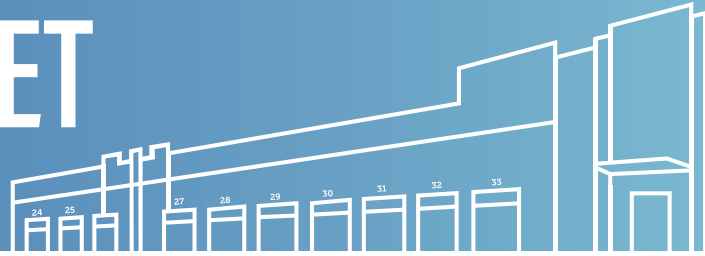


Q4 2020 | DALLAS+FORT WORTH INDUSTRIAL MARKET



Dallas+Fort Worth Deliveries Post A Record Year In 2020 Construction Accelerates To Potentially Set Another Record In 2021

EXECUTIVE SUMMARY

Major Market Highlights

- Industrial rents have maintained momentum in both existing properties and new construction, averaging +3.9% year-over-year growth across the market
- Vacancy rates have increased with sublease availabilities, reduced absorption by smaller users, and increased deliveries
- The construction pipeline is showing signs of acceleration, increasing by approximately 5 million SF from Q3. Pre-COVID trends suggest room for additional increases in the next few quarters, although land scarcity could become a greater factor
- Investment sales volume has returned to pre-pandemic levels and cap rate compression has continued with strong investor demand

OUTLOOK

What To Expect In 2021

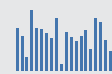
Dallas+Fort Worth's structural advantages—excellent infrastructure, a deep labor pool, and low costs of doing business—have positioned the industrial market well through the pandemic. These components will drive performance in 2021 along with these major trends:

1. Surveys of supply chain professionals indicate that reduced warehousing capacity will continue over the next 12 months, sustaining favorable conditions for absorption
2. Lasting changes to consumer habits will permanently increase e-commerce's market share, driving the need for additional industrial space at least through Q3 2021
3. Acceleration of construction could lead the market to a second consecutive year of record deliveries
4. Just-in-time supply chains and lean manufacturing are likely here to stay, but Dallas+Fort Worth could benefit if supply chains are near-shored to Mexico and Latin America
5. The region's industry diversity will insulate the industrial market from medium-term risks of Industry shifts in the post-pandemic recovery

TRENDLINES

5-YEAR TREND CURRENT QUARTER

NET ABSORPTION



2.7 MSF

YTD absorption is positive
18.6 MSF, down from 2019

DIRECT VACANCY



7.0%

Up 60 bps from last year

INDUSTRIAL RENTAL RATE (NNN)¹



\$4.99 PSF

Rent growth remains steady
in most submarkets

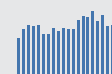
FLEX RENTAL RATE (NNN)¹



\$10.09 PSF

Flat in most major
submarkets

CONSTRUCTION



32.2 MSF

Pipeline is up 5 MSF from
last quarter

¹ Transwestern has adopted new methodology for rents in the Dallas+Fort Worth market. See page 3 for details.

RENTS

Rents Growth Resumes Course

New construction continues to see positive rent growth averaging 2-4%, although market-level stats reflect differences between submarkets. In 2017, 35% of construction was occurring in South Dallas where rents averaged \$3.62 PSF, or 20% below market. Today, 29% of construction is in North Fort Worth where rents average \$4.61, or just 5% below market.

On the other hand, existing industrial properties oriented toward smaller users held rents flat during the beginning of the pandemic. As of Q4, these properties have resumed rent growth.

LEASING, NET ABSORPTION, AND VACANCY

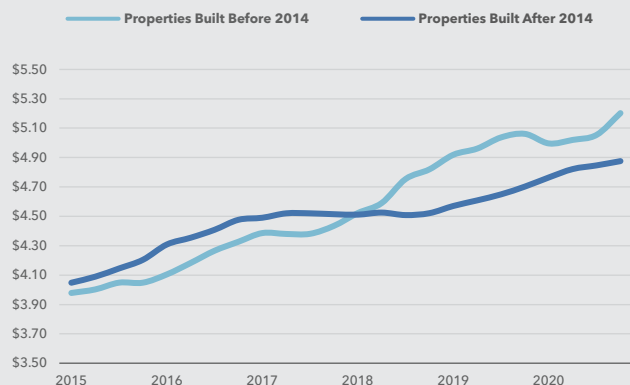
Vacancy Continues Inching Upward

Net absorption finished the year at positive 18.6 MSF, down from 23.9 MSF in 2019. Overall, large users leasing new construction helped make up for reduced absorption by smaller and mid-size users. As a result, vacancy has continued inching up to 7.0%, but this could show improved momentum in 2021 as small and mid-size users regain confidence and re-enter the market.

Over the last twelve months, the amount of sublease space available has doubled to just under 5.2 MSF. On a positive note, 35% (1.8 MSF) exists in large blocks with a clear height appropriate for a logistics user or e-commerce fulfillment (>30'). Strong tailwinds may help these spaces lease more quickly and bring vacancy down faster than expected in 2021.

AVERAGE RENTS

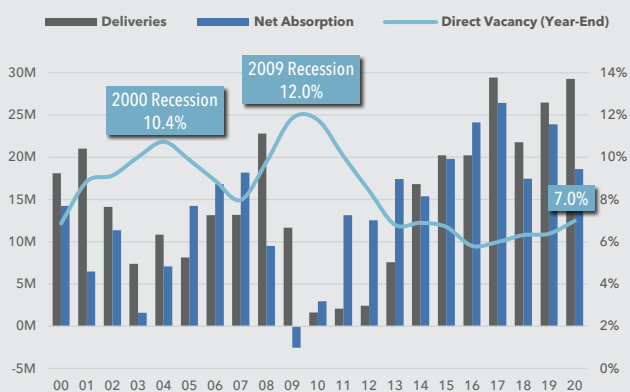
Existing Properties & New Construction



SOURCE: Transwestern, CoStar

DELIVERIES, ABSORPTION, AND VACANCY

Yearly Totals



SOURCE: Transwestern, CoStar

Notable Lease Transactions

TENANT	LANDLORD	SF	DEAL TYPE	BUILDING	SUBMARKET
Uline	TCC/CBREI	1,106,315	New	Passport Park 1	DFW Airport
Sunrider International	United Properties Southwest	1,100,000	New	2499 Miller	South Dallas
Amazon	Hines	1,044,647	New	SouthLink I	South Dallas
Uline	Dalfen/Brookfield	494,238	New	Passport Logistics Center 300	DFW Airport
Best Choice Products	Prologis	442,238	New	Prologis Mesquite 1	East Dallas
HelloFresh	BentallGreenOak	374,812	New	Gateway Logistics Center	DFW Airport
Navistar Defense	TA Realty	360,000	Renewal	Pinnacle Industrial Center	South Stemmons

SOURCE: Transwestern, CoStar

SUPPLY AND DEVELOPMENT

Pipeline Accelerates To Pre-Pandemic Levels

New construction has increased in response to roaring demand for space by large users. Deliveries reached 29.3 million SF in 2020—tying the market's previous record in 2017. Large projects completed in Q4 include 1.1 MSF at Passport Park 1 (DFW Airport), 796 KSF of spec space in Speedway Logistics Crossing 3 (North Fort Worth), and 754 KSF of spec space at Northlink A (North Fort Worth).

The amount of space under construction increased by nearly 5 million SF in Q4, returning to pre-COVID trend and placing the market on a trajectory to potentially set another record for deliveries in 2021. At the same time, risk of overbuilding remains low as structural drivers should continue to sustain demand for new projects at least over the next 6-9 months.

INVESTMENT SALES

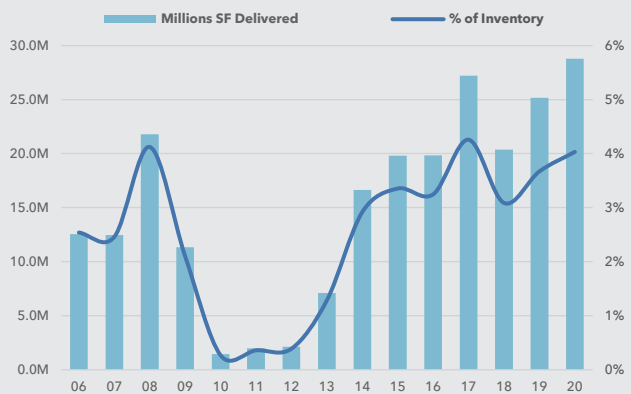
Capital Markets Begin Return To Normal

Investment volumes picked up sharply in the third and fourth quarter, finishing the year at \$4.3 billion. Although this represents a 16% decrease from 2019, quarterly volumes have already returned to pre-pandemic levels.

Strong investor demand allowed prices to continue to grow for larger warehouse properties, furthering cap rate compression. We expect capital market indicators to continue returning to trend over the next twelve months as smaller properties retake a larger share of investment sales.

INDUSTRIAL DELIVERIES BY YEAR

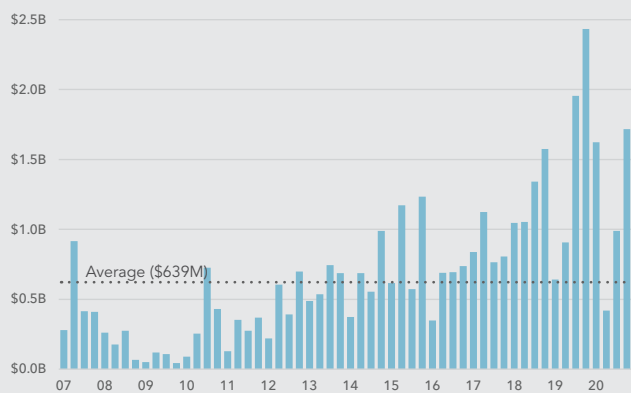
Million SF (Bars) and % of Inventory (Line)



SOURCE: Transwestern, CoStar

INVESTMENT VOLUME

Quarterly Totals



SOURCE: Transwestern, Real Capital Analytics

Notable Sale Transactions - H2 2020

PROPERTY	SF	BUYER	SELLER	SUBMARKET
Dallas Global DC I & II	2,300,000	VEREIT / Korea Investment & Securities	NorthPoint Development	South Stemmons
Gateway Logistics Center	1,430,689	BentallGreenOak	Bandera/Long Wharf Capital	DFW Airport
Passport Logistics Center 1-3	1,231,318	Brookfield	Dalfen Industrial	DFW Airport
DFW Commerce Center 1	1,000,584	Cabot Properties	CLX Ventures	DFW Airport
Speedway Logistics Center 2	795,800	Exeter	Scannell	North Fort Worth

Note: Multi-market portfolio sales are excluded

SOURCE: Transwestern, CoStar

Industrial - Key Market Indicators

	Inventory	Direct Vacancy	%	Vacancy With Sublet	%	Under Construction	Q4 Leasing Activity	Q4 Net Absorption	12 Mo Net Absorption	NNN Rents ¹	1 Year Ago
D+FW Market Total	713,633,580	50,617,187	7.1%	55,795,282	7.8%	32,022,327	11,171,342	2,955,254	18,868,875	\$4.99	\$4.81
DFW Airport	73,282,494	6,280,630	8.6%	7,221,661	9.9%	1,876,543	907,072	240,042	2,163,005	\$5.20	\$5.08
South Stemmons	88,999,099	5,826,130	6.6%	5,974,335	6.7%	721,082	843,330	(1,800)	1,945,167	\$5.66	\$5.16
Northwest Dallas	92,153,545	4,310,226	4.7%	4,719,124	5.1%	2,158,558	1,712,725	290,413	813,648	\$5.76	\$5.30
Northeast Dallas	75,778,121	4,303,275	5.7%	5,131,542	6.8%	3,779,375	1,476,151	(38,933)	2,054,471	\$6.17	\$6.25
East Dallas	40,995,192	2,803,985	6.8%	2,899,511	7.1%	2,234,084	755,524	106,778	1,899,885	\$4.04	\$4.13
South Dallas	88,222,927	6,915,370	7.8%	8,096,488	9.2%	6,919,418	1,775,569	1,200,752	3,577,371	\$3.82	\$3.71
Great Southwest	106,762,412	6,034,443	5.7%	6,474,165	6.1%	1,166,408	2,507,016	144,460	2,011,398	\$4.71	\$4.60
South Fort Worth	56,247,842	3,559,949	6.3%	3,820,782	6.8%	3,815,765	509,608	(261,672)	(125,834)	\$4.81	\$4.53
North Fort Worth	91,191,948	10,583,179	11.6%	11,457,674	12.6%	9,351,094	684,347	1,107,573	4,362,123	\$4.64	\$4.50

¹ Rents may differ from our Q3 report as we included more rents from new development. Updated historical figures are available upon request

SOURCE: Transwestern, CoStar

Flex - Key Market Indicators

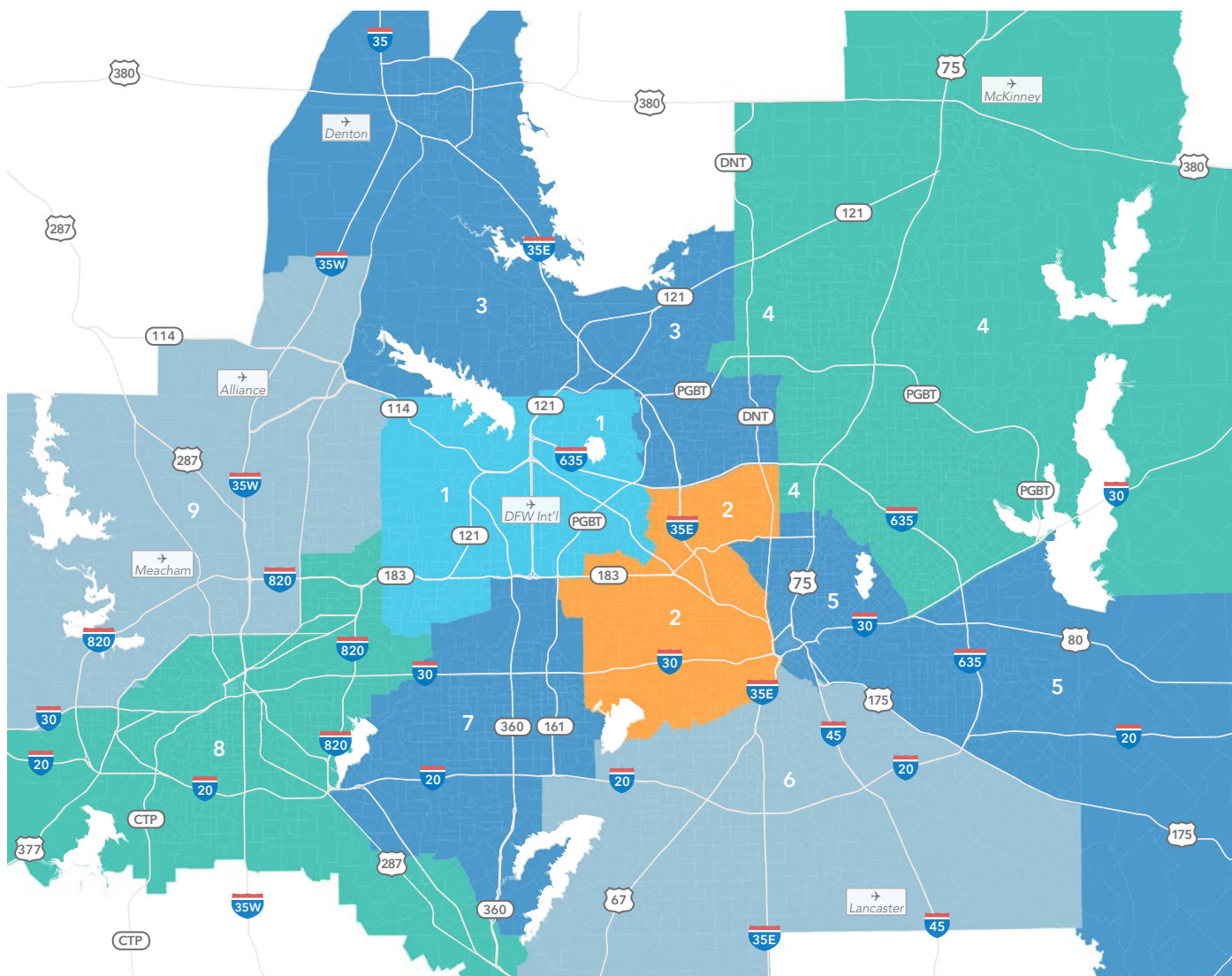
	Inventory	Direct Vacancy	%	Vacancy With Sublet	%	Under Construction	Q4 Leasing Activity	Q4 Net Absorption	12 Mo Net Absorption	NNN Rents	1 Year Ago
D+FW Market Total	98,038,471	6,059,965	6.2%	6,370,853	6.5%	209,657	1,047,097	(120,809)	(90,094)	\$10.09	\$10.15
DFW Airport	6,622,207	635,125	9.6%	683,650	10.3%	40,000	137,121	87,647	132,804	\$10.63	\$10.54
South Stemmons	19,060,717	738,593	3.9%	781,302	4.1%	0	145,255	(14,334)	256,598	\$11.45	\$11.92
Northwest Dallas	18,330,592	1,184,656	6.5%	1,303,308	7.1%	55,500	296,754	(42,067)	(19,482)	\$10.48	\$10.29
Northeast Dallas	25,869,809	1,987,821	7.7%	2,054,197	7.9%	64,431	244,953	(8,974)	(254,079)	\$9.75	\$9.76
East Dallas ²	3,524,042	82,781	2.4%	82,781	2.3%	0	4,269	685	(4,104)	\$19.21	\$10.62
South Dallas ²	2,366,311	65,672	2.8%	72,861	3.1%	0	51,360	15,598	(4,842)	\$12.01	\$14.13
Great Southwest	7,490,091	603,028	8.1%	613,062	8.2%	49,726	74,081	(33,352)	(107,093)	\$9.43	\$9.38
South Fort Worth	8,633,192	627,364	7.3%	633,382	7.3%	0	66,840	(113,621)	(139,754)	\$6.53	\$7.17
North Fort Worth	6,141,510	134,925	2.2%	146,310	2.4%	0	26,464	(12,391)	49,858	\$12.47	\$12.12

² Rents in these submarkets are calculated with a small sample size

SOURCE: Transwestern, CoStar

WHY OUR METHODOLOGY IS THE BEST INDICATOR OF CURRENT MARKET CONDITIONS

- **Inventory:** We include multi-tenant, single-tenant, and owner-occupied buildings greater than 15,000 SF to capture more market activity and provide historic comparisons without requiring special adjustments to inventory.
- **Product Types:** The Industrial category includes Warehouse, Distribution, and Manufacturing properties. The Flex category include all Flex property types.
- **Vacancy With Sublet:** Defined as Direct Vacancy + All Sublet Available (i.e. vacant and occupied).
- **Rents:** We report direct NNN rents on a trailing 12 month basis, enhancing CoStar listing data with Transwestern's proprietary research on new development and transactions. While our rents may be slightly lower compared to our competitors, we provide better insight and consistent results by sampling over 112 million SF.



SUBMARKETS

- | | | | | | |
|---|------------------|---|------------------|---|------------------|
| 1 | DFW Airport | 4 | Northeast Dallas | 7 | Great Southwest |
| 2 | South Stemmons | 5 | East Dallas | 8 | South Fort Worth |
| 3 | Northwest Dallas | 6 | South Dallas | 9 | North Fort Worth |

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