
3Q24

Dallas-Fort Worth Industrial Market Overview

NEWMARK

Market Observations

Economy

- The market's unemployment rate ticked up by 14 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 1.6% year over year while employment growth continues to remain well below pre-pandemic levels, with August 2019 growth at 2.8%.
- Most sectors reported employment growth, except for the business and professional sector, with other services and mining and construction sectors both leading job gains at 4.2% over the past 12 months.
- Industrial-using jobs in the market continued to reflect yearly growth, ranging from 1.1% to 4.2% over the past 12 months.

Major Transactions

- Google inked the largest deal of the quarter and year at 1.1 MSF. This is the second lease the company signed this year over 1.0 MSF. The two new leases in the North Fort Worth submarket are intended to support the storage of data center materials as the company expands its data center campus operations in Midlothian and Red Oak.
- Four of the top five 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 26.4% at the end of the third quarter of 2024.

Leasing Market Fundamentals

- The market realized 5.9 MSF of positive absorption in the third quarter of 2024, keeping pace with average quarterly absorption levels reported from 2013 to 2020.
- Overall rental rates grew 8.8% year over year to \$9.89/SF, reaching a new historical high.
- Construction pipeline recorded 6.0 MSF of deliveries for the quarter, while the under-construction pipeline dwindles for the seventh consecutive quarter to 19.2 MSF.
- Following quarterly supply outpacing occupancies for the seventh consecutive quarter, as of the end of the third quarter of 2024, vacancy increased by 200 basis points year over year to 9.5%.

Outlook

- The Dallas-Fort Worth industrial market will continue to work through its construction pipeline, with 1.8% 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 is expected to remain elevated but flatten in the near term as the market works through the under-construction pipeline and occupancies begin to slowly take place.
- 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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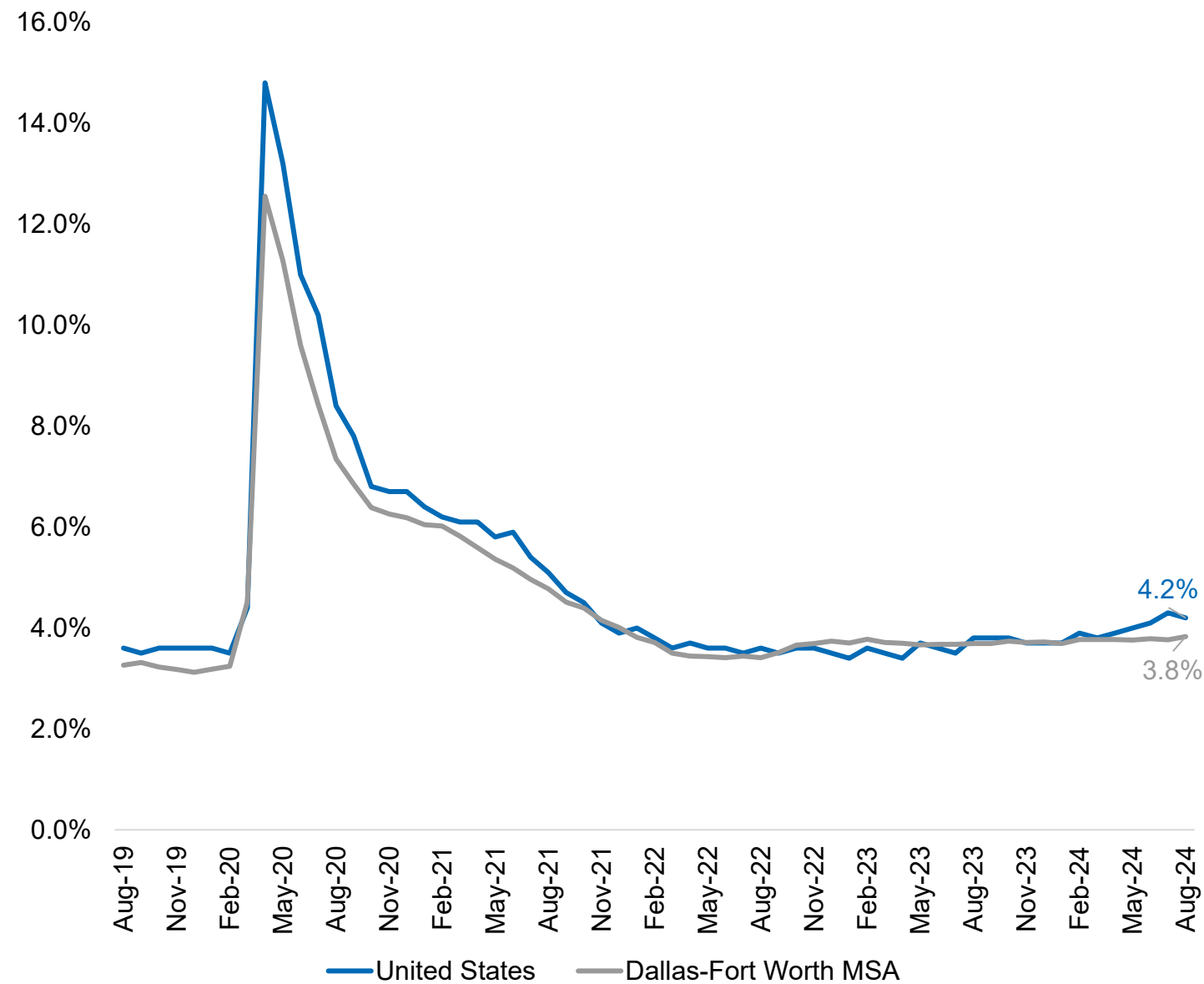
Economy



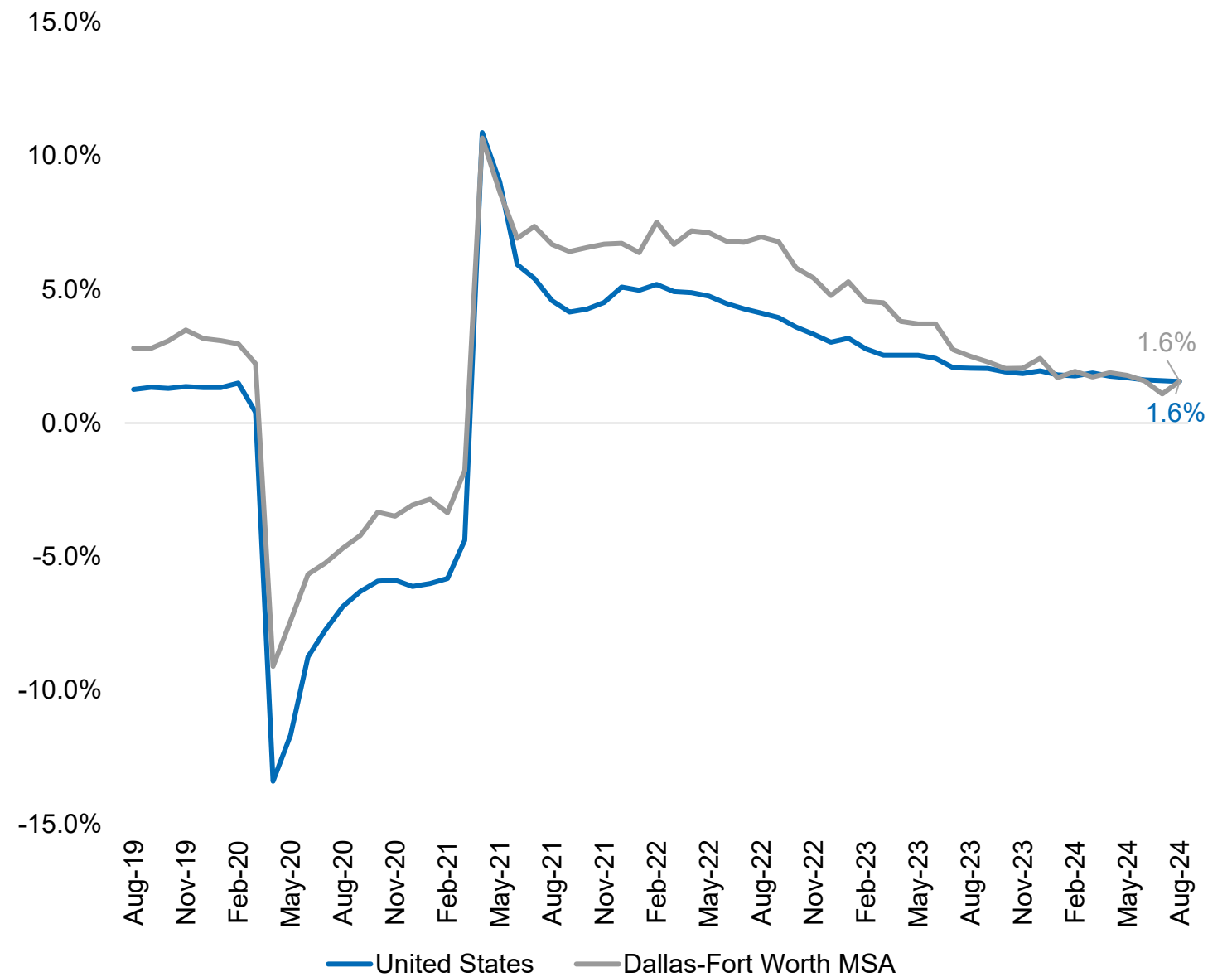
Metro Employment Trends Remain Flat

Since late 2021, recent national economic headwinds have caused fluctuations in the region's unemployment compared to the national rate. More recently, beginning in 2024, the market's unemployment rate has consistently remained below the national level. As of August 2024, the market's unemployment rate stood at 3.8% and is 37 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 August 2024, the market's employment growth slowed by 93 basis points year over year, yet still reported positive growth of 1.6% year over year, aligning with the nation's employment growth pace.

Unemployment Rate, Seasonally Adjusted



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

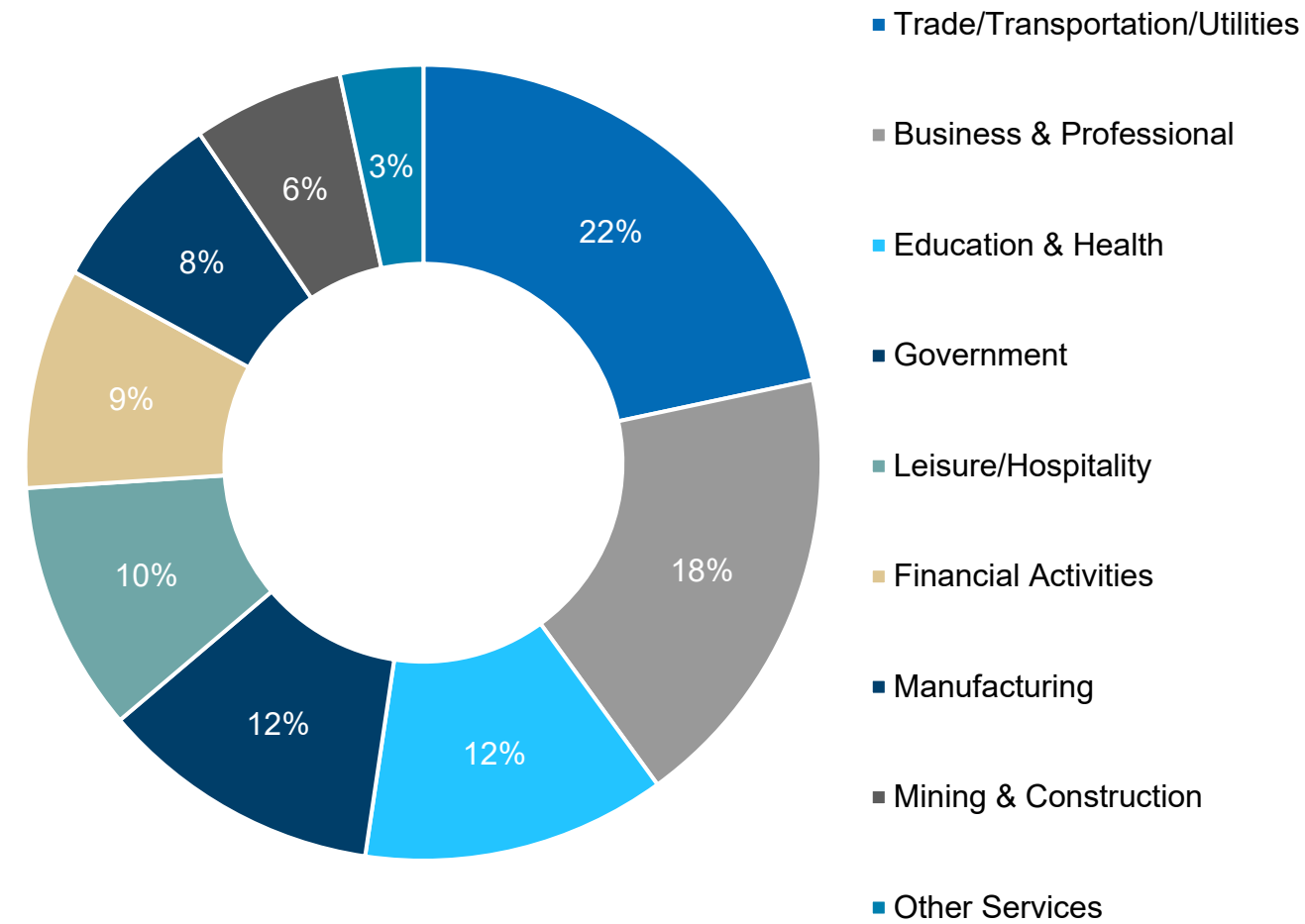


Source: U.S. Bureau of Labor Statistics, Dallas-Fort Worth MSA

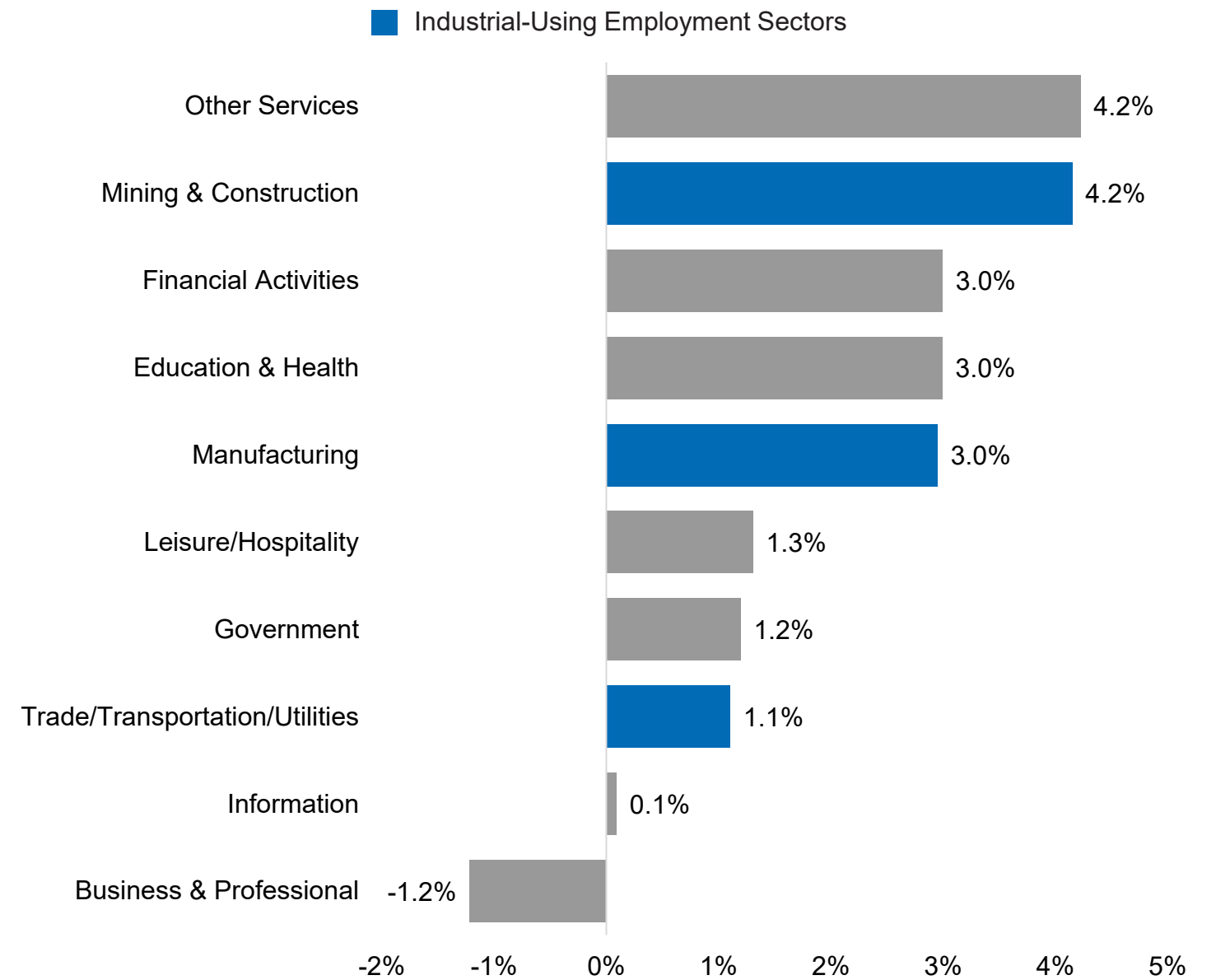
Employment Growth Continues for All Industrial Sectors

The Dallas-Fort Worth market has a high industry diversity with the top two industries, accounting for only 39.1% 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 sector, with industrial-using industries reporting year-over-year growth ranging from 1.1% to 4.2%.

Employment by Industry, August 2024



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

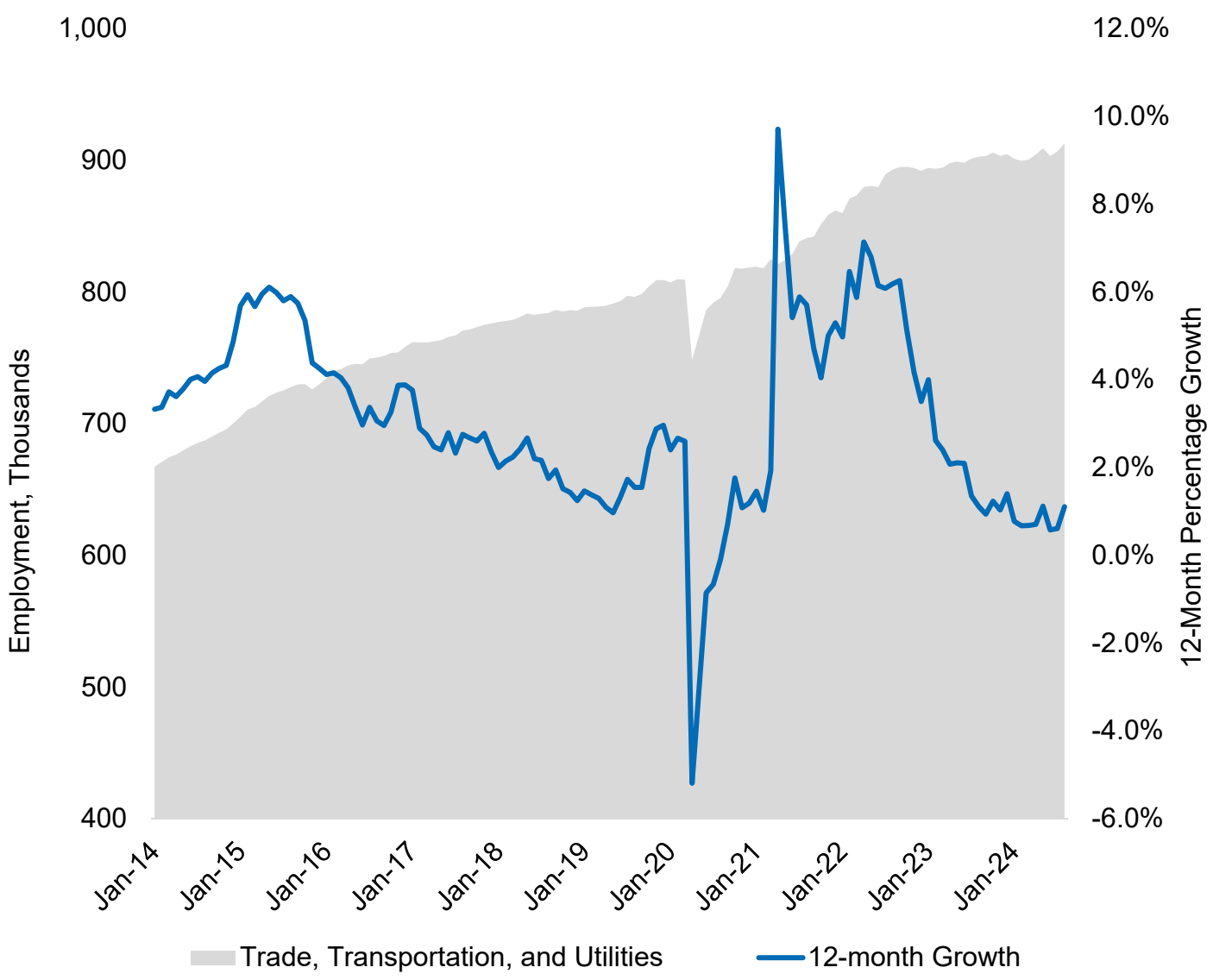


Source: U.S. Bureau of Labor Statistics, Dallas-Fort Worth MSA

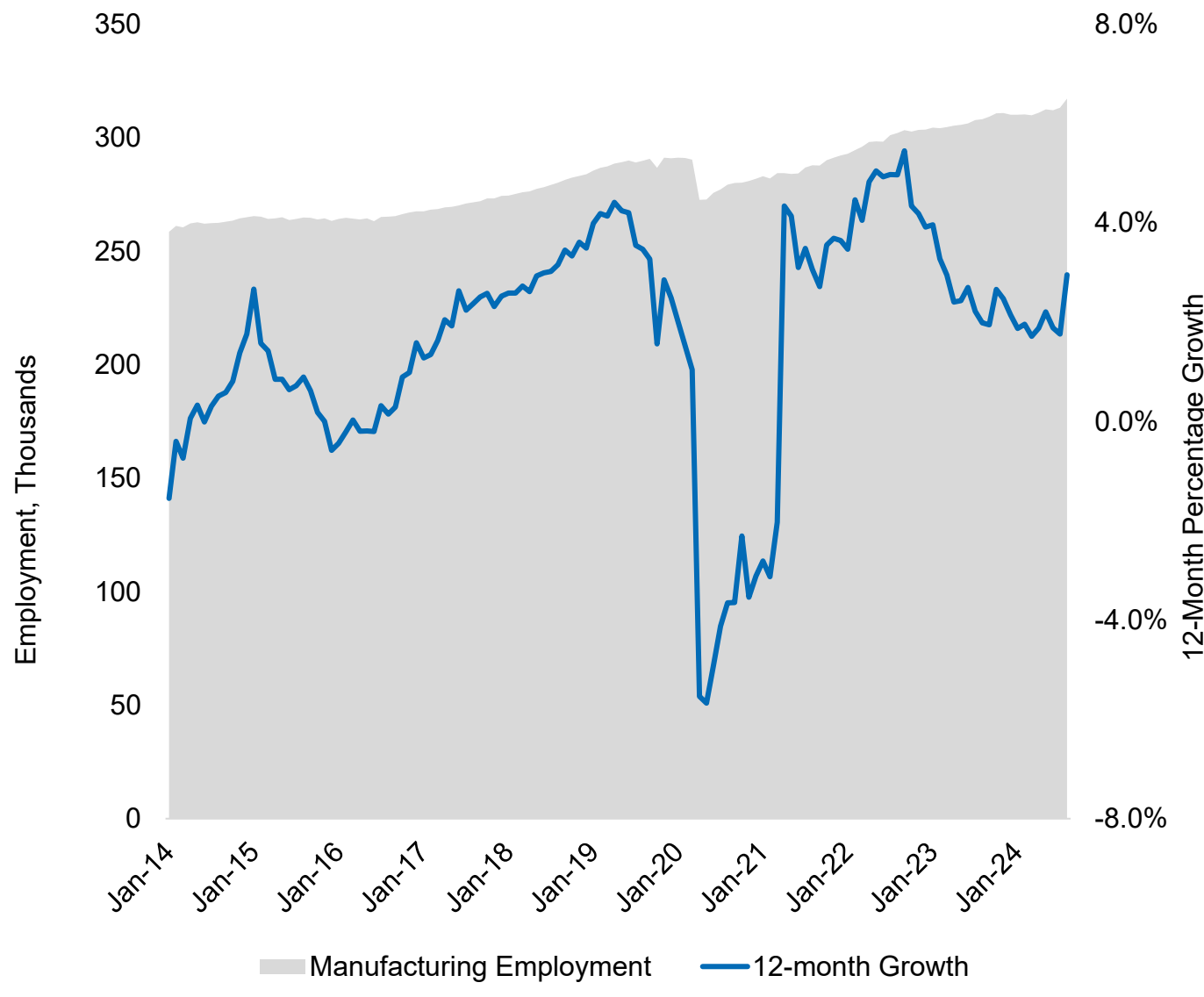
Industrial Employment Reaches New Historical Highs in Both Sectors

Trade/transportation/utilities employment reached a new peak in August 2024, with 912,530 employees. Employment in the sector remained above the 900,000-employee threshold since July 2023, with the exception of February 2024. Manufacturing employment continued to remain above the 300,000-employee mark since mid-2022 and in August 2024 also reached a new all-time high at 317,260 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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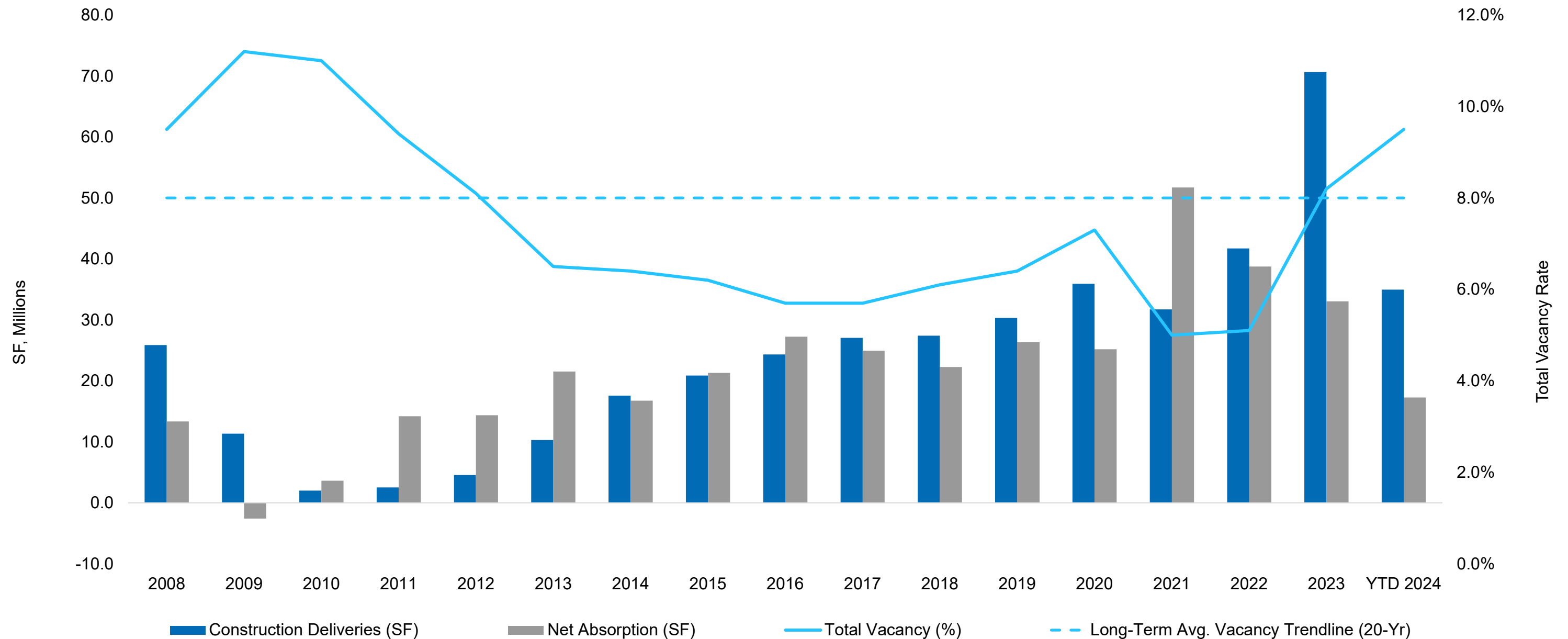
Leasing Market Fundamentals



Deliveries Continue, Outpacing Quarterly Demand Since 2023

The Dallas-Fort Worth industrial vacancy rate increased by 200 basis points year over year to 9.5% in the third quarter of 2024, with quarterly supply surpassing demand since 2023 and yearly supply continuing to outstrip demand since 2022. Deliveries continue to remain elevated in the market, staying on pace above the 6.0 MSF mark, similar to third quarter deliveries in 2020 and 2021. 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

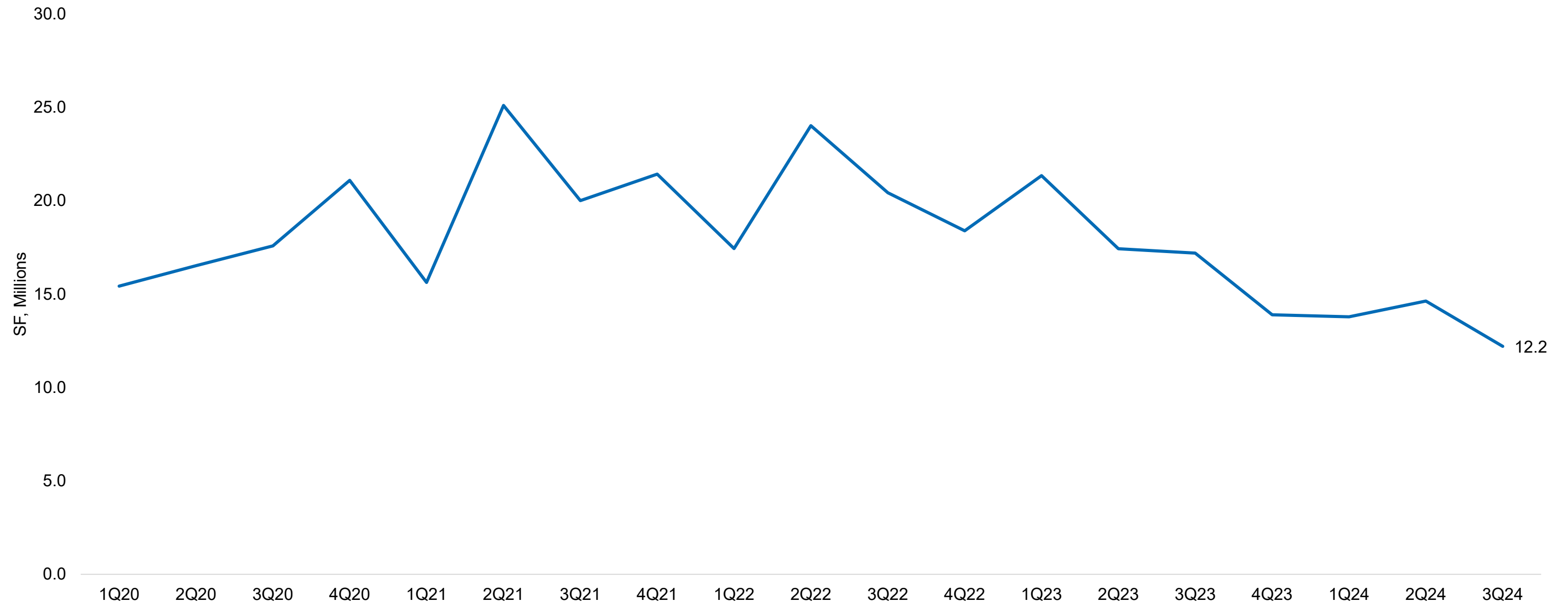


Source: Newmark Research, CoStar

Economic Headwinds Slow Leasing Activity to 2010 Lows

In the third quarter of 2024, leasing activity decelerated from historical highs reported post-pandemic, ending the quarter at 12.2 MSF. This marks the lowest level of quarterly leasing activity since the third quarter of 2010. Despite significant leasing slowdown, likely resulting from national economic headwinds, demand continues to remain positive in the market.

Total Leasing Activity (SF)

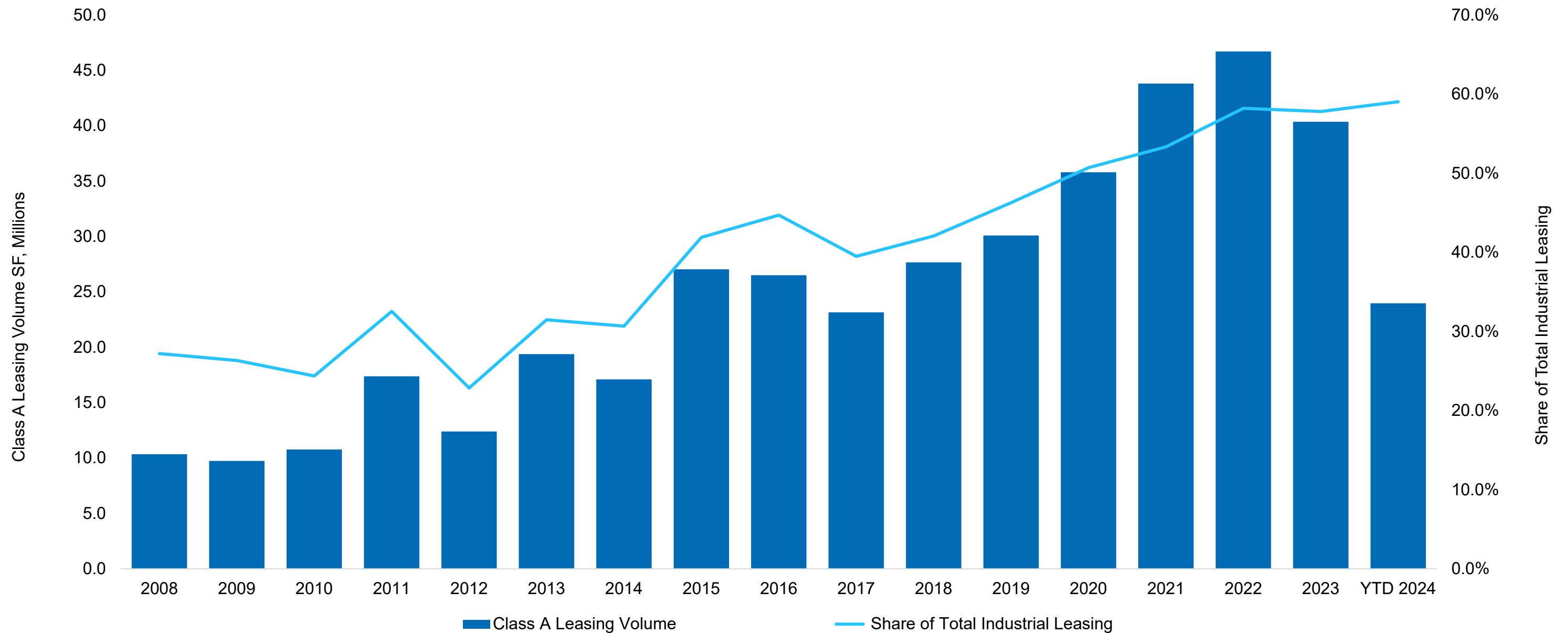


Source: Newmark Research, CoStar

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 153.9 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 24.0 MSF year-to-date 2024, representing 59.0% of overall year-to-date activity, up from 57.8% from the previous year and well above the pre-pandemic average at 34.2% 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

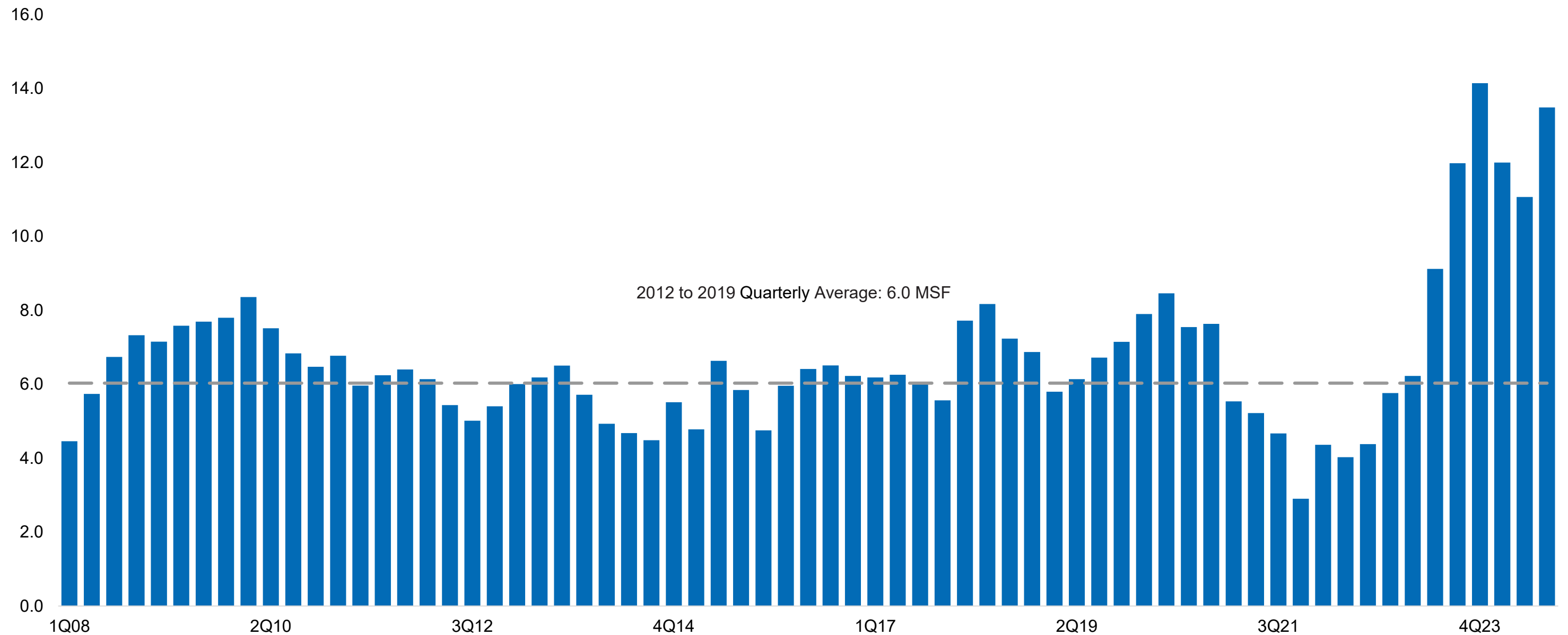


Source: Newmark Research, CoStar

Industrial Sublease Availability Remains Elevated

Sublease availability surpassed the 10.0 MSF mark in the third quarter of 2023 and reached a new high at 14.1 MSF as of year-end 2023. In the third quarter of 2024, sublease availability continues to remain elevated at 13.5 MSF. 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)

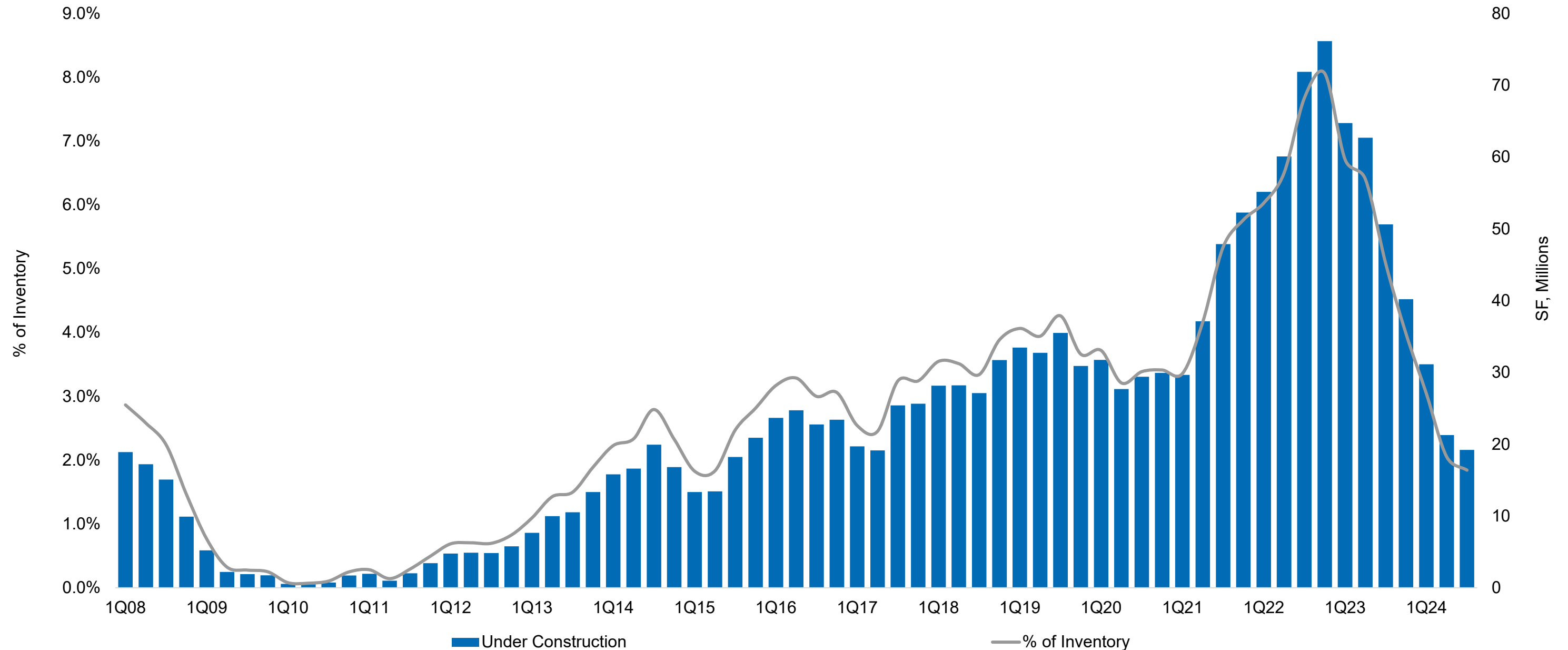


Source: Newmark Research, CoStar

Industrial Supply Pipeline Continues Descent from Historic High

The construction pipeline trended downward for the seventh consecutive quarter after reaching a historic high of 76.1 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 later in 2025.

Industrial Under Construction and % of Inventory

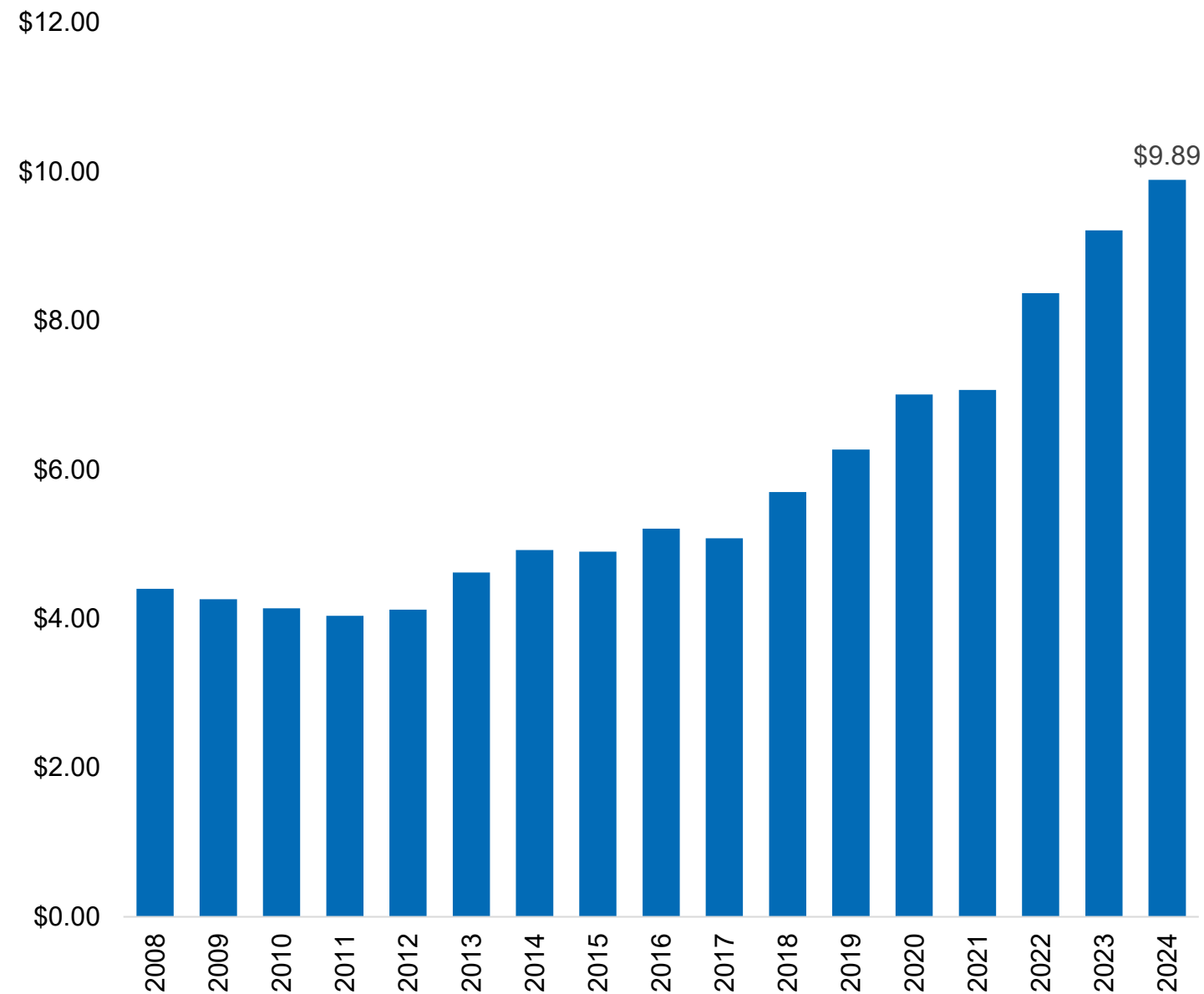


Source: Newmark Research, CoStar

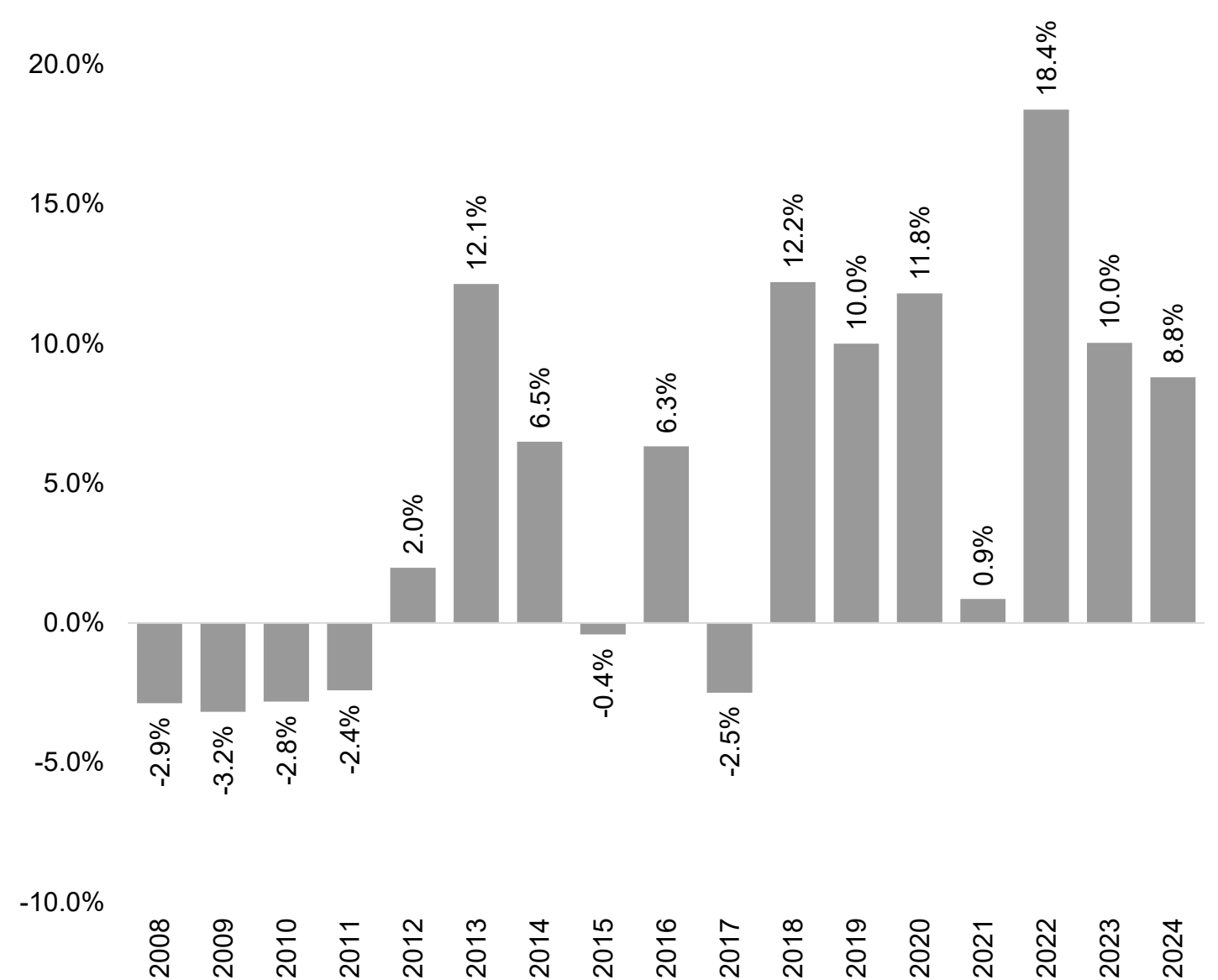
Asking Rents Reach New Historical High

Industrial average asking rents reached a new high at \$9.89/SF as of the end of the third quarter of 2024, increasing by 8.8% 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 3Q24 Lease Transactions

Leasing activity slowed in the third quarter of 2024, with quarterly leasing activity at 12.2 MSF, below third-quarter quarterly averages reported from 2011 to 2023 at 16.2 MSF. Currently, projects under construction are 26.4% preleased.

Select Lease Transactions

Tenant	Building	Landlord	Submarket	Type	Square Feet
Google <i>The new lease is Google's second lease over 1.0 MSF in the market so far this year. The first lease was at Northlake 35 Logistics Park. Google plans on investing \$1.0 billion in Texas this year to support cloud and data center infrastructure, with the two new leases anticipated to house data center materials as the company expands data center campus operations in Midlothian and Red Oak.</i>	Majestic Silver Creek Business Park	Majestic Realty	North Fort Worth	Direct New	1,108,938
Dick's Sporting Goods <i>Hillwood is developing and constructing an 800,000-SF build-to-suit regional distribution center for retailer Dick's Sporting Goods. The project will take place at Hillwood's Risinger/35 Logistics Park on an 89.5-acre site. Groundbreaking is anticipated to begin fall of 2024 with a projected early 2026 completion date. The facility is projected to support 300 full-time positions over the next decade.</i>	1001 Old Burlison Rd	Hillwood	South Fort Worth	Direct New	800,000
RealTruck <i>RealTruck is a manufacturer and digital distributor of truck accessories. The company signed a new lease at 12955 FM 2932.</i>	20 East Trinity Pointe – Building 2	Stream Realty Partners	East Dallas	Direct New	661,118
USPS <i>The USPS signed a sublease for 636,480 SF to occupy the entire building at 1421 N Cockrell Road. The space was previously occupied by Stitch Fix after the apparel e-retailer announced layoffs and distribution center closures in late 2023.</i>	Pinnacle Park	Link Logistics	South Stemmons	Sublease	636,480
RTX Corporation <i>Formerly known as Raytheon Technologies, RTX Corporation is an aerospace and defense company that signed a new 492,880-SF lease at 2925 Valley View Lane.</i>	DFW Logistics Hub – Building 1	Weber & Company / Gruene Real Estate Partners	DFW Airport	Direct New	492,880



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