



# Dallas – Fort Worth industrial market report

Q4 2023

**AVISON  
YOUNG**

# Dallas – Fort Worth industrial market trends

28.6 | 51.6 msf

## The industrial sector continues to be strong

Demand is still extremely robust even though DFW's industrial sector has slowed slightly from its historic highs of the last few years. During 2023, the market saw more than 28 msf of net absorption and close to 52 msf of leasing activity, which are in line with the region's solid past performance. Underscoring DFW's resilience and strength as a U.S. logistics hub, the region continues to expand. Since late 2019, 100,000 net new industrial jobs were added, with 25,000 in the last year alone. This translates into annual growth of 3.1%, compared to 0.2% for the U.S.

9.9%

## Vacancy is up, but recent deliveries skew the increase

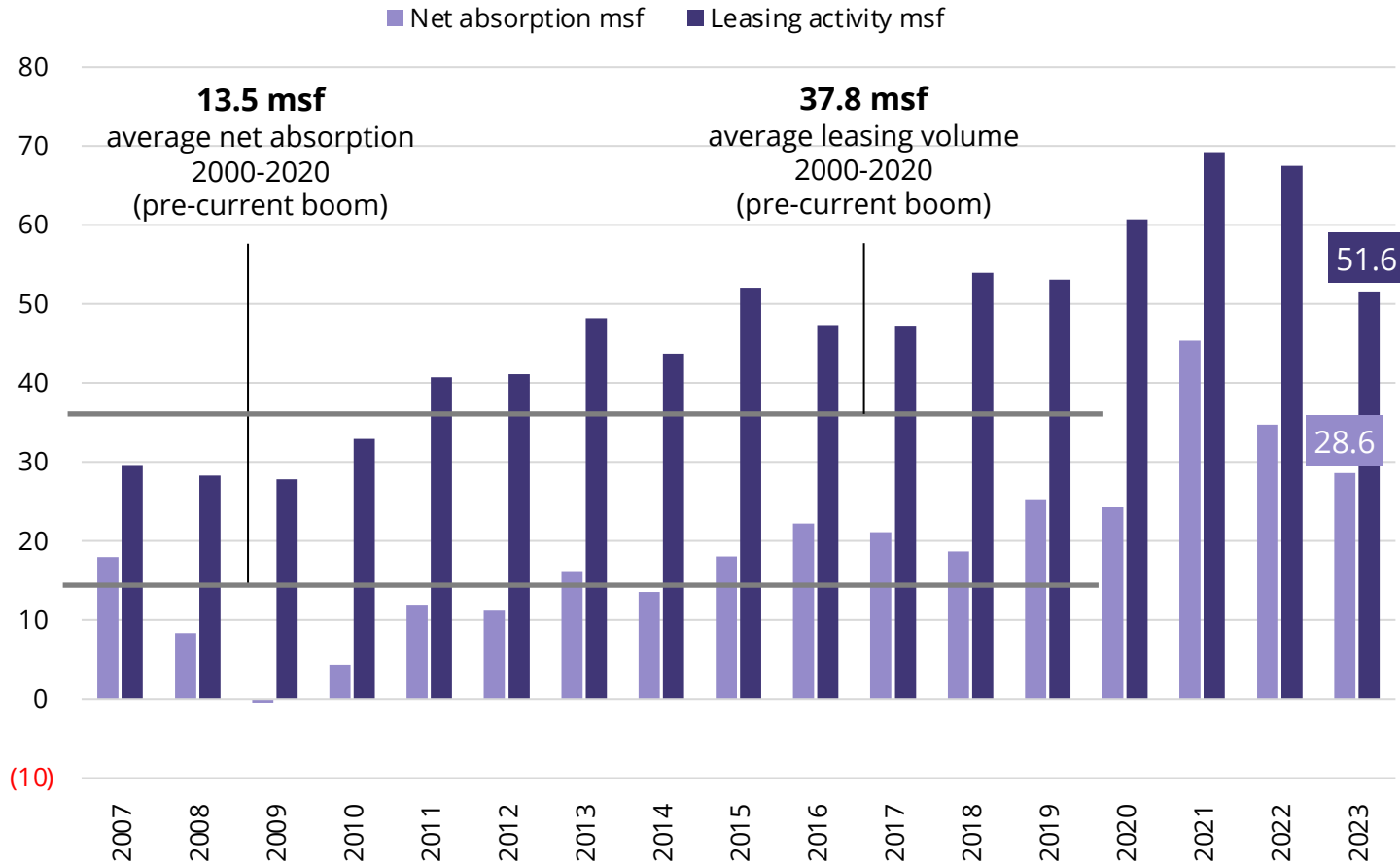
Vacancy rose throughout 2023, moving well ahead of its long-term average. In comparison, vacancy was 5.7% at the end of 2022 — extremely low by historic standards. This rapid rise makes it seem like a market imbalance has evolved. Upon scrutiny, this increase is almost completely attributable to the significant new deliveries that are still in lease-up. Recently, vacancy has also inched higher for some recent property vintages, although most continue to run at 5%-6%, which is tight by DFW standards. Even 1990-2010 assets average under 6%, with 2021 properties coming in at 6.6%. We expect DFW's robust absorption and leasing should bring vacancy down later in 2024 as new properties lease-up and a slower development pipeline allows these new properties to stabilize over the mid-term.

\$7.60

## Rents are way up, but still affordable!

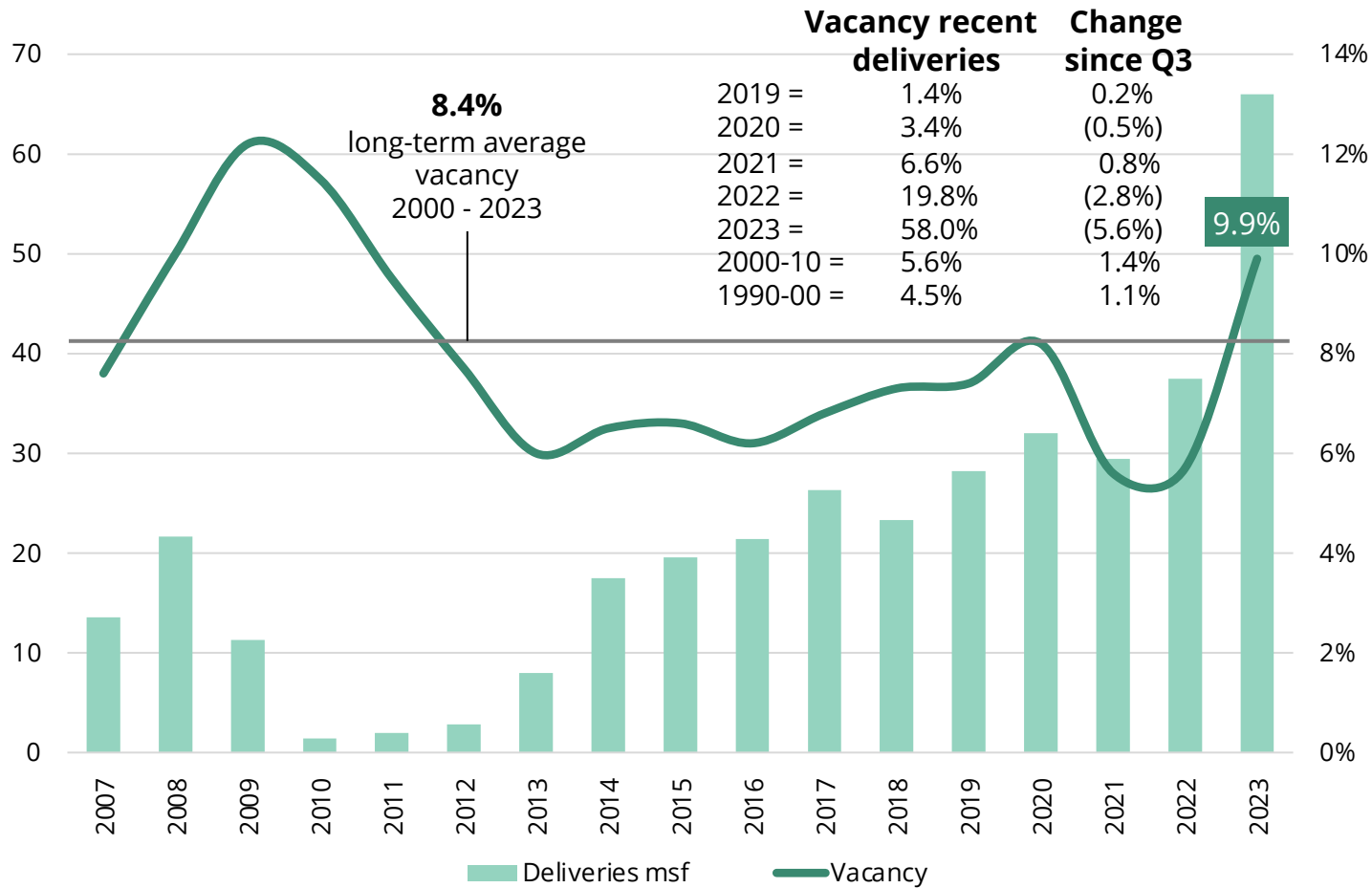
DFW rents have hit \$7.60 psf. That is an increase of 19% since the end of 2022 and 66% in the last 5 years. Space users and investors continue to be shocked by how rates have spiked as leases roll and assets trade. Even with these higher rents, DFW is one of the least expensive logistic hubs, offering more than a 30% discount compared to other U.S. locations, all while offering a host of benefits such as a central U.S. location, superior road, rail, and air networks, and proximity to Mexico manufacturing. This comparative affordability is also why DFW has had a strong development pipeline, as users seek to take advantage of these location benefits.

# DFW's industrial sector remains robust, despite some slowing in recent demand



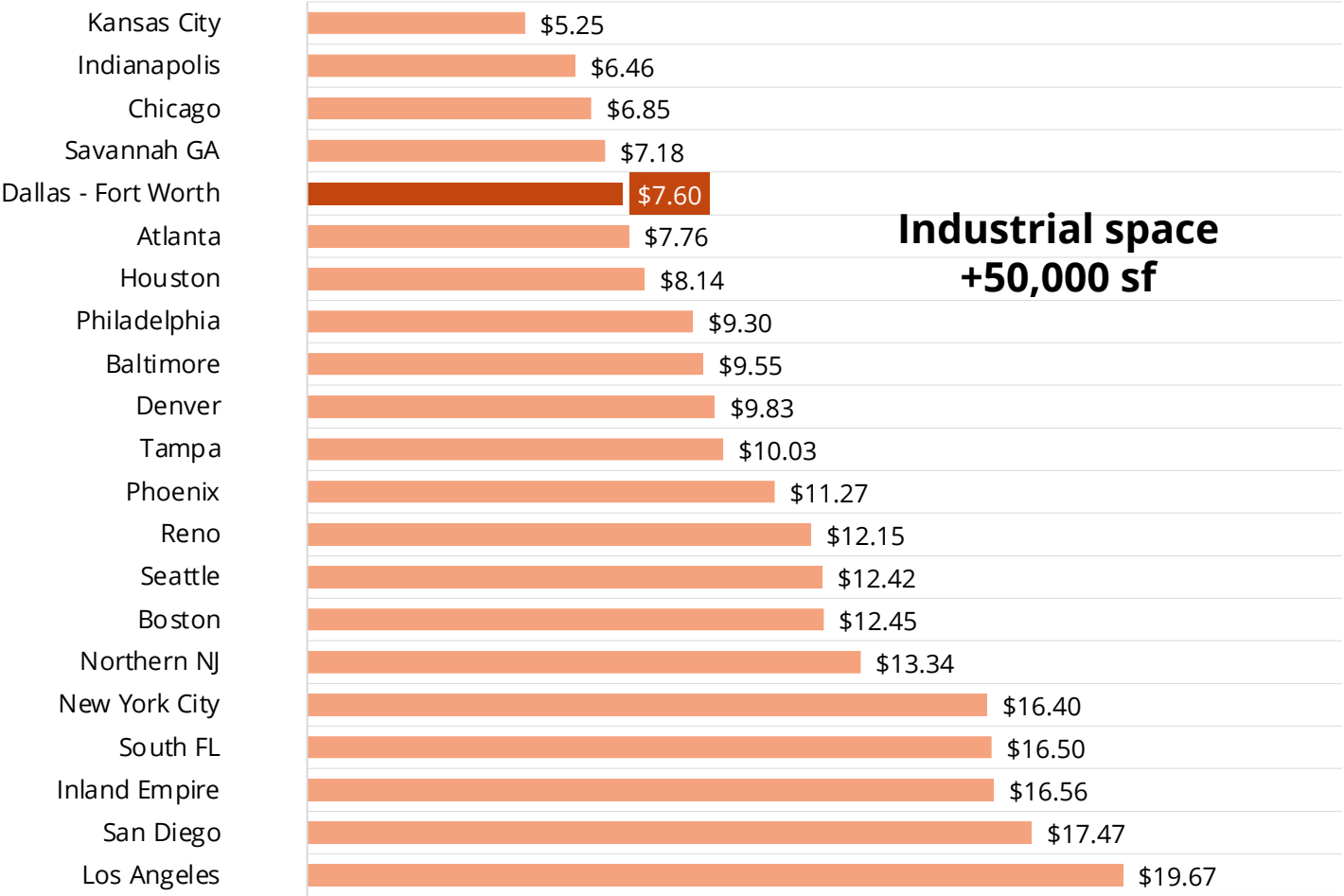
Absorption and leasing activity have declined slightly in 2023 from their historic highs of the last few years. Don't let that fool you — demand remains solid, suggesting 2024 will be another strong year for DFW's industrial market.

# DFW's vacancy increase is due to the lag and slow lease-up in recent deliveries



Vacancy continues to ramp up due mostly to a lag and slower lease-up of deliveries. Some other recent vintages have inched higher in the last quarter, although almost all existing assets operate at below 5-6%.

# Despite rapidly rising rents, DFW remains one of the most affordable U.S. logistics options

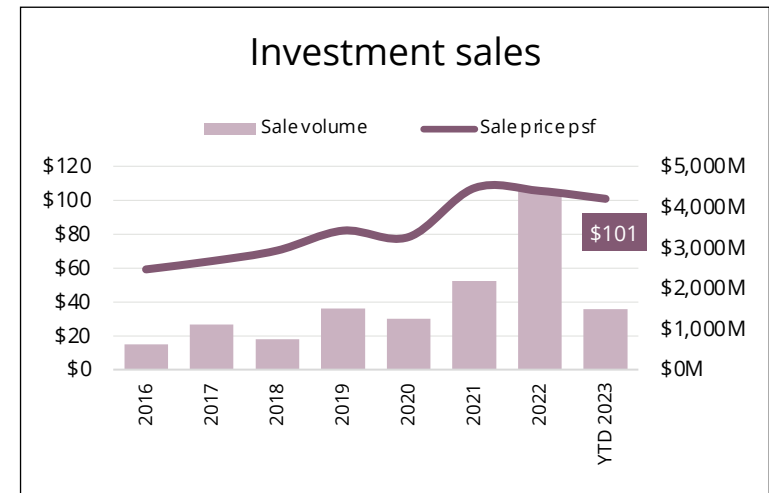
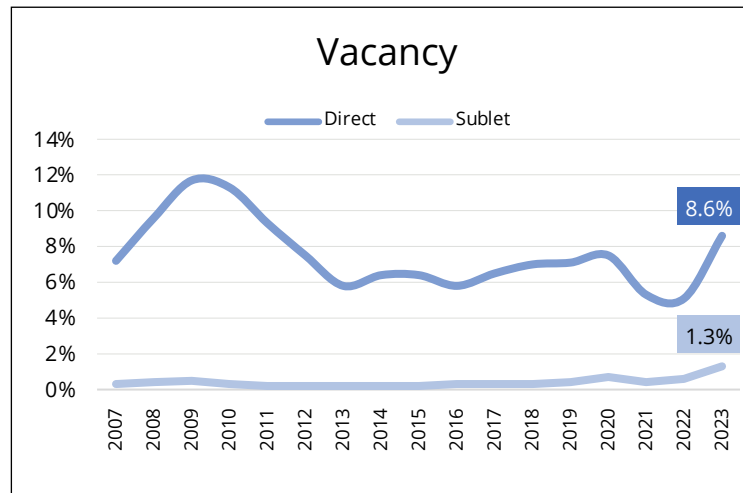
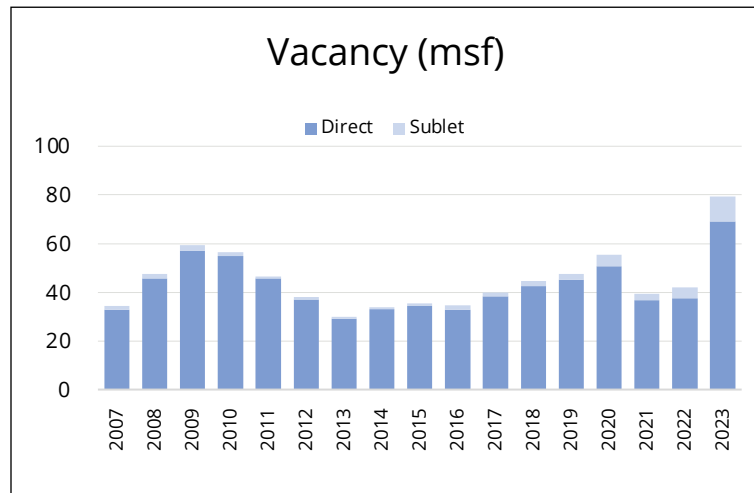
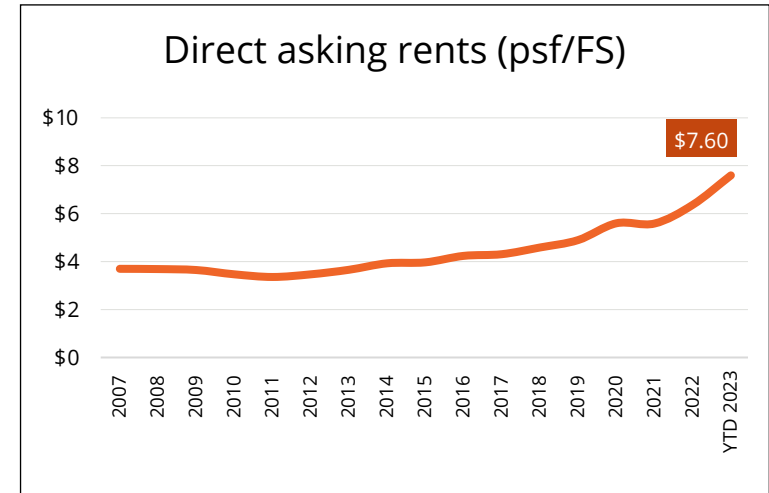
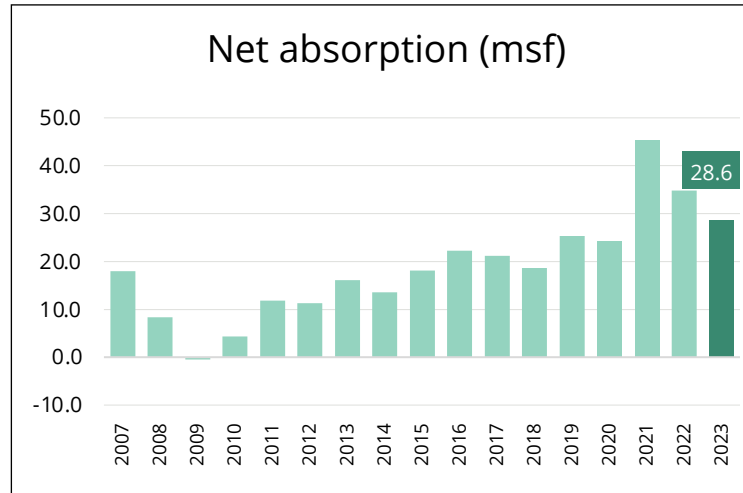
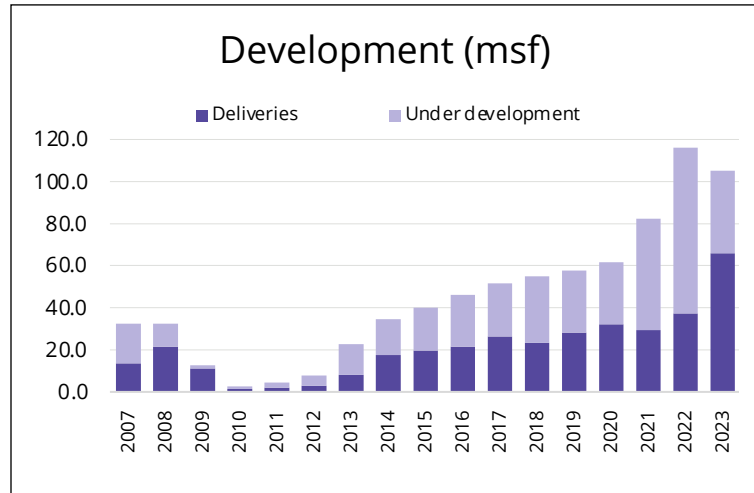


**DFW rents have risen 19% since the end of 2022 and 66% in the last five years. Despite ongoing user and investor sticker shock, DFW remains a premier and affordable logistics hub.**

# Appendix



# Dallas Fort - Worth industrial market indicators



# Dallas – Fort Worth industrial market activity

## Recent leasing activity

Tenant	Property   Address	Submarket	Sign date	Size sf	Transaction type	Lease type
DrinkPak	Carter Park East Building 3	South Fort Worth	Nov-23	1,403,000	Direct	New
Metrie	International Logistics Center - C	DFW Airport	Nov-23	96,800	Direct	New
Air Vent	4117 Pinnacle Point Dr	South Stemmons	Oct-23	250,000	Direct	Renewal

## Recent sales activity

Buyer	Property   Address	Sale date	Building size sf	Sale price (millions)	Sale price psf	Seller
Industry Capital	1375 Avenue S	Nov-23	103,100	\$12.2	\$118	Oxford Properties
Provender Partners	5225 Investment Dr	Oct-23	178,200	\$22.9	\$129	Performance Food Group
TradeLane Properties	Southfield Park 35 - Building 5	Oct-23	489,600	\$70.0	\$143	USAA   Seefried Properties

## Top projects under development

Property   Address	Submarket	Delivery date	Building size sf	% leased	Developer
Inland Logistics Center	South Dallas	2024	420,600	0%	Hines
300 W Wintergreen Rd	South Dallas	2024	560,000	0%	IAC Properties
Mercantile Logistics Station	North Fort Worth	2024	459,500	0%	Velocis



# Dallas – Fort Worth industrial market stats

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (4Q 2023)	Net absorption sf (YTD)	Average direct asking rent psf NNN
Warehouse & Distribution	79,454,539	2,998,147	3,178,455	6.7%	1.3%	8.0%	(960,350)	96,120	\$11.12
Manufacturing	3,816,622	834,950	0	21.8%	0.0%	21.8%	84,406	2,679	-
<b>DFW Airport</b>	<b>83,271,161</b>	<b>3,833,097</b>	<b>3,178,455</b>	<b>7.4%</b>	<b>1.3%</b>	<b>8.7%</b>	<b>(875,944)</b>	<b>98,799</b>	<b>\$11.12</b>
Warehouse & Distribution	41,424,713	6,171,321	7,035,827	17.3%	1.0%	18.4%	844,257	2,946,729	\$5.67
Manufacturing	6,136,490	0	0	3.8%	0.0%	3.8%	0	102,206	-
<b>East Dallas</b>	<b>47,561,203</b>	<b>6,171,321</b>	<b>7,035,827</b>	<b>15.6%</b>	<b>0.9%</b>	<b>16.5%</b>	<b>844,257</b>	<b>3,048,935</b>	<b>\$5.67</b>
Warehouse & Distribution	90,403,514	827,882	2,166,824	4.4%	1.5%	5.9%	(401,967)	(1,202,704)	\$8.72
Manufacturing	11,871,314	867,623	0	3.3%	0.5%	3.8%	334,019	416,874	\$7.95
<b>Greater SW - Arlington</b>	<b>102,274,828</b>	<b>1,695,505</b>	<b>2,166,824</b>	<b>4.2%</b>	<b>1.4%</b>	<b>5.6%</b>	<b>(67,948)</b>	<b>(785,830)</b>	<b>\$8.64</b>
Warehouse & Distribution	86,823,549	6,001,397	2,332,898	7.1%	1.8%	8.9%	1,221,618	1,016,515	\$7.03
Manufacturing	6,029,514	0	0	0.9%	0.2%	1.1%	(14,600)	111,369	\$9.00
<b>Northwest Dallas</b>	<b>92,853,063</b>	<b>6,001,397</b>	<b>2,332,898</b>	<b>6.7%</b>	<b>1.7%</b>	<b>8.4%</b>	<b>1,207,018</b>	<b>1,127,884</b>	<b>\$7.21</b>
Warehouse & Distribution	115,740,433	15,469,607	7,185,122	11.0%	1.8%	12.8%	2,374,152	8,627,194	\$5.51
Manufacturing	7,822,868	284,238	0	2.0%	3.6%	5.7%	4,652	67,883	\$5.89
<b>North Fort Worth</b>	<b>123,563,301</b>	<b>15,753,845</b>	<b>7,185,122</b>	<b>10.4%</b>	<b>1.9%</b>	<b>12.3%</b>	<b>2,378,804</b>	<b>8,695,077</b>	<b>\$5.54</b>

# Dallas – Fort Worth industrial market stats (continued)

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (4Q 2023)	Net absorption sf (YTD)	Average direct asking rent psf NNN
Warehouse & Distribution	59,428,606	3,009,348	2,901,679	5.3%	1.1%	6.4%	(177,548)	669,430	\$9.87
Manufacturing	20,685,472	0	478,469	5.1%	0.5%	5.6%	24,381	(27,794)	-
<b>Northeast Dallas</b>	<b>80,114,078</b>	<b>3,009,348</b>	<b>3,380,148</b>	<b>5.2%</b>	<b>1.0%</b>	<b>6.2%</b>	<b>(153,167)</b>	<b>641,636</b>	<b>\$9.87</b>
Warehouse & Distribution	121,561,321	22,654,983	7,671,362	15.2%	0.8%	16.0%	819,330	11,056,670	\$6.44
Manufacturing	15,358,948	0	0	1.1%	0.0%	1.1%	0	241,480	-
<b>South Dallas</b>	<b>136,920,269</b>	<b>22,654,983</b>	<b>7,671,362</b>	<b>13.6%</b>	<b>0.8%</b>	<b>14.4%</b>	<b>819,330</b>	<b>11,298,150</b>	<b>\$6.44</b>
Warehouse & Distribution	53,526,577	5,581,470	2,863,983	8.7%	0.7%	9.4%	1,425,313	4,088,454	\$6.48
Manufacturing	13,270,790	0	600,000	0.4%	0.0%	0.4%	(35,133)	806,415	\$6.00
<b>South Fort Worth</b>	<b>66,797,367</b>	<b>5,581,470</b>	<b>3,463,983</b>	<b>7.0%</b>	<b>0.6%</b>	<b>7.6%</b>	<b>1,390,180</b>	<b>4,894,869</b>	<b>\$6.48</b>
Warehouse & Distribution	63,301,249	958,861	2,078,614	6.0%	2.0%	8.1%	(423,709)	(211,164)	\$8.97
Manufacturing	7,022,362	0	0	7.1%	0.0%	7.1%	(315,000)	(401,875)	\$8.17
<b>South Stemmons</b>	<b>70,323,611</b>	<b>958,861</b>	<b>2,078,614</b>	<b>6.1%</b>	<b>1.8%</b>	<b>8.0%</b>	<b>(738,709)</b>	<b>(613,039)</b>	<b>\$8.82</b>
Warehouse & Distribution	711,664,501	63,673,016	37,414,764	9.2%	1.4%	10.6%	4,721,096	27,087,244	\$7.60
Manufacturing	92,014,380	1,986,811	1,078,469	3.7%	0.5%	4.2%	82,725	1,319,237	\$7.67
<b>DFW Market Total</b>	<b>803,678,881</b>	<b>65,659,827</b>	<b>38,493,233</b>	<b>8.6%</b>	<b>1.3%</b>	<b>9.9%</b>	<b>4,803,821</b>	<b>28,406,481</b>	<b>\$7.60</b>

# Dallas - Fort Worth submarket map



# Industrial development pipeline

**136 properties**

under construction

**39.1 msf | 287,000 sf**

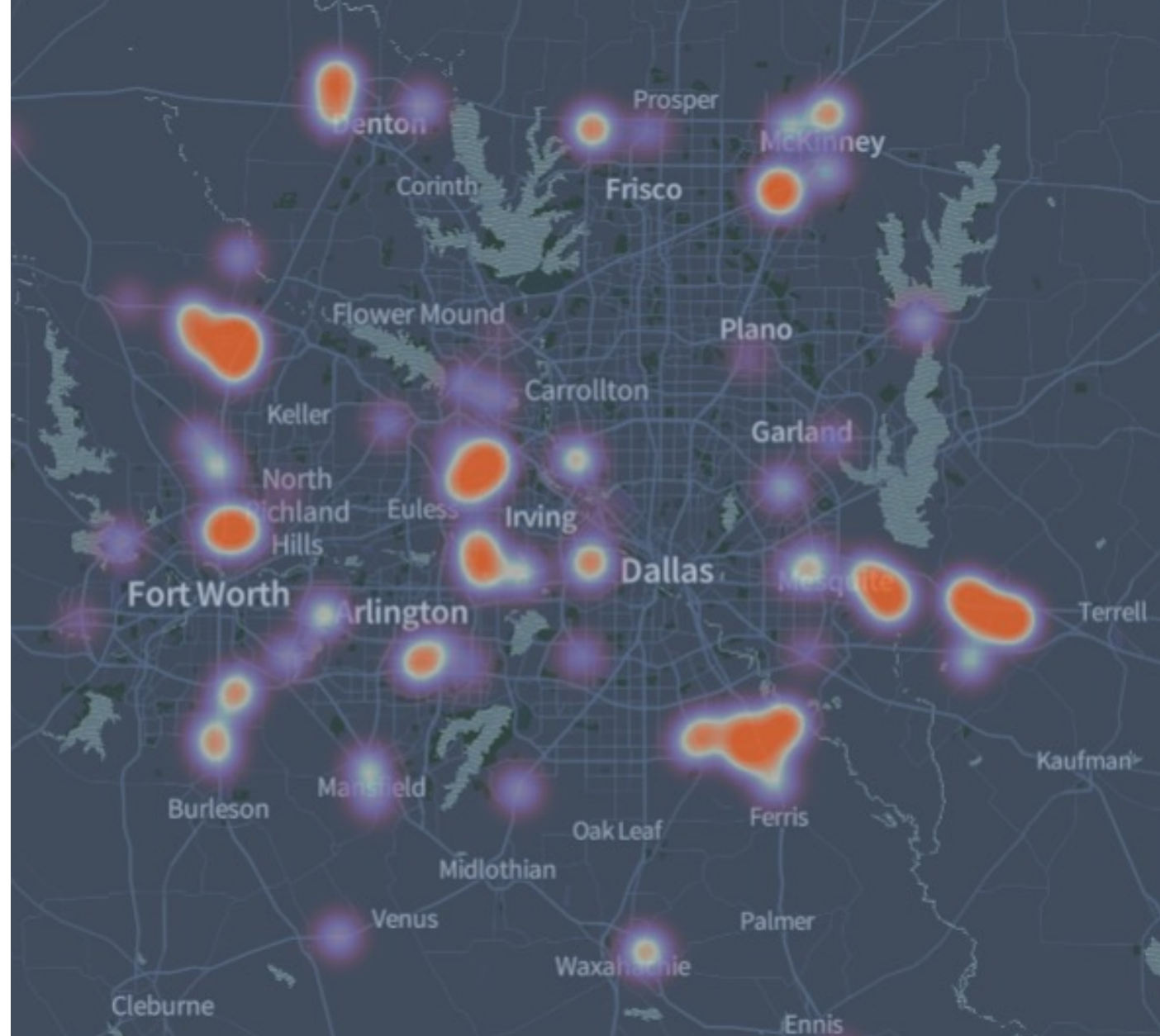
under construction | average project size

**4.9%**

share of industrial inventory

**13.9 msf | 36%**

share leased



# 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)

## Property subtypes

- **Distribution:** properties used primarily to ship good with higher proportions of dock doors and taller clear heights
- **General Warehouse:** properties used to store goods and materials
- **Manufacturing:** properties where goods are produced and assembled with heavier power and stronger floor loads for equipment

## 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

For more market insights and  
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**Greg Langston**

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

**Camden Deal**

Associate  
+ 1 214 269 3112  
camden.deal@avisonyoung.com

**Buddy Turner**

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

**Walter Bialas**

Sr Insight Analyst, Market Intelligence  
+ 1 214 974 9749  
walter.bialas@avisonyoung.com