

INVESTMENT FORECAST

Marcus & Millichap

RETAIL

Dallas-Fort Worth Metro Area

2024

Entering the Year with Record-Low Vacancy, Economic Tailwinds Support a Bullish Outlook

Expansionary consumer base stokes retailer interest. Dallas-Fort Worth's population rose by more than 600,000 residents over the past five years, fueled by diverse employment prospects and cost-of-living advantages. Reflecting this, the Metroplex has led the U.S. in net job growth since the onset of the pandemic. The enlarging labor force translates to a strengthening long-term retail spending outlook, generating leasing from expanding local brands and new vendors eager to establish a footprint. This momentum compressed vacancy to a record low of 4.8 percent at the onset of 2024. Major submarkets with rates below that mark include Near North, Southeast and West Dallas, as well as Suburban Fort Worth. Historic tightness, meanwhile, is prompting greater development, with 2024's construction volume on track to exceed last year by about 450,000 square feet. Far North and North Central Dallas combine for over half of the new retail space, limiting supply-side pressure elsewhere. Frisco, Prosper and McKinney are gaining a major share of new supply, warranted by fast growing consumer bases.

Deal flow ranks among national leaders; composition is shifting. Dallas-Fort Worth was the third most active U.S. market for retail trades last year, and number two overall for single-tenant sales. Local economic momentum should keep the Metroplex near the top of the nation in 2024. Transaction patterns are shifting, however, with Greater Dallas generating a four-year high share of single-tenant deals last year, while the portion of multi-tenant trades in Greater Fort Worth was at the third-largest mark on record. Household growth in Fort Worth suburbs should continue to direct buyers to strip centers and larger grocery-anchored properties here. Net-lease assets are coveted marketwide, but particularly in Far North Dallas, Central Fort Worth and the Mid-Cities.

2024 MARKET FORECAST

+3.0%



EMPLOYMENT: For the fifth time in six years, with the 2020 shock being the only exception, Dallas-Fort Worth adds over 100,000 jobs. This brings the decade-long expansion above 1.1 million new roles.

3,400,000
sq. ft.



CONSTRUCTION: The Metroplex leads the nation for new retail supply in 2024. Roughly 60 percent of the space scheduled to finalize this year was pre-leased at 2024's onset.

+10 bps



VACANCY: More than 1 million square feet of new stock is finalizing without a tenant in tow this year. This nudges vacancy up to 4.9 percent, still almost 200 basis points below the long-term mean.

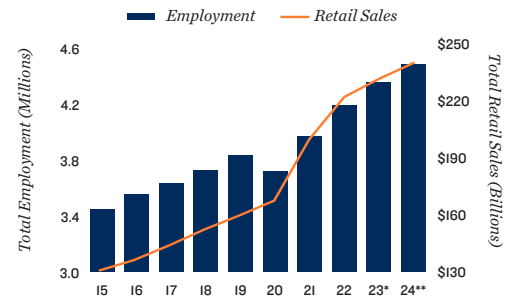
+2.8%



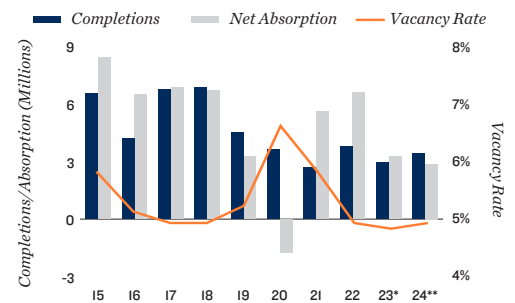
RENT: Tight vacancy by historic standards allows for a fourth consecutive year of rent growth above 2.0 percent, lifting Dallas-Fort Worth's average asking rate to \$19.62 per square foot.

INVESTMENT: Investors getting in front of headline projects may look near the Fort Worth Convention Center, which is expanding, or near the Arlington Entertainment District, where a plethora of new hotels are underway.

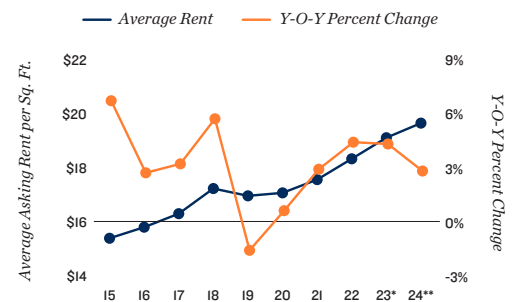
Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of December 2023. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and retail data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. 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.