

BENEATH THE SURFACE

Decoding Dallas-Fort Worth's Industrial Vacancy

While vacancy will likely continue to rise in the Dallas-Fort Worth industrial market, it is not necessarily a true depiction of market conditions—increased vacancy is being driven by an oversupply of new inventory and big-box (500,000+ sf) product amidst a return to normalized demand.

This study examines the composition of current market conditions and how vacancy levels would change if all product under construction delivered at current preleasing levels.

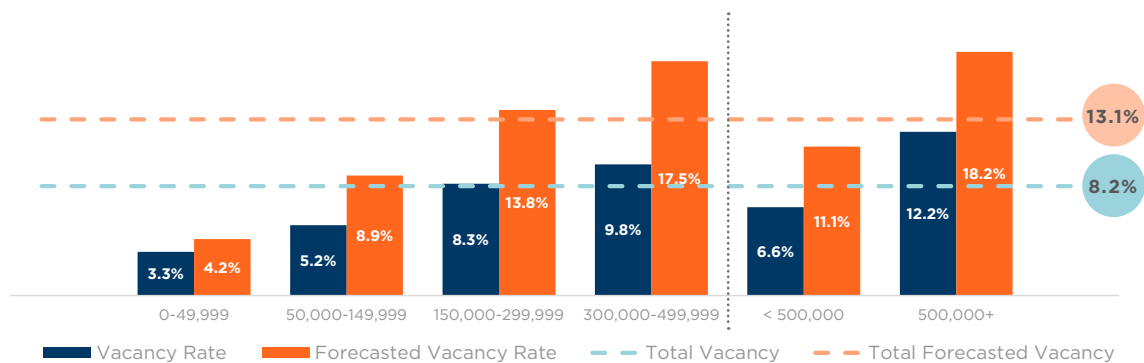


KEY TERMS

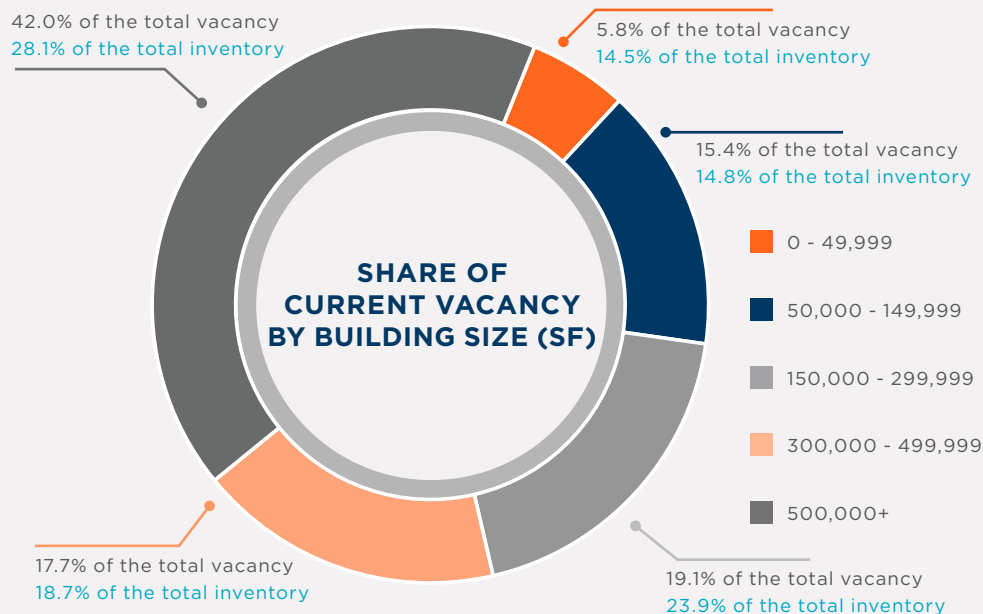
- Current Vacancy**
The total available product that is completely vacant, including spaces that have been leased by tenants who have not yet occupied.
- Forecast Vacancy**
The current vacancy, plus all space currently marketed as available in the near future (built and under construction). The forecast accounts for current preleasing in under construction and assumes no further leasing activity.

*Data as of 1/17/2024 and may not reflect Q4 2023 DFW MarketBeat

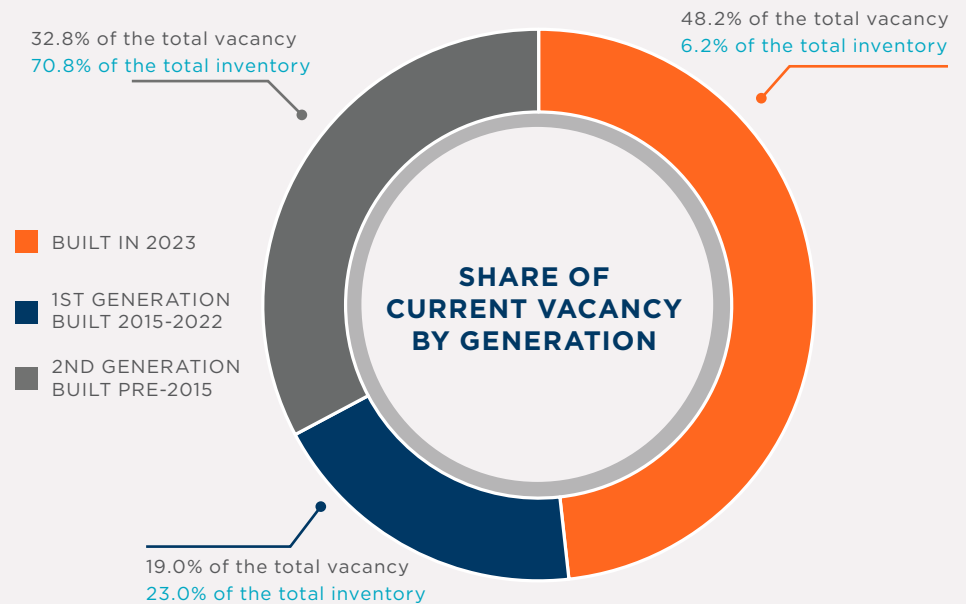
VACANCY BY BUILDING SIZE (SF)



The oversupply of new product becomes more apparent when analyzing properties by size range. Big-box product represents the only segment with a vacancy rate substantially higher than the market average. However, despite accounting for less than **30.0%** of the market's inventory, big-box properties accounted for more than **60.0%** of net absorption across DFW in 2023.

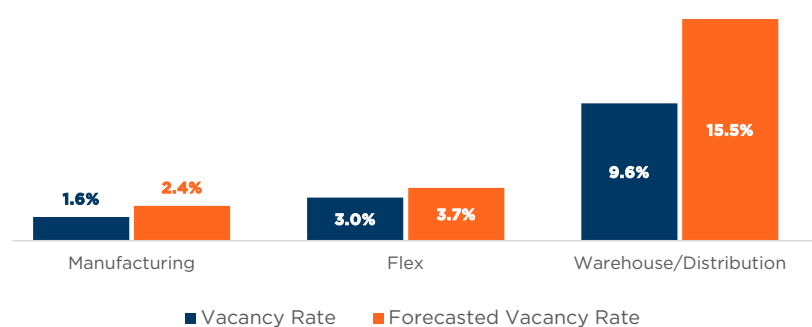


Based on size, big-box availabilities are the primary driver of the market's vacancy, making up **42.0%** of the total vacant space in the market. There are currently **53** big-box buildings with vacant space, accounting for **33.1 msf** of availability.



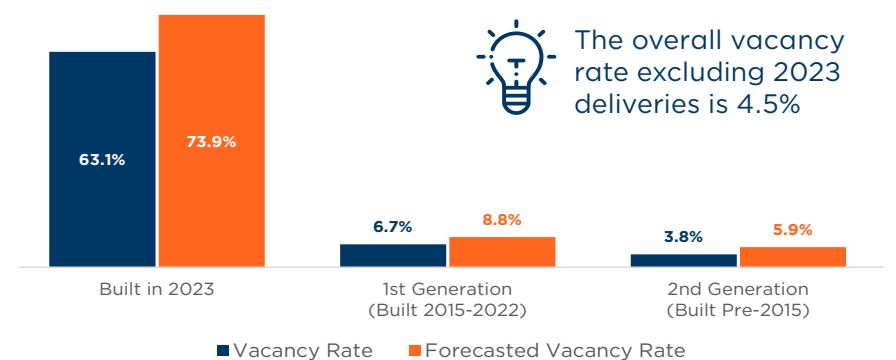
As new construction delivers and demand decreases, properties built in 2023 make up nearly half (**48.2%**) of the current vacancy. The oversupply of new buildings is responsible for **nearly doubling** the industrial market's total vacancy rate from 2022's historical lows.

VACANCY BY BUILDING TYPE



With **36.7 msf** of W/D construction underway, and no other property types with major projects under development, the vast majority of the industrial market's rise in vacancy rates can be **attributed to W/D**.

VACANCY BY GENERATION



The overall vacancy rate excluding 2023 deliveries is 4.5%

Buildings delivered in 2023, by far, have the highest vacancy. Recent years of increased deliveries were met with increased demand. As demand normalized and new deliveries continued to flood the market, **new construction** became the primary driver in increased vacancy.