

ANNUAL REPORT 2025: RETAIL

The Dallas–Fort Worth retail market entered 2026 with strong fundamentals, supported by population growth, sustained tenant demand, and disciplined development activity. While national retail faced continued store closures and cautious consumer spending, North Texas remained one of the most active and structurally resilient retail markets in the country.

Over the past 12 months, the market delivered approximately 5.2 million square feet of new retail space while recording 2.8 million square feet of net absorption. Vacancy closed the year at 4.9%, remaining below long-term averages despite a modest increase driven primarily by new supply rather than weakening demand. Asking rents grew 2.9% year-over-year, reflecting moderation from recent peaks but continuing to outperform many major U.S. markets.

Short-term vacancy increases followed national retailer bankruptcies and store closures; however, these spaces were quickly absorbed. High-traffic power center locations were backfilled by expanding fitness, discount, and experiential concepts, allowing many landlords to improve co-tenancy and reposition assets at higher rental rates.

LEASING AND TENANT DEMAND

Tenant demand has remained positive for 20 consecutive quarters, highlighting the depth of the region's retail fundamentals. Grocery-anchored centers continue to outperform, with vacancy rates near 1.7% in areas adjacent to grocery anchors. H-E-B has been a significant driver of leasing activity, opening 18 locations across North Texas since 2021 and expanding into both suburban and infill markets. Retailers across multiple categories continue to prioritize sites near these anchors, further tightening availability.

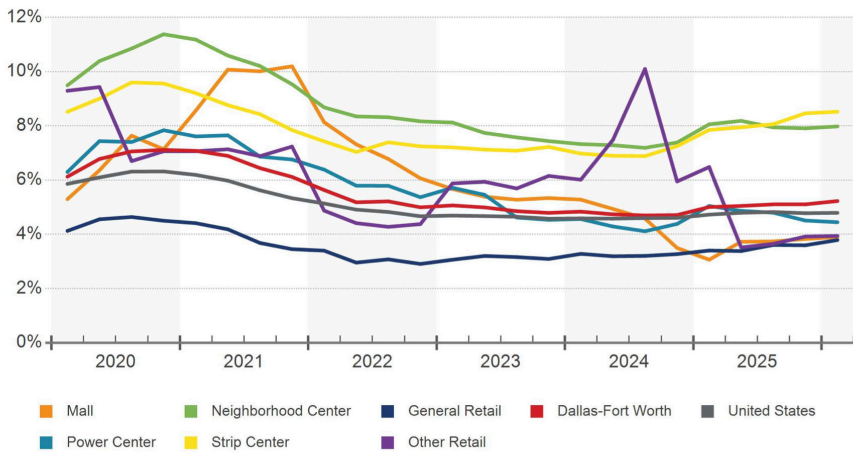
Limited new development in established submarkets has increased competition for space. Average time on market has declined by nearly 40% from its recent peak, with several northern submarkets reporting lease-up periods of approximately five months.

RENT TRENDS

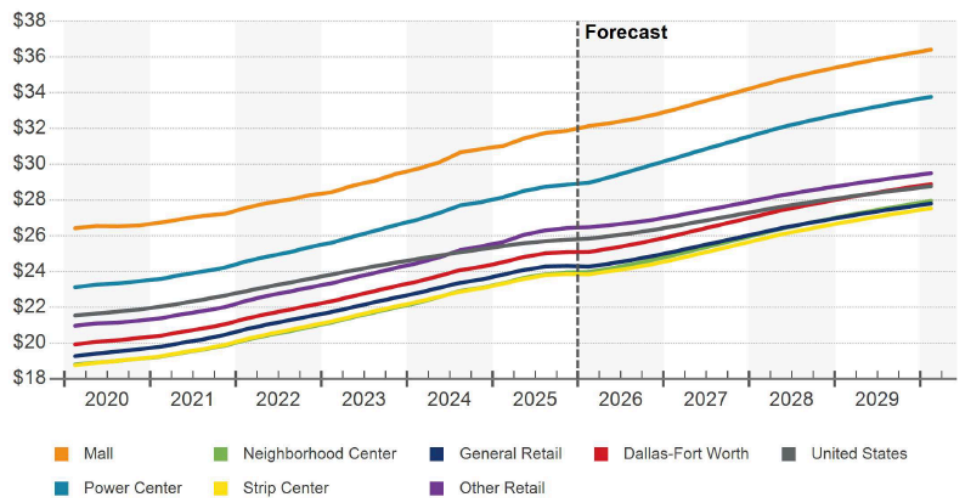
Retail rent growth moderated in 2025 as consumer spending growth slowed to roughly 2% annually. Despite near-term deceleration, long-term pricing power remains intact. Over the past decade, cumulative rent growth in Dallas–Fort Worth has exceeded 42%, creating mark-to-market opportunities for owners re-leasing legacy space.

New construction continues to command a premium. First-generation retail space averages approximately \$38 per square foot for small-shop leases, compared to roughly \$23 per square foot for properties delivered prior to 2019. Newly constructed grocery-anchored developments frequently achieve shop rents between \$45 and \$55 per square foot, particularly in high-growth suburban corridors.

AVAILABILITY RATE



MARKET ASKING RENT PER SQUARE FEET

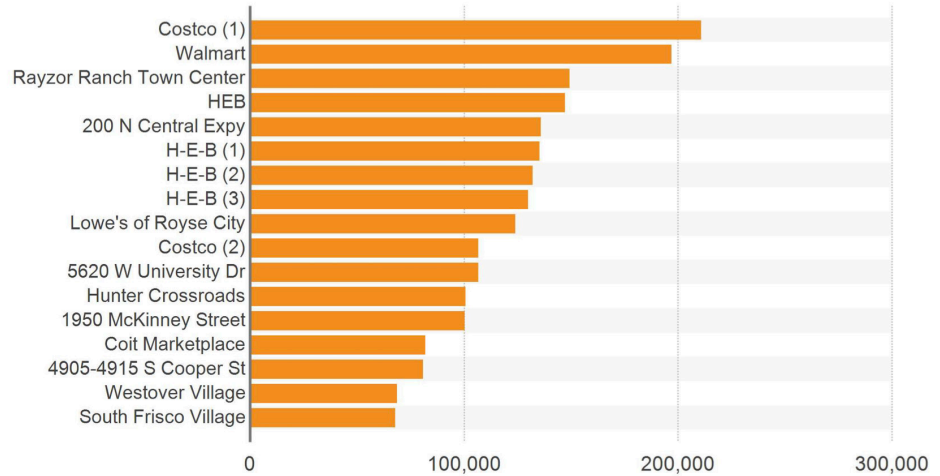


CONSTRUCTION ACTIVITY

Dallas–Fort Worth remains a national leader in retail construction, accounting for approximately 12% of all new U.S. retail deliveries in 2025. Total retail space under construction stands near 7.0 million square feet, with roughly 80% pre-leased, reflecting disciplined underwriting and cautious lending conditions.

Development activity is concentrated in Collin and Denton Counties, where population growth and household income levels continue to attract grocers, big-box retailers, and mixed-use projects. Most new construction is build-to-suit or heavily pre-leased, limiting supply-side risk. Availability within projects under construction remains below 20%, suggesting minimal near-term oversupply.

12 MONTH NET ABSORPTION SF IN SELECTED BUILDINGS



2026 OUTLOOK FOR DFW'S RETAIL MARKET

Retail investment activity rebounded in 2025, with total sales volume reaching approximately \$1.4 billion, the first year in two years to surpass the billion-dollar mark. Private investors accounted for more than 80% of acquisitions, while institutional activity remained selective. Single-tenant net lease assets and grocery-anchored centers continued to attract strong demand, with cap rates ranging from the low-5% to mid-7% range depending on asset type and tenancy.

Looking ahead, vacancy is expected to trend modestly higher in early 2026 as new deliveries continue. However, strong demographic growth, disciplined development practices, and sustained tenant demand position Dallas–Fort Worth to remain one of the most attractive retail markets in the U.S.

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(214) 281 - 8633

info@wwcpartners.com