new locations in the third quarter, including Amazon with a 4,000-square-foot 4-star store in The Woodlands Mall and a 4,000-square-foot Amazon Books store in Baybrook Mall. Five Below also opened a 9,600-square-foot location at Brookhollow Marketplace in Houston, which will be its 1,000th in the country.

Even though the Houston retail market saw improvements in the third quarter, it also recorded negative absorption for a second consecutive quarter, which drove total vacancy up to 6.4 percent. If this trend continues, landlords are likely to show increased flexibility compared with previous years, when market conditions were tight.



\$18.41 p.s.f.

Average asking rent



2.6 m.s.f.

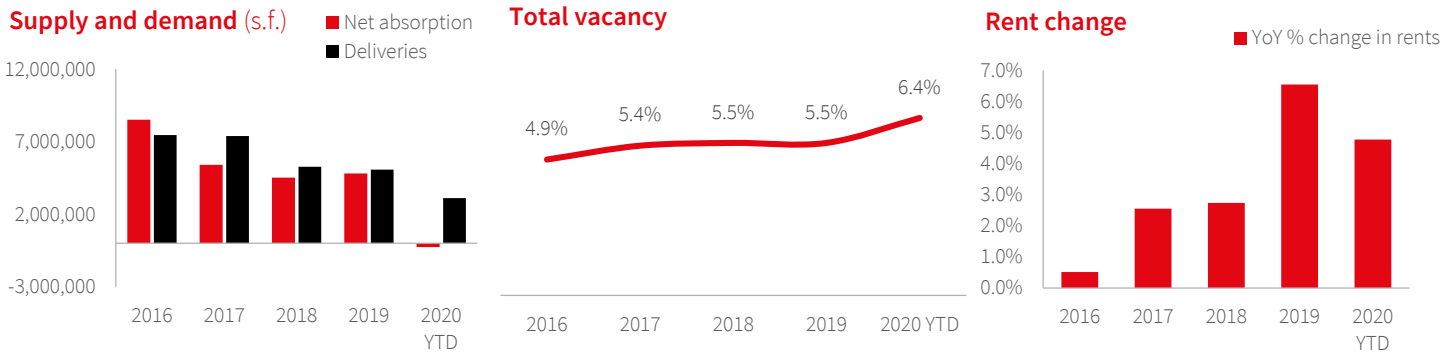
Under construction



-523,798 s.f.

Quarterly net absorption

Sector's long-term resilience provides measure of stability during pandemic



Q3 Key indicators

| Type | Inventory (s.f.) | Total vacancy | Net absorption (s.f.) | Average asking rent (p.s.f.) | % rent change Q-o-Q |
|-------------------|------------------|---------------|-----------------------|------------------------------|---------------------|
| General Retail | 146,551,799 | 4.6% | 60,128 | \$20.77 | 1.91% |
| Malls | 28,844,749 | 3.0% | -128,207 | \$29.70 | -2.14% |
| Power Centers | 29,884,687 | 5.2% | 175,843 | \$15.09 | 1.75% |
| Shopping Centers | 155,942,657 | 8.9% | -604,413 | \$17.31 | 1.05% |
| Specialty Centers | 2,311,834 | 4.2% | -27,149 | \$26.65 | -0.11% |

Notable leases of the quarter

| Tenant | Submarket | Address | Size (s.f.) | Tenant sector |
|-----------------|------------|------------------------------------|-------------|---------------|
| La Michoacana | Southeast | 1701 Fairway Dr., Houston | 11,998 | Grocer |
| Fitness 365 MMA | Inner Loop | 3401 Gulf Frwy, Houston | 8,280 | Fitness |
| Amazon Books | Southeast | 500-700 Baybrook Mall, Friendswood | 4,000 | Bookstore |

Notable sales

| Buyer | Submarket | Address | Price | Size (s.f.) |
|--------------------|------------|--|-------------|-------------|
| 3922 OST, LLC | Inner Loop | 3922-3936 Old Spanish Trail Plaza, Houston | \$4,600,000 | 19,014 |
| KO 16215 LLC | South | 16215 Westheimer Rd, Houston | \$1,600,000 | 30,000 |
| Texas Prince, Inc. | North | 7400 North Frwy, Houston | \$4,000,000 | 61,000 |

For more information, contact:

Isabel Choi
Senior Research Analyst
isabel.choi@am.jll.com

Eliza Klein
Data Analyst
eliza.klein@am.jll.com

Q3 2020

Retail Statistics

| | Inventory (s.f.) | Quarterly total net absorption (s.f.) | YTD total net absorption (s.f.) | YTD total net absorption (% of stock) | Total vacancy (%) | Total availability (%) | Quarterly completions (s.f.) | YTD completions (s.f.) | Under construction (s.f.) |
|----------------------|---------------------|--|--|--|-------------------------|------------------------------|------------------------------------|------------------------------|---------------------------------|
| Market Totals | | | | | | | | | |
| General Retail | 146,551,799 | 60,128 | 833,563 | 0.6% | 4.6% | 5.9% | 323,949 | 1,854,209 | 1,522,877 |
| Malls | 28,844,749 | -128,207 | -101,971 | -0.4% | 3.0% | 3.1% | 0 | 137,954 | 0 |
| Power Centers | 29,884,687 | 175,843 | 285,972 | 1.0% | 5.2% | 5.6% | 77,393 | 128,799 | 63,050 |
| Shopping Centers | 155,942,657 | -604,413 | -1,264,432 | -0.8% | 8.9% | 10.6% | 117,005 | 891,071 | 974,656 |
| Specialty Centers | 2,311,834 | -27,149 | -32,284 | -1.4% | 4.2% | 4.2% | 0 | 0 | 0 |
| Totals | 363,535,726 | -523,798 | -279,152 | -0.1% | 6.4% | 7.7% | 518,347 | 3,012,033 | 2,560,583 |
| Submarkets | | | | | | | | | |
| CBD | | | | | | | | | |
| General Retail | 959,427 | -17,729 | -31,320 | -3.3% | 6.1% | 14.7% | 0 | 0 | 90,500 |
| Malls | 0 | 0 | 0 | 0.0% | 0.0% | 0.0% | 0 | 0 | 0 |
| Power Centers | 0 | 0 | 0 | 0.0% | 0.0% | 0.0% | 0 | 0 | 0 |
| Shopping Centers | 35,932 | - | 0 | 0.0% | 27.8% | 35.6% | 0 | 0 | 31,000 |
| Specialty Centers | 179,794 | - | 0 | 0.0% | 0.0% | - | 0 | 0 | 0 |
| Totals | 1,175,153 | -17,729 | -31,320 | -2.7% | 5.8% | 13.7% | 0 | 0 | 121,500 |
| East | | | | | | | | | |
| General Retail | 7,056,024 | 41,498 | 24,265 | 0.3% | 4.5% | 5.5% | 41,026 | 103,042 | 25,190 |
| Malls | 1,739,410 | - | -4,200 | -0.2% | 0.3% | 0.4% | 0 | 0 | 0 |
| Power Centers | 563,716 | -2,500 | -2,500 | -0.4% | 1.8% | 2.8% | 0 | 0 | 0 |
| Shopping Centers | 5,334,349 | -21,601 | -79,453 | -1.5% | 10.1% | 10.7% | 0 | 0 | 0 |
| Specialty Centers | 0 | 0 | 0 | 0.0% | 0.0% | 0.0% | 0 | 0 | 0 |
| Totals | 14,693,499 | 17,397 | -61,888 | -0.4% | 6.0% | 6.7% | 41,026 | 103,042 | 25,190 |
| Inner Loop | | | | | | | | | |
| General Retail | 15,716,342 | 17,490 | -30,308 | -0.2% | 4.7% | 6.2% | 62,344 | 134,998 | 305,343 |
| Malls | 948,265 | -11,384 | -11,384 | -1.2% | 1.2% | 5.7% | 0 | 0 | 0 |
| Power Centers | 1,032,741 | -2,014 | 4,615 | 0.4% | 1.1% | 1.5% | 0 | 0 | 0 |
| Shopping Centers | 10,489,615 | -38,697 | -139,413 | -1.3% | 7.6% | 9.6% | 10,000 | 22,707 | 130,521 |
| Specialty Centers | 173,854 | - | 0 | 0.0% | 0.0% | - | 0 | 0 | 0 |
| Totals | 28,360,817 | -34,605 | -176,490 | -0.6% | 5.5% | 7.2% | 72,344 | 157,705 | 435,864 |
| North | | | | | | | | | |
| General Retail | 26,684,639 | 63,371 | 288,315 | 1.1% | 3.9% | 5.1% | 27,580 | 421,240 | 360,554 |
| Malls | 5,913,085 | -6,358 | -168,989 | -2.9% | 3.2% | 3.9% | 0 | 0 | 0 |
| Power Centers | 5,950,082 | 114,127 | 261,015 | 4.4% | 4.8% | 5.3% | 0 | 0 | 0 |
| Shopping Centers | 27,311,726 | -146,070 | -11,180 | 0.0% | 7.9% | 10.6% | 26,290 | 306,136 | 304,054 |
| Specialty Centers | 285,736 | 3,640 | 455 | 0.2% | 13.6% | 13.6% | 0 | 0 | 0 |
| Totals | 66,145,268 | 28,710 | 369,616 | 0.6% | 5.6% | 7.3% | 53,870 | 727,376 | 664,608 |
| Northeast | | | | | | | | | |
| General Retail | 6,990,010 | 4,070 | 53,974 | 0.8% | 4.0% | 4.4% | 8,673 | 137,083 | 35,203 |
| Malls | 0 | 0 | 0 | 0.0% | 0.0% | 0.0% | 0 | 0 | 0 |
| Power Centers | 1,206,670 | -16,575 | -630 | -0.1% | 6.1% | 6.1% | 0 | 0 | 0 |
| Shopping Centers | 6,226,572 | -39,497 | -111,974 | -1.8% | 11.1% | 15.0% | 0 | 0 | 0 |
| Specialty Centers | 53,100 | -25,979 | -25,979 | -48.9% | 52.7% | 52.7% | 0 | 0 | 0 |
| Totals | 14,476,352 | -77,981 | -84,609 | -0.6% | 7.4% | 9.3% | 8,673 | 137,083 | 35,203 |

Note: **General retail** includes all retail not in a shopping center. **Malls** are comprised of regional and super regional centers. **Power centers** consist of several freestanding anchors and a few small specialty tenants. **Shopping centers** include community, neighborhood and strip centers. **Specialty centers** are comprised of airport, outlet and theme/festival centers.

| | Inventory (s.f.) | Quarterly total net absorption (s.f.) | YTD total net absorption (s.f.) | YTD total net absorption (% of stock) | Total vacancy (%) | Total availability (%) | Quarterly completions (s.f.) | YTD completions (s.f.) | Under construction (s.f.) |
|-------------------|---------------------|--|--|--|-------------------------|------------------------------|------------------------------------|------------------------------|---------------------------------|
| Northwest | | | | | | | | | |
| General Retail | 25,680,870 | -47,922 | 323,956 | 1.3% | 4.3% | 5.9% | 32,240 | 524,464 | 267,107 |
| Malls | 4,149,076 | -194,003 | -188,128 | -4.5% | 6.3% | 2.3% | 0 | 0 | 0 |
| Power Centers | 6,815,340 | -622 | -8,002 | -0.1% | 6.1% | 7.5% | 77,393 | 128,799 | 63,050 |
| Shopping Centers | 27,564,252 | -202,734 | -369,535 | -1.3% | 10.4% | 13.1% | 13,273 | 148,715 | 349,981 |
| Specialty Centers | 895,683 | -1,400 | -3,350 | -0.4% | 2.7% | 2.8% | 0 | 0 | 0 |
| Totals | 65,105,221 | -446,681 | -245,059 | -0.4% | 7.2% | 8.8% | 122,906 | 801,978 | 680,138 |
| South | | | | | | | | | |
| General Retail | 6,469,933 | -5,969 | 47,406 | 0.7% | 3.7% | 4.7% | 38,125 | 114,541 | 92,134 |
| Malls | 1,674,741 | -1,473 | 22,469 | 1.3% | 1.7% | 2.4% | 0 | 7,954 | 0 |
| Power Centers | 1,299,735 | 1,950 | 0 | 0.0% | 0.2% | 1.1% | 0 | 0 | 0 |
| Shopping Centers | 5,827,908 | -33,778 | -143,298 | -2.5% | 10.7% | 11.1% | 0 | 14,487 | 14,250 |
| Specialty Centers | 0 | 0 | 0 | 0.0% | 0.0% | 0.0% | 0 | 0 | 0 |
| Totals | 15,272,317 | -39,270 | -73,423 | -0.5% | 5.8% | 6.6% | 38,125 | 136,982 | 106,384 |
| Southeast | | | | | | | | | |
| General Retail | 21,236,610 | -6,030 | -7,845 | 0.0% | 4.9% | 5.9% | 63,091 | 93,981 | 66,695 |
| Malls | 3,650,024 | 100,625 | 105,634 | 2.9% | 4.2% | 5.4% | 0 | 0 | 0 |
| Power Centers | 6,502,435 | -4,174 | -8,930 | 0.0% | 5.6% | 5.2% | 0 | 0 | 0 |
| Shopping Centers | 23,252,673 | -90,861 | -209,102 | -0.9% | 8.5% | 9.9% | 9,142 | 36,242 | 33,560 |
| Specialty Centers | 453,291 | -3,410 | -3,410 | 0.0% | 1.0% | 1.0% | 0 | 0 | 0 |
| Totals | 55,095,033 | -3,850 | -123,653 | -0.2% | 6.4% | 7.4% | 72,233 | 130,223 | 100,255 |
| Southwest | | | | | | | | | |
| General Retail | 22,315,487 | -21,775 | 173,003 | 0.8% | 5.7% | 7.2% | 50,870 | 246,980 | 137,950 |
| Malls | 2,298,380 | - | 4,100 | 0.2% | 0.1% | 0.1% | 0 | 0 | 0 |
| Power Centers | 5,364,883 | -32,333 | -45,170 | -0.8% | 5.2% | 5.0% | 0 | 0 | 0 |
| Shopping Centers | 28,426,636 | -443 | -229,929 | -0.8% | 8.5% | 9.4% | 58,300 | 195,200 | 111,290 |
| Specialty Centers | 270,376 | - | 0 | 0.0% | 0.0% | - | 0 | 0 | 0 |
| Totals | 58,675,762 | -54,551 | -97,996 | -0.2% | 6.8% | 7.7% | 109,170 | 442,180 | 249,240 |
| West | | | | | | | | | |
| General Retail | 13,442,457 | 33,124 | -7,883 | -0.1% | 4.8% | 5.5% | 0 | 77,880 | 142,201 |
| Malls | 8,471,768 | -15,614 | 138,527 | 1.6% | 2.4% | 3.0% | 0 | 130,000 | 0 |
| Power Centers | 1,149,085 | 117,984 | 85,574 | 7.4% | 10.8% | 12.1% | 0 | 0 | 0 |
| Shopping Centers | 21,472,994 | -30,732 | 29,452 | 0.1% | 8.2% | 9.0% | 0 | 167,584 | 0 |
| Specialty Centers | 0 | 0 | 0 | 0.0% | 0.0% | 0.0% | 0 | 0 | 0 |
| Totals | 44,536,304 | 104,762 | 245,670 | 0.6% | 6.1% | 6.9% | 0 | 375,464 | 142,201 |

Note: **General retail** includes all retail not in a shopping center. **Malls** are comprised of regional and super regional centers. **Power centers** consist of several freestanding anchors and a few small specialty tenants. **Shopping centers** include community, neighborhood and strip centers. **Specialty centers** are comprised of airport, outlet and theme/festival centers.