

FIGURES | DALLAS/FORT WORTH INDUSTRIAL | Q4 2023

2023 marks record year for deliveries, demand surpasses pre-pandemic levels

▲ 8.1%

Vacancy Rate

▲ 9.1M

SF Net Absorption

▼ 30.1M

SF Under Construction

▲ 19.6M

SF Delivered Construction

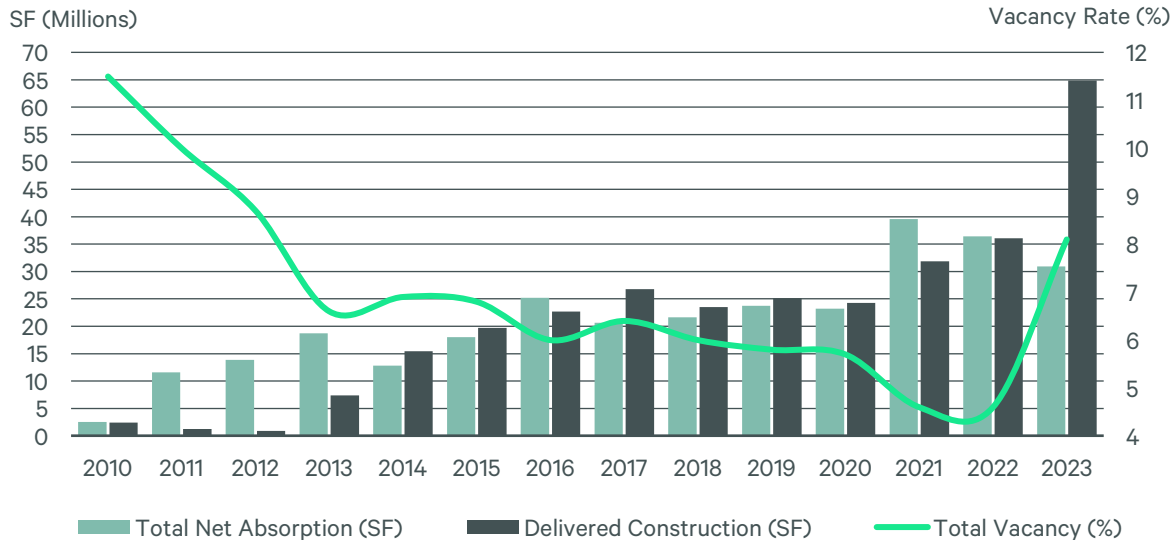
Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- Nearly 9.1 million sq. ft. of industrial space was absorbed by occupiers during Q4 2023.
- Q4 2023 deliveries totaled nearly 19.6 million sq. ft. and were 31.8% pre-leased.
- The construction pipeline receded during Q4 2023 and totaled 30 million sq. ft.
- The vacancy rate was up 210 basis points over the quarter, standing at 8.1%.

The fourth quarter of 2023 marked the 53rd consecutive quarter, or over thirteen years, of positive net absorption for the Dallas/Fort Worth industrial market as 9.1 million sq. ft. of net absorption was tracked over the quarter. The trailing 12-month absorption total was 31.3 million sq. ft. Vacant deliveries were 7.6 million sq. ft. higher than the amount of sq. ft. absorbed and the vacancy rate increased by 210 basis points to finish the quarter at 8.1%, which is a peak for 2023. The main contributing factor was the abundance of vacant deliveries during the end of the quarter. Even though tenants were slower to lease newer deliveries this quarter, tenant demand within Dallas/Fort Worth remains strong as significant leases of notable sizes were completed during the fourth quarter.

Figure 1: Dallas/Fort Worth Industrial Market (Annual)



Source: CBRE Research, Q4 2023.

Dallas/Fort Worth Industrial Market

North Texas remains a destination for corporate occupiers and job seekers alike. The region includes two major cargo moving airports, three Class 1 railroads, and is the point of convergence for four interstates. Interstate 35, the “NAFTA Highway”, provides direct access to manufacturing centers in Mexico and is the backbone of a major auto manufacturing corridor, the Texas-Mexico Automotive Supercluster, that stretches from the Bajío in Mexico to Dallas/Fort Worth. DFW International Airport is the region’s gateway to the world and economic engine that drives \$37 billion in North Texas economic activity and supports 228,000 jobs. The airport is one of the highest capacity in the world and is now the second busiest globally in terms of passengers. Additionally, the 19 cargo carriers that call on Dallas/Fort Worth International Airport connect to 32 major cargo markets around the world, including key hubs in Asia and Europe.

Development pipeline continued to recede

Developers delivered more product than they kicked off with 19.6 million sq. ft. delivered and 2.6 million sq. ft. in new starts. Consequently, the total amount of under construction dropped from 47 million sq. ft. underway to 30 million sq. ft. in active construction. The preleased rate for under construction product increased from 21.1% to 31.8% at the end of Q4 2023.

East Dallas had the highest concentration of speculative construction, at 6 million sq. ft., with 5.7 million sq. ft. available. The preleased rate for East Dallas was 4% at the end of Q4 2023. The second-highest concentration of speculative space was in South Dallas with 5.9 million sq. ft. of speculative space underway. At the end of Q4 2023, South Dallas had 3.7 million sq. ft. available and was 36.8% preleased.

Absorption continued at a solid pace

Almost 9.1 million sq. ft. was absorbed over the fourth quarter of 2023, bringing the amount of industrial space absorbed in Dallas/Fort Worth since Q4 2010 to 298.3 million sq. ft. To put this number in perspective, this is larger than the entire industrial market of Denver.

Figure 2: DFW Market Trailing 12 Months Absorption

	Q1 2023 Net Absorption	Q2 2023 Net Absorption	Q3 2023 Net Absorption	Q4 2023 Net Absorption	12 Month Net Absorption
Market					
DFW Airport	831,072	130,543	-124,539	-238,440	598,636
East Dallas	1,550,441	924,481	1,033,165	1,138,959	4,647,046
Northeast Dallas	204,896	666,320	-105,947	33,425	798,694
Northwest Dallas	226,232	1,111,949	-1,119,766	-37,939	180,476
South Dallas	308,400	2,664,915	1,083,564	4,914,837	8,971,716
South Stemmons	134,192	-334,188	769,221	-397,245	171,980
287 Corridor	1,053,606	60,936	56,711	495,076	1,666,329
Dallas Totals	4,308,839	5,224,956	1,592,409	5,908,673	17,034,877
Great Southwest/Arlington	468,469	199,217	535,311	-665,609	537,388
North Fort Worth	3,520,496	2,291,417	1,179,944	3,059,686	10,051,543
South Fort Worth	552,855	1,452,891	918,740	790,247	3,714,733
Fort Worth Totals	4,541,820	3,943,525	2,633,995	3,184,324	14,303,664
Market Totals	8,850,659	9,168,481	4,226,404	9,092,997	31,338,541

Source: CBRE Research, Q4 2023.

Manufacturing drove demand in Q4 2023

Manufacturing drove demand in Q4 2023. Of the 11.8 million sq. ft. in leasing activity tracked by CBRE Research over the quarter, 4 million sq. ft., or 34.6%, of activity was attributable to manufacturing. 3PLs included 3 million sq. ft., or 25.5%. Rounding out the top three sectors, retail trade accounted for almost 2.1 million sq. ft., or 18.3%, of leasing activity during the fourth quarter. CBRE Research is currently tracking 36 tenant requirements totaling over 20 million sq. ft. active in the market. This amount is in line with long-term tenant demand observed in Dallas/Fort Worth.

Since January 2023, there have been a total of 60.8 million sq. ft. of lease transactions signed within Dallas/Fort Worth. The top two submarkets were North Fort Worth accounting for 10 million sq. ft., or 16.4% of activity, and South Dallas accounting for 10 million sq. ft., or 16.3% of activity. The next highest submarket for lease transactions signed for 2023 year-to-date was Great Southwest/Arlington, accounting for 8.9 million sq. ft., or 14.4% of activity. North Fort Worth will continue to be a leading submarket as there is currently 5.3 million sq. ft. underway with 61% of that space preleased as of Q4 2023.

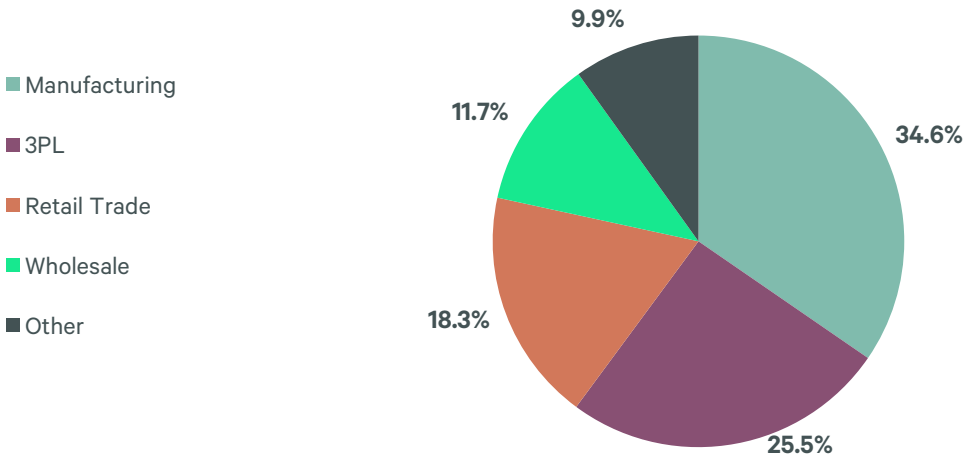
CBRE House View Economic Update

The combination of continued economic momentum with a likelihood that the Fed’s dramatic tightening cycle is now complete makes a ‘soft landing’ appear more likely for early 2024 but the pace of growth will be more modest than in recent quarters.

Foremost, lower and middle-income households no longer have the luxury of excess savings and the pace of wage growth, whilst remaining elevated, is slowing. This nuance with wage growth is important. Higher wages is helping to maintain higher, albeit decelerating, core inflation. This backdrop will likely translate into the Fed only slowly lower its target rate in 2024. (CBRE expects 75 – 100 basis points worth of rate cuts in 2024.)

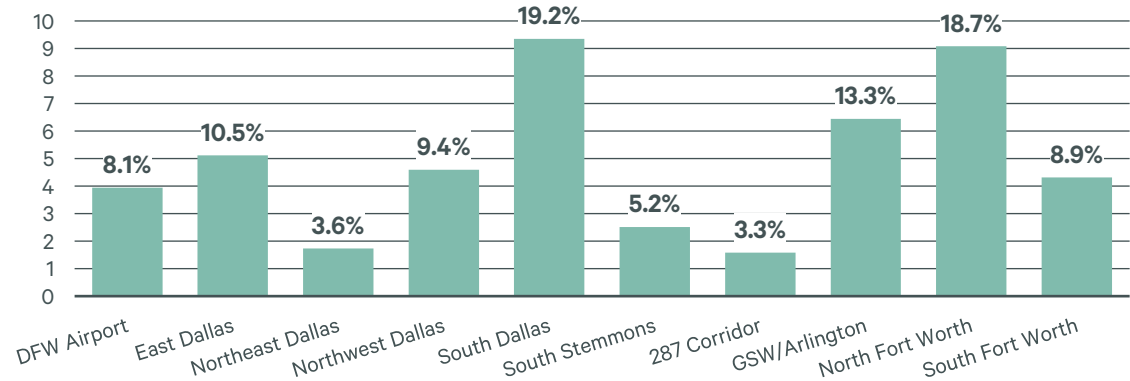
This outlook may deter some spending, but it does help illuminate a pathway forward for real estate capital markets. Indeed, the combination of healthy fundamentals for many sectors and thawing credit markets could provide some welcome upside surprises for real estate performance in 2024.

Figure 3: Q4 2023 Lease Transactions Over 100,000 Sq. Ft. by Tenant Industry



Source: CBRE Research, Q4 2023.

Figure 4: YTD 2023 Lease Transactions Over 100,000 Sq. Ft. by Submarket and Percent of Total
Millions (SF)



Source: CBRE Research, Q4 2023.

Figure 5: Dallas/Fort Worth Industrial Market Stats

	Inventory			Vacancy			Net Absorption			Construction		
	Bldg. Count	Total Sq. Ft.	% of Market	Direct Sq. Ft.	Direct %	Total %	Qtr. Direct	Qtr. Total	2023 YTD	Active	Qtr. Deliveries	2023 YTD Deliveries
Submarket												
DFW Airport	733	89,460,371	9.1	6,054,830	6.8	7.7	-226,744	-238,440	598,636	3,147,042	486,030	4,030,803
East Dallas	727	54,362,461	5.5	8,755,448	16.1	16.9	1,138,959	1,138,959	4,647,046	6,033,042	2,891,267	6,390,319
Northeast Dallas	1,784	109,925,189	11.2	4,770,512	4.3	4.8	77,897	33,425	798,694	1,621,027	739,629	2,178,284
Northwest Dallas	1,551	122,532,930	12.5	8,015,083	6.5	6.9	142,199	-37,939	180,476	2,706,808	2,016,567	5,223,534
South Dallas	632	116,192,037	11.9	13,952,707	12.0	12.0	4,466,120	4,914,837	8,971,716	5,851,105	1,587,299	16,526,707
South Stemmons	2759	128,173,071	13.1	4,819,925	3.8	4.5	-244,981	-397,245	171,980	629,526	30,000	1,268,875
287 Corridor	185	24,872,750	2.5	4,900,348	19.7	19.8	495,076	495,076	1,666,329	1,909,324	1,561,431	4,157,735
Dallas Totals	8,371	645,518,809	65.9	51,268,853	7.9	8.4	5,848,526	5,908,673	17,034,877	21,897,874	9,312,223	39,443,748
Great Southwest/Arlington	1,365	120,288,820	12.3	4,500,658	3.7	4.6	58,350	-665,609	537,388	1,246,053	1,376,350	2,731,030
North Fort Worth	781	129,072,322	13.2	12,884,831	10.0	10.7	3,061,069	3,059,686	10,051,543	5,279,357	6,427,899	17,957,943
South Fort Worth	1,535	84,938,999	8.7	5,172,953	6.1	6.2	832,960	790,247	3,714,733	1,724,735	2,510,698	4,954,258
Fort Worth Totals	3,681	334,300,141	34.1	22,558,442	6.7	7.4	3,952,379	3,184,324	14,320,457	8,250,145	10,314,947	25,408,753
Market Totals	12,052	979,818,950	100	73,827,295	7.5	8.1	9,800,905	9,092,997	31,355,334	30,148,019	19,627,170	64,852,501

Source: CBRE Research, Q4 2023.

Figure 6: Dallas Industrial Market Stats – DFW Airport and East Dallas

	Inventory			Vacancy			Net Absorption			Construction		
	Bldg. Count	Total Sq. Ft.	% of Market	Direct Sq. Ft.	Direct %	Total %	Qtr. Direct	Qtr. Total	2023 YTD	Active	Qtr. Deliveries	2023 YTD Deliveries
DFW Airport												
East DFW/Las Colinas	404	64,892,782	6.6	4,718,169	7.3	7.9	39,499	-54,554	619,571	2,628,658	486,030	3,844,326
West DFW/Grapevine	329	24,567,589	2.5	1,336,661	5.4	7.2	-266,243	-183,886	-20,935	518,384	0	792,776
DFW Airport Totals	733	89,460,371	9.1	6,054,830	6.8	7.7	-226,744	-238,440	598,636	3,147,042	486,030	4,030,803
East Dallas												
Central East Dallas	408	17,599,276	1.8	2,400,086	13.6	13.7	-45,753	-45,753	-137,632	0	0	0
East Dallas/Mesquite	305	28,737,397	2.9	3,257,031	11.3	12.8	1,184,712	1,184,712	3,292,214	1,705,973	1,587,844	3,940,716
Forney/Terrell	14	8,025,788	0.8	3,098,331	38.6	38.6	0	0	1492464	4,327,069	1,303,423	2,449,603
East Dallas Totals	727	54,362,461	5.5	8,755,448	16.1	16.9	1,138,959	1,138,959	4,647,046	6,033,042	2,891,267	6,390,319

Source: CBRE Research, Q4 2023.

Figure 7: Dallas Industrial Market Stats – Northeast Dallas and Northeast Dallas

	Inventory			Vacancy			Net Absorption			Construction		
	Bldg. Count	Total Sq. Ft.	% of Market	Direct Sq. Ft.	Direct %	Total %	Qtr. Direct	Qtr. Total	2023 YTD	Active	Qtr. Deliveries	2023 YTD Deliveries
Northeast Dallas												
Allen/McKinney	202	15,871,025	1.6	1,471,891	9.3	9.3	225,717	225,717	714,582	813,932	171,398	1,150,162
Northeast Dallas/Garland	858	51,455,061	5.3	1,521,004	3.0	3.3	-54,833	-153,748	-292,012	353,926	430,228	500,008
Plano	366	21,224,498	2.2	754,942	3.6	3.8	36,717	102,436	270,087	350,896	0	88,991
Richardson	302	17,181,507	1.8	931,051	5.4	6.7	-129,704	-140,980	-135,681	102,273	138,003	138,003
Rockwall	56	4,193,098	0.4	91,624	2.2	2.2	0	0	241,718	0	0	301,120
Northeast Dallas Totals	1,784	109,925,189	11.2	4,770,512	4.3	4.8	77,897	33,425	798,694	1,621,027	739,629	2,178,284
Northwest Dallas												
Denton	195	17,259,532	1.8	4,015,849	23.3	23.4	12,850	12,850	514,445	2,125,552	1,649,799	3,440,375
Lewisville	283	34,817,933	3.6	1,594,981	4.6	4.8	270,306	223,628	1,059,544	0	366,768	1,492,219
Metropolitan/Addison	430	19,864,216	2.0	1,447,549	7.3	7.4	-11,941	6,823	-943,669	0	0	0
North Stemmons/Valwood	628	48,624,805	5.0	665,764	1.4	2.1	-129,016	-281,240	-455,382	0	0	0
NW Dallas Outlying	15	1,966,444	0.2	290,940	14.8	14.8	0	0	5,538	581,256	0	290,940
Northwest Dallas Totals	1,551	122,532,930	12.5	8,015,083	6.5	6.9	142,199	-37,939	180,476	2,706,808	2,016,567	5,223,534

Source: CBRE Research, Q4 2023.

Figure 8: Dallas Industrial Market Stats – South Dallas and South Stemmons

	Inventory			Vacancy			Net Absorption			Construction		
	Bldg. Count	Total Sq. Ft.	% of Market	Direct Sq. Ft.	Direct %	Total %	Qtr. Direct	Qtr. Total	2023 YTD	Active	Qtr. Deliveries	2023 YTD Deliveries
South Dallas												
Redbird Airport	194	21,816,829	2.2	1,146,203	5.3	5.3	859,551	849,413	746,280	0	0	1,774,247
Southeast Dallas/I-45	320	75,437,583	7.7	12,594,039	16.7	16.7	2,373,316	2,373,316	5,767,966	5,851,105	1,587,299	13,523,050
Southwest Dallas/US 67	118	18,937,625	1.9	212,465	1.1	1.3	1,233,253	1,692,108	2,457,470	0	0	1,229,410
South Dallas Totals	632	116,192,037	11.9	13,952,707	12.0	12.0	4,466,120	4,914,837	8,971,716	5,851,105	1,587,299	16,526,707
South Stemmons												
East Hines North	624	20,178,551	2.1	471,408	2.3	2.4	-22,093	6,823	-49,406	0	0	0
East Brookhollow	187	7,906,312	0.8	332,283	4.2	4.2	-123,401	-123,401	-153,445	0	0	0
Eastern Lonestar/Turnpike	285	32,280,069	3.3	1,440,646	4.5	7.0	225,175	50,434	145,509	196,996	0	636,520
North Trinity	367	9,709,002	1.0	376,866	3.9	4.3	-51,802	-69,205	-89,238	0	0	0
West Hines North	220	8,835,328	0.9	375,944	4.3	4.8	-112,260	-101,296	114,855	432,530	30,000	30,000
West Brookhollow	970	40,738,544	4.2	1,597,174	3.9	4.1	-156,600	-156,600	-393,091	0	0	0
Western Lonestar/Turnpike	106	8,525,265	0.9	225,604	2.6	2.6	-4,000	-4,000	596,796	0	0	602,355
South Stemmons Totals	2,759	128,173,071	13.1	4,819,925	3.8	4.5	-244,981	-397,245	171,980	629,526	30,000	1,268,875

Source: CBRE Research, Q4 2023.

Figure 9: Fort Worth Industrial Market Stats –Great Southwest

	Inventory			Vacancy			Net Absorption			Construction		
	Bldg. Count	Total Sq. Ft.	% of Market	Direct Sq. Ft.	Direct %	Total %	Qtr. Direct	Qtr. Total	2023 YTD	Active	Qtr. Deliveries	2023 YTD Deliveries
287 Corridor												
Mansfield/Midlothian	167	17,041,901	1.7	4,445,348	26.1	26.3	495,076	495,076	1,666,329	850,689	1,561,431	4,157,735
Waxahachie/Ennis	18	7,830,849	0.8	455,000	5.8	5.8	0	0	0	1,058,635	0	0
287 Corridor Totals	185	24,872,750	2.5	4,900,348	19.7	19.8	495,076	495,076	1,666,329	1,909,324	1,561,431	4,157,735
Great Southwest												
Arlington	411	25,440,409	2.6	1,591,337	6.3	6.3	16,076	28,506	535,006	374,893	582,497	1,370,539
Lower Great Southwest	432	39,403,722	4.0	983,203	2.5	3.5	-110,279	-437,103	-561,903	0	0	366,463
Upper Great Southwest	522	55,444,689	5.7	1,926,118	3.5	4.7	152,553	-257,012	564,285	871,160	793,853	994,028
Great Southwest Totals	1,365	120,288,820	12.3	4,500,658	3.7	4.6	58,350	-665,609	537,388	1,246,053	1,376,350	2,731,030

Source: CBRE Research, Q4 2023.

Figure 10: Fort Worth Industrial Market Stats – North Fort Worth and South Fort Worth

	Inventory			Vacancy			Net Absorption			Construction		
	Bldg. Count	Total Sq. Ft.	% of Market	Direct Sq. Ft.	Direct %	Total %	Qtr. Direct	Qtr. Total	2023 YTD	Active	Qtr. Deliveries	2023 YTD Deliveries
North Fort Worth												
Meacham Field/Fossil Creek	430	46,714,198	4.8	3,213,005	6.9	7.0	962,955	966,055	2,572,594	1,215,471	904,233	3,548,299
Northeast Tarrant/Alliance	283	75,789,481	7.7	7,516,586	9.9	11.0	2,118,739	2,114,256	7,514,074	3,331,602	3,620,124	12,506,102
West Tarrant	68	6,568,643	0.7	2,155,240	32.8	32.8	-20,625	-20,625	-35,125	732,284	1,903,542	1,903,542
North Fort Worth Totals	781	129,072,322	13.2	12,884,831	10.0	10.7	3,061,069	3,059,686	10,051,543	5,279,357	6,427,899	17,957,943
South Fort Worth												
Cleburne	9	2,691,400	0.3	328,177	12.2	12.2	295,245	295,245	453,745	100,000	424,528	583,028
East Fort Worth	642	25,665,809	2.6	747,612	2.9	3.0	-113,039	-117,289	-38,428	633,222	0	0
North Central Fort Worth	273	10,861,044	1.1	125,213	1.2	1.2	-30,741	-30,741	-31,189	0	0	0
South Central Fort Worth	242	8,234,016	0.8	70,476	0.9	1.4	57,726	57,726	95,216	0	0	0
South Central Tarrant	295	34,626,037	3.5	2,923,561	8.4	8.6	613,904	575,441	3,158,545	991,513	1,168,796	3,453,856
Southwest Tarrant	74	2,860,693	0.3	977,914	34.2	34.2	9,865	9,865	76,844	0	917,374	917,374
South Fort Worth Totals	1,535	84,938,999	8.7	5,172,953	6.1	6.2	832,960	790,247	3,714,733	1,724,735	2,510,698	4,954,258

Source: CBRE Research, Q4 2023.

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Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the Total Building Area. Building Area: The total floor area sq. ft. of the building. Occupied Sq. Ft.: Building Area not considered vacant. Vacant Sq. Ft.: Space that can be occupied within 30 days. Vacancy Rate: Total Vacant Sq. Ft. divided by the Total Building Area.

Includes known market relevant industrial buildings 10,000 sq. ft. and greater in size in the Dallas/Fort Worth metro area. Buildings which have begun construction as evidenced by foundation work

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