

RETAIL MARKET



Dallas+Fort Worth Retail Vacancy Begins To Stabilize

Economic Recovery Creates Tailwinds for Retail Sector

EXECUTIVE SUMMARY

Retail Market Overview

- Leasing velocity is beginning to recover, increasing from 1.5 MSF in Q1 to 1.9 MSF in Q2
- Improved leasing velocity is translating to positive net absorption, creating a significant turnaround from Q1
- Vacancy is beginning to stabilize around 7.0%, 200 bps below the peak of 9.8% seen in the Great Recession
- Investment sales volume is below average levels, but picking up as price levels recover
- Retail employment continues to remain above pre-COVID levels.
- Employment in restaurants and bars continues recovering and is now just 10,000 jobs below pre-COVID levels

OUTLOOK

Charting The Path of Recovery

Overall conditions for retail real estate should continue to improve in the coming months:

- Job growth has continued in both Dallas and Fort Worth, although Dallas is recovering faster with its greater concentration of white collar workers and corporate headquarters
- According to Placer, foot traffic is exceeding pre-COVID levels in most retail categories
- Recent surveys indicate Texas retailers are generally optimistic about sales and business activity over the next six months
- The Western Blue Chip Consensus forecasts retail sales growth of 5-6% through June 2022, then 3-5% in the following 12 months
- The hospitality sector is expecting travel demand to take several years to recover, but recent optimism from the airline industry may portend a faster recovery than anticipated
- Construction levels remain low, but accelerated in-migration and residential development may increase demand for new retail space

TRENDLINES

5-YEAR TREND CURRENT QUARTER

NET ABSORPTION



701 KSF

T-12 absorption improved to negative 788 KSF

VACANCY



7.0%

Up by 90 bps from last year, beginning to stabilize

CONSTRUCTION



2.09 MSF

Construction pipeline remains steady

UNEMPLOYMENT



5.2%

Down 80 bps from the first quarter

RETAIL-USING EMPLOYMENT



+15,000 JOBS

Increased in both retail and restaurants and bars

SALES VOLUME (T-12)



\$1.6 B

Beginning to recover

Q2 2021 | DALLAS+FORT WORTH | RETAIL MARKET

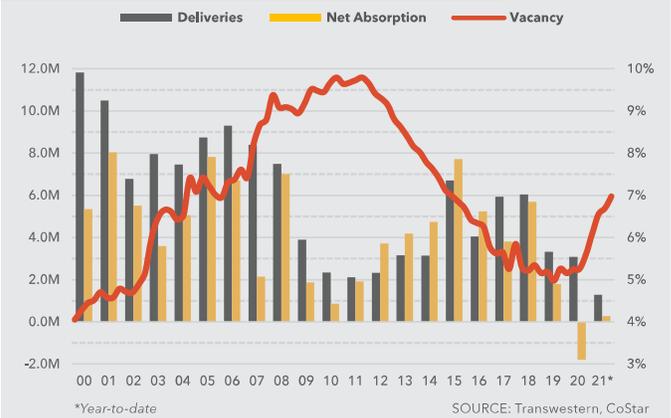
BUSINESS CYCLE INDEXES

100 = Pre-COVID Levels



DELIVERIES, ABSORPTION, AND VACANCY

Annual Totals



Key Market Indicators By Space Type

Submarket	Inventory	Direct Vacant Available SF	%	Total Available SF	%	Under Construction	Qtr Leasing Activity	Qtr Net Absorption	12 Mo Net Absorption	NNN Rents
Dallas - All Retail*	217,784,182	13,411,296	6.2%	17,507,864	8.0%	1,746,684	1,344,917	397,366	(386,594)	\$17.17
Power Centers	27,301,874	1,974,573	7.2%	2,368,389	8.6%	142,000	162,068	58,097	(509,169)	\$22.52
Neighborhood/Community Centers	75,999,116	6,524,853	8.6%	7,931,130	10.4%	127,801	832,665	317,261	(423,107)	\$15.50
Strip Centers	14,730,711	1,190,692	8.1%	1,551,249	10.4%	159,250	141,118	67,718	(12,434)	\$18.81
Mixed-Use/Lifestyle Centers	6,976,340	332,553	4.8%	359,196	5.1%	0	11,176	25,584	(96,795)	\$22.63
Fort Worth - All Retail*	102,646,375	7,019,577	6.8%	9,346,257	9.1%	344,699	544,445	304,108	(362,401)	\$15.48
Power Centers	7,087,177	451,101	6.5%	604,040	8.5%	0	12,642	(5,090)	(49,070)	\$27.01
Neighborhood/Community Centers	31,944,919	3,449,687	10.8%	4,141,982	13.0%	0	253,711	166,662	(333,536)	\$14.23
Strip Centers	7,774,473	582,892	7.5%	685,904	8.8%	0	102,104	32,400	45,040	\$15.94
Mixed-Use/Lifestyle Centers	5,025,240	439,618	8.7%	503,190	10.0%	0	73,204	16,778	(137,896)	\$24.97

* Includes retail product types not broken out below.

SOURCE: Transwestern, CoStar

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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.



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