



Dallas – Fort Worth industrial market report

Q2 2024

**AVISON
YOUNG**

Dallas – Fort Worth industrial market trends

10.8 msf | 22.7 msf

Demand slower, but that's not bad...

While DFW saw a dramatic slowing in net absorption and leasing activity in Q1, Q2 saw a healthy rebound. While current demand is much slower than the heady 2018-23 timeframe, both metrics have merely returned closer – but remain ahead – of their longer-term averages. At 10.8 msf for 2024's first half, absorption should end the year well above trend, although feeling soft given the annual 30-40+ msf it hit the last few years. Likewise, leasing activity came in at 22.7 msf for the year. While a notable deceleration from what had become “normal” in DFW the last several years, it is actually 25% ahead of its longer-term half-year average of 18.3 msf.

11.0%

Vacancy remains elevated, but the story is more nuanced

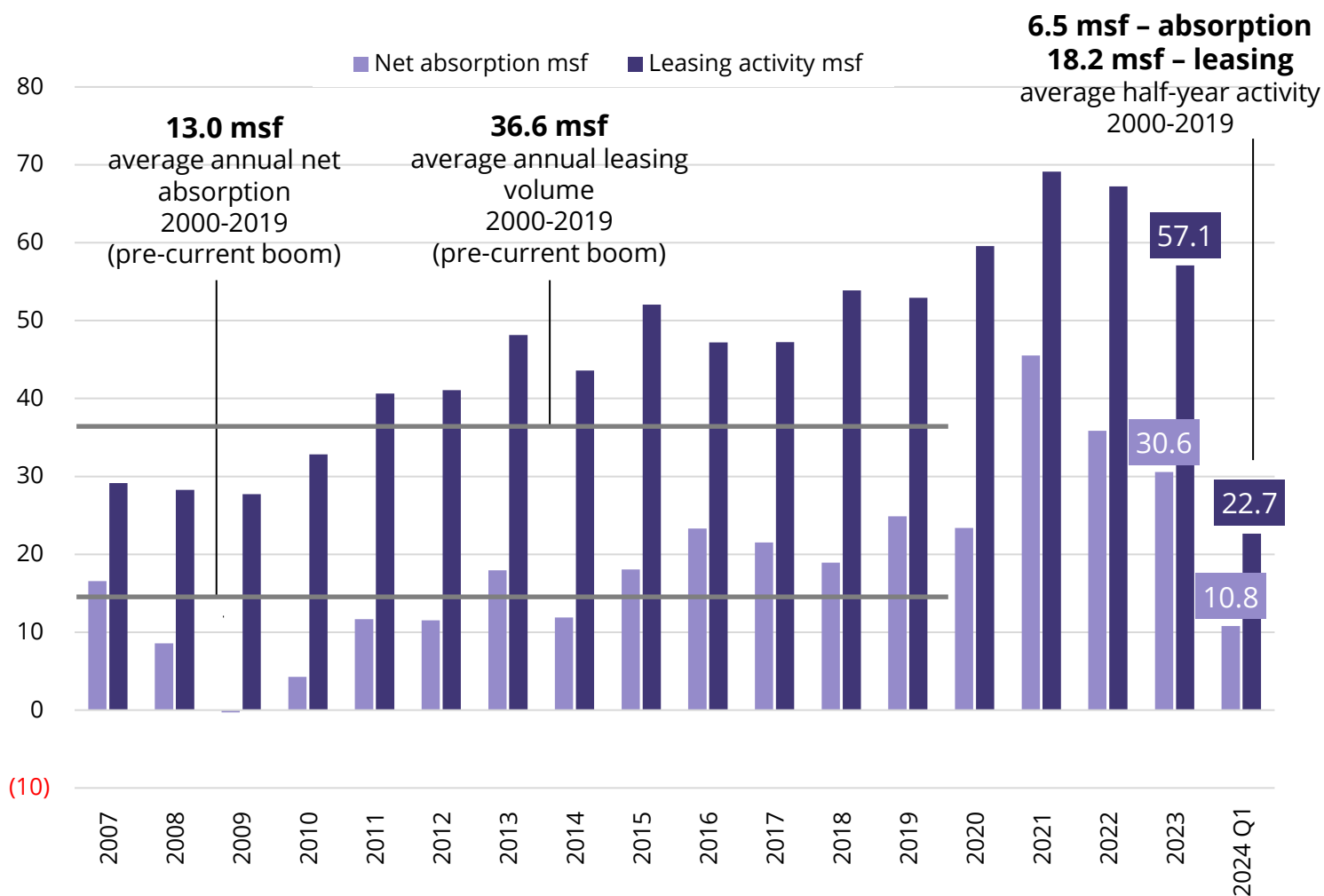
Vacancy remains elevated at 11.0%, essentially unchanged from Q1. It last hit this level in the early 2000s after the tech bust and in 2009–2010 during the recovery from the Great Recession. This time, the drivers are different. Rather than a deep demand decline, this time it is due to the lag in lease-up of DFW's extraordinarily high development pipeline. Our review underscores that the newest product is continuing to lease, with better numbers than last quarter, but it is the volume of spec deliveries driving vacancy up. 2019 to 2021 deliveries are well below the market average, as are even older assets. In comparison, 2022 and 2023 deliveries range between 15% to 50%, with 2024 assets at 70% vacancy. We believe DFW's slower development pipeline should allow vacancy to decline gradually into 2025.

\$8.34

Still “affordable” after all these years...

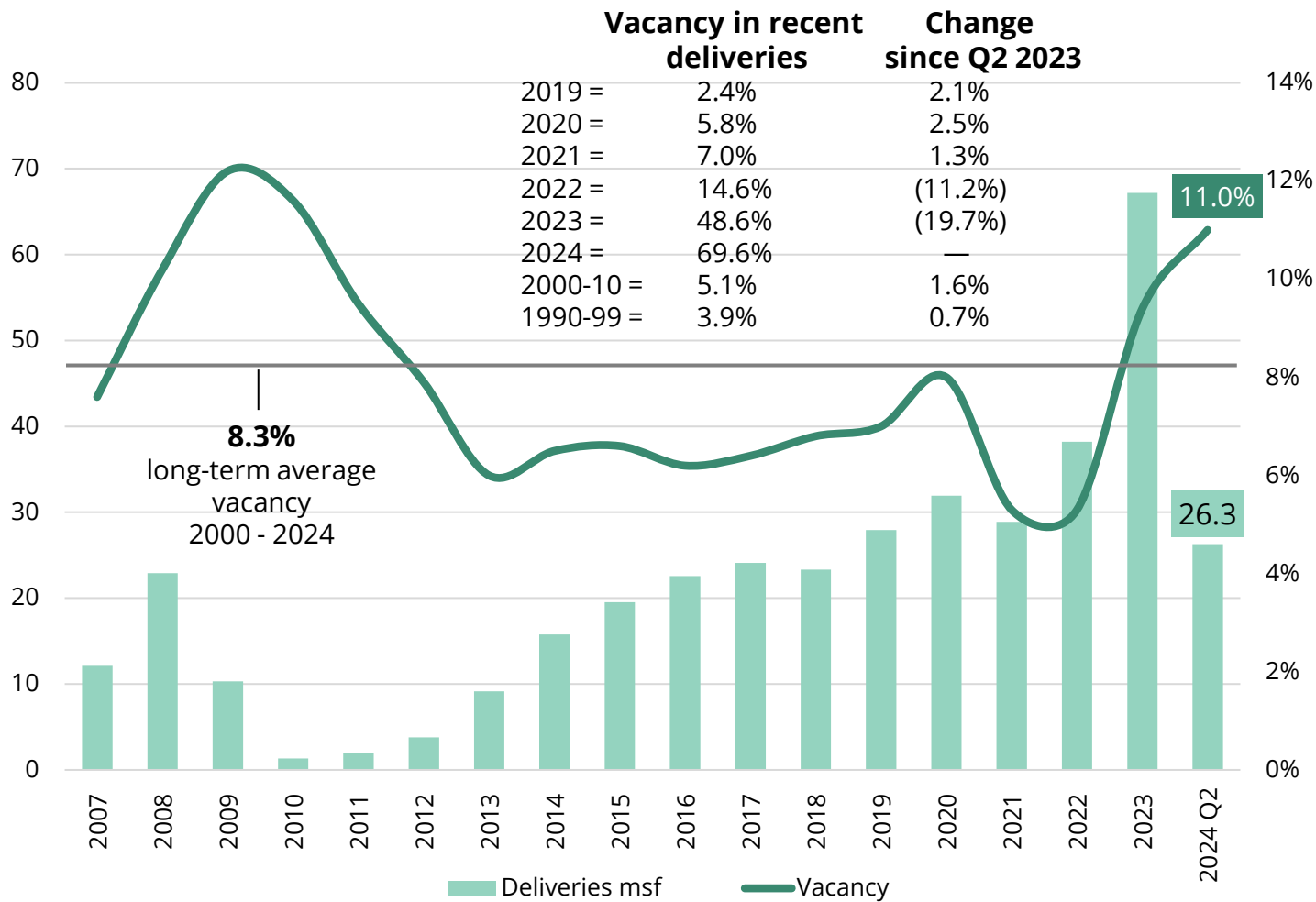
Q2 industrial rents hit \$8.34 psf, a 20% increase in the last year. Despite this, DFW remains an affordable logistics hub, but the dramatic increase has created sticker shock. Importantly, these average rents can come in even higher (\$10.00+ psf) depending on the submarket, product type, and lease size, with locations like DFW Airport, NE Dallas, and South Stemmons being at the top in pricing. A trend that may be emerging is that rents seem to have topped out in many markets. DFW saw Q1 to Q2 rents remain relatively flat. If that trend continues, DFW should be viewed as more predictable and sustainable by developers, investors, and users.

Still solid metrics, but 2024 taking a pause after a few years of extraordinary demand



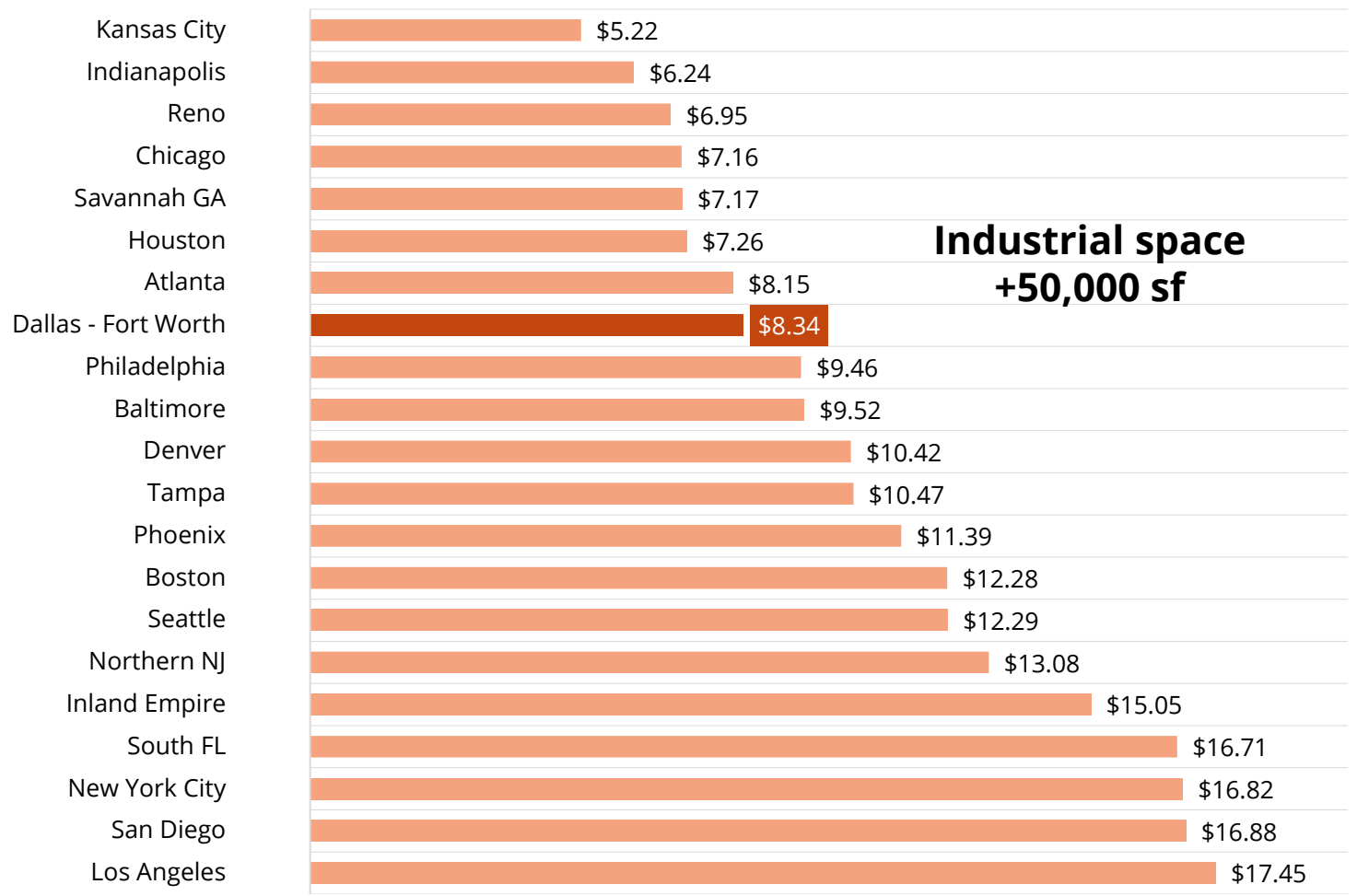
DFW's industrial sector saw tremendous demand growth the last few years as absorption and leasing exceeded long-term averages by 2-3 times. While Q1 saw a downshift, Q2 came back strong, resulting in absorption and leasing activity being ahead, but closer to, their long-term and proven sustainable averages.

DFW's vacancy increases due to lease-up lag in newer properties, but...



The vacancy increase from what had been stable lows during 2013-2022 is primarily due to the lag in lease-up of DFW's significant development pipeline. Lease-up is continuing to advance in the newest deliveries, but these are not yet stabilized. Vacancy is beginning to notch higher in some existing asset vintages, but these stabilized properties still operate well under the market's current 11.0% average.

DFW industrial rents affordable and slowing rent growth making outlook more predictable

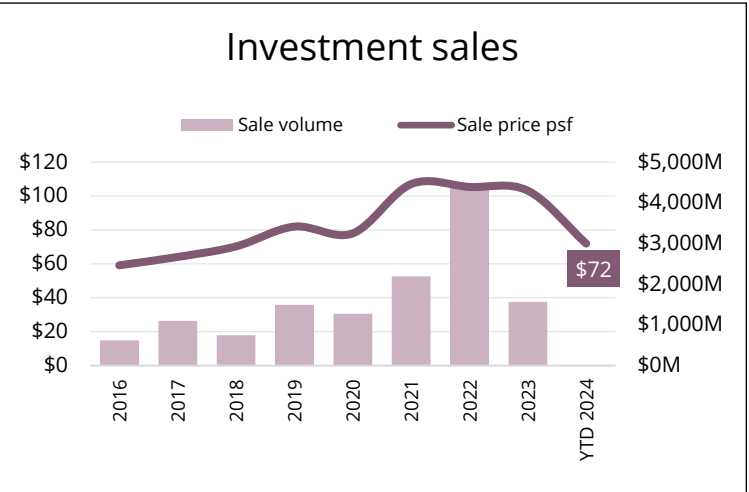
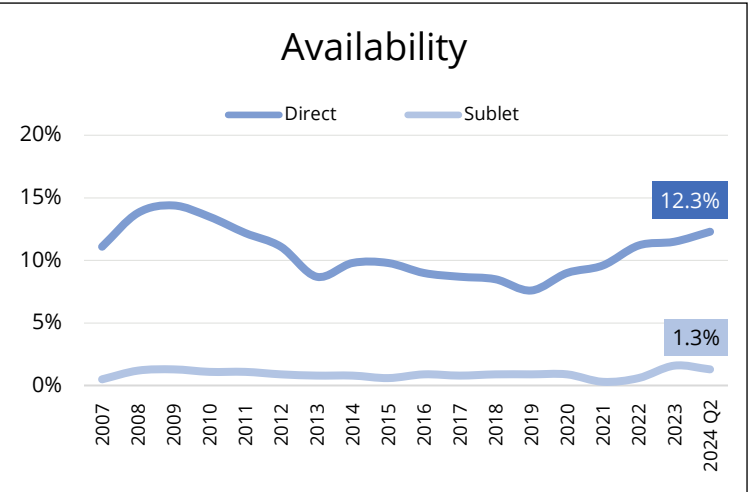
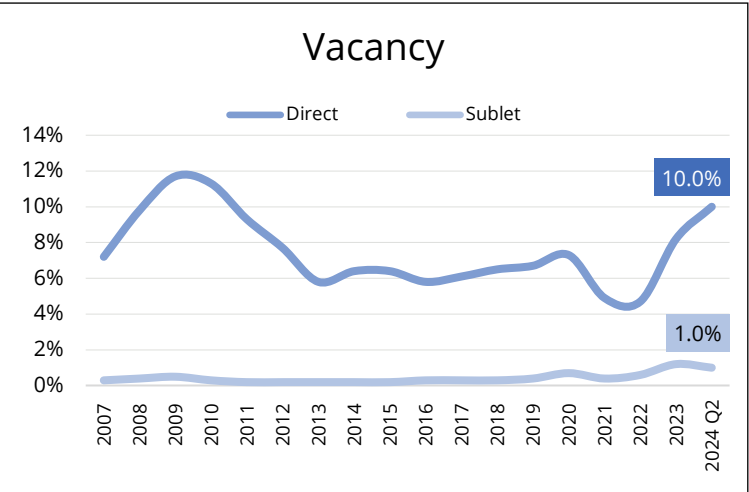
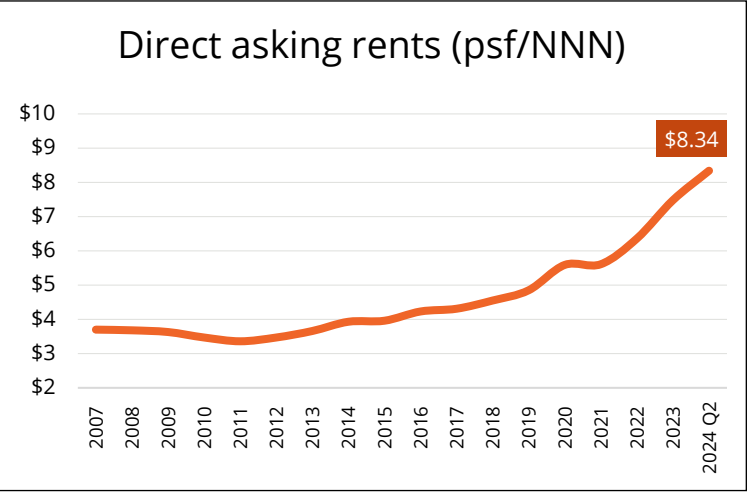
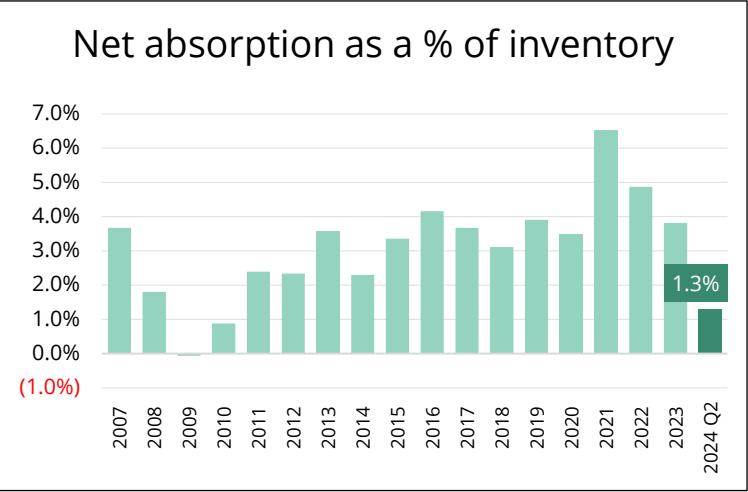
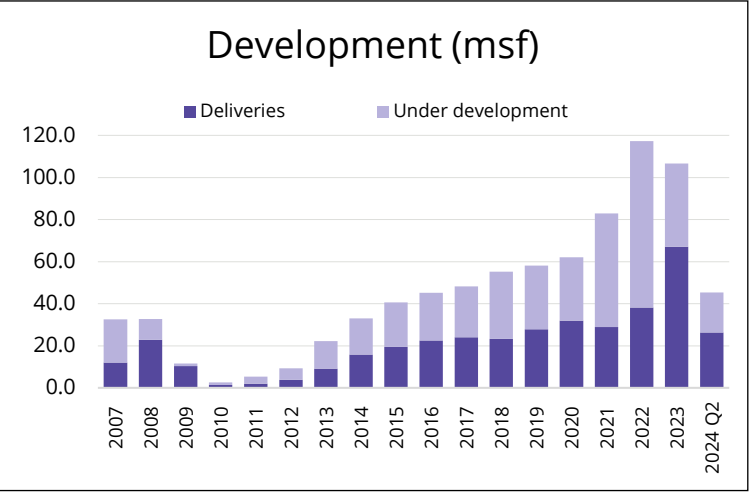


DFW’s industrial rent gains look to have slowed in Q1 and Q2, even though they are up 20% in the last year and 49% since year-end 2021. Even counting the past high rent growth, DFW remains one of the most affordable logistics options. If future rent gains remain modest, the region should benefit by being viewed as more predictable from investor, developer, and user perspectives.

Appendix



Dallas – Fort Worth industrial market indicators



Dallas - Fort Worth industrial market activity

Recent leasing activity

Tenant	Property Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Google	Northlake 35 Logistics Park	North Fort Worth	Apr-24	1,049,000	Direct	New
US Lumber	Southern Star Logistics Park	South Dallas	Jun-24	548,000	Direct	New
RJW Logistics	Mesquite Airport Logistics Center II	East Dallas	May-24	649,000	Direct	New

Recent sales activity

Buyer	Property Address	Sale date	Building size (sf)	Sale price (millions)	Sale price psf	Seller
LBA Realty	DFW Point35-Building 1	Jun-24	267,000	NA	NA	Stonemont Financial Group Iron Point Partners
The Bendetti Company RGA ReCap Incorporated	Pronto Park	May-24	257,000	NA	NA	M2G Ventures
PowerHouse Data Centers Harrison Street Capital	111 Customer Way	Apr-24	491,000	NA	NA	Provident Realty Advisors

Top projects under development

Property Address	Submarket	Delivery date	Building size sf	% Leased	Developer
Alliance Westport 25	North Ft Worth	2024	1,076,000	100%	Hillwood
Gateway Crossing Logistics Park I	East Dallas	2024	1,025,000	0%	Holt Lunsford
Wintergreen Industrial Park	South Dallas	2024	800,000	100%	Crow Holdings

Dallas – Fort Worth industrial market stats

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (2Q 2024)	Net absorption sf (YTD)	Average direct asking rent psf NNN
Warehouse & Distribution	82,489,946	2,605,105	1,692,842	10.6%	0.5%	11.0%	1,981,580	(563,437)	\$10.40
Manufacturing	3,704,216	0	0	20.3%	0.0%	20.3%	0	0	-
DFW Airport	86,194,162	2,605,105	1,692,842	11.0%	0.4%	11.4%	1,981,580	(563,437)	\$10.40
Warehouse & Distribution	44,105,428	5,282,015	2,689,473	18.9%	0.2%	19.0%	913,904	1,833,395	\$5.75
Manufacturing	6,137,167	0	0	-	-	0.0%	0	230,247	-
East Dallas	50,242,595	5,282,015	2,689,473	16.6%	0.1%	16.7%	913,904	2,063,642	\$5.75
Warehouse & Distribution	92,109,836	1,497,992	2,318,498	6.9%	1.4%	8.3%	(458,028)	(606,815)	\$8.21
Manufacturing	12,223,399	0	0	0.4%	0.5%	0.9%	(51,580)	(51,580)	-
Greater SW - Arlington	104,333,235	1,497,992	2,318,498	6.1%	1.3%	7.4%	(509,608)	(658,395)	\$8.21
Warehouse & Distribution	87,846,021	951,610	2,391,571	7.0%	1.2%	8.2%	673,634	1,549,922	\$9.38
Manufacturing	5,846,292	0	0	2.0%	0.0%	2.0%	(119,066)	(64,906)	\$8.90
Northwest Dallas	93,692,313	951,610	2,391,571	6.7%	1.1%	7.8%	554,568	1,485,016	\$9.33
Warehouse & Distribution	121,409,402	5,558,427	2,838,913	12.4%	1.5%	13.9%	2,336,616	2,933,188	\$8.35
Manufacturing	8,036,507	0	0	0.4%	3.5%	4.0%	99,293	124,685	\$6.49
North Fort Worth	129,445,909	5,558,427	2,838,913	11.7%	1.6%	13.3%	2,435,909	3,057,873	\$8.12

Dallas – Fort Worth industrial market stats (continued)

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (2Q 2024)	Net absorption sf (YTD)	Average direct asking rent psf NNN
Warehouse & Distribution	60,558,631	1,071,356	1,896,075	5.7%	0.9%	6.6%	432,566	851,699	\$10.25
Manufacturing	21,187,085	478,469	0	5.4%	0.5%	5.9%	384,517	429,455	\$5.50
Northeast Dallas	81,745,716	1,549,825	1,896,075	5.6%	0.8%	6.4%	817,083	1,281,154	\$9.97
Warehouse & Distribution	126,162,996	4,874,850	3,650,597	16.5%	1.0%	17.5%	992,200	2,053,699	\$9.08
Manufacturing	15,415,098	0	0	2.0%	0.0%	2.0%	(148,222)	(148,222)	\$3.95
South Dallas	141,578,094	4,874,850	3,650,597	14.9%	0.8%	15.8%	843,978	1,905,477	\$6.56
Warehouse & Distribution	54,761,360	1,494,485	1,321,198	9.4%	1.2%	10.6%	555,791	603,897	\$7.23
Manufacturing	13,919,222	600,000	0	0.5%	0.0%	0.5%	28,160	580,803	\$6.00
South Fort Worth	68,680,582	2,094,485	1,321,198	7.6%	0.9%	8.5%	583,951	1,184,700	\$7.22
Warehouse & Distribution	65,108,592	1,865,927	234,496	7.5%	1.6%	9.1%	1,216,693	1,067,998	\$9.55
Manufacturing	6,351,086	0	0	8.0%	0.0%	8.0%	(4,433)	(11,500)	\$8.43
South Stemmons	71,459,678	1,865,927	234,496	7.5%	1.5%	9.0%	1,212,260	1,056,498	\$9.30
Warehouse & Distribution	734,552,212	25,201,767	19,033,663	10.8%	1.1%	11.9%	8,644,956	9,723,546	\$8.49
Manufacturing	92,820,072	1,078,469	0	3.2%	0.5%	3.7%	188,669	1,088,982	\$6.76
DFW Market Total	827,372,284	26,280,236	19,033,663	10.0%	1.0%	11.0%	8,833,625	10,812,528	\$8.34

Dallas - Fort Worth submarket map



Industrial development pipeline

100 properties

under construction

19.0 msf | 200,000 sf

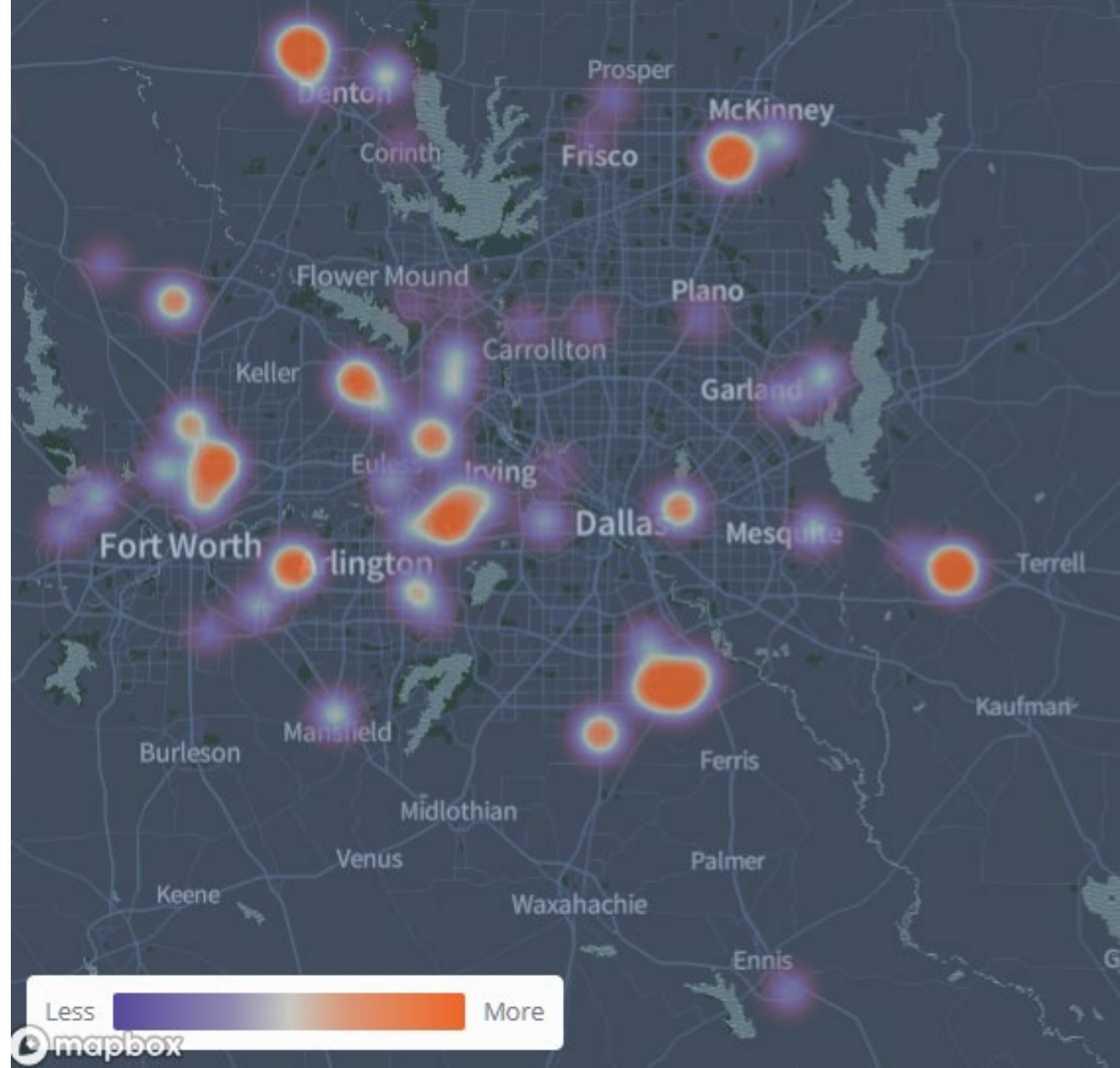
under construction | average project size

2.3%

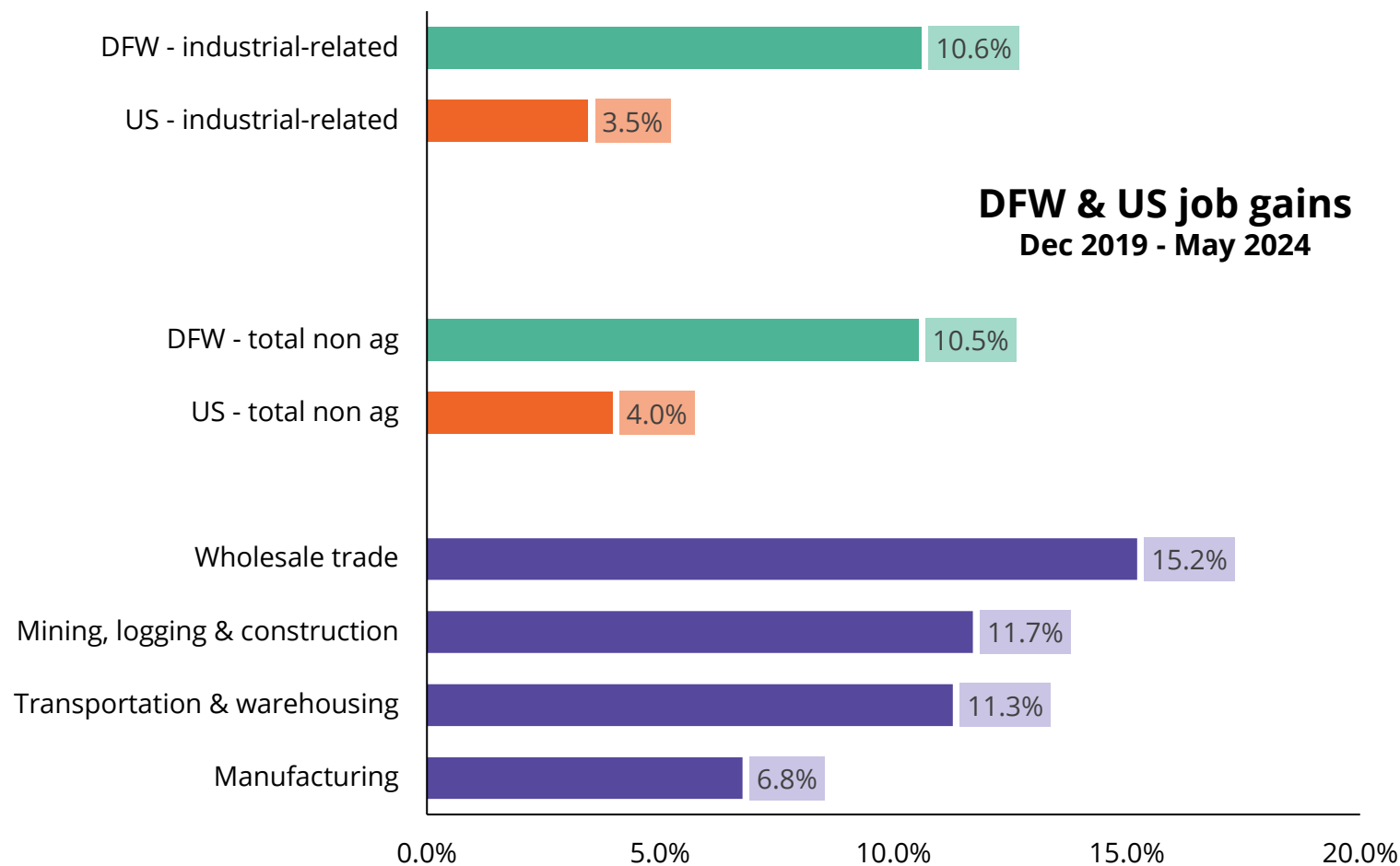
share of industrial inventory

4.8 msf | 25%

share leased



DFW's economic engine continues to create industrial jobs and fuel logistics strength



Since the end of 2019, DFW has continued to hit new job peaks. In the industrial sector, DFW totals 800,000+ jobs, having added 78,000 over that period, or 10.6% growth. In comparison, the US expanded only 3.5%. Over the last year, DFW added another 11,000 jobs, mostly in manufacturing and transportation & warehousing.

Industrial insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Property subtypes

- **Distribution:** properties used primarily to ship goods with higher proportions of dock doors and taller clear heights
- **General Warehouse:** properties used to store goods and materials
- **Manufacturing:** properties where goods are produced and assembled with heavier power and stronger floor loads for equipment

Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

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