

## DALLAS INDUSTRIAL

## Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
DFW Employment	3.70M	3.81M	▲
DFW Unemployment	3.4%	3.1%	▲
U.S. Unemployment	3.8%	3.7%	▲

\*Q3 data based on latest available data on BLS, Moody's Analytics

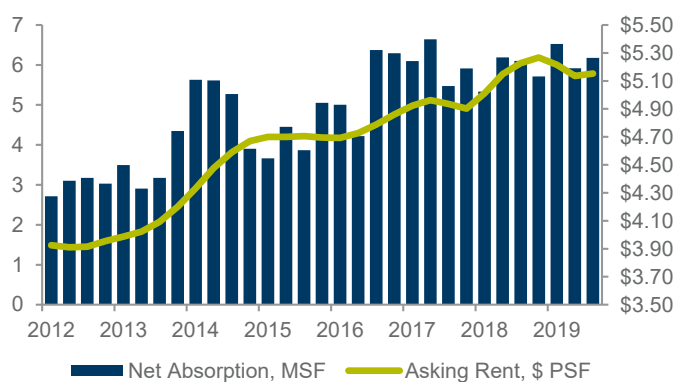
## Market Indicators (Overall, All Property Types)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	6.9%	6.7%	■
Net Absorption (sf)	5.6M	5.8M	■
Under Construction (sf)	19.1M	34.9M	▼
Average Asking Rent*	\$5.12	\$5.19	▲

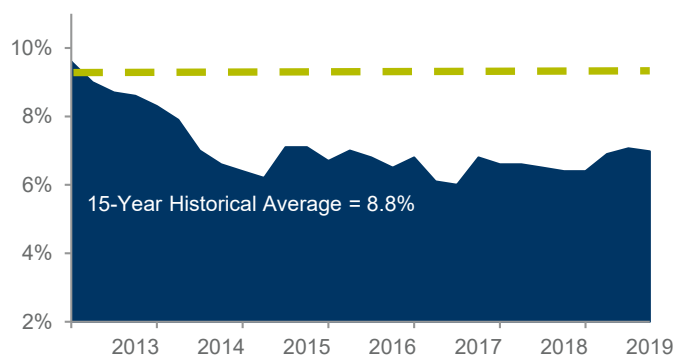
\*Rental rates reflect net asking \$psf/year

## Overall Net Absorption/Overall Asking Rent

## 4-QTR TRAILING AVERAGE



## Overall Vacancy



## Economy

The Dallas-Fort Worth (DFW) economy continued to thrive with strong population and employment growth. The region's population increased by 128,100 people year-over-year, equating to an average of 350 new residents per day. As of September 2019, the population reached a new high of 7.7 million residents while the job market grew by 117,500 positions over the past year. According to Moody's Analytics, industrial jobs accounted for 26,900 jobs (23%) out of the new positions added. Industrial roles are described as positions that fall within manufacturing and trade, transportation, and utilities. The leading indicator of industrial demand is driven by trade, transportation, and utilities sector jobs, which accounted for a majority of industrial roles at 74% (806,600 jobs). The region's industrial employment totaled 1,092,500 jobs as of end quarter. With solid increases in employment over the past year, the unemployment rate declined by 30 basis points (bps) to 3.4% and continued to remain below the national unemployment rate.

## Market Overview

The DFW industrial market maintained strong positive momentum through the end of September. The quarter closed with a 20-bps decrease in vacancy to 6.7% compared to the prior quarter and year. The tightened vacancy is a direct result of third quarter net absorption (5.8 msf) outpacing third quarter completions (3.2 msf) by 2.6 msf. Developers added 3.2 msf of new product to the market and a total of 13.5 msf of new deliveries year-to-date 2019. Build-to-suit projects accounted for 41% of new completions. The eight projects completed this quarter had an average building size of 250,000 sf.

The beginning of 2019 coined the market's first time in history exceeding more than 30 msf of under construction activity. Construction activity reached a new high in the market at 34.9 msf, making it the third consecutive quarter exceeding 30 msf under construction. Speculative sites accounted for the majority of product under construction at 26.6 msf (76%) with 30.6% of the speculative projects currently pre-leased. Strong demand for product in the DFW market will continue to keep vacancy rates relatively stable with gradual decreases. Overall new leasing activity (excluding renewals) totaled 10.6 msf with the highest activity in South Dallas at 2.2 msf. The Alliance and Pinnacle/Turnpike submarkets followed reporting leasing activity of 1.8 msf and 1.1 msf, respectively.

The DFW industrial market continued its trajectory of positive occupancy growth and absorbed 5.8 msf in third quarter 2019. Net absorption outpaced new supply added in the quarter by 2.6 msf. This marked the 13th straight quarter net absorption exceeded 3.0 msf in the market. The highest cumulative increase in occupancy was in the South Dallas submarket at 2.6 msf followed by Pinnacle/Turnpike and Alliance at 957,300 sf and 948,600 msf, respectively. The top move-ins for the quarter included Smucker's (1.1 msf) and Amazon (855,000 sf). The largest new leases signed this quarter were Callaway Golf (783,000 sf), ICU Medical (611,000 sf), and Schluter Systems (500,555 sf). All large move-ins and top new leases signed were in warehouse/distribution assets.

### Construction activity reached a new high in the market at 34.9 msf...

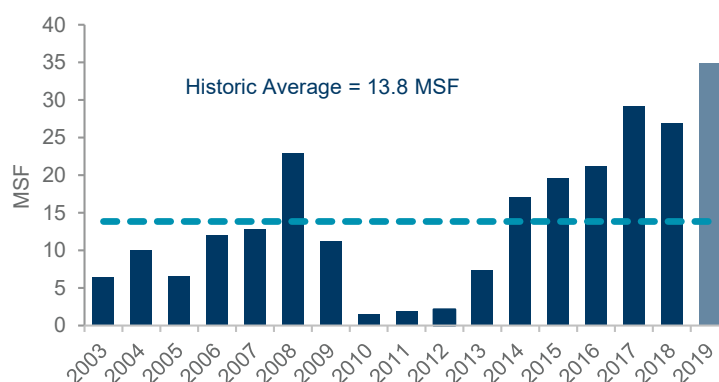
Asking rental rates remained relatively stable in 2019 in the DFW industrial market with a 0.2% increase compared to the prior quarter. Overall rental rates increased by 1.4% year-over-year to \$5.19 per square foot (psf) on an annual net basis. Compared to the in-place rate at year-end 2018, asking rent increased by 3%.

#### Outlook

- Strong demand in the industrial market will likely allow net absorption to surpass 20 msf for the fifth straight year with demand catching up to supply
- Construction activity will slow due to a lack of developable infill land sites with developers being forced to consider perimeter locations.
- Average asking rates will continue to increase due to rising construction and land costs. Demand for industrial space will remain high.
- As traditional "brick-and-mortar" retailers continue to integrate ecommerce platforms, demand for warehouse/distribution space is expected to continue to increase.
- Businesses are being forced to relocate to areas with high-density labor availability.

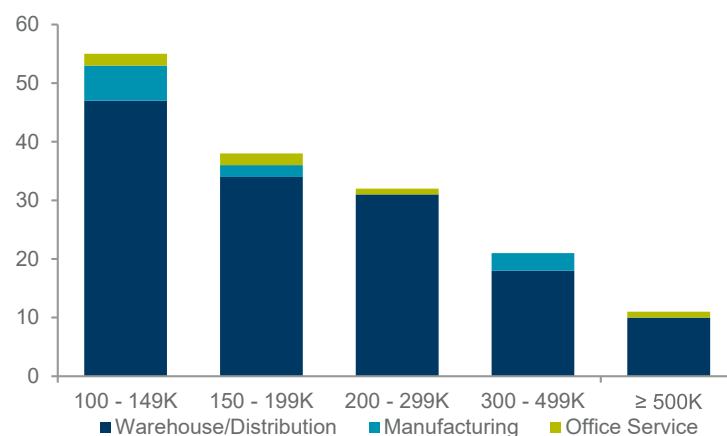
#### New Supply (msf)

NEW SUPPLY IN 2019 EXPECTED TO EXCEED THE HISTORICAL AVERAGE



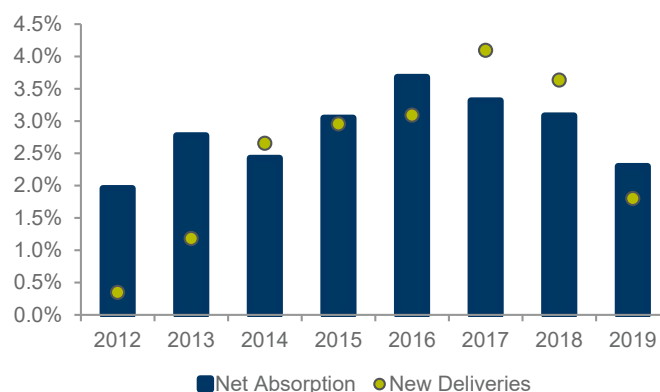
#### Large Block Space

BLOCKS OF AVAILABLE CONTIGUOUS SPACE



#### Net Absorption & New Deliveries (All Types, % of Inventory)

DEMAND IN LINE WITH SUPPLY IN DFW



## MARKETBEAT

## Dallas / Fort Worth

Industrial Q3 2019



SUBMARKET	TOTAL BLDGS	INVENTORY	DIRECT VACANT	OVERALL VACANT	DIRECT VACANCY RATE	OVERALL VACANCY RATE	Q3 NET ABSORPTION	2019 NET ABSORPTION	UNDER CONSTRUCTION	2019 COMPLETIONS	OVERALL AVG. ASKING RENT*	DIRECT AVG. ASKING RENT
Allen/McKinney	117	10,750,366	891,146	891,146	8.3%	8.3%	243,403	151,365	551,710	250,454	\$6.95	\$6.95
Brookhollow/Trinity	888	49,079,021	1,457,420	1,530,956	3.0%	3.1%	-309,111	-545,540	0	0	\$7.82	\$7.97
Central Dallas	214	14,372,251	420,789	420,789	2.9%	2.9%	-60,000	-60,000	0	0	N/A	N/A
DFW Airport	567	86,711,195	6,314,193	6,334,193	7.3%	7.3%	302,940	4,553,463	5,520,340	3,708,990	\$6.19	\$6.19
Far North/I-35	237	21,020,767	765,686	799,186	3.6%	3.8%	295,166	171,728	484,756	80,000	\$6.25	\$6.49
Garland	537	44,793,645	2,839,606	3,431,154	6.3%	7.7%	262,891	510,929	0	249,097	\$4.24	\$4.75
Great Southwest	1027	113,206,677	6,113,165	6,266,696	5.4%	5.5%	-765,799	2,070,138	4,203,320	1,531,059	\$5.62	\$5.66
Mesquite	184	19,789,640	2,545,878	2,545,878	12.9%	12.9%	365,233	876,431	821,562	1,271,020	\$4.87	\$4.87
North Dallas/Metropolitan	332	19,130,423	785,335	827,043	4.1%	4.3%	367,805	355,986	0	0	\$8.26	\$8.44
Pinnacle/Turnpike	213	29,064,408	2,291,709	2,342,334	7.9%	8.1%	957,265	1,628,230	1,281,694	1,356,615	\$3.77	\$3.77
Redbird	206	22,413,959	1,229,834	1,239,436	5.5%	5.5%	-438,056	-456,568	939,672	0	\$4.71	\$4.71
Richardson/Plano	490	36,062,572	2,807,568	3,142,500	7.8%	8.7%	-89,924	102,298	825,426	806,310	\$9.69	\$10.16
East Dallas	99	10,339,445	129,183	151,584	1.2%	1.5%	0	737,326	1,207,538	650,000	\$4.31	\$10.00
South Dallas	241	54,928,267	8,848,664	9,060,612	16.1%	16.5%	2,568,425	3,208,683	2,460,820	654,157	\$3.53	\$3.53
Valwood/N. Stemmons	552	50,821,373	1,799,995	2,282,163	3.5%	4.5%	638,025	573,119	393,631	432,036	\$6.94	\$7.15
Walnut Hill/Stemmons	481	22,141,083	488,506	522,426	2.2%	2.4%	79,442	123,408	389,234	0	\$6.42	\$6.42
<b>DALLAS TOTAL</b>	<b>6,385</b>	<b>604,625,092</b>	<b>39,728,677</b>	<b>41,788,096</b>	<b>6.6%</b>	<b>6.9%</b>	<b>4,417,705</b>	<b>14,000,996</b>	<b>19,079,703</b>	<b>10,989,738</b>	<b>\$5.94</b>	<b>\$6.16</b>
Alliance	150	43,540,762	2,980,504	3,388,304	6.8%	7.8%	948,583	2,428,910	12,154,554	1,279,500	\$3.90	\$4.09
Central Fort Worth	297	15,978,726	253,531	283,531	1.6%	1.8%	81,802	166,150	0	0	\$2.59	\$2.59
East Fort Worth	430	23,632,010	1,290,358	1,298,458	5.5%	5.5%	-24,674	21,674	0	122,217	\$4.46	\$4.46
North Fort Worth	350	44,651,122	1,491,795	1,567,294	3.3%	3.5%	528,290	1,237,362	2,426,760	359,750	\$4.41	\$4.45
South Fort Worth	288	27,922,429	2,000,330	2,257,971	7.2%	8.1%	-170,298	-157,587	1,232,420	754,585	\$4.15	\$4.22
West Fort Worth	77	4,344,345	393,267	393,267	9.1%	9.1%	18,000	0	0	0	\$6.96	\$6.96
<b>FORT WORTH TOTAL</b>	<b>1,592</b>	<b>160,069,394</b>	<b>8,409,785</b>	<b>9,188,825</b>	<b>5.3%</b>	<b>5.7%</b>	<b>1,381,703</b>	<b>3,696,509</b>	<b>15,813,734</b>	<b>2,516,052</b>	<b>\$4.12</b>	<b>\$4.20</b>
<b>DFW TOTAL</b>	<b>7,977</b>	<b>764,694,486</b>	<b>48,138,462</b>	<b>50,976,921</b>	<b>6.3%</b>	<b>6.7%</b>	<b>5,799,408</b>	<b>17,697,505</b>	<b>34,893,437</b>	<b>13,505,790</b>	<b>\$5.19</b>	<b>\$5.32</b>

CLASSIFICATION	TOTAL BLDGS	INVENTORY	DIRECT VACANT	OVERALL VACANT	DIRECT VACANCY RATE	OVERALL VACANCY RATE	Q2 NET ABSORPTION	2019 NET ABSORPTION	UNDER CONSTRUCTION	COMPLETIONS	OVERALL AVG. ASKING RENT*	DIRECT AVG. ASKING RENT
Manufacturing	670	82,825,643	1,673,484	2,048,824	2.0%	2.5%	4,186	477,847	799,613	235,247	\$3.87	\$4.60
Office Service Center/Flex	1,860	89,058,436	5,840,823	5,891,353	6.6%	6.6%	-110,759	-75,681	0	83,410	\$9.39	\$9.39
Warehouse/Distribution	5,447	592,810,407	40,624,155	43,036,744	6.9%	7.3%	5,905,981	17,295,339	34,093,824	13,187,133	\$4.29	\$4.32
<b>Total</b>	<b>7,977</b>	<b>764,694,486</b>	<b>48,138,462</b>	<b>50,976,921</b>	<b>6.3%</b>	<b>6.7%</b>	<b>5,799,408</b>	<b>17,697,505</b>	<b>34,893,437</b>	<b>13,505,790</b>	<b>\$5.19</b>	<b>\$5.32</b>

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## MARKETBEAT

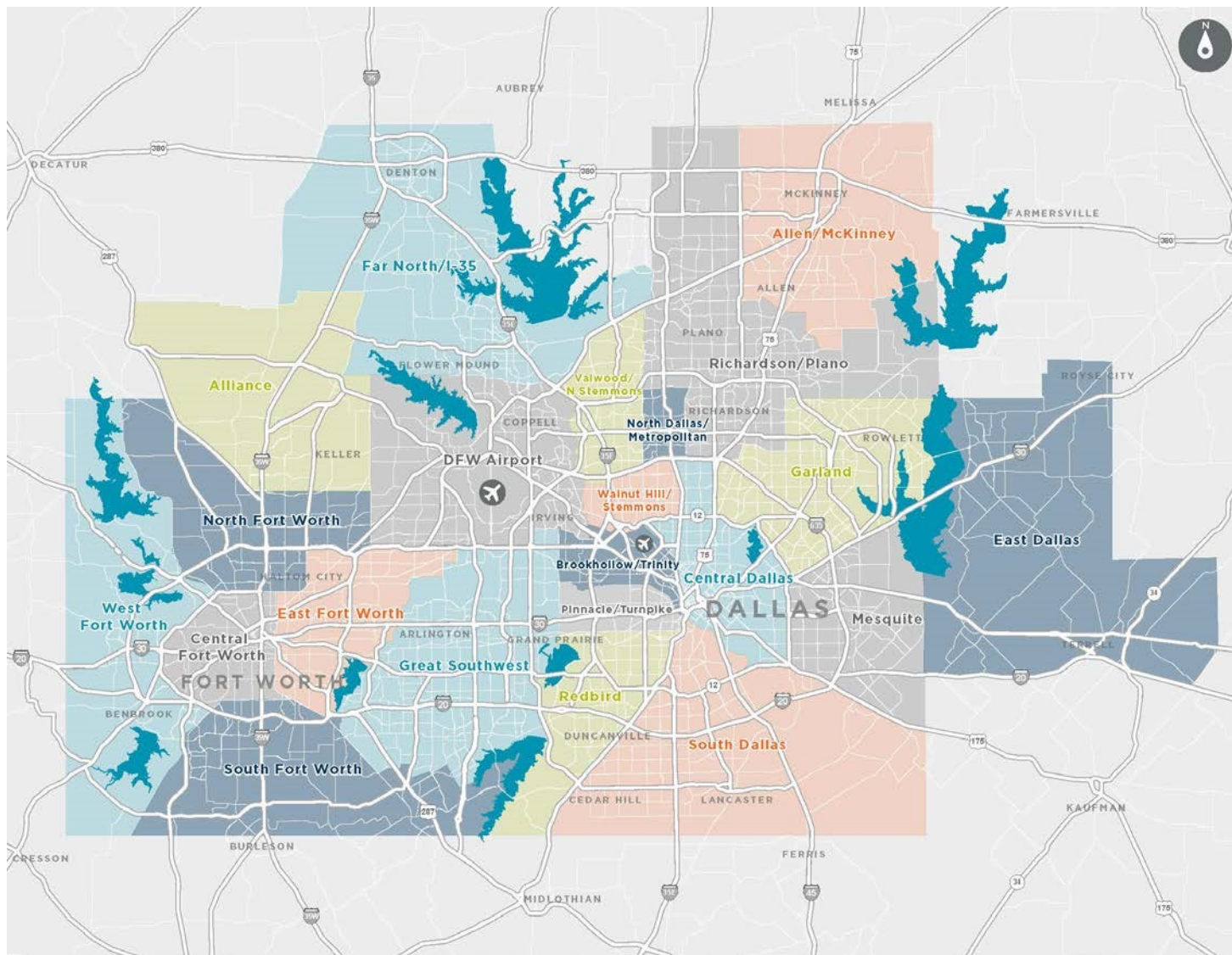
# Dallas / Fort Worth

Industrial Q3 2019



## INDUSTRIAL SUBMARKETS

### DALLAS-FORT WORTH



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