

Industrial Q4 2022

5.3%

Vacancy Rate

YoY Chg



12-Mo. Forecast



8.3M

Net Absorption, SF



\$6.76

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2022

4.2M

Dallas-Ft Worth Employment

YoY Chg



12-Mo. Forecast



3.6%

Dallas-Ft Worth Unemployment Rate



3.7%

U.S. Unemployment Rate



Source: BLS

ECONOMY

Although the Dallas-Fort Worth (DFW) unemployment rate recorded a slight increase in Q4 2022 from 3.5% to 3.6%, its economy remains promising as it is still below the U.S. rate of 3.7%. With 4.2 million people employed, the region has set a new record for the number of workers and continues to grow despite potential economic headwinds. DFW's population edged higher by 116,587 people, year-over-year (YOY), and by 30,571 in the fourth quarter alone, maintaining the long trend of strong population growth. As of December 2022, the population reached a new high of over 8.0 million residents.

According to Moody's Analytics, the industrial sector grew by 49,572 jobs, a 4.3% 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 74.8% of all industrial roles with 898,839 jobs. The region's industrial employment totaled over 1.2 million jobs as of year-end.

SUPPLY

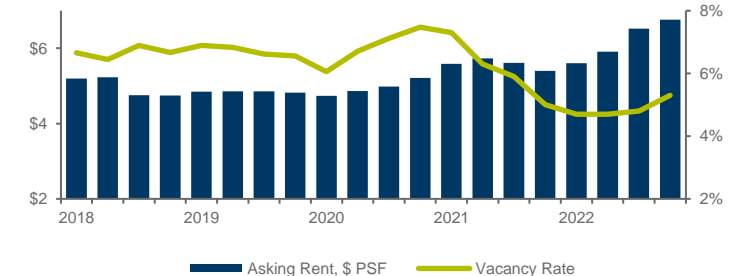
Despite the overall increase in occupancy, the fourth quarter closed with a 50-basis-point (bp) increase in vacancy to 5.3%. This rise in vacancy resulted from speculative completions outpacing demand by nearly 5.0 million square-feet (msf). In the fourth quarter, developers added 14.3 msf of new product to the market, a record high for DFW. The South Dallas and Alliance submarkets recorded the highest number of completions, with 4.8 msf and 2.3 msf completed, respectively. Speculative projects accounted for 92.8% of new projects completed in the fourth quarter. Of the 13.3 msf of speculative projects delivered in the fourth quarter, 59.7% was delivered vacant, proving that owners and developers remain bullish that their space will ultimately lease up due to the market's high-level of activity.

High demand again pushed construction activity to a new record, with over 81.4 msf of industrial space under construction, an increase of 43.1% YOY. The construction pipeline is the most robust in the nation and boasts an additional 47.2 msf of proposed space anticipated for development over the next three years. Speculative sites accounted for the majority of product in the pipeline at 72.9 msf (89.5%), with 20.3% of all projects under development currently pre-leased, down from 22.8% in Q3 2022.

SPACE DEMANDS / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q4 2022

DEMAND

Demand for product in the DFW market remained strong in the fourth quarter, keeping 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 surged again in the fourth quarter, totaling 13.8 msf, with the highest activity in South Dallas at 3.5 msf, followed by Alliance and Mesquite at 1.8 msf and 1.3 msf, respectively. With minimal vacant space available in the market, demand for newly constructed industrial product remained high. In the fourth quarter, future developments consisted of 25.1% of all new leases signed, totaling 3.5 msf.

The DFW industrial market posted another quarter of strong occupancy growth, absorbing over 8.3 msf of space in the fourth quarter of 2022. The strong absorption totals were propelled by the South Dallas submarket (2.5 msf), followed by Alliance (2.1 msf) and Mesquite (1.5msf). The largest move-ins this quarter were Target into 1.2 msf, Pratt Industries into 1.1 msf and Ryder Logistics into 826,620 sf.

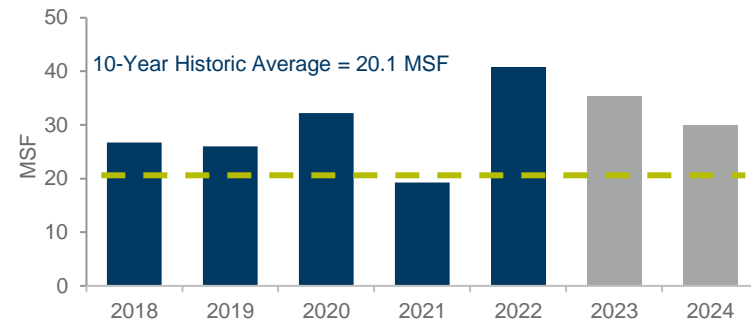
PRICING

Asking rental rates in the DFW industrial market rose once again in the fourth quarter, reaching a new record high. The quarter concluded with an overall average asking rate of \$6.76 per square foot (psf), a 3.7% increase from the previous quarter (\$6.52 psf). The Richardson/Plano submarket boasted the highest overall average asking rate in DFW at \$12.51 psf. Among the submarkets with the highest annual rent growth, Alliance and Great Southwest recorded notable increases of 53.0% and 26.3%, respectively. Warehouse/Distribution properties rental rates climbed by 5.2% from the previous quarter. Warehouse/Distribution assets reported an average rental rate of \$6.24 psf with the Richardson/Plano submarket holding the highest asking rental rate at \$11.51 psf.

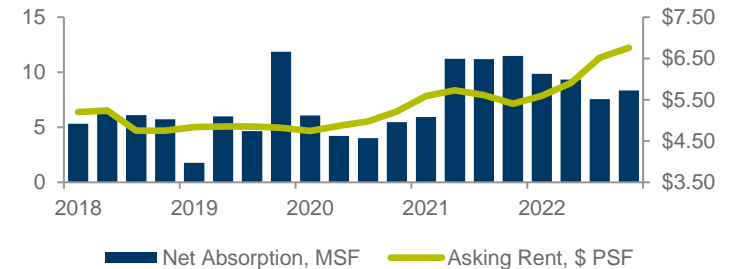
Outlook

- With its central location and extensive transportation and distribution network, Dallas-Fort Worth will remain a vital logistics hub.
- Driven by strong demand, available land for development, and a record number of projects under development, the construction pipeline will remain robust and continue to deliver new Class A product throughout the market.
- Available sublease space increased significantly in Q4 2022, which is expected to continue throughout 2023 due to economic uncertainties.
- With a growing speculative pipeline, vacancy rates are likely to rise slightly from their recent, historical lows.

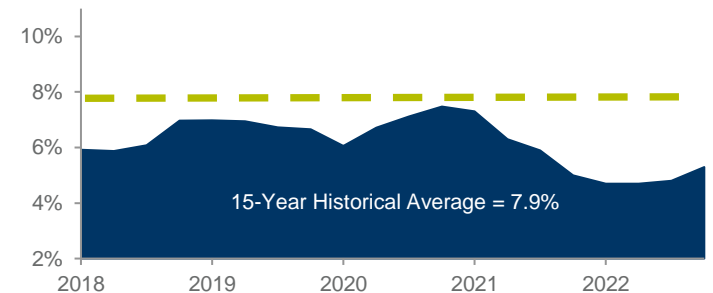
NEW SUPPLY (msf)



OVERALL NET ABSORPTION/OVERALL ASKING RENT



OVERALL VACANCY



Industrial Q4 2022

MARKET STATISTICS

SUBMARKET	TOTAL BLDGS	INVENTORY	DIRECT VACANT	OVERALL VACANT	DIRECT VACANCY RATE	OVERALL VACANCY RATE	Q4 NET ABSORPTION	YTD NET ABSORPTION	UNDER CONSTRUCTION	YTD COMPLETIONS	OVERALL AVG. ASKING RENT*	DIRECT AVG. ASKING RENT*
Allen/McKinney	133	13,775,713	639,844	639,844	4.6%	4.6%	338,590	628,136	2,786,380	212,200	\$7.87	\$7.87
Brookhollow/Trinity	880	49,080,285	1,559,876	1,604,244	3.2%	3.3%	297,504	331,842	82,773	276,690	\$9.82	\$9.82
Central Dallas	211	14,263,709	2,330,967	2,330,967	16.3%	16.3%	-55,190	-11,080	0	0	N/A	N/A
DFW Airport	617	97,068,513	3,669,981	4,357,882	3.8%	4.5%	-122,515	2,938,117	5,076,150	3,405,148	\$9.32	\$10.34
Far North/I-35	285	26,891,237	809,668	907,423	3.0%	3.4%	32,389	1,763,120	6,732,741	1,648,499	\$8.54	\$9.70
Garland	545	46,034,052	587,691	728,466	1.3%	1.6%	-69,388	616,477	491,657	0	\$6.42	\$6.50
Great Southwest	1060	119,546,580	3,458,214	4,513,978	2.9%	3.8%	-442,690	884,579	3,338,424	2,221,107	\$7.79	\$7.57
Mesquite	197	24,164,337	1,917,487	1,917,487	7.9%	7.9%	1,540,227	2,248,977	4,859,137	2,265,308	\$4.71	\$4.71
North Dallas/Metropolitan	334	19,666,633	496,781	636,932	2.5%	3.2%	79,843	217,691	0	0	\$10.58	\$11.02
Pinnacle/Turnpike	214	31,525,217	2,029,068	2,029,068	6.4%	6.4%	-115,586	696,184	752,680	1,641,720	N/A	N/A
Redbird	213	26,689,307	743,288	743,288	2.8%	2.8%	-11,841	269,127	1,305,893	821,787	N/A	N/A
Richardson/Plano	502	38,014,189	1,099,473	1,205,773	2.9%	3.2%	119,034	1,275,131	0	643,923	\$12.51	\$12.52
East Dallas	109	15,687,197	1,673,882	1,673,882	10.7%	10.7%	-76,493	638,877	6,222,061	2,239,269	\$6.98	\$6.98
South Dallas	271	75,306,175	8,139,119	8,912,656	10.8%	11.8%	2,459,233	8,569,712	20,506,566	12,399,873	\$4.48	\$4.71
Valwood/N. Stemmons	560	52,448,334	688,173	906,464	1.3%	1.7%	-124,142	781,087	234,395	449,126	\$8.29	\$8.63
Walnut Hill/Stemmons	483	22,828,838	628,634	656,480	2.8%	2.9%	-415,500	-82,990	180,242	0	\$10.28	\$10.72
Ellis County	158	22,380,431	970,270	970,270	4.3%	4.3%	650,000	650,000	1,583,205	1,583,270	\$11.68	\$11.68
DALLAS TOTAL	6,772	695,370,747	31,442,416	34,735,104	4.5%	5.0%	4,083,475	22,414,987	54,152,304	29,807,920	\$7.98	\$8.17
Alliance	194	63,743,379	4,334,666	5,243,195	6.8%	8.2%	2,135,296	5,704,916	16,790,463	3,384,647	\$4.76	\$4.76
Central Fort Worth	290	15,535,453	262,319	345,417	1.7%	2.2%	10,152	-21,240	0	0	\$6.77	\$6.77
East Fort Worth	435	25,014,859	1,085,111	1,085,111	4.3%	4.3%	41,604	952,544	0	972,259	\$6.51	\$6.51
North Fort Worth	371	50,533,941	3,009,700	3,296,326	6.0%	6.5%	543,186	2,043,827	2,832,129	2,299,857	\$4.54	\$4.47
South Fort Worth	318	36,955,021	2,510,658	2,651,058	6.8%	7.2%	1,260,310	3,945,497	3,430,596	3,782,417	\$6.06	\$6.06
West Fort Worth	83	4,979,561	272,271	272,271	5.5%	5.5%	92,852	241,436	3,290,197	0	\$9.99	\$9.99
Johnson County	121	10,243,645	154,995	154,995	1.5%	1.5%	173,862	483,876	941,015	556,622	\$5.85	\$5.85
FORT WORTH TOTAL	1,812	207,005,859	11,629,720	13,048,373	5.6%	6.3%	4,257,262	13,350,856	27,284,400	10,995,802	\$5.32	\$5.31
DFW TOTAL	8,584	902,376,606	43,072,136	47,783,477	4.8%	5.3%	8,340,737	35,765,843	81,436,704	40,803,722	\$6.76	\$6.76

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

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

KEY LEASE TRANSACTIONS Q4 2022

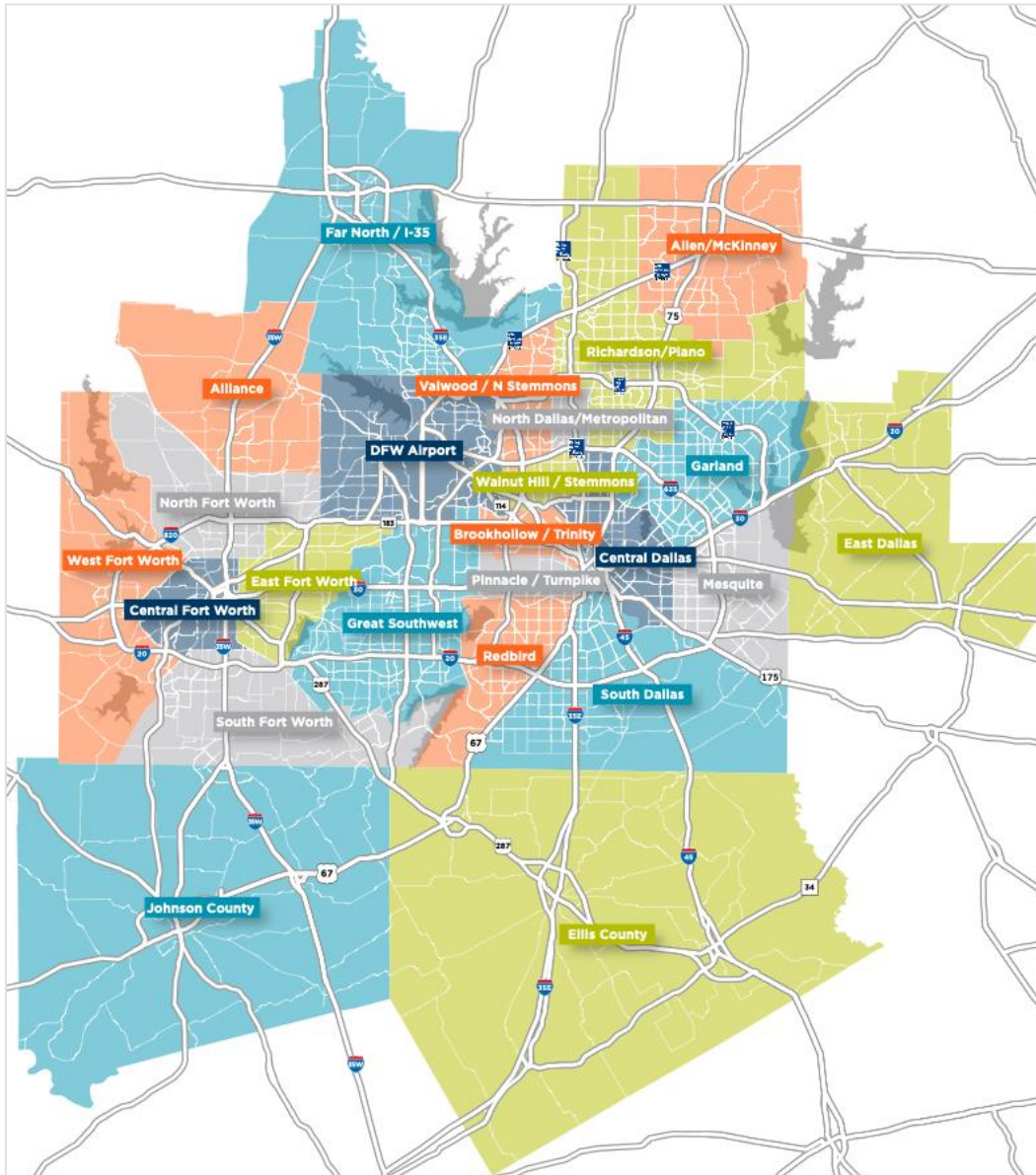
PROPERTY	SUBMARKET	TENANT	RSF	TYPE
I-20 Logistics Park – Bldg 1	South Dallas	Careismatic	1,013,075	New Lease
Texport Logistics Center	South Dallas	Ryder Logistics	826,620	New Lease
Mesquite Airport Logistics Center – Bldg B	Mesquite	Masonite	626,719	New Lease

*Renewals not included in leasing statistics

SELECT KEY PROJECTS UNDER CONSTRUCTION Q4 2022

PROPERTY	SUBMARKET	Owner / Construction Type	SF
2300 E Beltline Rd	South Dallas	Walmart / BTS	1,500,000
Tradepoint 45 West	South Dallas	Champion Partners / SPEC	1,351,372
TCC 35 Eagle – Bldg C	Alliance	Trammel Crow Co. / SPEC	1,250,743

INDUSTRIAL SUBMARKETS



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