



Dallas Industrial Market

A Balance of Supply and Demand in 2022

The Dallas-Fort Worth industrial market strengthened in the second quarter of 2022 as several fundamentals continued to reach new highs. Demand pushed absorption to 8.7 million square feet in the second quarter of 2022, a 133.0% increase from the prior quarter. Absorption is down 33.0% from where it was one year ago when the market was tracking its highest levels on record in 2021. Net absorption kept pace with completions in the second quarter of 2022, as 8.76 million square feet of space delivered across the market. The South Dallas submarket accounted for 25.0% of the market’s demand, with 2.1 million square feet of positive net absorption. Vacancy sits at 5.8% for the second straight quarter due to balanced supply and demand in the market. Overall rental rates climbed to \$7.38/SF in the second quarter of 2022, an increase of 6.1% year-over-year. Rental rates were steadily increasing prior to the pandemic but have grown 15.8% since the start of 2020.

The Dallas-Fort Worth industrial market is expected to carry this momentum through the end of 2022, as the market’s robust demand is unlikely to wane in the coming quarters. Deliveries could begin to be impacted by increasing construction costs and

Current Conditions

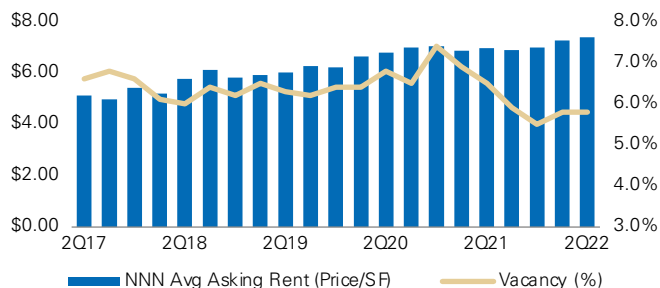
- The DFW market realized 8.7 million square feet of positive absorption in the second quarter of 2022.
- Vacancy sits at 5.8% for the second straight quarter.
- The construction pipeline contains over 66.0 million square feet of space, the highest in the nation.
- Industrial investment volume totaled \$1.79 billion in the second quarter of 2022.

Market Summary

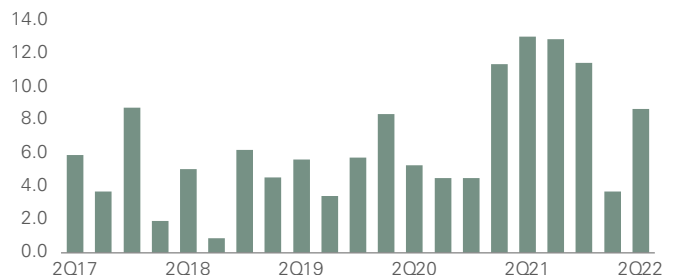
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	995.0M	986.3M	962.7M	↑
Vacancy Rate	5.8%	5.8%	6.4%	↑
Quarterly Net Absorption (SF)	8.7M	3.7M	13.0M	↑
Average Asking Rent/SF	\$7.38	\$7.28	\$6.95	↑
Under Construction (SF)	66.0M	58.1M	36.1M	↓

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (SF, MILLIONS)



RESEARCH Q2 2022

continuing labor shortages within the construction sector. Retailers remain focused on acquiring additional warehouse space due to the still bustling ecommerce sector, despite inflationary headwinds for consumers. The push to revive American manufacturing and establish a resilient supply chain has also contributed to demand and caught the eye of investors. Year-to-date, investment volume in the Dallas-Fort Worth industrial market totals \$4.01 billion, the highest in the nation and a record for first-half volume. In the second quarter of 2022, industrial investment volume totaled \$1.79 billion, including \$82.8 million in cross-border investment.

Leasing Activity

In the second quarter of 2022, leasing activity accelerated and totaled 18.7 million square feet, a 25.0% increase over the previous quarter. Just under 600 deals were transacted in the second quarter of 2022, with two deals that were larger than 1 million square feet, and five deals totaling 500,000 square feet or more. Leases within the 100,000- to 250,000-square-foot range accounted for roughly 22% of the quarter's overall leasing activity. Leasing in that segment totaled over 4 million square feet. Target had the quarter's largest lease transaction at 1.2 million square feet of distribution space at The Alliance Center East in the North Fort Worth submarket. The building delivers in July, and Target will be the sole occupant. In June, Pratt Industries, a corrugated packaging company, leased 1.1 million square feet at High Point 67 in the South Dallas submarket. Samsung Electronics Americas renewed its lease for 815,850 square feet at 400 Dividend Dr. within Point West Industrial Park. XPO Logistics also renewed its lease of 298,341 square feet at 2425 Esters Blvd., which it has occupied since 2013.

Development

Dallas-Fort Worth continues to lead the nation in industrial development with 66.0 million square feet of space under construction. Roughly 70% of the space under construction at the end of the second quarter of 2022 is speculative. That

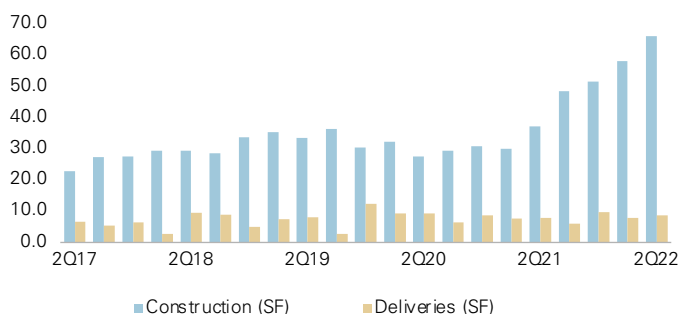
amount of space should be relatively easily absorbed, given the market's record low vacancy rate and elevated demand indicators. Completions totaled 8.7 million square feet in the first quarter of 2022 and were met with balanced demand. In the second quarter of 2022, construction starts in the DFW market totaled 18.0 million square feet and another 1.4 million square feet of space is planned through the end of 2022. The South Dallas submarket holds the bulk of development, with 27.5 million square feet of space currently under construction, most planned to deliver by year-end.

In the South Dallas submarket, 2500 E. Belt Line Rd. broke ground in June and is slated for delivery in September 2023. The 1.5 million square foot distribution building is being developed on a speculative basis. Phase I of Northlake 35 Logistics Park is underway in the North Fort Worth submarket. Four buildings, ranging in size from 172,000 square feet to 1.02 million square feet, are expected to deliver in the fourth quarter of 2022. The development plans to focus on leasing to ecommerce tenants.

A four-building speculative industrial park in Irving is slated to break ground early in the third quarter of 2022. The property, Royal 114, is being developed by Archway Properties and will total 429,027 square feet when finished in the first quarter of 2023. The development will include four rear-load industrial buildings, the largest being 155,050 square feet. In Mesquite, Stream Realty Partners broke ground on 20 East in June. The 3.4 million square foot is being developed in two phases, with Phase I delivering three warehouses totaling 1.8 million square feet and Phase II comprised of three buildings, either speculative or build-to-suit, totaling 1.6 million square feet. At AllianceTexas, 13.7 million square feet of industrial space, just under 20% of the market total, is underway. Alliance Center East 1, which will deliver early in the third quarter of 2022, will add 1.2 million square feet to the market and fully leased by Target in the second quarter of 2022.

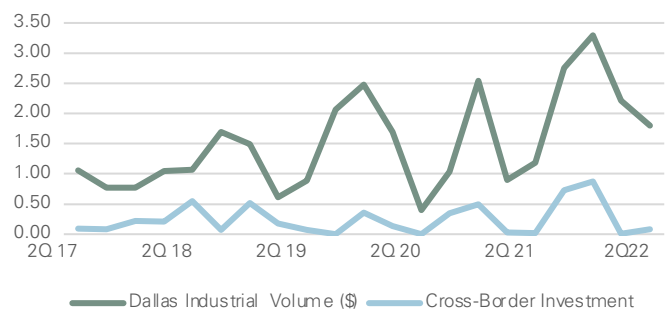
Construction and Deliveries

SQUARE FEET, MILLIONS



Industrial Investment Sales

SALES VOLUME (\$, BILLIONS)



Source: Real Capital Analytics

RESEARCH Q2 2022

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)
DFW Airport	91,025,512	4,071,478	2.1%	1,782,277	1,998,168	\$9.78	\$10.11	\$9.78
East	55,998,894	5,835,838	12.6%	-190,449	-111,097	\$6.42	\$4.85	\$6.41
Great Southwest	124,278,100	2,541,434	3.5%	810,977	572,370	\$7.38	\$8.11	\$7.42
North Ft. Worth	128,934,143	11,451,850	8.5%	1,517,629	3,957,964	\$5.61	\$5.33	\$5.59
Northeast Dallas	126,901,022	3,012,622	4.9%	445,910	886,496	\$9.09	\$7.72	\$8.90
Northwest Dallas	119,453,391	6,657,748	4.2%	592,722	700,189	\$8.69	\$9.04	\$8.71
South Dallas	120,110,934	27,576,763	6.2%	2,182,440	1,832,961	\$4.34	\$4.75	\$4.40
South Ft. Worth	101,542,033	2,818,602	9.5%	493,140	1,852,563	\$6.17	-	\$6.17
South Stemmons	126,796,457	2,074,121	3.7%	1,066,832	735,494	\$10.83	\$6.78	\$10.62
DFW Market	995,040,486	66,040,456	5.8%	8,701,478	12,425,108	\$7.42	\$6.74	\$7.38

Lease/User Transactions				
Tenant	Market	Building	Type	Square Feet
Target	North Fort Worth	Alliance Center East 1	Direct – New	1,200,000
Pratt Industries	South Dallas	High Point 67	Direct – New	1,008,140
Samsung Electronics Americas	DFW Airport	400 Dividend Dr.	Direct – Renewal	1,008,140
Novamax	East Dallas	951 S Town East Blvd.	Direct – New	457,076
XPO Logistics	DFW Airport	2425 Esters Blvd.	Direct – Renewal	298,341

Sales Transactions				
Buyer/Seller	Market	Building	Sales Price	\$/SF
Scout Capital Partners/ JP Morgan	North Fort Worth	Alliance Gateway 50 743 Henrietta Creek Rd.	\$113,250,000	\$127
Miramar Capital/ Hillwood	North Fort Worth	LG Electronics 4901 N. Beach St.	\$105,500,000	\$106
BDG Dallas LLC./ Champion Partners	South Dallas	Cleveland Rd Warehouse 4831 Cleveland Rd.	\$38,000,000	\$91
Northaven Denton Dr. Properties LLC/ 2657 Northaven-2017 LP	South Stemmons	2657 Northaven Rd.	\$17,750,000	\$146

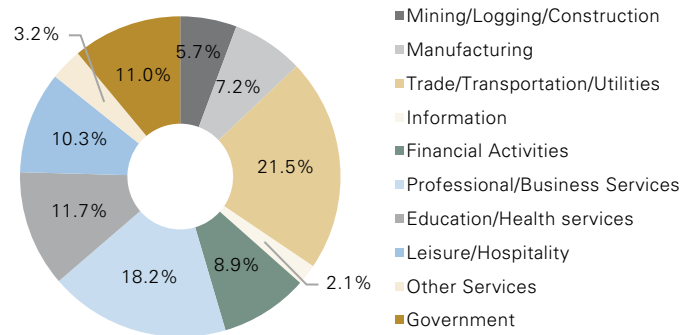
Economic Indicators

Job growth continued to drive economic expansion in the Dallas-Fort Worth Metroplex in April. In Dallas, employment grew 8.9%, while unemployment fell to 3.7%. Employment increased by 6.1% in Fort Worth, as unemployment dropped to 3.8% in April. Overall payrolls increased by 9.5% in April in the DFW Metro. The Dallas Business Cycle Index has now expanded for 23 consecutive months, with growth of 14.3% year-over-year in April. The Fort Worth Index also expanded but at a slower pace of 0.9% for the same period.

In the year period ending in May, consumer prices increased by 8.6% nationwide. Core inflation increased by 6.0% over the same period. In the Dallas-Fort Worth Metro, the Consumer Price Index was at 9.1% for May. All industries tracked by the BLS for the region showed 12-month gains in employment growth in May, with leisure and hospitality gaining the largest share at 17.0%. Professional and business services and financial activities had growth rates of 11.0% and 8.3% respectively.

Employment By Industry

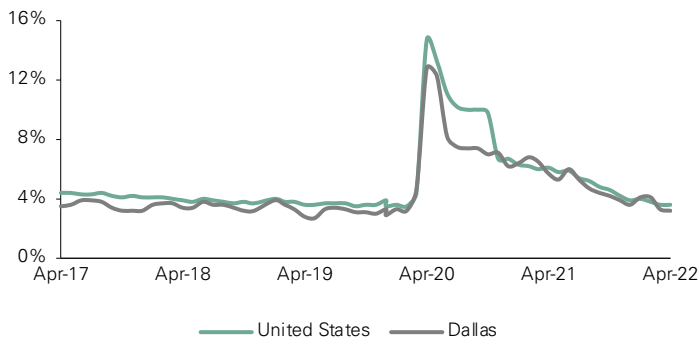
DALLAS, MAY 2022



Source: US Bureau of Labor Statistics, May 2022

Unemployment Rate

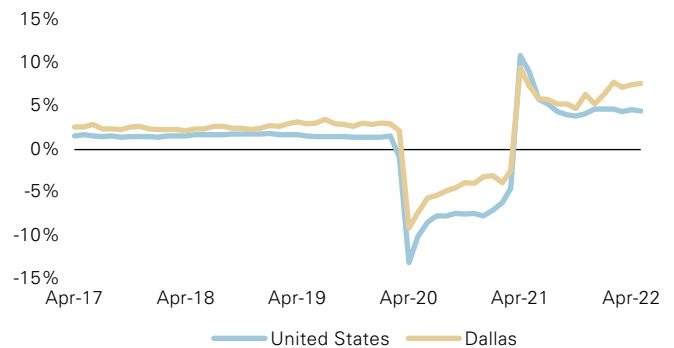
NON-SEASONALLY ADJUSTED



Source: US Bureau of Labor Statistics, April 2022

Payroll Employment

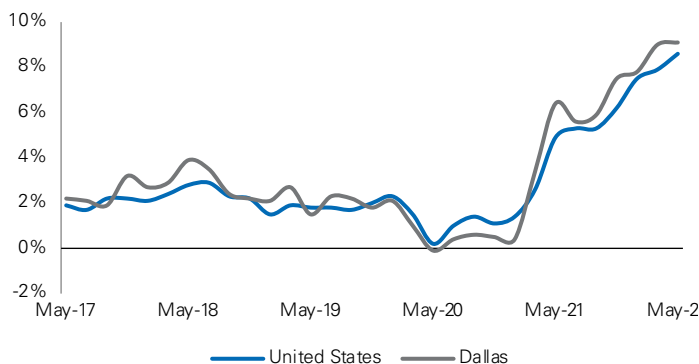
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: US Bureau of Labor Statistics, April 2022

Customer Price Index (CPI)

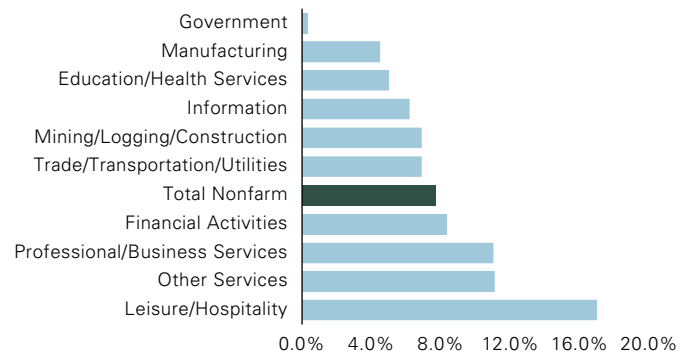
ALL ITEMS, 12-MONTH % CHANGE, NON-SEASONALLY ADJUSTED



Source: US Bureau of Labor Statistics, May 2022

Employment Growth By Industry

DALLAS-FORT WORTH, MAY 2022, 12-MONTH % CHANGE, NON-SEASONALLY ADJUSTED



Source: US Bureau of Labor Statistics, May 2022

For more information:

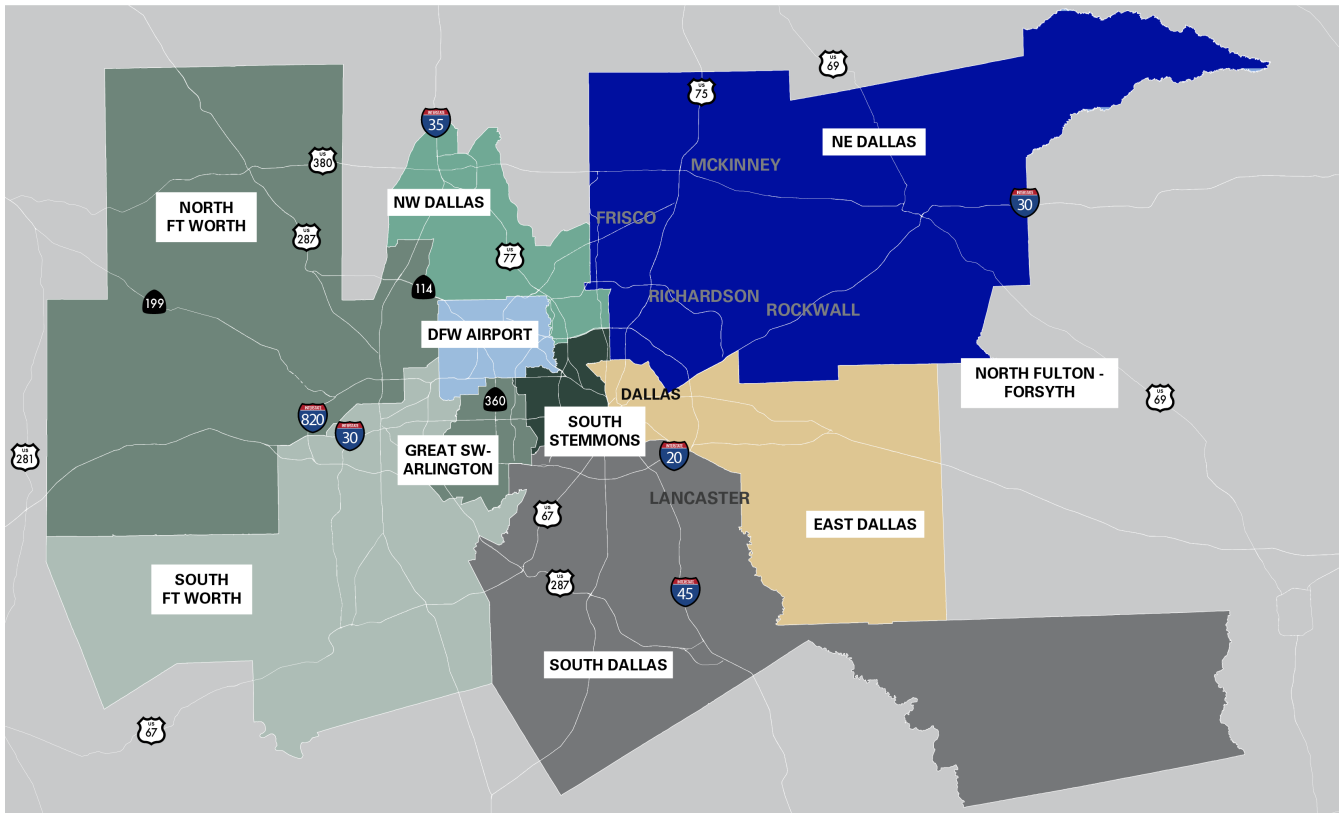
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