

A photograph of a man with a beard, wearing an orange safety vest over a dark long-sleeved shirt and grey pants, operating a yellow forklift in a warehouse. The forklift is positioned on the left side of the frame, facing right. The background is filled with stacks of cardboard boxes on pallets, creating a sense of a busy industrial environment. The lighting is somewhat dim, typical of an indoor warehouse setting.

Dallas – Fort Worth industrial market report

Q1 2024

**AVISON
YOUNG**

Dallas – Fort Worth industrial market trends

2.2 | 11.6 msf

Absorption | leasing drop to more historic levels

In Q1, both net absorption and leasing activity throttled back significantly in DFW. At 2.2 msf for the quarter, absorption was a small share of the annual 30-40+ msf it hit the last few years.

While this is a dramatic decline, it is in some ways a shift more back in line with the 3.3 msf that DFW saw quarterly over the last expansion cycle. Likewise, leasing activity pulled back to 11.6 msf in Q1. While a notable deceleration from what had become “normal” in DFW the last several years, it is actually 27% ahead of its longer-term quarterly average of 9.1 msf.

11.1%

Vacancy rises to near historic high, but it's different this time

Q1 vacancy rose to 11.1%, up from 9.7% at year-end.

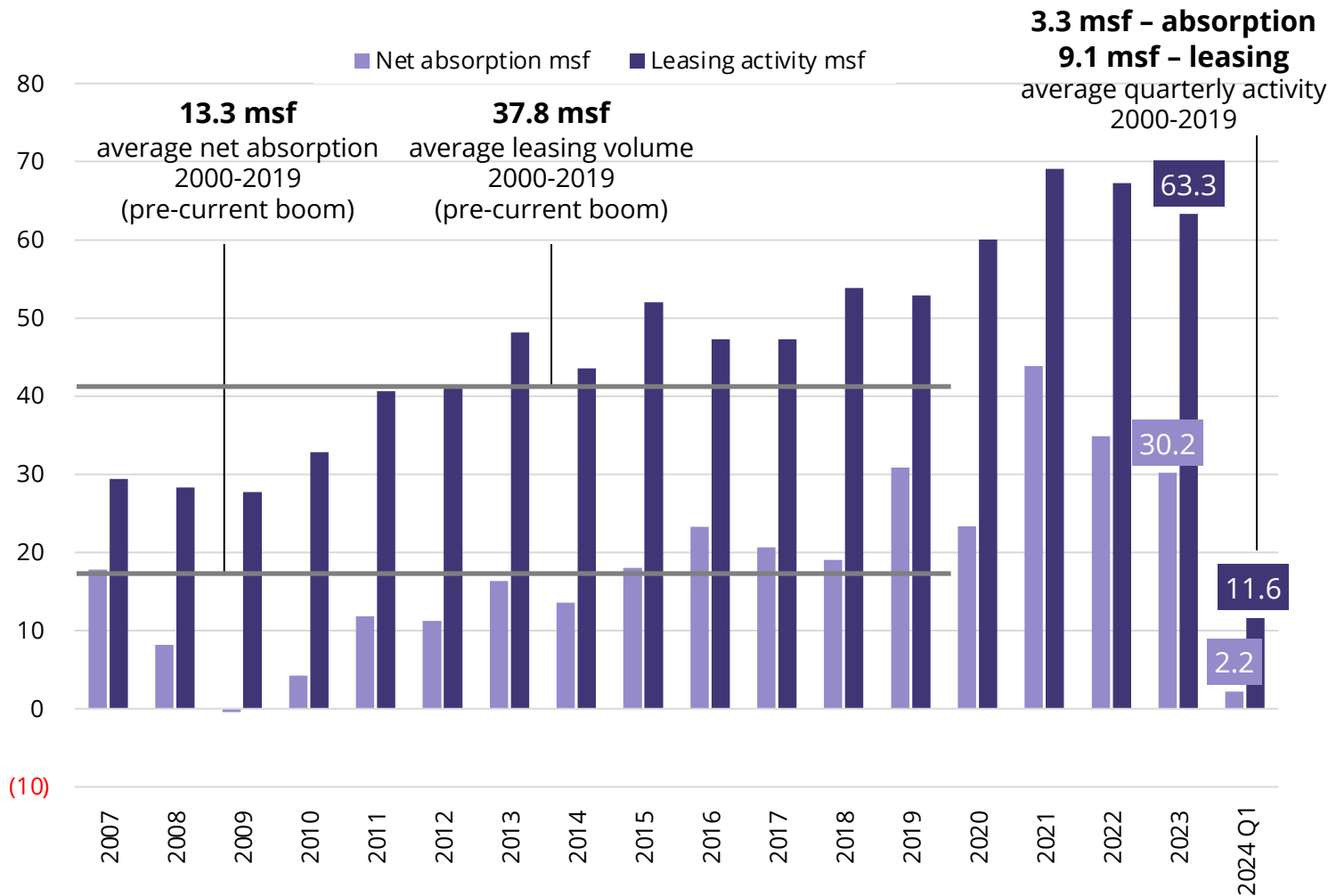
It last hit this level in the early 2000s after the tech bust and again in 2009–2010 during the recovery from the Great Recession. This time the drivers of the increase are different. Rather than the deep demand decline that drove the past increases, this time the increase is almost entirely due to the lag in lease-up of DFW's extraordinarily high development pipeline. Our review underscores that the newest product is leasing, but it is the volume of spec deliveries that is driving vacancy up. For example, recent deliveries from 2019 and 2020 are well below market average vacancy. In comparison, 2022 and 2023 deliveries are at 15% and 55% vacancy, with 2024 assets that just hit the market at 75% vacancy.

\$8.23

Rents continue to increase dramatically

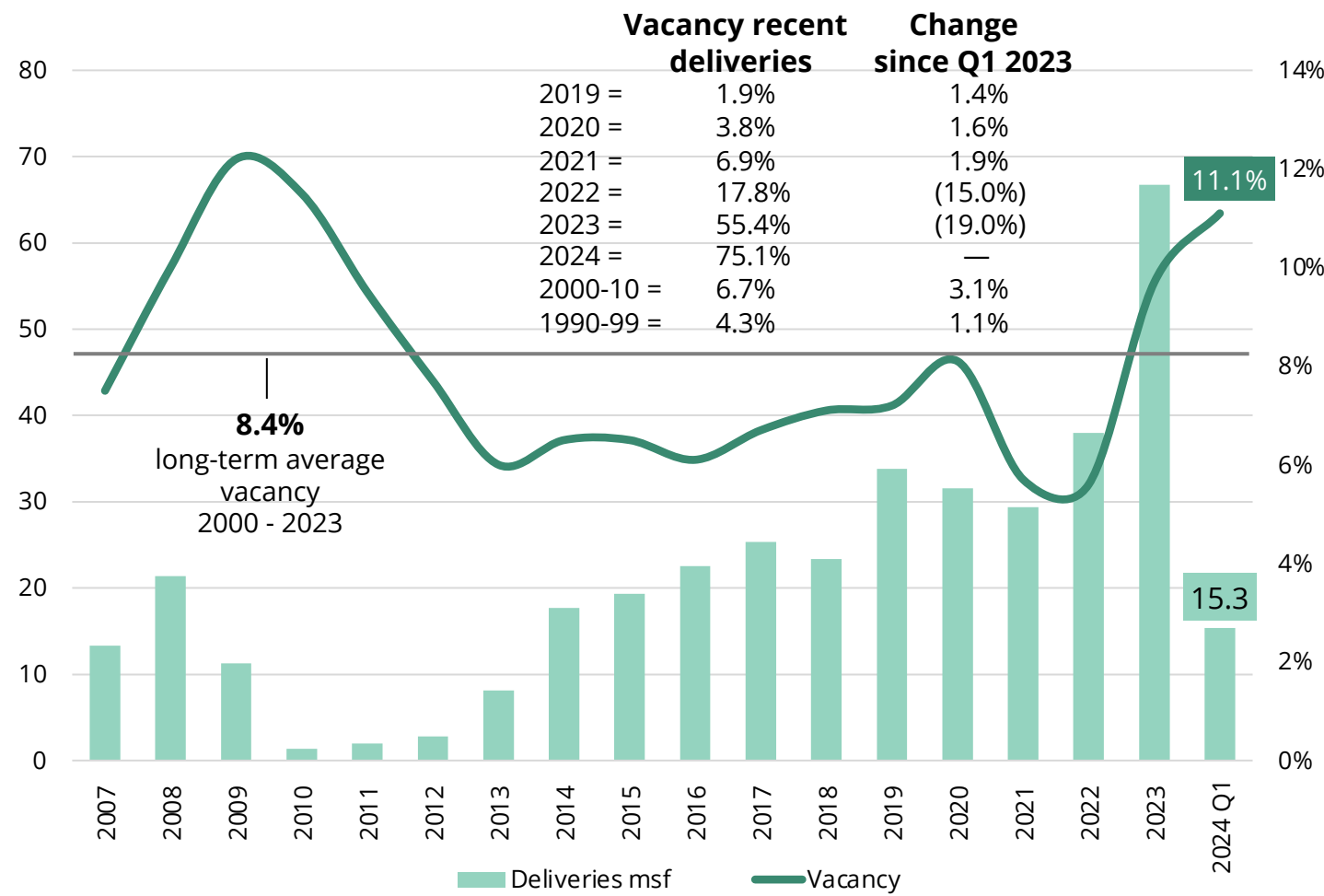
Industrial rents hit \$8.23 psf in Q1, reflecting a 27% increase in the last year. Despite this, DFW remains an affordable logistics hub compared to most, but the dramatic shift is creating sticker shock among space users, developers, and investors. As an example of the rapid pricing shift, DFW ranked 5th most affordable industrial market at the end of last year. As of Q1, DFW dropped into the 8th spot. Importantly, these are average rents and can come in even higher (\$10.00+ psf) depending on the submarket, product type, and lease size, with locations like DFW Airport, NE Dallas, and South Stemmons being at the top in pricing.

Q1 2024 takes a pause after a robust few years of extraordinary activity



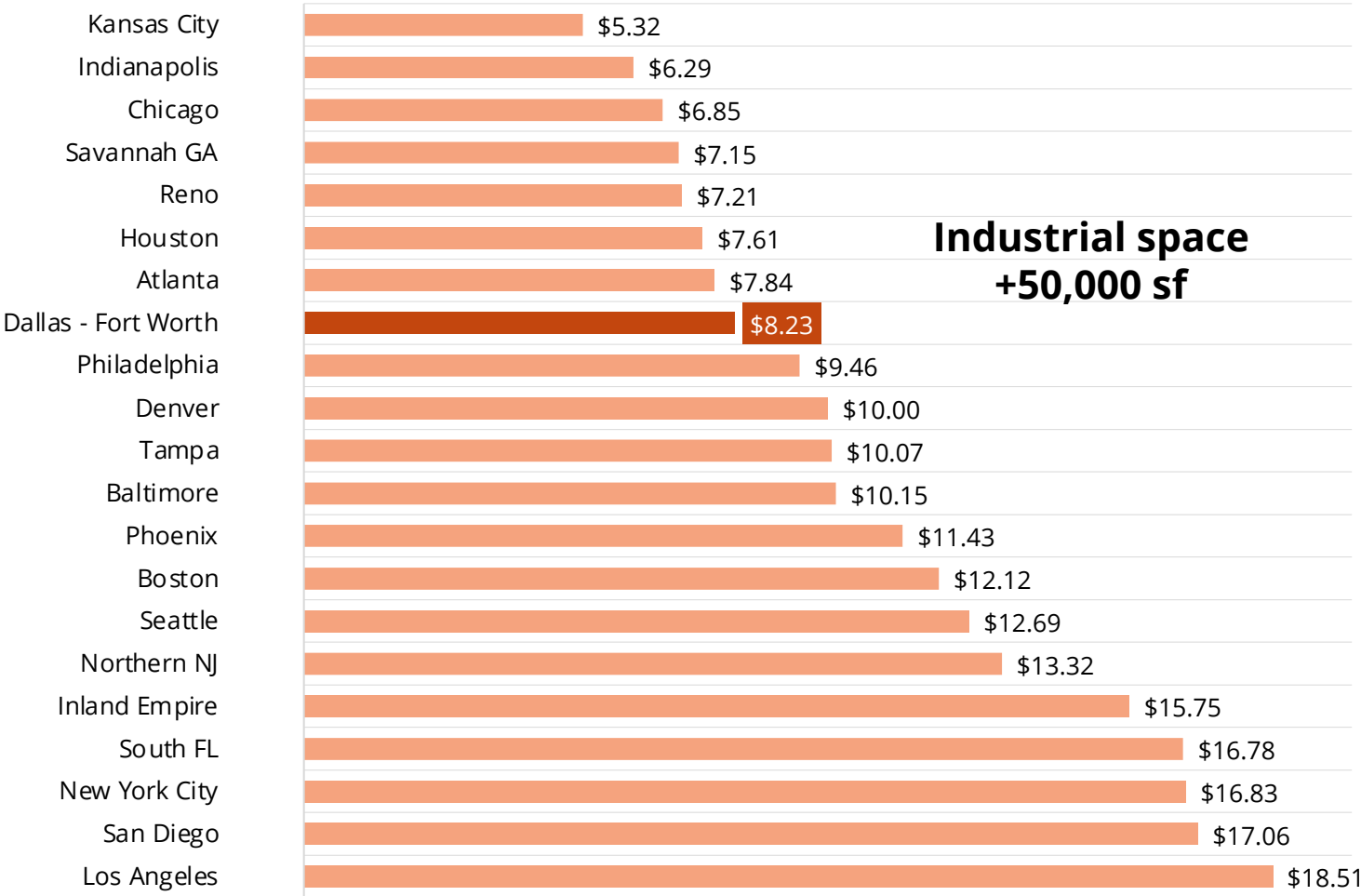
DFW's industrial sector saw tremendous growth the last few years, with absorption and leasing exceeding long-term averages by 2- to 3-times. Q1 saw a significant downshift. While sudden and dramatic, absorption retreated closer to its long-term quarterly average, although still 30% lower. Leasing activity also declined, but remains well above the norm.

DFW's vacancy increase due to lease-up lag in newer properties, but...



The vacancy increase from its stable 2013-2022 lows is primarily due to the lag in lease-up of DFW's extreme and mostly spec development pipeline. However, we are beginning to see a gradual vacancy increase in older assets. Importantly, these existing properties still operate well under the current market average.

DFW industrial rents continue to ramp up faster than most logistic hubs

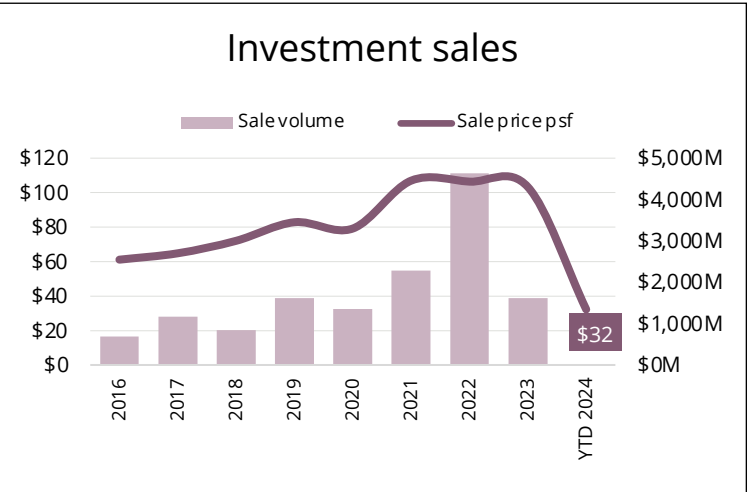
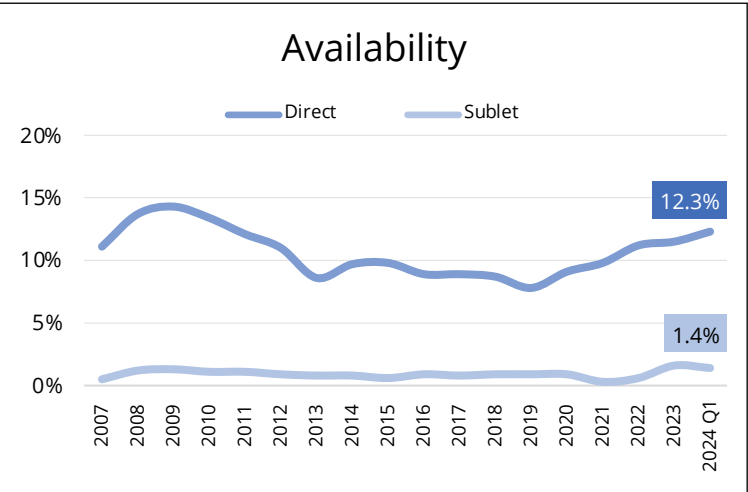
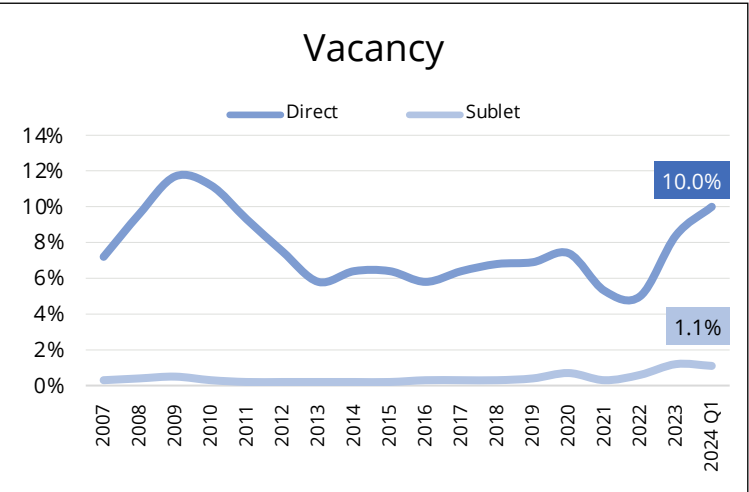
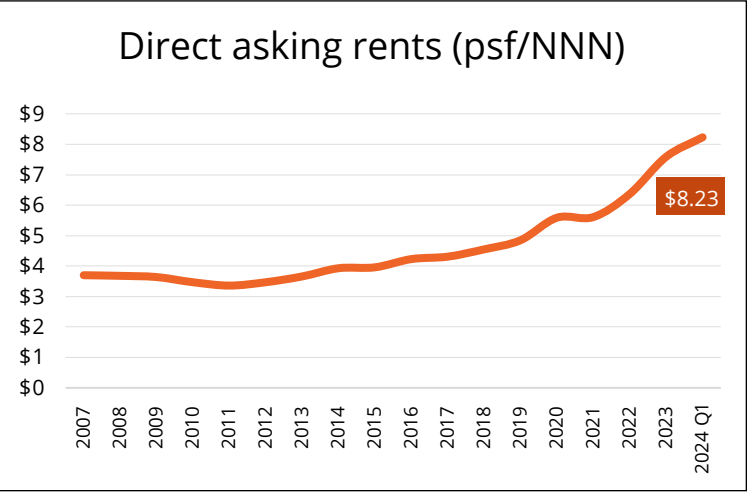
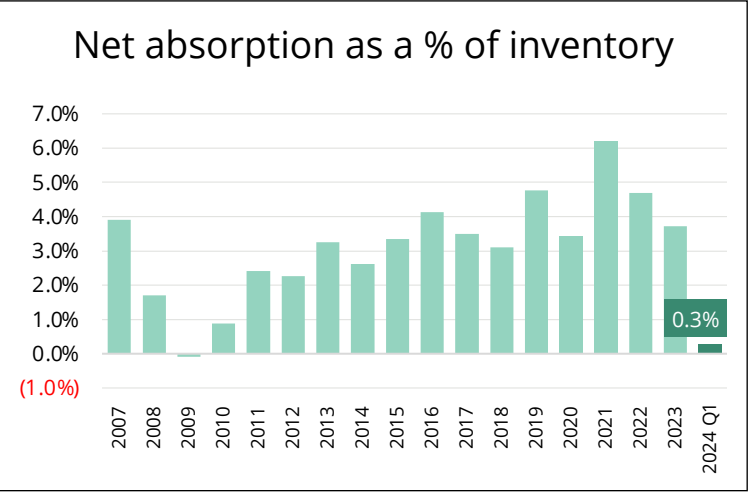
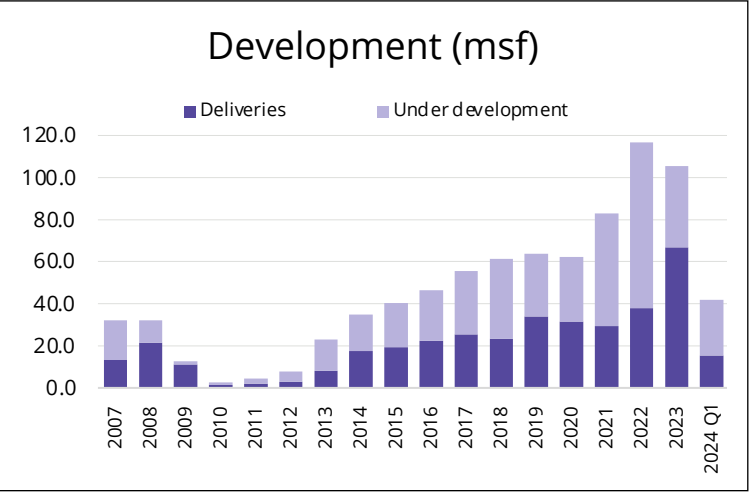


DFW rents are up 24% since Q1 last year and 47% since year-end 2021. Underscoring the speed of this increase, DFW ranks 8th of these logistics hubs – compared to last quarter when it came in 5th. While space is much less of a bargain, DFW continues to be a more affordable logistics option compared to other markets.

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
The Container Store	500 Freeport Pky	DFW Airport	February 2024	1,102,000	Direct	Renewal
Barrett Distribution	Exeter Logistics Bldg. 2	East Dallas	March 2024	529,000	Direct	New
Kumho Tires	Pinnacle Park I	South Stemmons	February 2024	394,000	Direct	Renewal

Recent sales activity

Buyer	Property Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
Sterling Investors	CenterPort 2	January 2024	431,000	NA	NA	GLP
Artemis Real Estate	Alliance Gateway Bldgs. 4, 5 & 19	February 2024	1,198,000	NA	NA	JPMorgan
Vertical Cold Storage	6501 Highpoint Pky	February 2024	403,000	NA	NA	Invesco

Top projects under development

Property Address	Submarket	Delivery date	Building size (sf)	% Preleased	Developer
Alliance Westport 25	North Fort Worth	2024	1,076,000	100%	Hillwood
Intermodal Logistics Center #7	North Fort Worth	2024	1,042,000	100%	NorthPoint Development
Wintergreen Industrial Park	South Dallas	2024	800,000	100%	Crow Holdings

Dallas – Fort Worth industrial market stats

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (1Q 2024)	Net absorption sf (YTD)	Average direct asking rent psf NNN
Warehouse & Distribution	80,018,792	335,401	3,458,659	10.2%	0.9%	11.0%	(2,545,417)	(2,545,417)	\$11.55
Manufacturing	3,704,216	0	0	20.3%	0.0%	20.3%	0	0	-
DFW Airport	83,723,008	335,401	3,458,659	10.6%	0.8%	11.4%	(2,545,417)	(2,545,417)	\$11.55
Warehouse & Distribution	43,962,826	3,026,997	4,433,928	20.5%	0.3%	20.8%	919,491	919,491	\$5.65
Manufacturing	6,137,167	0	0	0.0%	0.0%	0.0%	230,247	230,247	-
East Dallas	50,099,993	3,026,997	4,433,928	18.0%	0.2%	18.3%	1,149,738	1,149,738	\$5.55
Warehouse & Distribution	91,635,345	1,053,049	1,398,640	5.3%	1.6%	6.8%	218,909	218,909	\$8.19
Manufacturing	18,280,772	0	0	0.3%	0.3%	0.7%	0	0	\$7.95
Greater SW - Arlington	109,916,117	1,053,049	1,398,640	4.4%	1.4%	5.8%	218,909	218,909	\$8.17
Warehouse & Distribution	87,655,107	899,770	2,228,608	7.7%	1.2%	8.9%	876,288	876,288	\$8.71
Manufacturing	5,923,358	0	0	0.0%	0.0%	0.0%	54,160	54,160	\$8.95
Northwest Dallas	93,578,465	899,770	2,228,608	7.2%	1.1%	8.3%	930,448	930,448	\$8.75
Warehouse & Distribution	119,302,536	3,579,769	4,337,243	14.0%	1.5%	15.5%	(191,588)	(191,588)	\$7.91
Manufacturing	8,036,507	0	0	1.7%	3.5%	5.2%	25,392	25,392	\$6.43
North Fort Worth	127,339,043	3,579,769	4,337,243	13.2%	1.6%	14.8%	(166,196)	(166,196)	\$7.64

Dallas – Fort Worth industrial market stats

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (1Q 2024)	Net absorption sf (YTD)	Average direct asking rent psf NNN
Warehouse & Distribution	60,224,302	800,052	2,170,267	5.6%	1.1%	6.6%	527,366	527,366	\$10.10
Manufacturing	20,657,276	0	478,469	5.1%	0.5%	5.6%	13,138	13,138	-
Northeast Dallas	80,881,578	800,052	2,648,736	5.4%	0.9%	6.4%	540,504	540,504	\$10.14
Warehouse & Distribution	125,346,470	4,645,770	3,759,737	16.7%	1.0%	17.7%	1,626,758	1,626,758	\$7.27
Manufacturing	15,415,236	0	0	1.1%	0.0%	1.1%	0	0	-
South Dallas	140,761,706	4,645,770	3,759,737	15.0%	0.9%	15.9%	1,626,758	1,626,758	\$7.27
Warehouse & Distribution	53,769,541	397,596	2,129,182	8.7%	1.0%	9.7%	48,106	48,106	\$6.40
Manufacturing	14,021,433	600,000	0	0.7%	0.0%	0.7%	552,643	552,643	\$6.00
South Fort Worth	67,790,974	997,596	2,129,182	7.1%	0.8%	7.9%	600,749	600,749	\$6.40
Warehouse & Distribution	63,076,767	0	2,078,614	6.7%	1.7%	8.3%	(148,695)	(148,695)	\$9.45
Manufacturing	6,387,961	0	0	7.9%	0.0%	7.9%	(7,067)	(7,067)	\$8.14
South Stemmons	69,464,728	0	2,078,614	6.8%	1.5%	8.3%	(155,762)	(155,762)	\$9.19
Warehouse & Distribution	724,991,686	14,738,404	25,994,878	11.0%	1.2%	12.1%	1,331,218	1,331,218	\$8.24
Manufacturing	98,563,926	600,000	478,469	2.8%	0.5%	3.3%	868,513	868,513	\$8.12
DFW Market Total	823,555,612	15,338,404	26,473,347	10.0%	1.1%	11.1%	2,199,731	2,199,731	\$8.23

Dallas - Fort Worth submarket map



Industrial development pipeline

112 properties

under construction

26.5 msf | 236,000 sf

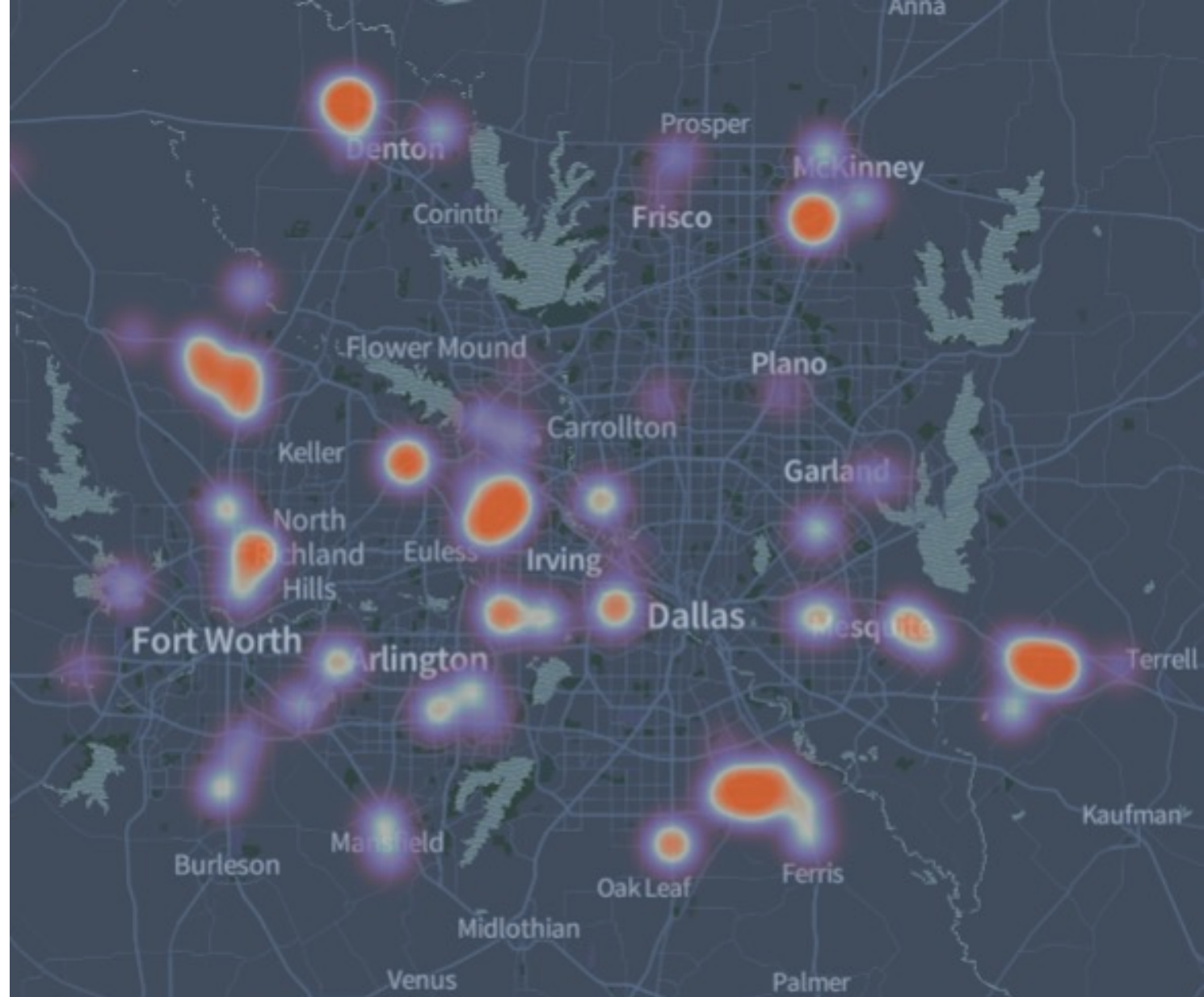
under construction | average project size

3.2%

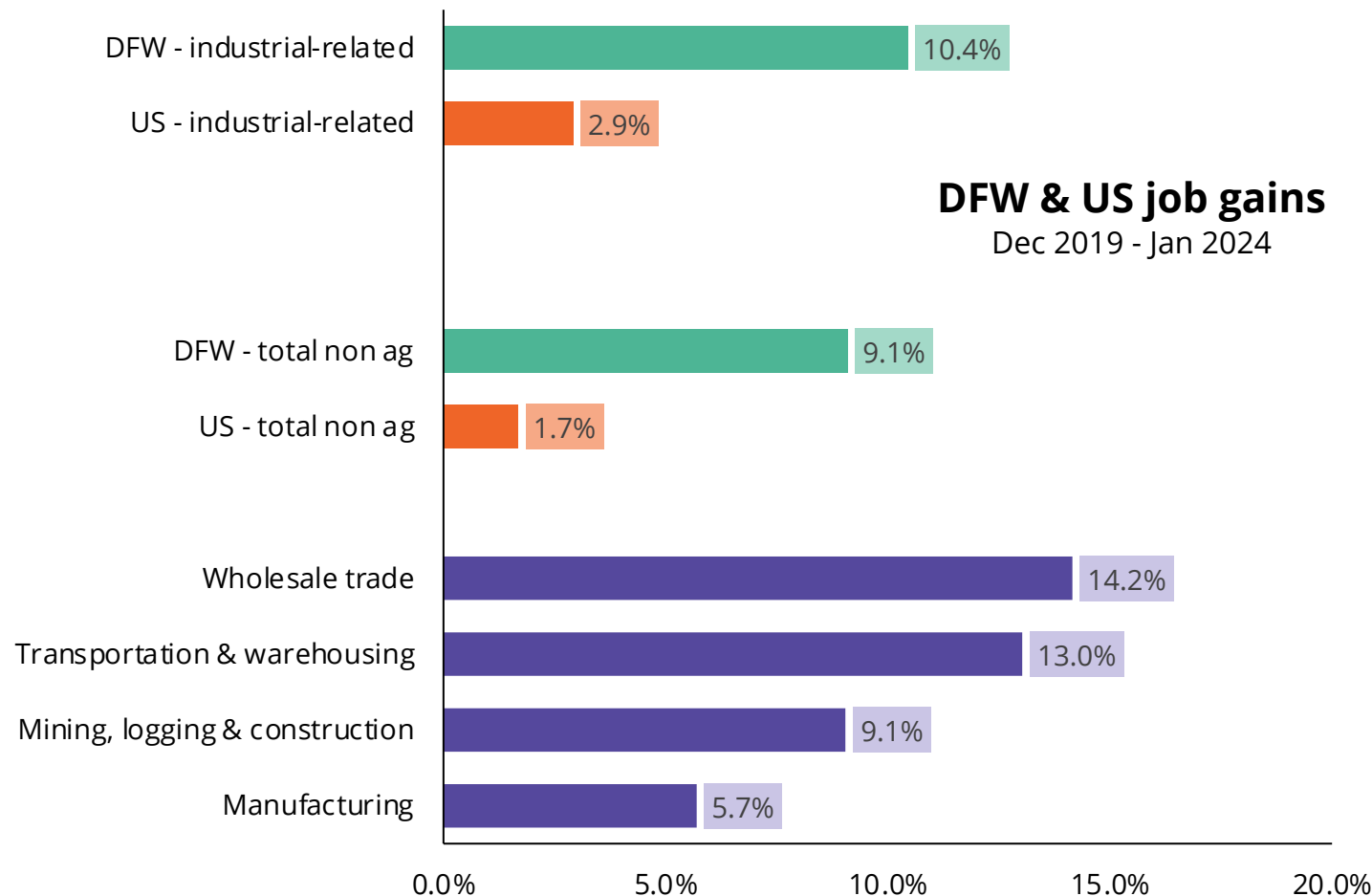
share of industrial inventory

9.6 msf | 36%

share leased



DFW's economic engine and strong logistics reputation continues to attract new jobs



Since the end of 2019, DFW has continued to hit new job peaks. In the industrial sector, DFW totals 800,000+, having added 77,000 jobs over that period, or 10.4% growth. In comparison, the US expanded only 2.9%. Over the last year, DFW added another 8,000, mostly in manufacturing and transportation & warehousing.

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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