INVESTMENT FORECAST

Industrial

Dallas-Fort Worth

IPA INSTITUTIONAL PROPERTY ADVISORS

2022

Tenants and Investors Value Presence in Nation's Second-Largest Industrial Market Amid Bottlenecks

Access to transit nodes highlights leasing trends. The Metroplex benefits from a large and growing populace, in addition to an expansive list of companies based in the metro. The international airport and advanced intermodal facilities have also aided the area, which has become a hotspot for national distributors. These demand drivers have led to a growing number of leases being signed that involve assets containing 100,000-plus square feet. Beyond size requirements, firms will continue to emphasize location when choosing a facility, with recent leasing volume indicating a preference for space near transit hubs. The strongest net absorption has been along Interstate 35 in Tarrant County, as well as South Dallas. The array of larger floorplans here lures tenants with specific operating needs, while quick access to important interchanges and the Union Pacific intermodal facility also support leasing velocity in these locales. Additionally, local vacancy near Dallas Fort Worth International Airport is plummeting, highlighted by LifeScience Logistics taking on more than 1 million square feet last year.

Broad asset pool attracts diverse buyer crowd. Robust deal flow has lifted entry costs; however, the metro still has the lowest average sales price among major Texas markets. The plethora of inventory enables a wider list of investors to target the metro. Foreign buyers are active in northern areas, often pursuing warehouses and distribution centers with over 100,000 square feet. All of the northern submarkets recorded vacancy retreats of at least 110 basis points last year. The DFW Airport submarket, in particular, outperformed and reported a 560-basis-point drop, as well as asking rent growth that exceeded 18 percent. Deal flow also grew in South Dallas, where strong tenant demand tightened vacancy by 410 basis points. Here, investors can find prices below the Metroplex average.

2022 Market Forecast

Employment up 3.8% — Employers are set to grow payrolls by 150,000 jobs in 2022, building on the 190,000 roles added last year.

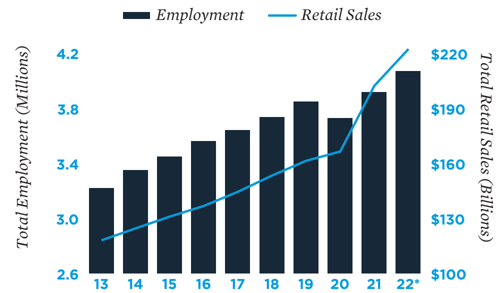
Construction 37 million sq. ft. — Completions will rise in 2022, surpassing the five-year trailing average by 10 million square feet. Limited available space that aligns with tenant needs makes new additions necessary.

Vacancy up 10 bps — While leasing trends in the metro have been very strong as of late, net absorption will fall just short of the large development schedule, resulting in an uptick in vacancy to 5.4 percent.

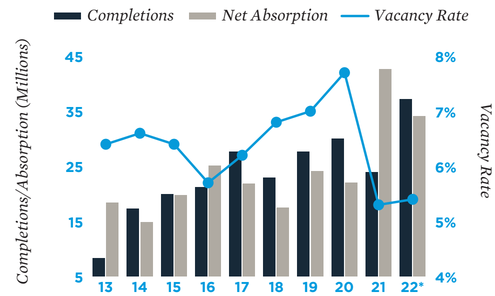
Rent up 7.5% — The addition of many state-of-the-art facilities to market stock and the high demand for these types of offerings raises the average asking rent to $7.35 per square foot by year-end.

Investment — Following the completion of an Amazon fulfillment center last summer, listings in Forney may pique investor interest; however, scant inventory will limit overall sales volume in the locale.

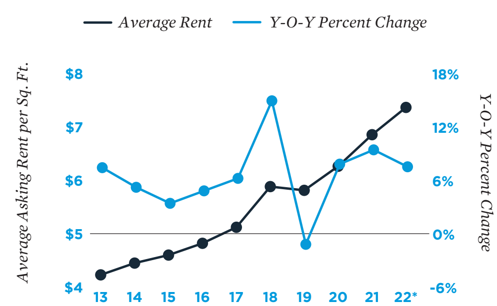
Economic Trends



Supply and Demand



Rent Trends



* Estimate; ** Forecast
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

Al Pontius
Senior Vice President
Director IPA Industrial
Tel: (415) 963-3000 | apontius@ipausa.com