

FIGURES | DALLAS/FORT WORTH INDUSTRIAL | Q1 2023

# Developers have pulled back on construction starts in the first quarter of 2023



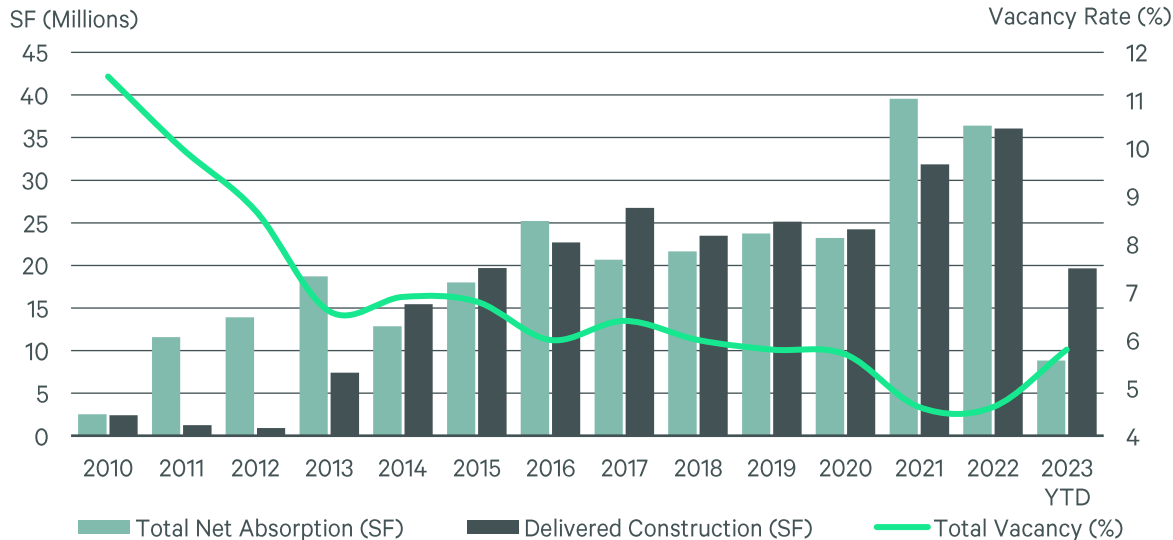
Note: Arrows indicate change from previous quarter.

## MARKET OVERVIEW

- Nearly 8.9 million sq. ft. of industrial space was absorbed by occupiers during Q1 2023.
- Q1 2023 deliveries were nearly 20.5 million sq. ft and were 26.2% pre-leased.
- The construction pipeline receded during Q1 2023 and totaled 62.6 million sq. ft.
- The vacancy rate was up 116 basis points over the quarter and was 5.8%.

The first quarter of 2023 marked the 50th consecutive quarter, or over twelve years, of positive net absorption for the Dallas/Fort Worth Industrial Market as 8.9 million sq. ft. of net absorption was tracked over the quarter. The trailing 12-month absorption total was 38.5 million sq. ft. Following a long burn of white-hot demand in Dallas/Fort Worth construction deliveries, which were often significantly delayed due to adverse supply chain performance, have begun to come online. Consequently, with 15.2 million sq. ft. of empty space hitting the market, the vacancy rate jumped up 116 basis points over the quarter to 5.8%. Increased availability should provide some relief for occupiers who often found themselves taking their second and third-choice spaces when competition was particularly fierce around this time last year. Despite continued demand, construction starts are expected to continue to taper due to recent capital market conditions.

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



Source: CBRE Research, Q1 2023.

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 is the region’s gateway to the world and economic engine that drives \$37 billion in North Texas economic activity and supports 228,000 jobs. The airport is one of the highest capacity in the world and is now the second busiest globally in terms of passengers. Additionally, the 19 cargo carriers that call on Dallas/Fort Worth International Airport connect to 32 major cargo markets around the world, including key hubs in Asia and Europe.

Development pipeline begins to recede

For the first time in two years, developers delivered more product than they kicked off with 19.6 million sq. ft. delivered and 9.3 million sq. ft. in new starts. Consequently, the total amount of under construction dropped from 76.9 million sq. ft. underway to 62.9 million sq. ft. in active construction, near levels last seen in the first half of 2022. The preleased rate for under construction product increase 130 bps from 20.8% and was 22.1% at the end of Q1 2023.

North Fort Worth had the highest concentration of speculative construction, 14.5 million sq. ft., with 12.6 million sq. ft., or 86.8% availability. The second-highest concentration of speculative space was in East Dallas, particularly in and around the Gateway Blvd exit off U.S. Highway 80, with just over 10.1 million sq. ft. of speculative space underway. Nearly all the speculative space under construction in East Dallas is available. Nearly half, 46.8%, of the speculative space under construction in Dallas/Fort Worth was located within North Fort Worth and East Dallas.

Absorption continued at a solid pace

Nearly 8.9 million sq. ft. was absorbed over the first quarter of 2023, bringing the amount of industrial space absorbed in Dallas/Fort Worth since Q4 2010 to 276.3 million sq. ft. To put this number in perspective, this is enough warehouse floor space to build a six-lane highway from CBRE Headquarters in Dallas to the CBRE office in El Paso, including room for shoulders!

Figure 2: DFW Market Trailing 12 Months Absorption

	Q2 2022 Net Absorption	Q3 2022 Net Absorption	Q4 2022 Net Absorption	Q1 2023 Net Absorption	12 Month Net Absorption
Market					
DFW Airport	1,037,497	745,412	-197,039	831,072	2,416,942
East Dallas	109,617	1,154,130	1,327,983	1,550,441	4,142,171
Northeast Dallas	162,696	147,118	616,619	204,896	1,131,329
Northwest Dallas	884,775	641,713	1,138,881	226,232	2,891,601
South Dallas	3,880,890	2,180,561	1,088,774	308,400	7,458,625
South Stemmons	334,016	-146,549	347,842	134,192	669,501
287 Corridor	640,132	146,269	1,650,247	1,053,606	3,490,254
Dallas Totals	7,049,623	4,868,654	5,973,307	4,308,839	22,200,423
Great Southwest/Arlington	608,766	257,664	206,500	468,469	1,541,399
North Fort Worth	1,666,307	2,404,889	2,591,551	3,520,496	10,183,243
South Fort Worth	389,689	2,776,181	814,485	552,855	4,533,210
Fort Worth Totals	2,664,762	5,438,734	3,612,536	4,541,820	16,257,852
Market Totals	9,714,385	10,307,388	9,585,843	8,850,659	38,458,275

Source: CBRE Research, Q1 2023.

3PLs drove demand in Q1 2023

3PLs drove demand in Q1 2023. Of the 8.4 million sq. ft. in leasing activity tracked by CBRE Research over the quarter, 2.1 million sq. ft., or 25.4%, of activity was attributable to 3PLs. This activity might be higher due to the confidential nature of commercial real estate and complete coverage of tenant activity is very difficult. Support activity for retail trade, both e-commerce and brick and mortar, accounted for 1.72 million sq. ft. in leasing activity, or 20.5%. Rounding out the top three sectors, manufacturing accounted for 1.65 million sq. ft., or 19.7%, in leasing activity during the first quarter. CBRE Research is currently tracking 48 tenant requirements totaling over 24.2 million sq. ft. active in the market. This amount is in line with long-term tenant demand observed in Dallas/Fort Worth.

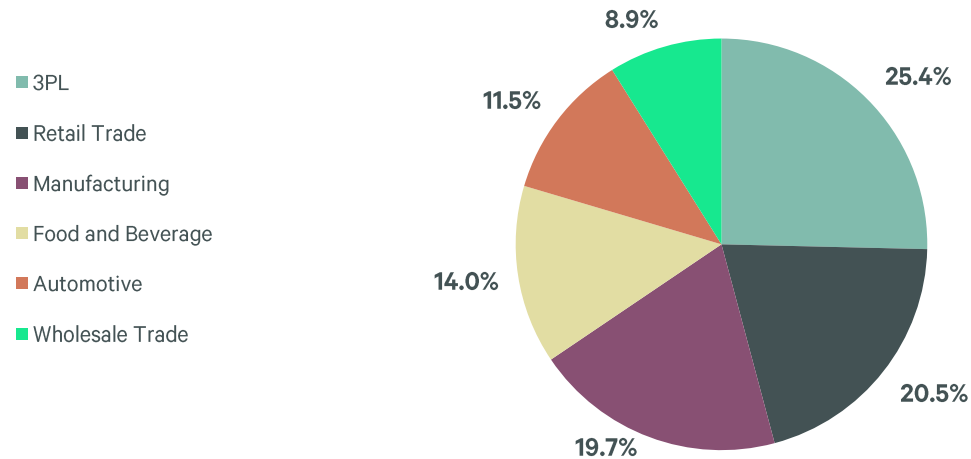
CBRE House View Economic Update

Downstream consequences of the Fed’s tightening program are surfacing and signaling slower growth ahead. Specifically, trouble in the banking sector will likely weigh on even the strongest feature of the economy—the consumer—as banks limit lending to increase their own liquidity. This will erode demand for big-ticket items, such as housing and autos, but could also impede spending on services, which has been a key driver of job growth in recent months.

Meanwhile, other corners of the labor market, especially technology and corporate functions, are under pressure as hiring far exceeded revenue growth in recent years. Other operating challenges, such as inflation and cost of capital, are causing firms to shelve expansion plans and business investment is stalling. Like households, firms will certainly feel the pinch of constrained credit flows.

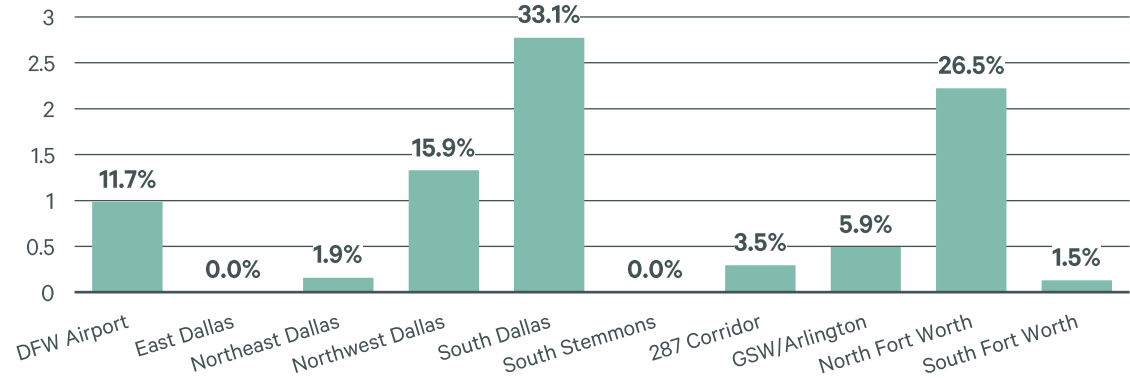
This risk-off environment points to a moderate recession this year. The impact on commercial real estate will be two-pronged—a weaker economy will slow NOI growth and tighter bank lending will limit investment activity. These conditions will likely accelerate and crystalize value loss in the office sector, but losses elsewhere will be less severe due to stronger fundamentals. The silver lining is that a faster slowdown in the economy will reduce inflation pressure later this year and allow the Fed to ease monetary policy, providing greater clarity to the real estate sector.

Figure 3: Q1 2023 Lease Transactions Over 100,000 Sq. Ft.. by Tenant Industry



Source: CBRE Research, Q1 2023.

Figure 4: Q1 2023 Lease Transactions over 100,000 sq. ft. by Submarket and Percent of Total Millions (SF)



Source: CBRE Research, Q1 2023.

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	2023 YTD	Active	Qtr. Deliveries	2023 YTD Deliveries
Submarket												
DFW Airport	721	87,597,224	9.4	3,669,483	4.2	4.6	611,687	831,072	831,072	3,576,554	2,177,479	2,177,479
East Dallas	706	49,078,422	5.3	6,583,262	13.4	13.4	1,540,809	1,550,441	1,550,441	10,130,690	1,580,884	1,580,884
Northeast Dallas	1,768	107,836,380	11.5	2,955,180	2.7	3.1	361,404	204,896	204,896	2,781,257	202,131	202,131
Northwest Dallas	1,532	118,753,368	12.7	4,401,545	3.7	4.0	298,026	226,232	226,232	4,852,825	1,327,281	1,327,281
South Dallas	609	105,390,671	11.3	12,265,897	11.6	12.2	308,667	308,400	308,400	15,026,612	6,618,214	6,618,214
South Stemmons	2,761	127,650,975	13.7	4,311,226	3.4	3.5	94,091	134,192	134,192	602,355	636,520	636,520
287 Corridor	175	22,081,234	2.4	2,717,555	12.3	12.3	1,053,606	1,053,606	1,053,606	3,110,047	1,510,479	1,510,479
Dallas Totals	8,272	618,388,274	66.2	36,904,148	6.0	6.3	4,268,290	4,308,839	4,308,839	40,080,340	14,052,988	14,052,988
Great Southwest/Arlington	1,356	118,539,471	12.7	2,362,150	2.0	2.5	297,608	468,469	468,469	2,236,383	298,506	298,506
North Fort Worth	752	116,408,826	12.5	7,014,647	6.0	6.1	3,522,996	3,520,496	3,520,496	15,945,682	5,098,833	5,098,833
South Fort Worth	1,523	81,295,614	8.7	4,953,313	6.1	6.3	457,282	552,855	552,855	4,609,825	1,041,300	1,041,300
Fort Worth Totals	3,631	316,243,911	33.8	14,330,110	4.5	4.8	4,277,886	4,541,820	4,541,820	22,791,890	6,438,639	6,438,639
Market Totals	11,903	934,632,185	100	51,234,258	5.5	5.8	8,546,176	8,850,659	8,850,659	62,872,230	20,491,627	20,491,627

Source: CBRE Research, Q1 2023.

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	2023 YTD	Active	Qtr. Deliveries	2023 YTD Deliveries
DFW Airport												
East DFW/Las Colinas	396	63,962,504	6.8	3,463,756	5.4	5.7	325,172	676,009	676,009	2,783,778	2,177,479	2,783,778
West DFW/Grapevine	325	23,634,720	2.5	205,727	0.9	1.5	286,515	155,063	155,063	792,776	0	0
DFW Airport Totals	721	87,597,224	9.4	3,669,483	4.2	4.6	611,687	831,072	831,072	3,576,554	2,177,479	2,177,479
East Dallas												
Central East Dallas	403	17,138,339	1.8	2,350,372	13.7	13.8	-53,877	-44,245	-44,245	0	0	0
East Dallas/Mesquite	294	26,363,898	2.8	2,562,597	9.7	9.7	1,594,686	1,594,686	1,594,686	3,471,412	1,580,884	1,580,884
Forney/Terrell	9	5,576,185	0.6	1,670,293	30.0	30.0	0	0	0	6,659,278	0	0
East Dallas Totals	706	49,078,422	5.3	6,583,262	13.4	13.4	1,540,809	1,550,441	1,550,441	10,130,690	1,580,884	1,580,884

Source: CBRE Research, Q1 2023.

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	2023 YTD	Active	Qtr. Deliveries	2023 YTD Deliveries
Northeast Dallas												
Allen/McKinney	193	14,726,373	1.6	697,338	4.7	4.7	330,536	330,536	330,536	1,620,960	132,710	132,710
Northeast Dallas/Garland	854	50,955,053	5.5	762,441	1.5	1.6	-78,390	-73,705	-73,705	500,008	0	0
Plano	366	21,219,472	2.3	715,376	3.4	3.7	115,093	64,085	64,085	0	69,421	69,421
Richardson	300	17,043,504	1.8	778,425	4.6	6.0	-36,457	-146,642	-146,642	359,169	0	0
Rockwall	55	3,891,978	0.4	1,600	0.0	0.0	30,622	30,622	30,622	301,120	0	0
Northeast Dallas Totals	1,768	107,836,380	11.5	2,955,180	2.7	3.1	361,404	204,896	204,896	2,781,257	202,131	202,131
Northwest Dallas												
Denton	182	13,909,877	1.5	1,431,912	10.3	10.5	-91,818	-114,573	-114,573	3,990,659	227,420	227,420
Lewisville	276	34,134,635	3.7	1,575,251	4.6	4.7	526,372	526,372	526,372	599,812	808,921	808,921
Metropolitan/Addison	430	19,864,799	2.1	559,339	2.8	3.1	-50,303	-50,303	-50,303	0	0	0
North Stemmons/Valwood	629	48,877,613	5.2	544,103	1.1	1.5	-91,763	-140,802	-140,802	0	0	0
NW Dallas Outlying	15	1,966,444	0.2	290,940	14.8	14.8	5,538	5,538	5,538	262,354	290,940	290,940
Northwest Dallas Totals	1,532	118,753,368	12.7	4,401,545	3.7	4.0	298,026	226,232	226,232	4,852,825	1,327,281	1,327,281

Source: CBRE Research, Q1 2023.

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	2023 YTD	Active	Qtr. Deliveries	2023 YTD Deliveries
South Dallas												
Redbird Airport	194	21,816,829	2.3	2,161,143	9.9	9.9	-155,113	-155,113	-155,113	0	1,774,247	1,774,247
Southeast Dallas/I-45	297	64,636,217	6.9	8,331,745	12.9	12.9	133,344	133,344	133,344	15,026,612	3,614,557	3,614,557
Southwest Dallas/US 67	118	18,937,625	2.0	1,773,009	9.4	12.5	330,436	330,169	330,169	0	1,229,410	1,229,410
South Dallas Totals	609	105,390,671	11.3	12,265,897	11.6	12.2	308,667	308,400	308,400	15,026,612	6,618,214	6,618,214
South Stemmons												
East Hines North	624	20,178,551	2.2	375,111	1.9	2.0	46,641	34,175	34,175	0	0	0
East Brookhollow	187	7,906,312	0.8	204,915	2.6	2.6	-26,077	-26,077	-26,077	0	0	0
Eastern Lonestar/Turnpike	289	32,536,137	3.5	1,808,008	5.6	5.6	-50,589	-50,589	-50,589	0	636,520	636,520
North Trinity	367	9,704,015	1.0	324,047	3.3	3.5	-10,976	-10,976	-10,976	0	0	0
West Hines North	220	8,874,628	0.9	185,508	2.1	3.1	270,104	278,303	278,303	0	0	0
West Brookhollow	969	40,528,422	4.3	1,193,891	2.9	3.0	-135,311	-90,943	-90,943	0	0	0
Western Lonestar/Turnpike	105	7,922,910	0.8	219,746	2.8	2.8	299	299	299	602,355	0	0
South Stemmons Totals	2,761	127,650,975	13.7	4,311,226	3.4	3.5	94,091	134,192	134,192	602,355	636,520	636,520

Source: CBRE Research, Q1 2023.

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	2023 YTD	Active	Qtr. Deliveries	2023 YTD Deliveries
287 Corridor												
Mansfield/Midlothian	157	14,250,385	1.5	2,262,555	15.9	15.9	1,053,606	1,053,606	1,053,606	3,110,047	1,510,479	1,510,479
Waxahachie/Ennis	18	7,830,849	0.8	455,000	5.8	5.8	0	0	0	0	0	0
287 Corridor Totals	175	22,081,234	2.4	2,717,555	12.3	12.3	1,053,606	1,053,606	1,053,606	3,110,047	1,510,479	1,510,479
Great Southwest												
Arlington	406	24,419,314	2.6	861,587	3.5	4.0	-59,435	-59,435	-59,435	1,531,043	0	0
Lower Great Southwest	432	39,437,345	4.2	682,340	1.7	2.2	25,868	-108,607	-108,607	0	298,506	298,506
Upper Great Southwest	518	54,682,812	5.9	818,223	1.5	1.9	331,175	636,511	636,511	705,340	0	0
Great Southwest Totals	1,356	118,539,471	12.7	2,362,150	2.0	2.5	297,608	468,469	468,469	2,236,383	298,506	298,506

Source: CBRE Research, Q1 2023.

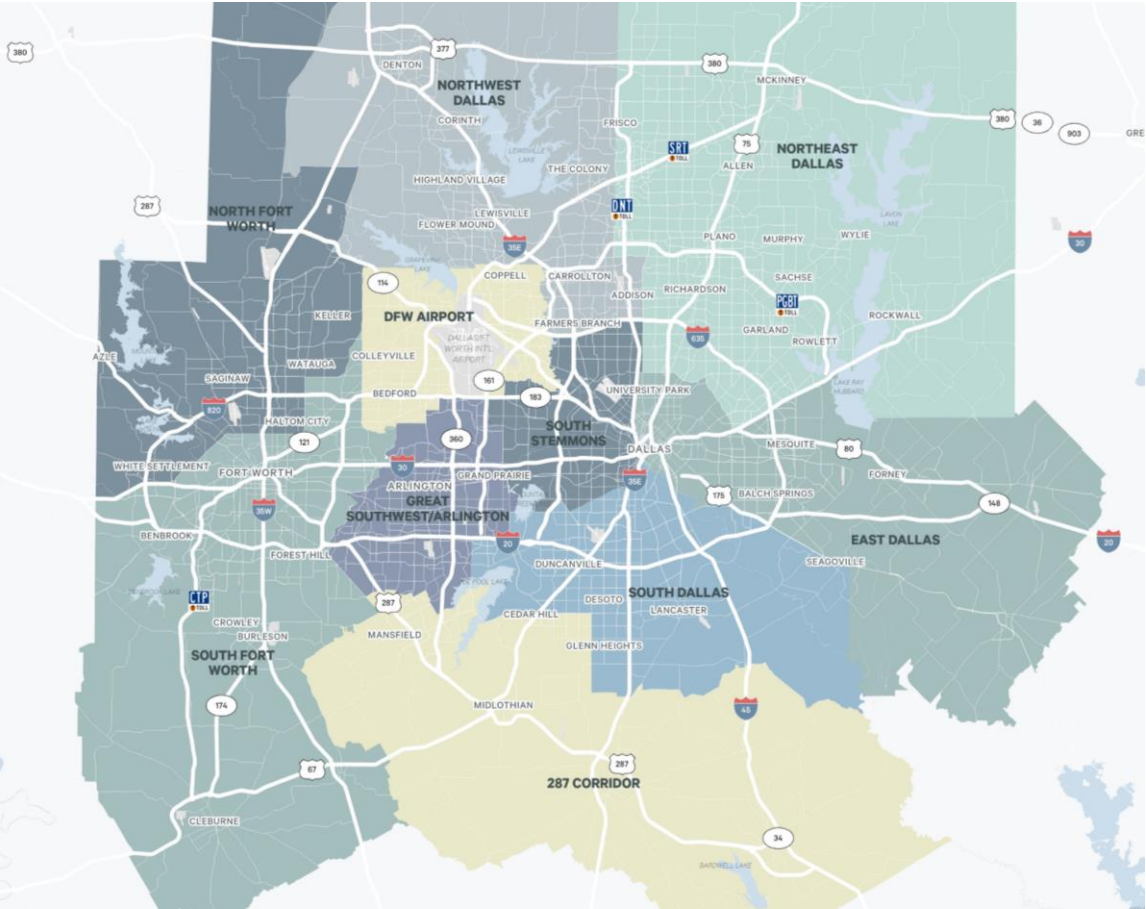


Figure 10: Fort Worth Industrial Market Stats – North Fort Worth and South Fort Worth

	Inventory			Vacancy			Net Absorption			Construction		
	Bldg. Count	Total Sq. Ft.	% of Market	Direct Sq. Ft.	Direct %	Total %	Qtr. Direct	Qtr. Total	2023 YTD	Active	Qtr. Deliveries	2023 YTD Deliveries
North Fort Worth												
Meacham Field/Fossil Creek	426	45,320,643	4.8	3,913,198	8.6	8.8	435,218	432,718	432,718	1,053,709	1,590,357	1,590,357
Northeast Tarrant/Alliance	264	66,636,655	7.1	3,088,949	4.6	4.6	3,097,278	3,097,278	3,097,278	12,042,574	3,508,476	3,508,476
West Tarrant	62	4,451,528	0.5	12500	0.3	0.3	-9,500	-9,500	-9500	2849399	0	0
North Fort Worth Totals	752	116,408,826	12.5	7,014,647	6.0	6.1	3,522,996	3,520,496	3,520,496	15,945,682	5,098,833	5,098,833
South Fort Worth												
Cleburne	6	2,108,372	0.2	198,894	9.4	9.4	0	0	0	585,143	0	0
East Fort Worth	644	25,728,809	2.8	524,628	2.0	2.6	-31,183	-13,708	-13,708	0	0	0
North Central Fort Worth	273	11,001,474	1.2	93,352	0.8	0.9	-1,128	-1,128	-11,28	0	0	0
South Central Fort Worth	241	8,219,016	0.9	233,082	2.8	2.8	-83,939	-5,841	-5,841	0	0	0
South Central Tarrant	289	32,294,624	3.5	3,843,585	11.9	11.9	495,920	495,920	495,920	3,107,272	1,041,300	1,041,300
Southwest Tarrant	70	1,943,319	0.2	59,772	3.1	3.1	77,612	77,612	77,612	917,410	0	0
South Fort Worth Totals	1,523	81,295,614	8.7	4,953,313	6.1	6.3	457,282	552,855	552,855	4,609,825	1,041,300	1,041,300

Source: CBRE Research, Q1 2023.

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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