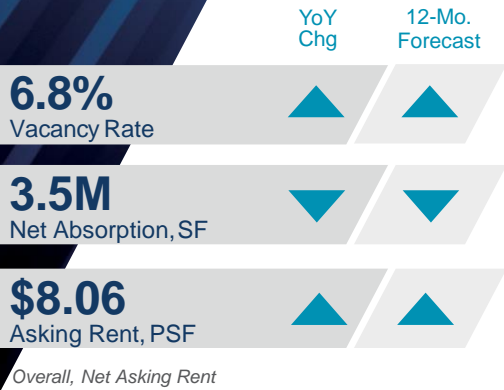
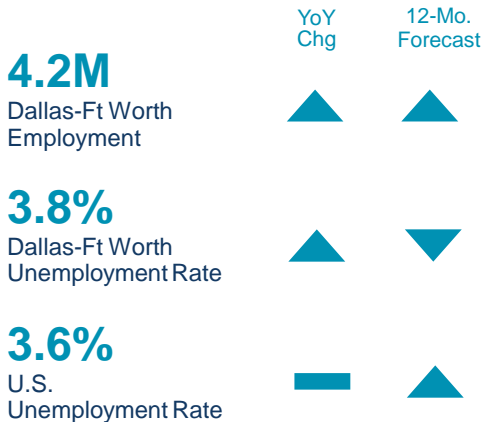


Industrial Q2 2023



ECONOMIC INDICATORS Q2 2023



Source: BLS

ECONOMY

The Dallas-Fort Worth (DFW) unemployment rate recorded a 30-basis-point (bp) increase in Q2 2023 to 3.8%, surpassing the U.S. unemployment rate which is currently at 3.6%. With more than 4.2 million people employed, the region has set a new record for the number of workers and continues to grow despite economic headwinds. DFW's population edged higher by 135,519 people, year-over-year (YOY), and by 30,681 in the second quarter alone, maintaining the long trend of strong population growth. As of June 2023, the population reached a new high of more than 8.1 million residents.

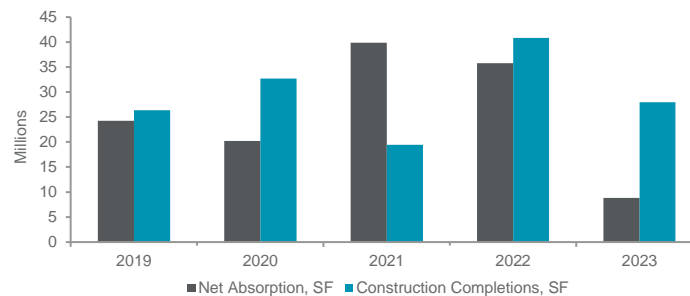
According to Moody's Analytics, the industrial sector grew by 36,724 jobs, a 3.1% increase YOY. Industrial roles are described as positions that fall within manufacturing and trade, transportation, and utilities. The leading indicator of industrial demand is driven by trade, transportation, and utilities sector jobs, which accounted for 74.9% of all industrial roles with 911,268 jobs. The region's industrial employment totaled over 1.2 million jobs at the end of Q2 2023.

SUPPLY

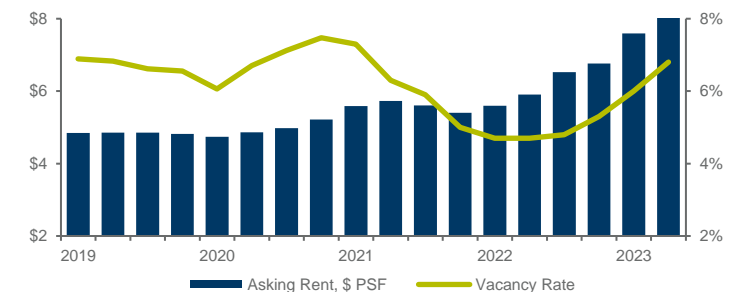
Despite the overall increase in occupancy, the second quarter closed with a 100 bp increase in vacancy to 6.8%. This rise in vacancy resulted from speculative completions outpacing demand by 9.8 million square-feet (msf) and another surge in available sublease space. In the second quarter, developers added 13.3 msf of new product to the market. The South Dallas and Alliance submarkets recorded the highest number of completions, with 3.8 msf and 2.8 msf completed, respectively. Speculative projects accounted for 88.1% of new projects completed in Q2 2023. Of the 11.7 msf of speculative projects delivered in the second quarter, 84.3% was delivered vacant, proving that owners and developers remain bullish that their space will lease up due to the market's high-level of activity.

The second quarter ended with 70.0 msf of industrial space under construction, a decrease of 0.2% YOY. Speculative sites accounted for the majority of product in the pipeline at 63.3 msf (90.5%), with 28.7% of all projects currently pre-leased, up from 13.8% in Q1 2023. The construction pipeline is the most robust in the nation and boasts an additional 52.5 msf of proposed space anticipated for development over the next three years.

SPACE DEMANDS / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q2 2023

DEMAND

Demand for product in the DFW market declined in the second quarter, down 66.5% YOY, marking a return to pre-pandemic absorption levels. However, buildings delivered in 2015 or later accounted for all positive absorption within the market, as tenants continue to seek modern, Class A facilities. The DFW industrial market posted another quarter of occupancy growth, absorbing nearly 3.5 msf of space in the second quarter of 2023. The absorption totals were propelled by the East Dallas submarket (1.1 msf), followed by Great Southwest (849,940 sf) and South Dallas (680,490 sf). The largest move-ins this quarter were Hayes Company into 904,495 sf, Kenco into 489,310 sf and LL Flooring into 457,363 sf.

Nonetheless, new leasing activity remained robust in the second quarter, totaling 11.5 msf, with the highest activity in Alliance at 3.3 msf, followed by DFW Airport and Far North/I-35 at 1.4 msf and 1.2 msf, respectively. With minimal vacant space available in the market, demand for newly constructed industrial product remained high. In the second quarter, future developments consisted of 33.9% of all new leases signed, totaling 3.9 msf.

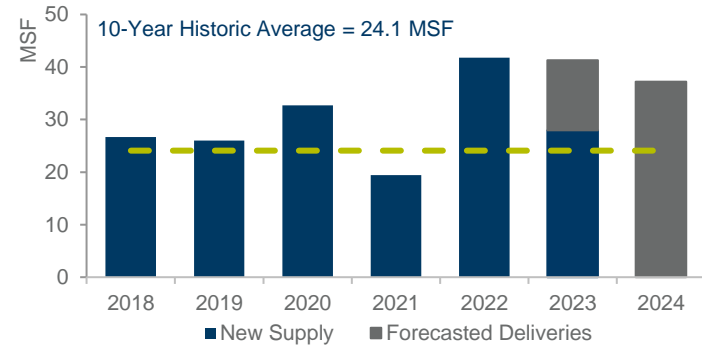
PRICING

Asking rental rates in the DFW industrial market rose once again in the second quarter, reaching a new record high. The quarter concluded with an overall average asking rate of \$8.06 per square foot (psf), a 5.0% increase from the previous quarter (\$7.68 psf). The Allen/McKinney submarket boasted the highest overall average asking rate in DFW at \$15.00 psf. Additionally, the Allen/McKinney and South Fort Worth submarkets recorded the highest annual rent growth of 131.4% and 129.8%, respectively. A few driving factors for this recent surge in asking rental rates are an increase in new, high-quality developments in these areas as well as smaller spaces recording significant growth as compared to 12 months ago. Warehouse/Distribution properties rental rates climbed by 5.2% from the previous quarter, with an average rental rate of \$7.07 psf.

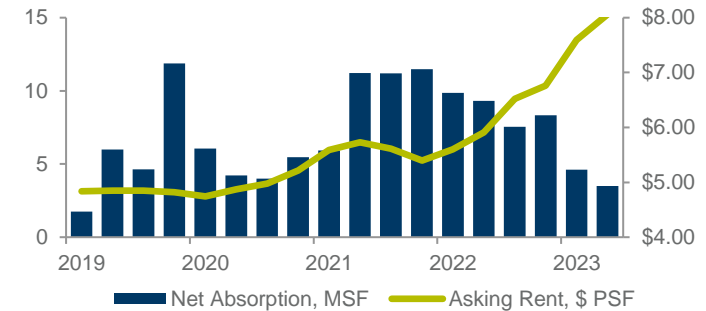
Outlook

- With its central location and extensive transportation and distribution network, Dallas-Fort Worth will remain a vital logistics hub.
- Driven by strong demand, available developable land, 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 in the market continued to increase in the second quarter, up 40.8% from Q1 2023, a trend expected to continue throughout 2023 due to economic uncertainties.
- With a growing speculative pipeline, vacancy rates are likely to continue to rise from recent historical lows.

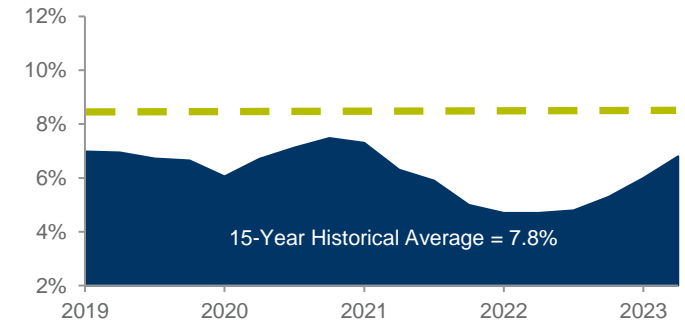
NEW SUPPLY (msf)



OVERALL NET ABSORPTION/OVERALL ASKING RENT



OVERALL VACANCY



Industrial Q2 2023

MARKET STATISTICS

SUBMARKET	TOTAL BLDGS	INVENTORY	DIRECT VACANT	OVERALL VACANT	DIRECT VACANCY RATE	OVERALL VACANCY RATE	Q2 NET ABSORPTION	YTD NET ABSORPTION	UNDER CONSTRUCTION	YTD COMPLETIONS	OVERALL AVG. ASKING RENT*	DIRECT AVG. ASKING RENT*
Allen/McKinney	141	14,988,217	1,048,426	1,048,426	7.0%	7.0%	616,167	740,538	2,798,335	1,212,504	\$15.00	\$15.00
Brookhollow/Trinity	884	49,235,153	1,830,614	1,854,450	3.7%	3.8%	-167,265	-417,635	82,773	0	\$9.57	\$9.57
Central Dallas	211	14,263,709	2,300,079	2,300,079	16.1%	16.1%	20,386	35,734	0	0	N/A	N/A
DFW Airport	626	99,863,674	5,200,935	6,656,187	5.2%	6.7%	-327,924	-210,467	3,507,330	2,841,854	\$11.33	\$11.37
Far North/I-35	299	28,834,278	1,883,954	1,981,709	6.5%	6.9%	272,419	783,209	6,178,865	1,905,099	\$10.73	\$11.95
Garland	546	45,800,455	472,099	648,957	1.0%	1.4%	79,238	-108,092	549,499	74,758	\$7.37	\$8.11
Great Southwest	1067	120,436,314	3,424,002	4,584,231	2.8%	3.8%	849,940	567,105	3,149,784	823,980	\$8.05	\$10.15
Mesquite	200	24,844,874	2,227,495	2,732,432	9.0%	11.0%	-514,346	-156,951	4,372,400	680,537	\$5.75	\$5.75
North Dallas/Metropolitan	336	19,795,184	463,741	607,891	2.3%	3.1%	-88,589	128,039	42,855	95,356	\$10.46	\$11.31
Pinnacle/Turnpike	212	31,349,139	1,801,698	1,894,842	5.7%	6.0%	280,210	593,619	960,956	0	N/A	N/A
Redbird	215	28,000,453	2,588,971	2,588,971	9.2%	9.2%	-127,309	-539,790	178,540	1,305,893	\$5.72	\$5.72
Richardson/Plano	503	38,904,724	856,365	1,143,249	2.2%	2.9%	243,033	37,396	374,916	0	\$13.40	\$13.81
East Dallas	112	16,591,275	771,237	771,237	4.6%	4.6%	1,066,216	1,688,090	7,626,981	830,167	\$8.32	\$8.32
South Dallas	291	85,498,841	13,638,197	14,434,272	16.0%	16.9%	680,490	2,974,147	13,428,742	9,198,666	\$4.59	\$4.59
Valwood/N. Stemmons	561	52,679,926	524,676	870,039	1.0%	1.7%	168,205	299,438	0	234,395	\$9.81	\$9.96
Walnut Hill/Stemmons	488	23,089,250	482,923	577,132	2.1%	2.5%	-43,313	-71,505	452,530	180,242	\$9.20	\$9.58
Ellis County	160	22,769,330	2,150,832	2,150,832	9.4%	9.4%	0	-579,465	1,993,994	385,149	N/A	N/A
DALLAS TOTAL	6,852	716,944,796	41,666,244	46,844,936	5.8%	6.5%	3,007,558	5,763,410	45,698,500	19,768,600	\$9.04	\$9.41
Alliance	208	68,606,893	6,261,935	7,328,509	9.1%	10.7%	73,669	1,852,239	12,502,185	4,671,884	\$6.28	\$6.28
Central Fort Worth	291	15,579,160	400,168	524,343	2.6%	3.4%	-34,531	-184,746	23,390	0	\$7.88	\$7.88
East Fort Worth	437	25,062,164	1,036,730	1,066,730	4.1%	4.3%	-18,333	-56,699	702,283	0	\$10.24	\$10.24
North Fort Worth	376	52,124,552	3,395,667	3,667,204	6.5%	7.0%	241,074	859,140	3,408,862	1,590,611	\$5.33	\$5.31
South Fort Worth	324	38,228,856	2,508,210	3,002,315	6.6%	7.9%	238,200	556,139	3,667,407	1,241,893	\$10.54	\$10.54
West Fort Worth	84	5,008,681	99,460	99,460	2.0%	2.0%	-8,100	-13,534	3,390,197	0	\$12.00	\$12.00
Johnson County	124	10,907,424	707,690	707,690	6.5%	6.5%	0	40,000	573,138	657,160	\$10.83	\$10.83
FORT WORTH TOTAL	1,844	215,517,730	14,409,860	16,396,251	6.7%	7.6%	491,979	3,052,539	24,267,462	8,161,548	\$6.48	\$6.48
DFW TOTAL	8,696	932,462,526	56,076,104	63,241,187	6.0%	6.8%	3,499,537	8,815,949	69,965,962	27,930,148	\$8.06	\$8.10

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

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

KEY LEASE TRANSACTIONS Q2 2023

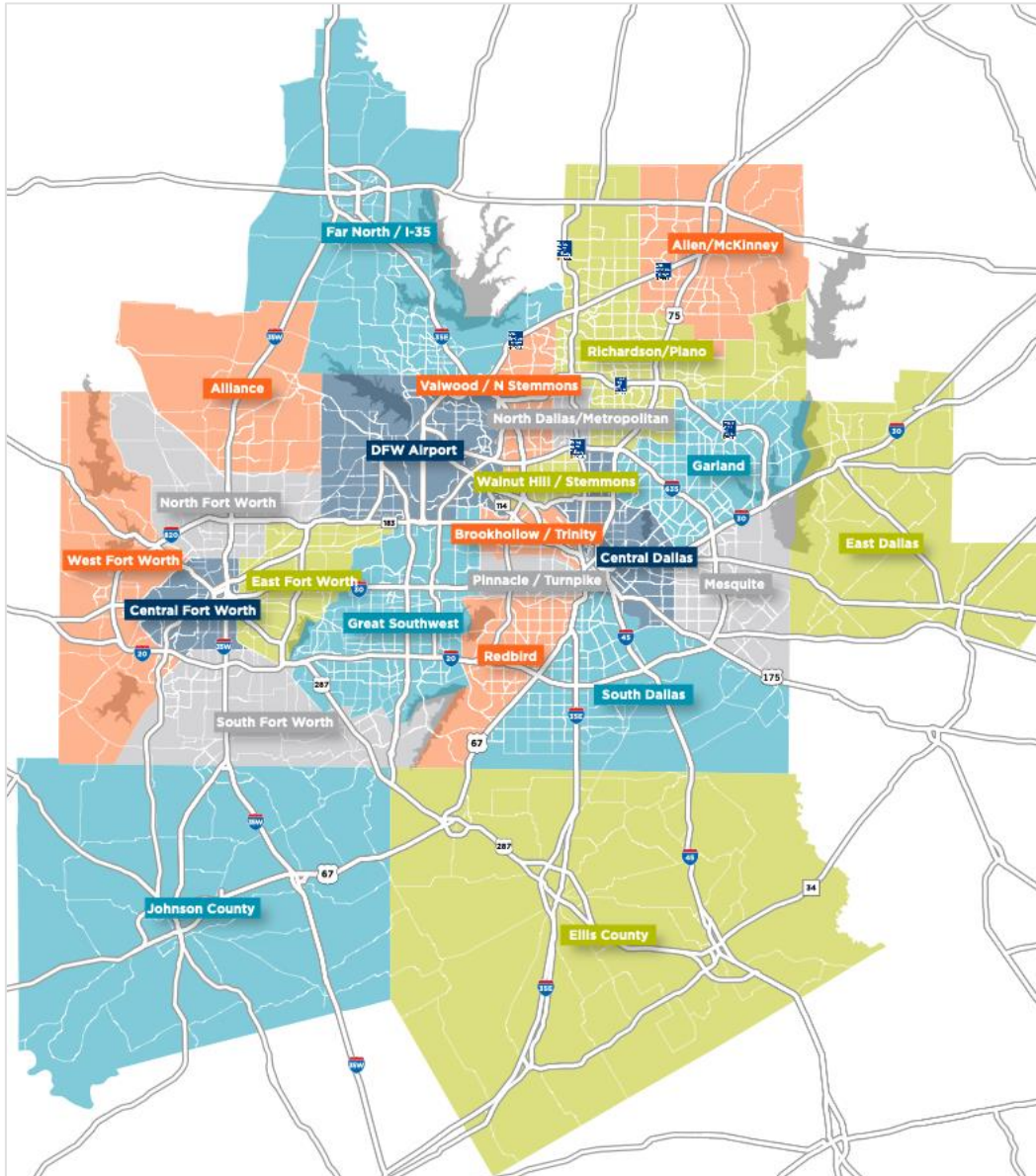
PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Alliance Westport 25	Alliance	Southwire	1,076,459	New Lease
Intermodal Logistics Center – Bldg 6	Alliance	Dollar General	1,008,416	New Lease
301 Apache Trail	East Dallas	Cart.com	765,798	New Lease

*Renewals not included in leasing statistics

SELECT KEY PROJECTS UNDER CONSTRUCTION Q2 2023

PROPERTY	SUBMARKET	Owner / Construction Type	SF
Tradeport 45 West	South Dallas	Champion Partners / SPEC	1,351,372
East Gate Logistics Center	East Dallas	USAA Real Estate / SPEC	1,272,240
TCC 35 Eagle – Bldg C	Alliance	Trammell Crow Co. / SPEC	1,250,743

INDUSTRIAL SUBMARKETS



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