



DALLAS+FORT WORTH INDUSTRIAL MARKET Q4 2021



Industrial Market Closes Record Year

The Dallas-Fort Worth market continued smashing records in the fourth quarter. Demand reached an all-time high of 41.7 million SF and drove vacancy rates to historic lows. Rents are climbing to new highs as Industrial properties achieve double-digit growth and Flex properties rebound. Speculative development ramped to a new all-time high of 43.9 million SF while users continue leasing new space at above-average velocities.

Transwestern expects Dallas-Fort Worth to continue its robust performance in 2022. Tailwinds for the sector will likely continue as logistics managers expect little relief for warehouse utilization over the next 12 months. Combined with a bullish economic outlook and population growth, demand should continue absorbing space and driving rent growth in 2022 and beyond.

TRENDLINES

| | Q4 2021 | ONE YEAR AGO | TREND | FIVE-YEAR AVERAGE | 12-MONTH FORECAST |
|--|-----------|--------------|-------|-------------------|-------------------|
| 12 Month Net Absorption | 41.71 MSF | 20.60 MSF | ↑ | 24.90 MSF | ↑ |
| Quarterly Net Absorption | 10.88 MSF | 3.71 MSF | ↑ | 6.50 MSF | ↑ |
| Vacancy (Existing) | 5.3% | 7.0% | ↓ | 6.1% | ↓ |
| Availability (Existing & U/C) | 9.5% | 9.9% | ↓ | 9.5% | → |
| Industrial Rents (NNN) | \$5.49 | +10.5% | ↑ | +4.6% | ↑ |
| Flex Rents (NNN) | \$10.50 | +2.7% | ↑ | +2.3% | ↑ |
| Total Construction | 45.5 MSF | 30.6 MSF | ↑ | 31.4 MSF | → |
| Speculative Construction | 43.9 MSF | 23.0 MSF | ↑ | 22.8 MSF | → |

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

Sources: Transwestern Research, Texas Workforce Commission, CoStar

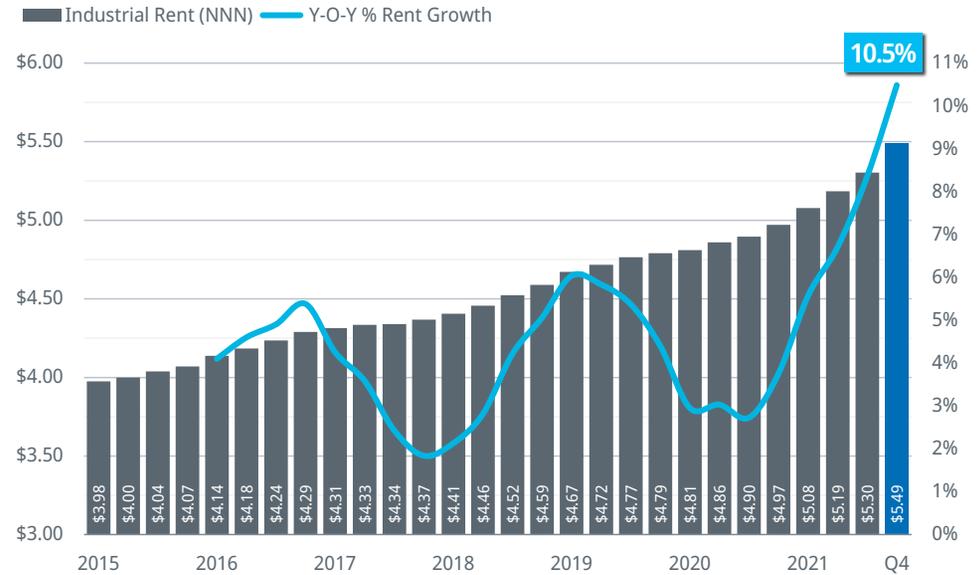


RENTAL RATES

Industrial & Flex Rents Set New Records

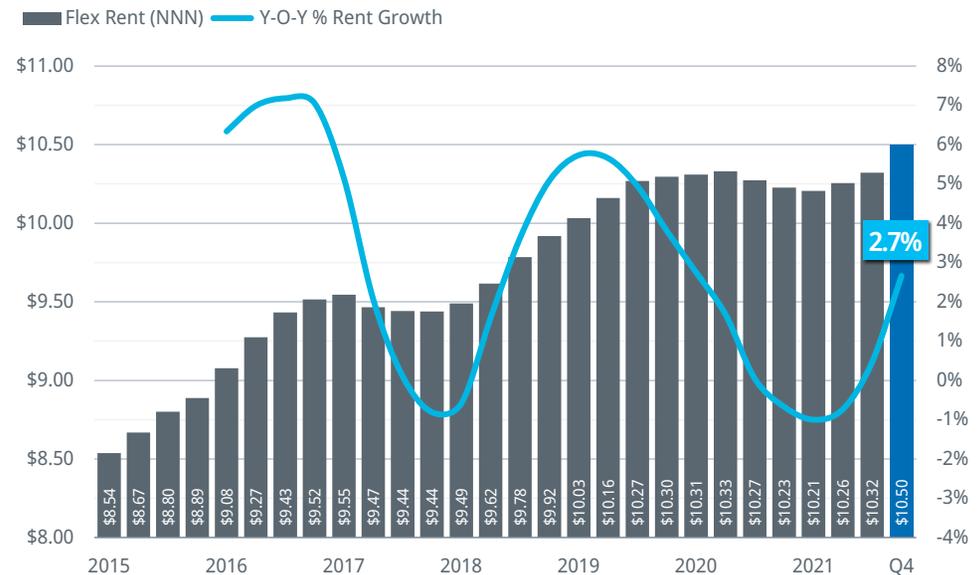
- ▶ Average Industrial rents set a record at \$5.49 NNN. Rents are now up 10.5% from last year, or 14.2% above pre-pandemic levels.
- ▶ Flex rents also set a record at \$10.50 NNN. Rents are up 2.7% from last year.
- ▶ Tenant demand, construction cost inflation, and land scarcity have driven rents in new development even higher. For example, new construction in DFW Airport is currently quoted at \$7-\$9 NNN. In 2020, tenants could choose from options in the range of \$5-\$6 NNN.
- ▶ Lease concessions (free rent and TI allowances) have decreased slightly due to strong tenant demand.
- ▶ Rent bumps have also increased to approximately 3.0-4.0%.
- ▶ Transwestern expects Industrial rent growth to remain near or above 10% through 2022.
- ▶ Flex rent growth will continue accelerating in 2022 as availability declines to new record lows each quarter.

AVERAGE INDUSTRIAL RENTS



Source: Transwestern Research, CoStar

AVERAGE FLEX RENTS



Source: Transwestern Research, CoStar



LEASING, NET ABSORPTION, & VACANCY

Demand Drives Vacancy To Record Lows

- ▶ Leasing activity for Industrial & Flex space exceeded 13.9 million SF, or 71.8 million SF over the past 12 months.
- ▶ Industrial net absorption reached positive 10.7 million SF this quarter. 12 month net absorption exceeds 40.5 million SF, **shattering the previous record by nearly 7 million SF.**
- ▶ Industrial vacancy declined to 5.3%, near all-time lows.
- ▶ Flex net absorption was also positive, bringing 12 month net absorption to 1.2 million SF.
- ▶ Flex vacancy declined to just 5.3%, **an all-time low since 1995.**
- ▶ Industrial development is expected to deliver 38.8 million SF of new space over the next 12 months.
- ▶ Flex vacancy should continue to decline given the lack of new development.

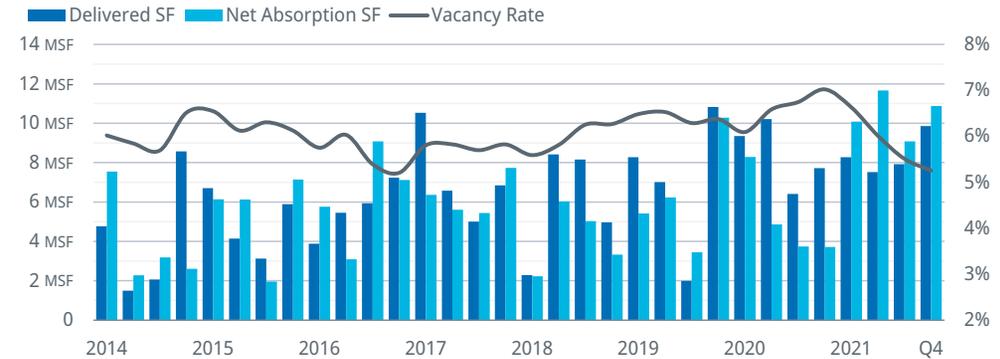
AVAILABILITY BY PRODUCT TYPE



Note: Availability includes space under construction.

Source: Transwestern Research, CoStar

DELIVERY IMPACT ON KEY INDICATORS



Source: Transwestern Research, CoStar

NOTABLE LEASES

| TENANT | SF LEASED | LEASE TYPE | BUILDING | LANDLORD | SUBMARKET |
|-------------------------|-----------|------------|--------------------------------------|------------------------|------------------|
| Life Science Logistics | 646,190 | New | DFW Park 161 - Logistics Center 9 | Invesco | DFW Airport |
| thredUP | 595,148 | New | Interstate Commerce Center South - A | IDI Logistics | South Dallas |
| Hilti | 484,307 | New | Bison Grove Business Park | Hines | Northwest Dallas |
| CEVA Logistics | 413,533 | New | Elizabeth Creek Gateway - D | LBA Logistics | North Fort Worth |
| Omni Logistics | 366,771 | New | Urban District 183 | Urban Logistics Realty | DFW Airport |
| CSC | 301,995 | New | 1101 Everman Pkwy | Hollingsworth | South Fort Worth |
| Comprehensive Logistics | 250,080 | New | I-35 Convergence - 1 | Hunt Southwest | Northwest Dallas |
| Sika | 249,093 | New | First Park 121 - D | First Industrial | Northwest Dallas |

Source: Transwestern Research, CoStar

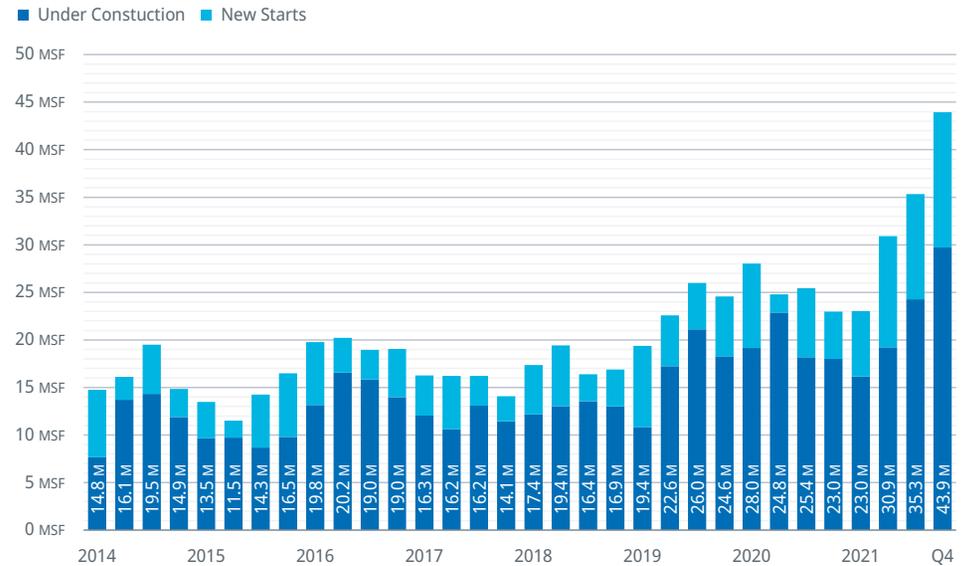


CONSTRUCTION & CAPITAL MARKETS

Construction Pipeline Ramps To All-Time High

- ▶ Developers broke ground on 14.2 million SF in the fourth quarter, increasing speculative construction to 43.9 million SF.
- ▶ This is the third consecutive quarter that new starts have exceeded 11 million SF.
- ▶ Dallas submarkets account for the majority of new starts, increasing construction to 32.6 million SF this quarter compared to 11 million SF in Q4 2020.
- ▶ Fort Worth has remained stable at 11-14 million SF overall, although speculative construction has ramped up in the South Fort Worth submarket.
- ▶ Demand for new space exceeded 5.7 million SF this quarter, or 27.4 million SF over the last 12 months.
- ▶ 5.7 million SF of speculative space delivered this quarter. Projects are delivering with 35% of space pre-leased, indicating supply is balanced with demand.
- ▶ Capital markets activity is robust at more than \$7.8 billion of sales volume over the last 12 months. Average pricing has reached new highs well above \$100 PSF.
- ▶ Cap rates have continued to fall, reaching levels below 3.5% in some transactions.

SPECULATIVE DEVELOPMENT PIPELINE



Source: Transwestern Research, CoStar

LEASING VELOCITY IN SPECULATIVE DEVELOPMENT



Source: Transwestern Research, CoStar



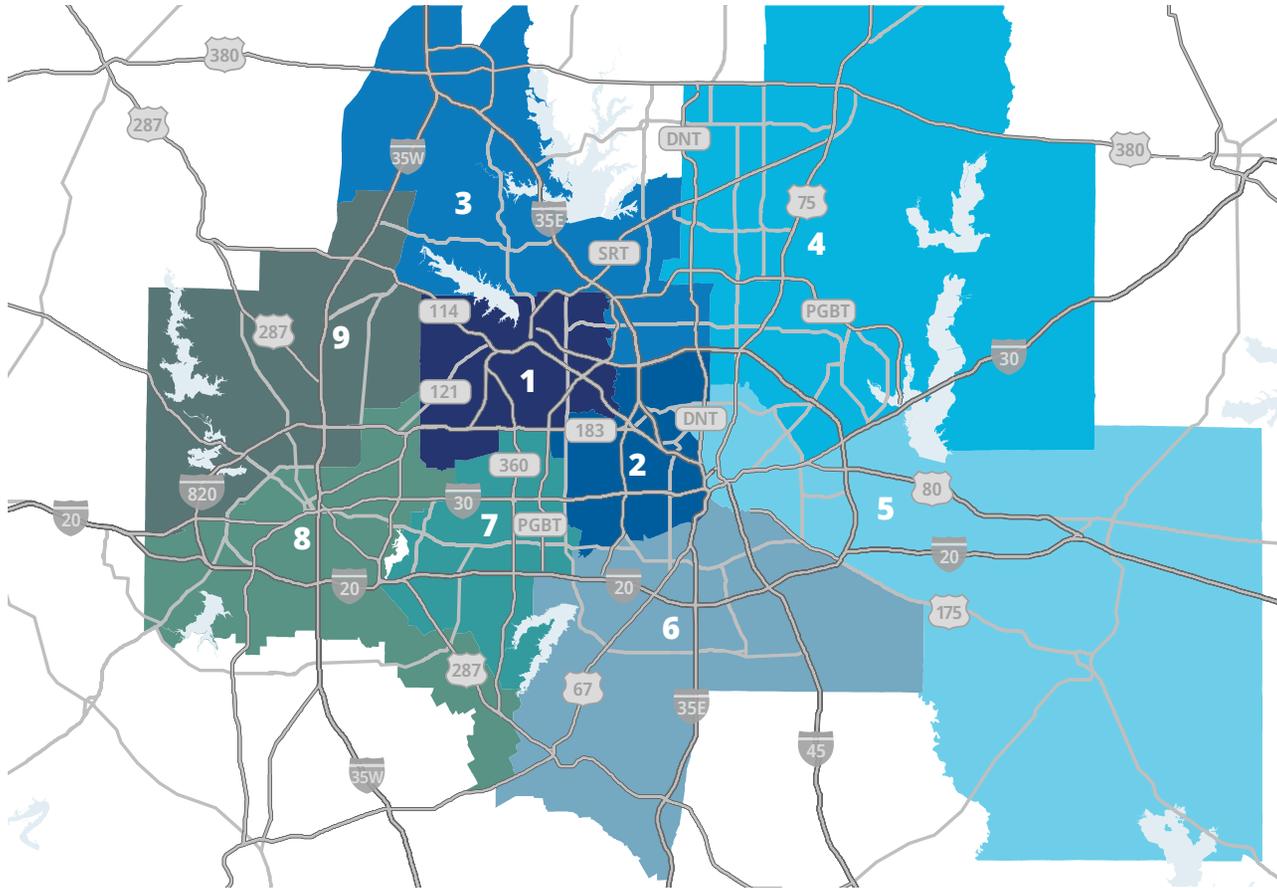
Market Indicators - Industrial

| SUBMARKET | INVENTORY | VACANT SF | VACANCY % | AVAILABLE* SF | AVAILABLE* % | QUARTERLY NET ABSORPTION | 12 MONTH NET ABSORPTION | UNDER CONSTRUCTION SF | NNN RENT | |
|-------------------------|--------------------|-------------------|-------------|-------------------|--------------|--------------------------|-------------------------|-----------------------|---------------|---------------|
| | | | | | | | | | THIS QUARTER | ONE YEAR AGO |
| DFW Airport | 76,327,930 | 2,130,932 | 2.8% | 5,796,724 | 7.3% | 1,260,411 | 5,469,532 | 3,579,161 | \$5.90 | \$5.27 |
| South Stemmons | 89,326,173 | 3,260,195 | 3.7% | 5,606,116 | 6.1% | 1,279,268 | 3,216,736 | 2,277,483 | \$6.19 | \$5.05 |
| Northwest Dallas | 95,263,264 | 2,802,475 | 2.9% | 4,222,691 | 4.3% | 885,157 | 3,540,734 | 1,968,744 | \$6.53 | \$5.59 |
| Northeast Dallas | 79,845,315 | 2,568,316 | 3.4% | 4,193,478 | 5.2% | 1,545,184 | 5,329,588 | 559,350 | \$6.41 | \$5.94 |
| East Dallas | 40,795,027 | 2,568,316 | 6.3% | 8,650,414 | 18.5% | 35,217 | 2,395,427 | 5,897,186 | \$6.67 | \$4.23 |
| South Dallas | 93,329,833 | 4,605,258 | 4.9% | 16,527,133 | 15.6% | 2,853,046 | 8,060,455 | 16,502,551 | \$4.09 | \$3.83 |
| Great Southwest | 108,248,821 | 2,726,665 | 2.5% | 6,351,657 | 5.8% | 370,163 | 4,049,346 | 2,257,125 | \$5.29 | \$4.72 |
| South Fort Worth | 62,227,310 | 6,310,772 | 10.1% | 8,746,495 | 13.2% | 1,845,867 | 2,863,990 | 4,138,235 | \$5.34 | \$4.84 |
| North Fort Worth | 101,485,907 | 12,088,645 | 11.9% | 18,253,611 | 16.7% | 661,352 | 5,593,348 | 8,038,675 | \$4.74 | \$4.64 |
| INDUSTRIAL TOTAL | 746,899,580 | 39,223,829 | 5.3% | 78,348,319 | 9.9% | 10,735,665 | 40,519,156 | 45,218,510 | \$5.49 | \$4.97 |

Market Indicators - Flex

| SUBMARKET | INVENTORY | VACANT SF | VACANCY % | AVAILABLE* SF | AVAILABLE* % | QUARTERLY NET ABSORPTION | 12 MONTH NET ABSORPTION | UNDER CONSTRUCTION SF | NNN RENT | |
|-------------------|-------------------|------------------|-------------|------------------|--------------|--------------------------|-------------------------|-----------------------|----------------|----------------|
| | | | | | | | | | THIS QUARTER | ONE YEAR AGO |
| DFW Airport | 6,609,052 | 700,549 | 10.6% | 675,092 | 10.2% | (91,935) | 7,878 | 0 | \$11.01 | \$10.75 |
| South Stemmons | 19,255,154 | 882,797 | 4.6% | 1,330,099 | 6.9% | 85,257 | (68,830) | 0 | \$13.41 | \$12.15 |
| Northwest Dallas | 18,576,813 | 1,253,826 | 6.8% | 1,379,814 | 7.4% | (5,109) | 153,672 | 45,539 | \$10.62 | \$10.54 |
| Northeast Dallas | 26,244,667 | 1,275,773 | 4.9% | 1,321,350 | 5.0% | 119,033 | 669,510 | 180,000 | \$9.80 | \$9.76 |
| East Dallas | 3,563,626 | 131,267 | 3.7% | 190,694 | 5.4% | 4,186 | (47,686) | 0 | \$16.48 | \$15.48 |
| South Dallas | 2,273,441 | 41,697 | 1.8% | 46,907 | 2.1% | (30,173) | 28,383 | 0 | \$9.16 | \$12.01 |
| Great Southwest | 7,465,752 | 348,099 | 4.7% | 569,627 | 7.5% | 59,458 | 148,084 | 75,768 | \$7.88 | \$8.50 |
| South Fort Worth | 8,456,460 | 236,090 | 2.8% | 326,848 | 3.9% | (3,087) | 308,499 | 0 | \$7.11 | \$7.17 |
| North Fort Worth | 6,400,117 | 361,992 | 5.7% | 376,196 | 5.9% | 4,810 | (7,501) | 20,200 | \$11.47 | \$11.28 |
| FLEX TOTAL | 98,844,394 | 5,232,090 | 5.3% | 6,210,667 | 6.3% | 142,440 | 1,192,009 | 321,507 | \$10.48 | \$10.22 |

*Note: Availability includes space under construction.



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 medical office and government-owned buildings.

Unless otherwise specified, vacancy refers to direct vacancy. Transwestern reports Triple Net Rents as a rolling 12-month average, enhancing listing data with proprietary transactional data. While our rents may appear slightly lower than competitors, we provide more accurate results by sampling more than 174 million SF.

ABOUT TRANSWESTERN

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