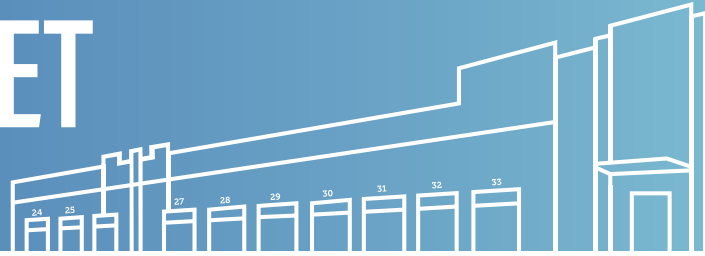


Q4 2019 | DALLAS+FORT WORTH INDUSTRIAL MARKET



DFW Industrial Market Continues To Lead The Nation

DFW Sets Numerous Records Again In 2019

EXECUTIVE SUMMARY

Solid Fundamentals Continue To Drive Market Movement

Major market highlights of the last quarter include:

- DFW continues to be the national leader in job growth. In November the BLS reported 120,700 jobs created over the last year, ranking #1 in the nation over larger metros such as New York and Los Angeles
- The industrial market's greatest growth in inventory and demand continue to occur in the DFW Airport, North Fort Worth, and Great Southwest areas
- Strong demand and intelligent development has kept vacancies at 7% or below with 111 MSF absorbed and 119 MSF delivered over the last five years
- Investment sales posted new record volume at \$5.4B and a new record price of \$82 PSF

DEMAND AND LEASING ACTIVITY

Strong Demand Continues Absorbing Supply

Absorption this quarter recorded a positive 5.7 MSF, bringing net absorption for 2019 to 20.6 MSF. Over the past five years, net absorption has totaled 111.5 MSF or 22.3 MSF per year.

Leasing activity in Q4 was 12.4 MSF, down from 14.2 MSF in Q3 and 15.3 MSF in Q4 2018. Taken together with other market indicators, we believe these declines are normal fluctuations caused by deal timing rather than signals of a slowdown.

The North Fort Worth and DFW Airport submarkets led the region in increases in absorption and leasing activity. South Stemmons and Northeast Dallas remain solid performers.

TRENDLINES

5-YEAR TREND

CURRENT QUARTER

ABSORPTION



5.7 MSF

Net absorption for the year was 20.6 MSF in 2019

VACANCY



7.0%

54.7 MSF currently vacant and 726.6 MSF occupied

RENTAL RATE



\$5.26 PSF

Up \$0.12 PSF or 2.4% over last year

UNDER CONSTRUCTION



29.6 MSF

10.5 MSF was delivered this quarter

BLUE COLLAR JOB GROWTH



17,858 JOBS

1.7% increase in Dallas and 2.0% increase in Fort Worth

VACANCY

Vacancy Rates Stay Below Historic Average

Market-level vacancy inched up to 7.0% from 6.5% at the end of 2018. Vacancy in Warehouse/Distribution product increased 0.6% from 2018 while Flex and Manufacturing properties remained stable.

Submarkets with the best vacancy improvement were South Dallas (improving 3.6%) and Great Southwest (1.3%).

SUPPLY AND DEVELOPMENT

DFW Continues To Lead Construction Nationally

91 projects delivered 26.2 MSF in 2019 and 29.6 MSF was under construction by year-end. Warehouse/Distribution accounts for 97% of construction.

61% of construction is concentrated in the North Fort Worth, DFW Airport, and Great Southwest submarkets.

The largest deliveries in 2019 include 2801 Market Street (1.5 MSF in DFW Airport), Alliance Northport 3 (1.2 MSF in North Fort Worth), and 1511 NE Loop 820 (1.0 MSF in North Fort Worth).

RENTAL RATES

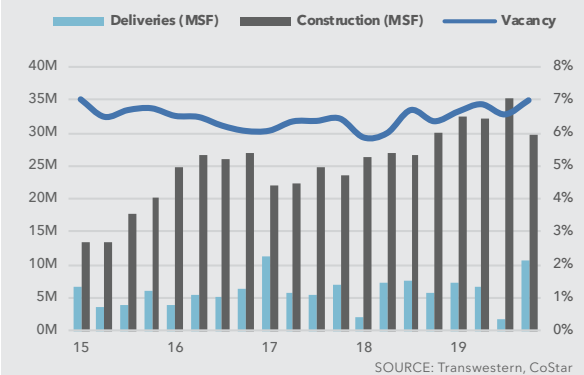
Rent Growth Continues Across All Property Types

Overall asking rents were \$5.26 PSF, down from the previous quarter but ending the year with a 2.4% increase from 2018. Over the last year, Flex increased \$0.16 or 1.7%, Warehouse/Distribution increased \$0.14 or 2.9%, and Manufacturing decreased \$0.27 or 5.1%.

The top areas for Warehouse/Distribution rent growth over the last five years are South Stemmons at 7.7% per year, South Fort Worth at 6.7%, and East Dallas at 6.4%. Submarkets with a large number of deliveries have seen more modest rent growth ranging from 4.3% in North Fort Worth to 2.0% in Great Southwest.

PIPELINE AND VACANCY

Quarterly Average

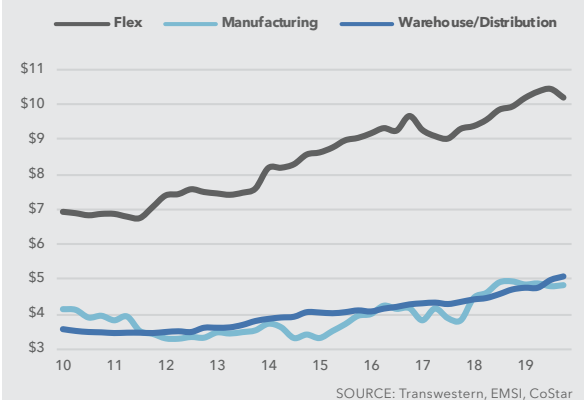


Areas Ranked By Construction

SUBMARKET CLUSTER	SF UNDER CONSTRUCTION	% OF INVENTORY
North Fort Worth	10,776,528	5.7%
DFW Airport	4,269,907	6.9%
Great Southwest	3,046,210	2.7%
South Dallas	2,885,942	3.3%
South Stemmons	2,688,822	2.5%
Northeast Dallas	2,381,039	2.4%
South Fort Worth	1,487,422	2.7%
East Dallas	1,200,000	0.8%
Northwest Dallas	827,364	0.8%

RENTAL RATES BY PROPERTY TYPE (NNN)

Quarterly Average



INVESTMENT SALES

Another Record Year For Volume And Prices

Capital deployment to DFW industrial property again set historic records. Total volume reached \$5.4B across 331 properties, up from \$5.0B last year. A new record was also set with average prices registering \$82 PSF, up from \$73 PSF last year.

Cap rates averaged 6.0% in 2019, down from 6.6% last year. This is expected given that DFW's robust supply pipeline tempers NOI growth at the same time competing buyers are pressing prices upward.

Notable sales in the fourth quarter included 1301 Chalk Hill Rd to Granite REIT (2.3 MSF at \$94 PSF), Park 20/360 to Heitman (1.6 MSF at \$91 PSF), and 101 Mars Rd to Manulife Financial (1.4 MSF at \$54 PSF).

OUTLOOK

Solid Fundamentals Will Spur Continued Growth

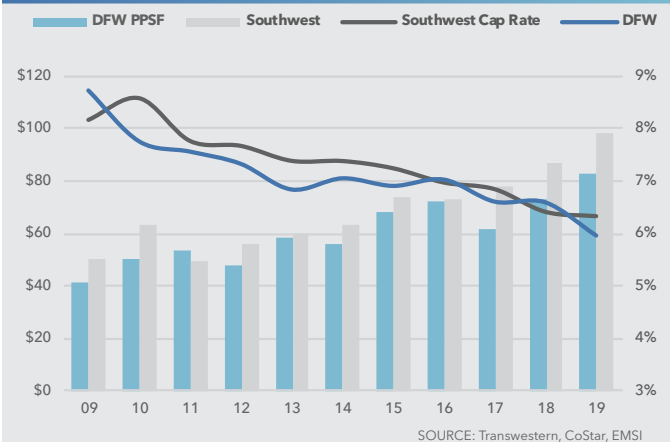
Even with tighter labor markets and a large supply pipeline, absorption and employment forecasts are positive.

Forecasts place absorption at 66.2 MSF and industrial job creation at 40K from 2020 to 2022—equivalent to 22MSF and 13.5K jobs per year.

Slower growth beyond 2-3 years is caused by baked in statistical uncertainty. Generally speaking, DFW has reliably performed at or better than forecasts. We expect the market to remain ground zero for industrial activity and investment for the foreseeable future.

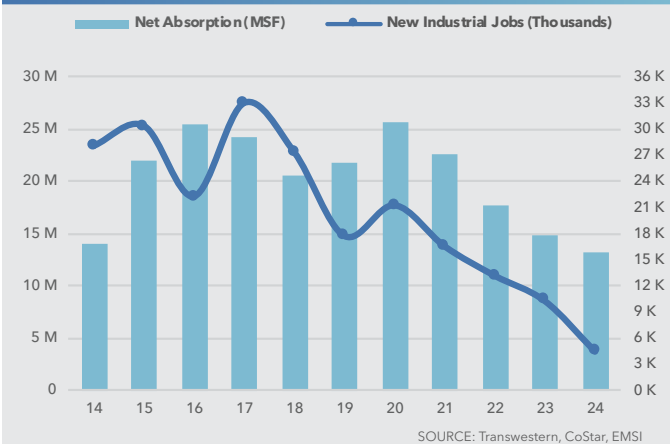
CAPITAL MARKET INDICATORS

Yearly Averages




INDUSTRIAL ABSORPTION AND EMPLOYMENT FORECASTS

Yearly Averages



Notable Q4 Lease Transactions

TENANT	LANDLORD	SF	DEAL TYPE	BUILDING	SUBMARKET
Zume	Hines	1,044,647	New	SouthLink I	South Dallas
Geodis	Granite REIT	672,775	New	Commerce 30	South Stemmons
Supply Chain Management	CORE5	337,931	New	Logistics Center at Wintergreen	South Dallas
WheelPros	Heitman	296,680	New	4025 E Interstate 30	South Stemmons
Wal-Mart	Scannell 	213,000	New	Park 820	North Fort Worth

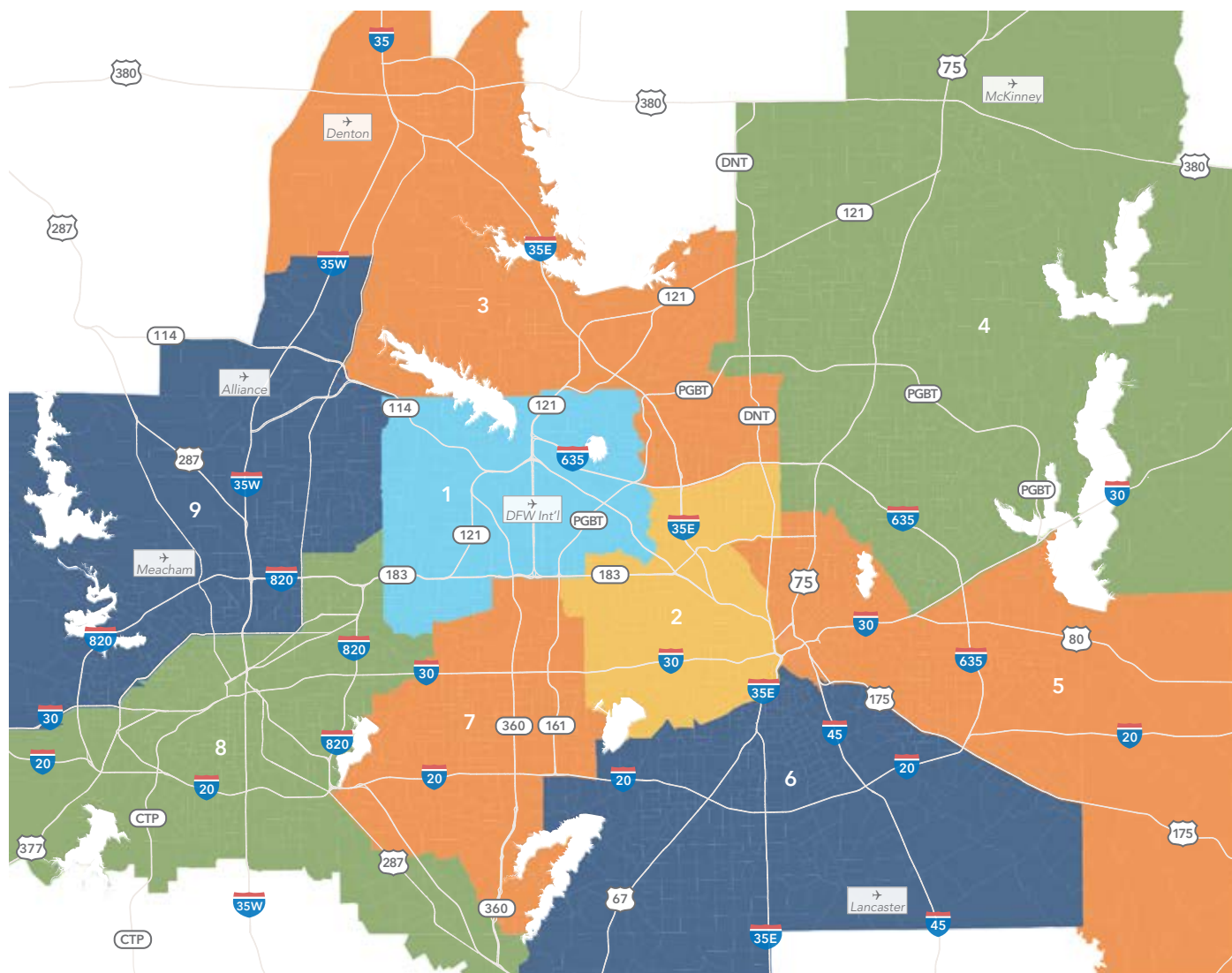
 =Landlord and/or tenant represented by Transwestern

SOURCE: Transwestern, CoStar

Key Market Indicators

	Inventory	SF Occupied	Overall Vacancy	%	Direct Vacancy	%	Under Construction	Q4 Leasing Activity	Q4 Net Absorption	12 Mo Net Absorption	NNN Rents
D+FW Market Total	781,261,182	726,590,306	54,670,876	7.0%	51,693,548	6.6%	29,563,234	12,403,759	5,745,751	20,557,133	\$5.26
Flex/High-Tech	98,082,307	92,055,543	6,026,764	6.1%	5,747,541	5.9%	245,783	1,059,381	788,318	1,103,415	\$9.70
Manufacturing	82,030,359	80,304,107	1,726,252	2.1%	1,300,202	1.6%	748,520	1,308,221	318,518	1,954,467	\$5.03
Warehouse/Distribution	601,148,516	554,230,656	46,917,860	7.8%	44,645,805	7.4%	28,568,931	10,036,157	4,638,915	17,499,251	\$4.79
Submarkets											
DFW Airport	74,609,217	69,205,208	5,404,009	7.2%	5,075,725	6.8%	4,269,907	1,606,973	466,816	2,751,084	\$6.65
Flex/High-Tech	6,968,668	6,194,882	773,786	11.1%	753,727	10.8%	0	29,411	79,260	(125,392)	\$9.83
Manufacturing	2,498,141	2,480,447	17,694	0.7%	17,694	0.7%	319,450	0	0	30,000	\$4.83
Warehouse/Distribution	65,142,408	60,529,879	4,612,529	7.1%	4,304,304	6.6%	3,950,457	1,577,562	387,556	2,846,476	\$6.48
South Stemmons	105,691,833	99,733,361	5,958,472	5.6%	5,721,800	5.4%	2,688,822	2,535,949	1,723,618	1,541,879	\$6.83
Flex/High-Tech	19,371,899	18,509,265	862,634	4.5%	835,188	4.3%	0	279,998	56,338	172,652	\$12.36
Manufacturing	8,349,371	8,150,606	198,765	2.4%	198,765	2.4%	199,070	268,895	80,700	83,900	\$5.50
Warehouse/Distribution	77,970,563	73,073,490	4,897,073	6.3%	4,687,847	6.0%	2,489,752	1,987,056	1,586,580	1,285,327	\$5.91
Northwest Dallas	108,739,991	103,348,082	5,391,909	5.0%	5,071,237	4.7%	827,364	1,303,040	386,645	2,335,416	\$6.24
Flex/High-Tech	18,126,058	16,995,283	1,130,775	6.2%	1,051,675	5.8%	24,000	248,964	78,263	118,971	\$9.87
Manufacturing	7,651,153	7,498,221	152,932	2.0%	111,722	1.5%	0	80,072	22,973	488,307	\$4.11
Warehouse/Distribution	82,962,780	78,854,578	4,108,202	5.0%	3,907,840	4.7%	803,364	974,004	285,409	1,728,138	\$5.52
Northeast Dallas	99,501,433	91,888,342	7,613,091	7.7%	6,605,514	6.6%	2,381,039	2,327,068	(192,567)	(34,313)	\$7.17
Flex/High-Tech	25,535,831	23,547,814	1,988,017	7.8%	1,855,615	7.3%	198,983	337,064	21,785	(71,057)	\$10.31
Manufacturing	16,396,792	15,777,926	618,866	3.8%	246,626	1.5%	230,000	654,378	(13,558)	38,357	\$7.73
Warehouse/Distribution	57,568,810	52,562,602	5,006,208	8.7%	4,503,273	7.8%	1,952,056	1,335,626	(200,794)	(1,613)	\$5.65
East Dallas	43,987,128	40,469,162	3,517,966	8.0%	3,449,257	7.8%	1,200,000	229,059	(74,365)	937,118	\$4.75
Flex/High-Tech	3,707,383	3,628,766	78,617	2.1%	78,617	2.1%	0	8,950	13,589	17,702	\$7.84
Manufacturing	6,235,991	6,213,815	22,176	0.4%	22,176	0.4%	0	0	(22,176)	34,891	\$4.57
Warehouse/Distribution	34,043,754	30,626,581	3,417,173	10.0%	3,348,464	9.8%	1,200,000	220,109	(65,778)	884,525	\$4.67
South Dallas	88,421,079	78,594,228	9,826,851	11.1%	9,826,635	11.1%	2,885,942	1,397,541	1,867,521	5,333,815	\$3.75
Flex/High-Tech	2,237,025	2,169,006	68,019	3.0%	67,803	3.0%	0	2,361	(15,973)	(31,482)	\$8.50
Manufacturing	12,819,397	12,706,766	112,631	0.9%	112,631	0.9%	0	0	322,000	283,401	\$4.95
Warehouse/Distribution	73,364,657	63,718,456	9,646,201	13.1%	9,646,201	13.1%	2,885,942	1,395,180	1,561,494	5,081,896	\$3.69
Great Southwest	111,323,389	104,881,120	6,283,735	5.8%	6,283,735	5.6%	3,046,210	1,454,824	1,028,396	3,048,407	\$4.94
Flex/High-Tech	7,517,145	7,007,765	509,380	6.8%	509,380	6.8%	0	95,425	(16,204)	(96,889)	\$10.24
Manufacturing	11,482,260	11,464,160	18,100	0.2%	78,750	0.2%	0	105,763	60,650	1,292,997	\$4.10
Warehouse/Distribution	92,323,984	86,409,195	5,914,789	6.4%	4,373,426	6.4%	3,046,210	1,253,636	983,950	1,852,299	\$4.47
South Fort Worth	61,910,093	58,764,033	3,146,060	5.1%	3,074,656	5.0%	1,487,422	946,503	(694,041)	(737,969)	\$5.19
Flex/High-Tech	8,645,010	8,100,832	544,178	6.3%	524,178	6.1%	22,800	38,208	(31,126)	(83,042)	\$7.59
Manufacturing	10,105,548	9,929,952	175,596	1.7%	175,596	1.7%	0	155,188	(75,546)	(48,752)	\$4.83
Warehouse/Distribution	43,159,535	40,733,249	2,426,286	5.6%	2,374,882	5.5%	1,464,622	753,107	(587,369)	(606,175)	\$4.85
North Fort Worth	87,077,019	79,706,770	7,370,249	8.5%	6,584,989	7.6%	10,776,528	602,802	1,233,728	5,381,696	\$4.82
Flex/High-Tech	5,973,288	5,901,930	71,358	1.2%	71,358	1.2%	0	19,000	602,386	1,201,952	\$12.84
Manufacturing	6,491,706	6,082,214	409,492	6.3%	396,892	6.1%	0	43,925	(56,525)	(248,634)	\$5.20
Warehouse/Distribution	74,612,025	67,722,626	6,889,399	9.2%	6,116,739	8.2%	10,776,528	539,877	687,867	4,428,378	\$4.74

SOURCE: Transwestern, CoStar



SUBMARKETS

- F1** DFW Airport
- F2** South Stemmons
- F3** Northwest Dallas

- F4** Northeast Dallas
- F5** East Dallas
- F6** South Dallas

- F7** Great Southwest
- F8** South Fort Worth
- F9** North Fort Worth

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WHY OUR METHODOLOGY IS THE BEST INDICATOR OF CURRENT MARKET CONDITIONS

We include multi-tenant, single-tenant, and owner-occupied buildings greater than 10 KSF to capture more market activity, which in turn informs owners/managers about changing market forces that impact the competitiveness of their space. By including single-tenant and owner-occupied space, we also empower industrial tenants to anticipate changes in labor costs and availability, which are critical to their operations and key drivers of profitability.



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