MARKETVIEW

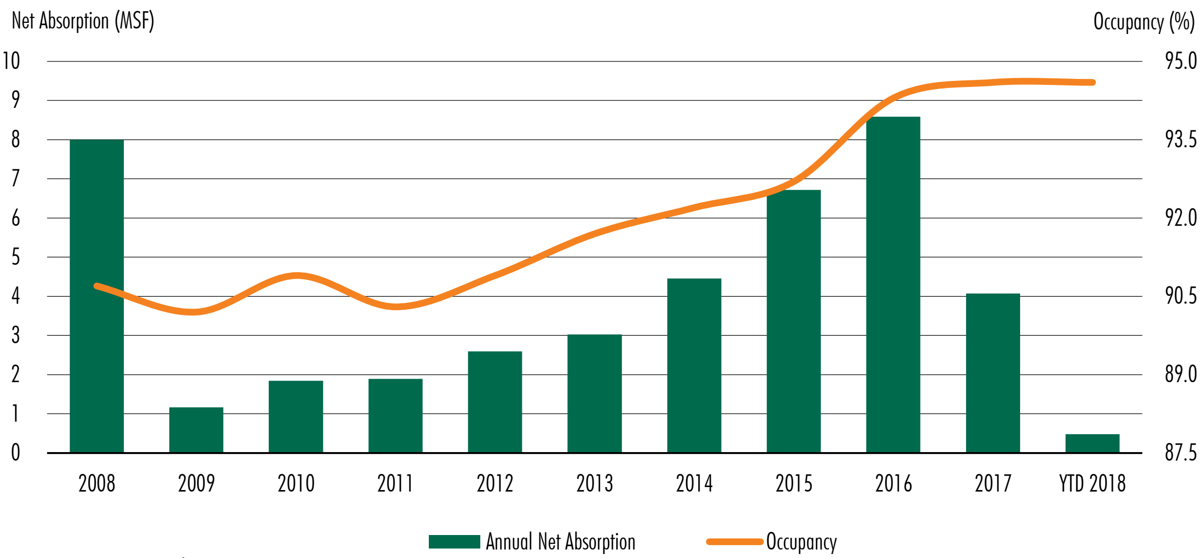
Dallas / Fort Worth Retail, Q3 2018

Construction, deliveries show signs of strength in the third quarter

Occupancy	Under Construction	Completions	Net Absorption
94.9%	4,205,134 SF	633,188 SF	-226,227 SF

*Arrows indicate trend from previous quarter.

Figure 1: Net Absorption and Market Occupancy



Source: CBRE Research, Q3 2018.

BIG BOX VACANCY GIVING OPPORTUNITIES FOR NEW CONCEPTS

Overall big box vacancy totals just over 4 million square feet in 110 properties throughout the metroplex. This compares favorably to the vacancy in 2009 and 2010 when there were nearly 250 vacant big boxes available. During that period, Circuit City, Linens & N Things, and several grocers left our market littered with boxes that allowed many new concepts to expand into DFW and establish a foothold at much lower rents than can be achieved today.

VICTORY PARK'S RETAIL REVIVAL

Twenty years after it's grand opening, Victory Park is seeing a retail revival. In 2012, the 75-acre mixed use development, was only 28 percent leased, but today is seeing an 83 percent occupancy rate. This year the district is opening 10 food and beverage concepts and has already welcomed Orangetheory Fitness, WeWork, and Cinepolis Luxury Cinemas.

DFW'S JOB GROWTH WELL ABOVE AVERAGE

Dallas and its surrounding area has added jobs 44,048 jobs for the trailing 12 months ending in August, well above average. Additionally, the metroplex led the country in population growth last year, adding 146,000 residents. This rise and population growth and a healthy job market has created a demand for more shops and restaurant/entertainment.

CLASS A BOX AVAILABILITY ON THE RISE, BUT DEMAND STEADY

Currently we count 31 vacant Class A Boxes, with nearly two thirds consisting of former Toys R Us/Babies R Us and Sports Authority locations. Demand for these properties remain strong, with the most active users of this second generation space being Ollie's Bargain Basement, Burlington Coat Factory, 24 Hour Fitness and Total Wine.

Figure 2: Historical Market Statistics

	2013	2014	2015	2016	2017	Q1 2018	Q2 2018	Q3 2018	YTD 2018
CENTRAL DALLAS									
Absorption (Net, SF)	66,710	161,648	245,906	416,648	-36,509	-37,156	66,269	31,324	60,437
Avg. Asking Rent (Annual, Net, $/SF)	15.7	20.21	29.75	25.26	22.07	24.36	24.36	24.36	24.36
Delivered Construction (SF)	47,325	21,000	148,821	208,549	0	0	0	46,571	46,571
Rentable Building Area (RBA)	9,106,345	9,082,276	9,093,061	13,879,294	13,943,581	13,976,675	13,962,585	14,376,303	14,376,303
Occupancy Rate (%)	94.9	94.9	95.7	97.3	97.4	97.1	97.3	97.4	97.4
EAST DALLAS OUTLYING									
Absorption (Net, SF)	48,929	-8,769	97,990	-12,589	93,844	-5,252	13,447	3,903	12,098
Avg. Asking Rent (Annual, Net, $/SF)	18.26	19.95	22.3	20.25	20.56	20.55	20.55	20.55	20.55
Delivered Construction (SF)	0	0	62,000	0	87,406	0	10,000	0	10,000
Rentable Building Area (RBA)	3,503,104	3,482,829	3,633,860	3,607,505	3,863,835	3,822,234	3,832,654	3,837,460	3,837,460
Occupancy Rate (%)	97	95.9	97.7	98.3	97.6	97.5	97.6	96.4	96.4
FAR NORTH DALLAS									
Absorption (Net, SF)	475,411	780,537	942,926	2,081,683	628,513	208,588	101,227	-108,505	201,310
Avg. Asking Rent (Annual, Net, $/SF)	14.61	14.99	15.25	14.51	15.88	16.05	16.05	16.05	16.05
Delivered Construction (SF)	375,818	392,357	192,434	1,653,138	1,003,888	122,000	107,287	261,729	491,016
Rentable Building Area (RBA)	53,952,341	53,443,582	54,352,868	54,868,240	54,700,543	55,259,337	55,458,235	57,082,040	57,082,040
Occupancy Rate (%)	89.8	90.1	91.4	93.4	93.4	94.4	94.1	95	95.5
NEAR NORTH DALLAS									
Absorption (Net, SF)	83,422	116,135	356,548	485,111	375,484	-5,057	4,687	-108,405	-108,775
Avg. Asking Rent (Annual, Net, $/SF)	14.31	14.66	15.5	16.45	18.17	18.33	18.33	18.33	18.33
Delivered Construction (SF)	14,980	0	182,500	374,964	240,431	0	0	0	0
Rentable Building Area (RBA)	21,084,243	20,879,785	21,064,645	20,887,570	21,528,943	21,546,070	21,488,581	21,856,276	21,856,276
Occupancy Rate (%)	94.1	94.1	94.1	95.2	95.6	95.5	95.4	95.4	95.4
NORTH CENTRAL DALLAS									
Absorption (Net, SF)	573,749	316,706	1,716,562	919,412	991,268	123,606	56,882	-40,749	139,739
Avg. Asking Rent (Annual, Net, $/SF)	15.23	15.43	16.25	17.24	20.8	21.17	21.17	21.17	21.17
Delivered Construction (SF)	468,407	40,406	1,164,188	621,341	779,802	0	112,549	92,422	204,971
Rentable Building Area (RBA)	30,244,311	30,314,475	32,020,305	33,507,776	34,757,484	34,978,682	34,783,500	36,201,626	36,201,626
Occupancy Rate (%)	92.2	93	93.4	94.6	94.9	95.2	95.1	93.7	93.7
SOUTHEAST DALLAS									
Absorption (Net, SF)	127,644	4,942	67,641	109,261	-5,864	26,613	-73,228	-34,068	-80,683
Avg. Asking Rent (Annual, Net, $/SF)	11.02	11.37	11	11.18	11.22	11.74	11.74	11.74	11.74
Delivered Construction (SF)	0	0	11,000	0	14,804	0	20,000	0	20,000
Rentable Building Area (RBA)	13,179,212	13,186,023	13,345,878	13,472,130	13,593,165	13,832,281	13,734,121	14,057,884	14,057,884
Occupancy Rate (%)	92.9	93	93.1	95.1	94.1	94.5	93.9	95.6	95.6
SOUTHWEST DALLAS									
Absorption (Net, SF)	70,540	503,218	92,066	812,083	154,101	142,320	3,691	33,147	179,158
Avg. Asking Rent (Annual, Net, $/SF)	10.06	11.57	10.25	10.64	12.03	11.95	11.95	11.95	11.95
Delivered Construction (SF)	10,467	435,982	0	76,663	0	0	0	0	0
Rentable Building Area (RBA)	17,143,905	17,070,389	17,180,845	17,305,531	17,675,225	17,699,664	17,820,452	18,244,292	18,244,292
Occupancy Rate (%)	90.2	90.4	90.1	92	92.2	93	93.5	93.3	93.3
WEST DALLAS									
Absorption (Net, SF)	172,210	514,750	502,973	891,544	913,843	184,377	-40,558	-135,223	8,596
Avg. Asking Rent (Annual, Net, $/SF)	14.47	13.78	12.75	13.24	13.53	12.8	12.8	12.8	12.8
Delivered Construction (SF)	10,049	143,808	256,713	40,000	557,039	58,000	94,591	93,625	246,216
Rentable Building Area (RBA)	29,988,752	30,076,169	30,501,537	30,676,294	30,968,333	31,540,719	31,824,822	32,773,295	32,773,295
Occupancy Rate (%)	90.9	92	91.6	93.3	95.5	96	95.3	94.2	94.2

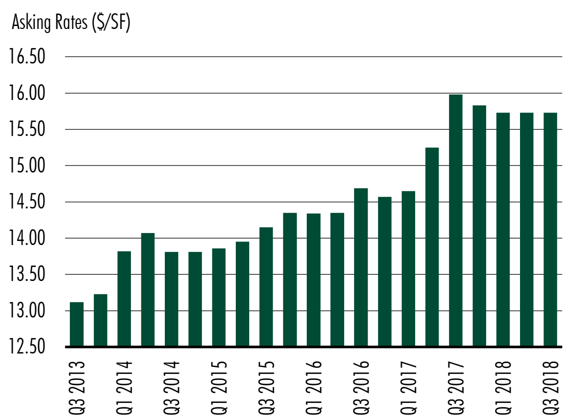
Source: CBRE Research, Q3 2018.

Figure 2: Historical Market Statistics

	2013	2014	2015	2016	2017	Q1 2018	Q2 2018	Q3 2018	YTD 2018
CENTRAL FORT WORTH									
Absorption (Net, SF)	322,668	368,008	471,480	755,927	455,273	36,907	-113,352	-36,708	-113,153
Avg. Asking Rent (Annual, Net, $/SF)	8.71	10.41	12.5	12.29	12.4	13.02	13.02	13.02	13.02
Delivered Construction (SF)	364,789	182,000	138,012	482,101	498,000	0	56,711	22,500	79,211
Rentable Building Area (RBA)	23,497,606	23,662,009	23,777,270	24,111,810	24,796,196	24,904,678	25,156,656	25,627,702	25,627,702
Occupancy Rate (%)	90.1	90.8	92.3	94.1	94.3	94.5	94.3	94.5	94.5
MID-CITIES									
Absorption (Net, SF)	664,421	1,103,732	1,131,435	1,146,109	158,308	-131,035	164,485	57,003	90,453
Avg. Asking Rent (Annual, Net, $/SF)	14.09	13.53	13.5	13.61	16.12	14.51	14.51	14.51	14.51
Delivered Construction (SF)	223,409	409,658	850,807	519,954	0	0	169,750	74,912	244,662
Rentable Building Area (RBA)	50,036,310	50,397,194	51,030,130	51,277,259	52,635,431	52,833,165	53,058,770	54,722,811	54,722,811
Occupancy Rate (%)	92.6	93.4	94.1	94.6	95	94.7	94.7	94.8	94.8
SUBURBAN FORT WORTH									
Absorption (Net, SF)	422,578	734,656	1,092,643	983,456	345,056	52,140	-70,860	112,054	93,334
Avg. Asking Rent (Annual, Net, $/SF)	12.13	11.86	12	13	13.43	13.44	13.44	13.44	13.44
Delivered Construction (SF)	249,859	497,947	926,095	466,458	507,725	0	10,560	88,000	98,560
Rentable Building Area (RBA)	21,691,651	21,816,257	23,147,717	23,365,446	24,575,112	25,126,997	25,279,039	26,049,553	26,049,553
Occupancy Rate (%)	92	93.1	93.6	95.1	94.6	95	94.5	94.7	94.7
DALLAS TOTAL									
Absorption (Net, SF)	1,618,615	2,224,018	4,022,621	5,700,158	3,114,680	638,039	132,417	-358,576	411,880
Avg. Asking Rent (Annual, Net, $/SF)	14.07	14.58	15.1	15.31	16.51	16.71	16.71	16.71	16.71
Delivered Construction (SF)	927,046	1,033,553	2,046,668	2,414,103	2,683,370	180,000	344,427	447,776	972,203
Rentable Building Area (RBA)	178,202,213	177,535,528	181,192,999	188,204,340	191,031,109	192,655,662	192,904,950	171,283,817	171,283,817
Occupancy Rate (%)	91.6	92	93.6	94.2	94.6	95.1	94.9	95	95
FORT WORTH TOTAL									
Absorption (Net, SF)	1,409,667	2,129,421	2,694,848	2,885,492	958,637	-41,988	-19,727	132,349	70,634
Avg. Asking Rent (Annual, Net, $/SF)	12.3	12.38	12.97	13.14	14.57	13.89	13.89	13.89	13.89
Delivered Construction (SF)	838,057	1,089,605	1,914,914	1,205,062	1,074,725	0	237,021	185,412	422,433
Rentable Building Area (RBA)	95,225,567	95,875,460	97,955,117	98,754,515	102,006,739	102,864,840	103,494,465	100,772,130	100,772,130
Occupancy Rate (%)	91.8	92.7	93.4	94.6	94.8	94.7	94.6	94	94
DFW MARKET TOTAL									
Absorption (Net, SF)	3,028,282	4,458,588	6,717,469	8,585,650	4,073,317	596,051	112,690	-226,227	482,514
Avg. Asking Rent (Annual, Net, $/SF)	13.23	13.81	14.17	14.57	15.83	15.73	15.73	15.73	15.73
Delivered Construction (SF)	1,765,103	2,123,158	4,043,582	3,619,165	3,758,095	180,000	581,448	633,188	1,394,636
Rentable Building Area (RBA)	273,427,780	273,410,988	279,148,116	286,958,855	293,037,848	295,520,502	296,399,415	272,055,947	272,055,947
Occupancy Rate (%)	91.7	92.2	92.7	94.3	94.6	94.9	94.8	94.6	94.6

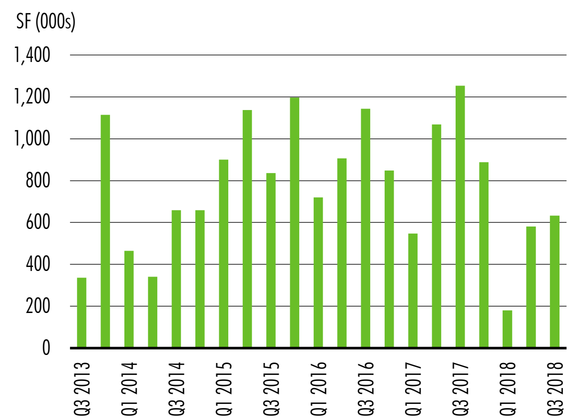
Source: CBRE Research, Q3 2018.

Figure 3: Asking Annual Rents, NNN Avg.



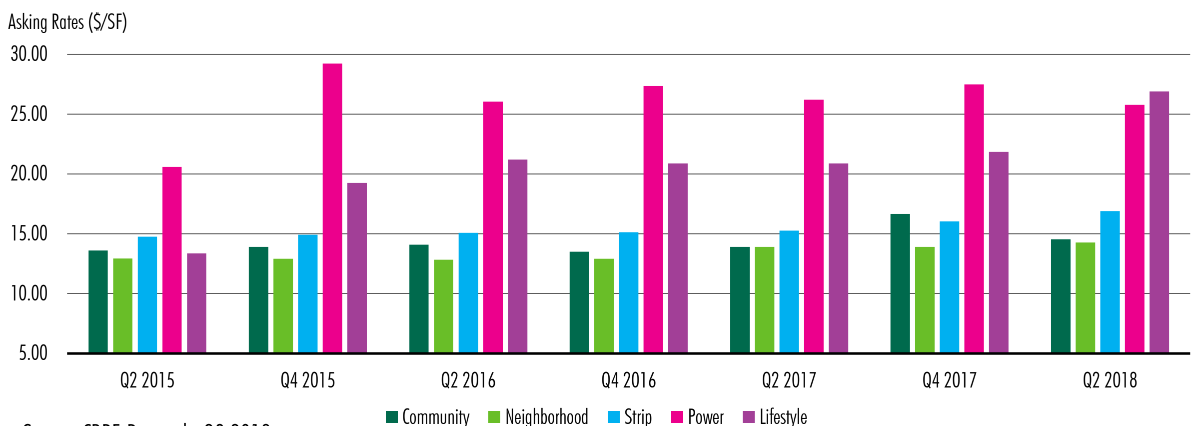
Source: CBRE Research, Q3 2018.

Figure 4: Deliveries



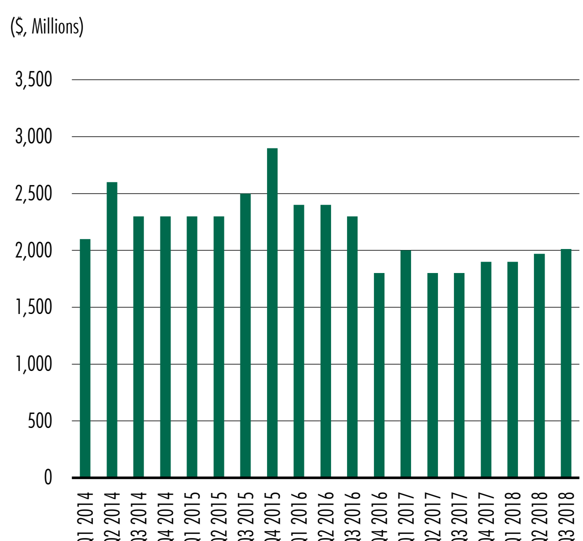
Source: CBRE Research, Q3 2018.

Figure 5: Asking Annual Rents by Center Type, NNN Avg.



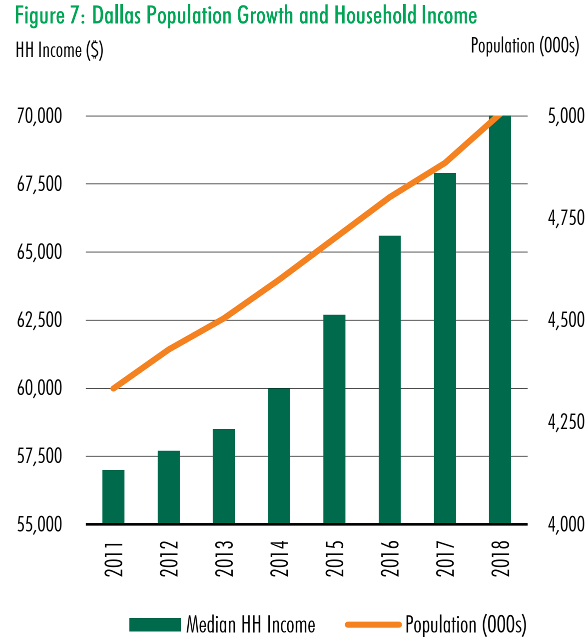
Source: CBRE Research, Q3 2018.

Figure 6: Dallas Retail Investment Sales Volume

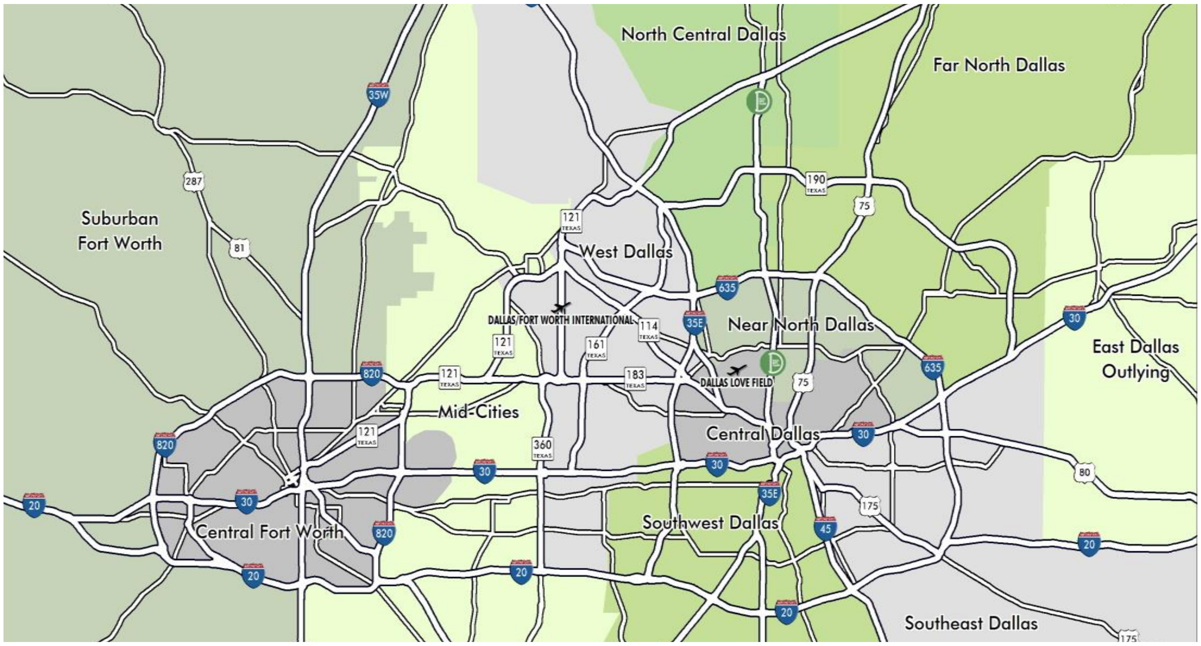


Source: Real Capital Analytics, Q3 2018.

Figure 7: Dallas Population Growth and Household Income



Source: Moody's Analytics, Q3 2018.



**The Retail dataset includes properties 10,000-sq.-ft. and up.*

CONTACTS

Robert C. Kramp
Director, Research & Analysis
robert.kramp@cbre.com

E. Michelle Miller
Research Operations Manager
michelle.miller@cbre.com

Joseph Glancy
Senior Research Analyst
joseph.glancy@cbre.com

CBRE OFFICES

CBRE Dallas
2100 McKinney Ave, Suite 700
Dallas, TX 75201

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