MARKET IN MINUTES
Savills Research

Q3 2022 - Industrial

Dallas-Fort Worth

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Record deliveries impacting vacancy while rent growth remains strong

Business-friendly state policies and 12-month net absorption on pace to exceed 40 million square feet (msf) for the second consecutive year have helped fuel the largest construction pipeline in the country. With a large construction pipeline comes record delivery numbers, totaling 12.2 msf in the third quarter, up nearly 70% year over year. Dallas-Fort Worth's heightened supply is causing vacancy to tick up slightly, with deliveries outpacing net absorption for the third consecutive quarter.

Rent growth remains strong on the back of leasing activity

Average asking rental rates closed the third quarter at a record high of $6.24 per square foot, up 14.5% year over year. Vacancy, while up 10 basis points from Q3 2021, remains near historic lows for Dallas-Fort Worth. Average rental rates will continue upward if demand remains intact. With leasing activity totaling 14.5 msf in the third quarter, tenant demand in DFW is on track for yet another historic year.

Periphery submarkets most at risk for oversupply

North Fort Worth and South Dallas make up 58% of the total under-construction inventory across the market. Vacancy in both submarkets, hovering above the overall market rate of 6.2%, could tick higher if demand slows. However, three of the largest leases this quarter belong to North Fort Worth and South Dallas. ITS Logistics signed for nearly 1.1 msf at NorthPoint Development's Intermodal Logistics Center while Pegasus Logistics took 750,000 square feet at TA Realty's property at 15301 Northlink Dr.

With the Federal Reserve maintaining its hard stance on interest rates, we may see construction starts slow in the near term. With current projects delivering in droves, industrial demand will need to keep pace to absorb healthy levels of new supply. Due to future deliveries, vacancy rates may continue to tick up. However, Dallas-Fort Worth's growing, educated population and the evolving diverse economy will keep the attention of national tenants.

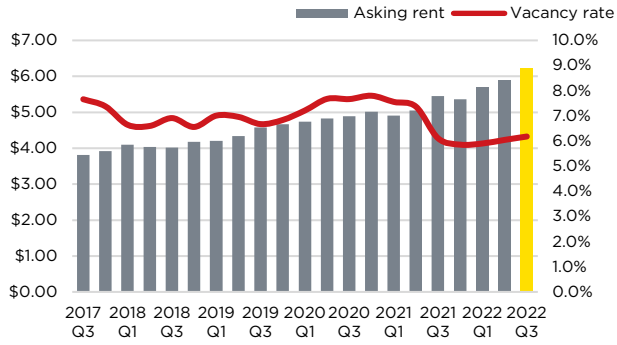
Outlook

- As more of the largest U.S. construction pipeline delivers, vacancy will continue to increase from current levels even if demand remains steady
- Average asking rental rates grew 14.5% year over year; effects of future deliveries on rental rates are yet to be seen but will vary by submarket
- Tightening interest rates and the Federal Reserve's persistence on slowing inflation may cause softening demand in the near term; DFW's diverse and robust economy may be able to weather an uncertain economic future

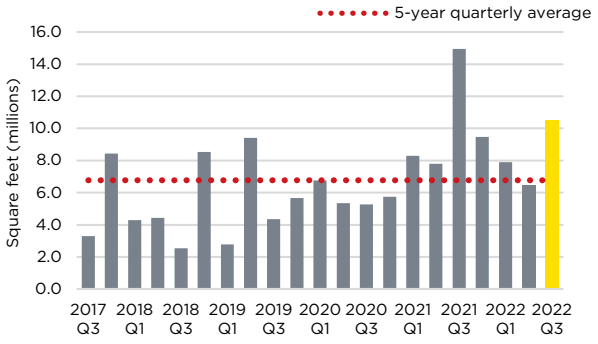
KEY STATISTICS

	Q3 2021	Q3 2022	y-o-y Change
Inventory	698.9 MSF	**742.2 MSF**	▲
Vacancy Rate	6.1%	**6.2%**	▲
Quarterly Net Absorption	14.9 MSF	**10.5 MSF**	▼
Under Construction	42.6 MSF	**77.9 MSF**	▲
Deliveries	7.2 MSF	**12.2 MSF**	▲
Asking Rental Rate	$5.45	**$6.24**	▲

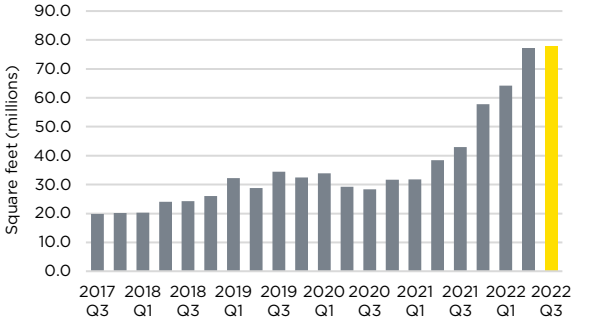
ASKING RENT AND VACANCY



NET ABSORPTION



UNDER CONSTRUCTION



BY THE NUMBERS

12.2M
square feet delivered in the third quarter, a record high

14.5%
average asking rental rate growth year over year

80%
increase in metro transportation and warehousing employment since 2012

TOP TRANSACTIONS

Leases

Tenant	Square Feet	Address	Transaction Type	Submarket	Landlord
ITS Logistics	1,045,889	Intermodal Logistics Center	New	North Forth Worth	NorthPoint Development
Pegasus Logistics	754,473	15301 Northlink Drive	New	North Fort Worth	TA Realty
Crate & Barrel	698,880	1700 N Goode Road	New	South Dallas	Scannell Properties
GXO Logistics	644,318	1401 Everman Parkway	New	South Fort Worth	Bandera Ventures
Samsung	507,984	3450 Roy Orr Boulevard	New	Great SW/Arlington	Prologis

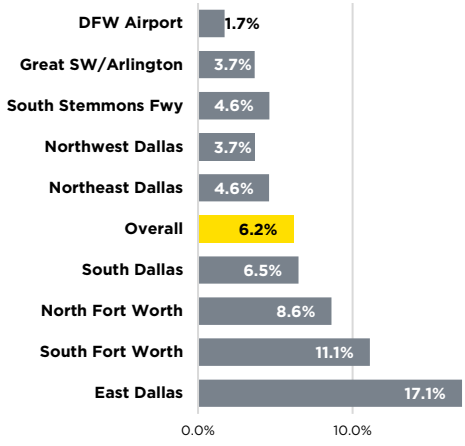
Sales

Owner/Buyer	Square Feet	Address	Price	Submarket	Seller
Ponte Gadea USA, Inc	2,300,000	9314 W Jefferson Boulevard	N/A	Great SW/Arlington	Realty Income Ocean West Capital Partners Tiger Alternative Investors
Property Reserve, Inc	1,006,880	1 E Telephone Road	N/A	South Dallas	VanTrust Real Estate LLC
Maunlife Financial	756,351	5300 Westport Parkway	N/A	North Fort Worth	JP Morgan Chase Co.
Delta Electronics	423,123	601 Data Drive	$35,000,000	North Fort Worth	Capital Commercial Investments
Lincoln Property Company	244,364	Star Commerce Center II & III	N/A	Northeast Dallas	Blue Star Land

Source: Savills Research

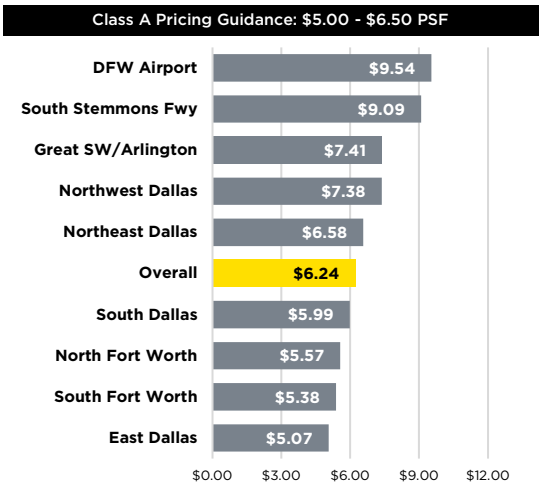
VACANCY RATE COMPARISON

Dallas-Fort Worth Industrial Submarkets



RENTAL RATE COMPARISON ($/SF)*

Dallas-Fort Worth Industrial Submarkets



*Based on all classes of available inventory

Unless otherwise noted, all rents quoted throughout this report are average asking net (NNN) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical vacancy and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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