
2Q24

Dallas-Fort Worth Industrial Market Overview

NEWMARK

Market Observations

Economy

- The market's unemployment rate ticked up by 10 basis points year over year to 3.8% but remained well below the five-year average of 4.6%.
- Job growth pace has slowed compared with recent highs to 1.9% year over year while employment growth continues to remain well below pre-pandemic levels, with May 2019 growth at 2.6%.
- Most sectors reported employment growth, except for business and professional and information industries, with other services leading job gains at 5.8% over the past 12 months.
- Industrial-using jobs in the market continued to reflect yearly growth, ranging from 1.2% to 3.8% over the past 12 months.

Major Transactions

- Four of the top five largest leases signed were new leases, indicating there is still a healthy appetite for space in the market.
- The top two largest leases signed were new leases in the North Fort Worth submarket.
- As of the end of the second quarter of 2024, 27.7% of under-construction assets are preleased.

Leasing Market Fundamentals

- The market realized 9.0 MSF of positive absorption in the second quarter of 2024, keeping pace with quarterly absorption levels reported in 2023.
- Overall rental rates grew 9.4% year over year to \$9.85/SF, reaching a new historical high.
- Construction pipeline recorded the sixth consecutive double-digit delivery quarter at 13.1 MSF, while the under-construction pipeline dwindles for the sixth consecutive quarter to 20.7 MSF.
- Following quarterly supply outpacing occupancies for the sixth consecutive quarter, as of the end of the second quarter of 2024, vacancy increased by 280 basis points year over year to 9.6%.

Outlook

- The Dallas-Fort Worth industrial market will continue to work through its construction pipeline, with 2.0% of the current market's inventory being under construction. The pipeline is expected to continue to dwindle as construction starts have remained slow due to more difficulty obtaining financing for new projects.
- Vacancy rates are expected to increase in the near term as supply is expected to outpace occupancies.
- Asking rents will likely continue to increase, due to elevated inflation and as quality new product commanding higher pricing is delivered. Rental rate year-over-year pace of growth is expected to begin flattening as the construction pipeline is worked through in the near term.

1. Economy
2. Leasing Market Fundamentals

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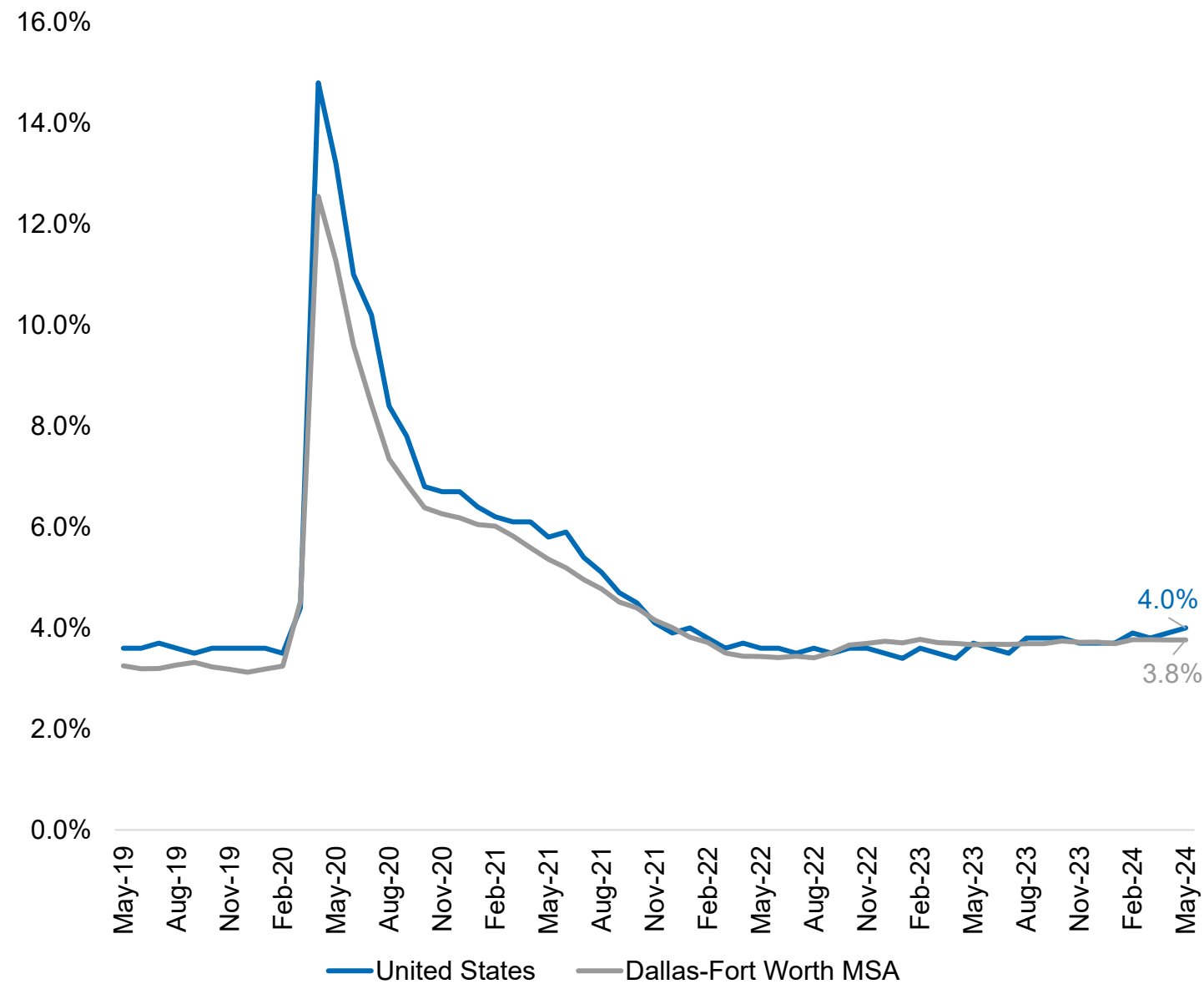
Economy



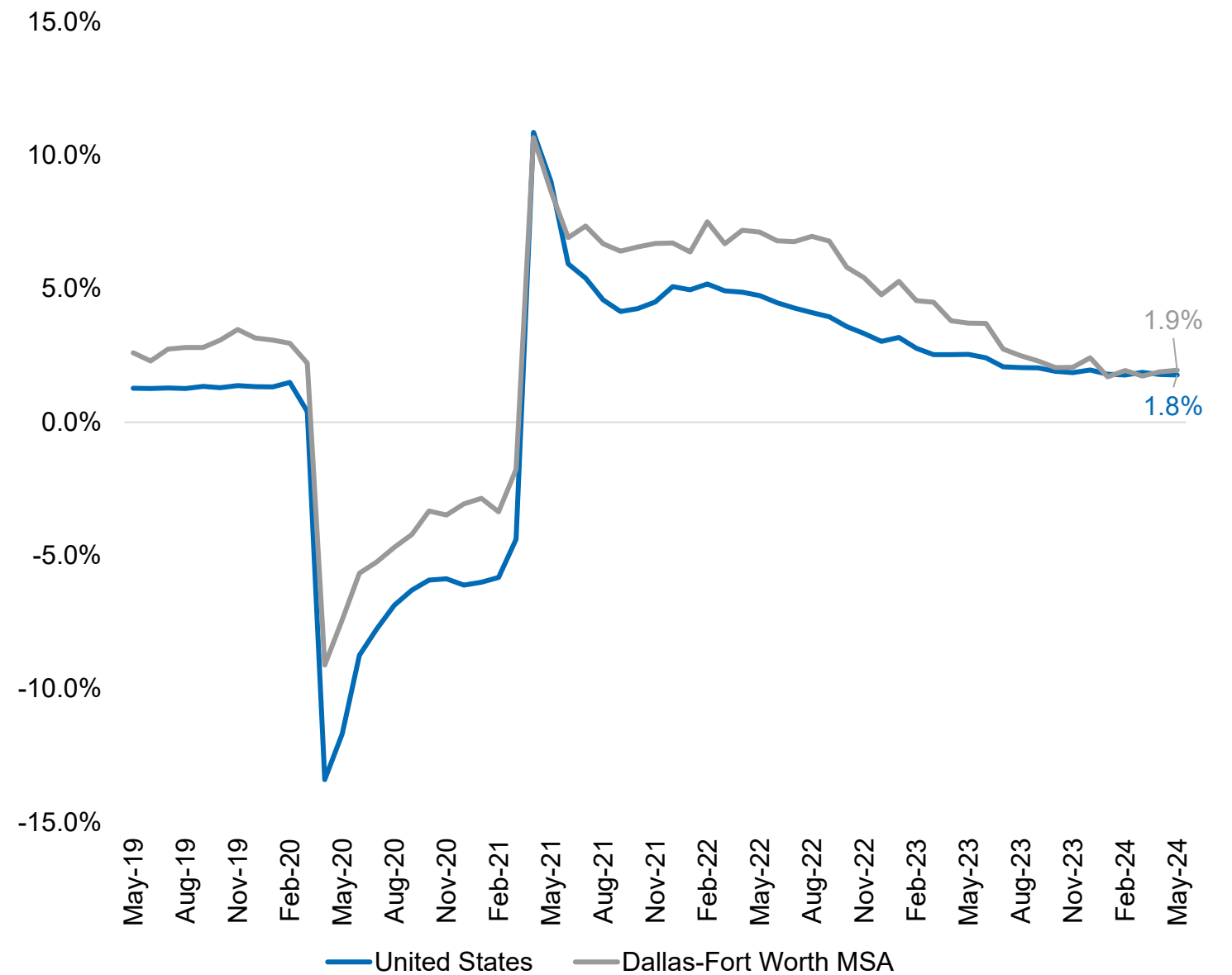
Metro Employment Trends Continue to Flatten

The Dallas-Fort Worth market has generally reported lower unemployment rates compared with the national average, while being an outperformer in employment growth. Recent national economic headwinds have oscillated the region's unemployment compared to the national unemployment rate since late 2021. Since January 2024, the market's unemployment rate has consecutively remained lower than the national level with the market's May 2024 unemployment rate reporting at 3.8%, reflecting 24 basis points lower than the national average. Meanwhile, the market's employment growth slowed by 177 basis points year over year, but still reported positive growth at 1.9% year over year.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change

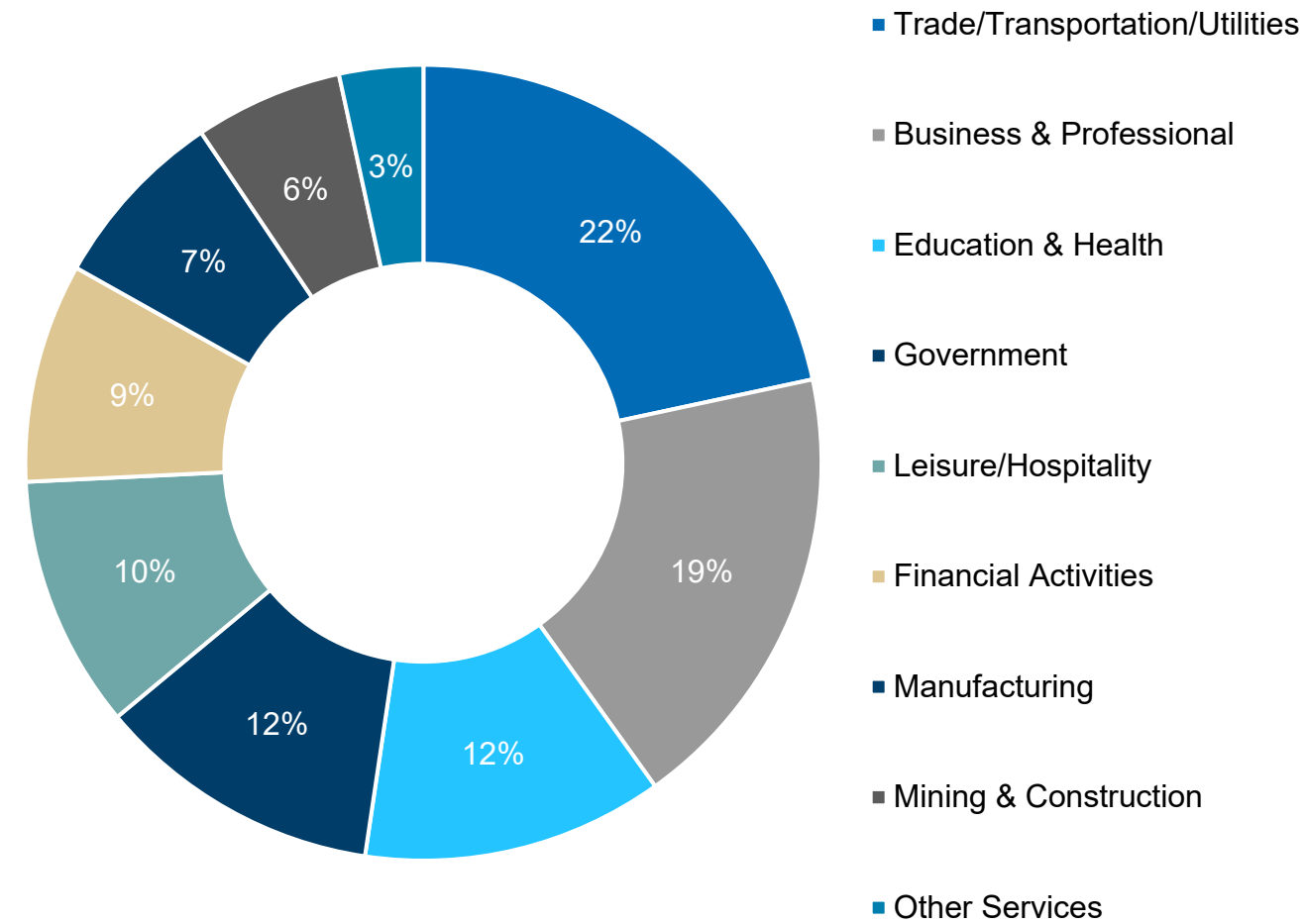


Source: U.S. Bureau of Labor Statistics, Dallas-Fort Worth MSA

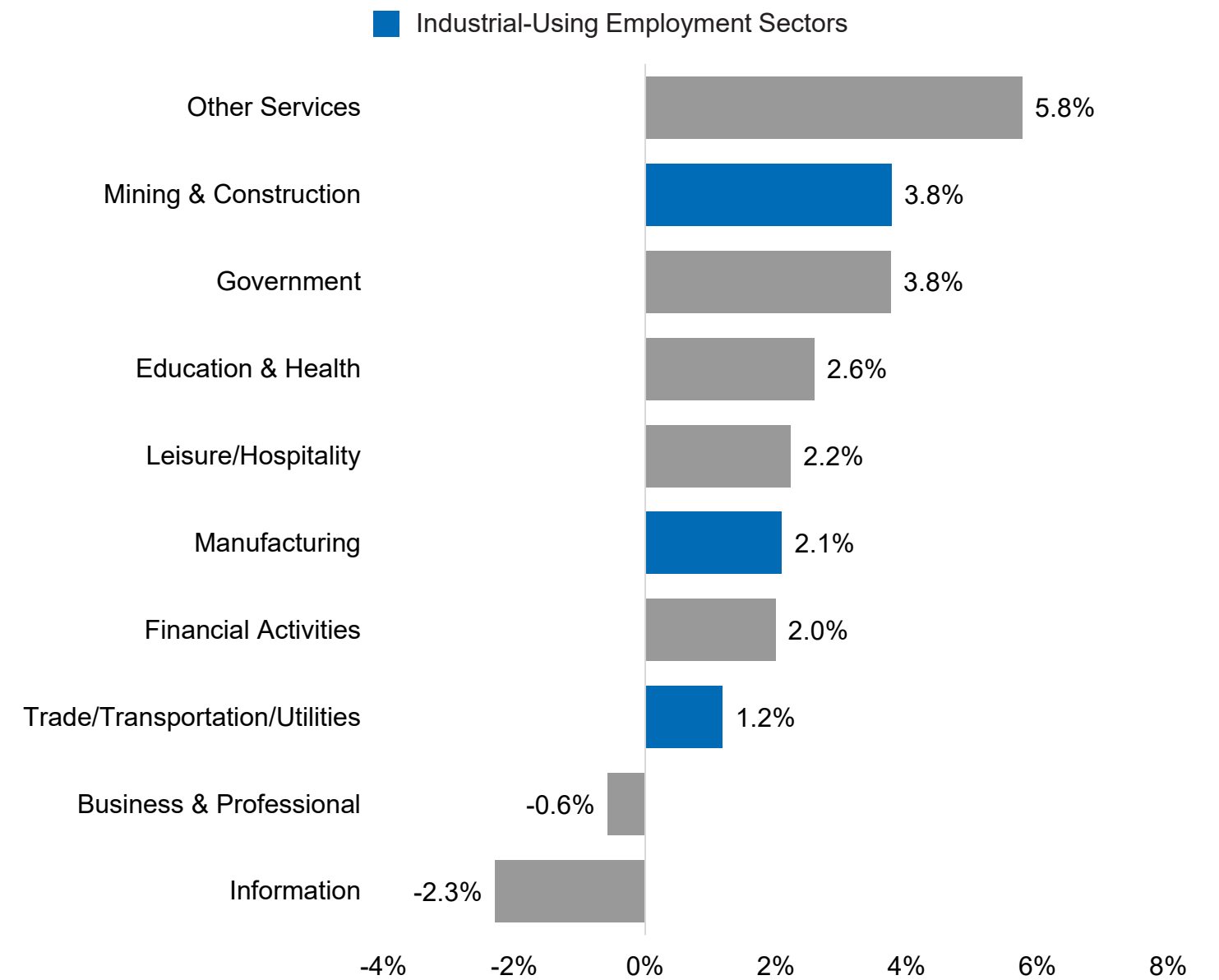
Employment Growth Continues for All Industrial Sectors

The Dallas-Fort Worth market has a high industry diversity with the top two industries, accounting for only 39.2% of the market's industry employment share. The industrial-using employment's trade/transportation/utilities sector is the largest industry sector in the metroplex at 21.2%. Most industries in the metroplex reported growth, except for business and professional and information sectors, with industrial-using industries reporting year-over-year growth ranging from 1.2% to 3.8%.

Employment by Industry, May 2024



Employment Growth by Industry, 12-Month % Change, May 2024

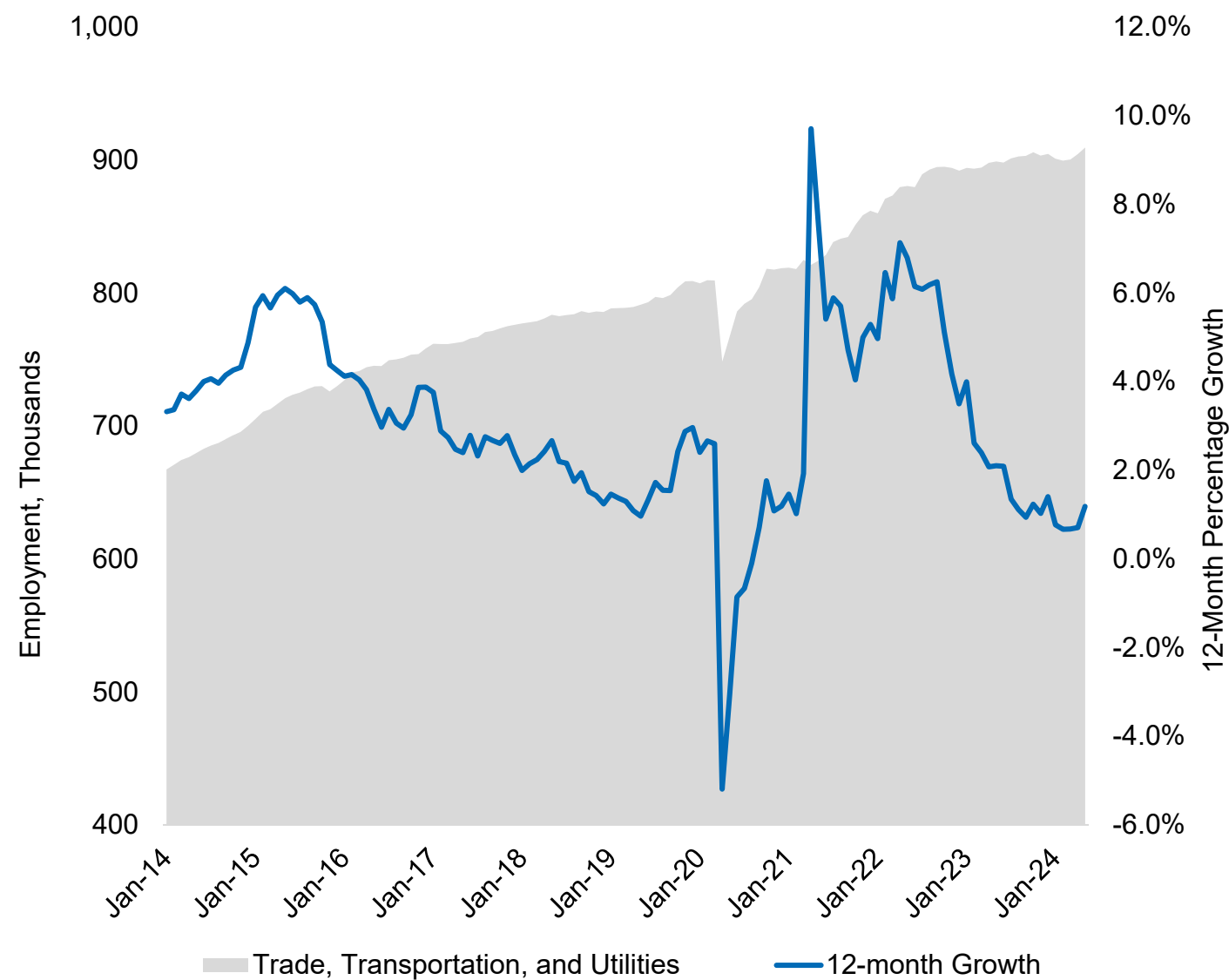


Source: U.S. Bureau of Labor Statistics, Dallas-Fort Worth MSA

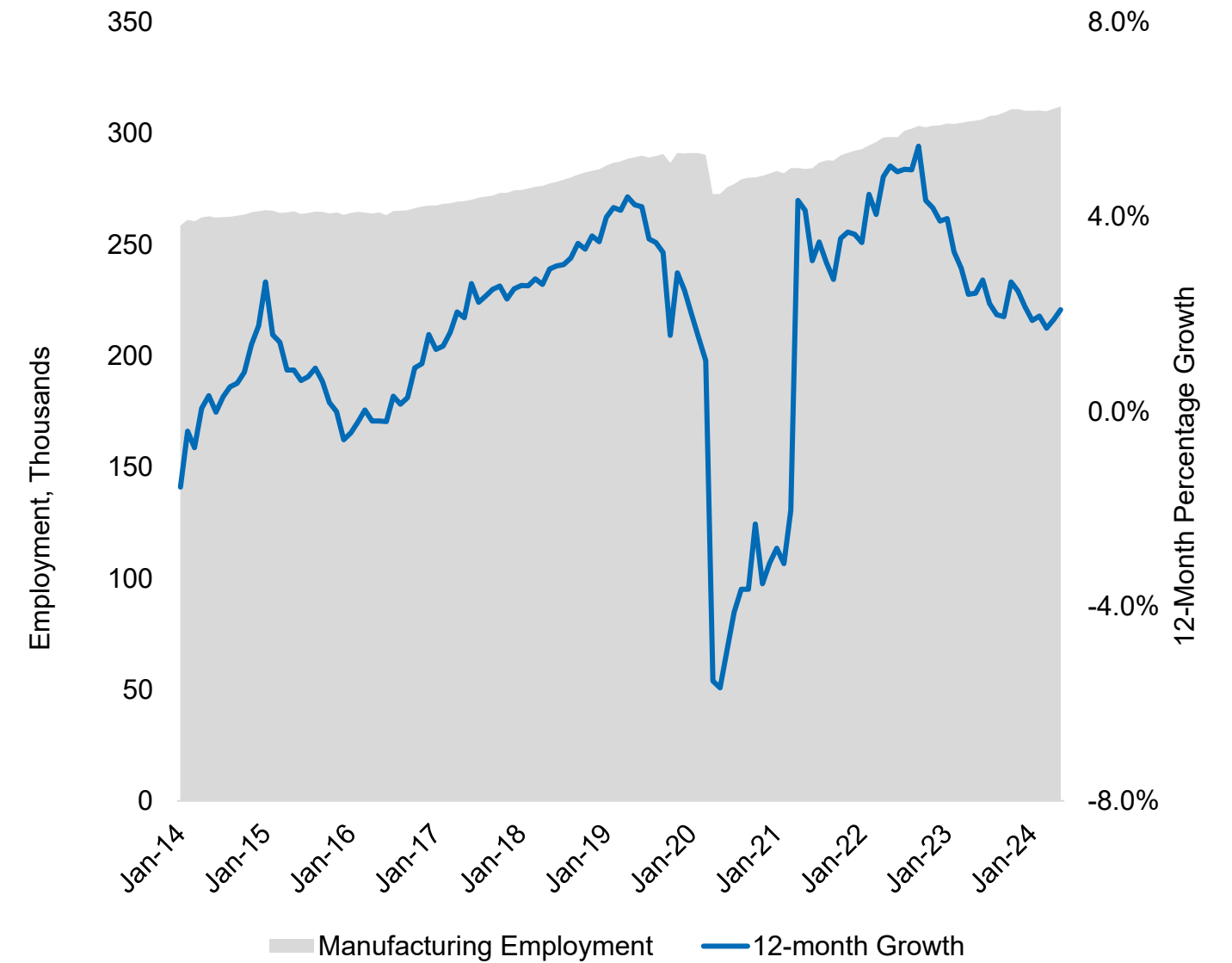
Industrial Employment Reaches New Historical Highs in Both Sectors

Trade/transportation/utilities employment reached a new peak in May 2024, with 909,340 employees, maintaining employment above the 900,000-employee threshold since June 2023, except in February 2024. Manufacturing employment continued to remain above the 300,000-employee mark since mid-2022 and in May 2024 also reached a new all-time high at 312,090 employees. Industrial-using employment continues to show yearly growth, albeit at a slower pace than before, reflecting a slowing economy.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, Dallas-Fort Worth MSA

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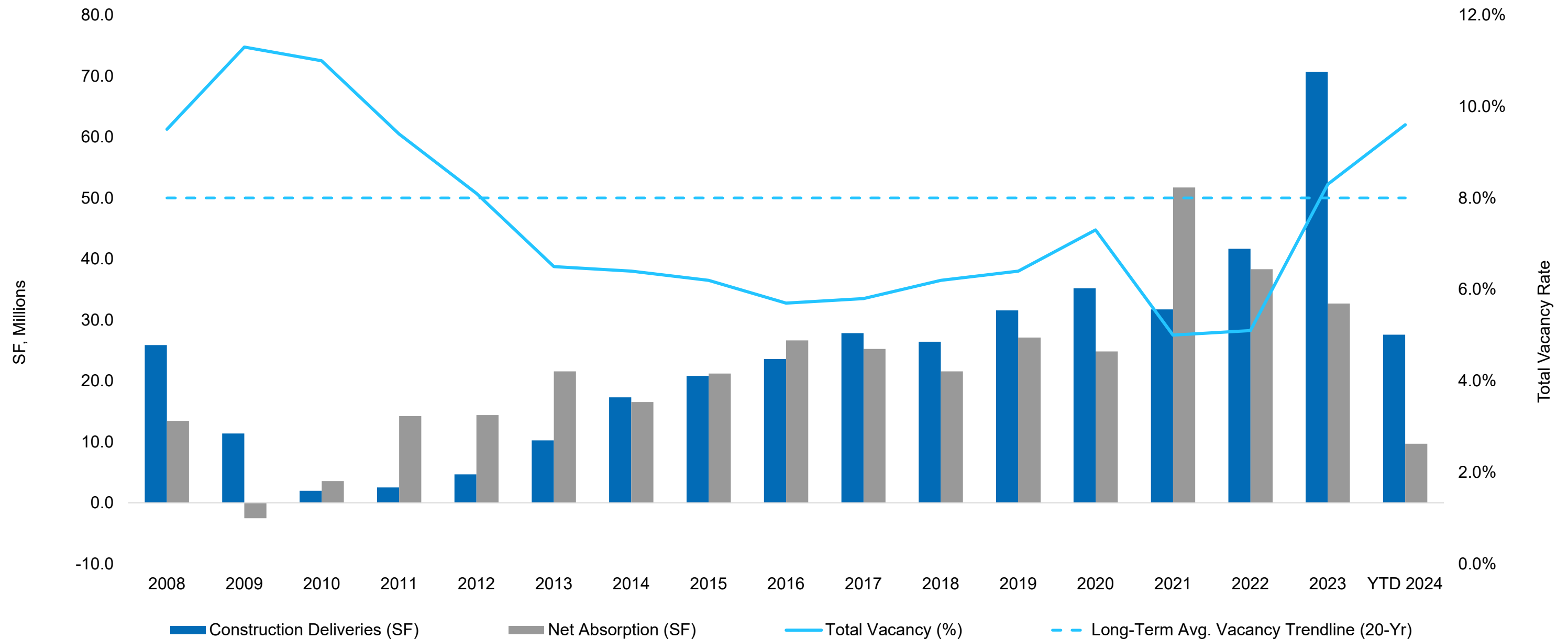
Leasing Market Fundamentals



Robust Deliveries Continue; Marks Second Highest Historical Second Quarter

The Dallas-Fort Worth industrial vacancy rate increased by 280 basis points year over year to 9.6% in the second quarter of 2024, with supply continuing to outstrip demand since 2022. Deliveries continue to remain strong in the market, outpacing all second-quarter deliveries pace historically, except for the second quarter of 2023. Despite national economic headwinds, demand continues to remain positive for industrial space in the Dallas-Fort Worth market.

Historical Construction Deliveries, Net Absorption, and Vacancy

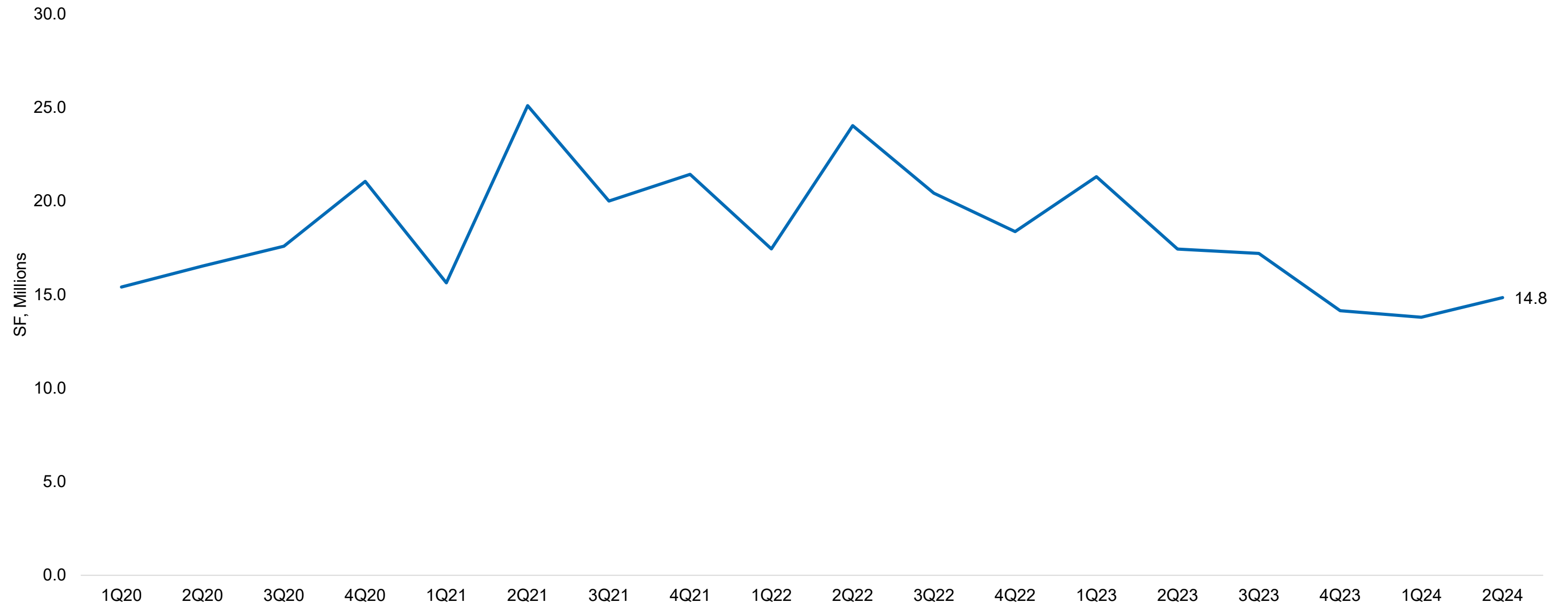


Source: Newmark Research, CoStar

Industrial Leasing Activity Decelerates to Pre-Pandemic Levels

In the second quarter of 2024, leasing activity decelerated from historical highs reported post-pandemic, ending the quarter at 14.8 MSF. Despite slowing leasing activity, likely resulting from national economic headwinds, demand continues to remain positive in the market.

Total Leasing Activity (SF)

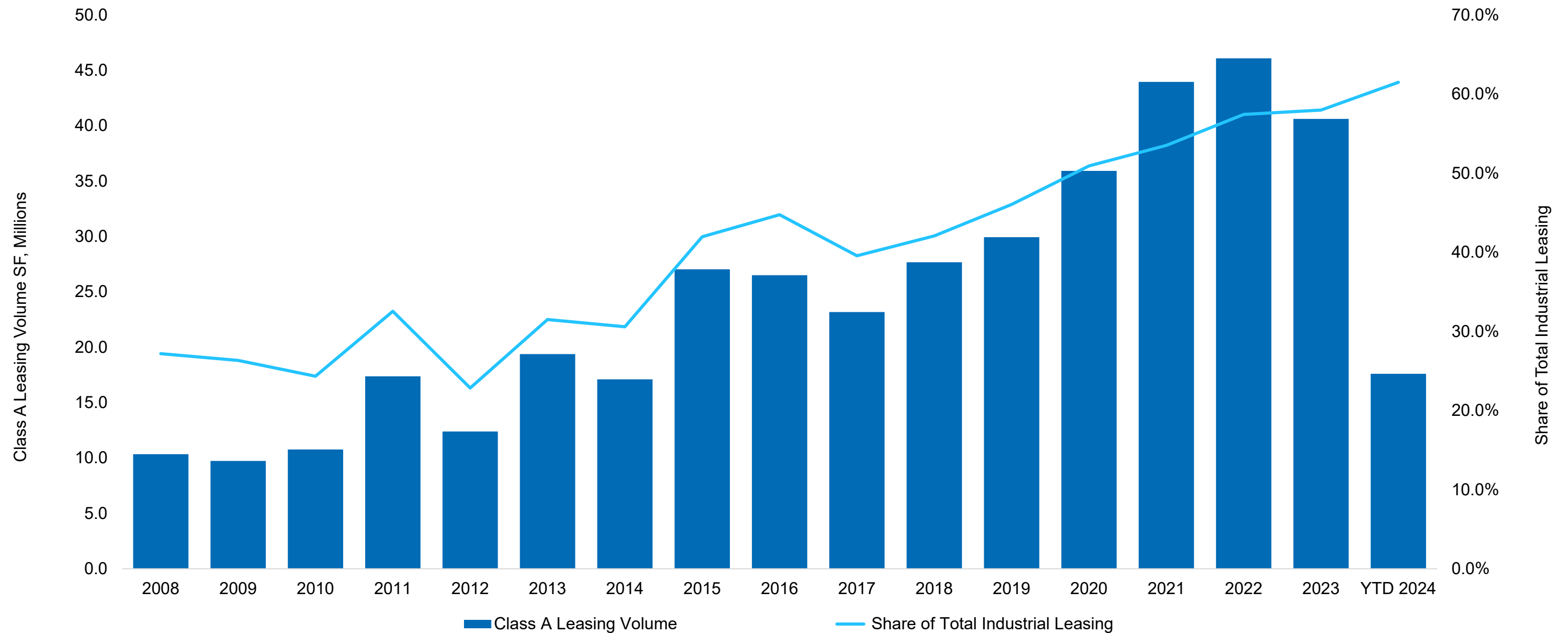


Source: Newmark Research, CoStar

Class A Warehouse Leasing Accounts for Bulk of Total Market Leasing Activity

Class A warehouse space leasing activity, on a square-footage basis, decreased from historic highs recorded in 2021 through 2023. The influx of 149.1 MSF of high-quality deliveries that have hit the market since 2021 allowed Class A leasing activity by square footage to increase substantially. Class A leasing activity closed the first half of 2024 at 17.6 MSF, representing 61.5% of overall year-to-date activity, up from 58.0% from the previous year and well above the pre-pandemic average at 34.1% from 2008 to 2019. The proportion of Class A leasing compared with total leasing indicates there is strong appetite for quality assets in the market as long as new supply is delivered to support the demand.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

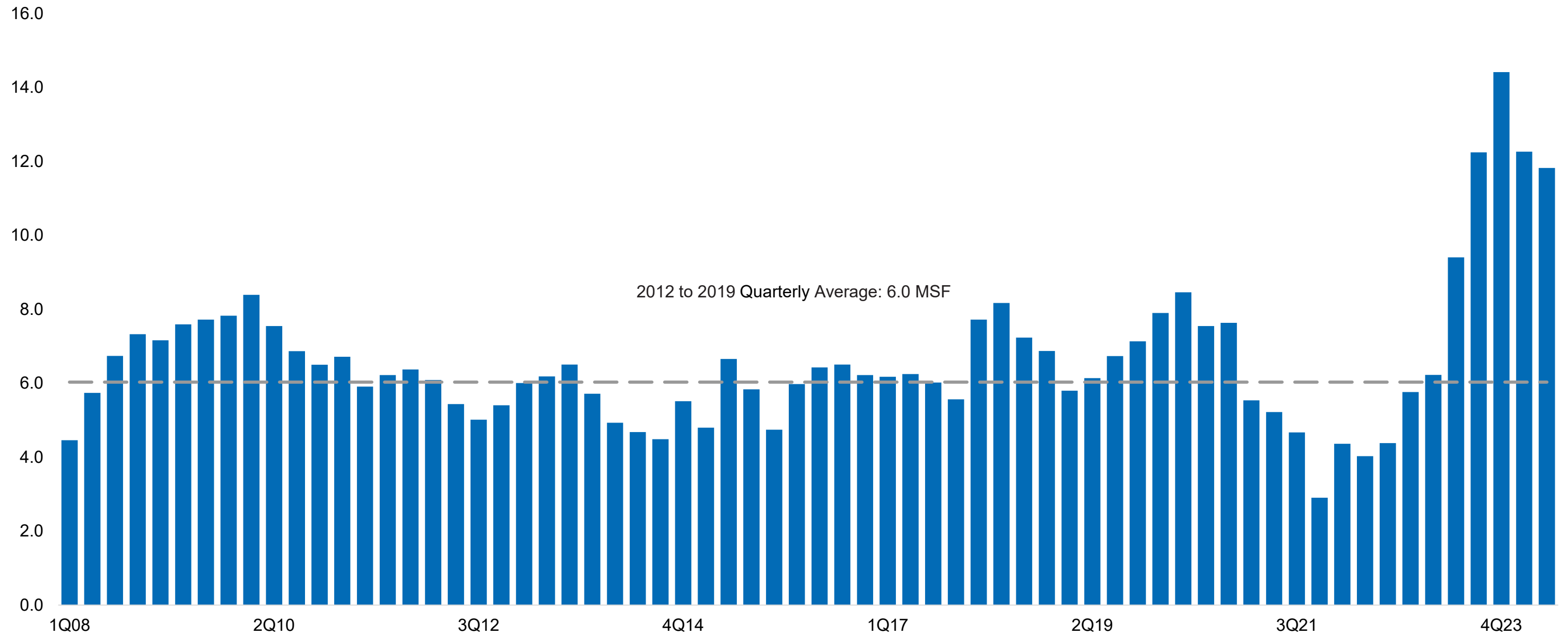


Source: Newmark Research, CoStar

Industrial Sublease Availability Continues Declining but Remains Elevated

Since the second quarter of 2022, sublease volume increased in the market, but started to decline at the beginning of 2024. In the second quarter of 2024, sublease availability dropped by 3.6% quarter over quarter to 11.8 MSF. Sublease availability continues to remain elevated, continuing to hover above the 11.8 MSF mark since the third quarter of 2023. Rising interest rates, an inflationary environment and declining consumer demand are driving some firms to control costs via supply chain optimization and consolidation, which includes putting excess or underutilized space up for sublease.

Available Industrial Sublease Volume (msf)

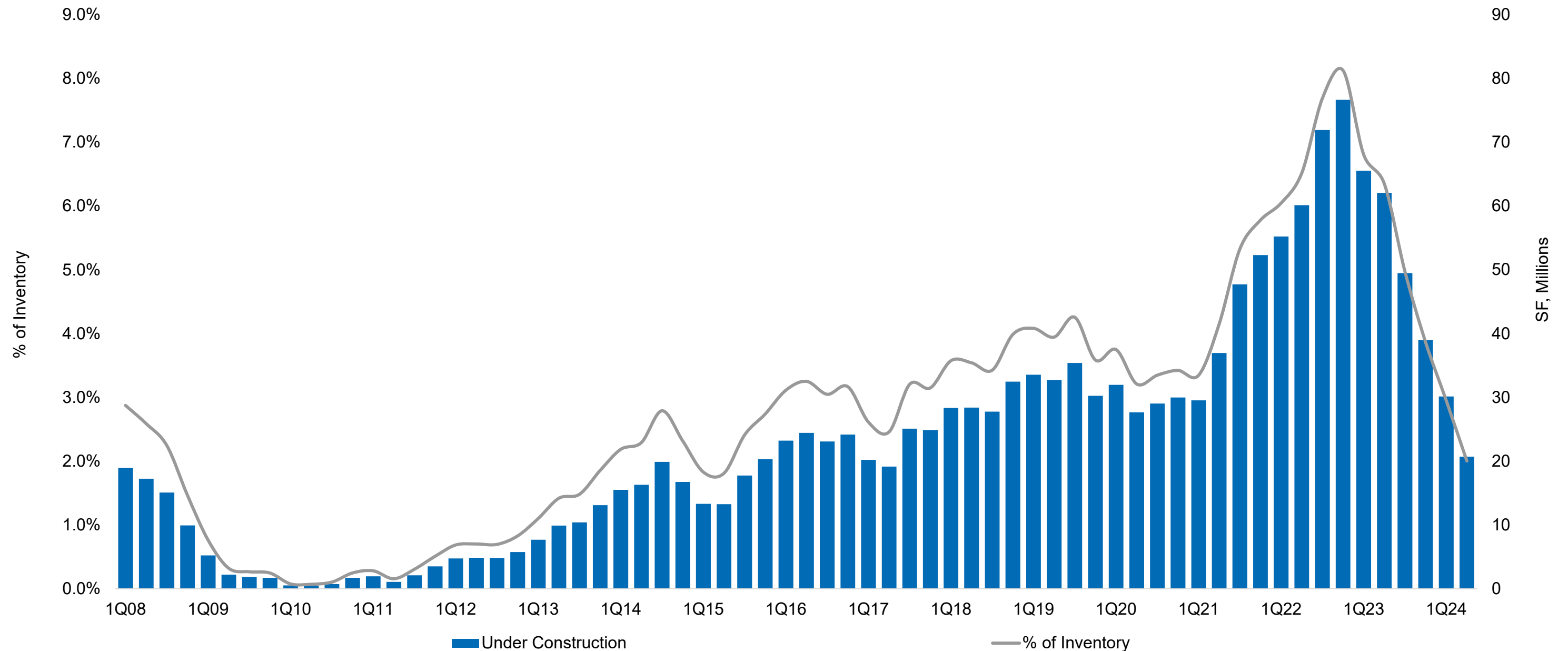


Source: Newmark Research, CoStar

Industrial Supply Pipeline Continues Descent from Historic High

The construction pipeline trended downward for the sixth consecutive quarter after reaching a historic high of 76.6 MSF in the fourth quarter of 2022. Construction starts and new development continued to slow due to challenging financing environment for new construction. As a result, the under-construction pipeline continued to decelerate as deliveries hit the market, creating a possibility for potential supply constraints as economic conditions improve in 2025.

Industrial Under Construction and % of Inventory

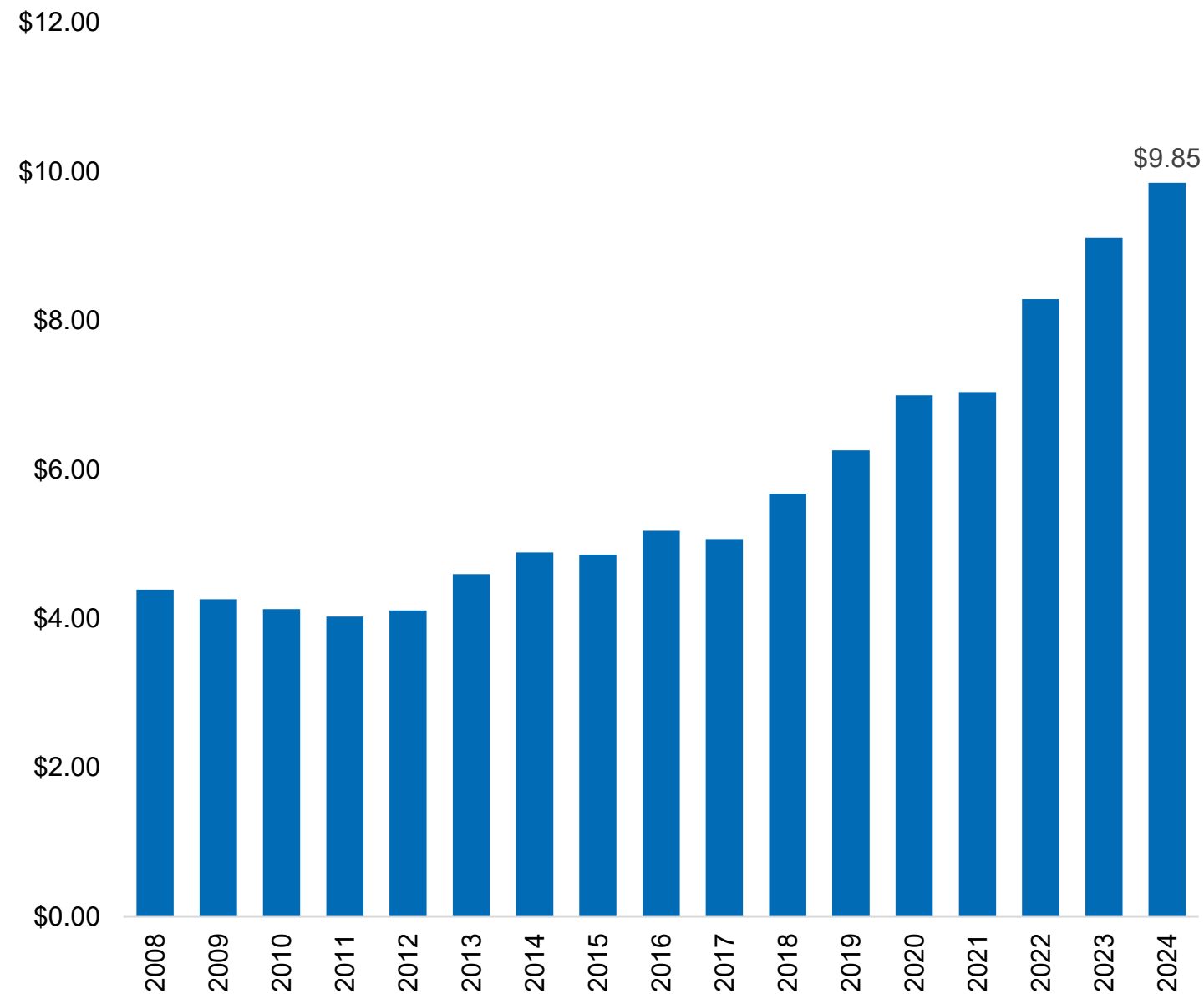


Source: Newmark Research, CoStar

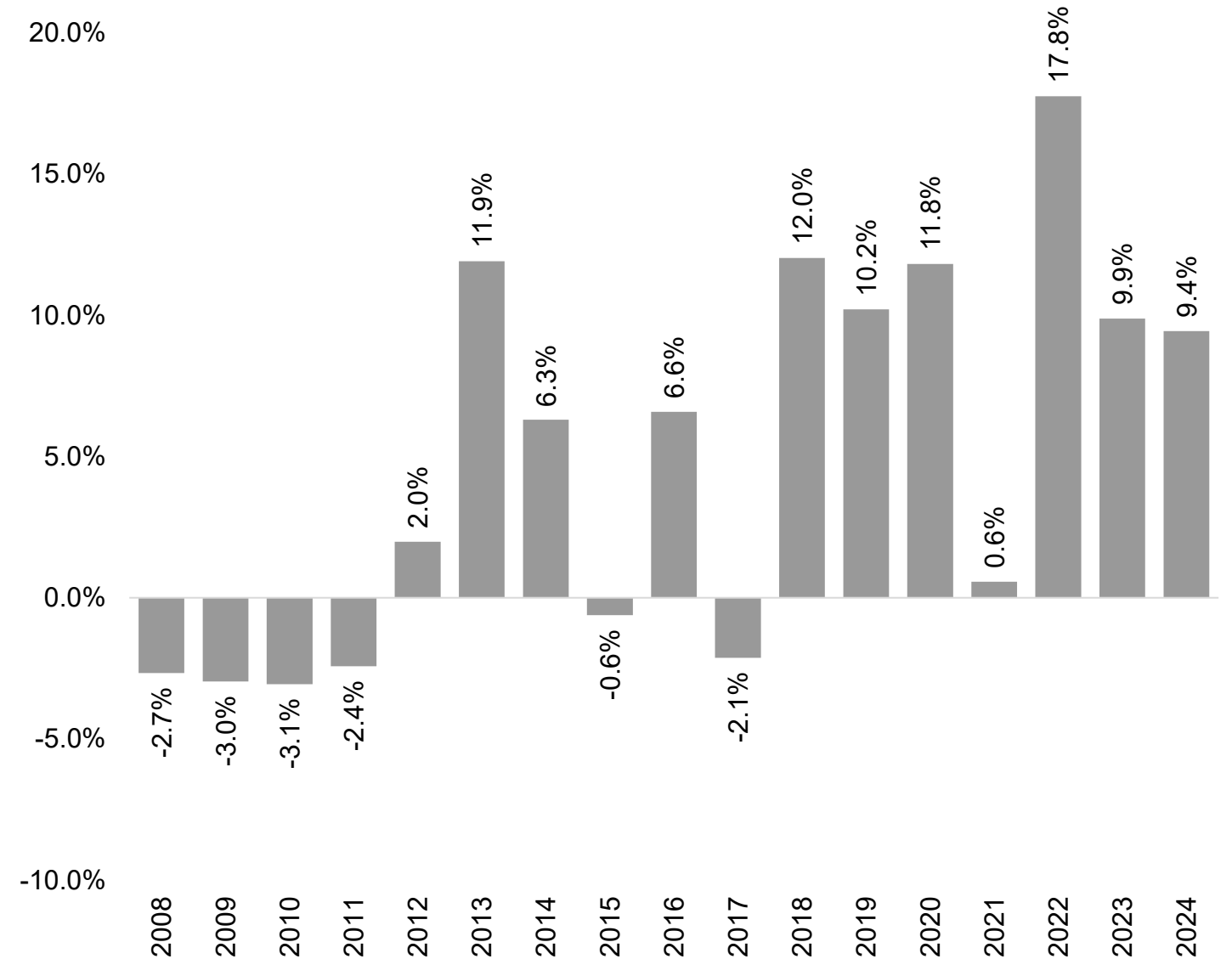
Asking Rents Reach New Historical High

Industrial average asking rents reached a new high at \$9.85/SF as of the end of the second quarter of 2024, increasing by 9.4% year over year. Rent growth is expected to continue increasing due to new, higher-quality assets delivering but year over year pace of growth will begin to flatten as the market works through the under-construction pipeline.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable 2Q24 Lease Transactions

Leasing activity slowed in the second quarter of 2024, with quarterly leasing activity at 14.8 MSF, below second-quarter quarterly averages reported from 2011 to 2023 at 16.8 MSF. Currently, projects under construction are 27.7% preleased.

Select Lease Transactions

Tenant	Building	Landlord	Submarket	Type	Square Feet
Google <i>Google plans on spending \$20.3 million on the distribution center's interior build-out.</i>	Northlake 35 Logistics Park – Building 1	Clarion Partners	North Fort Worth	Direct New	1,049,022
Mondelez International <i>The snack food company signed a new lease at 11700 Harmonson Road for the entire building at 985,723 SF.</i>	Northlake Logistics Crossings – Building 1	Ares Management Corp.	North Fort Worth	Direct New	985,723
RJW Logistics Group <i>The logistics solutions provider company leased and opened its second Mesquite location, aiding the company's focus on expansion while consolidating warehouses in strategic locations.</i>	Mesquite Airport Logistics Center – Building 5	Dalfen Industrial	East Dallas	Direct New	649,398
Confidential <i>The company signed a lease renewal at 1803 West Pioneer Parkway.</i>	161 Pioneer Distribution Center	Duke Realty	Great Southwest	Renewal	603,354
DW Distribution <i>The lease signed also includes 25 acres of adjacent outdoor storage along with dual rail service. The tenant selected the location due to its rail services and heavy power capability.</i>	Southern Star Logistics Park – Building 1	Logistics Property Co.	South Dallas	Direct New	548,340



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