

"We've got to keep hustling"

Fort Worth fights to make a name for itself

BY BRANDI SMITH

They don't call Dallas 'Big D' for nothing. It tops lists like Forbes' "Best Cities for Jobs" and "Best Places to Invest in Real Estate" or HousingWire.com's "Best Real Estate Markets in the U.S." It is the shining example of growth and development in North Texas. Therein lies the challenge for the city that could be considered Dallas' little sister: Fort Worth.

The seat of Tarrant County, Fort Worth is the 16th largest city in the country, but its glow is often muted by the spectacle of big sis, Big D. At a recent conference on economic development, local government and economic leaders acknowledged visibility is a challenge.

"From a visibility standpoint and an informational standpoint, people just aren't aware of us as a community," said Robert Sturns, the city's economic development director.

He cited a recent study that revealed, when asked to rank the Top 50 cities in the country, people on average put Fort Worth at 49 instead of its strong position at 16.

The city's EDC and chamber of commerce have spent years working on a strategic plan to elevate Fort Worth's spot in the national conversation.

"This is the year we stop talking about this strategic plan piece and we actually start implementing it," said chamber executive vice president of economic development Brandom Gengelbach.

The chamber's vision is to "drive the Fort Worth region to be the most thriving, inviting community for all."

"The 'thriving' is about the business piece: attracting business, growing jobs from within the entrepreneurial community. 'Inviting' is about the quality of place piece. It's about making sure we are an attractive community to bring in people from the outside and keep our people here," Gengelbach said.

The challenge lies in the business part of that plan right now. Fort Worth, Sturns said, has great residential activity.

"We're just not seeing the job growth that goes along with that," he added, suggesting that people commute from Texas' fifth largest city to jobs in other North Texas communities.

That could change in 2018, according to Drew Kile, senior vice president of investments for Marcus & Millichap's Dallas office.

"I think we're going to beat 80,000 jobs [this year]," he said during his forecast on the apartment market. "I think with projects like Charles Schwab, Liberty Mutual, Toyota, GM, there's a lot that's banked. It's already coming, but a lot of those jobs haven't shown up yet."

Another 2018 trend Kile predicted is a rise of the so-called urban village. He said currently Fort Worth is embracing the pockets of mixed-use developments with more frequency than Dallas.

He also has his eye on the North Fort Worth and Mansfield areas, where he anticipates a boom this year.

"[It will be] primarily driven by improved connectivity from the highways. TX-360 will be done in the next three months, getting you down from Mansfield much more efficiently," Kile said. "That's going to drive retail development there. That's where a lot of apartment development has been."

The office market is also facing some challenges, according to Matt Montague, JLL vice president of tenant representation for office, industrial and land transactions. He's quick to label those challenges "opportunity,"

During his presentation, Montague pointed out market attrition and low attraction in the area, which is only home to two Fortune 1,000 company headquarters. It lags behind 'peer' cities in almost all categories, he



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said, adding that there's a loss of balance between urban and suburban investment.

"My general theme would be we're stable, we're positive, we're in a good place. As we compare ourselves out of Fort Worth, we have work to do," he said.

One segment in which the city appears to shine is retail, which Jessica Worman of M2G Ventures called "alive and well." The key, she asserted, is being adaptable.

"To get people to relocate their corporate headquarters, bring millennials here, to get that workforce, to get that quality of life, we have to give them places to go and shop," she said.

Different developments in the city are doing just that. But, when they do, Worman said it's important they keep a couple emerging trends in mind. Those include bringing in first-to-market retailers, offering experience-based retail and providing space for incubators and pop-ups.

"We've all seen a lot of [incubators] open. ShopSmall Fort Worth has done several markets, 411 has done several markets," Worman said. "You see a lot of pop-ups happening."

As for the importance of new retailers, she pointed to the Clearfork development as an aspirational example. More than 75 percent of its retailers and restaurateurs that have opened since Jan. 1, 2017 are the first in the market.

"That's huge," she said.

Other trends Worman highlighted include first-class entrepreneurial start-ups, developer focus on quality retail, chef-driven restaurants, co-working and creative space, public art, retail with purpose and value-oriented retail.

On that last point, she highlighted the Fall 2017 opening of Tanger Outlets, the first outlet mall in the Fort Worth area, featuring more than 70 stores.

In 2018, she expects significant retail moves in the Cultural District, Near Southside, Stockyards, Downtown FW, SW FW and University neighborhoods.



"We've got to keep hustling. There are going to be more young professionals who will take advantage of the white space," said Worman. "You're going to see more interesting things happen, more concepts coming to the city."

One of the developments she referenced as her company's "baby" is The Foundry District, which cultivated 14 new tenants since the beginning of 2017.

"You have a lot of people in the city who are gravitating toward something that's a trend everywhere else: warehouse conversion," she said of The Foundry's draw. "They like the juxtaposition of old and new."

For professionals focused on retail commercial real estate, Worman says change will be the only constant.

"The modern consumer will keep changing. Every year will be a reinvention," she said. "[In] 2018, constant reinvention is the new normal."

The onus isn't just on retailers, however. Worman points out that residents of Fort Worth bear some of the responsibility of supporting the industry.

"As a city, now that we're on the map in terms of retail and food and beverage dining destinations, we have to shop. We have to support the local business," she said. "The local business in this case doesn't necessarily mean that Neiman Marcus isn't a local."

It's no secret that e-commerce has significantly altered the retail landscape. It's also having an

interesting side effect on the industrial market, according to Hillwood's Tony Creme.

"Every \$1 billion of ecommerce sales requires 1.2 million square feet of industrial product," he said. "I think this is a big reason the industrial market has been hot for so many years and will continue that trend going forward."

As the number of online transactions ticks up, the need for distribution and data centers only grows. Hillwood is capitalizing on this, converting 350 acres planned for industrial use to data center land.

"We can build about 400 megawatts of data center power. Just to put that in perspective, the entire DFW data center market is about 400 megawatts," Creme said. "We see a lot of potential in this new market."

Though he predicts industrial deliveries will outpace absorption this year ("I hope I'm wrong," he said), Creme also anticipates a 1-million-square-foot deal in Fort Worth in 2018. He said he's also keeping an eye on south Fort Worth, where he expects more new developers.

"I'm very, very bullish on south Fort Worth," said Creme. "I think it has a lot of potential. A lot of developers put their money where their mouths are and started building new buildings."

It's clear it will take more than a single stellar year to fight its way out of Dallas' shadow, but CRE experts in Fort Worth seem confident the city will soon be able to shine on its own. ■