MARKETBEAT

DALLAS/FORT WORTH

INDUSTRIAL Q4 2024

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
9.7% Vacancy Rate	▲	–
19.9M YTD Net Absorption, SF	▼	–
$8.62 Asking Rent, PSF *(Overall, Net Asking Rent)*	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
4.3M Dallas/Fort Worth Employment	▼	▲
3.9% Dallas/Fort Worth Unemployment Rate	▲	▼
4.2% United States Unemployment Rate	▲	▲

Source:BLS

ECONOMY

Employment in Dallas/Fort Worth (DFW) reached 4.3 million at the end of 2024, increasing at a pace of 1.5% year-over-year (YOY). According to Moody's Analytics, DFW industrial-using jobs in the manufacturing and trade, transportation, and utilities sectors grew by 16,800 jobs or 1.4% YOY.

Texas business leaders in the manufacturing and service sectors generally noted improved outlooks in each Dallas Fed survey since the election, although some short-term uncertainty exists regarding the incoming administration's trade policy, potential inflationary impact, and a response by the Federal Reserve to hold interest rates higher for longer.

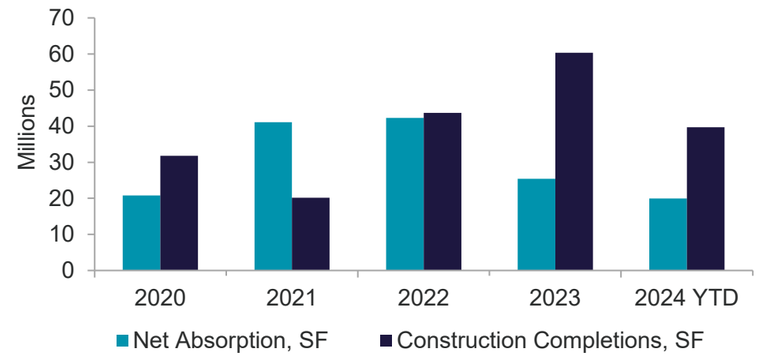
DEMAND

Demand for industrial space continued to reflect compressed deal activity amid tighter credit conditions and slowing job growth. Overall net absorption totaled positive 3.3 million square feet (msf) in the fourth quarter. Although quarterly absorption was soft relative to post-pandemic levels, it represented a 5.5% YOY increase from Q4 2023 when Dallas/Fort Worth displayed similar seasonality. Over the last 12 months, overall net absorption totaled positive 19.9 msf or 2.0% of inventory, the lowest level since 2012. Right-sizing and consolidations contributed somewhat to lower absorption as tenants sought space efficiencies to offset higher rents.

Notable move-ins included Ariat for 1.25 msf in Alliance, Google for 1.1 msf in West Fort Worth, and RJW Logistics for 649,400 sf in Mesquite. These large move-ins made their respective submarkets top performers: quarterly net absorption was highest in Alliance (1.4 msf), Mesquite (1.3 msf) and West Fort Worth (1.1 msf).

Quarterly leasing activity totaled 10.6 msf, bringing 2024 total leasing to 59.1 msf. New leasing activity totaled 8.6 msf, the lowest quarterly level since 2020. Fewer large tenants conducted deals, leading to a lower average deal size of 44,473 sf, the second-smallest number over the last three years. Tenants continued to take down space in new construction, as 3.2 msf or 30.2% of quarterly leasing occurred in buildings delivered within the last three years.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT

DALLAS/FORT WORTH
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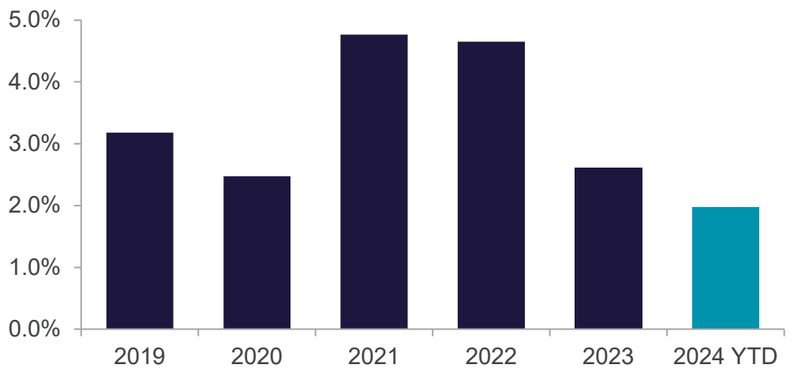
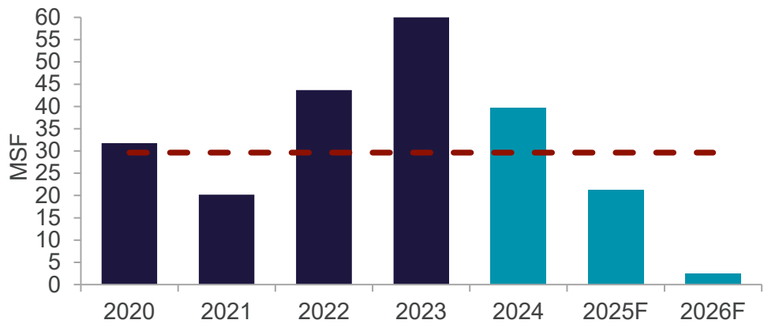
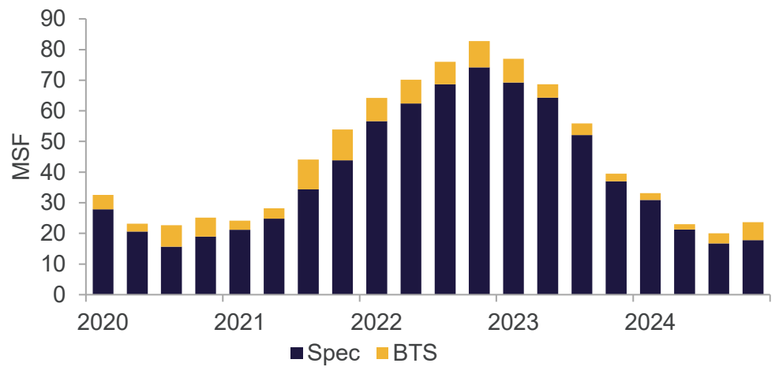
INDUSTRIAL NET ABSORPTION AS % OF INVENTORY



NEW SUPPLY



CONSTRUCTION PIPELINE



SUPPLY

Vacancy remained flat QOQ at 9.7% but rose 160 bps YOY. Vacancy was below average in 15 of DFW's 24 submarkets and remained tight in submarkets along Stemmons Freeway (I-35E) due to its desirable location and smaller buildings of older vintage. Buildings built over the last three years accounted for 57.4 msf (58.6%) of vacant space, reflecting the recent glut in supply. Sublease space also contributed to higher vacancy and remained elevated at 13.2 msf, tying the previous record set in Q1 2024.

Deliveries totaled 3.9 msf in the third quarter, a decrease of 58.3% QOQ and 74.4% YOY. After seven consecutive quarters of tapering, the construction pipeline rebounded 17.8% QOQ to 23.9 msf. The rise was largely due to a 1.7 msf build-to-suit project for Amazon that broke ground in Johnson County. Developers of speculative projects remained disciplined as new starts totaled just 4.7 msf. Almost half of new starts (2.3 msf) were concentrated in high demand in-fill submarkets around DFW Airport and Stemmons. As a result, speculative development remained relatively low for the Dallas/Fort Worth market at 17.8 msf.

Cushman & Wakefield Research estimates that Dallas/Fort Worth construction may bottom out in early 2025. At the current pace of new starts, developers would break ground on approximately 10.0 msf of speculative projects over the next six months and deliver 11.2 msf, resulting in another slight decline in speculative development from 17.8 msf to approximately 16.6 msf.

Nevertheless, developers continued to look ahead to long-term growth in the region and prepare new sites for development. Proposed projects remained elevated near 70.0 msf even as construction activity fell to multi-year lows.

PRICING

Average asking rental rates rose 1.2% QOQ to reach $8.62 net per square foot (psf). Annual rent growth reached 8.4% YOY, down from its post-pandemic peak of 45.3% YOY growth in Q2 2023.

Warehouse/Distribution buildings outperformed with a 1.8% QOQ increase to reach $8.12 net psf. Although Warehouse/Distribution rents climbed 11.0% YOY, rent growth began to soften as landlords focused more on improving or maintaining occupancy in buildings with competing vacancy rather than pushing rate.

OUTLOOK

- Despite short term cyclical headwinds, DFW's central location, excellent infrastructure, and growth will continue to generate demand for industrial space over the long term.
- Vacancy rates should continue stabilizing as tenants absorb recently delivered space and developers remain disciplined with new starts on speculative projects.
- Rent growth will continue to moderate due to elevated vacancy and normalized demand.
- Central submarkets with lower vacancy rates will continue to outperform periphery submarkets where recent development has been concentrated.
- Accordingly, developers are breaking ground on in-fill projects in centrally located submarkets and await stronger fundamentals in periphery submarkets with more competing projects.

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INDUSTRIAL Q4 2024

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY* (SF)	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT	WHSE/DIST WEIGHTED AVG NET RENT
DFW Airport	106,796,275	11,644,205	10.9%	-1,008,579	-1,229,785	9,443,829	3,087,814	3,251,615	$10.04	$9.31
Brookhollow/Trinity	49,651,480	2,892,920	5.8%	-99,661	-419,461	1,748,573	835,317	82,773	$11.79	$10.70
Walnut Hill/Stemmons	23,743,316	1,040,135	4.4%	-87,381	-28,144	1,341,570	182,884	432,530	$9.17	$9.03
North Dallas/Metropolitan	19,421,374	1,936,250	10.0%	-23,223	-710,436	949,492	144,219	0	$10.84	$9.85
Valwood/N Stemmons	52,313,746	2,288,156	4.4%	72,778	-1,350,566	3,079,459	287,645	0	$9.84	$9.69
Far North/I-35	36,221,390	5,704,657	15.7%	567,953	2,271,761	2,458,551	592,855	3,204,723	$9.53	$9.14
Richardson/Plano	40,782,164	2,528,709	6.2%	-78,723	-325,693	1,535,370	0	164,743	$12.61	$12.11
Allen/McKinney	17,226,638	1,445,045	8.4%	-106,257	1,497,927	1,067,309	672,797	1,948,634	$10.36	$10.24
Central Dallas	14,269,651	2,350,727	16.5%	-18,510	-43,789	46,133	511,022	0	$16.15	$7.25
Garland	45,787,765	2,135,930	4.7%	-221,253	-447,373	1,755,060	1,629,021	599,480	$8.50	$8.54
Mesquite	30,443,100	3,150,467	10.3%	1,281,036	2,601,027	2,346,043	969,123	2,417,624	$8.18	$7.74
East Dallas Suburbs	23,532,352	6,780,776	28.8%	258,748	855,742	2,128,765	0	4,709,285	$6.45	$6.33
Pinnacle/Turnpike	32,087,532	3,103,088	9.7%	101,000	530,772	2,172,640	0	960,956	$6.87	$6.87
Redbird	28,051,254	1,223,075	4.4%	306,736	419,673	1,190,312	0	178,540	$6.11	$10.00
South Dallas	100,222,660	17,106,302	17.1%	8,265	5,999,153	8,177,236	1,359,119	7,684,675	$6.40	$6.40
Ellis County	25,211,798	2,229,499	8.8%	691,863	2,189,005	1,349,226	0	774,227	$7.38	$7.38
Great Southwest	125,045,589	10,469,668	8.4%	-977,391	-2,148,743	5,016,155	1,929,375	3,158,164	$8.50	$8.18
DALLAS TOTAL	770,808,084	78,029,609	10.1%	667,401	9,661,070	45,805,723	12,201,191	29,567,969	$8.86	$8.30
North Fort Worth	56,671,145	4,366,321	7.7%	208,920	1,342,291	2,290,592	1,013,028	2,189,411	$7.29	$7.17
Alliance	80,377,928	8,103,807	10.1%	1,374,341	5,398,566	7,153,536	4,642,707	4,667,723	$6.44	$6.36
Central Fort Worth	15,478,794	331,654	2.1%	46,324	-67,042	83,095	0	0	$8.54	$8.54
East Fort Worth	26,644,975	2,407,225	9.0%	89,227	-285,169	1,077,442	716,156	1,143,867	$8.14	$8.23
West Fort Worth	7,753,175	684,281	8.8%	1,117,938	1,797,127	1,505,590	0	357,609	-	-
South Fort Worth	42,743,630	3,866,707	9.0%	-159,755	1,570,723	1,121,235	3,058,094	1,673,256	$7.53	$7.42
Johnson County	10,924,637	129,283	1.2%	0	522,108	72,000	2,000,000	90,000	-	-
FORT WORTH TOTAL	240,594,284	19,889,278	8.3%	2,676,995	10,278,604	13,303,490	11,429,985	10,121,866	$7.38	$7.29
DALLAS/FORT WORTH TOTALS	**1,011,402,368**	**97,918,887**	**9.7%**	**3,344,396**	**19,939,674**	**59,109,213**	**23,631,176**	**39,689,835**	**$8.62**	**$8.12**

**Renewals included in leasing statistics*

KEY LEASE TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
35 Eagle - Bldg C / 2501 Eagle Pky	Alliance	Ariat	1,250,743	New Lease
Southport Logistics Park – Bldg 1 / 1200 Fulghum Rd	South Dallas	CJ Logistics	1,075,260	New Lease
2750 Regent Blvd	DFW Airport	The Boeing Company	578,734	Renewal
Speedway Logistics Crossing - Bldg 3 / 2601 Petty Pl	Alliance	FST Logistics	383,930	New Lease

KEY CONSTRUCTION COMPLETIONS Q4 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
C5LC at I35 – Bldg A&B / 1800-1830 S I-35E	South Dallas	N/A	605,598	Core5 Industrial Partners
Cold Summit Dallas II	South Dallas	N/A	364,306	Cold Summit Development

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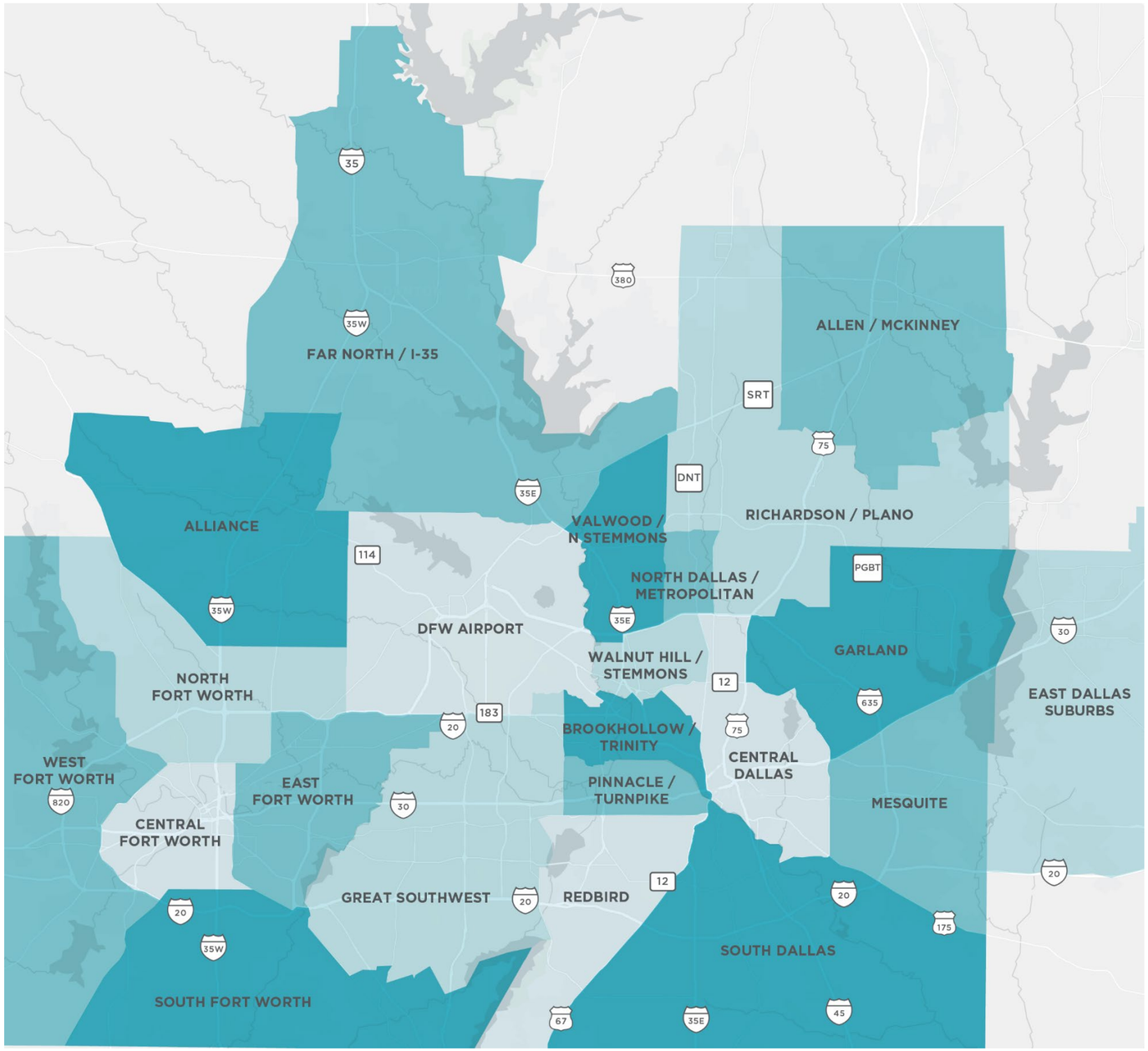
INDUSTRIAL SUBMARKETS



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