



TRANSWESTERN

DALLAS+FORT WORTH INDUSTRIAL MARKET Q1 2023



TRENDLINES

	Q1 2023	ONE YEAR AGO	TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
12 Month Net Absorption	38.2 MSF	40.0 MSF	↓	28.7 MSF	→
Quarterly Net Absorption	6.5 MSF	5.1 MSF	↑	7.4 MSF	→
Vacancy (Existing)	6.8%	5.4%	↑	6.1%	↑
Availability (Existing & U/C)	12.6%	10.5%	↑	10.1%	→/↑
Industrial Rents (NNN)	\$6.72	+18.7%	↑	+7.6%	↑
Flex Rents (NNN)	\$12.17	+10.5%	↑	+4.2%	↑
Total Construction	67.2 MSF	69.6 MSF	→	44.8 MSF	↓
Speculative Construction	61.6 MSF	62.0 MSF	→	35.4 MSF	↓

Note: Rents are averaged over the last 12 months for consistency.

Sources: Transwestern Research, CoStar

Vacancy Returns To Pre-Pandemic Levels

Industrial performance remained solid in the first quarter in Dallas-Fort Worth. Year-over-year rents continue growing at double-digits in both Industrial (+19%) and Flex (+11%). Net absorption reached positive 6.5 million SF. Large deliveries, however, drove vacancy higher to 6.8%—its highest level since the pandemic. Groundbreakings on new projects fell to their lowest level since 2020. Nevertheless, construction remains well above average and will likely drive vacancy to approximately **9.0%** by year-end 2023.

Performance over the next 18 months will vary based on product type and location. Rent growth and tight market conditions may continue in core submarkets with limited construction. However, new construction in periphery submarkets entering hyper-supply conditions with double-digit vacancy rates may face increasing headwinds for rent growth. That said, long-term population growth in Dallas-Fort Worth will ultimately absorb vacant stock and support future developments.

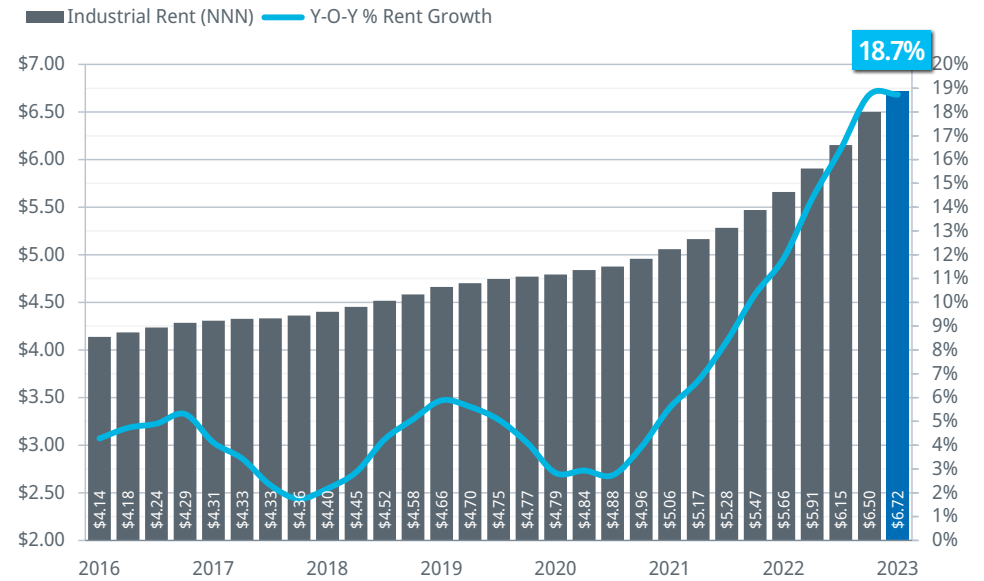


RENTAL RATES

Rent Growth Continues At Blistering Pace

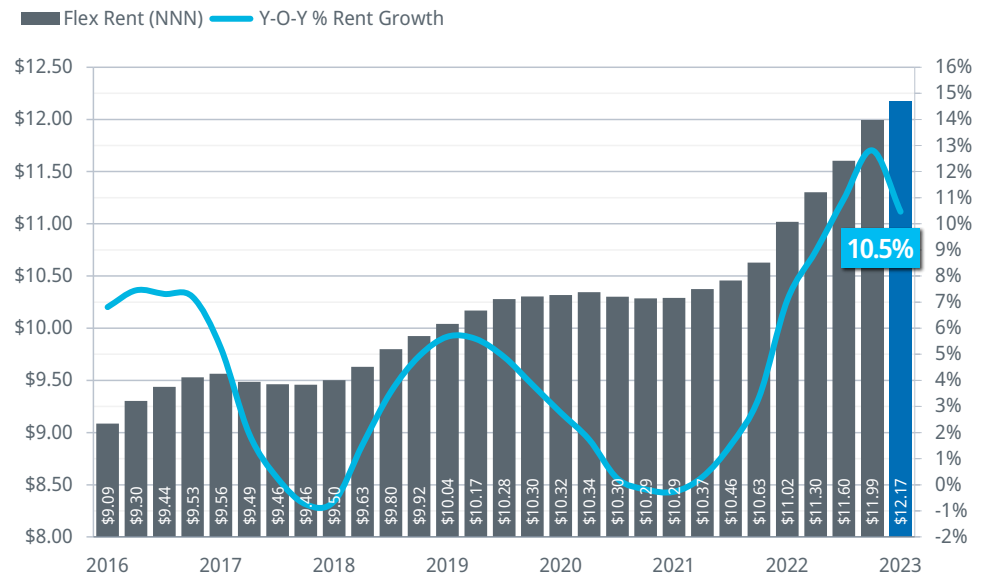
- Industrial rent growth continues at a robust 18.7% year-over-year, bringing average rents to \$6.72 NNN.
- Rent growth is strong in both Dallas (+21%) and Fort Worth (+11%).
- Flex rent growth reached 10.5% year-over-year, bringing average rents to \$12.17 NNN this quarter.
- Annual rent escalations have risen to 3.5%-5.0% per year, well above the pre-pandemic norm of 2.0%-3.0% per year.
- Free rent remains below average due to strong tenant demand and low vacancy rates. Lower tenant improvement allowances are available due to rising finish-out costs.
- Transwestern expects rent growth to continue:
 - Rents will continue to grow as vacancy remains well below long-term average levels.
 - In core submarkets, low vacancy rates and limited construction may continue supporting double-digit rent growth.
 - In periphery submarkets, deliveries will likely drive vacancy to new highs. Rent growth may slow but will likely remain positive.

AVERAGE INDUSTRIAL RENTS



Source: Transwestern Research, CoStar

AVERAGE FLEX RENTS



Source: Transwestern Research, CoStar

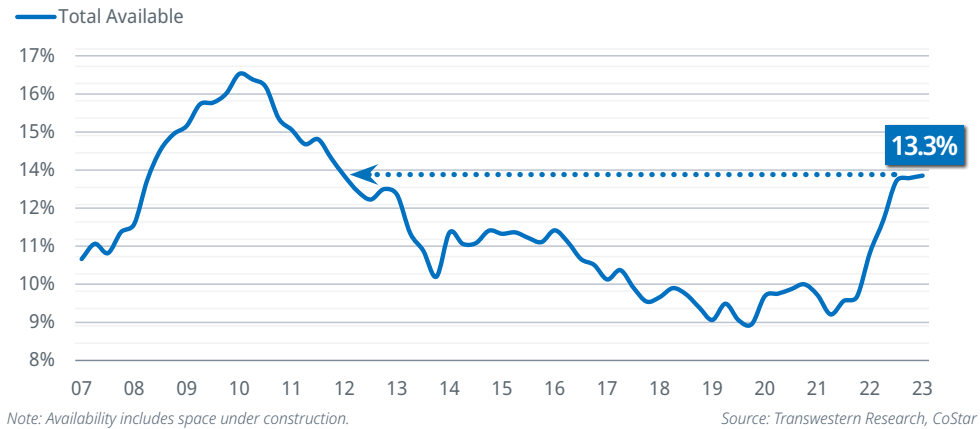


LEASING, NET ABSORPTION, & VACANCY

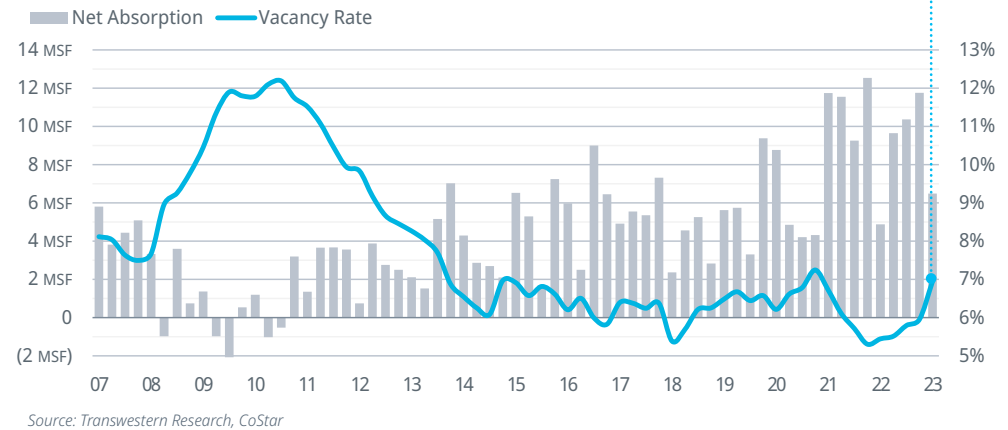
Vacancy Continues Climbing With Deliveries

- Leasing activity for Industrial & Flex space exceeds 74.1 million SF over the past 12 months.
- Net absorption reached positive 6.5 million SF this quarter, or 38.3 million SF over the last 12 months.
- Over the last 12 months, Industrial vacancy increased from 5.5% to 7.0% as vacant deliveries come to market.
- With the pace of construction exceeding demand, Industrial availability inched up to 13.3%, its highest reading since 2012.
- Flex vacancy inched up to 5.4% but remains stable due to a lack of new construction.
- Sublease listings have increased to 5.6 million SF, its highest level since late 2020. Transwestern expects these to be absorbed quickly as tenants seek short-term overflow space.

INDUSTRIAL AVAILABILITY



INDUSTRIAL VACANCY



NOTABLE LEASES

TENANT	SF LEASED	LEASE TYPE	BUILDING	LANDLORD	SUBMARKET
Hays Co	904,495	New	Forney Logistics Crossing	Stillwater Capital	East Dallas
Ryder Trucking	763,960	New	Trinity West 200	Lovett Commercial	South Stemmons
Blue Triton Brands	603,328	New	Commerce 20/35	AEW Capital Management	South Dallas
RJW Logistics Group	592,995	New	Alcott Logistics Station D	Urban Logistics Realty	East Dallas
Lumber Liquidators	457,363	New	Northlink C	TA Realty	North Fort Worth
Iron Mountain	400,299	New	Westport Parkway Logistics Center 2	CT Realty Investors	North Fort Worth
Forward Air Solutions	229,200	Ren	DFW Trade Center 7	Clarion	DFW Airport

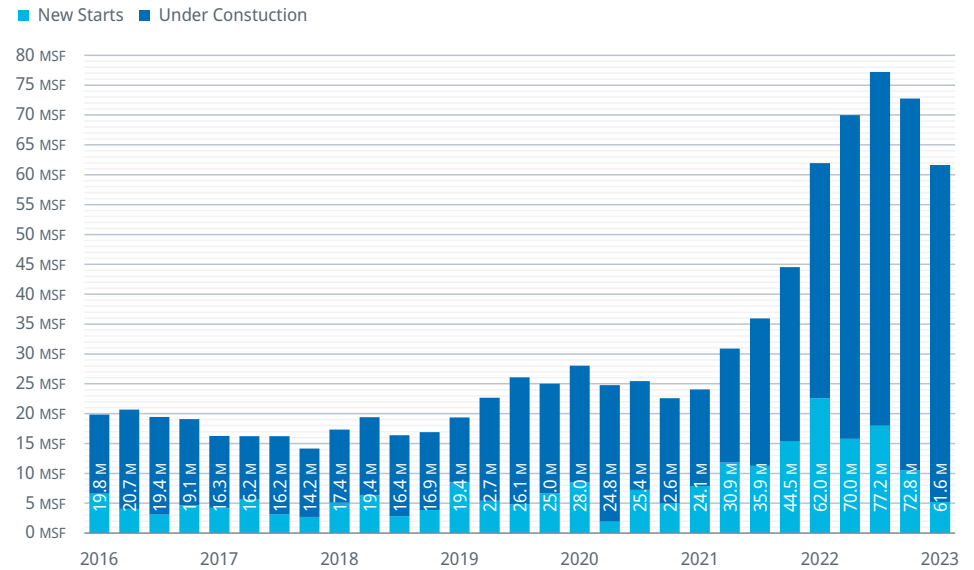
Source: Transwestern Research, CoStar

CONSTRUCTION & CAPITAL MARKETS

Groundbreakings Continue Cooling

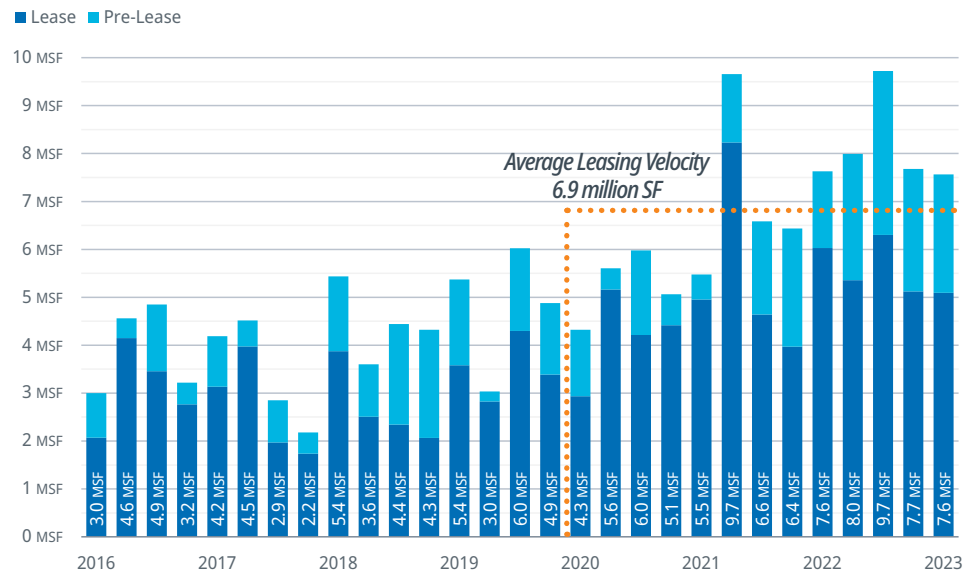
- Developers broke ground on 5.2 million SF of new speculative projects this quarter, the lowest level since early 2020.
- Despite fewer groundbreakings, total spec construction remains elevated at 61.6 million SF.
- Leasing velocity in new construction continues above average at 7.6 million SF this quarter. Over the last 12 months, tenants have leased 33.0 million SF in new construction.
- Unleased deliveries will continue driving vacancy higher over the next 12 months:
 - 59 million SF is underway, but **55** million SF is not leased
 - Current tenant demand can only absorb **24-30** million SF
 - As a result, deliveries will likely bring **25-31** million SF of vacant space to market over the next 12 months
 - This increase will drive Industrial vacancy from 7.0% in Q1 2023 to **9.0%** by year-end
 - Vacancy in periphery submarkets could reach 15%-20% if large blocks of vacant space remain unleased
- Core submarkets remain well-positioned for additional projects.
- Rising interest rates remain a headwind against asset prices and new project underwriting. Investor interest remains strong, although some investors are pausing acquisitions and new projects as they await price discovery.
- Financing for new construction is becoming more scarce.

SPECULATIVE DEVELOPMENT PIPELINE



Source: Transwestern Research, CoStar

LEASING VELOCITY IN SPECULATIVE DEVELOPMENT



Source: Transwestern Research, CoStar



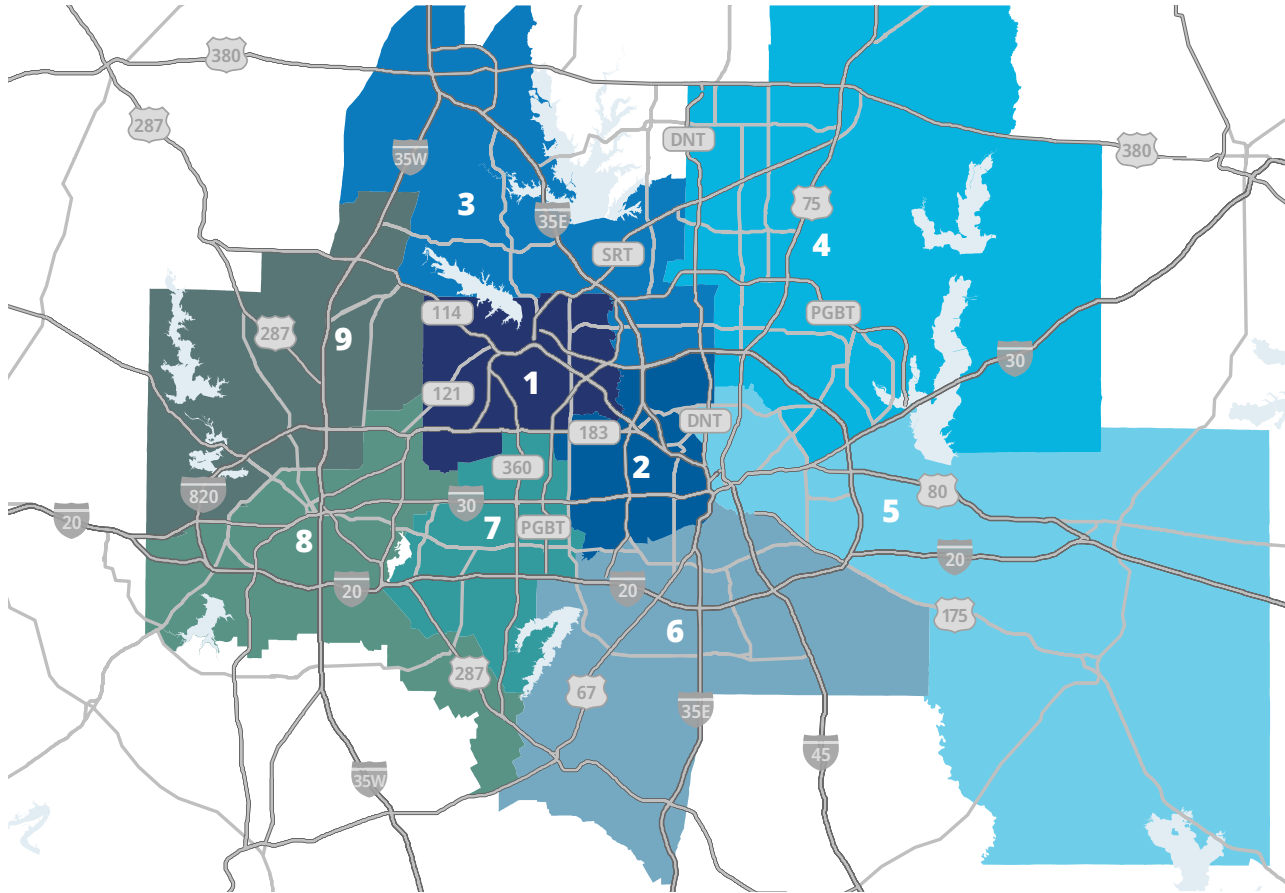
Market Indicators - Industrial

SUBMARKET	INVENTORY	VACANT SF	VACANCY %	AVAILABLE ¹ SF	AVAILABLE ¹ %	QUARTERLY NET ABSORPTION	12 MONTH NET ABSORPTION	UNDER CONSTRUCTION SF	NNN RENT	
									THIS QUARTER	ONE YEAR AGO
DFW Airport	83,157,934	4,187,056	5.0%	9,578,635	11.0%	(56,411)	1,434,808	3,890,707	\$8.30	\$6.34
South Stemmons	91,998,771	5,650,903	6.1%	6,610,981	7.1%	(131,806)	(285,165)	1,470,516	\$8.61	\$6.68
Northwest Dallas	100,877,997	5,440,491	5.4%	10,641,385	10.1%	(163,852)	3,504,928	4,269,231	\$7.77	\$6.66
Northeast Dallas	84,129,854	2,690,839	3.2%	6,554,368	7.5%	(332,517)	2,596,039	3,385,946	\$8.75	\$6.58
East Dallas	46,607,617	4,662,973	10.0%	16,297,583	27.3%	487,227	2,989,928	13,107,662	\$6.81	\$6.33
South Dallas	116,636,761	15,370,430	13.2%	30,822,810	23.1%	1,982,658	10,937,672	16,973,158	\$5.26	\$4.44
Great Southwest	111,332,098	3,479,329	3.1%	7,321,503	6.4%	(176,864)	1,281,899	3,361,016	\$6.64	\$5.60
South Fort Worth	66,802,966	4,278,107	6.4%	7,454,513	10.5%	977,047	5,610,114	4,442,566	\$6.30	\$5.46
North Fort Worth	115,225,808	10,988,506	9.5%	22,642,251	17.2%	3,911,265	10,198,875	16,076,078	\$5.17	\$4.87
INDUSTRIAL TOTAL	816,769,806	56,748,634	7.0%	117,924,029	13.3%	6,496,747	38,269,098	66,976,880	\$6.72	\$5.66
Dallas Total	634,741,032	41,482,021	6.5%	87,827,265	12.9%	1,608,435	22,460,109	46,458,236	\$7.27	\$6.01
Fort Worth Total ²	182,028,774	15,266,613	8.4%	30,096,764	14.9%	4,888,312	15,808,989	20,518,644	\$5.59	\$5.05

Market Indicators - Flex

SUBMARKET	INVENTORY	VACANT SF	VACANCY %	AVAILABLE ¹ SF	AVAILABLE ¹ %	QUARTERLY NET ABSORPTION	12 MONTH NET ABSORPTION	UNDER CONSTRUCTION SF	NNN RENT	
									THIS QUARTER	ONE YEAR AGO
DFW Airport	6,686,333	579,315	8.7%	583,197	8.7%	29,159	105,269	0	\$11.60	\$11.16
South Stemmons	18,755,603	921,649	4.9%	929,033	5.0%	(117,825)	(51,438)	21,450	\$15.33	\$13.82
Northwest Dallas	18,711,846	1,344,441	7.2%	1,366,749	7.3%	(74,408)	29,273	66,855	\$11.85	\$10.75
Northeast Dallas	27,883,287	1,320,792	4.7%	1,680,977	6.0%	29,888	(211,804)	91,316	\$12.70	\$10.93
East Dallas ³	3,422,950	201,648	5.9%	221,898	6.5%	(6,159)	(65,676)	0	\$12.27	\$15.59
South Dallas ³	2,434,996	103,603	4.3%	111,007	4.5%	(6,535)	(23,318)	21,000	\$9.55	\$9.71
Great Southwest	7,328,734	446,865	6.1%	475,046	6.5%	172,393	110,004	21,500	\$10.06	\$8.57
South Fort Worth	8,178,338	294,044	3.6%	389,397	4.7%	(14,512)	(38,586)	41,390	\$9.74	\$7.83
North Fort Worth ³	6,267,441	191,941	3.1%	228,656	3.7%	9,724	39,323	0	\$10.87	\$11.19
FLEX TOTAL	99,669,528	5,404,298	5.4%	5,985,960	6.0%	21,725	(106,953)	263,511	\$12.17	\$11.01
Dallas Total	85,223,749	4,918,313	5.8%	5,367,907	6.3%	26,513	(107,690)	222,121	\$12.41	\$11.29
Fort Worth Total ²	14,445,779	485,985	3.4%	618,053	4.3%	(4,788)	737	41,390	\$10.20	\$9.07

Notes: ¹ Availability includes space under construction. ² Fort Worth includes North Fort Worth and South Fort Worth. ³ Rents in these submarkets are calculated from a small sample size and may display unusual growth or decline.



INDUSTRIAL SUBMARKETS

- 1** DFW Airport
- 2** South Stemmons
- 3** Northwest Dallas
- 4** Northeast Dallas
- 5** East Dallas
- 6** South Dallas
- 7** Great Southwest
- 8** South Fort Worth
- 9** North Fort Worth

FOR MORE INFORMATION

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RESEARCH METHODOLOGY

This report includes single tenant, multi-tenant and owner-user properties 15,000 SF and larger, excluding government-owned buildings.

Unless otherwise specified, "Vacancy" refers to Direct Vacancy. Transwestern reports Triple Net Rents as a rolling 12-month average, combining space listings with proprietary transactional data. While our rents may appear slightly lower than competitors', we provide more accurate figures and growth rates by sampling 140.5 million SF.

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