



Dallas Industrial Market

Market Remains Relatively Stable In The Second Quarter

The Dallas Fort Worth industrial market continues to function modestly well even climbing out of 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 second quarter, leasing activity was 20.4 million square feet which is an increase from last quarter in which it was 14.8 million square feet. The market’s nearly 11-year streak of positive absorption continued during the second quarter, as there was approximately 9.3 million square feet absorbed.

A considerable amount of speculative construction has been delivered in recent quarters. The vacancy rate for the fourth quarter was 6.5%, showing a decrease in change as it was 7.3% in the first quarter. The vacancy rate was 8.6% 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.

Current Conditions

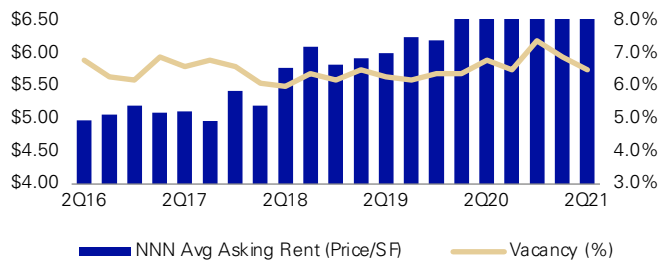
- Absorption remains positive in Q2 and vacancy remains stable
- The supply pipeline remains strong as construction remains solid in the metroplex
- Covid 19 is still impacting the metroplex but the industrial sector is seeing strong demand

Market Summary

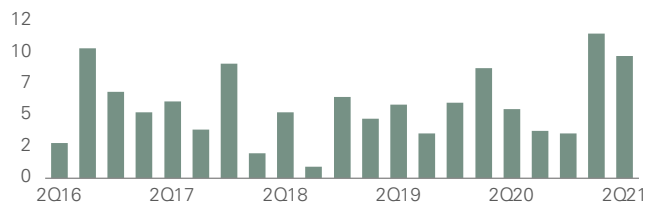
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	960.6M	950.8M	931.1M	↑
Vacancy Rate	6.5%	6.9%	6.8%	↓
Quarterly Net Absorption (SF)	9.3M	11.0M	5.4M	↓
Average Asking Rent/SF	\$6.96	\$6.86	\$6.70	↑
Under Construction (SF)	37.2M	29.3M	28.7M	↑

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



As a result, seven of the nine tracked submarkets in the Dallas Fort Worth industrial market currently have construction underway totaling 2.0 million square feet or greater. Additionally, of those, North Fort Worth and South Dallas submarkets all register greater than 8.0 million square feet of new product currently underway. Overall, the Dallas Fort Worth industrial market has approximately 37 million square feet of space under construction as of the second quarter, which is an increase from 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 705 lease transactions completed during the second quarter compared to 531 during the previous quarter. In terms of prominent large-scale leases signed, Qarbon Aerospace leased 852,500 square feet in the Outlying Ellis County submarket, Henry Schein, Inc. leased 810,908 square feet in the NE Tarrant/Alliance submarket, and Comptree leased 576,123 square feet in the Upper Great Southwest 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 before the pandemic there were a few notable large-scale new leases and expansions.

Qarbon Aerospace leased approximately 853,000 square feet at 300 Austin Blvd in the Outlying Ellis County submarket. The tenant will occupy the entire building for themselves.

Sale & Investment Activity

The Dallas industrial market had healthy investment activity in the second quarter, helped along by a few portfolio and multi property deals.

During the second quarter 1851 NE Loop 820 changed hands for an undisclosed amount the property was fully leased to Amazon at the time of sale. This property is in the Meacham Fld/Fossil Cr industrial submarket.

Another notable industrial sale during the second quarter included the 852,000 square foot property located at 300 Austin Blvd within the Outlying Ellis County submarket. The industrial building sold for an undisclosed amount. The property was 100% leased at the time of sale to Qarbon Aerospace.

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 limited capacity. Texas was one of the first states to fully re-open 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 5.6%, the unemployment rate was 12.8% this time a year ago.

Asking Rent by Submarket			
ASKING RENT	2Q2021	2Q2020	
Northeast Dallas	\$7.98/SF	\$6.90/SF	↑
Northwest Dallas	\$7.68/SF	\$6.95/SF	↑
South Stemmons	\$9.39/SF	\$7.98/SF	↑
South Ft. Worth	\$5.99/SF	\$6.09/SF	↓
DFW Airport	\$8.05/SF	\$7.89/SF	↑

Vacancy By Submarket			
VACANCY RATE %	2Q2021	2Q2020	
North Ft. Worth	10.9%	7.9%	↑
Northwest Dallas	4.8%	5.3%	↓
South Stemmons	4.9%	5.4%	↓
South Ft. Worth	7.5%	3.9%	↓
DFW Airport	6.2%	7.0%	↓

Economic Indicators

According to the Dallas Federal Reserve the pace of economic recovery in Dallas–Fort Worth eased in April. Payrolls expanded broadly but at a slower rate than in March. Unemployment dipped, and the business-cycle indexes for both Dallas and Fort Worth rose. Existing-home sales climbed in March and April, and home price gains accelerated further. Recently released data from the Census Bureau show that DFW ranked No. 1 among U.S. metros in net population increase in 2020.

DFW employment grew an annualized 1.7 percent (5,300 jobs, nonannualized) in April following an 8.0 percent increase in March. Payrolls expanded 2.2 percent (4,900) in Dallas and 0.5 percent (400) in Fort Worth. Similarly, Texas job growth moderated to 1.3 percent (13,400) from a 12.3 percent increase in March. The DFW labor market began recovering in May 2020 from pandemic lows; through April, payrolls remained 2.9 percent below February 2020 levels.

The unemployment rate fell to 5.8 percent in Dallas and 6.1 percent in Fort Worth in April, with both remaining below Texas' jobless rate of 6.7 percent. Initial unemployment insurance claims in DFW edged up to 6,700 for the week ended May 15. Since peaking in early April 2020, claims have generally been on a downward trend outside of a post-winter-storm period in

February and March. They have largely stabilized but remain slightly elevated—double the levels in early 2020 (pre-COVID-19). The DFW business-cycle indexes—broad measures of economic activity—expanded in April, buoyed by recent job gains and unemployment rate declines. The indexes rose 7.5 percent in Dallas and 4.5 percent in Fort Worth in April following robust increases in March. April marked the 12th consecutive month of growth for both indexes, suggesting continued recovery in the DFW economy.

Recently released census data show that from July 2019 to July 2020, the metroplex grew by nearly 120,000 people—the largest numerical increase among metro areas in the U.S., followed by Phoenix and Houston. DFW's 1.6 percent gain was ahead of Texas' 1.3 percent increase last year. Net domestic migration accounted for 48 percent and international migration for 14 percent of DFW's population growth, meaning that approximately 205 people moved to DFW every day last year.

Though international migration slowed due to the ongoing pandemic, domestic migration strengthened from 2019. DFW is the fourth-largest metropolitan statistical area in the U.S., with a population of nearly 7.7 million in 2020. Since 2010, DFW has added 1.3 million residents.

Lease/User Transactions

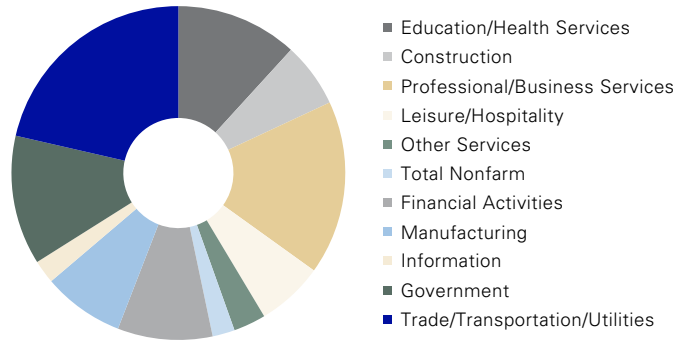
Tenant	Submarket	Building	Type	Square Feet
Carbon Aerospace	Outlying Ellis County	300 Austin Blvd	Direct	852,500
Henry Schein, Inc	NE Tarrant/Alliance	3701 Litsey Road	Direct	810,908
Comptree	Upper Great Southwest	1113 W Oakdale Road	Direct	576,123
Tri-State	Lower Great Southwest	3800 E Avenue E	Direct	492,500
Averitt Express	Upper Great Southwest	949 W Oakdale Road	Direct	401,557

Select Sale Transactions

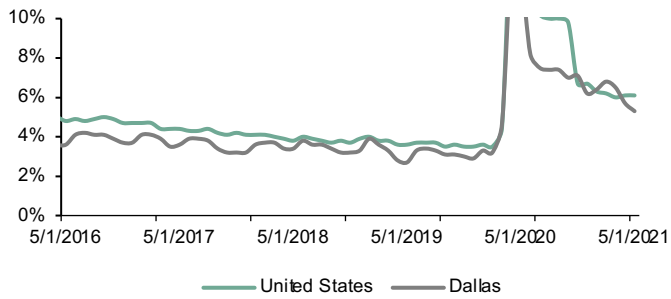
Buyer/Seller	Submarket	Building	Square Feet	Sale Price
MDC Coastal 16,LLC/Hunt Southwest Real Estate	Meacham Fld/Fossil Cr	1851 NE Loop 820	1,023,488	Undisclosed
Arlington Capital partners/Triumph Group	Outlying Ellis County	300 Austin Blvd	852,000	Undisclosed
Black Creek Group/Trinity Industries	Upper Great Southwest	1401 Valley View Lane	414,960	Undisclosed
Dogwood Industrial Properties/Allied Interiors, Inc.	West Brookhollow	119 Regal Row	230,710	Undisclosed

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	88,660,690	1,640,212	6.2%	449,261	4,424,776	\$8.64	\$5.57	\$8.05
East	52,944,496	4,415,960	8.8%	-1,744,451	-678,410	\$12.76	-	\$12.76
Great Southwest	121,367,339	2,309,193	3.7%	2,272,275	2,884,203	\$5.70	\$6.01	\$5.72
North Ft. Worth	120,443,978	9,231,020	10.9%	2,118,910	3,224,379	\$5.40	\$4.46	\$5.30
Northeast Dallas	124,745,625	2,088,128	6.9%	2,355,908	2,821,736	\$8.02	\$7.71	\$7.98
Northwest Dallas	119,004,546	2,742,288	4.8%	1,116,740	2,364,541	\$7.95	\$5.78	\$7.68
South Dallas	111,934,643	8,915,892	6.4%	1,505,381	3,442,974	\$4.44	\$14.50	\$5.24
South Ft. Worth	92,879,203	5,877,721	7.5%	580,331	657,544	\$5.99	\$6.25	\$5.99
South Stemmons	125,680,912	1,461,845	4.9%	663,374	1,349,958	\$9.29	\$10.97	\$9.39
DFW Market	960,692,345	37,240,720	6.5%	9,351,095	20,532,385	\$7.01	\$6.44	\$6.96

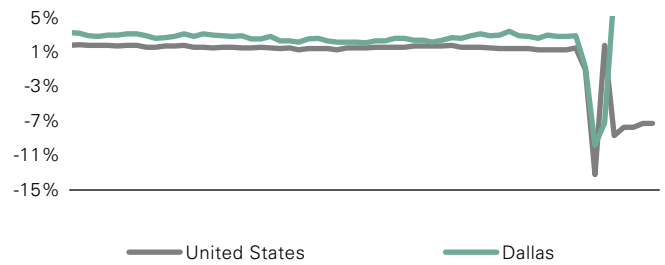
Employment By Industry



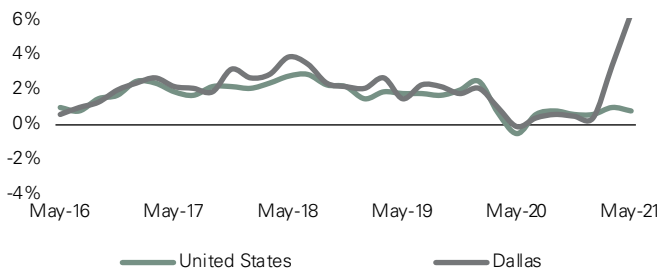
Unemployment Rate



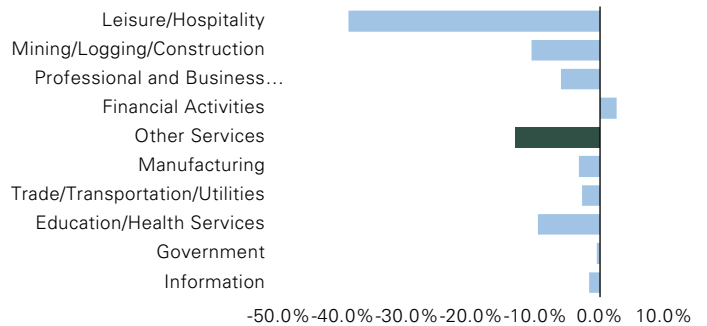
Payroll Unemployment



Customer Price Index (CPI)



Employment Growth By Industry



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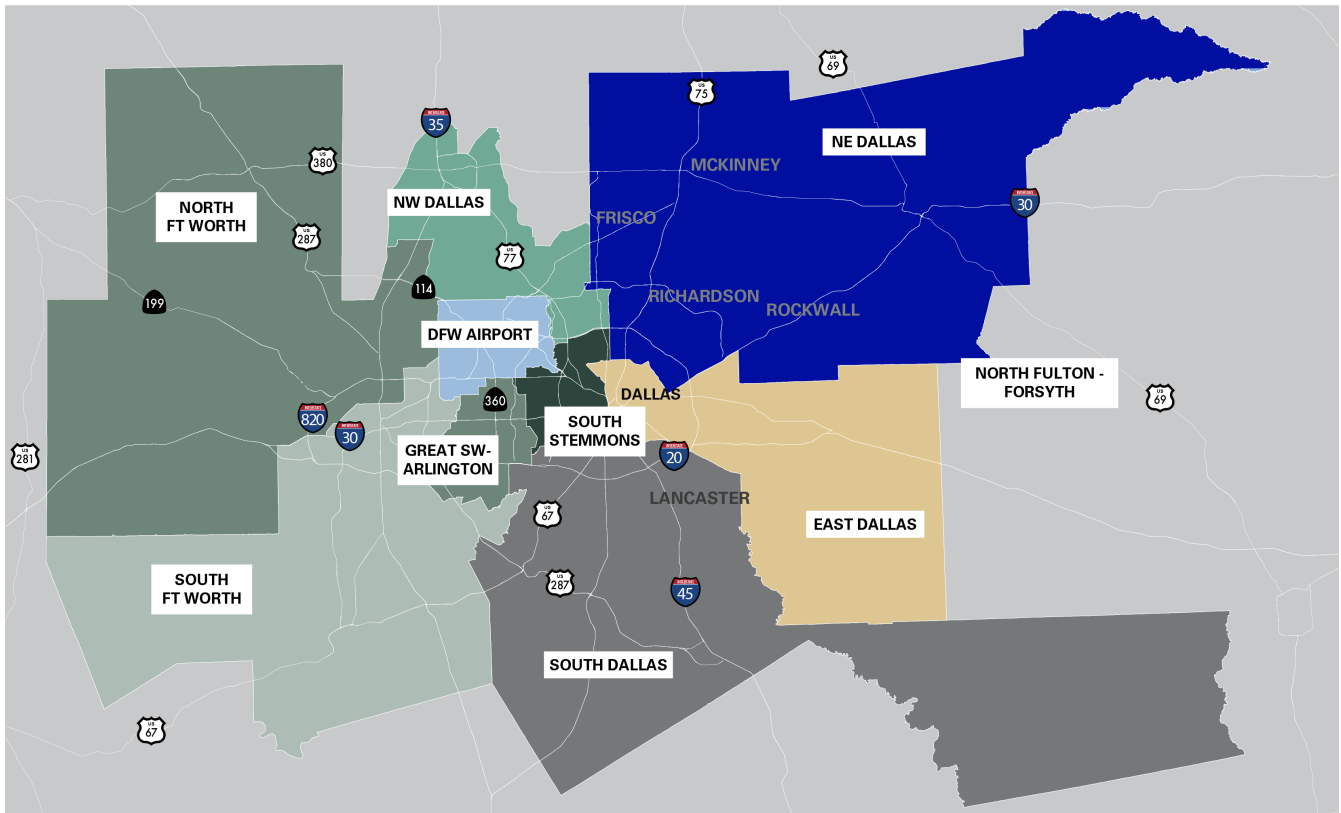
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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at ngkf.com/research.

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