1Q25

Dallas-Fort Worth Industrial Market Overview

NEWMARK

Market Observations

Economy

- The market's unemployment rate ticked up by 12 basis points year over year to 4.0% but remained well below the five-year average of 4.7%.
- Job growth pace has slowed compared with recent highs to 1.2% year over year while employment remains elevated over the 4.2 million employment mark since mid-year 2023.
- Most sectors reported employment growth, except for the business and professional and manufacturing sectors, with the mining and construction sector leading job gains at 2.4% over the past 12 months.
- Most industrial-using jobs in the market continued to reflect yearly growth, with trade/transportation/utilities and mining and construction sector employment reporting growth of 0.8% and 2.4%, respectively. Meanwhile, manufacturing jobs contracted by 0.3% over the past 12 months.

Leasing Market Fundamentals

- The market realized 6.7 MSF of positive absorption in the first quarter of 2025, with quarterly demand outpacing supply for the first time since the beginning of 2023.
- Overall rental rates declined by 3.0% year over year to $9.35/SF, reflecting a second consecutive quarterly decline.
- Construction pipeline recorded 2.0 MSF of deliveries for the quarter, while the under-construction pipeline increased for the second consecutive quarter to 26.1 MSF but continued to remain low.
- As of the end of the first quarter of 2025, vacancy remained unchanged year over year at 9.2% but decreased for the first time since 2022 due to demand outpacing supply.

Major Transactions

- Lennox International inked the largest deal of the quarter with a prelease of 1.3 MSF for the entire proposed Building 4 at the Intermodal Logistics Center. The lease is part of the company's strategic investment to enhance speed-to-market and customer experience.
- All five notable largest leases signed were new leases, indicating there is still a healthy appetite for space in the market.
- Pre-leasing of under construction assets was 33.4% at the end of the first quarter of 2025.

Outlook

- The Dallas-Fort Worth industrial market construction pipeline will continue to remain low, with 2.3% of the current market's inventory being under construction. The pipeline is expected to stay modest, with slow growth due to more difficulty obtaining financing for new projects, coupled with economic uncertainty stemming from tariff announcements potentially causing companies to delay decisions.
- Vacancy rates are expected to decline in the near term as the market has worked through a significant portion of the under-construction pipeline and occupancies are beginning to take place.
- Asking rents will likely continue to remain elevated due to inflation and as quality new product commanding higher pricing is delivered. Rental rate year-over-year pace of growth is expected to continue flattening as new supply is expected to remain low in the near term.

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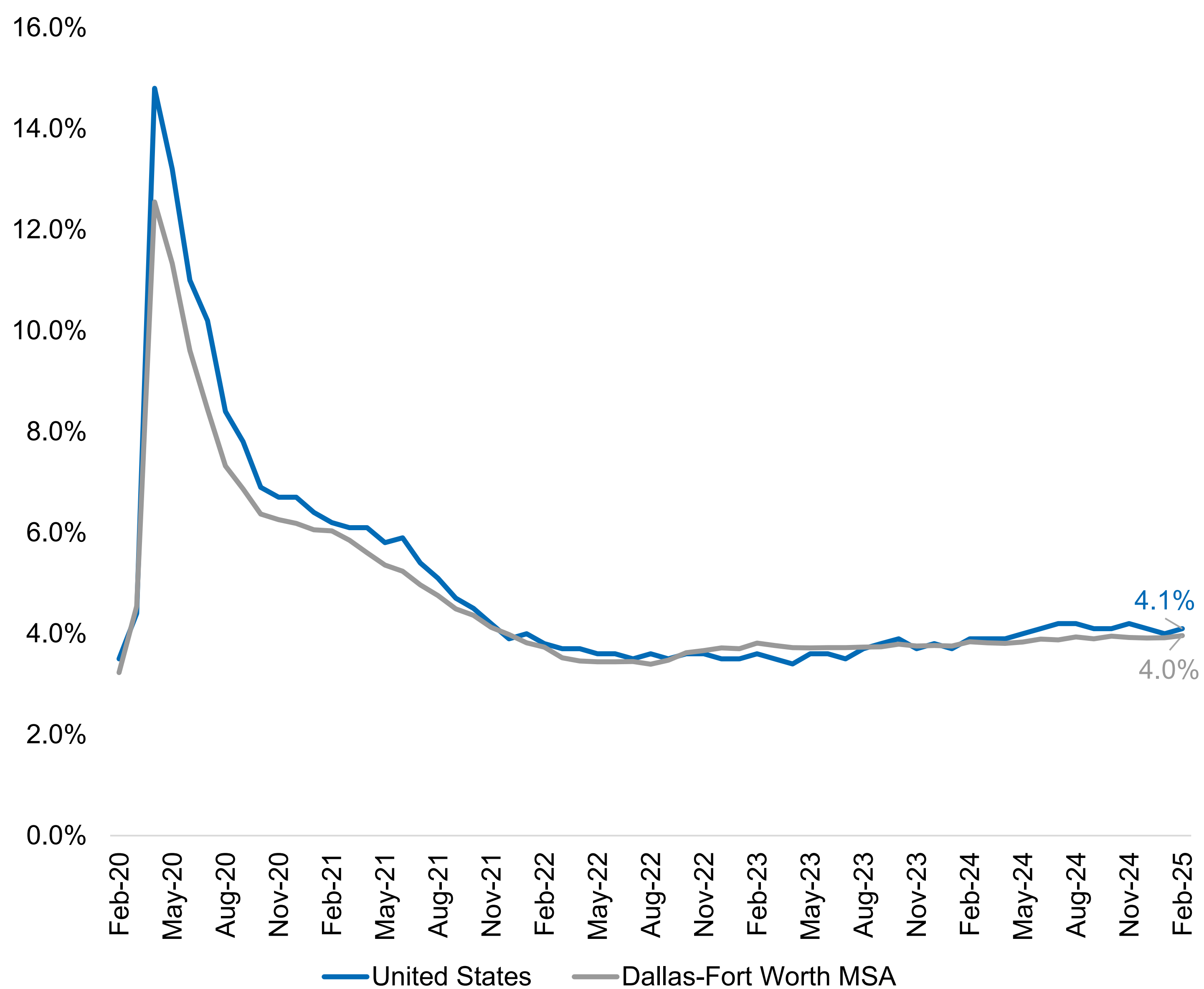
Economy

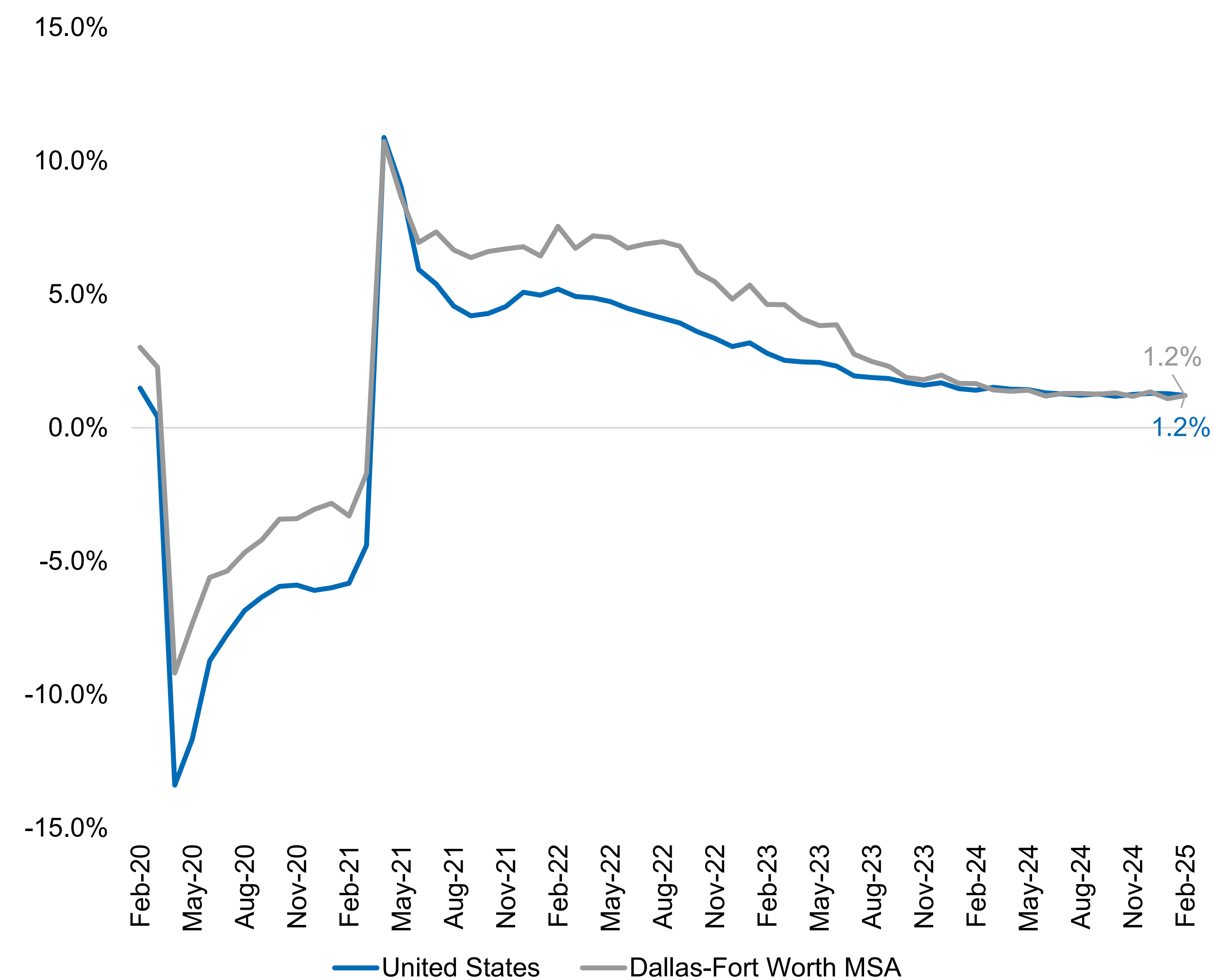
Metro Employment Trends Remain Relatively Flat

Since late 2021, recent national economic headwinds have caused fluctuations in the region's unemployment compared to the national rate. More recently, beginning in February 2024, the market's unemployment rate has consistently remained below the national level. As of February 2025, the market's unemployment rate stood at 4.0% and is 14 basis points lower than the national average. Historically, the market has generally been an outperformer in employment growth, but economic headwinds have slowed growth rates. In February 2025, the market's employment growth slowed by 45 basis points year over year, yet still reported positive growth of 1.2% year over year, matching the nation's employment growth pace.

Unemployment Rate, Seasonally Adjusted



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

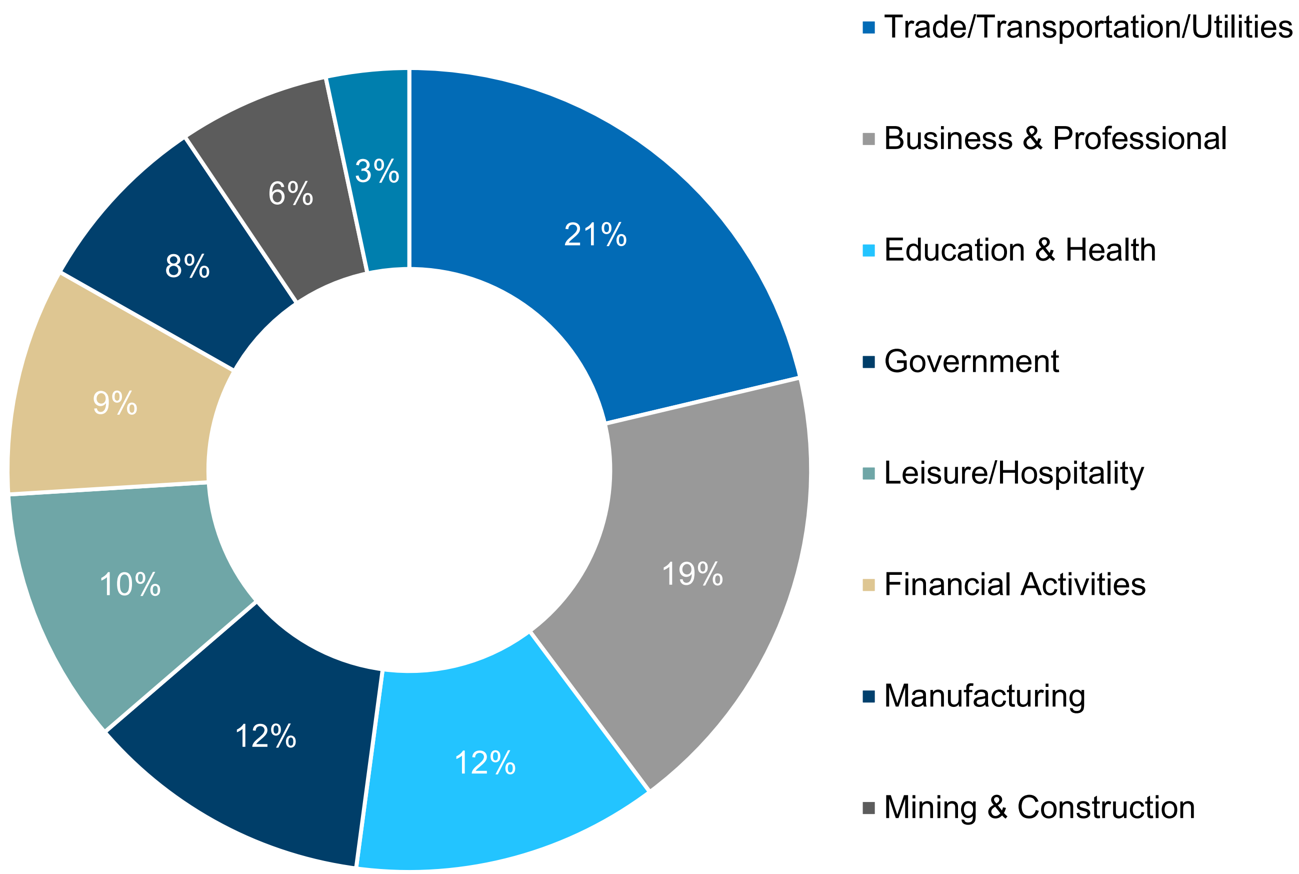


Source: U.S. Bureau of Labor Statistics, Dallas-Fort Worth MSA

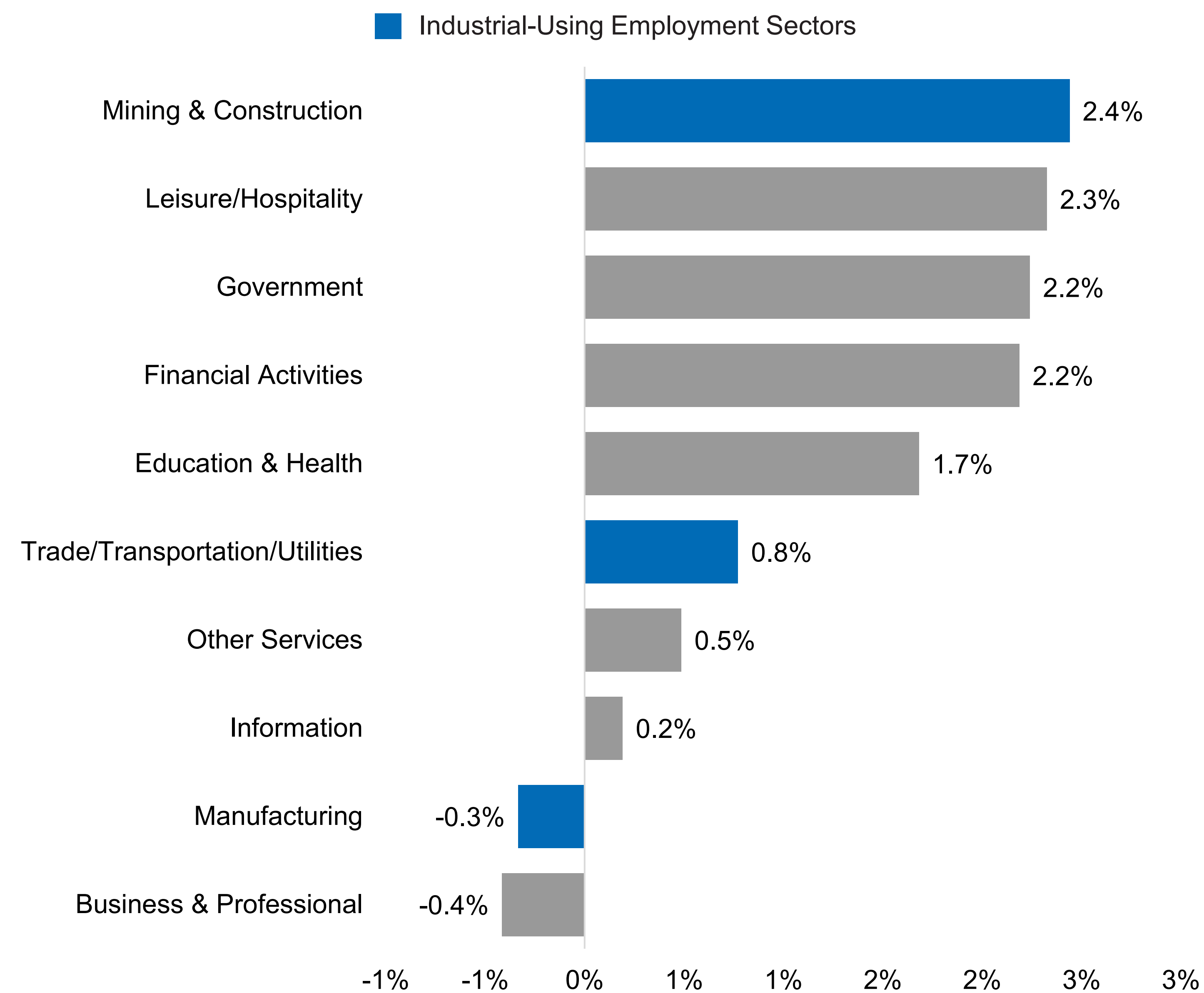
Employment Growth Continues for Most Industrial-Using Sectors

The Dallas-Fort Worth market has a high industry diversity with the top two industries accounting for only 38.9% 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 20.9%. Most industries in the metroplex reported growth, while one industrial-using industry, the manufacturing sector contracted by 0.3% year over year. Comparatively, the trade/transportation/utilities and mining and construction sectors grew by 0.8% and 2.4% year over year, respectively.

Employment by Industry, February 2025



Employment Growth by Industry, 12-Month % Change, February 2025

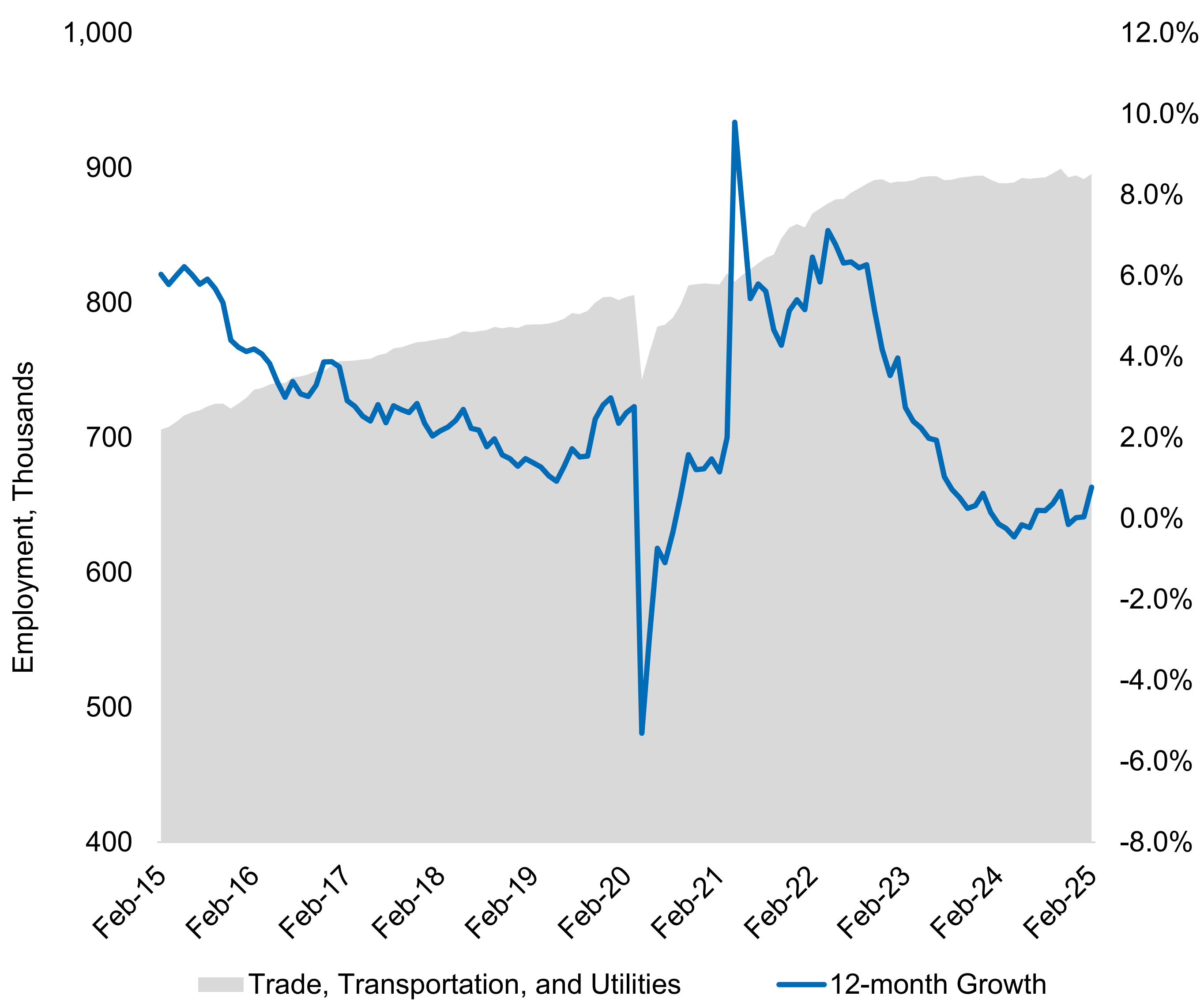


Source: U.S. Bureau of Labor Statistics, Dallas-Fort Worth MSA

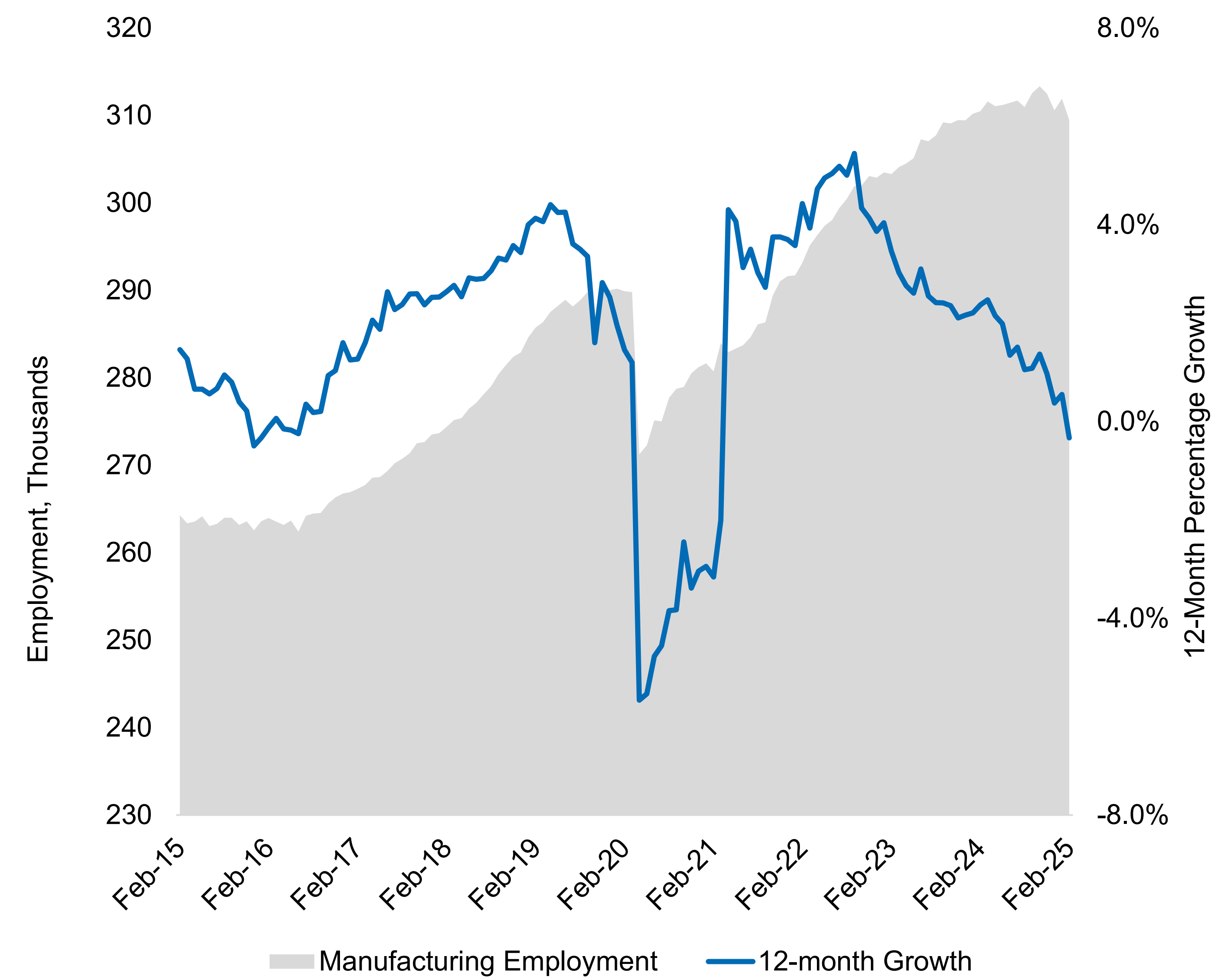
Industrial Employment Eases from Historical Highs in Both Sectors

Trade/transportation/utilities employment continues to remain elevated as of February 2025 at 895,506 employees but have fallen by 0.4% from the peak in October 2024. Meanwhile, manufacturing employment ended February 2025 at 309,461 jobs, remaining above the 300,000-employee mark since mid-2022 but declining by 1.2% from the all-time high also in October 2024. 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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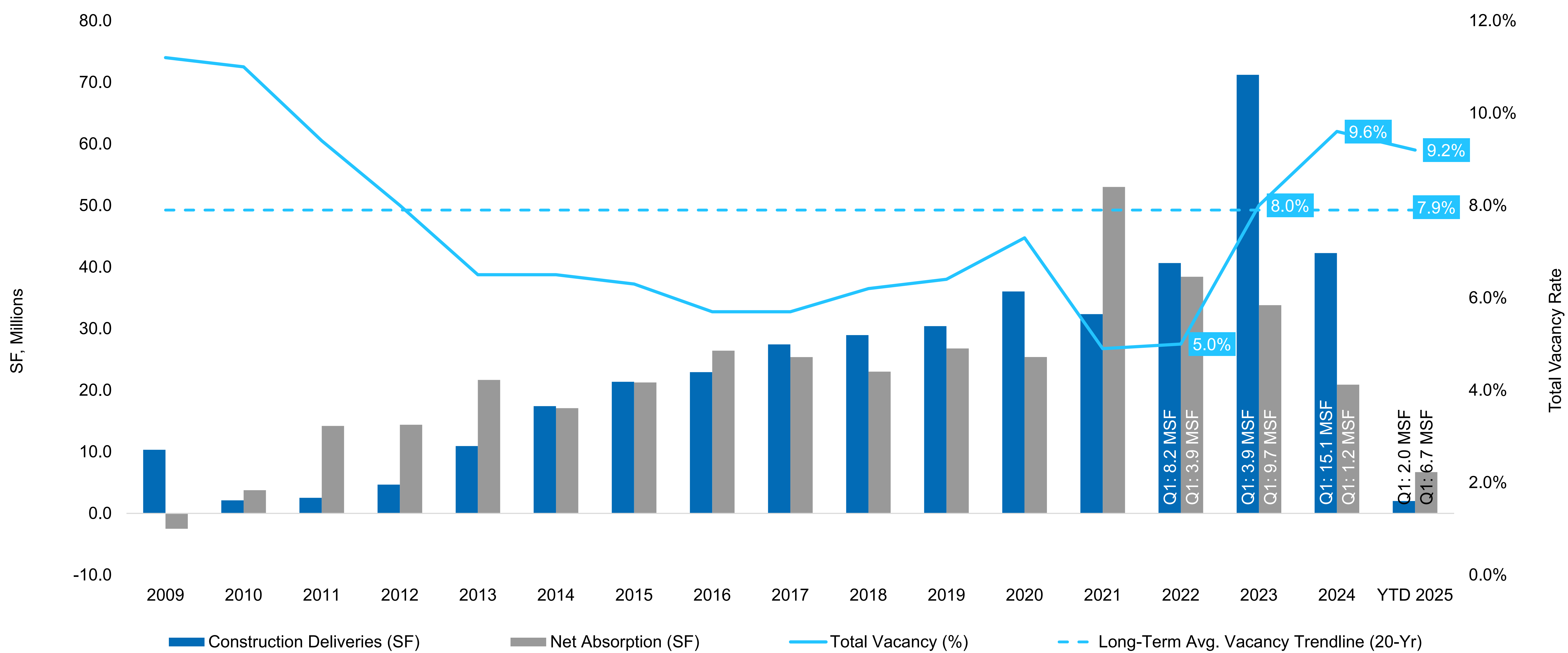
Leasing Market Fundamentals

Quarterly Demand Outpaces Supply for First Time Since End of 2022

The Dallas-Fort Worth industrial vacancy rate remained flat year over year at 9.2% in the first quarter of 2025, with quarterly demand surpassing supply for the first time since the end of 2022. Deliveries declined to 2.0 MSF for the quarter, the lowest quarterly deliveries since the second quarter of 2014, as a result of a dwindling construction pipeline. 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

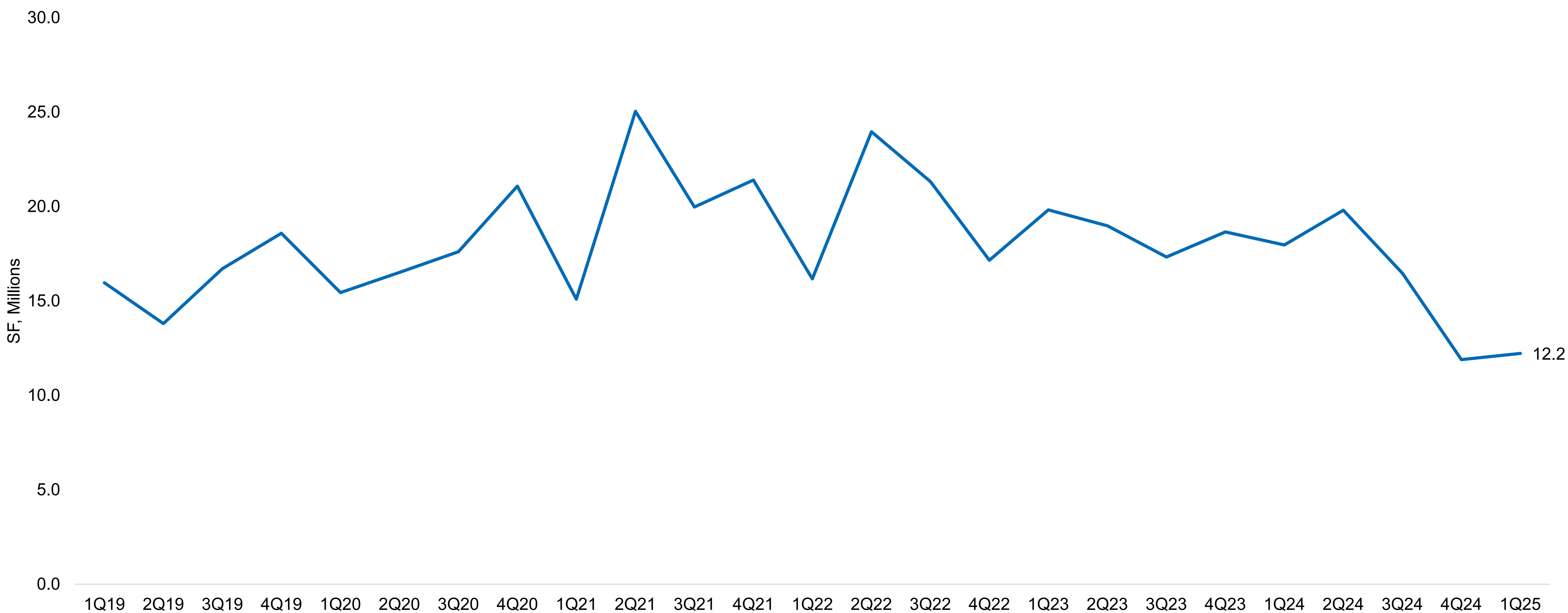


Source: Newmark Research, CoStar

Economic Headwinds Slow Leasing Activity to 2010 Lows

In the first quarter of 2025, leasing activity decelerated from historical highs reported post-pandemic, reaching a recent low in the previous quarter before flattening out at 12.2 MSF. This marks the second lowest level of quarterly leasing activity since the second half of 2010. Despite significant leasing slowdown, likely resulting from national economic headwinds, demand continues to remain positive in the market.

Total Leasing Activity (SF)



Source: Newmark Research, CoStar

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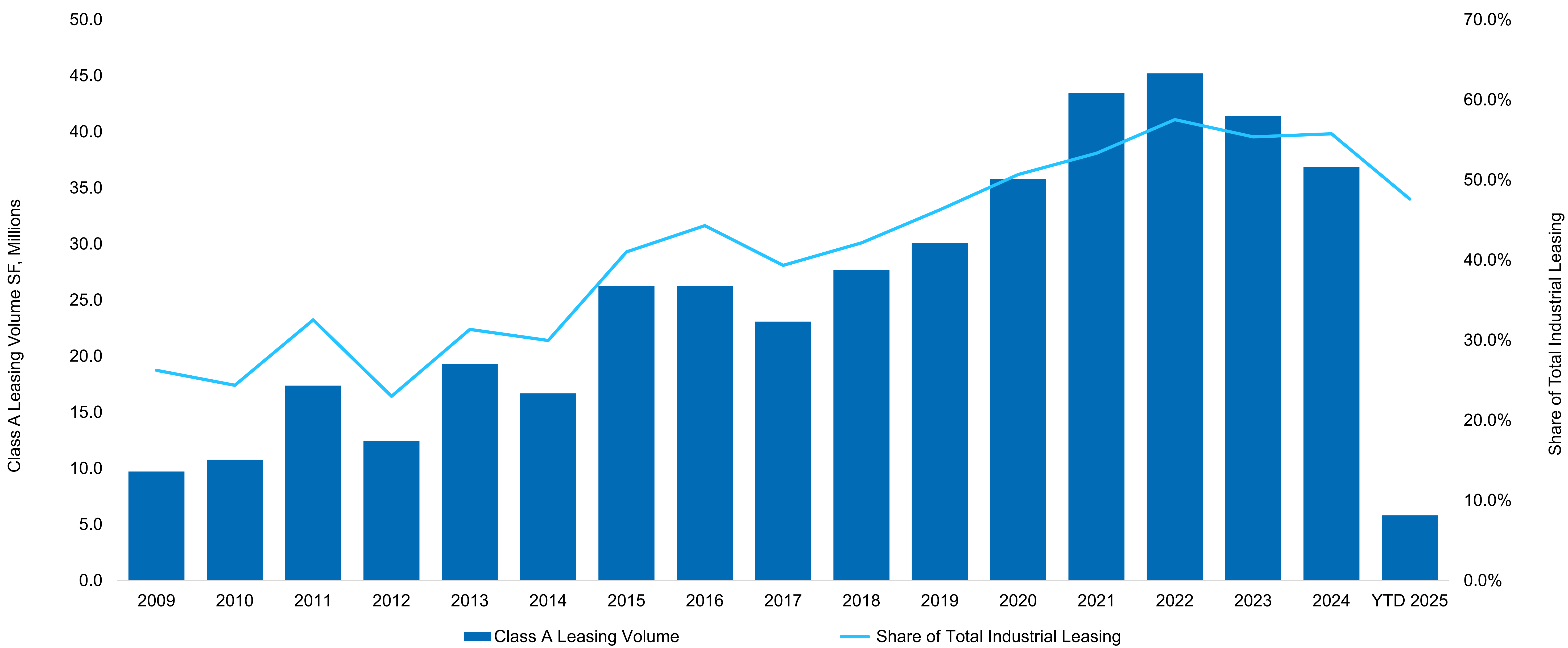
Class A Warehouse Leasing Decreases as Quality Deliveries Dwindle

Class A warehouse space leasing activity, on a square-footage basis, decreased from historic highs recorded in 2021 through 2023. The influx of 160.2 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 was at 5.8 MSF in the first quarter of 2025, representing 47.6% of overall quarterly activity, down from 55.8% from the previous year but well above the pre-pandemic average at 34.6% from 2009 to 2019. The proportion of Class A leasing compared with total leasing indicates there is still 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

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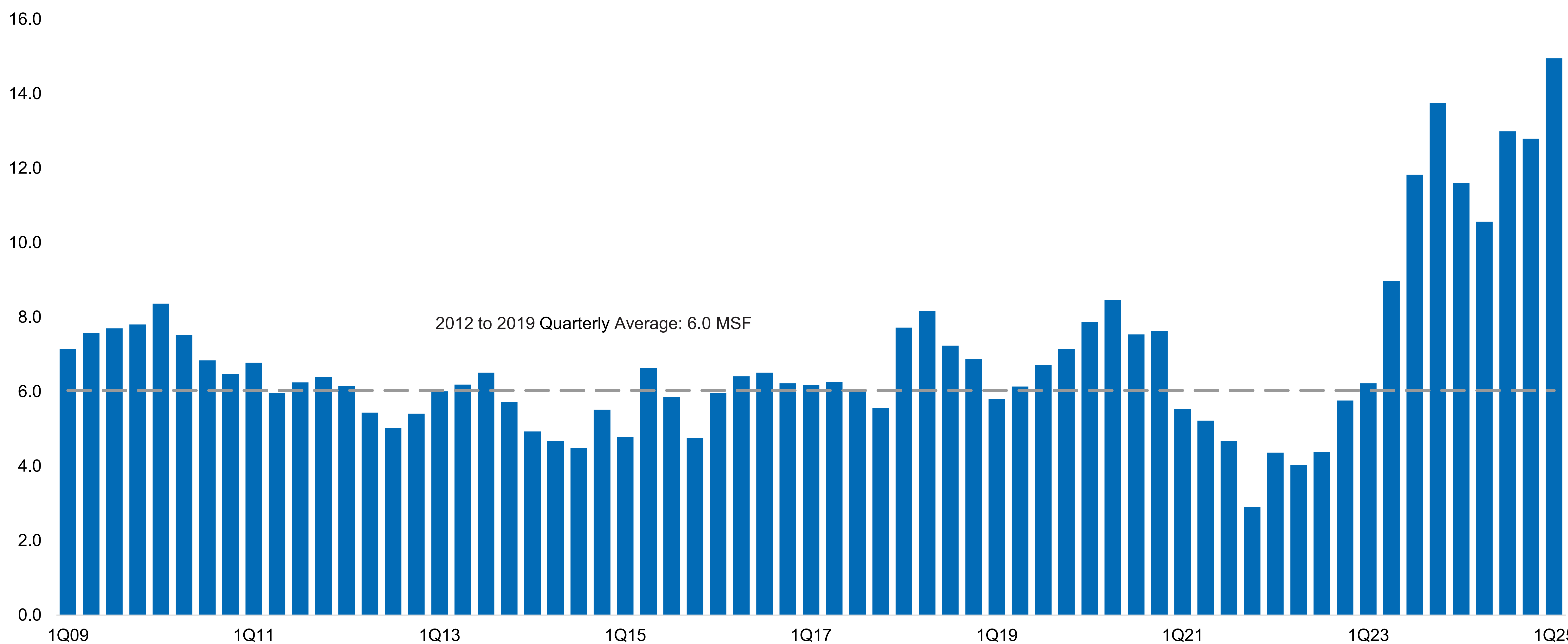
Industrial Sublease Availability Remains Elevated, Increases to New High

Sublease availability surpassed and remained above the 10.0 MSF mark since the third quarter of 2023. In the first quarter of 2025, sublease availability continues to remain elevated, shooting to a new high of 15.0 MSF, increasing by 16.9% quarter over quarter. Large new subleases added onto the market include spaces from Samsung at 670,941 SF and Lowes at 648,726 SF. Elevated 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

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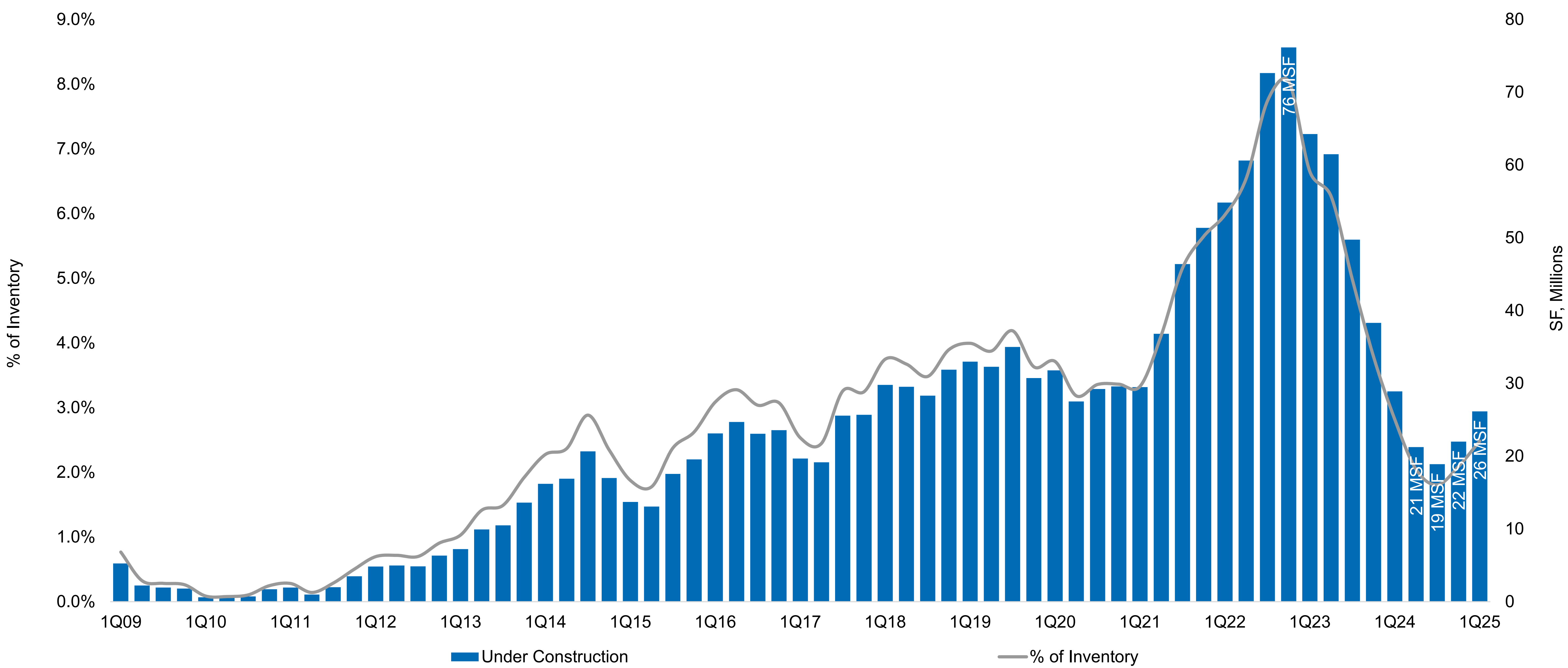
Industrial Supply Pipeline Grows but Remains Low

The construction pipeline increased for the second consecutive quarter to 26.1 MSF after hitting a low in the third quarter of 2024. Construction starts and new development continued to flatten due to a challenging financing environment for new construction. As a result, despite the recent increase, the under-construction pipeline remains lower than quarterly levels reported from 2018 to 2023. Muted deliveries coupled with outpacing demand will likely create a possibility for potential supply constraints as economic conditions improve.

Industrial Under Construction and % of Inventory

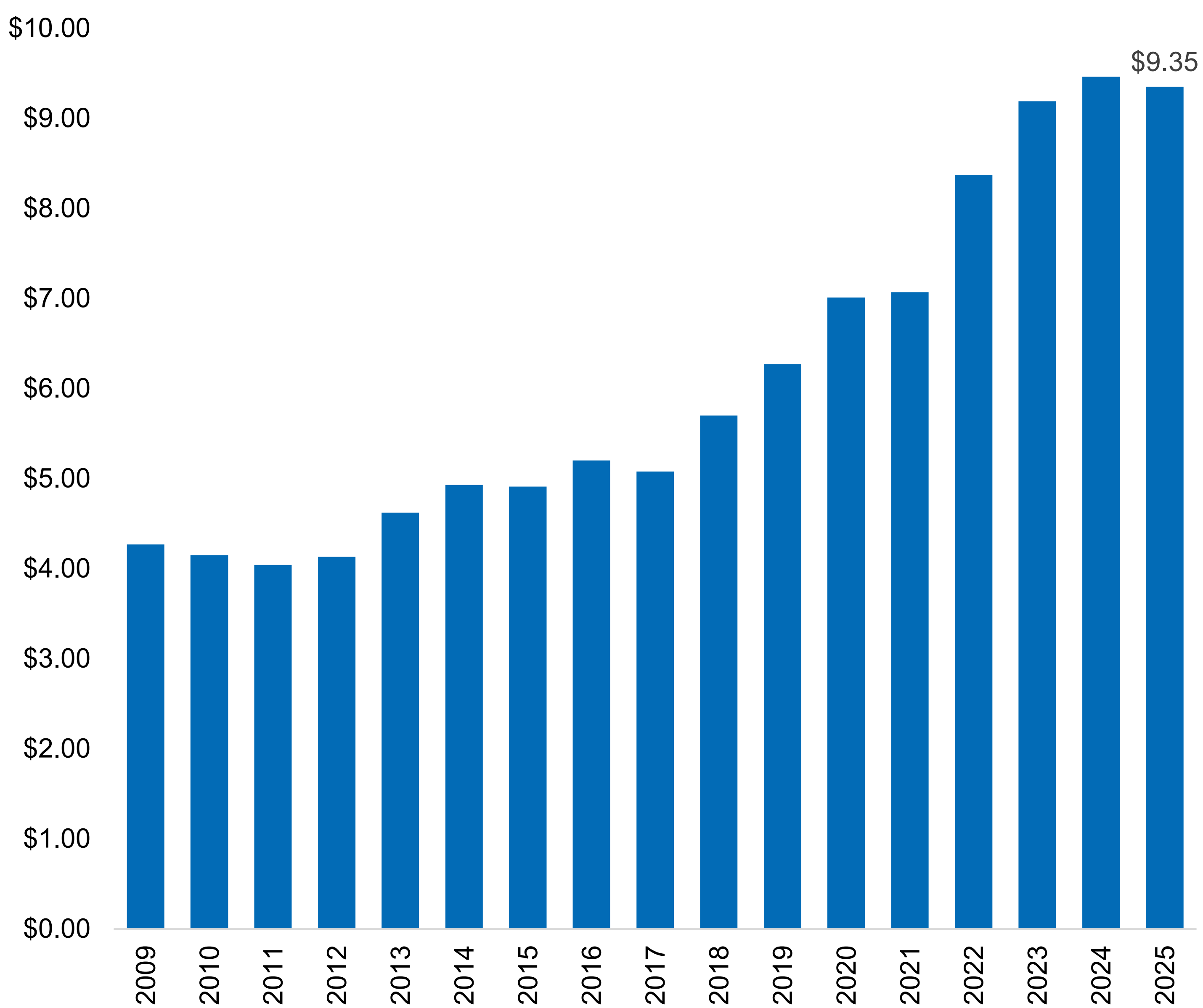


Source: Newmark Research, CoStar

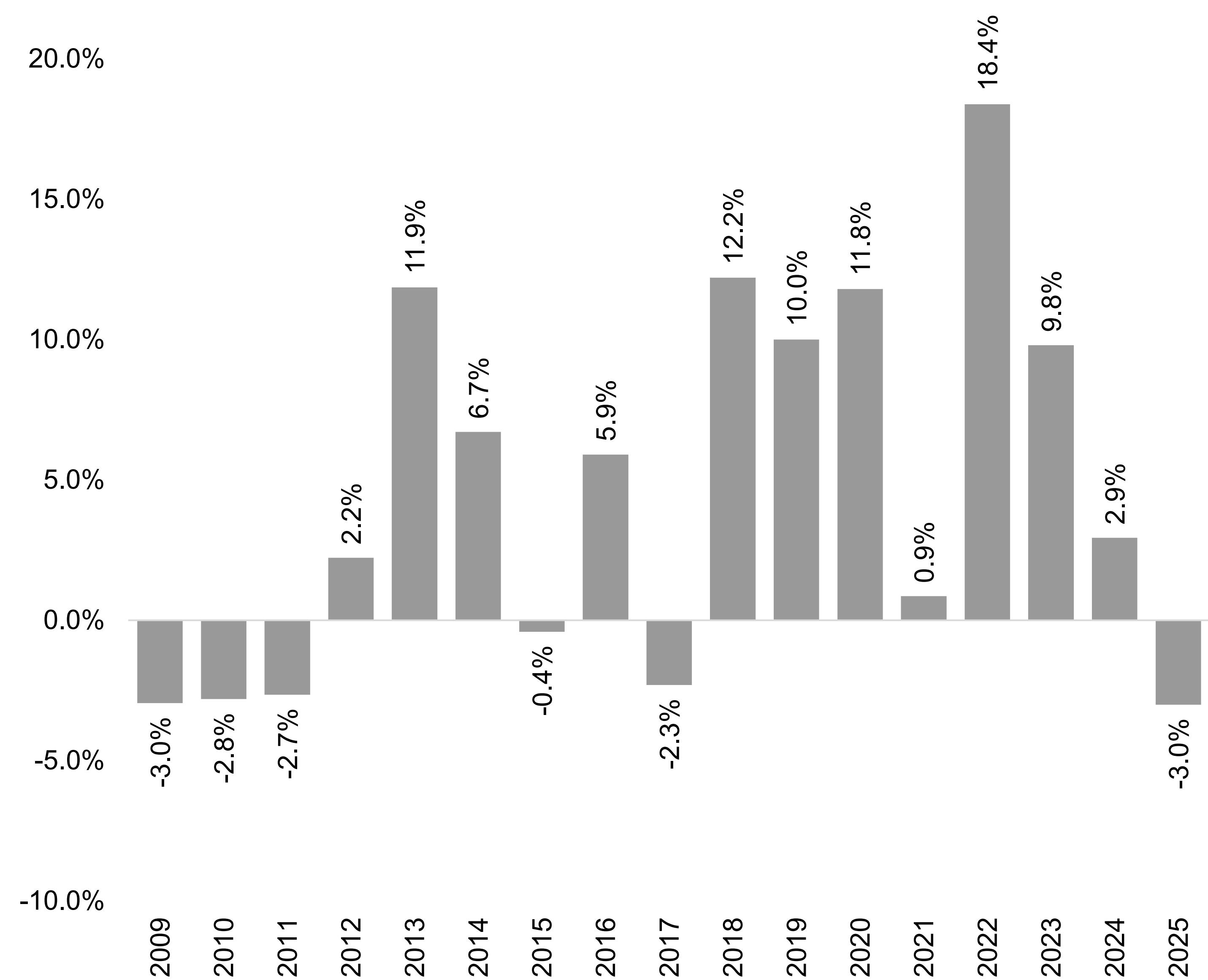
Asking Rents Decrease from Historical High, Rent Growth Declines

Industrial average asking rents decreased from the historical high by 4.9% in mid-2024 to $9.35/SF in the first quarter of 2025. Year over year rent growth decreased for the first time since 2017 but asking rents are expected to remain elevated due to new, higher-quality assets delivering. Overall, the pace of rent growth is expected to continue to flatten as new deliveries are expected to remain low in the market.

Industrial Average Asking Rent, $/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable 1Q25 Lease Transactions

Leasing activity remained slow in the first quarter of 2025, with quarterly leasing activity at 12.2 MSF, below first-quarter quarterly averages reported from 2011 to 2024 at 15.1 MSF. Currently, projects under construction are 33.4% preleased.

Select Lease Transactions

Tenant	Building	Landlord	Submarket	Type	Square Feet
Lennox International	Intermodal Logistics Center—Building 4	NorthPoint Development	North Fort Worth	Direct New	1,250,000
The HVAC and refrigeration industries provider preleased the entire proposed building, which is expected to be operational by January 2026. The lease is part of a strategic investment by the company to improve speed-to-market and enhance customer experience.					
At Home	Prologis Park Meacham—Building 1	Prologis	North Fort Worth	Direct New	564,387
The American big-box retail chain for home furnishings signed a new lease to occupy 564,387 SF at 2500 Sylvania Cross Dr.					
Logistics Plus	Logistix Hub	Xebec Realty	South Dallas	Direct New	543,596
Third-party logistics provider signed a new lease to now fully occupy the building.					
Flex	East Dallas Commerce Center	IDI Logistics	East Dallas	Direct New	373,322
The electron tube manufacturing company fully leased the East Dallas Commerce Center building.					
Source Logistics	Intermodal Logistics Center—Building 4	Prologis	South Stemmons	Direct New	271,147
The third-party logistics company signed a full-building lease at the rail-served 3801-3875 La Reunion Pkwy.					

Source: Newmark Research

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Appendix

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