

Dallas-Fort Worth Retail | Q4 2022

Quarterly Market Report

January 2023

Dallas-Fort Worth retail market outlook remains positive, thanks to economic and demographic tailwinds.

Executive Summary

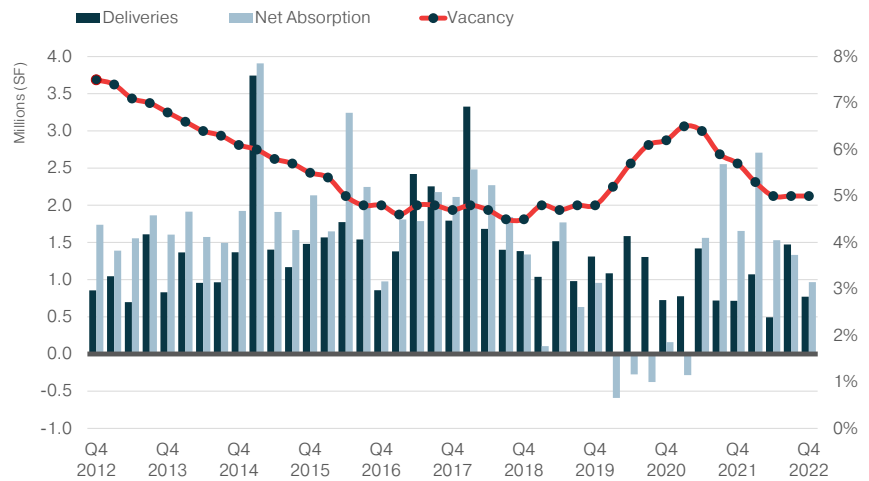
Increasing demand over the past two years

Overall vacancy in Dallas-Fort Worth's retail market is at 5.0%, dropping 70 basis points from last year's 5.7%. 8.7 million sq. ft. of leasing activity was recorded in 2022, down 11% from the amount recorded in 2021, while net absorption (move-ins minus move-outs) is at 6.5 million sq. ft., up 19% from 2021. Leasing activity was driven by retailers backfilling available existing space. Meanwhile, big-box retailers and national grocers are still actively expanding in areas with strong demographics.

Dallas-Fort Worth's economy expanded in November

The DFW unemployment rate dipped to 3.4% in November, remaining below the Texas and U.S. jobless rates of 4.0% and 3.6%, respectively. The metro-area labor force rose an annualized 3.4% in November—its 11th consecutive increase. DFW employment grew an annualized 5.3% in the three months ending in November. Payrolls rose 6.7% in Dallas, 1.8% in Fort Worth and 3.9% statewide. DFW payroll gains were widespread over the three-month period, with growth led by construction and mining, followed closely by the leisure and hospitality and professional and business services sectors. Employment in information services and government declined. DFW average hourly earnings dipped to \$33.50 in November but were up 1.9% over the 12-month period.

Supply & Demand



Source: CoStar, Partners Research

Key Market Indicators

	CURRENT Q4 2022	PRIOR QUARTER Q3 2022	PRIOR YEAR Q4 2021
Vacancy Total (%)	5.0	5.0	5.7
Net Absorption (SF)	966,145	1,332,620	1,655,398
Leasing Activity (SF)	1,938,340	1,967,565	2,258,173
Deliveries (SF)	770,823	1,472,940	715,378
Construction (SF)	3,654,874	3,503,791	3,835,706
Inventory (SF)	408,685,050	407,914,227	404,878,273
Avg Asking NNN Rent (\$)	18.45	18.15	17.66

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Market Overview

Strong demand continues into 2023

Confident, retailers are committing to more space, driving net absorption. The metro has regained its pre-pandemic levels for net absorption, and vacancy rates are trending at 5%. Meanwhile, 3.8 million sq. ft. of new space hit the market in 2022, putting the DFW among the top markets for deliveries. Most new space is concentrated in fast-growing suburban areas and is tied directly with robust demographic and economic anchors found in Collin and Denton counties. The good news is developers have not over-extended themselves with new projects as they have during previous building cycles, further insulating vacancy rates for an uncertain future. No asset class has realized more changes in recent years than retail. From technological disruption to consumer preferences, the space devoted to purchasing goods and services continues to evolve. Dallas-Fort Worth has strengthened itself as a retail destination with its abundance of shopping, dining, and entertainment options.

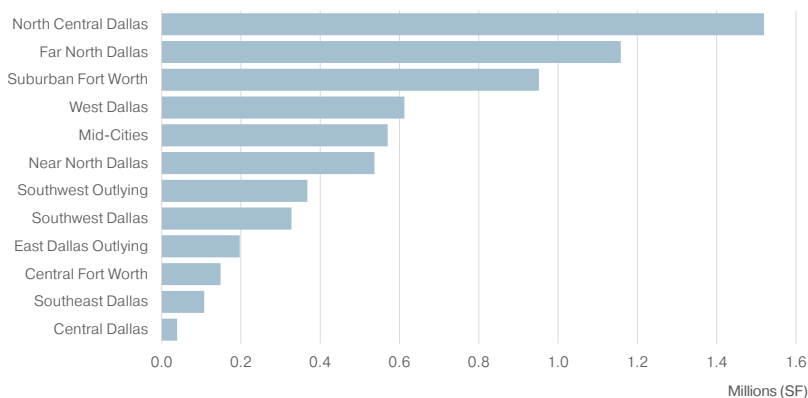
Investment sales trends

The monthly cumulative sales value for 2022 in the Dallas-Fort Worth retail market was \$2.9 billion, down 15% compared to last year at \$3.5 billion, according to Real Capital Analytics data reports. The primary capital composition for buyers in 2022 comprised 71% private investors, 19% REIT/ listed, and 9% institutional investors. For sellers, the majority were 49% private investors, 37% institutional, and 11% user/other investors. Among noteworthy transactions in 2022 include IvenTrust Realty Corp. purchasing The Highlands of Flower Mound as part of a four-asset portfolio deal valued at \$38 million. The 147,500-sq. ft. shopping center was developed in 2003 with Bed Bath & Beyond and Macy's Backstage as the largest tenants.

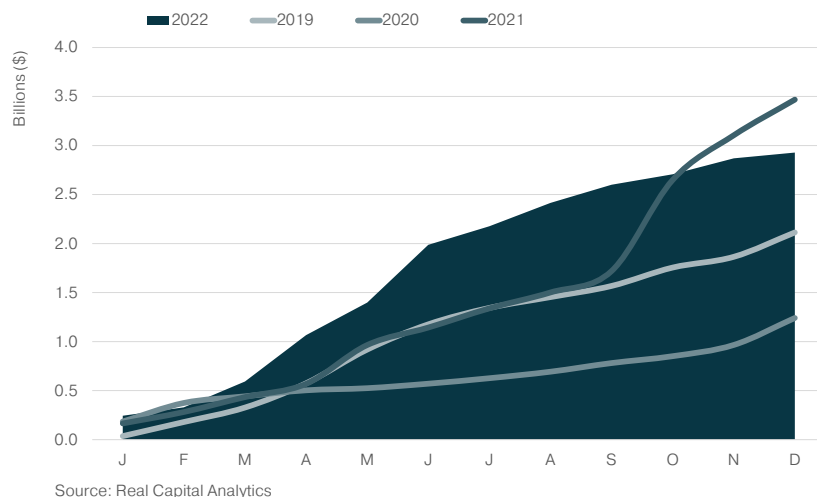
Average retail NNN asking rents higher

Positive trends in leasing and absorption have driven average retail asking rents higher. As a result, the Dallas-Fort Worth retail overall triple-net average rates are at \$18.45 per sq. ft., an increase of 4.5% from \$17.66 a year ago. The North Central Dallas submarket has the highest rent of all submarkets in the Dallas-Fort Worth metro at \$24.39 per sq. ft. with a vacancy rate of 5.8%, followed by the East Dallas outlying submarket at \$21.41 per sq. ft. with a tight vacancy rate of 2.9%. The asking rate is officially quoted for any given building and will differ from the 'bottom line' actual rental after negotiations, known as the effective rate..

Net Absorption Year-To-Date

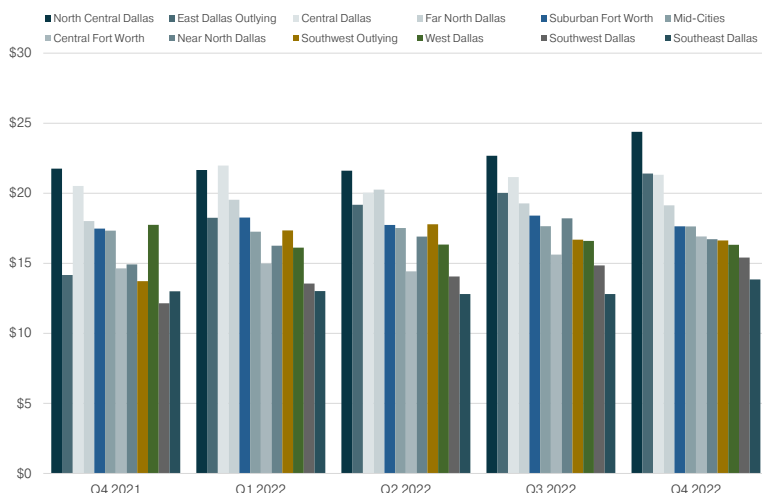


Cumulative Monthly Sales Volume



Source: Real Capital Analytics

Overall NNN Asking Rent (\$/PSF)



Market Overview

Submarket Stats

Submarket	Net Rentable Area (SF)	Vacancy (%)	Q4 2022 Total Net Absorption (SF)	YTD Total Net Absorption (SF)	Q4 2022 Leasing Activity (SF)	Q4 2022 Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Total Avg Asking Rent NNN (\$/PSF)
DFW Total	408,673,700	5.0	966,145	6,536,593	1,938,340	770,823	3,806,777	3,654,874	18.45

Submarket	Net Rentable Area (SF)	Vacancy (%)	Q3 2022 Total Net Absorption (SF)	YTD Total Net Absorption (SF)	Q3 2022 Leasing Activity (SF)	Q3 2022 Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Total Avg Asking Rent NNN (\$/PSF)
Central Dallas	18,358,915	3.2	41,118	39,187	19,066	45,000	62,500	32,900	21.32
Central Fort Worth	31,735,140	5.9	-9,985	148,690	132,480	5,858	16,478	104,117	16.92
East Dallas Outlying	8,467,851	2.9	109,027	196,830	78,372	85,903	184,050	315,684	18.76
Far North Dallas	73,014,462	5.3	-112,376	1,158,184	361,704	139,777	1,207,569	1,058,549	19.14
Mid-Cities	67,318,924	6.3	360,762	570,180	377,174	54,136	245,860	136,721	17.63
Near North Dallas	24,763,297	4.0	16,667	537,042	101,388	11,845	102,084	5,000	16.72
North Central Dallas	45,793,667	5.8	264,843	1,519,468	238,211	265,943	1,075,623	1,208,787	24.39
Southeast Dallas	18,558,792	4.8	148,402	107,441	37,923	32,535	204,303	106,232	13.85
Southwest Dallas	23,387,357	4.6	19,018	327,532	111,830	10,000	23,765	111,220	15.41

Information and data within this report were obtained from sources deemed to be reliable. No warranty or representation is made to guarantee its accuracy.

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