



Naveen Jaggi

Top Trends in Texas Retail

It's no surprise that tanking oil prices have taken their toll on the Texas economy, most notably in Houston. However, it's not all black clouds and bad news in the Lone Star State, according to Naveen Jaggi, president of retail brokerage at JLL.

BY BRANDI SMITH

Despite the hiccups of the past year, the Texas economy is still a major player - not just in the United States, but worldwide.

"The Texas economy GDP is equivalent to the Scandinavian countries, so it's a sizable economy in every way," Jaggi said.

Market breakdown

According to JLL's research, the four major Texas markets are either rising or peaking on its retail property clock (see illustration).

"We've been on a steady climb to the point where rental rates in Dallas, Austin and Houston now are at or above pre-Recession levels," Jaggi pointed out. "That means you have a full, healthy economy."

The next step on the clock is plateauing and falling, which Jaggi expects to see in Houston before Dallas.

"I think Dallas still has some more room to grow from a rental rates standpoint," he said.

San Antonio, on the other hand, is on its way up.

"The military has a big part to do with it," said Jaggi.

Three key trends

As those cities continue their progress, he says there are three key issues that will impact Texas retail positively.

Energy prices:

"As the oil industry contracted during 2015, the pain was mostly felt out in the field. The high-skill jobs haven't seen a net loss of jobs. Houston is also definitely diversified. It's less reliant on energy than it was 20 years ago or even the last time we had this kind of a pull back back in 1999 and 2000.

Health & education:

"In my opinion, the future in Houston also relies on diversification in two sectors. The Medical Center in Houston and its exponential growth in the suburbs is phenomenal. Then combine that with education. We certainly are seeing all the main universities -

University of Houston being the first one - investing heavily in infrastructure and growth with their annexes."

Business-friendly environment:

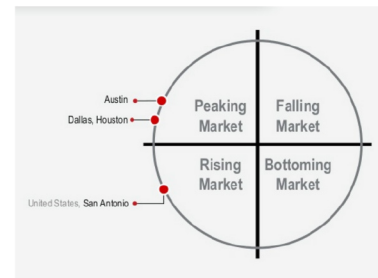
"There are two things that drive an interest in investing in any market: taxes, low or high, and cost of housing, low or high. Texas has no state income tax and Texas has quality affordable housing. Those two features alone will continue to drive people to come here."

A positive outlook

Because of those three factors, Jaggi says JLL's research points

to a very positive retail outlook in Texas and he expects the state to maintain its rank as the No. 1 market for retail development, ahead of competitors, such as New York, California and Florida.

"The state of Texas is a diversified economy and it's not oil dependent from a macro standpoint," he said. "We're a health economy." ●



Retail Construction by Asset Type						
2015 Construction by Retail Type (SF)	United States	Texas	New York	California	Florida	New Jersey
General Retail	37,056,999	3,440,418	3,908,904	3,069,224	3,417,400	517,805
Community Center	5,497,475	781,772	163,785	563,507	199,509	371,213
Lifestyle Center	4,359,466	55,000	675,000	960,560	344,409	15,828
Neighborhood Center	7,336,667	919,506	175,000	903,293	337,774	314,632
Outlet Center	1,795,901	0	0	0	350,000	12,000
Power Center	4,125,874	1,504,361	0	253,143	53,908	10,500
Regional Mall	2,667,428	138,550	1,335,000	0	505,000	0
Strip Center	2,653,186	836,512	44,919	196,453	307,512	78,040
Super Regional Mall	3,131,831	273,300	0	326,000	103,990	2,069,000
Theme/Festival Center	393,000	0	0	0	308,000	0
Grand Total	69,017,827	7,949,419	6,302,608	6,272,180	5,927,502	3,389,018