



U.S. Retail Construction Activity Pulls Back in First Quarter

April 7, 2026

ARLINGTON, Va.--(BUSINESS WIRE)--Apr. 7, 2026-- U.S. retail construction activity was down in the first quarter of 2026, according to data from [CoStar](#), the leading global provider of online real estate marketplaces, information and analytics in the property markets.

This press release features multimedia. View the full release here: <https://www.businesswire.com/news/home/20260407589231/en/>



In Q1 2026, roughly 64.2 million square feet of retail space was under construction in the U.S., down from approximately 70 million square feet a year earlier and well below the 10-year average, which consistently exceeded 90 million square

Retail construction activity near multi-decade lows

feet during the last expansion cycle.

Construction volumes now sit near levels last seen in the early stages of the post-pandemic recovery, underscoring the degree to which supply growth has disconnected from demand fundamentals.

"The pullback in construction reflects a development environment that remains difficult to pencil in most markets," said Brandon Svec, national director of retail analytics at CoStar Group. "The sharp rise in land prices, construction costs, and interest rates over the past several years has pushed required rents well above prevailing market levels for many retail formats. Even in markets with strong population growth and leasing demand, achieving returns that justify ground up construction has become increasingly challenging."

"Beyond cost pressures, developers remain cautious following years of heightened supply risk awareness, while retailers continue to favor measured, capital disciplined expansion strategies," said Svec. "Competition for sites from higher density residential, industrial, and mixed-use projects further constrains retail development opportunities, particularly in infill locations. At the same time, ongoing competition with ecommerce for consumer spending, especially within soft goods categories, has reinforced a preference for smaller footprints and selective growth rather than broad-based expansion."

Among markets, Dallas, Houston and Austin lead the way in construction activity. In the aforementioned Texas markets and several high-growth southern metros, a significant share of space under construction is already pre-leased, reflecting strong tenant demand for well-located, modern product.

In contrast, several markets outside the South show higher levels of unleased space, signaling more cautious tenant commitments or projects that are further along in the delivery timeline.

For more information about the company and its products and services, please visit [costargroup.com](https://www.costargroup.com).

About CoStar Group

CoStar Group (NASDAQ: CSGP) is a global leader in commercial real estate information, analytics, online marketplaces, and 3D digital twin technology. Founded in 1986, CoStar Group is dedicated to digitizing the world's real estate, empowering all people to discover properties, insights, and connections that improve their businesses and lives.

CoStar Group's major brands include CoStar, a leading global provider of commercial real estate data, analytics, and news; LoopNet, the most trafficked commercial real estate marketplace; Apartments.com, the leading platform for apartment rentals; Homes.com, the fastest-growing residential real estate marketplace; and Domain, one of Australia's leading property marketplaces. CoStar Group's industry-leading brands also include Matterport, a leading spatial data company whose platform turns buildings into data to make every space more valuable and accessible; STR, a global leader in hospitality data and benchmarking; Ten-X, an online platform for commercial real estate auctions and negotiated bids; and OnTheMarket, a leading residential property portal in the United Kingdom.

CoStar Group's websites attracted over 139 million average monthly unique visitors in the fourth quarter of 2025, serving clients around the world. Headquartered in Arlington, Virginia, CoStar Group is committed to transforming the real estate industry through innovative technology and comprehensive market intelligence. From time to time, we plan to utilize our corporate website as a channel of distribution for material company information. For more information, visit [CoStarGroup.com](https://www.CoStarGroup.com).

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