



Dallas – Fort Worth industrial market report

Q4 2022

**AVISON
YOUNG**

Dallas Fort Worth industrial market trends

129,400

Net new industrial jobs

DFW continues to advance its position as a major US logistics hub. Since its pre-pandemic employment peak at the end of 2019, DFW has expanded to 9.7% job growth across warehousing, wholesale trade, and manufacturing.

Our take on this trend...

This growth underscores how strong industrial demand has been in DFW. The dominant sectors are transportation and warehousing and wholesale trade. DFW is a critical link in the US supply chain due to its central US location, its scale being the 4th largest metro, and its multi-modal access that can speed goods to markets across the US.

6.0%

Vacancy continues near its all-time low

Driven by these job gains, vacancy is close to its all-time low. Historically, DFW has averaged around 8.5%, underscoring how competitive the current market is for quality space. Several high-demand submarkets are well below this level at sub-5.0%.

Our take on this trend...

Consistent strong demand is the single ingredient driving DFW's industrial market. From a steady annual average of roughly 20 million square feet of net absorption, 2021 saw more than 45 million square feet taken down. While some of that heat abated in 2022, the 32 million absorbed is still 60% above DFW's past longer-term average.

\$6.36

Affordable rents driving increased activity

Rents are up dramatically over the last several years due to the strong demand and tight market. While this level of increase might cause "sticker shock", DFW remains an exceedingly affordable logistics hub compared to other prime US markets.

Our take on this trend...

DFW's logistics strengths and affordable occupancy costs have won it national recognition as a top place to do business. At 87 million square feet, the industrial pipeline is a record. Because only 16% of this space is leased, there could be a mismatch in supply and demand, although DFW's desirability will likely prevent any long-term issue.

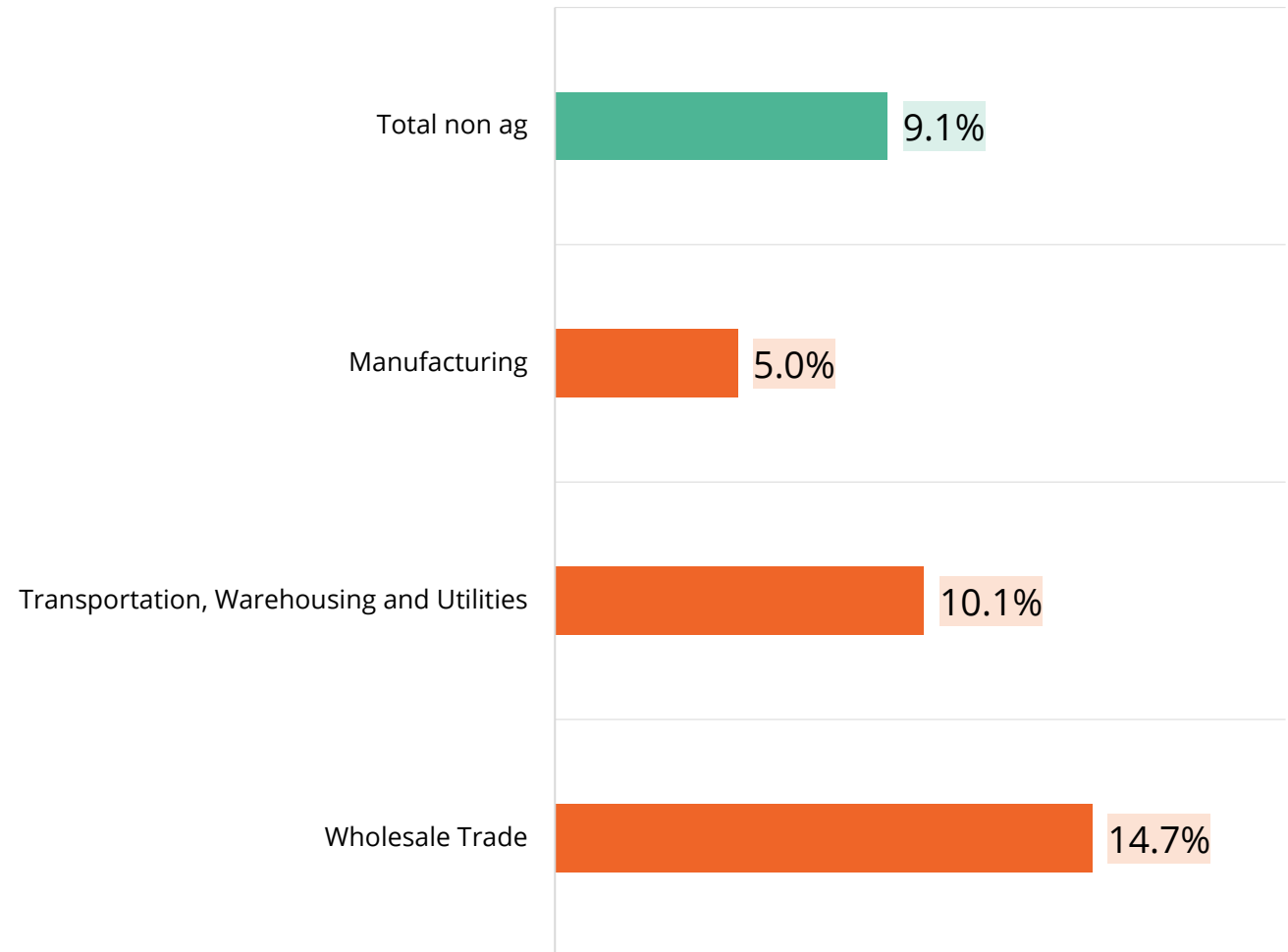
Dallas – Fort Worth industrial-using job gains

129,400

Net new industrial-using jobs created since the pandemic.

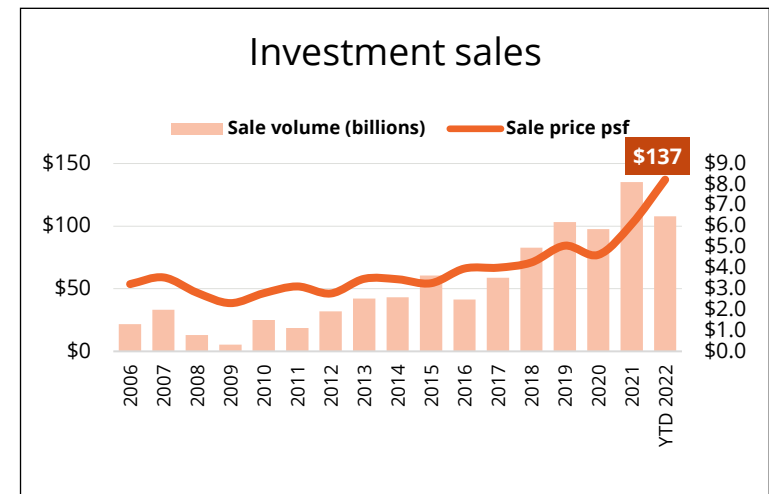
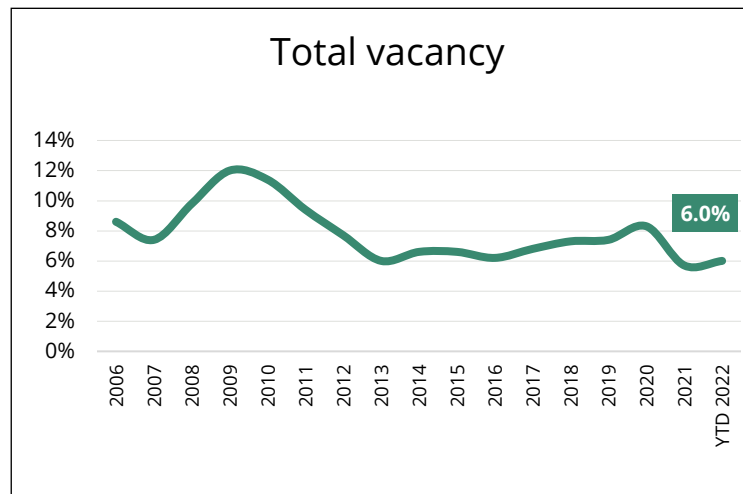
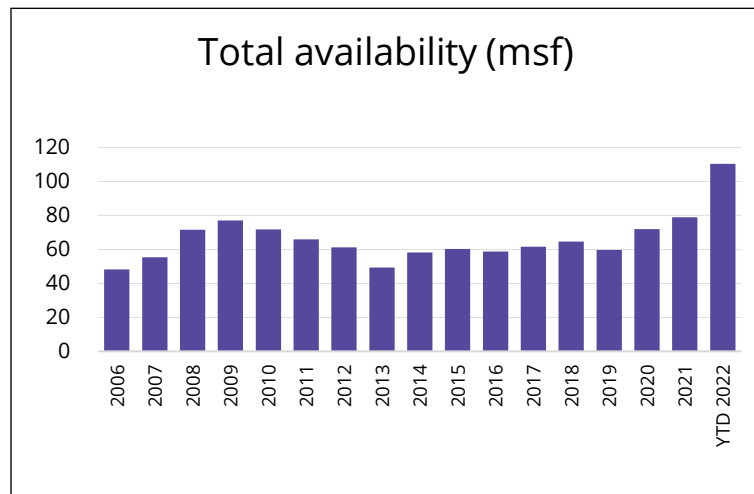
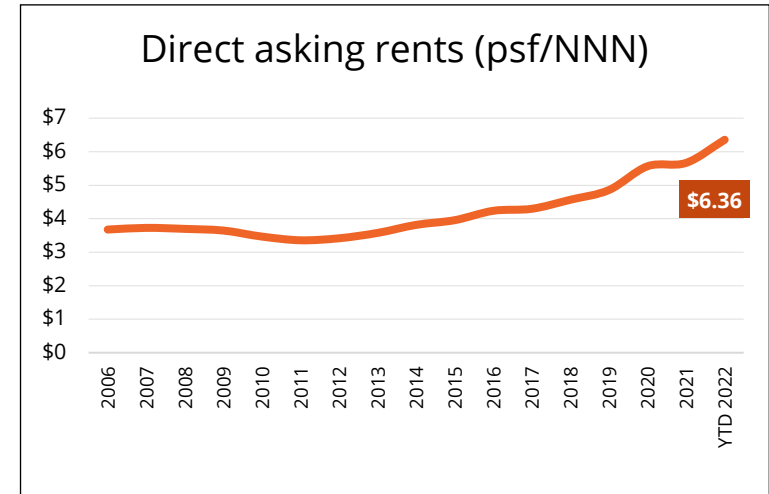
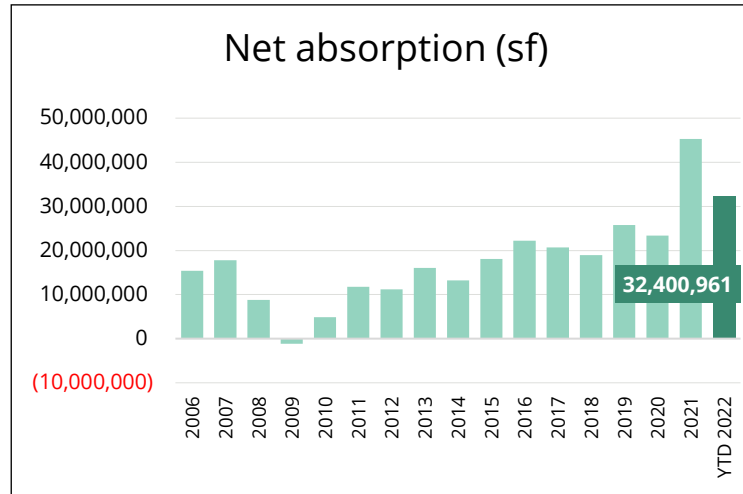
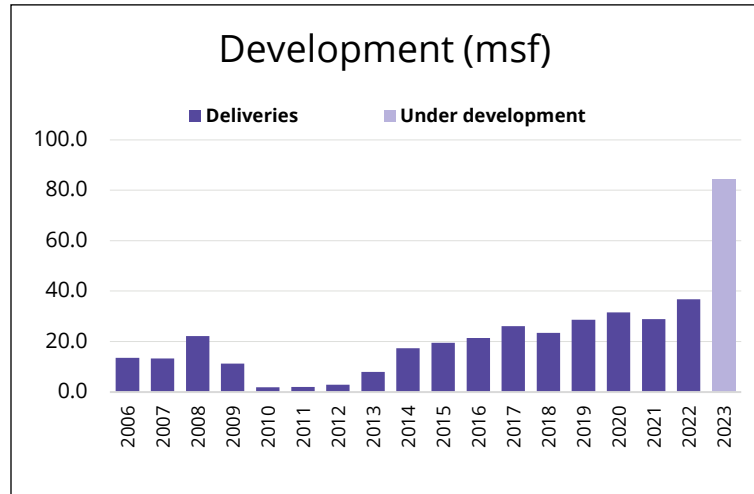
DFW's employment base rebounded quickly from the pandemic downturn. The region has added a total of 354,000 net new jobs over its prior December 2019 employment peak, or 9.1%. New industrial jobs underscore how robust the sector has been, increasing 129,400 over that period and reflecting total growth of 9.7%.

Dallas – Fort Worth
December 2019 to November 2022



Source: Bureau of Labor Statistics (as of November 2022).

Dallas – Fort Worth industrial market indicators

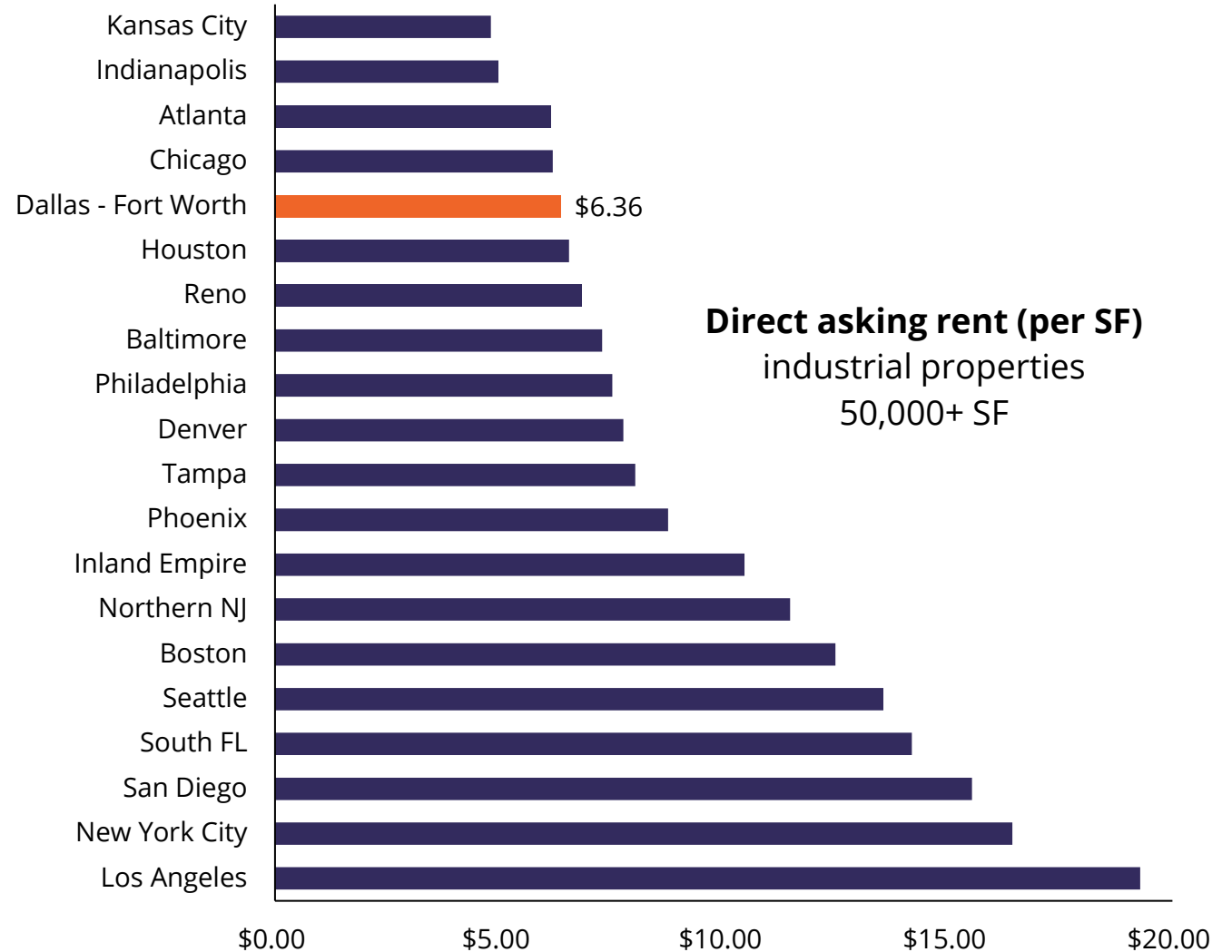


Dallas – Fort Worth NNN asking rents

\$6.36 psf

Despite rents being up almost two-fold since 2010, the DFW Metroplex remains one of the most affordable logistics hubs

DFW industrial rents historically were in the \$3.50 – \$4.00 range. By 2017 they had risen to \$4.20 per square foot. Since then, rents have been consistently increasing. This significant rise has not deterred development or investment because the region is one of the strongest logistics hubs due to its central US location, proximity to Mexico, air access, interstate road network, and state-of-the-art multi-modal operations.



Source: AVANT by Avison Young

Dallas – Fort Worth industrial market activity

Recent leasing activity

Tenant	Property Address	Sign date	Size (SF)	Transaction type	Lease type	Submarket
Undisclosed	Tradepoint 20/45	Nov-22	418,000	New	Direct	South Dallas
Ryder	Texport Logistics Center	Nov-22	827,000	New	Direct	South Dallas
Undisclosed	Valwood Park 25	Nov-22	97,000	New	Direct	Northwest Dallas
Masonite International	4180 E Scyene Rd	Nov-22	627,000	New	Direct	East Dallas
Novolex	1221 E Centre Park Blvd	Oct-22	90,000	New	Sublease	South Dallas

Recent sales activity

Buyer	Property Address	Sale date	Building size (SF)	Sale price (millions)	Sale price psf	Seller
AC Industrial	Logistics Center at McKinney	Oct-22	301,800	\$35.0	\$116	Thor Equities
Nuveen	Alliance Commerce Center portfolio	Oct-22	2,170,000	\$318.4	\$147	JPMorgan
Lake Washington Partners	Tradepoint 20/45	Nov-22	418,000	\$47.0	\$113	Blumenfeld Development

Top projects under development

Property	Address	Delivery date	Building size (SF)	% leased	Developer	Submarket
Walmart Distribution Center	2300 E Beltline Rd	2023	1,500,000	100%	Caddell Const.	South Dallas
35 Eagle - Building C	25021 Eagle Pky	2023	1,488,000	0%	Trammell Crow	Alliance
Alliance Center East 1	13750 N Freeway	2023	1,241,000	100%	Hillwood	Alliance

Dallas – Fort Worth industrial market stats

	Existing inventory SF	Deliveries YTD	Under development SF	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption (4Q 2022)	Net absorption (YTD)	Direct asking rent NNN
Warehouse & Distribution	76,412,499	2,506,272	6,115,355	2.5%	1.5%	4.0%	(907,783)	1,422,603	\$9.60
Manufacturing	2,643,753	0	0	0.0%	0.0%	0.0%	0	13,340	-
DFW Airport	79,056,252	2,506,272	6,115,355	2.5%	1.4%	3.9%	(907,783)	1,435,943	\$9.60
Warehouse & Distribution	36,696,903	4,007,100	10,640,826	18.2%	0.0%	18.2%	958,318	1,787,982	\$4.92
Manufacturing	5,699,939	102,206	0	6.1%	0.0%	6.1%	30,573	(188,823)	-
East Dallas	42,396,842	4,109,306	10,640,826	16.5%	0.0%	16.6%	988,891	1,599,159	\$4.92
Warehouse & Distribution	89,945,180	1,892,271	2,530,606	3.5%	0.8%	4.3%	(84,430)	249,560	\$6.89
Manufacturing	11,572,894	0	790,992	0.0%	0.0%	0.0%	0	305,133	\$6.50
Greater SW - Arlington	101,518,074	1,892,271	3,321,598	3.1%	0.7%	3.9%	(84,430)	554,693	\$6.89
Warehouse & Distribution	83,150,343	3,647,736	8,154,108	3.0%	0.5%	3.4%	463,382	3,036,379	\$7.30
Manufacturing	5,909,174	0	0	0.3%	0.0%	0.3%	127,945	126,345	\$8.22
Northwest Dallas	89,059,517	3,647,736	8,154,108	2.8%	0.4%	3.2%	591,327	3,162,724	\$7.34
Warehouse & Distribution	103,831,888	3,406,362	21,399,940	7.2%	0.8%	7.9%	347,208	6,494,510	\$5.37
Manufacturing	7,146,200	0	0	3.2%	0.0%	3.2%	10,710	294,682	\$5.45
North Fort Worth	110,978,088	3,406,362	21,399,940	6.9%	0.7%	7.6%	357,918	6,789,192	\$5.38

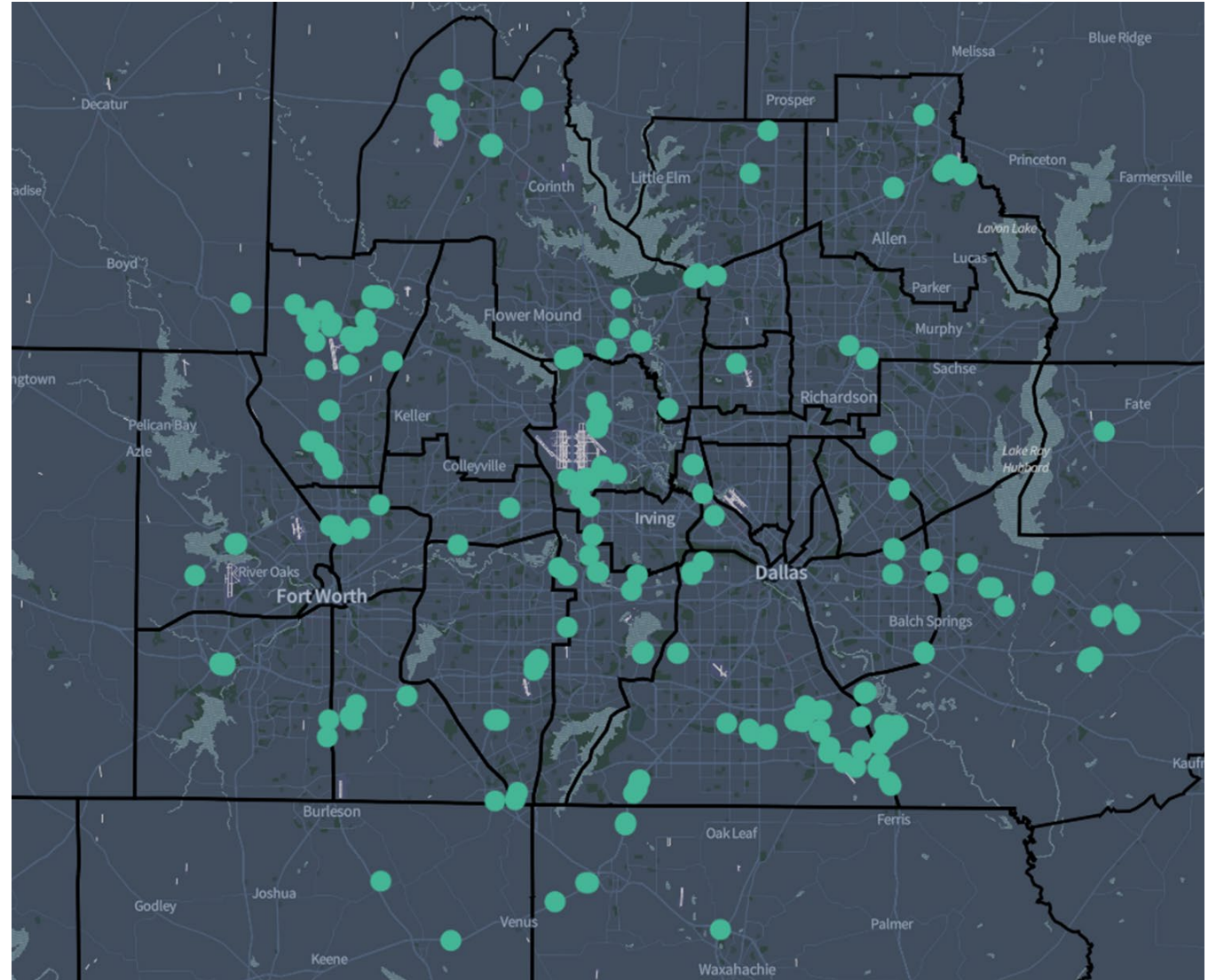
Dallas – Fort Worth industrial market stats (continued)

	Existing inventory SF	Deliveries YTD	Under development SF	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption (4Q 2022)	Net absorption (YTD)	Direct asking rent NNN
Warehouse & Distribution	58,349,465	1,058,220	3,144,152	2.7%	0.3%	3.0%	675,284	1,961,637	\$8.25
Manufacturing	23,564,106	870,000	102,446	5.7%	0.4%	6.1%	917,395	1,063,771	\$4.54
Northeast Dallas	81,913,571	1,928,220	3,246,598	3.5%	0.4%	3.9%	1,592,679	3,025,408	\$7.12
Warehouse & Distribution	99,167,031	13,111,712	26,858,581	7.4%	0.5%	7.9%	2,856,485	10,141,887	\$4.48
Manufacturing	15,825,068	70,000	0	3.4%	0.0%	3.4%	(25,880)	87,862	-
South Dallas	114,992,099	13,181,712	26,858,581	6.9%	0.4%	7.3%	2,830,605	10,229,749	\$4.48
Warehouse & Distribution	49,343,708	5,045,281	5,522,402	7.9%	0.7%	8.6%	1,681,898	5,437,859	\$6.31
Manufacturing	12,929,099	0	0	2.0%	0.0%	2.0%	78,000	490,913	\$4.83
South Fort Worth	62,272,807	5,045,281	5,522,402	6.7%	0.5%	7.2%	1,759,898	5,928,772	\$6.20
Warehouse & Distribution	62,796,432	1,012,453	2,647,651	4.2%	0.8%	5.0%	(16,974)	(230,929)	\$8.21
Manufacturing	7,265,695	0	0	4.8%	0.0%	4.8%	(95,000)	(93,750)	-
South Stemmons	70,062,127	1,012,453	2,647,651	4.3%	0.7%	4.9%	(111,974)	(324,679)	\$8.21
Warehouse & Distribution	659,693,449	35,687,407	87,013,621	5.6%	0.7%	6.3%	5,973,388	30,301,488	\$6.47
Manufacturing	92,555,928	1,042,206	893,438	3.3%	0.1%	3.4%	1,043,743	2,099,473	\$5.23
DFW Market Total	752,249,377	36,729,613	87,907,059	5.4%	0.6%	6.0%	7,017,131	32,400,961	\$6.36

Dallas - Fort Worth industrial construction and leasing

DFW continues to advance its position as a key US logistics hub with one of the most robust development pipelines anywhere

Size range	Number of properties	Space (SF)	% leased
1,000,000+	27	30,170,000	28%
500,000 - 1,000,000	28	18,163,000	7%
300,000 - 500,000	45	16,760,000	11%
150,000 - 300,000	75	15,651,000	10%
50,000 - 150,000	67	6,824,000	19%
DFW total / average	242	87,568,000	16%



Industrial insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

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Putting people and the planet first

There is a vital role for our sector to create healthy, productive workplaces for employees, cities that are centers of prosperity for their citizens, and built spaces and places that create a net benefit to the economy, the environment and the community.

Global ESG Report



Manufacturing in motion

Reshoring and nearshoring are not new topics in the U.S., but they do have new life – and perhaps for good cause. In the past it's only produced inconsistent results across industries and is continuing to ebb and flow over time and within the American psyche.

U.S. reshoring and nearshoring



Tracking U.S. employment trends

Rising layoffs and declining job postings are also indicating that the economy is becoming distressed. Employment data and industries are analyzed across cycles for a real-time and historical look at economic conditions.

U.S. Employment Overview

For more market insights and
information visit **avisonyoung.com**

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