

DFW Industrial

Q4 2024

Dallas-Fort Worth Industrial | Q4 2024

Quarterly Market Report

DFW Industrial Market Stabilizes Amid Declining Construction and Leasing Activity in Q4 2024

Executive Summary

Q4 2024 in Review

The Dallas-Fort Worth (DFW) industrial market experienced a mixed performance in Q4 2024, characterized by stable vacancy rates, a slowdown in construction activity, and healthy yet tempered leasing demand. The overall vacancy rate increased slightly to 9.6%, favoring tenants. Landlords are getting more aggressive and offering more concessions in the form of free rent and increased tenant improvement allowances, especially for larger deals with strong credit tenants.

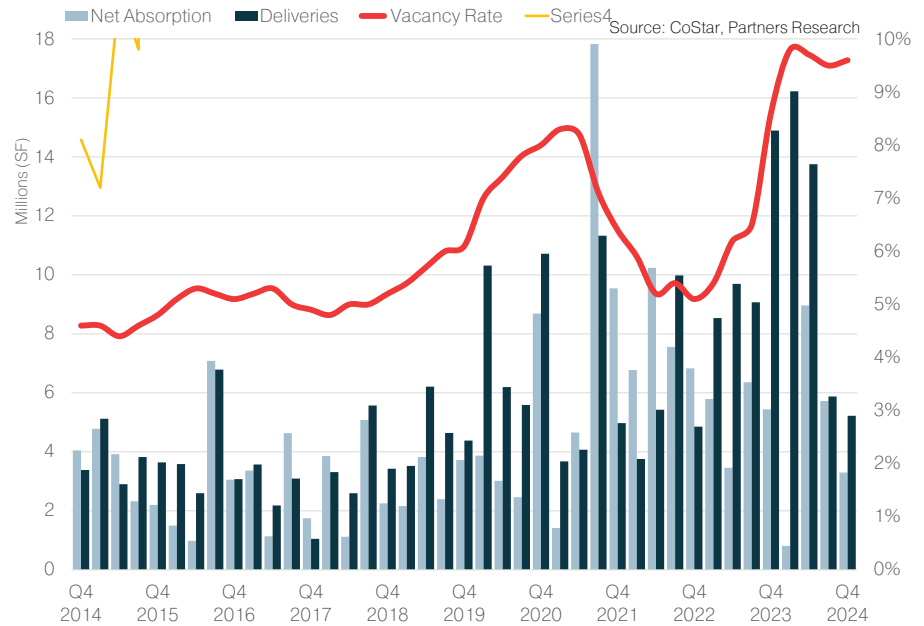
Construction activity declined sharply, with only 5.2 million square feet delivered this quarter—a 66% decrease from the same period last year. The construction pipeline also dropped by 46% year-over-year to 22.8 million square feet, aligning closer to historic norms. Leasing activity followed a similar trend, down 6% quarter-over-quarter and 39% year-over-year.

Net absorption totaled 3.3 million square feet, driven solely by Warehouse/Distribution properties, while Flex and Manufacturing segments recorded negative absorption. Investment sales totaled \$1.1 billion over the past year, with significant transactions including the sale of 500 Freepoint and the Midpoint Logistics Center. Meanwhile, rental rates dipped slightly for the quarter but rose 3.2% year-over-year to an average of \$9.54 per square foot. The market's shift toward normalization reflects a recalibration after years of extraordinary growth, signaling a steady foundation for future activity.

DFW Economic Update

Employment in DFW dipped in November after holding steady in October. Job growth was sluggish (1.0% annualized growth, or 11,000 jobs) but broad based across the major sectors for the three months ending in November. The strongest gains were in financial activities and information, while employment slipped in manufacturing and professional and business services. The unemployment rate in DFW was unchanged at 4.0% in November. The Dallas-Fort Worth economy slowed in November. Employment fell slightly, and unemployment held steady at 4%

Supply & Demand



Key Market Indicators

	CURRENT Q4 2024	PRIOR QUARTER Q3 2024		PRIOR YEAR Q4 2023	
Vacant Total	9.6%	9.5%	↑	8.1%	↑
Vacant Direct	8.8%	8.7%	↑	7.2%	↑
Available Total	11.6%	11.9%	↓	10.9%	↑
Available Direct	10.6%	10.8%	=	9.8%	↑
Net Absorption (SF)	3,297,935	5,722,341	↓	6,782,340	↓
Leasing Activity (SF)	11,457,217	12,211,923	↓	18,694,235	↓
Construction (SF)	22,788,946	22,298,550	↑	42,384,527	↓
Deliveries (SF)	5,222,031	5,872,916	↓	15,228,087	↓
Avg Asking Rent (NNN/MO)	\$9.54	\$9.90	↓	\$9.24	↑
Inventory (SF)	1,142,778,654	1,135,359,365	↑	1,101,445,164	↑

Market Overview

Vacancy Rate Increased Slightly to 9.6%

The overall vacancy rate in DFW's industrial market increased slightly over the past quarter to 9.6%, this was a 10 basis point increase from 9.5% from the Q3 2024. For the different industrial property types, the total vacancy rate for Flex, Manufacturing, and Warehouse/ Distribution space have vacancy rates of 5.8%, 3.2%, and 10.9%, respectively. DFW's industrial market is in currently categorized with "neutral conditions"—with a vacancy rate between 8% to 10%—Tenant's have the advantage right now and landlord's are getting aggressive on larger deals especially those with strong credit.

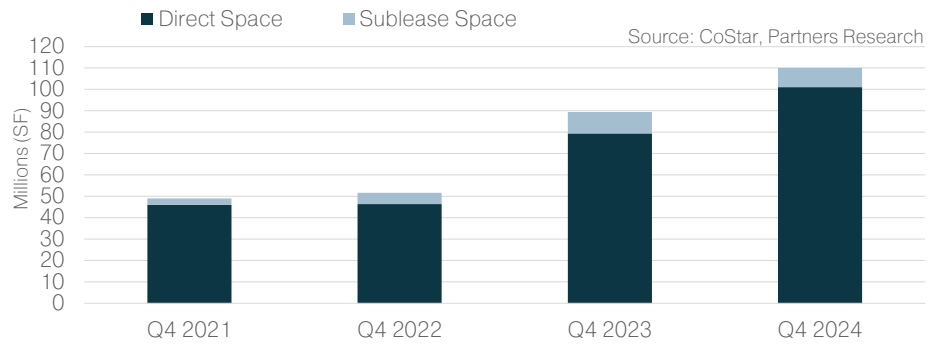
Construction Deliveries and Construction Pipeline Both Down Dramatically Over the Past Year

Deliveries in the DFW industrial market decreased to 5.2 million sq. ft., this is down 66% from last year when 15.2 million sq. ft. was completed in Q4 of 2023. The under-construction pipeline is also down significantly, decreasing by 46% to 22.8 million sq. ft., which puts that aggregate amount underway only slightly above the historic norm for the market.

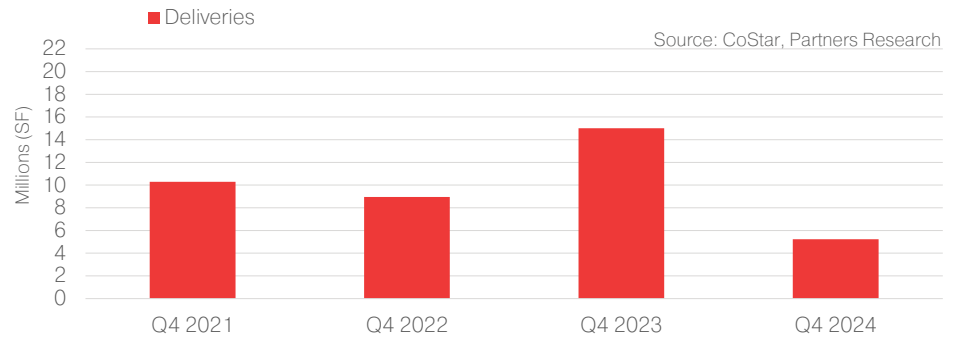
Leasing Down 6% From Previous Quarter

Leasing activity is down moderately over the past quarter (6%) and more significantly for the year (39%), as the amount of new construction coming to the market has moved back in line with historic norms. Notable recent lease transactions include Frito-Lay signing a lease for 286,414 sq. ft. at Prologis Mountain Creek, NAFTA signing a 109,587 sq. ft. lease at 8401 Ambassador Row, McMahan's Flooring LLC leased 229,113 SF from Ares at 2520 Weir Street, and Krestmark Industries leased 282,461 SF from TA Dallas Turnpike at 3950 Bastille Road.

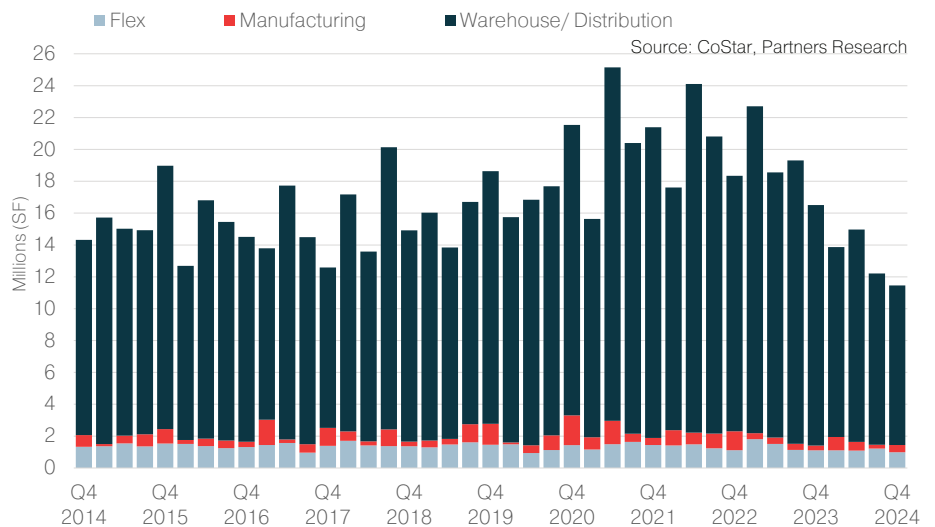
Vacancy | YOY



Deliveries | YOY



Leasing



Net Absorption

Demand Healthy but Did not Keep Pace with New Deliveries in the Fourth Quarter

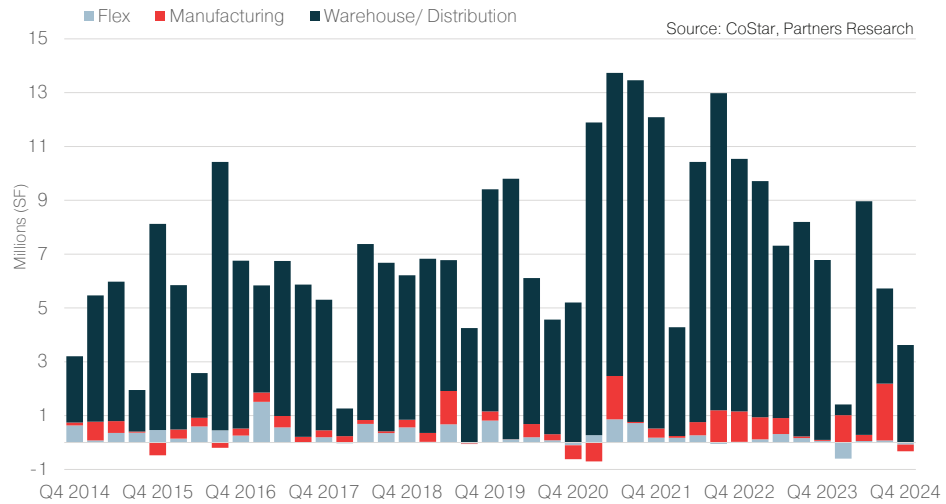
Net absorption—move-ins minus move-outs—recorded 3.3 million sq. ft. for Q4 2024, this down 42% from the 5.7 million sq. ft. recorded in Q3 of 2024. Warehouse/Distribution properties accounted for all of the positive net absorption for the quarter with 3.6 million sq. ft. recorded, while Flex and Manufacturing were both negative at a -80,125 sq. ft. and -243,291 sq. ft., respectively. Notable recent move-ins include CJ Logistics taking 1,075,260 sq. ft. at the SouthPort Logistics Park, Exel taking 581,000 sq. ft. at 2340 Providence, KTX Logistics taking 153,893 sq. ft. at the Cedar Hill Logistics Park and Paragon Furniture taking 121,740 sq. ft. at Mid Cities Logistics Park.

Investment Sales Trends

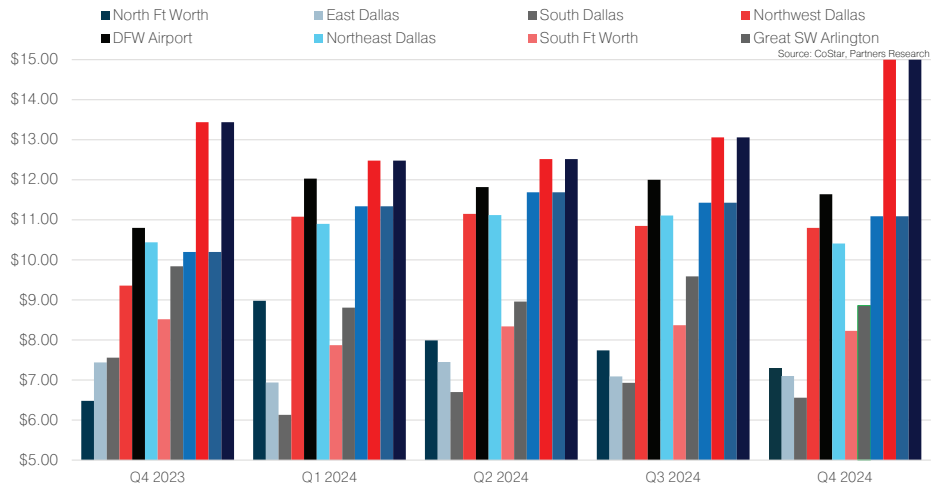
CoStar Capital Market Analytics reports that over the past 12-month sales volume for DFW market totaled \$1.1 billion. This represents 872 properties that sold with an average of \$122 per sq. ft. and an average cap rate of 6.6%. Notable recent sales transactions include the Alliance Industrial Company purchasing 500 Freeport, a 1,101,500 sq. ft. distribution facility 100% lease by The Container Store, Sterling Investors acquired the Midpoint Logistics Center with 1,600,445 sq. ft. from a JV between Panattoni and Metlife. Also, Weber & Company sold the 740,870 sq. ft. distribution facility at 2540 W Main St in Midlothian to Home Zone Furniture, which will occupy the property.

Rental Rates Dip for the Quarter, Still up 3.2% Year over Year

The average monthly rental rate for the DFW industrial market was \$9.54 per sq. ft., up 3.2% year-over-year from \$9.24 per sq. ft. The average monthly rate for Flex space stood at \$13.77 per sq. ft., while the rates for Manufacturing space and Warehouse/Distribution space were \$7.64 per sq. ft. and \$8.67 per sq. ft., respectively. The Northwest Dallas Outlying and DFW Airport submarkets currently have the highest overall average rates at \$17.46 per sq. ft. and \$11.64 per sq. ft., respectively.



Average Asking Rent (NNN)



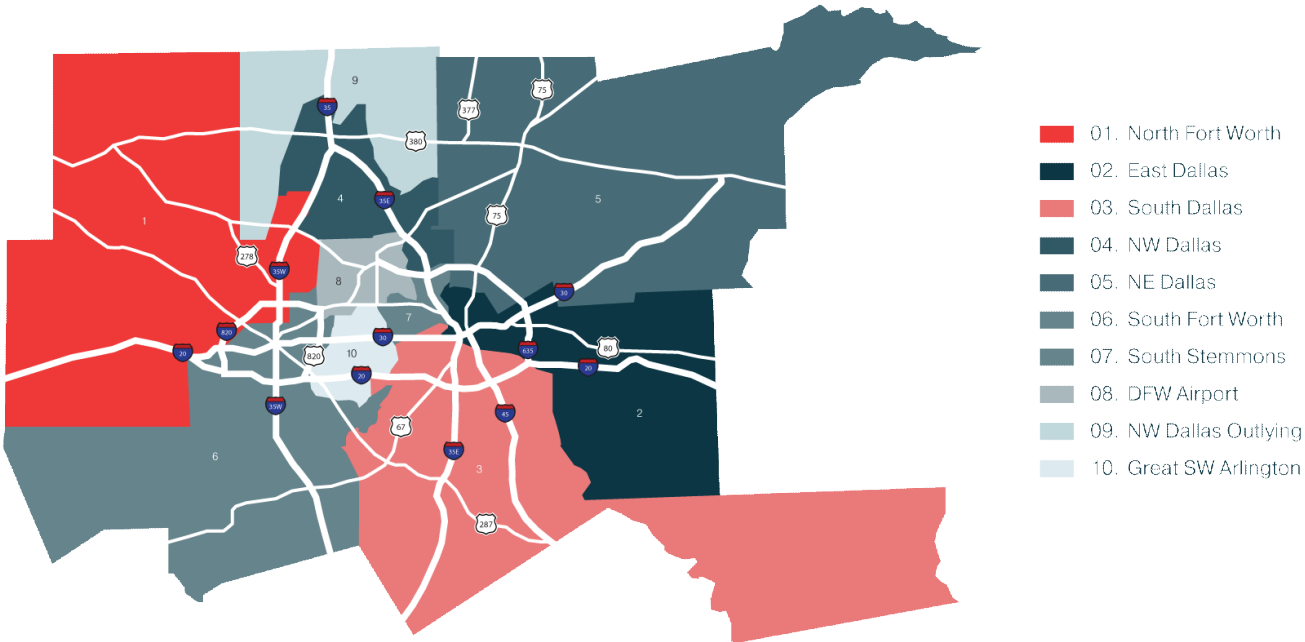
Market Overview

Submarket Stats

Submarket Statistics	Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q4 2024 Total Net Absorption (SF)	YTD Total Net Absorption (SF)	Q4 2024 Deliveries (SF)	Under Construction (SF)	Total Avg Asking Rent (\$/SF/NNN)
Dallas Market Total	1,142,778,654	9.6	11.6	3,297,935	18,796,522	5,222,031	22,788,946	9.54
Flex	117,745,550	5.8	6.6	-80,125	-544,341	54,000	1,656,700	13.77
Manufacturing	110,537,345	3.2	4.6	-243,291	3,108,958	91,745	1,813,740	7.64
Warehouse/Distribution	914,495,759	10.9	31.1	3,621,351	16,231,905	5,076,286	19,318,506	8.67
DFW Airport	100,733,829	11.5	12.7	-1,123,323	-1,668,951	166,460	2,247,138	11.64
Flex	7,533,339	7.2	7.4	-57,751	-19,891	0	0	14.89
Manufacturing	3,960,419	19.0	21.0	0	0	0	0	7.75
Warehouse/Distribution	89,240,071	11.6	12.7	-1,065,572	-1,649,060	166,460	2,247,138	9.48
East Dallas	71,890,649	14.5	16.5	1,564,002	3,591,309	1,044,634	575,900	7.10
Flex	4,963,122	5.3	6.0	-10,210	-59,942	0	0	12.95
Manufacturing	9,260,423	1.7	1.7	0	885,859	0	0	9.50
Warehouse/Distribution	57,667,104	17.4	19.7	1,574,212	2,765,392	1,044,634	575,900	6.46
Great SW Arlington	130,408,253	8.6	11.2	(693,837)	(1,206,736)	577,351	1,718,899	8.86
Flex	8,327,171	7.4	8.3	-124,825	-335,705	0	0	11.35
Manufacturing	13,111,487	0.9	3.0	11,331	11,226	0	0	8.50
Warehouse/Distribution	108,969,595	9.6	12.4	-580,343	-882,257	577,351	1,718,899	8.38
Northeast Dallas	137,707,385	6.1	8.6	583,197	3,016,818	323,526	3,804,827	10.41
Flex	30,614,994	5.8	7.0	17,943	207,561	31,200	1,359,250	13.45
Manufacturing	23,743,150	4.5	7.4	19,007	1,115,039	0	32,488	8.21
Warehouse/Distribution	83,349,241	6.7	9.6	546,247	1,694,218	292,326	2,413,089	9.91
Northwest Dallas	133,036,539	9.1	11.4	426,690	996,139	1,527,821	2,007,243	10.80
Flex	20,592,745	7.4	7.7	194,067	-54,451	0	188,450	13.37
Manufacturing	7,923,906	6.8	7.2	-127,780	-127,968	91,745	66,570	9.23
Warehouse/Distribution	104,519,888	9.7	12.4	360,403	1,178,558	1,436,076	1,752,223	10.00
North Ft Worth	155,124,955	9.6	12.5	828,810	4,581,852	84,206	3,185,107	7.28
Flex	7,975,120	3.4	4.0	13,068	83,114	0	0	12.67
Manufacturing	9,580,997	0.8	1.4	0	464,715	0	59,715	6.86
Warehouse/Distribution	137,568,838	10.6	13.8	815,742	4,034,023	84,206	3,125,392	6.81
NW Dallas Outlying	4,216,618	22.0	23.1	(22,992)	(24,671)	0	138,100	17.46
Flex	76,716	7.5	39.6	0	6,211	0	64,000	20.00
Manufacturing	180,568	5.5	5.5	0	2,000	0	0	9.20
Warehouse/Distribution	3,959,334	23.0	23.3	-22,992	-32,882	0	74,100	16.80
South Ft Worth	116,205,557	7.5	10.8	516,749	1,875,942	964,378	4,301,162	8.23
Flex	12,339,033	3.4	3.9	-58,691	-135,134	22,800	33,000	13.16
Manufacturing	16,141,764	0.4	0.4	3,429	714,109	0	1,403,152	8.52
Warehouse/Distribution	87,724,760	9.4	13.7	572,011	1,296,967	941,578	2,865,010	7.76
South Dallas	164,050,438	12.9	13.8	975,386	7,141,893	455,625	3,712,441	6.56
Flex	4,258,384	1.0	2.8	8,904	73,555	0	12,000	15.00
Manufacturing	18,387,420	2.7	4.3	-135,500	-284,418	0	25,1815	5.00
Warehouse/Distribution	141,404,634	14.6	15.4	1,101,982	7,352,756	455,625	3,448,626	7.65
South Stemmons	129,404,431	8.0	8.6	243,253	492,927	78,030	1,098,129	11.09
Flex	21,064,926	6.4	6.9	-62,630	-309,659	0	0	15.88
Manufacturing	8,247,211	3.7	5.4	-13,778	328,396	0	0	7.64
Warehouse/Distribution	100,092,294	8.7	9.2	319,661	474,190	78,030	1,098,129	9.98

Market Overview

DFW Industrial Submarkets



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