



COSTAR INSIGHT

Commercial Property Investment Activity Surges in Dallas-Fort Worth

Lifted by Multifamily, Industrial Markets, Sales Volume Ranks Second Nationally

Top 10 Markets for CRE Investment YE2020

DFW Ranks #2 Nationally, Led by Multifamily & Industrial Markets

■ Office ■ Industrial ■ Multifamily ■ Retail



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January 15, 2021 | 8:00 AM



The Dallas-Fort Worth commercial property market posted \$22.1 billion in sales transactions this past year, ranking second nationally only to New York in terms of investment activity.

The pandemic-driven recession disrupted deal volume in the first half of 2020, but investors continued to pursue opportunities after the initial economic shock in the spring.

Because of that early disruption, investment activity was down 24% compared to the same time in 2019. But the multifamily and industrial segments were able to drive overall investment activity, accounting for 64% of total sales volume in 2020.

Here's a look at how the multifamily, industrial, office and retail markets fared investment-wise in the metroplex during the year of uncertainty.

Multifamily

Investors remained bullish on the [Dallas-Fort Worth apartment market](#), with an estimated \$8.4 billion in sales for 2020. While that level is down 20% compared to 2019, it represents the best performance in the country.

Nationally, the multifamily segment is showing mixed results with mediocre demand and collapsing rent growth in expensive coastal markets. Dallas-Fort Worth, however, remains a bright spot, leading the country in demand for new apartment units.

Impressive leasing volume, along with rent growth holding steady, is a sign of confidence to investors looking for opportunities. In the past year, most sales were concentrated in East Dallas, Oak Cliff, Denton and Uptown, and catered to newer, high-end properties and value-add opportunities.

Industrial

The booming [industrial segment](#) posted \$5.8 billion in sales transactions in 2020, ranking second only to Los Angeles. The market absorbed 21.5 million square feet of space and is expected to reach 23 million square feet in 2021, making it one of the fastest-growing industrial markets in the country.

The metroplex leads the nation in construction, with 31.2 million square feet currently underway. The vacancy rate has remained stable at 7.2%. Average sales prices per square foot in the market has increased to \$81, compared to \$74 in early 2019. Institutional and private equity investors have been keen on Dallas-Fort Worth's industrial strength, accounting for 60% of the sales volume in 2020.

Office

In 2020, the [Dallas-Fort Worth office market](#) posted \$4.5 billion in sales. While this is a significant decrease from the \$5.7 billion reported in 2019, the price per square foot has remained stable at \$211, with many higher-end four- and five-star properties trading for well over \$250 a square foot. Assets found in the central business districts carry a premium of 15% compared to those found in the suburbs.

The year started out strong with several marquee transactions in the urban core of Dallas. [The Union](#) was sold a group of Korean investors for \$370 million, or about \$730 per square foot — the highest price paid for an office property in the metroplex. The 21-story office building includes 85,000 square feet of retail, anchored by a Tom Thumb grocery store. Heitman purchased St. Paul Place from Quadrant for \$85 million, or about \$311 per square foot.

Retail

Bearing the brunt from the economic downturn, the **retail segment** reported \$3.4 billion in sales activity this past year, down 21% compared to 2019 levels. As social distancing measures remain in place, consumers have shifted spending behaviors toward e-commerce channels instead of in-person shopping, which cooled investor interest for retail properties.

Even so, investors have continued to pursue opportunities with tenant profiles aligned with essential functions such as grocery stores, discount stores, pharmacies and home improvement stores. Several national retailers based in Dallas-Fort Worth have been forced to evolve in a short window, forcing many to enter bankruptcy or liquidate. For example, J.C. Penney and Neiman Marcus have successfully navigated bankruptcy, emerging with less debt but with a reduced store count. Vacancy rates are rising as tenants move out of larger spaces, and the outlook for rent growth is soft.

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