
4Q24

Dallas-Fort Worth Industrial Market Overview

NEWMARK

Market Observations

Economy

- The market's unemployment rate ticked up by 23 basis points year over year to 3.9% 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 November 2019 growth at 3.5%.
- Most sectors reported employment growth, except for the business and professional sector, with the financial activities sector leading job gains at 4.1% over the past 12 months.
- Industrial-using jobs in the market continued to reflect yearly growth, ranging from 1.0% to 2.7% over the past 12 months.

Major Transactions

- Ariat inked the largest deal of the quarter at 1.3 MSF. The company received a one-time \$300,000 grant to establish their distribution center at 35 Eagle—Building C.
- All 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 39.6% at the end of the fourth quarter of 2024.

Leasing Market Fundamentals

- The market realized 3.0 MSF of positive absorption in the fourth quarter of 2024, dipping to the second lowest quarterly level since mid-2018.
- Overall rental rates grew 2.9% year over year to \$9.48/SF, decreasing from the historical high in the previous quarter by 4.0%.
- Construction pipeline recorded 4.7 MSF of deliveries for the quarter, while the under-construction pipeline plateaus for the first time at 21.5 MSF after seven consecutive quarters of decline.
- Following quarterly supply outpacing occupancies for the eighth consecutive quarter, as of the end of the fourth quarter of 2024, vacancy increased by 150 basis points year over year to 9.5%.

Outlook

- The Dallas-Fort Worth industrial market will continue to work through its construction pipeline, with 1.9% of the current market's inventory being under construction. The pipeline is expected to continue to dwindle and flatten as construction starts have remained slow due to more difficulty obtaining financing for new projects.
- Vacancy rates are 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 continue flattening as the construction pipeline is worked through in the near term.

1. Economy
2. Leasing Market Fundamentals

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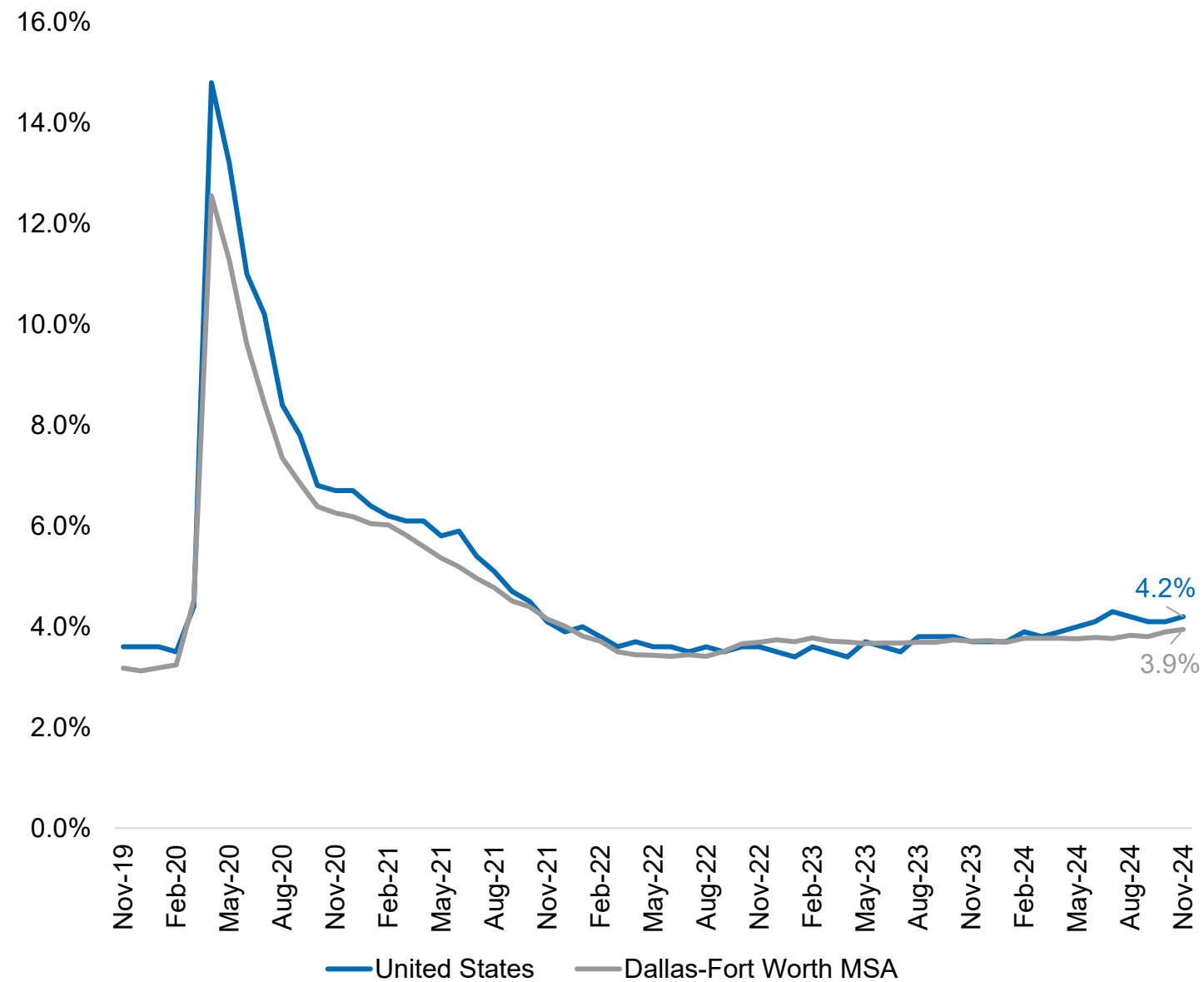
Economy



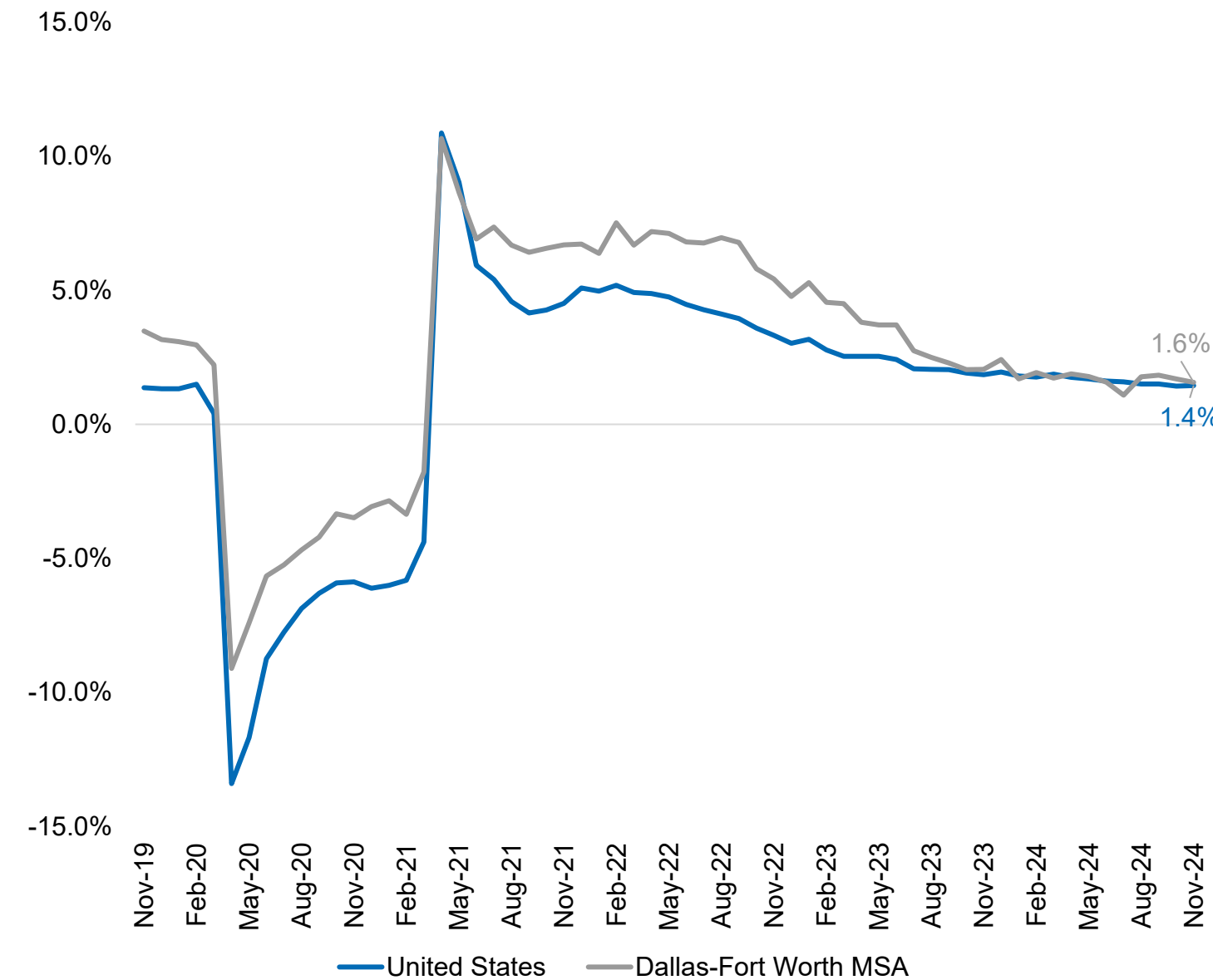
Metro Employment Trends Remain Flat

Since late 2021, recent national economic headwinds have caused fluctuations in the region's unemployment compared to the national rate. Beginning in 2024, the market's unemployment rate has consistently remained below the national level. As of November 2024, the market's unemployment rate stood at 3.9% and is 26 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 November 2024, the market's employment growth slowed by 49 basis points year over year, yet still reported positive growth of 1.6% year over year, outpacing the nation's employment growth pace by 20 basis points.

Unemployment Rate, Seasonally Adjusted



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



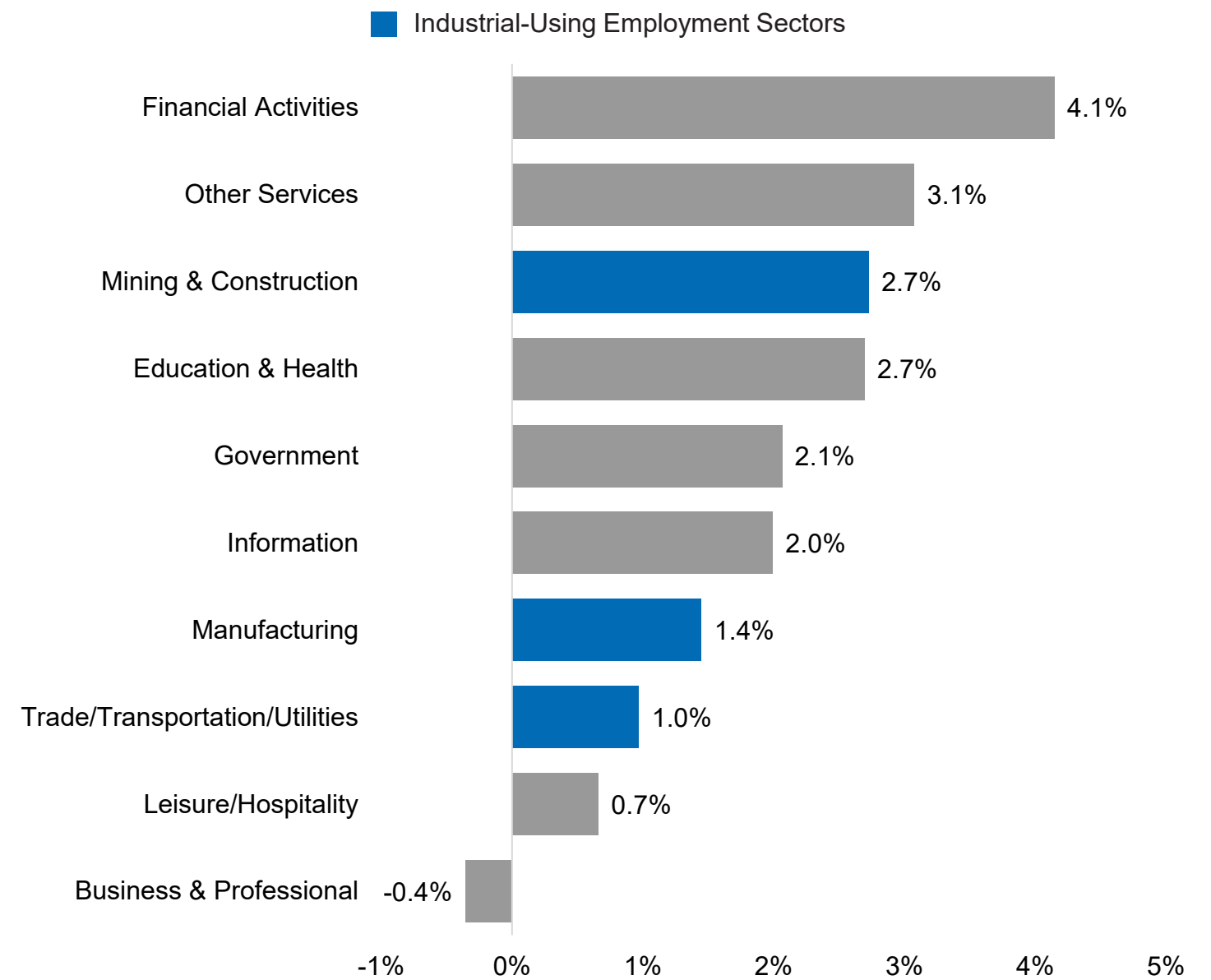
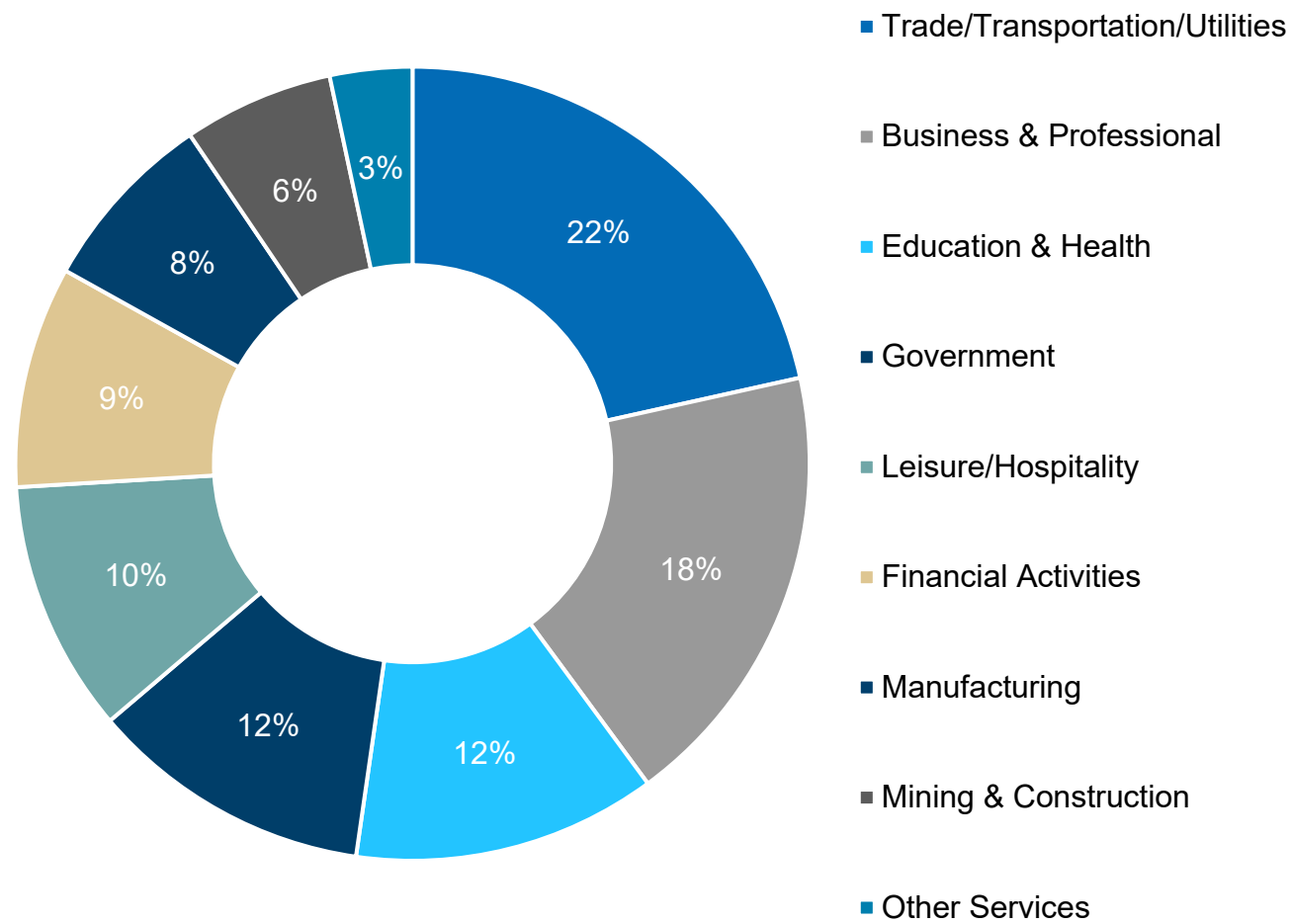
Source: U.S. Bureau of Labor Statistics, Dallas-Fort Worth MSA

Employment Growth Continues For All Industrial-Using 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 21.1%. Most industries in the metroplex reported growth, except for business and professional sector, with industrial-using industries reporting year-over-year growth ranging from 1.0% to 2.7%.

Employment by Industry, November 2024

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

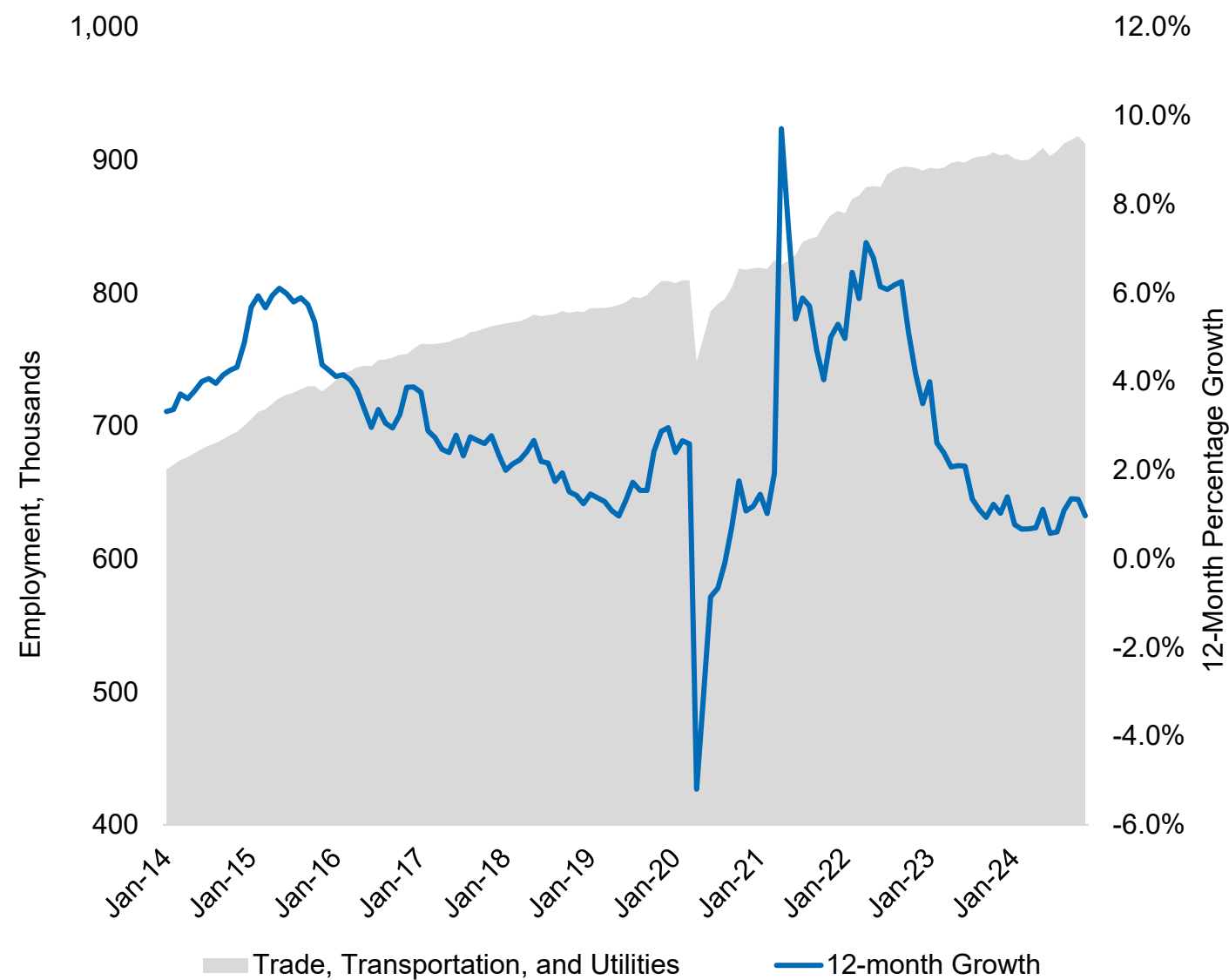


Source: U.S. Bureau of Labor Statistics, Dallas-Fort Worth MSA

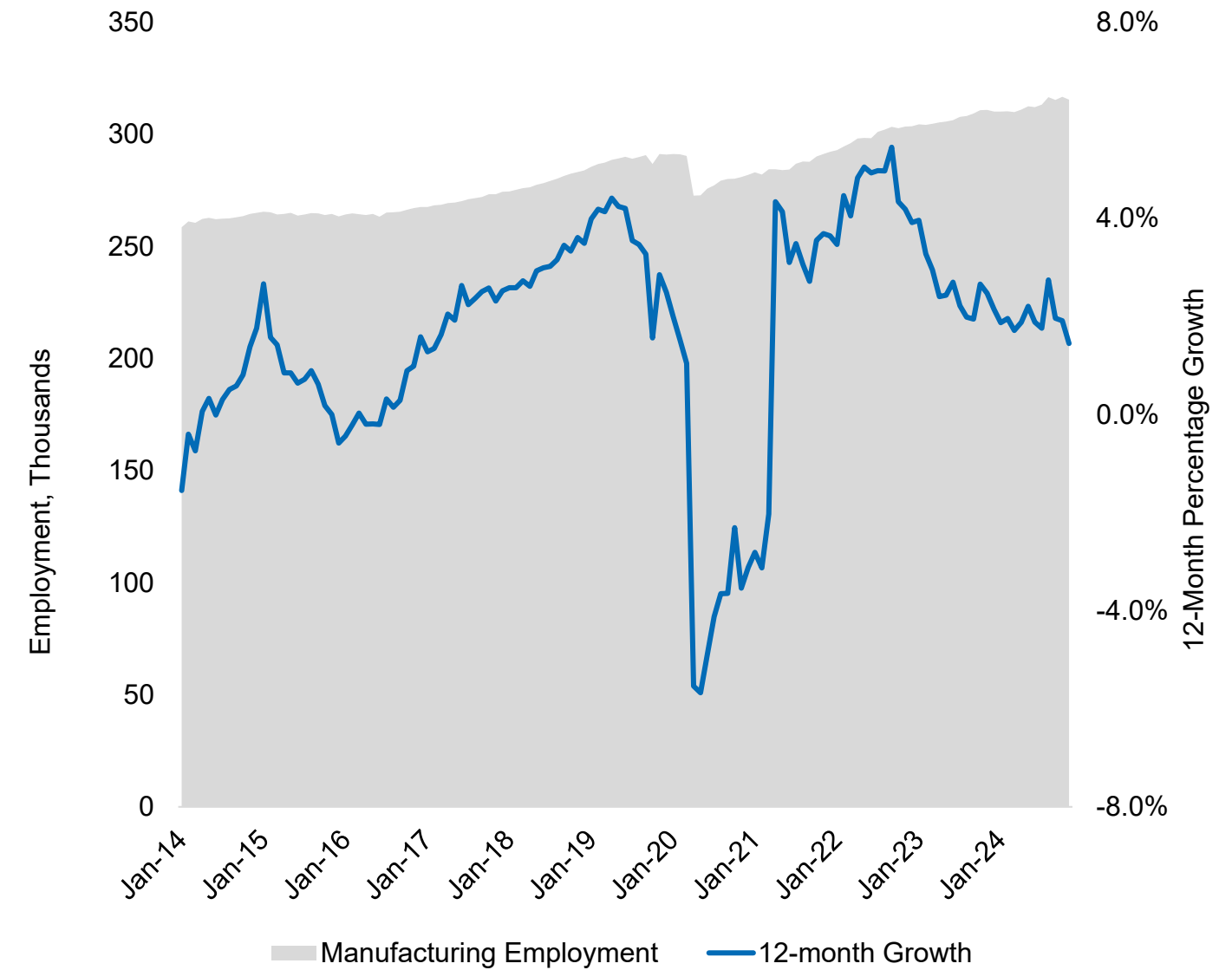
Industrial Employment Eases from Historical Highs in Both Sectors

Trade/transportation/utilities employment reached a new peak in October 2024 before falling by 0.6% to 911,900 employees in November 2024. 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 November 2024 eased by 0.4% from the all-time high to 315,450 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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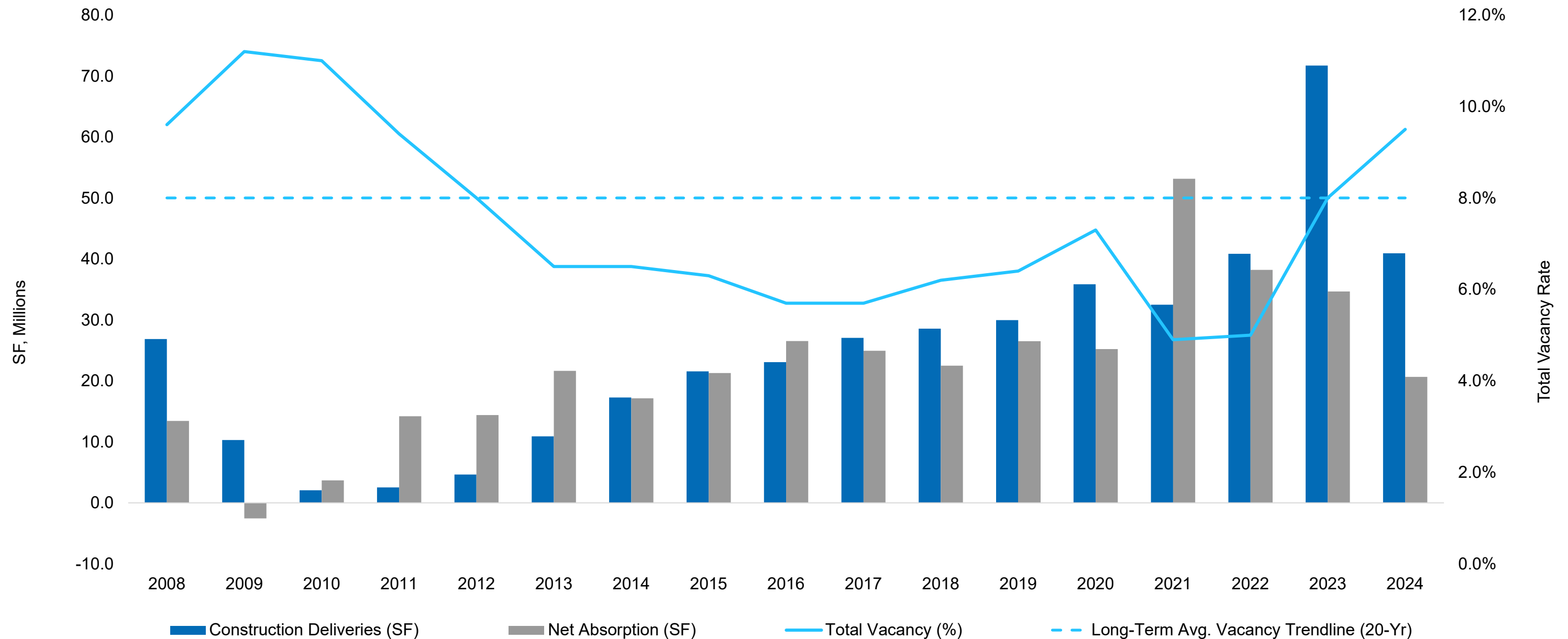
Leasing Market Fundamentals



Deliveries Continue, Outpacing Quarterly Demand Since 2023

The Dallas-Fort Worth industrial vacancy rate increased by 150 basis points year over year to 9.5% in the fourth quarter of 2024, with quarterly supply surpassing demand since 2023 and yearly supply continuing to outstrip demand since 2022. Deliveries declined to 4.7 MSF for the quarter, the lowest quarterly deliveries since third quarter of 2019 at 3.2 MSF. 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

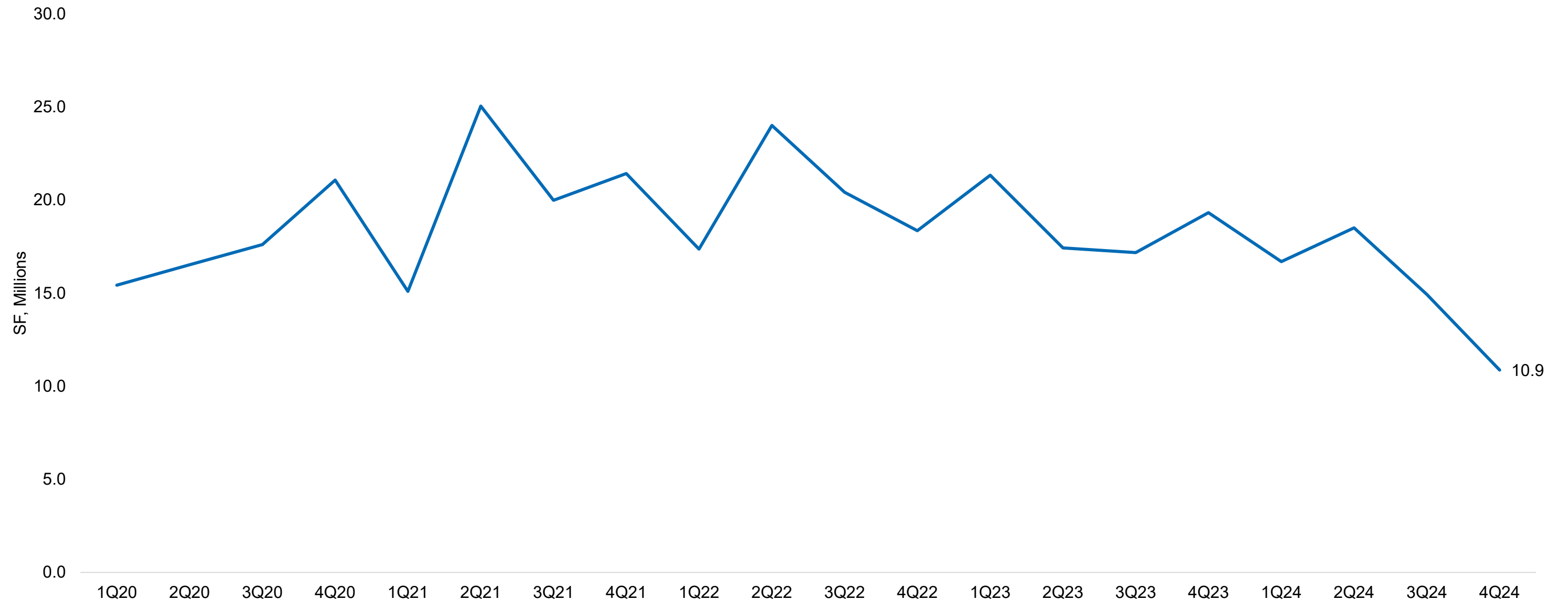


Source: Newmark Research, CoStar

Economic Headwinds Slow Leasing Activity to 2010 Lows

In the fourth quarter of 2024, leasing activity decelerated from historical highs reported post-pandemic, reaching a recent low and ending the quarter at 10.9 MSF. This marks the lowest level of quarterly leasing activity since the second 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)

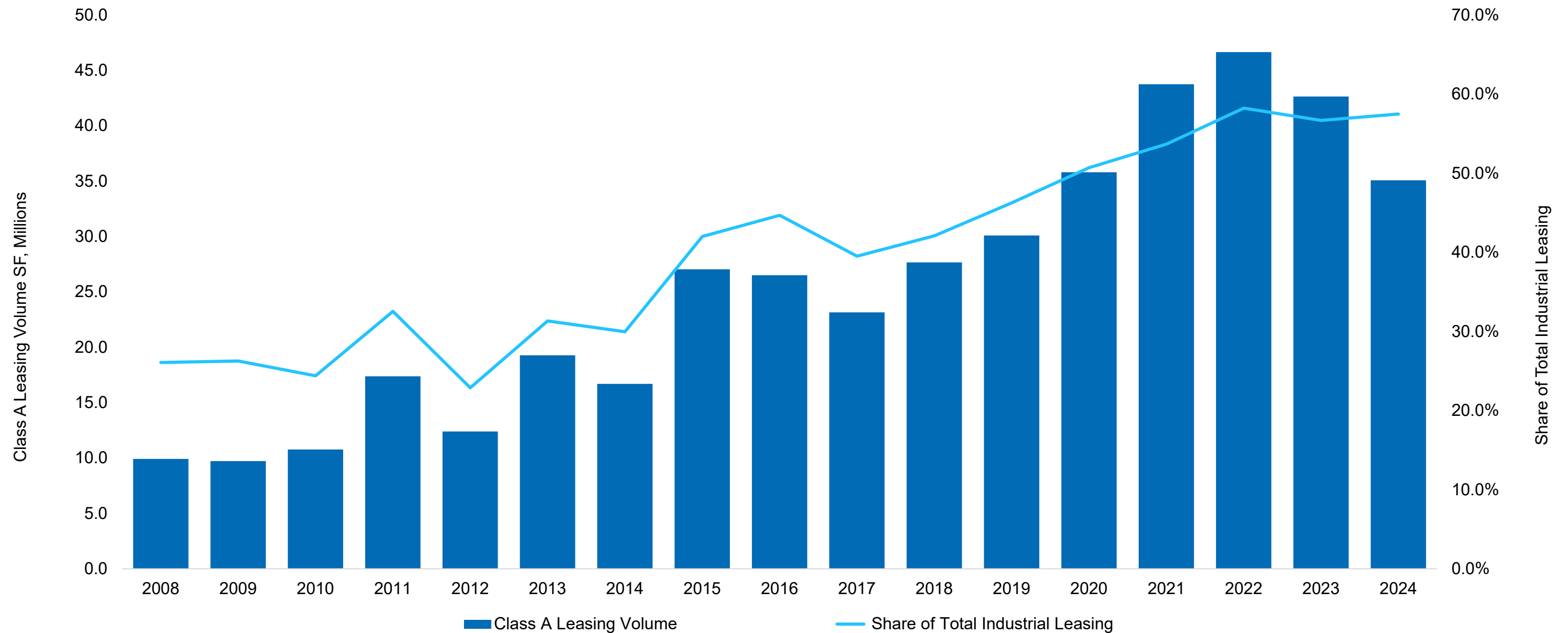


Source: Newmark Research, CoStar

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 159.4 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 35.1 MSF cumulatively in 2024, representing 57.5% of overall yearly activity, up from 56.7% from the previous year and well above the pre-pandemic average at 34.0% from 2008 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

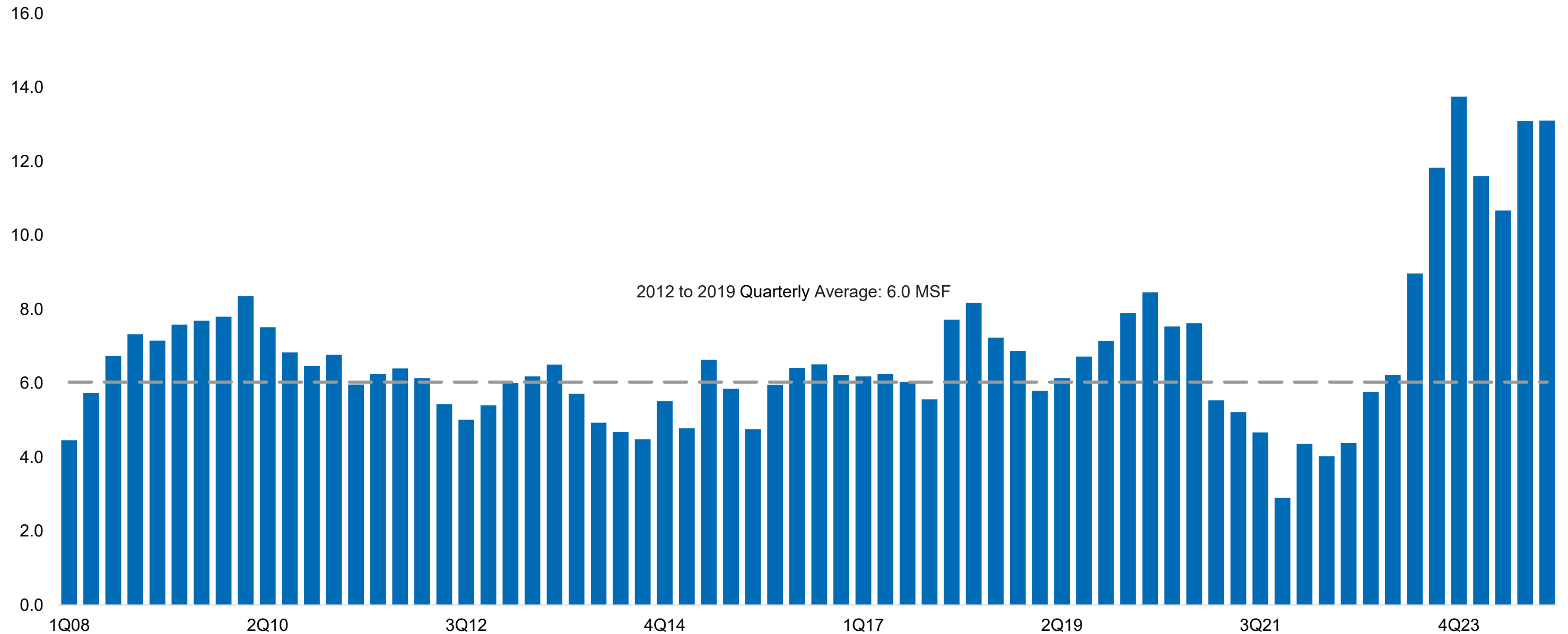


Source: Newmark Research, CoStar

Industrial Sublease Availability Remains Elevated

Sublease availability surpassed and remained above the 10.0 MSF mark since the third quarter of 2023, reaching a new high at 13.7 MSF as of year-end 2023. In the fourth quarter of 2024, sublease availability continues to remain elevated at 13.1 MSF, increasing by only 0.1% quarter over quarter but is 4.7% lower than the historical high. 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)

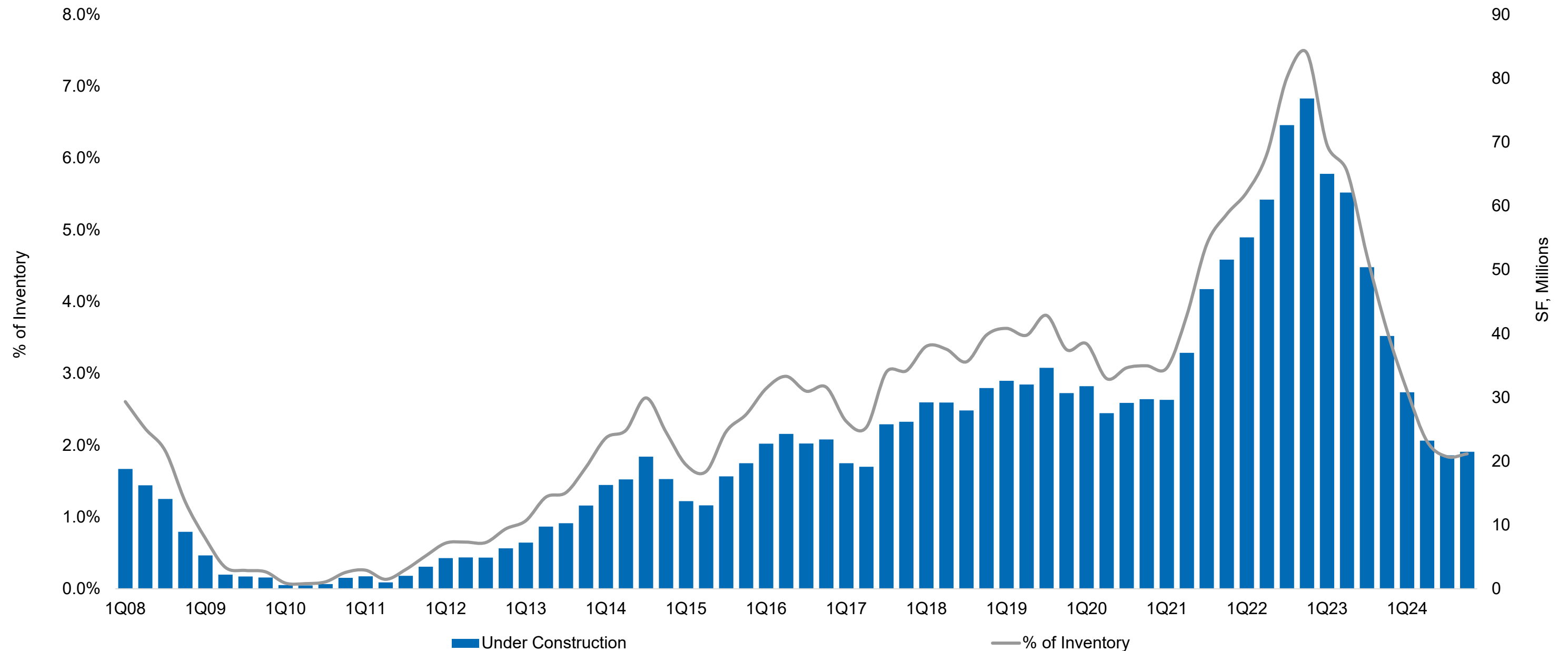


Source: Newmark Research, CoStar

Industrial Supply Pipeline Plateaus After Seven-Quarter Decline

The construction pipeline plateaued following a downward trend for seven consecutive quarters after reaching a historic high of 76.8 MSF in the fourth quarter of 2022. Construction starts and new development continued to flatten due to a challenging financing environment for new construction. As a result, the under-construction pipeline continued to decelerate before plateauing in the fourth quarter of 2024 at 21.5 MSF as deliveries hit the market, creating a possibility for potential supply constraints as economic conditions improve.

Industrial Under Construction and % of Inventory

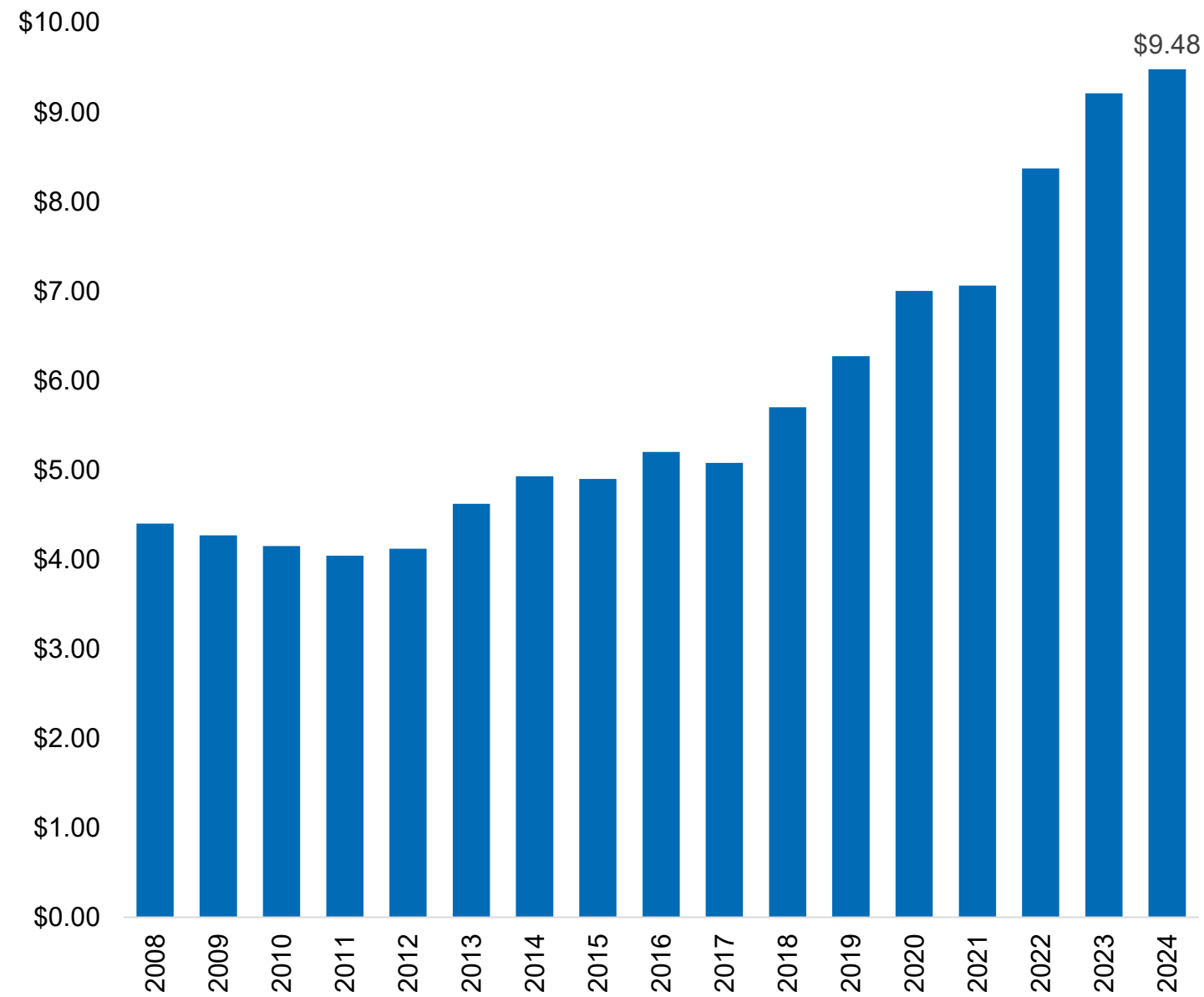


Source: Newmark Research, CoStar

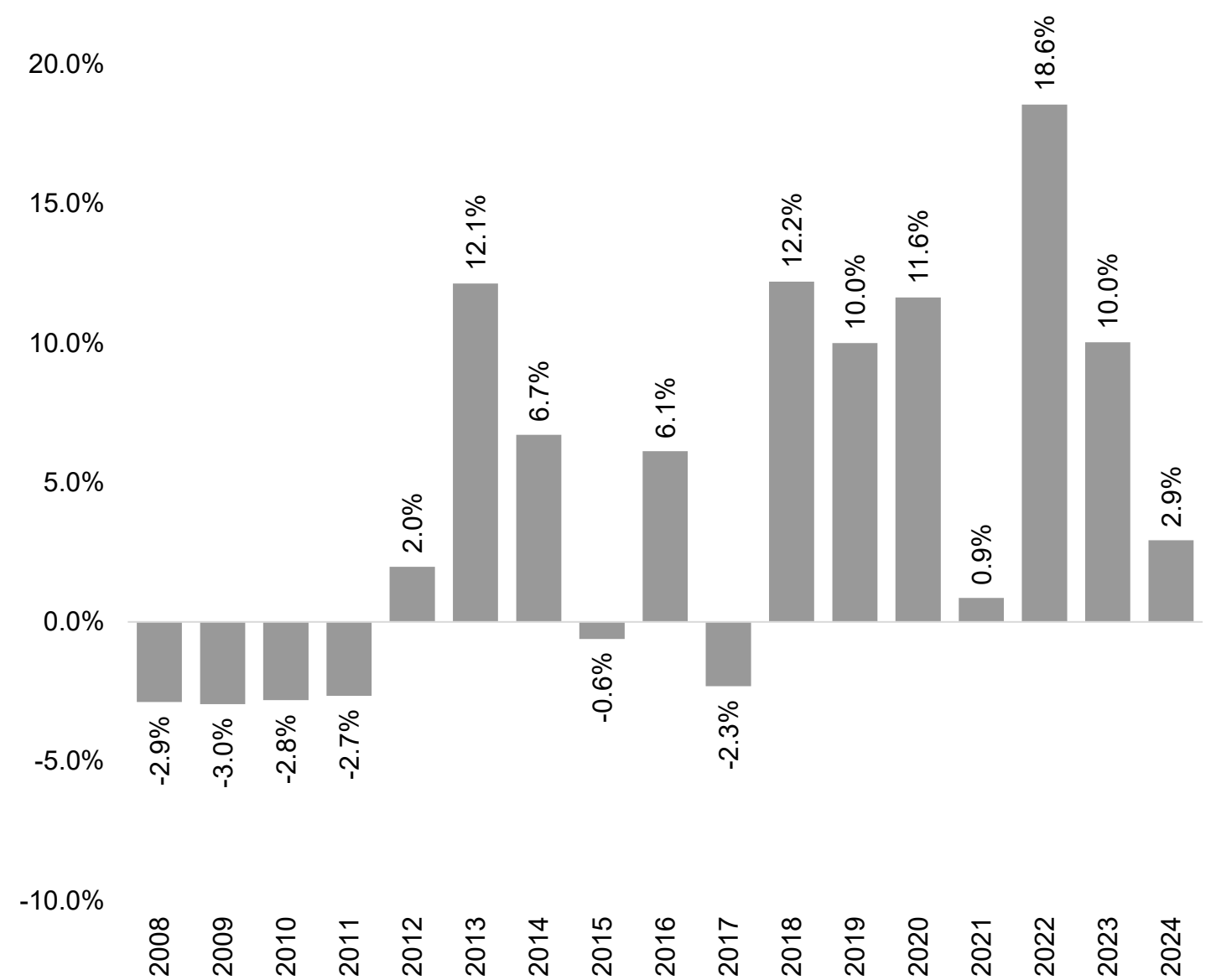
Asking Rents Ease from Historical High

Industrial average asking rents eased from the historical high by 4.0% in the previous quarter to \$9.48/SF. Rent growth is expected to continue to remain positive due to new, higher-quality assets delivering but year over year pace of growth is expected to continue 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 4Q24 Lease Transactions

Leasing activity slowed in the fourth quarter of 2024, with quarterly leasing activity at 10.9 MSF, below fourth-quarter quarterly averages reported from 2011 to 2023 at 17.0 MSF. Currently, projects under construction are 39.6% preleased.

Select Lease Transactions

Tenant	Building	Landlord	Submarket	Type	Square Feet
Ariat	35 Eagle – Building C	Trammell Crow Company	North Fort Worth	Direct New	1,251,160
<i>The western footwear and apparel company received a one-time \$300,000 grant to expand their regional headquarters at 15201 Blue Mound Road and establish a distribution center at 2501 Eagle Parkway.</i>					
CJ Logistics	SouthPort Logistics Park—Building 1	Logistics Property Company	South Dallas	Direct New	1,075,260
<i>CJ Logistics is a subsidiary of Korean conglomerate CJ Group. The global supply chain services company leased the entire first building of the three-building industrial park at 1200 Fulghum Rd.</i>					
FST Logistics	Speedway Logistics Crossing—Building 3	Exeter	North Fort Worth	Direct New	383,930
<i>Third-party logistics provider is expanding its network via a new lease at 2601 Petty Place. The temperature-controlled, full-service warehouse lease will help the company increase total storage capacity and enable the company to provide faster supply chain solutions to customers in the southern region and is slated to open April 2025.</i>					
Confidential	Mesquite Airport Logistics Center—Building 3	Dalfen Industrial	East Dallas	Direct New	342,196
<i>The tenant signed a new lease at 1305 Airport Boulevard and is projected to move in by February 1st.</i>					
NFI	DalPort Trade Center—Building B	Serra Real Estate Capital	South Dallas	Direct New	314,271
<i>The third-party logistics company signed a new lease November 2024 to occupy around 65% of 200 Dalport Parkway.</i>					
Confidential	Heritage Business Park—Building 3	Prologis	DFW Airport	Direct New	241,909
<i>The tenant signed a new lease to occupy almost 70% of 1001 Nolen Drive.</i>					

Source: Newmark Research



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