



Dallas Industrial Market

Market Remains Relatively Stable In The First Quarter

The Dallas Fort Worth industrial market continues to function modestly well even during the pandemic. The metroplex's strong economy, job market, and population boom are some of the many reasons Dallas continues to see a substantial amount of supply. In the first quarter, leasing activity was 15.1 million square feet which is an increase from last quarter in which it was 13.6 million square feet. The market's nearly 11-year streak of positive absorption continued during the first quarter, as there was approximately 11 million square feet absorbed. A considerable amount of speculative construction has been delivered in recent quarters. The vacancy rate for the first quarter was 6.9%, showing minimal change as it was 7.3% in the fourth quarter. The vacancy rate was 6.3% this time a year ago showing that Dallas Fort Worth can handle all the growth and new construction it has been seeing.

The Dallas Fort Worth metroplex remains a highly desirable distribution hub, proximity to Dallas Fort Worth Airport, Stemmons Freeway, proximity to Houston and its ports, and other major transportation arteries are key for developers and occupiers when looking at site selection. As a result, six of the

Current Conditions

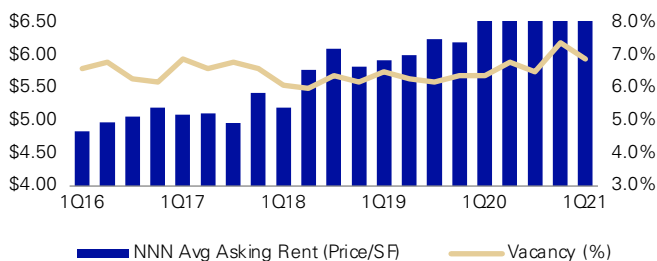
- Absorption remains positive in Q1 and vacancy remains stable
- The supply pipeline remains strong as construction remains solid in the metroplex
- Covid 19 is still impacting the metroplex but the industrial sector is seeing an uptick in demand

Market Summary

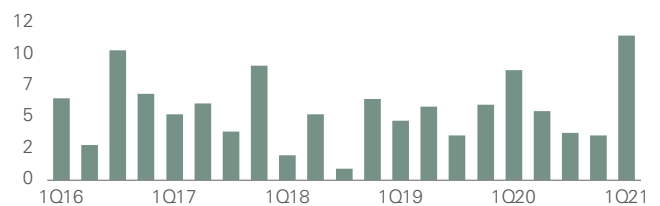
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	950.8M	939.1M	918.8M	↑
Vacancy Rate	6.9%	7.3%	6.3%	↑
Quarterly Net Absorption (SF)	11.0M	3.4M	8.2M	↑
Average Asking Rent/SF	\$6.86	\$7.04	\$6.41	↑
Under Construction (SF)	29.3M	31.7M	35.0M	↓

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



RESEARCH Q1 2021

nine tracked submarkets in the Dallas Fort Worth industrial market currently have construction underway totaling 1.0 million square feet or greater. Additionally, of those six, North Fort Worth and South Dallas submarkets all register greater than 7.0 million square feet of new product currently underway. Overall, the Dallas Fort Worth industrial market has approximately 30 million square feet of space under construction as of the first quarter, which is approximately the same this time last year. While the amount of new construction could be cause for concern, a combination of strong pre-leasing and build-to-suit projects should alleviate too much vacant stock arriving to the market.

Demand from tenants is still very strong with 599 lease transactions completed during the first quarter compared to 531 during the previous quarter. In terms of prominent large-scale leases signed, Yokohama Tire Corporation leased 431,630 square feet in the SE Dallas/I-45 submarket, EMLS leased 398,442 square feet in the Denton submarket, and Quorum International leased 305,255 square feet in the Meacham Fld/Fossil submarket.

Relocations & Expansions

Dallas Fort Worth continues to be at the epicenter of corporate relocations and expansions. Some of the key attributes that make Dallas Fort Worth attractive to companies are a profoundly talented work force, relatively low price of doing business, and incentives provided by the State of Texas. While the number of relocations dwindled from previous quarters there were a few notable large-scale new leases and expansions. Yokohama Tire Corporation leased approximately 430,000 square feet at 600 Sunridge Blvd located in the SE Dallas/I-45 submarket. The tenant will occupy the entire building for themselves. The new building, they call home will not be ready until fourth quarter 2022. Another notable large lease during the first quarter was EMLS. EMLS will occupy the entire building approximately 398,000 square feet located in Denton submarket.

Asking Rent by Submarket

ASKING RENT	1Q2021	1Q2020	
Northeast Dallas	\$7.34/SF	\$6.82/SF	↑
Northwest Dallas	\$7.82/SF	\$6.85/SF	↑
South Stemmons	\$9.18/SF	\$7.51/SF	↑
South Ft. Worth	\$6.72/SF	\$6.15/SF	↑
DFW Airport	\$7.38/SF	\$7.46/SF	↓

Sale & Investment Activity

The Dallas industrial market had healthy investment activity in the first quarter, helped along by a few portfolio and multi property deals. During the first quarter 3800 Cedardale Rd changed hands for an undisclosed amount; the property was fully leased to FedEx at the time of sale. This property is in the SE Dallas/I-45 industrial submarket. Another notable industrial sale during the first quarter included the 491,308 square foot property located at 111 Customer Way within the E DFW Air/Las Colinas submarket. The industrial building sold for an undisclosed amount. The property was 100% occupied at the time of sale and the buyer intends to renovate the building once Nieman Marcus vacates the property.

COVID 19 Still Impacting Dallas Economic Indicators

The Covid-19 virus pandemic has spread across the world and has hit the Dallas Fort Worth area also. Some of the hardest hit industries have been the travel, hotel, and restaurant/bar industries. Travel has been restricted or suspended to and from many places and many non-essential businesses are operating at with no restrictions although reporting some of the highest number of Covid-19 cases. Officials have made the tough decision to fully open restaurants, bars, and businesses. All large gatherings in public places have still been frowned upon, such as worship facilities, concerts and sporting events. It is certain the regional economy is going to continue to feel some momentary torment as we adjust to these means to help moderate the spread of this virus. The unemployment rate is over 6%, the unemployment rate was 3.1% this time a year ago. Coworking companies have been hit the hardest by the Covid-19 pandemic as they are slashing salaries and still letting workers go. With a business model based around bringing office workers closer together and sharing space they will struggle to make it through this social distancing time period. With workers being asked an encouraged to stay home the coworking companies will continue to suffer.

Vacancy By Submarket

VACANCY RATE %	1Q2021	1Q2020	
North Ft. Worth	10.9%	7.4%	↑
Northwest Dallas	5.5%	5.3%	↑
South Stemmons	6.0%	5.1%	↑
South Ft. Worth	5.0%	3.5%	↑
DFW Airport	7.2%	7.0%	↑

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Dallas Fort Worth has performed exceptionally well, with job growth over the past year nearly triple the U.S. rate. This feat is especially noteworthy because DAL is already among the very largest metro areas and divisions in the country, and the nation has been decelerating. Every major industry has increased year over year, outpacing its national counterpart. Such well-paying industries as core professional services, construction, and financial services have led the way, and as a result, growth in the number of high-wage jobs has also been more than twice the national average. The strong job market has been a magnet for new entrants into the labor force.

According to the Dallas Federal Reserve Dallas–Fort Worth’s recovery from the economic effects of COVID-19 progressed further in October. Payrolls expanded broadly, unemployment dipped and the Dallas and Fort Worth business-cycle indexes rose. Activity in the housing market remained a bright spot, characterized by soaring sales, prices and construction activity.

Economic Indicators

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According to the Dallas Federal Reserve DFW employment growth softened to an annualized 1.4 percent (4,300 jobs nonannualized) in January, marking the ninth consecutive month of job gains since the slump in spring 2020. Payrolls in Dallas expanded strongly at an annualized 3.3 percent (7,200 jobs), while employment in Fort Worth dropped 3.2 percent (-2,900 jobs). Similarly, Texas job growth moderated to 3.8 percent (38,100 jobs) from 6.2 percent in December. The unemployment rate fell to 6.2 percent in Dallas and 6.4 percent in Fort Worth in January, remaining below Texas’ jobless rate of 6.8 percent.

When the pandemic hit and shelter-in-place orders compelled many businesses to temporarily close their doors in early spring 2020, payrolls plunged nationally; however, the declines in Texas

Lease/User Transactions

Tenant	Submarket	Building	Type	Square Feet
Yokohama Tire Corporation	SE Dallas/I-45	600 Sunridge Blvd	Direct	431,630
EMLS	Denton	Western Blvd	Direct	398,442
Quorum International	Meacham Fld/Fossil	401-441 Railhead Rd	Direct	305,255
Naterra	E DFW Air	240 Dividend Dr	Sublease	210,550
Allen Distribution	NE Tarrant/Alliance	400 Patriot Pky	Sublease	200,000

Select Sale Transactions

Buyer/Seller	Submarket	Building	Square Feet	Sale Price
Arcapita Inc./Trammell Crow Company	SE Dallas/I-45	3800 Cedardale Rd	776,630	Undisclosed
Colwell industrial LP/Neiman Marcus Direct	E DFW Air/Las Colinas	111 Customer Way	491,308	Undisclosed
CanTex Capital/Trinity Industries	West Brookhollow	4211 Irving Blvd	350,000	Undisclosed
Urban Core Owner Lp/Quiet Property Dallas	East Hines North	10750 Denton	252,229	Undisclosed

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and DFW were less steep than in the U.S. Employment in DFW began recovering in May, though in January 2021, it remained 3.7 percent lower than prepandemic February levels; Texas was 4.5 percent below those levels in January, and the U.S. was 6.2 percent lower.

Weekly initial unemployment insurance claims in DFW dropped by 2,378 to 10,437 during the week ended March 6, after briefly rising from mid-to-late February. Since peaking in early April 2020, claims have been on a downward trend. The week-to-week changes have narrowed, and claims have largely stabilized, but they remain stubbornly high—more than double the early-to-mid-March 2020 (pre-COVID-19) levels.

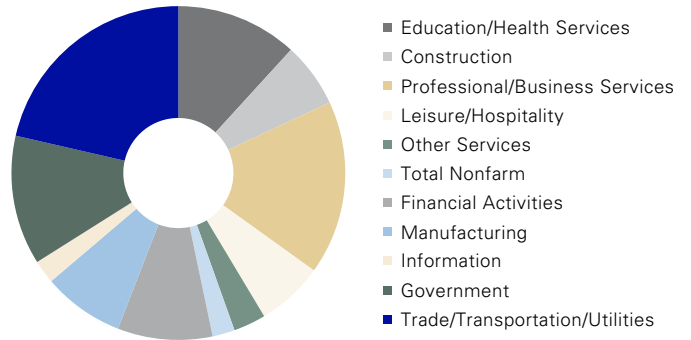
Growth in the business-cycle indexes for DFW was mixed in January. The Dallas index rose an annualized 7.1 percent in January following a strong increase in December. The Fort Worth index was flat in January after expanding moderately in December. Year over year in January, the Dallas index was down 3.4 percent, and the Fort Worth index decreased 4.1 percent. This was due to the COVID-19-related shelter-in-place orders that resulted in a sharp contraction in economic activity last spring.

DFW existing-home sales fell in February in part due to Winter Storm Uri that put a damper on sales during the cold snap. Statewide, home sales dropped as well. The three-month moving averages for both DFW and Texas registered steep declines (Chart 4). Despite the dip in February, which is expected to be transitory, activity in the housing market remains strong, supported by record-low mortgage rates and increased demand. According to business contacts, new-home sales have been robust, particularly in suburban locations, and have outperformed expectations since May of last year when COVID-19-related shelter-in-place orders were lifted.

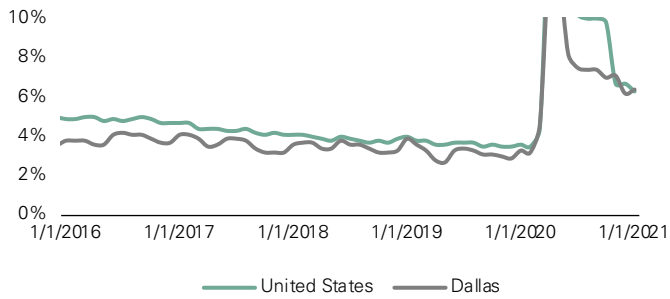
Submarket Statistics

	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
DFW Airport	88,242,409	775,406	6.6%	3,975,515	3,975,515	\$7.83	\$7.60	\$7.81
East	52,399,372	1,738,487	5.1%	1,065,941	1,065,941	\$8.16	\$15.00	\$8.45
Great Southwest	121,051,731	1,331,221	5.6%	611,928	611,928	\$5.62	\$5.26	\$5.59
North Ft. Worth	118,468,520	7,086,029	11.6%	1,008,108	1,008,108	\$5.39	\$5.25	\$5.38
Northeast Dallas	122,653,819	2,551,281	8.0%	386,657	386,657	\$7.98	\$7.36	\$7.91
Northwest Dallas	118,609,785	773,920	5.4%	1,247,801	1,247,801	\$7.98	\$6.64	\$7.83
South Dallas	110,638,186	7,279,339	6.7%	1,934,793	1,934,793	\$4.49	\$7.63	\$5.32
South Ft. Worth	91,091,507	107,000	6.9%	27,274	27,274	\$5.72	\$5.59	\$5.71
South Stemmons	124,827,307	1,369,583	5.4%	705,184	705,184	\$8.75	\$7.78	\$8.65
DFW Market	950,878,206	29,359,976	6.9%	11,016,178	11,016,178	\$6.89	\$6.57	\$6.86

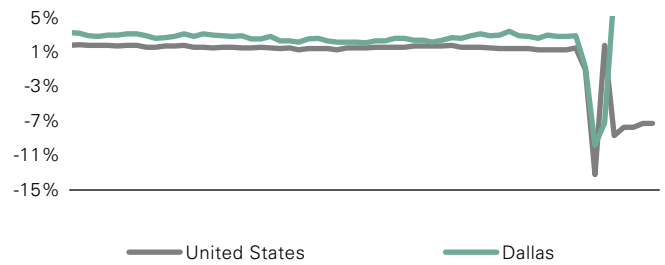
Employment By Industry



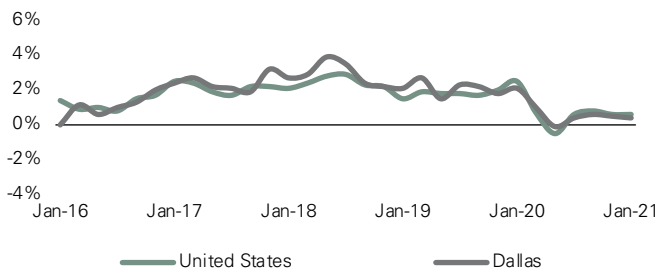
Unemployment Rate



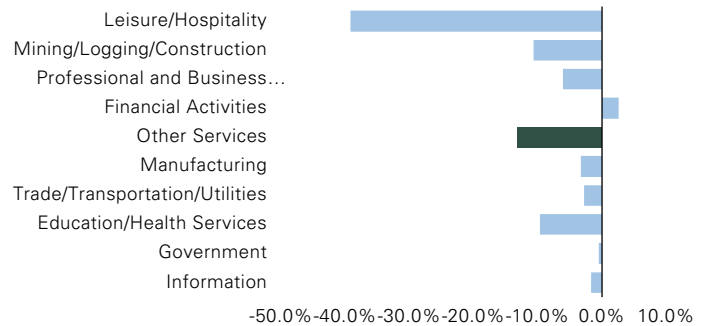
Payroll Unemployment



Customer Price Index (CPI)



Employment Growth By Industry



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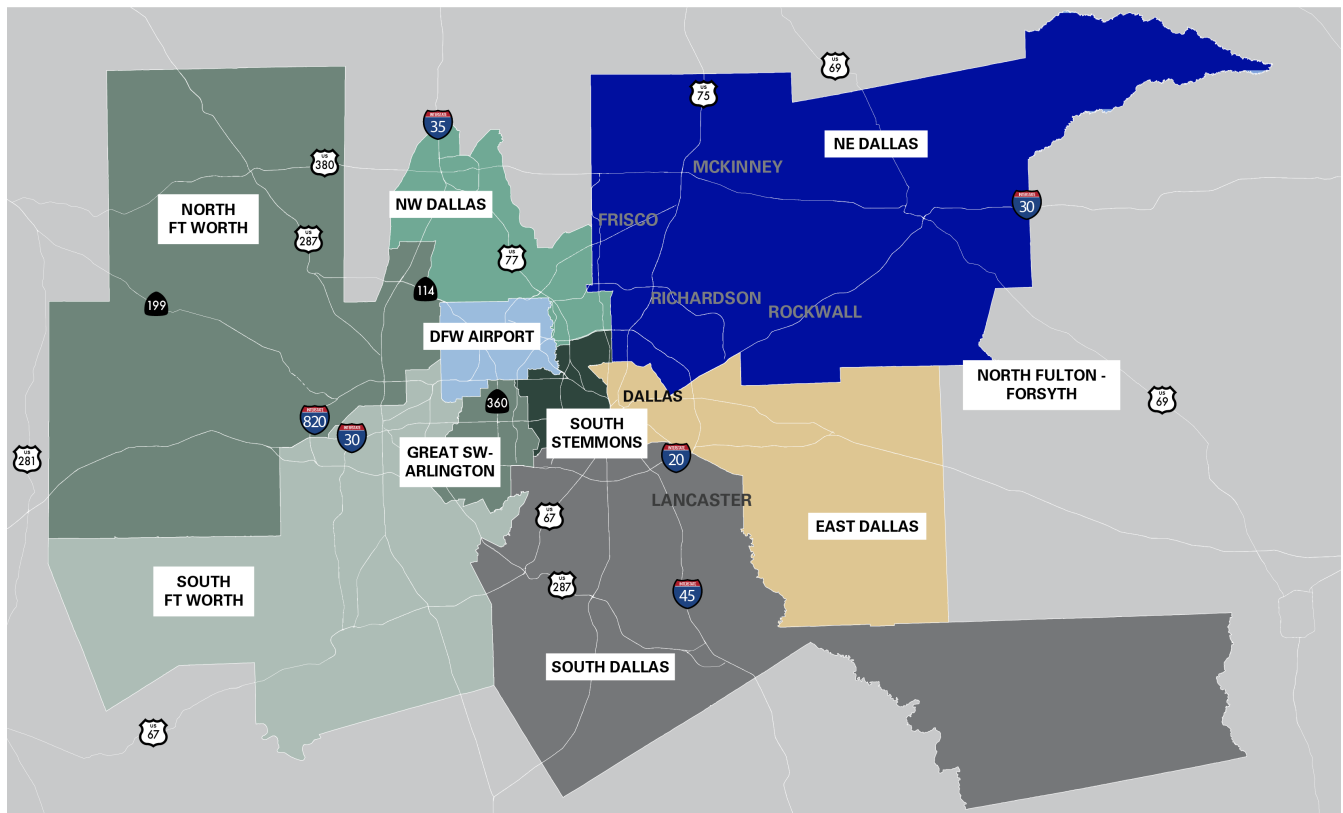
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