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Metro: Dallas
Submarket: Farmers Branch



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Submarket Executive Briefing

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Section 1 - Executive Briefing on Submarket Conditions

Average Asking Rent \$5.09

- Flat since year-end 2019.
- Expected to finish 2020 at **\$4.90**.

Average Vacancy Rate 5.2%

- Drifted downward by 20 basis points. ✔
- Lowest level since year-end 2009.
- Expected to finish 2020 at **7.4%**.

Submarket Overview

The Farmers Branch submarket, one of fourteen distinct geographic concentrations within Dallas, contains 27.7 million market rate rental square feet, or 8.8% of the metro's total inventory of warehouse/distribution space. In the ten-year period beginning with Q2 2010, new additions to the submarket totaled 3.5 million square feet, amounting to an annualized inventory growth rate of 1.3%; over the same period, the metro growth rate has been 2.9%.

Asking and Effective Rent

Asking rents finished the first quarter of 2020 unchanged at an average of \$5.09, higher than nine of the metro's fourteen submarkets. Over the past four quarters, asking rents have climbed a total of 4.9%, up from \$4.85. The Farmers Branch submarket's current asking rent levels are higher than the metro's average of \$4.88, while asking rent growth in the first quarter compares unfavorably to the metro average of 0.4%. Effective rents, which exclude the value of concessions offered to prospective tenants, rose by 0.2% during the first quarter to an average of \$4.83.

Competitive Inventory, Employment, Absorption

Total employment in the Dallas metropolitan area increased by 2,700 jobs during the first quarter, while industrial employment contracted by 1,045. Since the beginning of Q2 2010, the average growth rate for industrial-using employment in Dallas has been 1.6% per year, representing the average annual addition of 5,400 jobs. Over the same time period, the metro posted an average annual absorption rate of 8.2 million square feet. During the first quarter, metropolitan absorption totaled 3.9 million square feet, of which the Farmers Branch submarket captured 53,000 square feet. Over the last four quarters, submarket absorption totaled 935,000 square feet, 71.2% greater than the average annual absorption rate of 546,000 square feet recorded since the beginning of Q2 2010. The submarket's average vacancy rate drifted downward by 20 basis points during the first quarter to 5.2%, which is 2.9 percentage points lower than the long-term average, and 6.3 percentage points lower than the current metro average.

Outlook

Between now and year's end, 234,000 square feet of competitive

warehouse/distribution stock will be introduced to the submarket, and Reis estimates that net total absorption will be negative 373,000 square feet. As a result, the vacancy rate will drift upward by 2.2 percentage points to 7.4%. During 2021 and 2022, developers are expected to deliver a total of 226,000 square feet of warehouse/distribution space to the submarket amounting to 3.6% of the new construction introduced to Dallas. Industrial employment growth at the metro level during 2021 and 2022 is anticipated to average 2.0% annually, enough to facilitate an absorption rate averaging 2.4 million square feet per year. The Farmers Branch submarket will claim a small fraction of this demand, posting absorption averaging 71,000 square feet per year, 3.0% of the projected metro total. Because this amount does not exceed the forecasted new construction, the submarket vacancy rate will rise by 20 basis points to finish 2022 at 7.6%. Between now and year-end 2020 asking rents are expected to decline -3.7% to a level of \$4.90, while effective rents will fall by -5.0% to \$4.59. On an annualized basis, asking and effective rents are anticipated to increase at a rate of 0.8% through year end 2022, reaching average rates of \$4.98 and \$4.66 per square foot, respectively.

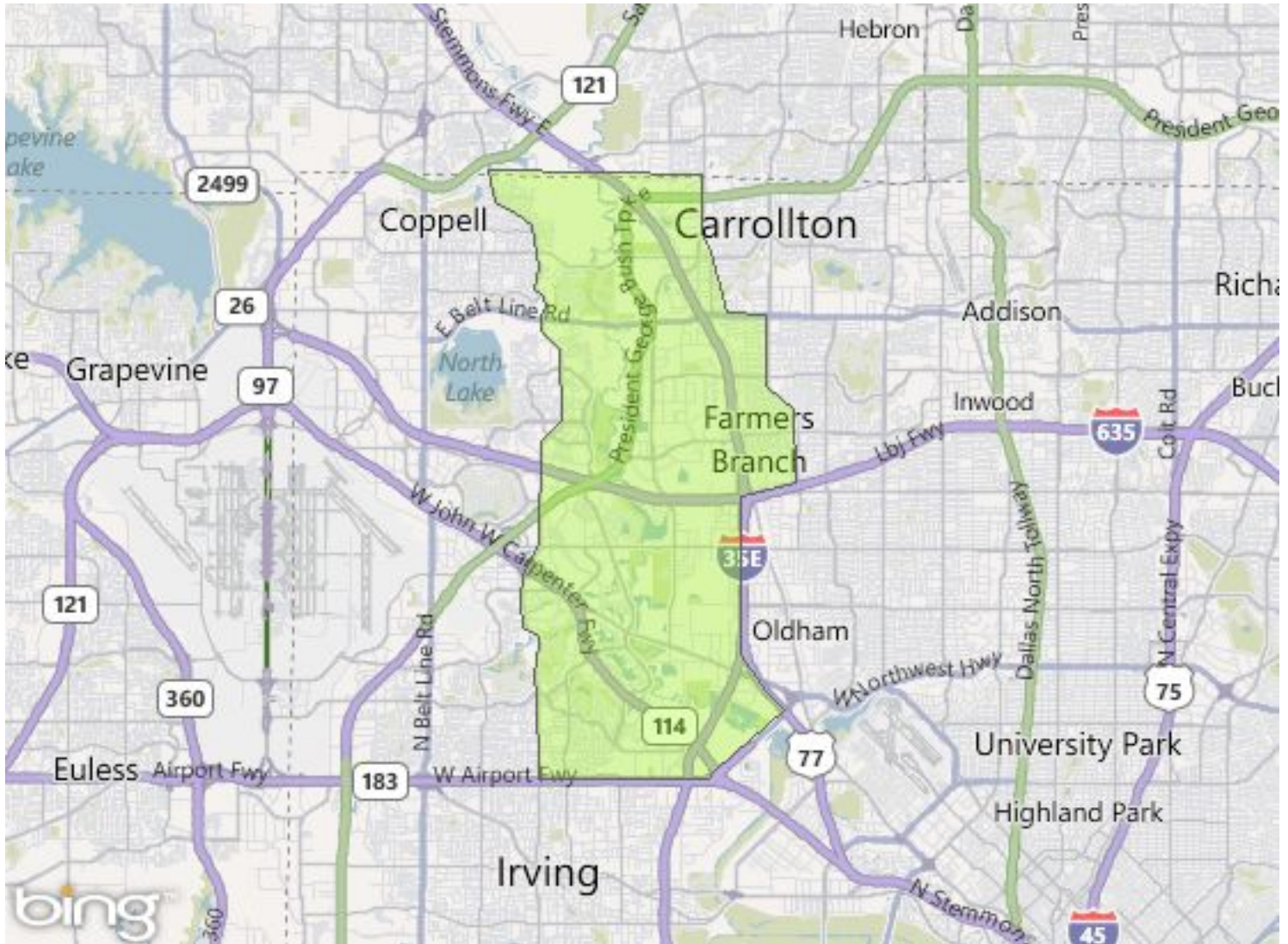
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Submarket Trend Futures



Section 2 - Submarket Area Map: Farmers Branch



Metro:Dallas Submarket:Farmers Branch

Highway 183 + West Airport Fwy
North MacArthur Blvd

Dallas County Border

Old Denton Rd + Josey Ln



Submarket Trend Futures

Prepared By Reis, Inc.

Warehouse/Distribution - 1st Quarter 2020

Metro: Dallas

Submarket: Farmers Branch

Section 3 - Submarket Trend Data

Year	Qtr	Inventory SF/Units	Completions	Inventory Growth%	Vacant Stock	Vacancy Rate	Vacancy Change(BPS)	Occupied Stock	Net Absorption	Asking Rent	Ask Rent % Chg
2015	Y	25,213,000	353,000	1.4%	1,725,000	6.8%	-110	23,488,000	604,000	\$ 4.31	1.9%
2016	Y	25,755,000	542,000	2.1%	1,865,000	7.2%	40	23,890,000	402,000	\$ 4.47	3.7%
2017	Y	26,371,000	616,000	2.4%	1,693,000	6.4%	-80	24,678,000	788,000	\$ 4.63	3.6%
2018	Q2	26,666,000	0	0.0%	1,515,000	5.7%	0	25,151,000	8,000	\$ 4.77	2.8%
2018	Q3	26,902,000	236,000	0.9%	1,708,000	6.4%	70	25,194,000	43,000	\$ 4.83	1.3%
2018	Q4	26,922,000	20,000	0.1%	1,529,000	5.7%	-70	25,393,000	199,000	\$ 4.86	0.6%
2018	Y	26,922,000	551,000	2.1%	1,529,000	5.7%	-70	25,393,000	715,000	\$ 4.86	5.0%
2019	Q1	27,073,000	151,000	0.6%	1,765,000	6.5%	80	25,308,000	-85,000	\$ 4.85	- 0.2%
2019	Q2	27,354,000	281,000	1.0%	1,729,000	6.3%	-20	25,625,000	317,000	\$ 4.98	2.7%
2019	Q3	27,354,000	0	0.0%	1,499,000	5.5%	-80	25,855,000	230,000	\$ 5.06	1.6%
2019	Q4	27,691,000	337,000	1.2%	1,501,000	5.4%	-10	26,190,000	335,000	\$ 5.09	0.6%
2019	Y	27,691,000	769,000	2.9%	1,501,000	5.4%	-30	26,190,000	797,000	\$ 5.09	4.7%
2020	Q1	27,691,000	0	0.0%	1,448,000	5.2%	-20	26,243,000	53,000	\$ 5.09	0.0%

Year	Qtr	Effective Rent	Eff Rent % Chg	Cons/Abs	Abs/Occ Stock%
2015	Y	\$ 4.05	2.0%	0.6	2.6%
2016	Y	\$ 4.21	4.0%	1.3	1.7%
2017	Y	\$ 4.37	3.8%	0.8	3.2%
2018	Q2	\$ 4.51	2.7%	0.0	0.0%
2018	Q3	\$ 4.56	1.1%	5.5	0.2%
2018	Q4	\$ 4.60	0.9%	0.1	0.8%
2018	Y	\$ 4.60	5.3%	0.8	2.8%
2019	Q1	\$ 4.57	- 0.7%	-1.8	- 0.3%
2019	Q2	\$ 4.70	2.8%	0.9	1.2%
2019	Q3	\$ 4.80	2.1%	0.0	0.9%
2019	Q4	\$ 4.82	0.4%	1.0	1.3%
2019	Y	\$ 4.82	4.8%	1.0	3.0%
2020	Q1	\$ 4.83	0.2%	0.0	0.2%

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About Reis

Reis provides commercial real estate market information and analytical tools to real estate professionals through its Reis Services subsidiary. Reis Services, including its predecessors, was founded in 1980. Reis maintains a proprietary database containing detailed information on commercial properties in metropolitan markets and neighborhoods throughout the U.S. The database contains information on apartment, office, retail, warehouse/distribution, flex/research & development, self storage, seniors housing properties and affordable housing, and is used by real estate investors, lenders and other professionals to make informed buying, selling and financing decisions. In addition, Reis data is used by debt and equity investors to assess, quantify and manage the risks of default and loss associated with individual mortgages, properties, portfolios and real estate backed securities. Reis currently provides its information services to many of the nation's leading lending institutions, equity investors, brokers and appraisers.