

## Industrial Q3 2023

	YoY Chg	12-Mo. Forecast
<b>7.1%</b> Vacancy Rate	▲	▲
<b>7.0M</b> Net Absorption, SF	▼	▼
<b>\$8.36</b> Asking Rent, PSF	▲	▲

*Overall, Net Asking Rent*

### ECONOMIC INDICATORS Q2 2023

	YoY Chg	12-Mo. Forecast
<b>4.3M</b> Dallas-Ft Worth Employment	▲	▲
<b>3.8%</b> Dallas-Ft Worth Unemployment Rate	▲	▼
<b>3.7%</b> U.S. Unemployment Rate	▲	▲

Source: BLS

### ECONOMY

The Dallas-Fort Worth (DFW) unemployment rate recorded no change in Q3 2023, remaining at 3.8%, 10-basis-points (bp) higher than the U.S. unemployment rate of 3.7%. With 4.3 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 125,884 people, year-over-year (YOY), and by 29,600 in the third quarter alone, maintaining the long trend of strong population growth. As of September 2023, the population reached a new high of nearly 8.2 million residents.

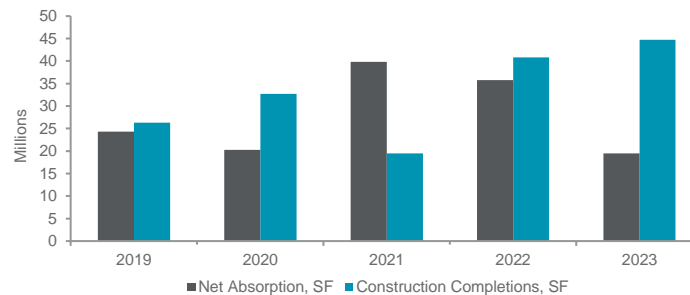
According to Moody's Analytics, the industrial sector grew by 33,400 jobs, a 2.8% increase YOY. Industrial roles are described as positions that fall within manufacturing and trade, transportation, and utilities. The leading indicator of industrial demand is driven by trade, transportation, and utilities sector jobs, which accounted for 74.6% of all industrial roles with 911,789 jobs. The region's industrial employment totaled over 1.2 million jobs at the end of Q3 2023.

### SUPPLY

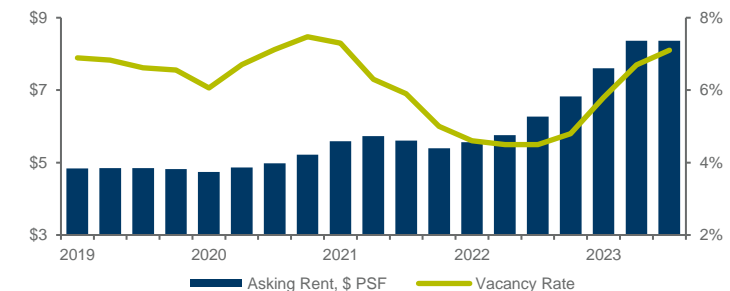
Despite the overall increase in occupancy, the third quarter closed with a 40 bp increase in vacancy to 7.1%. This rise in vacancy resulted from speculative completions outpacing demand by 5.6 million square feet (msf), a significant decrease in preleasing activity, and another surge in available sublease space. In the third quarter, developers added 12.9 msf of new product to the market. The Alliance and South Dallas submarkets recorded the highest number of completions, with 4.3 msf and 2.1 msf completed, respectively. Speculative projects accounted for 97.9% of new projects completed in Q3 2023. Of the 12.6 msf of speculative projects delivered in the third quarter, 63.4% 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 third quarter ended with 54.3 msf of industrial space under construction, a decrease of 28.5% YOY. Speculative developments accounted for the majority of product in the pipeline at 50.4 msf (92.9%), with 20.2% of all projects currently preleased, down from 28.7% in Q2 2023. The construction pipeline is the most robust in the nation and boasts an additional 59.1 msf of proposed space anticipated for development over the next three years.

### SPACE DEMANDS / DELIVERIES



### OVERALL VACANCY & ASKING RENT



## Industrial Q3 2023

### DEMAND

Although demand for product in the DFW market was up 5.6% from the second quarter, it was still down 27.9% YOY, reinforcing 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 7.0 msf of space in the third quarter. The absorption totals were propelled by the South Dallas submarket (2.7 msf), followed by Alliance (2.5 msf) and Mesquite (1.5 msf). The largest move-ins this quarter were DHL into 1.2 msf, HomeGoods into 1.0 msf and Amazon into 1.0 msf.

Nonetheless, new leasing activity remained robust in the third quarter, totaling 10.5 msf, with the highest activity in DFW Airport at 1.9 msf, followed by Alliance and South Dallas at 1.6 msf and 1.2 msf, respectively. Although future developments accounted for 16% of all new leases signed in Q3 2023, the 1.7 msf of transactions is a slowdown compared to the three-year quarterly average of 3.2 msf.

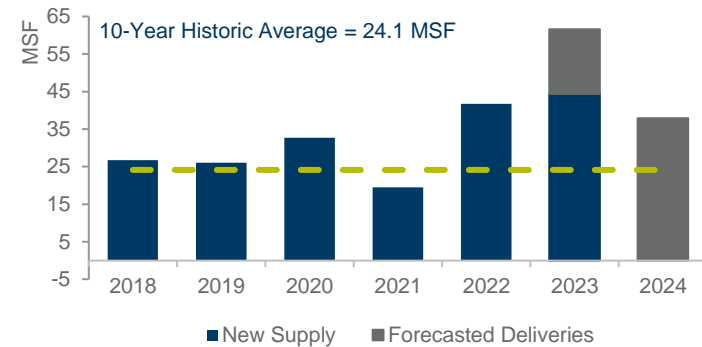
### PRICING

Asking rental rates in the DFW industrial market recorded no change in the third quarter, concluding with an overall average asking rate of \$8.36 per square foot (psf). The Richardson/Plano submarket boasted the highest overall average asking rate in DFW at \$12.63 psf. Additionally, the South Fort Worth and Johnson County submarkets recorded the highest annual rent growth of 101.1% and 80.6%, 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 rental rates climbed by 4.4% from the previous quarter, with an average rental rate of \$7.63 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 third quarter, up 30.5% from Q2 2023, a trend expected to continue into the end of the year as companies seek to re-evaluate their space needs due to economic uncertainties.
- With a growing speculative pipeline, vacancy rates are likely to continue to rise from recent historical lows.

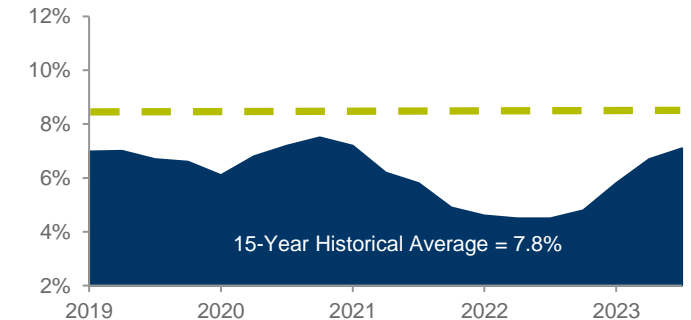
### NEW SUPPLY (msf)



### OVERALL NET ABSORPTION/OVERALL ASKING RENT



### OVERALL VACANCY



## Industrial Q3 2023

### 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	144	15,332,777	1,030,756	1,030,756	6.7%	6.7%	265,624	1,136,442	1,973,168	1,557,064	\$8.24	\$8.24
Brookhollow/Trinity	885	49,293,027	2,096,324	2,120,160	4.3%	4.3%	-418,365	-666,705	82,773	0	\$10.12	\$9.94
Central Dallas	211	14,263,709	2,286,377	2,286,377	16.0%	16.0%	0	35,920	0	0	N/A	N/A
DFW Airport	627	100,010,630	5,391,322	6,685,613	5.4%	6.7%	-123,107	-126,082	3,381,887	2,967,297	\$11.72	\$12.08
Far North/I-35	307	30,942,199	3,745,815	4,055,214	12.1%	13.1%	89,007	865,425	3,994,579	4,013,020	\$11.95	\$12.24
Garland	546	45,811,007	756,711	1,041,946	1.7%	2.3%	-466,966	-527,371	700,425	74,758	\$7.79	\$7.78
Great Southwest	1071	121,102,526	3,662,254	4,901,739	3.0%	4.0%	-5,561	840,435	2,679,827	1,494,236	\$7.97	\$10.02
Mesquite	204	25,952,785	1,781,348	2,352,076	6.9%	9.1%	1,488,267	1,331,316	3,373,522	1,788,448	\$6.68	\$6.40
North Dallas/Metropolitan	336	19,674,199	1,026,010	1,146,842	5.2%	5.8%	-249,820	-415,370	42,855	95,356	\$10.55	\$11.46
Pinnacle/Turnpike	213	31,543,201	2,267,416	2,409,545	7.2%	7.6%	-513,617	230,662	960,956	0	\$8.37	\$8.50
Redbird	215	28,000,453	1,858,210	1,858,210	6.6%	6.6%	391,728	55,471	178,540	1,305,893	\$7.44	\$7.44
Richardson/Plano	505	39,258,824	955,272	1,307,033	2.4%	3.3%	-140,535	-15,750	374,916	132,054	\$12.63	\$12.97
East Dallas	113	17,091,338	1,233,275	1,233,275	7.2%	7.2%	38,025	1,726,115	6,841,438	1,330,230	\$4.46	\$4.46
South Dallas	300	89,283,489	12,845,944	13,868,219	14.4%	15.5%	2,745,459	7,573,398	10,351,230	12,846,253	\$5.25	\$5.25
Valwood/N. Stemmons	561	52,682,416	664,217	1,040,321	1.3%	2.0%	-193,685	149,961	0	234,395	\$9.59	\$9.75
Walnut Hill/Stemmons	489	23,287,557	492,947	565,267	2.1%	2.4%	-14,003	-50,691	432,530	200,242	\$9.05	\$9.16
Ellis County	163	23,827,611	2,823,596	2,823,596	11.9%	11.9%	42,420	-193,948	935,713	1,443,430	\$5.58	\$5.58
<b>DALLAS TOTAL</b>	<b>6,890</b>	<b>727,357,748</b>	<b>44,917,794</b>	<b>50,726,189</b>	<b>6.2%</b>	<b>7.0%</b>	<b>2,934,871</b>	<b>11,949,228</b>	<b>36,304,359</b>	<b>29,482,676</b>	<b>\$8.53</b>	<b>\$8.51</b>
Alliance	217	73,497,544	7,136,339	8,352,913	9.7%	11.4%	2,504,753	5,175,606	9,070,816	9,019,655	\$6.09	\$6.09
Central Fort Worth	291	15,579,160	297,063	343,577	1.9%	2.2%	90,526	-35,000	23,390	0	\$10.91	\$10.91
East Fort Worth	437	25,062,164	441,702	476,694	1.8%	1.9%	-107,557	-91,152	394,933	0	\$9.99	\$10.64
North Fort Worth	377	52,693,779	3,315,121	3,457,658	6.3%	6.6%	454,371	1,313,511	2,915,813	2,154,998	\$6.33	\$6.31
South Fort Worth	326	39,484,616	2,131,144	2,693,289	5.4%	6.8%	1,079,747	1,098,925	2,551,757	2,485,653	\$11.04	\$11.04
West Fort Worth	88	5,926,055	1,017,934	1,017,934	17.2%	17.2%	0	-13,534	2,472,823	917,374	\$9.50	\$9.50
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
<b>FORT WORTH TOTAL</b>	<b>1,860</b>	<b>223,150,742</b>	<b>15,046,993</b>	<b>17,049,755</b>	<b>6.7%</b>	<b>7.6%</b>	<b>4,021,840</b>	<b>7,488,356</b>	<b>18,002,670</b>	<b>15,234,840</b>	<b>\$7.61</b>	<b>\$7.65</b>
<b>DFW TOTAL</b>	<b>8,750</b>	<b>950,508,490</b>	<b>59,964,787</b>	<b>67,775,944</b>	<b>6.3%</b>	<b>7.1%</b>	<b>6,956,711</b>	<b>19,437,584</b>	<b>54,307,029</b>	<b>44,717,516</b>	<b>\$8.36</b>	<b>\$8.33</b>

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

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

### KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
TCC 35 Eagle – Bldg C	Alliance	DrinkPAK	1,250,743	New Lease
Majestic Airport Center DFW – Bldg 5	DFW Airport	Flexport	799,460	New Lease
Cowtown Crossing – Bldg 1	North Fort Worth	Allied Tube & Conduit Corp	765,798	New Lease

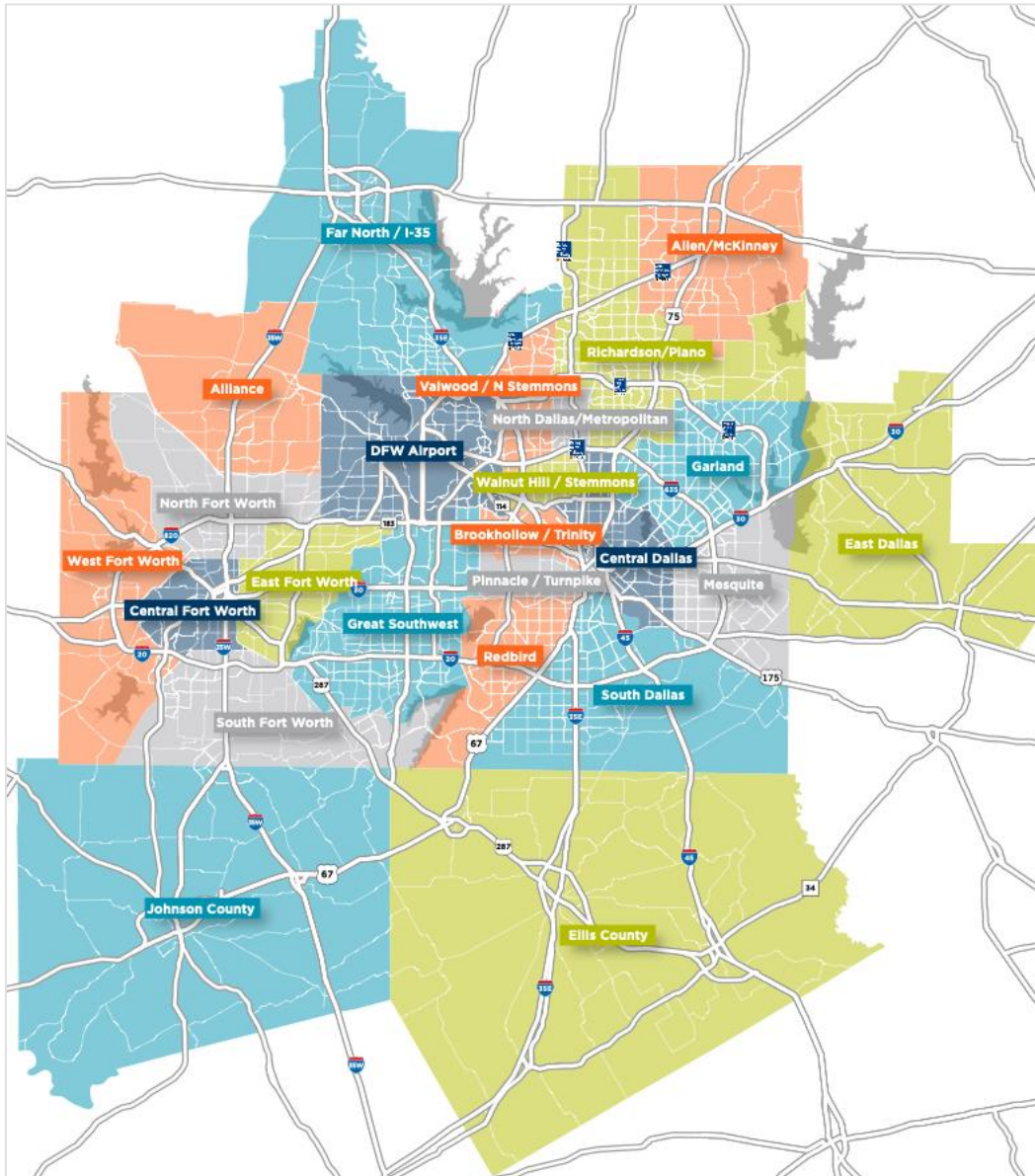
\*Renewals not included in leasing statistics

### SELECT KEY PROJECTS UNDER CONSTRUCTION Q3 2023

PROPERTY	SUBMARKET	Owner / Construction Type	SF
Tradepoint 45 West	South Dallas	Champion Partners / SPEC	1,351,372
East Gate Logistics Center	East Dallas	USAA Real Estate / SPEC	1,273,727
TCC 35 Eagle – Bldg C	Alliance	Trammell Crow Co. / SPEC	1,250,743



## INDUSTRIAL SUBMARKETS

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