



Dallas Industrial Market

Market Remains Relatively Stable In The Fourth Quarter

The Dallas Fort Worth industrial market continues to function modestly well even during 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 fourth quarter, leasing activity was 13.6 million square feet which is a decrease 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 fourth quarter, as there was approximately 3.4 million square feet absorbed. A considerable amount of speculative construction has been delivered in recent quarters. The vacancy rate for the fourth quarter was 7.3%, showing minimal change as it was 7.0% in the third quarter. The vacancy rate was 6.4% 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. As a result, five 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 five, North Fort

Current Conditions

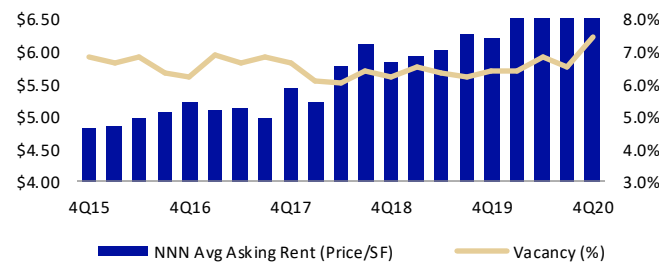
- Absorption remains positive in Q4 and vacancy remains stable
- The supply pipeline remains strong as construction remains solid in the metroplex
- Covid 19 is still impacting the metroplex but the industrial sector is seeing an uptick in demand

Market Summary

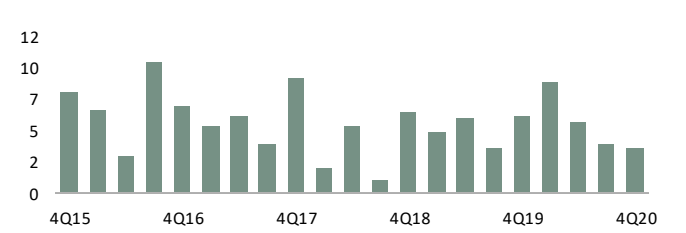
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	939.1M	930.8M	907.1M	↑
Vacancy Rate	7.3%	6.5%	6.4%	↑
Quarterly Net Absorption (SF)	3.4M	3.6M	-755,103	↓
Average Asking Rent/SF	\$7.04	\$6.99	\$6.16	↑
Under Construction (SF)	31.7M	28.3M	31.6M	↑

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



Worth and South Dallas submarkets all register greater than 4.0 million square feet of new product currently underway. Overall, the Dallas Fort Worth industrial market has approximately 30 million square feet of space under construction as of the fourth quarter, which is approximately the same 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 531 lease transactions completed during the fourth quarter compared to 604 during the previous quarter. In terms of prominent large-scale leases signed, DSV International leased 1,001,455 square feet in the SE Dallas/I-45 submarket, Lowe’s Home Improvement leased 648,726 square feet in the Denton submarket, and Hayes Company leased 584,089 square feet in the East Dallas/Mesquite 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 there were a few notable large-scale new leases and expansions. DSV International leased approximately 1.0 million square feet at 3001 Midpoint Drive located in the SE Dallas/I-45 submarket. The tenant will occupy the entire building for themselves. The new building, they call home will not be ready until first quarter 2022. Another notable large lease during the fourth quarter home repair giant Lowes. Lowes leased approximately 650k square feet at 3101 west Oak Street located in Denton submarket.

Construction Pipeline

The Dallas industrial market had healthy investment activity in the fourth quarter, helped along by a few portfolio and multi property deals. During the fourth quarter 2601 S Airfield Drive changed hands for an undisclosed amount; the property was fully leased to Amazon at the time of sale. This property is in the E DFW Air/Las Colinas industrial submarket. Another notable industrial sale during the fourth quarter included the 795,780 square foot property located at 2601 Petty Place within the NE Tarrant Alliance submarket. The industrial building sold for an undisclosed amount. The property was 100% vacant at the time of sale and just recently completed construction in the third quarter.

COVID 19 Still Impacting Dallas

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 re-open although reporting some of the highest number of Covid-19 cases.

Officials have made the tough decision to partially 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. Understanding the long-term effect of this virus regarding the Dallas Fort Worth market is just something that will take time but will be predicated on the virus being contained and people being able to resume daily and routine activities. The unemployment rate is over 6%, the unemployment rate was 3.1% this time a year ago.

Asking Rent By Submarket			
ASKING RENT	4Q2020	4Q2019	
Northeast Dallas	\$7.34/SF	\$6.82SF	↑
Northwest Dallas	\$7.82/SF	\$6.85/SF	↑
South Stemmons	\$9.18/SF	\$7.51/SF	↑
South Ft. Worth	\$6.72/SF	\$6.15/SF	↑
DFW Airport	\$7.38/SF	\$7.46SF	↓

Vacancy By Submarket			
VACANCY RATE %	4Q2020	4Q2019	
North Ft. Worth	10.9%	7.4%	↑
Northwest Dallas	5.5%	5.3%	↑
South Stemmons	6.0%	5.1%	↑
South Ft. Worth	5.0%	3.5%	↑
DFW Airport	7.2%	7.0%	↑

RESEARCH Q4 2020

Coworking companies have been hit the hardest by the Covid-19 pandemic as they are slashing salaries and letting workers go. With a business model based around bringing office workers closer together and sharing space they will struggle to make it through this social distancing time period. With workers being asked an encouraged to stay home the coworking companies will continue to suffer.

Economic Indicators

Dallas Fort Worth has performed exceptionally well, with job growth over the past year nearly triple the U.S. rate. This feat is especially noteworthy because DAL is already among the very largest metro areas and divisions in the country, and the nation has been decelerating. Every major industry has increased year over year, outpacing its national counterpart. Such well-paying industries as core professional services, construction, and financial services have led the way, and as a result, growth in the number of high-wage jobs has also been more than twice the national average. The strong job market has been a magnet for new entrants into the labor force.

According to the Dallas Federal Reserve Dallas–Fort Worth’s recovery from the economic effects of COVID-19 progressed further in October. Payrolls expanded broadly, unemployment dipped and the Dallas and Fort Worth business-cycle indexes

rose. Activity in the housing market remained a bright spot, characterized by soaring sales, prices and construction activity. Apartment rent collections in November slightly trailed both October and year-earlier levels.

DFW employment growth strengthened to an annualized 11.1 percent (31,700 jobs nonannualized) in October after increasing 6.3 percent in September. Payrolls rose an annualized 9.9 percent (20,200 jobs nonannualized) in Dallas and 14.2 percent (11,500 jobs nonannualized) in Fort Worth. DFW job growth was broad based and in line with the state’s 10.6 percent annualized increase. This year through October, DFW payroll employment was down an annualized 6.0 percent (192,700 jobs nonannualized) because of losses resulting from the COVID-19 pandemic and related stay-at-home orders. The unemployment rate fell to a still-elevated 6.2 percent in Dallas and 6.4 percent in Fort Worth in October, lower than the state and national rates of 6.9 percent.

DFW existing-home sales rose further in October, setting new monthly highs. Statewide, home sales expanded strongly as well. The three-month moving averages for both DFW and Texas continued to increase. Sales rose 4.2 percent in DFW and 3.9 percent in Texas in October as record-low mortgage rates and pent-up demand from the economic shutdown supported single-

Lease/User Transactions

Tenant	Submarket	Building	Type	Square Feet
DSV International	SE Dallas/I-45	3001 Midpoint Dr	Direct	1,001,455
Lowe’s Home Improvement	Denton	3101 W Oak St	Direct	648,726
Hayes Co.	East Dallas/Mesquite	4624 Clover St	Direct	584,089
American Woodwork	SE Dallas/I-45	9280 Van Horn Dr	Direct	298,000
Noble Cotton	Upper Great SW	1011 Isuzu Pky	Direct/Renewal	228,000

Select Sale Transactions

Buyer/Seller	Submarket	Building	Square Feet	Sale Price
Cabot Properties, Inc./CLX Ventures	E DFW Air/Las Colinas	2601 S Airfield Dr	1,000,584	Undisclosed
Exeter Property Group/Scannell Properties	NE Tarrant/Alliance	2601 Petty Pl	795,780	Undisclosed
Lightstone Group/Fort Capital	NE Dallas/Garland	4030-4040 Forest Ln	649,361	Undisclosed
Eaton Vance Investment Managers/Tech data Corporation	NE Tarrant/Alliance	5100 Liberty Way	540,040	Undisclosed

RESEARCH Q4 2020

family housing demand. This year through October, both DFW and Texas home sales are 7 percent higher than in the same period last year. According to business contacts, new-home sales have also been robust, outperforming expectations since May, when COVID-19-related shelter-in-place orders were lifted.

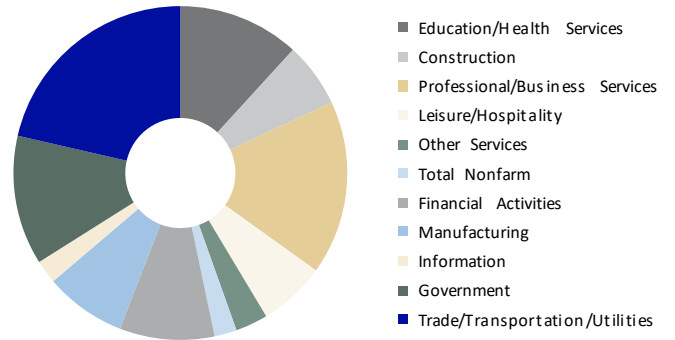
Home building in DFW ramped up, buoyed by robust housing demand. DFW single-family housing permits rose in September and held steady at high levels in October, up 36 percent year over year, and the three-month moving average showed marked growth. Single-family permit issuance fell in the spring as uncertainty over the COVID-19 pandemic weighed on outlooks. After a temporary pause, development activity rebounded strongly, and Dallas Fed business contacts note that firms are moving forward with planned acquisitions and evaluating new deals. This year through October, total single-family permits issued are up 21.3 percent in DFW and 18.5 percent in Texas compared with the same period last year.

In DFW, most apartment renters continue to make their payments on time despite high unemployment and a lack of new pandemic-driven stimulus payments to individuals. Nearly 96 percent of tenants living in professionally managed market-rate apartments in Dallas and 97 percent in Fort Worth paid their November rent, compared with 95 percent in Texas. The shares trail those in the same period in 2019 by 0.5 percent in Fort Worth and 1.3 percent in Dallas and in Texas. Rent

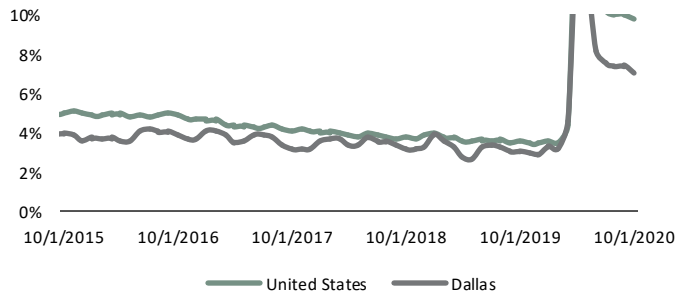
collections for November lagged the shares in October.

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	86,578,288	2,460,806	7.2%	485,964	2,953,183	\$7.64	\$6.12	\$7.38
East	51,719,111	2,234,084	6.2%	149,309	1,862,653	\$6.58	\$15.00	\$7.25
Great Southwest	120,733,721	1,027,134	6.1%	212,018	1,995,515	\$5.80	\$4.90	\$5.74
North Ft. Worth	114,932,407	9,553,390	10.9%	982,028	4,561,998	\$6.01	\$4.71	\$5.85
Northeast Dallas	120,766,676	832,730	6.9%	53,080	2,160,634	\$8.31	\$4.20	\$7.34
Northwest Dallas	116,496,831	2,281,698	5.5%	266,552	903,000	\$7.94	\$6.57	\$7.82
South Dallas	110,135,227	5,693,774	8.5%	1,172,944	3,674,989	\$4.59	\$14.50	\$5.68
South Ft. Worth	65,796,946	107,000	5.0%	-283,935	-582,749	\$6.80	\$4.75	\$6.72
South Stemmons	124,548,711	833,082	6.0%	-46,085	1,961,468	\$9.27	\$8.35	\$9.18
DFW Market	939,195,346	31,616,650	7.3%	3,417,733	21,328,701	\$7.24	\$5.71	\$7.04

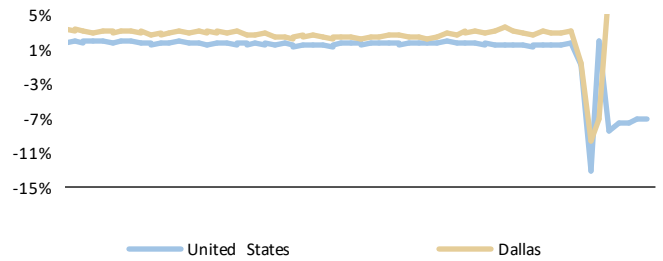
Employment By Industry



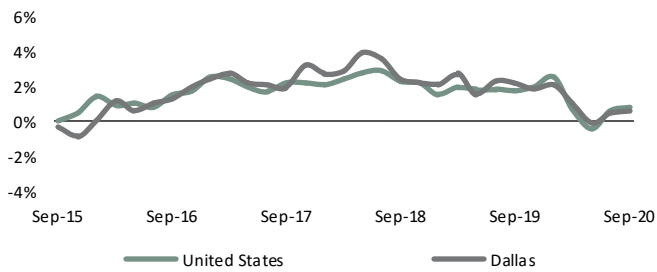
Unemployment Rate



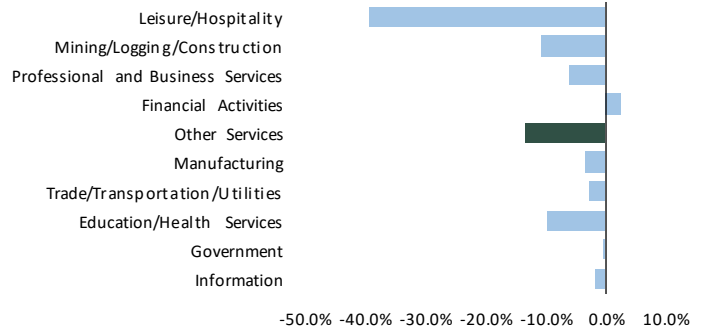
Payroll Unemployment



Customer Price Index (CPI)



Employment Growth By Industry



For more information:

Dallas

2515 McKinney Ave.
Suite 1300
Dallas, TX 75201
t 469-467-2000

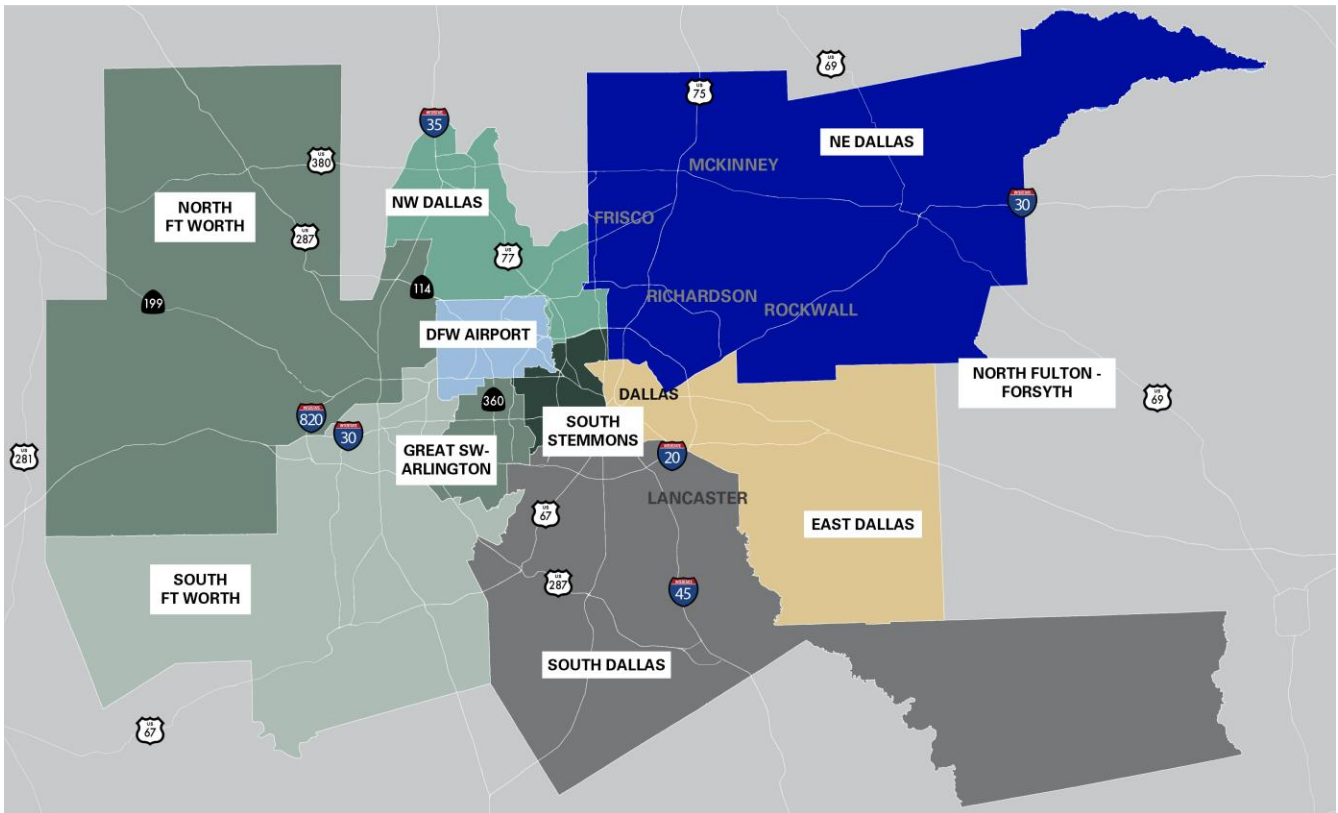
Graham Hildebrand

Director
Texas Research
graham.hildebrand@ngkf.com

Walter Bruton

Research Analyst
Texas Research
walter.bruton@ngkf.com

nmrk.com



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