

# Dallas-Fort Worth Industrial Market Overview

# Market Observations

## Economy

- The market's unemployment rate ticked up by 33 basis points year over year to 3.9% but remained well below the five-year average of 4.5%.
- Although job growth pace has slowed compared with recent highs to 3.2% 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 10.9% 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 1.3% and 3.5% year over year, respectively.

## Major Transactions

- All of the top five largest leases signed were new leases, indicating there is still a healthy appetite for space in the market.
- All five of the largest deals signed are north or south of the metroplex within assets built in 2023 or are still under construction.
- As of the end of the fourth quarter of 2023, 32.0% of under-construction assets are preleased.

## Leasing Market Fundamentals

- The market realized 4.7 MSF of positive absorption in the fourth quarter of 2023, bringing year-to-date totals to 30.5 MSF.
- Overall rental rates grew 10.6% year over year to \$9.11/SF, reaching a new historical high.
- Construction pipeline recorded the third consecutive double-digit delivery quarter at 14.6 MSF, with another 38.9 MSF under construction.
- Following yearly supply outpacing demand for the fourth consecutive quarter, as of the end of the fourth quarter of 2023, vacancy increased by 330 basis points year over year to 8.7%.

## Outlook

- The Dallas-Fort Worth industrial market will likely see an influx of supply on the market in the near term, due to 3.9% 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



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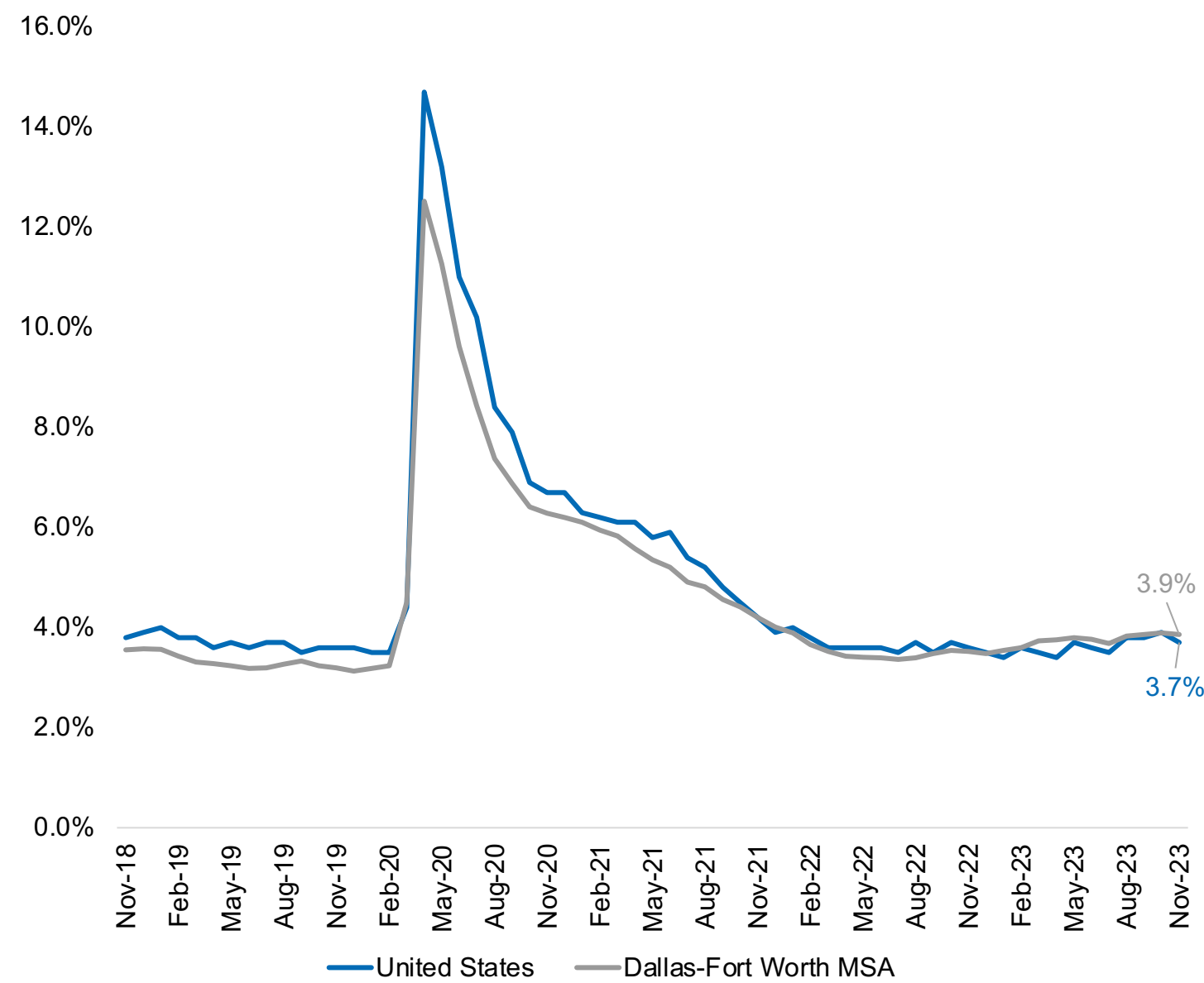
# Economy



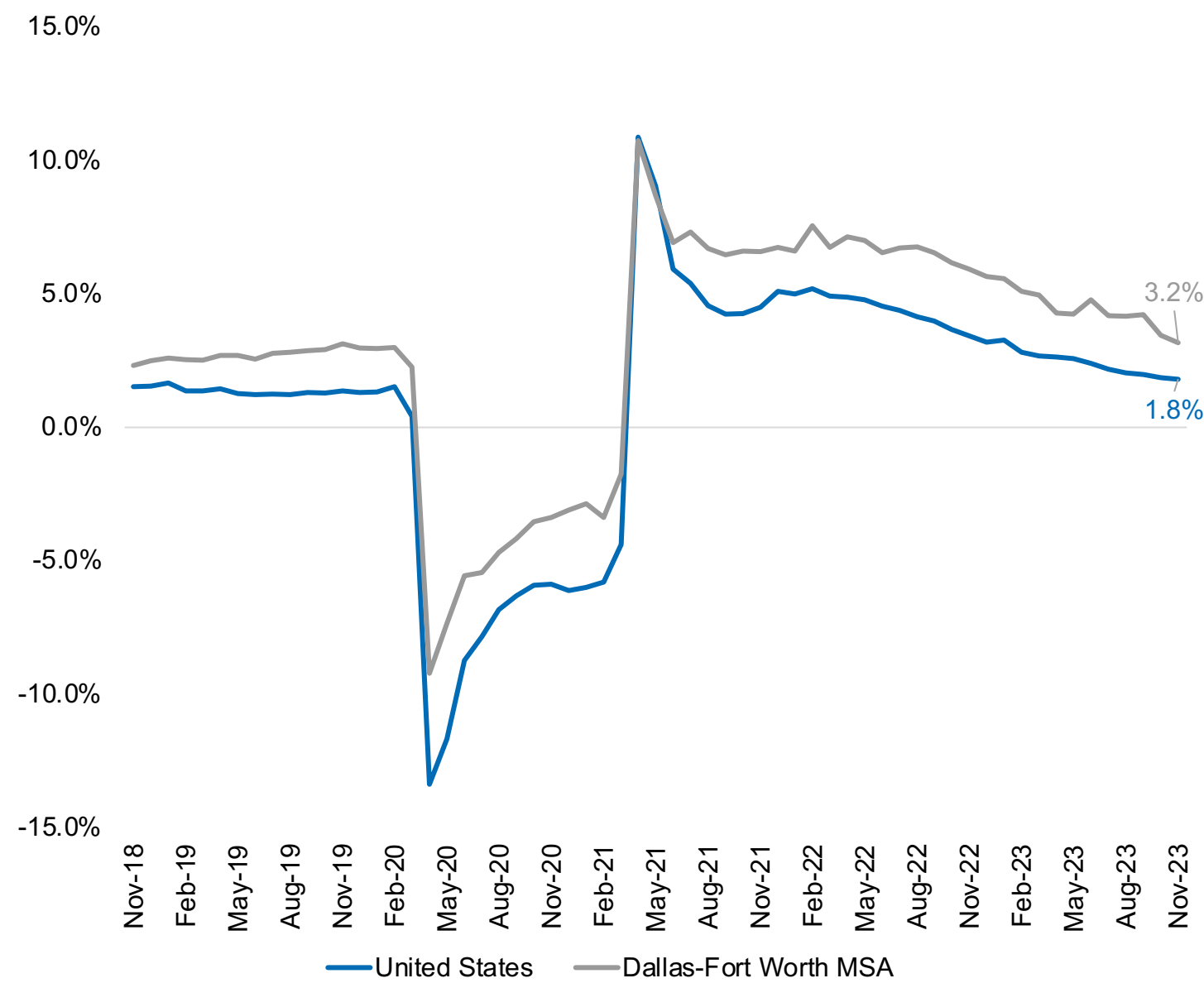
# Metro Employment Trends Continue Signaling a Slowing Economy

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 33 basis points year over year and surpass the national rate by 16 basis points. Employment year-over-year growth rate slowed by 277 basis points compared with the previous year.

Unemployment Rate, Seasonally Adjusted



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



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

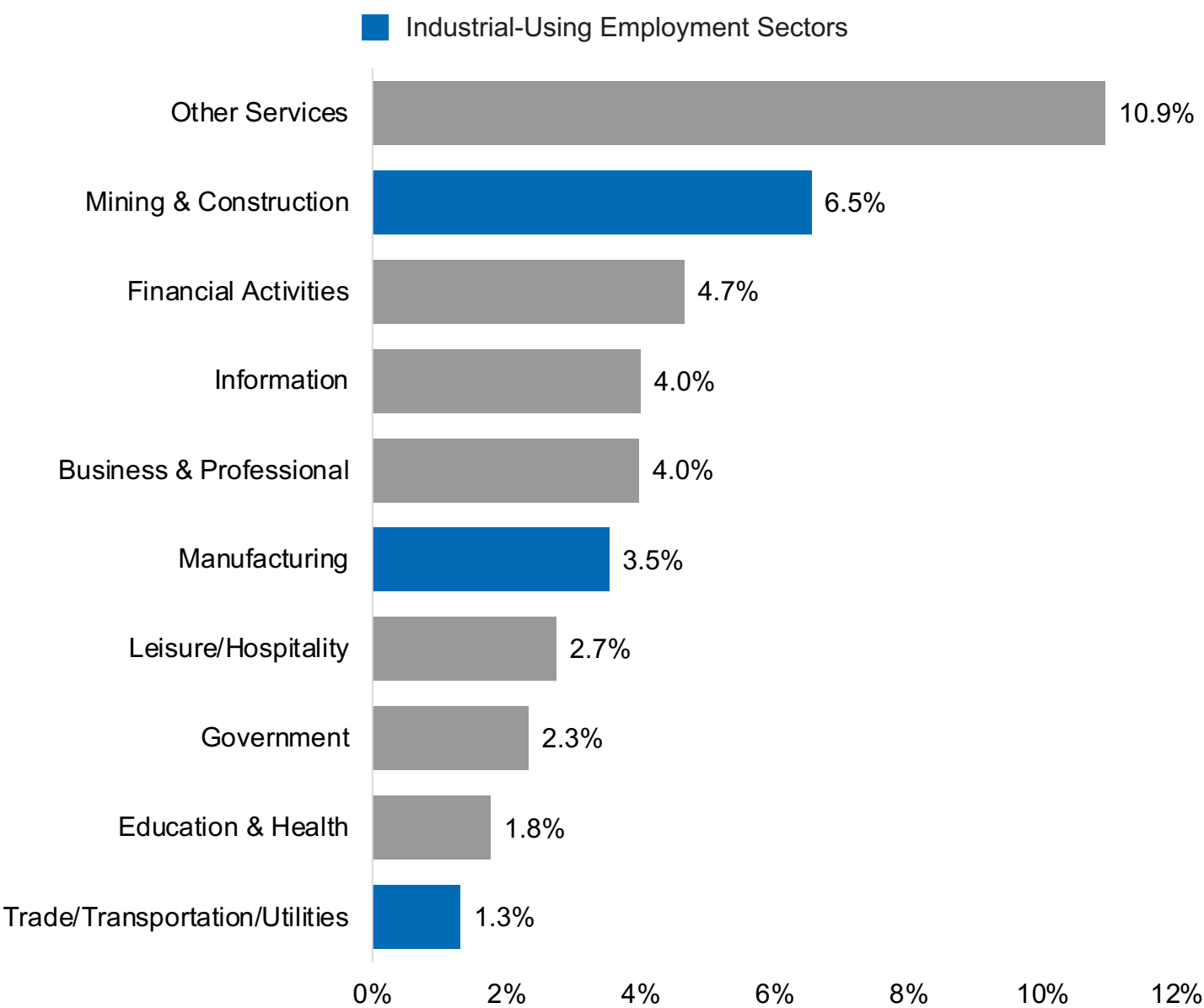
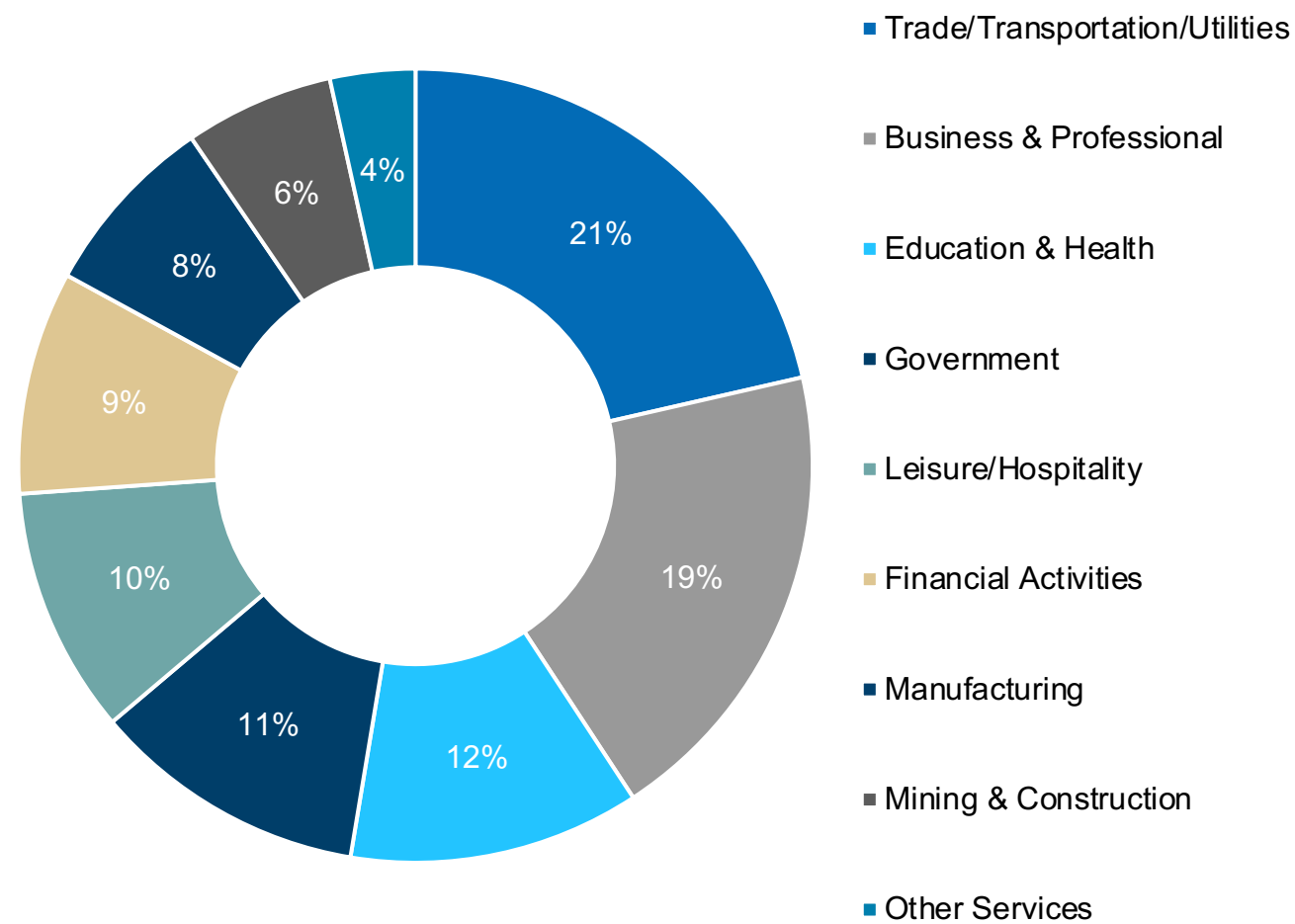


# Employment Growth Continues Across All Sectors

The Dallas-Fort Worth market has a high industry diversity with the top two industries, accounting for only 39.8% 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 20.9%. All industries in the metroplex reported growth, with industrial-using industries reporting year-over-year growth ranging from 1.3% to 6.5%.

Employment by Industry, November 2023

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

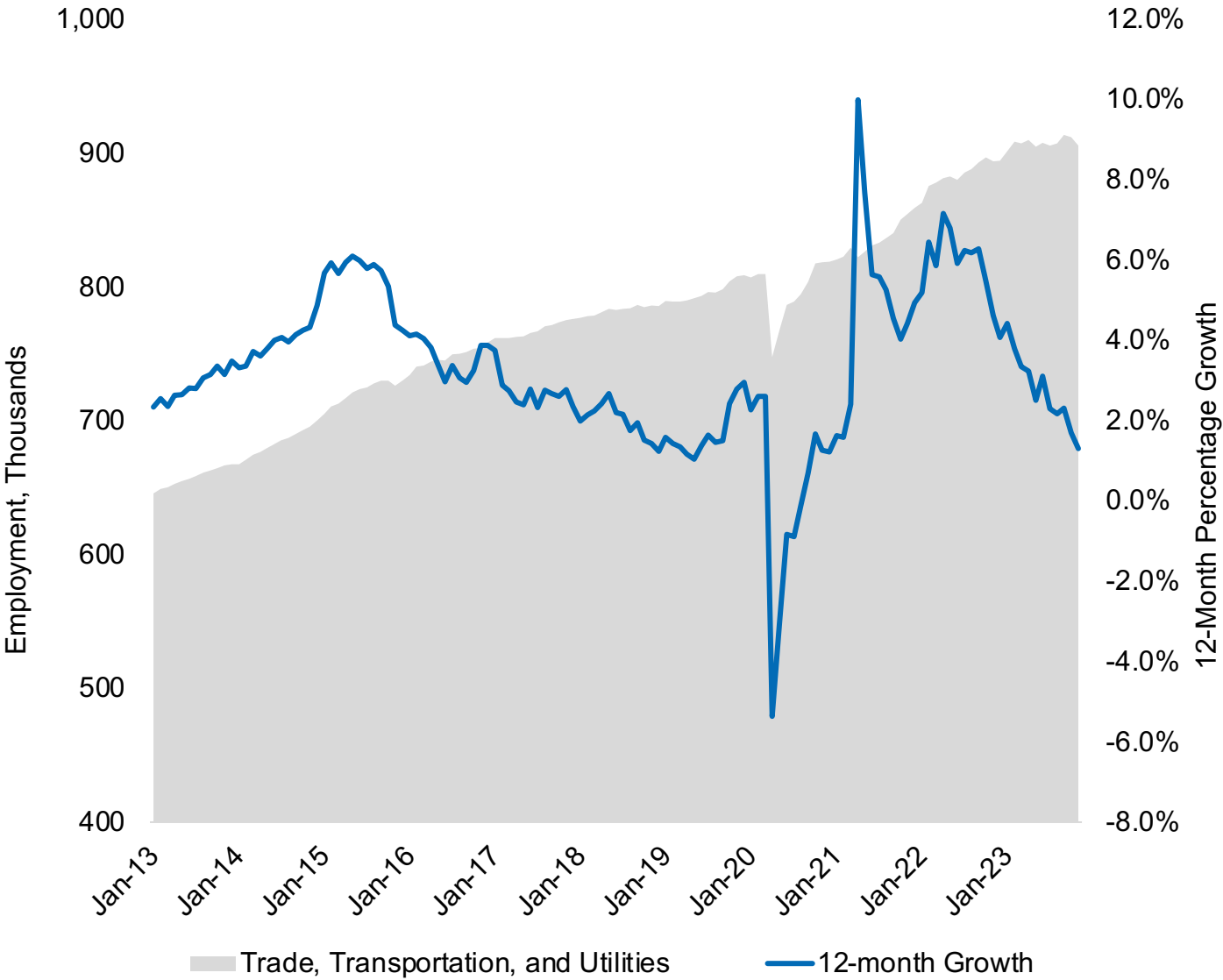


Source: U.S. Bureau of Labor Statistics, Dallas-Fort Worth MSA

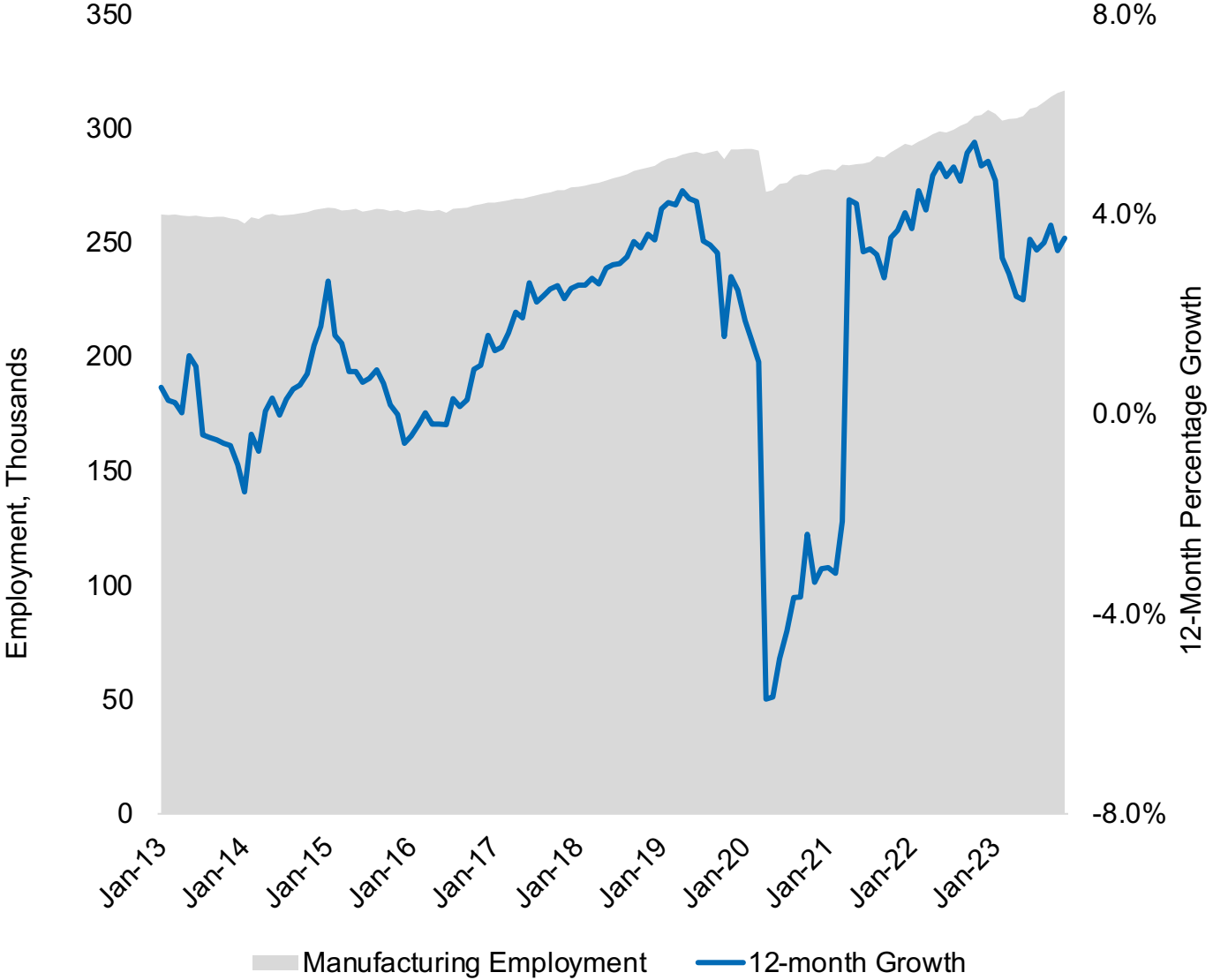
# Industrial Employment Growth Pace Slows

Trade/transportation/utilities employment has declined since the peak in September 2023, but remains above the 900,000-employees threshold from the beginning of 2023. 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



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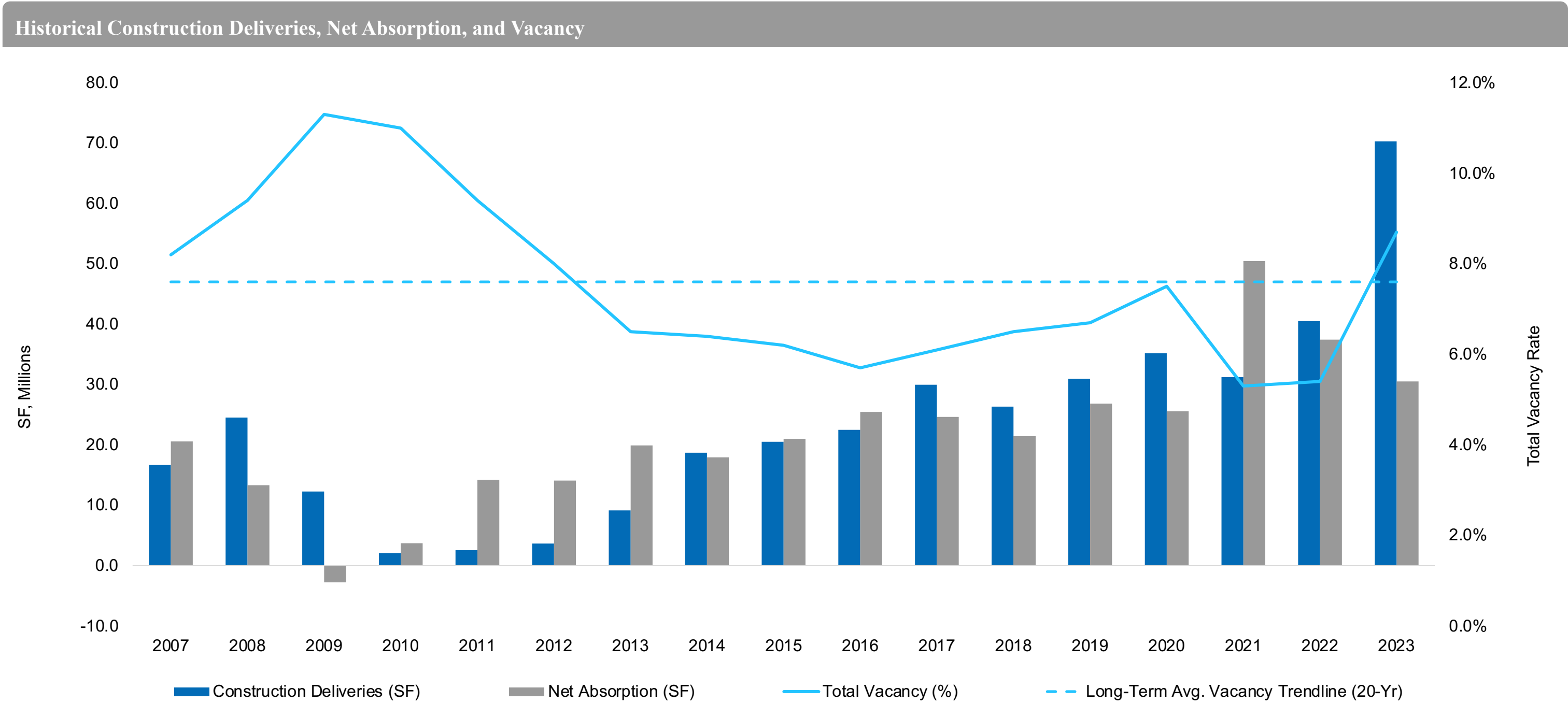
# Leasing Market Fundamentals





# Deliveries Surge, Achieving New Yearly Record High

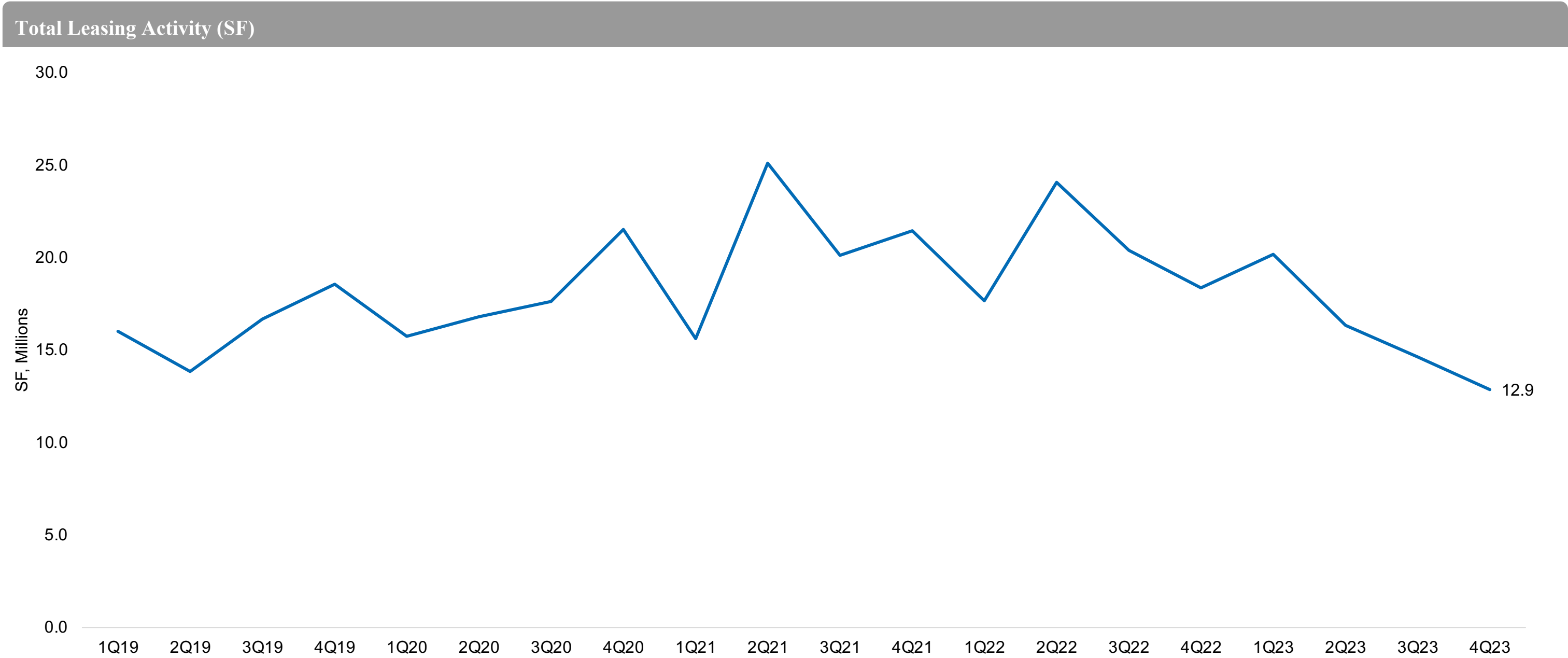
The Dallas-Fort Worth industrial vacancy rate increased by 330 basis points year over year to 8.7% in the fourth quarter of 2023, with supply continuing to outstrip demand since 2022. Deliveries continue to remain strong in the market, with new supply in 2023 outpacing all yearly new construction volumes 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 fourth quarter of 2023, leasing activity decelerated from historical highs reported post pandemic, ending the quarter at 12.9 MSF. Despite slowing leasing activity, likely resulting from national economic headwinds, demand continues to remain positive in the market.



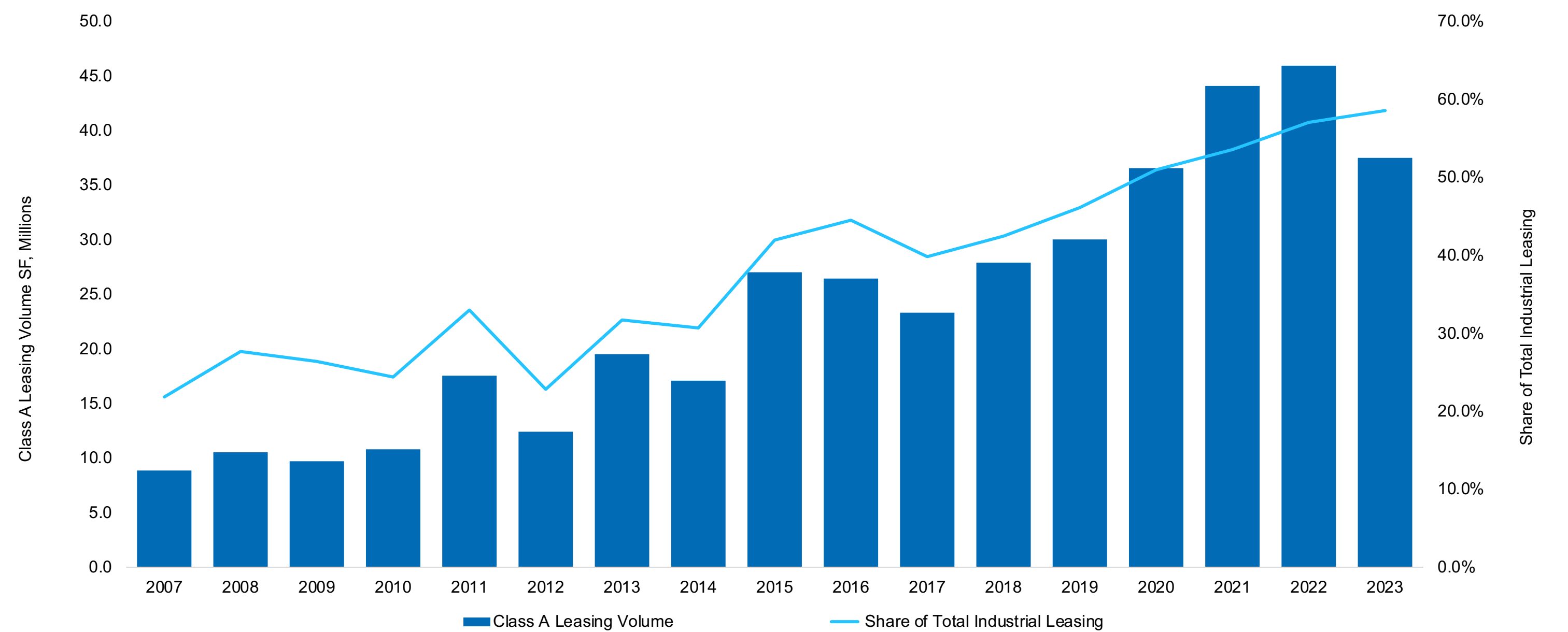
Source: Newmark Research, CoStar



# 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 setting a new historical yearly high in 2023. Class A warehouse leasing represented 58.6% of overall activity in 2023, up from 57.1% from the previous year and well above the pre-pandemic average at 33.3% from 2007 to 2019.

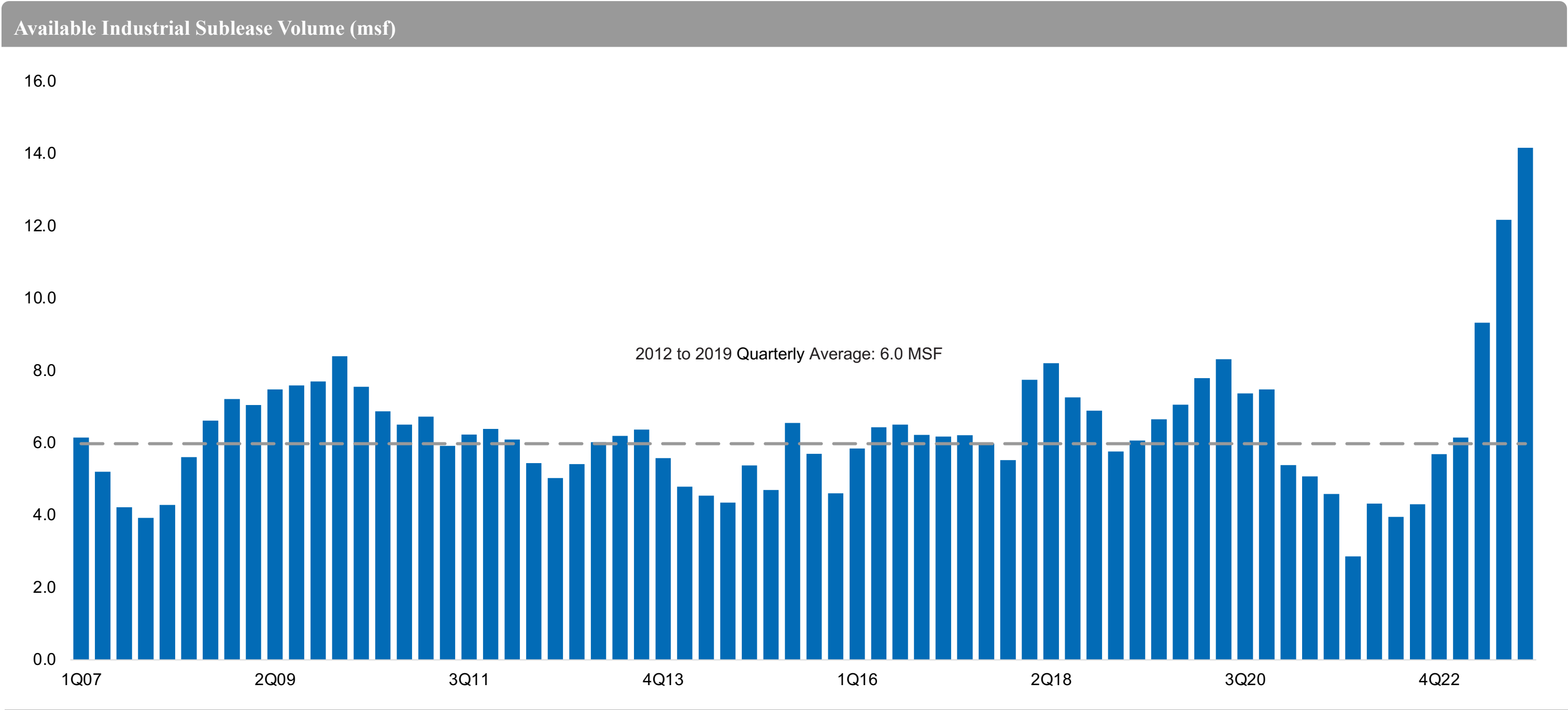
Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume



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 fourth quarter of 2023, available sublease space reached a new historical high at 14.2 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.

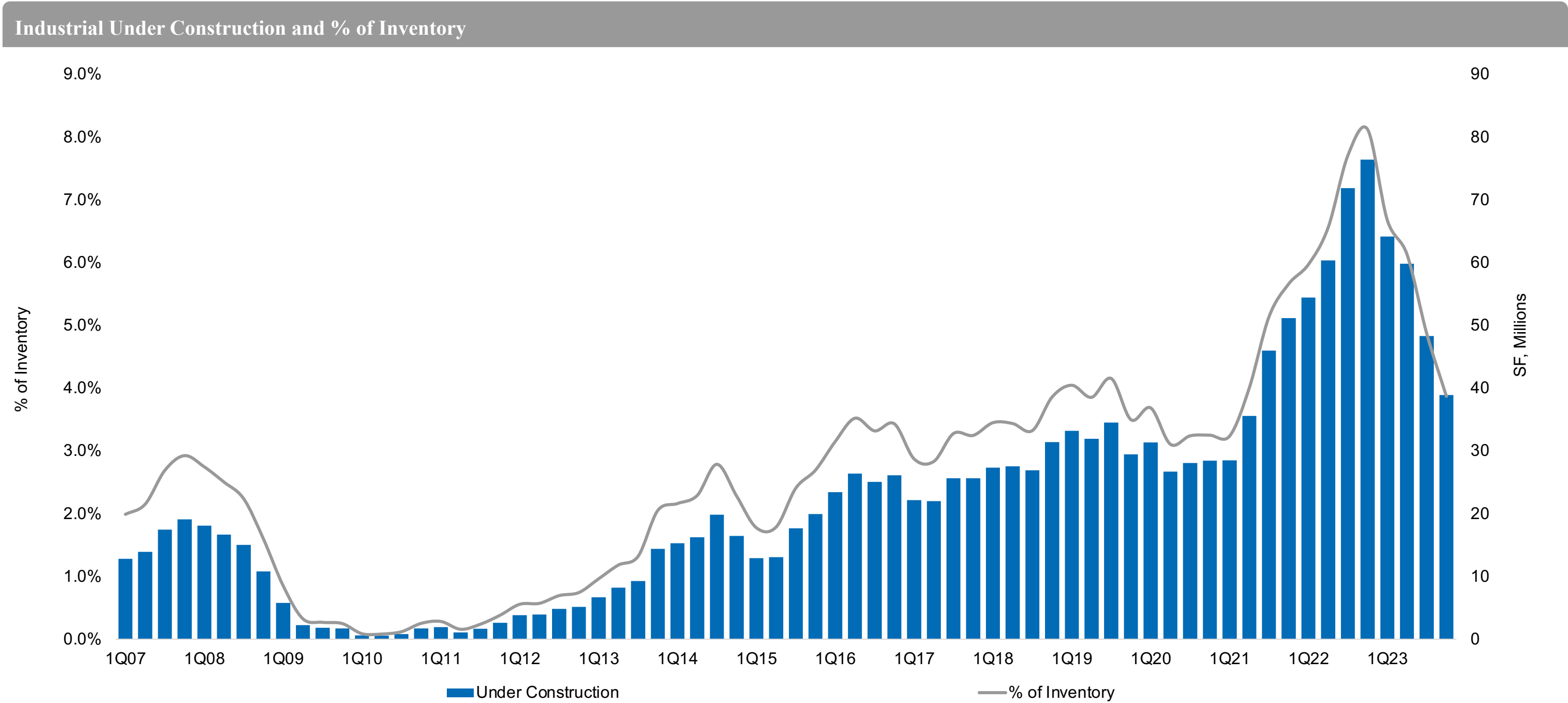


Source: Newmark Research, CoStar



# Industrial Supply Pipeline Continues Declining from Historic Highs

The construction pipeline trended downward for the fourth consecutive quarter after reaching a historic high of 76.4 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 continued to decelerate throughout 2023, creating a possibility for potential supply constraints as economic conditions improve in 2024 and 2025.

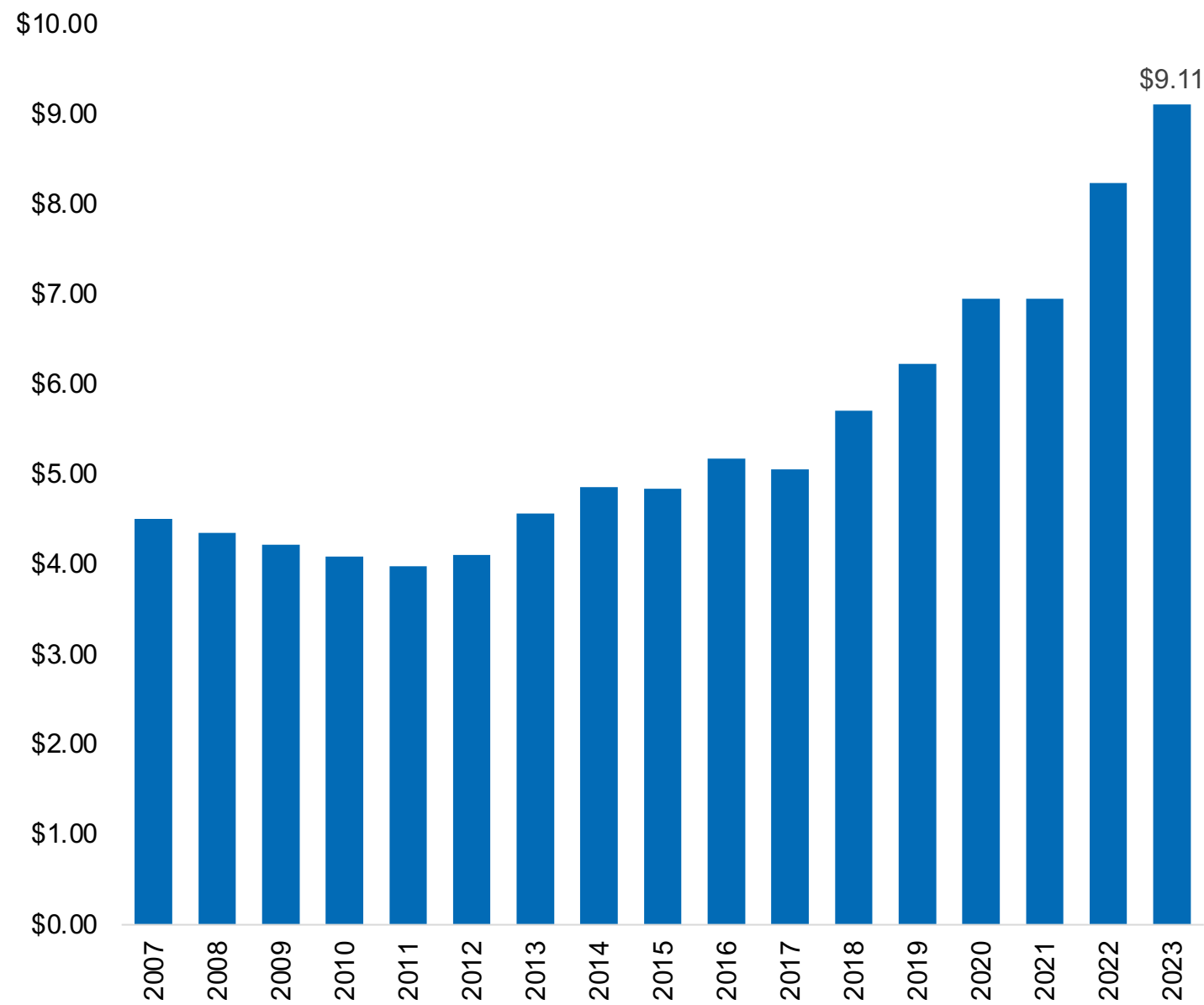


Source: Newmark Research, CoStar

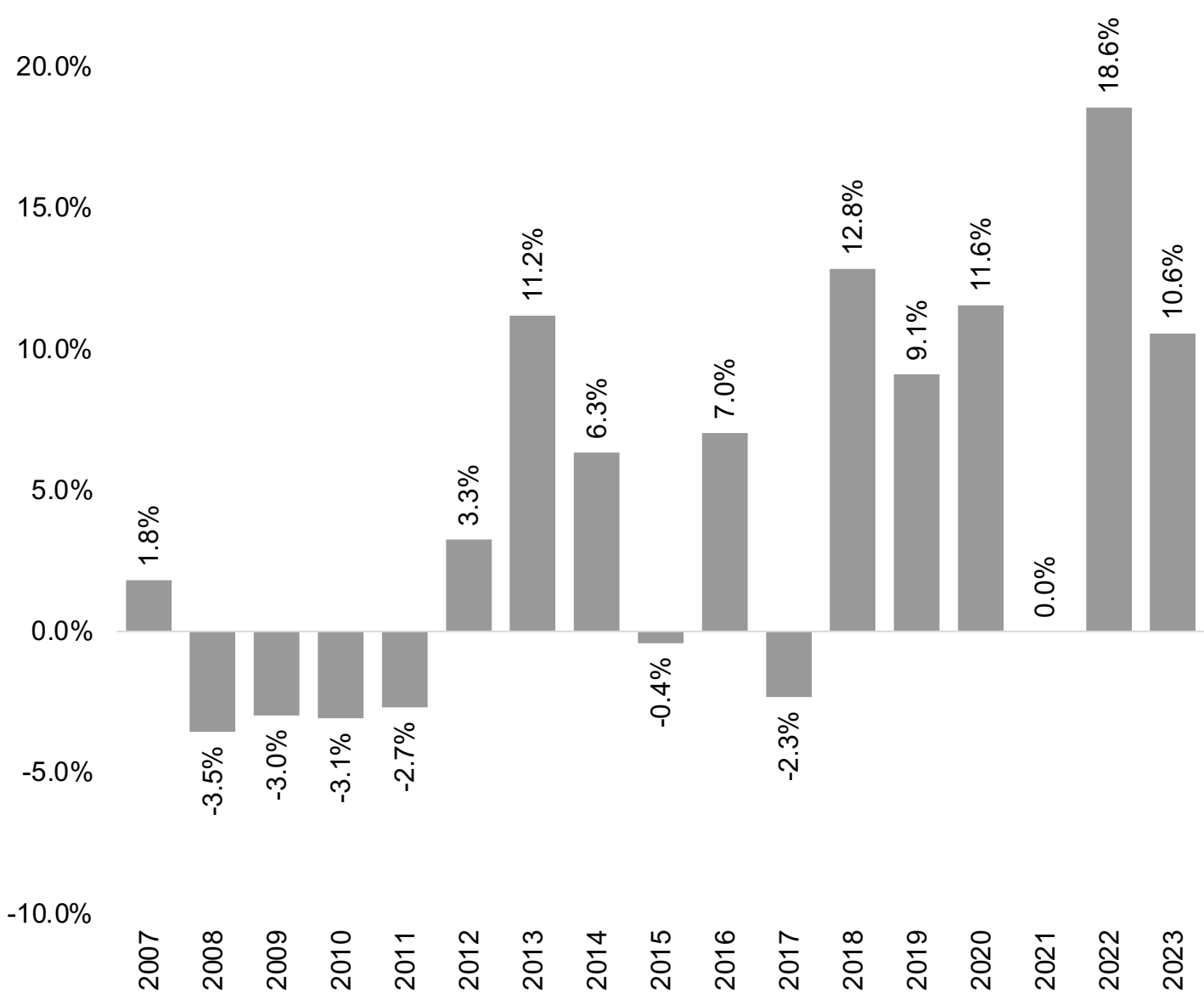
# Asking Rents Reach New Historical High

Industrial average asking rents reached a new high at \$9.11/SF, as of the end of the fourth quarter of 2023, increasing by 10.6% 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 4Q23 Lease Transactions

Leasing activity slowed in the fourth quarter of 2023, with quarterly leasing activity at 12.9 MSF, below quarterly averages reported since 2010 at 15.7 MSF. Currently, projects under construction are 32.0% preleased.

Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
DrinkPAK <i>DrinkPAK's new lease at 35 Eagle is in an under-construction building set to deliver in 2024.</i>	35 Eagle – Building C	North Fort Worth	Direct New	1,487,583
DrinkPAK <i>DrinkPAK's Carter Park East lease coupled with the lease at 35 Eagle represents the company's \$452 million investment plan to develop the two projects.</i>	Carter Park East – Building 3	South Fort Worth	Direct New	1,403,152
Trina Solar <i>Trina Solar, a global energy company, signed a new lease at Tradepoint 45 West, an under-construction building set to deliver early 2024, to open its first U.S. manufacturing plant.</i>	Tradepoint 45 West	South Dallas	Direct New	1,351,372
Kuka Furniture <i>Kuku Furniture signed a new lease to fully occupy Prologis Mountain Creek's Building 4 that delivered in early 2023.</i>	Prologis Mountain Creek – Building 4	South Dallas	Direct New	504,500
Logistics Plus <i>Logistics and supply chain company, Logistics Plus signed a new lease to occupy approximately half of Logistix Hub's Building 2 that was built in early 2023.</i>	Logistix Hub – Building 2	South Dallas	Direct New	489,907

Source: Newmark Research





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