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Real Estate Center Online News

January 23, 2009

AUSTIN RETAIL CUSHIONED FOR ECONOMIC BLOW

AUSTIN (*Austin American-Statesman*) – With the highest occupancy rate in the state, Austin's retail market is also the strongest, but its status will not be enough to protect it from the staggering national retail downturn.

Austin's retail market had a 93 percent occupancy rate at the end of 2008, up from 92.5 percent in mid-2008, according to the Weitzman Group, a commercial real estate brokerage.

Occupancy was boosted by continued retailer expansions, new projects with strong anchors and tenants that took over empty space, Weitzman said.

Still, Austin hasn't escaped the fallout from troubled national retailers that are filing for bankruptcy or closing stores, and the outlook is murky for 2010, local brokers say.

"2009 will be a challenging year in retail as we will continue to see bankruptcies nationwide, including in Austin," said Jeff Townsend, a principal with Endeavor Real Estate Group. "We've done a good job of backfilling vacancies, but there's only a handful of national retailers doing deals, and once they make a commitment to the market, additional vacancies have less likelihood of getting filled."

"There will be some continued retail expansion, but compared to the last five years, it will feel like almost nothing," said Rodger Anderson, president of United Commercial Realty-Austin.

There is good news, however. Lance Morris, president of Weitzman's Austin office, said that though the rate is expected to soften, occupancies should be kept stable in the coming year, as no major retail projects will begin.

Townsend said it could be 18 to 24 months before any new retail construction starts in Central Texas.

Courtesy of JB Goodwin