

EVERYTHING IS HOTTER IN TEXAS

DFW, ATX, SAT & HOU markets make big moves



Urban Land Institute

BY BRANDI SMITH

For our REDNews readers, the Emerging Trends in Real Estate 2019 report that just came out probably holds few surprises, though it does reinforce what we've known: this is going to be a great year for commercial real estate in Texas. The report, published by PwC and the Urban Land Institute, ranks the nation's hottest markets to watch each year and, in 2019, three Lone Star markets made it into the Top 20.

DALLAS / FORT WORTH

Let's begin our Texas tour in Dallas, which snagged the top spot on the list this year, up from No. 5 last year.

"The chief economist for an institutional investor

"Dallas/Fort Worth...top spot on the list this year... potential for strong future growth..."



Downtown Austin Texas

Source: Shutterstock

remarked that Dallas/Fort Worth is an interesting market, one with the potential for strong future growth, but also with the liquidity of a gateway market," notes the report. Similar markets include New York City, San Francisco, Boston and Los Angeles.

The North Texas market also got high marks for economy (No. 1 in the U.S.), homebuilding prospects (No. 6 in the U.S.), public and private investment (No. 4 overall), industrial buy/sell/hold transactions (No. 8 in

the U.S.) and retail buy/sell/hold transactions (No. 19 in the U.S.) to name a few.

Dallas and Fort Worth were highlighted as part of a trend of less retail square footage. It's in the Top 20 when it comes to largest decreases. That's not necessarily a negative, though. As the demand for retail declines, that space is being repurposed or replaced.

"In turn, these can be seen as creating new opportunities for a range of other activities," the report suggests.

The Dallas metro market is also seen as one benefiting from "fundamental demographic and economic shifts." In 2017, new Census Bureau estimates suggested DFW grew by 146,000, drawing from both international and domestic migration.



Downtown Fort Worth Texas

Source: Shutterstock

AUSTIN

"Austin...sixth-best market for real estate prospects in 2019..."

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Downtown Houston Texas

Source: Shutterstock

Population growth is also behind Austin's high ranking this year. It's expected to bring in three times the new residents of the U.S. average. Not just that; a significantly higher percentage of those folks are in the highly desirable 0-to-24 and 25-to-44 age groups. Having a younger population helped drive the capital city to the No. 3 spot when it comes to homebuilding prospects and also provides a quality labor force.

Though it fell from the No. 2 spot last year, Austin still holds its own as the sixth-best market for real estate prospects in 2019. One factor holding it back is the lack of affordable housing, which also poses an issue for DFW. The issue in Austin is "sheer demand," according to the report, while NIMBYish (not in my back yard) is "slowing down the development of workforce housing" in Dallas.

SAN ANTONIO

"San Antonio...a population boom is strengthening its economy...primed for more modern office facilities"

It's the rising cost of materials more than anything else that seems to be contributing to the lack of affordable housing in San Antonio, which claimed the No. 20 spot for real estate prospects. (It was No. 18

last year.) Like the other cities in Texas, a population boom is helping to strengthen its economy, creating a hospitable environment for development. The report says San Antonio is No. 3 in the country when it comes to development and redevelopment opportunities, ranking just behind Miami and Portland, Oregon. A focus group also noted that the second largest city in Texas is primed for more modern office facilities.

HOUSTON

Though it didn't make it into the Top 20 like the rest of its Texas counterparts, Houston did still make gains on

the 2019 list. Ranked in the No. 60 spot (out of 79) last year, it's now No. 37.

A contributor to that growth is Houston's position as an international market. It comes in third behind Washington, D.C., and San Francisco for markets with the most cross-border capital. In Houston, investors registered for a 23 percent share of volume in 2017. The international trade market, though, is also an area of concern, per the report. It warns any negative impact could disrupt demand for industrial in Houston.

As the largest city in Texas, Houston doesn't show signs of slowing down its population growth either. Like Austin and DFW, it's not just pulling in more people; younger people are moving in, helping drive labor and the economy.

Another unique quality of Houston's market that garnered the report's attention: investments and incentives from the public sector. The report references Houston's city council making "the first changes to flood regulations in ten years, requiring new construction and retrofits to be two feet above the 500-year floodplain."

OVERVIEW

Overall, 2019 promises to be another banner year for Texas markets, whether you're operating in hot spots like Dallas-Fort Worth and Austin or San Antonio and Houston.



Downtown San Antonio Texas - Riverwalk

Source: Shutterstock