

## Industrial Q4 2023

	YoY Chg	12-Mo. Forecast
<b>8.3%</b> Vacancy Rate	▲	▲
<b>232K</b> Net Absorption, SF	▼	▲
<b>\$8.01</b> Asking Rent, PSF	▲	▲

*Overall, Net Asking Rent*

### ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
<b>4.3M</b> Dallas-Ft Worth Employment	▲	▲
<b>3.9%</b> Dallas-Ft Worth Unemployment Rate	▲	▼
<b>3.7%</b> U.S. Unemployment Rate	▲	▲

Source: BLS

### ECONOMY

The Dallas-Fort Worth (DFW) unemployment rate increased 10 basis points (bps) in Q4 2023 to 3.9%, 20 bps higher than the U.S. unemployment rate of 3.7%. With more than 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 120,654 people, year-over-year (YOY), and by 28,759 in the fourth quarter alone, maintaining the long trend of strong population growth. As of December 2023, the population reached a new high of nearly 8.2 million residents.

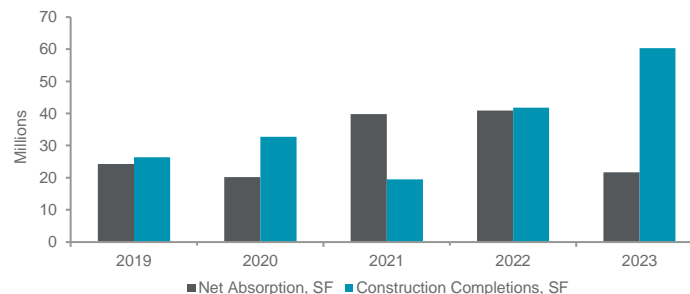
According to Moody's Analytics, the industrial sector grew by 30,736 jobs, a 2.6% increase YOY. Industrial roles are described as positions that fall within manufacturing and trade, transportation, and utilities. The leading indicator of industrial demand is driven by trade, transportation, and utilities sector jobs, which accounted for 74.6% of all industrial roles with 919,637 jobs. Industrial employment within the region totaled over 1.2 million jobs at the end of Q4 2023.

### SUPPLY

Despite the overall increase in occupancy, the fourth quarter closed with a 140 bp climb in vacancy to 8.3%. This rise in vacancy is due to a significant decrease in preleasing activity, resulting in a majority of construction completions delivering vacant, as well as another surge in available sublease space. In the fourth quarter, developers added 14.7 million square feet (msf) of new product to the market. The Alliance and South Dallas submarkets recorded the highest number of completions, with 2.9 msf and 2.5 msf completed, respectively. Speculative projects accounted for almost all new projects completed in Q4 2023. Of the 14.7 msf of speculative projects delivered in the fourth quarter, 86.1% were 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 fourth quarter ended with 37.4 msf of industrial space under construction, a decrease of 54.1% YOY. Speculative developments accounted for the majority of product in the pipeline at 35.4 msf (94.6%), with 29.6% of all projects currently preleased, up from 20.2% in Q3 2023. Dallas-Fort Worth's under-construction pipeline is the second largest in the nation and boasts an additional 68.8 msf of proposed space anticipated for development over the next three years.

### SPACE DEMANDS / DELIVERIES



### OVERALL VACANCY & ASKING RENT



## Industrial Q4 2023

### DEMAND

Overall net absorption of industrial product in the DFW market was down 97.1% QOQ and 97.9% YOY, primarily due to a slowdown in preleasing activity and an influx of vacant sublease space. However, buildings delivered in 2015 or later accounted for all positive absorption within the market, as tenants continue to seek modern, Class A facilities. Nonetheless, the DFW industrial market posted another quarter of occupancy growth, absorbing 231,933 sf of space in the fourth quarter. The absorption totals were propelled by the South Dallas submarket (1.1 msf), followed by Alliance (959,264 sf) and Redbird (389,002 sf). The largest move-ins this quarter were DSV Solutions Inc. into 1.0 msf, Kuka into 504,500 sf and Spearpoint into 413,750 sf.

Nevertheless, new leasing activity exceeded 11.0 msf – the highest Q4 total nationwide, although the total was down marginally since the third quarter. The highest volume totals were in South Dallas at 2.2 msf, followed by South Fort Worth and Far North/I-35 at 1.5 msf and 1.0 msf, respectively. Future developments accounted for 39.7% of all new leases signed in Q4 2023, totaling 4.4 msf of transactions, an incline compared to the three-year quarterly average of 3.4 msf.

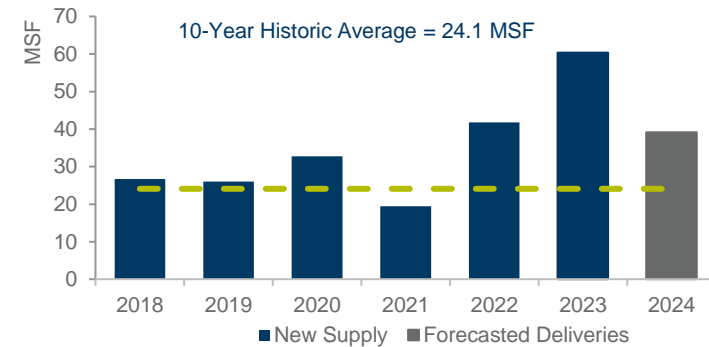
### PRICING

In the fourth quarter, asking rental rates in the DFW industrial market recorded a decrease of 4.4% QOQ, concluding with an overall average asking rate of \$8.01 per square foot (psf). The Richardson/Plano submarket boasted the highest overall average asking rate in DFW at \$12.10 psf. Additionally, the DFW Airport and Brookhollow/Trinity submarkets recorded the highest annual rent growth of 67.9% and 66.5%, respectively. 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 declined by 1.6% from the previous quarter, with an average rental rate of \$7.50 psf.

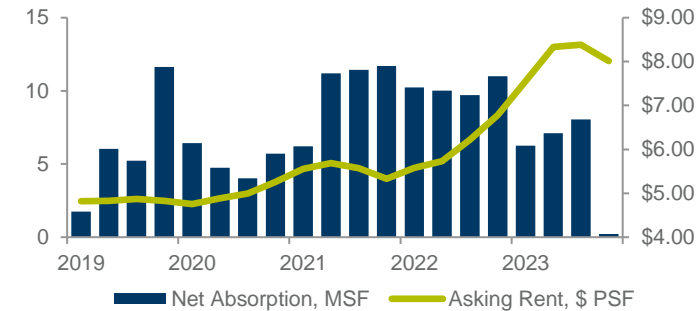
### Outlook

- With its central location and extensive transportation and distribution network, DFW will remain a vital logistics hub.
- Driven by strong demand, available developable land, and an extensive 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 flood the market in the fourth quarter, up 29.3% from Q3 2023, a trend expected to continue into next year as companies seek to re-evaluate their space needs due to economic uncertainties.
- With a growing speculative pipeline and a decline in preleasing activity, vacancy rates are likely to continue to rise before returning to historical averages.

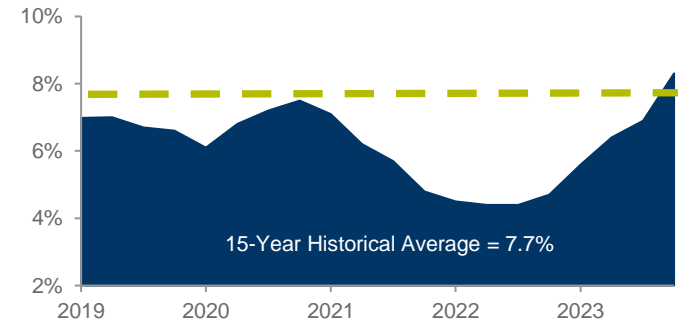
### NEW SUPPLY (msf)



### OVERALL NET ABSORPTION/OVERALL ASKING RENT



### OVERALL VACANCY



## Industrial Q4 2023

### MARKET STATISTICS

SUBMARKET	TOTAL BLDGS	INVENTORY	DIRECT VACANT	OVERALL VACANT	DIRECT VACANCY RATE	OVERALL VACANCY RATE	Q4 NET ABSORPTION	YTD NET ABSORPTION	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD COMPLETIONS	OVERALL AVG. ASKING RENT*	DIRECT AVG. ASKING RENT*
Allen/McKinney	146	15,384,670	1,010,590	1,130,647	6.6%	7.3%	-36,770	1,067,984	1,345,745	1,948,066	1,608,957	\$8.40	\$8.50
Brookhollow/Trinity	886	49,559,766	2,186,969	2,258,165	4.4%	4.6%	-279,034	-792,903	1,357,061	82,773	0	\$10.35	\$10.27
Central Dallas	211	14,263,709	2,338,380	2,338,380	16.4%	16.4%	-52,003	-16,083	7,095	0	0	N/A	N/A
DFW Airport	635	100,788,351	5,687,359	7,396,805	5.6%	7.3%	-123,879	-109,457	5,352,540	2,655,400	3,743,909	\$9.24	\$9.62
Far North/I-35	315	32,720,214	4,730,161	5,073,950	14.5%	15.5%	128,529	1,628,229	2,826,531	2,397,954	5,791,035	\$11.93	\$12.61
Garland	548	46,062,878	1,046,043	1,407,777	2.3%	3.1%	-304,782	-760,602	1,126,801	448,554	326,629	\$8.28	\$8.50
Great Southwest	1076	121,837,994	3,747,646	5,516,916	3.1%	4.5%	-108,333	755,549	5,216,297	2,361,656	2,012,900	\$8.02	\$9.20
Mesquite	209	26,915,516	2,959,412	3,534,172	11.0%	13.1%	-557,833	834,279	3,575,764	2,477,351	2,684,619	\$5.46	\$6.06
North Dallas/Metropolitan	336	19,674,199	1,038,425	1,159,257	5.3%	5.9%	-15,666	-433,059	686,774	42,855	95,356	\$10.78	\$11.74
Pinnacle/Turnpike	213	31,543,201	2,245,280	3,158,286	7.1%	10.0%	-804,519	-535,779	1,820,667	960,956	0	\$8.09	\$8.07
Redbird	215	28,085,232	1,459,070	1,469,208	5.2%	5.2%	389,002	444,473	908,913	178,540	1,305,893	\$6.74	\$6.71
Richardson/Plano	509	39,877,244	1,520,319	1,856,952	3.8%	4.7%	-19,410	-85,427	1,219,924	202,773	663,366	\$12.10	\$12.20
East Dallas	118	18,790,201	2,985,775	2,985,775	15.9%	15.9%	-63,637	1,662,478	1,970,077	3,868,848	3,029,093	\$5.48	\$5.48
South Dallas	306	92,359,359	14,047,578	15,075,172	15.2%	16.3%	1,095,258	9,442,315	6,968,626	7,713,518	15,922,123	\$5.61	\$5.78
Valwood/N. Stemmons	561	52,682,416	607,267	927,150	1.2%	1.8%	106,400	263,132	1,165,684	0	234,395	\$9.67	\$10.47
Walnut Hill/Stemmons	489	23,287,557	637,684	675,658	2.7%	2.9%	-131,264	-188,928	722,907	432,530	200,242	\$9.76	\$9.75
Ellis County	165	24,171,449	3,347,853	3,347,853	13.9%	13.9%	-180,419	-374,367	373,049	591,875	1,787,268	\$7.05	\$7.05
<b>DALLAS TOTAL</b>	<b>6,938</b>	<b>738,003,956</b>	<b>51,595,811</b>	<b>59,312,123</b>	<b>7.0%</b>	<b>8.0%</b>	<b>-958,360</b>	<b>12,801,834</b>	<b>36,644,455</b>	<b>26,363,649</b>	<b>39,405,785</b>	<b>\$8.39</b>	<b>\$8.66</b>
Alliance	222	76,406,466	8,077,722	10,071,394	10.6%	13.2%	959,264	5,902,792	6,636,172	5,109,263	11,914,208	\$6.44	\$8.75
Central Fort Worth	290	15,529,770	215,865	262,379	1.4%	1.7%	80,000	46,198	661,550	23,390	0	\$10.91	\$10.91
East Fort Worth	436	25,062,164	496,976	536,218	2.0%	2.1%	-136,418	-150,676	578,559	394,933	0	\$7.46	\$7.81
North Fort Worth	379	53,131,544	3,382,144	3,496,615	6.4%	6.6%	208,861	1,539,419	3,661,921	2,537,046	2,572,319	\$7.45	\$7.45
South Fort Worth	329	40,043,185	2,630,097	3,098,760	6.6%	7.7%	-180,456	1,229,343	3,612,815	1,781,206	3,044,222	\$7.98	\$10.76
West Fort Worth	91	7,345,150	2,259,964	2,259,964	30.8%	30.8%	129,410	115,876	390,665	1,053,728	2,336,469	\$5.60	\$5.60
Johnson County	126	11,322,861	991,196	991,196	8.8%	8.8%	129,632	169,632	247,368	116,400	1,070,298	\$10.83	\$10.83
<b>FORT WORTH TOTAL</b>	<b>1,873</b>	<b>228,841,140</b>	<b>18,053,964</b>	<b>20,716,526</b>	<b>7.9%</b>	<b>9.1%</b>	<b>1,190,293</b>	<b>8,852,584</b>	<b>15,789,050</b>	<b>11,015,966</b>	<b>20,937,516</b>	<b>\$6.53</b>	<b>\$6.76</b>
<b>DFW TOTAL</b>	<b>8,811</b>	<b>966,845,096</b>	<b>69,649,775</b>	<b>80,028,649</b>	<b>7.2%</b>	<b>8.3%</b>	<b>231,933</b>	<b>21,654,418</b>	<b>52,433,505</b>	<b>37,379,615</b>	<b>60,343,301</b>	<b>\$8.01</b>	<b>\$8.28</b>

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

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

### KEY LEASE TRANSACTIONS Q4 2023

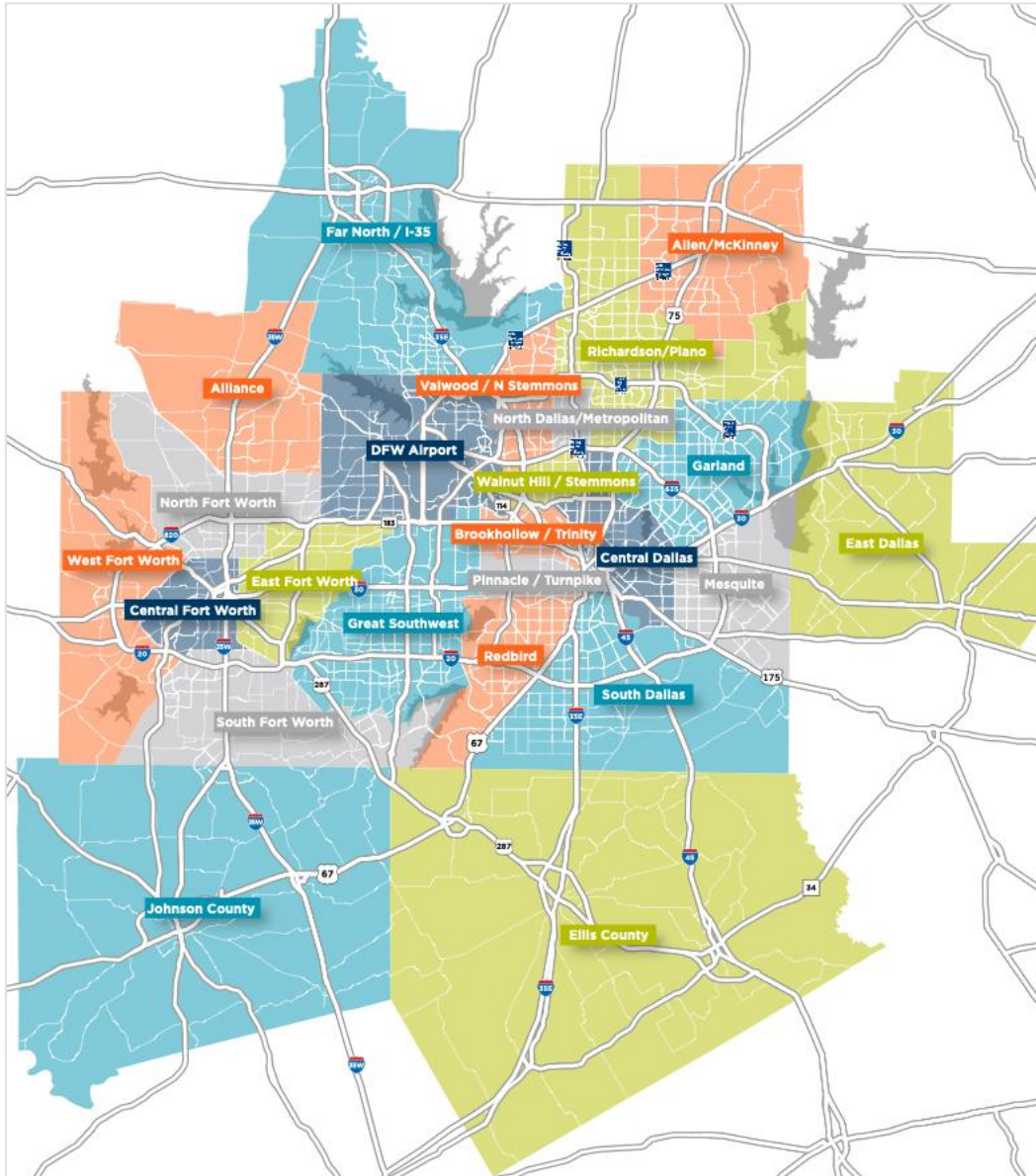
PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Carter Park East – Phase 1, Bldg 3	South Fort Worth	DrinkPak	1,403,152	New Lease
Tradeport 45 West	South Dallas	Trina Solar	1,351,372	New Lease
Prologis Mountain Creek – Bldg 4	Redbird	Kuka	504,500	New Lease

\*Renewals not included in leasing statistics

### SELECT KEY PROJECTS UNDER CONSTRUCTION Q4 2023

PROPERTY	SUBMARKET	Owner / Construction Type	SF
Tradeport 45 West	South Dallas	Champion Partners / SPEC	1,351,372
TCC 35 Eagle – Bldg C	Alliance	Trammell Crow Co. / SPEC	1,250,743
Alliance Westport 25	Alliance	Hillwood Development Corp. / SPEC	1,076,459

## INDUSTRIAL SUBMARKETS

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