

Friday, January 22, 2010

# Retail in Austin strong, will continue to be

Report indicates that high- and low-end shops will do well

**Austin Business Journal - by [Jacob Dirr](#) ABJ Staff**

Austin's retail sectors have significantly outperformed much of the nation and are projected to continue doing so, according to a national consulting firm.

Since last year, **Pitney Bowes** has been tracking retail data for some of the biggest names in retail, restaurants and real estate. Across all four sectors of retail — value, mid-tier, high-end and drugs — Austin is far outpacing the national average, the firm concluded.

The company is projecting growth in every sector until the end of fiscal 2012, when its forecast levels or drops following a national trend.

**“Austin is a very, very robust market,” said Tom Coats, Pitney Bowes’ manager of client services. “The growth that has occurred there is remarkable.”**

Most interesting, he said, is the forecast for high-end retail in Austin, which is projected to grow almost 20 percent in the next three years. That sector is mitigating its losses much better locally than nationally since the economic collapse — down less than 10 percent, compared with the national average, which dropped more than 15 percent.

The forecast for Austin's economic future is favorable because “retail is a trailer to the economy,” Pitney Bowes statistical consultant Josh Huton said.

In the three other sectors, Pitney Bowes is predicting about a 10 percent boost for mid-tier retail, with value and drug retail gaining about 4 percent.

And it is not the only group indicating sunny skies.

In a separate forecast, Angelos Angelou of Austin-based **Angelou Economics** said retail is likely to grow about 2 percent next year and 4 percent in 2011.

In another retail report released this week, The **Weitzman Group** said retail has remained healthy.

If the projected growth equals that of new stores, Weitzman Group President Lance Morris said new construction would have to absorb it.

However, construction is not a forgone conclusion because the projected growth can result from sales in existing stores, he said.

For example, Austin's retail occupancy rate, 91.5 percent, has only dropped 1.5 percent since 2008, based on a study of 41 million square feet, the Weitzman report said.

Further, the group said Austin's biggest retail lumps came from national chains folding across the country, not from Austin-specific factors.

Austin stands out for the usual reasons: strong government spending, population growth and personal income.

But more than anything, retail is dependent on housing values, sources said.

Home prices in Austin have risen, albeit by less than 1 percent, during the past 12 months, according to the Weitzman report.

Despite the projected growth, Angelou said it has not been all sunshine in Austin.

Sales tax receipts in the Austin area dropped 9.3 percent during 2009, while the state average decrease was only about 5 percent, he said.

Last year, the total retail market in Austin declined \$2 billion, and were it not for people moving to Austin, which experienced the highest population growth in the state, it would have been worse, Angelou said.

**Courtesy of JB Goodwin**