

Industrial Q4 2019

6.3%

Vacancy Rate

YoY
Chg12-Mo.
Forecast**12.2M**

Net Absorption, SF

**\$5.11**

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS
Q4 2019**3.8M**Dallas-Ft Worth
EmploymentYoY
Chg12-Mo.
Forecast**3.1%**Dallas-Ft Worth
Unemployment Rate**3.6%**U.S.
Unemployment Rate

Source: BLS

ECONOMY

The Dallas-Fort Worth (DFW) economy continued to thrive with strong population and employment growth. The region's population increased by 130,800 people year-over-year, equating to an average of 360 new residents per day. As of December 2019, the population reached a new high of 7.7 million residents while the job market grew by 109,700 positions over the past year.

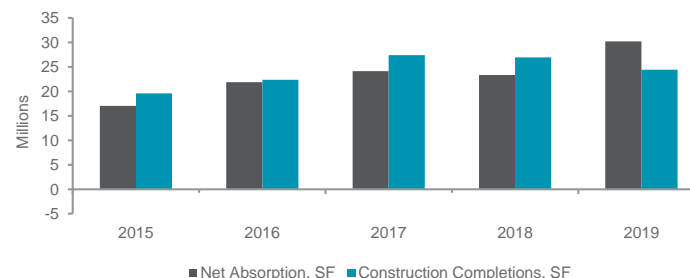
According to Moody's Analytics, industrial jobs accounted for 20,948 jobs (19%) out of the new positions added. Industrial roles are described as positions that fall within manufacturing and trade, transportation, and utilities. The leading indicator of industrial demand is driven by trade, transportation, and utilities sector jobs, which accounted for a majority of industrial roles at 74% (805,621 jobs). The region's industrial employment totaled 1,092,189 jobs as of quarter end. The unemployment rate held firm at 3.1% and continued to remain below the national unemployment rate.

SUPPLY

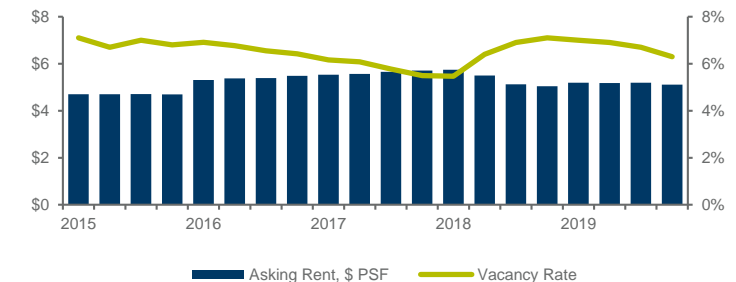
The DFW industrial market maintained strong positive momentum through the end of December. The quarter closed with a 40-basis point (bps) decrease in vacancy to 6.3% compared to the prior quarter and year. The tightened vacancy is a direct result of fourth quarter net absorption, 12.2 million square feet (msf), outpacing fourth quarter completions (11 msf) by 1.2 msf. Developers added 11 msf of new product to the market and a total of 24.4 msf was delivered in 2019. Build-to-suit projects accounted for 41% of new project completions.

The beginning of 2019 recorded the first time in history the market exceeding more than 30 msf of total projects under construction. Construction activity fell below 30 msf for the first time this year with 28.5 msf under construction. Despite the slight drop in construction, Dallas-Fort Worth remains well above the national average. Speculative sites accounted for the majority of product under construction at 22.8 msf (80%) with 19.3% of all under construction projects currently pre-leased.

SPACE DEMANDS / DELIVERIES



OVERALL VACANCY & ASKING RENT





Industrial Q4 2019

DEMAND

Strong demand for product in the DFW market will continue to keep vacancy rates relatively stable with gradual decreases. Overall new leasing activity (excluding renewals) totaled 7.4 msf with the highest activity in South Dallas at 1.4 msf. The Pinnacle/Turnpike submarket followed closely with leasing activity of 1.3 msf.

The DFW industrial market continued its trajectory of positive occupancy growth and absorbed 12.2 msf in the fourth quarter 2019. Net absorption outpaced new supply added in the quarter by 1.2 msf. This marked the 14th straight quarter net absorption exceeded 3.0 msf in the market. The highest cumulative increase in occupancy was in the Alliance submarket at 3.0 msf followed by South Dallas and DFW Airport at 2.4 msf and 1.4 msf, respectively. The top new leases signed this quarter were Geodis (672,755 sf) and Supply Chain Management (337,931 sf). The largest move-ins this quarter were Dematic (707,000 sf) and Amazon Air (650,000 sf). All large move-ins and top new leases signed were in warehouse/distribution assets.

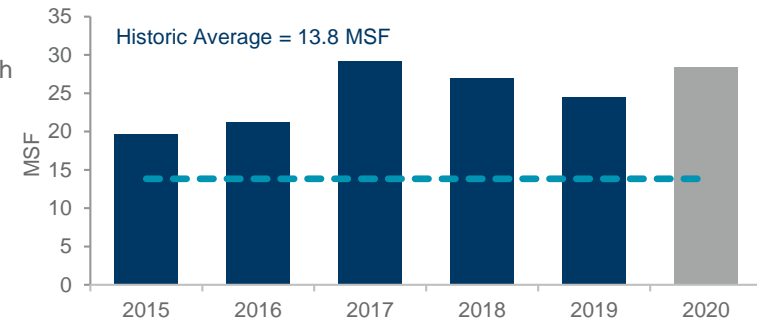
PRICING

Asking rental rates remain stable in the DFW industrial market. The year concluded with an overall average asking rate of \$5.11 per square foot (psf), marking a 1.0% increase from the rate that was in place at the end of 2018 (\$5.04 psf). The Richardson/Plano submarket lead with the highest overall average asking rate in DFW with rents at \$9.20 psf. Brookhollow/Trinity and North Dallas/Metropolitan submarkets followed closely at \$7.92 psf and \$7.70 psf respectively. Warehouse and Manufacturing properties saw a slight decrease in rental rates throughout 2019, while Office Service rates grew. Warehouse assets averaged a rental rate of \$4.31 psf with the Redbird submarket with the highest asking rental rate of \$6.78 psf. The Richardson/Plano submarket followed with a rate of \$6.65 psf.

Outlook

- Strong demand in the industrial market will likely allow net absorption to surpass 20 msf for the fifth straight year with demand catching up to supply
- As traditional “brick-and-mortar” retailers continue to integrate e-commerce platforms, demand for warehouse/distribution space is expected to continue to increase.
- Cushman & Wakefield is currently tracking 28 msf of new industrial product under construction slated to be delivered in 2020.
- Average asking rates should remain stable as new Class A developments complete construction.

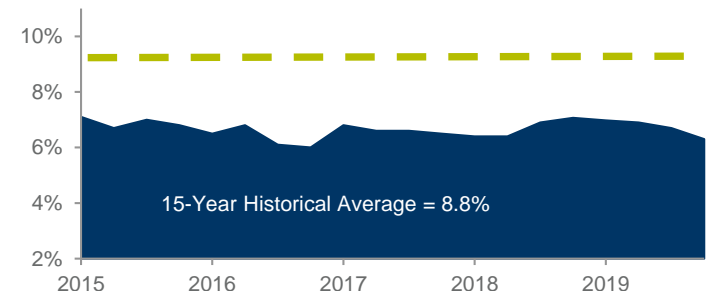
NEW SUPPLY (msf)



OVERALL NET ABSORPTION/OVERALL ASKING RENT



OVERALL VACANCY



Industrial Q4 2019

MARKET STATISTICS

SUBMARKET	TOTAL BLDGS	INVENTORY	DIRECT VACANT	OVERALL VACANT	DIRECT VACANCY RATE	OVERALL VACANCY RATE	Q4 NET ABSORPTION	2019 NET ABSORPTION	UNDER CONSTRUCTION	2019 COMPLETIONS	OVERALL AVG. ASKING RENT*	DIRECT AVG. ASKING RENT
Allen/McKinney	117	10,750,366	793,637	793,637	7.4%	7.4%	61,836	276,867	919,165	250,454	\$6.58	\$6.58
Brookhollow/Trinity	888	49,079,021	1,318,943	1,350,358	2.7%	2.8%	161,092	-349,467	0	0	\$7.92	\$8.09
Central Dallas	214	14,372,251	318,751	416,990	2.2%	2.9%	-106,239	-166,239	0	0	N/A	N/A
DFW Airport	568	87,131,592	5,225,090	5,273,772	6.0%	6.1%	1,381,123	5,981,171	5,229,619	4,182,838	\$6.00	\$6.00
Far North/I-35	242	21,725,523	1,059,495	1,092,995	4.9%	5.0%	425,434	494,194	1,220,264	784,756	\$6.37	\$6.83
Garland	537	44,724,051	2,546,294	3,114,242	5.7%	7.0%	107,134	654,254	355,071	249,097	\$4.20	\$4.78
Great Southwest	1034	114,931,416	6,615,434	6,748,414	5.8%	5.9%	1,498,257	3,473,581	2,477,680	3,256,704	\$5.97	\$6.04
Mesquite	186	20,611,202	3,165,699	3,165,699	15.4%	15.4%	212,901	1,081,672	1,522,840	2,092,582	\$4.34	\$4.34
North Dallas/Metropolitan	331	19,085,135	706,154	747,862	3.7%	3.9%	11,033	542,037	0	0	\$7.70	\$7.87
Pinnacle/Turnpike	213	29,064,408	1,712,406	1,712,406	5.9%	5.9%	600,572	2,307,802	1,281,694	1,356,615	\$3.62	\$3.62
Redbird	207	23,231,527	906,654	906,654	3.9%	3.9%	1,057,230	842,713	0	863,328	\$6.02	\$6.02
Richardson/Plano	490	36,062,572	2,672,954	3,039,970	7.4%	8.4%	119,983	267,898	821,772	806,310	\$9.20	\$9.60
East Dallas	100	10,569,445	25,511	47,912	0.2%	0.5%	230,000	1,070,998	1,207,538	880,000	\$6.78	\$10.00
South Dallas	246	56,952,297	8,587,486	8,799,434	15.1%	15.5%	2,400,599	5,612,882	450,000	2,664,977	\$3.65	\$3.65
Valwood/N. Stemmons	553	51,116,635	1,682,719	2,140,394	3.3%	4.2%	724,744	1,215,520	334,405	825,667	\$7.46	\$7.46
Walnut Hill/Stemmons	481	22,141,083	465,788	499,708	2.1%	2.3%	30,664	167,036	389,234	0	\$6.13	\$6.13
DALLAS TOTAL	6,407	611,548,524	37,803,015	39,850,447	6.2%	6.5%	8,916,363	23,472,919	16,209,282	18,213,328	\$6.04	\$6.21
Alliance	155	46,265,512	2,569,922	2,977,722	5.6%	6.4%	3,001,596	5,067,983	9,845,597	3,588,457	\$3.72	\$3.90
Central Fort Worth	296	15,957,551	282,101	312,101	1.8%	2.0%	-3,000	168,150	0	0	\$2.38	\$2.38
East Fort Worth	429	23,600,202	706,264	706,264	3.0%	3.0%	-13,500	51,828	0	122,217	\$3.91	\$3.91
North Fort Worth	353	46,052,382	2,693,756	2,872,834	5.8%	6.2%	-189,954	1,230,333	1,025,500	1,761,010	\$4.35	\$4.48
South Fort Worth	288	27,922,429	1,686,797	1,944,438	6.0%	7.0%	511,920	244,882	1,444,595	754,585	\$4.02	\$4.07
West Fort Worth	76	4,230,220	357,692	357,692	8.5%	8.5%	-11,040	-11,040	0	0	\$7.47	\$7.47
FORT WORTH TOTAL	1,597	164,028,296	8,296,532	9,171,051	5.1%	5.6%	3,296,022	6,752,136	12,315,692	6,226,269	\$3.94	\$4.04
DFW TOTAL	8,004	775,576,820	46,099,547	49,021,498	5.9%	6.3%	12,212,385	30,225,055	28,524,974	24,439,597	\$5.11	\$5.24

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
4700 Cleveland	South Dallas	Confidential	1,044,647	New Lease
1401 Chalk Hill Rd	Pinnacle/Turnpike	Geodis	672,755	New Lease
4030-4040 Forest Ln	Garland	At Home Stores	555,321	Renewal*

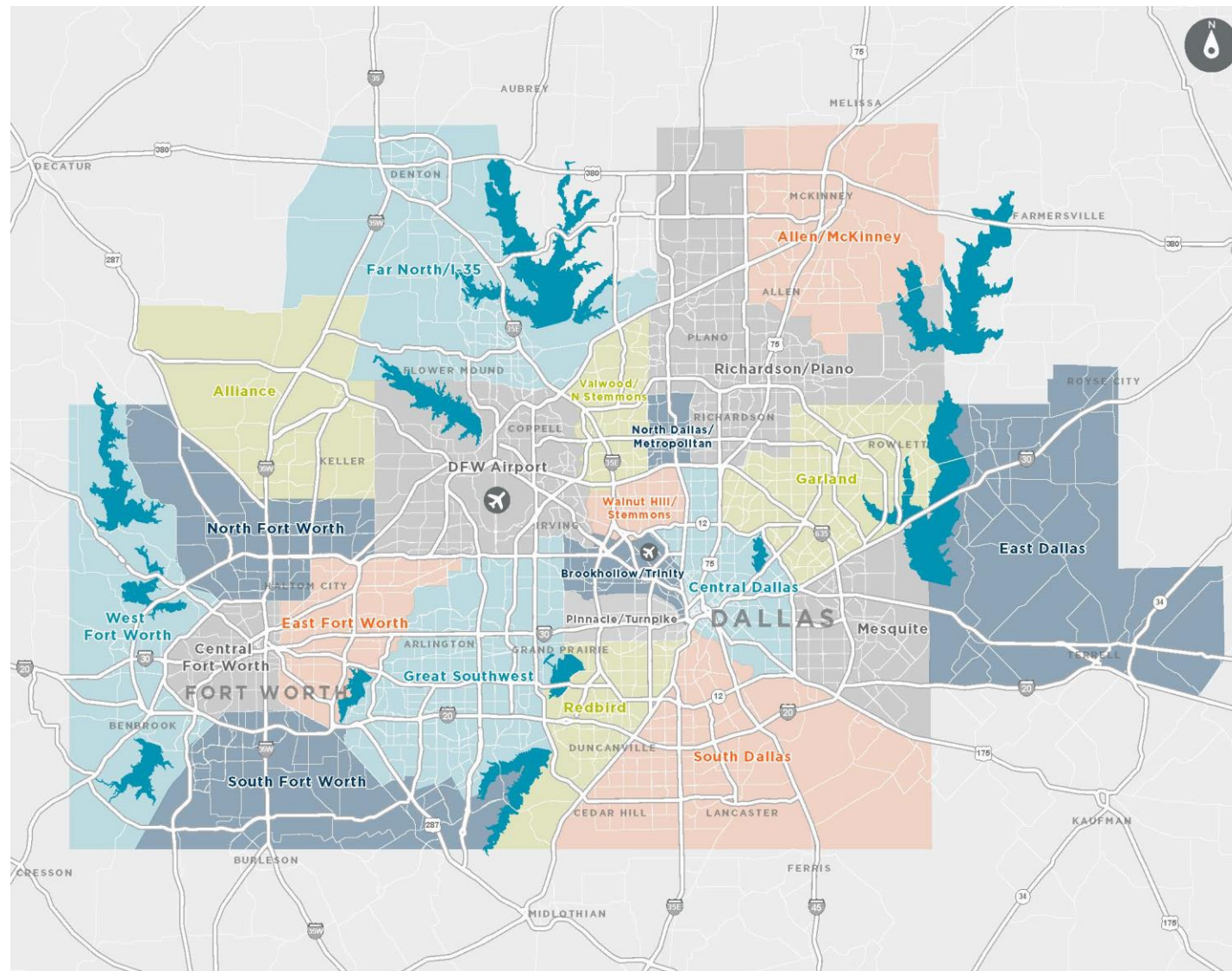
KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF
777 Freeport Pky	DFW Airport	Blackstone / Nuveen	1,211,317
4024 Rock Quarry	Pinnacle/Turnpike	Blackstone / Nuveen	324,000
350 S Northpoint Dr	DFW Airport	Blackstone / Nuveen	300,800

*Renewals not included in leasing statistics



INDUSTRIAL SUBMARKETS

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