

Retail Construction In DFW Hits All-Time Low Despite Occupancy's Record High

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Retail construction continues to plummet in Dallas-Fort Worth as rising costs hamstring delivery of new space.

Close to 539K SF of retail real estate hit the market last year, down from the 639K SF delivered in 2021, according to Weitzman (<https://www.bisnow.com/tags/weitzman>)'s 33rd annual forecast. This is the second year in survey history that new construction fell below 1M SF.

“Why aren't we building more space? One reason is the cost of construction,” Weitzman Executive Managing Director Bob Young (<https://www.bisnow.com/tags/bob-young>) said during a Jan. 10 presentation. “Combined with interest rates for construction loans that are up more than 300 basis points — that makes new development tough.”



The lack of new inventory coming online placed a high premium on existing space, 94.4% of which was occupied at year's end. Tenants eager to capitalize on the market are opting to backfill or redevelop space, with fitness businesses alone backfilling 15 boxes comprising 600K SF in 2022, per the firm's data.

Absorption, the sector's go-to indicator for demand, totaled 1.7M SF in 2022. Over the past two years, 6M SF of retail space has been absorbed.

Grocery-anchored community centers continue to outperform all other sectors, with 95.2% of Weitzman's 74.1M SF of space occupied. More than 40% of new construction was made up by H-E-B (<https://www.bisnow.com/tags/h-e-b>) alone, while another 17% accounted for new Brookshire's and Sprouts (<https://www.bisnow.com/tags/sprouts>) locations.

Looking ahead to 2023, Weitzman predicts the retail industry will continue to evolve to meet consumer needs. It predicts occupancy and absorption will remain mostly unchanged, but construction will increase to about 1M SF based on what is in the pipeline.

"We've gone through many ups and downs together," Young said. "We may bend, but we never break. The great thing about retail is how it evolves to get stronger every time the market challenges it."

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