

FIGURES | DALLAS/FORT WORTH INDUSTRIAL | Q4 2022

Newly delivered development remained in lockstep with occupier demand in 2022

▼ 4.6%

Vacancy Rate

▼ 9.6M

SF Net Absorption

▲ 76.9M

SF Under Construction

▼ 5.8M

SF Delivered Construction

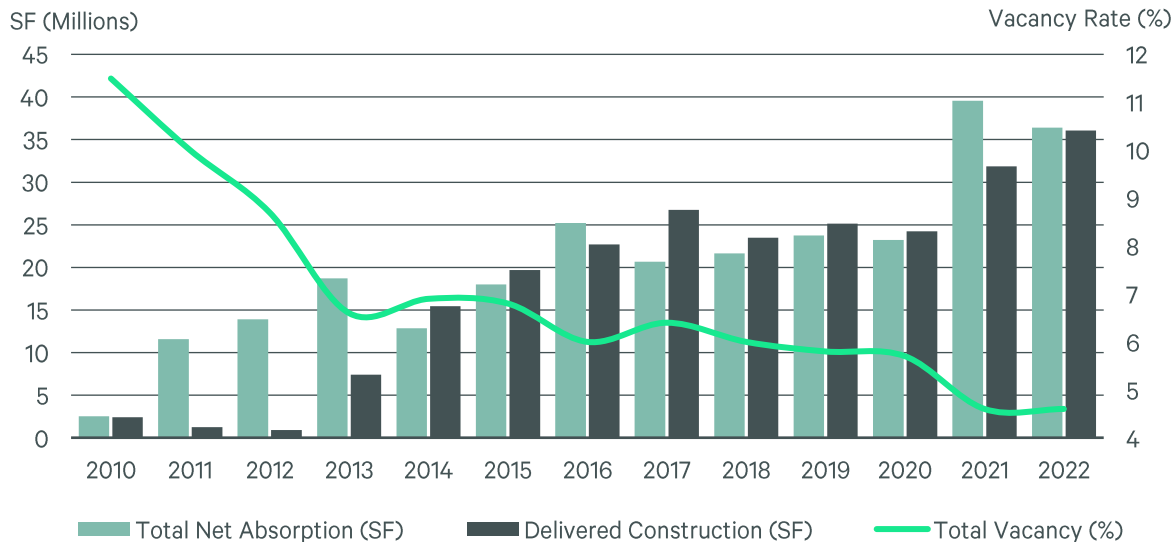
Note: Arrows indicate change from previous quarter.

MARKET OVERVIEW

- Over 9.6 million sq. ft. of industrial space was absorbed by occupiers during Q4 2022.
- Q4 2022 deliveries were just over 5.8 million sq. ft and were 35.6% pre-leased.
- The construction pipeline grew again during Q4 2022 and totaled 76.9 million sq. ft.
- Supply and demand remained at a healthy balance in 2022.

The fourth quarter of 2022 marked the 49th consecutive quarter, or over twelve years, of positive net absorption for the Dallas/Fort Worth Industrial Market as 9.6 million sq. ft. of net absorption was tracked in Q4 2022. The annual absorption totaled 36.4 million sq. ft. and was only bested by the absorption total from last year which was 39.6 million sq. ft. To put into perspective, 2021 and 2022 combined absorption in Dallas/Fort Worth was larger than the entire market of Charleston, South Carolina. So far, supply has been in lockstep with occupier demand and 36.0 million sq. ft. of space was added by developers over the year. Consequently, the vacancy rate was essentially unchanged over the 2021 year-end vacancy rate. Market observers are closely tracking the amount of product under construction in Dallas/Fort Worth which, at 76.9 million sq. ft., is easily the most in the U.S.

Figure 1: Dallas/Fort Worth Industrial Market (Annual)



Source: CBRE Research, Q4 2022.

Dallas/Fort Worth Industrial Market

North Texas remains a destination for corporate occupiers and job seekers alike. The region includes two major cargo moving airports, three Class 1 railroads, and is the point of convergence for four interstates. Interstate 35, the “NAFTA Highway”, provides direct access to manufacturing centers in Mexico and is the backbone of a major auto manufacturing corridor, the Texas-Mexico Automotive Supercluster, that stretches from the Bajío in Mexico to Dallas/Fort Worth. DFW International Airport, the region’s gateway to the world and economic engine that drives \$37 billion in North Texas economic activity, is now the second busiest in the world in terms of passengers and the third busiest in terms of total operations. Additionally, 22 cargo airlines provide connections to 28 major cargo markets around the world, including key hubs in Asia and Europe.

Record-breaking Development Pipeline

Dallas/Fort Worth continued to lead the country for industrial development with 76.9 million sq. ft. of new space under construction at the close of 2022, the highest amount of space underway than any other market. Unprecedented occupier activity due to realigning supply chains coalescing in North Texas and a growing population has attracted developers from all over the country. North Fort Worth had the highest concentration of speculative construction, 19.3 million sq. ft., with 16.9 million, or 87.8% availability. The second-highest concentration of speculative space is South Dallas with 15.0 million sq. ft. of 16.5 million sq. ft. available for an availability rate of 91.2%. Over half of the space under construction in Dallas/Fort Worth was located within North Fort Worth and South Dallas. Inclusive of both speculative and build-to-suit projects, these two submarkets totaled 43.0 million sq. ft. of active projects. CBRE Research tracked 14.3 million sq. ft. in starts as 2022 ended.

3PLs drove demand in Q4 2022

3PLs drove demand in Q4 2022. Of the 10.7 million sq. ft. in leasing activity tracked by CBRE Research over the quarter, 3.6 million sq. ft., or 37.0%, of activity was attributable to 3PLs. This activity could be higher due to the confidential nature of commercial real estate and complete coverage of tenant activity is not feasible. Looking at an entire year of leasing activity, 3PLs accounted for 37.1% of leasing activity over 100K sq. ft. or about 15.6 million sq. ft.

Figure 2: DFW Market Trailing 12 Months Absorption

	Q1 2022 Net Absorption	Q2 2022 Net Absorption	Q3 2022 Net Absorption	Q4 2022 Net Absorption	12 Month Net Absorption
Market					
DFW Airport	220,351	1,037,497	745,412	(197,039)	1,806,221
East Dallas	92,138	109,617	1,154,130	1,327,983	2,683,868
Northeast Dallas	508,917	162,696	147,118	616,619	1,435,350
Northwest Dallas	525,823	884,775	641,713	1,138,881	3,191,192
South Dallas	2,345,156	3,880,890	2,180,561	1,088,774	9,495,381
South Stemmons	227,142	334,016	(146,549)	347,842	762,451
287 Corridor	484,033	640,132	146,269	1,650,247	2,920,681
Dallas Totals	4,403,560	7,049,623	4,868,654	5,973,307	22,295,144
Great Southwest/Arlington	306,865	608,766	257,664	206,500	1,379,795
North Fort Worth	1,977,877	1,666,307	2,404,889	2,591,551	8,640,624
South Fort Worth	129,072	389,689	2,776,181	814,485	4,109,427
Fort Worth Totals	2,413,814	2,664,762	5,438,734	3,612,536	14,129,846
Market Totals	6,817,374	9,714,385	10,307,388	9,585,843	36,424,990

Source: CBRE Research, Q4 2022.

Growing mass of manufacturers magnetically attracts companies to North Texas

Manufacturing employment growth was high throughout the State of Texas. Just over 47,000 manufacturing jobs were added year-over-year through November 2022, according to the Bureau of Labor Statistics - more than any other state. Dallas/Fort Worth gained over 18,100 of these jobs. This amount represented a 6.7% year-over-year growth rate in DFW, nearly double that of the U.S. Business stakeholders have taken note of the region’s well-educated workforce at the ready, pro-business environment, superior infrastructure, and proximity to Mexico and gulf ports, resulting in a new epicenter for manufacturing in the Sunbelt.

Manufacturing related tenants accounted for 21.7% of leases signed in 2022, nearly ten million sq. ft. Higher-skilled manufacturing for electronic components made up 43.1% of all manufacturing deals. One of the nicknames for North Texas is “the Silicon Prairie” as it has long been a destination for semiconductor manufacturing. DFW is well-positioned to reap the benefits of domestic semiconductor productions as companies look to re-shore certain products.

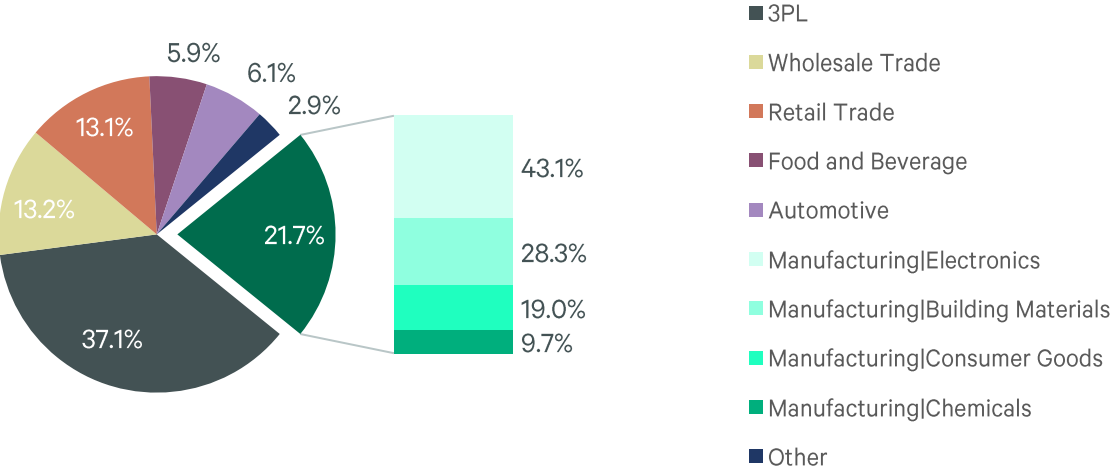
CBRE Economic House View

Everybody from Jerome Powell to single parents and Wall Street banks have been laser focused on inflation during the past year. Thankfully, the increase in the CPI has been decelerating due to improved supply chains, lower energy prices, while higher interest rates are curtailing demand for housing and autos. Despite this good news inflation remains a menace. Food and shelter prices are heightened, and fears persist that inflation is embedded in the labor market.

Consequently, the Federal Reserve continues its aggressive tightening program. The pace of recent rate hikes has been the most dramatic in decades and this has increased volatility in the financial markets. Sharply reduced expectations of earnings growth in 2023, means that firms are looking to cut costs, helping to fulfill recessionary prophecies.

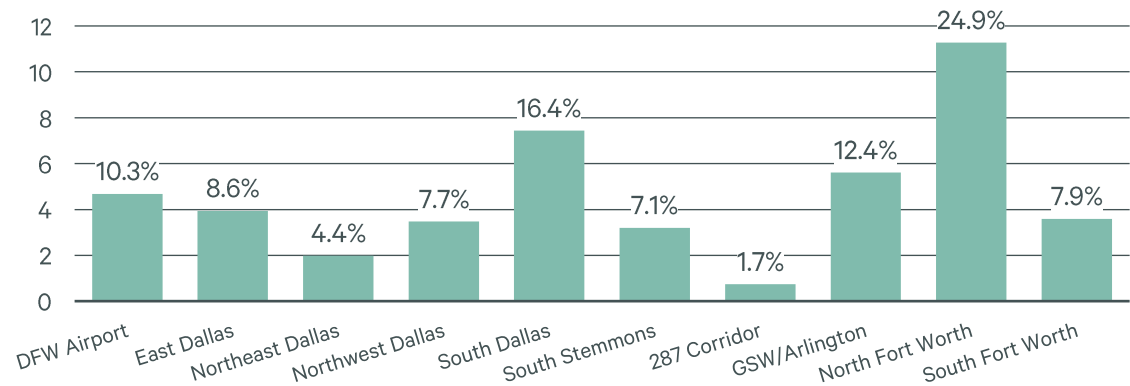
Some positive signals can be found in monthly payroll gains, but other labor market metrics are not so sanguine. Data from Challenger, Gray & Christmas shows that the current level of layoff announcements is consistent with past recessions. This is paired with business surveys exhibiting deteriorating activity and consumers grappling with eroding savings. The upshot is we believe the economy will face a moderate recession in 1H 2023.

Figure 3: 2022 Lease Transactions Over 100,000 Sq. Ft.. by Tenant Industry



Source: CBRE Research, Q4 2022.

Figure 4: 2022 Lease Transactions over 100,000 sq. ft. by Submarket and Percent of Total Millions (\$F)



Source: CBRE Research, Q4 2022.

Figure 5: Dallas/Fort Worth Industrial Market Stats

	Inventory			Vacancy			Net Absorption			Construction		
	Bldg. Count	Total Sq. Ft.	% of Market	Direct Sq. Ft.	Direct %	Total %	Qtr. Direct	Qtr. Total	2022 Total	Active	Qtr. Deliveries	2022 Deliveries
Submarket												
DFW Airport	716	85,419,745	9.3	2,103,691	2.5	3.1	-182,972	-197,039	1,806,221	5,369,971	0	1,449,706
East Dallas	701	47,497,538	5.2	6,543,187	13.8	13.8	1,327,983	1,318,351	2,674,236	10,659,509	0	3,285,607
Northeast Dallas	1,764	107,440,220	11.8	3,016,754	2.8	3.0	607,710	616,619	1,435,350	1,407,208	0	491,200
Northwest Dallas	1,524	117,094,487	12.8	3,372,290	2.9	3.1	1,103,181	1,138,881	3,191,192	5,960,295	1,097,382	3,553,403
South Dallas	597	98,772,457	10.8	5,956,350	6.0	6.6	1,517,362	1,088,774	9,495,381	21,520,376	1,013,833	11,648,950
South Stemmons	2,758	126,994,496	13.9	3,771,849	3.0	3.1	350,402	347,842	762,451	1,238,875	1,005,200	1,649,250
287 Corridor	168	20,668,195	2.3	2,051,070	9.9	9.9	1,650,247	1,650,247	2,920,681	3,927,933	1,752,420	3,893,318
Dallas Totals	8,228	603,887,138	66.1	26,815,191	4.4	4.7	6,373,913	5,963,675	22,285,512	50,084,167	4,868,835	25,971,434
Great Southwest/Arlington	1,356	118,240,965	12.9	2,277,620	1.9	2.5	442,928	206,500	1,379,795	1,751,676	321,891	2,033,059
North Fort Worth	740	111,286,443	12.2	5,689,364	5.1	5.2	2,591,551	2,591,551	8,640,624	21,510,967	213,581	5,123,543
South Fort Worth	1,520	80,254,314	8.8	4,369,295	5.4	5.7	842,735	814,485	4,109,427	3,577,613	418,179	2,941,109
Fort Worth Totals	3,616	309,781,722	33.9	12,336,279	4.0	4.3	3,877,214	3,612,536	14,129,846	26,840,256	953,651	10,097,711
Market Totals	11,844	913,668,860	100	39,151,470	4.3	4.6	10,251,127	9,576,211	36,415,358	76,924,423	5,822,486	36,069,145

Source: CBRE Research, Q4 2022.

Figure 6: Dallas Industrial Market Stats – DFW Airport and East Dallas

	Inventory			Vacancy			Net Absorption			Construction		
	Bldg. Count	Total Sq. Ft.	% of Market	Direct Sq. Ft.	Direct %	Total %	Qtr. Direct	Qtr. Total	2022 Total	Active	Qtr. Deliveries	2022 Deliveries
DFW Airport												
East DFW/Las Colinas	391	61,785,025	6.8	1,611,449	2.6	3.5	35,566	20,749	1,164,013	4,758,445	0	688,388
West DFW/Grapevine	325	23,634,720	2.6	492,242	2.1	2.2	-218,538	-217,788	642,208	611,526	0	761,318
DFW Airport Totals	716	85,419,745	9.3	2,103,691	2.5	3.1	-182,972	-197,039	1,806,221	5,369,971	0	1,449,706
East Dallas												
Central East Dallas	403	17,138,339	1.9	2,296,495	13.4	13.5	40,502	30,870	93,411	0	0	0
East Dallas/Mesquite	289	24,783,014	2.7	2,576,399	10.4	10.4	665,607	665,607	1,226,207	5,402,821	0	1,046,338
Forney/Terrell	9	5,576,185	0.6	1,670,293	30.0	30.0	621,874	621,874	1,354,618	5,256,688	0	2,239,269
East Dallas Totals	701	47,497,538	5.2	6,543,187	13.8	13.8	1,327,983	1,318,351	2,674,236	10,659,509	0	3,285,607

Source: CBRE Research, Q4 2022.

Figure 7: Dallas Industrial Market Stats – Northeast Dallas and Northeast Dallas

	Inventory			Vacancy			Net Absorption			Construction		
	Bldg. Count	Total Sq. Ft.	% of Market	Direct Sq. Ft.	Direct %	Total %	Qtr. Direct	Qtr. Total	2022 Total	Active	Qtr. Deliveries	2022 Deliveries
Northeast Dallas												
Allen/McKinney	192	14,593,663	1.6	991,494	6.8	6.8	204,997	204,997	229,271	1,106,088	0	212,200
Northeast Dallas/Garland	852	50,761,024	5.6	490,022	1.0	1.1	177,295	144,362	791,779	0	0	0
Plano	365	21,150,051	2.3	761,048	3.6	3.7	212,240	279,000	518,280	0	0	279,000
Richardson	300	17,043,504	1.9	741,968	4.4	5.1	32,400	7,482	-84,998	0	0	0
Rockwall	55	3,891,978	0.4	32,222	0.8	0.8	-19222	-19222	-18982	301,120	0	0
Northeast Dallas Totals	1,764	107,440,220	11.8	3,016,754	2.8	3.0	607,710	616,619	1,435,350	1,407,208	0	491,200
Northwest Dallas												
Denton	181	13,682,457	1.5	1,112,674	8.1	8.1	255,490	255,490	515,097	4,265,164	700,223	1,074,783
Lewisville	270	32,994,114	3.6	1,292,702	3.9	4.0	814,474	814,474	2,401,458	1,404,191	397,159	2,440,837
Metropolitan/Addison	430	19,864,799	2.2	509,036	2.6	2.8	49,791	131,050	-52,323	0	0	0
North Stemmons/Valwood	629	48,877,613	5.3	452,340	0.9	1.2	-15,574	-61,133	332,498	0	0	0
NW Dallas Outlying	14	1,675,504	0.2	5,538	0.3	0.3	-1,000	-1,000	-5,538	290940	0	0
Northwest Dallas Totals	1,524	117,094,487	12.8	3,372,290	2.9	3.1	1,103,181	1,138,881	3,191,192	5,960,295	1,097,382	3,515,620

Source: CBRE Research, Q4 2022.

Figure 8: Dallas Industrial Market Stats – South Dallas and South Stemmons

	Inventory			Vacancy			Net Absorption			Construction		
	Bldg. Count	Total Sq. Ft.	% of Market	Direct Sq. Ft.	Direct %	Total %	Qtr. Direct	Qtr. Total	2022 Total	Active	Qtr. Deliveries	2022 Deliveries
South Dallas												
Redbird Airport	191	20,042,582	2.2	231,783	1.2	1.2	32,842	32,842	416,120	1,774,247	0	354,246
Southeast Dallas/i-45	291	61,021,660	6.7	4,850,532	7.9	7.9	1,515,500	1,515,500	9,446,367	18,516,719	1,013,833	10,454,195
Southwest Dallas/US 67	115	17,708,215	1.9	874,035	4.9	8.3	-30,980	-459,568	-367,106	1,229,410	0	840,509
South Dallas Totals	597	98,772,457	10.8	5,956,350	6.0	6.6	1,517,362	1,088,774	9,495,381	21,520,376	1,013,833	11,648,950
South Stemmons												
East Hines North	624	20,178,551	2.2	421,752	2.1	2.1	182,930	181,880	89,113	0	0	0
East Brookhollow	187	7,906,312	0.9	178,838	2.3	2.3	-26,859	-26,859	-89,384	0	0	0
Eastern Lonestar/Turnpike	287	31,899,617	3.5	1,120,899	3.5	3.5	131,221	131,221	94,313	636,520	1005200	1,005,200
North Trinity	367	9,704,015	1.1	313,071	3.2	3.3	131,818	119,893	259,761	0	0	0
West Hines North	220	8,872,808	1.0	453,792	5.1	6.2	-93,388	-124,833	-100,429	0	0	180242
West Brookhollow	968	40,510,283	4.4	1,063,452	2.6	2.8	8,130	49,990	268,284	0	0	109200
Western Lonestar/Turnpike	105	7,922,910	0.9	220,045	2.8	2.8	16,550	16,550	240,793	602,355	0	354,608
South Stemmons Totals	2,758	126,994,496	13.9	3,771,849	3.0	3.1	350,402	347,842	762,451	1,238,875	10,05,200	1,649,250

Source: CBRE Research, Q4 2022.

Figure 9: Fort Worth Industrial Market Stats –Great Southwest

	Inventory			Vacancy			Net Absorption			Construction		
	Bldg. Count	Total Sq. Ft.	% of Market	Direct Sq. Ft.	Direct %	Total %	Qtr. Direct	Qtr. Total	2022 Total	Active	Qtr. Deliveries	2022 Deliveries
287 Corridor												
Mansfield/Midlothian	150	12,837,346	1.4	1,596,070	12.4	12.4	1,167,247	1,167,247	1,962,548	3,927,933	1,269,420	3,410,318
Waxahachie/Ennis	18	7,830,849	0.9	455,000	5.8	5.8	483,000	483,000	958,133	0	483,000	483,000
287 Corridor Totals	168	20,668,195	2.3	2,051,070	9.9	9.9	1,650,247	1,650,247	2,920,681	3,927,933	1,752,420	3,893,318
Great Southwest												
Arlington	406	24,419,314	2.7	802,152	3.3	3.8	142,837	142,837	840,611	788,500	321,891	1,215,414
Lower Great Southwest	431	39,138,839	4.3	409,702	1.0	1.2	91,652	109,059	82,388	298,506	0	0
Upper Great Southwest	519	54,682,812	6.0	1,065,766	1.9	2.9	208,439	-45,396	457,066	664,670	0	817,645
Great Southwest Totals	1,356	118,240,965	12.9	2,277,620	1.9	2.5	442,928	206,500	1,380,065	1,751,676	321,891	2,033,059

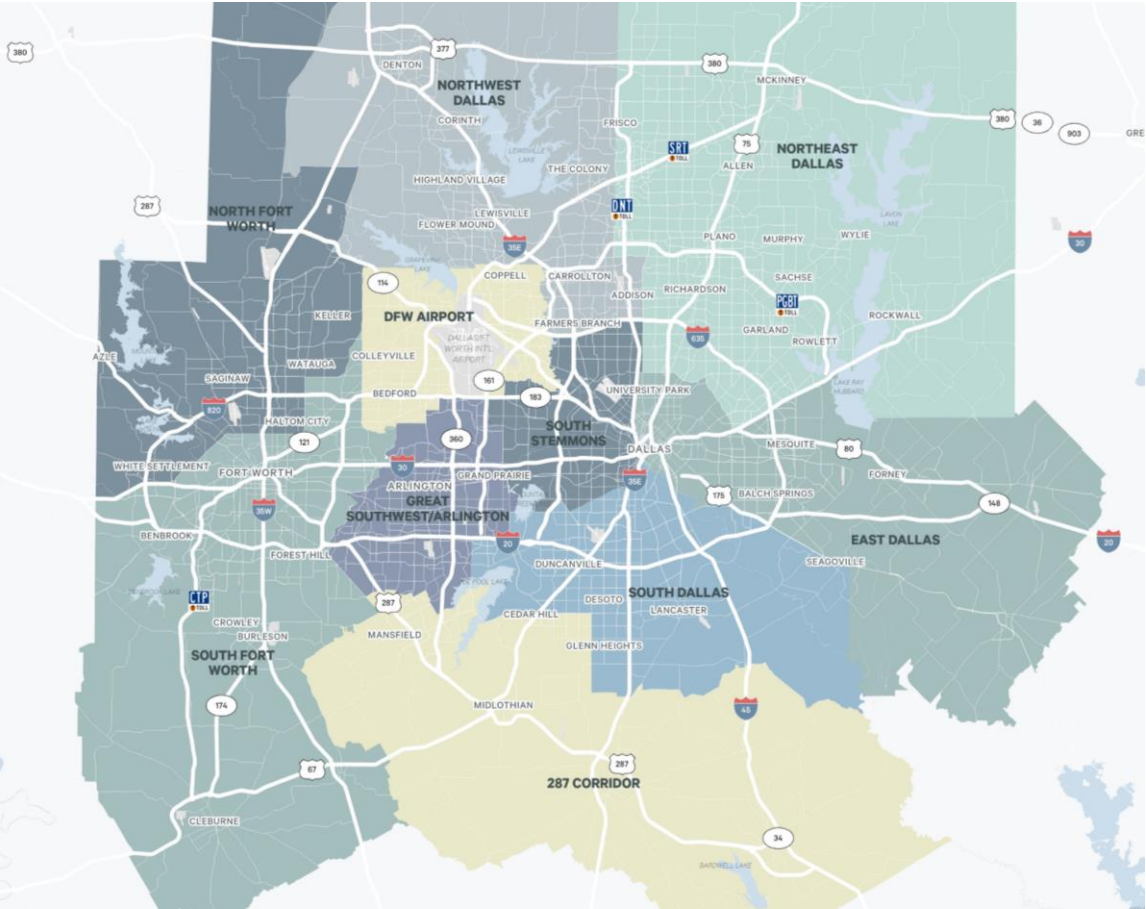
Source: CBRE Research, Q4 2022.

Figure 10: Fort Worth Industrial Market Stats – North Fort Worth and South Fort Worth

	Inventory			Vacancy			Net Absorption			Construction		
	Bldg. Count	Total Sq. Ft.	% of Market	Direct Sq. Ft.	Direct %	Total %	Qtr. Direct	Qtr. Total	2022 Total	Active	Qtr. Deliveries	2022 Deliveries
North Fort Worth												
Meacham Field/Fossil Creek	420	43,706,736	4.8	3,008,613	6.9	7.1	143,895	143,895	1,318,764	3,621,226	0	2,446,488
Northeast Tarrant/Alliance	258	63,128,179	6.9	2,677,751	4.2	4.2	2,348,246	2,348,246	7,100,465	15,040,342	213,581	2,677,055
West Tarrant	62	4,451,528	0.5	3,000	0.1	0.1	99,410	99,410	221,395	2,849,399	0	0
North Fort Worth Totals	740	111,286,443	12.2	5,689,364	5.1	5.2	2,591,551	2,591,551	8,640,624	21,510,967	213,581	5,123,543
South Fort Worth												
Cleburne	6	2,108,372	0.2	198,894	9.4	9.4	0	0	100,000	585,143	0	0
East Fort Worth	644	25,728,809	2.8	493,445	1.9	2.5	222,666	202,416	1213,491	0	0	605,441
North Central Fort Worth	273	11,001,474	1.2	92,224	0.8	0.9	33,670	33,670	66,089	0	0	0
South Central Fort Worth	241	8,219,016	0.9	149,143	1.8	2.8	38,028	30,028	-71,624	0	0	0
South Central Tarrant	286	31,253,324	3.4	3,298,205	10.6	10.6	548,046	548,046	2,818,568	2,075,060	418,179	2,335,668
Southwest Tarrant	70	1,943,319	0.2	137,384	7.1	7.1	325	325	-17,097	917,410	0	0
South Fort Worth Totals	1,520	80,254,314	8.8	4,369,295	5.4	5.7	842,735	814,485	4,109,427	3,577,613	418,179	2,941,109

Source: CBRE Research, Q4 2022.

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the Total Building Area. Building Area: The total floor area sq. ft. of the building. Occupied Sq. Ft.: Building Area not considered vacant. Vacant Sq. Ft.: Space that can be occupied within 30 days. Vacancy Rate: Total Vacant Sq. Ft. divided by the Total Building Area.

Survey Criteria

Includes known market relevant industrial buildings 10,000 sq. ft. and greater in size in the Dallas/Fort Worth metro area. Buildings which have begun construction as evidenced by foundation work

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