



# Dallas-Fort Worth Industrial Market

## Demand Continues Strong Streak

The Dallas-Fort Worth industrial market continued to remain strong in the first quarter of 2023. Demand in the market closed the quarter at 9.0 million square feet of net absorption. A historical quarterly all-time high of 19.7 million square feet of deliveries hit the market, outpacing demand by 10.7 million square feet in the first quarter of 2023. Despite strong demand, the influx of twice the square footage of space coming online pushed the overall vacancy rate up to 6.4%, a 90-basis-point increase quarter over quarter and a 70-basis-point increase year over year. Overall average asking rates continued to climb in the first quarter of 2023 as a result of strong demand for quality industrial product, coupled with inflation, pushing pricing up. Asking rents ended the quarter at \$8.46/SF, reflecting an increase of 2.8% quarter over quarter and 16.9% year over year. The market closed the quarter at 62.6 million square feet under construction, falling from an all-time historical high reported at the end of 2022. Due to projects currently under construction, the market is expected to have a strong pipeline of new product coming online in 2023, likely causing vacancies and rental rates to rise. Overall, the Dallas-Fort Worth industrial market's outlook remains positive, despite a near-term softening economy. The market's central location and relatively lower costs will continue to make Dallas-Fort Worth an important part of many occupiers' warehouse and distribution networks.

### Current Conditions

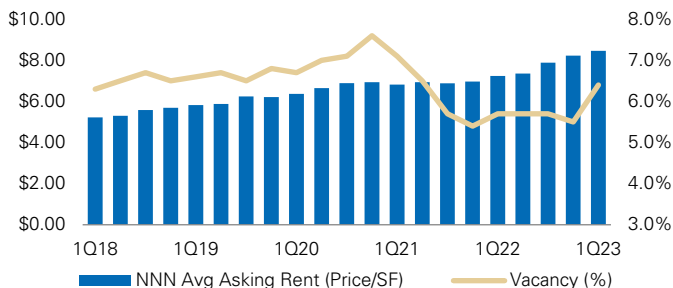
- The quarter closed with strong occupancy growth at 9.0 million square feet.
- The construction pipeline remained robust with 62.6 million square feet under construction.
- Overall asking rental rates significantly increased by 16.9% year over year to \$8.46/SF.
- Quarterly supply outpaced demand by 10.7 million square feet, resulting in overall vacancy rates to increase to 6.4%.

### Market Summary

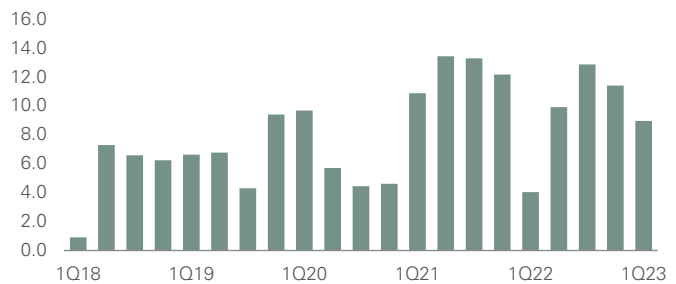
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	1.0B	1.0B	986.7M	↑
Vacancy Rate	6.4%	5.5%	5.7%	↑
Quarterly Net Absorption (SF)	9.0M	11.4M	4.0M	↔
Average Asking Rent/SF	\$8.46	\$8.23	\$7.24	↑
Under Construction (SF)	62.6M	73.6M	53.4M	↓

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION (SF, MILLIONS)



## RESEARCH Q1 2023

### Leasing Activity

In the first quarter of 2023, leasing activity slightly slowed, totaling 17.4 million square feet for the quarter, a 2.8% decline quarter over quarter and a 1.9% decline year over year. Leasing activity has remained relatively flat since the fourth quarter of 2022, indicating a possible stabilization of leasing following the pandemic rush.

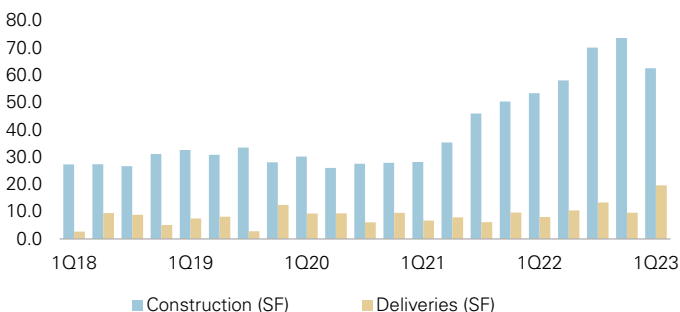
Industrial market activity continues to be concentrated towards the north and south of the market, due to new construction projects located in these areas. Top leases signed in the first quarter of 2023 included DSV Global Transport & Logistics at Midpoint Logistics Center in South Dallas and Hayes Company at Forney Logistics Crossing in East Dallas. Both top leases signed were in newly constructed buildings that delivered in the first quarter of 2023. Submarkets that had the highest leasing activity included North Fort Worth, at 3.4 million square feet, South Dallas, at 3.0 million square feet, and Northwest Dallas, at 2.1 million square feet. Leasing activity will likely continue to be highest in submarkets towards the north and south of the market, as construction activity continues to push to those areas, given the availability of land for development.

### Development

The Dallas-Fort Worth industrial market added 19.7 million square feet of space in the first quarter of 2023, an all-time quarterly historical high. Highest quarterly deliveries were seen in South Dallas at 10.1 million square feet, North Fort Worth at 2.5 million square feet and Northwest Dallas at 2.2 million square feet. Deliveries will likely continue to remain robust in 2023, with another 62.6 million square feet under construction. Submarkets with the highest volume of under-construction properties by square footage include North Fort Worth, at 18.5 million square feet, South Dallas, at 16.1 million square feet, and East Dallas at 8.6 million square feet. Roughly 18.6% of the pipeline is released, indicating that investors and developers remain confident in the demand for speculative industrial space in the market. Given a robust under-construction pipeline, supply is expected to outpace demand in the near term.

### Construction and Deliveries

SQUARE FEET, MILLIONS



### Pricing

Asking rental rates continued to increase in the first quarter of 2023. Rates ended the quarter at \$8.46/SF, a 2.8% increase quarter over quarter and 16.9% increase year over year. South Stemmons had the highest asking rents at \$11.40/SF, followed by DFW Airport at \$10.87/SF and Northeast Dallas at \$10.10/SF. Rents are projected to continue increasing in the near term, given a strong pipeline of quality new product commanding higher rates coming online, coupled with inflationary pricing increases.

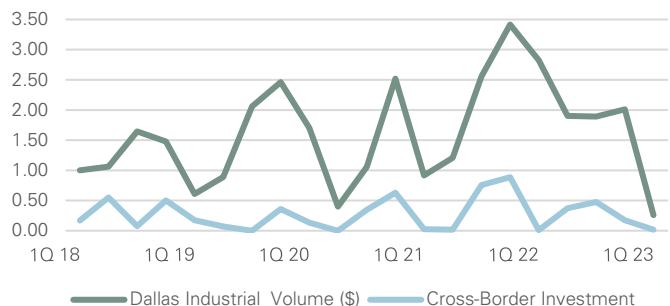
### Market Outlook

The Dallas-Fort Worth industrial market will likely see an influx of supply on the market in the near term, due to 6.0% of the current market's inventory being under construction. The new deliveries will result in an increase in the market's vacancy rate, as supply is expected to outpace demand in the near term. Asking rents will likely continue to increase, due to elevated inflation and a large pipeline of quality new product commanding higher pricing coming online.

Despite economic fundamentals softening nationally, the Dallas-Fort Worth industrial market remains attractive to occupiers and investors alike. The market's central location in serving 87.0% of the nation's population within a 48-hour truck transit time will continue to make it a strong pick as a logistics and distribution location for companies. A softening economy and companies looking to cutting costs may lead to Dallas-Fort Worth's industrial market being spotlighted more as a place to potentially consolidate operations, due to its strategic central location and relative lower costs compared with other gateway markets. Overall, the Dallas-Fort Worth industrial market will continue to remain positive both in the near term and long term due to strong market fundamentals.

### Industrial Investment Sales

SALES VOLUME (\$, BILLIONS)



Source: Real Capital Analytics

RESEARCH Q1 2023

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
<b>DFW Airport</b>	95,018,683	4,396,672	5.5%	871,106	871,106	\$11.06	\$7.77	\$10.87
<b>East Dallas</b>	59,313,452	7,885,115	11.7%	705,773	705,773	\$6.84	-	\$6.84
<b>Great Southwest</b>	125,519,065	2,872,601	4.1%	-236,399	-236,399	\$9.09	\$6.67	\$8.80
<b>North Fort Worth</b>	130,658,306	16,979,040	7.2%	2,122,176	2,122,176	\$6.05	\$7.00	\$6.06
<b>Northeast Dallas</b>	132,106,157	4,065,243	4.3%	142,486	142,486	\$10.14	\$9.88	\$10.10
<b>Northwest Dallas</b>	124,391,735	4,695,467	5.4%	424,583	424,583	\$9.07	\$8.09	\$8.98
<b>South Dallas</b>	141,309,514	14,827,456	10.3%	3,922,388	3,922,388	\$7.89	-	\$7.89
<b>South Fort Worth</b>	103,330,651	5,146,986	5.0%	1,391,897	1,391,897	\$7.59	\$8.14	\$7.59
<b>South Stemmons</b>	128,253,899	1,717,395	6.0%	-384,801	-384,801	\$11.48	\$8.83	\$11.40
<b>DFW Market</b>	<b>1,039,901,462</b>	<b>62,585,973</b>	<b>6.4%</b>	<b>8,959,209</b>	<b>8,959,209</b>	<b>\$8.45</b>	<b>\$8.57</b>	<b>\$8.46</b>

Lease/User Transactions				
Tenant	Market	Building	Type	Square Feet
DSV Global Transport & Logistics	South Dallas	Midpoint Logistics Center – Bldg 1A	Direct	1,037,316
Hayes Company	East Dallas	Forney Logistics Crossing	Direct	904,495
Blue Triton	South Dallas	Commerce 20/35	Direct	603,378
RJW Logistics	East Dallas	Alcott Logistics Station – Bldg D	Direct	592,995
DHL	North Fort Worth	Mark IV Commerce Park – Bldg 1	Direct	581,000

Sales Transactions				
Buyer/Seller	Market	Building	Sales Price	\$/SF
Spirit Realty / Associated Materials Inc.	South Dallas	4200 Knighthurst Rd Bldgs 1-2	\$46.5M	\$83
Westcore / TA Realty	Northwest Dallas	Denton Point I & II	\$31.9M	\$132
SMC 23 <sup>rd</sup> Street / Birtcher Anderson & Davis	South Fort Worth	1101 Ne 23 <sup>rd</sup> St	\$15.0M	\$86
High Street Logistics Properties / Scott Kloeber	Northwest Dallas	1401-1407 Dunn Dr	\$13.0M	\$132
Property Advisors / Lincoln Property Company	Great Southwest	CentrePort Place I & II	\$10.5M	\$129

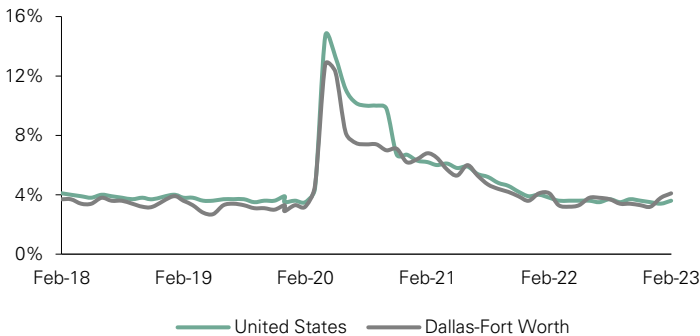
### Economic Indicators

Dallas-Fort Worth market’s labor market continued to grow in the first quarter of 2023, although at a slower pace than late last year. Payroll employment increased by 3.9% on a year-over-year basis and total employment in February 2023 was 4.2 million. The unemployment rate remain unchanged year over year, with the rate increasing from 2022 levels. All industries in the market reflected positive employment growth over the past year. All industries in the market reflected positive employment growth over the past year. Industrial-occupier industries, such as manufacturing and trade/transportation/utilities, grew by 3.6% and 3.8%, respectively.

The Dallas-Fort Worth Consumer Price Index closed at a 5.8% increase year over year at the end of March 2023. Compared to recent quarters and comparative year-over-year changes, the Consumer Price Index yearly growth in the market has slowed substantially, reflecting mid-2021 levels. Despite recent inflationary and pricing pressures nationally, the Dallas-Fort Worth’s strong labor market fundamentals will continue to help buffer impacts from slowing economic activity and help the market recover quickly should a recession occur.

### Unemployment Rate

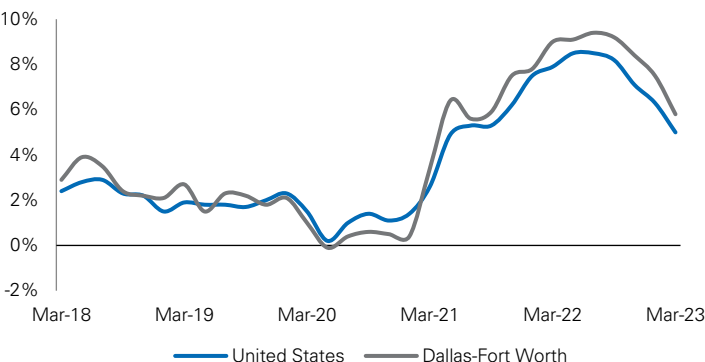
NON-SEASONALLY ADJUSTED



Source: US Bureau of Labor Statistics, April 2023

### Consumer Price Index (CPI)

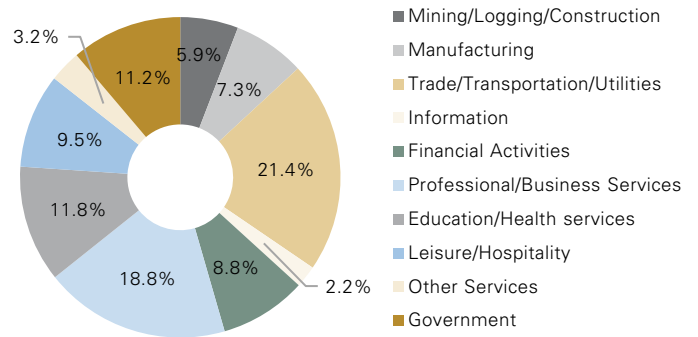
ALL ITEMS, 12-MONTH % CHANGE, NON-SEASONALLY ADJUSTED



Source: US Bureau of Labor Statistics, April 2023

### Employment By Industry

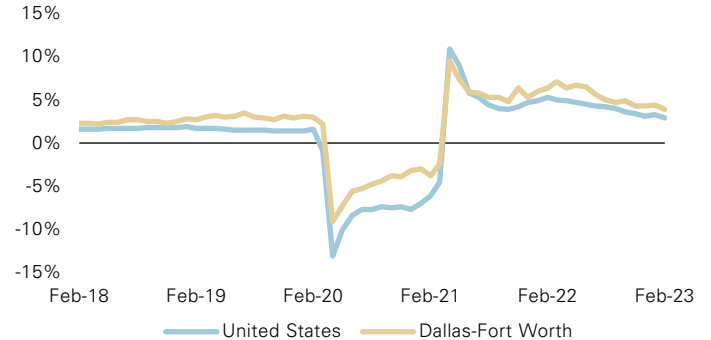
DALLAS, FEBRUARY 2023



Source: US Bureau of Labor Statistics, April 2023

### Payroll Employment

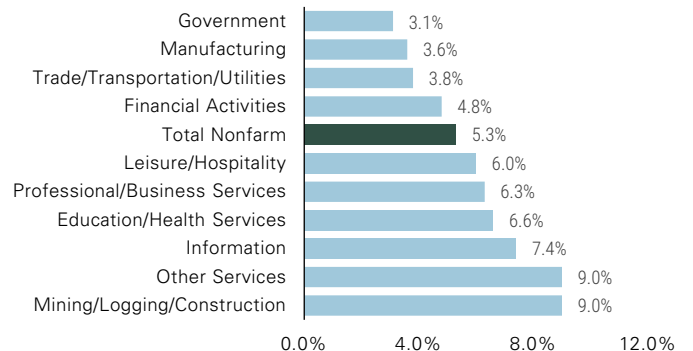
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: US Bureau of Labor Statistics, April 2023

### Employment Growth By Industry

DALLAS-FORT WORTH, FEBRUARY 2023, 12-MONTH % CHANGE, NON-SEASONALLY ADJUSTED



Source: US Bureau of Labor Statistics, April 2023

*For more information:*

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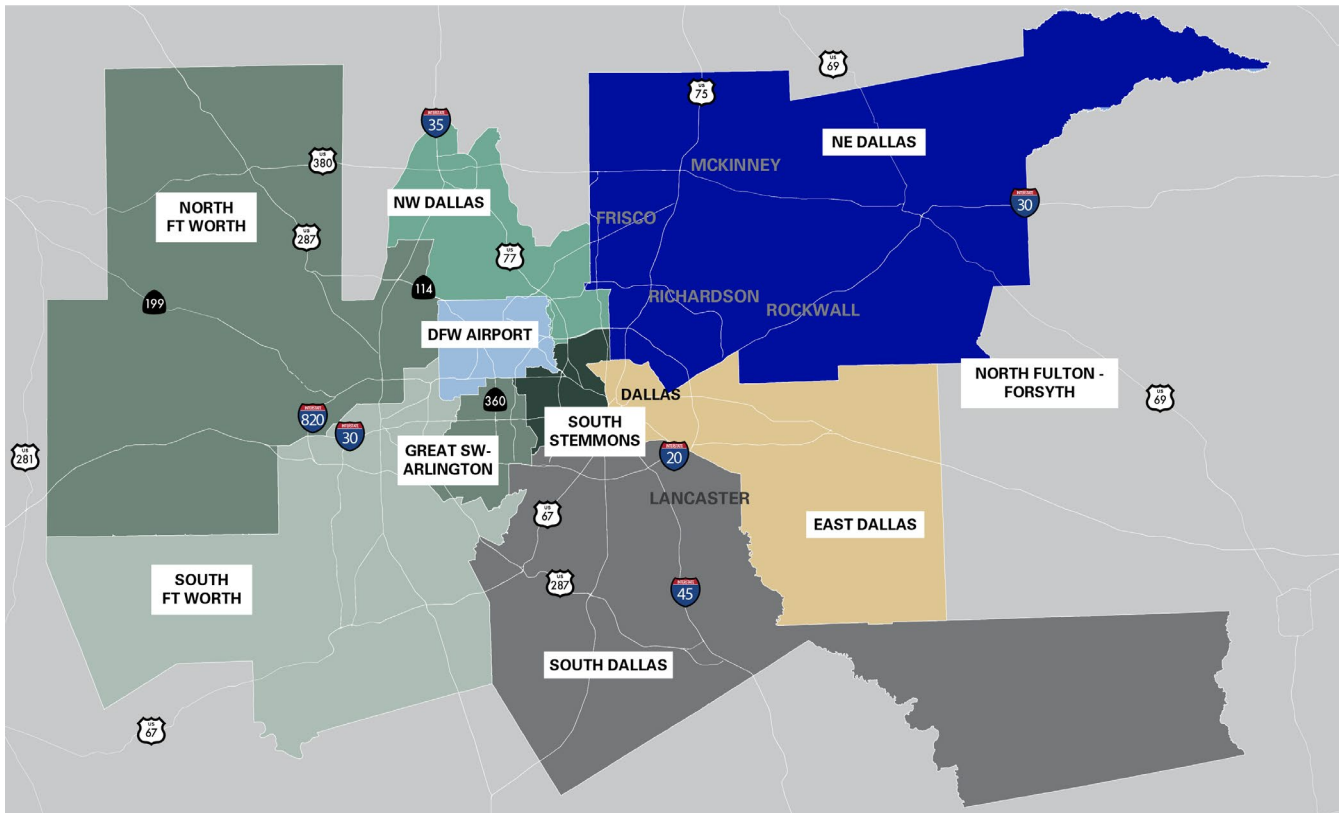
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