

# Retail Envy: Houston leads country in retail absorption

BY BRANDI SMITH

Houston's retail market is the envy of the country as demand continues to rise. In 2021, Texas' largest city ranked No. 1 on CoStar's ranking for retail space absorption and vacancy is hovering around 6 percent.

"There is more demand for space than supply and the cost of construction will keep that imbalance in place for the foreseeable future," says Lilly Golden, President and Founder of Evergreen Commercial Realty.

She adds that she's aware of several large box vacancies that have 3 or 4 users competing for the same space.

"Big box retailers, both high-end and low-end, are focused on expanding in Texas right now," Golden says.

"We are seeing restaurants and entertainment tenants from other states and countries flocking to Texas, and specifically Houston," says Eric Lestin, Managing Director-Retail Lead at Cushman & Wakefield. "Currently we are finalizing leases on behalf of an entertainment concept from Norway, an

upscale international cuisine restaurant from Mexico, and a high-end home appliance company from Germany."

Cushman & Wakefield, he says, is building deep and meaningful relationships with brands on a global scale. By prioritizing entry and expansion with data, analytics, and research to mitigate risk and maximize value, his firm is able to offer a research-driven approach that is then combined with his team's deep knowledge of the market.

Who better to answer the question: what's inspiring that expansion? Lestin points out Houston is the fourth largest city in the country and it is only growing.

"Houston is diverse in all the aspects of an international city with great restaurants, theatre, shopping, and the largest medical center in the world," he says.

International visitors, Lestin elaborates, used to come to Houston solely for treatment at The Texas Medical Center.

"While that is still the case, visitors are staying longer to partake of all we have to offer," he says. "In turn, more international retailers and restaurants are coming because of our diverse population and visitors from around the globe."

That international interest is helping Houston retail thrive after what has been a challenging couple of years.

"This business is cyclical in most commercial real estate sectors, and retail has been no different. The past two years have certainly put a strain on retail and restaurant operators of all sizes," says Lestin. "That said, I have been impressed by the resourcefulness of my clients and others in managing curbside pickup, delivery, and other creative solutions to keep operations thriving."

Adapting for survival is a requirement for any successful retailer, something Golden is assisting her clients with.

"Evergreen now helps our clients not only find their retail sites, but also their industrial distribution locations to support their ecommerce efforts," she shares.

Guitar Center Stores, Inc. is an example of that. With Evergreen's help, the company expanded its Guitar Center and Music & Arts concepts in the Houston area, requiring a larger distribution center. Evergreen facilitated the lease at Beltway 8 and I-45, which successfully opened at the end of 2021.

KM Realty is overseeing a different kind of adaptation at one of its properties: Township Square, a 67,000-square-foot landmark open-air shopping center in Missouri City.



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Lilly Golden



Eric Lestin



Steven Stone

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“The approximately \$4 million renovation is intended to balance the original charm of the Colonial Revival architecture at the four-building development with necessary façade and landscaping upgrades, ensuring Township Square will remain more of a gathering place than your standard strip center,” says Steven Stone, the firm’s director of leasing, adding that part of the redevelopment will include wrapping the property’s 54-foot clocktower in a mural, likely an homage to the community.

Another trend Stone is keeping an eye on is of particular interest to the admitted coffee connoisseur.

“I’m excited by the flood of new coffee concepts into the market. From large chains to third-wave coffee shops, I hope to see these concepts find their foothold in the market,” says Stone, who’s responsible for project leasing of several dozen unanchored shopping centers in suburban Houston, as well as developing new shopping centers.

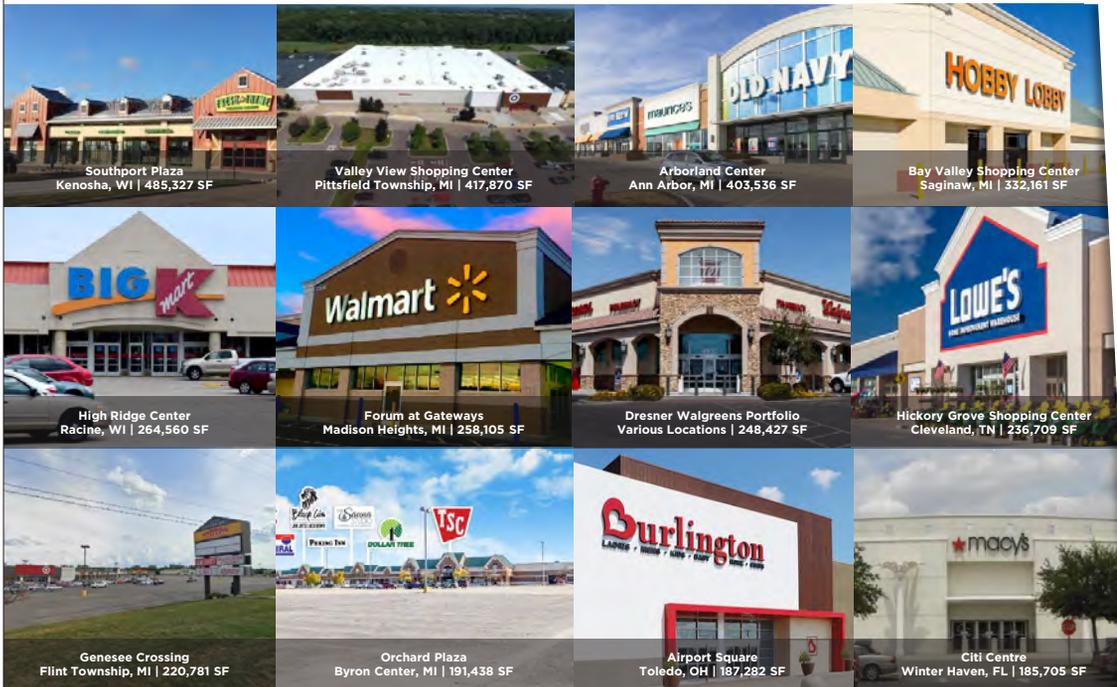
As coffee brands expand, Stone notes he’s seen several different chain fitness uses fold within the past year and that, when properties have the opportunity to be selective, there is more hesitancy toward leasing to fitness uses. That’s not the only change he’s noticed in the past couple of years.

“The typical strip center has recently seen a shift in rent structure, wherein base rents now commonly increase annually,” says Stone. “This can be seen as either, or perhaps both, a sign of a strong rental market or a sign of an uncertain inflationary environment.”

Which it is will undoubtedly be answered as retail continues its rebound in Houston and throughout Texas.

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