

INVESTMENT FORECAST

Marcus & Millichap

INDUSTRIAL

Dallas-Fort Worth Metro Area

2024

Less Construction Will Help the Market Rebalance Medium-Term but Supply Overhangs in 2024

Decade-low pace of new supply may aid recent arrivals. The 48.3 million square feet of industrial space that finalized in Dallas-Fort Worth last year was the largest annual addition for any major U.S. market since the turn of the century. For context, more than 10 percent of industrial space delivered nationally in 2023 was located in the Metroplex. That historic supply wave expanded available stock to an all-time high entering 2024, although pressure is more visible among larger spaces. Developers are tapping the brakes in response, as incoming supply has to contend with recent arrivals trying to secure tenants. This year's completion total eases to less than half of 2023's addition, and as of this March, less than 1 million square feet was underway with opening dates set for 2025 and beyond. Smaller properties should continue to be more insulated as well, with sub-100,000-square-foot properties comprising less than 8 percent of the space set to finalize this year. Overall vacancy will rise again in 2024; however, the ingredients are in place for supply and demand to realign in the medium-term. Locations like East Dallas and South Fort Worth are also absorbing new supply relatively well.

Price discovery ongoing after historic five-year surge. Dallas-Fort Worth's favorable economic growth trends, and its cache of modern industrial facilities, generate robust private and institutional buyer attention. From 2017-2022, the mean sale price per square foot nearly doubled, rising by an average of 12.3 percent per annum. As supply-side pressures became more pronounced while debt costs rose in 2023, however, that measure fell for the first time since 2009. Price discovery will continue, but greater capital markets stability should provide aid this year. Acquisition opportunities may emerge as owners assess near-term hurdles and opt to capture recent appreciation.

2024 MARKET FORECAST

+2.3%



EMPLOYMENT: Metroplex job gains dip below 100,000 new positions for the first time since 2020. Dallas-Fort Worth still leads the country in net employment growth for a second straight year.

22.8 million
sq. ft.



CONSTRUCTION: Dallas-Fort Worth's supply volume this year ranks as the second-largest nationally, after leading the country in 2023. Inventory growth of 2.4 percent, however, is an 11-year low.

+80 bps



VACANCY: Despite a notable deceleration in supply-side pressure relative to recent spans, net absorption will be at its lowest level in 12 years. This keeps vacancy moving up to 9.0 percent.

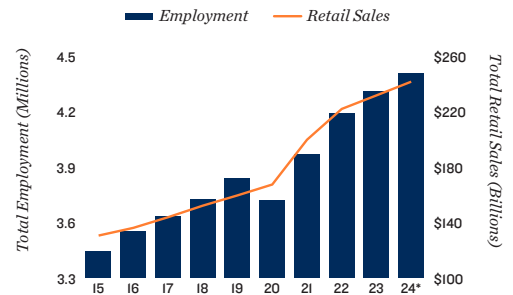
+4.9%



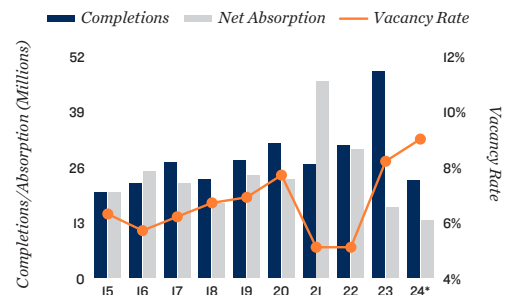
RENT: The pace of rent growth will soften to a five-year low, but will remain above the historic mean of 3.5 percent. Dallas-Fort Worth's average asking rate increases to \$8.96 per square foot.

INVESTMENT: *Buyers focused on areas with the slowest inventory growth in recent years may target South Stemmons and the Mid-Cities. Conversely, North Fort Worth and South Dallas are headlining the supply surge.*

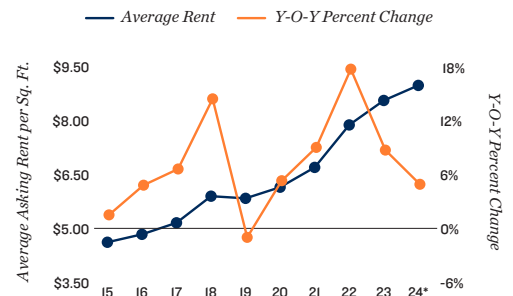
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2023. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.