

FIGURES | DALLAS/FORT WORTH INDUSTRIAL | Q1 2024

# New development tapers first quarter of the year

▲ 9.5%

Vacancy Rate

▼ 4M

SF Net Absorption

▼ 18M

SF Under Construction

▼ 14.7M

SF Delivered Construction

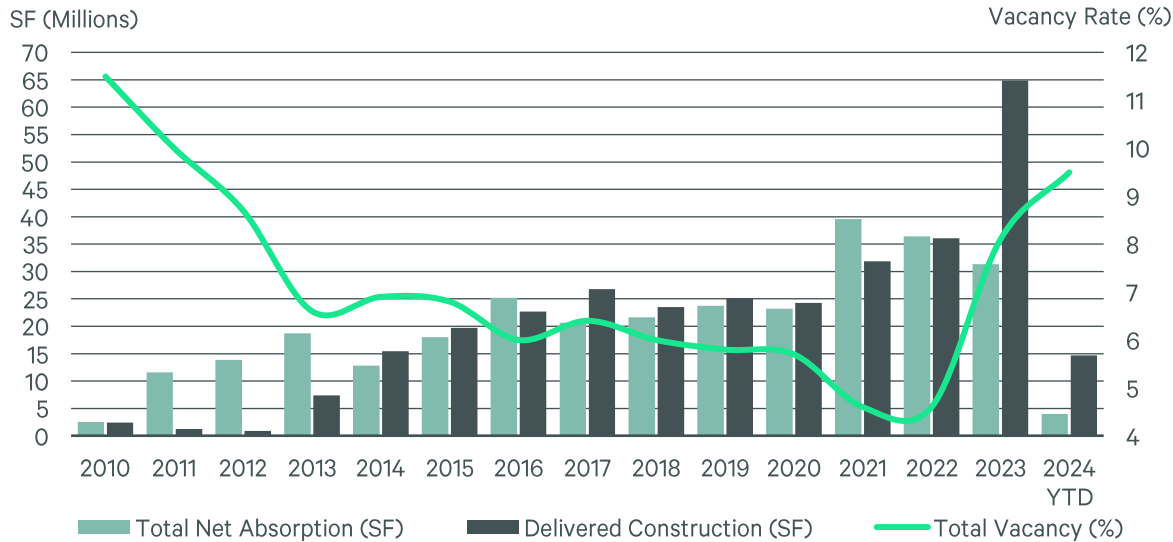
Note: Arrows indicate change from previous quarter.

## MARKET OVERVIEW

- Nearly 4 million sq. ft. of industrial space was absorbed by occupiers during Q1 2024.
- Q1 2024 deliveries totaled nearly 14.7 million sq. ft. and were 33.1% pre-leased.
- The construction pipeline receded during Q1 2024 and totaled 18 million sq. ft.
- The vacancy rate was up 140 basis points over the quarter, standing at 9.5%.

The first quarter of 2024 marked the 54<sup>th</sup> consecutive quarter, or nearly fourteen years, of positive net absorption for the Dallas/Fort Worth industrial market as 4 million sq. ft. of net absorption was tracked over the quarter. The trailing 12-month absorption total was 26.5 million sq. ft. Vacant deliveries were 765,800 sq. ft. higher than the amount of sq. ft. absorbed and the vacancy rate increased by 140 basis points to start the quarter at 9.5%, a peak in comparison to previous quarters. Even though the construction pipeline continues to recede, the abundance of vacant deliveries during the fourth quarter of 2023 coupled with this quarter, is one of the main contributing factors to such high vacancy. Whilst there is a copious amount of deliveries that remain vacant, significant leases signed will take occupancy within the upcoming months of 2024 as tenant demand continues to stay strong within Dallas/Fort Worth.

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



Source: CBRE Research, Q1 2024.

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 continued to recede

For five consecutive quarters, developers delivered more product than they kicked off with 14.7 million sq. ft. delivered and 1.8 million sq. ft. in new starts. Consequently, the total amount of under construction dropped from 30 million sq. ft. underway to 18 million sq. ft. in active construction. The preleased rate for under construction product decreased from 31.8% to 15.1% at the end of Q1 2024.

East Dallas had the highest concentration of speculative construction, at 4.1 million sq. ft. The second-highest concentration of speculative space was in South Dallas with 4 million sq. ft. of speculative space underway. At the end of Q1 2024, the two submarkets with the highest concentration of speculative space, were both 0% preleased. Preleased submarkets include DFW Airport at 0.7%, North Fort Worth at 29.2%, Northeast Dallas at 34.2%, Great Southwest/Arlington at 51.2%, South Stemmons at 54%, and lastly Southern DFW/287 at 75.2%.

Absorption continued at a solid pace

Almost 4 million sq. ft. was absorbed over the first quarter of 2024, bringing the amount of industrial space absorbed in Dallas/Fort Worth since Q4 2010 to 302.3 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 2023 Net Absorption	Q3 2023 Net Absorption	Q4 2023 Net Absorption	Q1 2024 Net Absorption	12 Month Net Absorption
Market					
DFW Airport	130,543	-124,539	-238,440	-1,143,212	-1,375,648
East Dallas	924,481	1,033,165	1,138,959	988,821	4,085,426
Northeast Dallas	666,320	-105,947	33,425	699,942	1,293,740
Northwest Dallas	1,111,949	-1,119,766	-37,939	255,222	209,466
South Dallas	2,664,915	1,083,564	4,914,837	2,106,057	10,769,373
South Stemmons	-334,188	769,221	-397,245	-1,024,813	-987,025
287 Corridor	60,936	56,711	495,076	882,391	1,495,114
Dallas Totals	5,224,956	1,592,409	5,908,673	2,764,408	15,490,446
Great Southwest/Arlington	199,217	535,311	-665,609	-616,775	-547,856
North Fort Worth	2,291,417	1,179,944	3,059,686	1,823,680	8,354,727
South Fort Worth	1,452,891	918,740	790,247	48,867	3,210,745
Fort Worth Totals	3,943,525	2,633,995	3,184,324	1,255,772	11,017,616
Market Totals	9,168,481	4,226,404	9,092,997	4,020,180	26,508,062

Source: CBRE Research, Q1 2024.

Manufacturing drove demand in Q1 2024

Manufacturing drove demand in Q1 2024. Of the 7.7 million sq. ft. in leasing activity tracked by CBRE Research over the quarter, 4.4 million sq. ft., or 56.6%, of activity was attributable to manufacturing. Other sectors, included 1.3 million sq. ft., or 17.1%. Rounding out the top three sectors, 3PLs accounted for 1.2 million sq. ft., or 14.9%, of leasing activity during the first quarter. CBRE Research is currently tracking 32 tenant requirements totaling over 16 million sq. ft. active in the market. This amount is in line with long-term tenant demand observed in Dallas/Fort Worth.

Since January 2024, there have been a total of 12 million sq. ft. in lease transactions signed within Dallas/Fort Worth. The top two submarkets were South Dallas accounting for 3.6 million sq. ft., or 30.3% of activity, and DFW Airport accounting for 2.3 million sq. ft., or 19.5% of activity. The next highest submarket for Q1 2024 lease transactions was Northeast Dallas, accounting for 1.1 million sq. ft., or 9.5% of activity.

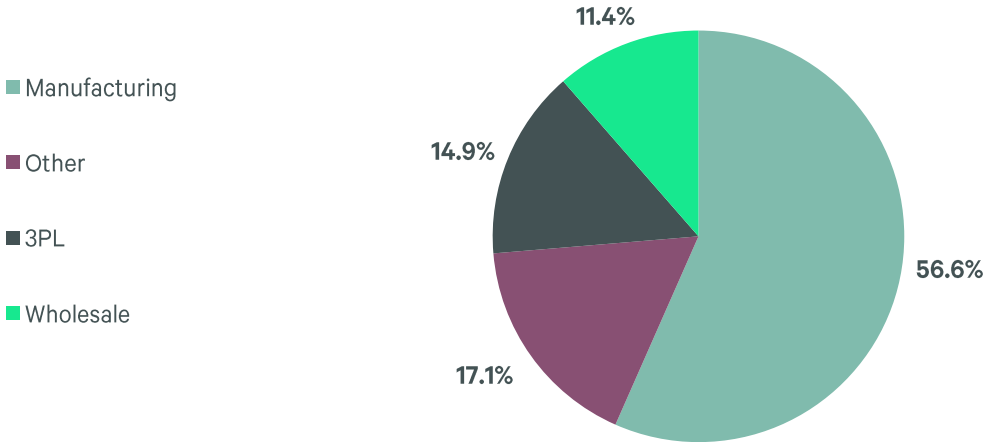
CBRE House View Economic Update

Continued economic growth paired with the Fed signaling more accommodative policy all suggests the U.S. economy is heading toward a ‘soft landing’. GDP growth should be less than half 2023’s pace when growth topped 3%. Reasons for the slowdown include a more prudent consumer and much weaker hiring. This latter issue is most acute within interest rate sensitive sectors, such as tech start-ups and goods manufacturing. Notable exceptions include investment in EV and microchip production capacity.

More caution from businesses means a good chunk of recent hiring came from publicly funded sectors (e.g., education, healthcare, state & local governments). A key exception is leisure & hospitality, driven by continued demand for discretionary services. With many private firms on the sidelines the job openings rate declining to 5.5% from its peak of 7.8% in 2022. This has also meant the pace of wage growth has cooled, but not enough to see inflation fall quickly to 2%. With unemployment remaining below 4% and high-capacity utilization, CPI is unlikely to return to target until 2025.

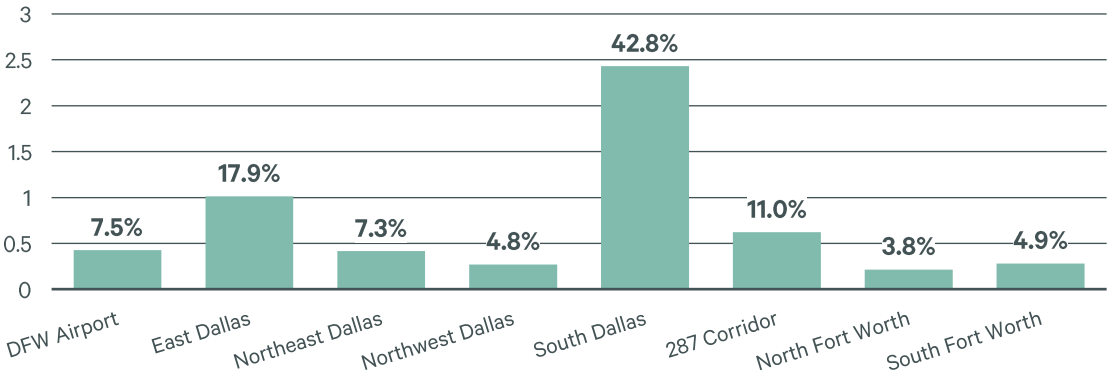
The Fed will likely make three, 25 basis point cuts this year. This outlook is putting downward pressure on longer-term rate expectations, providing some optimism for real estate capital markets, but the recovery will only begin after the first cut is delivered. Better than expected growth over the last 18 months has been helpful in holding real estate vacancy down, notably in the industrial, retail and multifamily sectors.

Figure 3: Q1 2024 Lease Transactions Over 100,000 Sq. Ft. by Tenant Industry



Source: CBRE Research, Q1 2024.

Figure 4: YTD 2024 Lease Transactions Over 100,000 Sq. Ft. by Submarket and Percent of Total Millions (\$F)



Source: CBRE Research, Q1 2024.

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	2024 Total	Active	Qtr. Deliveries	2024 Deliveries
Submarket												
DFW Airport	741	91,486,340	9.2	9,136,250	10.0	11.1	-1,251,544	-1,143,212	-1,143,212	2,165,989	981,053	981,053
East Dallas	732	56,296,864	5.7	9,448,508	16.8	17.4	905,588	988,821	988,821	4,103,296	1,869,746	1,869,746
Northeast Dallas	1,787	110,676,293	11.1	4,998,729	4.5	5.2	774,346	699,942	699,942	870,423	750,604	750,604
Northwest Dallas	1,556	123,953,870	12.4	9,275,343	7.5	8.0	-347,933	255,222	255,222	1,609,520	1,481,026	1,481,026
South Dallas	637	119,295,997	12.0	15,043,470	12.6	12.9	2,298,882	2,106,057	2,106,057	4,005,711	3,103,960	3,103,960
South Stemmons	2759	128,228,071	12.9	6,688,471	5.2	6.1	-937,990	-1,024,813	-1,024,813	629,526	0	0
287 Corridor	187	25,723,123	2.6	4,635,023	18.0	18.1	882,391	882,391	882,391	1,498,635	613,000	613,000
Dallas Totals	8,399	655,660,558	66	59,225,794	9.0	9.7	2,323,740	2,764,408	2,764,408	14,883,100	8,799,389	8,799,389
Great Southwest/Arlington	1,368	120,704,383	12.1	6,228,974	5.2	6.3	-270,377	-616,775	-616,775	981,296	415,563	415,563
North Fort Worth	789	133,745,077	13.4	16,693,594	12.5	12.5	1,039,136	1,823,680	1,823,680	1,480,471	4,373,543	4,373,543
South Fort Worth	1,539	86,170,924	8.6	6,382,688	7.4	7.6	70,967	48,867	48,867	633,222	1,091,513	1,091,513
Fort Worth Totals	3,696	340,620,384	34.2	29,305,256	8.6	9.1	839,726	1,255,772	1,255,772	3,094,989	5,880,619	5,880,619
Market Totals	12,095	996,280,942	100	88,531,050	8.9	9.5	3,163,466	4,020,180	4,020,180	17,978,089	14,680,008	14,680,008

Source: CBRE Research, Q1 2024.

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	2024 Total	Active	Qtr. Deliveries	2024 Deliveries
DFW Airport												
East DFW/Las Colinas	408	66,007,874	6.6	6,825,950	10.3	11.9	-523,572	-463,240	-463,240	1,983,006	645,652	645,652
West DFW/Grapevine	333	25,478,466	2.6	2,310,300	9.1	9.1	-727,972	-679,972	-679,972	182,983	335,401	335,401
DFW Airport Totals	741	91,486,340	9.2	9,136,250	10.0	11.1	-1,251,544	-1,143,212	-1,143,212	2,165,989	981,053	981,053
East Dallas												
Central East Dallas	408	17,643,933	1.8	2,406,086	13.6	13.7	8,984	8,984	8,984	0	0	0
East Dallas/Mesquite	308	29,712,833	3.0	3,513,655	11.8	13.0	412,730	495,963	495,963	690,537	955,436	955,436
Forney/Terrell	16	8,940,098	0.9	3,528,767	39.5	39.5	483,874	483,874	483,874	3,412,759	914,310	914,310
East Dallas Totals	732	56,296,864	5.7	9,448,508	16.8	17.4	905,588	988,821	988,821	4,103,296	1,869,746	1,869,746

Source: CBRE Research, Q1 2024.

Figure 7: Dallas Industrial Market Stats – Northeast Dallas and Northwest Dallas

	Inventory			Vacancy			Net Absorption			Construction		
	Bldg. Count	Total Sq. Ft.	% of Market	Direct Sq. Ft.	Direct %	Total %	Qtr. Direct	Qtr. Total	2024 Total	Active	Qtr. Deliveries	2024 Deliveries
Northeast Dallas												
Allen/McKinney	205	16,347,713	1.6	1,356,287	8.3	8.9	444,484	406,456	406,456	337,744	476,188	476,188
Northeast Dallas/Garland	858	51,455,061	5.2	1,540,338	3.0	3.4	498,826	471,946	471,946	353,926	0	0
Plano	367	21,498,914	2.2	1,214,242	5.6	6.6	-184,884	-204,780	-204,780	76,480	274,416	274,416
Richardson	301	17,181,507	1.7	796,238	4.6	5.8	15,920	26,320	26,320	102,273	0	0
Rockwall	56	4,193,098	0.4	91,624	2.2	2.2	0	0	0	0	0	0
Northeast Dallas Totals	1,787	110,676,293	11.1	4,998,729	4.5	5.2	774,346	699,942	699,942	870,423	750,604	750,604
Northwest Dallas												
Denton	197	18,159,302	1.8	3,847,242	21.2	21.3	388,246	388,246	388,246	1,609,520	899,770	899,770
Lewisville	283	34,864,561	3.5	1,577,566	4.5	4.7	-2,523	810,211	810,211	0	0	0
Metropolitan/Addison	430	19,757,502	2.0	1,538,697	7.8	8.8	-41,598	-212,143	-212,143	0	0	0
North Stemmons/Valwood	628	48,624,805	4.9	1,439,642	3.0	3.7	-692,058	-731,092	-731,092	0	0	0
NW Dallas Outlying	18	2,547,700	0.3	872,196	34.2	34.2	0	0	0	0	581,256	581,256
Northwest Dallas Totals	1,556	123,953,870	12.4	9,275,343	7.5	8.0	-347,933	255,222	255,222	1,609,520	1,481,026	1,481,026

Source: CBRE Research, Q1 2024.

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	2024 Total	Active	Qtr. Deliveries	2024 Deliveries
South Dallas												
Redbird Airport	194	21,816,829	2.2	1,334,354	6.1	6.2	-188,151	-188,151	-188,151	0	0	0
Southeast Dallas/I-45	325	78,541,543	7.9	13,306,333	16.9	17.2	2,677,351	2,617,351	2,617,351	4,005,711	3,103,960	3,103,960
Southwest Dallas/US 67	118	18,937,625	1.9	402,783	2.1	3.0	-190,318	-323,143	-323,143	0	0	0
South Dallas Totals	637	119,295,997	12.0	15,043,470	12.6	12.9	2,298,882	2,106,057	2,106,057	4,005,711	3,103,960	3,103,960
South Stemmons												
East Hines North	624	20,233,551	2.0	755,734	3.7	3.7	-328,038	-318,338	-318,338	0	0	0
East Brookhollow	187	7,906,312	0.8	333,008	4.2	4.2	-725	-725	-725	0	0	0
Eastern Lonestar/Turnpike	285	32,280,069	3.2	2,220,086	6.9	8.8	-242,441	-67,700	-67,700	196,996	0	0
North Trinity	367	9,709,002	1.0	576,485	5.9	6.4	-128,057	-128,074	-128,074	0	0	0
West Hines North	220	8,835,328	0.9	403,215	4.6	5.1	37,972	40,784	40,784	432,530	0	0
West Brookhollow	970	40,738,544	4.1	1,987,363	4.9	4.9	-282,701	-234,545	-234,545	0	0	0
Western Lonestar/Turnpike	106	8,525,265	0.9	412,580	4.8	8.6	6,000	-316,215	-316,215	0	0	0
South Stemmons Totals	2,759	128,228,071	12.9	6,688,471	5.2	6.1	-937,990	-1,024,813	-1,024,813	629,526	0	0

Source: CBRE Research, Q1 2024.

Figure 9: Fort Worth Industrial Market Stats – 287 Corridor and Great Southwest

	Inventory			Vacancy			Net Absorption			Construction		
	Bldg. Count	Total Sq. Ft.	% of Market	Direct Sq. Ft.	Direct %	Total %	Qtr. Direct	Qtr. Total	2024 Total	Active	Qtr. Deliveries	2024 Deliveries
287 Corridor												
Mansfield/Midlothian	169	17,892,274	1.8	4,180,023	23.4	23.5	882,391	882,391	882,391	0	613,000	613,000
Waxahachie/Ennis	18	7,830,849	0.8	455,000	5.8	5.8	0	0	0	1,498,635	0	0
287 Corridor Totals	187	25,723,123	2.6	4,635,023	18.0	18.1	882,391	882,391	882,391	1,498,635	613,000	613,000
Great Southwest												
Arlington	413	25,815,302	2.6	1,939,945	7.5	7.5	-33,715	-33,715	-33,715	0	374,893	374,893
Lower Great Southwest	432	39,403,722	4.0	1,651,218	4.2	5.4	-457,777	-534,677	-534,677	150,806	0	0
Upper Great Southwest	523	55,485,359	5.6	2,637,811	4.8	6.4	221,115	-48,383	-48,383	830,490	40,670	40,670
Great Southwest Totals	1,368	120,704,383	12.1	6,228,974	5.2	6.3	-270,377	-616,775	-616,775	981,296	415,563	415,563

Source: CBRE Research, Q1 2024.

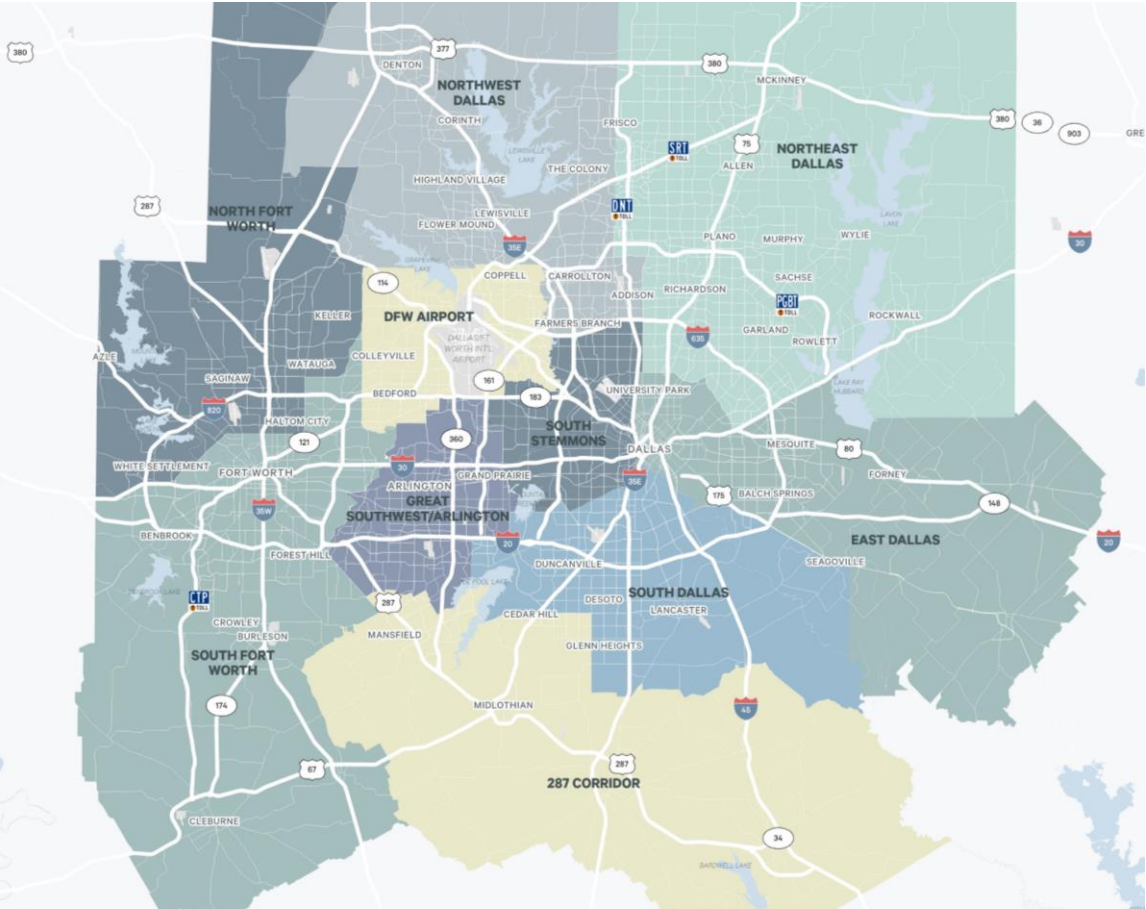


Figure 10: Fort Worth Industrial Market Stats – North Fort Worth and South Fort Worth

	Inventory			Vacancy			Net Absorption			Construction		
	Bldg. Count	Total Sq. Ft.	% of Market	Direct Sq. Ft.	Direct %	Total %	Qtr. Direct	Qtr. Total	2024 Total	Active	Qtr. Deliveries	2024 Deliveries
North Fort Worth												
Meacham Field/Fossil Creek	433	47,440,729	4.8	3,676,447	7.7	7.9	621,358	588,137	588,137	748,187	603,752	603,752
Northeast Tarrant/Alliance	288	79,735,705	8.0	10,869,032	13.6	13.6	274,488	1,092,253	1,092,253	0	3,556,218	3,556,218
West Tarrant	68	6,568,643	0.7	214,8115	32.7	32.7	143,290	143,290	143,290	732,284	213,573	213,573
North Fort Worth Totals	789	133,745,077	13.4	16,693,594	12.5	12.5	1,039,136	1,823,680	1,823,680	1,480,471	4,373,543	4,373,543
South Fort Worth												
Cleburne	10	2,791,400	0.3	328,177	11.8	11.8	100,000	100,000	100,000	0	100,000	100,000
East Fort Worth	642	25,665,809	2.6	1,200,777	4.7	4.8	-439,965	-439,965	-439,965	633,222	0	0
North Central Fort Worth	272	10,820,900	1.1	120,829	1.1	1.3	4,384	-15,216	-15,216	0	0	0
South Central Fort Worth	242	8,234,016	0.8	70,800	0.9	1.5	53,165	50,665	50,665	0	0	0
South Central Tarrant	299	35,798,106	3.6	3,682,641	10.3	10.4	354,933	354,933	354,933	0	991,513	991,513
Southwest Tarrant	74	2,860,693	0.3	979,464	34.2	34.2	-1,550	-1,550	-1,550	0	0	0
South Fort Worth Totals	1,539	86,170,924	8.6	6,382,688	7.4	7.6	70,967	48,867	48,867	633,222	1,091,513	1,091,513

Source: CBRE Research, Q1 2024.

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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