

DALLAS INDUSTRIAL MARKET

THINGS REMAIN RELATIVELY STABLE IN THE SECOND QUARTER

The Dallas Fort Worth industrial market continues to function modestly. 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 second quarter, leasing activity was approximately 13 million square feet which is an increase over last quarter's 11.5 million square feet. The market's nearly 11-year streak of positive absorption continued in the second quarter, as there was roughly 5.3 million square feet absorbed. The vacancy rate for second quarter was 6.8%, showing minimal change as it was 6.4% in the first quarter. The vacancy rate was 6.4% this time last year showing that Dallas Fort Worth can handle this growth and new construction.

The Dallas Fort Worth metroplex remains a desirable distribution hub, proximity to Dallas Fort Worth Airport, Stemmons Freeway, Houston and its ports, and other major transportation arteries are key for developers and occupiers when looking at site selection. As a result, six of the nine tracked submarkets in the Dallas Fort Worth industrial market have construction underway totaling 2 million square feet or greater. Additionally of those six, the North Fort Worth, DFW Airport, and NE Dallas submarkets all register greater than 3 million square feet of new product currently underway. Overall, the Dallas Fort Worth industrial market has approximately 28.3 million square feet of space under construction as of the second quarter, a decrease of about 8 million square feet from 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.

Tenant demand remains strong with 486 completed lease transactions in the second quarter compared to 467 the previous quarter. Signed large-scale leases include Sunrider International leasing 1,100,000 square feet in the SW Dallas/US 67 submarket. FedEx leased 776,630 square feet and Mars Petcare leased 691,806 square feet both in the SE/I-45 submarket.

SALE AND INVESTMENT ACTIVITY

The Dallas industrial market shown healthy investment activity this second quarter as 1200 W Wintergreen changed hands for an undisclosed amount and the property was fully leased to VM Innovations and Supply Chain Management at the sale. Another notable sale this quarter included the 215,000 square foot manufacturing warehouse that sold for 28.5M or approximately \$132 per square foot at 4700 Marine Creek Parkway.

CURRENT CONDITIONS

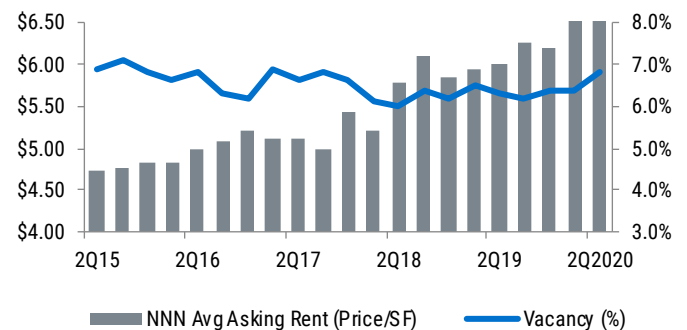
Absorption remains positive and vacancy remains stable

The supply pipeline is still strong as construction remains solid in the metroplex

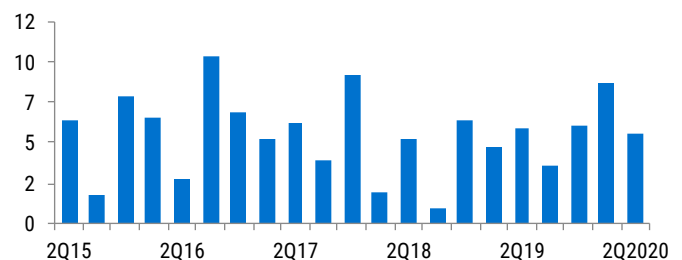
Covid-19 and its lingering effects is still an issue in the metroplex

MARKET ANALYSIS

Asking Rent and Availability



Net Absorption (SF, Millions)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	923.6 MSF	910.3 MSF	891.5 MSF	↑
Availability Rate	6.8%	6.4%	6.4%	↑
Quarterly Net Absorption	5.3 MSF	8.4 MSF	6.5 MSF	↓
Average Asking Rent	\$6.78	\$6.53	\$5.85	↑
Under Construction	28.3 MSF	33.5 MSF	36.4 MSF	↓
Deliveries (SF)	10.4 MSF	7.8 MSF	7.2 MSF	↓

The property traded at 7.0% cap rate. The major tenant in the building at the time of sale was Elbit Systems of America who is doing a sale leaseback.

RELOCATIONS AND 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. Sunrider International leased approximately 1.1 million square feet taking the entire building at 2499 Miller Rd located in the SW Dallas/US 67 submarket. The new building they will call home will be ready in 2022. Another notable large lease during the second quarter was food giant General Mills. General Mills renewed their lease for 860,000 square feet at 4901 Henrietta Drive located in the NE Tarrant/Alliance submarket.

ECONOMY

The Dallas Fort Worth economy contracted at an unprecedented pace in April and May due to the ongoing economic distress caused by the COVID-19 pandemic. Payroll employment saw its steepest decline on record, and unemployment spiked to a historical high as business closures led to layoffs in most industries.

The Dallas and Fort Worth business-cycle indexes—broad measures of economic activity in the metro area—slumped further. Unemployment climbed further in April, jumping to 11.8 percent in Dallas and 12.3 percent in Fort Worth, reflective of the layoffs occurring from mid-March to mid-April. Unemployment remained below the state and U.S. rates, which rose to 12.8 percent and 14.7 percent, respectively. Recent data for weekly initial claims for unemployment insurance in Texas suggest the unemployment rate will increase further in May to close to 20.6 percent.

The Dallas Fort Worth business-cycle indexes fell at a historical pace in April, driven by widespread job losses and a rapidly rising unemployment rate in the metroplex. Both the Dallas and Fort Worth

indexes saw their largest drops ever dating back to November 1978. Contraction in the Fort Worth index was more pronounced relative to the Dallas index, partly due to a larger employment decline. Year over year in April, the Dallas index fell 6.0 percent and the Fort Worth index was down 12.3 percent.

This is the first time since early 2010 that year-over-year growth in both indexes has been negative. Dallas Fort Worth single-family housing permits fell in March and April after growing strongly in the beginning of the year. The three-month moving average reflects the recent declines. Through April, total single-family permits were higher than in the same period last year by 17.2 percent in Dallas Fort Worth and 13.5 percent in Texas. Single-family construction will likely slow further in coming months given that several new land and lot deals have been put on pause or canceled and that spec building has moderated, in part due to heightened uncertainty.

COVID-19 STILL IMPACTING DALLAS FORT WORTH

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 minimal capacity. Texas was one of the first states to re-open. As of late May, 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 12.5%, a record high, the unemployment rate was 3.6% this time a year ago. Coworking companies have been hit hard by 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.

AVERAGE ASKING RENT BY SUBMARKET

Average Asking Rent (\$/SF)	Current Quarter	2Q19	12 Month Change
Northeast Dallas	\$7.23	\$6.82	↑
Northwest Dallas	\$7.32	\$6.55	↑
South Stemmons	\$8.27	\$7.40	↑
South Ft. Worth	\$5.84	\$6.56	↓
DFW Airport	\$7.49	\$7.08	↑

AVAILABILITY BY SUBMARKET

Availability Rate (%)	Current Quarter	2Q19	12 Month Change
North Ft. Worth	10.8%	7.4%	↑
Northwest Dallas	5.1%	4.2%	↑
South Stemmons	4.9%	4.5%	↑
South Ft. Worth	4.5%	4.1%	↑
DFW Airport	7.1%	8.0%	↓

LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Sunrider International	2499 Miller Rd	SW Dallas/US 67	Direct/New	1,100,000
General Mills	4901 Henrietta Creek Rd	NE Tarrant/Alliance	Direct/Renewal	860,100
FedEx	3800 Cedardale Rd	SE Dallas/I-45	Direct/New	776,630
Mars Petcare	2801 N Houston	SE Dallas/I-45	Direct/New	691,806

SELECT SALES TRANSACTIONS

Buyer/Seller	Submarket	Sale Price	Price/SF	Square Feet
Cabot Properties/Core5 Industrial Partners	SE Dallas/I-45	Undisclosed	Undisclosed	754,897
Oak Street Real Estate Capital/Elbit Systems Of America	Meacham Fld/Fossil Cr	\$28.5 M	\$132.4	215,729
ITR Industries, Inc./Prologis	Upper Great Southwest	Undisclosed	Undisclosed	152,760

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)
DFW Airport	83,382,498	5,578,740	8.5%	294,842	484,003	\$7.30	\$5.83	\$7.08
East	51,672,472	944,106	6.4%	1,198,977	1,522,729	\$5.38	-	\$5.38
Great Southwest	120,058,362	576,123	6.1%	-718,665	1,312,218	\$5.52	\$5.58	\$5.52
North Fort Worth	111,430,773	7,850,240	10.8%	425,334	2,361,833	\$6.14	5.34	\$6.12
Northeast Dallas	118,542,232	3,817,361	6.9%	1,750,220	3,102,916	\$8.11	\$4.57	\$7.71
Northwest Dallas	114,548,322	2,753,885	5.1%	34,785	20,744	\$7.37	\$6.72	\$7.34
South Dallas	108,139,135	2,435,240	8.0%	-228,637	3,202,394	\$4.17	\$11.58	\$4.71
South Fort Worth	89,103,898	3,352,612	4.1%	312,130	1,065,352	\$6.17	3.90	\$5.91
South Stemmons	124,079,680	973,442	4.9%	2,753,566	2,804,232	\$8.60	\$4.58	\$8.20
DFW Market	923,635,089	28,367,749	6.8%	5,309,106	14,354,397	\$6.88	\$5.52	\$6.78

SELECT TEXAS MARKETS- LARGEST SUBMARKETS

Dallas June 2020

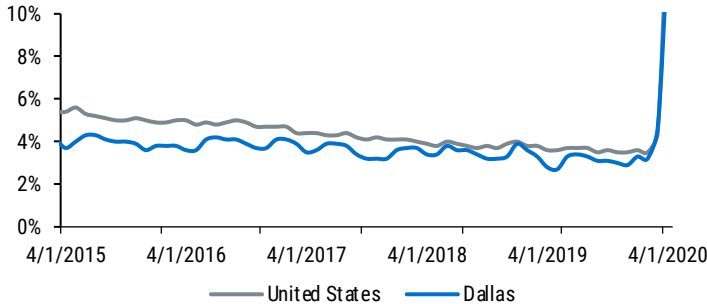
Top 10 Submarkets by Rentable Square Feet

Rank	Submarket	RSF
1	Northwest Houston	175.4 M
2	DFW South Stemmons	121.7 M
3	DFW Great Southwest	119.5 M
4	Northeast Dallas	117.9 M
5	Northwest Dallas	114.3 M
6	North Houston	114.4 M
7	South Dallas	108.0 M
8	North Ft. Worth	106.9 M
9	Southeast Houston	108.4 M
10	South Ft. Worth	87.1M

Source: Newmark Knight Frank

UNEMPLOYMENT RATE

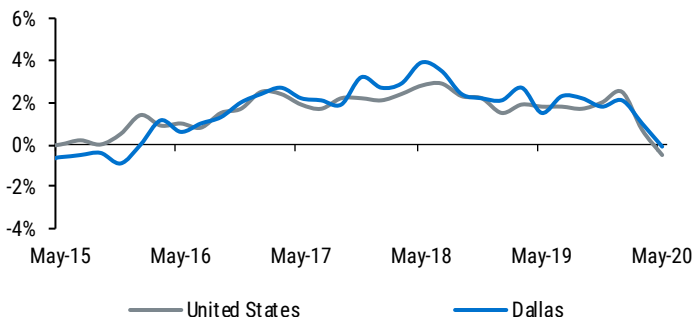
Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

CONSUMER PRICE INDEX (CPI)

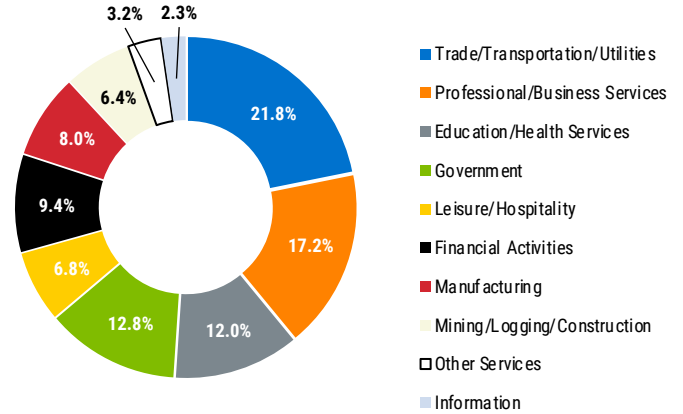
All Items, 12-Month % Change, Not Seasonally Adjusted,



Source: U.S. Bureau of Labor Statistics

EMPLOYMENT BY INDUSTRY

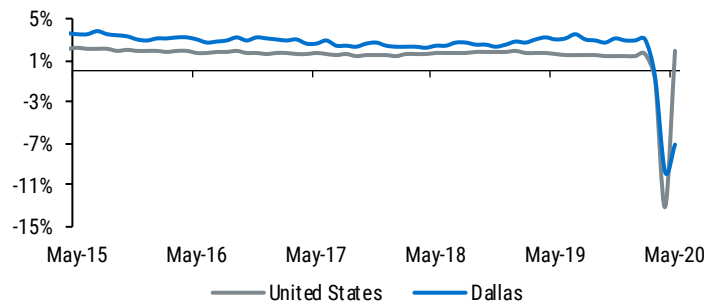
Dallas April 2020



Source: U.S. Bureau of Labor Statistics

PAYROLL EMPLOYMENT

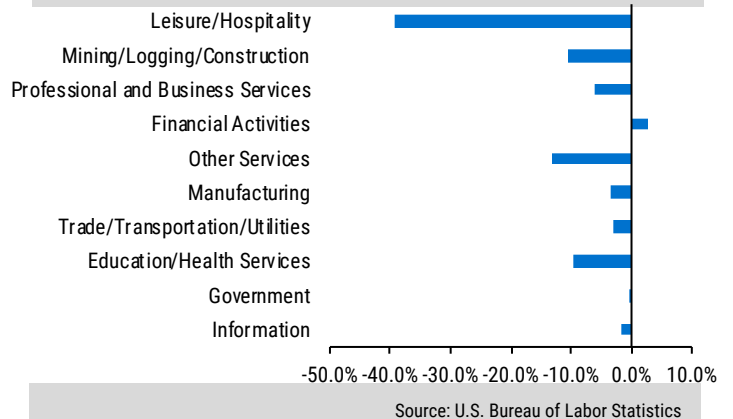
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



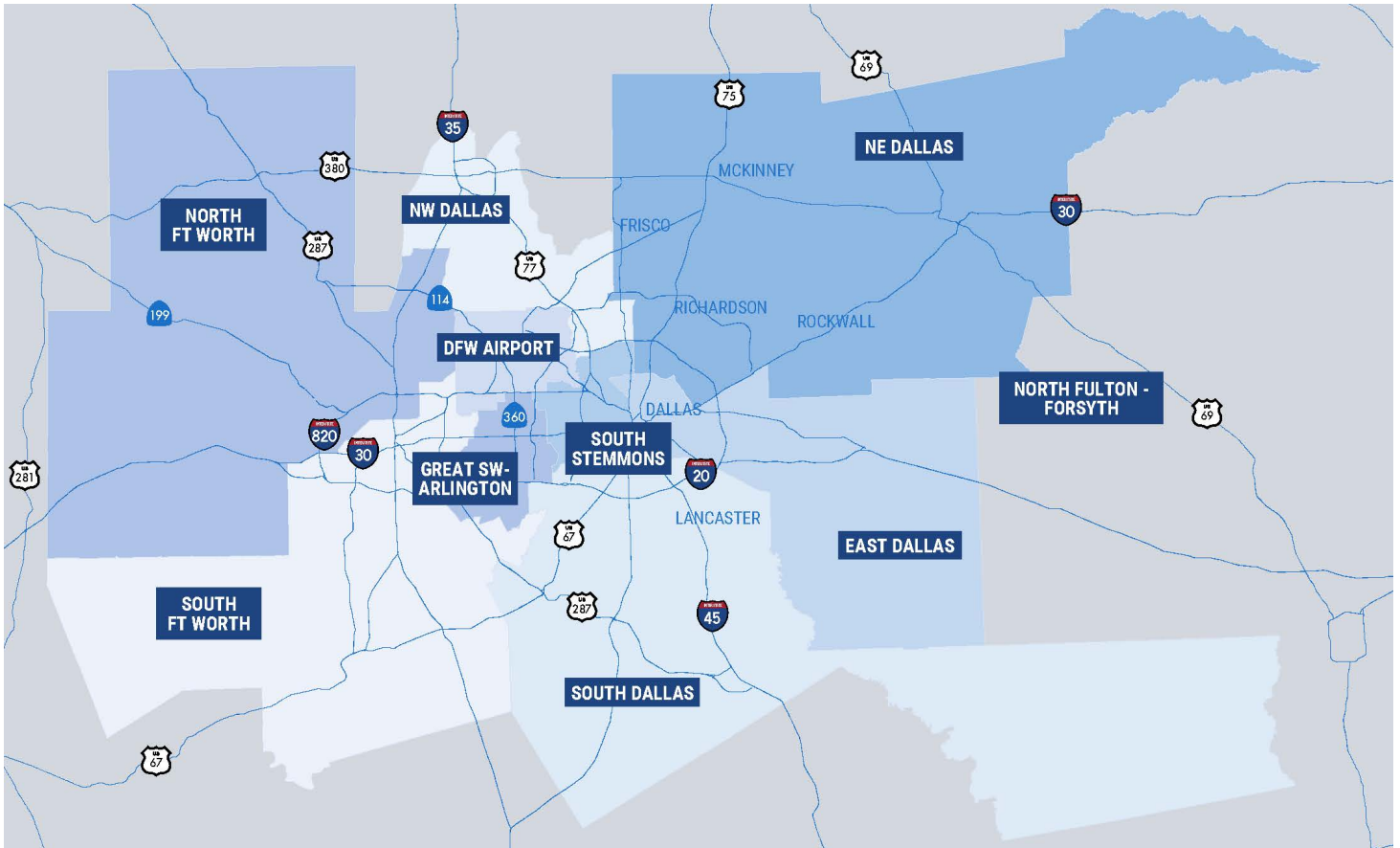
Source: U.S. Bureau of Labor Statistics

EMPLOYMENT GROWTH BY INDUSTRY

Dallas April 2020, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics



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