

Warehouse/Distribution

Plano/Allen/McKinney

📍 Dallas

🗺️ Southwestern Region

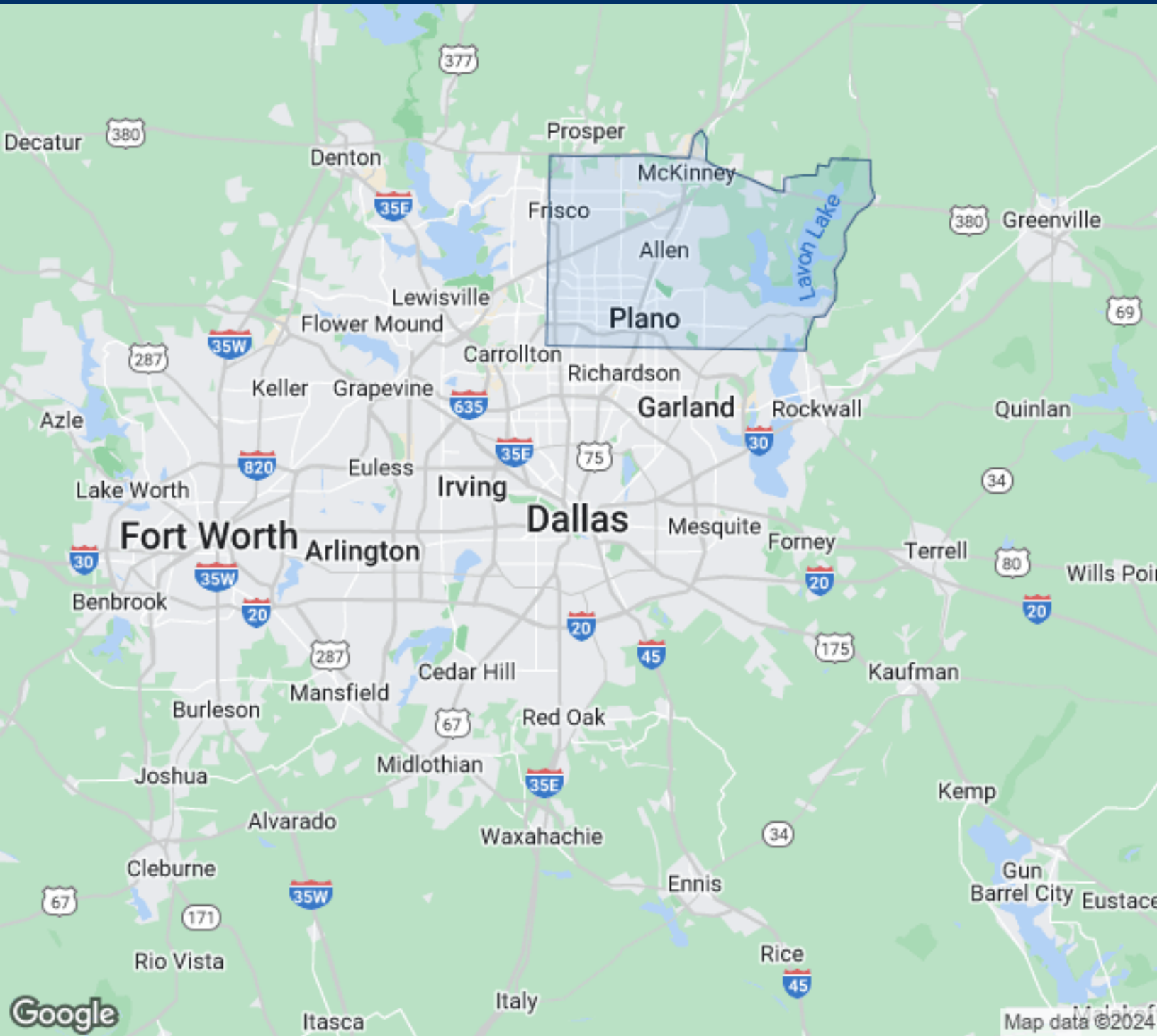
🇺🇸 United States

MOODY'S
ANALYTICS

CRE

REPORT GENERATED
January 2, 2024

DATA AS OF Q3 2023



Warehouse/Distribution

Plano/Allen/McKinney

Plano/Allen/McKinney

I. EXECUTIVE BRIEFING	6
II. OVERVIEW	8
Key Performance Indicators	8
Asking Rent and Vacancy Trends	8
Submarket Performance	9
Submarket Inventory	9
Scenarios: Asking Rent Per SF	10
Scenarios: Vacancy	11
Scenarios: Inventory	12
Annualized Construction/Absorption (Historical 1 Year and 3 Year)	12
Annualized Construction/Absorption (Historical 5 Year and Forecasted)	13
Quarterly Construction/Absorption (Current and Previous Quarters)	13
Quarterly Construction/Absorption (YTD)	13
Absorption Trends	14
New Construction Trends	15
III. PERFORMANCE	16
Performance By Vintage	16
Rent Distribution Benchmark (Per SF)	16
Asking Rent Distribution Per SF	17
Vacancy Distribution	17
IV. SUBMARKETS	18
CRE Fundamentals: REIS Rank, Asking Rent, Vacancy, Inventory	18
Concessions: CRD, Effective Rent, Expenses, Free Rent, Lease Term	19
V. NEW CONSTRUCTION	20
Top New Construction Projects By Size	20
Submarket Project Tally	21
Construction Deliveries	22

Plano/Allen/McKinney (cont.)

VI. TRANSACTIONS	23
Key Performance Indicators	23
Sales Trends	23
Sales Trends - Quarterly	24
10 Largest Transactions	24
10 Most Recent Transactions	25
VII. CLIMATE RISK	26
Highest Risk Category	26
Risk Categories	26
VIII. DEMOGRAPHICS	27
Employment and Population Growth	27
Employment Growth	27
Household Income Growth	28
Household Growth	28
IX. THE INSIGHT	29
Key Performance Indicators	29
Economic Overview	29

Plano/Allen/McKinney (cont.)

X. APPENDIX	32
Asking Rent and Vacancy Trends	32
Scenarios: Asking Rent Per SF	33
Scenarios: Vacancy	34
Scenarios: Inventory	35
Absorption Trends	36
Submarket Project Tally: Proposed And Planned	37
Submarket Project Tally: Under Construction	38
Submarket Project Tally: Complete	39
Construction Deliveries (In SF)	39
Sales Trends	40
Employment and Population	41
Households	41

I. EXECUTIVE BRIEFING

AVERAGE ASKING RENT **\$8.66/sqft**

AVERAGE VACANCY **6.5%**

(Published November 2023)

- Rent in the Plano/Allen/McKinney submarket was up 0.1% from October.
- Rent has risen in every month since May 2021 in the Plano/Allen/McKinney submarket.
- Vacancy in the Plano/Allen/McKinney submarket drifted downward by 20 basis points.
- The Plano/Allen/McKinney submarket had the lowest vacancy level since January 2023.

Submarket Overview

The Plano/Allen/McKinney submarket, one of fourteen distinct geographic concentrations within Dallas, contains 25.9 million market rate rental square feet, or 6.8% of the metro's total inventory of warehouse/distribution space. In the ten-year period beginning with Q4 2013, new additions to the submarket totaled 5.3 million square feet, amounting to an annualized inventory growth rate of 2.3%; over the same period, the metro growth rate has been 4.5%.

Asking and Effective Rent

During November, asking rents growth drifted upward 0.1%, bringing the average up to \$8.66, the highest observed across the metro's fourteen submarkets. The submarket has now experienced thirty consecutive monthly gains in asking rent, for a cumulative total of 22.5%. The Plano/Allen/McKinney submarket's November asking rent levels are higher than the metro's average of \$6.13, while asking rent growth in November compares unfavorably to the metro average of 0.2%. Effective rents, which exclude the value of concessions offered to prospective tenants, rose by 0.2% during November to an average of \$8.36.

Competitive Inventory, Employment, Absorption

Total employment in the Dallas metropolitan area grew by 23,700 jobs during the third quarter, while industrial employment expanded by 4,400. Since the beginning of Q4 2013, the average growth rate for industrial-using employment in Dallas has been 2.4% per year, representing the average annual addition of 8,400 jobs. Over the same time period, the metro posted an average annual absorption rate of 14.0 million square feet. During November, metropolitan absorption totaled 1.3 million square feet, of which the Plano/Allen/McKinney submarket captured 57,000 square feet. Over the last 12 months, submarket absorption totaled 674,000 square feet, 31.5% greater than the average annual absorption rate of 512,500 square feet recorded since the beginning of Q4 2013. The submarket's average vacancy rate drifted downward by 20 basis points during November to 6.5%, which is 1.7 percentage points lower than the long-term average, and 0.5 percentage points lower than the current metro average.

Executive Briefing (cont.)

Outlook

Reis is tracking warehouse/distribution construction activity that will deliver 347,000 square feet to the submarket by the end of the year, and net total absorption will be negative 23,000 square feet. Consequently, the vacancy rate will drift upward by 0.7 percentage points to 7.2%. During 2024 and 2025, developers are expected to deliver a total of 10.7 million square feet of warehouse/distribution space to the submarket amounting to 38.4% of the new construction introduced to Dallas. Industrial employment growth at the metro level during 2024 and 2025 is projected to average 0.6% annually, enough to facilitate an absorption rate averaging 13.2 million square feet per year. The Plano/Allen/McKinney submarket will benefit disproportionately from this growth rate, posting absorption averaging 4.3 million square feet per year, 32.5% of the projected metro total. Because this amount does not exceed the forecasted new construction, the submarket vacancy rate will rise by 370 basis points to finish 2025 at 10.9%. Between now and year-end 2023 asking rents are expected to advance 0.8% to a level of \$8.73, while effective rents will rise by 0.1% to \$8.37. Thereafter, Reis projects that asking rent growth will accelerate to an annualized average of 6.0% during 2024 and 2025 to reach a level of \$9.80 per square foot. Effective rents are anticipated to climb at the more modest rate of 5.2%, as landlords sweeten the concessions packages offered to new tenants.

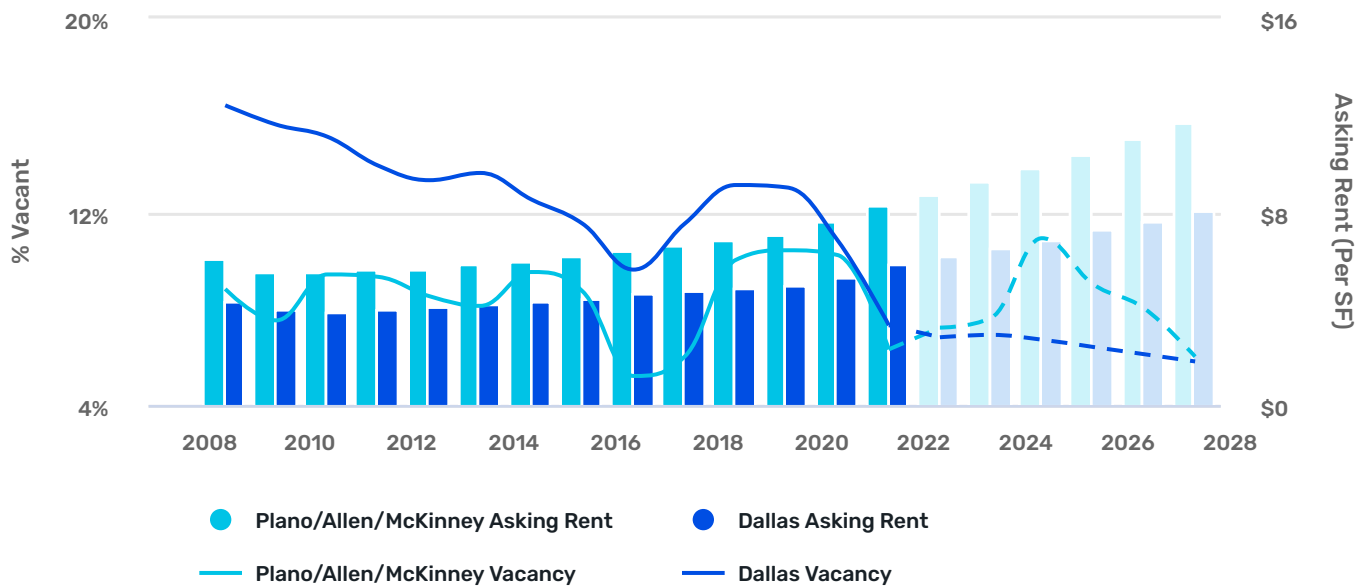
II. OVERVIEW

Key Performance Indicators

<p>Effective Rent PER SF</p> <p>\$8.31</p> <p>↑ from 1.3% Q2 2023</p>	<p>Vacancy Rate</p> <p>7.1%</p> <p>↑ from 30 Q2 2023</p>	<p>Income Growth PER HOUSEHOLD</p> <p>0.9%</p> <p>↑ vs 0.9% national</p>	<p>Job Growth</p> <p>0.8%</p> <p>↑ vs 0.4% national</p>
--	---	---	--

Asking Rent and Vacancy Trends

[View Full Table in Appendix](#)



Year	Plano/Allen/McKinney		Dallas	
	Asking Rent per SF	Vacancy Rate %	Asking Rent per SF	Vacancy Rate %
2023	\$8.73	7.2%	\$6.19	6.8%
2024	\$9.29	7.6%	\$6.55	6.9%
2025	\$9.80	10.9%	\$6.87	6.7%
2026	\$10.42	9.0%	\$7.25	6.4%
2027	\$11.06	8.0%	\$7.65	6.1%
2028	\$11.75	6.0%	\$8.09	5.8%

Submarket Performance

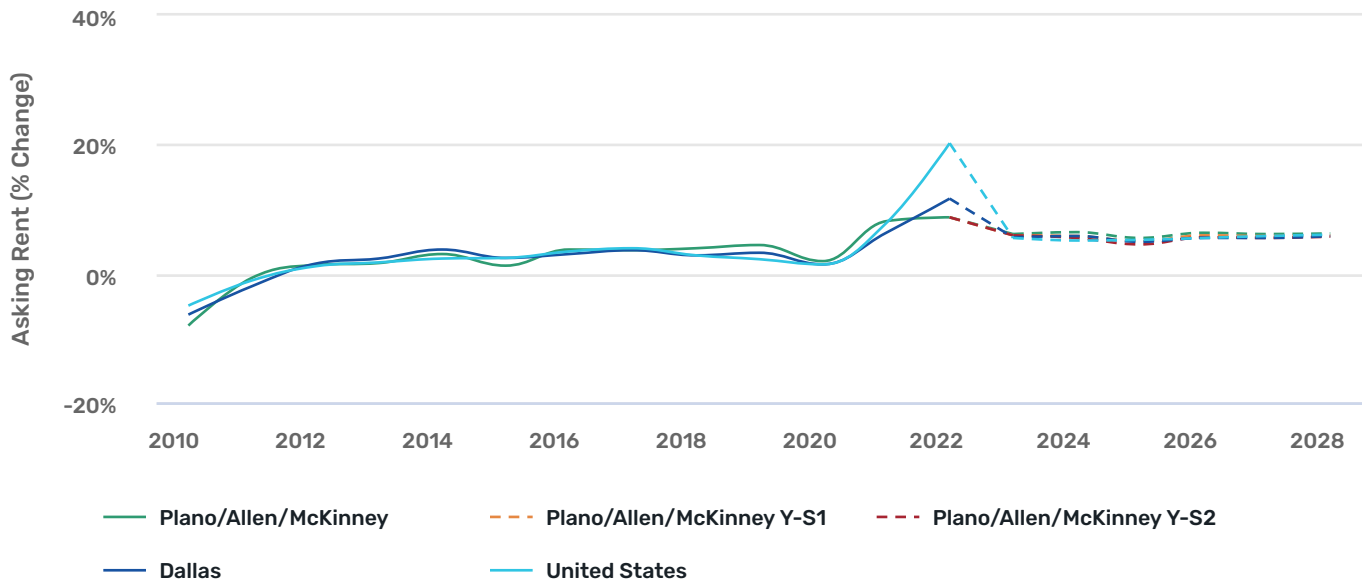
Year	Quarter	Asking Rent Per SF	Asking Rent % Change	Effective Rent Per SF	Effective Rent % Change	% Vacant	% Vacant Change in BPS
2020	Q1	\$6.96	1.0%	\$6.52	1.7%	9.5%	-50
2020	Q2	\$6.95	-0.1%	\$6.50	-0.3%	9.7%	20
2020	Q3	\$6.97	0.3%	\$6.52	0.3%	9.6%	-10
2020	Q4	\$7.02	0.7%	\$6.59	1.1%	10.4%	80
2020	Y	\$7.02	1.9%	\$6.59	2.8%	10.4%	40
2021	Q1	\$7.07	0.7%	\$6.63	0.6%	11.8%	140
2021	Q2	\$7.13	0.8%	\$6.72	1.4%	11.3%	-50
2021	Q3	\$7.31	2.5%	\$6.92	3.0%	11.3%	0
2021	Q4	\$7.59	3.8%	\$7.22	4.3%	10.2%	-110
2021	Y	\$7.59	8.1%	\$7.22	9.6%	10.2%	-20
2022	Q1	\$7.78	2.5%	\$7.43	2.9%	8.5%	-170
2022	Q2	\$7.93	1.9%	\$7.58	2.0%	8.0%	-50
2022	Q3	\$8.10	2.1%	\$7.81	3.0%	6.1%	-190
2022	Q4	\$8.25	1.9%	\$7.95	1.8%	6.3%	20
2022	Y	\$8.25	8.7%	\$7.95	10.1%	6.3%	-390
2023	Q1	\$8.39	1.7%	\$8.09	1.8%	6.8%	50
2023	Q2	\$8.52	1.5%	\$8.20	1.4%	6.8%	0
2023	Q3	\$8.63	1.3%	\$8.31	1.3%	7.1%	30

Submarket Inventory

Year	Quarter	Inventory Per SF	Completions Per SF	Inventory % Growth	Vacant Stock In SF	Occupied Stock In SF	Net Absorption In SF
2020	Q1	22,535,000	227,000	1.0%	2,149,000	20,386,000	319,000
2020	Q2	22,535,000	0	0.0%	2,180,000	20,355,000	-31,000
2020	Q3	22,655,000	120,000	0.5%	2,165,000	20,490,000	135,000
2020	Q4	23,394,000	739,000	3.3%	2,433,000	20,961,000	471,000
2020	Y	23,394,000	1,086,000	4.9%	2,433,000	20,961,000	894,000
2021	Q1	23,831,000	437,000	1.9%	2,814,000	21,017,000	56,000
2021	Q2	24,024,000	193,000	0.8%	2,709,000	21,315,000	298,000
2021	Q3	24,516,000	492,000	2.0%	2,771,000	21,745,000	430,000
2021	Q4	25,015,000	499,000	2.0%	2,557,000	22,458,000	713,000
2021	Y	25,015,000	1,621,000	6.9%	2,557,000	22,458,000	1,497,000
2022	Q1	25,157,000	142,000	0.6%	2,131,000	23,026,000	568,000
2022	Q2	25,157,000	0	0.0%	2,004,000	23,153,000	127,000
2022	Q3	25,157,000	0	0.0%	1,543,000	23,614,000	461,000
2022	Q4	25,157,000	0	0.0%	1,594,000	23,563,000	-51,000
2022	Y	25,157,000	142,000	0.6%	1,594,000	23,563,000	1,105,000
2023	Q1	25,573,000	416,000	1.7%	1,746,000	23,827,000	264,000
2023	Q2	25,649,000	76,000	0.3%	1,755,000	23,894,000	67,000
2023	Q3	25,916,000	267,000	1.0%	1,840,000	24,076,000	182,000

Scenarios: Asking Rent Per SF

[View Full Table in Appendix](#)



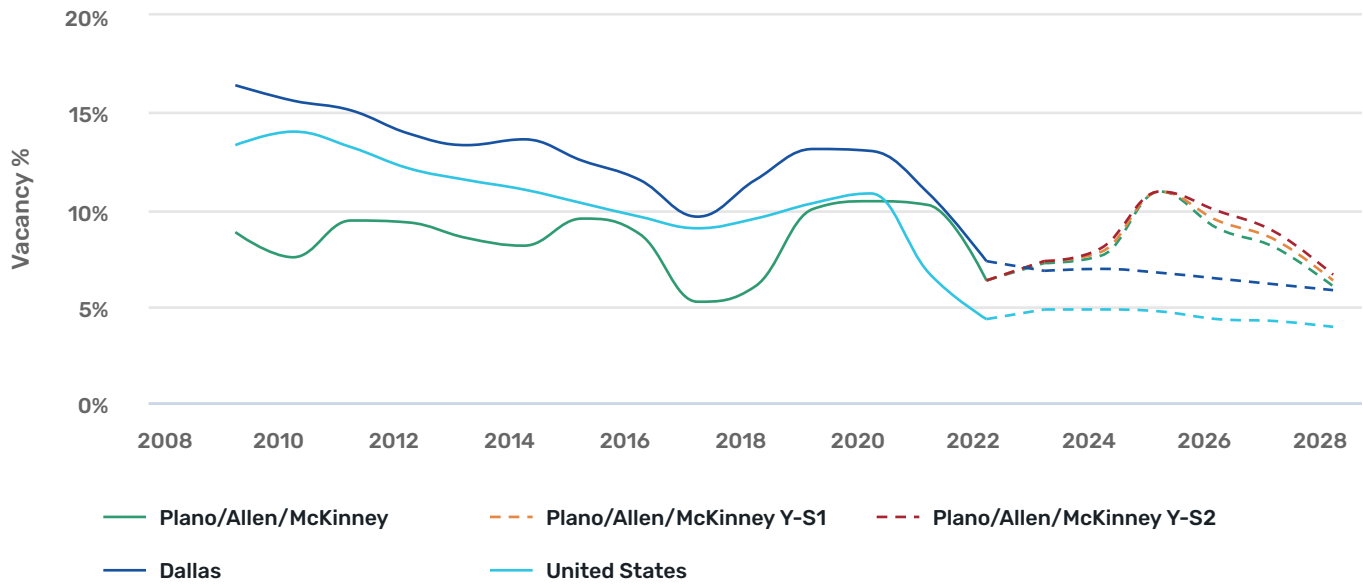
Year	Plano/Allen/McKinney			Dallas	United States
	% Change	S1 - % Change ¹	S2 - % Change ²	% Change	% Change
2024	6.4%	5.8%	5.5%	5.8%	5.1%
2025	5.5%	5.0%	4.5%	4.9%	5.2%
2026	6.3%	5.9%	5.6%	5.5%	5.5%
2027	6.1%	5.8%	5.5%	5.5%	5.8%
2028	6.2%	5.9%	5.7%	5.8%	6.0%

1: Y-S1 is Moody's Analytics CRE "downside scenario 1". That corresponds to, and is consistent with, Moody's Analytics "Downside - 90th Percentile (S3)".

2: Y-S2 is Moody's Analytics CRE "downside scenario 2". That corresponds to, and is consistent with, Moody's Analytics "Downside - 96th Percentile (S4)".

Scenarios: Vacancy

[View Full Table in Appendix](#)



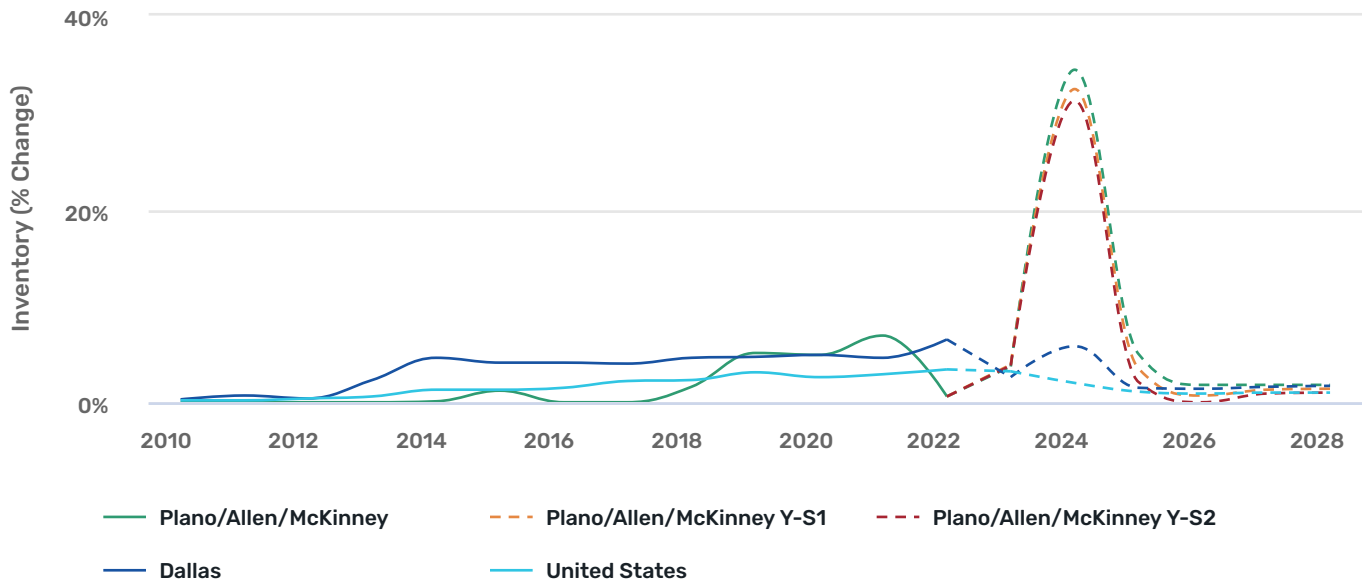
Year	Plano/Allen/McKinney			Dallas	United States
	% Vacant	S1 - % Vacant ¹	S2 - % Vacant ²	% Vacant	% Vacant
2024	7.6%	7.8%	8.0%	6.9%	4.8%
2025	10.9%	10.9%	10.9%	6.7%	4.7%
2026	9.0%	9.4%	9.9%	6.4%	4.3%
2027	8.0%	8.4%	8.8%	6.1%	4.2%
2028	6.0%	6.3%	6.6%	5.8%	3.9%

1: Y-S1 is Moody's Analytics CRE "downside scenario 1". That corresponds to, and is consistent with, Moody's Analytics "Downside - 90th Percentile (S3)".

2: Y-S2 is Moody's Analytics CRE "downside scenario 2". That corresponds to, and is consistent with, Moody's Analytics "Downside - 96th Percentile (S4)".

Scenarios: Inventory

[View Full Table in Appendix](#)



Year	Plano/Allen/McKinney			Dallas	United States
	% Change	S1 - % Change ¹	S2 - % Change ²	% Change	% Change
2024	34.4%	32.4%	31.2%	5.8%	2.0%
2025	5.0%	3.5%	2.1%	1.5%	1.1%
2026	1.8%	0.7%	0.0%	1.4%	0.9%
2027	1.8%	1.3%	0.9%	1.6%	1.0%
2028	1.8%	1.4%	1.0%	1.7%	1.0%

1: Y-S1 is Moody's Analytics CRE "downside scenario 1". That corresponds to, and is consistent with, Moody's Analytics "Downside - 90th Percentile (S3)".

2: Y-S2 is Moody's Analytics CRE "downside scenario 2". That corresponds to, and is consistent with, Moody's Analytics "Downside - 96th Percentile (S4)".

Annualized Construction/Absorption (Historical 1 Year and 3 Year)

	1 Year History			3 Year History		
	SF Built Ending 12/31/2022	SF Absorbed Ending 12/31/2022	Con/Abs Ratio Ending 12/31/2022	SF Built Ending 12/31/2022	SF Absorbed Ending 12/31/2022	Con/Abs Ratio Ending 12/31/2022
Plano/Allen/McKinney	-	-	-	-	-	-
Dallas	-	-	-	-	-	-
Southwestern Region	-	-	-	-	-	-

Annualized Construction/Absorption (Historical 5 Year and Forecasted)

	5 Year History			5 Year Forecast		
	SF Built Ending 12/31/2022	SF Absorbed Ending 12/31/2022	Con/Abs Ratio Ending 12/31/2022	SF Built Ending 12/31/2027	SF Absorbed Ending 12/31/2027	Con/Abs Ratio Ending 12/31/2027
Plano/Allen/ McKinney	-	-	-	2,634,000	2,306,600	1.13
Dallas	-	-	-	10,862,000	10,216,000	1.06
Southwestern Region	-	-	-	29,236,200	28,174,000	1.04

Quarterly Construction/Absorption (Current and Previous Quarters)

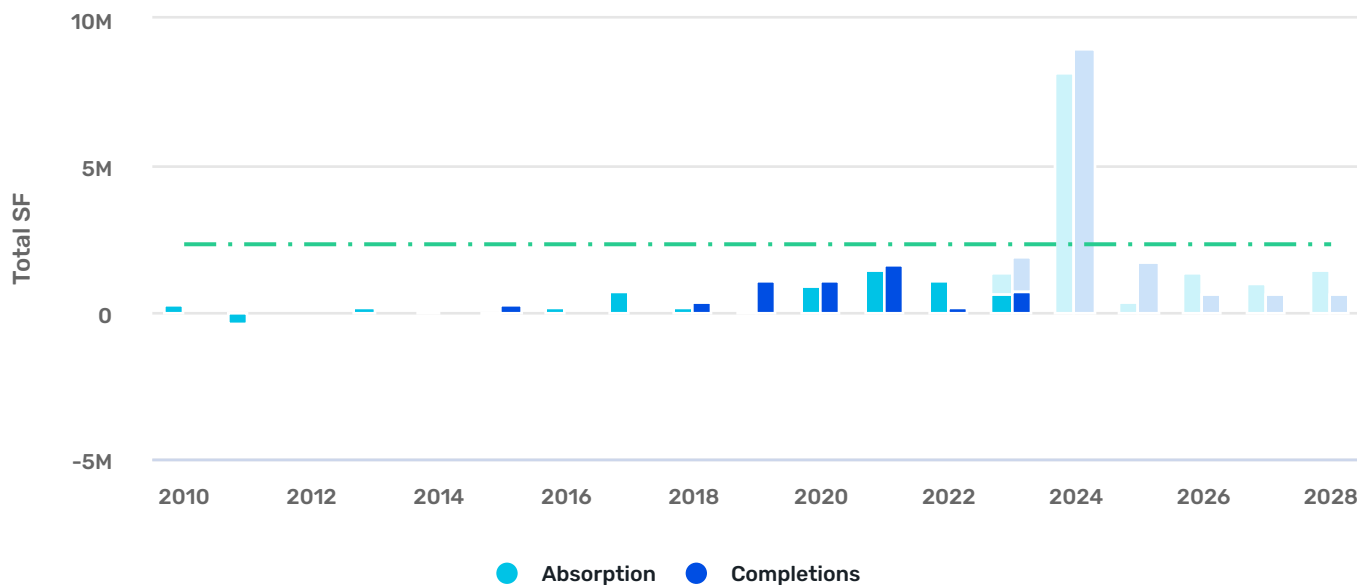
	Q3 2023			Q2 2023		
	SF Built Ending 9/30/2022	SF Absorbed Ending 9/30/2022	Con/Abs Ratio Ending 9/30/2022	SF Built Ending 6/30/2022	SF Absorbed Ending 6/30/2022	Con/Abs Ratio Ending 6/30/2022
Plano/Allen/ McKinney	267,000	182,000	1.5	76,000	67,000	1.1
Dallas	3,859,000	2,471,000	1.6	2,125,000	3,125,000	0.7
Southwestern Region	11,342,000	7,957,000	1.4	13,586,000	8,839,000	1.5

Quarterly Construction/Absorption (YTD)

	YTD Average		
	SF Built	SF Absorbed	Con/Abs Ratio
Plano/Allen/McKinney	253,000	171,000	1.5
Dallas	2,717,300	2,762,700	1
Southwestern Region	10,530,000	8,325,300	1.3

Absorption Trends

[View Full Table in Appendix](#)



New Construction Trends

[View Full Table in Appendix](#)

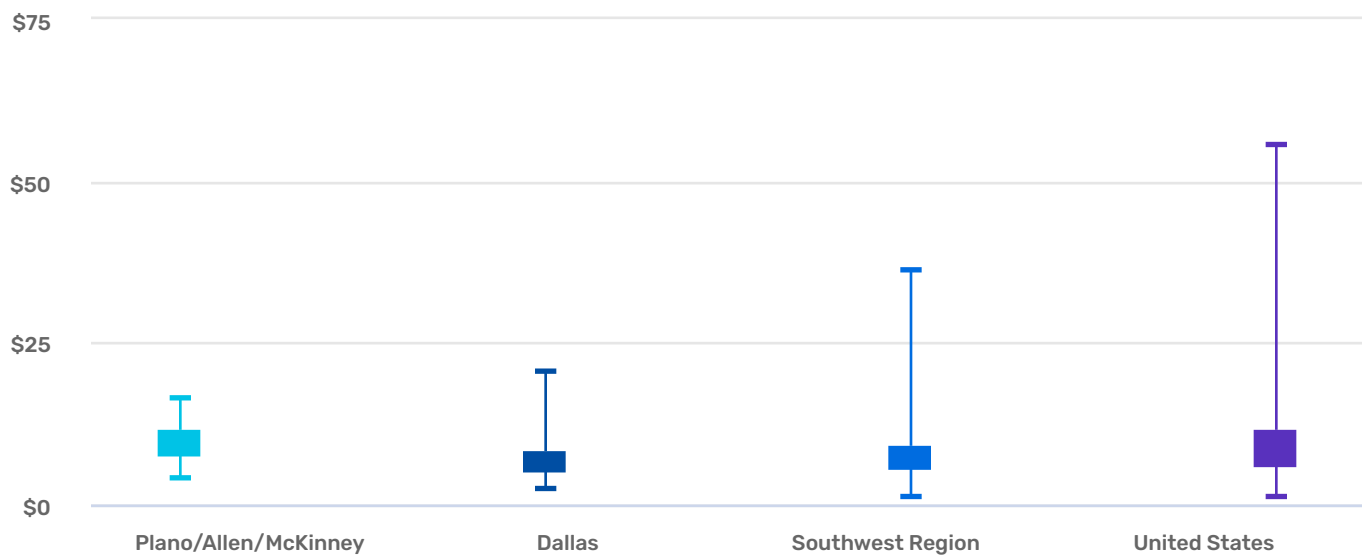


III. PERFORMANCE

Performance By Vintage

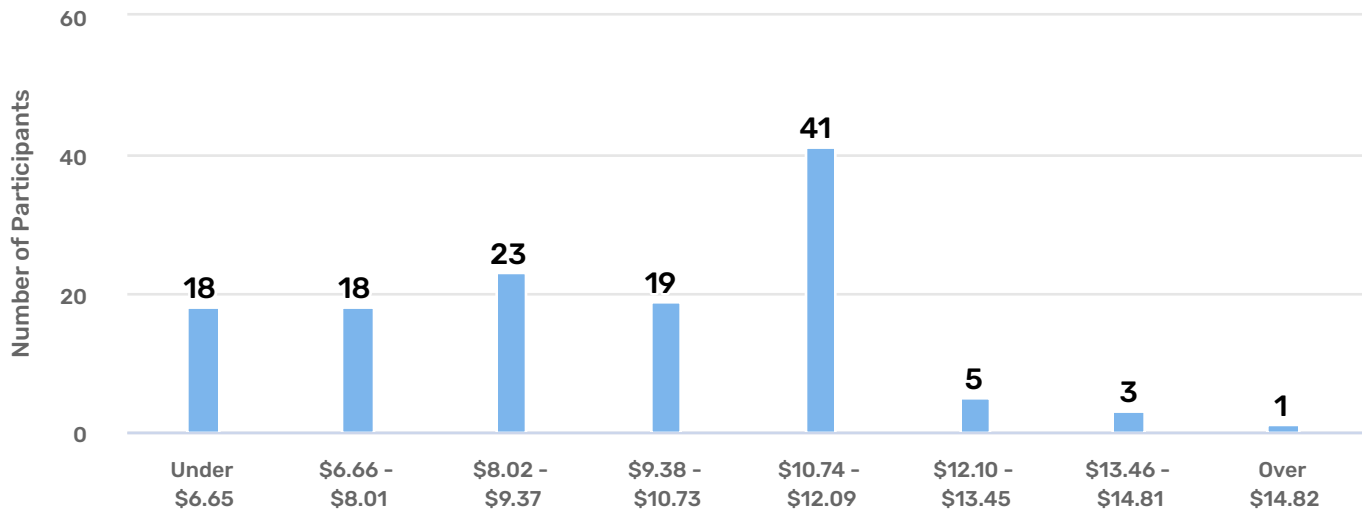
Year Built	Asking Rent (Per SF)	% Vacant	Inventory %
Before 1970	-	-	0.0%
1970-1979	\$10.80	0.0%	1.0%
1980-1989	\$10.23	3.8%	11.0%
1990-1999	\$8.18	6.5%	33.0%
2000-2009	\$9.28	9.6%	9.0%
2010-2019	\$10.26	18.5%	14.0%
After 2019	\$10.77	21.2%	31.0%
All	\$9.65	6.5%	100.0%

Rent Distribution Benchmark (Per SF)



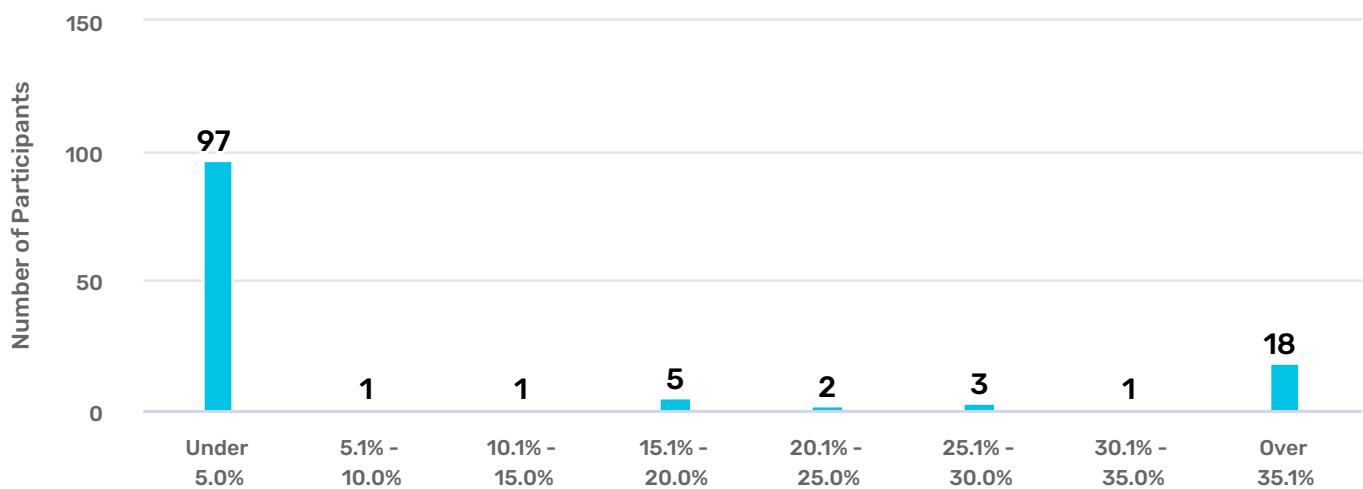
	Minimum Rent	Lower Quartile Rent	Median Rent	Upper Quartile Rent	Maximum Rent
Plano/Allen/McKinney	\$3.88	\$7.75	\$9.60	\$11.26	\$16.18
Dallas	\$2.11	\$5.29	\$6.58	\$8.02	\$20.39
Southwest Region	\$0.99	\$5.62	\$7.05	\$8.92	\$36.17
United States	\$0.88	\$6.10	\$8.13	\$11.16	\$55.36

Asking Rent Distribution Per SF



Low	25%	Mean	Median	75%	High
\$5.34	\$8.03	\$8.66	\$10.39	\$11.29	\$13.58

Vacancy Distribution



Low	25%	Mean	Median	75%	High
0.0%	0.0%	6.5%	0.0%	19.3%	91.6%

IV. SUBMARKETS

CRE Fundamentals: REIS Rank, Asking Rent, Vacancy, Inventory

Submarket Name	REIS Rank*	Inventory SF	Inventory Buildings	Asking Rent SF	Vacancy	Vacancy % Change bps
Airport-Dallas County	97	48,120,000	220	\$6.98	9.2%	-200
Carrollton	221	15,560,000	216	\$6.98	3.6%	20
Central Dallas Southeast	255	11,613,000	114	\$5.24	2.5%	10
Central Dallas Southwest	348	20,158,000	193	\$4.19	5.9%	250
Central Dallas West	94	35,956,000	630	\$5.06	5.3%	-70
Central North Dallas	66	9,170,000	196	\$5.11	3.0%	-220
Denton County	286	53,604,000	287	\$6.37	4.1%	90
Far East/Southeast Dallas	130	22,707,000	89	\$6.34	7.9%	-140
Far South Dallas	363	46,113,000	146	\$5.63	13.5%	60
Farmers Branch	353	29,022,000	332	\$6.28	8.1%	90
Garland	241	29,683,000	313	\$5.17	6.0%	90
Irving/Grand Prairie	273	27,314,000	174	\$6.06	6.1%	110
Plano/Allen/McKinney	355	25,916,000	340	\$8.66	6.5%	100
Richardson	321	4,430,000	77	\$7.88	5.2%	50

Concessions: CRD, Effective Rent, Expenses, Free Rent, Lease Term

Submarket Name	CRD %	Free Rent Mos	Expenses \$	Effective Rent SF	Lease Terms Years
Airport-Dallas County	-0.5%	6.3	\$2.70	\$6.76	2.5
Carrollton	-0.8%	9	\$4.10	\$6.60	2.29
Central Dallas Southeast	-3.5%	5.8	\$0.80	\$5.07	2
Central Dallas Southwest	-1.2%	6.5	\$1.80	\$3.98	2.5
Central Dallas West	-1.1%	6.7	\$1.90	\$4.82	2.1
Central North Dallas	-2.4%	6.8	\$4.20	\$4.86	2.1
Denton County	-1.2%	6.9	\$3.30	\$6.21	2.1
Far East/Southeast Dallas	-1.9%	6.2	\$2.10	\$6.26	2.1
Far South Dallas	-3.2%	5.8	\$2.80	\$5.35	4.5
Farmers Branch	-0.9%	6	\$8.43	\$5.94	4.2
Garland	-1.5%	5.7	\$5.70	\$4.90	1.9
Irving/Grand Prairie	-1.1%	6.7	\$3.30	\$5.89	1.9
Plano/Allen/McKinney	-1.0%	6.9	\$4.80	\$8.36	2.2
Richardson	-2.1%	6.5	\$3.30	\$7.51	2.6

*There are 568 submarkets in the Warehouse/Distribution sector nationally.

V. NEW CONSTRUCTION

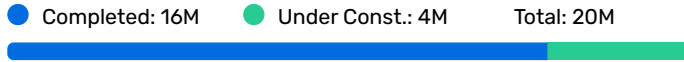
Top New Construction Projects By Size

Property Name	Property Type	Size sqft	Construction Status	Expected Completion	Expected Groundbreak	Developer	Developer Phone
16005 Gateway Drive, Frisco, TX, 75033							
16005 Gateway Dr	Warehouse/Distribution	144,774	Complete	12/22/2021	-	-	-
2161 Redbud Blvd, McKinney, TX, 75069							
2161 Redbud Boulevard	Warehouse/Distribution	193,490	Complete	06/01/2021	12/2020	-	-
3827 N McDonald St, McKinney, TX, 75069							
Core5 Logistics Center of McKinney Bldg C	Warehouse/Distribution	279,356	Complete	10/14/2022	3/2022	-	-
400 Harry McKillop Blvd, McKinney, TX, 75069							
M-75 Distribution Center	Warehouse/Distribution	304,565	Complete	10/01/2023	7/2023	-	-
424 Wilmeth Rd, McKinney, TX, 75071							
McKinney Trade Center Bldg 4	Warehouse/Distribution	171,398	Complete	03/01/2023	9/2022	-	-
4500 S Hardin Blvd, McKinney, TX, 75070							
McKinney 121 Bldg 2	Warehouse/Distribution	169,000	Complete	02/01/2023	3/2022	-	-
Corporate Dr & Preston Rd, Frisco, TX, 75033							
Star Business Park Block C Lot 6 Bldg 1	Warehouse/Distribution	199,821	Under Constr.	-	-	-	-
Harry McKillop Blvd & Old Mill Rd, McKinney, TX, 75069							
McKinney National Business Park Ph 1 Bldg 3	Warehouse/Distribution	187,550	Under Constr.	-	3/2022	Transwestern Dallas	9727742527
McKinney National Business Park Ph 1 Bldg 2	Warehouse/Distribution	165,864	Under Constr.	-	3/2022	Transwestern Dallas	9727742527
Wylie Dr & S State Hwy 78, Wylie, TX, 75098							
Wylie Business Center	Warehouse/Distribution	274,416	Complete	12/01/2023	3/2023	-	-

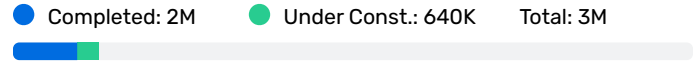
Submarket Project Tally (as of 12/18/2023)

[View Full Table in Appendix](#)

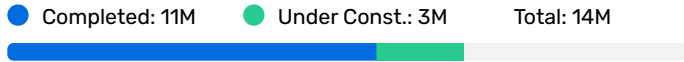
Far South Dallas



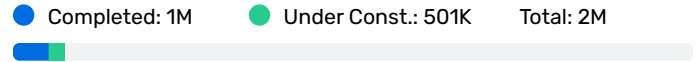
Irving/Grand Prairie



Denton County



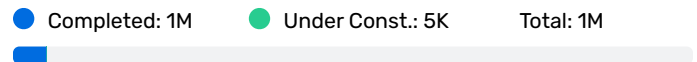
Central Dallas Southeast



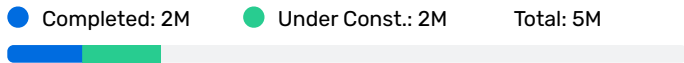
Far East/Southeast Dallas



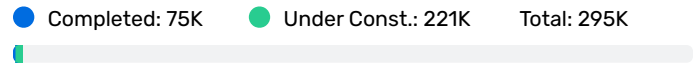
Central Dallas Southwest



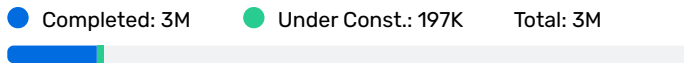
Airport-Dallas County



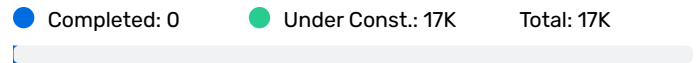
Garland



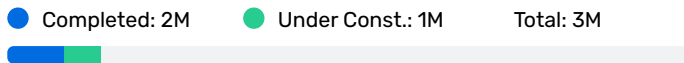
Central Dallas West



Central North Dallas

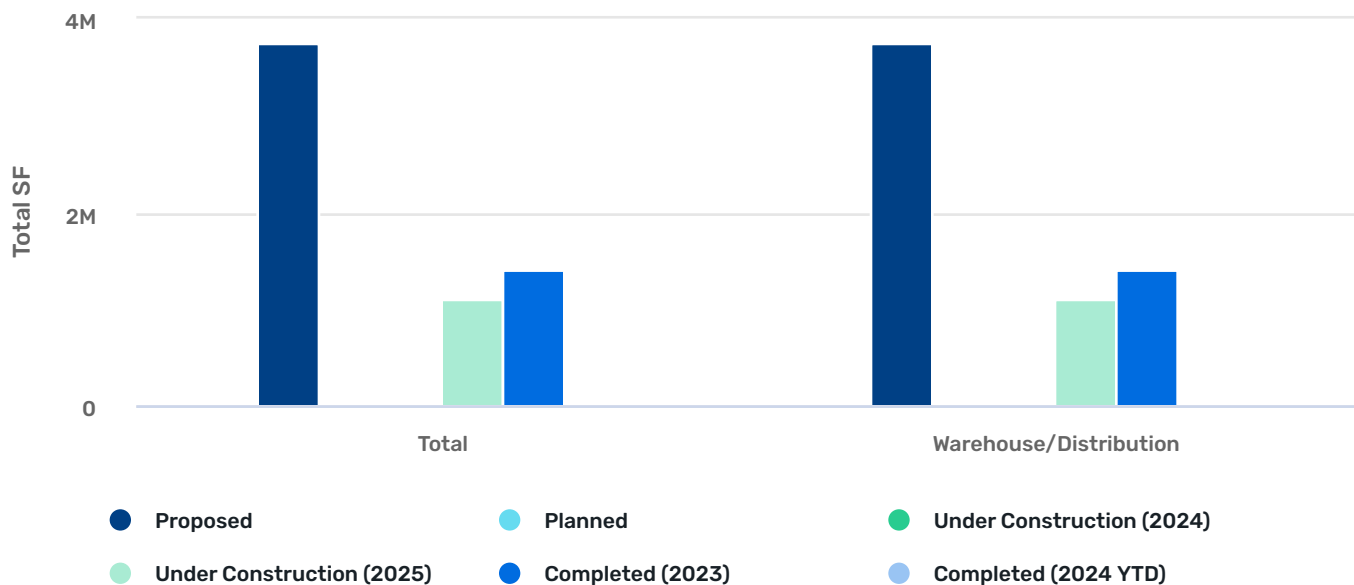


Plano/Allen/McKinney



Construction Deliveries

[View Full Table in Appendix](#)



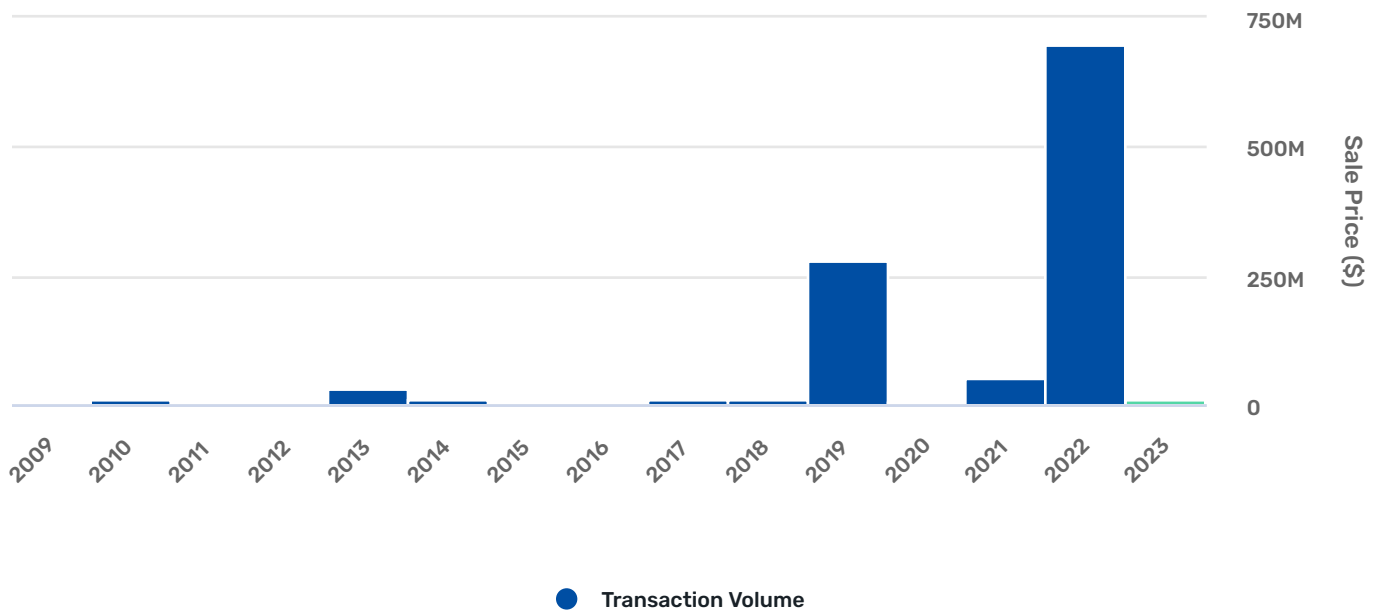
VI. TRANSACTIONS

Key Performance Indicators (2023 YTD)

<p>Transaction Volume PLANO/ALLEN/MCKINNEY</p> <p>\$9.762M</p>	<p>Number of Transactions PLANO/ALLEN/MCKINNEY</p> <p>2</p>	<p>12 Month Rolling Cap Rate PLANO/ALLEN/MCKINNEY</p> <p>—</p>
---	--	---

Sales Trends

[View Full Table in Appendix](#)



Sales Trends - Quarterly

Year	Quarter	Transaction Volume (\$)	Number of Transactions	Mean Sale Price	Median Sale Price	Mean Transaction Cap Rate	Median Transaction Cap Rate
2021	Q1	\$47.5M	1	\$108.90	\$108.90	-	-
2021	Q4	\$5.063M	1	\$202.50	\$202.50	2.5%	2.5%
2022	Q4	\$700M	2	\$2,042.10	\$8,170.12	2.2%	2.2%
2023	Q2	\$2.993M	1	\$166.25	\$166.25	1.8%	1.8%

10 Largest Transactions (2023 YTD)

Address	City	State	Sale Price ¹²	Sale Price Per SQFT	Sale Date	Size sf
2090 Commerce Drive	McKinney	TX	\$6,769,700	\$101.83	10/05/2023	66,480
123 Hooper Rd	Wylie	TX	\$2,992,500	\$166.25	05/25/2023	18,000

1: Only includes transactions that are verified

2: Any transactions missing a sale price did not have their sale price disclosed at time of sale

10 Most Recent Transactions

Address	City	State	Sale Price ¹	Sale Price Per SQFT	Sale Date	Size sf
2090 Commerce Drive	McKinney	TX	\$6,769,700	\$101.83	10/05/2023	66,480
2161 Redbud Blvd	McKinney	TX	-	-	10/02/2023	193,490
2700 Shiloh Rd	Richardson	TX	-	-	09/18/2023	148,428
123 Hooper Rd	Wylie	TX	\$2,992,500	\$166.25	05/25/2023	18,000
4050 Premier Dr	Plano	TX	-	-	04/11/2023	45,406
10011 E University Dr	McKinney	TX	\$665,000,000	\$16,224.26	12/09/2022	40,988
1304 13th St	Plano	TX	-	-	12/02/2022	38,221
350 Cypress Hill Dr	McKinney	TX	\$35,000,000	\$115.97	10/02/2022	301,796
16005 Gateway Drive	Frisco	TX	-	-	09/20/2022	144,774
1111 Jupiter Rd	Plano	TX	-	-	07/20/2022	135,958

¹: Any transactions missing a sale price did not have their sale price disclosed at time of sale

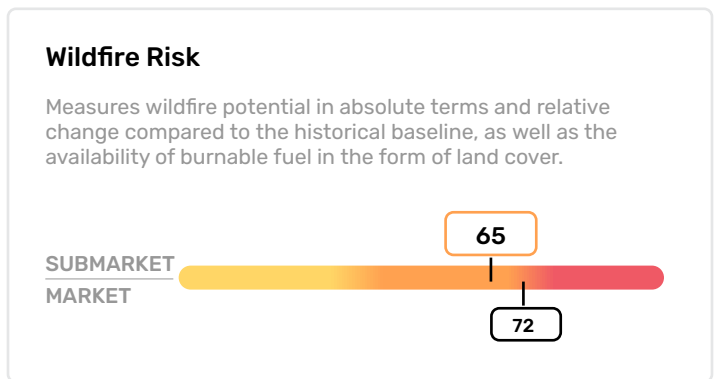
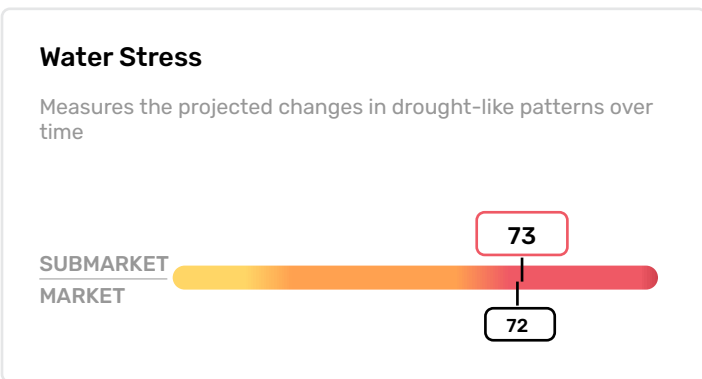
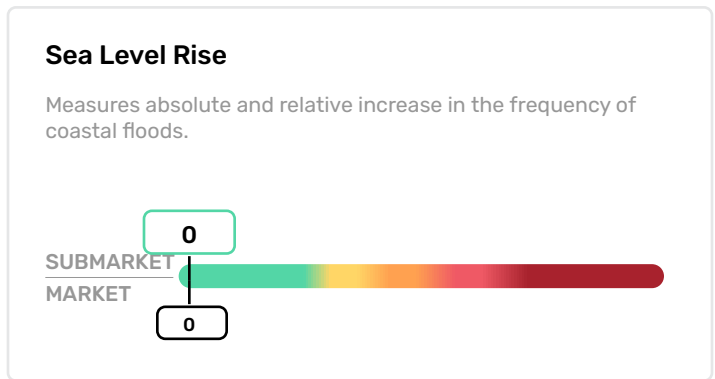
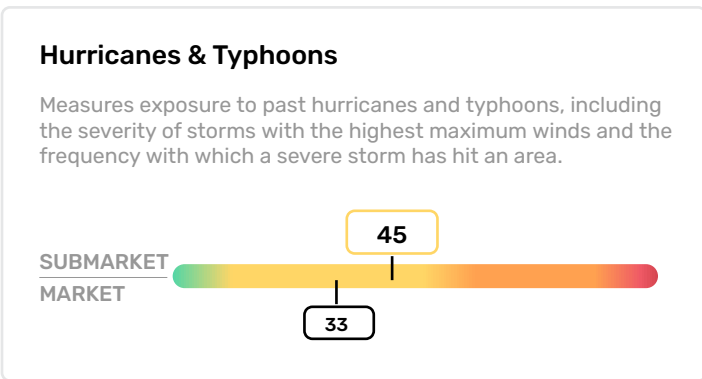
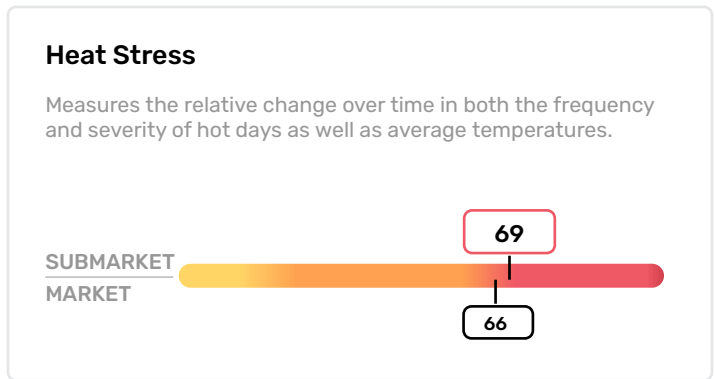
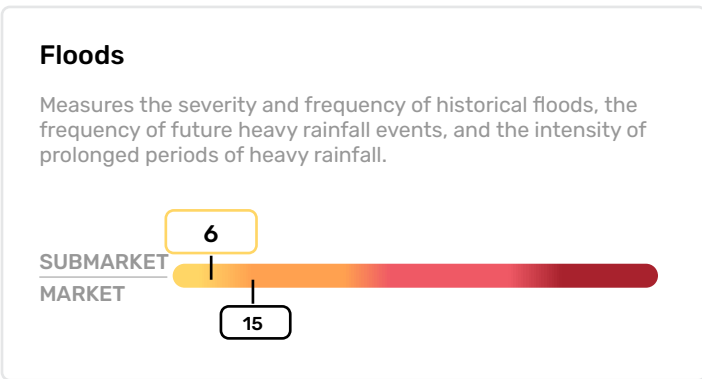
VII. CLIMATE RISK

Highest Risk Category

Water Stress
HIGH RISK

Exposed today and exposure level is increasing

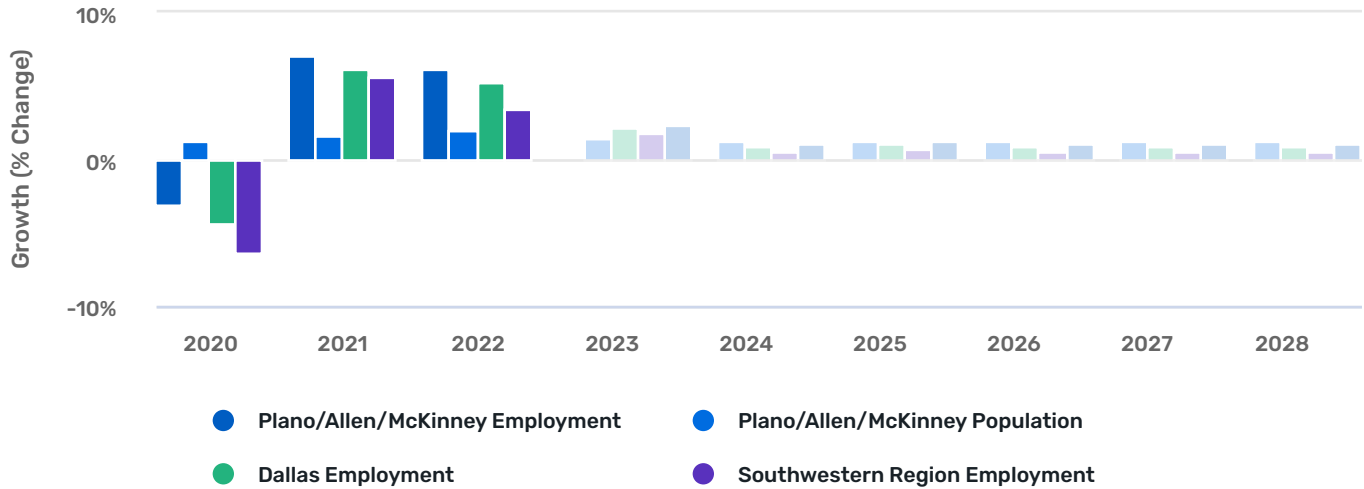
Risk Categories



VIII. DEMOGRAPHICS

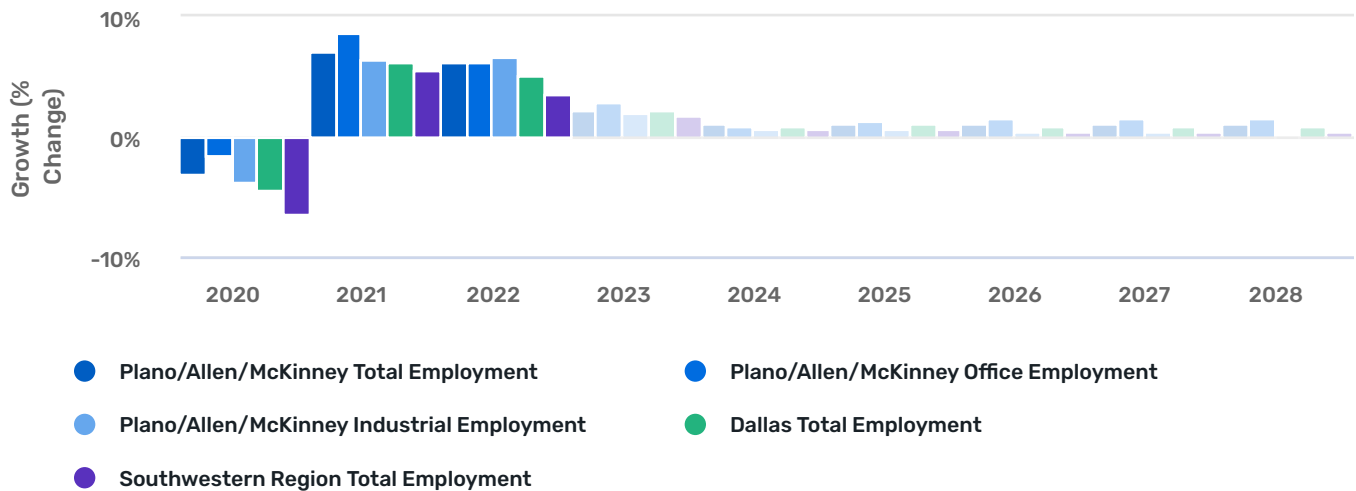
Employment and Population Growth

[View Full Table in Appendix](#)



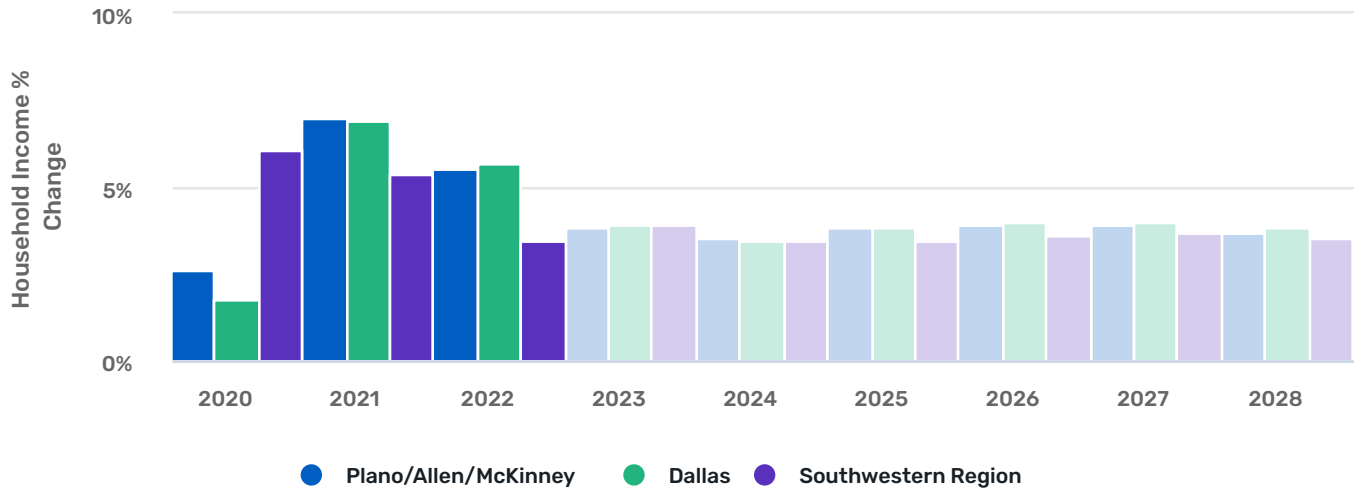
Employment Growth

[View Full Table in Appendix](#)



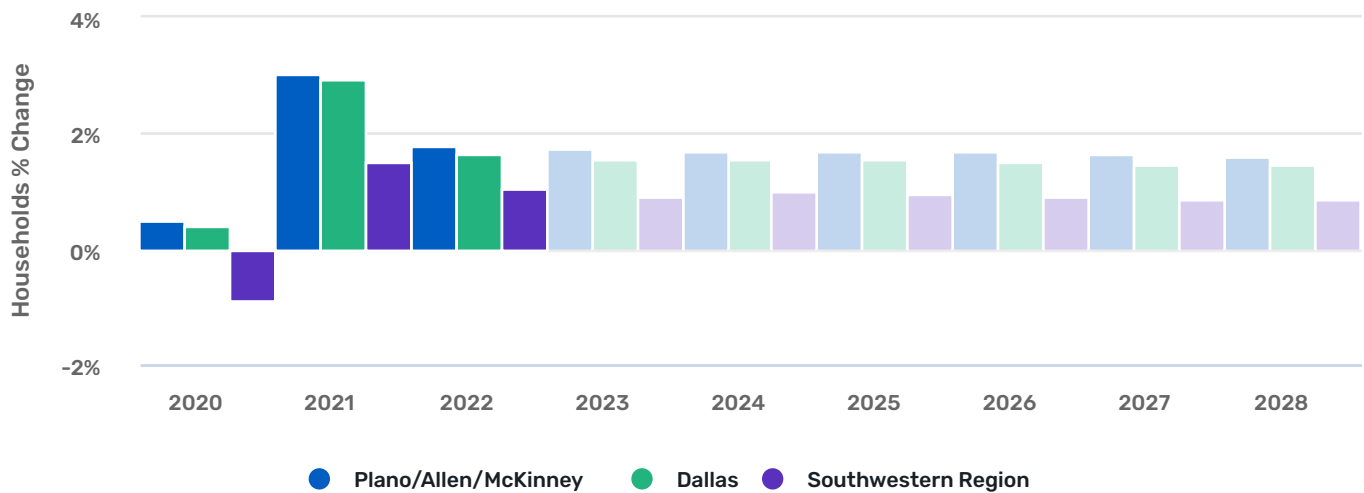
Household Income Growth

[View Full Table in Appendix](#)



Household Growth

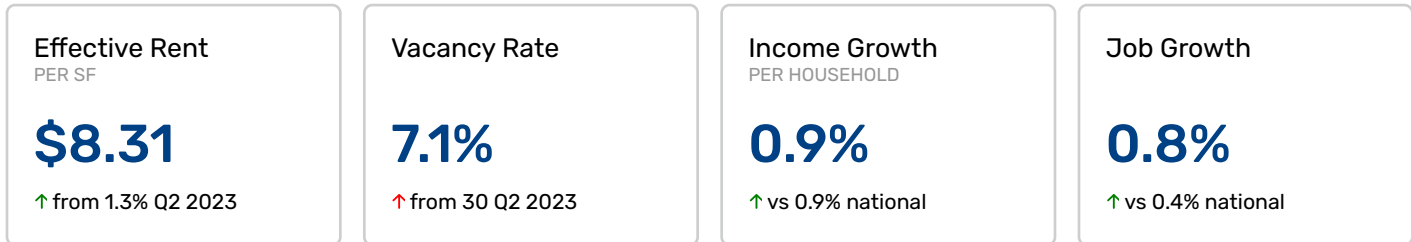
[View Full Table in Appendix](#)



IX. THE INSIGHT

Last Updated: 11/02/2023

Key Performance Indicators



Economic Overview

Author: Chris Rosin, Associate Economist

Dallas-Fort Worth (DFW) is one of the fast-growing economic engines in Texas. The Dallas Region has the fourth highest number of Fortune 500 companies in 2022, including ExxonMobil (#6), McKesson (#9), and AT&T (#13), which collectively generated the second highest total revenues (\$1.13B) just behind New York. Relatively low costs to do business combined with strong recovery in the Southwest economy helped propel job creation and economic expansion in the metroplex. According to Dallas Regional Chamber (DRC), DFW's five-year job gains (569.6k) in April 2023, more than the next two metros, Atlanta (269.9k) and Phoenix (266.4k), combined. Employment increased by 4.4% Year over year in April 2023 and total employment is now at 110.1% of pre-pandemic levels. The unemployment rate for the DFW region has recovered from its pandemic high of 11.9% in April 2020 down to 3.4% in April 2023. Continued development of the tech/finance sectors in Dallas and manufacturing/logistics sectors in Fort Worth will further boost the region's economic growth. On the flip side, the large presence of tech sector in Dallas and military procurement industry in Fort Worth will make the region more sensitive to the business cycle and political winds in the future.

After a lukewarm 4th quarter (net absorption of 176,00 sqft), Dallas' office demand recovered in Q1 2023 with net absorption at 1,067,000 sqft, 70% of which was for class A office properties. However, Fort Worth recorded a net absorption of -109,000 sqft, the majority of which was for class A office properties. With no new construction in Q1 2023, the vacancy rate for Dallas's office market went down by 50 bps to 24.60%. Vacancy rate for Fort Worth increased by 40 bps to 20.30%. Although several companies have started to sublease their unused office space, such as Salesforce, State Farm, and Cox Automotive, Dallas' low cost to do business is still attracting big names such as Goldman Sachs which just started construction on a more than 800,000 sqft office Campus in Dallas, housing more than 5,000 employees. Also Wells Fargo announced that construction on its new regional campus in Irving has started. Dallas' asking rent and effective rent increased by 140 bps and 200 bps, respectively, in Q1 2023. Fort Worth's asking rent and Effective rent increased by 180 bps and 160 bps, respectively.

Economic Overview (cont.)

Dallas-Fort Worth's central southwest location near Latin America is integral to its logistics/distribution industry. The DFW region's logistic/distribution industry is setup for success as more companies look to nearshore their manufacturing to Mexico, to tackle the supply chain issue. Since the pandemic, growing popularity in E-commerce and supply chain restructuring has created unique opportunities for the warehouses and distribution centers and Dallas is a well-positioned distribution center for the southwest region. However, leasing activity for warehouse and distribution centers in the DFW region has shown further signs of slowing down. In Q1 2023, for the Dallas metro warehouse and distribution net absorption was recorded at 1.7 million sqft, while completions were at a record low of 746,00 sqft, the lowest since 2015. The vacancy rate dropped by 20 bps to 6.9%. Meanwhile Fort Worth's warehouse and distribution net absorption was recorded at 4.3 million sqft, while there were no completions, pushing vacancy rate down by 240 bps to 5.3%. Dallas' warehouse and distribution rent as continued to grow positively for the 46th straight quarter, however, asking rent and effective rent growth has slowed down to 1.5% and 1.6%, respectively. Meanwhile, Fort Worth's asking and effective rent grew at 1.4% and 2.1%, respectively.

According to the latest reading from DRC, as of May 2023, consumer spending in Dallas has leveled off, but is still 13% higher than its pre-pandemic level and Fort Worth is up 14%. Inflation and the Federal Reserve's interest rate hikes have moderated spending in the DFW region as consumers feel the pressure of rising prices and higher interest rates. Not only that, but also May Spending in the restaurant and hotel segment slowed down and now is 4.7% higher than pre-pandemic levels (22% in January 2023) in Dallas and 8.4% higher in Fort Worth (23% in January 2023). Retail consumer spending in Dallas is now at 14.2% of its pre-pandemic levels (32.5% in January 2023) and Fort Worth is at 19.2% of its pre-pandemic levels (32.5% in January 2023). Leasing activity for retail was relatively unchanged from Q4 2022 to Q1 2023. With construction still low and net absorption recorded at 138,000, Dallas's retail vacancy rate retreated by 20 bps to 11.70%. However, with no new construction in Fort Worth and with a net absorption of -54,000, Fort Worth's vacancy rate increased by 20 bps to 11.60%. Fort Worth's asking rent and effective rent grew at a modest 10 bps, whereas Dallas's asking and effective rent increased by 60 bps and 70 bps.

In 2022, Single family housing prices in the DFW region peaked and grew more than 40% of their pre-pandemic prices. As mortgage rates declined towards the end of 2022, single family housing prices also saw a moderate decline, but were still above pre-pandemic prices. In terms of the rent-to-income ratio, which measures the annual apartment rent as a percentage of the median household income, all five major Texas metros (Austin, Dallas, Fort Worth, Houston, San Antonio) ranked in the bottom half of our 79 primary metros with Dallas being the least affordable (#41) and Fort Worth being the most affordable (#64) among the five. The average Texans spends about 1/5 of their annual income on apartment rent, lower than the national average of close to 30% which is commonly known as rent-burdened threshold. In Q1 2023, the multifamily market in the DFW region experienced a correction as single-family housing became slightly more affordable. Dallas recorded a net absorption of -2,416 units, the first time it dipped below since 2009. The added supply increased the vacancy rate by 40 bps to 6.20%. Asking and Effective rent in Dallas also took a tumble, decreasing by 80 bps and 90 bps, respectively. Fort Worth recorded a second consecutive quarter of negative net absorption, recorded at 2,078 units. Asking rent and effective rent in Fort Worth decreased by 110 bps and 150 bps, respectively.



Economic Overview (cont.)

The Dallas-Fort Worth metroplex is well positioned for both business and leisure travels given its central location for domestic/international travel and logistics, agglomeration of corporate offices/headquarters/start-ups, and tourism hotspots including the Dallas Art District and Fort Worth Culture District. In April, the total passengers passing through DFW over a rolling 12-month period increased by 11.4% (17.4% in December 2022). This may not necessarily be a sign of a slowdown, but instead reaching a new post-pandemic equilibrium. Occupancy rate and RevPAR in both Dallas and Fort Worth recovered after a tumultuous Q4 2022 performance. The easing of travel restrictions overseas, such as in Japan and China have buoyed the business travel industry. Not only that, but with inflationary pressure and higher interest rates slowing hotel supply growth, pricing power of existing supply is increasing. Occupancy rate in Dallas increased by 13.01% to 66.37% and increased by 9.74% in Fort Worth to 66.33%. RevPAR in Dallas and Fort Worth increased by 27.05% and 21.59%, respectively.

X. APPENDIX

Asking Rent and Vacancy Trends

 [View Chart in Overview](#)

Year	Plano/Allen/McKinney		Dallas	
	Asking Rent per SF	Vacancy Rate %	Asking Rent per SF	Vacancy Rate %
2009	\$6.04	8.8%	\$4.25	16.4%
2010	\$5.55	7.5%	\$3.98	15.6%
2011	\$5.51	9.4%	\$3.90	15.1%
2012	\$5.58	9.3%	\$3.96	13.9%
2013	\$5.67	8.5%	\$4.05	13.3%
2014	\$5.84	8.1%	\$4.20	13.6%
2015	\$5.91	9.5%	\$4.30	12.5%
2016	\$6.13	8.7%	\$4.43	11.5%
2017	\$6.35	5.2%	\$4.59	9.6%
2018	\$6.60	6.0%	\$4.72	11.5%
2019	\$6.89	10.0%	\$4.87	13.1%
2020	\$7.02	10.4%	\$4.94	13.0%
2021	\$7.59	10.2%	\$5.25	10.8%
2022	\$8.25	6.3%	\$5.86	7.3%
2023	\$8.73	7.2%	\$6.19	6.8%
2024	\$9.29	7.6%	\$6.55	6.9%
2025	\$9.80	10.9%	\$6.87	6.7%
2026	\$10.42	9.0%	\$7.25	6.4%
2027	\$11.06	8.0%	\$7.65	6.1%
2028	\$11.75	6.0%	\$8.09	5.8%

Scenarios: Asking Rent Per SF

 [View Chart in Overview](#)

Year	Plano/Allen/McKinney			Dallas	United States
	% Change	S1 - % Change ¹	S2 - % Change ²	% Change	% Change
2010	-8.1%	--	--	-6.4%	-5.0%
2011	-0.7%	--	--	-2.0%	-1.1%
2012	1.3%	--	--	1.5%	1.1%
2013	1.6%	--	--	2.3%	1.7%
2014	3.0%	--	--	3.7%	2.3%
2015	1.2%	--	--	2.4%	2.4%
2016	3.7%	--	--	3.0%	3.4%
2017	3.6%	--	--	3.6%	3.9%
2018	3.9%	--	--	2.8%	2.8%
2019	4.4%	--	--	3.2%	2.2%
2020	1.9%	--	--	1.4%	1.4%
2021	8.1%	--	--	6.3%	7.8%
2022	8.7%	--	--	11.6%	20.2%
2023	6.1%	5.9%	5.9%	5.6%	5.5%
2024	6.4%	5.8%	5.5%	5.8%	5.1%
2025	5.5%	5.0%	4.5%	4.9%	5.2%
2026	6.3%	5.9%	5.6%	5.5%	5.5%
2027	6.1%	5.8%	5.5%	5.5%	5.8%
2028	6.2%	5.9%	5.7%	5.8%	6.0%

1: Y-S1 is Moody's Analytics CRE "downside scenario 1". That corresponds to, and is consistent with, Moody's Analytics "Downside - 90th Percentile (S3)".

2: Y-S2 is Moody's Analytics CRE "downside scenario 2". That corresponds to, and is consistent with, Moody's Analytics "Downside - 96th Percentile (S4)".

Scenarios: Vacancy

 [View Chart in Overview](#)

Year	Plano/Allen/McKinney			Dallas	United States
	% Vacant	S1 - % Vacant ¹	S2 - % Vacant ²	% Vacant	% Vacant
2009	8.8%	--	--	16.4%	13.3%
2010	7.5%	--	--	15.6%	14.0%
2011	9.4%	--	--	15.1%	13.2%
2012	9.3%	--	--	13.9%	12.1%
2013	8.5%	--	--	13.3%	11.5%
2014	8.1%	--	--	13.6%	11.0%
2015	9.5%	--	--	12.5%	10.3%
2016	8.7%	--	--	11.5%	9.6%
2017	5.2%	--	--	9.6%	9.0%
2018	6.0%	--	--	11.5%	9.5%
2019	10.0%	--	--	13.1%	10.3%
2020	10.4%	--	--	13.0%	10.8%
2021	10.2%	--	--	10.8%	6.7%
2022	6.3%	--	--	7.3%	4.3%
2023	7.2%	7.3%	7.3%	6.8%	4.8%
2024	7.6%	7.8%	8.0%	6.9%	4.8%
2025	10.9%	10.9%	10.9%	6.7%	4.7%
2026	9.0%	9.4%	9.9%	6.4%	4.3%
2027	8.0%	8.4%	8.8%	6.1%	4.2%
2028	6.0%	6.3%	6.6%	5.8%	3.9%

1: Y-S1 is Moody's Analytics CRE "downside scenario 1". That corresponds to, and is consistent with, Moody's Analytics "Downside - 90th Percentile (S3)".

2: Y-S2 is Moody's Analytics CRE "downside scenario 2". That corresponds to, and is consistent with, Moody's Analytics "Downside - 96th Percentile (S4)".

Scenarios: Inventory

 [View Chart in Overview](#)

Year	Plano/Allen/McKinney			Dallas	United States
	% Change	S1 - % Change ¹	S2 - % Change ²	% Change	% Change
2010	0.0%	--	--	0.3%	0.2%
2011	0.0%	--	--	0.7%	0.2%
2012	0.0%	--	--	0.4%	0.4%
2013	0.0%	--	--	2.3%	0.6%
2014	0.1%	--	--	4.6%	1.3%
2015	1.2%	--	--	4.1%	1.3%
2016	0.0%	--	--	4.1%	1.5%
2017	0.0%	--	--	4.0%	2.2%
2018	1.6%	--	--	4.6%	2.3%
2019	5.1%	--	--	4.7%	3.1%
2020	4.9%	--	--	4.9%	2.6%
2021	6.9%	--	--	4.6%	2.9%
2022	0.6%	--	--	6.5%	3.4%
2023	3.7%	3.9%	3.8%	2.6%	3.2%
2024	34.4%	32.4%	31.2%	5.8%	2.0%
2025	5.0%	3.5%	2.1%	1.5%	1.1%
2026	1.8%	0.7%	0.0%	1.4%	0.9%
2027	1.8%	1.3%	0.9%	1.6%	1.0%
2028	1.8%	1.4%	1.0%	1.7%	1.0%

1: Y-S1 is Moody's Analytics CRE "downside scenario 1". That corresponds to, and is consistent with, Moody's Analytics "Downside - 90th Percentile (S3)".

2: Y-S2 is Moody's Analytics CRE "downside scenario 2". That corresponds to, and is consistent with, Moody's Analytics "Downside - 96th Percentile (S4)".

Absorption Trends

 [View Chart in Overview](#)

Year	Absorption (SF)	Completions (SF)
2010	274,000	0
2011	-404,000	0
2012	30,000	0
2013	154,000	0
2014	102,000	11,000
2015	-63,000	250,000
2016	176,000	0
2017	727,000	0
2018	137,000	326,000
2019	121,000	1,091,000
2020	894,000	1,086,000
2021	1,497,000	1,621,000
2022	1,105,000	142,000
2023	648,000	1,106,000
2023 YTD	671,000	759,000
2024	8,175,000	8,975,000
2025	408,000	1,749,000
2026	1,331,000	669,000
2027	971,000	671,000
2028	1,417,000	676,000

Submarket Project Tally: Proposed And Planned

 [View Chart in Overview](#)

	Warehouse/Distribution
Plano/Allen/McKinney	3,751,540
Airport-Dallas County	1,214,471
Carrollton	-
Central Dallas Southeast	511,000
Central Dallas Southwest	-
Central Dallas West	1,112,871
Central North Dallas	-
Denton County	3,436,993
Far East/Southeast Dallas	7,229,260
Far South Dallas	8,760,484
Farmers Branch	887,529
Garland	282,016
Irving/Grand Prairie	3,591,162
Richardson	280,000

Size of Projects is in SF.

Submarket Project Tally: Under Construction

 [View Chart in Overview](#)

	Warehouse/Distribution
Plano/Allen/McKinney	1,104,397
Airport-Dallas County	2,355,035
Carrollton	-
Central Dallas Southeast	501,215
Central Dallas Southwest	5,000
Central Dallas West	196,996
Central North Dallas	17,401
Denton County	2,612,546
Far East/Southeast Dallas	4,013,172
Far South Dallas	4,184,428
Farmers Branch	-
Garland	220,706
Irving/Grand Prairie	639,742
Richardson	-

Size of Projects is in SF.

Submarket Project Tally: Complete

 [View Chart in Overview](#)

	Warehouse/Distribution
Plano/Allen/McKinney	1,695,437
Airport-Dallas County	2,237,973
Carrollton	-
Central Dallas Southeast	1,064,536
Central Dallas Southwest	1,000,325
Central Dallas West	2,675,788
Central North Dallas	-
Denton County	11,039,130
Far East/Southeast Dallas	9,392,603
Far South Dallas	16,152,171
Farmers Branch	-
Garland	74,758
Irving/Grand Prairie	1,920,064
Richardson	-

Size of Projects is in SF.

Construction Deliveries (In SF)

 [View Chart in New Construction](#)

	Proposed	Planned	Under Construction 2024	Under Construction 2025 and Later	Completed 2023	Completed 2024 YTD
Warehouse/ Distribution	3,751,540	-	-	1,104,397	1,416,081	-
Total	3,751,540	0	0	1,104,397	1,416,081	0

Sales Trends

 [View Chart in Transactions](#)

Year	Transaction Volume (\$)	Number of Transactions	Mean Sale Price Per SF	Median Sale Price Per SF	Mean Transaction Cap Rate	Median Transaction Cap Rate
2009	-	0	-	-	-	-
2010	\$8,290,000	1	\$33.00	\$33.00	-	-
2011	-	0	-	-	-	-
2012	\$6,875,000	1	\$47.80	\$47.80	-	-
2013	\$31,800,000	2	\$21.09	\$21.37	-	-
2014	\$9,250,000	1	\$28.14	\$28.14	-	-
2015	-	0	-	-	-	-
2016	\$2,500,000	1	\$92.59	\$92.59	-	-
2017	\$10,951,508	3	\$21.26	\$36.86	-	-
2018	\$11,062,500	1	\$27.57	\$27.57	-	-
2019	\$281,063,752	3	\$751.66	\$1,536.99	-	-
2020	\$5,000,000	2	\$134.34	\$134.42	-	-
2021	\$52,562,500	2	\$113.97	\$155.70	2.5%	2.5%
2022	\$700,000,000	2	\$2,042.10	\$8,170.12	2.2%	2.2%
2023	\$9,762,200	2	\$115.56	\$134.04	5.4%	4.1%

Includes sales of \$2M and greater only

Employment and Population

 [View Chart in Demographics](#)

	2019	2020	2021	2022	2023	2024	2025	2026
Employment								
Dallas Total Employment	-	-3.0%	7.1%	6.1%	2.3%	1.1%	1.2%	1.0%
Dallas Office Employment	-	-1.6%	8.7%	6.1%	2.8%	0.9%	1.3%	1.4%
Dallas Industrial Employment	-	-3.7%	6.5%	6.6%	2.0%	0.7%	0.6%	0.4%
Southwestern Region Total Employment	-	-4.3%	6.1%	5.2%	2.2%	0.9%	1.1%	0.9%
Southwestern Region Office Employment	-	-2.8%	6.7%	5.2%	2.4%	0.8%	1.1%	1.3%
Southwestern Region Industrial Employment	-	-6.1%	5.2%	6.2%	1.7%	0.7%	0.6%	0.5%
United States Total Employment	-	-6.3%	5.6%	3.5%	1.8%	0.6%	0.7%	0.5%
United States Office Employment	-	-4.6%	4.9%	3.0%	1.5%	0.4%	0.7%	0.8%
United States Industrial Employment	-	-6.4%	4.2%	3.7%	0.8%	0.4%	0.3%	0.1%
Population								
Dallas Population	-	1.3%	1.6%	2.0%	1.5%	1.3%	1.3%	1.3%
Southwestern Region Population	-	1.2%	1.5%	1.8%	1.4%	1.2%	1.2%	1.2%
United States Population	-	0.1%	0.1%	0.7%	0.6%	0.6%	0.5%	0.5%

% change from previous year.

Households

 [View Chart in Demographics](#)

	2019	2020	2021	2022	2023	2024	2025	2026
Household Growth								
Dallas Households	-	0.5%	3.0%	1.8%	1.7%	1.7%	1.7%	1.7%
Southwestern Region Households	-	0.4%	2.9%	1.6%	1.6%	1.6%	1.6%	1.5%
United States Households	-	-0.9%	1.5%	1.0%	0.9%	1.0%	1.0%	0.9%
Household Income								
Dallas Household Income	-	2.6%	7.0%	5.5%	3.9%	3.5%	3.9%	3.9%
Southwestern Region Household Income	-	1.8%	7.0%	5.7%	3.9%	3.5%	3.9%	4.0%
United States Household Income	-	6.1%	5.4%	3.5%	3.9%	3.5%	3.5%	3.6%

% change from previous year.