

Dallas / Fort Worth Retail, Q4 2018

Occupancy Holds, as Completions and Absorption rise to close out the year strong

Occupancy **94.9%**

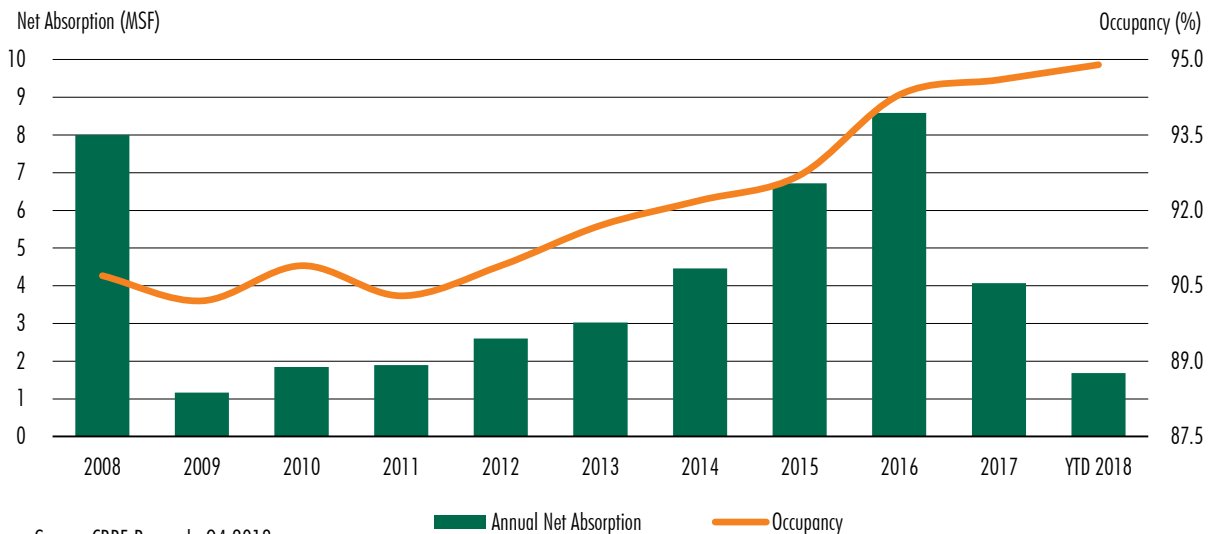
Under Construction **2,321,244 SF**

Completions **1,114,423 SF**

Net Absorption **1,201,348 SF**

Figure 1: Net Absorption and Market Occupancy

*Arrows indicate trend from previous quarter.



Source: CBRE Research, Q4 2018.

DESPITE MAJOR CLOSINGS, RETAIL OCCUPANCY RATE REMAINS UNDETERRED

The Dallas-Fort Worth Retail market ends 2018 with a 94.9% occupancy rate. This occupancy rate is one of the highest over the past three decades, even with considerable store closings and e-commerce growth. What's backfilling a good portion of this space? Experimental and entertainment retail, such as iFly, GlowZone, Punchbowl Social, and Alamo Drafthouse.

DFW LEADS NATION IN HOLIDAY SPENDING

Dallas residents led the nation in Black Friday spending in malls and brick-and-mortar stores this year with a 7.4% increase over last year. Spending was already strong leading up to Thanksgiving Day but surged with the beginning of Black Friday discounts. Some of the most popular destinations in DFW this year included Target, the Galleria, and NorthPark Center.

DFW NAMED TOP REAL ESTATE MARKET IN 2019

The Urban Land Institute and PwC's Emerging Trends in Real Estate for 2019 report named Dallas-Fort Worth the #1 real estate market to watch in 2019. The report attributes the low cost of living, low cost of doing business, and population growth as key factors in the rankings.

DALLAS ECONOMY REMAINS STRONG

With unemployment rates at 3.2%, steady job growth, and rising payrolls the DFW economy continues to remain strong heading into 2019. According to economist Ted Jones, the metroplex added over 108,000 jobs in 2018 for a 2.97% job growth rate, which was double the national average. Growth was robust across all industries with manufacturing, professional services, and government having the largest gains.

Figure 2: Historical Market Statistics

	2013	2014	2015	2016	2017	YTD 2018
CENTRAL DALLAS						
Absorption (Net, SF)	66,710	161,648	245,906	416,648	-36,509	132,919
Avg. Asking Rent (Annual, Net, \$/SF)	15.70	20.21	29.75	25.26	22.07	24.27
Delivered Construction (SF)	47,325	21,000	148,821	208,549	0	131,571
Rentable Building Area (RBA)	9,106,345	9,082,276	9,093,061	13,879,294	13,943,581	14,627,484
Occupancy Rate (%)	94.9	94.9	95.7	97.3	97.4	97.4
EAST DALLAS OUTLYING						
Absorption (Net, SF)	48,929	-8,769	97,990	-12,589	93,844	29,279
Avg. Asking Rent (Annual, Net, \$/SF)	18.26	19.95	22.30	20.25	20.56	20.68
Delivered Construction (SF)	0	0	62,000	0	87,406	10,000
Rentable Building Area (RBA)	3,503,104	3,482,829	3,633,860	3,607,505	3,863,835	4,059,346
Occupancy Rate (%)	97	95.9	97.7	98.3	97.6	97.4
FAR NORTH DALLAS						
Absorption (Net, SF)	475,411	780,537	942,926	2,081,683	628,513	396,508
Avg. Asking Rent (Annual, Net, \$/SF)	14.61	14.99	15.25	14.51	18.88	19.34
Delivered Construction (SF)	375,818	392,357	192,434	1,653,138	1,003,888	540,493
Rentable Building Area (RBA)	53,952,341	53,443,582	54,352,868	54,868,240	54,700,543	58,878,343
Occupancy Rate (%)	89.8	90.1	91.4	93.4	93.4	94.6
NEAR NORTH DALLAS						
Absorption (Net, SF)	83,422	116,135	356,548	485,111	375,484	315,771
Avg. Asking Rent (Annual, Net, \$/SF)	14.31	14.66	15.50	16.45	18.17	27.84
Delivered Construction (SF)	14,980	0	182,500	374,964	240,431	166,353
Rentable Building Area (RBA)	21,084,243	20,879,785	21,064,645	20,887,570	21,528,943	21,987,888
Occupancy Rate (%)	94.1	94.1	94.1	95.2	95.6	95.3
NORTH CENTRAL DALLAS						
Absorption (Net, SF)	573,749	316,706	1,716,562	919,412	991,268	315,771
Avg. Asking Rent (Annual, Net, \$/SF)	15.23	15.43	16.25	17.24	20.80	24.95
Delivered Construction (SF)	468,407	40,406	1,164,188	621,341	779,802	308,311
Rentable Building Area (RBA)	30,244,311	30,314,475	32,020,305	33,507,776	34,757,484	36,429,566
Occupancy Rate (%)	92.2	93	93.4	94.6	94.9	93.6
SOUTHEAST DALLAS						
Absorption (Net, SF)	127,644	4,942	67,641	109,261	-5,864	-14,040
Avg. Asking Rent (Annual, Net, \$/SF)	11.02	11.37	11.00	11.18	11.22	15.76
Delivered Construction (SF)	0	0	11,000	0	14,804	37,500
Rentable Building Area (RBA)	13,179,212	13,186,023	13,345,878	13,472,130	13,593,165	13,946,408
Occupancy Rate (%)	92.9	93	93.1	95.1	94.1	96.1
SOUTHWEST DALLAS						
Absorption (Net, SF)	70,540	503,218	92,066	812,083	154,101	375,570
Avg. Asking Rent (Annual, Net, \$/SF)	10.06	11.57	10.25	10.64	12.03	14.27
Delivered Construction (SF)	10,467	435,982	0	76,663	0	12,400
Rentable Building Area (RBA)	17,143,905	17,070,389	17,180,845	17,305,531	17,675,225	18,995,424
Occupancy Rate (%)	90.2	90.4	90.1	92	92.2	94.8
WEST DALLAS						
Absorption (Net, SF)	172,210	514,750	502,973	891,544	913,843	59,962
Avg. Asking Rent (Annual, Net, \$/SF)	14.47	13.37	12.75	13.24	13.53	16.65
Delivered Construction (SF)	10,049	143,808	256,713	40,000	557,039	347,507
Rentable Building Area (RBA)	29,988,752	30,076,169	30,501,537	30,676,294	30,968,333	34,439,902
Occupancy Rate (%)	90.9	92	91.6	93.3	95.5	94.1

Source: CBRE Research, Q4 2018.

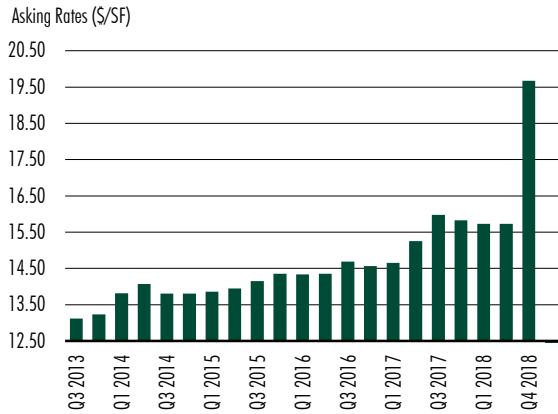
Figure 2: Historical Market Statistics

	2013	2014	2015	2016	2017	YTD 2018
CENTRAL FORT WORTH						
Absorption (Net, SF)	322,668	368,008	471,480	755,927	455,273	-98,311
Avg. Asking Rent (Annual, Net, \$/SF)	8.71	10.41	12.50	12.29	12.40	15.42
Delivered Construction (SF)	364,789	182,000	138,012	482,101	498,000	202,282
Rentable Building Area (RBA)	23,497,606	23,662,009	23,777,270	24,111,810	24,796,196	26,576,826
Occupancy Rate (%)	90.1	90.8	92.3	94.1	94.3	94.0
MID-CITIES						
Absorption (Net, SF)	664,421	1,103,732	1,131,435	1,146,109	158,308	325,693
Avg. Asking Rent (Annual, Net, \$/SF)	14.09	13.53	13.50	13.61	16.12	19.92
Delivered Construction (SF)	223,409	409,658	850,807	519,954	0	712,893
Rentable Building Area (RBA)	50,036,310	50,397,194	51,030,130	51,277,259	52,635,431	58,187,448
Occupancy Rate (%)	92.6	93.4	94.1	94.6	95	95.1
SUBURBAN FORT WORTH						
Absorption (Net, SF)	422,578	734,656	1,092,643	983,456	345,056	224,127
Avg. Asking Rent (Annual, Net, \$/SF)	12.13	11.86	12.00	13.00	13.43	18.32
Delivered Construction (SF)	249,859	497,947	926,095	466,458	507,725	116,320
Rentable Building Area (RBA)	21,691,651	21,816,257	23,147,717	23,365,446	24,575,112	26,478,279
Occupancy Rate (%)	92	93.1	93.6	95.1	94.6	95.6
DALLAS TOTAL						
Absorption (Net, SF)	1,618,615	2,224,018	4,022,621	5,700,158	3,114,680	1,232,364
Avg. Asking Rent (Annual, Net, \$/SF)	14.07	14.58	15.10	15.31	16.51	20.37
Delivered Construction (SF)	927,046	1,033,553	2,046,668	2,414,103	2,683,370	1,507,564
Rentable Building Area (RBA)	178,202,213	177,535,528	181,192,999	188,204,340	191,031,109	203,364,361
Occupancy Rate (%)	91.6	92	93.6	94.2	94.6	94.8
FORT WORTH TOTAL						
Absorption (Net, SF)	1,409,667	2,129,421	2,694,848	2,885,492	958,637	451,509
Avg. Asking Rent (Annual, Net, \$/SF)	12.30	12.38	12.97	13.14	14.57	18.56
Delivered Construction (SF)	838,057	1,089,605	1,914,914	1,205,062	1,074,725	1,031,495
Rentable Building Area (RBA)	95,225,567	95,875,460	97,955,117	98,754,515	102,006,739	111,242,553
Occupancy Rate (%)	91.8	92.7	93.4	94.6	94.8	95.0
DFW MARKET TOTAL						
Absorption (Net, SF)	3,028,282	4,458,588	6,717,469	8,585,650	4,073,317	1,683,873
Avg. Asking Rent (Annual, Net, \$/SF)	13.23	13.81	14.17	14.57	15.83	19.67
Delivered Construction (SF)	1,765,103	2,123,158	4,043,582	3,619,165	3,758,095	2,359,059
Rentable Building Area (RBA)	273,427,780	273,410,988	279,148,116	286,958,855	293,037,848	314,606,914
Occupancy Rate (%)	91.7	92.2	92.7	94.3	94.6	94.9

The spike in rental rates reflects the improved tracking of higher quality assets in the dataset. This includes converting base data from CBRE Research Third Party information service providers.

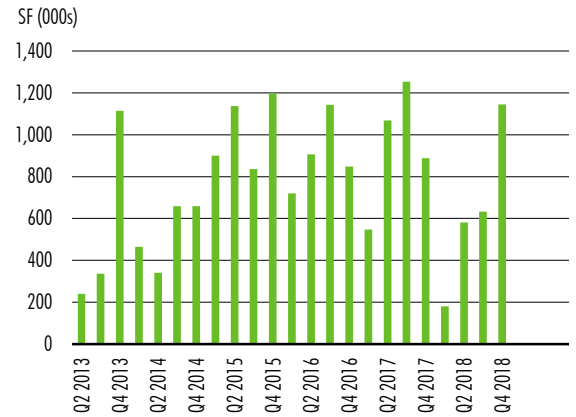
Source: CBRE Research, Q4 2018.

Figure 3: Asking Annual Rents, NNN Avg.



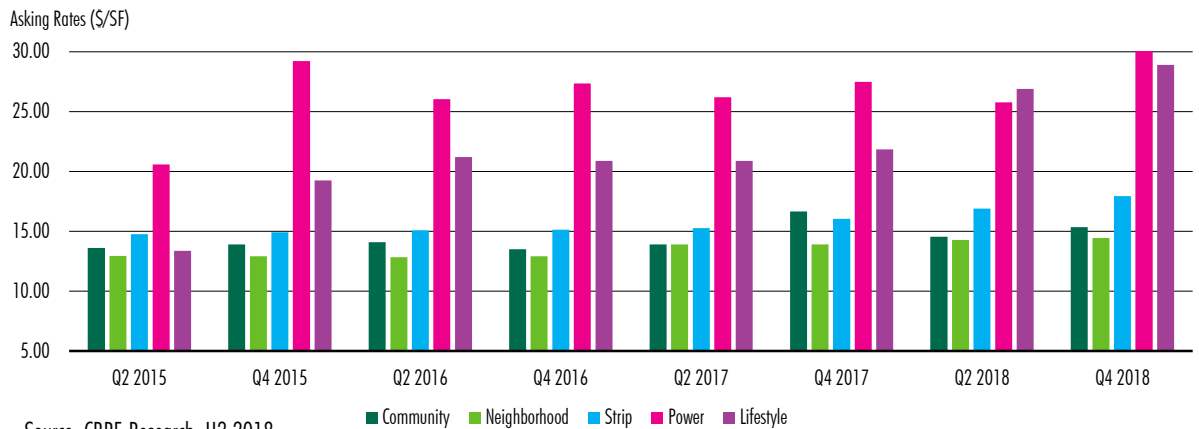
Source: CBRE Research, Q4 2018.

Figure 4: Deliveries



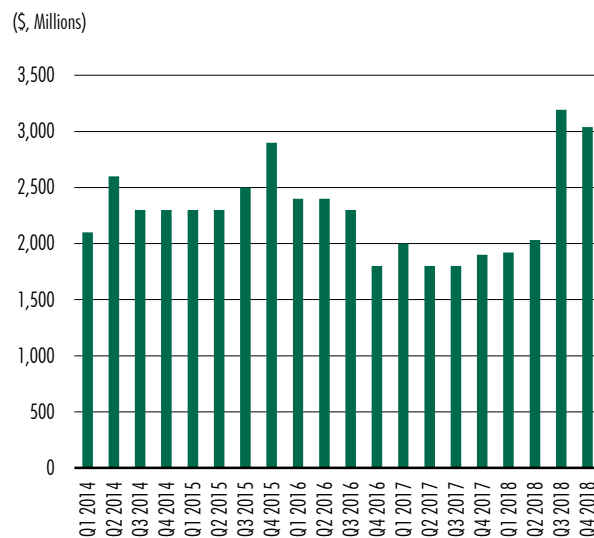
Source: CBRE Research, Q4 2018.

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



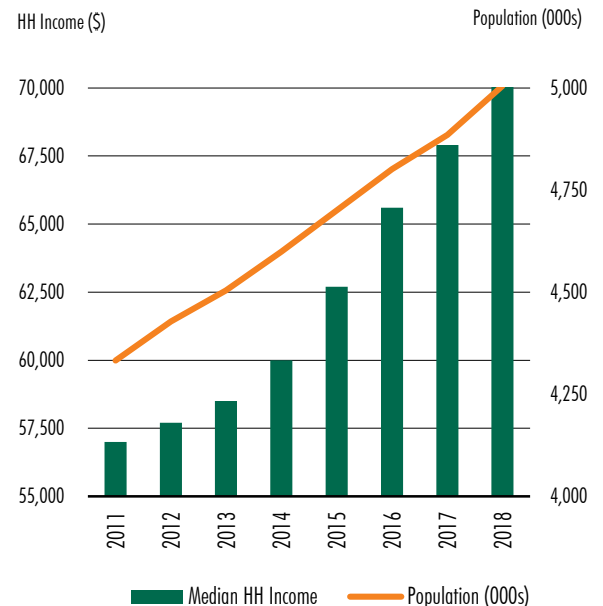
Source: CBRE Research, H2 2018.

Figure 6: Dallas Retail Investment Sales Volume

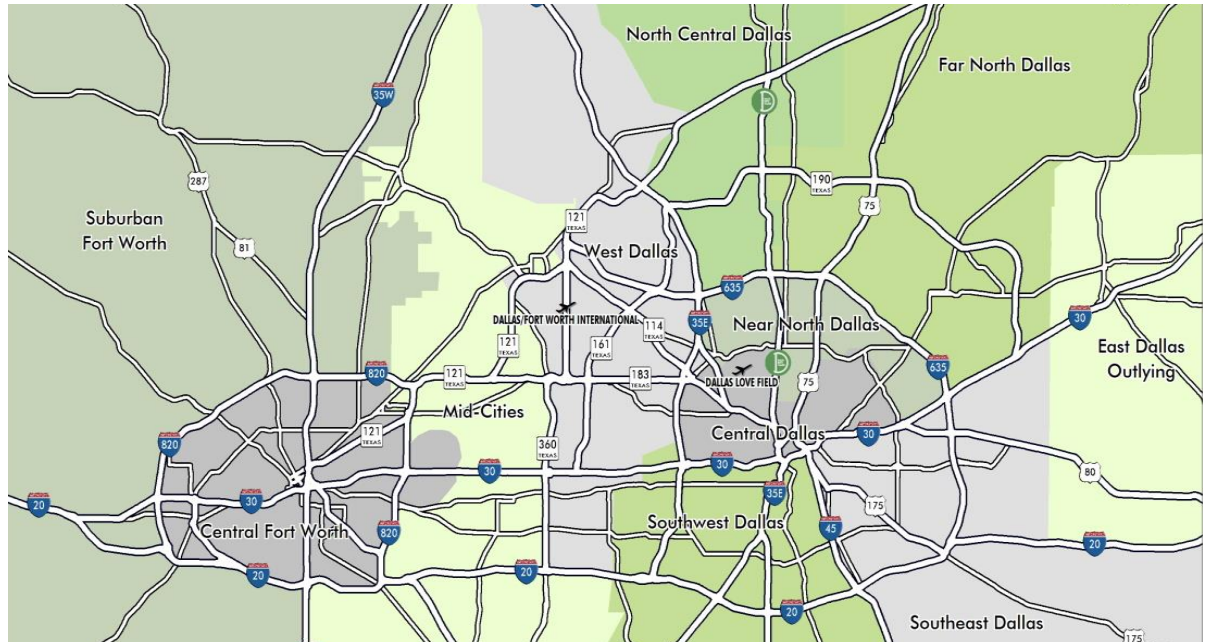


Source: Real Capital Analytics, Q4 2018.

Figure 7: Dallas Population Growth and Household Income



Source: Moody's Analytics, H2 2018.



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

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