U.S. retail construction activity declined in the third quarter of 2026

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ARLINGTON, Va.--(BUSINESS WIRE)--Oct. 21, 2026-- U.S. retail construction activity pulled back in the third 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/20261021543667/en/

Retail construction pipeline pulls back in the third quarter.

In Q3 2026, roughly 58.3 million square feet of retail space was under construction in the U.S., down from 60.6 million square feet in Q2 and 63.3 million square feet in Q1. Despite being unchanged from a year prior, the metric remains roughly 4% below its prior 10-year average of 60.7 million square feet.

New construction starts fell to their lowest quarterly total since at least 2016. Developers broke ground on about 7.7 million square feet of retail space during Q3, down from 10.7 million square feet in Q2.

“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. "Elevated land prices, construction costs and borrowing costs have pushed required rents well above prevailing market levels for many retail formats, and flat asking rents during the quarter did little to close that gap. Third-quarter construction data supports our current view that retail supply growth will remain limited for the foreseeable future. Based on current conditions, with starts at their lowest level in at least a decade and financing costs moving higher, we expect the pipeline is likely to shrink further before any meaningful recovery takes hold.”

New retail construction remains heavily concentrated within a limited number of markets. Texas continues to lead, with Dallas-Fort Worth, Houston and Austin collectively accounting for about 15.5 million square feet under construction, which is nearly 27% of the national pipeline.

The 15 largest pipelines account for roughly 56% of all space under construction, highlighting how limited development remains outside of markets where population growth and tenant expansion plans can still support new projects.

The full analysis can be found here.

For more information about the company and its products and services, please visit 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; Zonda, a leading provider of data, analytics, software, and marketplace solutions for the residential construction industry; 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 118 million average monthly unique visitors in the second quarter of 2026, 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.

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