

DFW Industrial

Q1 2024

Dallas-Fort Worth Industrial | Q1 2024

Quarterly Market Report

Building the future in DFW's Industrial market with expansive construction and market optimism in the face of rising vacancies

Executive Summary

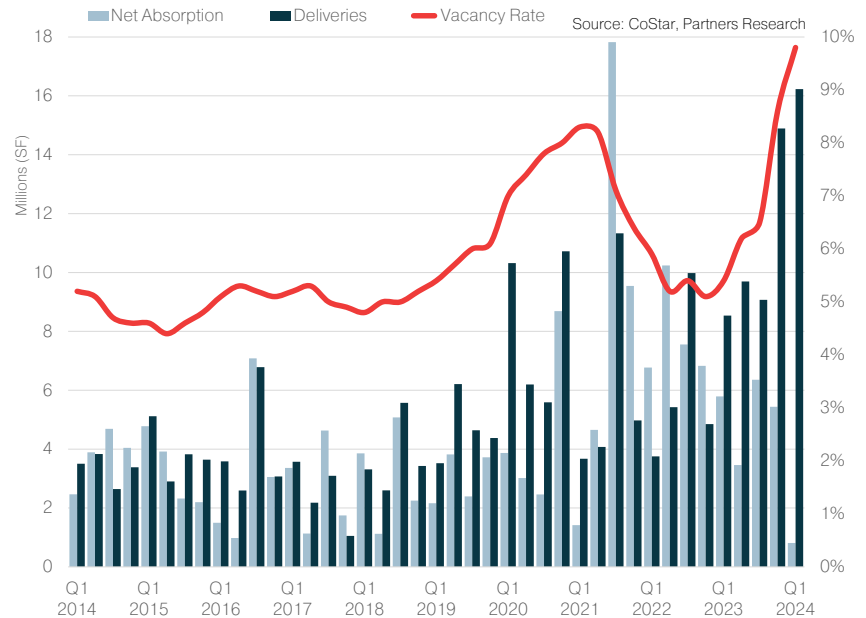
Q1 in Review

By the end of Q1 2024, the overall vacancy rate in the Dallas-Fort Worth (DFW) industrial market rose 120 basis points quarter-over-quarter, from 8.6% to 9.8%. A 9.8% vacancy rate defines DFW's industrial market as neutral regarding landlord or tenant favorable conditions. Net absorption was positive for the record, but far below the norm as construction deliveries remained high. Five of the ten industrial sub-markets have double-digit total vacancy rates, which has been the result of record-breaking construction deliveries over the past two years. Still, average asking rates have remained at all-time highs and are up roughly 13% over the past year.

DFW Economic Update

The Dallas-Fort Worth economy expanded in February. Job growth accelerated, and unemployment held steady for the third straight month at 3.7%. DFW payroll employment expanded an annualized 2.9% (10,000 jobs) in February following job declines in the previous month. In the three months through February, employment was up a modest 1.3% in DFW—below its trend growth rate. Job gains were mixed across sectors during this period, with job growth led by other services and manufacturing. Payrolls were flat in trade, transportation and utilities and declined in information services and construction and mining.

Supply & Demand



Key Market Indicators

	CURRENT Q1 2024	PRIOR QUARTER Q4 2023		PRIOR YEAR Q1 2023	
Vacant Total	9.8%	8.6%	▲	6.4%	▲
Vacant Direct	9.0%	7.6%	▲	5.8%	▲
Available Total	11.9%	11.9%	▼	10.3%	▲
Available Direct	10.9%	10.9%	▼	9.8%	▲
Net Absorption (SF)	811,101	5,438,765	▼	9,819,145	▼
Leasing Activity (SF)	13,864,951	16,513,352	▼	22,704,200	▼
Construction (SF)	30,620,945	42,748,821	▼	72,460,328	▼
Deliveries (SF)	16,227,295	14,893,658	▲	21,622,629	▼
Avg Asking Rent (NNN)	\$9.66	\$9.15	▲	\$8.53	▲
Inventory (SF)	1,113,077,867	1,096,933,005	▲	1,047,075,134	▲

Market Overview

Vacancy Rate Increases to 9.8%

The overall vacancy rate in DFW's industrial market rose to 9.8%, increasing 120 basis points from 8.6% in Q4 2023. While vacancies in the largest Warehouse/Distribution segment are higher than the historic norm, the Flex and Manufacturing sectors have near record low vacancy rates of 5.7% and 3.2%, respectively. Half of the industrial submarkets (South Dallas, East Dallas, North Fort Worth, DFW Airport and NW Dallas Outlying) have double-digit vacancy rates due to over 70 million sq. ft. of new construction that was completed in DFW in 2023. This was a record-breaking figure that is unlikely to be matched again for at least the next 10 years, as the construction pipeline currently stands at 30.6 million sq. ft.

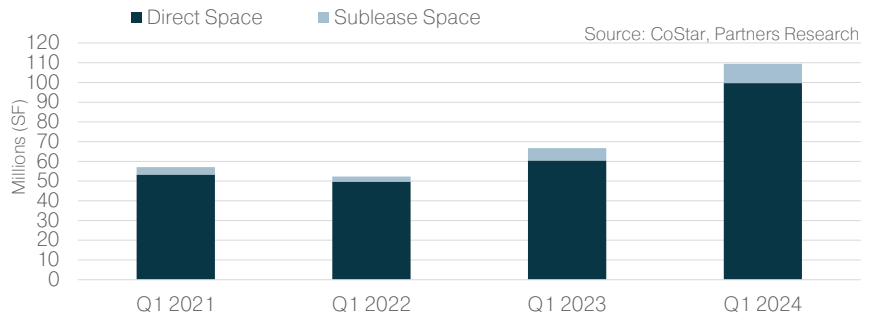
Deliveries Up 9% From Previous Quarter

Deliveries in the DFW industrial market increased to 16.2 million sq. ft., up 9% quarter-over-quarter from 14.9 million sq. ft. In 2023, a record-high 70 million sq. ft. was delivered to the market. The historic amount of space typically delivered to the DFW market is about 20 million sq. ft. per year. Notable new construction for early 2024 include: Tradepoint 45 West, a 1,351,372-sq.-ft. industrial property occupied by Trina Solar; 35 Eagle Building C, a 1,251,160-sq.-ft. spec property in Alliance; and 3333 W University Dr, a 899,770-sq.-ft. multi-tenant property in Denton that is completely occupied.

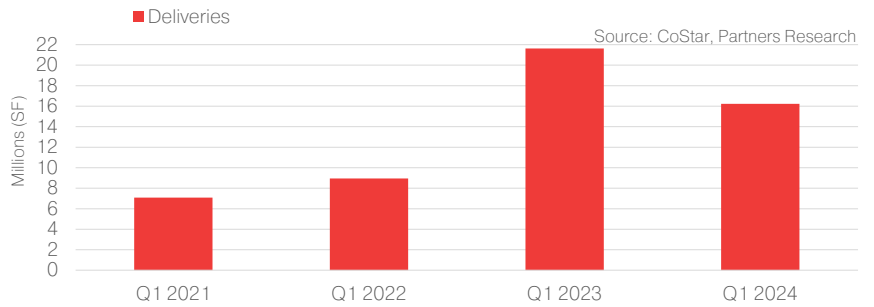
Leasing Down 16% From Previous Quarter

Net absorption was lower than normal for the first quarter, but recently signed leases inked in the first quarter point to stronger absorption later in the year. Notable transactions in early 2024 include Post Consumer Brands leasing 1.1 million sq. ft. of space at Logistix Hub, Orbis leasing 659,049 sq. ft. at 7121 Shelby Ave, Barrett Distribution Centers leasing 529,047 sq. ft. at Exeter East Logistics Park and Frito-Lay leasing 515,000 sq. ft. at Prologis Mountain Creek.

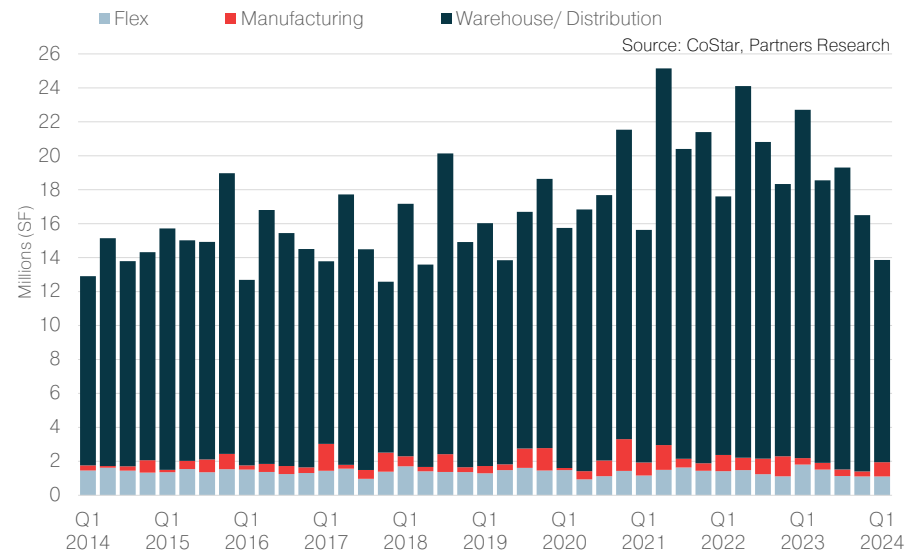
Vacancy



Deliveries



Leasing



Market Overview

Net Absorption Remains Positive but Lower than the Norm

Net absorption—move-ins minus move-outs—is at 811,101 sq. ft. for Q1 2024. This was down 85% from the previous quarter as the frenzied pace of demand took a breather for the quarter. The most notable pullback in demand was from the largest segment of the market (500,000+ sq. ft. Warehouse/Distribution properties) and the Flex sector, which had a negative 601,377 sq. ft. of net absorption for the quarter. Recent notable move-ins include Trina Solar moving into 1.4 million sq. ft. at Tradepoint 45 West and Vehicle Accessory Group moving into 325,218 sq. ft. at Alcott Logistics Staton in Mesquite.

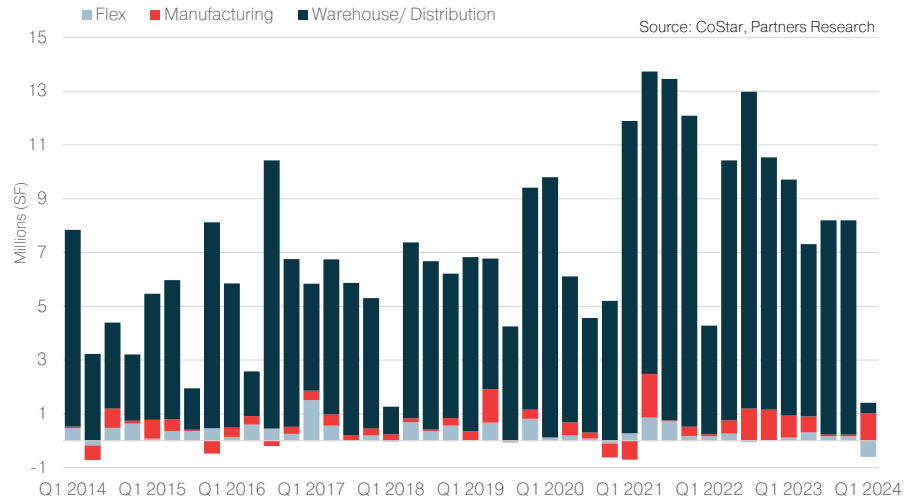
Investment Sales Trends

Over the past year CoStar Capital Market Analytics reports that 800 industrial properties sold for \$1.1 billion in the DFW market. The average sale price stands at \$158 per sq. ft. with an average cap rate of 7%. Notable sales transactions in the first quarter 2024 include JPMorgan Chase selling five industrial properties in Fort Worth, TX to Artemis Real Estate Partners. The portfolio totaled almost 2 million sq. ft. and went for an average price of \$79 per sq. ft. Also, Invesco sold 6501 Highpoint to Vertical Cold Storage, a 403,420 sq. ft. cold storage facility.

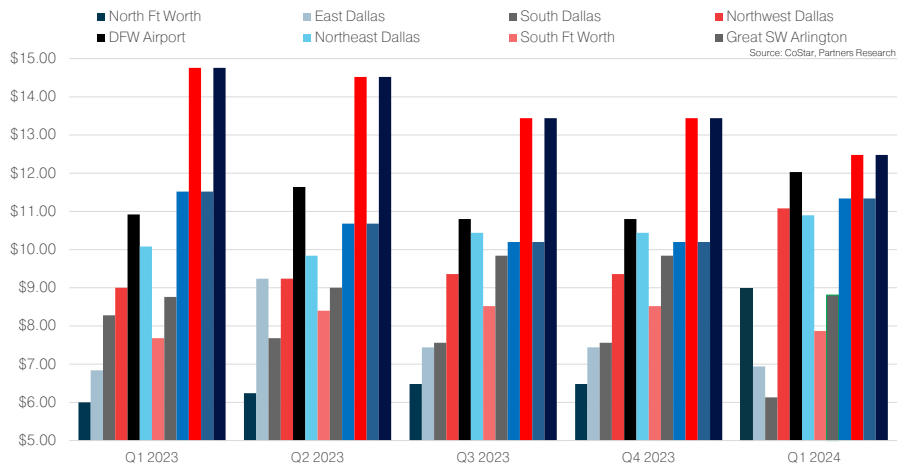
Rental Rates Increase 13% Year-Over-Year

The average monthly rental rate for the DFW industrial market was \$9.66 per sq. ft., up 13% year-over-year from \$9.15 per sq. ft. The average monthly rate for Flex space stood at \$13.79 per sq. ft., while the rates for Manufacturing space and Warehouse/Distribution space were \$8.63 per sq. ft. and \$8.53 per sq. ft., respectively. The Northwest Dallas Outlying and DFW Airport submarkets currently have the highest overall average rates at \$12.48 per sq. ft. and \$12.03 per sq. ft., respectively.

Net Absorption



Average Asking Rent (NNN)



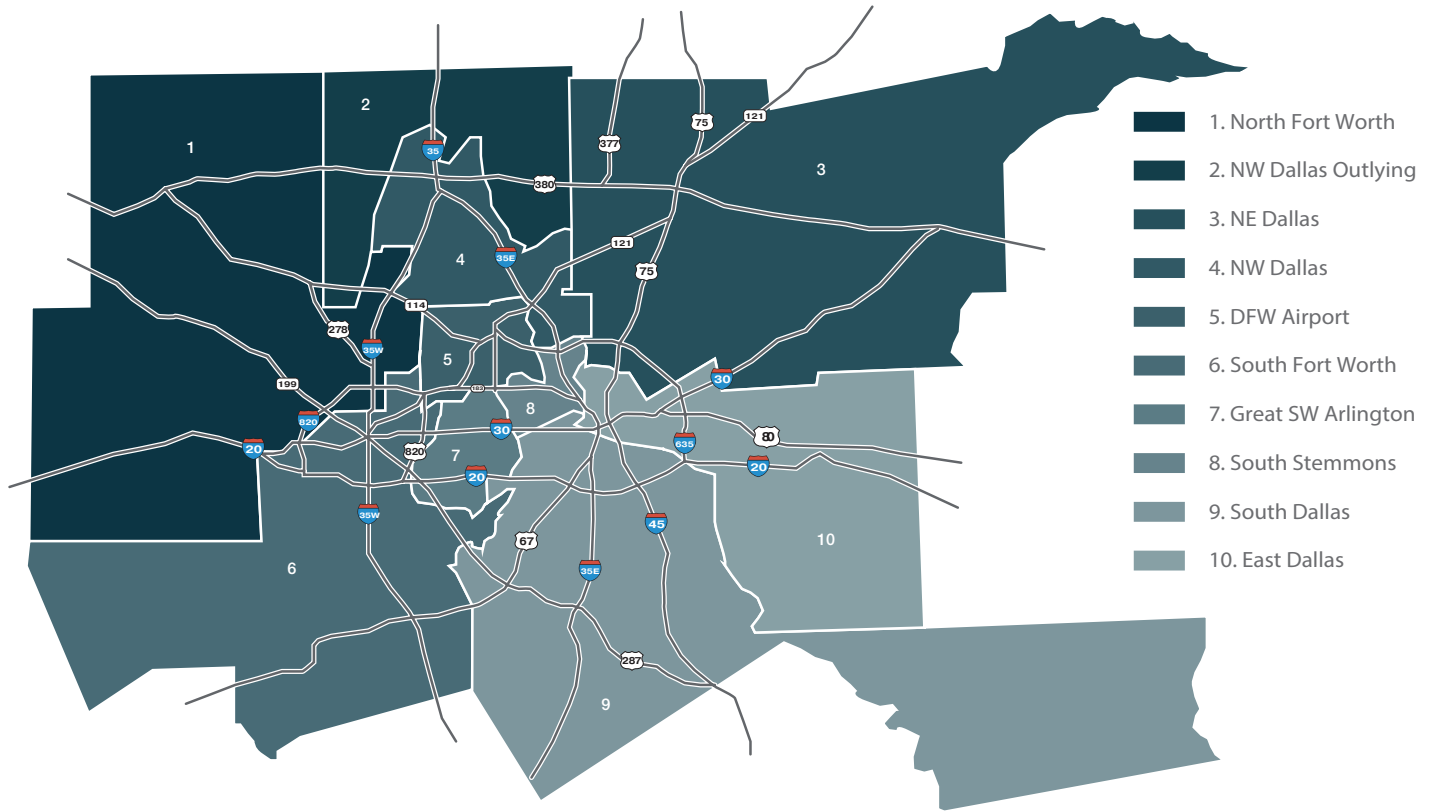
Market Overview

Submarket Stats

Submarket Statistics (Total reflects Flex/ Manf/WD)	Total Inventory (SF)	Total Vacancy (%)	Q1 2024 Net Absorption (SF)	2024 YTD Net Absorption (SF)	Q1 2024 Deliveries (SF)	Under Construction (SF)	Overall Average Asking Rent (NNN/MO)	Total Avg Asking Rent (\$/ SF/MO/ NNN)
Dallas Market Total	1,113,077,867	9.80	11.90	811,101	811,101	16,227,295	30,620,945	9.66
Flex	114,573,962	5.70	6.30	-601,377	-601,377	91,832	855,545	13.79
Manufacturing	106,823,267	3.20	3.70	1,017,145	1,017,145	600,000	478,469	8.63
Warehouse/Distribution	891,680,638	11.10	13.60	395,333	395,333	15,535,463	29,286,931	8.53
South Dallas	159,535,050	14.40	16.40	1,736,302	1,736,302	4,745,770	4,752,612	6.13
Flex	3,411,119	2.70	3.90	21,097	21,097	0	19,200	9.32
Manufacturing	18,017,524	1.30	2.90	-17,652	-17,652	0	0	7.50
Warehouse/Distribution	138,106,407	16.40	18.40	1,732,857	1,732,857	4,745,770	4,733,412	5.93
North Ft Worth	151,396,386	13.90	14.80	(300,870)	(300,870)	4,431,794	4,527,511	8.98
Flex	7,665,390	4.70	5.30	-23,638	-23,638	0	21,342	12.30
Manufacturing	9,468,719	4.60	4.60	111,562	111,562	0	0	6.61
Warehouse/Distribution	134,262,277	15.10	16.10	-388,794	-388,794	4,431,794	4,506,169	8.52
East Dallas	68,021,194	14.60	16.00	1,115,766	1,115,766	3,026,997	4,499,734	6.94
Flex	4,718,297	4.80	5.50	-26,776	-26,776	0	0	12.57
Manufacturing	7,634,865	1.00	1.00	198,247	198,247	0	0	23.65
Warehouse/Distribution	55,668,032	17.30	18.80	944,295	944,295	3,026,997	4,499,734	5.91
Northwest Dallas	130,108,768	7.80	10.70	766,978	766,978	918,454	2,775,079	11.08
Flex	20,629,386	7.50	7.80	-164,683	-164,683	18,684	187,452	13.98
Manufacturing	7,449,637	0.80	2.00	58,455	58,455	0	0	9.14
Warehouse/Distribution	102,029,745	8.40	11.90	873,206	873,206	899,770	2,587,627	9.67
DFW Airport	98,238,669	10.60	12.50	(2,670,711)	(2,670,711)	335,401	3,502,629	12.03
Flex	7,770,589	7.60	8.90	-86,302	-86,302	0	0	13.40
Manufacturing	3,925,676	19.10	19.10	0	0	0	0	0.00
Warehouse/Distribution	86,542,404	10.50	12.60	-2,584,409	-2,584,409	335,401	3,502,629	11.31
South Ft Worth	111,658,398	7.40	11.00	109,943	109,943	1,040,496	2,826,737	7.87
Flex	10,584,944	4.10	4.30	-91,252	-91,252	10,500	29,250	11.07
Manufacturing	16,262,969	0.80	0.90	621,976	621,976	600,000	0	7.97
Warehouse/Distribution	84,810,485	9.10	13.60	-420,781	-420,781	429,996	2,797,487	7.51
Northeast Dallas	133,767,343	6.00	7.80	590,422	590,422	640,535	3,527,096	10.90
Flex	29,984,652	5.10	6.10	64,962	64,962	50,647	584,301	14.06
Manufacturing	22,705,038	6.60	6.60	21,152	21,152	0	478,469	7.23
Warehouse/Distribution	81,077,653	6.10	8.90	504,308	504,308	589,888	2,464,326	10.40
Great SW Arlington	128,326,020	6.20	9.10	97,285	97,285	1,075,847	1,901,523	8.81
Flex	8,386,608	6.30	6.50	-141,650	-141,650	0	0	10.99
Manufacturing	13,130,816	0.90	1.80	35,476	35,476	0	0	9.01
Warehouse/Distribution	106,808,596	6.90	10.20	203,459	203,459	1,075,847	1,901,523	8.23
South Stemmons	127,532,847	7.40	8.90	(581,009)	(581,009)	0	2,246,104	11.34
Flex	21,346,261	5.60	5.70	-155,972	-155,972	0	0	16.41
Manufacturing	8,036,540	7.30	7.50	-12,071	-12,071	0	0	7.77
Warehouse/Distribution	98,150,046	7.70	9.60	-412,966	-412,966	0	2,246,104	9.79
NW Dallas Outlying	4,493,192	28.00	28.50	(53,005)	(53,005)	12,001	61,920	12.48
Flex	76,716	11.90	25.50	2,837	2,837	12,001	14,000	21.00
Manufacturing	191,483	8.90	8.90	0	0	0	0	9.33
Warehouse/Distribution	4,224,993	29.20	29.40	-55,842	-55,842	0	47,920	13.43

Market Overview

DFW Industrial Submarkets



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