MATTHEWS™

Market Report

Austin, TX

Retail | Q2 2026

Key Findings

- Austin's retail fundamentals remained tight as positive absorption supported healthy tenant demand and limited available space.
- An active development pipeline could gradually expand tenant options, although recent deliveries have not materially disrupted current occupancy conditions.
- Investment activity was restrained during the quarter as elevated capital costs and wider cap rates influenced transaction volume and pricing.

By the Numbers

Source: CoStar Group, Inc.

$18M Sales Volume	$338 Price Per SF	6.4% Cap Rate	3.4% Vacancy Rate	1.3% Rent Growth
$31.39 Asking Rent Per SF	3.5M SF Under Construction	526K SF Delivered	312K SF Absorbed	

Austin's economic environment continued to provide a supportive backdrop for retail demand during the second quarter of 2026. Population growth and household formation have expanded the region's consumer base, reinforcing demand for neighborhood services, restaurants, entertainment, and necessity-based retail. Employment conditions remain an important driver of spending capacity, particularly across the region's technology, professional services, healthcare, education, and government sectors. At the same time, higher household costs and borrowing expenses have encouraged consumers to remain selective with discretionary purchases. Retailers have responded by placing greater emphasis on established trade areas with strong demographics, traffic patterns, and visibility. Austin's continued residential expansion also creates opportunities for retail development in growing suburban corridors where new rooftops generate demand for additional services.

Austin Demographics

Source: Oxford Economics

3.5% Unemployment Rate	2,661,126 Current Population
1,114,252 Households	$104,181 Median Household Income

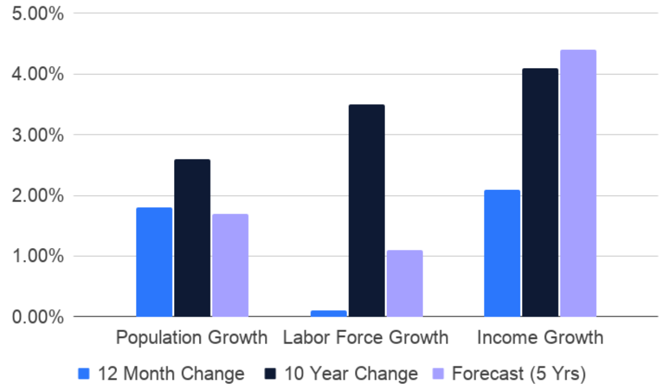
Top Retail Leases in Austin

Source: CoStar Group, Inc.

43,818 SF North Bluff Plaza	42,392 SF Braker Lane Crossing

Population, Labor Force, & Income Growth

Annualized Rates of Growth | Source: Oxford Economics



Market Performance

Austin's retail market recorded a 3.4% vacancy rate in Q2 2026, reflecting relatively limited availability across the metro. Tenants absorbed approximately 312,000 square feet during the quarter, demonstrating that leasing demand continued to outpace move-outs. Positive absorption helped preserve tight occupancy conditions even as newly completed space entered the market. Asking rents reached $31.39 per square foot, while annual rent growth measured 1.3%. The modest pace of rent appreciation suggests that landlords retain pricing power but face greater resistance to aggressive increases than during periods of stronger expansion. Low vacancy should nevertheless support rents at well-located centers where tenants have fewer comparable alternatives. Retailers will likely prioritize efficient footprints and high-quality locations as they balance occupancy costs against sales performance. Overall, Austin entered the second half of 2026 with healthy retail fundamentals characterized by positive absorption, limited vacancy, and moderate rent growth.

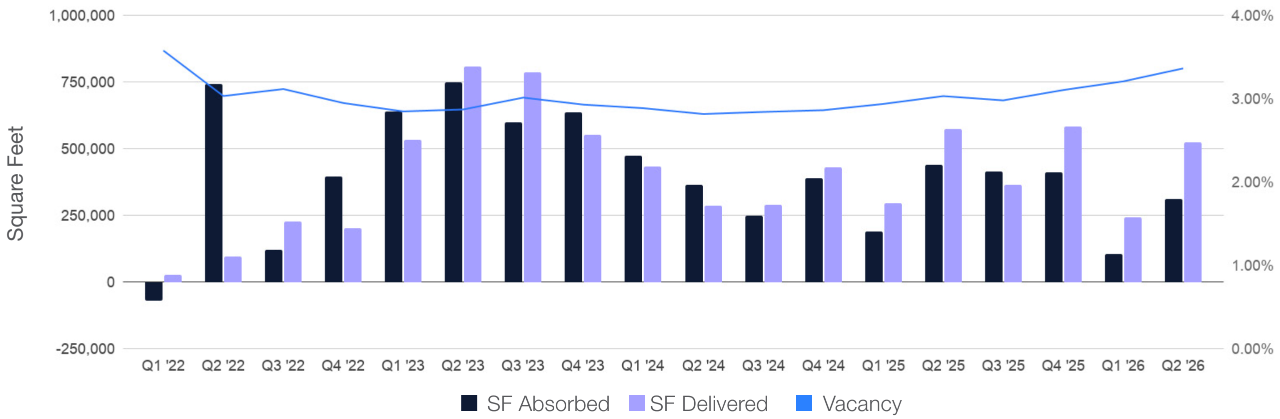
Performance by Class Sector

Source: CoStar Group, Inc.

	Vacancy Rate	Asking Rent	SF Absorbed	SF Delivered
Malls	3.7%	$38.32	43,287	-
Power Center	2.6%	$33.18	-22,450	-
Neighborhood Center	4.9%	$31.38	-71,693	73,649
Strip Center	7.4%	$30.20	-39,358	16,500
General Retail	2.8%	$30.11	327,370	408,722
Other	0.9%	$43.68	-3,000	-

Supply & Demand Dynamics

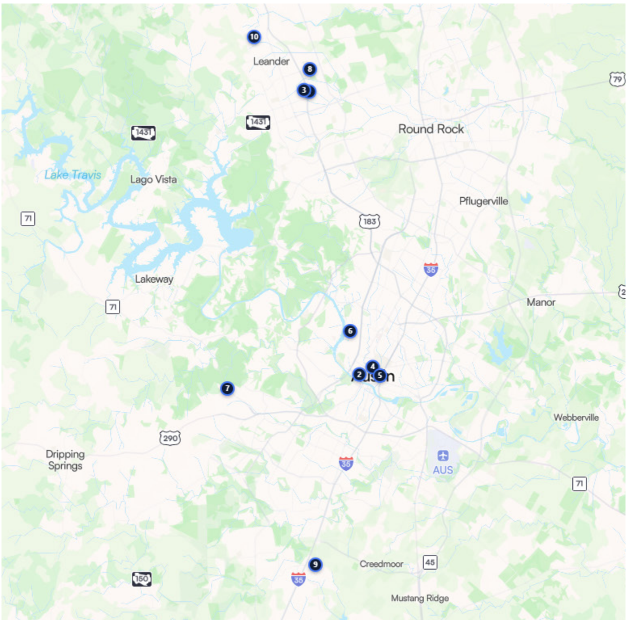
Source: CoStar Group, Inc.



Construction

Under Construction Properties

Source: CoStar Group, Inc.



Under Construction

Developers had approximately 3.5 million square feet of retail space under construction during Q2 2026, representing a meaningful addition to Austin's existing inventory. The pipeline signals confidence in the metro's long-term population and household growth but also introduces additional supply risk. Approximately 526,000 square feet delivered during the quarter, expanding tenant options in recently completed projects and growing trade areas. Despite these additions, the 3.4% vacancy rate indicates that new supply has not yet created broad occupancy pressure. Much of the development pipeline will likely follow residential growth into expanding suburban communities where retailers seek proximity to new households. Preleasing levels and the timing of future deliveries will play an important role in determining how quickly the market absorbs the remaining pipeline.

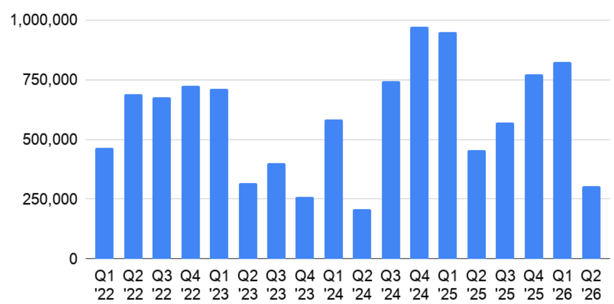
Top 10 Under Construction

Source: CoStar Group, Inc.

Address	SF	Complete Date
750 E New Hope Dr	545K	01/2027
State Hwy 71	250K	01/2027
750 E New Hope Dr	240K	10/2027
SEC TX-29	199K	09/2026
I-25 and East McCarty	114K	08/2026
3245 N I-35 Pky	75K	09/2026
9300 State Highway 71	57K	09/2026
10880 E Crystal Falls Pky	49K	09/2026
The Corner on Main	48K	09/2026
1161 West San Gabriel Pky	46K	08/2026

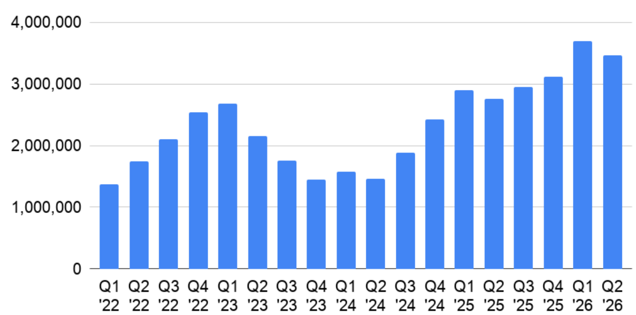
SF Construction Starts

Source: CoStar Group, Inc.



SF Under Construction

Source: CoStar Group, Inc.

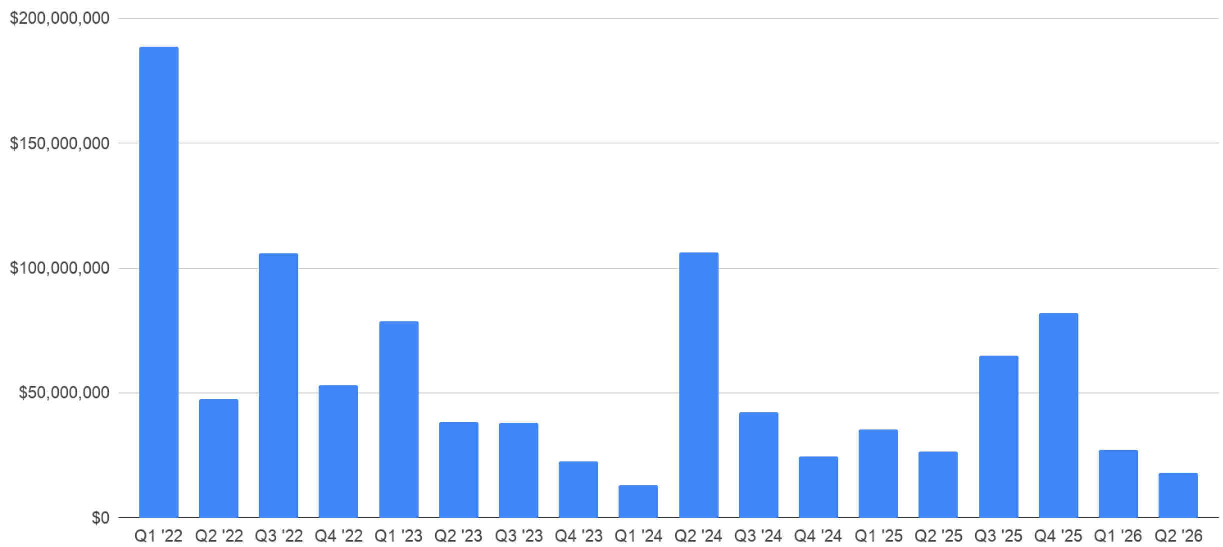


Sales

Austin recorded approximately $18 million in retail sales volume during Q2 2026, indicating subdued transaction activity during the quarter. Properties that traded averaged approximately $338 per square foot, while the market cap rate stood at 6.4%. The cap rate environment reflects higher financing costs and more conservative investor underwriting compared with the low-rate investment climate of earlier years. Limited sales volume also suggests that a pricing gap may persist between buyers seeking returns that reflect current borrowing costs and owners reluctant to sell at adjusted valuations. Investors are likely to favor assets with durable tenant demand, strong locations, and predictable income as they evaluate opportunities in the current capital environment. Austin's low retail vacancy provides a favorable operating backdrop and may help support asset values despite higher required yields. However, the sizable construction pipeline could influence underwriting for properties located near areas with substantial new supply. Transaction activity could strengthen if financing conditions improve or greater pricing clarity brings more owners and buyers back to the market. Until then, investment performance will likely depend heavily on asset quality, tenant credit, lease structure, and location.

Sales Volume

Source: CoStar Group, Inc.



Significant Sales

Q2 2026 | Source: CoStar Group, Inc.

Address	Year Built	SF	Sale Date	Price	Price/SF
1351 S Interstate 35	2002	69K	7/1/2026	$10,045,055	$145
5317 Williams Dr	2012	15K	4/17/2026	$4,800,000	$321
3420 El Salido Pky	2001	13K	6/15/2026	$4,496,912	$354

Submarket Highlights

Source: CoStar Group, Inc.

Submarket	Vacancy Rate	Asking Rent/SF	SF Under Construction	Inventory SF
Bastrop County	0.7%	$25.56	335K	4.3M
Caldwell County	3.8%	$18.62	24.8K	1.3M
Cedar Park	4.5%	$31.91	1.2M	10.6M
East	3.9%	$32.14	34.4K	5.1M
Far Northeast	3.1%	$30.20	21.2K	6.1M
Georgetown	4.1%	$28.03	616K	12.4M
Hays County	2.7%	$31.49	482K	13.1M
Northeast	11.3%	$28.99	171K	4M
Round Rock	3.0%	$31.94	86.5K	9.5M
Southwest	2.4%	$38.12	101K	10.2M

For more information, please contact a Matthews™ specialized agent.

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