



TRANSWESTERN

DALLAS+FORT WORTH INDUSTRIAL MARKET

Q3 2023



TRENDLINES

	Q3 2023	ONE YEAR AGO	TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
12 Month Net Absorption	35.1 MSF	38.3 MSF	↓	30.5 MSF	↓
Quarterly Net Absorption	4.4 MSF	10.4 MSF	↓	7.8 MSF	→
Vacancy (Existing)	7.8%	5.5%	↑	6.2%	↑
Availability (Existing & U/C)	12.8%	12.3%	↑	10.2%	→/↑
Industrial Rents (NNN)	\$7.60	+22.4%	↑	+9.4%	↑
Flex Rents (NNN)	\$12.52	+7.8%	↑	+5.0%	↑
Total Construction	46.8 MSF	87.6 MSF	↓	47.6 MSF	↓
Speculative Construction	43.0 MSF	76.4 MSF	↓	38.4 MSF	↓

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

Sources: Transwestern Research, CoStar

Vacancy Climbs With Deliveries

Industrial and Flex properties continued to perform in Dallas-Fort Worth. Industrial rent growth continues growing by double digits at +22.4% year-over-year. Net absorption reached positive 4.4 million SF, but speculative deliveries continue to drive vacancy higher to 7.8%.

New starts for speculative projects fell sharply, leading construction levels to fall to 46.8 million SF. While this represents a three-year low, the construction pipeline remains well above pre-pandemic levels. As a result, deliveries will likely drive vacancy to 8.0%-8.5% over the next year.

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 have driven vacancy to double-digit highs, 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.

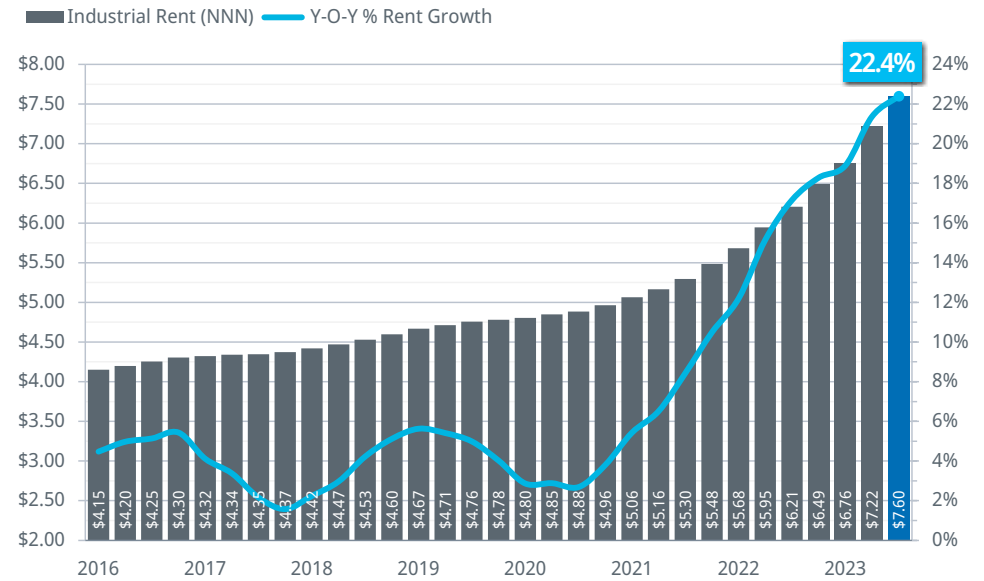


RENTAL RATES

Rent Growth Continues At Double-Digit Pace

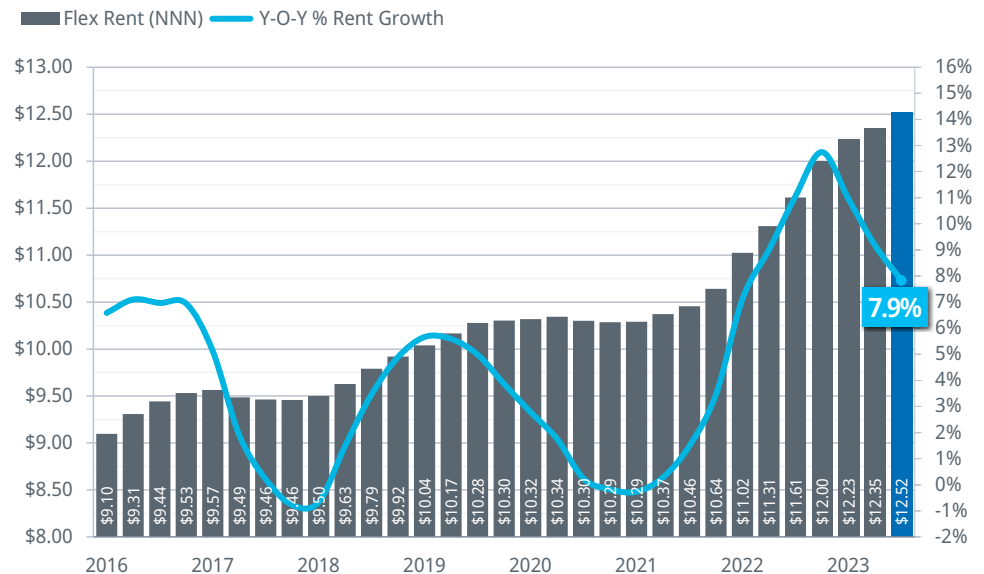
- Industrial rent growth continues at a robust 22.4% year-over-year, bringing average rents to \$7.60 NNN. Industrial rent growth is strong in both Dallas (+19%) and Fort Worth (+19%).
- Flex rent growth remained steady at 7.8% year-over-year, bringing average rents to \$12.52 NNN this quarter.
- Annual 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 below long-term average levels, though not at levels seen over the last 24 months.
 - In core submarkets, low vacancy rates and limited construction may continue supporting rent growth.
 - In periphery submarkets, deliveries will drive vacancy to further highs. Rent growth will likely remain positive.

AVERAGE INDUSTRIAL RENTS



Source: Transwestern Research, CoStar

AVERAGE FLEX RENTS



Source: Transwestern Research, CoStar

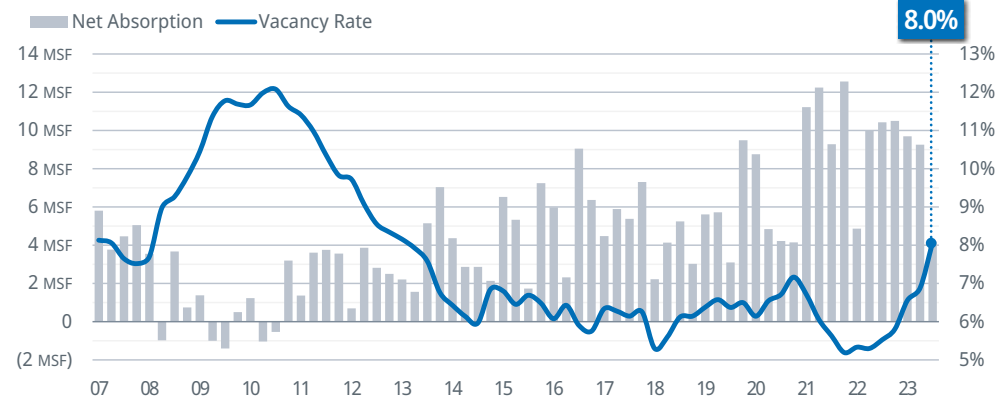


LEASING, NET ABSORPTION, & VACANCY

Deliveries Drive Vacancy Higher

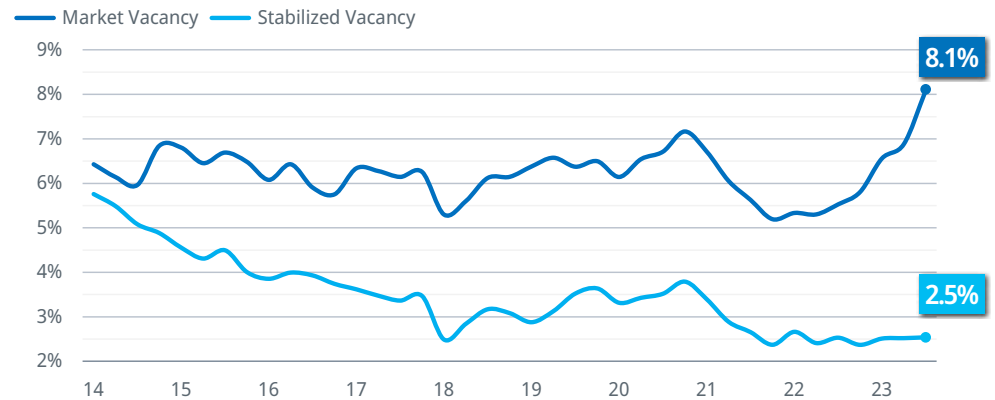
- Leasing activity for Industrial and Flex space exceeds 70 million SF over the last 12 months.
- Net absorption reached positive 4.4 million SF this quarter, or 35.1 million SF over the last 12 months.
- Industrial vacancy has increased from 5.5% to 7.2% over the last year.
 - Deliveries account for rising vacancy. While market vacancy has trended up, stabilized vacancy—i.e. vacancy in properties out of lease up—remains below pre-pandemic levels at 2.5%.
 - Shadow space has climbed 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 remained flat at 5.1% this quarter, but remains well below average.
- With the pace of construction exceeding demand over the last year, Industrial availability remains at a 12-year high of 13.5%.
- Sublease listings climbed to 11.1 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
Best Buy	799,200	New	Wintergreen Industrial - B	Crow Holdings	South Dallas
LKQ Corp	523,600	New	DFW Park 161 - 8B	Invesco	DFW Airport
Southwest ADI	335,000	New	820 Crossing	Scannell	North Fort Worth
GITI Tire	267,300	New	DFW Point 35 - 1	Stonemont	North Fort Worth
CRC Logistics	215,200	New	Longhorn 35 Logistics Park 1	Johnson Development	South Dallas
Dallas Airmotive	145,800	New	DFW Walnut Hill	Holt Lunsford	DFW Airport
Marcone	142,600	New	Urban District 35 - C	Urban Logistics Realty	Northwest Dallas

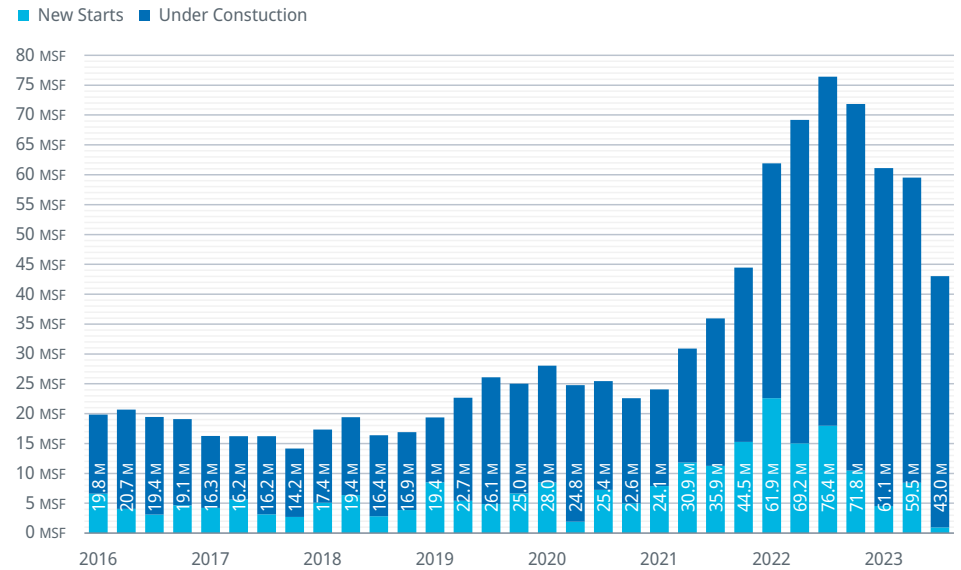
Source: Transwestern Research, CoStar

CONSTRUCTION & CAPITAL MARKETS

Construction Declines Sharply

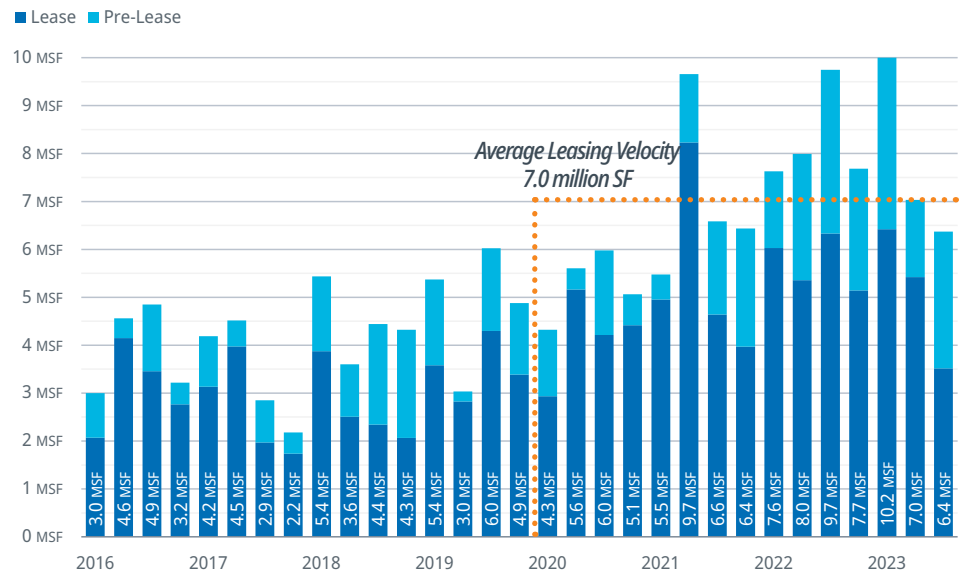
- Total speculative construction fell to 43.0 million SF, its lowest level in two years.
- Developers broke ground on just 950,000 SF of new spec projects this quarter.
- Leasing velocity in new construction continues at average levels at 6.4 million SF this quarter. Over the last 12 months, tenants have leased 31.3 million SF in new construction.
- Deliveries will continue driving vacancy higher over the next 12 months:
 - New properties in lease-up account for 44 million SF of vacant space, and projects under construction will deliver **36** million SF of vacant space over the next 12 months.
 - Current tenant demand can only absorb **25-30** million SF
 - As a result, vacant space in new construction will likely reach **50-55** million SF over the next year
 - This will drive Industrial vacancy from 8.1% this quarter to approximately **8.5%** over the next 12 months
 - Vacancy in periphery submarkets may 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



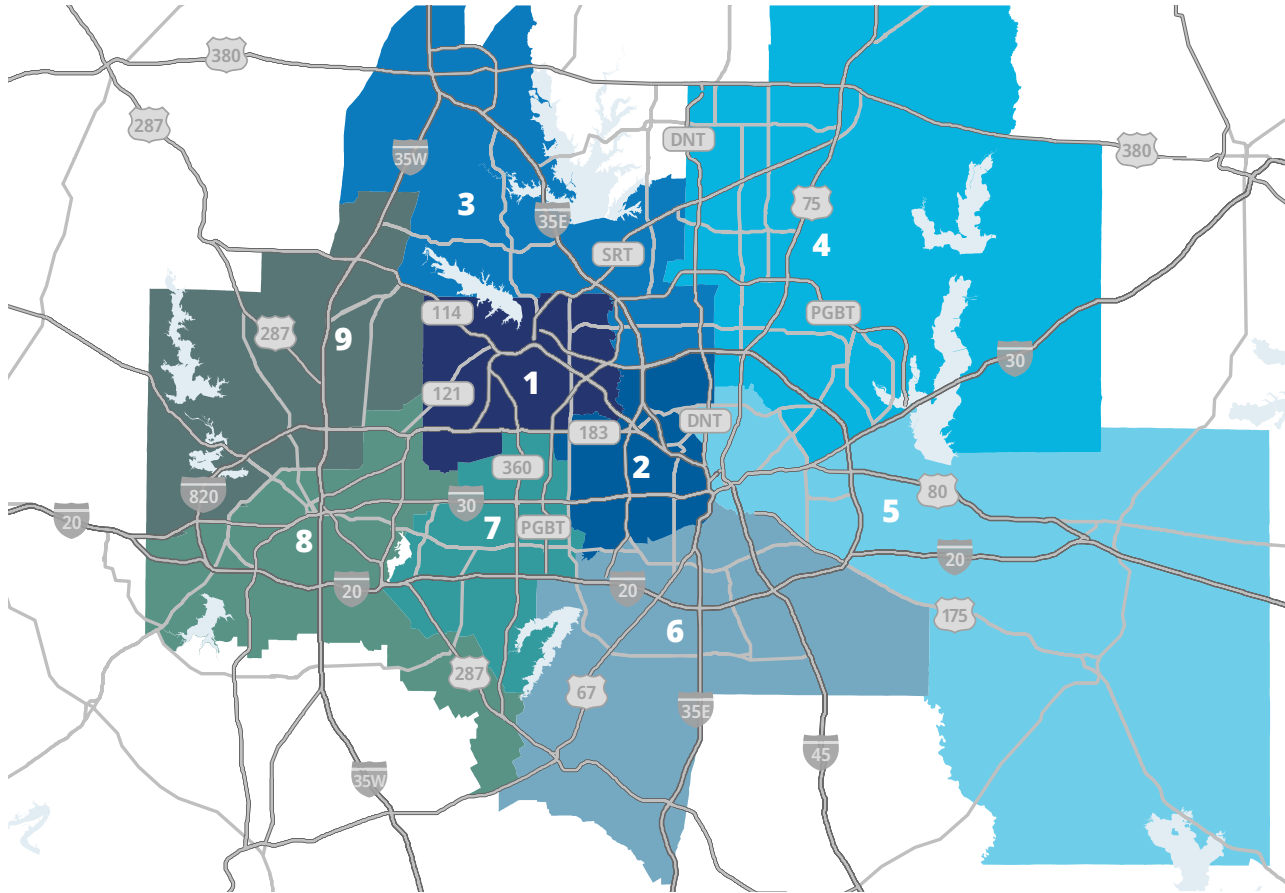
Market Indicators - Industrial

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	86,175,519	5,608,667	6.5%	10,706,475	12.0%	(264,837)	(15,346)	2,952,388	\$8.92	\$7.33
South Stemmons	93,155,140	4,930,900	5.3%	8,447,455	8.9%	(35,790)	(40,165)	1,533,259	\$9.14	\$7.79
Northwest Dallas	102,288,609	6,347,214	6.2%	11,144,443	10.5%	(1,253,583)	680,914	4,084,752	\$8.74	\$7.37
Northeast Dallas	83,377,147	2,719,950	3.3%	7,226,166	8.3%	40,242	2,824,893	3,286,923	\$9.80	\$7.47
East Dallas	52,506,727	6,392,542	12.2%	15,401,719	24.7%	1,050,045	3,893,269	9,747,123	\$6.79	\$6.43
South Dallas	127,464,349	17,961,493	14.1%	28,816,368	21.1%	3,743,692	11,660,510	8,912,912	\$5.74	\$5.23
Great Southwest	112,569,062	4,786,175	4.3%	10,335,126	8.9%	(359,146)	211,840	3,853,864	\$7.72	\$6.15
South Fort Worth	68,862,503	4,830,638	7.0%	9,721,788	13.2%	446,372	5,972,954	4,972,615	\$7.28	\$5.79
North Fort Worth	124,058,412	15,219,046	12.3%	18,990,418	14.5%	831,660	9,507,015	6,948,740	\$5.78	\$5.06
INDUSTRIAL TOTAL	850,457,468	68,796,625	8.1%	120,789,958	13.5%	4,198,655	34,695,884	46,292,576	\$7.60	\$6.21
Dallas Total	657,536,553	48,746,941	7.4%	92,077,752	13.3%	2,920,623	19,215,915	34,371,221	\$8.00	\$6.70
Fort Worth Total ²	192,920,915	20,049,684	10.4%	28,712,206	14.0%	1,278,032	15,479,969	11,921,355	\$6.30	\$5.30

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	6,902,917	406,691	5.9%	609,588	8.8%	125,058	155,785	0	\$11.88	\$11.53
South Stemmons	18,659,007	993,481	5.3%	1,109,785	5.9%	(75,301)	(63,218)	0	\$15.88	\$15.22
Northwest Dallas	18,786,424	1,225,159	6.5%	1,470,824	7.8%	145,861	103,297	112,909	\$12.48	\$11.10
Northeast Dallas	28,051,992	1,285,907	4.6%	1,846,649	6.5%	(30,767)	115,061	293,789	\$12.01	\$11.68
East Dallas ³	3,386,094	180,877	5.3%	199,877	5.9%	25,262	37,127	0	\$12.79	\$13.93
South Dallas ³	2,279,908	142,396	6.2%	164,828	7.2%	(43,587)	(74,531)	0	\$9.24	\$10.03
Great Southwest	7,234,933	350,573	4.8%	422,142	5.8%	83,167	158,850	0	\$10.93	\$9.38
South Fort Worth	8,278,332	290,286	3.5%	386,974	4.7%	(8,337)	(10,863)	41,390	\$10.86	\$8.68
North Fort Worth ³	6,399,363	244,715	3.8%	491,859	7.7%	(34,518)	5,522	21,342	\$11.87	\$10.86
FLEX TOTAL	99,978,970	5,120,085	5.1%	6,702,526	6.7%	186,838	427,030	469,430	\$12.52	\$11.61
Dallas Total	85,301,275	4,585,084	5.4%	5,823,693	6.8%	229,693	421,689	406,698	\$12.69	\$11.87
Fort Worth Total ²	14,677,695	535,001	3.6%	878,833	6.0%	(42,855)	(5,341)	62,732	\$11.23	\$9.58

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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