



TRANSWESTERN

# DALLAS+FORT WORTH INDUSTRIAL MARKET Q1 2024

## INDUSTRIAL TRENDLINES

	Q1 2024	ONE YEAR AGO	TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
<b>12 Month Net Absorption</b>	29.0 MSF	50.0 MSF	↓	33.3 MSF	↓
<b>Quarterly Net Absorption</b>	4.6 MSF	8.5 MSF	↓	8.4 MSF	→
<b>Vacancy</b> (Existing)	8.8%	5.3%	↑	5.2%	↑
<b>Availability</b> (Existing & U/C)	12.8%	12.7%	→	11.3%	→/↓
<b>Asking Rents</b> (NNN)	\$8.06	+19.8%	↑	+10.7%	↑
<b>Total Construction</b>	17.9 MSF	68.2 MSF	↓	46.5 MSF	↓
<b>Speculative Construction</b>	15.4 MSF	58.9 MSF	↓	38.3 MSF	↓

*Note: Rents are averaged over the last 12 months for consistency.*

*Sources: Transwestern Research, CoStar*

## Vacancy Begins Topping Out

The Dallas-Fort Worth industrial market remains on solid footing despite normalizing demand. Asking rent growth continues at a blistering +20% year-over-year. Twelve month net absorption reached positive 29.0 million SF, while speculative deliveries continue to drive vacancy higher to 8.8%. Construction has fallen to the lowest level since 2014 with just 17.9 million SF underway. This, along with a stable availability rate, indicate that rising vacancy may begin to top out with continued demand.

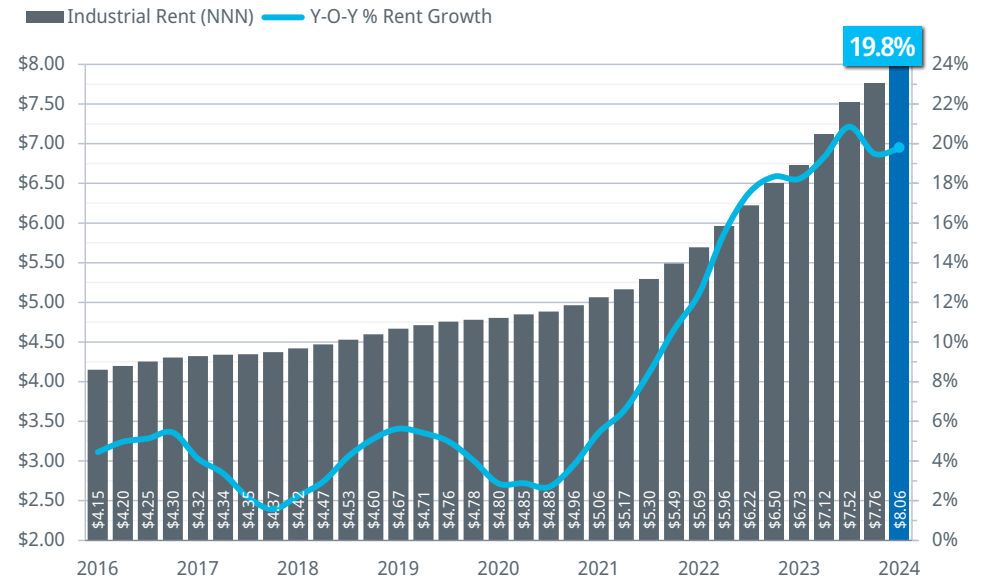
Tight market conditions will likely continue in core submarkets with limited construction, although some larger blocks may come to market as tenants relocate to newer buildings. Vacancy will take longer to improve in periphery submarkets as tenants absorb a large glut of new construction. That said, population and job growth in Dallas-Fort Worth will help absorb vacant stock and support future developments over the next cycle.

## RENTAL RATES

### Double-Digit Rent Growth Continues

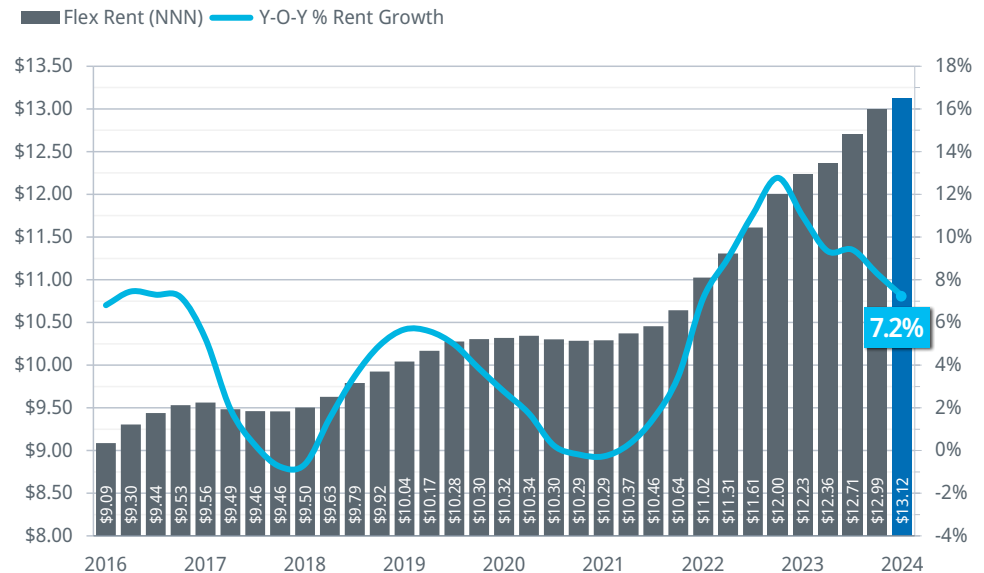
- Industrial rent growth continues at a robust pace of 19.8% year-over-year, bringing average rents to \$8.06 NNN. Industrial rent growth is strong in both Dallas (+16%) and Fort Worth (+20%).
- Flex rent growth remained steady at 7.2% year-over-year, bringing average rents to \$13.12 NNN this quarter.
- Annual rent escalations have risen to 3.5%-5.0% per year, well above the pre-pandemic norm of 2.0%-3.0% per year.
- Higher tenant improvement allowances are available due to rising finish-out costs, contributing to the historic growth in rental rates.
- Transwestern expects rent growth to begin cool as vacancy rises and space remains on market for longer. In periphery submarkets where deliveries have driven vacancy to double-digit levels, rent growth will likely flatten.

### AVERAGE INDUSTRIAL RENTS



Source: Transwestern Research, CoStar

### AVERAGE FLEX RENTS



Source: Transwestern Research, CoStar

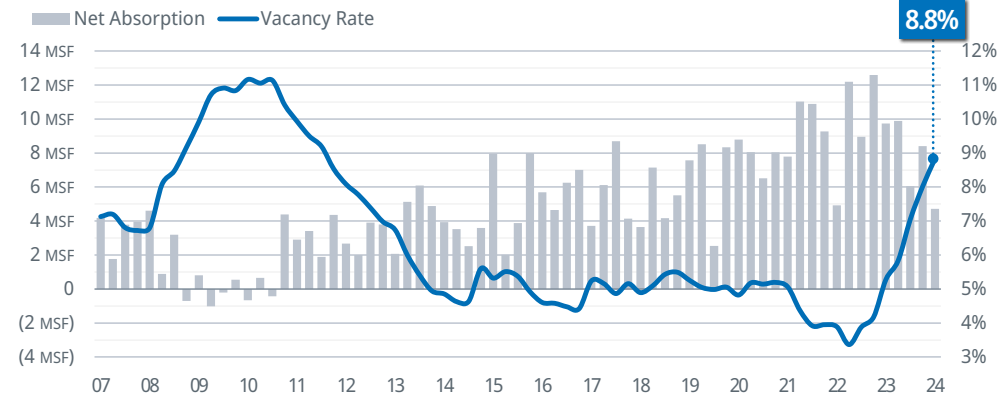


## LEASING, NET ABSORPTION, &amp; VACANCY

## Vacancy Begins Stabilizing

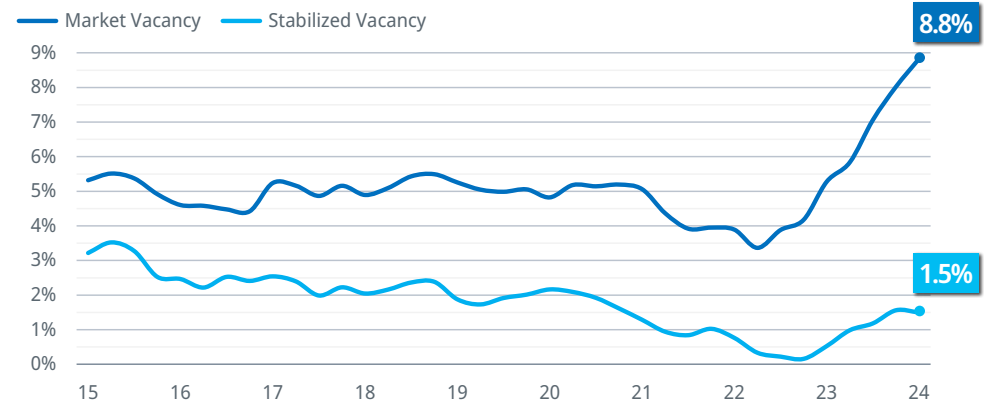
- Demand for industrial space has begun to normalize but continues at a brisk pace. Quarterly net absorption reached positive 4.6 million SF and 12-month net absorption reached positive 29.0 million SF.
- Industrial vacancy increased from 5.3% to 8.8% over the last year.
  - Development is driving vacancy higher. Properties in lease-up account for **71%** of vacant space.
  - New construction in the periphery submarkets of South Dallas, East Dallas, and North Fort Worth accounting for 45% of all vacant space.
  - Excluding new construction in lease-up, stabilized vacancy is 1.5%, in line with pre-pandemic levels.
  - 22% of vacancy is concentrated in buildings over 750,000 SF.
- Flex vacancy remains well below average at 4.9%.

## INDUSTRIAL VACANCY



Source: Transwestern Research, CoStar

## STABILIZED INDUSTRIAL VACANCY



Note: Stabilized vacancy excludes properties in lease-up. Source: Transwestern Research, CoStar

## NOTABLE LEASES

TENANT	SF LEASED	LEASE TYPE	BUILDING	LANDLORD	SUBMARKET
The Container Store	1,101,500	Renewal	Freeport North X	Prologis	DFW Airport
Post Consumer Brands	1,095,360	New	Logistix Hub 1	Xebec	South Dallas
Barrett Distribution Centers	529,047	New	Exeter East Logistics - 2	EQT Exeter	East Dallas
LegendZ Way	486,645	New	Crossroads Logistics Park - 2	Hillwood	South Dallas
Modular Power Solutions	304,576	New	M-75 Commerce Center	CA Ventures	Northeast Dallas
E-Shipping Distribution	217,620	New	901 Distribution	Keller Logistics	South Dallas
Group O	136,274	New	Heritage 287 Crossing - 1	GLP	South Fort Worth

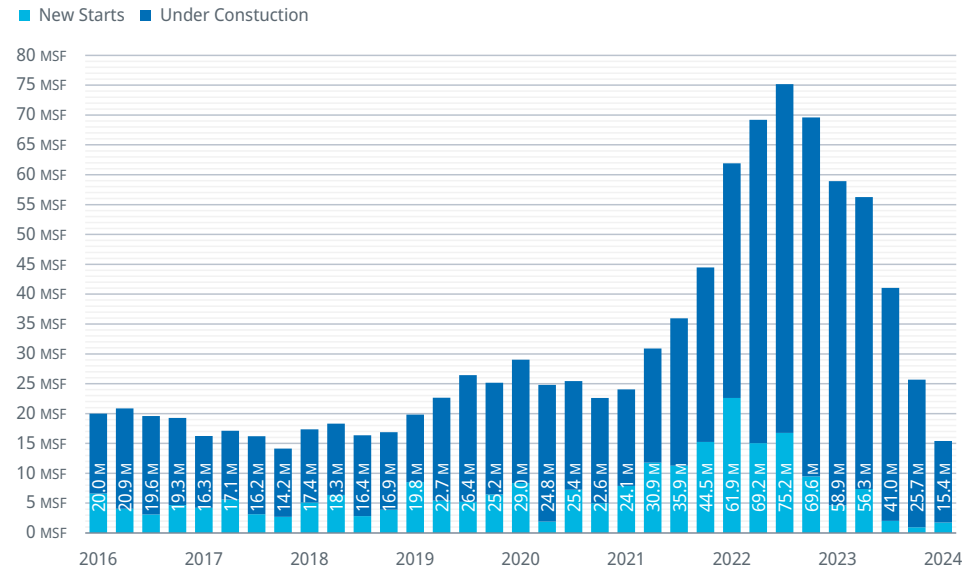
Source: Transwestern Research, CoStar

## CONSTRUCTION & CAPITAL MARKETS

### Pipeline Falls to Multi-Year Lows

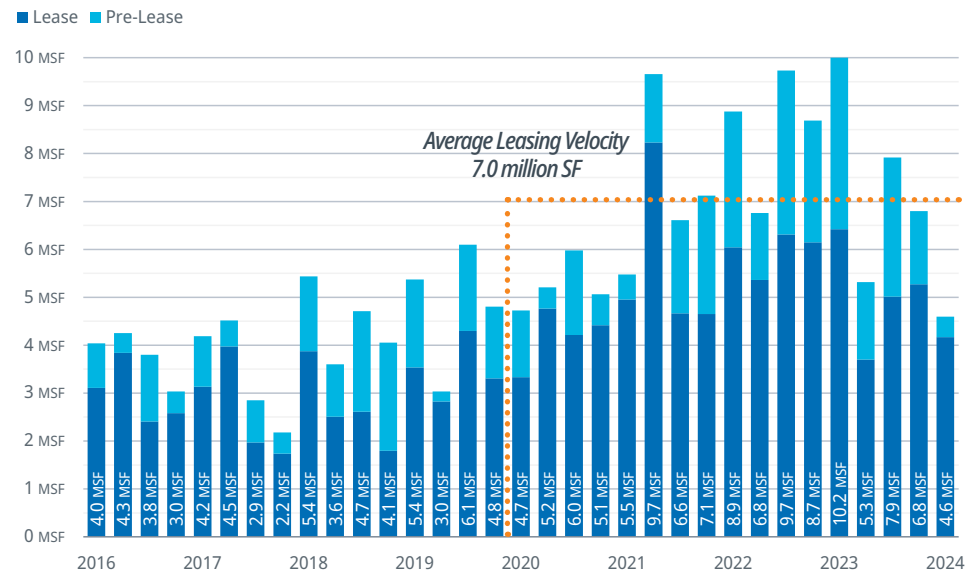
- 12 million SF of speculative projects delivered this quarter. As a result, total speculative construction underway fell to 15.4 million SF, its lowest level since late 2017.
- Developers broke ground on 1.8 million SF of new spec projects this quarter.
- Leasing velocity in new construction continues at a solid pace at 4.6 million SF this quarter. Over the last 12 months, tenants have leased 24.6 million SF in new construction.
- Vacancy is likely to peak over the next 12 months:
  - New properties in lease-up account for 55 million SF of vacant space, and projects under construction will deliver 12 million SF of vacant space over the next 12 months.
  - Across the DFW market, tenants have been absorbing 25-30 million SF ever year.
  - While this implies tenants could absorb vacant space in new construction within two years, a large share of vacancy is concentrated in periphery submarkets of South Dallas and East Dallas.
  - Leasing velocities in periphery submarkets imply the market will need three years or more to absorb the recent glut of supply.
  - Core submarkets remain well-positioned for additional projects.
- Rising interest rates remain a headwind against asset prices and new project underwriting. Investor interest remains strong, although some investors are pausing acquisitions and new projects as they await price discovery.

## SPECULATIVE DEVELOPMENT PIPELINE



Source: Transwestern Research, CoStar

## LEASING VELOCITY IN SPECULATIVE DEVELOPMENT



Source: Transwestern Research, CoStar



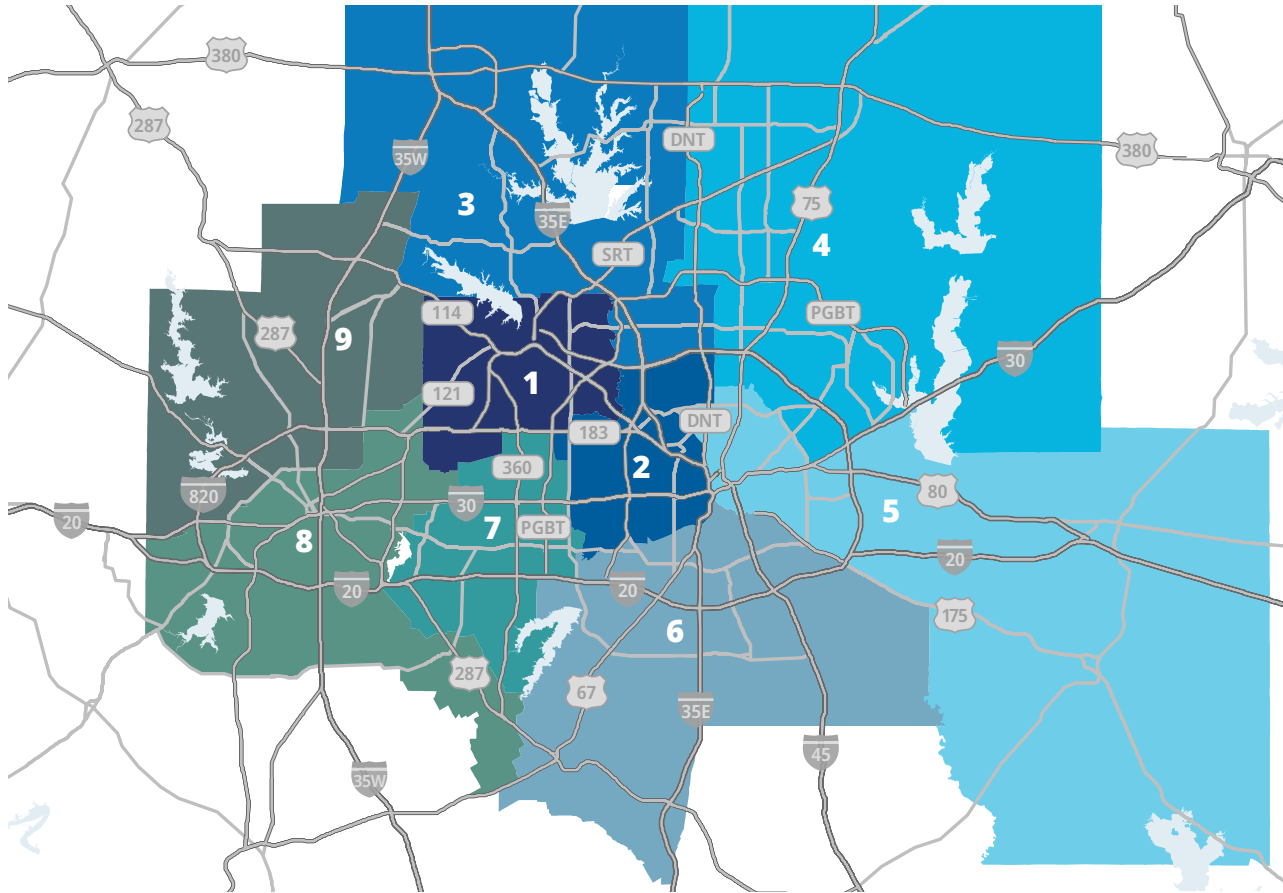
## Market Indicators - Industrial

SUBMARKET	INVENTORY	DIRECT VACANT SF	DIRECT VACANCY %	TOTAL AVAILABLE <sup>1</sup> SF	TOTAL AVAILABLE <sup>1</sup> %	QUARTERLY NET ABSORPTION	12 MONTH NET ABSORPTION	UNDER CONSTRUCTION SF	NNN RENT	
									THIS QUARTER	ONE YEAR AGO
DFW Airport	88,972,535	9,308,648	10.5%	12,296,579	13.7%	(1,342,929)	(1,410,639)	1,032,088	\$9.31	\$8.32
South Stemmons	99,352,503	6,329,284	6.4%	9,324,122	9.4%	(204,977)	(58,378)	225,739	\$9.16	\$8.14
Northwest Dallas	110,459,952	7,816,394	7.1%	12,537,661	11.2%	664,044	2,091,099	1,248,849	\$9.74	\$7.95
Northeast Dallas	90,638,058	3,810,610	4.2%	7,229,159	7.8%	414,278	2,105,998	1,603,536	\$10.39	\$8.76
East Dallas	57,887,457	8,133,772	14.1%	11,372,637	19.0%	1,372,542	4,738,192	1,992,359	\$6.61	\$6.35
South Dallas	135,628,422	17,861,544	13.2%	23,992,377	17.2%	3,875,653	12,378,856	3,552,400	\$5.87	\$5.63
Great Southwest	113,835,968	5,497,980	4.8%	12,351,125	10.6%	78,759	460,536	2,672,167	\$8.31	\$6.88
South Fort Worth	78,463,486	5,978,822	7.6%	10,197,491	12.5%	(9,923)	3,669,439	3,034,905	\$7.91	\$6.39
North Fort Worth	131,584,778	15,358,464	11.7%	20,124,754	15.0%	(130,712)	5,075,364	2,511,152	\$6.53	\$5.52
<b>INDUSTRIAL TOTAL</b>	<b>906,823,159</b>	<b>80,095,518</b>	<b>8.8%</b>	<b>119,425,905</b>	<b>12.9%</b>	<b>4,716,735</b>	<b>29,050,467</b>	<b>17,873,195</b>	<b>\$8.06</b>	<b>\$6.73</b>
Dallas Total	696,774,895	58,758,232	8.4%	89,103,660	12.6%	4,857,370	20,305,664	12,327,138	\$8.37	\$7.23
Fort Worth Total <sup>2</sup>	210,048,264	21,337,286	10.2%	30,322,245	14.1%	(140,635)	8,744,803	5,546,057	\$6.95	\$5.79

## Market Indicators - Flex

SUBMARKET	INVENTORY	DIRECT VACANT SF	DIRECT VACANCY %	TOTAL AVAILABLE <sup>1</sup> SF	TOTAL AVAILABLE <sup>1</sup> %	QUARTERLY NET ABSORPTION	12 MONTH NET ABSORPTION	UNDER CONSTRUCTION SF	NNN RENT	
									THIS QUARTER	ONE YEAR AGO
DFW Airport	6,835,098	394,394	5.8%	557,238	8.2%	(73,641)	(76,569)	0	\$12.80	\$12.70
South Stemmons	18,197,997	955,447	5.3%	1,256,340	6.9%	92,975	(122,598)	21,750	\$15.97	\$15.99
Northwest Dallas	18,726,279	1,091,901	5.8%	1,833,971	9.7%	(29,307)	(69,766)	24,000	\$13.32	\$13.09
Northeast Dallas	27,163,795	1,014,313	3.7%	1,834,627	6.7%	112,919	152,017	46,300	\$12.67	\$12.58
East Dallas <sup>3</sup>	3,472,769	190,443	5.5%	213,443	6.1%	2,158	11,825	0	\$12.75	\$12.80
South Dallas <sup>3</sup>	2,429,310	54,554	2.2%	66,084	2.7%	17,241	35,775	0	\$9.10	\$9.12
Great Southwest	7,565,601	585,968	7.7%	620,553	8.2%	(75,931)	(128,647)	21,500	\$11.18	\$11.05
South Fort Worth	8,133,630	229,424	2.8%	300,999	3.7%	(93,920)	(37,114)	0	\$11.54	\$11.40
North Fort Worth <sup>3</sup>	6,179,011	277,599	4.5%	299,301	4.8%	(38,755)	(116,587)	0	\$12.42	\$12.39
<b>FLEX TOTAL</b>	<b>98,703,490</b>	<b>4,794,043</b>	<b>4.9%</b>	<b>6,982,556</b>	<b>7.0%</b>	<b>(86,261)</b>	<b>(351,664)</b>	<b>113,550</b>	<b>\$13.12</b>	<b>\$12.23</b>
Dallas Total	84,390,849	4,287,020	5.1%	6,382,256	7.5%	46,414	(197,963)	113,550	\$13.28	\$12.47
Fort Worth Total <sup>2</sup>	14,312,641	507,023	3.5%	600,300	4.2%	(132,675)	(153,701)	0	\$11.83	\$10.22

Notes: <sup>1</sup> Availability includes sublease and space under construction. <sup>2</sup> Fort Worth includes North Fort Worth and South Fort Worth. <sup>3</sup> Rents in these submarkets are calculated from a small sample size and may display unusual growth or decline.



## INDUSTRIAL SUBMARKETS

- 1** DFW Airport
- 2** South Stemmons
- 3** Northwest Dallas
- 4** Northeast Dallas
- 5** East Dallas
- 6** South Dallas
- 7** Great Southwest
- 8** South Fort Worth
- 9** North Fort Worth

## FOR MORE INFORMATION

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## RESEARCH METHODOLOGY

This report includes single tenant, multi-tenant and owner-user properties 15,000 SF and larger, excluding government-owned buildings. Industrial properties are limited to Warehouse, Distribution, and Manufacturing.

Transwestern reports vacancy and net absorption with direct vacant available space. Triple Net Rents are a rolling 12-month average, combining space listings with proprietary transactional data. While our rents may appear slightly lower than competitors', we provide more accurate figures and growth rates by sampling over 129 million SF.

## ABOUT TRANSWESTERN

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