

Industrial Q4 2020

7.2%
Vacancy Rate



5.9M
Net Absorption, SF



\$5.22
Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2020

3.7M
Dallas-Ft Worth Employment



6.8%
Dallas-Ft Worth Unemployment Rate



6.7%
U.S. Unemployment Rate



Source: BLS

ECONOMY

As it deals with the effects of COVID-19 and resulting government restrictions on workplaces and business in general, the Dallas-Fort Worth (DFW) economy continued its recovery in Q4 2020. While the unemployment rate remains high relative to last year, the area added 47,949 jobs this quarter compared to Q3 2020, bringing the region close to its pre-pandemic levels. The region's population increased by 121,603 people year-over-year (YOY), and by 29,070 in Q4 alone. As of December 2020, the population reached a new high of over 7.8 million residents.

According to Moody's Analytics, the industrial sector grew by 25,463 jobs (2.4%) from the previous quarter. 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% (809,144 jobs). The region's industrial employment totaled 1,092,685 jobs as of quarter end.

SUPPLY

The DFW industrial market continued strong growth through the end of the year. The quarter closed with a 30-basis point (bps) increase in vacancy to 7.2% compared to the prior quarter. The increase in vacancy resulted from net absorption lagging completions by 3.1 million square feet (msf) in fourth quarter. Developers added 9.0 msf of new product to the market and a total of 31.9 msf was delivered this year. Alliance and Mesquite submarkets saw the highest amount of completions, with 2.6 msf and 1.7 msf completed in fourth quarter. Far North/I-35 and DFW Airport followed closely with 1.2 msf and 1.1 msf, respectively. Build-to-suit projects accounted for 14% of new project completions. Construction activity has fallen slightly below the historical levels we saw in 2019, with 26.5 msf under construction. Despite the slight drop in construction, Dallas-Fort Worth remains well above the national average. Speculative sites accounted for the majority of product under construction at 19.9 msf (75%) with 32% of all under construction projects currently pre-leased.

SPACE DEMANDS / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q4 2020

DEMAND

Strong demand for product in the DFW market will continue to keep vacancy rates relatively stable. Dallas-Fort Worth's central location and extensive transportation and distribution network has continued to make it a vital logistics hub. Overall new leasing activity (excluding renewals) totaled 9.3 msf with the highest activity in DFW Airport at 1.6 msf, followed by Great Southwest and South Dallas at 1.2 msf and 1.2 msf, respectively.

The DFW industrial market continued its trajectory of positive occupancy growth and absorbed 5.9 msf in fourth quarter 2020. The highest cumulative increase in occupancy was in the Alliance submarket at 2.4 msf followed by South Dallas and DFW Airport at 1.3 msf and 895,947 square feet (sf), respectively. Top new leases signed this quarter were Georgia Pacific (999,190 sf) and UPS (695,519 sf). The largest move-ins this quarter were Glazer's Beverage (1.1 msf) and Ariat (1.1 msf). All large move-ins and top new leases signed were in warehouse/distribution assets. Renewals increased 8.1% quarter-over-quarter (QOQ) and accounted for 26% of combined renewal and leasing activity.

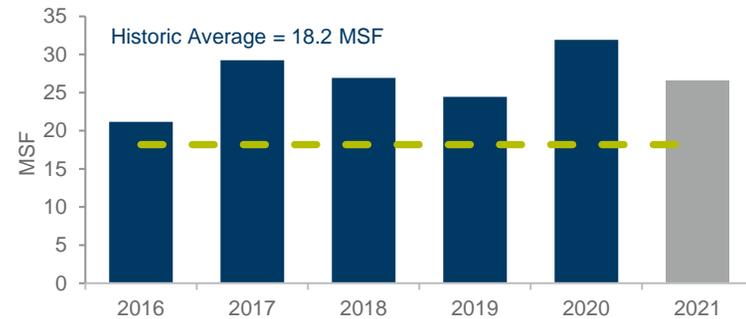
PRICING

Asking rental rates saw an uptick in the DFW industrial market. The year concluded with an overall average asking rate of \$5.22 per square foot (psf) in Q4, marking a 2.2% increase from year-end 2019 (\$5.11 psf). The Richardson/Plano submarket led with the highest overall average asking rate in DFW with rents at \$10.59 psf. North Dallas/Metropolitan and East Dallas submarkets followed closely at \$8.33 psf and \$7.96 psf, respectively. Warehouse/Distribution properties saw a slight increase in rental rates by 6.9% from the previous quarter. Warehouse/Distribution assets reported average rental rate of \$4.68 psf with the Brookhollow/Trinity submarket with the highest asking rental rate at \$6.78 psf.

Outlook

- Dallas-Fort Worth's central location and extensive transportation and distribution network will continue to make it a vital logistics hub.
- Renewals will remain attractive to tenants in the near term.
- Leasing activity will continue to keep up with new supply, keeping vacancy below historical levels.
- Rental rates will remain stable across Dallas-Fort Worth due to demand and arrival of new Class A product.

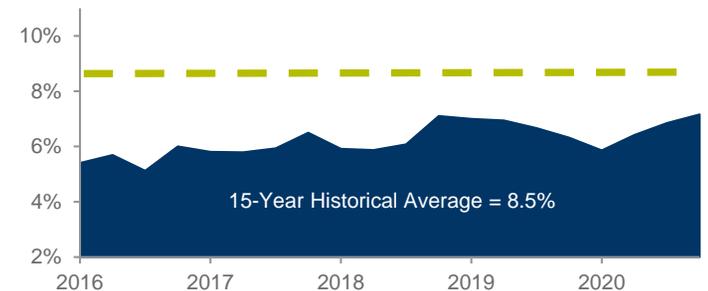
NEW SUPPLY (msf)



OVERALL NET ABSORPTION/OVERALL ASKING RENT



OVERALL VACANCY



Industrial Q4 2020

MARKET STATISTICS

SUBMARKET	TOTAL BLDGS	INVENTORY	DIRECT VACANT	OVERALL VACANT	DIRECT VACANCY RATE	OVERALL VACANCY RATE	Q4 NET ABSORPTION	2020 NET ABSORPTION	UNDER CONSTRUCTION	2020 COMPLETIONS	OVERALL AVG. ASKING RENT*	DIRECT AVG. ASKING RENT*
Allen/McKinney	120	11,077,837	896,836	930,980	8.1%	8.4%	87,856	139,188	2,362,111	327,471	\$7.86	\$7.86
Brookhollow/Trinity	886	49,007,485	1,966,186	1,995,762	4.0%	4.1%	-240,012	-183,428	438,558	0	\$7.69	\$7.73
Central Dallas	213	14,299,051	223,028	223,028	1.6%	1.6%	71,320	117,899	0	0	N/A	N/A
DFW Airport	594	92,865,888	7,706,299	8,594,331	8.3%	9.3%	895,947	3,607,254	1,285,330	5,731,876	\$6.50	\$7.05
Far North/I-35	246	23,026,061	2,038,711	2,060,286	8.9%	8.9%	69,728	97,125	661,620	1,311,396	\$6.46	\$6.32
Garland	540	45,499,800	2,079,988	2,873,884	4.6%	6.3%	-170,900	449,795	0	355,071	\$3.92	\$4.46
Great Southwest	1037	117,374,386	4,681,777	4,956,386	4.0%	4.2%	763,032	4,131,660	1,100,073	2,477,680	\$5.66	\$5.74
Mesquite	195	22,346,858	3,566,243	3,636,385	16.0%	16.3%	-29,422	1,467,844	793,062	1,720,210	\$4.78	\$4.78
North Dallas/Metropolitan	330	19,035,527	859,656	884,816	4.5%	4.6%	81,968	61,426	124,450	0	\$8.33	\$8.34
Pinnacle/Turnpike	216	30,817,011	1,845,431	1,965,431	6.0%	6.4%	-160,572	1,281,624	0	1,673,914	\$3.58	\$3.58
Redbird	207	23,237,277	467,543	467,543	2.0%	2.0%	106,412	608,305	0	0	\$5.77	\$5.77
Richardson/Plano	494	36,914,292	2,086,269	2,283,666	5.7%	6.2%	224,567	1,466,388	0	1,166,038	\$10.59	\$10.68
East Dallas	104	12,052,583	128,038	128,038	1.1%	1.1%	242,300	1,400,339	1,077,416	1,483,138	\$7.96	\$7.96
South Dallas	250	58,018,340	5,492,019	5,968,250	9.5%	10.3%	1,298,587	3,481,815	7,565,798	1,066,043	\$3.50	\$3.48
Valwood/N. Stemmons	555	51,417,840	1,784,187	2,083,306	3.5%	4.1%	31,027	273,485	0	405,505	\$6.28	\$6.28
Walnut Hill/Stemmons	482	22,592,070	1,060,052	1,153,968	4.7%	5.1%	-119,346	-405,451	220,412	388,904	\$6.03	\$6.03
DALLAS TOTAL	6,469	629,582,306	36,882,263	40,206,060	5.9%	6.4%	3,152,492	17,995,268	15,628,830	18,107,246	\$6.04	\$6.18
Alliance	175	56,720,084	8,463,080	9,272,375	14.9%	16.3%	2,427,842	4,943,264	5,099,141	10,491,372	\$4.69	\$5.30
Central Fort Worth	294	15,912,595	515,594	555,644	3.2%	3.5%	-11,604	-246,599	0	0	\$2.86	\$2.53
East Fort Worth	428	23,578,152	483,167	488,167	2.0%	2.1%	-62,077	115,728	491,218	0	\$5.40	\$5.44
North Fort Worth	358	47,245,395	2,898,900	2,964,275	6.1%	6.3%	571,760	1,284,023	1,127,764	1,192,203	\$4.76	\$4.76
South Fort Worth	297	30,065,146	3,817,408	4,027,197	12.7%	13.4%	-140,900	245,714	3,785,846	2,117,825	\$4.25	\$4.27
West Fort Worth	75	4,199,770	290,116	290,116	6.9%	6.9%	-50,405	-49,416	380,020	0	\$6.68	\$6.68
FORT WORTH TOTAL	1,627	177,721,142	16,468,265	17,597,774	9.3%	9.9%	2,734,616	6,292,714	10,883,989	13,801,400	\$4.61	\$4.78
DFW TOTAL	8,096	807,303,448	53,350,528	57,803,834	6.6%	7.2%	5,887,108	24,287,982	26,512,819	31,908,646	\$5.22	\$5.36

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

KEY LEASE TRANSACTIONS Q4 2020

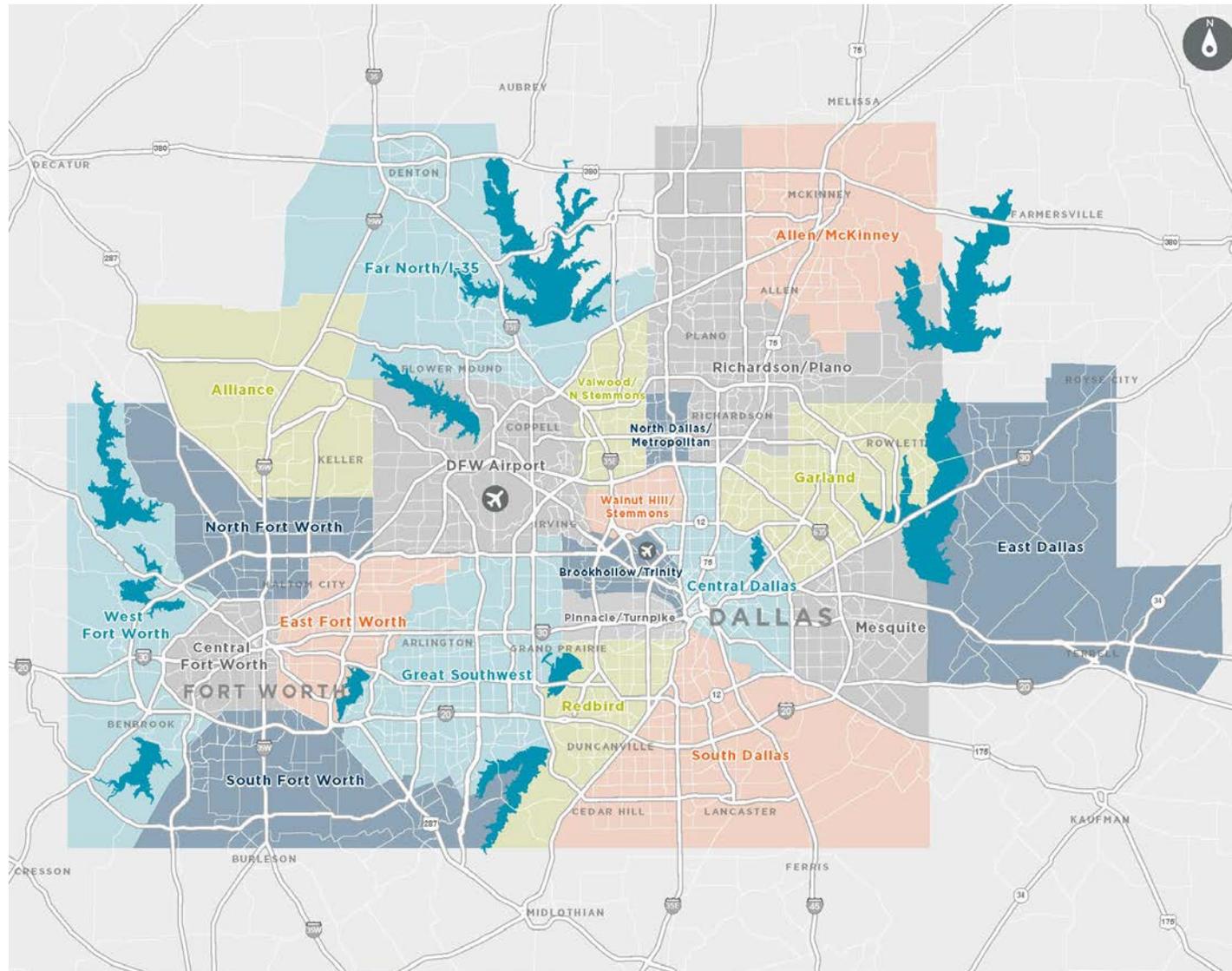
PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1100 E Cleveland St	South Dallas	Georgia Pacific	999,190	Renewal*
3000 N Redbud	Allen/McKinney	UPS	695,519	Renewal*
3101 W Oak St	Far North/I-35	Lowes Home Improvement	648,726	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF
2601 S Airfield Dr	DFW Airport	Copeland Commercial / Cabot Properties	1,000,584
2600 McCree	Garland	Westmount Realty / Scout Capital Partners	1,000,000
2601 Petty Pl	Alliance	Bridgemont LLC / Exeter	795,800

INDUSTRIALSUBMARKETS



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