Dallas-Fort Worth industrial market report

Q3 2022

AVISON YOUNG

Industrial market trends

01

DFW's industrial sector recovered and expanding

After 11,000 industrial jobs were lost at the start of the pandemic, from what had been annual gains of 20,000+, DFW has recovered and been expanding at an unprecedented rate. As of 3Q 2022, DFW's strength as a national logistics hub has continued to fuel growth not shared by most markets.

Our take on this trend…

DFW's rising importance as a national logistics hub with exceptional road, rail, and air access has continued to drive the region's economy. Currently, DFW has added almost 63,000 logistics, trade, and manufacturing jobs since the end of 2019 — which translates into growth of 8.5% above its prior peak.

02

Logistics sectors at or near historic highpoints

Industrial demand has been strong. Between the end of 2020 and 2021, DFW vacancy declined by 2.5 percentage points, nearing a new low of 5.7%. As of 3Q, 2022 industrial net absorption totaled 20.5 million square feet, which has kept vacancy throughout 2022 to an historically tight 6.2%.

Our take on this trend…

This record demand spurred significant construction with 30 million square feet delivered in 2021, slightly ahead of a typical annual number. As of 3Q, this high demand continues — 225+ properties under development, totaling more than 80 million square feet. This is over twice the typical DFW average and mostly "spec", suggesting that lease-up may be attenuated for all but the best assets.

03

High demand and higher rents, but still affordable

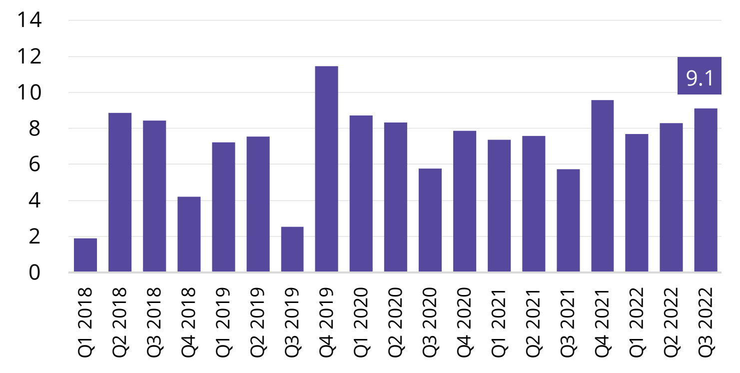
This high demand continues to drive rents significantly for DFW industrial space. Historically, DFW was always an affordable logistics hub with rents around $3.50 per square foot. Consistent strong demand started to push rents into the mid $4.00 per square foot range in 2018.

Our take on this trend…

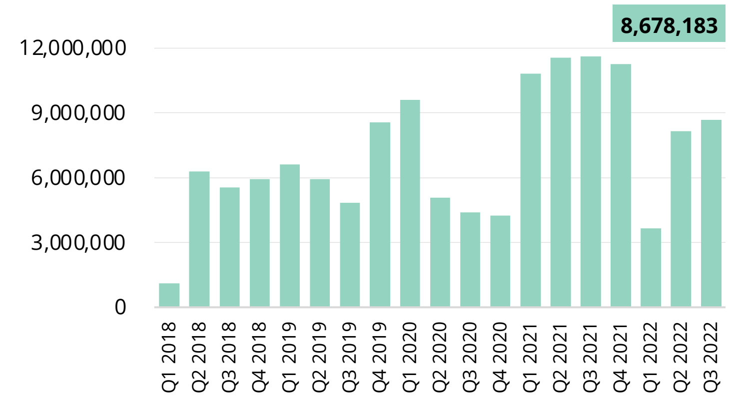
DFW's central US location, as well as being the 4th largest metro has fueled national and local distribution demand. Average rents moved above $6.00 as of 3Q, with sought after locations being well above this level. Importantly, DFW rents are still affordable compared to logistics hubs like LA, Inland Empire, Chicago, and Denver.

Industrial market indicators

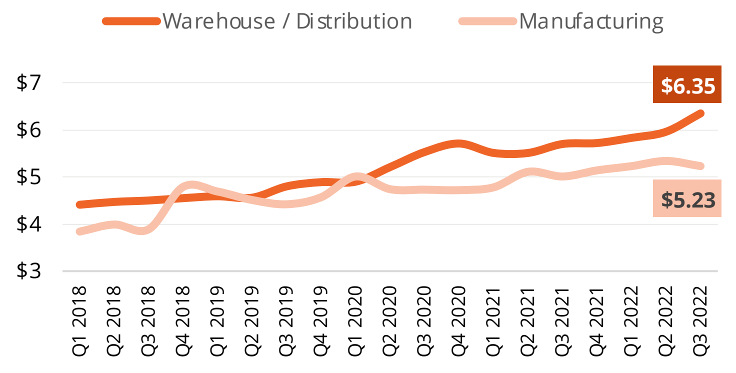
Total deliveries (msf)



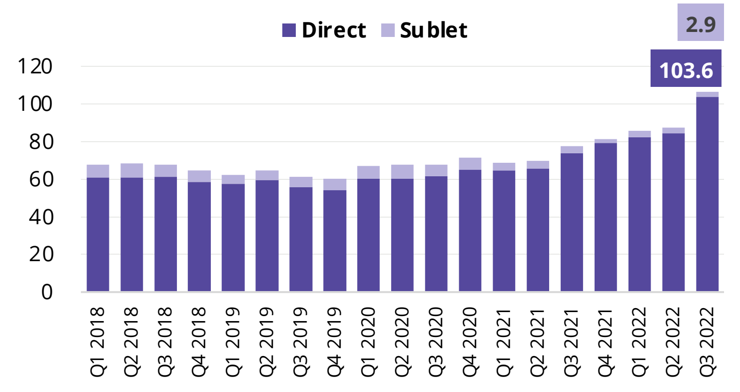
Total net absorption (sf)



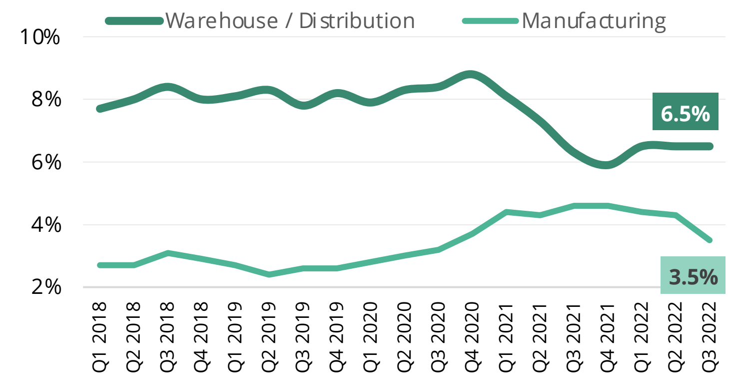
Asking rents (psf)



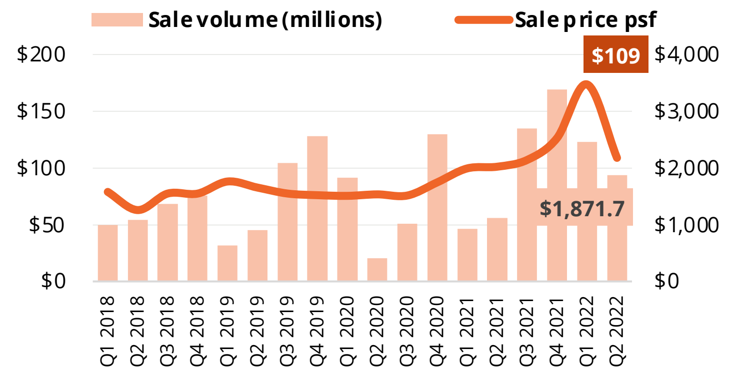
Total availability (msf)



Vacancy



Investment sales



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Industrial market activity

Recent leasing activity

Tenant	Address	Sign date	Size (SF)	Transaction type	Lease type
GXO Logistics Supply	Everman Crossroads Bldg 2	Sep-22	644,319	New	Direct
DHL	15001 Heritage Pky	Sep-22	391,700	Renewal	Direct
Undisclosed	650 S Royal Ln	Sep-22	378,000	New	Direct
Undisclosed	2777 W Danieldale Rd	Sep-22	140,000	New	Direct
Undisclosed	Sprouts Distribution Center	Sep-22	117,000	New	Direct

Recent sales activity

Buyer	Property / address	Sale date	Sale price (millions)	Price psf	Cap rate	Seller
BentallGreenOak	Logistics Center 9, 10, 161	Jun-22	$100.0	$95	--	Invesco | Perot
Blackstone	2553 Summit Ave	Jul-22	$24.0	$130	--	PS Business Parks
Blackstone	Royal Park Tech	Jul-22	$7.7	$128	--	PS Business Parks
Blackstone	Northway Plaza	Jul-22	$16.8	$128	--	PS Business Parks
Blackstone	Port America	Jul-22	$99.0	$138	--	PS Business Parks

Industrial market stats by submarket

Submarket	Inventory (sf)	Vacancy %	Total Availability %	Net Absorption (sf) 3Q22	Net Absorption (sf) YTD	Average Asking Rent	Deliveries (sf) 3Q22	Deliveries (sf) YTD	Under Construction (sf)
Warehouse & Distribution	75,172,601	2.0%	10.2%	(192,443)	1,794,465	$10.34	100,393	1,274,159	6,706,020
Manufacturing	2,643,753	0.0%	-	-	13,340	--	0	0	0
DFW Airport	**77,816,354**	**1.9%**	**9.9%**	**(192,443)**	**1,807,805**	**$10.34**	**100,393**	**1,274,159**	**6,706,020**
Warehouse & Distribution	35,742,262	19.0%	30.1%	499,696	756,604	$5.06	1,299,342	3,078,200	9,701,492
Manufacturing	5,597,733	4.9%	6.4%	21,667	(219,396)	-	0	0	102,206
East Dallas	**41,339,995**	**17.1%**	**27.5%**	**521,363**	**537,208**	**$5.06**	**1,299,342**	**3,078,200**	**9,803,698**
Warehouse & Distribution	89,894,152	4.2%	5.7%	134,127	329,519	$6.78	632,881	1,822,816	1,660,792
Manufacturing	11,572,894	0.0%	2.8%	50,000	305,133	$6.50	0	0	790,992
Greater SW - Arlington	**101,467,046**	**3.7%**	**5.4%**	**184,127**	**634,652**	**$6.78**	**632,881**	**1,822,816**	**2,451,784**
Warehouse & Distribution	82,664,849	4.3%	7.8%	989,403	1,578,702	$7.51	1,708,113	2,883,151	7,362,579
Manufacturing	5,901,174	2.5%	1.1%	16,000	(1,600)	$8.22	0	0	0
Northwest Dallas	**88,566,023**	**4.2%**	**7.4%**	**1,005,403**	**1,577,102**	**$7.58**	**1,708,113**	**2,883,151**	**7,362,579**
Warehouse & Distribution	102,923,478	8.6%	19.2%	1,235,502	4,898,273	$5.24	627,364	2,394,512	19,474,885
Manufacturing	7,086,280	3.4%	2.9%	89,760	283,972	$5.29	0	0	0
North Fort Worth	**110,009,758**	**8.2%**	**18.4%**	**1,325,262**	**5,182,245**	**$5.24**	**627,364**	**2,394,512**	**19,474,885**

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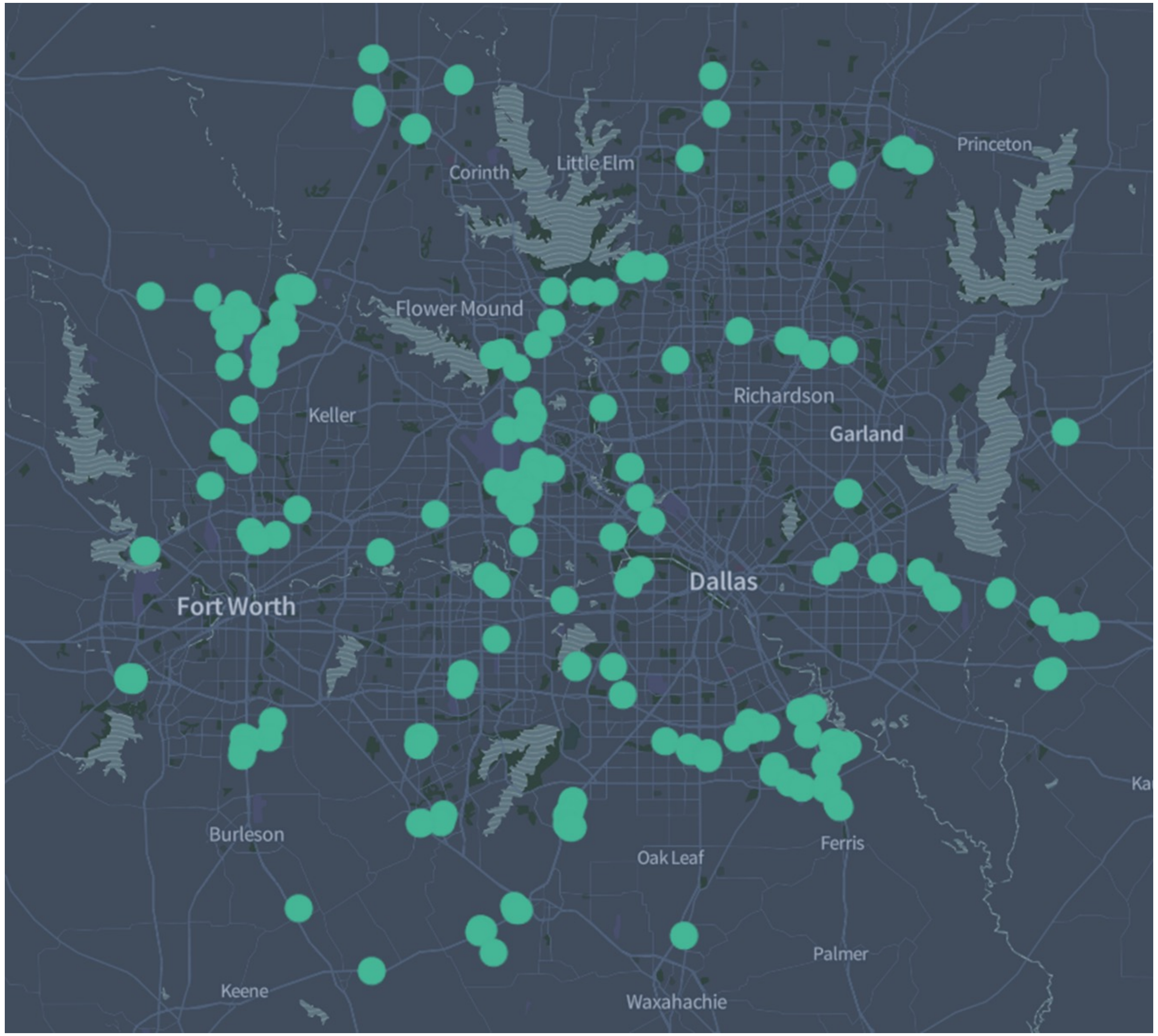
Industrial market stats by submarket (continued)

Submarket	Inventory (sf)	Vacancy %	Total Availability %	Net Absorption (sf) 3Q22	Net Absorption (sf) YTD	Average Asking Rent	Deliveries (sf) 3Q22	Deliveries (sf) YTD	Under Construction (sf)
Warehouse & Distribution	57,826,148	3.9%	7.5%	570,201	1,157,889	$7.54	145,000	724,028	2,444,638
Manufacturing	21,605,184	6.8%	7.1%	-	146,376	$4.71	0	0	972,446
Northeast Dallas	**79,431,332**	**4.7%**	**7.4%**	**570,201**	**1,304,265**	**$6.83**	**145,000**	**724,028**	**3,417,084**
Warehouse & Distribution	93,997,864	7.3%	22.4%	3,921,848	5,906,556	$4.48	4,462,667	7,911,881	26,501,238
Manufacturing	15,755,068	3.3%	6.2%	176,802	43,742	$4.25	0	0	570,000
South Dallas	**109,752,932**	**6.7%**	**20.5%**	**4,098,650**	**5,950,298**	**$4.48**	**4,462,667**	**7,911,881**	**27,071,238**
Warehouse & Distribution	49,215,449	12.0%	13.6%	1,801,657	3,546,800	$5.61	129,070	4,141,513	4,957,693
Manufacturing	12,768,299	1.9%	0.7%	398,626	423,626	$4.83	0	0	0
South Fort Worth	**61,983,748**	**9.9%**	**11.1%**	**2,200,283**	**3,970,426**	**$5.57**	**129,070**	**4,141,513**	**4,957,693**
Warehouse & Distribution	62,641,235	5.1%	8.4%	(1,037,163)	(499,354)	$7.68	0	844,963	2,212,786
Manufacturing	7,265,695	3.5%	9.1%	2,500	1,250	-	0	0	0
South Stemmons	**69,906,930**	**5.0%**	**8.4%**	**(1,034,663)**	**(498,104)**	**$7.68**	**0**	**844,963**	**2,212,786**
Warehouse & Distribution	651,072,038	6.5%	14.0%	7,922,828	19,469,454	$6.35	9,104,830	25,075,223	81,022,123
Manufacturing	90,196,080	3.5%	4.7%	755,355	996,443	$5.23	0	0	2,435,644
DFW Market Total	**741,268,118**	**6.2%**	**12.9%**	**8,678,183**	**20,465,897**	**$6.24**	**9,104,830**	**25,075,223**	**83,457,767**

Industrial properties under construction



Size range	Number of properties	Space (SF)	% leased
1,000,000+	23	25,680,215	24%
500,000 - 1,000,000	30	19,779,285	15%
300,000 - 500,000	46	17,232,512	18%
150,000 - 300,000	70	14,468,632	13%
50,000 - 150,000	60	6,292,123	23%
DFW total / average	**229**	**83,452,767**	**19%**

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Mike McElwee
Principal, Industrial Occupier Solutions
+ 1 214 269 3124
mike.mcelwee@avisonyoung.com

Buddy Turner
Principal, Industrial Occupier Solutions
+ 1 214 269 3138
buddy.turner@avisonyoung.com

Greg Langston
Principal, Managing Director
+ 1 214 269 3115
greg.langston@avisonyoung.com

Walter Bialas
Insights
+ 1 214 974 9749
walter.bialas@avisonyoung.com

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