

DALLAS INDUSTRIAL

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
DFW Employment	3.64M	3.74M	▲
DFW Unemployment	3.4%	3.5%	▼
U.S. Unemployment	4.1%	3.7%	▼

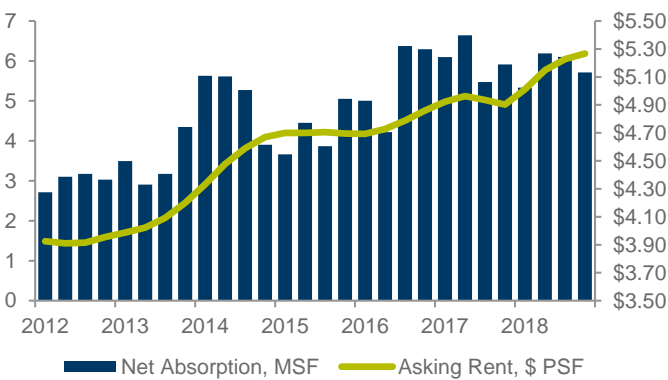
Market Indicators (Overall, All Property Types)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	6.5%	7.1%	▼
Net Absorption (sf)	8.6M	7.0M	■
Under Construction (sf)	19.3M	21.7M	■
Average Asking Rent*	\$4.89	\$5.04	▲

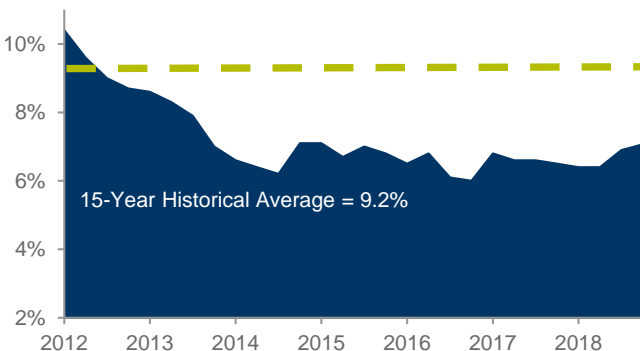
*Rental rates reflect net asking \$psf/year

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 141,000 year-over-year, reaching a population of 7.6 million residents through the end of December 2018, equating to an average of 390 new residents per day. During the same time period, the Dallas-Fort Worth-Arlington employment base increased by 97,000. The unemployment rate rose slightly, by 10 basis points (bps) to 3.5% at the close of Q4 2018. Out of the 97,000 jobs added, 20% (19,050 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 industrial space demand.

Market Overview

The Dallas-Fort Worth industrial market wrapped up 2018 with a slight increase in vacancy, posting a rate of 7.1%. This marks a 60 bps uptick from the 6.5% rate at the close of Q4 2017. Quarter-over-quarter, warehouse (7.7%) and manufacturing (2.3%) product experienced slight increases in vacancy, rising 20 bps and 10 bps, respectively. Since Q1 2018, Great Southwest (5.3%), South Fort Worth (4.8%) and Mesquite (10.1%) outperformed all other submarkets in occupancy growth, with vacancy dropping 310 bps, 200 bps, and 80 bps, respectively.

Throughout 2018, the market saw an addition of 26.9 million square feet (msf) of new product brought on-line. The warehouse/distribution (24.8 msf) classification made up nearly all of 2018 deliveries. Of the 87 projects completed, the average building size was 333,750 square feet (sf). South Dallas (8.8 msf), Great Southwest (5.0 msf) and Alliance (4.0 msf) experienced the bulk (66%) of the new developments this year. Cushman & Wakefield is currently tracking another 65 industrial projects under construction. This equates to more than 21.6 msf, 5.8 msf of which is expected to be completed by the end of Q1 2019. Approximately 4.6 msf of this product comes in the form of speculative projects. However, based on current demand, the overall vacancy rate is expected to experience only a small uptick for a quarter or two before it's absorbed.

Dallas-Fort Worth's industrial market closed out 2018 with 22.9 msf in occupancy growth. 2018 is the fourth year in a row that DFW has surpassed +20 msf of absorption, after reaching the milestone in 2015 for the first time in DFW history. Out of all product types, warehouse/distribution space recorded the greatest annual net gain, posting +20.9 msf of absorption for 2018. This robust growth accounts for 91% of the total absorption for the year. In each of the past nine quarters, absorption in the DFW metro area has exceeded +3.0 msf. Although move-ins exceeded move-outs in nearly all submarkets at the close of 2018, Great Southwest (+9.7 msf) and South Dallas (+6.4 msf) dominated with more than +16.1 msf of absorption for the year.

Although 2016 and 2017 were record years for absorption, DFW has exceed over 20+ msf in net occupancy gains for the fourth year in a row, a new record.

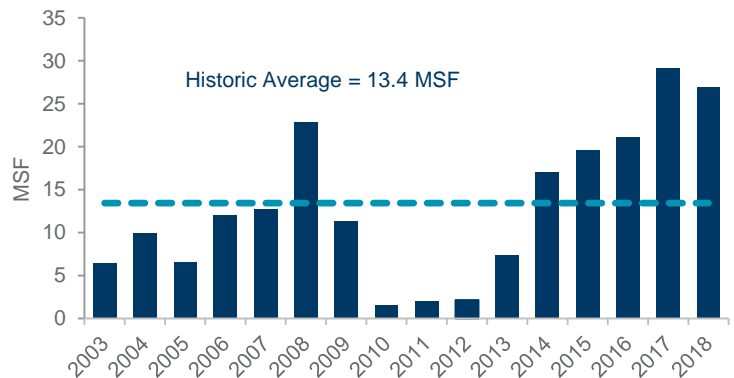
Asking lease rates remain stable in the DFW industrial market. The year concluded with an overall average asking rate of \$5.04 per square foot (psf), marking a 3.2% increase from the rate that was in place at the end of 2017 (\$4.89 psf). The manufacturing classification (\$3.98 psf) posted the largest year-over-year gain in DFW, increasing 5.8% in 2018. This is due to the limited supply of manufacturing space in DFW, which has allowed landlords/owners of these spaces to increase their rates.

Outlook

- Cushman & Wakefield is currently tracking 5.8 msf of new industrial product slated to be delivered in Q1 2019, up 7% from Q1 2018.
- Average asking rates should increase in 2019, due to a lack of available land for development within the in-fill submarkets and an abundance of new, well-equipped, premium space that is under construction.
- As traditional "brick-and-mortar" retailers continue to integrate e-commerce platforms, demand for warehouse/distribution space is expected to continue to increase.

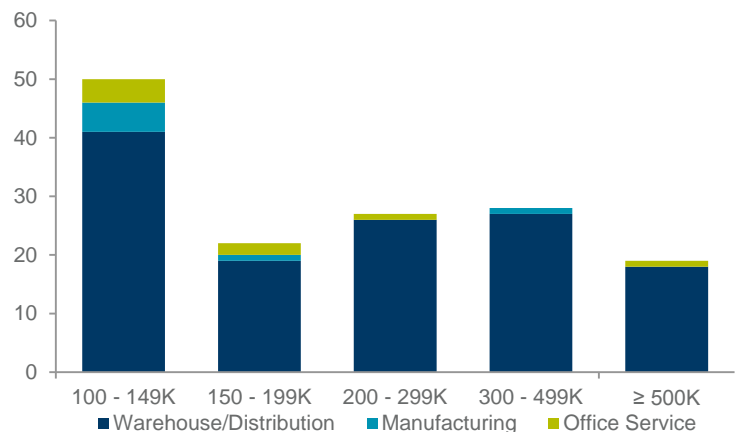
New Supply (msf)

NEW SUPPLY EXCEED THE HISTORICAL AVERAGE BY 200%



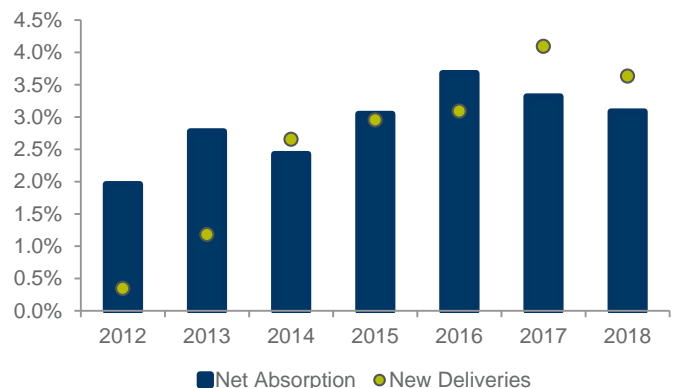
Large Block Space

BLOCKS OF AVAILABLE CONTIGUOUS SPACE



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

DEMAND IN LINE WITH SUPPLY IN DFW



MARKETBEAT

Dallas / Fort Worth Industrial Q4 2018



SUBMARKET	TOTAL BLDGS	INVENTORY	DIRECT VACANT	OVERALL VACANT	DIRECT VACANCY RATE	OVERALL VACANCY RATE	Q4 NET ABSORPTION	2018 NET ABSORPTION	UNDER CONSTRUCTION	2018 COMPLETIONS	OVERALL AVG. ASKING RENT*	DIRECT AVG. ASKING RENT
Allen/McKinney	82	7,976,779	509,177	517,732	6.4%	6.5%	0	147,478	30,954	455,722	\$6.53	\$6.30
Brookhollow/Trinity	889	48,802,343	926,710	950,426	1.9%	1.9%	11,983	134,008	0	0	\$8.37	\$8.45
Central Dallas	216	14,424,995	371,182	376,682	2.6%	2.6%	0	-10,325	0	0	N/A	N/A
DFW Airport	560	83,137,608	6,673,514	6,951,363	8.0%	8.4%	1,463,216	2,840,268	3,819,540	3,824,961	\$5.95	\$5.93
Far North/I-35	215	18,656,892	810,222	843,722	4.3%	4.5%	108,358	314,006	564,756	587,198	\$5.87	\$6.04
Garland	536	44,720,350	2,988,607	3,553,810	6.7%	7.9%	298,876	294,337	249,097	789,400	\$4.24	\$4.67
Great Southwest	1021	111,912,351	5,733,781	5,925,332	5.1%	5.3%	1,810,272	9,743,093	4,664,683	4,989,173	\$4.61	\$4.62
Mesquite	181	18,518,620	1,872,621	1,872,621	10.1%	10.1%	487,200	207,070	1,855,109	520,666	\$4.67	\$4.67
North Dallas/Metropolitan	335	19,367,912	1,301,628	1,329,452	6.7%	6.9%	-58,300	-441,725	0	0	\$6.93	\$6.94
Pinnacle/Turnpike	211	27,774,375	2,269,897	2,507,104	8.2%	9.0%	-225,235	-1,089,537	2,160,444	189,200	\$4.08	\$4.05
Redbird	204	22,284,459	588,461	588,461	2.6%	2.6%	271,700	152,953	0	154,960	\$4.09	\$4.09
Richardson/Plano	484	36,456,549	2,290,733	2,455,586	6.3%	6.7%	-74,817	234,913	738,740	284,908	\$9.68	\$9.95
Rockwall	34	2,729,554	4,066	4,066	0.1%	0.1%	0	0	650,000	0	\$10.24	\$10.24
South Dallas	234	53,922,486	11,010,952	11,010,952	20.4%	20.4%	1,201,428	6,369,294	1,312,850	8,830,071	\$3.65	\$3.65
Valwood/N. Stemmons	551	50,597,930	2,179,610	2,332,494	4.3%	4.6%	-47,987	591,408	803,445	235,900	\$5.40	\$5.46
Walnut Hill/Stemmons	482	22,165,365	523,718	531,218	2.4%	2.4%	-9,210	-23,069	389,234	0	\$5.23	\$5.22
DALLAS TOTAL	6,235	583,448,568	40,054,879	41,751,021	6.9%	7.2%	5,237,484	19,464,172	17,238,852	20,862,159	\$5.88	\$5.02
Alliance	149	42,560,908	4,508,386	4,916,186	10.6%	11.6%	360,556	1,583,364	2,487,055	3,987,073	\$3.96	\$3.96
Central Fort Worth	298	16,008,482	346,551	346,551	2.2%	2.2%	-65,245	-144,522	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	64,800	0	\$4.40	\$4.62
North Fort Worth	346	44,291,372	2,233,816	2,244,816	5.0%	5.1%	563,240	725,536	1,148,517	1,686,155	\$4.70	\$4.67
South Fort Worth	284	27,204,944	1,297,905	1,308,602	4.8%	4.8%	916,938	1,067,497	754,585	308,061	\$4.22	\$4.22
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	1,580	157,892,462	10,107,368	10,637,665	6.4%	6.7%	1,775,489	3,389,701	4,454,957	6,071,289	\$4.65	\$4.67
DFW TOTAL	7,815	741,341,030	50,162,247	52,388,686	6.8%	7.1%	7,012,973	22,853,873	21,693,809	26,933,448	\$5.05	\$5.08

CLASSIFICATION	TOTAL BLDGS	INVENTORY	DIRECT VACANT	OVERALL VACANT	DIRECT VACANCY RATE	OVERALL VACANCY RATE	Q4 NET ABSORPTION	2018 NET ABSORPTION	UNDER CONSTRUCTION	2018 COMPLETIONS	OVERALL AVG. ASKING RENT*	DIRECT AVG. ASKING RENT
Manufacturing	649	80,488,418	1,496,944	1,876,284	1.9%	2.3%	191,360	1,322,416	448,007	1,300,693	\$3.98	\$4.53
Office Service Center/Flex	1,881	91,710,696	6,612,546	6,802,390	7.2%	7.4%	459,298	692,833	83,410	784,500	\$9.03	\$9.09
Warehouse/Distribution	5,285	569,141,916	42,052,757	43,710,012	7.4%	7.7%	6,362,315	20,838,624	21,162,392	24,848,255	\$4.26	\$4.25
Total	7,815	741,341,030	50,162,247	52,388,686	6.8%	7.1%	7,012,973	22,853,873	21,693,809	26,933,448	\$5.05	\$5.08

*Rental rates reflect net asking \$psf/year

MARKETBEAT

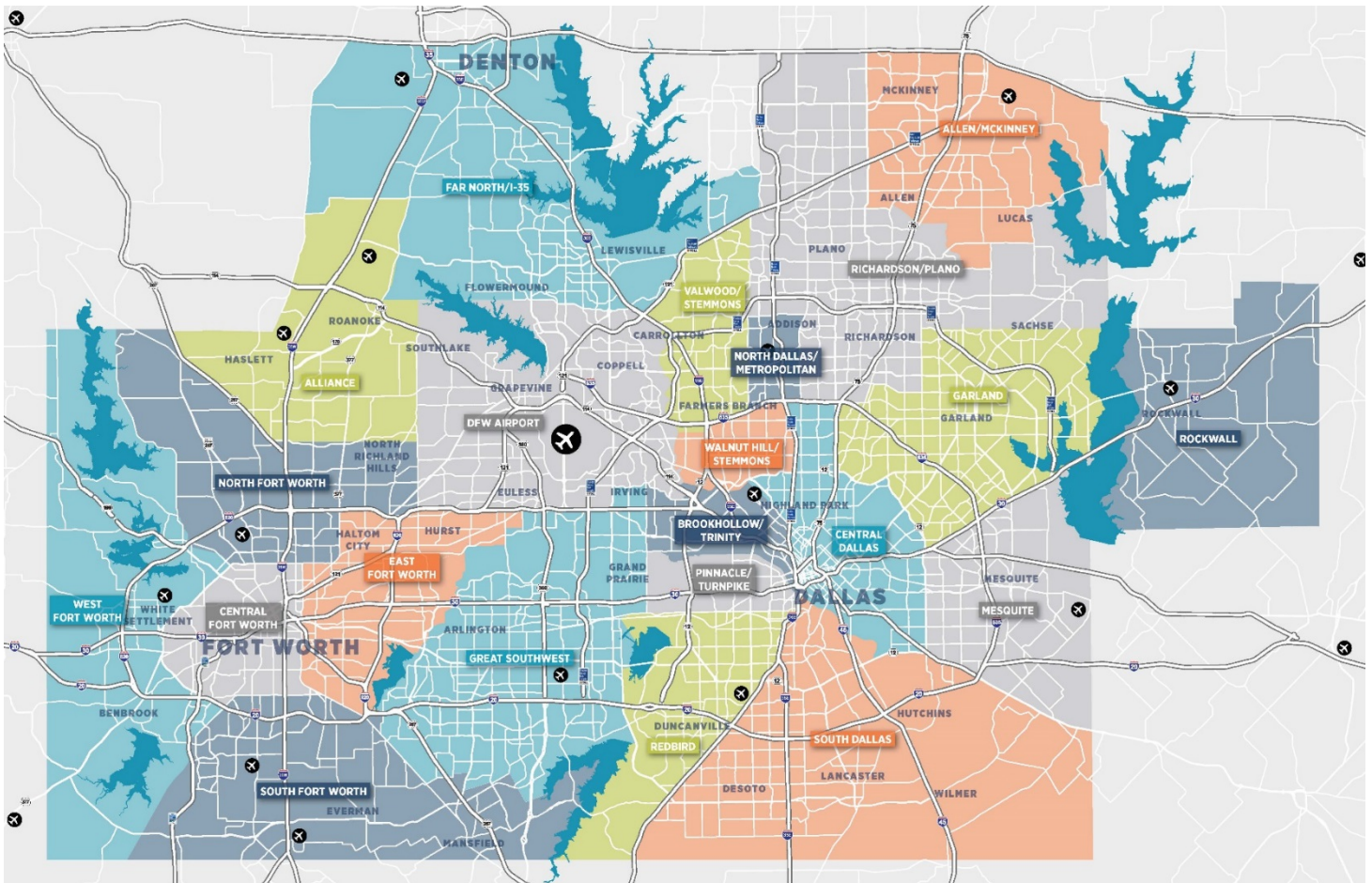
Dallas / Fort Worth

Industrial Q4 2018



INDUSTRIAL SUBMARKETS

DALLAS-FORT WORTH



For more information, contact:
Brett Fricke
Research Analyst
Tel: +1 972 663 9648
brett.fricke@cushwake.com

Cushman & Wakefield
2021 McKinney Ave.
Suite 900
Dallas, TX 75201

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. In 2017, the firm had revenue of \$6.9 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

Eleanor Skinner
Research Analyst
Tel: +1 972 663 9651
eleanor.skinner@cushwake.com

©2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.