

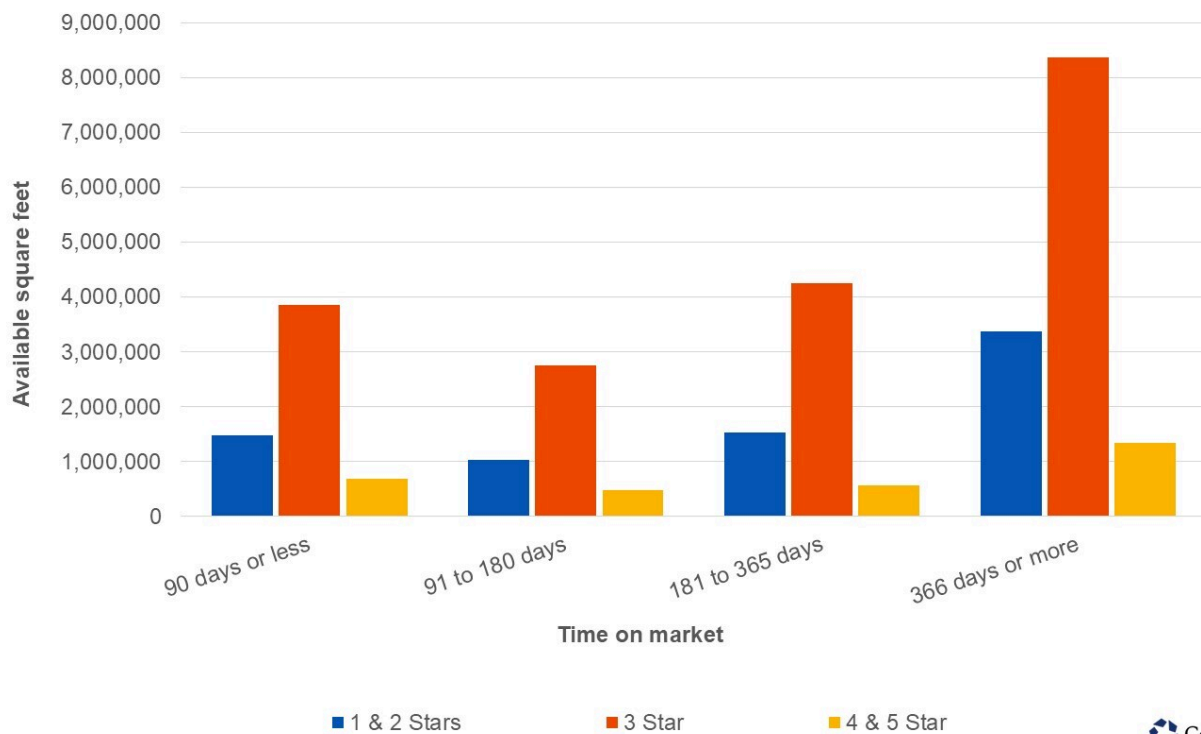


COSTAR INSIGHT

Stubborn retail availabilities face leasing challenges

Just because retail space is tight doesn't mean retailers are less selective when it comes to new locations

45% of all available retail space has been on the market for over a year



Source: CoStar, April 2025



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May 22, 2025 | 5:36 P.M.



One of the biggest challenges facing retailers looking to expand in the current retail environment is not just finding space but finding the right space. After several years of operating at near-unprecedented

low availability, the first half of 2025 is starting to see some retail space come back to the market.

For the retail market in [Dallas-Fort Worth](#) and other major markets, this recent sliver of availability is largely the result of lower leasing activity in the first several months of 2025, paired with several deliveries hitting the market around the same time. Although demand for retail space was nowhere near as low as 2020 when the COVID 19 pandemic struck and Dallas-Ft. Worth experienced 1.1 million square feet of negative net absorption, or the net change in occupancy, in the final quarter of the year. The pullback in retail leasing so far this year has still served as a catalyst for more retail space availability in the current quarter.

What's more, the vacancies resulting from the bankruptcy of such major brands as Joann and Party City, as well as numerous movie theaters and car dealerships, has produced an unusually high spike in available retail space for this market. In the first quarter alone, nearly 3.8 million square feet of retail move-outs were recorded, the highest number in a single quarter since 2018.

Like many major shifts in the market, the impact of this new space hitting the market is largely a matter of perspective. For existing or would-be users, the increase in available retail space could be a prime opportunity to relocate to a more favorable location with better street access or co-tenancy.

More often than not, the locations vacated by bankrupt retailers are in desirable locations and will be scooped up by a new tenant in a matter of months, sometimes even before the space goes to market. But for

other retail space in less-desirable locations, a different reality could await, where a listing could stay on the market for months or even years before finding a tenant.

Another challenge to backfilling vacant retail space is often presented by more specialized spaces that have smaller potential tenant pools. Big-box locations can often sit on the market for far longer than a typical retail suite due to the challenges and extra cost of retrofitting formerly single-tenant buildings for multiple tenants or a complete conversion into another asset type.

A prime example of this is the former Fry's Electronics, which had locations scattered throughout Dallas-Fort Worth. Many of these are located on prime real estate, often on highly trafficked highways with clear signage and ample parking. Yet many, including the former Plano location on the Northeast corner of Highway 75 and President George Bush Turnpike, have failed to find suitable replacement tenants, and have sat vacant for nearly two years.

Others, including the former retailer's [location](#) in Irving off of I-635, finally garnered interest after H-E-B, the San Antonio-based grocer, which recently opened stores in McKinney and Frisco, announced it had selected this location for its first store inside Dallas city lines. Only to later learn that the company had decided to build an entirely new store as an outparcel on the site, leaving the former Fry's space empty. But long-term plans are to convert the site into a self-storage facility.

While most big-box retail spaces that come on the market do not face the same issues as these projects, local brokers remain somewhat



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cautious of the current environment, saying many of the replacement tenants that would typically have taken over these locations have already reached critical mass in the market, including fitness centers, indoor pickleball courts, and big-box retailers like Burlington – the latter of which could be shedding space in existing locations as the company considers using smaller floorplans more akin to its smaller-format competitors, such as TJX.

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