



TRANSWESTERN

DALLAS+FORT WORTH INDUSTRIAL MARKET

Q2 2023



TRENDLINES

	Q2 2023	ONE YEAR AGO	TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
12 Month Net Absorption	39.8 MSF	37.6 MSF	↑	29.6 MSF	→
Quarterly Net Absorption	8.0 MSF	10.1 MSF	↓	7.7 MSF	→
Vacancy (Existing)	7.0%	5.4%	↑	6.2%	↑
Availability (Existing & U/C)	12.7%	11.3%	↑	10.2%	→/↑
Industrial Rents (NNN)	\$7.11	+19.5%	↑	+8.4%	↑
Flex Rents (NNN)	\$12.20	+7.9%	↑	+4.7%	↑
Total Construction	62.5 MSF	78.0 MSF	↓	46.7 MSF	↓
Speculative Construction	58.3 MSF	69.2 MSF	↓	37.2 MSF	↓

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

Sources: Transwestern Research, CoStar

Vacancy Inches Up With Deliveries

Industrial performance remained steady in Dallas-Fort Worth. Industrial rent growth continues at a double-digit pace of +19.5% year-over-year. Net absorption reached positive 8.0 million SF, but vacancy rose to 7.0% with large deliveries. Developers continued to break ground on 6.4 million SF in new projects.

With new starts now in line with leasing velocity, the risk of overbuilding is beginning to moderate. Nevertheless, overall vacancy is likely to reach 8.5%-9.0% over the next year as the larger-than-normal pipeline delivers.

Performance over the next 12-18 months will vary based on product type and location. Tight market conditions may continue in core submarkets with limited construction. However, deliveries in periphery submarkets may drive vacancy to double-digit levels, creating hyper-supply conditions and headwinds for rent growth. That said, population and job growth in Dallas-Fort Worth will ultimately help absorb vacant stock and support future developments over the next cycle.

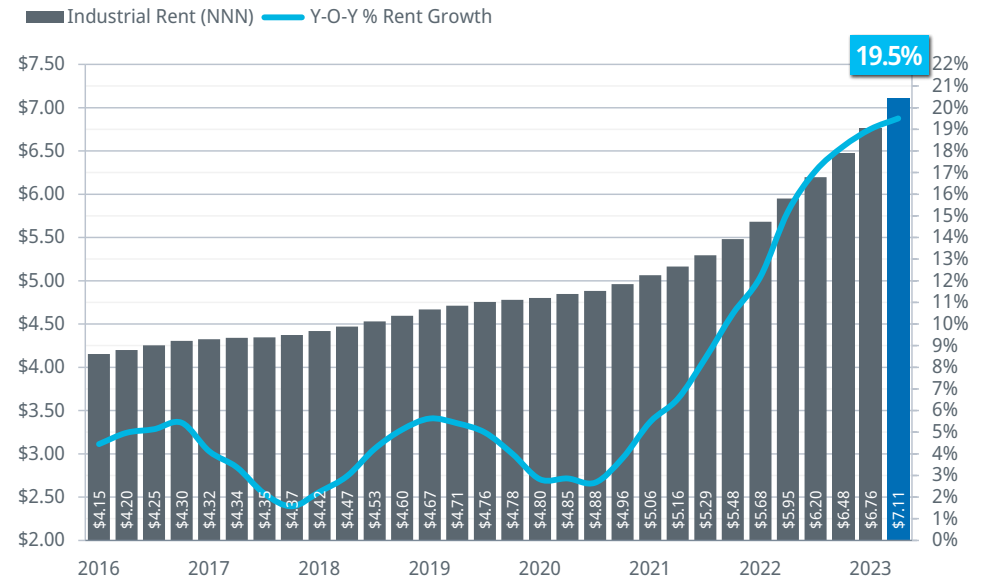


RENTAL RATES

Rent Growth Continues At Double-Digit Pace

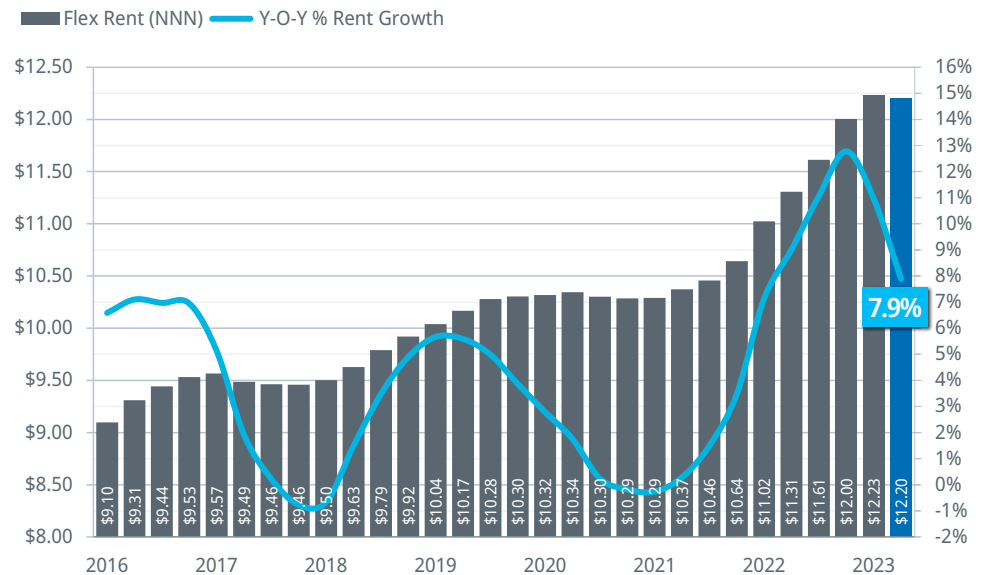
- Industrial rent growth continues at a robust 19.5% year-over-year, bringing average rents to \$7.11 NNN. Industrial rent growth is strong in both Dallas (+19%) and Fort Worth (+13%).
- Flex rent growth moderated to 7.9% year-over-year, bringing average rents to \$12.20 NNN this quarter.
- Annual rent 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. Higher tenant improvement allowances are available due to rising finish-out costs, contributing to the historic growth in rental rates.
- 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

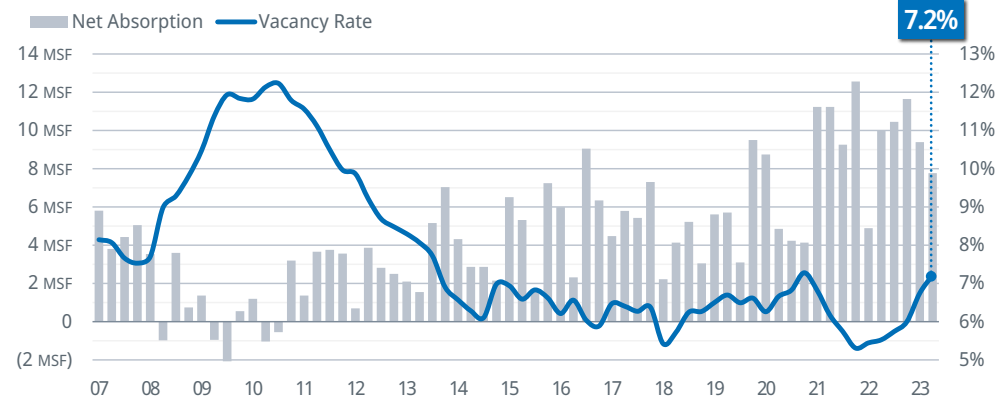


LEASING, NET ABSORPTION, & VACANCY

Deliveries Continue Driving Vacancy Higher

- Leasing activity for Industrial & Flex space exceeds 68 million SF over the last 12 months.
- Net absorption reached positive 8.0 million SF this quarter, or 39.8 million SF over the last 12 months.
- Industrial vacancy has increased from 5.5% to 7.2% over the last year.
 - Deliveries account for rising vacancy. While market vacancy has trended up, stabilized vacancy—i.e. vacancy in properties out of lease up—remains just below pre-pandemic levels at 2.9%.
 - Shadow space has returned to average levels, suggesting that stabilized vacancy may begin rising as well.
 - 39% of vacant space is concentrated in new construction in the South Dallas and North Fort Worth submarkets.
- Flex vacancy decreased to 5.1% this quarter and remains well below average.
- With the pace of construction exceeding demand over the last year, Industrial availability remains at an 11-year high of 13.3%.
- Sublease listings climbed further to 8.3 million SF, its highest level in over a decade.

INDUSTRIAL VACANCY



Source: Transwestern Research, CoStar

STABILIZED INDUSTRIAL VACANCY



Note: Stabilized vacancy excludes properties in lease-up. Source: Transwestern Research, CoStar

NOTABLE LEASES

TENANT	SF LEASED	LEASE TYPE	BUILDING	LANDLORD	SUBMARKET
Dollar General	1,008,400	New	Intermodal Logistics Center 6	NorthPoint	North Fort Worth
Cart.com	765,800	New	Eighty Twenty Crossing	Boghossian Trust	East Dallas
Canadian Solar	753,000	New	3000 Skyline	CapStar	East Dallas
Ariat	609,100	New	Exter Westpark II	EQT Exeter	Northwest Dallas
LX Pantos	406,000	New	Northlake Logistics Crossing 2	Greystar	North Fort Worth
FedEx Supply Chain	279,300	Ren	840 Sandy Lake	LaSalle	DFW Airport
General Dynamics	240,000	New	Mesquite 635 - C	Creation Equity	East Dallas

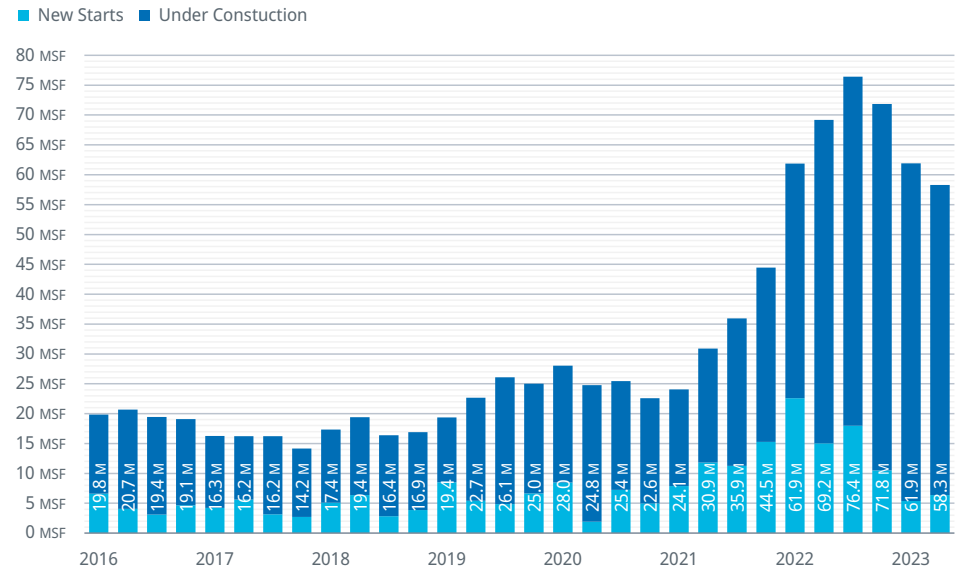
Source: Transwestern Research, CoStar

CONSTRUCTION & CAPITAL MARKETS

Construction Levels Hold Steady

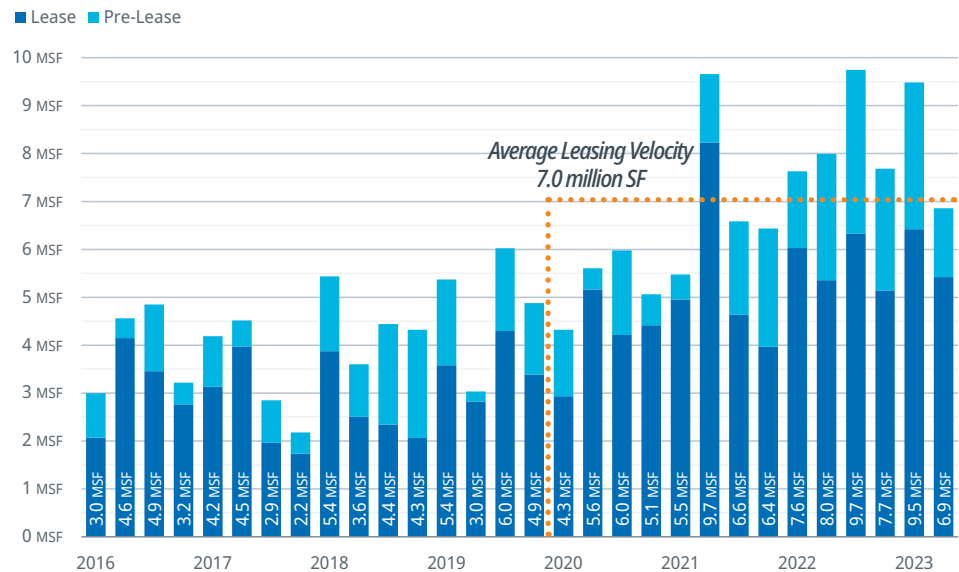
- Total speculative construction inched down to 58.3 million SF.
- Developers broke ground on 6.4 million SF of new spec projects this quarter.
- Leasing velocity in new construction continues at average levels at 6.9 million SF this quarter. Over the last 12 months, tenants have leased 33.8 million SF in new construction.
- Deliveries will continue driving vacancy higher over the next 12 months:
 - 58 million SF is underway, but **48** million SF is not leased
 - Current tenant demand can only absorb **25-30** million SF
 - As a result, deliveries will likely bring **18-23** million SF of vacant space to market over the next 12 months
 - This will drive Industrial vacancy from 7.2% in Q2 2023 to **8.0%-8.5%** over the next 12 months.
 - 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 difficult to obtain.

SPECULATIVE DEVELOPMENT PIPELINE



Source: Transwestern Research, CoStar

LEASING VELOCITY IN SPECULATIVE DEVELOPMENT



Source: Transwestern Research, CoStar



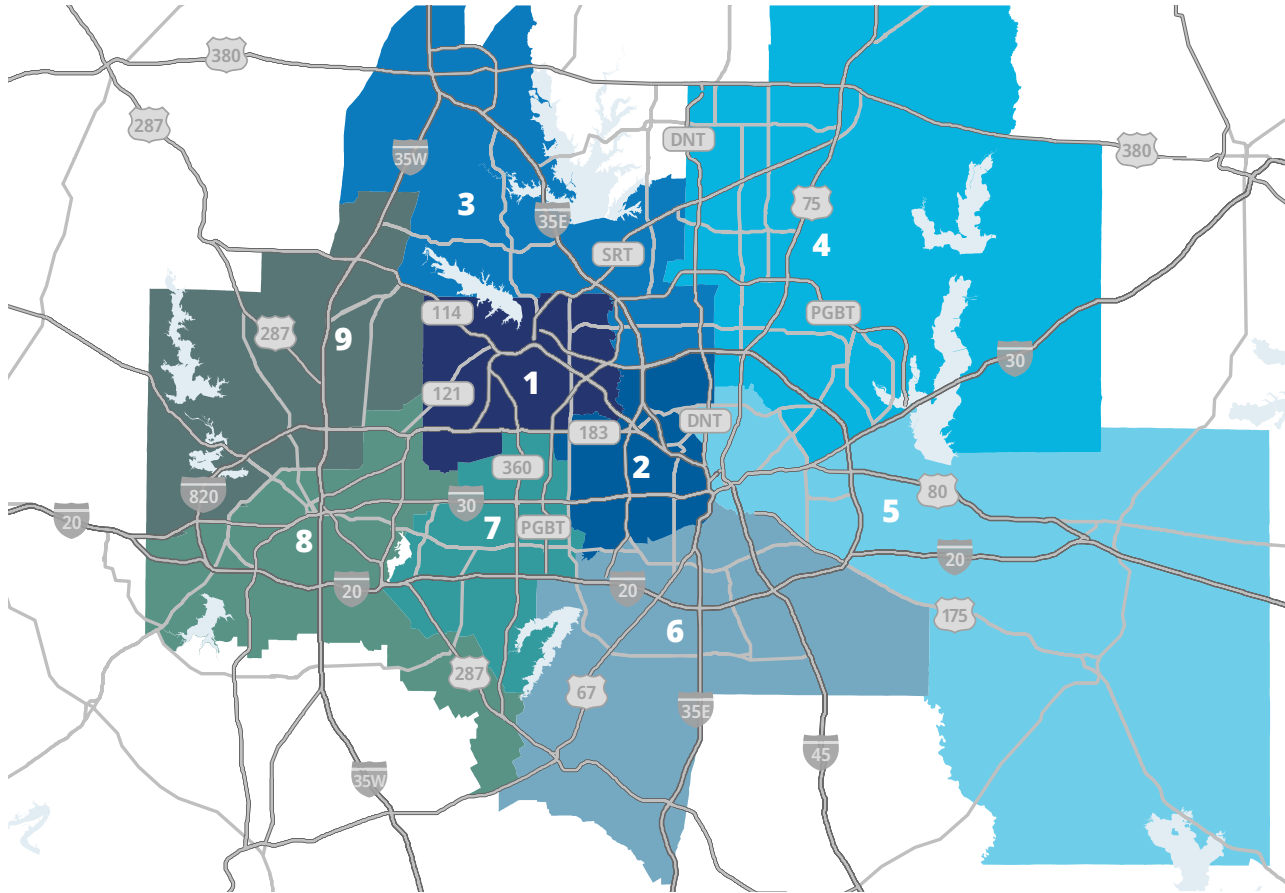
Market Indicators - Industrial

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	83,277,166	4,647,578	5.6%	10,145,890	11.6%	108,373	358,876	4,108,704	\$8.83	\$6.85
South Stemmons	92,354,130	5,179,946	5.6%	7,499,332	7.9%	67,123	(804,914)	2,156,192	\$8.81	\$7.62
Northwest Dallas	101,819,543	4,964,547	4.9%	10,527,640	9.9%	789,538	4,091,748	4,177,443	\$8.29	\$7.03
Northeast Dallas	82,846,808	2,710,723	3.3%	6,010,529	7.0%	1,226,170	3,237,608	3,115,792	\$9.24	\$7.08
East Dallas	48,419,851	5,565,260	11.5%	17,614,487	28.8%	1,179,511	3,520,733	12,688,051	\$6.71	\$6.38
South Dallas	122,687,761	16,421,384	13.4%	31,306,636	22.8%	1,973,107	11,245,063	14,518,410	\$5.56	\$4.91
Great Southwest	112,449,954	4,302,084	3.8%	9,191,405	7.9%	(41,927)	704,264	3,745,168	\$7.17	\$5.89
South Fort Worth	67,370,970	3,894,461	5.8%	8,627,065	11.9%	1,191,646	6,734,551	5,242,349	\$6.77	\$5.62
North Fort Worth	117,941,577	12,168,539	10.3%	19,016,549	14.6%	1,282,624	10,189,663	12,550,974	\$5.31	\$4.93
INDUSTRIAL TOTAL	829,167,760	59,854,522	7.2%	119,939,533	13.5%	7,776,165	39,277,592	62,303,083	\$7.11	\$5.95
Dallas Total	643,855,213	43,791,522	6.8%	92,295,919	13.4%	5,301,895	22,353,378	44,509,760	\$7.62	\$6.41
Fort Worth Total ²	185,312,547	16,063,000	8.7%	27,643,614	13.6%	2,474,270	16,924,214	17,793,323	\$5.81	\$5.16

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	6,871,033	526,125	7.7%	574,106	8.4%	50,987	82,460	0	\$11.86	\$11.45
South Stemmons	18,768,744	923,689	4.9%	1,033,992	5.5%	71,941	36,383	0	\$15.28	\$14.28
Northwest Dallas	18,734,687	1,284,071	6.9%	1,418,413	7.5%	25,649	(98,073)	66,855	\$12.22	\$10.88
Northeast Dallas	27,985,307	1,116,427	4.0%	1,644,692	5.9%	206,610	36,124	91,316	\$11.75	\$11.33
East Dallas ³	3,429,324	206,139	6.0%	231,077	6.7%	(4,491)	(14,800)	0	\$12.03	\$14.92
South Dallas ³	2,380,806	97,609	4.1%	128,363	5.3%	4,720	14,087	21,000	\$8.96	\$10.15
Great Southwest	7,692,659	471,195	6.1%	500,898	6.5%	(45,324)	494,033	0	\$10.63	\$8.29
South Fort Worth	8,247,963	291,580	3.5%	368,045	4.4%	(40,290)	(6,592)	41,390	\$10.11	\$8.09
North Fort Worth ³	6,396,291	210,197	3.3%	448,335	7.0%	(26,989)	15,665	0	\$11.76	\$10.90
FLEX TOTAL	100,506,814	5,127,032	5.1%	6,347,921	6.3%	242,813	559,287	220,561	\$12.20	\$11.31
Dallas Total	85,862,560	4,625,255	5.4%	5,531,541	6.4%	310,092	550,214	179,171	\$12.36	\$11.57
Fort Worth Total ²	14,644,254	501,777	3.4%	816,380	5.6%	(67,279)	9,073	41,390	\$10.72	\$9.21

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 over 120 million SF.

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