

Warehouse/Distribution

# Far East/Southeast Dallas

📍 Dallas

🗺️ Southwestern Region

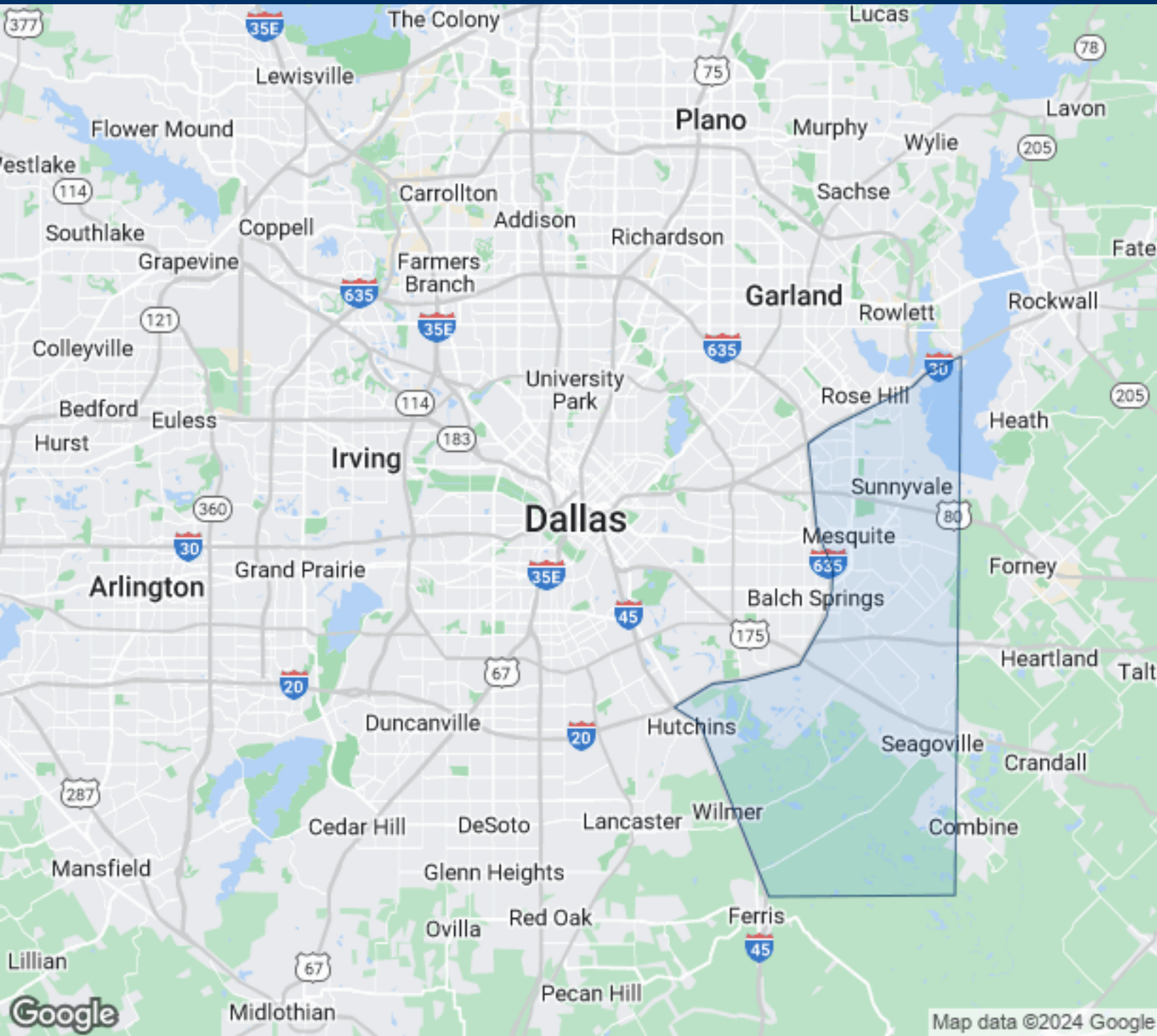
🇺🇸 United States

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CRE

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**January 2, 2024**

DATA AS OF Q3 2023



Warehouse/Distribution

## Far East/Southeast Dallas

# Far East/Southeast Dallas

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# I. EXECUTIVE BRIEFING

AVERAGE ASKING RENT **\$6.34/sqft**

AVERAGE VACANCY **7.9%**

(Published November 2023)

- Rent in the Far East/Southeast Dallas submarket was up 0.2% from October.
- Rent has risen in every month since June 2021 in the Far East/Southeast Dallas submarket.
- Vacancy in the Far East/Southeast Dallas submarket drifted downward by 10 basis points.
- The Far East/Southeast Dallas submarket had the lowest vacancy level since January 2017.

## Submarket Overview

The Far East/Southeast Dallas submarket, one of fourteen distinct geographic concentrations within Dallas, contains 22.7 million market rate rental square feet, or 6.0% 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 18.3 million square feet, amounting to an annualized inventory growth rate of 20.4%; over the same period, the metro growth rate has been 4.5%.

## Asking and Effective Rent

During November, asking rents growth climbed 0.2%, bringing the average up to \$6.34, higher than eight of the metro's fourteen submarkets. The submarket has now experienced twenty-nine consecutive monthly gains in asking rent, for a cumulative total of 29.1%. The Far East/Southeast Dallas submarket's November asking rent levels are higher than the metro's average of \$6.13, while asking rent growth in November is equal to the metro average of 0.2%. Effective rents, which exclude the value of concessions offered to prospective tenants, also advanced by 0.2% during November. The identical rates of change suggest that landlords have refrained from increasing the relative values of concessions packages offered to new tenants.

## Executive Briefing (cont.)

### Competitive Inventory, Employment, Absorption

Total employment in the Dallas metropolitan area increased 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 Far East/Southeast Dallas submarket captured 343,000 square feet. The effect of this demand was somewhat tempered by a growth in supply, as developers added a net total of 342,000 square feet to the competitive submarket stock, 48.3% of the 708,000 square feet introduced to Dallas during November. This is the second consecutive month during which this submarket recorded positive absorption, amounting to 1,000,000 square feet since October 2023. Over the last 12 months, submarket absorption totaled 4.5 million square feet, nearly triple the average annual absorption rate of 1.7 million square feet recorded since the beginning of Q4 2013. Inventory grew by 342,000 square feet to a level of 22.7 million square feet. As a result of this construction, conversion, and leasing activity during November, the submarket's average vacancy rate drifted downward by 10 basis points to 7.9%, which is 5.4 percentage points lower than the long-term average, but 0.9 percentage points higher than the current metro average.

### Outlook

Between now and year's end, no more competitive warehouse/distribution stock will be introduced to the submarket, and Reis estimates that net total absorption will be negative 1.3 million square feet. In response, the vacancy rate will continue to drift downward to finish the year at 7.4%. During 2024 and 2025, 5.0 million square feet —; amounting to 17.9%, of the 27.9 million square feet of new construction expected to be introduced to Dallas —; will come online in the submarket. 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 Far East/Southeast Dallas submarket will benefit disproportionately from this growth rate, posting absorption averaging 2.3 million square feet per year, 17.7% of the projected metro total. The submarket vacancy rate will finish 2024 at 7.7% and will fall 0.5 percentage points to 7.2% by year end 2025. Between now and year-end 2023 asking rents are expected to remain at a level of \$6.34, while effective rents will fall by -0.2% to \$6.25. On an annualized basis through 2024 and 2025, asking and effective rents are expected to climb by 6.4% and 6.5%, respectively, to finish 2025 at \$7.18 and \$7.09.

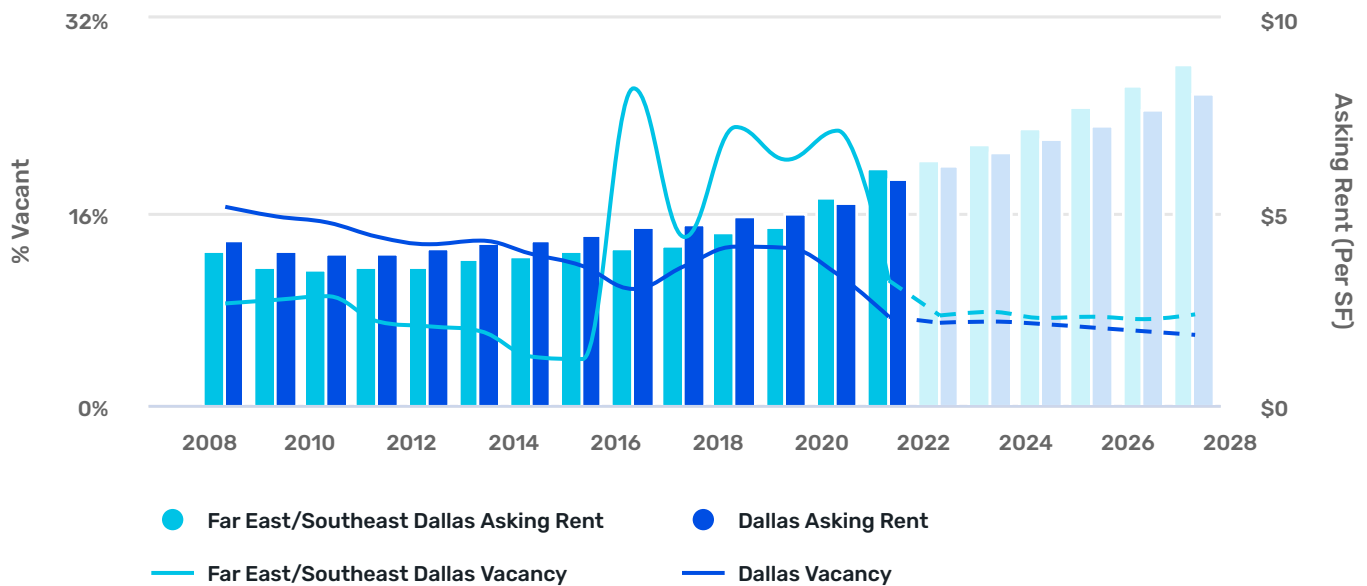
## II. OVERVIEW

### Key Performance Indicators

<p>Effective Rent PER SF</p> <p><b>\$6.22</b></p> <p>↑ from 0.6% Q2 2023</p>	<p>Vacancy Rate</p> <p><b>8.3%</b></p> <p>↓ from -40 Q2 2023</p>	<p>Income Growth PER HOUSEHOLD</p> <p><b>0.9%</b></p> <p>↑ vs 0.9% national</p>	<p>Job Growth</p> <p><b>0.8%</b></p> <p>↑ vs 0.4% national</p>
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### Asking Rent and Vacancy Trends

[View Full Table in Appendix](#)



Year	Far East/Southeast Dallas		Dallas	
	Asking Rent per SF	Vacancy Rate %	Asking Rent per SF	Vacancy Rate %
2023	\$6.34	7.4%	\$6.19	6.8%
2024	\$6.75	7.7%	\$6.55	6.9%
2025	\$7.18	7.2%	\$6.87	6.7%
2026	\$7.73	7.3%	\$7.25	6.4%
2027	\$8.27	7.1%	\$7.65	6.1%
2028	\$8.80	7.5%	\$8.09	5.8%



## Submarket Performance

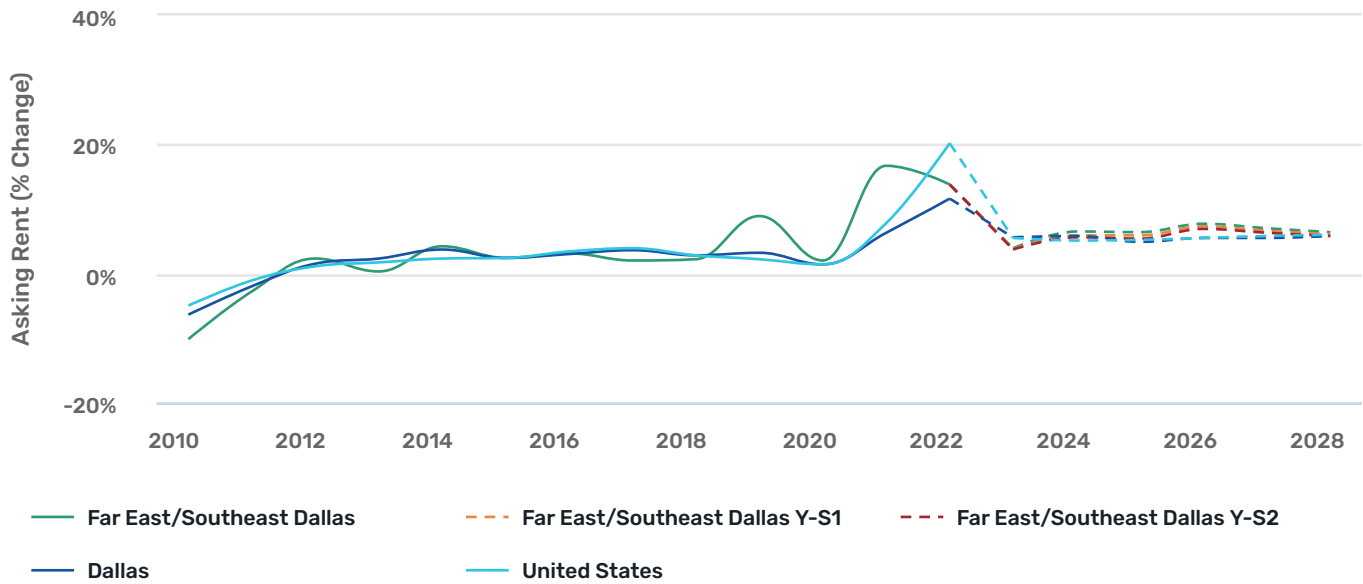
Year	Quarter	Asking Rent Per SF	Asking Rent % Change	Effective Rent Per SF	Effective Rent % Change	% Vacant	% Vacant Change in BPS
2020	Q1	\$4.48	-0.7%	\$4.28	-0.7%	23.0%	0
2020	Q2	\$4.45	-0.7%	\$4.28	0.0%	20.8%	-220
2020	Q3	\$4.47	0.4%	\$4.35	1.6%	17.5%	-330
2020	Q4	\$4.60	2.9%	\$4.49	3.2%	20.3%	280
2020	Y	\$4.60	2.0%	\$4.49	4.2%	20.3%	-270
2021	Q1	\$4.60	0.0%	\$4.49	0.0%	19.9%	-40
2021	Q2	\$4.91	6.7%	\$4.81	7.1%	17.1%	-280
2021	Q3	\$5.00	1.8%	\$4.90	1.9%	15.2%	-190
2021	Q4	\$5.37	7.4%	\$5.27	7.6%	22.7%	750
2021	Y	\$5.37	16.7%	\$5.27	17.4%	22.7%	240
2022	Q1	\$5.54	3.2%	\$5.44	3.2%	17.0%	-570
2022	Q2	\$5.76	4.0%	\$5.67	4.2%	10.4%	-660
2022	Q3	\$5.91	2.6%	\$5.82	2.6%	9.7%	-70
2022	Q4	\$6.11	3.4%	\$6.02	3.4%	10.3%	60
2022	Y	\$6.11	13.8%	\$6.02	14.2%	10.3%	-1,240
2023	Q1	\$6.19	1.3%	\$6.12	1.7%	8.9%	-140
2023	Q2	\$6.26	1.1%	\$6.18	1.0%	8.7%	-20
2023	Q3	\$6.30	0.6%	\$6.22	0.6%	8.3%	-40

## 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	9,015,000	0	0.0%	2,073,000	6,942,000	0
2020	Q2	9,015,000	0	0.0%	1,876,000	7,139,000	197,000
2020	Q3	9,015,000	0	0.0%	1,577,000	7,438,000	299,000
2020	Q4	9,561,000	546,000	6.1%	1,943,000	7,618,000	180,000
2020	Y	9,561,000	546,000	6.1%	1,943,000	7,618,000	676,000
2021	Q1	9,561,000	0	0.0%	1,900,000	7,661,000	43,000
2021	Q2	11,088,000	1,527,000	16.0%	1,900,000	9,188,000	1,527,000
2021	Q3	11,088,000	0	0.0%	1,686,000	9,402,000	214,000
2021	Q4	13,533,000	2,445,000	22.1%	3,066,000	10,467,000	1,065,000
2021	Y	13,533,000	3,972,000	41.5%	3,066,000	10,467,000	2,849,000
2022	Q1	14,872,000	1,339,000	9.9%	2,522,000	12,350,000	1,883,000
2022	Q2	16,526,000	1,654,000	11.1%	1,724,000	14,802,000	2,452,000
2022	Q3	17,532,000	1,006,000	6.1%	1,707,000	15,825,000	1,023,000
2022	Q4	19,736,000	2,204,000	12.6%	2,030,000	17,706,000	1,881,000
2022	Y	19,736,000	6,203,000	45.8%	2,030,000	17,706,000	7,239,000
2023	Q1	20,229,000	493,000	2.5%	1,798,000	18,431,000	725,000
2023	Q2	20,689,000	460,000	2.3%	1,798,000	18,891,000	460,000
2023	Q3	21,716,000	1,027,000	5.0%	1,798,000	19,918,000	1,027,000

Scenarios: Asking Rent Per SF

[View Full Table in Appendix](#)



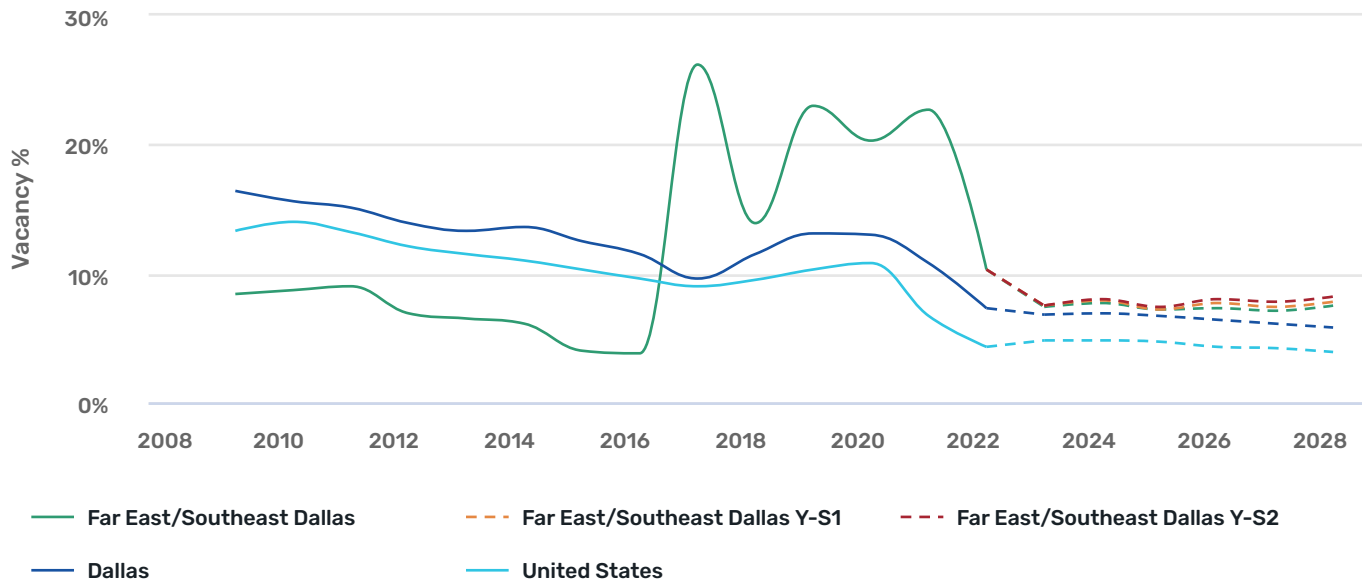
Year	Far East/Southeast Dallas			Dallas	United States
	% Change	S1 - % Change <sup>1</sup>	S2 - % Change <sup>2</sup>	% Change	% Change
2024	6.5%	5.9%	5.6%	5.8%	5.1%
2025	6.4%	5.9%	5.4%	4.9%	5.2%
2026	7.7%	7.3%	6.9%	5.5%	5.5%
2027	7.0%	6.6%	6.3%	5.5%	5.8%
2028	6.4%	6.1%	5.8%	5.8%	6.0%

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](#)

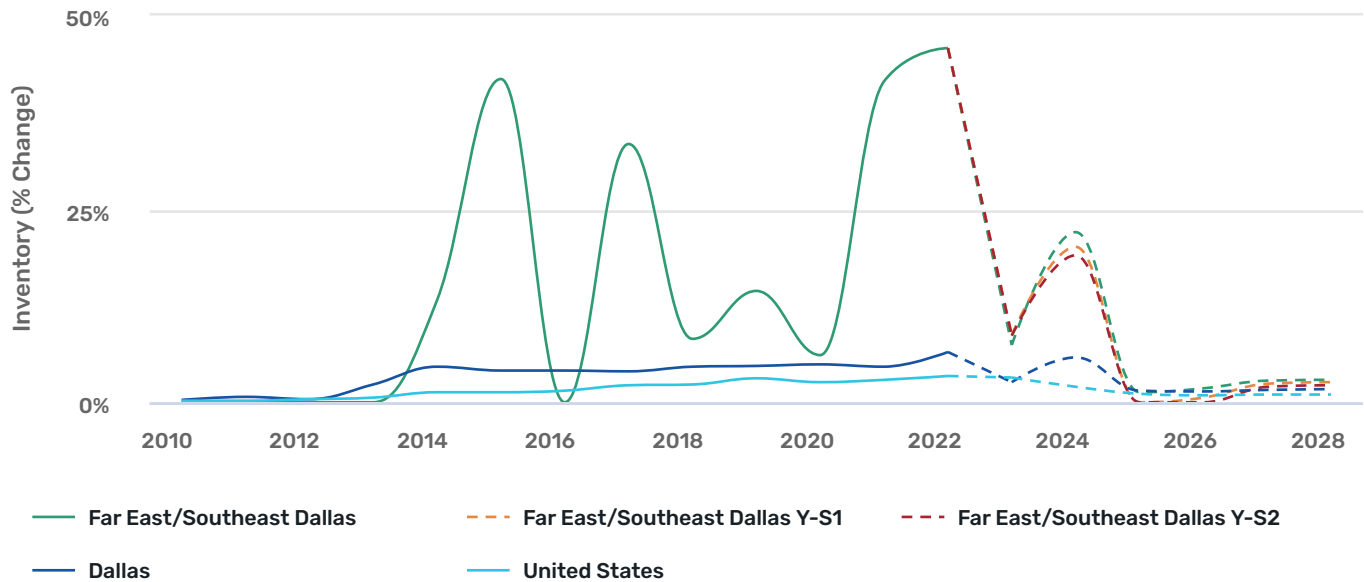


Year	Far East/Southeast Dallas			Dallas	United States
	% Vacant	S1 - % Vacant <sup>1</sup>	S2 - % Vacant <sup>2</sup>	% Vacant	% Vacant
2024	7.7%	7.9%	8.0%	6.9%	4.8%
2025	7.2%	7.2%	7.4%	6.7%	4.7%
2026	7.3%	7.7%	8.0%	6.4%	4.3%
2027	7.1%	7.4%	7.8%	6.1%	4.2%
2028	7.5%	7.8%	8.2%	5.8%	3.9%

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	Far East/Southeast Dallas			Dallas	United States
	% Change	S1 - % Change <sup>1</sup>	S2 - % Change <sup>2</sup>	% Change	% Change
2024	22.0%	20.1%	19.0%	5.8%	2.0%
2025	1.3%	0.0%	0.0%	1.5%	1.1%
2026	1.8%	0.6%	0.0%	1.4%	0.9%
2027	2.8%	2.4%	2.0%	1.6%	1.0%
2028	2.9%	2.6%	2.2%	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
Far East/Southeast Dallas	-	-	-	-	-	-
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
Far East/Southeast Dallas	-	-	-	1,838,000	1,553,200	1.18
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)

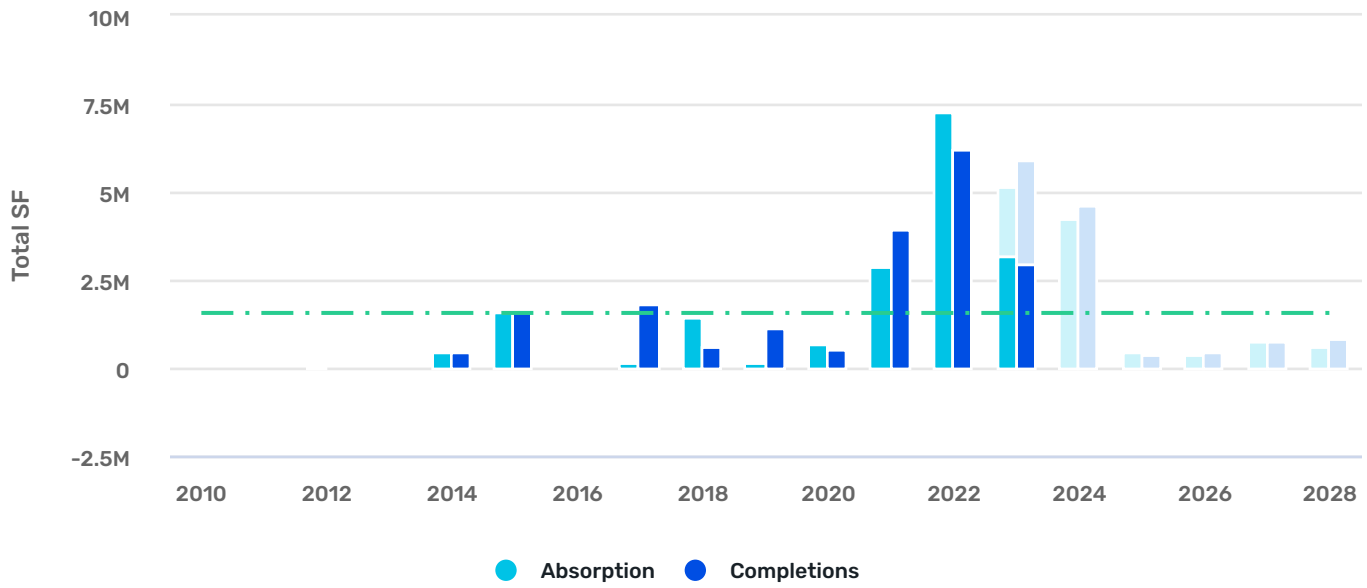
	Q3 2023			Q2 2023		
	SF Built Ending 9/30/2022	SF Absorbed Ending 9/30/2022	Con/Abs Ratio Ending 9/30/2022	SF Built Ending 6/30/2022	SF Absorbed Ending 6/30/2022	Con/Abs Ratio Ending 6/30/2022
Far East/Southeast Dallas	1,027,000	1,027,000	1	460,000	460,000	1
Dallas	3,859,000	2,471,000	1.6	2,125,000	3,125,000	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
Far East/Southeast Dallas	660,000	737,300	0.9
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](#)

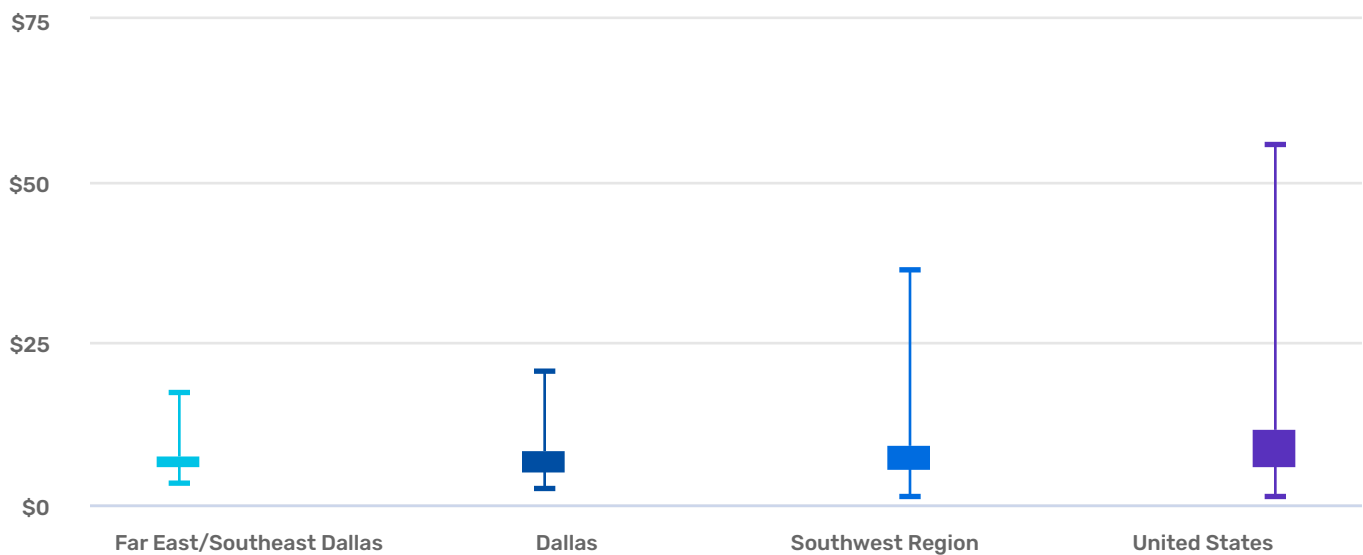


## III. PERFORMANCE

### Performance By Vintage

Year Built	Asking Rent (Per SF)	% Vacant	Inventory %
Before 1970	\$3.20	0.0%	1.0%
1970-1979	\$4.59	0.0%	0.0%
1980-1989	\$7.41	0.0%	0.0%
1990-1999	-	-	0.0%
2000-2009	\$6.93	0.4%	10.0%
2010-2019	\$6.64	12.4%	26.0%
After 2019	\$6.55	2.4%	63.0%
All	\$6.58	7.9%	100.0%

### Rent Distribution Benchmark (Per SF)



	Minimum Rent	Lower Quartile Rent	Median Rent	Upper Quartile Rent	Maximum Rent
Far East/Southeast Dallas	\$3.00	\$6.09	\$6.64	\$7.15	\$17.12
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



III. Performance

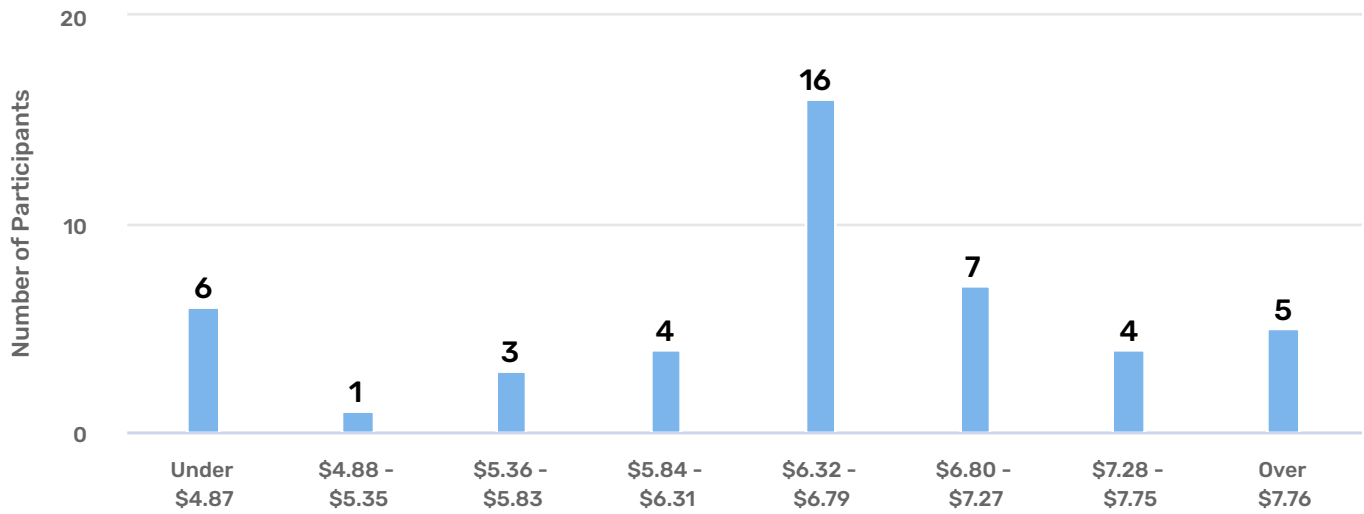
Warehouse/Distribution

Dallas

Southwestern Region

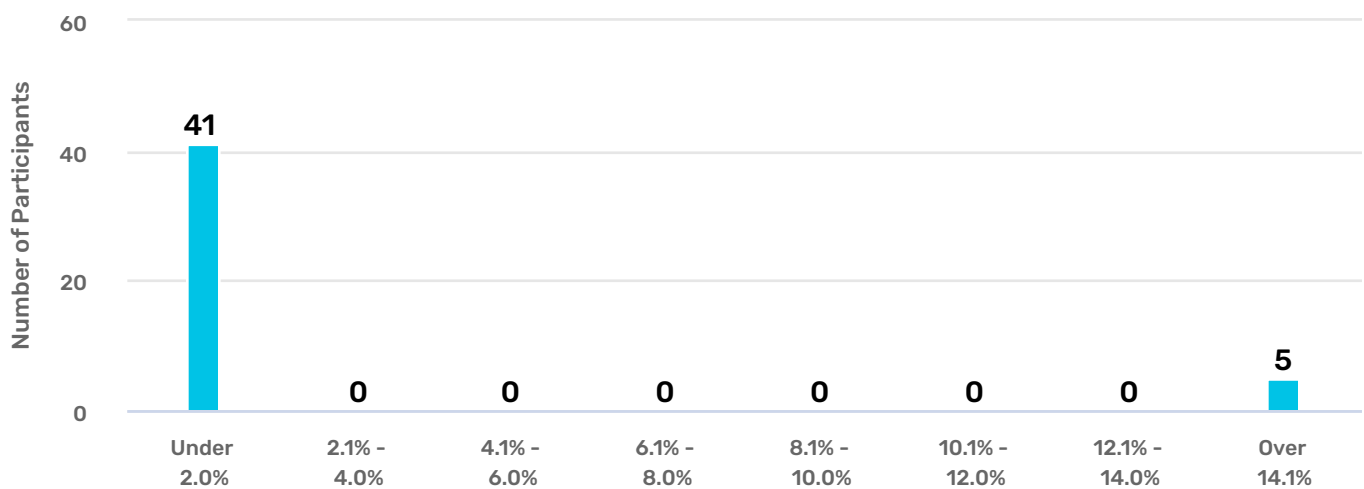
United States

Asking Rent Distribution Per SF



Low	25%	Mean	Median	75%	High
\$4.39	\$6.41	\$6.34	\$6.64	\$7.18	\$8.25

Vacancy Distribution



Low	25%	Mean	Median	75%	High
0.0%	0.0%	7.9%	0.0%	0.0%	46.8%

## 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

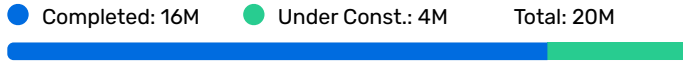
### Top New Construction Projects By Size

Property Name	Property Type	Size sqft	Construction Status	Expected Completion	Expected Groundbreak	Developer	Developer Phone
<b>1300 Fulghum Rd, Wilmer, TX, 75172</b>							
Southport Logistics Park Bldg 3	Warehouse/Distribution	1,259,940	Complete	12/20/2022	-	-	-
Southport Logistics Park Bldg 2	Warehouse/Distribution	1,095,360	Complete	04/20/2021	-	-	-
<b>1690 E Pleasant Run Rd, Wilmer, TX, 75172</b>							
CORE 45 Bldg 1	Warehouse/Distribution	1,027,068	Complete	07/01/2023	1/2023	-	-
<b>1700 E Pleasant Run Rd, Wilmer, TX, 75172</b>							
CORE 45 Bldg 2	Warehouse/Distribution	1,000,000	Under Constr.	-	4/2022	Committed Capital Partners	-
<b>2 Cleveland Rd, Hutchins, TX, 75141</b>							
Interchange 20/45 Bldg 2	Warehouse/Distribution	800,737	Complete	03/20/2022	-	-	-
<b>200 Planters Road, Sunnyvale, TX, 75182</b>							
Sunnyvale Business Centre Bldg 1	Warehouse/Distribution	643,760	Complete	11/01/2021	2/2020	-	-
<b>201 Sunridge Blvd, Wilmer, TX, 75172</b>							
Texport Logistics Center	Warehouse/Distribution	826,620	Complete	05/01/2022	-	-	-
<b>210 Sunridge Blvd, Wilmer, TX, 75172</b>							
Texport Logistics Center	Warehouse/Distribution	826,620	Complete	04/01/2022	-	-	-
<b>2200 Berry Rd, Mesquite, TX, 75181</b>							
Mesquite Airport Logistics Center Ph 2 Bldg 5	Warehouse/Distribution	649,398	Complete	10/07/2023	10/2022	-	-
<b>600 East Pleasant Run Road, Wilmer, TX, 75172</b>							
Sunridge Business Park	Warehouse/Distribution	989,566	Complete	01/01/2022	-	-	-

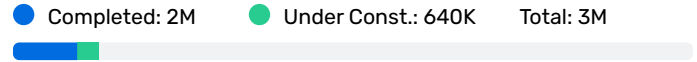
Submarket Project Tally (as of 12/18/2023)

[View Full Table in Appendix](#)

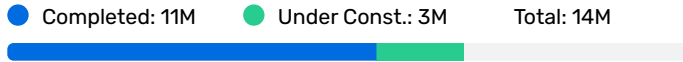
**Far South Dallas**



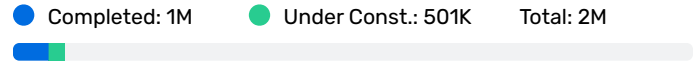
**Irving/Grand Prairie**



**Denton County**



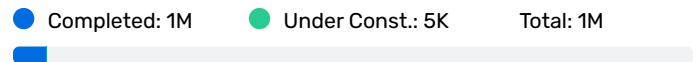
**Central Dallas Southeast**



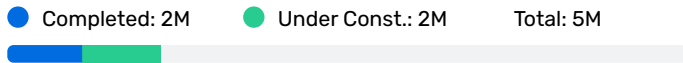
**Far East/Southeast Dallas**



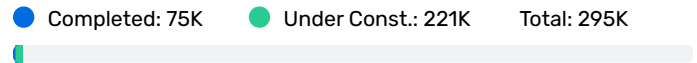
**Central Dallas Southwest**



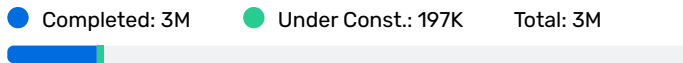
**Airport-Dallas County**



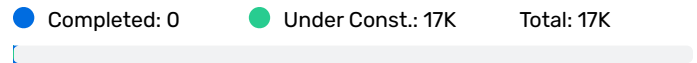
**Garland**



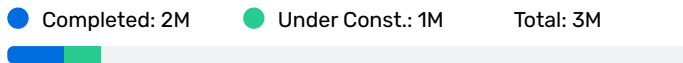
**Central Dallas West**



**Central North Dallas**

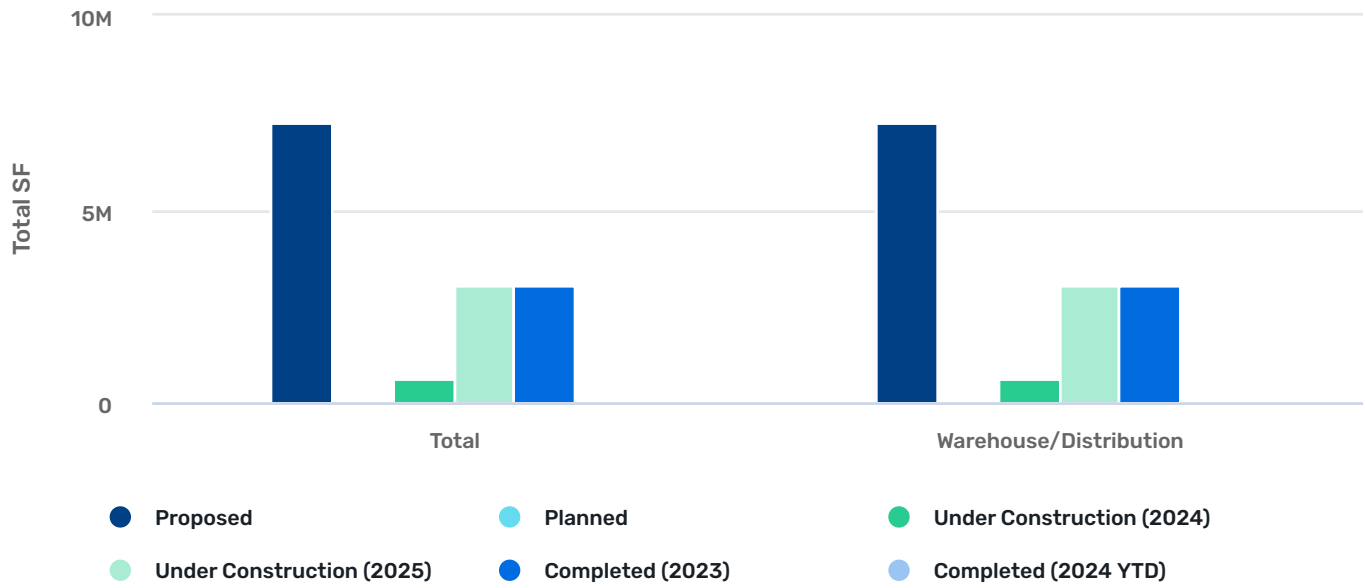


**Plano/Allen/McKinney**



Construction Deliveries

[View Full Table in Appendix](#)



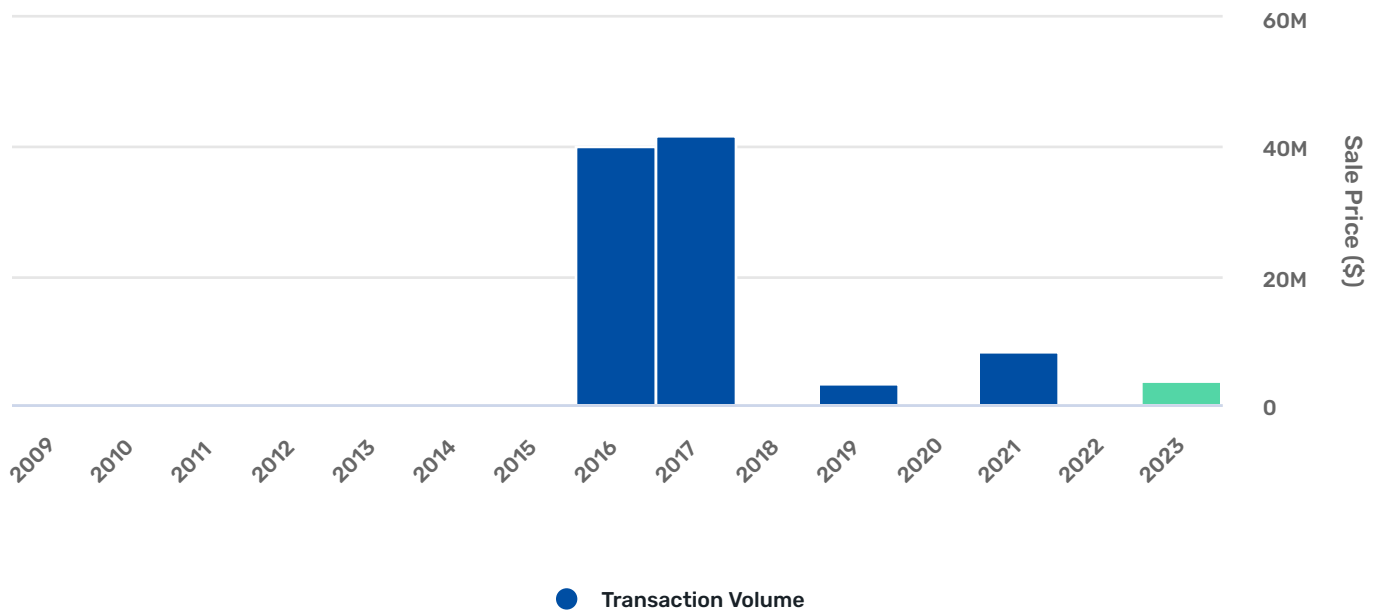
# VI. TRANSACTIONS

## Key Performance Indicators (2023 YTD)

<p>Transaction Volume FAR EAST/SOUTHEAST DALLAS</p> <p><b>\$3.724M</b></p>	<p>Number of Transactions FAR EAST/SOUTHEAST DALLAS</p> <p><b>1</b></p>	<p>12 Month Rolling Cap Rate FAR EAST/SOUTHEAST DALLAS</p> <p><b>—</b></p>
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## Sales Trends

[View Full Table in Appendix](#)



## Sales Trends - Quarterly

Year	Quarter	Transaction Volume (\$)	Number of Transactions	Mean Sale Price	Median Sale Price
2021	Q2	\$8.313M	1	\$51.15	\$51.15
2023	Q2	\$3.724M	1	\$1,489.60	\$1,489.60

## 10 Largest Transactions (2023 YTD)

Address	City	State	Sale Price <sup>12</sup>	Sale Price Per SQFT	Sale Date	Size sf
3604 S Beltline Rd	Seagoville	TX	\$3,724,000	\$1,489.60	05/04/2023	2,500

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



## VI. Transactions

Warehouse/Distribution

Dallas

Southwestern Region

United States

## 10 Most Recent Transactions

Address	City	State	Sale Price <sup>1</sup>	Sale Price Per SQFT	Sale Date	Size sf
3604 S Beltline Rd	Seagoville	TX	\$3,724,000	\$1,489.60	05/04/2023	2,500
2700 E Scyene Rd	Mesquite	TX	-	-	04/27/2023	918,000
2700 E Scyene Rd	Mesquite	TX	-	-	04/13/2023	325,218
305 E US Hwy 80	Mesquite	TX	-	-	11/14/2022	11,787
19750 IH 635	Mesquite	TX	-	-	09/16/2022	156,144
19750 IH 635	Mesquite	TX	-	-	09/16/2022	156,144
2309 Franklin Dr	Mesquite	TX	-	-	05/10/2022	29,412
915 Finn Rd	Dallas	TX	\$1,853,621	\$64.36	02/19/2022	28,800
200 Adell Blvd	Sunnyvale	TX	\$8,312,500	\$51.15	04/01/2021	162,500
1520 E Wintergreen Rd	Hutchins	TX	-	-	09/08/2020	69,750

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

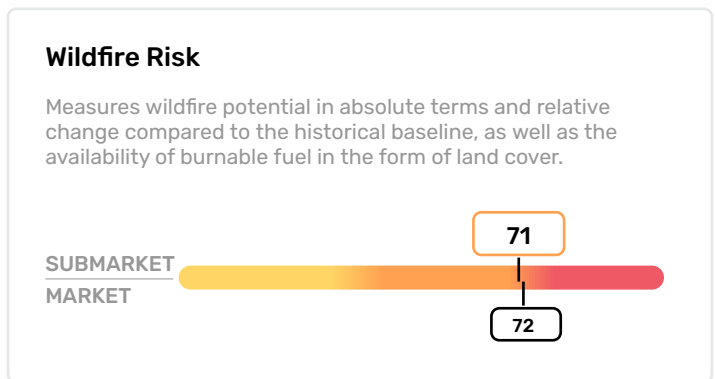
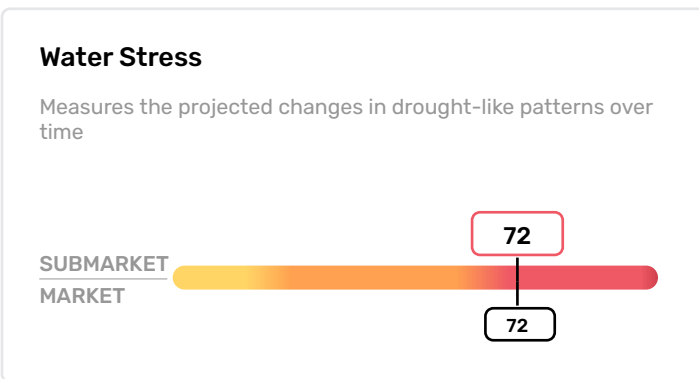
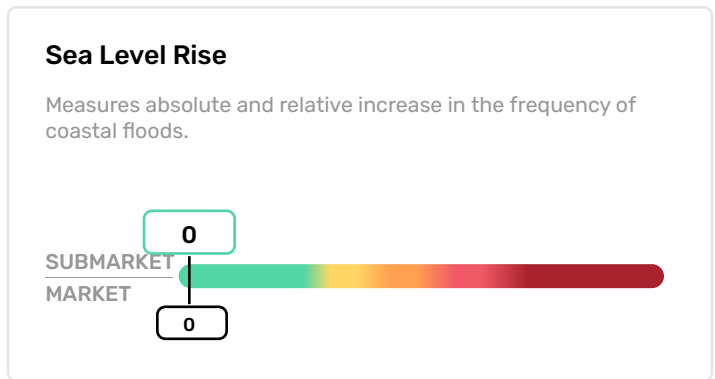
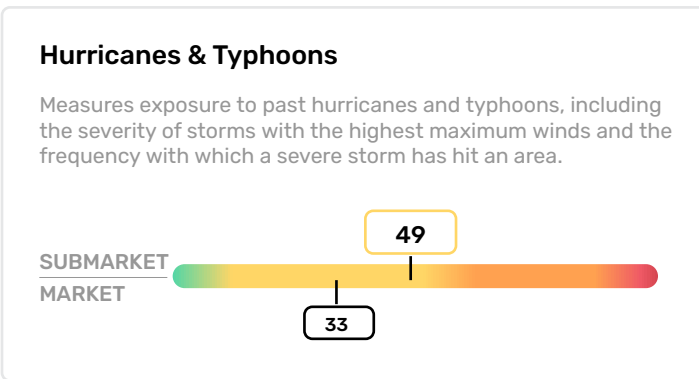
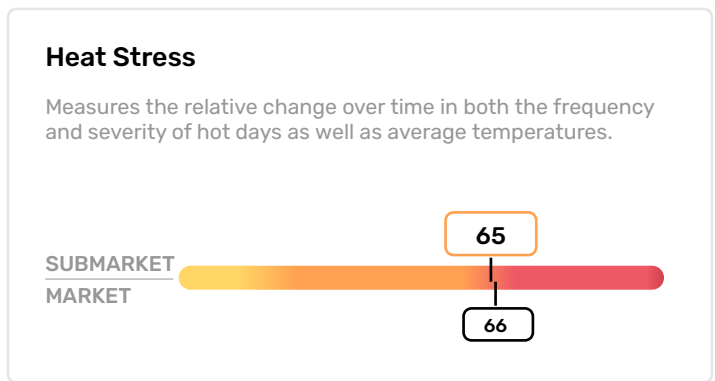
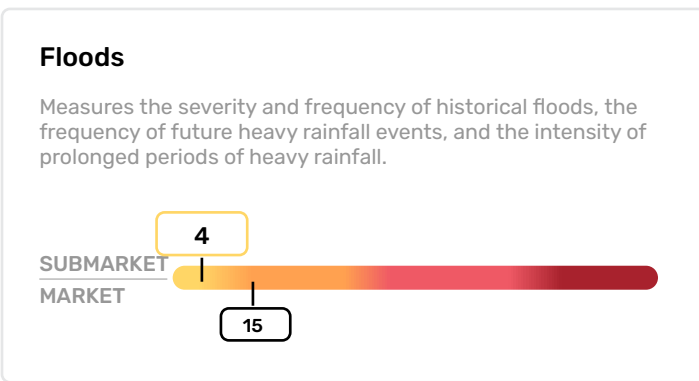
# VII. CLIMATE RISK

## Highest Risk Category

Water Stress  
**HIGH RISK**

Exposed today and exposure level is increasing

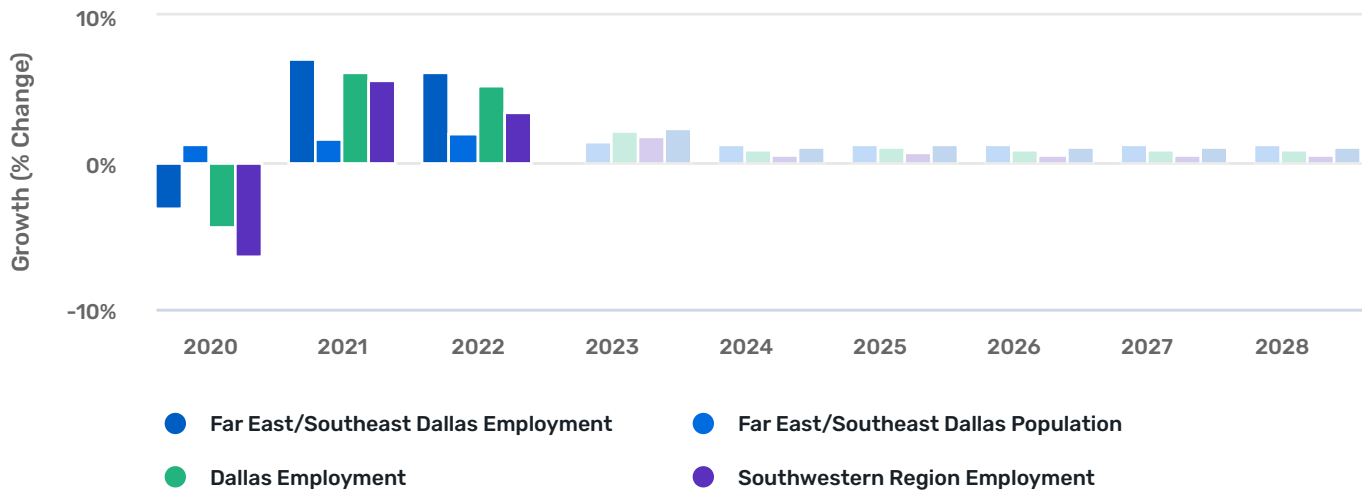
## Risk Categories



# VIII. DEMOGRAPHICS

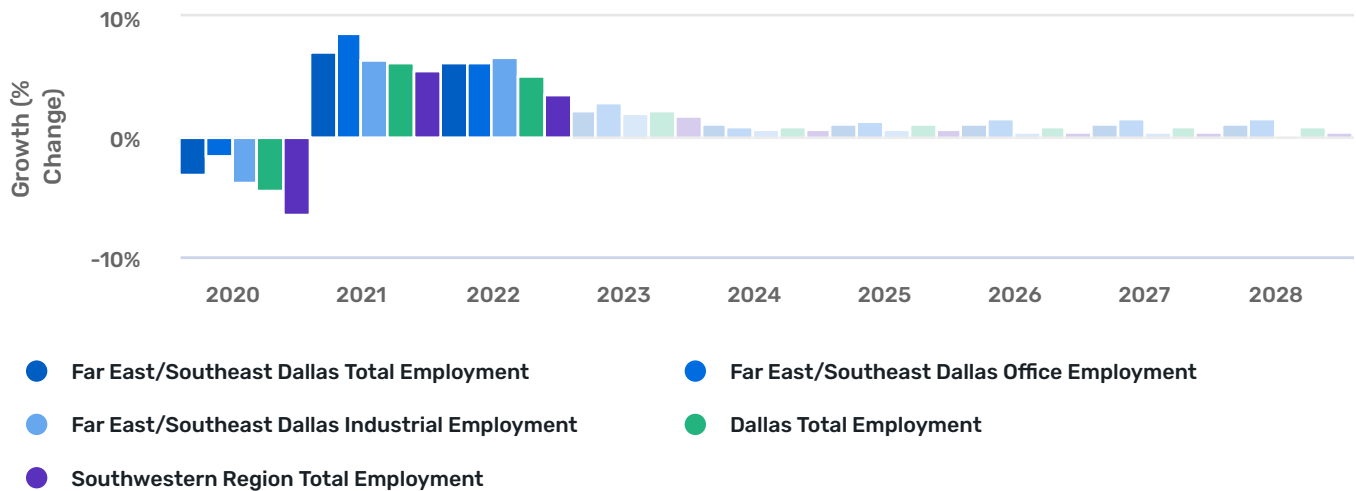
## Employment and Population Growth

[View Full Table in Appendix](#)



## Employment Growth

[View Full Table in Appendix](#)



VIII. Demographics

Warehouse/Distribution

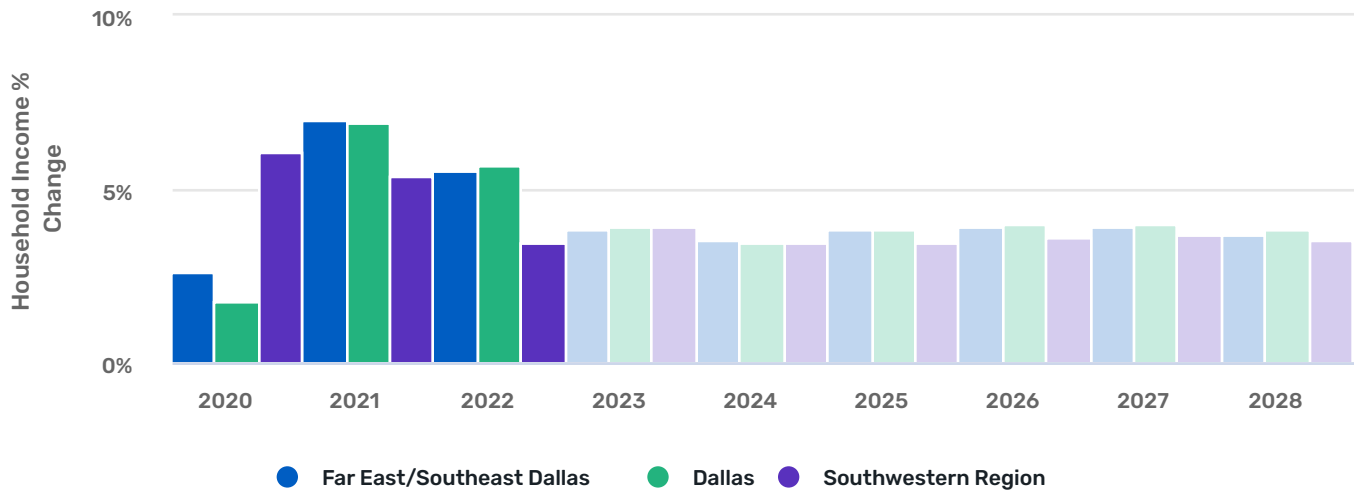
Dallas

Southwestern Region

United States

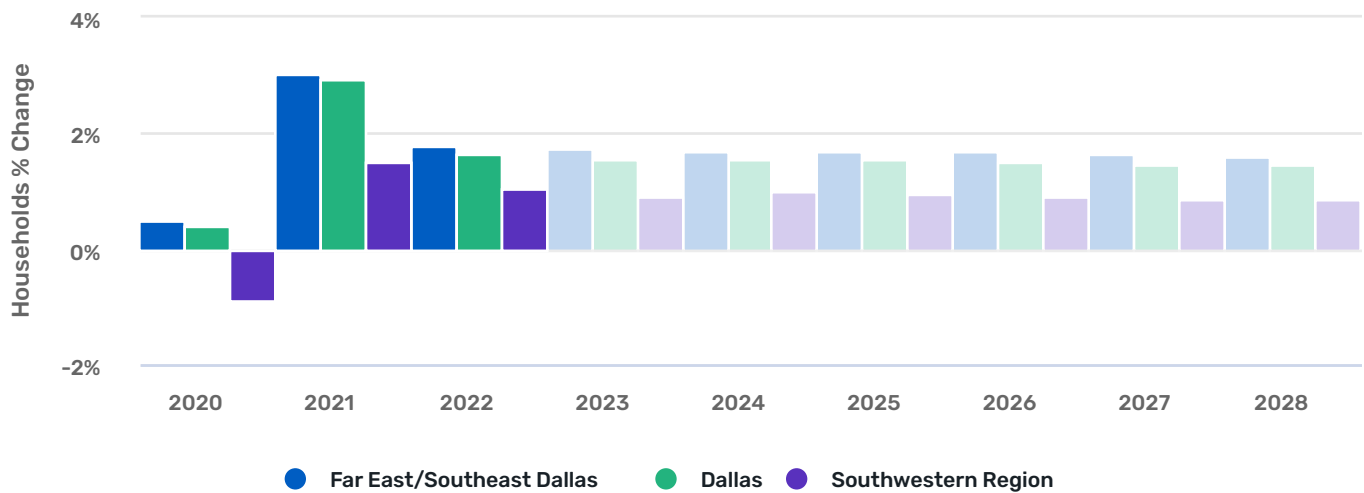
Household Income Growth

[View Full Table in Appendix](#)



Household Growth

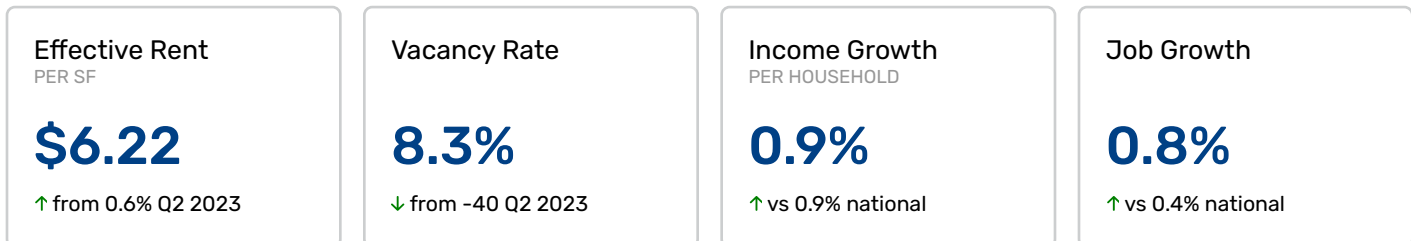
[View Full Table in Appendix](#)



## 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.)

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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	Far East/Southeast Dallas		Dallas	
	Asking Rent per SF	Vacancy Rate %	Asking Rent per SF	Vacancy Rate %
2009	\$4.03	8.4%	\$4.25	16.4%
2010	\$3.62	8.7%	\$3.98	15.6%
2011	\$3.52	9.0%	\$3.90	15.1%
2012	\$3.60	6.9%	\$3.96	13.9%
2013	\$3.61	6.5%	\$4.05	13.3%
2014	\$3.76	6.1%	\$4.20	13.6%
2015	\$3.85	4.0%	\$4.30	12.5%
2016	\$3.97	3.8%	\$4.43	11.5%
2017	\$4.05	26.2%	\$4.59	9.6%
2018	\$4.14	13.9%	\$4.72	11.5%
2019	\$4.51	23.0%	\$4.87	13.1%
2020	\$4.60	20.3%	\$4.94	13.0%
2021	\$5.37	22.7%	\$5.25	10.8%
2022	\$6.11	10.3%	\$5.86	7.3%
2023	\$6.34	7.4%	\$6.19	6.8%
2024	\$6.75	7.7%	\$6.55	6.9%
2025	\$7.18	7.2%	\$6.87	6.7%
2026	\$7.73	7.3%	\$7.25	6.4%
2027	\$8.27	7.1%	\$7.65	6.1%
2028	\$8.80	7.5%	\$8.09	5.8%



## Scenarios: Asking Rent Per SF

 [View Chart in Overview](#)

Year	Far East/Southeast Dallas			Dallas	United States
	% Change	S1 - % Change <sup>1</sup>	S2 - % Change <sup>2</sup>	% Change	% Change
2010	-10.2%	--	--	-6.4%	-5.0%
2011	-2.8%	--	--	-2.0%	-1.1%
2012	2.3%	--	--	1.5%	1.1%
2013	0.3%	--	--	2.3%	1.7%
2014	4.2%	--	--	3.7%	2.3%
2015	2.4%	--	--	2.4%	2.4%
2016	3.1%	--	--	3.0%	3.4%
2017	2.0%	--	--	3.6%	3.9%
2018	2.2%	--	--	2.8%	2.8%
2019	8.9%	--	--	3.2%	2.2%
2020	2.0%	--	--	1.4%	1.4%
2021	16.7%	--	--	6.3%	7.8%
2022	13.8%	--	--	11.6%	20.2%
2023	3.9%	3.8%	3.7%	5.6%	5.5%
2024	6.5%	5.9%	5.6%	5.8%	5.1%
2025	6.4%	5.9%	5.4%	4.9%	5.2%
2026	7.7%	7.3%	6.9%	5.5%	5.5%
2027	7.0%	6.6%	6.3%	5.5%	5.8%
2028	6.4%	6.1%	5.8%	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	Far East/Southeast Dallas			Dallas	United States
	% Vacant	S1 - % Vacant <sup>1</sup>	S2 - % Vacant <sup>2</sup>	% Vacant	% Vacant
2009	8.4%	--	--	16.4%	13.3%
2010	8.7%	--	--	15.6%	14.0%
2011	9.0%	--	--	15.1%	13.2%
2012	6.9%	--	--	13.9%	12.1%
2013	6.5%	--	--	13.3%	11.5%
2014	6.1%	--	--	13.6%	11.0%
2015	4.0%	--	--	12.5%	10.3%
2016	3.8%	--	--	11.5%	9.6%
2017	26.2%	--	--	9.6%	9.0%
2018	13.9%	--	--	11.5%	9.5%
2019	23.0%	--	--	13.1%	10.3%
2020	20.3%	--	--	13.0%	10.8%
2021	22.7%	--	--	10.8%	6.7%
2022	10.3%	--	--	7.3%	4.3%
2023	7.4%	7.5%	7.5%	6.8%	4.8%
2024	7.7%	7.9%	8.0%	6.9%	4.8%
2025	7.2%	7.2%	7.4%	6.7%	4.7%
2026	7.3%	7.7%	8.0%	6.4%	4.3%
2027	7.1%	7.4%	7.8%	6.1%	4.2%
2028	7.5%	7.8%	8.2%	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	Far East/Southeast Dallas			Dallas	United States
	% Change	S1 - % Change <sup>1</sup>	S2 - % Change <sup>2</sup>	% 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	13.2%	--	--	4.6%	1.3%
2015	41.8%	--	--	4.1%	1.3%
2016	0.0%	--	--	4.1%	1.5%
2017	33.4%	--	--	4.0%	2.2%
2018	8.2%	--	--	4.6%	2.3%
2019	14.4%	--	--	4.7%	3.1%
2020	6.1%	--	--	4.9%	2.6%
2021	41.5%	--	--	4.6%	2.9%
2022	45.8%	--	--	6.5%	3.4%
2023	7.4%	8.7%	8.6%	2.6%	3.2%
2024	22.0%	20.1%	19.0%	5.8%	2.0%
2025	1.3%	0.0%	0.0%	1.5%	1.1%
2026	1.8%	0.6%	0.0%	1.4%	0.9%
2027	2.8%	2.4%	2.0%	1.6%	1.0%
2028	2.9%	2.6%	2.2%	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	-10,000	0
2011	-13,000	0
2012	71,000	0
2013	16,000	0
2014	436,000	450,000
2015	1,626,000	1,609,000
2016	11,000	0
2017	117,000	1,820,000
2018	1,413,000	600,000
2019	161,000	1,138,000
2020	676,000	546,000
2021	2,849,000	3,972,000
2022	7,239,000	6,203,000
2023	1,914,000	2,971,000
2023 YTD	3,212,000	2,971,000
2024	4,230,000	4,657,000
2025	444,000	342,000
2026	416,000	466,000
2027	762,000	754,000
2028	641,000	808,000

## Submarket Project Tally: Proposed And Planned

 [View Chart in Overview](#)

	Warehouse/Distribution
Far East/Southeast Dallas	7,229,260
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 South Dallas	8,760,484
Farmers Branch	887,529
Garland	282,016
Irving/Grand Prairie	3,591,162
Plano/Allen/McKinney	3,751,540
Richardson	280,000

*Size of Projects is in SF.*

## Submarket Project Tally: Under Construction

 [View Chart in Overview](#)

	Warehouse/Distribution
Far East/Southeast Dallas	4,013,172
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 South Dallas	4,184,428
Farmers Branch	-
Garland	220,706
Irving/Grand Prairie	639,742
Plano/Allen/McKinney	1,104,397
Richardson	-

*Size of Projects is in SF.*

## Submarket Project Tally: Complete

 [View Chart in Overview](#)

	Warehouse/Distribution
Far East/Southeast Dallas	9,392,603
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 South Dallas	16,152,171
Farmers Branch	-
Garland	74,758
Irving/Grand Prairie	1,920,064
Plano/Allen/McKinney	1,695,437
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	7,229,260	-	620,500	3,050,476	3,016,930	-
Total	7,229,260	0	620,500	3,050,476	3,016,930	0

## Sales Trends

 [View Chart in Transactions](#)

Year	Transaction Volume (\$)	Number of Transactions	Mean Sale Price Per SF	Median Sale Price Per SF	Median Transaction Cap Rate
2009	-	0	-	-	-
2010	-	0	-	-	-
2011	-	0	-	-	-
2012	-	0	-	-	-
2013	-	0	-	-	-
2014	-	0	-	-	-
2015	-	0	-	-	-
2016	\$40,000,000	1	\$1,215.07	\$1,215.07	-
2017	\$42,000,000	1	\$55.34	\$55.34	-
2018	-	0	-	-	-
2019	\$3,125,000	1	\$651.04	\$651.04	-
2020	-	0	-	-	-
2021	\$8,312,500	1	\$51.15	\$51.15	-
2022	-	0	-	-	-
2023	\$3,724,000	1	\$1,489.60	\$1,489.60	-

*Includes sales of \$2M and greater only*



## Employment and Population

 [View Chart in Demographics](#)

	2019	2020	2021	2022	2023	2024	2025	2026
<b>Employment</b>								
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%
<b>Population</b>								
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
<b>Household Growth</b>								
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%
<b>Household Income</b>								
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.*