MARKETBEAT
DALLAS/FORT WORTH
INDUSTRIAL Q3 2024

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
9.3% Vacancy Rate	▲	▲
18.8M YTD Net Absorption, SF	▼	▲
$8.47 Asking Rent, PSF	▲	▲

(Overall, Net Asking Rent)

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
4.3M Dallas/Fort Worth Employment	▲	▲
3.8% Dallas/Fort Worth Unemployment Rate	▲	▼
4.1% Country Unemployment Rate	▲	▼

Source:BLS

ECONOMY

Employment in Dallas/Fort Worth (DFW) reached 4.3 million in the third quarter, increasing at a pace of 1.3% year-over-year (YOY). According to Moody's, industrial-using jobs in the manufacturing and trade, transportation, and utilities sectors grew by 9,400 jobs or 0.7% YOY. The manufacturing and transportation and warehousing industries grew 1.5% YOY and outperformed the region.

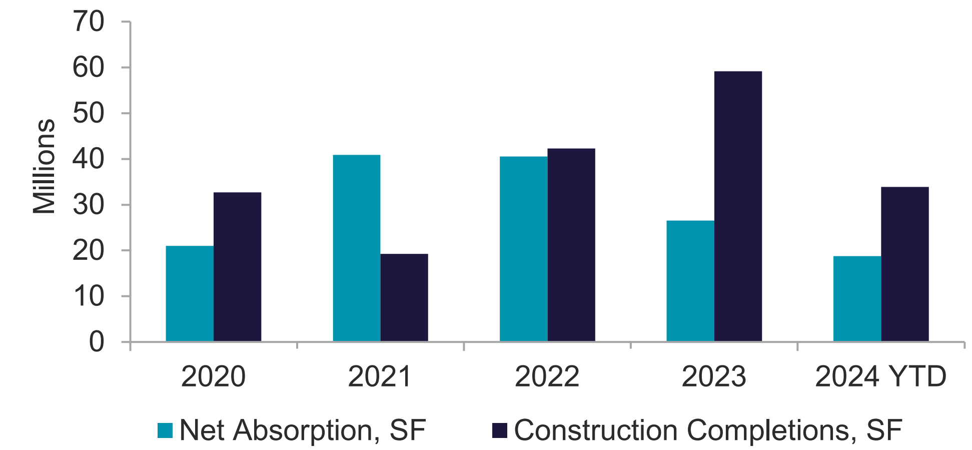
In the Federal Reserve Bank of Dallas' survey of Texas manufacturers, producers indicated a slightly negative perception of business conditions in September, but with expectations of growth in business activity and production orders over the next six months.

DEMAND

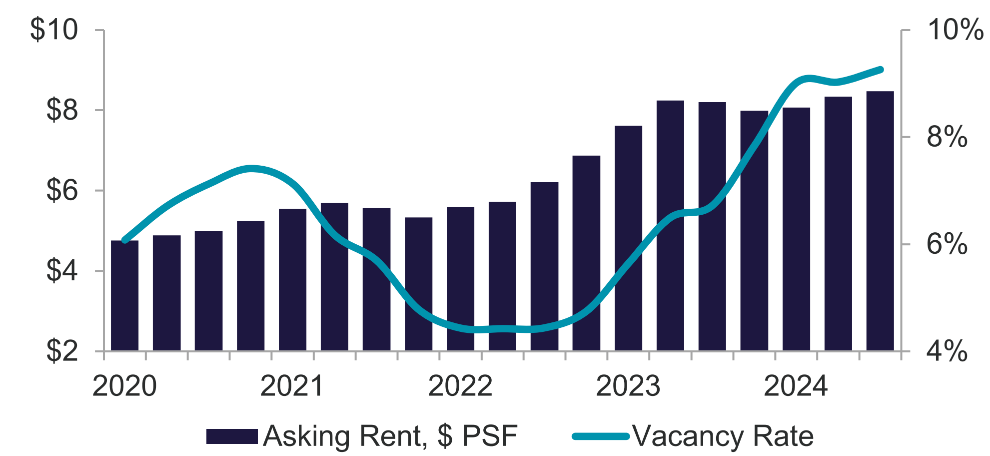
Net absorption totaled positive 6.3 million square feet (msf) in the third quarter and positive 18.8 msf year-to-date (YTD). Quarterly net absorption was highest in the South Dallas submarket (2.1 msf), followed by Alliance (1.9 msf) and Great Southwest (971,885 sf). Notable move-ins included Post Food for 1.1 msf in South Dallas, Southwire for 1.1 msf, and Mondelez for 986,000 sf in Alliance.

Quarterly leasing activity totaled 9.0 msf propelling YTD leasing activity to 42.2 msf. Although space demand has softened relative to the record levels of the last two years, leasing activity is on track to match pre-pandemic levels. Tenants continue to absorb space in new construction as 5.1 msf or 60.2% of quarterly leasing occurred in buildings delivered within the last three years.

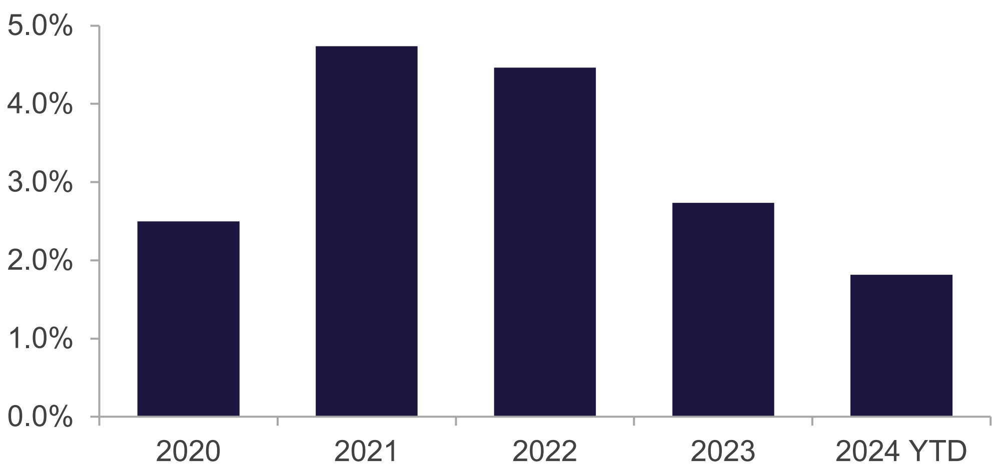
SPACE DEMAND / DELIVERIES



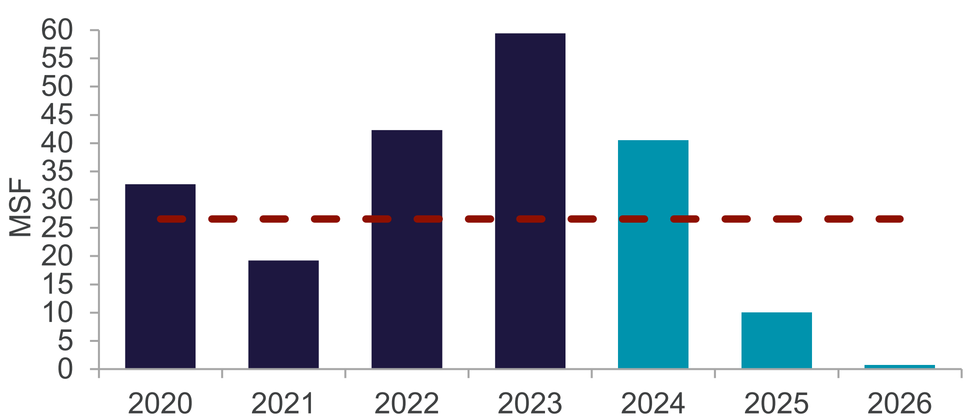
OVERALL VACANCY & ASKING RENT



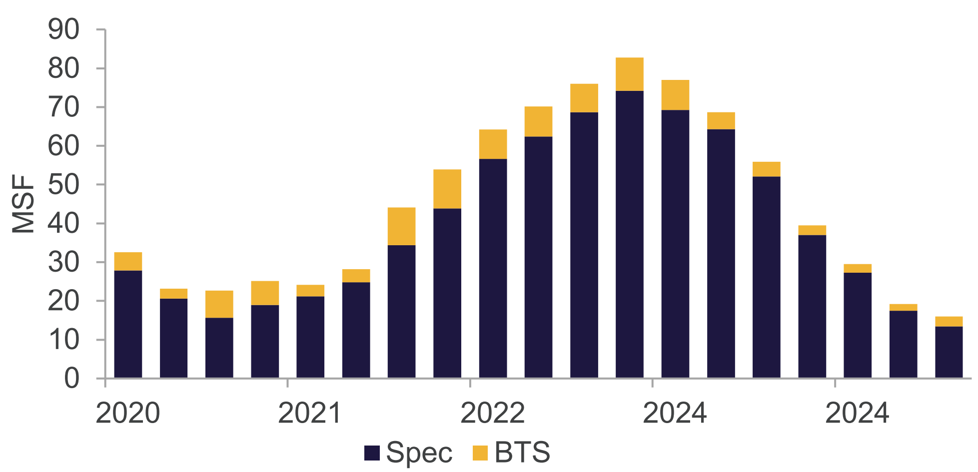
INDUSTRIAL NET ABSORPTION AS % OF INVENTORY



NEW SUPPLY



CONSTRUCTION PIPELINE



SUPPLY

Vacancy reached 9.3% in the third quarter, its highest level since 2014. Vacancy rose 30 basis points (bps) quarter-over-quarter (QOQ) and 250 bps YOY. Vacancy was below average in 14 of DFW's 24 submarkets and remained exceptionally low in the Central Fort Worth and Johnson County submarkets at 2.4% and 3.0%, respectively. New buildings delivered in the last three years comprised a majority of vacancy at 54.7 msf or 58.8% vacant space.

Sublease space remained elevated at 11.8 msf. Dead storage space, or warehouse space without office, accounted for 2.6 msf of sublease listings.

Deliveries totaled 9.3 msf in the third quarter, of which 8.3 msf consisted of speculative projects. Key completions this quarter included Gateway Crossings Logistics Park, a three-building park in East Dallas Suburbs totaling 1.8 msf, and Alliance Westport 25, a 1.1 msf property in Alliance.

Construction activity continued to taper, falling to 16.0 msf, a 71.4% decline YOY. Speculative developments accounted for 13.5 msf of the construction pipeline. Over the next two quarters, deliveries are expected to reduce the pipeline by an additional 11.8 msf or 73.9%. Developers continue to entitle proposed projects, which now stand at 70.5 msf, and will likely break ground once competing properties stabilize and debt service costs decrease with interest rate cuts.

PRICING

The average asking rental rate climbed for the third straight quarter to $8.47 per square foot (psf). On a quarterly basis, rent growth persisted at 1.6%. Annually, asking rents rose by 3.2%, on par with pre-pandemic growth rates. Warehouse/Distribution buildings outperformed with a YOY increase of 8.0% to reach $7.95 net psf.

OUTLOOK

- DFW's central location, excellent infrastructure, and growth will continue to generate demand for industrial space.
- Vacancy rates will likely stabilize as construction winds down and tenants absorb recently delivered space.
- Rent growth will continue to moderate due to elevated vacancy and normalized demand.
- Central submarkets with lower vacancy rates will continue outperforming periphery submarkets where recent development has been concentrated.
- Accordingly, developers are more likely to break ground on in-fill projects in centrally located submarkets before periphery submarkets with greater competition.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT	DIRECT WEIGHTED AVG NET RENT
DFW Airport	106,356,701	10,089,450	9.5%	-53,546	210,437	7,242,086	1,702,994	2,878,895	$10.12	$10.55
Brookhollow/Trinity	49,556,388	2,523,031	5.1%	19,679	-398,434	1,097,166	82,773	0	$10.67	$10.72
Walnut Hill/Stemmons	23,722,269	839,476	3.5%	121,723	94,161	986,187	0	432,530	$9.47	$9.55
North Dallas/Metropolitan	19,421,374	1,666,137	8.6%	-136,700	-481,534	529,875	144,219	0	$8.96	$9.00
Valwood/N Stemmons	52,603,094	1,688,546	3.2%	-490,592	-857,983	1,391,458	88,233	0	$9.38	$9.78
Far North/I-35	35,641,118	5,607,710	15.7%	395,736	1,697,296	1,461,043	570,486	2,688,296	$8.81	$8.89
Richardson/Plano	39,966,355	1,692,040	4.2%	4,037	156,851	848,312	256,553	37,300	$12.52	$12.64
Allen/McKinney	17,350,329	1,274,649	7.3%	498,163	1,682,658	947,977	117,294	1,470,165	$8.17	$8.19
Central Dallas	14,269,651	2,294,401	16.1%	0	-25,279	46,133	300,361	0	$28.00	$28.00
Garland	45,864,015	1,864,071	4.1%	79,007	-153,397	1,554,396	1,387,954	599,480	$8.44	$8.45
Mesquite	30,309,938	4,487,112	14.8%	-405,814	1,264,109	1,701,517	765,668	2,417,351	$6.18	$6.91
East Dallas Suburbs	23,507,557	6,596,015	28.1%	147,300	1,048,108	2,005,774	0	4,617,356	$5.37	$5.37
Pinnacle/Turnpike	32,506,187	2,831,762	8.7%	-237,205	802,098	2,016,072	0	763,960	$6.99	$6.99
Redbird	28,265,980	1,498,458	5.3%	-351,323	144,290	827,994	0	178,540	$5.98	$6.03
South Dallas	99,320,421	16,181,935	16.3%	2,083,264	6,000,712	5,296,585	2,319,601	6,425,112	$5.78	$5.98
Ellis County	24,509,370	2,329,292	9.5%	776,091	1,449,985	1,228,534	1,096,102	0	$5.47	$5.47
Great Southwest	122,302,387	7,940,740	6.5%	971,885	-834,709	3,884,056	2,270,130	1,514,733	$8.26	$8.86
DALLAS TOTAL	765,473,134	71,404,825	9.3%	3,421,705	11,799,369	33,065,165	11,102,368	24,023,718	$8.52	$8.74
North Fort Worth	55,316,741	3,890,158	7.0%	574,210	1,544,068	1,513,696	1,346,076	2,072,187	$9.30	$9.07
Alliance	80,723,389	9,572,333	11.9%	1,905,102	3,878,846	4,432,784	874,005	4,593,463	$6.02	$5.17
Central Fort Worth	15,553,160	367,235	2.4%	-2,100	-104,856	33,771	0	0	$9.70	$9.70
East Fort Worth	26,307,799	2,475,193	9.4%	-76,671	-803,208	446,977	578,906	1,143,867	$8.15	$8.61
West Fort Worth	7,606,873	1,807,539	23.8%	229,876	673,869	1,434,198	874,184	357,609	$5.53	$5.53
South Fort Worth	41,713,462	3,134,884	7.5%	66,706	963,306	1,024,408	880,110	1,653,096	$6.76	$8.66
Johnson County	11,782,461	363,794	3.1%	177,265	842,787	238,804	300,000	96,000	$9.15	$9.15
FORT WORTH TOTAL	239,003,885	21,611,136	9.0%	2,874,388	6,994,812	9,124,638	4,853,281	9,916,222	$7.20	$7.20
DALLAS/FORT WORTH TOTALS	**1,004,477,019**	**93,015,961**	**9.3%**	**6,296,093**	**18,794,181**	**42,189,803**	**15,955,649**	**33,939,940**	**$8.29**	**$8.47**

**Renewals included in leasing statistics*

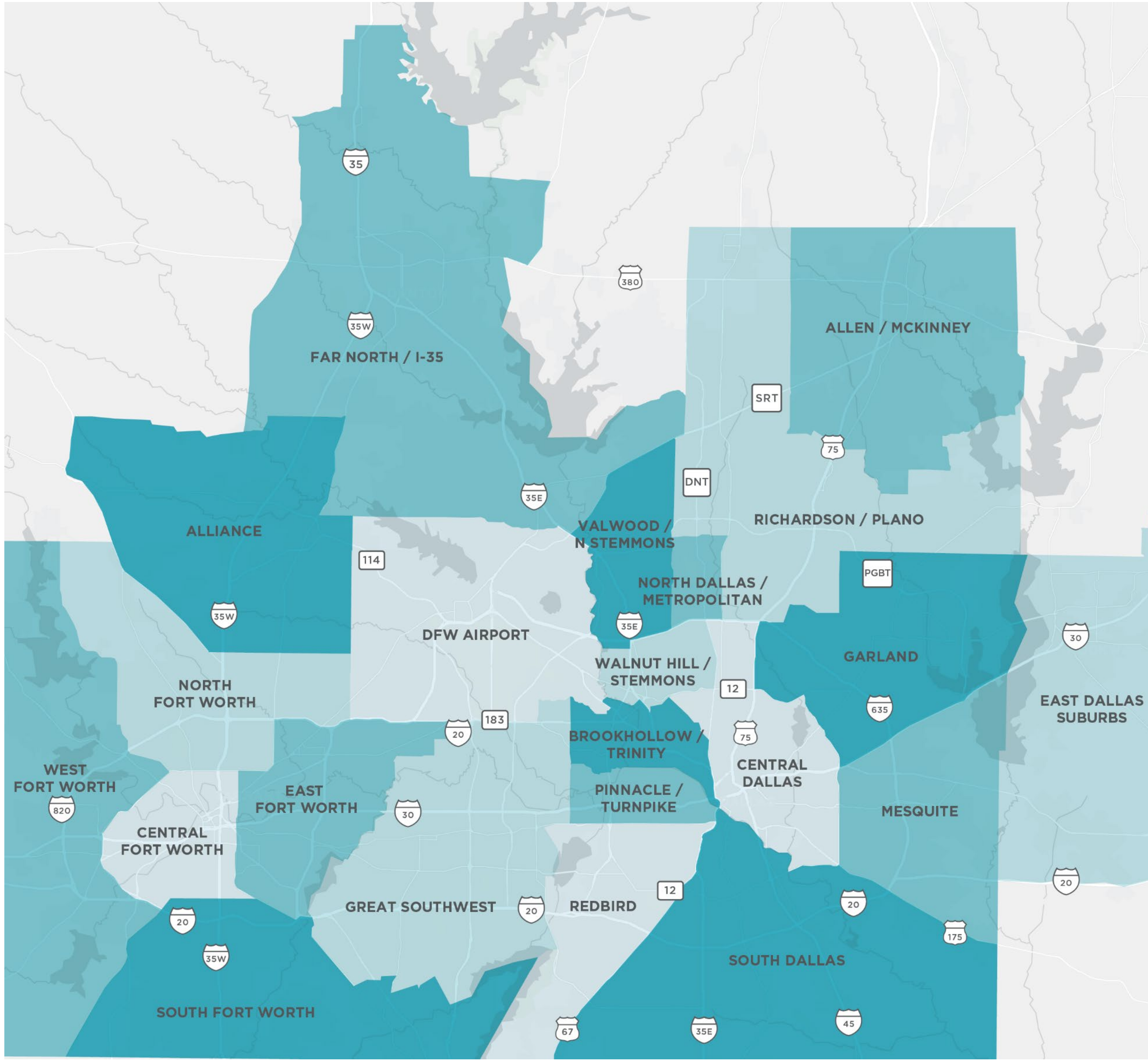
KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
9449 Silver Creek Rd	West Fort Worth	Google	1,108,938	New Lease
12955 FM 2932	East Dallas Suburbs	Real Truck	661,118	New Lease
1421 N Cockrell Hill Rd	Pinnacle/Turnpike	USPS	636,480	New Lease
2925 Valley View Ln	DFW Airport	RTX Corporation	492,880	New Lease

KEY CONSTRUCTION COMPLETIONS Q3 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Alliance Westport 25	Alliance	Southwire	1,076,459	Hillwood Development Corporation
Gateway Crossing Logistics Park Building 1	East Dallas	N/A	1,024,549	Holt Lunsford Commercial

INDUSTRIAL SUBMARKETS



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