

RETAIL MARKET



Population & Job Growth Continue Bolstering Retail In DFW

Both markets also maintain historic rental rates in 2019

OVERVIEW

DFW Adds More Than 120,000 Jobs In 2019

Major market highlights include:

- DFW again led the nation in job growth and was ranked by the BLS as the #1 metro for total jobs added (+120,700), beating larger metros such as New York and Los Angeles
- Net absorption declined from 2018 but remained positive in both the Dallas and Fort Worth markets
- Vacancy increased to 5.3%, slightly above the national average of 4.6% but in line with markets with a similar size of inventory
- Capital markets send mixed signals but are stable overall

IN FOCUS

Rental Rates Reach Historic Highs In Dallas & Fort Worth

Rental rates carried the retail sector's most notable trend in 2019 by sustaining historic highs throughout the year.

Rents in Dallas remained above \$17 PSF, finishing the year at \$17.62 or up 6% from 2018. Fort Worth rents were just shy of \$14 PSF, down from 2018 but still at historic highs.

Dallas posted a new record of \$17.65 PSF in Q3. Rent growth over the past ten years has been consistent with new construction in northern suburbs where income levels are high.

Fort Worth, on the other hand, is retreading previous territory from 2002 and 2008 shortly before or after recessions. The question then becomes whether rents reflect the cyclical nature of Fort Worth's real estate market or if a new normal is being established with suburban growth lifting rents overall. If these rents are unsustainable and remain at current levels, we should expect to see declining absorption and leasing activity in upcoming quarters.

TRENDLINES

5-YEAR TREND CURRENT QUARTER

ABSORPTION



310 KSF

Year-to-date absorption totals 2 MSF

VACANCY



5.3%

Vacancy inches up from 4.9% last year

DALLAS RENTS



\$17.62 PSF NNN

Rents have sustained record levels throughout 2019

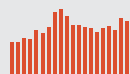
FORT WORTH RENTS



\$13.82 PSF NNN

Rents remain at 10-year highs around \$14 PSF

CONSTRUCTION



4.5 MSF

Construction pipeline remains steady

SALE PRICE



\$188 PSF

In line with historical averages

DEMAND & VACANCY

Net Absorption Declines But Vacancy Stable

Net absorption declined in both markets but remained positive. Dallas reached 1.8 MSF positive absorption, down from 3.1 MSF last year. Fort Worth reached 223 KSF, down from 1.4 MSF. Leasing activity in 2019 tracked closely with 2018 performance: Dallas was basically flat at 983 KSF while Fort Worth reached 575 KSF or about 160 KSF down from 2018.

Vacancy appeared to inch upward despite positive absorption, which may be a counterintuitive result of retailers giving back space or going dark but continuing to honor lease obligations.

NEW CONSTRUCTION & DELIVERIES

Deliveries Down But Pipeline Solid

Deliveries in 2019 totaled 3.3 MSF across 104 buildings, down slightly year-over-year by 1.1 MSF or 35 projects. Despite the declines in deliveries, the construction pipeline still averages 3.5-4.5 MSF each quarter. As of year-end 2019, 4.5 MSF is under construction across 97 properties.

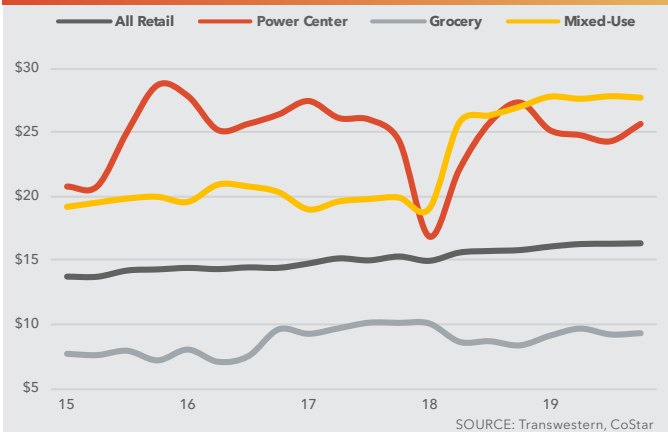
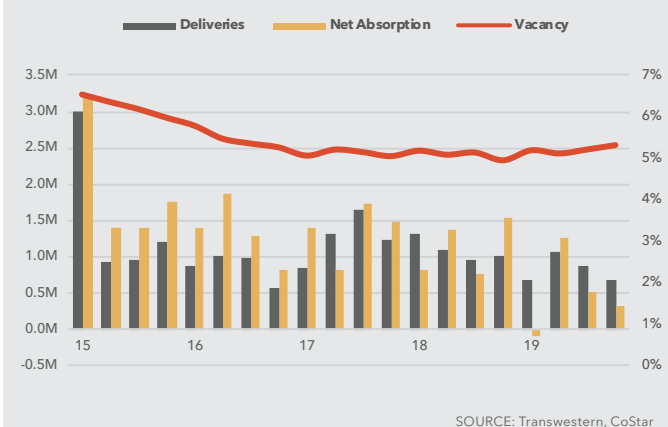
INVESTMENT SALES

Capital Markets Healthy Despite Lower Volume

Volume reached \$2.06B, down 35% from 2018. This decline was driven mostly by a drop in total space traded from 15.1 MSF in 2018 to 10.3 MSF in 2019. The number of properties was essentially flat at 217, which translates to a decrease in average deal size of 20 KSF. Average prices and cap rates remained stable at \$188 PSF and 6.5% respectively.

The key takeaway is that retail investment indicators in DFW depend on individual characteristics of the properties traded that year. As a rule, a decrease in volume can be explained by a decrease in average deal size with price moving in either direction.

Market indicators show that investment decisions should be made on the strength of the retail property and submarket under consideration, not broader trends alone.

Retail Rental Rates By Product Type
Dallas+Fort Worth Markets Combined**Deliveries, Absorption, and Vacancy**
Dallas+Fort Worth Markets Combined, All Property Types**New Retail Projects Under Construction**

PROJECT	CITY	SF
The Village at Prosper	Prosper	944,863
Shops at Chisholm Trail Ranch	Fort Worth	250,000
Lakeside Crossing	Flower Mound	161,485
Living Spaces	Frisco	148,000
Gates of Prosper (II)	Prosper	122,000
North Frisco Village	Frisco	103,000
6050 N Central Expressway	Dallas	90,000

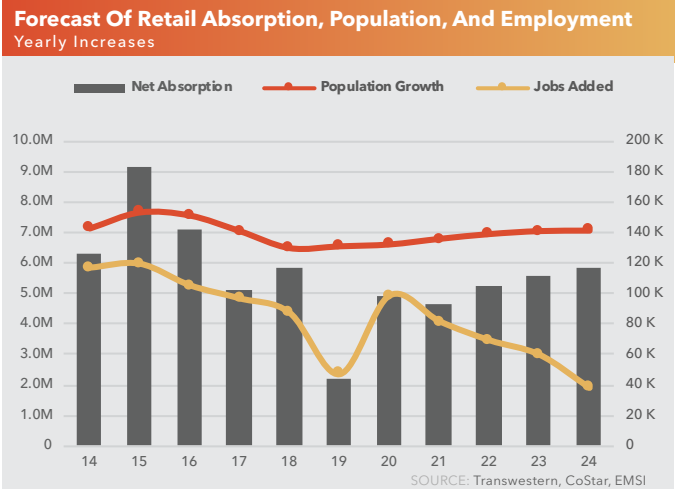
OUTLOOK

Growth To Continue Driving Performance

The key to understanding retail in Dallas-Fort Worth is understanding the region's growth story.

Although online retailers capture a growing *share* of retail trips, robust population and job growth brings a growing *number* of trips that offset this smaller share. Population growth will continue with about 140,000 new residents added every year through 2025. Job growth is more difficult to predict but will nevertheless continue positive gains at twice the national average, or 40K-100K jobs per year.

New construction in high-growth suburbs will see the strongest performance. Older properties in the right submarkets—particularly those with robust multifamily pipelines—will continue to offer opportunities to create unique experiences that drive traffic to tenants.



Key Market Indicators

Submarket	Inventory	Overall Vacancy	%	Direct Vacancy	%	Under Construction	Q4 Leasing Activity	Q4 Net Absorption	12 Mo Net Absorption	NNN Rents
Dallas - All Retail	212,013,145	10,484,055	4.9%	10,769,382	5.1%	3,438,920	982,565	180,148	1,774,009	\$17.62
Power Centers	25,599,780	966,477	3.8%	1,030,116	4.0%	132,500	39,914	(86,408)	36,763	\$25.36
Grocery Anchors	9,458,181	366,581	3.9%	366,581	3.9%	0	1,600	(31,409)	80,335	\$9.60
Mixed-Use/Lifestyle Centers	7,020,924	198,949	2.8%	202,058	2.9%	0	59,257	(274)	(36,392)	\$30.96
Fort Worth - All Retail	101,948,966	5,832,669	5.7%	5,905,652	5.8%	1,029,743	574,930	129,495	222,720	\$13.82
Power Centers	8,104,475	360,056	4.4%	360,056	4.4%	0	15,424	162,805	167,957	\$26.24
Grocery Anchors	3,647,413	76,664	2.1%	76,664	2.1%	0	0	2,595	(257)	\$8.00
Mixed-Use/Lifestyle Centers	4,495,572	318,564	7.1%	321,783	7.2%	0	21,490	12,868	(72,870)	\$25.81
D+FW COMBINED	313,962,111	16,316,724	5.2%	16,675,034	5.3%	4,468,663	1,557,495	309,643	1,996,729	\$16.33
Power Centers	33,704,255	1,326,533	3.9%	1,390,172	4.1%	132,500	55,338	76,397	204,720	\$25.59
Grocery Anchors	13,105,594	443,245	3.4%	443,245	3.4%	0	1,600	(28,814)	80,078	\$9.36
Mixed-Use/Lifestyle Centers	11,516,496	517,513	4.5%	523,841	4.5%	0	80,747	12,594	(109,262)	\$27.75

CONTACT

Andrew Matheny

Research Manager

972.774.2529

andrew.matheny@transwestern.com

METHODOLOGY

The information in this report represents single-tenant, multi-tenant, and owner-occupied retail and mixed-use properties in the Dallas-Fort Worth metropolitan area. Properties owned by a government agency are excluded.



2300 N Field Street, Suite 2000
Dallas, TX 75201

777 Main Street, Suite 1100
Fort Worth, TX 76102