

# Dallas-Fort Worth Retail

## Q3 2024

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## DFW retail market sees strong demand, record-high rents, and sustained growth in 2024

### Executive Summary

#### Q3 in Review

The Dallas-Fort Worth (DFW) retail market remains resilient, with robust demand driving 16 consecutive quarters of positive net absorption, marking a significant 86% quarter-over-quarter increase to 872,396 sq. ft. in Q3 2024. Leasing activity continues to exceed 2 million sq. ft. each quarter, fueled by major lease signings, including H-E-B, Netflix House, and Malibu Jack's. Although construction activity has slightly slowed, with 4.2 million sq. ft. underway, new deliveries are concentrated in the high-growth northern suburbs. Record-high rental rates persist amid near-historic low vacancy levels, emphasizing the competitiveness of the market overall.

#### DFW Economic Update

The Dallas-Fort Worth economy expanded in August, with employment bouncing back from the declines seen the prior two months. Average hourly earnings held steady but were above year-ago levels. Mass layoffs so far this year trail 2023 figures. Home sales dipped in August, and home prices held steady in the second quarter. In August, DFW employment increased 6.2 percent annualized after contracting for two months. Job growth was strong across the board, including in professional and business services, leisure and hospitality, information and financial services. Employment rose in every sector except government.

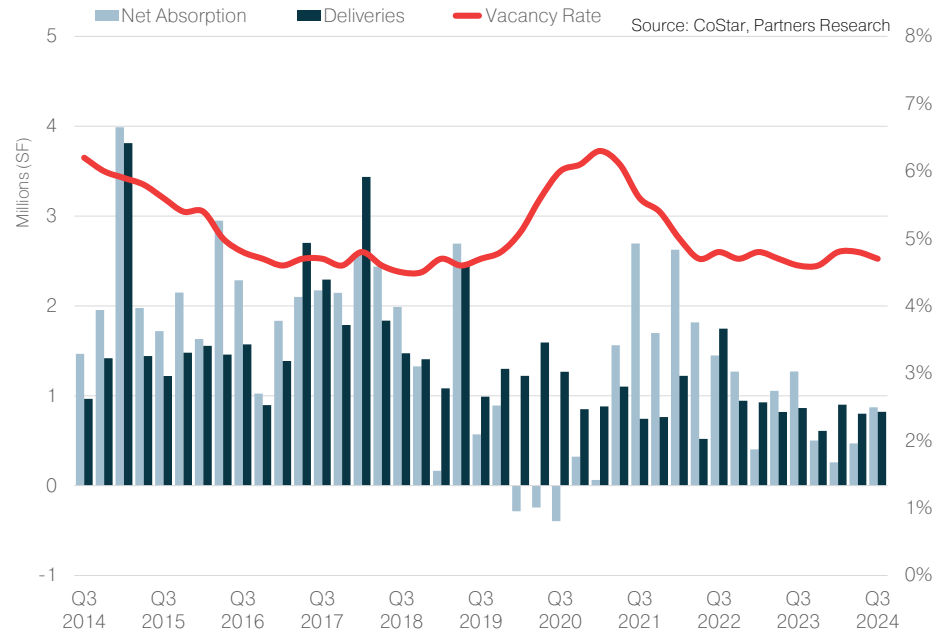
#### Vacancy Remains Close to Historic Low

The overall vacancy in the DFW retail market decreased 10 basis points from the previous quarter to 4.7%. Year over year, the total vacancy rate is unchanged, showing that supply and demand are in lock step with one another, with most of the net absorption going into new construction deliveries.

#### Strong Retail Demand Continues with 16 Quarters of Consecutive Positive Net Absorption

Net absorption-move-ins minus move-outs—is at 872,396 sq. ft., up a significant 86% from last quarter. Year-to-date, net absorption is at 1.6 million sq. ft., down from the prior year-to-date tally of 2.7 million sq. ft.

### Supply & Demand



### Key Market Indicators

	CURRENT Q3 2024	PRIOR QUARTER Q2 2024		PRIOR YEAR Q3 2023	
Vacant Total	4.70%	4.80%	↓	4.70%	—
Vacant Direct	4.60%	4.70%	↓	4.60%	—
Available Total	5.10%	5.40%	↓	5.20%	↓
Available Direct	5.00%	5.30%	↓	5.10%	↓
Net Absorption (SF)	872,396	470,081	↑	1,271,481	↓
Leasing Activity (SF)	2,333,785	2,651,284	↑	2,725,638	↑
Deliveries (SF)	823,146	801,257	↑	865,013	↓
Construction (SF)	4,201,033	4,841,727	↓	5,206,821	↓
Inventory (SF)	426,882,970	425,509,410	↑	422,772,189	↑
Avg Asking Rent (NNN)	20.65	20.65	—	19.07	↑

# Market Overview

Notable 2024 move-ins include QuickLotz taking 144,000 sq. ft. at the old Cinemark space at Music City Mall; Red White & Blue Thrift Store taking 40,025 sq. ft. at Cooper Oak Crossing; and The Picklr moving into 33,351 sq. ft. at 1701 S Cherry Lane in White Settlement and also into 25,652 sq. ft. at Lakepointe Crossing in Lewisville.

## Leasing Activity Remains High, but Off 14% From Last Year

Leasing activity has remained high in 2024 so far, with 2.3 million sq. ft. of leases signed in the third quarter of 2024. The market has seen leasing activity consistently at or above 2 million sq. ft. per quarter since late 2020. Recently signed leases include H-E-B signing a lease for a new 140,000-sq.-ft. grocery store in Forney; Malibu Jack's signing a lease for 137,222 sq. ft. at the former Garden Ridge in North Richland Hills at 8651 Airport Freeway; Netflix House signing a 110,000-sq.-ft. lease at the Galleria Mall for a new retail/entertainment venue; and EoS Fitness signing a lease for 70,853 sq. ft. at the Collin Creek Shopping Center.

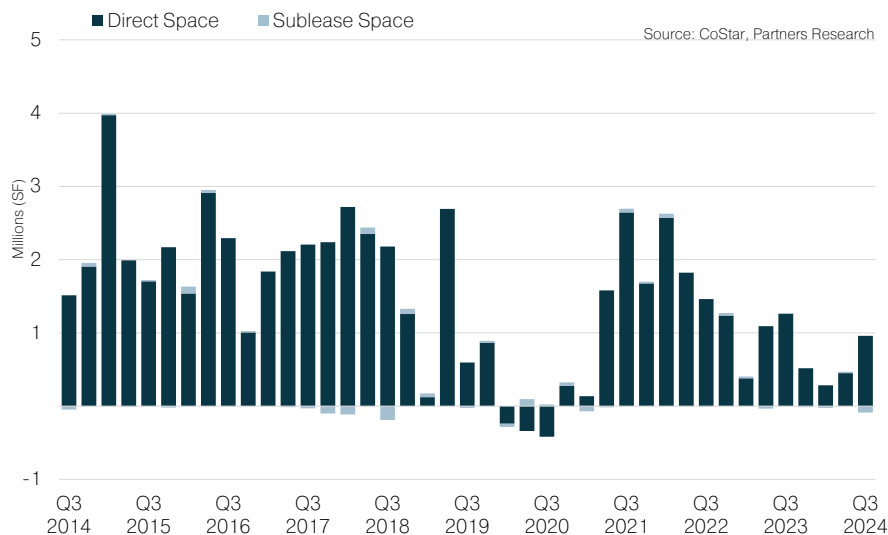
## Construction Pipeline Down Moderately, still 4.2 Million Sq. Ft. Underway

A robust 823,146 sq. ft. of new retail construction was delivered in the third quarter, pushing the total amount completed so far this year to almost 2.5 million sq. ft. Still, net absorption outpaced deliveries in the third quarter. The construction pipeline is at 4.2 million sq. ft., this is down 19% year over year from 5.2 million sq. ft. in Q3 2023. The North Central Dallas and Far North Dallas submarkets have the highest levels of construction currently under way, with 925,000 sq. ft. and 1 million sq. ft., respectively. These large shopping centers are concentrated mostly in the northern suburbs, following the recent delivery of several thousand residential homes.

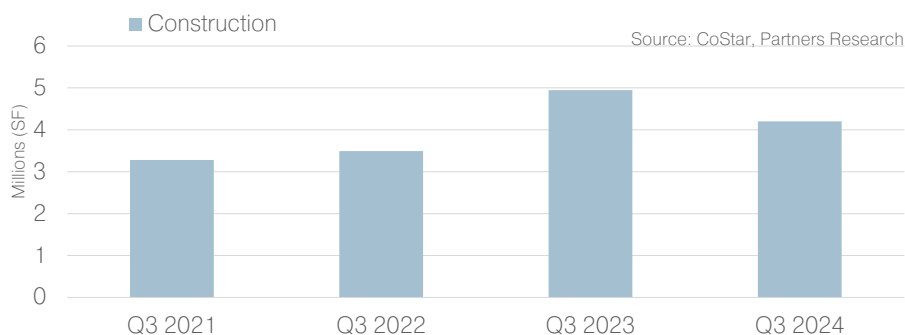
## Investment Sales Trends

CoStar Capital Market Analytics reports the cumulative 12-month sales volume at \$347 million in the DFW retail market. With 778 deals completed, the average transaction price currently stands at \$273 per sq. ft. with an average cap rate of 6.6%. Notable recent sale transactions include Corsair Property Company purchasing The Crossing At Pleasant Run. The 195,394-sq.-ft. grocery-anchored center was 95% leased at the time of the sale. Store Capital Corporation purchased a 137,222-sq.-ft. former At Home property at 8651 Airport Freeway in North Richland Hills. Also, several Life Time Fitness locations were sold as part of a large nationwide portfolio sale between a merger of Spirit Realty Capital and Realty Income Corporation. This included the Life Time locations at 4900 Throne Hall Dr. in Frisco, the location at 7100 Preston Rd in Plano and numerous other locations from the country.

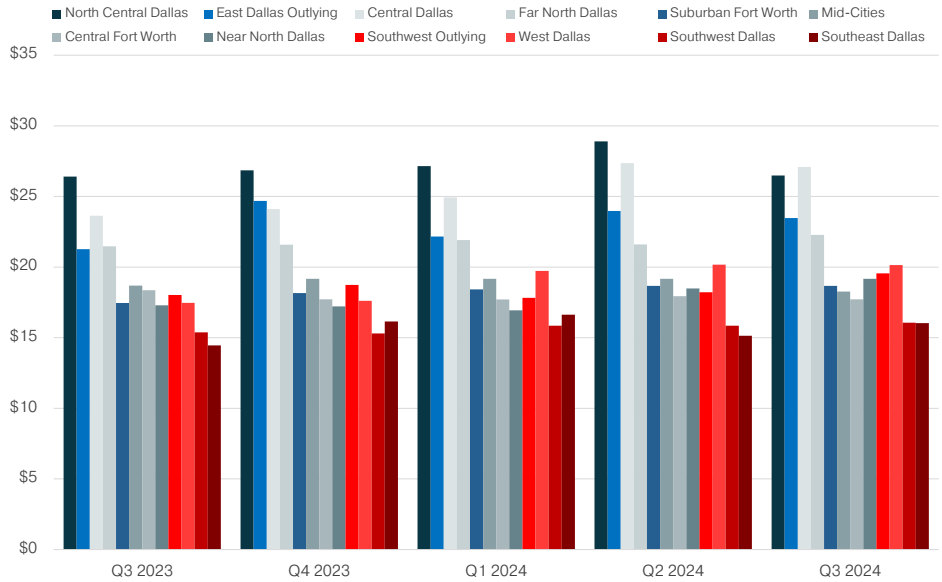
# Net Absorption



# Construction



## Average Asking Rent (NNN)



## Record-High Asking Rents Remain

Retail space in the DFW market remains competitive, which has led to record high asking rates in 2024. The vacancy rate continues to be near all-time low levels, tightening to under 5% since the beginning of 2022. In turn, asking rents reached \$20.65 per sq. ft. in Q2 2024—a record-high for the metro’s retail sector and remained unchanged over the past quarter. This is an increase of 8.3% over the past year. The submarkets with the highest rental rates include Central Dallas (\$27.09 per sq. ft.), North Central Dallas (\$26.49 per sq. ft.) and East Dallas Outlying (\$23.47 per sq. ft.)—which are well above the metro. On the other hand, submarkets with lower asking rents included Southeast Dallas (\$16.03 per sq. ft.) and Southwest Dallas (\$16.06

## Market Overview

### Submarket Stats

Submarket Statistics (Total reflects Flex/Manf/WD)	Net Rentable Area	Net Vacancy	Q3 2024 Net Absorption	YTD Net Absorption	Q3 2024 Leasing Activity	Q3 2024 Deliveries	YTD Deliveries	Under Construction	Total Avg Asking Rent NNN
<b>DFW Market Total</b>	<b>426,882,970</b>	<b>4.7%</b>	<b>872,396</b>	<b>1,601,686</b>	<b>2,333,785</b>	<b>823,146</b>	<b>2,479,804</b>	<b>4,201,033</b>	<b>20.65</b>
Central Dallas	18,995,684	4.3%	-59,477	-97,811	56,109	0	50,043	20,257	27.09
Central Fort Worth	33,277,635	6.0%	72,288	-24,487	91,525	0	17,000	214,170	17.72
East Dallas Outlying	9,290,891	2.7%	14,471	3,711	38,304	0	52,700	347,729	23.47
Far North Dallas	76,843,719	4.9%	122,687	346,638	398,329	124,471	551,429	1,012,299	22.28
Mid-Cities	68,224,291	5.3%	269,378	31,073	477,796	159,653	342,167	439,427	18.27
Near North Dallas	25,674,003	4.1%	-97,211	-56,056	69,961	9,425	54,161	10,000	19.17
North Central Dallas	49,613,603	4.7%	213,144	431,230	314,449	220,808	470,792	924,686	26.49
Southeast Dallas	19,185,411	4.7%	49,824	-95,608	120,265	6,000	45,500	167,322	16.03
Southwest Dallas	23,966,136	5.7%	-50,254	127,466	137,267	14,441	70,827	53,945	16.06
Southwest Outlying	17,725,398	3.2%	-6,709	37,256	104,168	5,000	186,479	328,879	19.56
Suburban Fort Worth	41,966,743	3.8%	201,072	591,971	192,075	152,840	389,948	607,992	18.67
West Dallas	42,119,456	3.9%	143,183	306,303	333,537	130,508	248,758	74,327	20.14

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