

# Dallas-Fort Worth Industrial Market

## Demand Remains Strong Through Year-End

The Dallas-Fort Worth industrial market continued to remain strong in 2022. Demand in the market closed with positive occupancy, with quarterly net absorption closing at 7.1 million square feet and yearly net absorption at 33.6 million square feet. The year ended with an all-time high of 38.1 million square feet of deliveries, outpacing demand by 4.5 million square feet. Given the strong demand, the overall vacancy rate had minimal movement, remaining at 5.6% since the third quarter of 2022 and increasing by 30 basis points year over year. Overall average asking rates continued to climb in the fourth quarter of 2022, as a result of strong demand for quality industrial product, coupled with inflation, pushing pricing up. Asking rents ended the year at \$8.18/SF, reflecting an increase of 3.7% quarter over quarter and 17.4% year over year. The market closed the year at 82.2 million square feet under construction, an all-time historical high. Due to projects currently under construction, the market is expected to have a strong pipeline of new product coming on-line in 2023, likely causing vacancies and rental rates to rise. Overall, the Dallas-Fort Worth industrial market's outlook remains positive, despite a near-term softening economy. The market's central location and relatively lower costs will continue to make Dallas-Fort Worth an important part of many occupiers' warehouse and distribution networks.

### Current Conditions

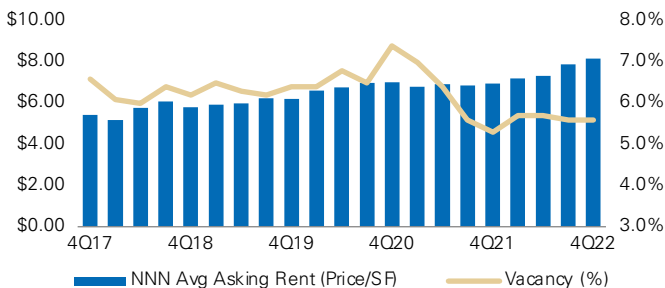
- The year closed with strong occupancy growth at 7.1 million square feet for the fourth quarter and 33.6 million square feet for the year.
- The construction pipeline remained robust with 82.2 million square feet under construction as of year-end.
- Overall rental rates significantly increased by 17.4% year over year to \$8.18/SF.
- Yearly supply outpaced demand by 4.5 million square feet, resulting in overall vacancy rates to increase to 5.6%.

### Market Summary

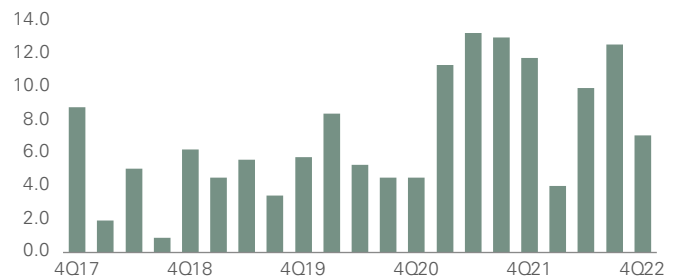
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	1.0B	1.0B	980.9M	↑
Vacancy Rate	5.6%	5.6%	5.3%	↑
Quarterly Net Absorption (SF)	7.1M	12.6M	11.8M	↑
Average Asking Rent/SF	\$8.18	\$7.89	\$6.97	↑
Under Construction (SF)	82.2M	74.1M	49.5M	↓

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION (SF, MILLIONS)



## RESEARCH Q4 2022

### Leasing Activity

In the fourth quarter of 2022, leasing activity slowed, totaling 16.2 million square feet for the quarter, a 5.1% decline quarter over quarter and a 24.6% decline year over year. Yearly leasing activity ended at 69.2 million square feet, a decline of 16.3% year over year. Despite a recent deceleration in leasing activity, yearly activity was still well above pre-pandemic levels, indicating a possible stabilization of leasing following the pandemic rush.

Industrial market activity continues to be concentrated towards the north and south of the market due to new construction projects located in these areas. Top leases signed in the fourth quarter of 2022 included Careismatic Brands at I-20 Logistics Park and Ryder at Texport Logistics Center, both in South Dallas. Careismatic Brands's building is currently under construction slated to be delivered in 2023, while Ryder's building was newly constructed earlier in 2022. Submarkets that had the highest leasing activity in the fourth quarter of 2022 included South Dallas at 4.6 million square feet, North Fort Worth at 2.3 million square feet and Northeast Dallas at 1.6 million square feet. Yearly leasing activity was highest in South Dallas at 13.4 million square feet, Northwest Dallas at 7.4 million square feet, Great Southwest at 7.3 million square feet and South Fort Worth at 7.1 million square feet. Leasing activity will likely continue to be highest in submarkets towards the north and south of the market, as construction activity continues to push to those areas given the availability of land for development.

### Development

The Dallas-Fort Worth industrial market added 6.5 million square feet of space in the fourth quarter of 2022, bringing the yearly total to 38.1 million square feet of deliveries. New supply increased by 27.3% on a year-over-year basis. Highest yearly deliveries were seen in South Dallas at 13.4 million square feet, South Fort Worth at 5.3 million square feet and East Dallas at 4.2 million square feet. Deliveries will likely remain robust in 2023, given that there is currently 82.2 million square feet under construction, which is an all-time high. To put the amount of under-construction product into perspective, Dallas-Fort Worth's industrial pipeline is larger than Charleston's entire industrial market, or around 1/3 of the size of industrial markets like Columbus, Nashville or Salt Lake City. Submarkets with the

highest volume of under-construction properties by square footage include South Dallas at 25.5 million square feet, North Fort Worth a 20.1 million square feet and East Dallas at 9.8 million square feet. Roughly 17.8% of the pipeline is preleased, indicating that investors and developers remain confident in the demand for industrial space in the market. Given the record-high under-construction pipeline, supply is expected to outpace demand in the near-term.

### Pricing

Asking rental rates continued to increase in the fourth quarter of 2022. Rates ended the quarter at \$8.18/SF, a 3.7% increase quarter over quarter and 17.4% increase year over year. South Stemmons had the highest asking rents at \$11.06/SF, followed by DFW Airport at \$10.81/SF and Northeast Dallas at \$9.92/SF. Rents are projected to continue increasing in the near term, given a strong pipeline of quality new product commanding higher rates coming on-line, coupled with inflationary pricing increases.

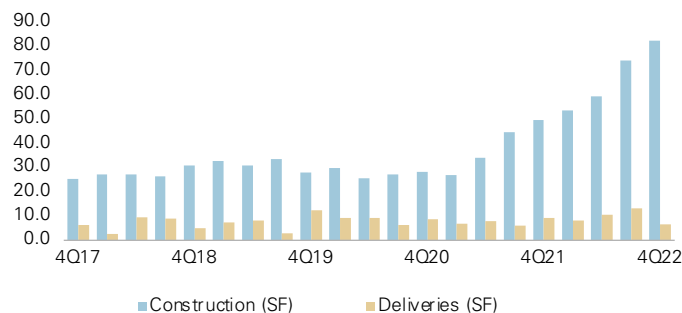
### Market Outlook

The Dallas-Fort Worth industrial market will likely see an influx of supply on the market in the near term, due to 8.8% of the current market's inventory being under construction. The new deliveries will result in an increase in the market's vacancy rate, as supply is expected to outpace demand in the near term. Asking rents will likely continue to increase, due to elevated inflation and a large pipeline of quality new product commanding higher pricing coming online.

Despite economic fundamentals softening nationally, the Dallas-Fort Worth industrial market remains attractive to occupiers and investors alike. The market's central location in serving 87.0% of the nation's population within a 48-hour truck transit time will continue to make it a strong pick as a logistics and distribution location for companies. A softening economy and companies looking to cutting costs may lead to Dallas-Fort Worth's industrial market being spotlighted more as a place to potentially consolidate operations, due to its strategic central location and relative lower costs compared with other gateway markets. Overall, the Dallas-Fort Worth industrial market will continue to remain positive both in the near term and long term due to strong market fundamentals.

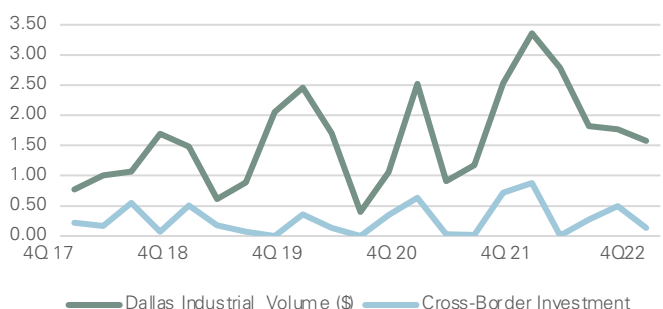
### Construction and Deliveries

SQUARE FEET, MILLIONS



### Industrial Investment Sales

SALES VOLUME (\$, BILLIONS)



Source: Real Capital Analytics

## RESEARCH Q4 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)
<b>DFW Airport</b>	92,780,716	5,668,687	4.2%	-949,003	1,636,131	\$10.85	\$9.96	\$10.81
<b>East Dallas</b>	58,471,860	9,789,560	12.8%	1,218,819	1,829,489	\$6.38	-	\$6.38
<b>Great Southwest</b>	125,302,745	3,235,455	4.1%	-233,549	516,401	\$8.10	\$6.50	\$8.07
<b>North Fort Worth</b>	131,085,394	20,108,494	7.1%	486,771	7,119,066	\$5.97	\$7.00	\$5.98
<b>Northeast Dallas</b>	129,416,887	3,259,882	4.3%	1,469,796	2,948,722	\$10.13	\$8.64	\$9.92
<b>Northwest Dallas</b>	121,791,401	7,668,606	3.9%	572,660	3,350,598	\$8.69	\$7.96	\$8.62
<b>South Dallas</b>	130,559,394	25,522,649	6.8%	2,778,295	10,166,321	\$5.38	-	\$5.38
<b>South Fort Worth</b>	102,710,644	4,475,851	5.7%	1,899,396	6,201,872	\$7.56	\$7.23	\$7.56
<b>South Stemmons</b>	126,901,504	2,435,839	4.6%	-173,578	-132,825	\$11.18	\$8.80	\$11.06
<b>DFW Market</b>	<b>1,019,020,545</b>	82,165,022	<b>5.6%</b>	<b>7,069,607</b>	<b>33,635,775</b>	<b>\$8.17</b>	<b>\$8.42</b>	<b>\$8.18</b>

## Lease/User Transactions

Tenant	Market	Building	Type	Square Feet
Careismatic Brands	South Dallas	I-20 Logistics Park – Bldg 1	Direct	1,013,075
Ryder	South Dallas	Texport Logistics Center	Direct	826,620
Samsung	South Fort Worth	Fort Worth Logistics Hub – Bldg 1	Direct	670,941
Undisclosed	North Fort Worth	Lovett I-35 Logistics Park	Sublease	646,250
Masonite International	East Dallas	Mesquite Airport Logistics Center – Bldg B	Direct	626,718

## Sales Transactions

Buyer/Seller	Market	Building	Sales Price	\$/SF
CenterPoint Properties / Hines	Northwest Dallas	Bison Grove Business Park	\$215 M	\$244
H.I.G. Realty Partners & Dayton Street Partners / Fujitsu	Northeast Dallas	Fujitsu Campus	\$100 M	\$121
Cohen Asset Management / Scannell Properties	South Dallas	Sunridge Business Park II	\$75.5 M	\$109
CBRE Global Investors / Crow Holdings	North Fort Worth	Westside 35	\$56.0 M	\$104
Manulife Investment Management / J.P. Morgan Asset Management	North Fort Worth	Alliance Gateway 11	\$52.8 M	\$67

## RESEARCH Q4 2022

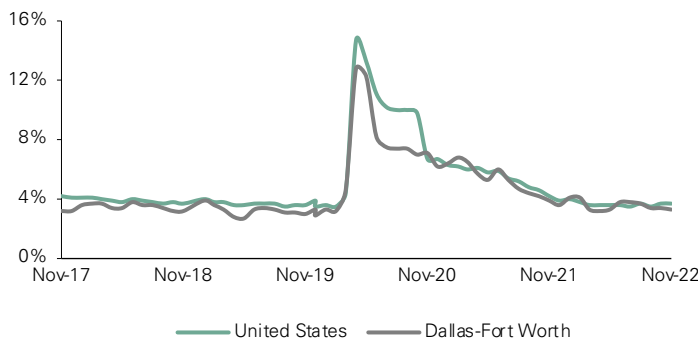
### Economic Indicators

Although the Dallas-Fort Worth market's economic growth began to show signs of slowing in the second half of 2022, the labor market continued to grow in the fourth quarter of 2022. Payroll employment increased by 6.1% on a year-over-year basis, and total employment in November 2022 ended at an historical high. Given employment gains, the unemployment rate decreased by 60 basis points year over year, with the rate at the second-lowest marker in 2022, matching pre-pandemic rates seen in early 2020. All industries in the market reflected positive employment growth over the past year. Industrial-occupier industries such as manufacturing and trade/transportation/utilities grew by 6.3% and 3.7%, respectively.

The Dallas-Fort Worth Consumer Price Index closed at 8.4% at the end of November 2022 and is beginning to see slowed growth. In 2023, the Dallas-Fort Worth Consumer Price Index is likely to continue declining as U.S. inflation is expected to experience a substantial reduction. Despite recent inflationary and pricing pressures nationally, the Dallas-Fort Worth's strong labor market fundamentals will continue to help buffer impacts from slowing economic activity and help the market recover quickly, should a recession occur.

### Unemployment Rate

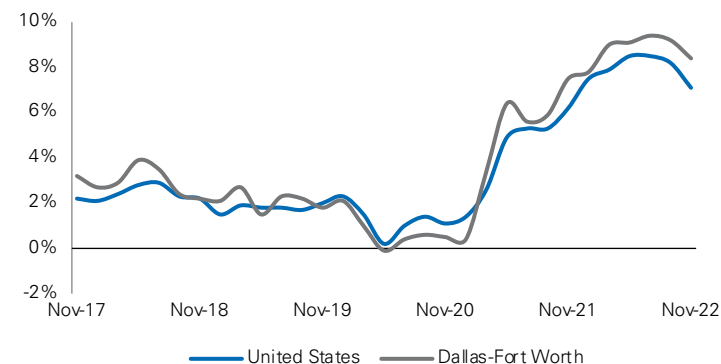
NON-SEASONALLY ADJUSTED



Source: US Bureau of Labor Statistics, December 2022

### Consumer Price Index (CPI)

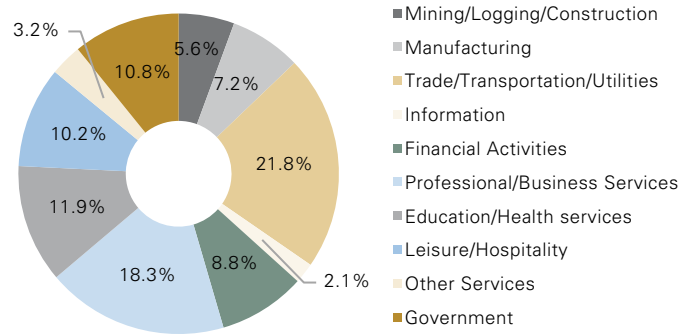
ALL ITEMS, 12-MONTH % CHANGE, NON-SEASONALLY ADJUSTED



Source: US Bureau of Labor Statistics, December 2022

### Employment By Industry

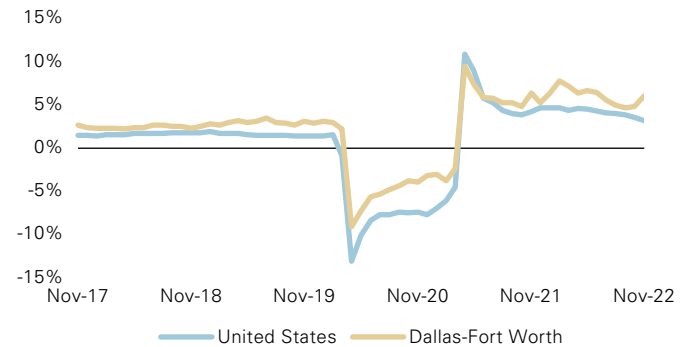
DALLAS, NOVEMBER 2022



Source: US Bureau of Labor Statistics, December 2022

### Payroll Employment

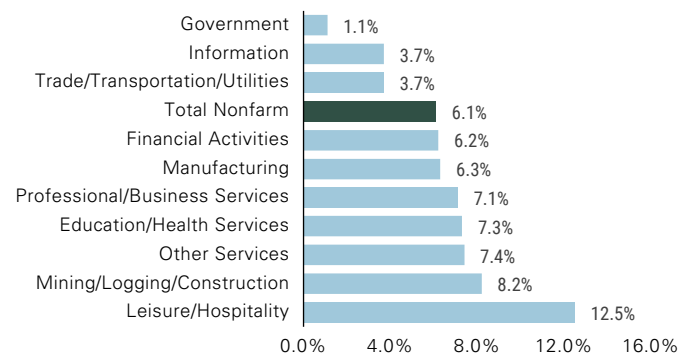
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: US Bureau of Labor Statistics, December 2022

### Employment Growth By Industry

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



Source: US Bureau of Labor Statistics, December 2022

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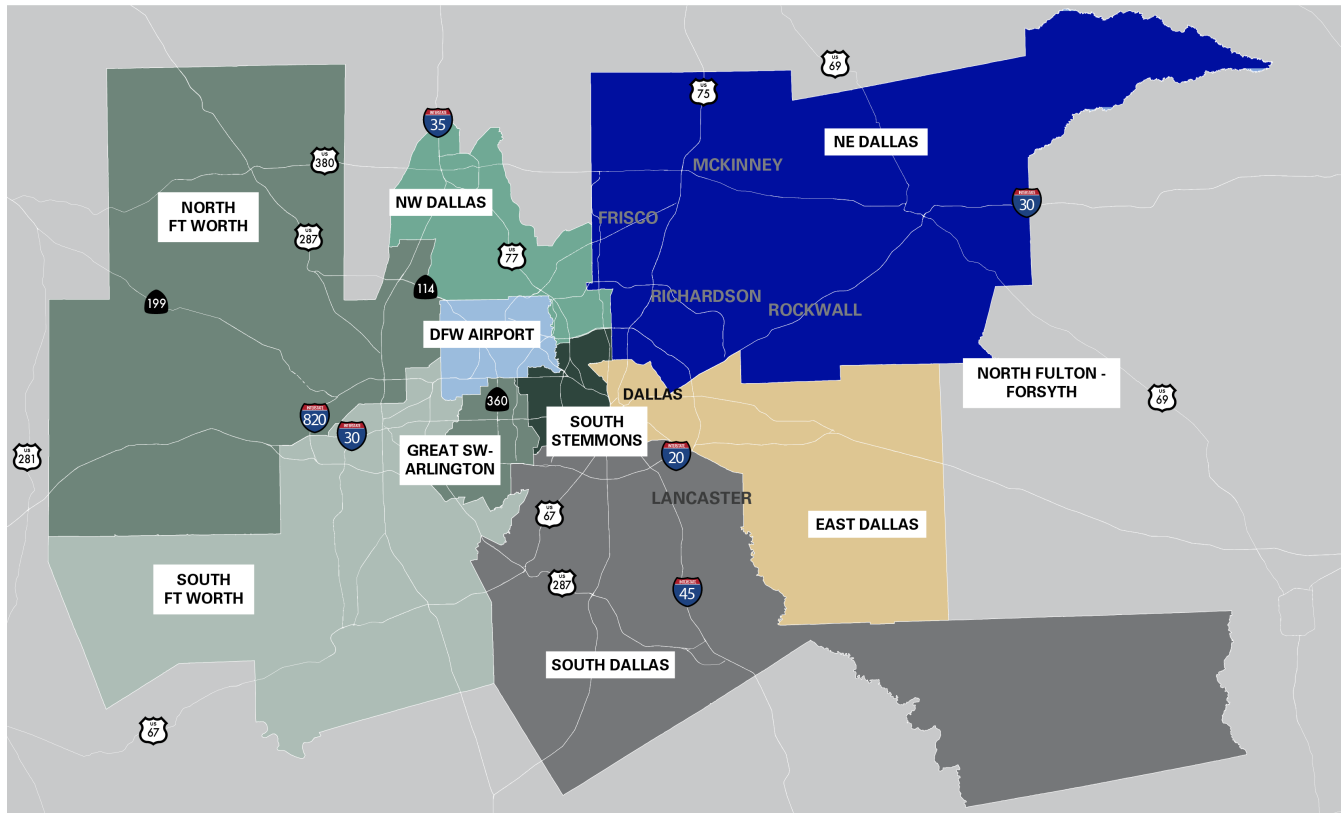
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