

Industrial Q3 2022

	YoY Chg	12-Mo. Forecast
4.8% Vacancy Rate	▲	■
7.5M Net Absorption, SF	▼	▼
\$6.52 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q3 2022

	YoY Chg	12-Mo. Forecast
4.1M Dallas-Ft Worth Employment	▲	▲
3.5% Dallas-Ft Worth Unemployment Rate	▼	■
3.5% U.S. Unemployment Rate	▼	▲

Source: BLS

ECONOMY

The Dallas-Fort Worth (DFW) economy continued its recovery in Q3 2022. With 4.1 million people employed, the region has fully recovered the jobs lost at the onset of the pandemic and set a new record for the number of workers. DFW's population increased by 124,669 people, year-over-year (YOY), and by 32,584 in Q3 alone, maintaining the long trend of strong population growth. As of September 2022, the population reached a new high of 8.0 million residents.

According to Moody's Analytics, the industrial sector grew by 66,526 jobs, a 5.9% increase YOY. Industrial roles are described as positions that fall within manufacturing and trade, transportation, and utilities. The leading indicator of industrial demand is driven by trade, transportation, and utilities sector jobs, which accounted for most industrial roles at 75% (892,534 jobs). The region's industrial employment totaled nearly 1.2 million jobs as of quarter end.

SUPPLY

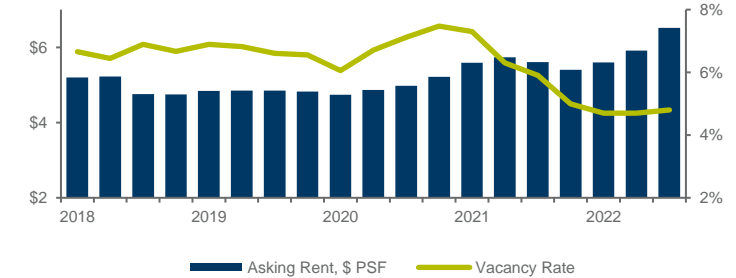
Despite the overall increase in occupancy, the third quarter closed with a 10-basis point (bps) increase in vacancy to 4.8%. The increase in vacancy in the quarter resulted from speculative completions outpacing net absorption by nearly 1.8 million square-feet (msf). In Q3 2022, developers added 9.3 msf of new product to the market. South Dallas and East Dallas submarkets recorded the highest number of completions, with 1.6 msf and 1.3 msf completed, respectively. Speculative projects accounted for 97.9% of new projects completed in the third quarter. Of the 9.1 msf of speculative projects delivered in Q3, 59.2% was delivered vacant, proving that owners and developers have confidence that their space will ultimately be occupied due to the market's high-level of activity.

High demand again pushed construction activity to a new record, with 76.2 msf of industrial space under construction, an increase of 73.4% YOY. Dallas-Fort Worth remains well above the national average with an additional 50.6 msf of proposed space anticipated for development over the next three years. Speculative sites accounted for the majority of product in the pipeline at 69.2 msf (90.8%), with 22.8% of all projects under development currently pre-leased. However, preleasing was down compared to this time last quarter, where 29.7% of under construction projects were preleased. Nonetheless, with such a hot industrial market, developers are increasingly comfortable delivering spec products in DFW.

SPACE DEMANDS / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q3 2022

DEMAND

Despite a slight downtick in Q3 2022, strong demand for product in the DFW market continues to keep vacancy rates low. The market's central location and extensive transportation and distribution network has made DFW a vital U.S. logistics hub. New leasing activity (excluding renewals) surged again in Q3, totaling 13.9 msf, with the highest activity in South Dallas at 2.7 msf, followed by Alliance and South Fort Worth at 2.4 msf and 2.0 msf, respectively. With minimal vacant space available in the market, demand for newly constructed industrial product remains high. In Q3, future developments consisted of 40.4% of all new leases signed, totaling 5.6 msf.

The DFW industrial market saw another quarter of strong occupancy growth, absorbing just under 7.6 msf of space in the third quarter of 2022. The highest net absorption occurred in the South Dallas submarket at 2.5 msf, followed by South Fort Worth and East Dallas at 1.8 msf and 664,778 sf, respectively. The largest move-ins this quarter were Ryder Logistics (800,737 sf), The Hayes Co. (712,900 sf) and Samsung (670,914 sf).

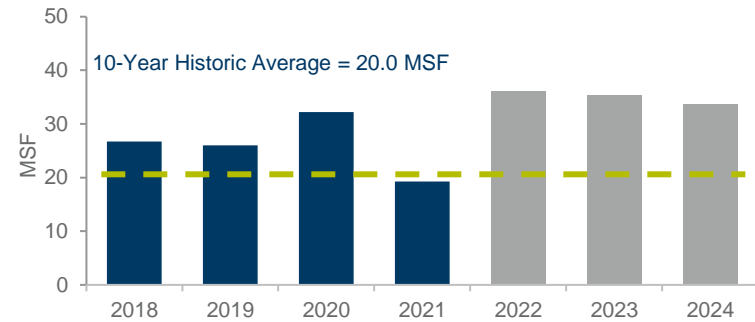
PRICING

Asking rental rates in the DFW industrial market rose once again in Q3, reaching a new record high. The quarter concluded with an overall average asking rate of \$6.52 per square foot (psf), a 10.3% increase from the previous quarter (\$5.91 psf). The Brookhollow/Trinity submarket led with the highest overall average asking rate in DFW with rents at \$11.82 psf. Richardson/Plano and DFW Airport submarkets followed at \$11.43 psf and \$10.19 psf, respectively. Warehouse/Distribution properties rental rates increased by 11.2% from the previous quarter. Warehouse/Distribution assets reported an average rental rate of \$5.93 psf with the Richardson/Plano submarket holding the highest asking rental rate at \$10.98 psf.

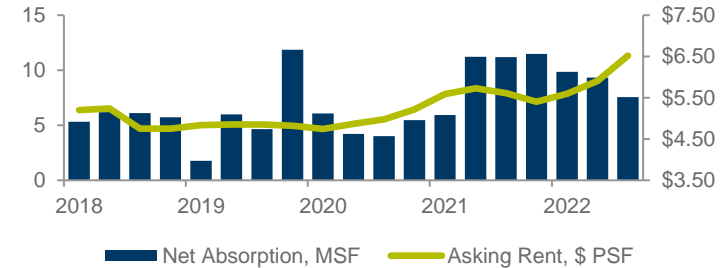
Outlook

- With its central location and extensive transportation and distribution network, Dallas-Fort Worth will remain a vital logistics hub.
- Driven by strong demand and available land for development, the construction pipeline will remain robust and continue to deliver new Class A product throughout the market.
- Occupancy growth will continue to meet new supply, keeping vacancy below historical levels.
- Rental rates will continue to increase across Dallas-Fort Worth due to high demand and the arrival of new Class A product.

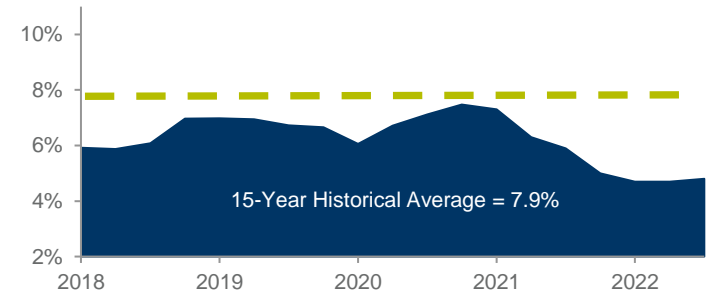
NEW SUPPLY (msf)



OVERALL NET ABSORPTION/OVERALL ASKING RENT



OVERALL VACANCY



Industrial Q3 2022

MARKET STATISTICS

SUBMARKET	TOTAL BLDGS	INVENTORY	DIRECT VACANT	OVERALL VACANT	DIRECT VACANCY RATE	OVERALL VACANCY RATE	Q3 NET ABSORPTION	YTD NET ABSORPTION	UNDER CONSTRUCTION	YTD COMPLETIONS	OVERALL AVG. ASKING RENT*	DIRECT AVG. ASKING RENT*
Allen/McKinney	131	13,563,513	1,074,101	1,074,101	7.9%	7.9%	-10,249	199,637	1,815,564	0	\$5.94	\$5.94
Brookhollow/Trinity	884	49,073,529	1,704,252	1,942,632	3.5%	4.0%	-119,761	-13,340	250,263	109,200	\$11.82	\$11.22
Central Dallas	211	14,262,509	2,275,261	2,275,261	16.0%	16.0%	47,896	44,110	0	0	N/A	N/A
DFW Airport	613	96,046,126	3,057,852	3,283,610	3.2%	3.4%	-295,034	2,994,124	5,207,585	2,368,161	\$10.19	\$10.87
Far North/I-35	286	27,133,317	1,195,631	1,218,386	4.4%	4.5%	575,106	1,725,237	4,666,597	1,898,579	\$9.36	\$9.53
Garland	546	46,315,595	627,244	653,402	1.4%	1.4%	12,229	717,699	297,628	0	\$5.16	\$5.16
Great Southwest	1056	118,880,400	3,233,188	3,462,740	2.7%	2.9%	-164,213	1,285,044	2,601,662	1,561,450	\$7.45	\$7.23
Mesquite	194	23,478,336	2,920,917	2,932,273	12.4%	12.5%	543,668	573,981	4,941,375	1,605,098	\$4.65	\$4.65
North Dallas/Metropolitan	334	19,649,097	548,336	775,283	2.8%	3.9%	-51,546	76,013	0	0	\$9.13	\$9.25
Pinnacle/Turnpike	211	29,883,497	271,762	322,152	0.9%	1.1%	-21,380	761,380	1,641,720	0	\$7.50	\$7.50
Redbird	212	26,219,166	252,156	252,156	1.0%	1.0%	-99,751	338,715	1,773,434	354,246	N/A	N/A
Richardson/Plano	502	37,935,678	1,246,459	1,372,759	3.3%	3.6%	243,930	1,063,717	0	567,018	\$11.43	\$11.43
East Dallas	107	14,751,512	743,294	743,294	5.0%	5.0%	664,778	715,370	3,372,375	1,334,774	\$4.65	\$4.65
South Dallas	264	69,521,449	5,386,815	5,586,264	7.7%	8.0%	2,501,142	6,111,378	21,823,678	6,615,147	N/A	N/A
Valwood/N. Stemmons	560	52,448,334	737,743	835,217	1.4%	1.6%	159,809	865,734	234,395	449,126	\$7.99	\$8.28
Walnut Hill/Stemmons	484	22,827,226	256,437	279,967	1.1%	1.2%	24,823	281,010	180,242	0	\$7.47	\$7.47
Ellis County	155	21,299,526	581,840	581,840	2.7%	2.7%	0	0	2,517,986	548,340	\$4.25	\$4.25
DALLAS TOTAL	6,750	683,288,810	26,113,288	27,591,337	3.8%	4.0%	4,011,447	17,739,809	51,324,504	17,411,139	\$7.85	\$7.76
Alliance	189	61,367,364	4,821,947	5,084,226	7.9%	8.3%	327,388	3,569,620	15,819,543	1,068,632	\$4.85	\$4.85
Central Fort Worth	290	15,535,453	285,271	368,369	1.8%	2.4%	-95,250	-44,192	0	0	\$4.76	\$4.76
East Fort Worth	435	25,034,423	1,079,839	1,079,839	4.3%	4.3%	635,829	965,940	0	972,259	\$6.22	\$6.22
North Fort Worth	369	50,603,152	3,918,548	4,136,614	7.7%	8.2%	551,443	1,328,983	2,346,654	2,404,091	\$4.70	\$4.69
South Fort Worth	318	36,951,822	3,911,769	3,911,769	10.6%	10.6%	1,843,374	2,681,587	2,901,394	3,782,417	\$5.39	\$5.39
West Fort Worth	82	4,879,361	333,923	333,923	6.8%	6.8%	180,134	179,784	3,290,197	0	\$7.99	\$7.99
Johnson County	119	10,150,845	258,857	258,857	2.6%	2.6%	91,014	310,014	498,660	486,622	\$6.00	\$6.00
FORT WORTH TOTAL	1,802	204,522,420	14,610,154	15,173,597	7.1%	7.4%	3,533,932	8,991,736	24,856,448	8,714,021	\$5.08	\$5.08
DFW TOTAL	8,552	887,811,230	40,723,442	42,764,934	4.6%	4.8%	7,545,379	26,731,545	76,180,952	26,125,160	\$6.52	\$6.43

*Rental rates reflect weighted net asking \$psf/year

*Statistics may not reflect the U.S. MarketBeat tables

KEY LEASE TRANSACTIONS Q3 2022

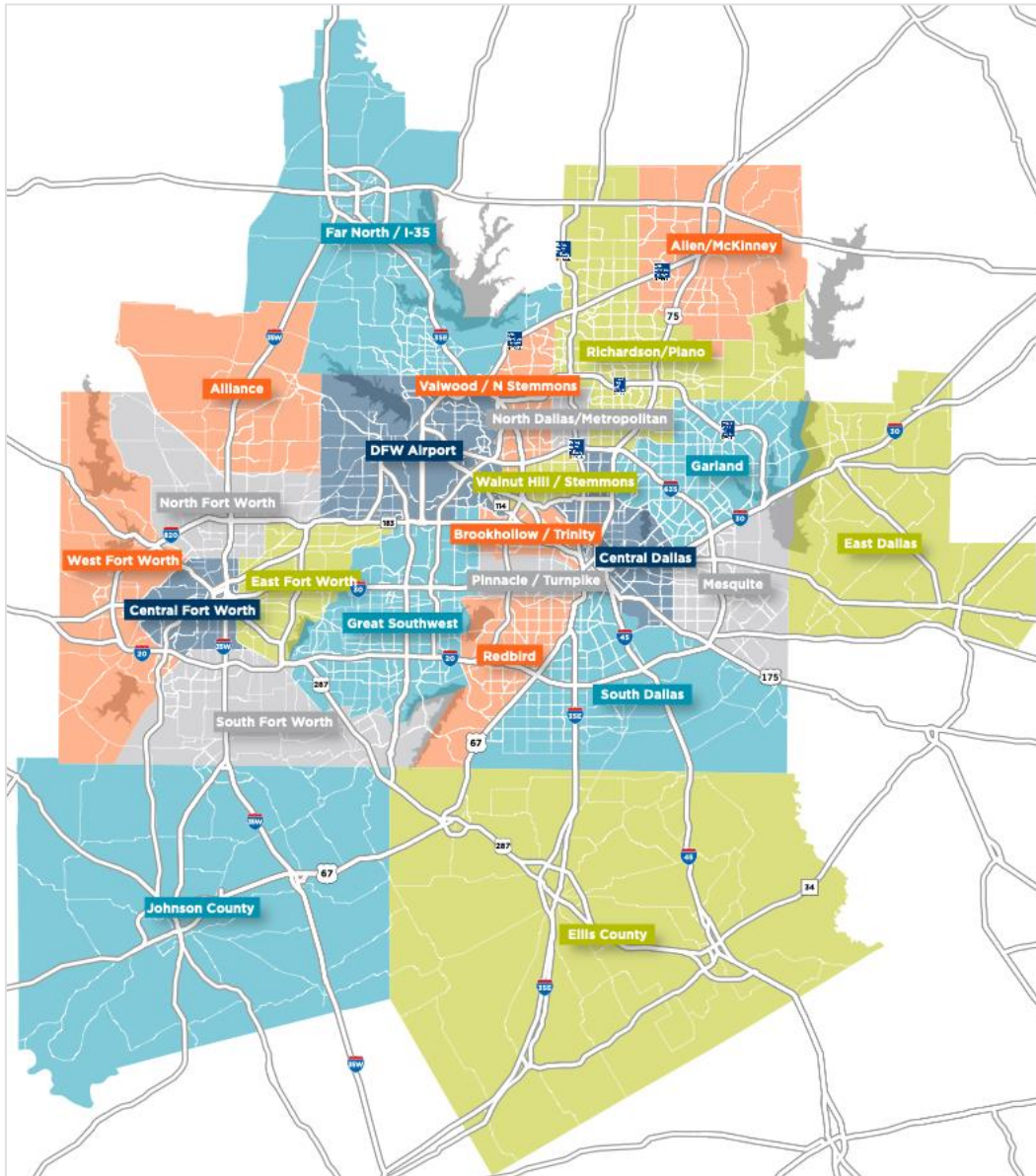
PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Northlink – Bldg A	Alliance	Pegasus Logistics	754,473	New Lease
Sunridge Business Park – Bldg 2	South Dallas	Crate & Barrel	698,880	New Lease
Fort Worth Logistics Hub – Bldg 1	South Fort Worth	Samsung	670,914	New Lease

*Renewals not included in leasing statistics

SELECT KEY PROJECTS UNDER CONSTRUCTION Q3 2022

PROPERTY	SUBMARKET	Owner / Construction Type	SF
Walmart E-Commerce Fulfillment Center	South Dallas	Walmart / BTS	1,500,000
Carter Park East – Bldg. 3	East Dallas	Crow Holdings / BTS	1,430,134
TCC 35 Eagle – Bldg. C	Alliance	Trammell Crow Co. / SPEC	1,250,743

INDUSTRIAL SUBMARKETS



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