

Industrial Q1 2024

	YoY Chg	12-Mo. Forecast
9.1% Vacancy Rate	▲	▲
1.7M Net Absorption, SF	▼	▲
\$8.02 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q1 2024

	YoY Chg	12-Mo. Forecast
4.3M Dallas-Ft Worth Employment	▲	▲
3.7% Dallas-Ft Worth Unemployment Rate	▲	▬
3.8% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY

The Dallas-Fort Worth (DFW) unemployment rate decreased by 20 basis points (bps) in Q1 2024 to 3.7%, 10 bps lower than the U.S. unemployment rate of 3.8%. With nearly 4.3 million people employed, the region has set a new record for the number of workers and continues to grow each quarter. DFW's population edged higher by 134,631 people, year-over-year (YOY), and by 32,333 in the first quarter alone, maintaining the long trend of strong population growth. As of March 2024, the population reached a new high of more than 8.2 million residents.

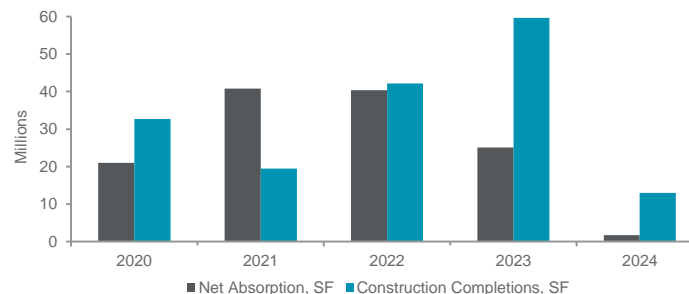
According to Moody's Analytics, the industrial sector grew by 19,130 jobs, a 1.6% increase YOY. Industrial roles are described as positions that fall within manufacturing and trade, transportation, and utilities. The leading indicator of industrial demand is driven by trade, transportation, and utilities sector jobs, which accounted for 74.4% of all industrial roles with 905,632 jobs. Industrial employment within the region totaled over 1.2 million jobs at the end of Q1 2024.

SUPPLY

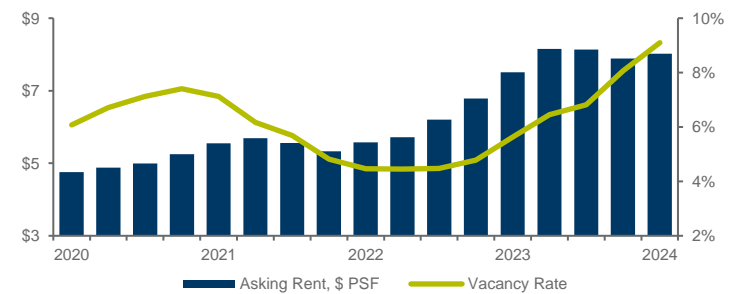
Despite the overall increase in occupancy, the first quarter closed with a 100 bp climb in vacancy to 9.1% quarter-over-quarter (QOQ). This rise in vacancy is due to a continued decrease in preleasing activity, resulting in a majority of speculative construction completions delivering vacant, as well as another surge in available sublease space. In the first quarter, developers added 13.0 million square feet (msf) of new product to the market. The South Dallas and North Fort Worth submarkets recorded the highest number of completions, with 3.5 msf and 2.1 msf completed, respectively. Of the 12.7 msf of speculative projects delivered in the Q1, 67.8% 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 first quarter ended with 28.9 msf of space under construction, a decrease of 61.6% YOY. Due to increased vacancy, a cooldown in demand, and a difficult lending environment, only 3.3 msf of new projects broke ground in Q1, 22.5% less than the 2023 quarterly average of 4.3 msf. Speculative developments accounted for the majority of product in the pipeline at 27.9 msf (96.7%), with 30.3% currently preleased, up from 29.6% in Q4 2023. Dallas-Fort Worth's under-construction pipeline is the third largest in the nation and boasts an additional 72.9 msf of proposed space anticipated for development over the next three years.

SPACE DEMANDS / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q1 2024

DEMAND

Overall net absorption of industrial product in the DFW market was down 20.8% QOQ and 73.0% YOY, primarily due to more of a slowdown in pre-leased deliveries 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 1.7 msf of space in the first quarter. The absorption totals were propelled by the South Dallas submarket (2.0 msf), followed by Mesquite (993,244 sf) and South Fort Worth (864,413 sf). The largest move-ins this quarter were Trina Solar into 1.4 msf, Flexport into 799,460 sf and Green Bay Packaging into 600,000 sf.

Nevertheless, new leasing activity exceeded 10.1 msf – the second highest Q1 total nationwide, although the total was down 21.5% from the fourth quarter of 2023. The highest volume totals were in South Dallas at 2.1 msf, followed by DFW Airport and East Dallas at 1.5 msf and 1.0 msf, respectively. Future developments accounted for 8.4% of all new leases signed in Q1 2024, totaling 854,149 sf of transactions, a significant decline compared to the three-year quarterly average of 3.8 msf.

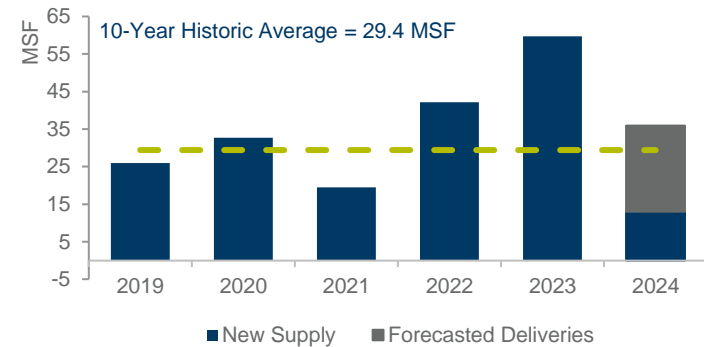
PRICING

In the first quarter, asking rental rates in the DFW industrial market recorded an increase of 1.7% QOQ, concluding with an overall average asking rate of \$8.02 per square foot (psf). The Richardson/Plano submarket boasted the highest overall average asking rate in DFW at \$12.15 psf. Additionally, the North Fort Worth and Alliance submarkets recorded the highest annual rent growth of 75.8% and 40.1%, respectively. Driving factors for this surge in asking rental rates are the rise in new, high-quality developments in these areas. Warehouse/distribution rental rates climbed by 3.8% from the previous quarter, with an average asking rate of \$7.60 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.
- Sublease space in the market continued to become available across the market in the first quarter, up 8.1% from Q4 2023, a trend expected to continue throughout the next few quarters as companies seek to re-evaluate their space needs due to economic uncertainties.
- With a growing speculative pipeline and a continued decline in preleasing activity, vacancy rates are likely to continue to rise before returning to historical averages.

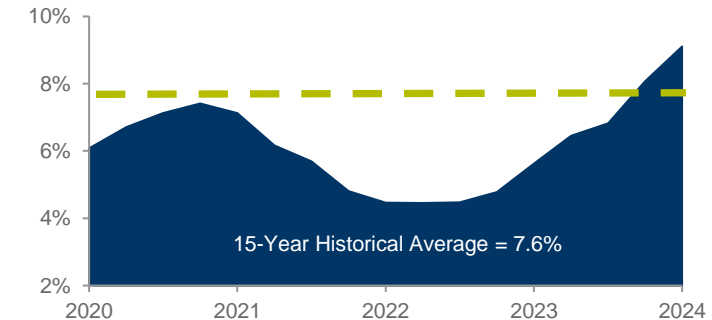
NEW SUPPLY (msf)



OVERALL NET ABSORPTION/OVERALL ASKING RENT



OVERALL VACANCY



Industrial Q1 2024

MARKET STATISTICS

SUBMARKET	TOTAL BLDGS	INVENTORY	DIRECT VACANT	OVERALL VACANT	DIRECT VACANCY RATE	OVERALL VACANCY RATE	Q1 NET ABSORPTION	YTD NET ABSORPTION	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD COMPLETIONS	OVERALL AVG. ASKING RENT*	DIRECT AVG. ASKING RENT*
Allen/McKinney	152	16,128,218	1,507,480	1,685,565	9.3%	10.5%	148,026	148,026	523,069	1,322,380	743,548	\$7.88	\$7.88
Brookhollow/Trinity	886	49,556,388	2,449,855	2,480,051	4.9%	5.0%	-309,420	-309,420	325,723	82,773	0	\$10.03	\$9.96
Central Dallas	211	14,269,651	2,320,604	2,320,604	16.3%	16.3%	-51,482	-51,482	0	0	0	N/A	N/A
DFW Airport	637	101,018,450	7,584,208	9,059,895	7.5%	9.0%	-1,345,007	-1,345,007	1,526,830	3,069,220	182,280	\$9.51	\$10.00
Far North/I-35	316	33,619,984	5,112,045	5,340,746	15.2%	15.9%	398,542	398,542	245,983	2,181,203	899,770	\$8.85	\$8.98
Garland	550	46,240,661	1,109,785	1,420,219	2.4%	3.1%	-131,552	-131,552	478,981	517,194	0	\$8.39	\$8.55
Great Southwest	1083	122,950,419	5,006,444	7,050,235	4.1%	5.7%	-823,530	-823,530	428,107	1,944,606	1,028,232	\$8.37	\$9.01
Mesquite	214	28,431,541	3,417,015	3,679,178	12.0%	12.9%	993,244	993,244	150,472	961,326	1,516,025	\$5.88	\$6.70
North Dallas/Metropolitan	336	19,674,199	907,984	1,072,680	4.6%	5.5%	-28,775	-28,775	126,567	284,917	0	\$7.62	\$7.56
Pinnacle/Turnpike	213	31,543,201	2,175,493	2,864,773	6.9%	9.1%	-191,869	-191,869	0	960,956	0	\$6.84	\$7.08
Redbird	216	28,263,772	1,697,778	1,707,916	6.0%	6.0%	-65,168	-65,168	648,657	0	178,540	\$5.16	\$4.95
Richardson/Plano	508	39,842,249	1,406,498	1,751,903	3.5%	4.4%	-22,649	-22,649	110,030	202,773	0	\$12.15	\$12.16
East Dallas	121	19,927,851	4,070,630	4,070,630	20.4%	20.4%	-6,213	-6,213	1,012,597	2,841,045	1,137,650	\$5.26	\$5.26
South Dallas	313	96,133,894	15,891,471	16,993,208	16.5%	17.7%	2,002,912	2,002,912	2,057,239	4,711,805	3,528,585	\$5.57	\$5.88
Valwood/N. Stemmons	563	52,771,590	700,441	859,444	1.3%	1.6%	-5,609	-5,609	207,772	0	0	\$9.41	\$9.14
Walnut Hill/Stemmons	489	23,289,739	600,014	607,569	2.6%	2.6%	-106,462	-106,462	233,836	432,530	0	\$9.53	\$9.53
Ellis County	167	24,645,709	3,722,770	3,722,770	15.1%	15.1%	185,794	185,794	678,094	591,875	271,339	\$5.25	\$5.25
DALLAS TOTAL	6,975	748,307,516	59,680,515	66,687,386	8.0%	8.9%	640,782	640,782	8,753,957	20,104,603	9,485,969	\$8.19	\$8.46
Alliance	225	77,097,085	9,689,244	10,775,940	12.6%	14.0%	-366,149	-366,149	199,640	4,425,604	683,659	\$8.75	\$8.75
Central Fort Worth	291	15,553,160	130,214	282,357	0.8%	1.8%	-19,978	-19,978	16,036	0	0	\$12.00	\$12.00
East Fort Worth	436	25,246,642	939,133	1,036,283	3.7%	4.1%	-508,165	-508,165	174,139	1,143,867	0	\$7.51	\$8.46
North Fort Worth	389	55,248,050	4,748,751	4,969,253	8.6%	9.0%	442,741	442,741	464,231	715,334	2,072,187	\$9.00	\$8.93
South Fort Worth	331	40,799,588	2,428,917	2,926,977	6.0%	7.2%	864,413	864,413	410,591	1,041,710	739,496	\$7.59	\$8.80
West Fort Worth	92	7,385,429	2,126,679	2,126,679	28.8%	28.8%	133,285	133,285	95,384	1,053,728	0	\$5.52	\$5.52
Johnson County	127	11,686,461	581,333	581,333	5.0%	5.0%	529,248	529,248	0	416,400	0	\$9.94	\$9.94
FORT WORTH TOTAL	1,891	233,016,415	20,644,271	22,698,822	8.9%	9.7%	1,075,395	1,075,395	1,360,021	8,796,643	3,495,342	\$7.14	\$7.18
DFW TOTAL	8,866	981,323,931	80,324,786	89,386,208	8.2%	9.1%	1,716,177	1,716,177	10,113,978	28,901,246	12,981,311	\$8.02	\$8.25

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

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

KEY LEASE TRANSACTIONS Q1 2024

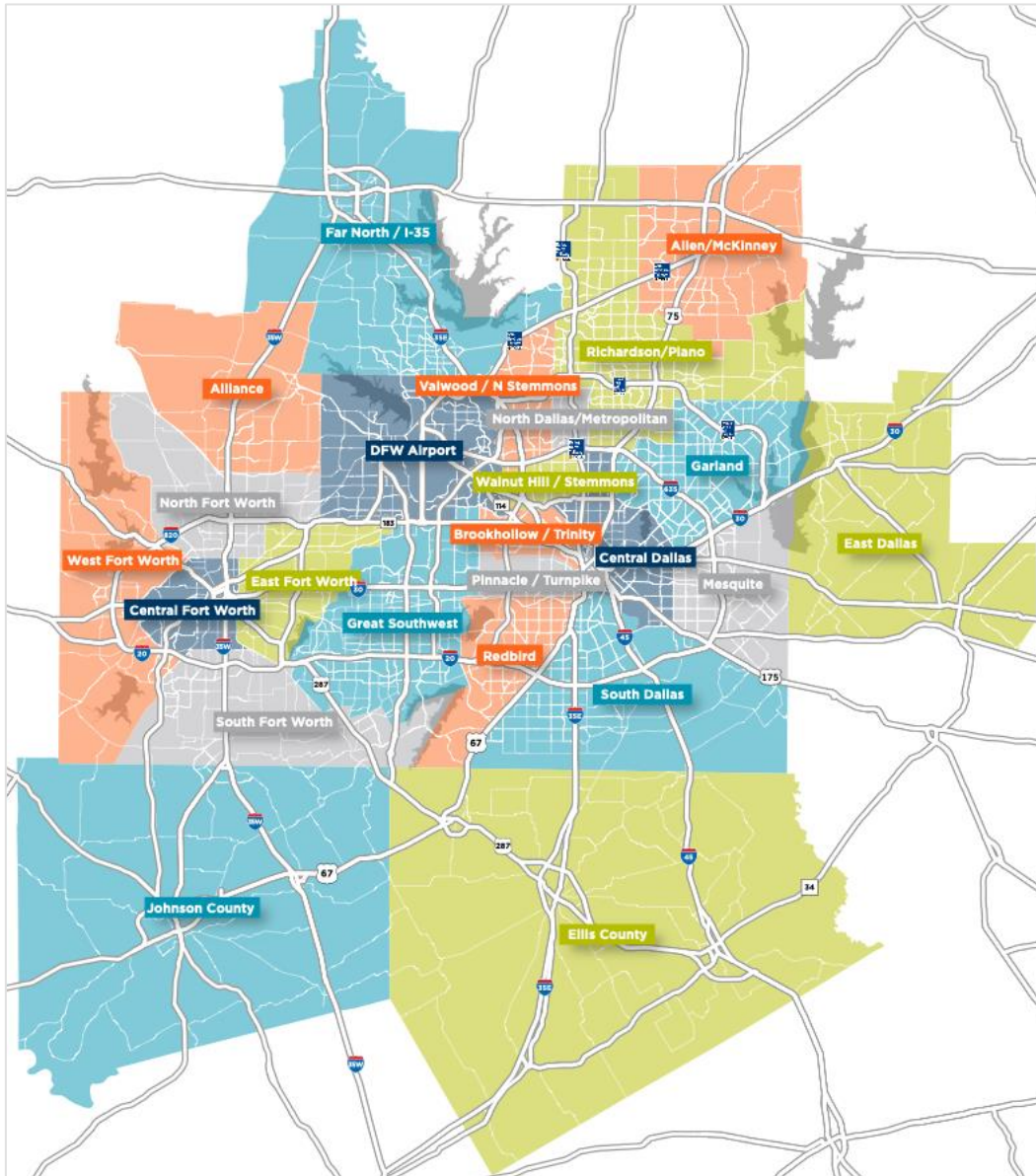
PROPERTY	SUBMARKET	TENANT	RSF	TYPE
Logistix Hub – Bldg 1	South Dallas	Post Food	1,095,360	New Lease
Exeter East Logistics – Bldg 2	East Dallas	Barrett Distribution Centers	529,047	New Lease
Prologis Mountain Creek – Bldg 3	Redbird	Frito-Lay	515,792	New Lease

*Renewals not included in leasing statistics

SELECT KEY PROJECTS UNDER CONSTRUCTION Q1 2024

PROPERTY	SUBMARKET	Owner / Construction Type	SF
TCC 35 Eagle – Bldg C	Alliance	Trammell Crow Co. / SPEC	1,250,743
Alliance Westport 25	Alliance	Hillwood Development Corp. / SPEC	1,076,459
Intermodal Logistics Center – Bldg 7	Alliance	NorthPoint Development / SPEC	1,042,000

INDUSTRIAL SUBMARKETS



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