

# Austin, TX Retail Quarter 1, 2026 (Q1 2026)

THE KEY NUMBER

# 6.0%

## 6.0% CAP RATE CONFIRMS PREMIUM MARKET REPRICING

Austin retail cap rates compressed to 6.0% in Q1 2026, down 140 basis points from 7.4% in Q4 2025, as investors repriced the market amid stabilizing fundamentals. Tightening vacancy, a return to positive absorption after two deeply negative quarters, a 7.19% quarter-over-quarter rent increase, and a shrinking construction pipeline all converged to position Austin retail well below the 7.16% national and 6.99% South Region cap rate benchmarks. IRR's characterization of Austin as a "stable expansion-stage market" with 75% preleasing on 2.0 million SF of anticipated 2026 deliveries reinforces the durability of this pricing premium.

## 01 — EXECUTIVE SUMMARY

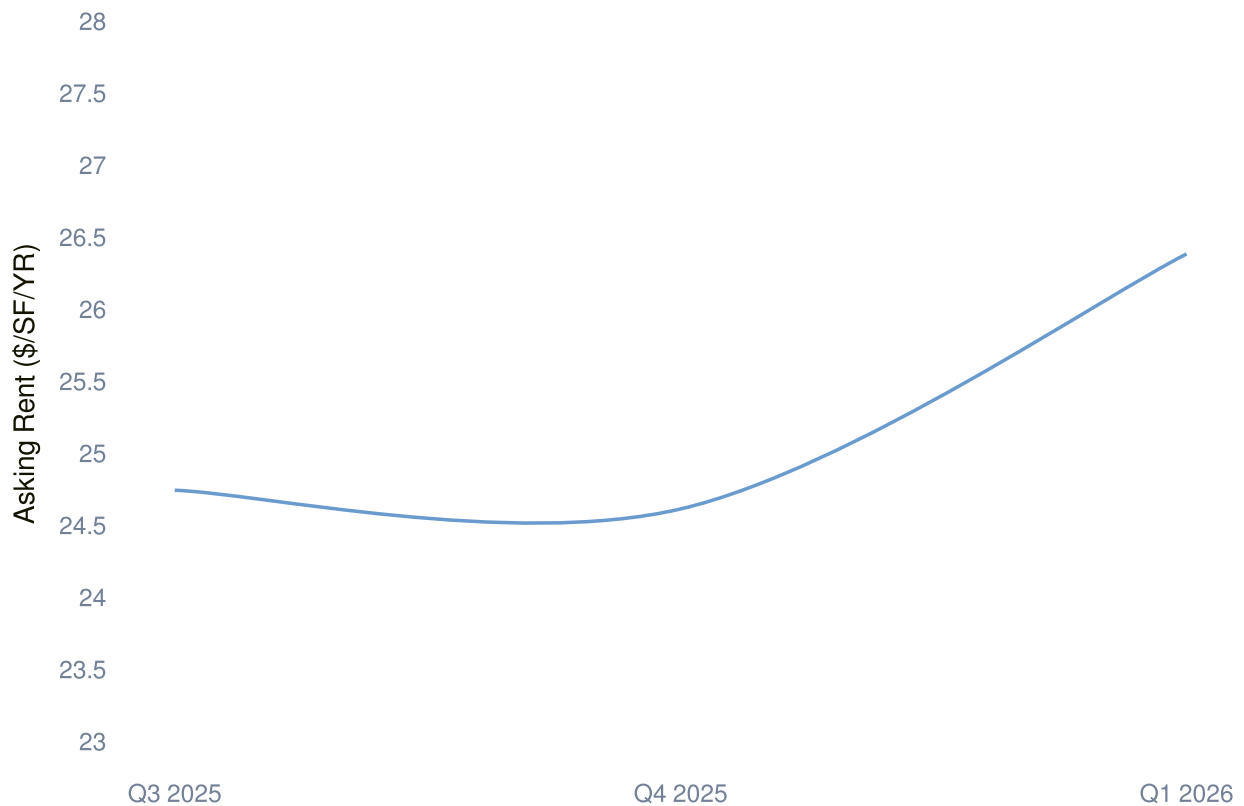
### Cap Rate Compression Signals Premium Repricing

<p>VACANCY RATE (IRR)</p> <p><b>3.2%</b></p> <p>↓ from 6.1% in Q4 2025</p>	<p>ASKING RENT (PARTNERS)</p> <p><b>\$26.40/SF/YR</b></p> <p>↑ from \$24.63/SF/YR in Q4 2025</p>	<p>SIGNED LEASE RATE (SIGMA)</p> <p><b>\$30.00/SF/YR</b></p> <p>\$1.60 premium over asking rate</p>
<p>NET ABSORPTION</p> <p><b>26,000 SF</b></p> <p>↑ from -1,500,000 SF in Q4 2025</p>	<p>GOING-IN CAP RATE (IRR)</p> <p><b>6.00%</b></p> <p>vs. 6.99% South Region / 7.16% nationally</p>	<p>CLOSED SALE PRICE</p> <p><b>\$484.89/SF</b></p> <p>vs. \$547.10/SF asking price</p>
<p>Q1 2026 SALES VOLUME</p> <p><b>\$144,000,000</b></p> <p>48 closed sales; 340 active listings</p>	<p>AUSTIN EMPLOYMENT</p> <p><b>1,406.7K jobs</b></p> <p>+1.1% YoY; unemployment 3.7%</p>	

Austin Retail Cap Rates Price at a Meaningful Discount to Regional and National Benchmarks. IRR's 2026 annual report places Austin going-in cap rates at 6.00% for both community and neighborhood retail — 99 to 116 basis points tighter than the South Region and national averages, respectively — confirming that investors are pricing Austin as a premium market relative to peers.

Austin's retail market entered Q1 2026 with vacancy readings converging directionally toward tightness, even as source-level figures diverged. IRR reported vacancy at 3.2%, down sharply from 6.1% in Q4 2025, while Partners placed the rate at 5.0% and TenantBase at 3.4% — a spread that reflects methodological differences but points uniformly toward constrained availability. Signed lease rates of \$30.00/SF/YR exceeded asking rates of \$28.00/SF/YR (Sigma), a dynamic consistent with competitive leasing conditions where tenants are closing above list. The 12-month absorption of 1,300,000 SF against 1,800,000 SF of deliveries (IRR) indicates that new supply is being absorbed, though not yet at a pace that fully offsets completions. Texas statewide retail tax collections rose 9.23% year over year in March 2026, providing a macro tailwind even as Austin MSA retail trade gross sales declined 3.5% in Q4 2025 — a divergence worth monitoring as 2026 progresses.

### Austin Retail Asking Rent Trend (\$/SF/YR)



### Austin Cap Rates vs. Regional and National Benchmarks

▼ COMMUNITY & NEIGHBORHOOD RETAIL: AUSTIN PRICED AT A PREMIUM

RETAIL TYPE	AUSTIN ASKING RENT	SOUTH REGION	NATIONAL	AUSTIN CAP RATE	SOUTH REGION CAP RATE	NATIONAL CAP RATE
Community	\$26.4/SF	\$19.2/SF	\$22.2/SF	6.00%	6.99%	7.16%
Neighborhood	\$23.5/SF	\$17.7/SF	\$20.1/SF	6.00%	6.95%	7.14%

Austin commands a 37%–38% rent premium over South Region peers while pricing cap rates 95–116 bps tighter than the national average — a spread that reflects sustained investor conviction in Austin's long-term demand fundamentals.

Austin's rent premium over the South Region is substantial: community retail asking rents of \$26.40/SF run 37.5% above the regional average of \$19.20/SF, while neighborhood retail at \$23.50/SF exceeds the regional figure of \$17.70/SF by 32.8%. These premiums are matched by compressed cap rates — Austin's 6.00% going-in rate sits nearly a full percentage point below both the South Region and national benchmarks. The convergence of above-market rents and below-market cap rates signals that investors are underwriting Austin on a growth-forward basis, embedding expectations of continued rent escalation and occupancy stability into pricing. The population gain of 53,796 residents between July 2024 and July 2025 — bringing the MSA to 2,620,945 — provides a structural demand argument that supports this premium positioning.

#### ▼ ABSORPTION RECOVERY VS. SUPPLY PIPELINE TENSION

METRIC	VALUE	PERIOD
Net Absorption	1,300,000 SF	Past 12 months
Deliveries	1,800,000 SF	Past 12 months
Absorption Pace	400,000 SF/quarter	2026 (IRR)
Under Construction	195,000 SF	Q1 2026 (Partners trend table)
Net Absorption Q1 2026	26,000 SF	Q1 2026 (Partners)

The 12-month supply-demand gap of 500,000 SF — deliveries exceeding absorption — has not prevented vacancy from tightening, suggesting that a meaningful share of new supply entered the market pre-leased or was quickly absorbed upon delivery.

IRR's reported absorption pace of 400,000 SF per quarter implies an annualized run rate of 1,600,000 SF, which would narrow the current supply-demand gap if delivery volume moderates. Partners' Q1 2026 net absorption of 26,000 SF is notably below that pace, though the sharp reversal from deeply negative readings in Q3 and Q4 2025 (-1,600,000 SF and -1,500,000 SF, respectively) suggests those prior quarters may have reflected timing anomalies or large-block move-outs rather than sustained demand deterioration. The under-construction figure of 195,000 SF in the quarterly trend table — versus a separate Partners figure of 2,800,000 SF — represents a significant data discrepancy that warrants verification before drawing firm conclusions on pipeline pressure. If the lower figure is accurate, the supply pipeline is effectively constrained, reinforcing the tightening vacancy narrative.

▼ CAPITAL MARKETS: PRICING GAP AND TRANSACTION VELOCITY

METRIC	VALUE	PERIOD
Closed Sale Price	\$484.89/SF	Q1 2026
Asking Price	\$547.10/SF	Q1 2026
Price-to-Ask Gap	~\$62/SF	Q1 2026
Sales Days on Market	180 days	Q1 2026
Lease Days on Market	195.50 days	Q1 2026
Closed Sales	48	Q1 2026
Sales Listings	340	listings
Sales Volume	\$144,000,000	Q1 2026

With 48 closed sales against 340 active listings, the Q1 2026 sales market reflects a bid-ask gap of approximately \$62/SF — a spread that, combined with 180-day average marketing times, points to price discovery still in progress rather than a cleared market.

The ratio of closed sales (48) to active listings (340) — approximately 14% — indicates that a substantial portion of sellers have not yet found buyers at their asking prices. The \$62/SF gap between asking (\$547.10/SF) and closed (\$484.89/SF) prices is consistent with a market where cap rate expectations between buyers and sellers have not fully aligned. Average sales marketing time of 180 days and lease marketing time of 195.50 days suggest deliberate, extended negotiation cycles on both sides of the market. The federal funds rate holding at 3.50%–3.75% as of March 18, 2026 continues to shape financing costs, and the PCE price index running at 4.5% annualized in Q1 2026 adds a cost-of-capital dimension that may sustain the bid-ask spread in the near term.

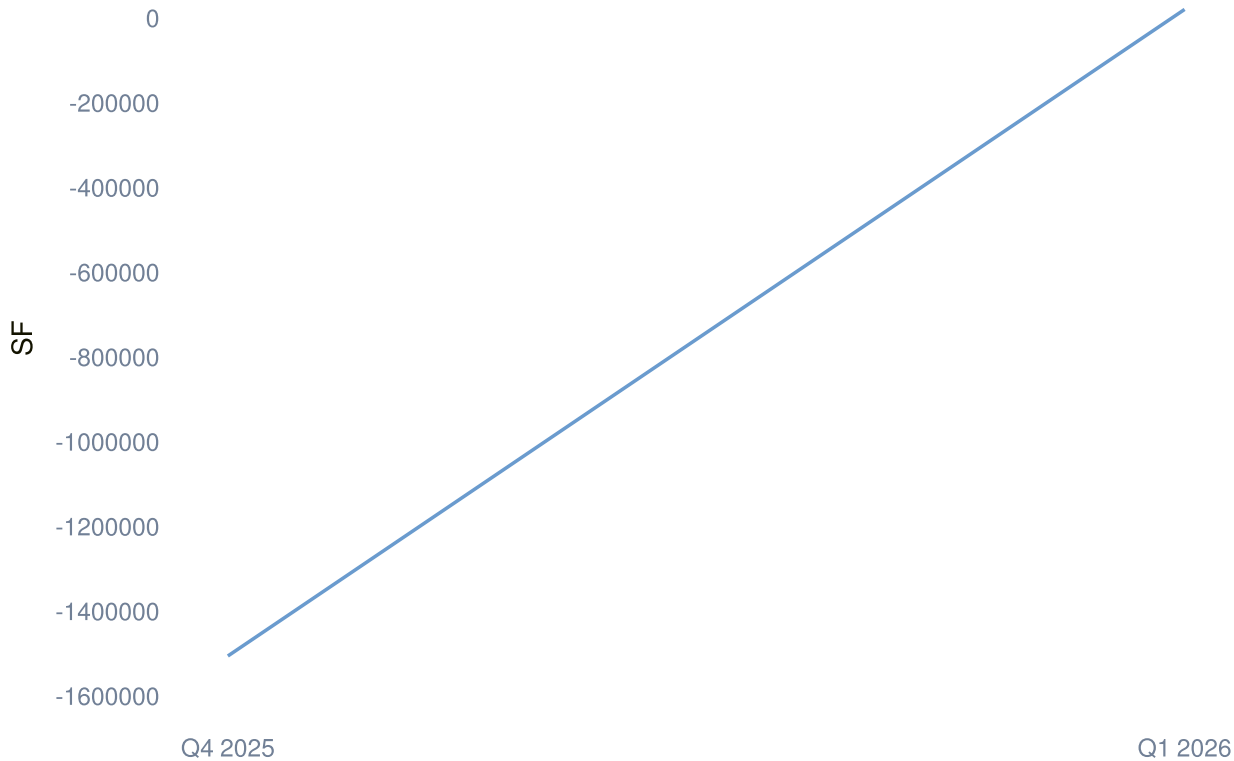
## Absorption Rebounds as Rents and Cap Rates Reprice the Market

<p>VACANCY RATE (PARTNERS)</p> <p><b>5.0%</b></p> <p>-110 bps vs Q4 2025</p>	<p>NET ABSORPTION</p> <p><b>26,000 SF</b></p> <p>Reversal from -1,500,000 SF in Q4 2025</p>	<p>ASKING RENT</p> <p><b>\$26.40/SF/YR</b></p> <p>+\$1.77/SF/YR vs Q4 2025</p>
<p>MARKET CAP RATE</p> <p><b>6.06%</b></p> <p>Sigma Q1 2026; Partners reported 6.8%</p>	<p>CLOSED SALE PRICE</p> <p><b>\$484.89/SF</b></p> <p>vs \$547.10/SF asking — 11.5% discount to ask</p>	<p>SALES VOLUME</p> <p><b>\$144,000,000</b></p> <p>48 closed sales; 340 listings active</p>
<p>SIGNED LEASE RATE</p> <p><b>\$30.00/SF/YR</b></p> <p>+\$2.00/SF above \$28.00/SF asking rate</p>	<p>UNDER CONSTRUCTION</p> <p><b>2,800,000 SF</b></p> <p>Active pipeline; 1,800,000 SF delivered past 12 months</p>	

Net Absorption Swings Sharply Positive After Historic Q4 Drawdown. Austin retail net absorption recovered to +26,000 SF in Q1 2026 after recording -1,500,000 SF in Q4 2025, the most dramatic single-quarter reversal in the available data series.

The Q4 2025 absorption collapse — driven by a wave of space returns and delivery timing — set a low baseline that Q1 2026 has decisively cleared. Vacancy compressed from 6.1% to 5.0% quarter-over-quarter per Partners data, while asking rents jumped \$1.77/SF to \$26.40/SF/YR. Signed leases are executing above asking at \$30.00/SF/YR, a spread that signals tenants are competing for available space rather than negotiating from a position of leverage. IRR's trailing 12-month data reinforces this picture: 1,800,000 SF delivered against 1,300,000 SF absorbed, a healthy absorption-to-delivery ratio that has kept structural vacancy contained. With 2,800,000 SF still under construction, the pace of demand recovery will be tested as new supply enters, but the Q1 pricing dynamic suggests landlords currently hold pricing power.

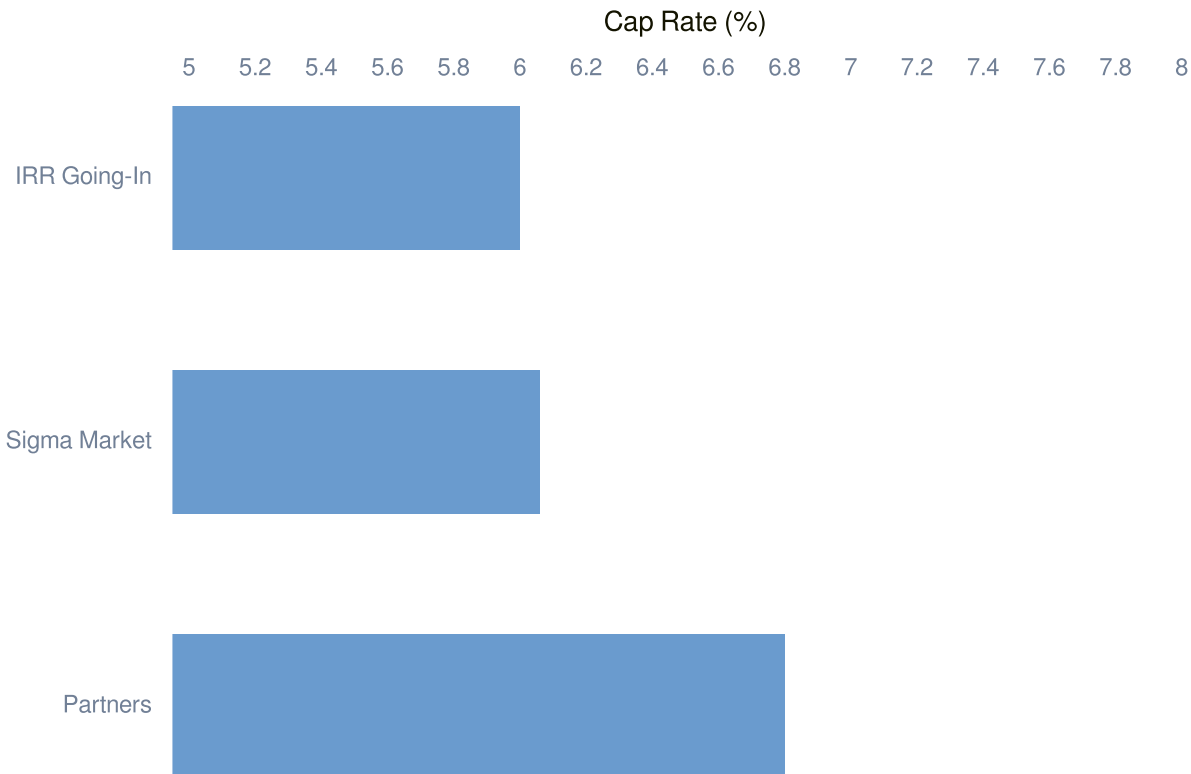
### Net Absorption Trend (SF)



### What Is Driving the Cap Rate Compression Story?

▼ CAP RATE SIGNALS: PREMIUM REPRICING UNDERWAY

### Cap Rate by Source (Q1 2026)



Three independent sources reported Q1 2026 Austin retail cap rates ranging from 6.00% to 6.80%, a spread that reflects both asset-quality stratification and methodological differences across data providers.

The convergence of cap rate readings near 6.0% — from IRR's going-in rate of 6.00% to Sigma's market rate of 6.06% — points to meaningful repricing from the higher-rate environment of recent years. The 80-basis-point spread between the IRR/Sigma floor and Partners' 6.80% reading likely reflects a mix of stabilized core assets trading at tighter yields versus value-add or secondary product transacting at wider spreads. With 48 closed sales against 340 active listings, the market cleared roughly 14% of available inventory in the quarter, a transaction velocity that supports price discovery without signaling distress. As the pipeline of 2,800,000 SF under construction approaches delivery, cap rate trajectories will depend heavily on whether absorption momentum from Q1 is sustained.

#### ▼ RETAIL SPENDING CONTEXT: DIVERGENCE BETWEEN MSA AND STATE TRENDS

METRIC	Q4 2024	Q4 2025	CHANGE
Austin MSA Retail Trade Gross Sales	\$14.64B	\$14.12B	-3.5% YoY
Austin MSA All-Industry Gross Sales	\$50.90B	\$55.00B	+8.0% YoY
Texas Retail Tax Collections (Mar 2026)	—	\$1.58B	+9.23% YoY

Austin MSA retail trade gross sales declined 3.5% year-over-year in Q4 2025 to \$14.12 billion, even as all-industry gross sales in the same MSA grew 8.0% — a divergence that warrants monitoring heading into 2026.

The retail sales contraction at the MSA level stands in contrast to both the broader Austin economy and the statewide retail tax collection trend. Texas retail tax receipts grew 9.23% year-over-year in March 2026, suggesting the weakness may be concentrated in specific Austin retail categories or reflect a base-period comparison effect rather than a structural demand shift. Supporting the demand-side outlook, Austin's metro population grew by 53,796 residents to 2,620,945 between mid-2024 and mid-2025, and total nonfarm employment reached 1,406,700 in March 2026, up 1.1% year-over-year. Population and employment growth of this scale typically underpins retail demand recovery, though the lag between household formation and retail spending normalization may extend into mid-2026.

#### ▼ LEASING MARKET: TENANTS PAYING ABOVE ASK

METRIC	Q1 2026	UNIT
Asking Lease Rate	\$28.00	\$/SF/YR
Signed Lease Rate	\$30.00	\$/SF/YR
Lease Listings	878	count
Lease Days on Market	195.50	days

Signed leases in Austin retail are executing at \$30.00/SF/YR — \$2.00 above the \$28.00/SF/YR asking rate — a premium-to-ask dynamic that reflects constrained quality availability rather than broad market tightness.

The \$2.00/SF premium between signed and asking lease rates is a notable signal: tenants are not negotiating landlords down from ask but are instead bidding above it to secure space. With 878 lease listings active and average marketing time at 195.50 days, the market is not universally tight — longer days on market suggest a bifurcated leasing environment where well-located, quality product clears quickly at a premium while secondary space lingers. This dynamic is consistent with the broader national retail narrative of flight-to-quality, where necessity-based and experiential tenants compete for prime locations while commodity retail space faces extended absorption timelines.

▼ MUNICIPAL POLICY: FEE AND DISTRICT ACTIONS SHAPING DEVELOPMENT ECONOMICS

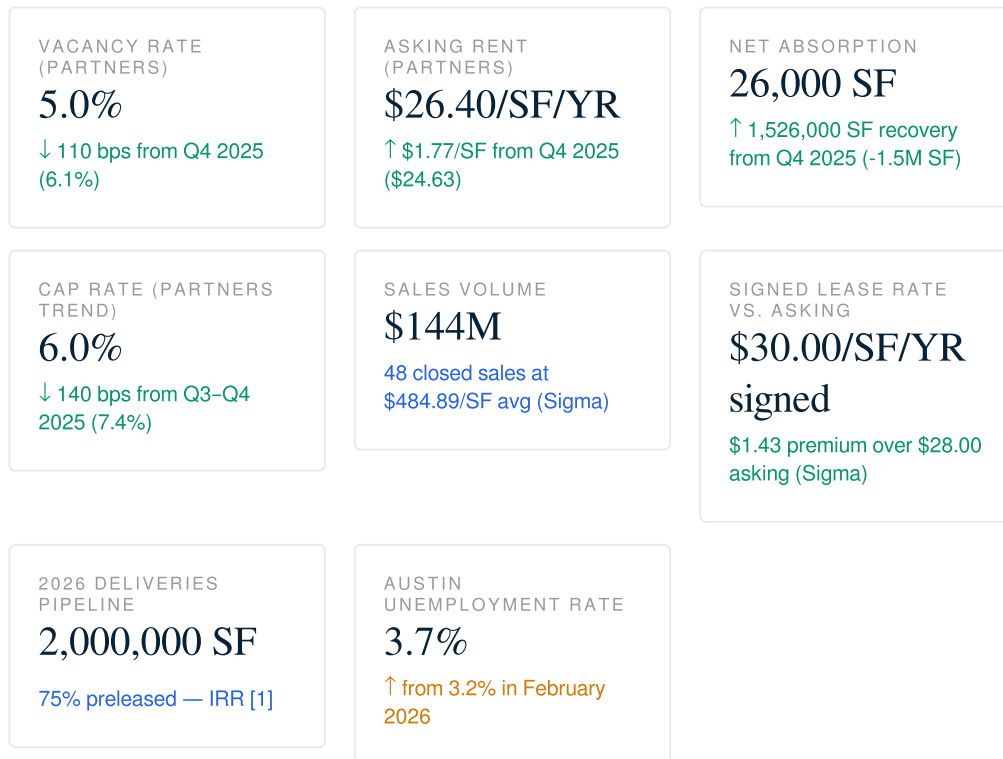
POLICY ITEM	DETAIL	EFFECTIVE
Water Impact Fee	\$4,800/service unit	Lots platted after Oct 1, 2023
Wastewater Impact Fee	\$2,900/service unit	Lots platted after Oct 1, 2023
Total Impact Fee	\$7,700/service unit	Lots platted after Oct 1, 2023
South Congress PID Budget	\$301,786	2026
East Sixth Street PID Budget	\$81,856	FY 2025/2026
PBEP Agreement (The Vortex)	5-year real estate relief	Approved Mar 12, 2026

Austin City Council approved a Place-Based Enhancement Program agreement with The Vortex on March 12, 2026, providing five years of real estate relief under Chapter 380 — one of several municipal actions in Q1 2026 directly affecting retail corridor economics.

The combined effect of updated impact fees, active Public Improvement Districts on East Sixth Street and South Congress, and new Chapter 380 agreements reflects a city actively managing retail corridor viability through both cost and incentive levers. The \$7,700 total impact fee per

service unit for new commercial development on recently platted lots adds a measurable cost layer to ground-up retail projects, while PID budgets on key corridors — totaling over \$383,000 combined — direct resources toward marketing and economic development in established retail districts. These policy dynamics are relevant context for underwriting new development economics and evaluating the relative competitiveness of infill versus greenfield retail sites in the Austin market.

## Cap Rate Compression Confirms Austin's Premium Repricing

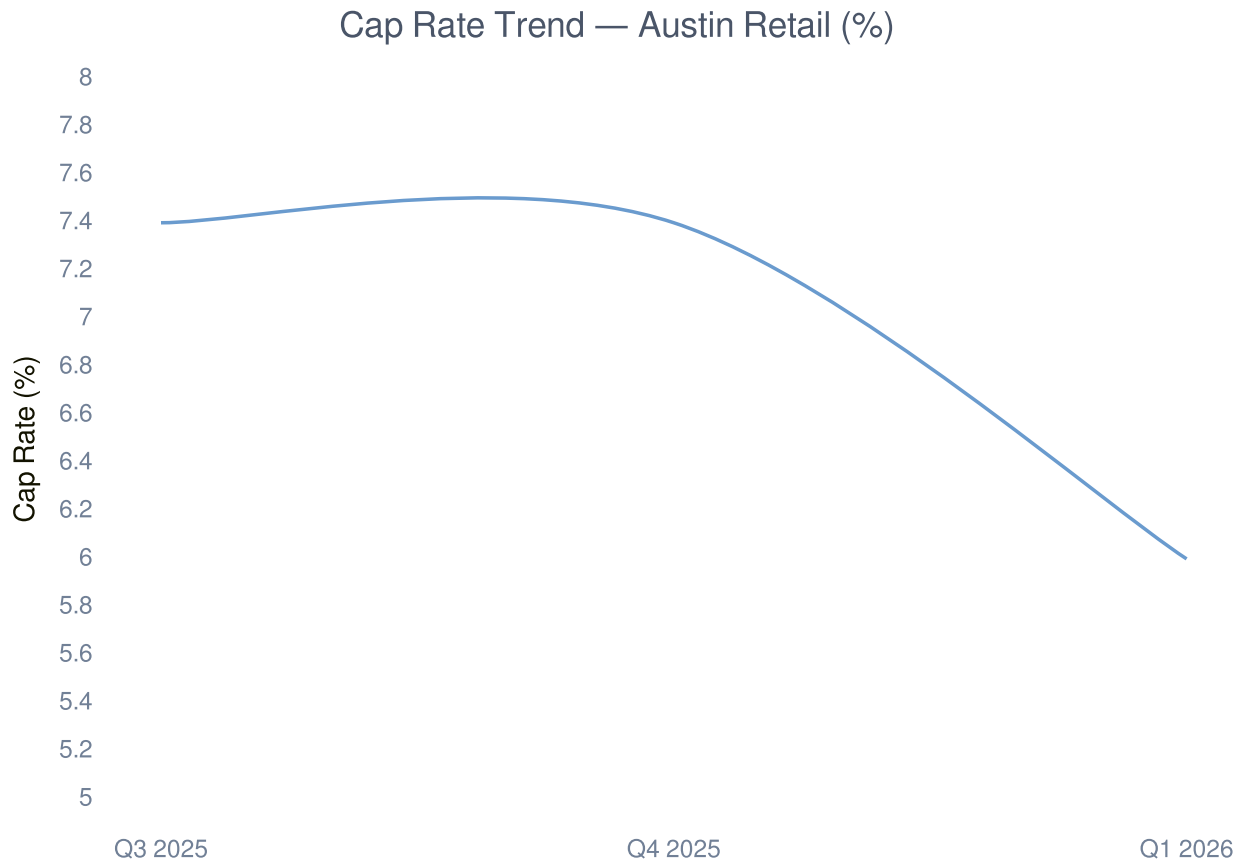


Austin Cap Rate Compresses 140 Basis Points in a Single Quarter. Partners data shows the market cap rate fell from 7.4% in both Q3 and Q4 2025 to 6.0% in Q1 2026 — a move that aligns with IRR's going-in cap rate of 6.00% for both community and neighborhood retail formats, well inside the South Region (6.95–6.99%) and national (7.14–7.16%) benchmarks.

Austin's retail cap rate compression in Q1 2026 is not a statistical anomaly — it is corroborated across three independent sources. Sigma recorded a market cap rate of 6.06% and an asking cap rate of 6.00% across 48 closed transactions, while IRR's going-in cap rate survey independently confirmed 6.00% for both community and neighborhood formats. The 99–116 bps discount to South Region peers and the 114–116 bps discount to national averages signal that institutional capital is pricing Austin retail as a premium market, not merely a recovering one. With 340 active sales listings and an average marketing time of 180 days, the transaction pipeline remains active, though the extended days-on-market figure suggests buyers are exercising discipline even as pricing tightens.

Vacancy's directional story is similarly constructive, though source variance warrants transparency. Partners places Q1 2026 vacancy at 5.0% — down 110 bps from Q4 2025's 6.1% — while IRR and TenantBase report tighter readings of 3.2% and 3.4%, respectively. Regardless of which baseline is used, the trend is consistent: vacancy is declining. The absorption recovery reinforces this, with Q1 2026 posting 26,000 SF of positive net absorption after Q4 2025's anomalous -1.5M SF reversal. IRR's 12-month absorption figure of 1.3M SF — roughly matching the 1.8M SF delivered over the same

period — indicates that the market has been absorbing new supply nearly in stride. With 2,000,000 SF of 2026 deliveries reported at 75% preleased, the supply-demand balance appears unlikely to deteriorate materially in the near term.



## Austin Retail Outperforms Region and Nation Across Key Benchmarks

### ▼ AUSTIN VS. REGIONAL & NATIONAL RENT BENCHMARKS

FORMAT	AUSTIN	SOUTH REGION	NATIONAL
Community Retail Asking Rent	\$26.40/SF	\$19.20/SF	\$22.20/SF
Neighborhood Retail Asking Rent	\$23.50/SF	\$17.70/SF	\$20.10/SF

Austin Retail Rents Run 37% Above South Region for Community Formats. IRR data shows Austin community retail asking rents of \$26.40/SF versus \$19.20/SF for the South Region — a 37.5% premium — while neighborhood retail commands \$23.50/SF against a \$17.70/SF regional average.

Austin's rent premium over both the South Region and national averages reflects the market's structural supply constraints and above-average household income base. Community retail rents at \$26.40/SF are 19% above the national average of \$22.20/SF, while neighborhood retail at \$23.50/SF exceeds the national figure of \$20.10/SF by 16.9%. These premiums are consistent with the cap rate compression observed in Q1 2026: investors pricing Austin at 6.00% going-in are effectively paying for rent growth durability that regional and national averages do not yet reflect.

The signed lease rate of \$30.00/SF reported by Sigma — a \$1.43 premium over the \$28.00/SF asking rate — further confirms that executed transactions are clearing above list, a dynamic that typically precedes upward asking rent revisions.

▼ VACANCY BY FORMAT: AUSTIN VS. BENCHMARKS

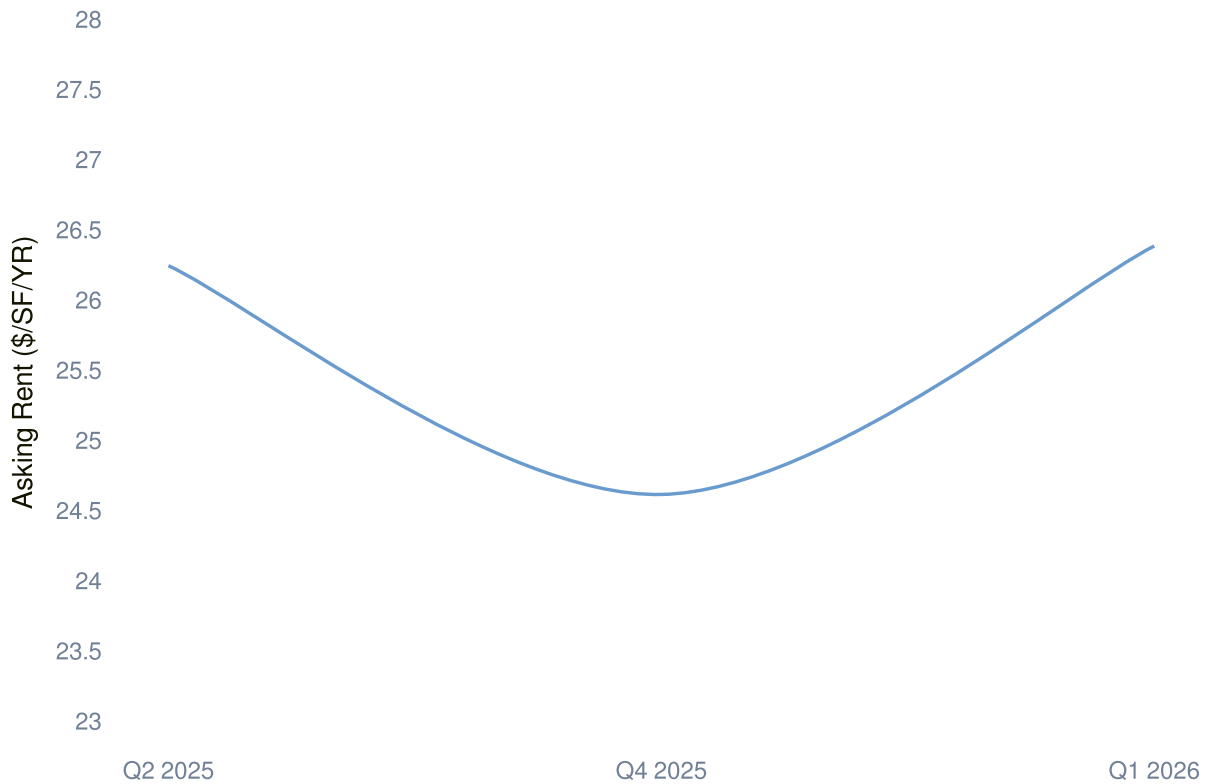
FORMAT	AUSTIN	SOUTH REGION	NATIONAL
Community Retail Vacancy	11.6%	10.8%	10.5%
Neighborhood Retail Vacancy	8.6%	11.5%	10.9%

Neighborhood Retail Vacancy Runs 290 Bps Below South Region. IRR data places Austin neighborhood retail vacancy at 8.6%, compared with 11.5% in the South Region and 10.9% nationally — a meaningful structural advantage for this format.

The format-level vacancy split reveals a nuanced picture beneath the headline figures. Austin's neighborhood retail vacancy of 8.6% is the tightest of the three geographies measured, running 290 bps below the South Region and 230 bps below the national average — consistent with strong demand from service-oriented and necessity-based tenants in dense infill corridors. Community retail vacancy at 11.6% sits modestly above both regional (10.8%) and national (10.5%) benchmarks, suggesting that larger-format anchored centers carry slightly more availability, potentially reflecting lease-up periods for recently delivered product. With 75% of 2026 pipeline space already preleased, the community retail vacancy overhang may prove temporary as new deliveries stabilize occupancy over the coming quarters.

▼ ASKING RENT TREND — PARTNERS QUARTERLY SERIES

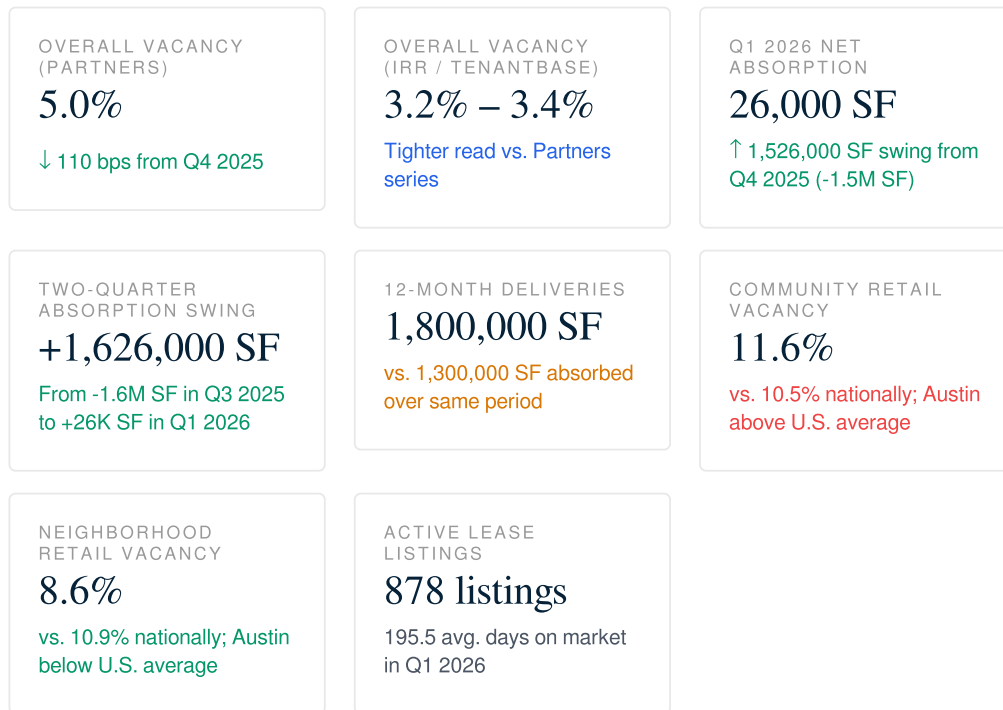
## Asking Rent Trend — Austin Retail (\$/SF/YR)



Q4 2025 Rent Dip Reversed Sharply in Q1 2026. Partners data shows asking rents fell from \$26.26/SF in Q2 2025 to \$24.63/SF in Q4 2025 before recovering to \$26.40/SF in Q1 2026 — a \$1.77/SF quarterly gain that erased the prior-period decline.

The Q4 2025 asking rent trough coincided with the quarter's -1.5M SF net absorption figure, suggesting that landlords briefly adjusted pricing in response to a demand shock that proved transitory. The Q1 2026 recovery to \$26.40/SF — essentially flat with Q2 2025's \$26.26/SF — indicates that the market re-anchored quickly. Sigma's \$28.00/SF asking rate and \$30.00/SF signed lease rate for Q1 2026 suggest that the Partners series may reflect a broader inventory mix, while Sigma's sample captures more actively marketed, higher-quality assets. The \$3.60/SF spread between the signed rate and the Partners asking rate points to a bifurcated market where well-located product commands meaningful premiums over the average. Austin's nonfarm employment base of 1,406,700 jobs growing at 1.1% year-over-year provides the consumer demand foundation that underpins this rent resilience.

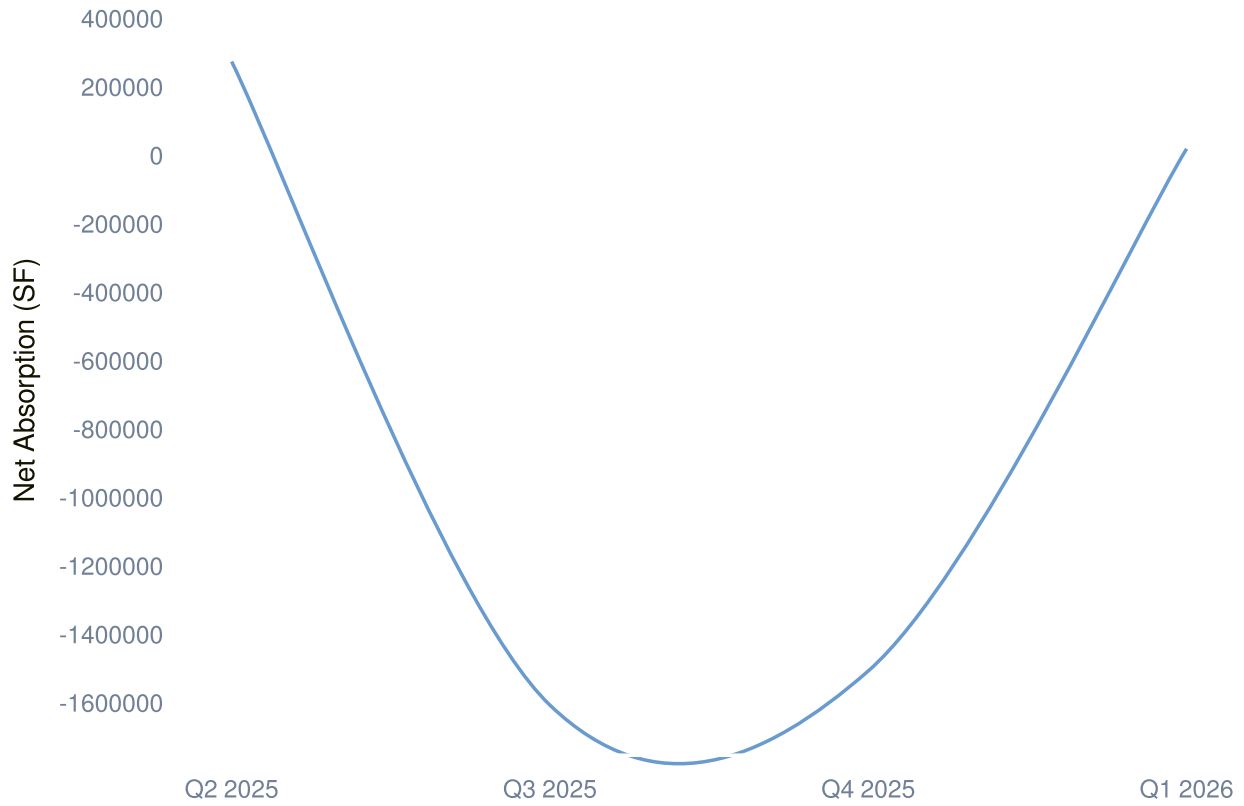
## Demand Resurfaces After Historic Negative Swing



Austin Retail Absorption Reverses a Historic Two-Quarter Contraction. After recording -1,600,000 SF in Q3 2025 and -1,500,000 SF in Q4 2025, Austin retail net absorption returned to positive territory at 26,000 SF in Q1 2026 — a cumulative swing of more than 1.6 million SF in a single quarter.

The magnitude of the Q3–Q4 2025 negative absorption — totaling roughly 3.1 million SF across two quarters — was an anomaly relative to the IRR-reported quarterly pace of approximately 400,000 SF. The return to positive absorption in Q1 2026, while modest at 26,000 SF, signals that the demand disruption was transitory rather than structural. The 12-month delivery total of 1,800,000 SF outpaced the 1,300,000 SF absorbed over the same window, leaving a modest supply overhang that is reflected in the Partners vacancy reading of 5.0% — elevated relative to the 3.2%–3.4% range reported by Integra Realty Resources and TenantBase. The divergence across data sources warrants attention: methodology and submarket scope differences likely account for the gap, but all three series point to a market well below distress thresholds. With 878 active lease listings averaging nearly 196 days on market, leasing velocity remains measured, and the pace at which that pipeline clears will be a key indicator of whether Q1's absorption recovery is sustained.

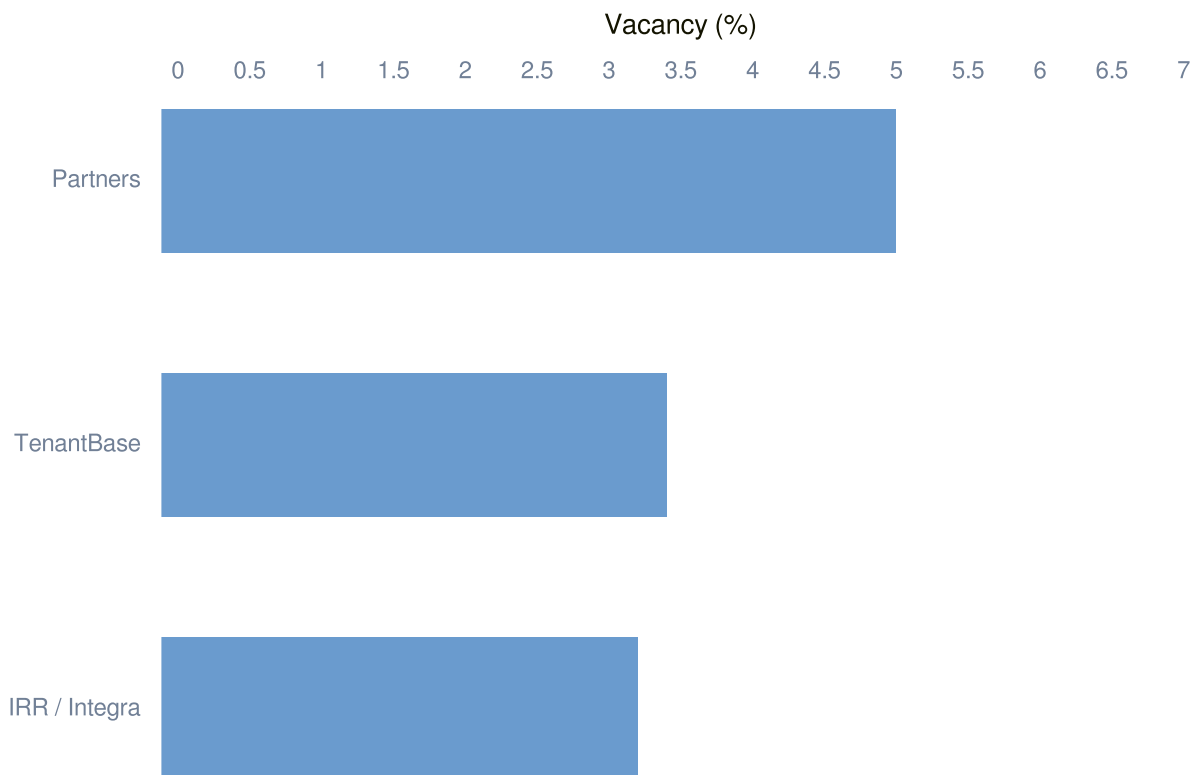
## Austin Retail Net Absorption by Quarter (SF)



## Vacancy Rate Divergence Across Sources Demands Context

▼ WHAT EXPLAINS THE 5.0% VS. 3.2% VACANCY GAP?

### Q1 2026 Vacancy Rate by Source (%)



Three independent sources reported Austin retail vacancy between 3.2% and 5.0% for Q1 2026 — a 180 bps spread that reflects differences in submarket scope, property classification, and measurement methodology rather than conflicting market conditions.

The Partners series, which tracks vacancy at 5.0%, also recorded the sharpest quarter-over-quarter decline — down 110 bps from 6.1% in Q4 2025. The Integra Realty Resources series shows a steeper 290 bps drop over the same interval, landing at 3.2%. Both series agree on the directional signal: vacancy tightened meaningfully in Q1 2026. Regardless of which series is used as the baseline, Austin's overall retail vacancy sits well below the national Community Retail average of 10.5% and the South Region average of 10.8%, underscoring the market's relative tightness at the aggregate level.

#### ▼ FORMAT-LEVEL VACANCY: COMMUNITY VS. NEIGHBORHOOD RETAIL

FORMAT	AUSTIN VACANCY	SOUTH REGION	NATIONAL
Community Retail	11.6%	10.8%	10.5%
Neighborhood Retail	8.6%	11.5%	10.9%

Austin's Community Retail vacancy of 11.6% exceeds both the South Region (10.8%) and national (10.5%) benchmarks, while Neighborhood Retail at 8.6% outperforms both — a split that points to format-specific demand dynamics rather than a uniform market condition.

Community retail centers — typically anchored by grocery or big-box tenants — are running above regional and national vacancy norms in Austin, suggesting that anchor tenant transitions or new supply in that format may be creating pockets of elevated availability. Neighborhood retail, by contrast, is performing 230–280 bps tighter than comparable regional and national benchmarks, consistent with strong demand for smaller, convenience-oriented formats in Austin's densifying urban and suburban corridors. This bifurcation is relevant context for interpreting the aggregate vacancy figures: the headline market rate masks meaningfully different conditions by format. As new community-anchored deliveries continue to enter the market — part of the 1,800,000 SF delivered over the past 12 months — the pace of anchor leasing in those centers will determine whether the Community Retail vacancy premium narrows or persists.

#### ▼ SUPPLY VS. ABSORPTION: 12-MONTH DELIVERY OVERHANG

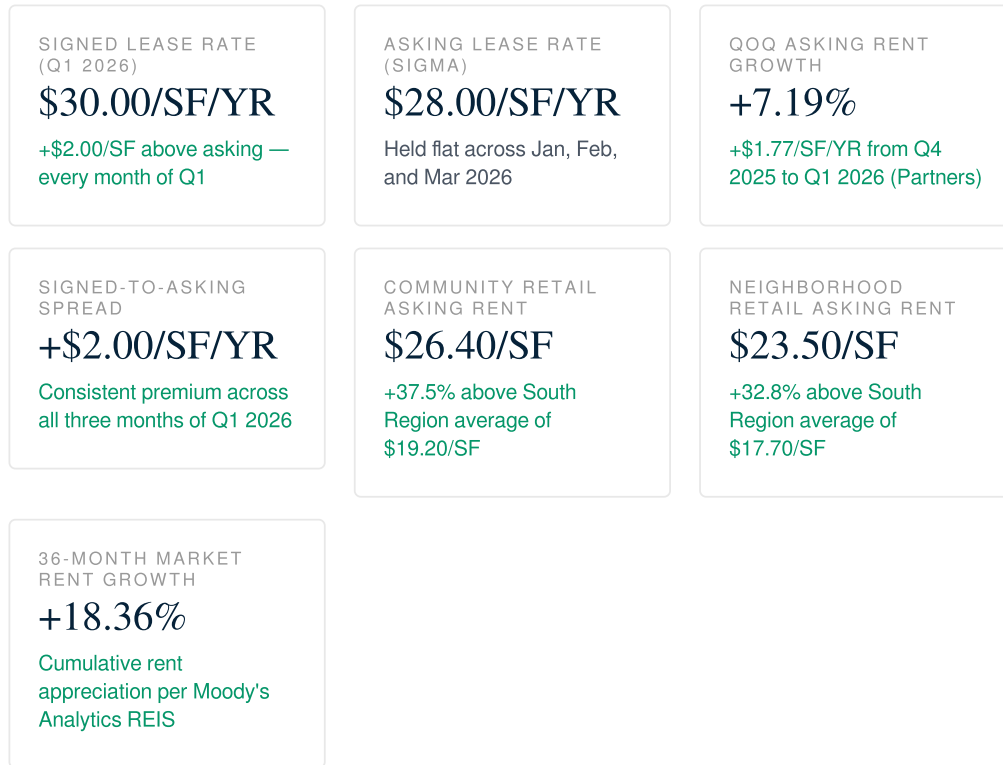
## 12-Month Supply vs. Absorption (SF)



Over the past 12 months, Austin retail deliveries of 1,800,000 SF outpaced net absorption of 1,300,000 SF by 500,000 SF — a supply-demand gap that partially explains the elevated vacancy readings in the Partners data series.

The 500,000 SF delivery surplus over the trailing 12 months is a measured imbalance rather than a structural oversupply condition. The IRR-reported quarterly absorption pace of approximately 400,000 SF, if sustained, would absorb the current gap within roughly one to two quarters. However, the Q3 and Q4 2025 negative absorption readings suggest that pace was not maintained through the back half of 2025, making the Q1 2026 return to positive absorption a necessary but not yet sufficient signal of full demand recovery. The relationship between the delivery pipeline and absorption velocity will be the primary determinant of whether vacancy continues its Q1 2026 tightening trend or stabilizes at current levels.

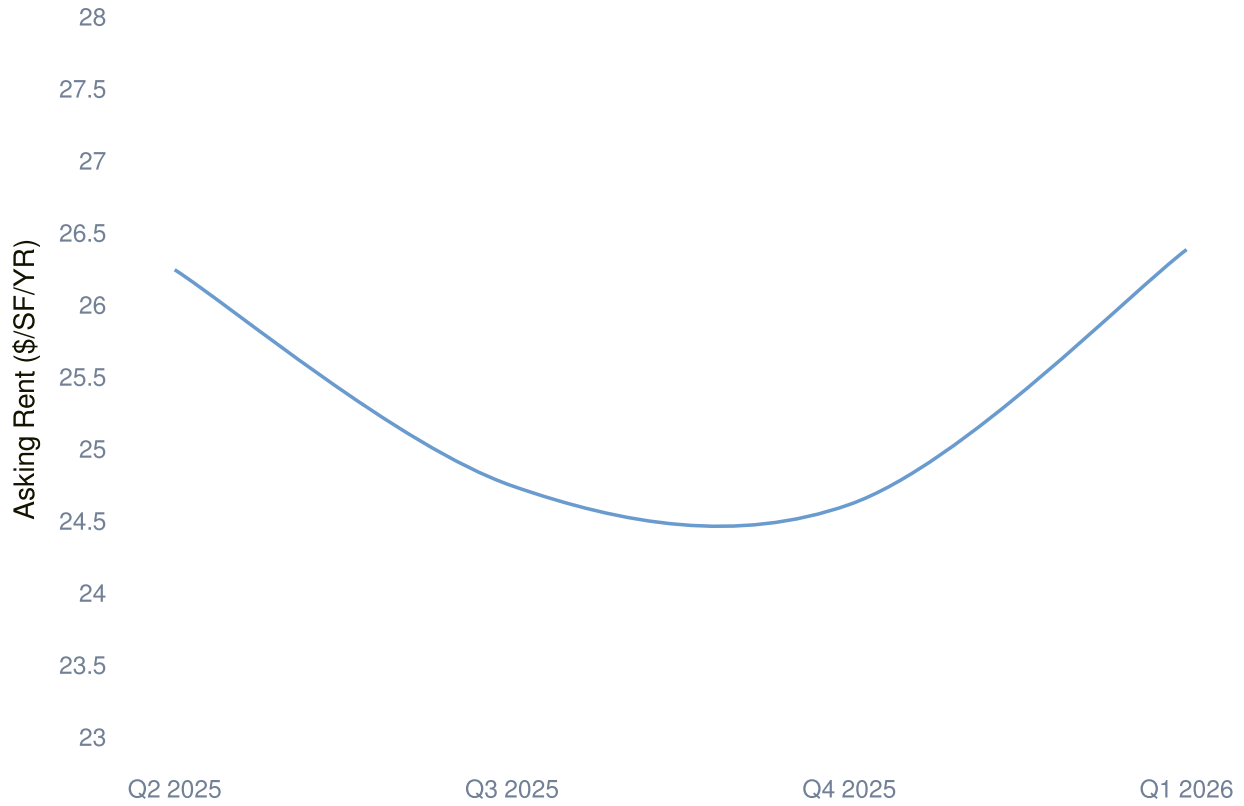
## Signed Leases Clearing Asking Rents — Landlord Pricing Power Confirmed



Signed Leases Consistently Clearing Asking Rents. Sigma leasing data shows executed lease rates of \$30.00/SF/YR against a \$28.00/SF/YR asking rate in every month of Q1 2026 — a \$2.00/SF/YR positive spread that held without variation across January, February, and March.

The persistence of a \$2.00/SF/YR premium between signed and asking rents across all three months of Q1 2026 is a direct signal of tenant competition for available space. In a market where vacancy ranges from 3.2% to 5.0% depending on source, tenants are bidding above list rather than negotiating concessions — a dynamic that validates the pricing assumptions embedded in current cap rate expectations. The 7.19% QoQ asking rent recovery from Q4 2025's trough of \$24.63/SF/YR to \$26.40/SF/YR in Q1 2026 reinforces that the prior-quarter softness was transient rather than structural. Austin retail rents have now appreciated 18.36% over the trailing 36 months per Moody's Analytics REIS, a pace that materially outpaces both South Region and national benchmarks. As vacancy remains constrained, the absence of concession activity in the available data is consistent with a landlord-favorable environment where above-ask execution has become the baseline.

## Austin Retail Asking Rent Trend (\$/SF/YR)



## Austin Retail Rents vs. Regional and National Benchmarks

▼ AUSTIN VS. SOUTH REGION VS. NATIONAL — FORMAT-LEVEL RENT COMPARISON

### Asking Rent by Format & Geography (\$/SF)



Austin Commands a Substantial Premium Over Regional Peers. Community Retail asking rents of \$26.40/SF exceed the South Region average by 37.5% and the national average by 18.9%, while Neighborhood Retail at \$23.50/SF sits 32.8% above the South Region and 16.9% above the national figure.

Austin's format-level rent premiums are not marginal — they reflect a structurally tighter market underpinned by above-average population growth and limited new retail supply. Community Retail at \$26.40/SF and Neighborhood Retail at \$23.50/SF both sit well above South Region and national averages, suggesting Austin landlords are pricing to a demand profile that regional peers cannot replicate. The \$3.00/SF gap between Community and Neighborhood formats within Austin also indicates that anchor-supported centers continue to command a meaningful premium over smaller strip configurations. This spread is consistent with tenant demand patterns favoring grocery- and service-anchored formats in high-growth suburban corridors.

▼ SIGNED-TO-ASKING SPREAD — MONTHLY CONSISTENCY AS A PRICING SIGNAL

MONTH	ASKING RATE (\$/SF/YR)	SIGNED RATE (\$/SF/YR)	SPREAD (\$/SF/YR)
January 2026	\$28.00	\$30.00	+\$2.00
February 2026	\$28.00	\$30.00	+\$2.00
March 2026	\$28.00	\$30.00	+\$2.00

No Concession Activity Detected in Q1 2026 Leasing Data. Across all three months of Q1 2026, signed lease rates exceeded asking rates by exactly \$2.00/SF/YR with no variation — a pattern inconsistent with a market offering free rent, tenant improvement allowances, or other concession-driven discounts.

The uniformity of the \$2.00/SF/YR above-ask spread across January, February, and March 2026 is notable precisely because it shows no deterioration as the quarter progressed. Markets where landlords are under pressure typically show signed rates converging toward or falling below asking rates over time. The absence of that pattern here, combined with sub-5% vacancy across all measured sources, points to a leasing environment where concession packages are not a meaningful factor in deal execution. For investors underwriting income assumptions, the gap between asking and signed rates suggests that in-place asking rents may understate achievable rents on new lease executions.

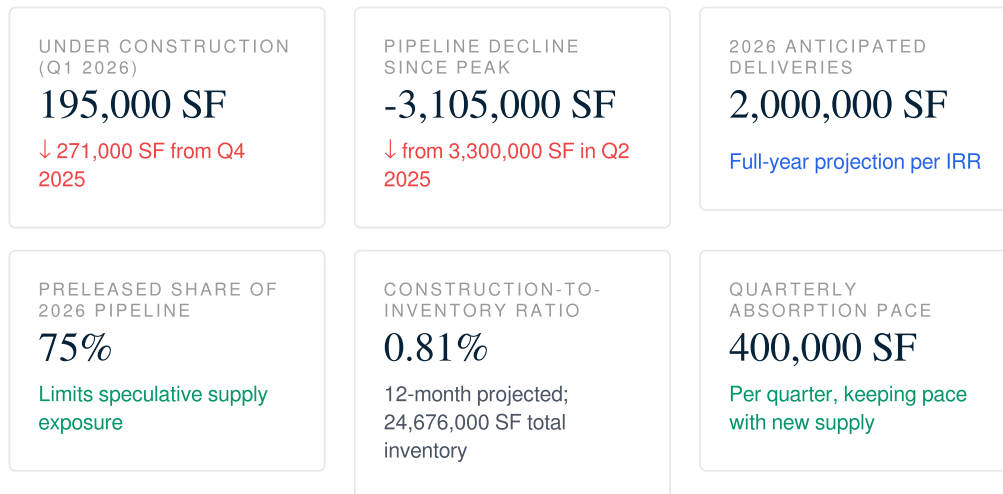
▼ MULTI-SOURCE ASKING RENT RECONCILIATION — Q1 2026

SOURCE	REPORTED ASKING RENT	PERIOD	FORMAT
Sigma	\$28.00/SF/YR	Q1 2026	All Retail
Partners (Infabode)	\$26.40/SF/YR	Q1 2026	All Retail
TenantBase	\$26.57/SF	Q1 2026	All Retail
IRR / Moody's REIS	\$26.40/SF	2026	Community Retail
IRR / Moody's REIS	\$23.50/SF	2026	Neighborhood Retail

Source Variation Reflects Methodology, Not Market Contradiction. The \$1.43–\$1.60/SF/YR gap between Sigma's \$28.00/SF/YR and the Partners/TenantBase cluster near \$26.40–\$26.57/SF likely reflects differences in sample composition, lease type definition, or inclusion of higher-rent formats in the Sigma dataset.

Three independent sources — Partners, TenantBase, and IRR/Moody's REIS — converge tightly between \$26.40/SF and \$26.57/SF for Q1 2026 Austin retail asking rents, providing a high-confidence citywide benchmark. Sigma's \$28.00/SF/YR figure sits above this cluster and may reflect a sample weighted toward newer or higher-quality product. Neither figure contradicts the other; rather, the range illustrates the pricing spread between market segments. The signed rate of \$30.00/SF/YR from Sigma sits above all asking rent benchmarks, further confirming that execution pricing is outpacing listed rates regardless of which asking rent baseline is applied.

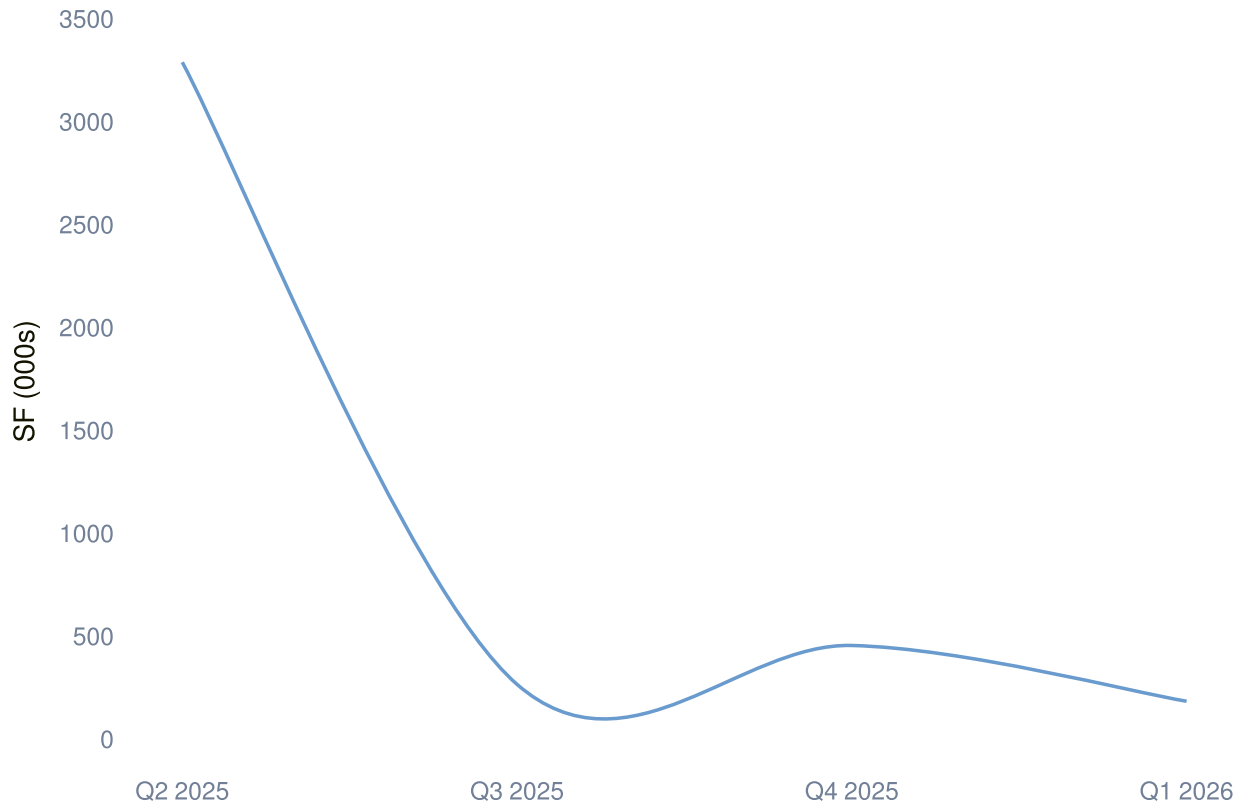
## Pipeline Contraction Shields Market From Oversupply



Austin's Retail Pipeline Has Compressed Sharply. Under-construction square footage tracked by the Infabode trend table fell from 3,300,000 SF in Q2 2025 to 195,000 SF in Q1 2026 — a 94% contraction in active pipeline over three quarters.

The scale of this pipeline compression is significant. What appeared to be a robust construction cycle in mid-2025 has unwound rapidly, with the Q1 2026 figure of 195,000 SF representing a near-floor level relative to Austin's 24,676,000 SF total retail inventory. At a construction-to-inventory ratio of just 0.81%, new supply pressure is minimal by any historical standard. The 75% preleasing rate on the 2,000,000 SF anticipated for full-year 2026 delivery further limits speculative risk — only roughly 500,000 SF of that pipeline reaches the market without committed tenants. With absorption running at approximately 400,000 SF per quarter, the market's demand engine is well-positioned to absorb even the unleashed portion of incoming supply without meaningful vacancy disruption.

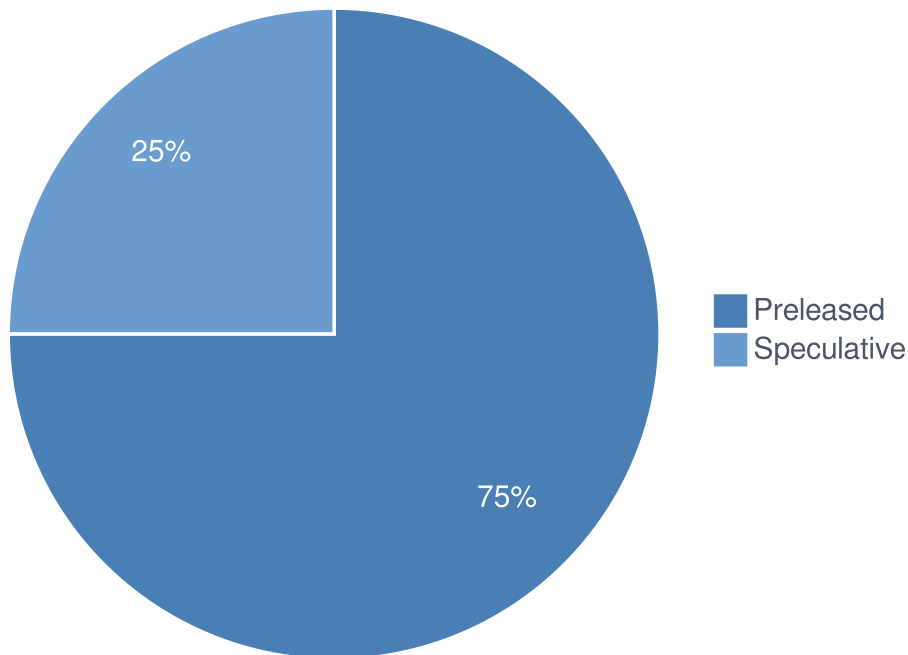
### Under Construction Trend (SF, 000s)



### Pipeline Composition and Supply Risk Assessment

#### ▼ 2026 DELIVERY PIPELINE: PRELEASED VS. SPECULATIVE EXPOSURE

### 2026 Anticipated Deliveries (2,000,000 SF)



Three-Quarters of 2026 Supply Is Already Committed. IRR reports that 75% of the 2,000,000 SF anticipated for 2026 delivery carries preleasing commitments, leaving approximately 500,000 SF of speculative exposure across the full year.

The 75% preleasing rate on 2026 deliveries reflects a disciplined development environment consistent with Austin's broader repricing narrative. Developers are not building ahead of demand — they are responding to it. The roughly 500,000 SF of speculative space, spread across a full calendar year, represents less than 1.5 quarters of absorption at the current 400,000 SF quarterly pace. This supply-demand alignment limits the probability of vacancy spikes driven by new construction, even if leasing momentum were to moderate modestly from current levels.

▼ DATA CONFLICT NOTE: UNDER-CONSTRUCTION FIGURES VARY BY SOURCE

SOURCE	Q1 2026 UNDER CONSTRUCTION	UNIT
Infabode Trend Table	195,000	SF
Transwestern (low)	330,000	SF
Transwestern (high)	3,100,000	SF
Partners	2,800,000	SF

Source Divergence Warrants Caution on Pipeline Precision. Q1 2026 under-construction figures range from 195,000 SF (Infabode trend table) to 3,100,000 SF (Transwestern), a spread that likely reflects differing definitions of "under construction" — active vertical construction versus permitted or planned phases.

The wide variance across sources is most plausibly explained by methodology: the Infabode trend table likely captures only buildings with active vertical construction, while Partners and Transwestern figures may incorporate projects in permitting, site work, or pre-construction phases. The IRR-reported 2,000,000 SF anticipated for 2026 delivery — a forward-looking figure from a credentialed appraisal source — provides the most actionable pipeline benchmark for supply forecasting. Users of this report should treat the 195,000 SF figure as a conservative active-construction floor and the 2,000,000 SF delivery estimate as the relevant full-year supply variable.

▼ TRAILING DELIVERIES VS. ABSORPTION: SUPPLY-DEMAND BALANCE

METRIC	TRAILING 12 MONTHS	UNIT
Deliveries	1,800,000	SF
Net Absorption	1,300,000	SF
Implied Surplus	500,000	SF

Deliveries Outpaced Absorption by 500,000 SF Over the Past 12 Months. IRR's trailing data shows 1,800,000 SF delivered against 1,300,000 SF absorbed — a gap that has contributed to modest vacancy pressure even as the forward pipeline tightens.

The 500,000 SF trailing surplus between deliveries and absorption represents a manageable overhang in the context of a 24,676,000 SF market. At the current quarterly absorption pace of 400,000 SF, this gap could be neutralized within approximately 1.25 quarters assuming stable demand. The forward picture is more favorable: with the active pipeline at or near historic lows and 75% of 2026 deliveries preleased, the structural conditions for a supply-demand rebalance are in place. Whether absorption sustains its current pace will be the key variable determining how quickly the trailing surplus is resolved.

## Cap Rate Compression Confirms Austin Premium Repricing

TOTAL TRANSACTION  
VOLUME

**\$144M**

Q1 2026 — first reported  
volume in trailing four  
quarters

CLOSED SALES

**48 transactions**

25 in January, declining to 7  
in March

CLOSED SALE PRICE  
PER SF

**\$484.89/SF**

vs. \$547.10/SF asking —  
11.5% discount to ask

MARKET CAP RATE

**6.06%**

-140 bps from Q3–Q4 2025  
reading of 7.4%

CAP RATE VS.  
NATIONAL RANGE

**6.0%–6.8%**

vs. U.S. retail range of  
6.5%–7.1% — Austin at or  
below national floor

SALES DAYS ON  
MARKET

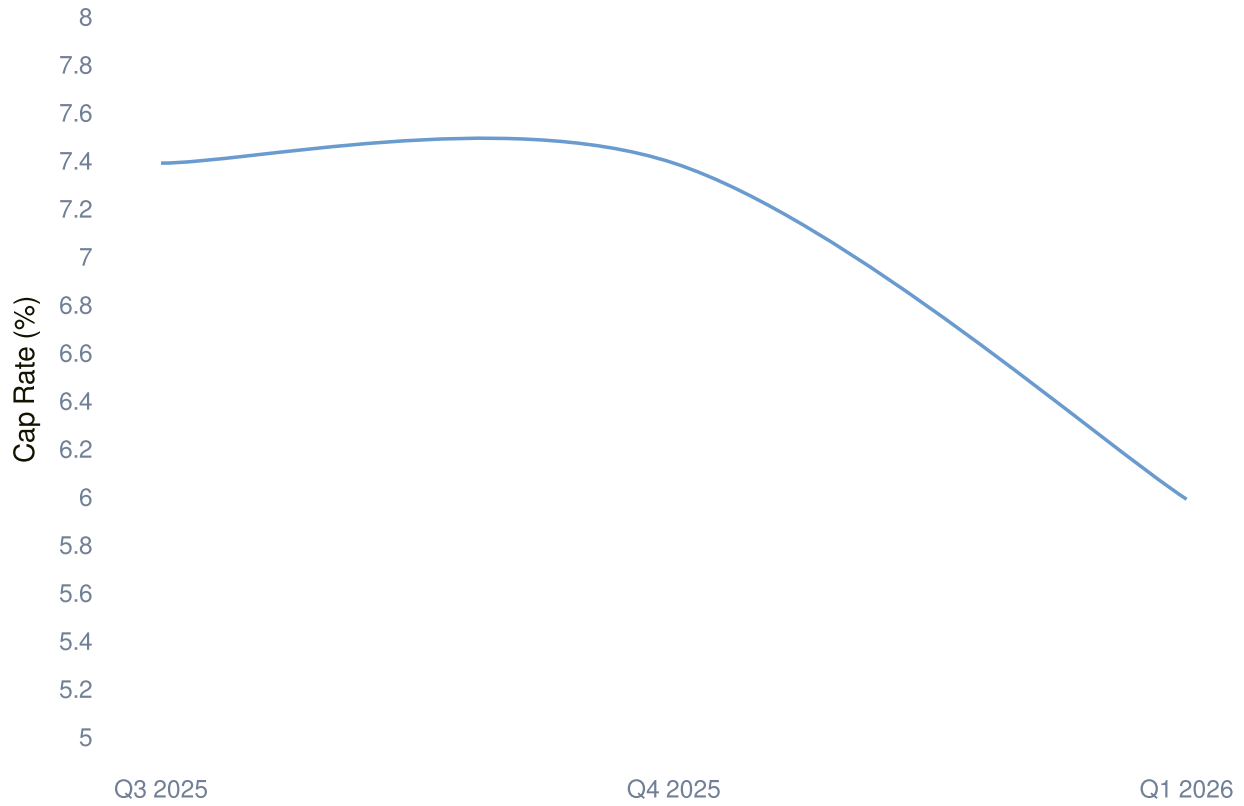
**180 days**

Active listings: 340 vs. 48  
closed — 14% close rate

140 bps Cap Rate Compression in a Single Quarter. Austin retail cap rates fell from 7.4% in both Q3 and Q4 2025 to 6.0% in Q1 2026 — a 140 basis point compression that repositions Austin retail yields at or below the national retail cap rate floor of 6.5%.

The magnitude of this repricing is notable. A 140 bps compression in one quarter reflects a decisive shift in buyer pricing expectations, not a gradual drift. Austin retail assets are now trading at going-in cap rates that Integra Realty Resources confirmed at 6.00% for both community and neighborhood retail formats — aligning closely with Sigma's market cap rate of 6.06% and the Infabode quarterly benchmark of 6.0%. With Colliers reporting the U.S. retail cap rate range at 6.5% to 7.1% in Q1 2026, Austin's compression places it meaningfully inside the national range, a signal that local market fundamentals are commanding a yield premium over the broader U.S. retail investment universe. Whether this repricing is durable will depend on whether transaction velocity — which decelerated sharply from 25 closings in January to just 7 in March — recovers through the balance of 2026.

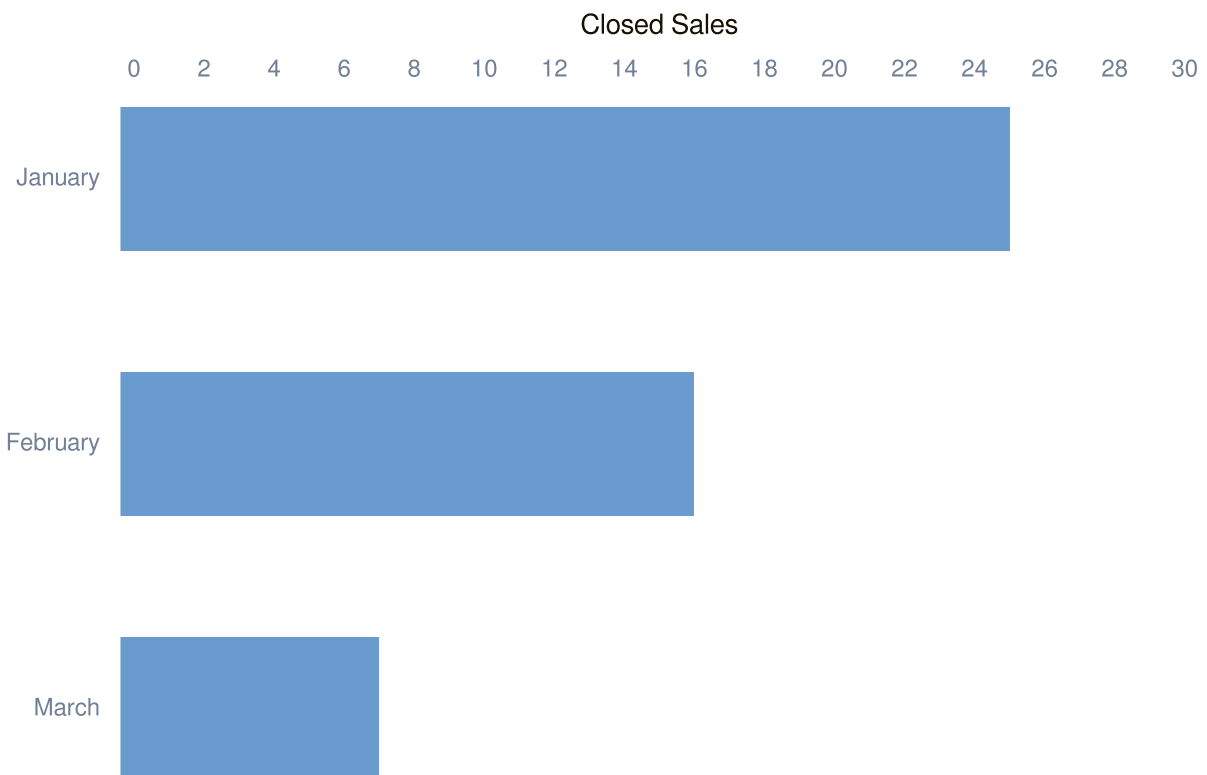
### Austin Retail Cap Rate Trend (%)



### Transaction Velocity and Pricing Dynamics

▼ MONTHLY CLOSING VELOCITY: FRONT-LOADED QUARTER

#### Closed Sales by Month — Q1 2026



Transaction Velocity Decelerated Sharply Within the Quarter. January accounted for 52% of Q1 closings, with March contributing just 15% — a pattern that may reflect buyers front-running the cap rate compression rather than sustained broad-based demand.

The monthly closing data reveals an uneven distribution across Q1 2026. Of the 48 total closed sales, 25 occurred in January, 16 in February, and only 7 in March. Average closed sale prices also declined modestly across the quarter — from \$1,570,569 in January to \$1,514,750 in March — suggesting smaller or lower-priced assets transacted later in the period. The per-SF closed price stabilized between February and March at \$493.81/SF after a lower January reading of \$467.04/SF, indicating that mid-quarter transactions skewed toward higher-quality or larger-format assets. With 340 active sales listings against 48 closings, the market's 14% close rate and 180-day average days on market point to selective buyer conviction rather than broad liquidity.

#### ▼ AUSTIN VS. NATIONAL CAP RATE POSITIONING

BENCHMARK	CAP RATE	PERIOD
Austin Market (Infabode / IRR)	6.00%	Q1 2026
Austin Market (Sigma)	6.06%	Q1 2026
Austin Market (Partners)	6.80%	Q1 2026
U.S. Retail — Low End (Colliers)	6.50%	Q1 2026
U.S. Retail — High End (Colliers)	7.10%	Q1 2026

Austin Retail Yields Trade Inside the National Floor. At 6.0%–6.06%, Austin's market cap rate sits 40–50 bps below the Colliers-reported U.S. retail low end of 6.5%, reflecting a market-specific yield premium that buyers are willing to accept.

The spread between Austin's tightest cap rate readings (6.00%–6.06%) and the Partners-reported figure of 6.8% illustrates the heterogeneity within the local market — likely reflecting asset quality, format, and submarket differences across the 48 closed transactions. The asking cap rate of 6.00% and market cap rate of 6.06% are nearly in equilibrium, producing a cap rate spread of just -0.06%, which signals limited negotiating room between buyer and seller yield expectations. The asking price of \$547.10/SF against a closed price of \$484.89/SF represents an 11.5% discount to ask — a gap that, combined with the 180-day average days on market, suggests buyers are disciplined on pricing even as cap rates compress.

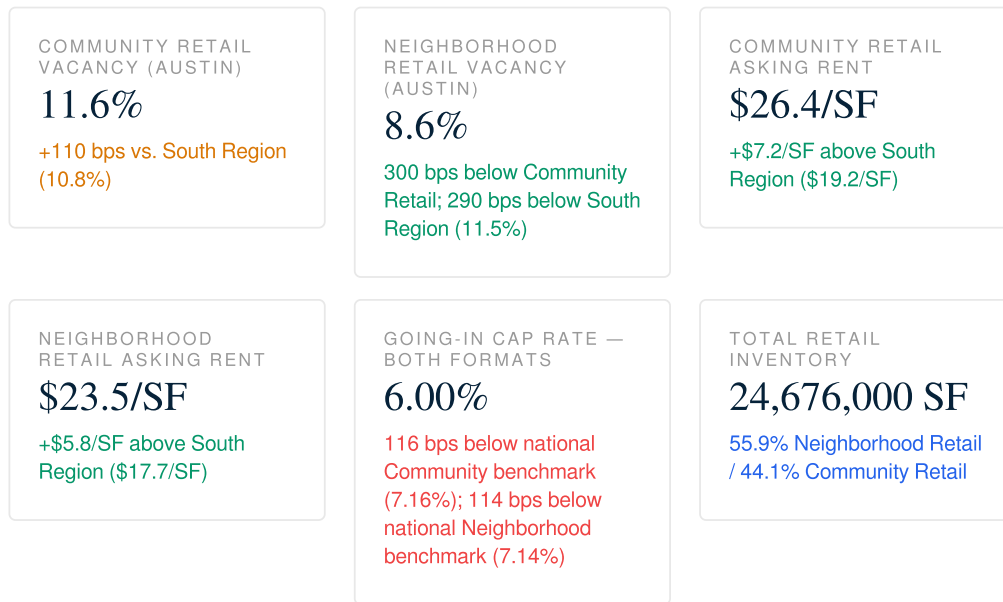
#### ▼ PRICING PER SF: ASK-TO-CLOSE GAP ANALYSIS

METRIC	JANUARY 2026	FEBRUARY 2026	MARCH 2026	Q1 2026 AVG
Asking Price/SF	\$550.91	\$540.14	\$550.26	\$547.10
Closed Price/SF	\$467.04	\$493.81	\$493.81	\$484.89
Ask-to-Close Gap	\$83.87	\$46.33	\$56.45	\$62.21

January Showed the Widest Ask-to-Close Discount at \$83.87/SF. The gap narrowed significantly in February and March, suggesting either seller price adjustments or a shift toward higher-quality assets transacting later in the quarter.

The ask-to-close gap narrowed from \$83.87/SF in January to \$46.33/SF in February before widening slightly to \$56.45/SF in March. The January discount is the most pronounced of the quarter and coincides with the highest transaction count (25 sales), suggesting that early-quarter volume was driven partly by motivated sellers accepting below-ask pricing. As the quarter progressed and volume thinned, the per-SF closed price converged toward ask — consistent with a market where fewer but more competitively priced assets cleared. The overall Q1 ask-to-close gap of \$62.21/SF (11.4%) is a key metric to monitor as the repricing cycle matures and seller expectations adjust to the new cap rate environment.

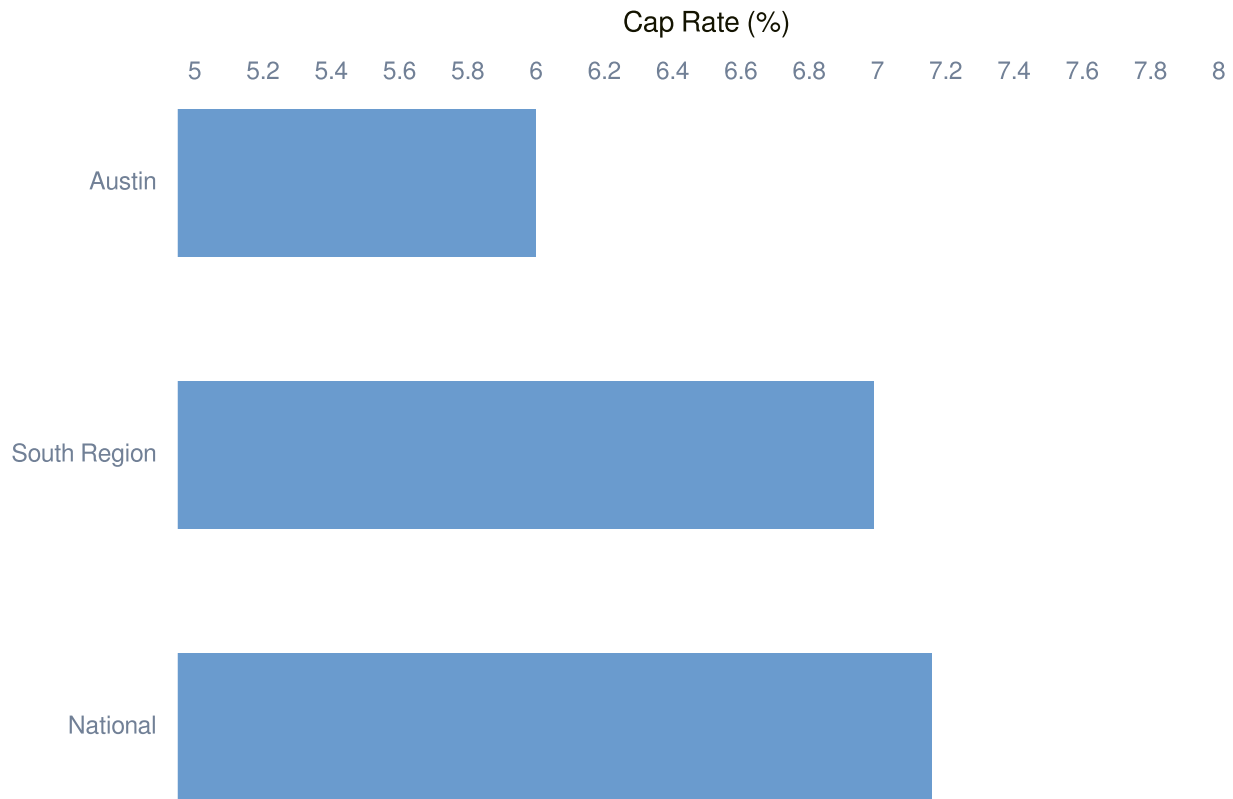
## Austin's Two Retail Formats, One Premium Cap Rate



Austin Retail Cap Rates Price 100+ BPS Below National Benchmarks. Both Community Retail and Neighborhood Retail formats in Austin carried identical going-in cap rates of 6.00% in the 2026 IRR annual report — 116 bps and 114 bps below their respective national averages of 7.16% and 7.14%.

The uniform 6.00% cap rate across both retail formats is a striking signal of how investors are pricing Austin relative to the broader market. At the national level, Community and Neighborhood Retail trade at 7.16% and 7.14% respectively — a spread of more than 100 basis points that implies materially higher asset valuations in Austin. The South Region benchmarks of 6.99% and 6.95% sit closer to national norms, making Austin's compression stand out even within its own geography. This pricing reflects Austin's sustained population growth, above-average household income expansion, and a retail supply pipeline that has not kept pace with demand — conditions that have historically supported tighter cap rate environments. Neighborhood Retail's lower vacancy of 8.6% versus Community Retail's 11.6% suggests the smaller-format segment is absorbing tenant demand more efficiently, even as both formats command rents well above regional peers. Whether the cap rate premium is sustainable will depend on how vacancy trends evolve as new supply enters the market.

## Going-In Cap Rate Comparison (%)



### Format-Level Metrics vs. Regional and National Benchmarks

#### ▼ COMMUNITY RETAIL: HIGHER RENT, HIGHER VACANCY

METRIC	AUSTIN	SOUTH REGION	NATIONAL
Vacancy Rate	11.6%	10.8%	10.5%
Asking Rent	\$26.4/SF	\$19.2/SF	\$22.2/SF
Going-In Cap Rate	6.00%	6.99%	7.16%

Community Retail vacancy in Austin (11.6%) exceeds both the South Region (10.8%) and national average (10.5%), yet asking rents remain \$4.2/SF above the national figure — a divergence that points to a bifurcated tenant demand profile.

Community Retail's vacancy premium over regional and national peers is notable given that its asking rent of \$26.4/SF leads both benchmarks by a wide margin. This combination — above-average vacancy alongside above-average rent — suggests that while well-located, well-anchored community centers command strong pricing, a portion of the format's inventory is experiencing leasing friction, possibly tied to anchor repositioning or space configuration mismatches with current tenant demand. The citywide IRR vacancy benchmark of 3.2% and the Partners Q1 2026 figure of 5.0% are substantially tighter than the 11.6% Community Retail reading, indicating that

format-level vacancy is elevated relative to the broader Austin market. This gap may reflect the methodological difference between format-specific IRR survey data and broader market aggregations.

▼ NEIGHBORHOOD RETAIL: TIGHTER VACANCY, RENT BELOW MARKET AVERAGE

METRIC	AUSTIN	SOUTH REGION	NATIONAL
Vacancy Rate	8.6%	11.5%	10.9%
Asking Rent	\$23.5/SF	\$17.7/SF	\$20.1/SF
Going-In Cap Rate	6.00%	6.95%	7.14%

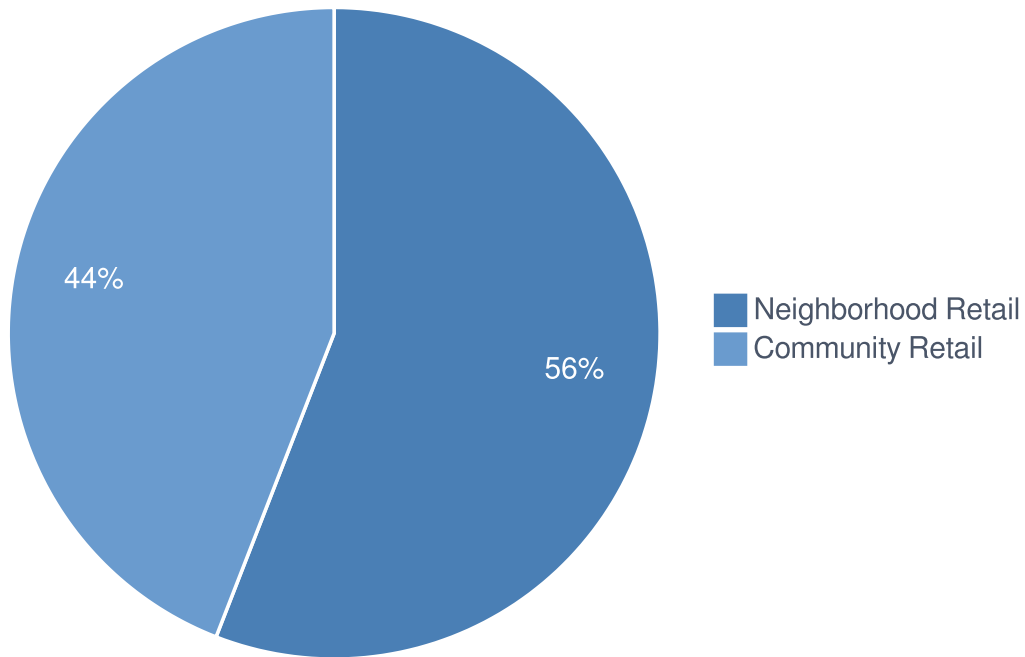
Neighborhood Retail outperforms both regional and national vacancy benchmarks by 290 and 230 basis points respectively, while still commanding a \$3.4/SF rent premium over the national average — the strongest relative vacancy position of the two Austin formats.

Neighborhood Retail's 8.6% vacancy is the tighter of the two Austin format categories and sits meaningfully below both the South Region (11.5%) and national (10.9%) readings. This performance reflects the format's alignment with necessity-based and convenience-oriented tenants — categories that have demonstrated resilience across economic cycles. Asking rent of \$23.5/SF, while below the citywide Partners benchmark of \$26.40/SF and the Sigma rate of \$28.00/SF, still exceeds the South Region by \$5.8/SF and the national average by \$3.4/SF. The rent gap between Neighborhood and Community Retail within Austin is \$2.9/SF, consistent with the format's smaller trade area and lower anchor-tenant draw. The identical 6.00% cap rate across both formats implies the investment market does not currently differentiate pricing between the two on a risk-adjusted basis.

▼ INVENTORY COMPOSITION AND DISTRICT-LEVEL CONTEXT

CATEGORY	SHARE OF INVENTORY
Neighborhood Retail	55.9%
Community Retail	44.1%

## Austin Retail Inventory Mix



Neighborhood Retail comprises the majority of Austin's 24,676,000 SF retail base at 55.9%, while two active Public Improvement Districts — South Congress and East Sixth Street — reflect organized district-level investment in corridor maintenance and activation.

Neighborhood Retail's majority share of Austin's 24.7 million SF inventory base reinforces its structural importance to the market. The South Congress PID's FY 2026 service plan totals \$301,786, with assessments authorized at up to \$0.20 per \$100 of improvement value and a City of Austin contribution of approximately \$3,000 — a modest but institutionalized funding structure supporting one of Austin's most active retail corridors. The East Sixth Street PID's FY 2025/2026 plan totals \$81,856, funded through \$46,662 in PID assessments, a \$35,000 City contribution, and supplemental collections. While these district budgets are relatively small in absolute terms, their existence signals organized stakeholder coordination in corridors where retail activity is concentrated. No submarket-specific vacancy, rent, or absorption data was published for these corridors in the available source set, limiting direct performance comparisons at the corridor level.

## Austin Priced at a Premium — And Investors Are Paying It

MARKET CAP RATE

**6.06%**

vs. 7.4% in Q4 2025 — 134 bps compression

ASKING CAP RATE

**6.00%**

99 bps below South Region (6.99%) and 116 bps below national (7.16%)

Q1 2026 SALES VOLUME

**\$144 Million**

48 closed sales at \$484.89/SF avg

ASKING PRICE/SF

**\$547.10/SF**

\$62.21/SF premium over closed price — 11.4% spread

Q1 2026 MORTGAGE RATE

**6.39%**

Declining — 6.44% Jan → 6.35% Mar

LOAN-TO-VALUE RATIO

**0.75**

Avg loan \$1,554,271 — rising through quarter

DAYS ON MARKET

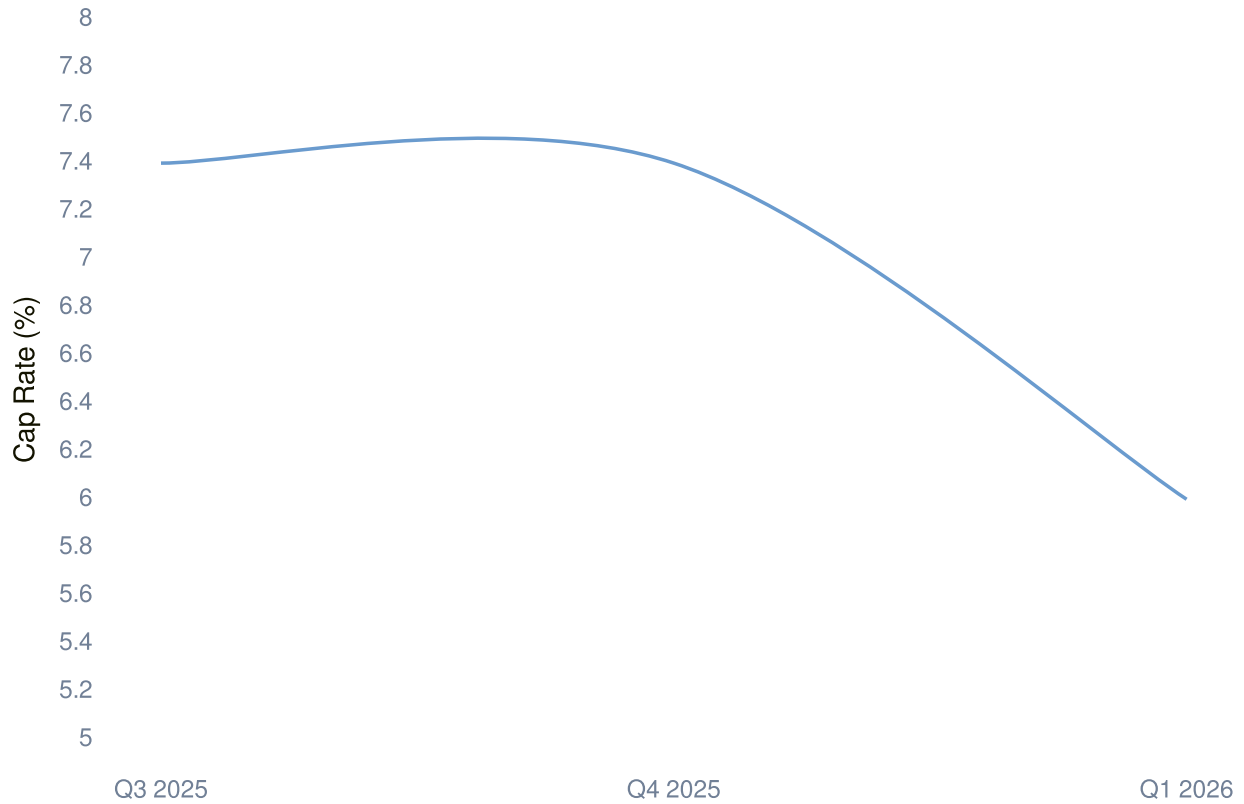
**180 days**

340 listings vs. 48 closed sales

Austin Cap Rates Compress Sharply in Q1 2026. The Infabode quarterly trend series recorded a 140 basis point drop in Austin retail cap rates — from 7.4% in both Q3 and Q4 2025 to 6.0% in Q1 2026 — the steepest single-quarter compression in the available dataset.

This compression positions Austin retail at a measurable premium to both regional and national benchmarks. IRR's 2026 annual report placed Austin's going-in cap rate at 6.00% for both Community and Neighborhood Retail formats — 99 to 116 basis points tighter than South Region peers and 114 to 116 basis points inside the national average. That gap reflects investor conviction in Austin's structural demand drivers: the MSA added 53,796 residents between July 2024 and July 2025, nonfarm employment reached 1,406,700 jobs in March 2026 with 1.1% year-over-year growth, and real personal income expanded 5.4% between 2022 and 2023. IRR characterized Austin retail as a "stable expansion-stage market," and the cap rate data confirms that institutional pricing reflects that designation. The stabilized cap rate range of 6.0% to 6.3% reported by IRR suggests the compression may be approaching a near-term floor.

## Austin Retail Cap Rate Trend (%)



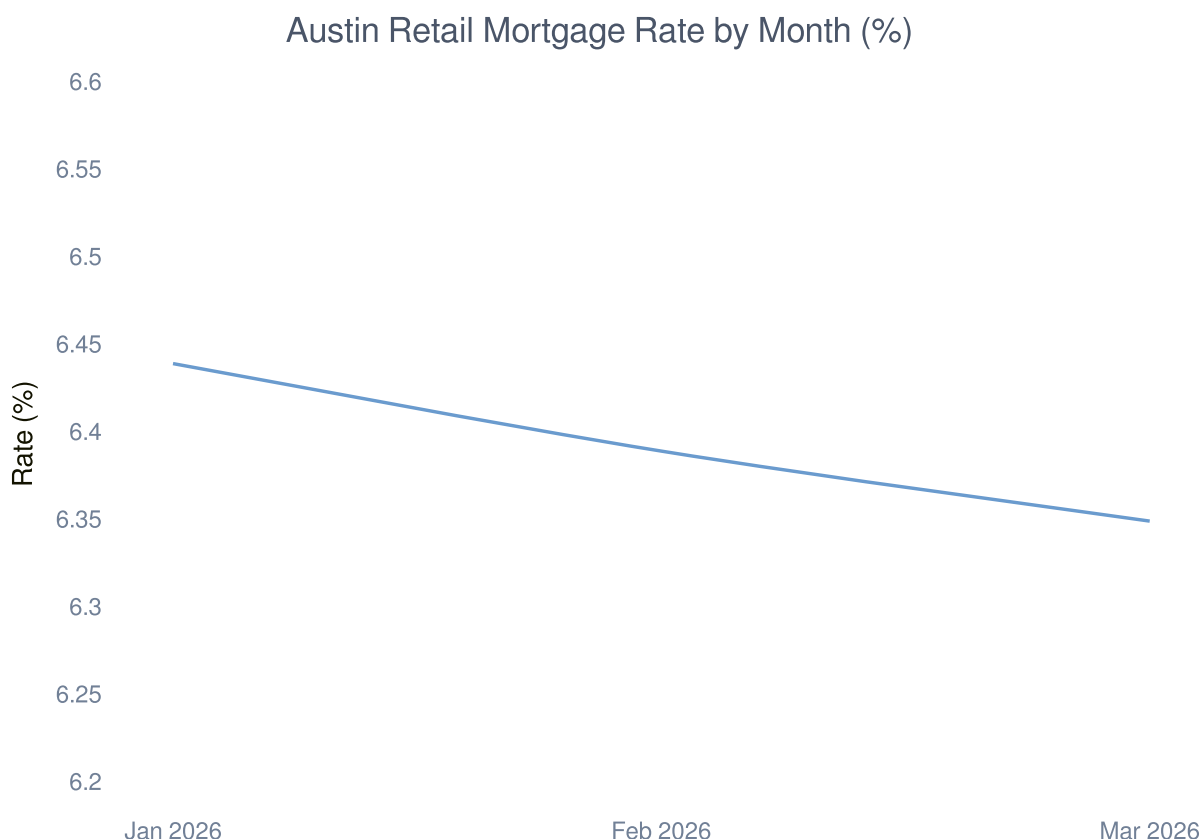
### Cap Rate Benchmarking: Austin vs. Region and Nation

#### ▼ HOW DOES AUSTIN'S PRICING COMPARE TO BROADER MARKETS?

FORMAT	AUSTIN	SOUTH REGION	NATIONAL
Community Retail	6.00%	6.99%	7.16%
Neighborhood Retail	6.00%	6.95%	7.14%

Austin Trades at a Persistent Discount to National Cap Rates. IRR's 2026 data confirms Austin going-in cap rates sit approximately 99–116 bps below South Region averages and 114–116 bps below national benchmarks across both Community and Neighborhood Retail formats.

Austin's cap rate discount to national benchmarks is not a recent anomaly — it reflects the market's sustained positioning as a high-growth Sun Belt destination where investors accept compressed yields in exchange for stronger income growth expectations. The Colliers U.S. retail snapshot reported a national cap rate range of 6.5% to 7.1% in Q1 2026, placing Austin's 6.0% firmly at the aggressive end of the pricing spectrum. The -0.06 percentage point spread between Austin's market cap rate (6.06%) and asking cap rate (6.00%) signals that closed transactions are executing at or near ask — a condition consistent with competitive bidding on well-positioned assets.



Mortgage Rates Declined 9 Basis Points Across Q1 2026. Monthly Sigma financing data shows a steady move from 6.44% in January to 6.35% in March, while average loan amounts simultaneously rose from \$1,527,937 to \$1,571,757 — suggesting borrowers are accessing incrementally more capital as rate conditions ease.

The federal funds rate held at 3.50%–3.75% as of March 18, 2026, providing a stable short-term anchor. With the 10-year spread implied by retail mortgage rates at 6.35%–6.44%, financing costs remain elevated relative to the pre-2022 environment but are trending in a direction that narrows the gap between debt service and cap rate yields. The 0.75 loan-to-value ratio reflects disciplined underwriting rather than aggressive leverage — a condition that supports transaction stability but may constrain deal velocity for buyers relying on higher leverage to meet return thresholds. The rising average loan amount through the quarter, from \$1.53M in January to \$1.57M in March, suggests incremental improvement in deal size or collateral quality among closed transactions.

METRIC	Q1 2026 VALUE
Closed Sales	48
Sales Listings	340
Days on Market	180
Closed Sale Price/SF	\$484.89
Asking Price/SF	\$547.10
Leads per Listing	0.22
LOI Conversion Rate	0.00%

Wide Bid-Ask Spread and Zero LOI Conversion Point to Selective Buyer Discipline. With 340 active listings against only 48 closed sales and a 0.00% LOI conversion rate, the Q1 2026 data reflects a market where sellers are pricing at a \$62.21/SF premium over where transactions are clearing.

The 180-day average days on market and 7:1 listing-to-close ratio indicate that while investor interest exists — leads per listing held steady at 0.22 through the quarter — conviction to transact at asking prices remains limited. The \$62.21/SF gap between asking (\$547.10/SF) and closed (\$484.89/SF) prices represents an 11.4% discount to ask on completed deals, suggesting buyers are successfully negotiating from list price or that the closed pool skews toward lower-priced assets. Total Q1 2026 sales volume of \$144 million across 48 transactions implies an average deal size of approximately \$3.0 million [estimate], consistent with a market dominated by smaller-format, private-buyer transactions rather than large institutional portfolio trades. As mortgage rates continue their modest decline, the bid-ask gap may narrow in subsequent quarters if seller pricing expectations adjust to meet current debt market realities.

## Cap Rate Stability Anchors Premium Repricing Cycle

VACANCY FORECAST  
(NEAR-TERM)

**3.0%–3.5%**

From current 3.2% — range narrows

CAP RATE OUTLOOK  
(NEXT 12 MONTHS)

**6.0%–6.3%**

Austin at 6.00% vs. 7.16% nationally — 116 bps premium

NEIGHBORHOOD  
RETAIL VALUE GROWTH  
(12-MONTH)

**3.0%–3.9%**

Outpaces Community Retail forecast of 2.0%–2.9%

2026 ANTICIPATED  
DELIVERIES

**2,000,000 SF**

75% preleased — limited speculative exposure

MARKET RENT CHANGE  
FORECAST (NEXT 12  
MONTHS)

**2.00%**

36-month cumulative rent growth at 18.36%

QUARTERLY  
ABSORPTION PACE

**400,000 SF**

Years to market balance: 1

MSA POPULATION  
GROWTH (YOY)

**+53,796**

**persons**

2.10% gain to 2,620,945 — July 2024 to July 2025

TEXAS RETAIL TAX  
COLLECTIONS (MARCH  
2026)

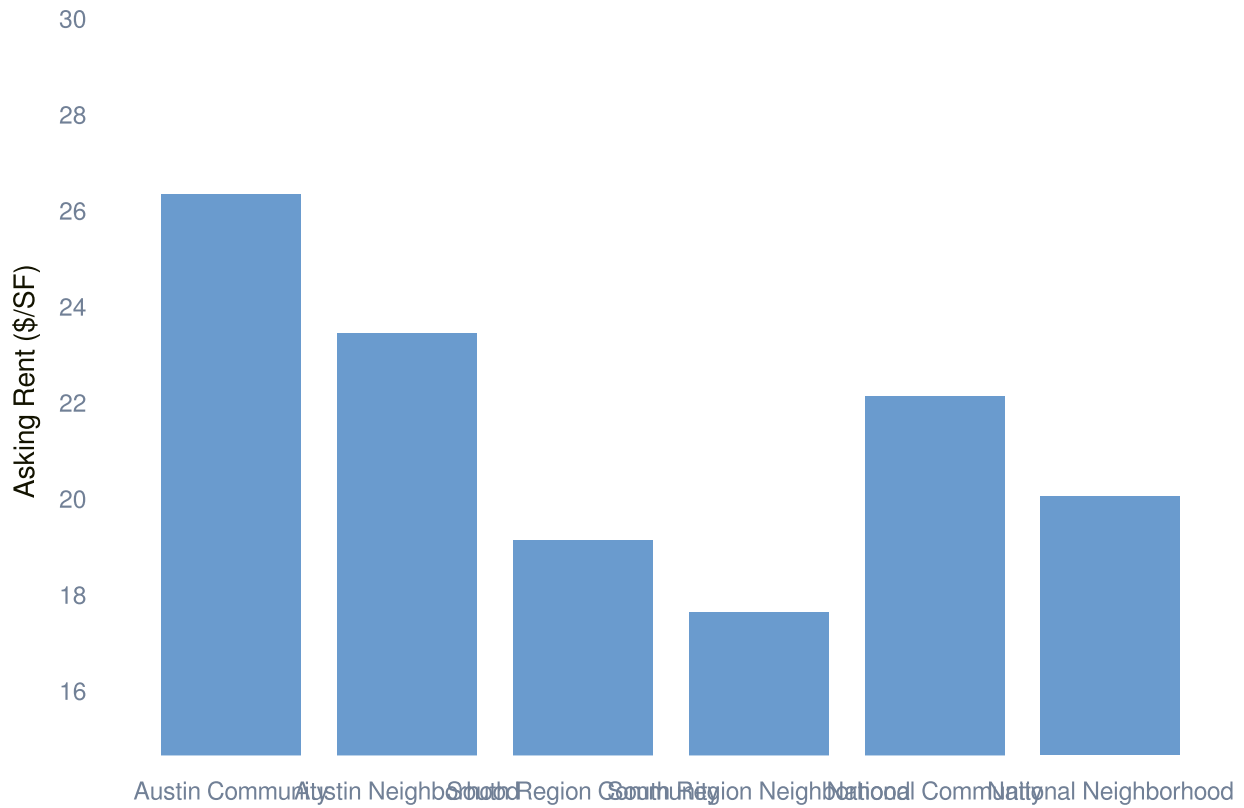
**\$1.58B**

+9.23% YoY — statewide consumer demand intact

Austin Retail Cap Rates Hold at 6.00% Against a National Average of 7.16%, a 116-Basis-Point Compression That Reflects Investor Conviction in the Market's Long-Term Demand Profile. IRR projects cap rates will remain in the 6.0%–6.3% range over the next 12 months, confirming that repricing has stabilized rather than reversed.

Austin's retail cap rate premium over both the South Region (6.99%–6.95%) and national benchmarks (7.16%–7.14%) is not an anomaly — it is the market pricing in a structurally undersupplied, high-income-growth environment. With MSA population expanding by nearly 54,000 residents in a single year, average weekly wages up 5.8% to \$1,741, and mean hourly earnings at \$34.32 versus the U.S. average of \$32.66, the consumer base underpinning Austin retail demand continues to deepen. IRR's 36-month rent growth figure of 18.36% reflects the compounding effect of that demand against constrained supply — and the 12-month forward rent change of 2.00% suggests the pace is moderating, not reversing. With 75% of 2026 deliveries already preleased and absorption running at 400,000 SF per quarter, the market is projected to reach equilibrium within one year, a timeline that supports the current cap rate floor.

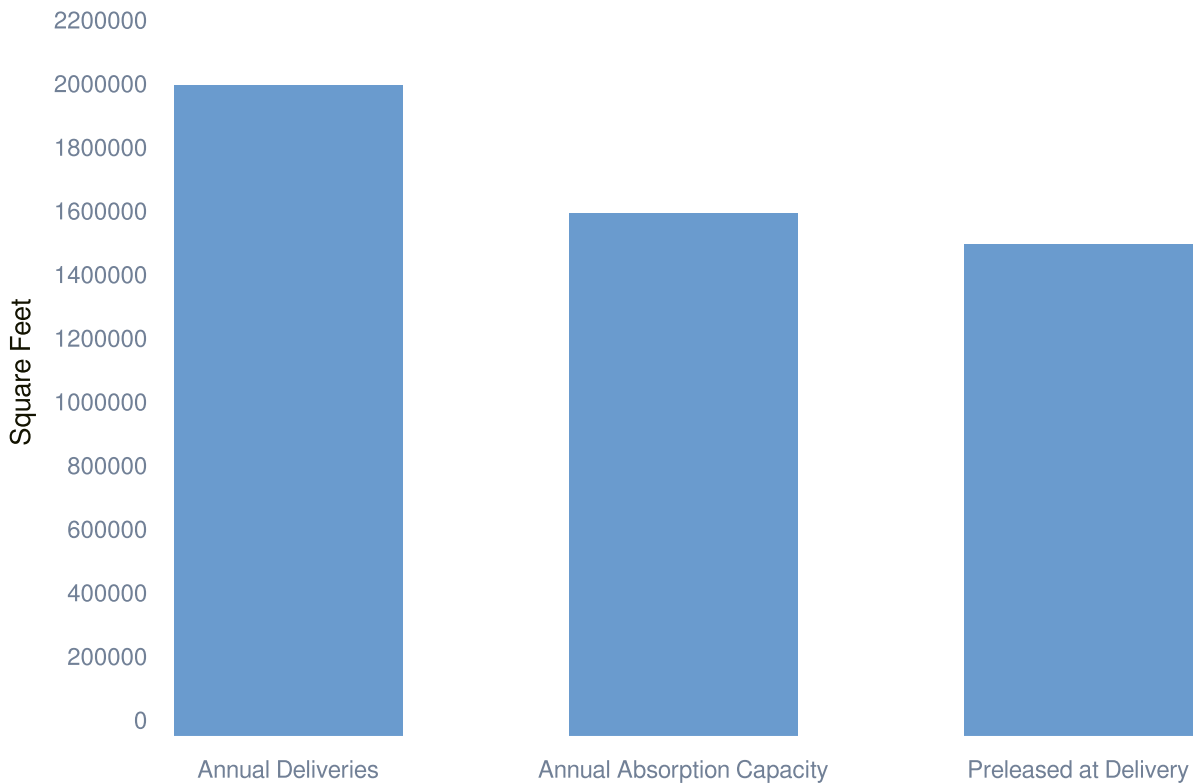
## Austin Retail Asking Rent vs. Benchmarks (\$/SF)



## Austin Retail Outlook: Key Forecast Drivers

### ▼ 12-MONTH SUPPLY & ABSORPTION BALANCE

## 2026 Delivery Pipeline vs. Absorption Capacity (SF)



With 2,000,000 SF anticipated for delivery in 2026 and 75% already preleased, net speculative exposure entering the market is approximately 500,000 SF — well within the 400,000 SF-per-quarter absorption pace.

IRR's projected construction-to-inventory ratio of 0.81% over the next 12 months confirms that new supply remains disciplined relative to the existing base. The combination of a tight preleasing rate and steady absorption pace points to a market that can absorb 2026 deliveries without meaningful vacancy pressure. IRR's near-term vacancy forecast of 3.0%–3.5% — essentially flat to the current 3.2% — reinforces this view. With years-to-balance at 1, the supply-demand equation is expected to resolve quickly, limiting the window for any vacancy-driven rent softening.

#### ▼ CONSUMER DEMAND & ECONOMIC UNDERPINNING

INDICATOR	VALUE	PERIOD	CHANGE
MSA Nonfarm Employment	1,406.7K jobs	March 2026	+1.1% YoY
Unemployment Rate	3.7%	March 2026	+50 bps vs. Feb 2026
Average Weekly Wage	\$1,741	Q3 2025	+5.8% YoY
Texas Retail Tax Collections	\$1.58B	March 2026	+9.23% YoY
U.S. Retail Sales Change	+3.7% YoY	Q1 2026	—
MSA Real Personal Income	\$169,550M	2023	+5.4% vs. 2022

Texas retail tax collections surged 9.23% year-over-year in March 2026 to \$1.58 billion, signaling that statewide consumer spending remains robust even as Austin MSA retail trade gross sales dipped 3.5% year-over-year in Q4 2025 — a divergence that warrants monitoring at the local level.

The March 2026 uptick in Austin's unemployment rate to 3.7% from 3.2% in February, alongside a modest payroll decline of 1,800 jobs from January to February, introduces a near-term caution signal. However, the broader labor picture remains constructive: covered employment grew by 34,763 jobs over 12 months through Q3 2025, and wage growth of 5.8% continues to outpace inflation. The 3.7% unemployment rate remains well below levels historically associated with retail demand contraction. The divergence between the MSA's Q4 2025 retail trade gross sales decline (-3.5%) and the statewide March 2026 tax collection surge (+9.23%) may reflect timing and category mix differences rather than a structural demand shift — but it is a metric to track through mid-2026.

#### ▼ CAP RATE & VALUE GROWTH DIFFERENTIATION BY FORMAT

FORMAT	GOING-IN CAP RATE	12-MONTH VALUE CHANGE	ASKING RENT
Austin Community Retail	6.00%	2.0%–2.9%	\$26.40/SF
Austin Neighborhood Retail	6.00%	3.0%–3.9%	\$23.50/SF
South Region Community	6.99%	—	\$19.20/SF
South Region Neighborhood	6.95%	—	\$17.70/SF
National Community	7.16%	—	\$22.20/SF
National Neighborhood	7.14%	—	\$20.10/SF

Neighborhood Retail in Austin is forecast to outperform Community Retail on value growth over the next 12 months (3.0%–3.9% vs. 2.0%–2.9%), despite both formats carrying identical 6.00% going-in cap rates — suggesting the market is pricing in stronger income growth expectations for smaller-format, convenience-oriented product.

Austin's asking rents for both Community (\$26.40/SF) and Neighborhood (\$23.50/SF) formats already carry a substantial premium over South Region and national peers — 37.5% and 32.8% above South Region equivalents, respectively. With market rent growth forecast at 2.00% over the next 12 months and 18.36% cumulatively over 36 months, the rent gap versus regional and national benchmarks is expected to persist. The 36-month value growth range of 10%–14.9% for both formats, combined with stable cap rates in the 6.0%–6.3% band, frames a market where value appreciation is driven primarily by income growth rather than cap rate compression — a more durable repricing dynamic entering a period of elevated financing costs.

#### ▼ FINANCING CONDITIONS & DEVELOPMENT COST HEADWINDS

METRIC	VALUE	PERIOD
Retail Mortgage Rate	6.39%	Q1 2026
Mortgage Rate Trend	-0.09 pp	Jan–Mar 2026
Federal Funds Rate	3.50%–3.75%	March 18, 2026
Average Loan Amount	\$1,554,271	Q1 2026
Loan-to-Value	0.75	Q1 2026
Water + Wastewater Impact Fee	\$7,700/service unit	Post Oct 2023 plats
PCE Price Index	4.5% annualized	Q1 2026

Retail mortgage rates declined modestly from 6.44% in January 2026 to 6.35% in March 2026, a 9-basis-point improvement that, while directionally positive, leaves financing costs well above the 6.00% going-in cap rate — compressing acquisition spreads and sustaining pressure on deal underwriting.

The negative spread between the current retail mortgage rate (6.39%) and Austin's going-in cap rate (6.00%) represents a structural constraint on leveraged acquisition economics entering mid-2026. With the Fed funds rate held at 3.50%–3.75% and PCE inflation running at 4.5% annualized in Q1 2026, a rapid rate relief scenario appears unlikely in the near term. Development-side cost pressures compound this dynamic: Austin Water impact fees of \$7,700 per service unit on post-October 2023 plats, combined with the April 15, 2026 inclusion of traffic control and right-of-way permit fees in final design invoices, add incremental friction to new project economics. The city's Expedited Site Plan Review pilot — targeting a reduction in permitting timelines from 12–14 months to 6 months for eligible projects — represents a meaningful offset if broadly applied, but its current scope is limited to projects with housing components or public funding.

**Overall Market Sentiment: Cautiously Positive.** Austin retail fundamentals entering the 12–24 month outlook period are supported by population growth, wage expansion, disciplined supply, and a preleased delivery pipeline. The primary risk factors — negative cap rate-to-financing spread, moderating local retail sales, and early-stage employment softness — are real but do not yet represent structural headwinds. The market is expected to reach supply-demand balance within one year, with value growth of 2%–4% across formats and cap rates holding in the 6.0%–6.3% range.

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