

MARKETBEAT

Dallas / Fort Worth

Industrial Q3 2018



DALLAS INDUSTRIAL

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
DFW Employment	3.60M	3.72M	▲
DFW Unemployment	3.5%	3.5%	■
U.S. Unemployment	4.4%	3.9%	▼

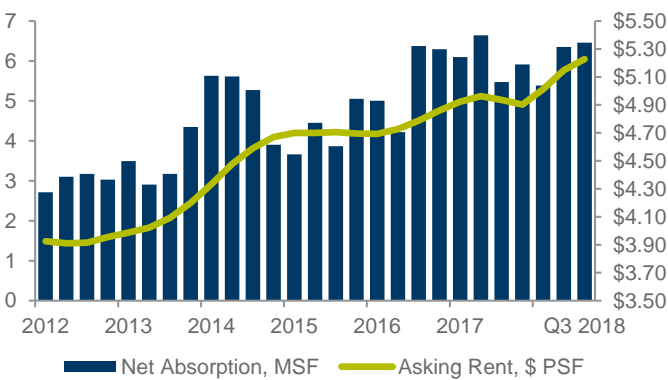
Market Indicators (Overall, All Property Types)

	Q3 17	Q3 18	12-Month Forecast
Vacancy	6.6%	6.9%	▼
Net Absorption (sf)	5.1M	5.6M	■
Under Construction (sf)	22.2M	19.1M	■
Average Asking Rent*	\$4.80	\$5.12	▲

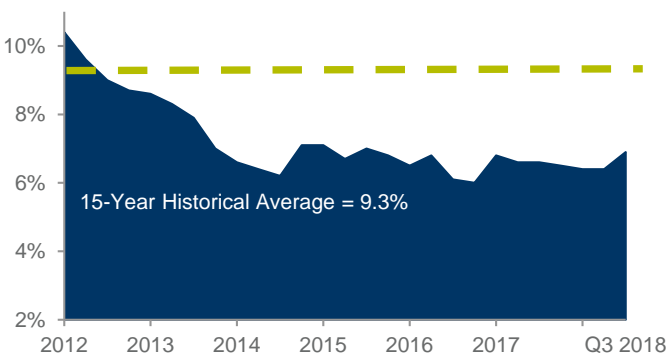
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Dallas-Fort Worth-Arlington economy continues to thrive, as population and employment growth persist. According to Moody's Analytics, the region's population increased by 142,000 year-over-year, equating to an average of 390 new residents per day. This brings the region's population total to 7.6 million people through the end of September. During the same time period, the Dallas-Fort Worth-Arlington employment base increased by 113,200. In contrast, the unemployment rate remained on par, increasing by less than 10 basis points (bps) to 3.5% at the close of Q3 2018. Out of the 113,200 jobs added, 34% (39,460 jobs) can be attributed to the industrial sector, which is comprised of goods-producing and trade, transportation, and utilities. The trade, transportation, and utilities category accounts for 61% of the entire industrial sector and is the leading indicator for the current demand of industrial space.

Market Overview

Supply and demand in the Dallas-Fort Worth industrial market remain elevated entering the fourth quarter of 2018, with no signs of slowing down. Industrial vacancy in the Dallas-Fort Worth market remained stable during the third quarter of 2018, posting a vacancy rate of 6.9%. Year-over-year, warehouse (6.9%) and manufacturing (2.3%) product continued to tighten, with vacancy dropping 10 bps and 70 bps, respectively. Despite 13.2 million square feet (msf) of year-to-date speculative product deliveries, continued strong absorption is keeping vacancy at equilibrium.

Dallas-Fort Worth's industrial market generated +5.6 (msf) of net absorption in Q3 2018, totaling 17.2 msf in occupancy gains year-to-date. The submarket that experienced the largest occupancy growth this quarter was South Dallas, with +2.4 msf during the third quarter. Much of this absorption (82%) can be attributed to Wayfair (874,560 sf) and Lindt (709,280 sf) occupying their newly built, build-to-suit (BTS) facilities, and VM Innovations (416,890 sf) occupying more than half of the CORE5 Logistics Center at Wintergreen. After the first three quarters of 2018, Great Southwest, South Dallas and DFW Airport lead the market in net absorption with +8 msf, +5.1 msf and +2 msf, respectively.

The DFW industrial market continues to exhibit sound fundamentals with strong demand totaling +17.2 msf of absorption through the first three quarters of the year. Although 2016 and 2017 were record years for absorption, we are on track to again exceed over 20+ msf in net occupancy gains for the fourth year in a row, a new record.

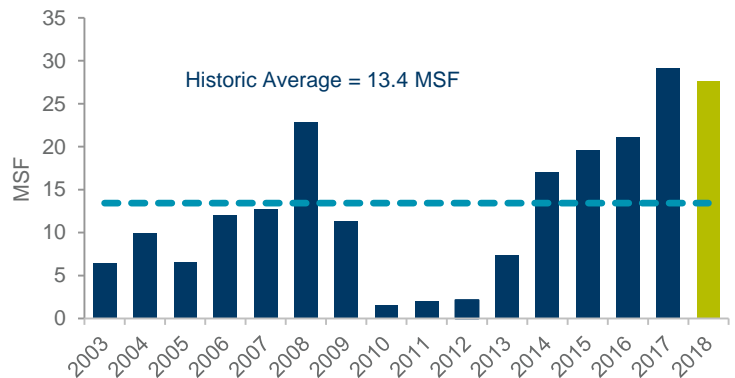
During the first three quarters of 2018, developers added over 19.7 msf of new product to the local inventory. Of year-to-date deliveries, 45% occurred during the third quarter. The South Dallas (7.6 msf) and Great Southwest (4.3 msf) submarkets lead in deliveries, accounting for a combined 61% of new product delivered through three quarters. Cushman & Wakefield is tracking an additional 19.1 msf of new supply under construction, of which nearly 70% is speculative product. Of this, about 41%, or 7.9 msf, is expected to deliver by year's end. The DFW Airport submarket leads DFW in construction activity with 6 msf of new supply in the pipeline, followed by Alliance (2.8 msf), Mesquite (2.4 msf) and Great Southwest (2.2 msf). Despite the high level of deliveries and construction activity, demand remains robust, with year-to-date leasing activity outpacing deliveries at 19.3 msf.

Outlook

- Cushman & Wakefield is currently tracking 7.9 msf of new industrial product slated to be delivered throughout the fourth quarter of 2018.
- In the short term, expect an uptick in vacancy with 19.7 msf of year-to-date new supply and an additional 19.1 msf in the pipeline. With over 27 msf of active requirements in the market, however, vacancy is likely to tighten in the long term.
- The market will see an increase in redevelopment projects, as a shortage of available land sites persists. Infill sites in or near most established industrial parks in North Texas are extremely limited.

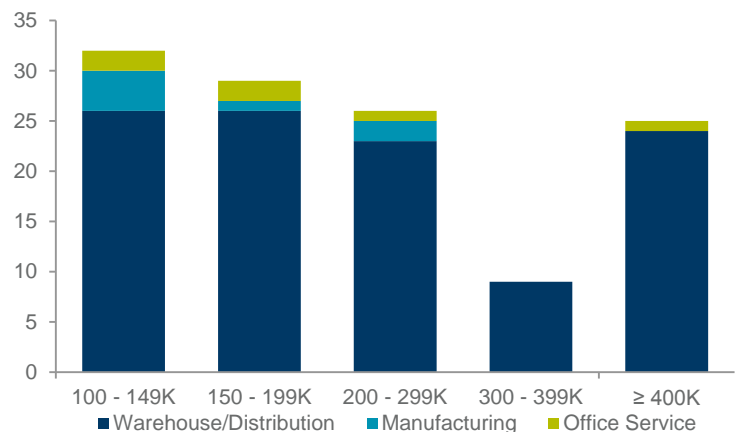
New Supply (msf)

NEW SUPPLY EXPECTED TO EXCEED THE HISTORICAL AVERAGE BY 105%



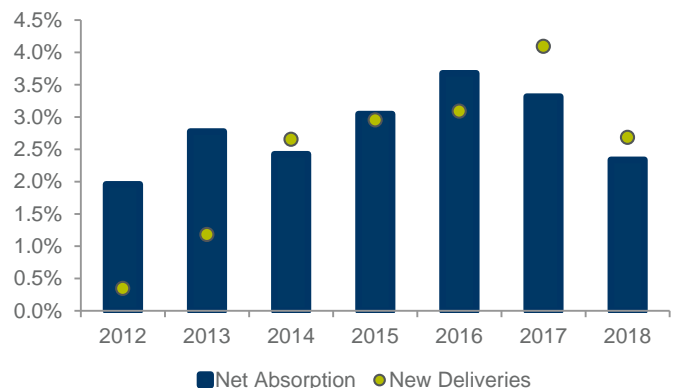
Large Block Space

BLOCKS OF AVAILABLE CONTIGUOUS SPACE



Net Absorption & New Deliveries (All Types, % of Inventory)

DEMAND IN LINE WITH SUPPLY IN DFW



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SUBMARKET	TOTAL BLDGS	INVENTORY	DIRECT VACANT	OVERALL VACANT	DIRECT VACANCY RATE	OVERALL VACANCY RATE	Q3 NET ABSORPTION	2018 NET ABSORPTION	UNDER CONSTRUCTION	2018 COMPLETIONS	OVERALL AVG. ASKING RENT*	DIRECT AVG. ASKING RENT
Allen/McKinney	80	7,661,057	200,933	209,488	2.6%	2.7%	0	140,000	0	140,000	\$7.70	\$7.19
Brookhollow/Trinity	889	48,802,343	1,007,618	1,031,334	2.1%	2.1%	0	20,578	0	0	\$8.50	\$8.58
Central Dallas	216	14,424,995	371,182	376,682	2.6%	2.6%	-10,325	-10,325	0	0	N/A	N/A
DFW Airport	554	80,746,568	4,839,744	5,117,593	6.0%	6.3%	880,172	2,078,442	6,012,072	1,433,921	\$6.90	\$6.88
Far North/I-35	213	18,449,923	711,611	745,111	3.9%	4.0%	121,109	205,648	632,249	380,229	\$5.87	\$6.02
Garland	536	44,720,350	2,829,758	3,394,961	6.3%	7.6%	98,950	453,186	249,097	789,400	\$4.24	\$4.67
Great Southwest	1017	111,244,429	6,760,165	6,951,716	6.1%	6.2%	1,269,528	8,033,751	2,194,929	4,321,251	\$4.86	\$4.91
Mesquite	179	17,997,954	1,892,478	1,892,478	10.5%	10.5%	147,539	-293,321	2,373,875	0	\$4.27	\$4.27
North Dallas/Metropolitan	335	19,367,912	1,245,268	1,273,092	6.4%	6.6%	-112,519	-385,365	0	0	\$6.73	\$6.75
Pinnacle/Turnpike	211	27,774,375	2,000,622	2,383,708	7.2%	8.6%	-213,187	-925,360	1,281,694	189,200	\$4.02	\$4.05
Redbird	204	22,284,459	860,161	860,161	3.9%	3.9%	52,553	-118,747	0	154,960	\$3.79	\$3.79
Richardson/Plano	484	36,456,549	2,280,073	2,383,898	6.3%	6.5%	207,610	306,601	248,515	284,908	\$9.80	\$10.01
Rockwall	34	2,729,554	4,066	4,066	0.1%	0.1%	0	0	0	0	\$10.24	\$10.24
South Dallas	231	52,734,130	11,024,024	11,024,024	20.9%	20.9%	2,438,836	5,167,866	938,688	7,641,715	\$3.66	\$3.66
Valwood/N Stemmons	551	50,597,930	2,074,598	2,227,482	4.1%	4.4%	750,010	879,154	803,445	235,900	\$5.42	\$5.49
Walnut Hill/Stemmons	482	22,165,365	514,508	522,008	2.3%	2.4%	15,775	-13,859	389,234	0	\$5.25	\$5.24
DALLAS TOTAL	6,216	578,157,893	38,616,809	40,397,802	6.7%	7.0%	5,646,051	15,538,249	15,123,798	15,571,484	\$5.15	\$5.11
Alliance	145	41,025,680	3,333,714	3,741,514	8.1%	9.1%	0	1,222,808	2,814,728	2,451,845	\$3.91	\$3.91
Central Fort Worth	298	16,008,482	281,306	281,306	1.8%	1.8%	0	-79,277	0	0	\$3.70	\$3.70
East Fort Worth	426	23,482,411	1,346,674	1,398,274	5.7%	6.0%	0	67,826	22,050	0	\$4.40	\$4.62
North Fort Worth	345	43,891,372	2,397,056	2,408,056	5.5%	5.5%	0	162,296	425,000	1,286,155	\$4.74	\$4.70
South Fort Worth	284	27,204,944	2,214,843	2,225,540	8.1%	8.2%	-89,441	150,559	754,585	308,061	\$4.13	\$4.13
West Fort Worth	77	4,344,345	374,036	423,236	8.6%	9.7%	0	90,000	0	90,000	\$7.33	\$7.33
FORT WORTH TOTAL	1,575	155,957,234	9,947,629	10,477,926	6.4%	6.7%	-89,441	1,614,212	4,016,363	4,136,061	\$4.35	\$4.60
DFW TOTAL	7,791	734,115,127	48,564,438	50,875,728	6.6%	6.9%	5,556,610	17,152,461	19,140,161	19,707,545	\$5.12	\$5.16

CLASSIFICATION	TOTAL BLDGS	INVENTORY	DIRECT VACANT	OVERALL VACANT	DIRECT VACANCY RATE	OVERALL VACANCY RATE	Q3 NET ABSORPTION	2018 NET ABSORPTION	UNDER CONSTRUCTION	2018 COMPLETIONS	OVERALL AVG. ASKING RENT*	DIRECT AVG. ASKING RENT
Manufacturing	649	80,488,418	1,383,162	1,762,502	2.2%	1.7%	40,280	1,436,198	381,507	1,300,693	\$4.20	\$4.99
Office Service Center/Flex	1,878	91,195,696	6,620,911	6,794,625	7.5%	7.3%	-2,675	185,598	598,410	269,500	\$9.01	\$9.05
Warehouse/Distribution	5,264	562,431,013	40,560,365	42,318,601	7.5%	7.2%	5,519,005	15,530,665	18,160,244	18,137,352	\$4.19	\$4.19
Total	7,791	734,115,127	48,564,438	50,875,728	6.6%	6.9%	5,556,610	17,152,461	19,140,161	19,707,545	\$5.12	\$5.16

*Rental rates reflect net asking \$psf/year

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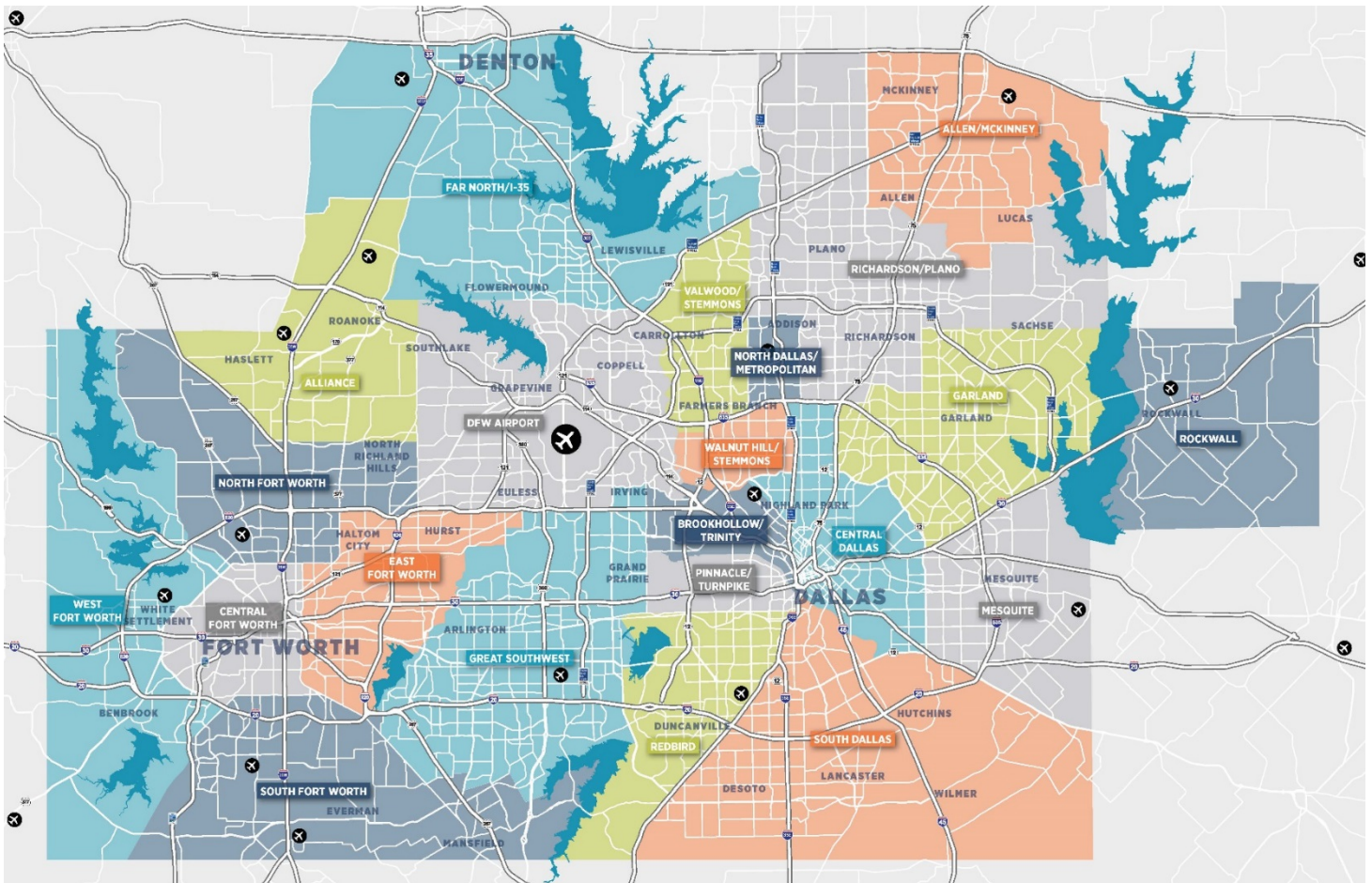
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INDUSTRIAL SUBMARKETS

DALLAS-FORT WORTH



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