

## 2016 Economic Review

In 2016, Carrollton continued to experience steady, diversified growth in all sectors of its economy, echoing the ongoing growth in the Dallas MetroPlex and in North Texas. Carrollton’s location, quality of life, low taxes, high level of city services, low crime rate, competitive housing choices, and competitive lease rates continue to set Carrollton apart from others as a value within the MetroPlex, *Where Connections Happen*.

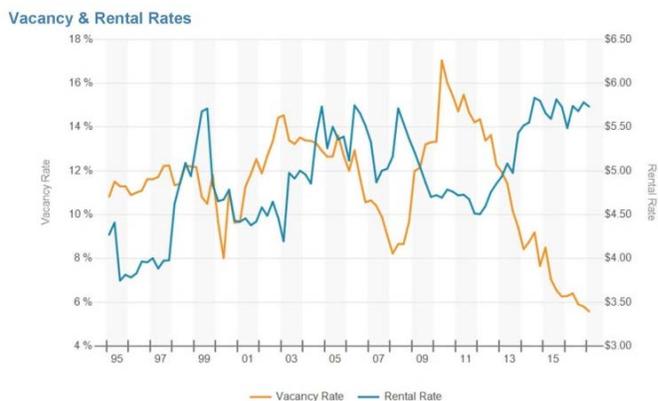
### ECONOMIC INDICATORS

In 2016, Carrollton’s assessed value of real and personal property grew to over \$12 billion with industrial/commercial valuations continuing to represent a larger percentage of the overall valuation, as compared with residential valuations.

Additionally, Carrollton’s estimated population in 2016 was 133,168, up from a population of 127,279, according to **American Community Survey**’s population estimates (4.6% growth) and is projected to grow by an additional 4.2% by 2020 to 138,817. Also, Carrollton’s median family and household income and workforce remained stable. The number of housing units rose from 45,508 to 47,069 in 2016, a 3.4% increase. Housing units are estimated to continue to increase due to anticipated additional single family and multi-family projects currently in the planning phases, which will contribute to this number for several years to come.

### MARKET SECTORS

**Industrial:** Carrollton’s Industrial Sector, represented within 673 buildings, grew to 42,765,763 S.F., with a vacancy rate of only 5.4% and an average lease rate of \$5.73 (NNN). The chart below indicates the historical trend of Carrollton’s industrial product, with rents currently at an all-time high and vacancy at an all-time low, down from the peak of 17% in mid-2010.



A look of the City’s industrial real estate indicates that the average age of Carrollton’s industrial buildings is 31.5 years, which translates to an average construction date of 1983; a time which saw very different demands related to the industrial sector, with lower ceiling heights, shallow bays, and smaller truck courts. The age and condition of these buildings is being monitored by City Staff to ensure these assets remain viable. While all industry sectors within Carrollton play a part in our diverse community, the

industrial sector remains a vital component, providing the diversification and stability through workforce opportunities and both property and sales tax revenue streams.

In the speculative industrial market, two new industrial buildings totaling 338,355 sq. ft. were delivered in 2016 within **Prologis’ Valwood Corporate Center**; both are fully occupied. Valwood Corporate Center resides on a 54-acre tract, which previously housed an 850,000 outdated microchip manufacturer. The redevelopment of the site has been a great success and its two additional buildings, totaling approx. 600,000 S.F. are under construction and expected to deliver in 2017.

Additionally, **Interceramic's** \$22 million, 330,000 sq. ft. industrial headquarters at Austin Ranch, was completed in 2016, which will house the company's headquarters offices and distribution operations for the tile and natural stone company, with approx. 150 employees.

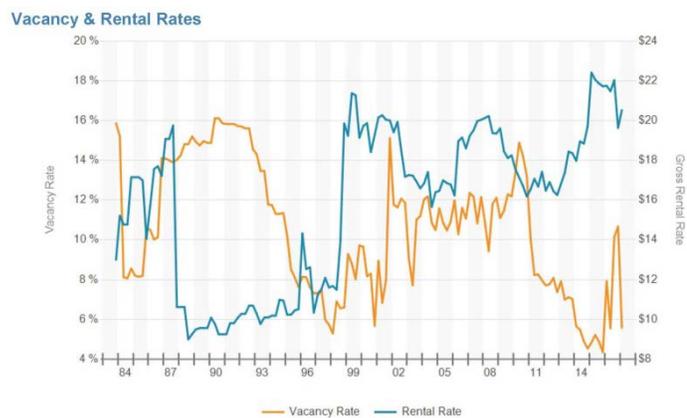
This past year, we saw the announcement that **Romco**, a construction, mining, pavement, and equipment distributor, would relocate its corporate headquarters and sales offices to Carrollton, with the construction of a new \$7 million, 35,000 sq. ft. facility on Belt Line Road. Additionally in 2016, **Venture Mechanical** also announced it would relocate its headquarters to Carrollton, at 1644 Crosby Road, into new \$4 million 40,000 sq. ft. facility, for the family-owned mechanical contractor. Romco is currently under construction, while Venture Mechanical is in the planning and design stage.

A clear trend was evident in Carrollton's 2016 Industrial market activity, with the expansion of many existing Carrollton companies, either on their current site or nearby. A fact that only solidifies the importance of the City's retention efforts. Existing Carrollton companies such as **Rudy's Tortillas, Halliburton, Thomson Reuters, Novolex, Lennox, and Johnson Controls** were able expand in place, by either leasing additional space immediately adjacent to their current space or constructing additional space on-site and/or reconfiguring existing space. Where companies like **Trane and Revolution Retail Systems** relocated entirely into new space which better met their growing needs. This trend is anticipated to continue and the City will continue to work with our existing companies to overcome the site and space constraints that exist within a built environment.

In 2016, the City also saw lease renewals of several of the City's prominent industrial tenants, including **Ingram Micro** (235,302 sq. ft.), **JBHudco** (82,484 sq. ft.), and **Trend Offset Printing** (67,000 sq. ft.). New to Carrollton this year was **Goodman Distribution, LinkEx, Clopay Building Products, Shield Medical, Group Dynamix, Excel Volleyball, and Mediocre Corp.**, to name a few.

**Office:** Carrollton's Office Sector, represented within 209 buildings, continued to grow slightly to 3,681,766 S.F., with a vacancy rate of 5.6% and an average lease rate of \$20.53 (NNN), down slightly from 2015.

A significant win for the community came this past year when **AmerisourceBergen Specialty Group** announced it would consolidate and relocate its operations from Frisco to Carrollton's **Austin Ranch**, constructing a 450,000 S.F., \$113 million corporate campus to house up to 3,000 employees. The City worked closely with developer, real estate broker, and AmerisourceBergen to make Carrollton the clear choice. Phase I of the project is currently under design and construction will soon commence. Additional interest in this area for further office development has already been expressed.



The 130,000 S.F. former headquarters of well-known casual dining giant TGIFriday's was recently occupied by **Fairway Mortgage**. Originally only considering a portion of the building, Fairway has now taken possession of the entire building. Also, **Securus Technologies** (154,000 sq. ft.), which announced their relocation to Carrollton in 2015, has moved in to their newly renovated space in **International Business Park** and is operational.

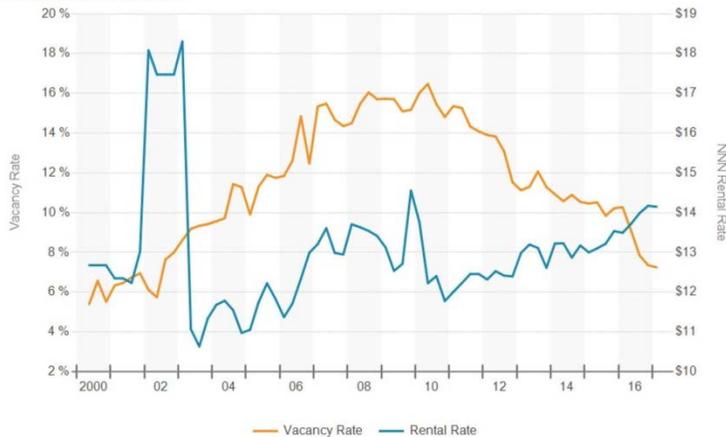
Carrollton's Office market has generally mirrored the industrial market, with a number of existing corporate tenants renewing their leases of current space in Carrollton, such as **VRM** (72,825 sq. ft.) and **Southwest Credit Systems** (21,817 sq. ft.) and the re-occupancy of existing space with several newcomers to the community, including **Humphrey & Associates** (58,989 sq. ft.), **Grubhub, Inc.** (2,305 sq. ft.), **Crowd Reason** (2,522 sq. ft.) **Kiwi Services**, a long-time Carrollton corporate resident

relocated to larger space (10,537 sq. ft.) within the community. Two office buildings were delivered in 2016, totaling 24,000 S.F.; both are located in the Hebron Pkwy./SH 121 area.

Office activity remains stable throughout the City and across all size, age, and class of our existing office product.

**Retail:** Carrollton's Retail Sector continued to grow moderately to 6,621,948 S.F., with vacancy rates trending downward to 7.2% with an average lease rate of \$14.15 (NNN). The vacancy rate is down from a high of 16.5% in mid-2010.

Vacancy & Rental Rates



Three new retail spaces were delivered in 2016; **Andy's Frozen Custard, Dairy Queen, and Golden Chick.**

Also this year, the City's retail sector saw continued growth with a number of new restaurants, as well as uses related to fitness, health and beauty, automotive, and general retail, which moved into existing retail space.

The City's efforts to encourage the redevelopment of older shopping centers continue to generate results, with a number of new retail leases at both the redeveloped **Northcrest Village Shopping Center** and **Carrollton Town Center**. Northcrest Village welcomed **Ace Hardware** (16,170 sq. f.t) this past year to complete the major tenancies at this center. Carrollton Town Center reached 100% occupancy, with the addition of **85° Bakery** (5,700 sq. ft.), **Today Comfort** (14,326 sq. ft.), **GEN Korean BBQ House** (7,454 sq. ft.) and **T Swirl Crepe** (1,372 sq. ft.).

Additionally, **Trinity Valley** owner, Weitzman, concluded the year with the demolition of a former Target and continued site preparations to make way for a new **Winco** grocery store, which is expected to complete in 2017. Nearby **Trinity Plaza** underwent a transformation with façade improvements and interior finish out, which paved the way for **Party City** (9,385 sq. ft.) to expand into new space next to their current location.

Lastly, in 2015, the City enlisted the services of Catalyst Commercial, a retail consultant, who spent the past year performing a full retail assessment of the Carrollton market, identifying and prioritizing the City's 12 retail districts, and ultimately delivering a final **retail strategy** to the City. Implementation of the strategy has begun with assessment of the top targeted retail districts, focused outreach to local brokers/developers, and retail recruitment.

**Hospitality, Medical and Residential:** 2016 continued to show significant growth in the hospitality, medical, and residential markets in Carrollton.

The much anticipated 155-room **Marriott Courtyard Hotel and Conference Center** opened mid-2016 and has seen room night occupancies steadily increase along with special events within the 20,000 sq. ft. conference space.

Carrollton's medical industry is thriving, with several ancillary businesses locating around the periphery of Baylor Scott & White Medical Center, but also throughout the City within various offices and even retail centers (including laboratories, physician's offices, minor emergency rooms, etc.), as providers work to be close and accessible to their clients. Additionally, several senior/assisted living and memory care centers are being developed, such as the recently completed 70,000 S.F. **Briarview Senior Living** facility.

While Carrollton is slowly approaching build-out, residential developers have put into play most of the remaining greenfield sites, with the addition of over 1,800 homes coming soon. Development of these

residential neighborhoods will occur over the next several years. Additionally, the City is annexing nearby unincorporated land, which will house hundreds of new homes in far North Carrollton.

In 2016, the City experienced a slight decrease in the number of permits issued for new single family dwelling units and commercial developments from 2015; however, the number of permits for both residential and commercial remodels/renovations increased from 2015, and the overall number of permits issued rose as well. The plateau of new development is to be expected given the limited amount of developable land remaining in Carrollton, while the increase in remodels/renovations is a key indicator of continued demand and reinvestment in Carrollton.

### **DOWNTOWN DEVELOPMENT**

In the face of intense roadway construction tied to the I-35E improvements, **Carrollton's Historic Downtown** continues to see much interest and activity. Last year was clearly the most difficult in the I-35E construction schedule for the Downtown area, with road closures, detours, and continuous shifting of traffic patterns. Much progress has been made with the roadway improvements and the project should be significantly complete by mid-2017.

While the interest in Downtown is strong, businesses that wish to locate to Downtown and lease space are somewhat constrained, due to limited available existing space. As a result, potential businesses are exploring redevelopment opportunities of existing buildings in and near downtown, which has provided great opportunity for unique and eclectic designs. **Monkey King Noodle** recently opened in Downtown, in a completely renovated former gas station and was recently joined by well-known mobile vendor, **Cow Tipping Creamery**. Also, **The Wright Group**, an architecture firm, relocated into newly renovated space just off the square, allowing **B Street**, a home décor retailer, to backfill Wright's former space directly on the square.

The planning and design work for two new multi-family developments occurred last year, paving the way for construction of both to begin in 2017. The **Union, Phase III** and the **The Switchyard** will provide almost 600 additional multifamily units for those wishing to live in Downtown, which will continue to bring the needed foot traffic to the area to maintain the current, and attract future, retailers and restaurants.

The City's **Downtown Events** such as Movies and Concerts on the Square, Santa Dash, and TexFest celebrating Texas' Independence Day, continue to see attendance growth.

### **LOOKING FORWARD**

With Carrollton's central location in the Dallas Metroplex, its low tax rate coupled with one of the highest rated public service delivery systems in the Metroplex, and our City Leader's ongoing commitment to reinvesting in the community, Carrollton will continue to be a community of choice for both business and residents for years to come. The City of Carrollton will remain agile, as its practices and policies consider the ever changing retail trends, demographics, evolving technology, and our shift from a community focused on new and expanding growth to one focused on sustainability within a built environment.

Monthly updates from the Economic Development Department are available on the Economic Development page of the City of Carrollton web site:

<http://www.cityofcarrollton.com/departments/departments-a-f/economic-development/economic-development-update>.

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