

Dallas Industrial Market

Elevated Demand Outpacing Supply as Deliveries Drop In Third Quarter

The Dallas-Fort Worth industrial market experienced a strong third quarter of 2021 as demand stayed elevated and vacancy dropped to a near-historic low. Absorption dropped to 9.8 million square feet but still exceeds the levels seen in the last year and even pre-pandemic. The North Fort Worth submarket accounted for the lion's share of demand with 3.0 million square feet of positive net absorption, roughly 31% of the market total. Overall vacancy was at 5.9%, dropping 120 basis points year-over-year. Rental rates remained flat with a mere four-basis-point drop to \$6.88/SF on a quarter-over-quarter basis.

A continued demand for online retail deliveries and third-party logistics are the driving factors of the DFW market's increased need for industrial space. As companies shore up their supply chains, just-in-time distribution is expected to phase out, ushering in increased demand for distribution space. The metrics overall for the third quarter illustrate an ultra-competitive Dallas-Fort Worth industrial market that is not expected to slow down in 2022.

Current Conditions

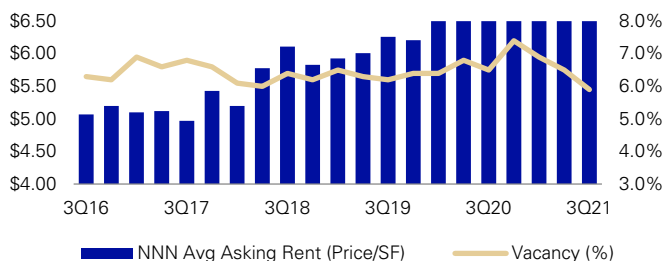
- Absorption dropped to 9.8 million square feet but remains elevated
- Vacancy fell to 5.9%, a near-historic low
- E-commerce and third-party logistics are main market drivers
- Increased need for space is driving development as 49.7 MSF is underway, and 33.4 MSF planned to deliver in 2022

Market Summary

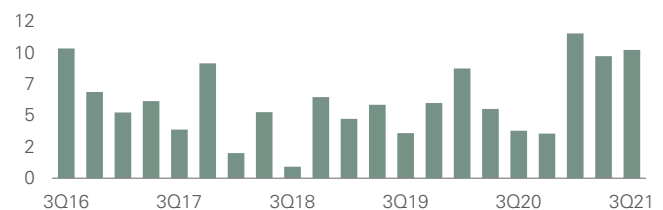
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	964.8M	960.6M	936.9M	↑
Vacancy Rate	5.9%	6.5%	7.1%	↓
Quarterly Net Absorption (SF)	9.8M	12.6M	4.5M	↓
Average Asking Rent/SF	\$6.96	\$6.96	\$6.94	↑
Under Construction (SF)	49.7M	37.2M	29.1M	↓

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (SF, MILLIONS)



Leasing Activity

In the third quarter, leasing activity remained elevated but did see a drop to 19.2 million square feet. The DFW industrial market continues to see activity above that of the pandemic, with 671 deals done during the quarter. Early in the quarter, FedEx was reported have leased 186,577 square feet at Carter Distribution Center in the South Fort Worth submarket. The company previously signed a deal for 776,630 square feet at 3800 Cedardale Road in South Dallas in 2020. In highlighting the need from the ecommerce sector, Gopuff, a consumer goods and food delivery company, leased 7,380 square feet at 6955 Greenville Avenue in Dallas, making it the company’s 17th micro-fulfillment center in the DFW Metro.

Phase I of Northlake 35 Logistics Park is currently 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 fourth-quarter 2022. The development plans to focus on leasing to ecommerce tenants.

Huntington Industrial Partners is expected to break ground on a 122,700-square-foot warehouse in early 2022. The distribution facility is located at 5651 Mark IV Parkway in North Fort Worth and is set to complete in November 2022.

Development

As is the story nationwide, demand for industrial space is outpacing supply in the Dallas-Fort Worth market. The push for increased industrial development is expected to persist through 2022. In the DFW market, 4.5 million square feet of industrial space was delivered in the third quarter, with 49.7 million square feet currently under construction. Additionally, 33.4 million square feet of space is planned through 2022. The North Fort Worth submarket holds the bulk of the proposed development, with over 6.5 million square feet of space planned, including 2.0 million square feet at the Intermodal Logistics Center and 2.1 million square feet at Eagle 35.

Lease/User Transactions				
Tenant	Submarket	Building	Type	Square Feet
Woods Distributions Solutions	North Fort Worth	Synergy Crossing Bldg 400	Direct	707,940
Total Office Solutions	South Stemmons	Stadium Logistics Center	Direct	329,358
FedEx	South Fort Worth	Carter Distribution Center	Direct	186,577
DCI Hollow Metal	South Fort Worth	Everman Trade Center	Direct	43,000
Gopuff	South Dallas	6955 Greenville Ave	Direct	7,380

Select Sale Transactions				
Buyer/Seller	Submarket	Building	Square Feet	Sale Price
CanTex Capital/ SSMC Real Estate LLC	Northeast Dallas	1714 14 th St NW	143,771	Undisclosed
James Campbell Company/Scannell Properties	Northwest Dallas	900 & 920 S. Western Blvd	525,000	Undisclosed
CoreOne Industrial/ Coca-Cola	Upper Great Southwest	3405 Roy Orr Blvd	184,284	\$18,400,000
ABC Supply/DSC Land CO 1 LLC	North Dallas	1084 West Jackson Rd	51,568	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	4,738,142	19.2%	-143,778	2,378,696	\$9.80	\$5.50	\$9.54
Great Southwest	122,619,779	1,943,897	6.0%	799,794	3,685,147	\$5.75	\$5.31	\$5.70
North Ft. Worth	123,606,701	7,731,287	12.6%	3,043,580	6,674,275	\$5.38	\$3.70	\$5.31
Northeast Dallas	124,745,625	2,088,128	6.9%	2,355,908	2,821,736	\$8.02	\$7.71	\$7.98
Northwest Dallas	119,142,876	5,425,277	8.3%	807,648	3,183,314	\$8.09	\$5.35	\$7.77
South Dallas	112,629,142	15,374,146	12.3%	2,460,004	5,954,109	\$4.19	\$14.50	\$4.72
South Ft. Worth	93,544,200	8,388,190	10.7%	222,877	889,219	\$5.87	\$6.25	\$5.88
South Stemmons	126,097,372	1,193,917	5.2%	752,359	2,089,497	\$9.36	\$5.39	\$9.22
DFW Market	964,858,729	49,722,898	9.5%	9,826,022	33,607,175	\$6.92	\$6.40	\$6.88

Asking Rent by Submarket

ASKING RENT	3Q2021	3Q2020	
Northeast Dallas	\$8.98/SF	\$7.22/SF	↑
Northwest Dallas	\$7.77/SF	\$7.86/SF	↑
South Stemmons	\$9.22/SF	\$8.26/SF	↑
South Ft. Worth	\$5.88/SF	\$6.20/SF	↓
DFW Airport	\$8.08/SF	\$7.18SF	↑

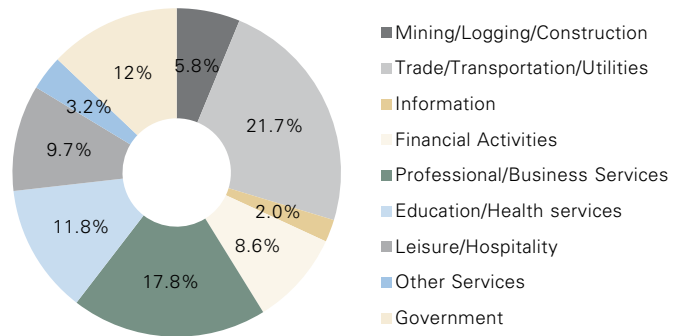
Vacancy By Submarket

VACANCY RATE %	3Q2021	3Q2020	
North Ft. Worth	10.9%	7.9%	↑
Northwest Dallas	4.2%	5.5%	↓
South Stemmons	4.7%	5.6%	↓
South Ft. Worth	7.5%	5.7%	↓
DFW Airport	4.9%	7.8%	↓

Economic Indicators

The Dallas-Fort Worth Business-Cycle Index remains in a recovery stage but is well-poised to move toward expansion in coming quarters due to population and employment growth. The DFW Metro has been able to recoup 4/5 of its pre-COVID employment levels at an above-average pace, compared with the national recovery rate. The professional and financial services industry has fully recovered, while the leisure and hospitality industry is still struggling to rebound to pre-COVID-19 levels, according to Moody's Analytics. Strong in-migration, a strong housing market and a large, highly-educated talent pool has helped drive the DFW economy as it recovers.

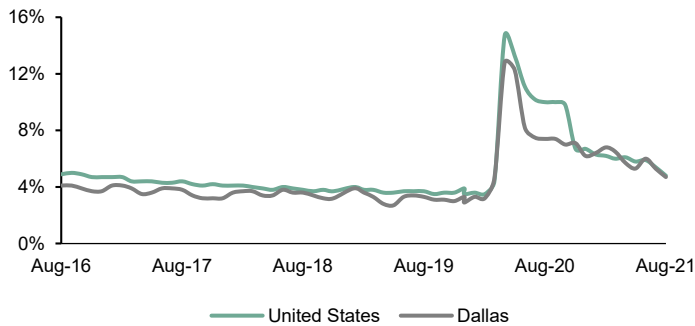
Employment By Industry



Source: US Bureau of Labor Statistics, October 2021

Unemployment Rate

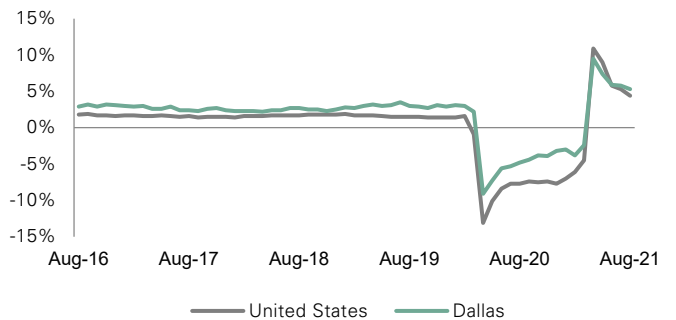
NON-SEASONALLY ADJUSTED



Source: US Bureau of Labor Statistics, October 2021

Payroll Unemployment

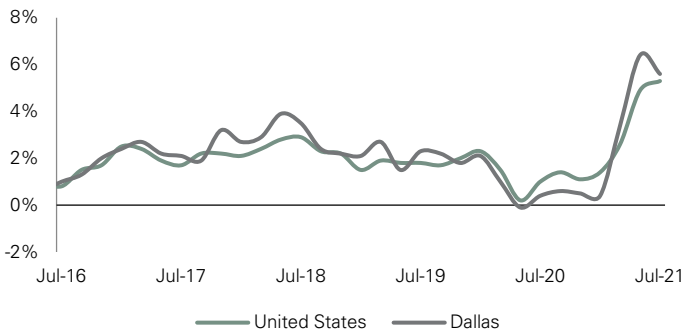
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: US Bureau of Labor Statistics, October 2021

Customer Price Index (CPI)

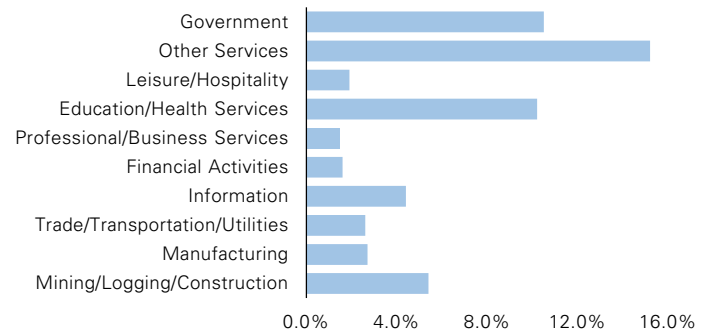
ALL ITEMS, 12-MONTH % CHANGE, NON-SEASONALLY ADJUSTED



Source: US Bureau of Labor Statistics, October 2021

Employment Growth By Industry

DALLAS-FORT WORTH, SEPTEMBER 2021, 12-MONTH % CHANGE, NON-SEASONALLY ADJUSTED



Source: US Bureau of Labor Statistics, October 2021

