

3Q23

Dallas-Fort Worth Industrial Market Overview

An aerial photograph of an industrial facility, likely a refinery or chemical plant. The image shows several large, rectangular storage tanks or processing units arranged in a grid-like pattern. The tanks are light-colored, possibly white or light blue, and have a series of dark, horizontal slats or louvers on their sides. The perspective is from a high angle, looking down at the facility, which creates a strong sense of scale and repetition in the industrial structures.

NEWMARK

Market Observations

Economy

- The market's unemployment rate ticked up by 43 basis points year over year to 3.8% but remained well below the five-year average of 4.5%.
- Although job growth pace has slowed compared with recent highs to 3.8% year over year, employment growth continues to significantly outpace pre-pandemic levels, with 2019 growth averaging only 2.8%.
- All sectors reported employment growth, with other services leading job gains at 12.6% over the past 12 months.
- Industrial-using jobs in the market continued to reflect yearly growth, with trade/transportation/utilities jobs and manufacturing jobs growing by 1.9% and 3.5% year over year, respectively.

Major Transactions

- The bulk of the largest leases signed were new leases, indicating there is still a healthy appetite for space in the market.
- Most of the largest deals signed are north or south of the metroplex within assets built over the last 10 years.
- As of the end of the third quarter of 2023, 26.6% of under construction assets are preleased.

Leasing Market Fundamentals

- The market realized 6.6 MSF of positive absorption in the third quarter of 2023, bringing year-to-date totals to 25.1 MSF.
- Overall rental rates grew 13.9% year over year to \$8.99/SF, reaching a new historical high.
- Construction pipeline recorded the third consecutive double-digit delivery quarter at 16.3 MSF, with another 50.8 MSF under construction.
- Following yearly supply outpacing demand for the third consecutive quarter, as of the end of the third quarter of 2023, vacancy increased by 230 basis points year over year to 7.9%.

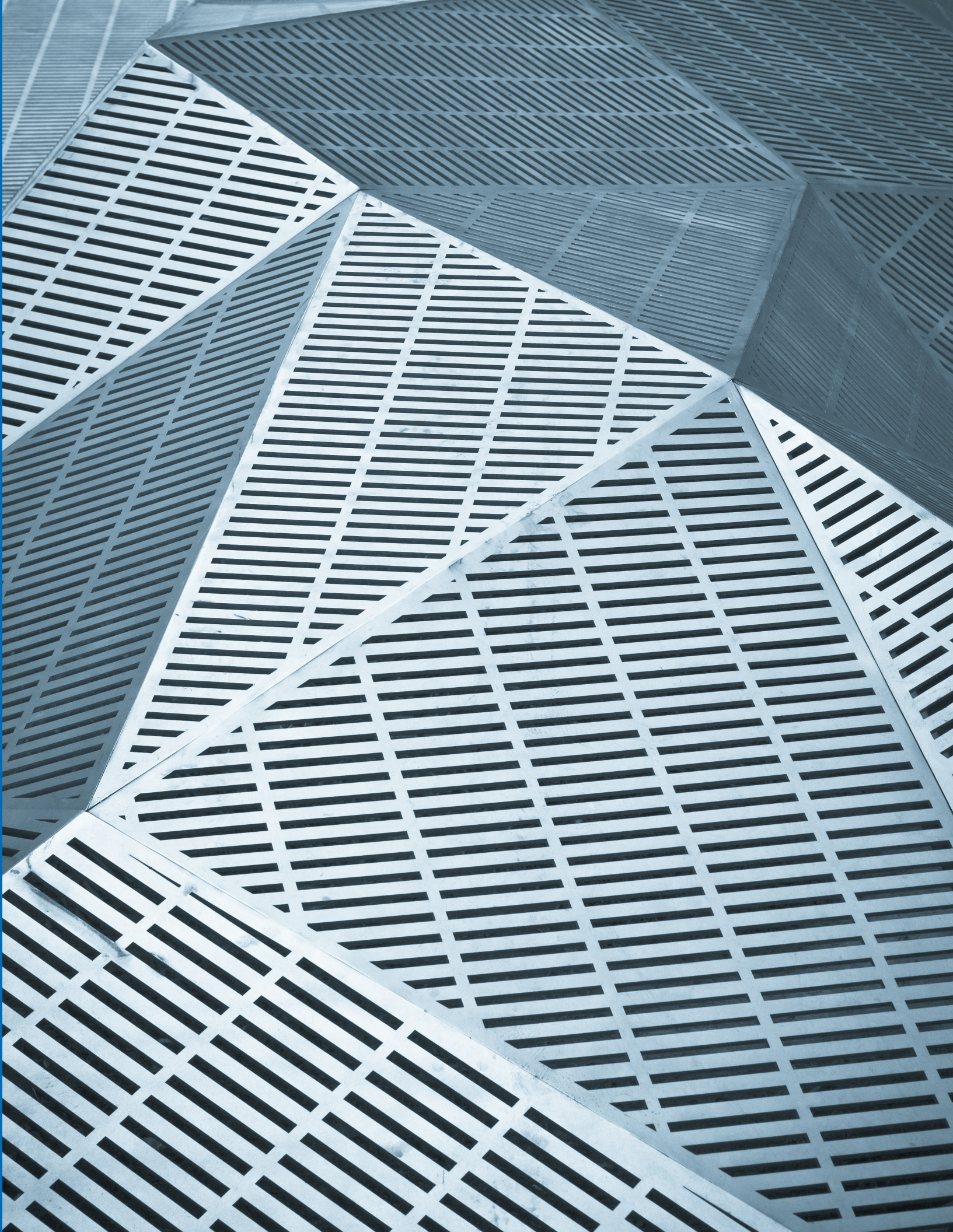
Outlook

- The Dallas-Fort Worth industrial market will likely see an influx of supply on the market in the near term, due to 5.1% of the current market's inventory being under construction. The new deliveries will result in outpacing demand in the near term.
- Vacancy rates are expected to increase in the near term as supply is expected to outpace occupancies.
- Asking rents will likely continue to increase, due to elevated inflation and a large pipeline of quality new product commanding higher pricing coming online.

1. Economy
2. Leasing Market Fundamentals

3Q23

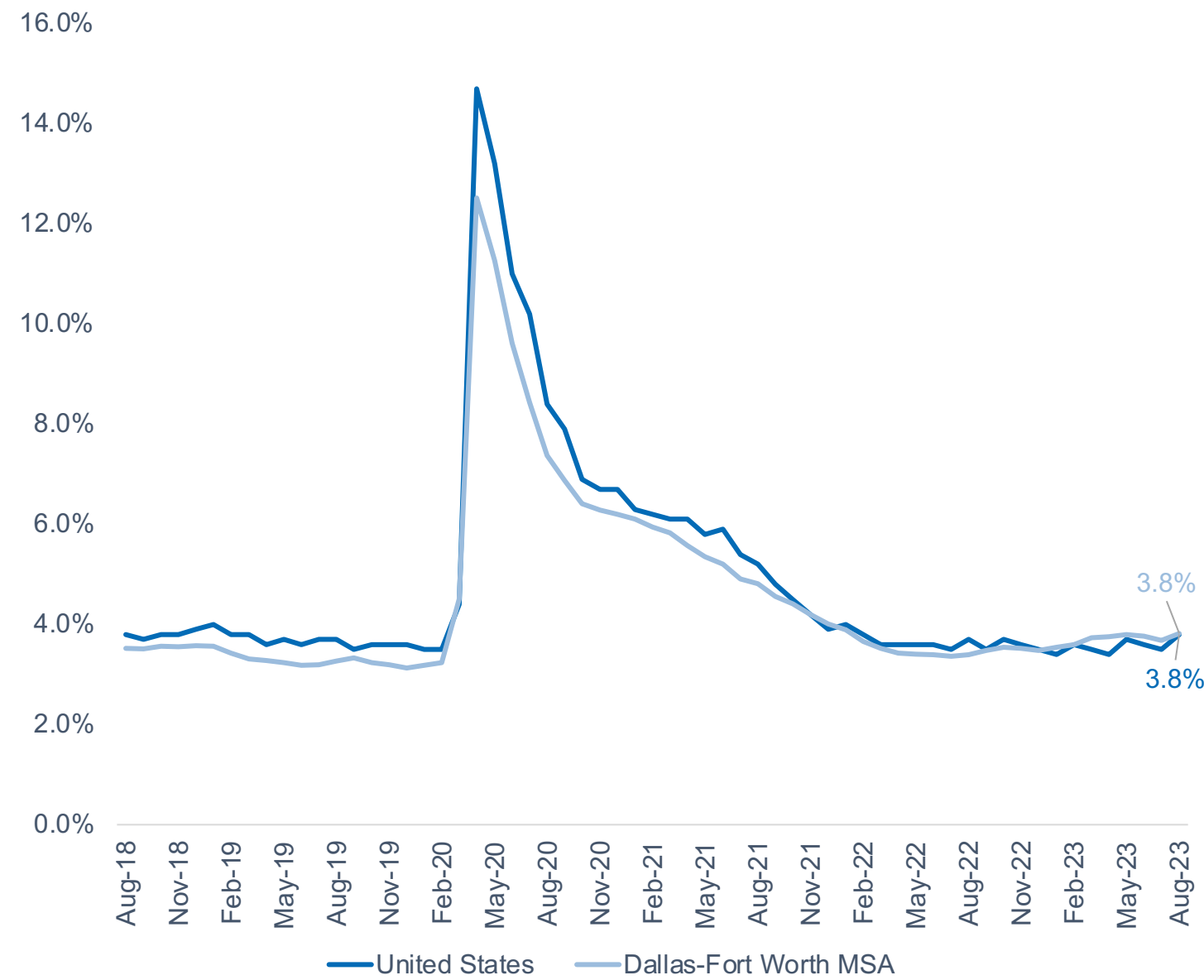
Economy



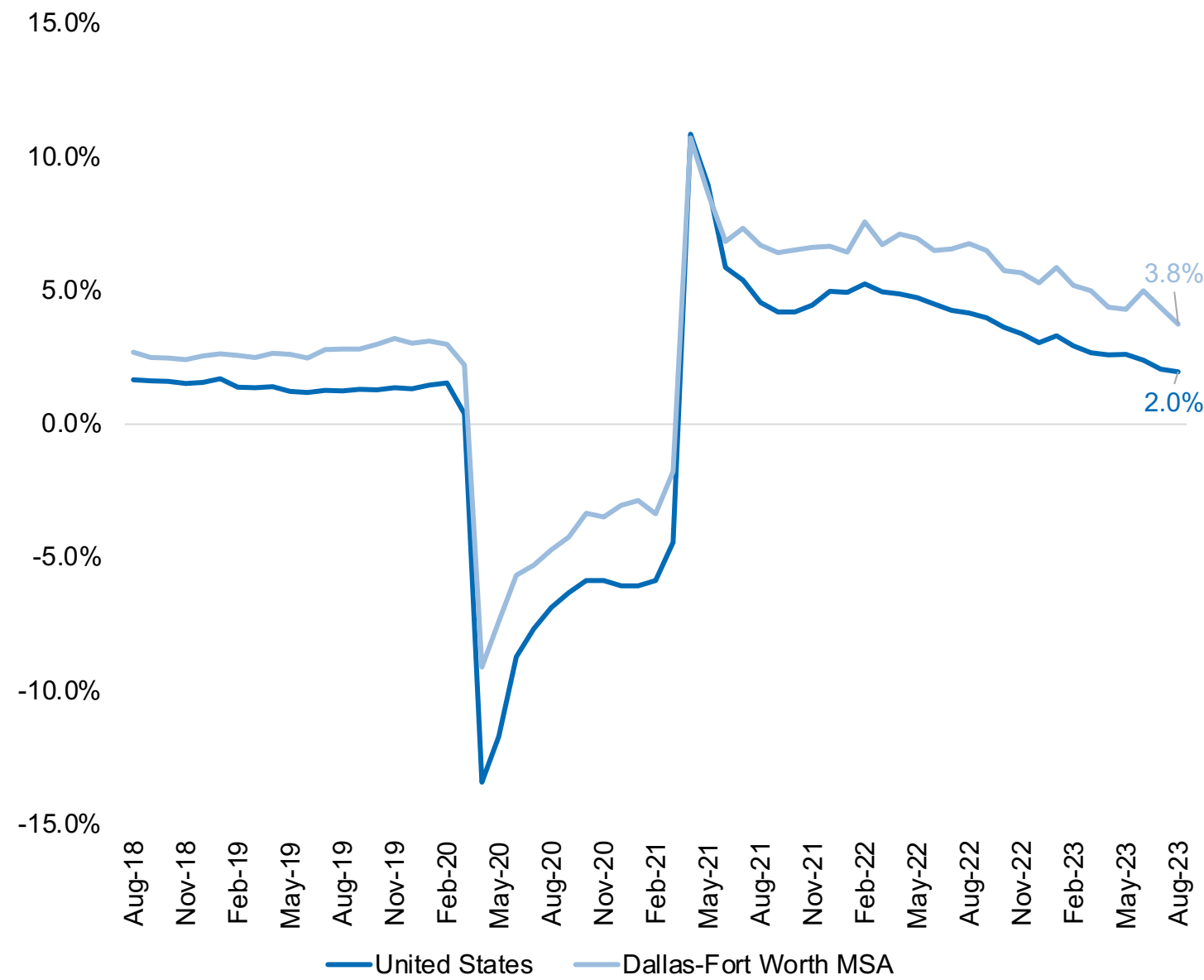
Metro Employment Trends Signal a Slowing Economy

The Dallas-Fort Worth market has generally reported lower unemployment rates compared with the national average, while being an outperformer in employment growth. Recent national economic headwinds have pushed the region's unemployment rate to increase by 43 basis points year over year to match the national rate, while the employment year-over-year growth rate slowed by 301 basis points compared with the previous year.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

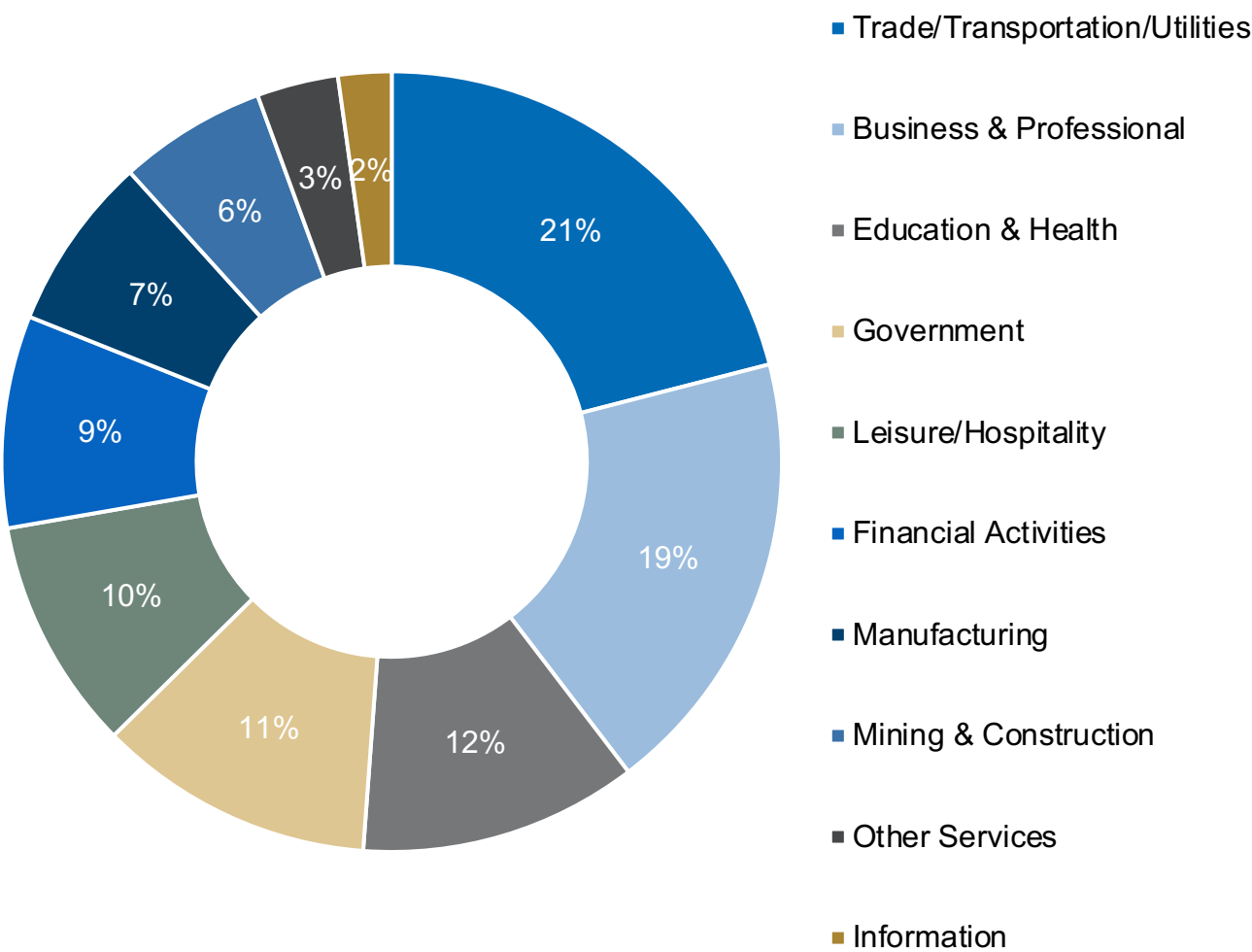


Source: U.S. Bureau of Labor Statistics, Dallas-Fort Worth MSA

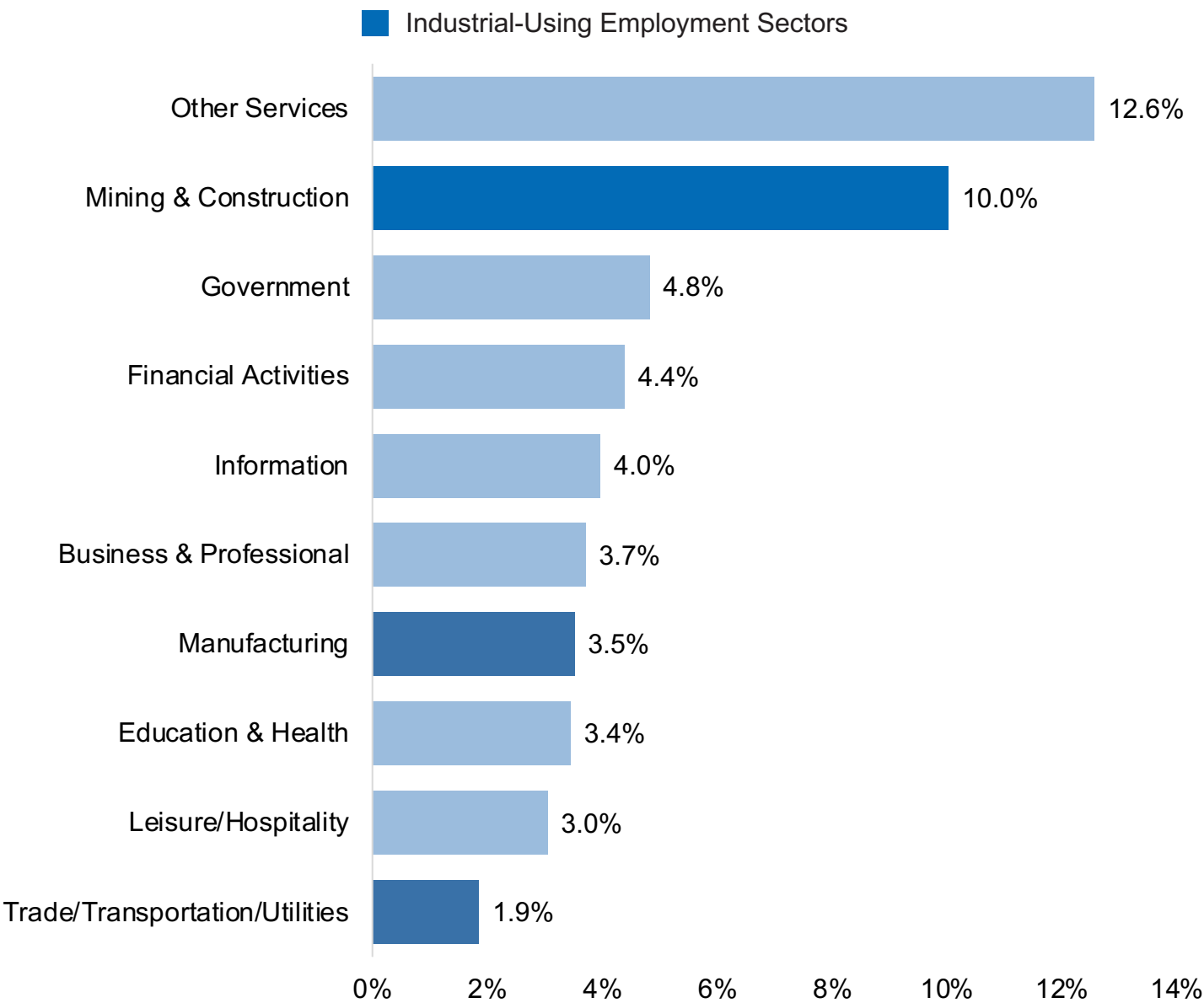
Employment Growth Continues Across All Sectors

The Dallas-Fort Worth market has a high industry diversity with the top two industries, accounting for only 39.6% of the market's industry employment share. The industrial-using employment's trade/transportation/utilities sector is the largest industry sector in the metroplex at 21.0%. All industries in the metroplex reported growth, with industrial-using industries reporting year-over-year growth ranging from 1.9% to 10.0%.

Employment by Industry, August 2023



Employment Growth by Industry, 12-Month % Change, August 2023

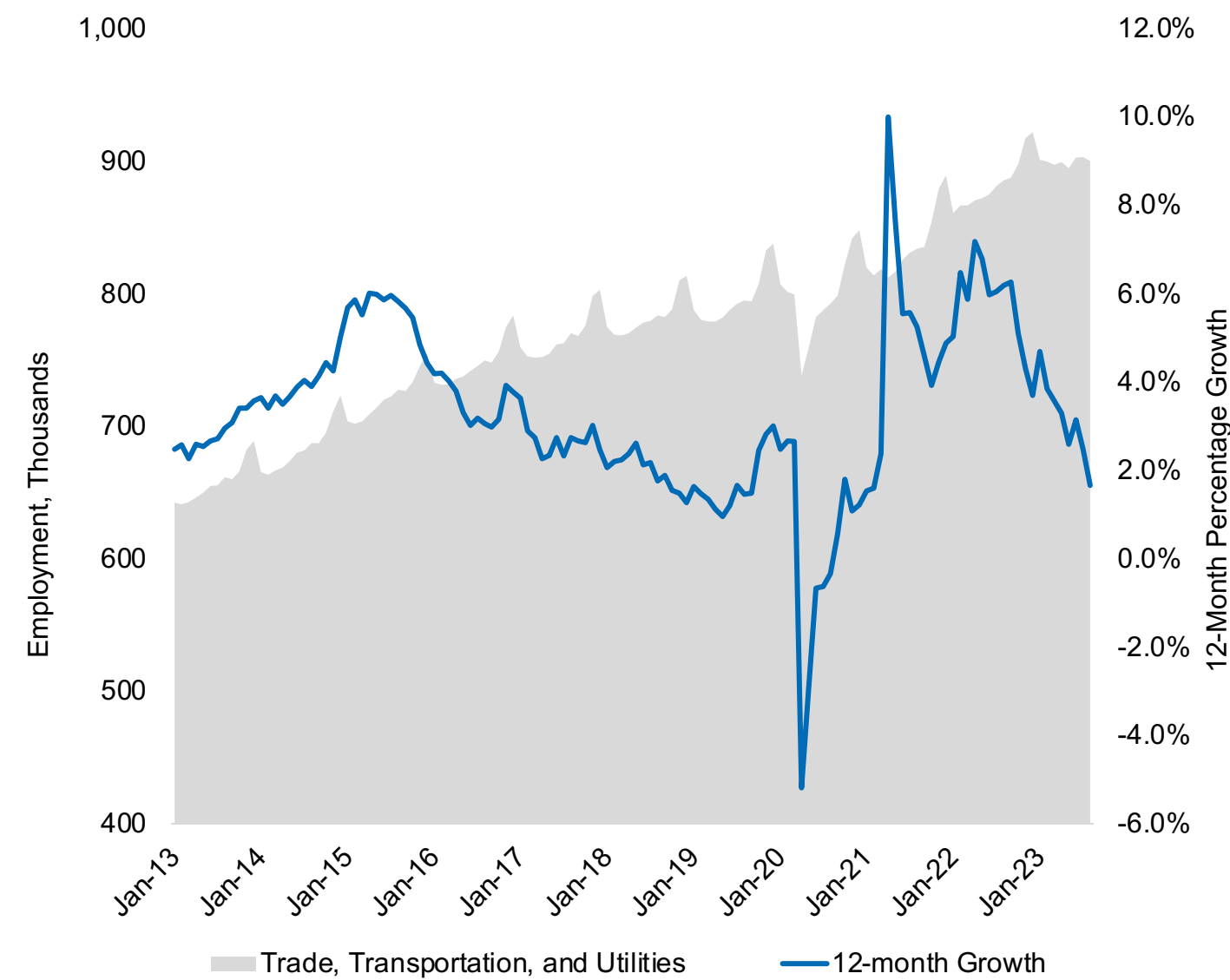


Source: U.S. Bureau of Labor Statistics, Dallas-Fort Worth MSA

Industrial Employment Growth Pace Slows

Trade/transportation/utilities employment have declined since the peak in December 2022. Manufacturing employment has continued to remain above the 300,000-employees mark since mid-2022. Industrial-using employment continues to show yearly growth, albeit at a slower pace than before, reflecting a slowing economy.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



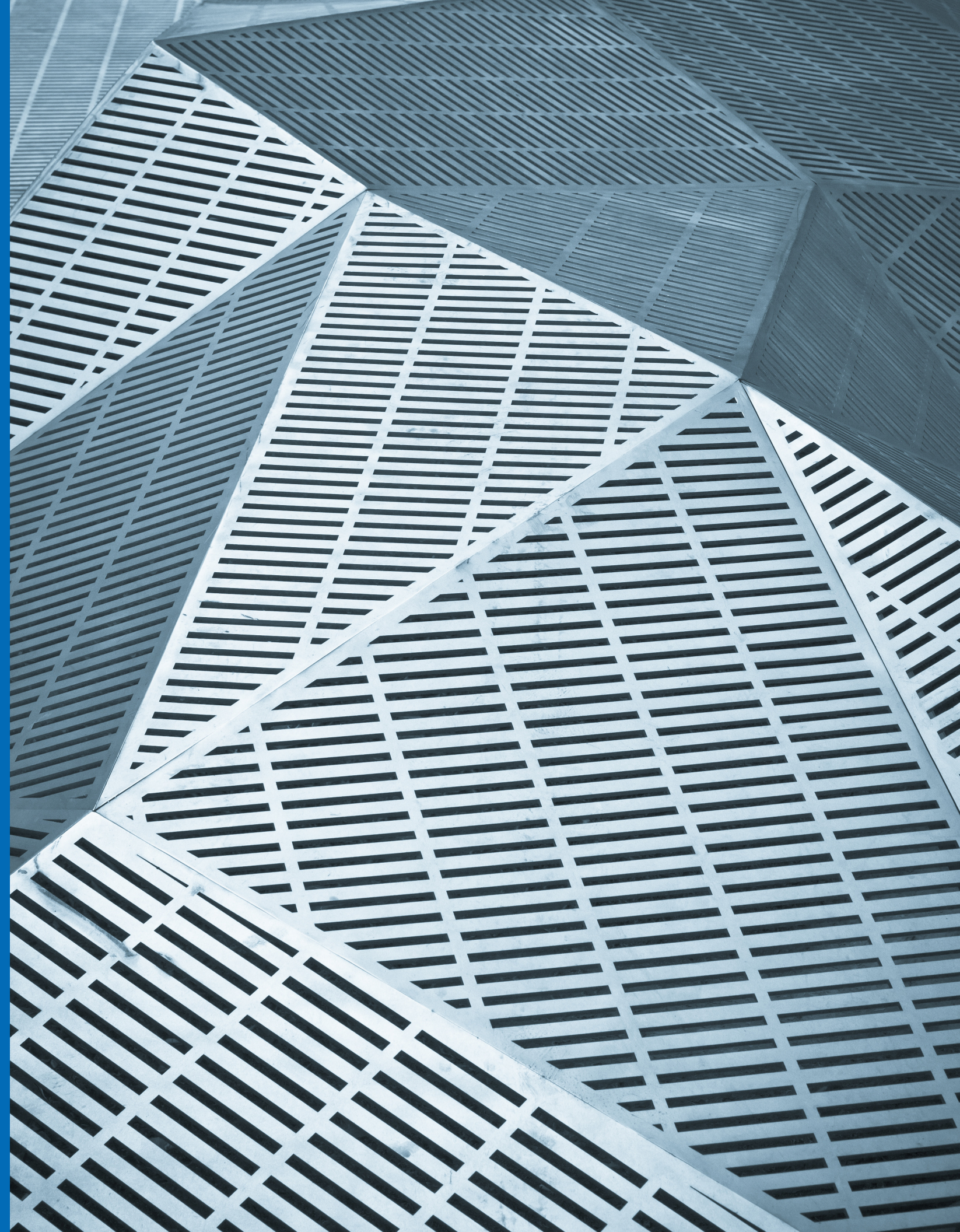
Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Dallas-Fort Worth MSA

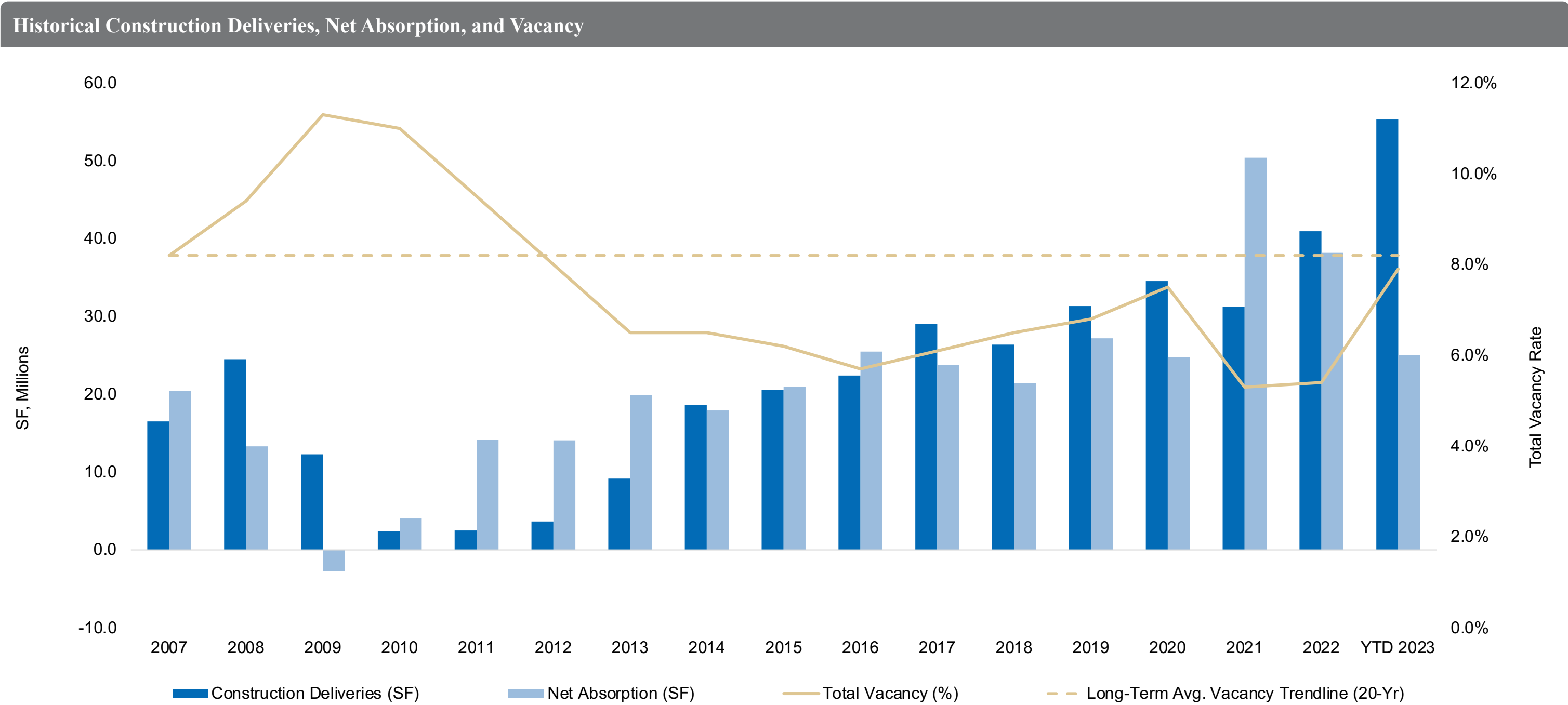
3Q23

Leasing Market Fundamentals



Year-to-Date Deliveries Surge, Achieving New Yearly Record High

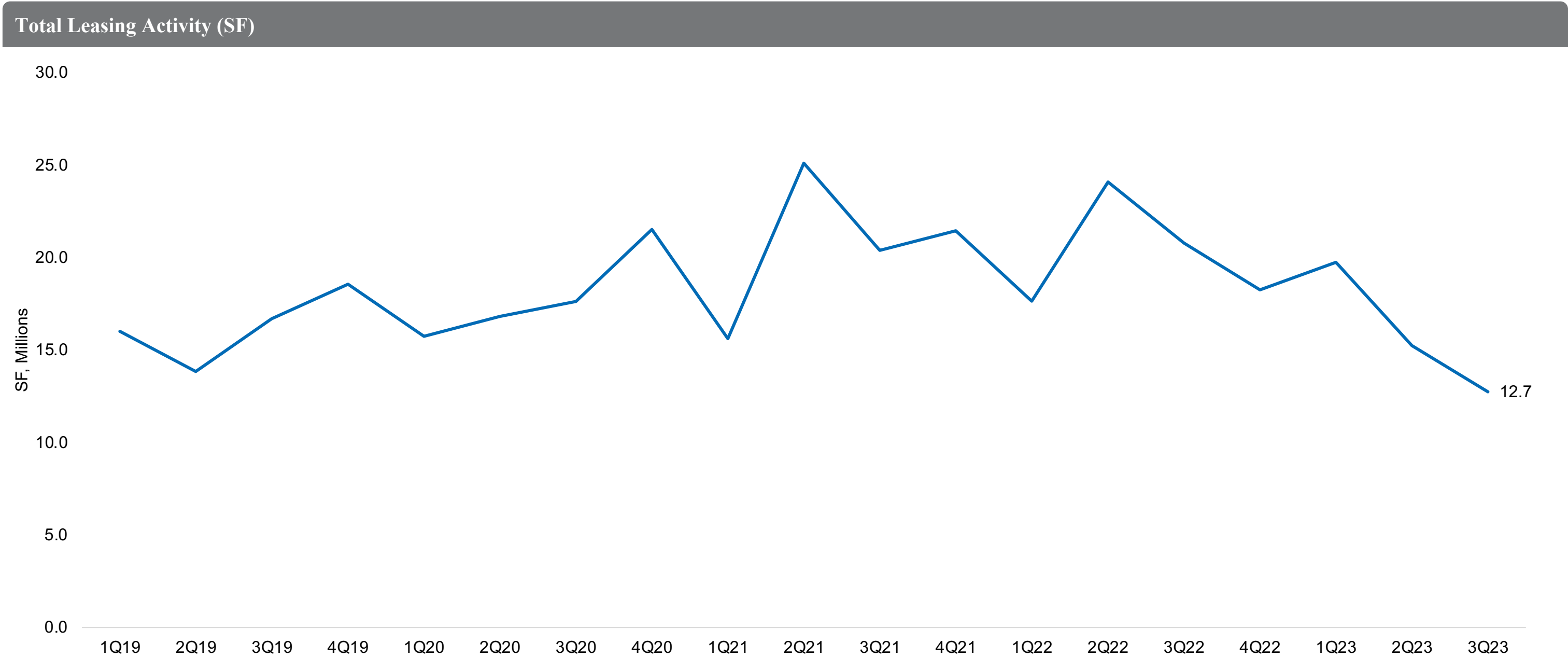
The Dallas-Fort Worth industrial vacancy rate increased by 230 basis points year over year to 7.9% in the third quarter of 2023, with supply continuing to outstrip demand since 2022. Deliveries continue to remain strong in the market, with new supply year-to-date 2023 already outpacing all yearly new construction volumes reported historically. Despite national economic headwinds, demand continues to remain positive for industrial space in the Dallas-Fort Worth market.



Source: Newmark Research, CoStar

Industrial Leasing Activity Decelerates to Pre-Pandemic Levels

In the third quarter of 2023, leasing activity decelerated from historical highs reported post pandemic, ending the quarter at 12.7 MSF. Despite slowing leasing activity, likely resulting from national economic headwinds, demand continues to remain positive in the market.

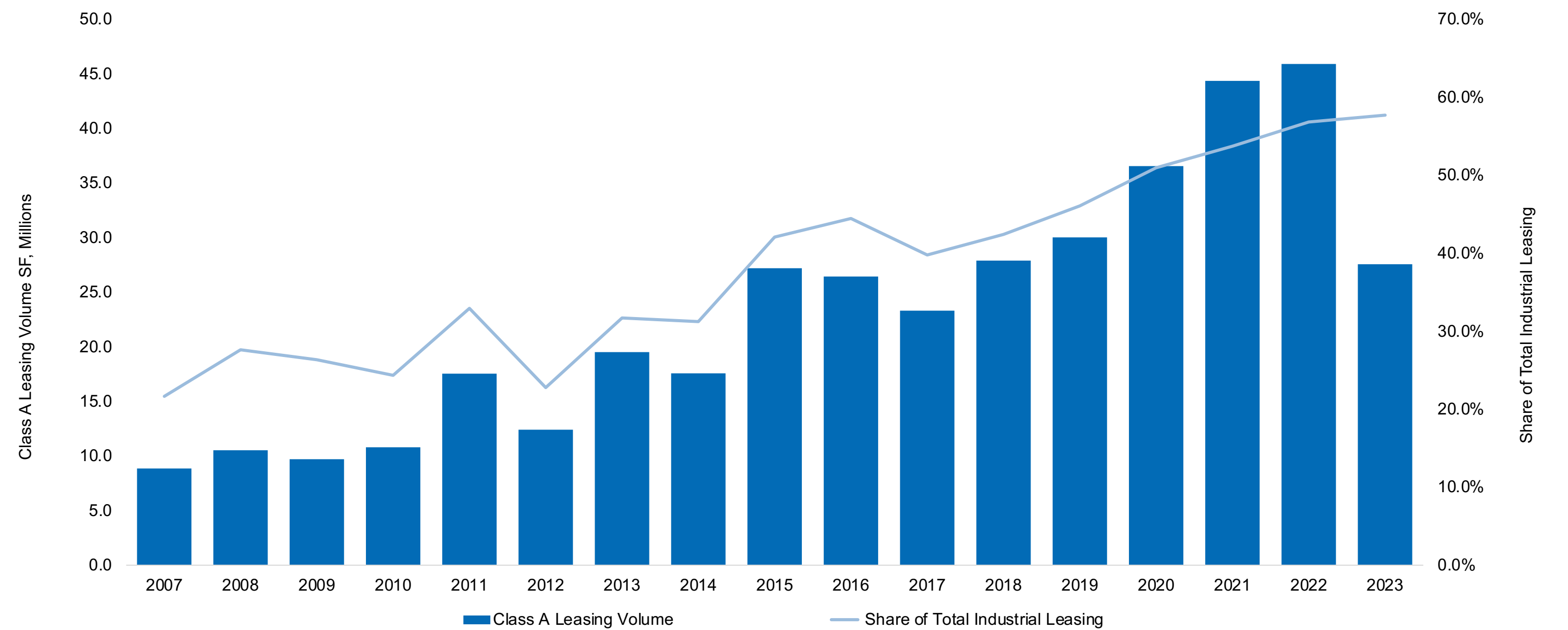


Source: Newmark Research, CoStar

Class A Warehouse Leasing Above Long-Term Average

Class A warehouse space leasing activity has decreased from historic highs following the pandemic. This is also due to an influx of high-quality deliveries that have hit the market during this same time period, with Class A warehouse deliveries already setting a new historical yearly high year-to-date 2023. Class A warehouse leasing represented 57.7% of overall activity so far in 2023, up from 56.9% from the previous year and well above the pre-pandemic average at 33.4% from 2007 to 2019.

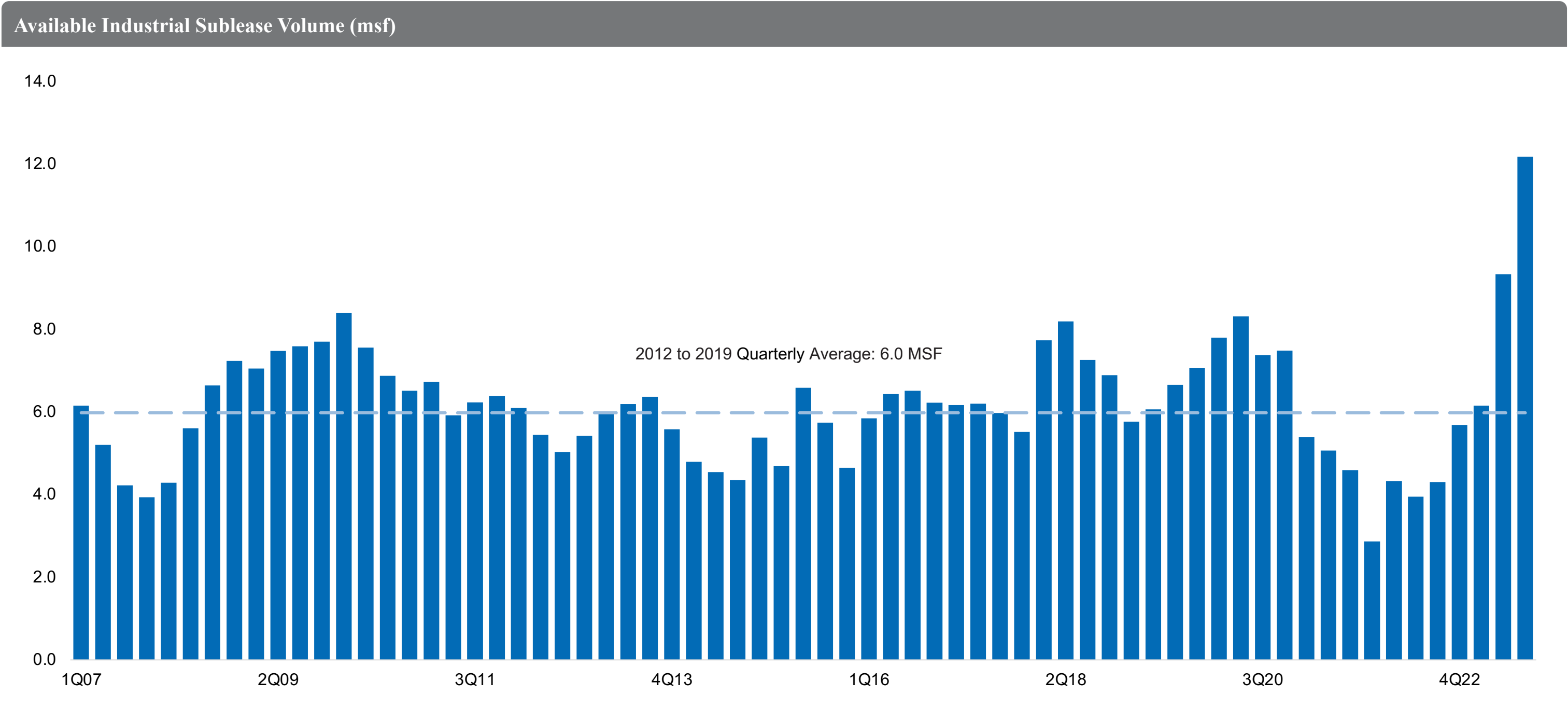
Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume



Source: Newmark Research, CoStar

Industrial Sublease Availability Spikes, Reaching New Historical High

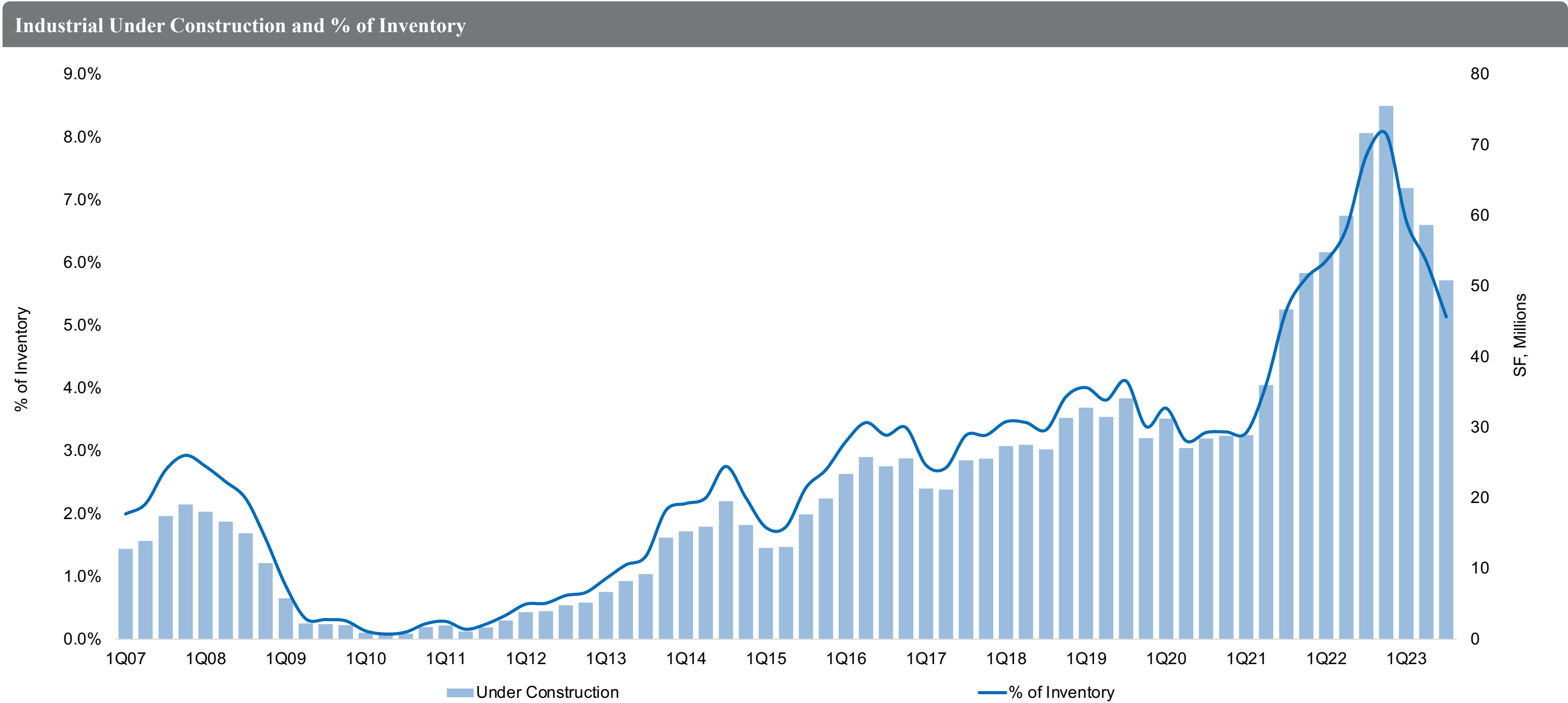
Sublease volume has continued increasing in the market since the second quarter of 2022. Currently, as of the end of the third quarter of 2023, available sublease space reached a new historical high at 12.2 MSF. The rate at which subleases were added to the market has accelerated since the second half of 2022. Rising interest rates, an inflationary environment and declining consumer demand are driving some firms to control costs via supply chain optimization and consolidation, which includes putting excess or underutilized space up for sublease.



Source: Newmark Research, CoStar

Industrial Supply Pipeline Continues Declining from Historic Highs

The construction pipeline trended downward for the third consecutive quarter after reaching a historic high of 75.5 MSF in the fourth quarter of 2022. Many developers are pausing new development amid slowing leasing activity and a challenging financing environment for new construction. The construction pipeline will continue to decelerate throughout 2023, creating a possibility for potential supply constraints as economic conditions improve in 2024 and 2025.

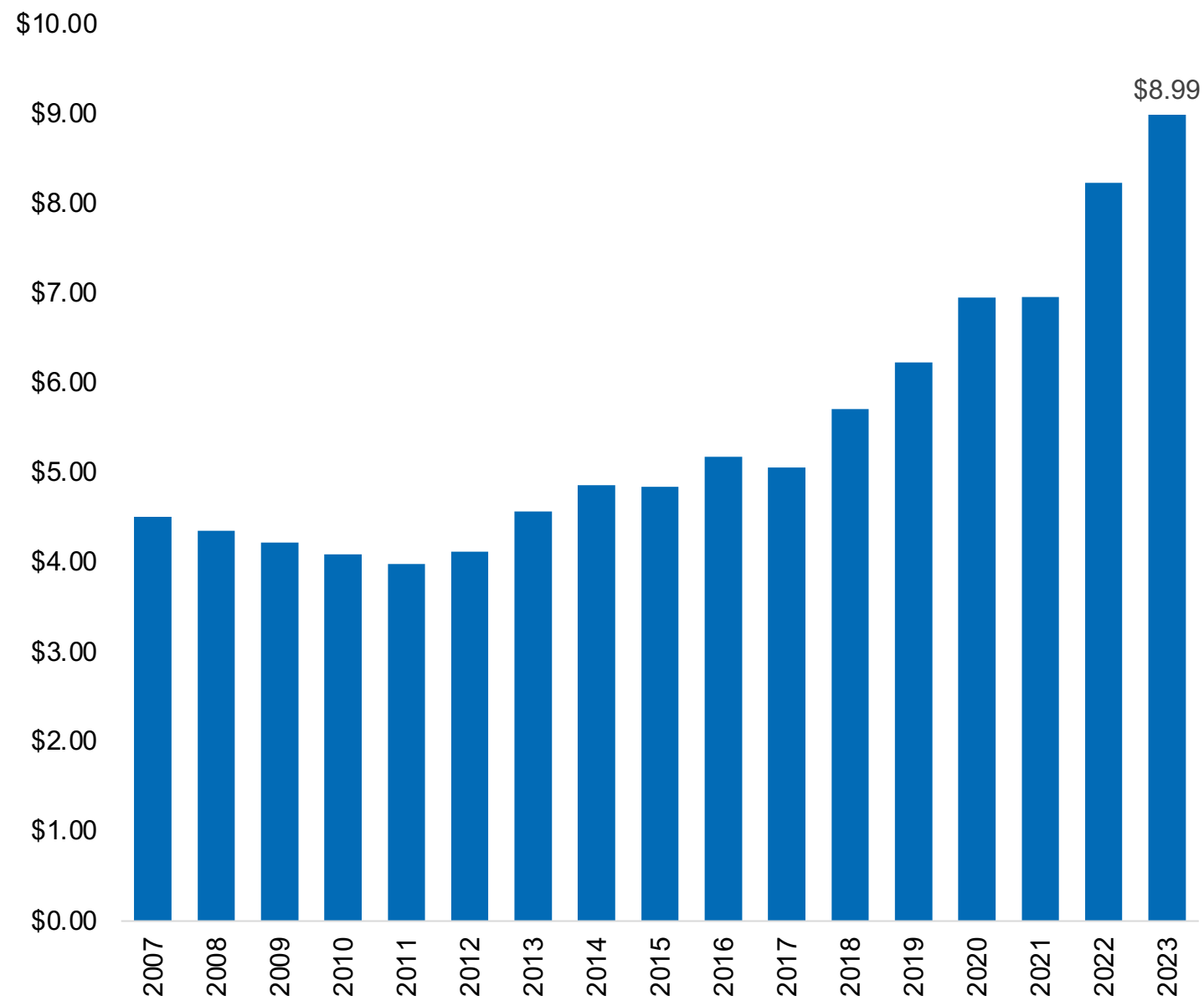


Source: Newmark Research, CoStar

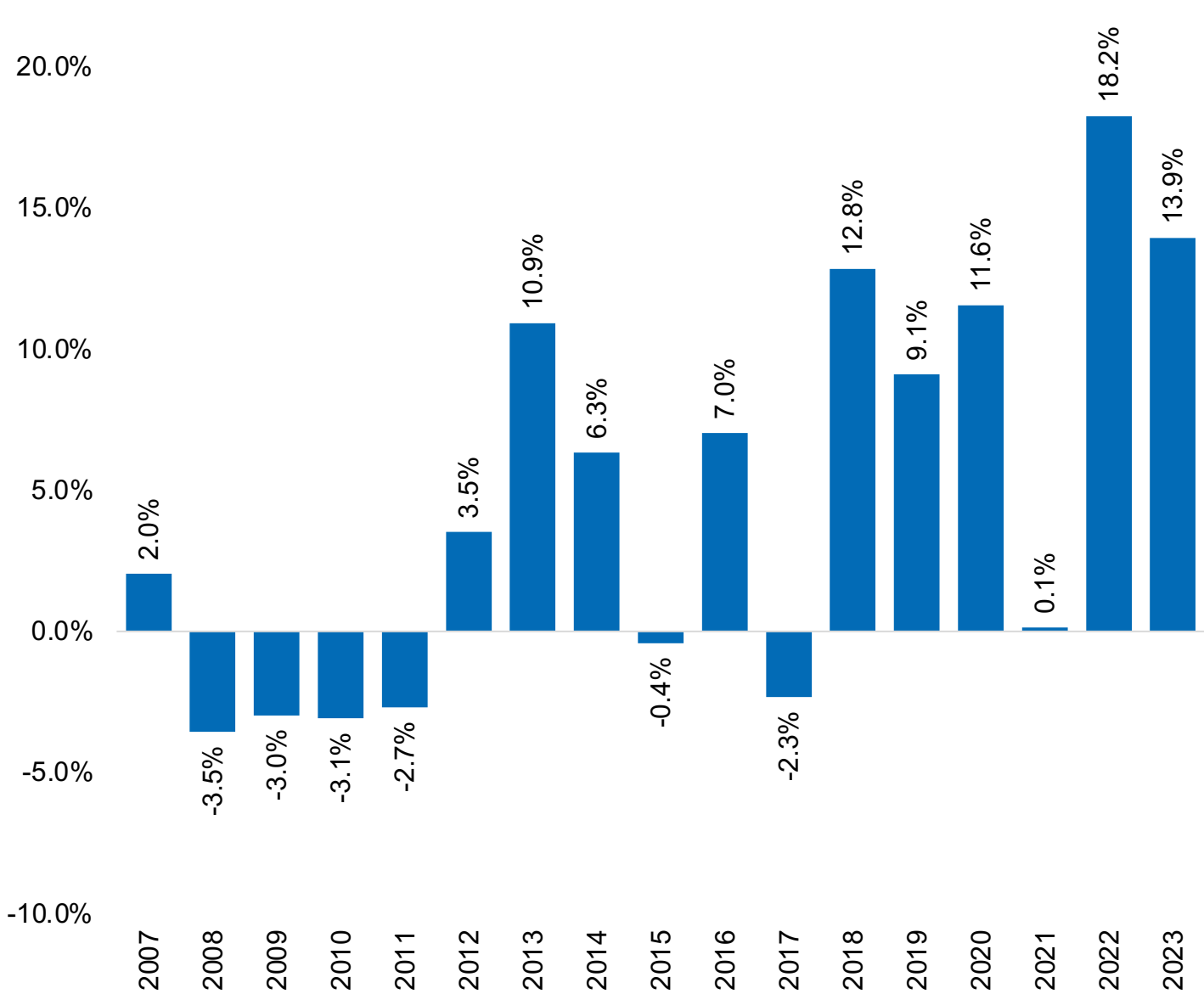
Asking Rents Reach New Historical High

Industrial average asking rents reached a new high at \$8.99/SF, as of the end of the third quarter of 2023, increasing by 13.9% year over year. Rent growth is expected to continue increasing as new, higher-quality assets continue delivering.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable 3Q23 Lease Transactions

Leasing activity slowed in the third quarter of 2023, with quarterly leasing activity at 12.7 MSF, below quarterly averages reported since 2010 at 15.7 MSF. Currently, projects under construction are 26.6% preleased.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Flexport <i>Flexport won the remaining lease term left on Bed Bath & Beyond's warehouse space following the company's bankruptcy and auctioning off remaining leases.</i>	Majestic Airport Center DFW – Building 5	Northwest Dallas	Direct New	799,460
Undisclosed <i>Carter Park East's Building 1 was recently fully leased following completion in 2022. The tenant will likely be releasing details come November.</i>	Carter Park East – Building 1	South Fort Worth	Direct New	549,780
LKQ Corp <i>LKQ Corporation, an auto parts company, signed a new lease at Logistics Center 12 within DFW Park 161.</i>	DFW Park 161	DFW Airport	Direct New	523,260
FedEx <i>FedEx renewed its lease at Commerce 20's Building 1.</i>	Commerce 20 – Building 1	South Dallas	Renewal	472,734
Essendant <i>Essendant, a distribution service company, renewed its 400,000-SF lease at Valley View Business Center.</i>	Valley View Business Center	Great Southwest	Renewal	400,000

Dallas-Fort Worth Industrial Submarket Overview



Please reach out to your
Newmark business contact for this information

Dallas-Fort Worth Industrial Submarket Map



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