

Dallas-Fort Worth Retail

Q4 2023

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Quarterly Market Report

Average asking rent reaches record-high in DFW Retail market

Executive Summary

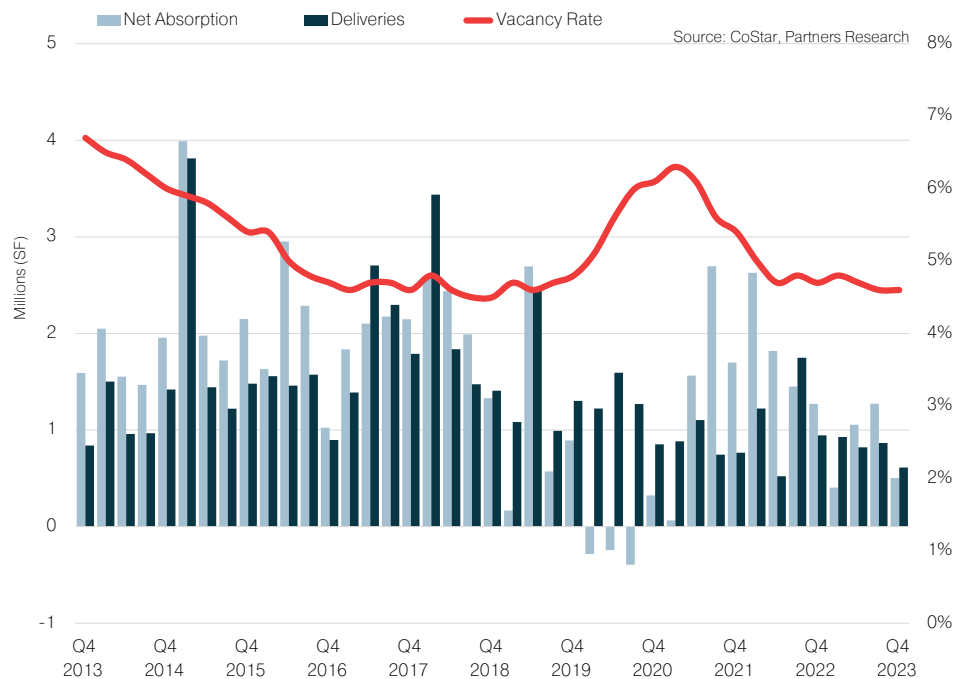
Q4 in Review

By the end of Q4 2023, the overall vacancy rate in the Dallas-Fort Worth (DFW) retail market decreased 10 basis points year-over-year, from 4.7% to 4.6%. Net absorption decreased 60% year-over-year from 1.2 million sq. ft. to 503,219 sq. ft.—sustaining positive absorption for 13 straight quarters. Despite the decrease, market fundamentals remain balanced—year-to-date net absorption outpaced year-to-date deliveries by a slim margin (10,474 sq. ft.). The Mid-Cities submarket led positive annual absorption at 908,907 sq. ft. (28%). Notable Q4 move-ins within the Mid-Cities submarket include Texas Thrift, occupying 27,941 sq. ft. of retail space at 6246 Rufe Snow Road, and Planet Fitness, filling 23,400 sq. ft. of retail space at 1551 Highway 287 North. Retail construction is at 4.9 million sq. ft., up 21% year-over-year from 4.0 million sq. ft. Lastly, the DFW retail overall availability rate continues to trend at all-time lows—5.3% at year-end—which has increased the overall asking rent to \$20.05 per sq. ft.—a record high for the metro's retail sector.

DFW Economic Update

The DFW unemployment rate decreased to 3.8% in October, moderately down from 3.9% in September 2023, according to the latest release by Dallas-Fort Worth Economic Indicators. The metro's jobless rate lagged the state and national rates at 4.1% and 3.9%, respectively. As of October 2023, total employment in DFW was 4.3 million. DFW's average private hourly earnings increased to \$34.40 in October, slightly up from \$34.24 in September. In the past year, average wages in DFW increased by 2.5%—slower annual wage growth than the state (5.2%) and the nation (4.1%). In addition, the Core CPI fell to 4.0% in October, down slightly from 4.1% in September.

Supply & Demand



Key Market Indicators

	CURRENT Q4 2023	PRIOR QUARTER Q3 2023		PRIOR YEAR Q4 2022	
Vacant Total	4.6%	4.6%	▬	4.7%	↓
Vacant Direct	4.6%	4.6%	▬	4.6%	▬
Available Total	5.3%	5.3%	▬	5.4%	↓
Available Direct	5.2%	5.3%	↓	5.3%	↓
Net Absorption (SF)	503,219	1,271,481	↓	1,269,830	↓
Leasing Activity (SF)	1,810,152	2,196,849	↓	2,744,597	↓
Construction (SF)	4,918,084	5,054,591	↑	4,078,955	↓
Deliveries (SF)	610,722	865,013	↓	945,000	↓
Avg Asking Rent (NNN)	\$20.05	\$19.72	↑	\$18.31	↑
Inventory (SF)	419,755,586	419,144,864	↑	416,531,864	↑

Market Overview

13 Quarters of Positive Absorption

Net absorption—move-ins minus move-outs—is at 503,219 sq. ft., down 60% from the prior year's 1.2 million sq. ft. Year-to-date, net absorption is at 3.2 million sq. ft., down from the prior year-to-date tally of 7.1 million sq. ft. Despite the decrease, net absorption has remained positive in DFW's retail market for over 3 years—13 straight quarters—since Q3 2020 (-395,056 sq. ft.). The Mid-Cities submarket led positive absorption for the year at 908,907 sq. ft. (28%). Notable Q4 move-ins within the Mid-Cities submarket include Texas Thrift occupying 27,941 sq. ft. of retail space at 6246 Rufe Snow Road, and Planet Fitness filling 23,400 sq. ft. of retail space at 1551 Highway 287 North. On the other hand, Kroger moved out of 655 Wynnewood Village Shopping Center (-51,000 sq. ft.), and Spirit Halloween vacated 3333 Preston Road (-38,000 sq. ft.) also in Q4. Tenants spanning diverse retail segments are drawn to DFW's healthy and expanding consumer base, supporting positive sentiment despite the near-term softening.

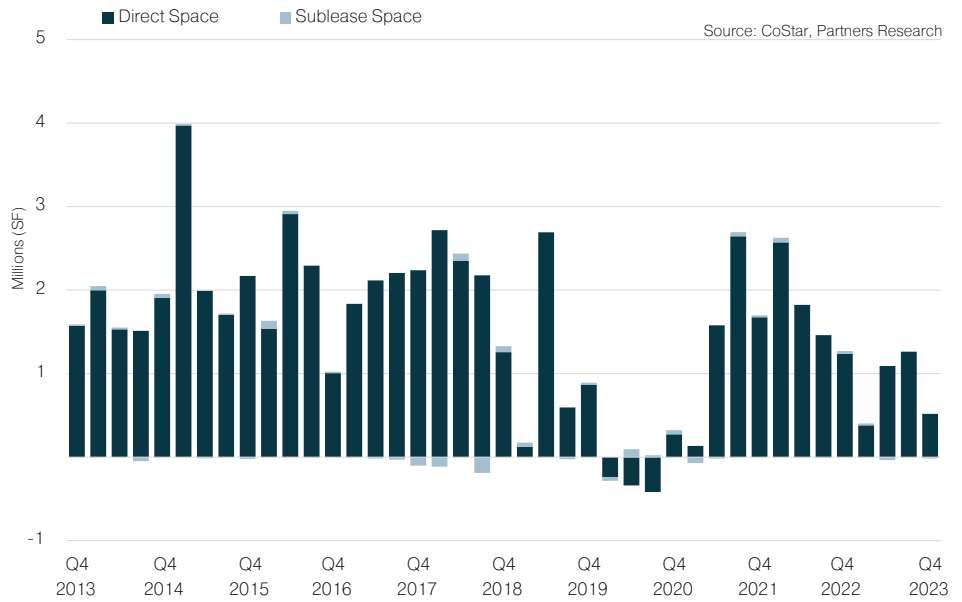
Construction Nears 5 Million Sq. Ft.

Retail construction is at 4.9 million sq. ft., up 21% year-over-year from 4.0 million sq. ft. The Far North Dallas submarket led construction in 2023, with 1.6 million sq. ft. underway—or 34%—of all space under development. The largest project underway in 2023 was the 240,000-sq.-ft. Life Time Fitness at 13331 Preston Road (Far North Dallas submarket) started in July and is expected to be completed by October 2024. Another notable construction start was the 193,108-sq.-ft. Rayzor Ranch Town Center near the intersection of I-35 Frontage Road and West University Drive (Mid-Cities submarket) started in March, and expected in February 2024. Deliveries are at 610,722 sq. ft., down 35% from the previous year's 945,000 sq. ft. Year-to-date, deliveries are at 3.2 million sq. ft.

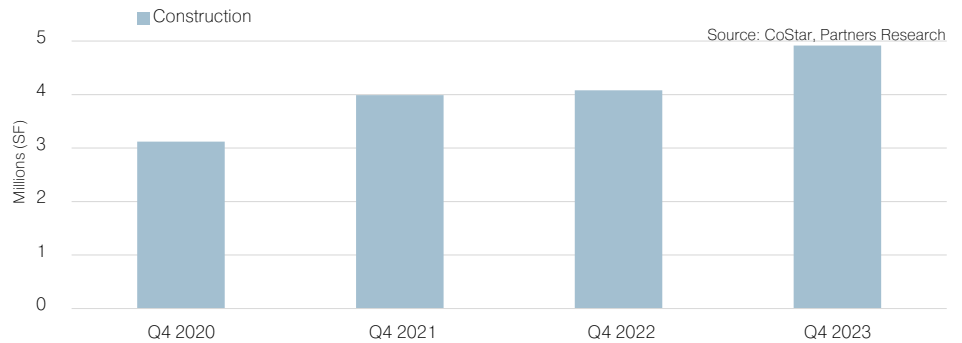
Record-High Asking Rents

Retail space in DFW remains competitive, which has led to consistent rent growth through 2023. The availability rate continues to trend at all-time low levels, tightening to 5.3% in the second half of the year. In turn, asking rents (NNN) reached \$20.05 per sq. ft. in Q4 2023—a record-high for the metro's retail sector. By year-end, DFW's annual rent growth (10%) outpaced U.S. annual rent growth (3.2%)—emphasizing strong buying power across the metro's retail market. On the quarter, submarkets with the highest rental rates include North Central Dallas (\$26.85 per sq. ft.), East Dallas Outlying (\$24.69 per sq. ft.), and Central Dallas (\$24.11 per sq. ft.)—which are well above the metro.

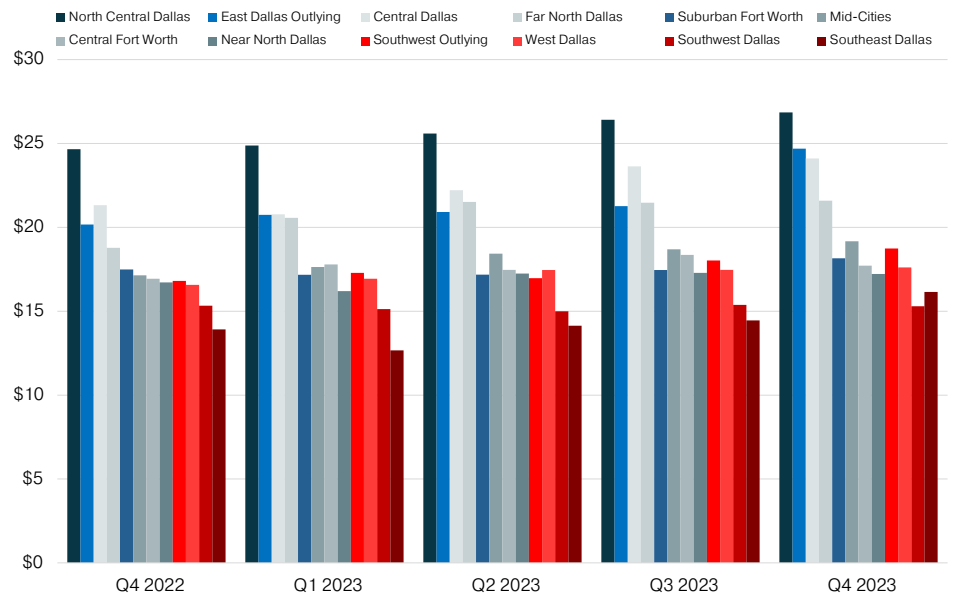
Net Absorption



Construction



Average Asking Rent (NNN)



Market Overview

Submarket Stats

Submarket Statistics (Total reflects Flex/ Manf/WD)	Total Inventory (SF)	Total Vacancy (%)	Q4 2023 Net Absorption (SF)	2023 YTD Net Absorption (SF)	Q4 2023 Deliveries (SF)	Under Construction (SF)	Overall Average Asking Rent (NNN/MO)
DFW Market Total	419,755,586	4.60%	503,219	3,234,196	610,722	3,758,698	20.05
Central Dallas	18,926,781	3.50%	54,049	-52,993	0	44,447	24.11
Central Fort Worth	32,578,447	5.80%	-33,383	48,293	34,228	44,475	17.72
East Dallas Outlying	9,119,139	2.30%	68,966	228,300	64,975	315,459	24.69
Far North Dallas	75,513,311	5.50%	82,374	623,038	186,599	1,650,269	21.59
Mid Cities	68,812,765	4.80%	385,989	908,907	102,206	755,174	19.17
Near North Dallas	25,341,649	3.70%	8,623	73,023	0	60,954	17.22

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Submarket Statistics (Total reflects Flex/ Manf/WD)	Total Inventory (SF)	Total Vacancy (%)	Q4 2023 Net Absorption (SF)	2023 YTD Net Absorption (SF)	Q4 2023 Deliveries (SF)	Under Construction (SF)	Overall Average Asking Rent (NNN/MO)
North Central Dallas	47,693,500	5.10%	24,818	735,629	106,589	1,159,386	26.85
Southeast Dallas	19,112,787	3.90%	88,057	218,881	10,000	111,130	16.15
Southwest Dallas	23,561,407	5.80%	-86,168	-349,176	16,720	43,445	15.30
Southwest Outlying	17,011,677	2.60%	23,470	264,703	6,300	152,794	18.74
Suburban Fort Worth	40,513,170	4.30%	29,299	271,130	48,827	404,924	18.16
West Dallas	41,570,953	3.90%	-142,855	264,461	34,278	156,267	17.61

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