

RETAIL

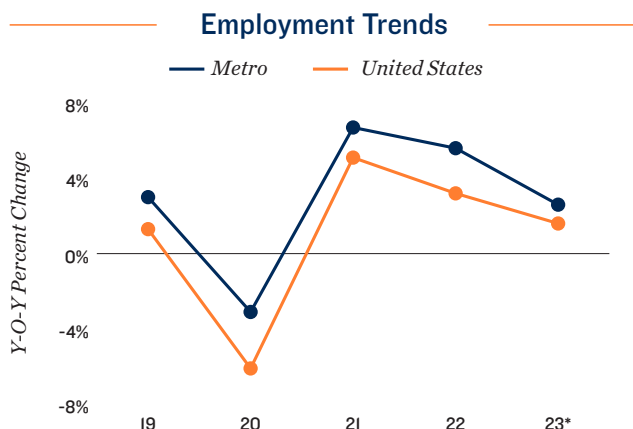
Dallas-Fort Worth Metro Area

4Q/23

Nation-Leading Job Growth Nurtures Retail Landscape, Despite Ongoing Tenant Demand Slide

Employment and demographic trends create an inviting climate. While net absorption cooled to 745,000 square feet during the first half of 2023, the 12.1 million square feet of newly-occupied space across the prior two years is more indicative of Dallas-Fort Worth's long-term dynamics. Tenants spanning diverse retail segments are drawn to the Metroplex's healthy and expanding consumer base, supporting positive sentiment despite the near-term softening. As of August 2023, local employment had grown to exceed the year-end 2019 mark by 462,000 personnel. No other market in the country added even half of that amount over the same span. A larger workforce signals greater consumer purchasing power throughout Dallas-Fort Worth, and the coinciding addition of 188,000 new households since 2019 reinforces the need for expanded shopping choices. Furniture stores, in particular, have been strong space absorbers recently, as new homeowners and renters need to furnish dwellings.

Standout submarket leads Dallas-Fort Worth in several metrics. East Dallas Outlying, encompassing suburbs near Interstate 30 and U.S. Route 80, beyond the reaches of Lake Ray Hubbard, posted impressive retail performance of late. The submarket led the Metroplex in supply growth at 2.3 percent over the past year, yet also registered the largest annual vacancy decline at 170 basis points. This combination allowed the area to lead Dallas-Fort Worth in rent growth as well. Forney and Fate have been top areas for leasing here.



* Forecast
Sources: BLS; CoStar Group, Inc.

Retail 2023 Outlook



110,000

JOBS

will be created

EMPLOYMENT:

Dallas-Fort Worth continued to lead all major U.S. markets in job growth across the first eight months of 2023, almost doubling the next-closest metro's gain. By year-end, total staff will be up by 2.6 percent locally.



3,700,000

SQ. FT.

will be completed

CONSTRUCTION:

This year's completion total closely matches the 2022 figure and is about 1 million square feet short of the long-term average. Dallas-Fort Worth's 1.0 percent inventory growth is the smallest among Texas' major metros.



30

BASIS POINT

increase in vacancy

VACANCY:

After consecutive years in which vacancy fell by at least 80 basis points spanning 2021-2022, the rate inches back up to 5.3 percent. Metroplex vacancy will nevertheless stay 150 basis points below the historic mean.



2.6%

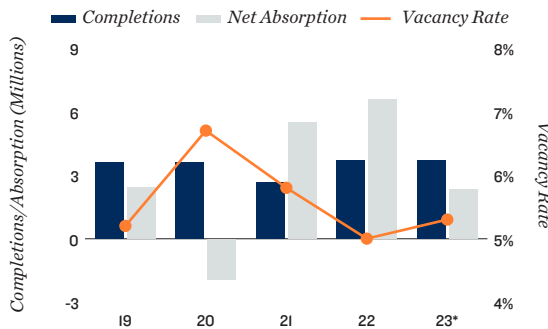
INCREASE

in asking rent

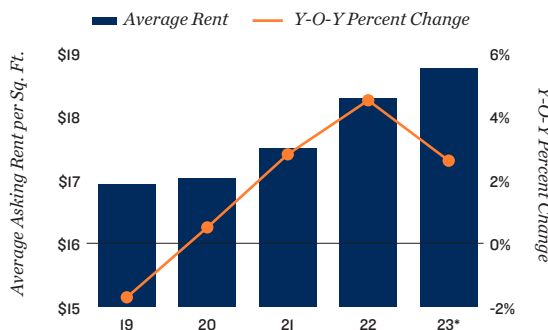
RENT:

Exceeding the long-term average annual growth pace of 1.8 percent, Dallas-Fort Worth's mean asking rent rises to \$18.75 per square foot. Single-tenant properties drove rent growth during the first half of 2023.

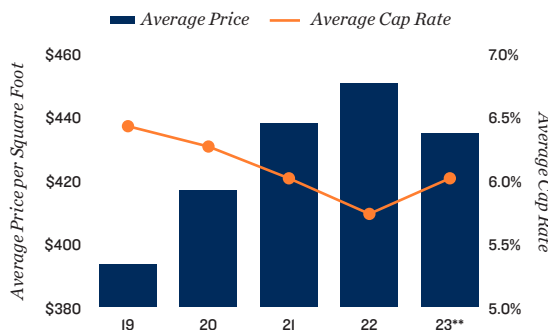
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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2Q 2023 - 12-Month Period



CONSTRUCTION

3,537,000 sq. ft. completed

- Over the past year ending in June, Far North Dallas gained 1.4 million square feet, or roughly 40 percent of the total Metroplex delivery slate. North Central Dallas had the second-largest total at 840,000 square feet.
- Greater Fort Worth's retail inventory grew by a modest 640,000 square feet during the 12-month span, about 63 percent of which was in suburbs.



VACANCY

0 basis point change in vacancy Y-O-Y

- Entering the second half of 2023, vacancy had not deviated outside of the 5.0 to 5.1 percent range for five straight quarters. This mirrors the pre-pandemic rate as well, indicating a stabilized market after the 2020 shock.
- Further reinforcing the local retail sector's firmness, both multi- and single-tenant vacancy adjusted by 20 basis points or less in either direction.



RENT

3.4% increase in the average asking rent Y-O-Y

- The mean single-tenant asking rate rose by 3.9 percent year-over-year to \$18.74 per square foot. Top areas for rent increases in this segment include Central Fort Worth, East Dallas Outlying and North Central Dallas.
- Multi-tenant rent growth was softer overall, but several locations, such as East Dallas Outlying, Southwest and West Dallas, had noteworthy gains.

Investment Highlights

- Both multi- and single-tenant sales metrics experienced some softening over the past year as buyer/seller expectations adjusted to higher interest rates, among other capital markets hurdles. The average multi-tenant sale price for trades completed during the yearlong span ending in June 2023 fell 4 percent to \$343 per square foot, coinciding with a 20-basis-point bump in the mean cap rate to 6.5 percent. Single-tenant sale prices and yields were more stable, with the average per-square-foot cost dipping 1 percent to \$532 and the mean cap rate lifting 10 basis points to 5.5 percent.
- Far North Dallas, Central Fort Worth and West Dallas are the most active submarkets for shopping center trades. The latter area recorded a substantial volume of larger-scale assets, with several power centers changing hands, while the other two primarily featured sub-40,000-square-foot deals. East Dallas Outlying is another location recording noteworthy buyer interest for larger-scale shopping centers amid robust performance of late.
- Single-tenant deals are most frequent in the Mid-Cities, Far North Dallas and Suburban Fort Worth. Cap rates in all three spots averaged between 5.2 and 5.7 percent, with Fort Worth's suburbs on the low end of that range.