

#1

NATIONAL LEADER IN
12-MO. DELIVERED SF

#1

NATIONAL LEADER IN
UNDER CONST. SF

#2

LARGEST TOTAL MARKET
INVENTORY IN US

QUICK STATS

992.9 M

INVENTORY (SF)

6.6 M

Q3 NET ABSORPTION (SF)

51.8 M

UNDER CONSTRUCTION (SF)

6.8%

VACANCY RATE

\$8.39 PSF

AVG NNN ASKING RATE

INDUSTRIAL OVERVIEW

RECORD DELIVERIES AND SOFTENING DEMAND

The Dallas-FortWorth industrial real estate market is experiencing a slowdown in demand and a rise in vacancy rates. In the first three quarters of 2023, developers delivered a record 55 million square feet of new space, which is pushing vacancy rates higher as demand declines in an uncertain market.

Net absorption has also softened over the past four quarters, coming off white-hot demand that fueled double-digit rent growth.

SHIFTING PRICING POWER

The increasing availability of industrial space is giving tenants more options and shifting the pricing power in their favor. Asking rents for newer buildings are under downward pressure, while landlords continue to escalate rents within interior submarkets. Rising vacancies and cooling activity could shift power to tenants.

MARKET OUTLOOK

Overall, the Dallas-Fort Worth industrial real estate market is undergoing a transition from a seller's market to a more balanced market. Tenants are now in a better position to negotiate favorable lease terms, and landlords are likely to become more competitive in order to attract and retain tenants.

After two years of record activity, the market is pivoting to normalization. Vacancies will likely rise and new supply volume will cool, but Dallas-Fort Worth will remain a vital industrial market due to its location, infrastructure and business climate.

*Industrial Product Only. Existing & Under Construction.

INVENTORY

The Dallas-Fort Worth's total (DFW) industrial market is now over 1 billion square feet in size, when you include industrial and flex product.

Industrial specific product is at 992.9 million square feet, and flex is at 136 million square feet. This makes DFW one of the largest combined industrial markets in the United States at 1.1 billion square feet, behind only Chicago's 1.4 billion square foot market.

With near record levels of construction under the way, expect inventory volume to continue to expand, with Industrial specific product crossing the 1 billion square foot mark in the next year.

Warehouse and Distribution product has been the main product to deliver in recent quarters, making up 44 million square feet of the 63 million square feet delivered in the last year.

ABSORPTION

Net absorption for the overall Dallas-Fort Worth Industrial market was positive 6,577,088 square feet in Q3 2023. That positive net absorption is driven by 4 submarket clusters: East Dallas, N Fort Worth/Alliance, South Dallas, and South Fort Worth. Other core clusters finished the quarter with negative net absorption.

Large-block users with spaces of 200,000 square feet or more leased 4.6 million square feet in the quarter, showing their major sway on the market's momentum. Absorption has been trending downward for four consecutive quarters, with market conditions likely to maintain current trajectories in the face of high borrowing costs and economic uncertainty.

As borrowing costs remain elevated and markets face continued uncertainty, expect absorption and leasing activity to continue to cool.

CONSTRUCTION

Construction continues to maintain near-record levels. Dallas-Fort Worth contains the largest industrial pipeline in the country, with 52 million square feet currently underway.

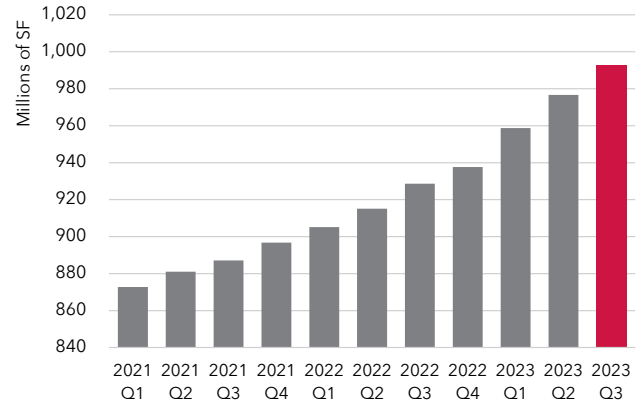
The market has seen over 55 million SF deliver year-to-date, which accounts for over 10% of all total national deliveries.

While construction is occurring across the metroplex, three submarket clusters capture more than half of the construction pipeline: N Fort Worth/Alliance, South Dallas, and East Dallas.

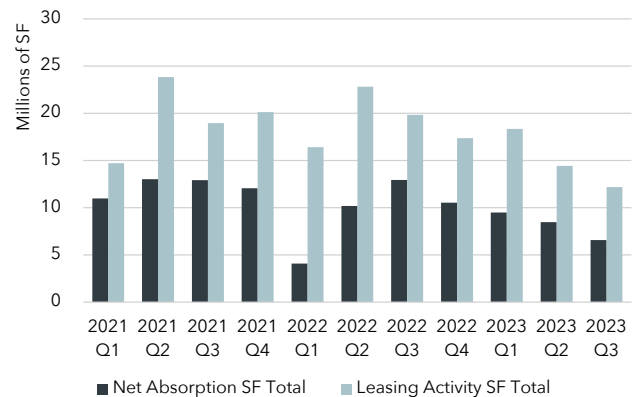
With rising borrowing costs, lessening demand, and general market uncertainty, construction starts have slowed in recent quarters, so expect the under construction pipeline to cool for the moment, but still be a national leader.

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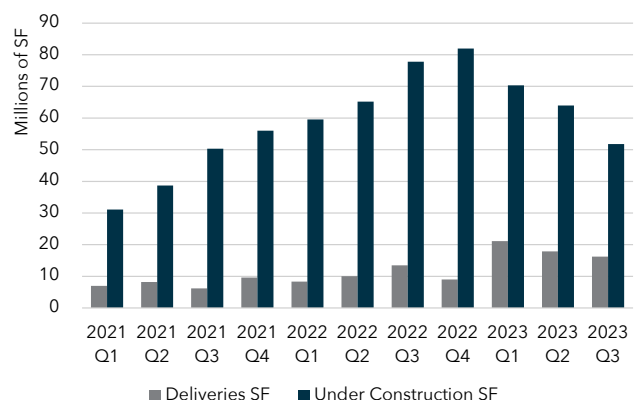
INVENTORY



ABSORPTION & LEASING



CONSTRUCTION





VACANCY

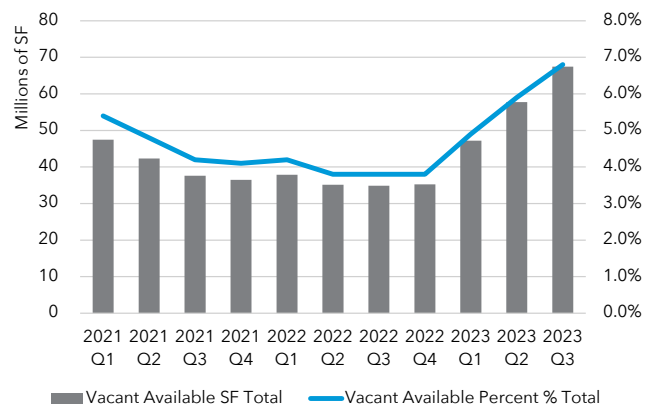
Vacancy rates are rising to the highest levels in recent years following a record amount of new supply and weakening absorption.

As deliveries continue to outpace absorption, vacancy volume has passed 67 million square feet at 6.8% of market total inventory.

Vacancy rates are poised to expand further, as projects of the 51.8 million square feet underway are anticipated to deliver over the next 12 to 18 months into a cooling market. The share of pre-leased space is trending near 25%, among the lowest rates in the country and another risk to vacancy rate expansion.

Leasing volume is cooling back to pre-crisis norms, thus reducing demand pressure on all of this new product, so vacancy rates will likely continue to rise. Submarkets with the highest vacancy rates are: South Dallas, N Fort Worth/Alliance, and South Fort Worth.

VACANCY



RENTAL RATES

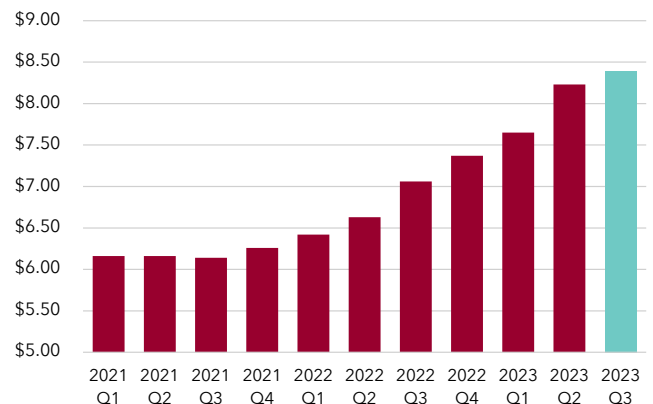
Direct NNN rates are at all time highs across the market, ending Q3 2023 at \$8.39/PSF.

According to Lee & Associates' tracking, this is a \$1.33 year-over-year increase. Submarkets with the highest costs are generally in more built-out urban areas where opportunity for new construction is rare, such as South Stemmons and DFW Airport.

Now that supply-side pressure and leasing activity are moderating after break-neck paces, rent growth should cool over the near term.

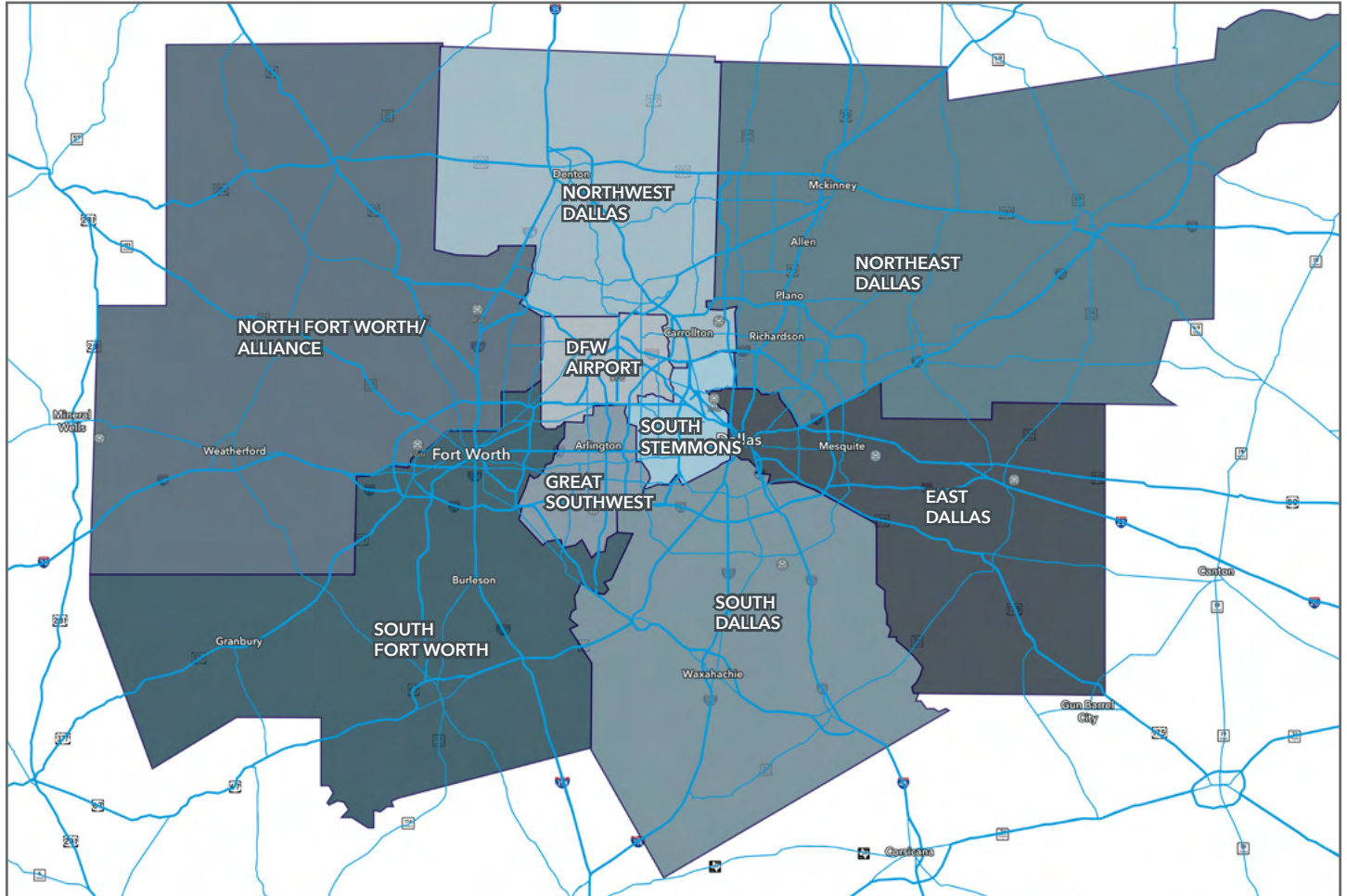
If availability and vacancy rates rise, and demand continues to slow, landlord pricing power might moderate.

RENTAL RATES



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MARKET & SUBMARKET PERFORMANCE



SUBMARKET	EXISTING INVENTORY		VACANCY			Q3 2023 NET ABSORPTION	Q3 2023 DELIVERIES	UNDER CONST SF	QUOTED NNN RATES
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
NORTHWEST DALLAS	1,565	108,170,244	5,076,359	5,826,894	5.4%	-1,253,749	848,221	4,424,460	\$7.64
DFW AIRPORT	672	88,680,417	4,353,134	5,054,131	5.6%	-123,873	727,289	3,583,907	\$10.37
EAST DALLAS	1,466	61,169,763	3,094,340	4,539,805	5.6%	2,009,257	1,069,947	9,156,685	\$7.36
GREAT SOUTHWEST	1,493	119,748,060	4,396,724	5,146,149	4.3%	-455,130	67,921	2,903,198	\$9.37
SOUTH STEMMONS	3,001	112,162,566	5,314,915	6,476,529	5.8%	-471,235	20,000	2,135,614	\$10.12
N FORT WORTH/ALLIANCE	1,738	137,384,622	9,834,548	11,497,897	8.4%	2,400,550	5,101,101	12,095,287	\$6.17
NE DALLAS	2,220	105,963,443	4,282,037	4,897,942	4.6%	-50,375	484,641	4,349,415	\$9.87
SOUTH DALLAS	1,533	151,226,313	17,965,497	18,793,909	12.4%	3,988,211	6,340,883	7,575,678	\$7.81
SOUTH FORT WORTH	3,032	103,377,357	5,387,911	6,046,993	5.8%	1,553,539	834,774	4,949,702	\$8.25
DFW MARKET TOTAL	16,940	992,943,074	60,001,662	67,441,109	6.8%	6,577,088	16,225,542	51,815,202	\$8.39

*Includes Industrial buildings only.