

Vacancy rises as more
new supply hits markets.
Industrial leasing activity
and demand remain strong.

Texas Industrial
Figures Q1 2024

CBRE



What is the Cost of Industrial Space in Texas?



Average achieved NNN annual starting rent by size range including all classes, trailing 12 months

	Under 25,000 Sq. Ft.	25,000 – 50,000 Sq. Ft.	50,000 – 100,000 Sq. Ft.	100,000 – 250,000 Sq. Ft.	250,000 – 500,000 Sq. Ft.	500,000 Sq. Ft. +
DALLAS	\$10.87	\$9.17	\$7.34	\$8.16	\$6.45	\$4.58
HOUSTON	\$13.55	\$10.49	\$9.97	\$7.82	\$11.41	\$7.43
AUSTIN	\$19.62	\$13.50	Data Not Available	Data Not Available	Data Not Available	Data Not Available
SAN ANTONIO	\$11.99	\$10.75	Data Not Available	Data Not Available	Data Not Available	Data Not Available
EL PASO	\$9.56	\$9.10	\$9.03	\$9.00	\$8.09	Data Not Available



INCENTIVES

Texas offers a pro-business climate with no corporate or personal income tax at the state level, additional billions in tax relief for businesses, and the Texas Enterprise (deal-closing) Fund. Industrial occupiers take advantage of Freeport Exemptions in certain taxing jurisdictions, offering property tax relief on goods remaining in the state only 175 days. The Lone Star State leads the nation with 33 foreign trade zones (FTZs). FTZs allow goods to flow while avoiding formal customs, import quotas and other restrictions. Throughout 2022, Texas received over \$141 billion worth of merchandise and exported over \$144 billion.

Over the past 5 years (2018-Aug. 2022) Texas has abated \$10.9 billion in property for the entire state which translates to an estimated \$582.7 million in tax savings over that period. Of the \$10.9 billion, the Gulf Coast Region Texas has abated \$3.4 billion in property which translates to an estimated \$184.5 million in tax savings over the past 5 years (2018-Aug. 2022).

Source: CBRE Research, Q1 2024.

Dallas/Fort Worth

Marketwide Overview

The first quarter of 2024 marked the 54th consecutive quarter, or nearly fourteen years, of positive net absorption for the Dallas/Fort Worth industrial market as 4.0 million sq. ft. of net absorption was tracked over the quarter. Vacant deliveries were 765,800 sq. ft. higher than the amount of sq. ft. absorbed and the vacancy rate increased by 140 basis points to end the quarter at 9.5%, a peak in comparison to previous quarters. Although a copious amount of deliveries remain vacant, significant leases signed will take occupancy within the upcoming months of 2024 as tenant demand continues to stay strong within Dallas/Fort Worth.

Leasing Activity and Demand

Manufacturing drove demand in Q1 2024. Of the 7.7 million sq. ft. in leasing activity tracked by CBRE Research over the quarter, 4.4 million sq. ft., or 56.6%, was attributable to manufacturing. Other sectors, included 1.3 million sq. ft., or 17.1%. Rounding out the top three sectors, 3PLs accounted for 1.2 million sq. ft., or 14.9%, of leasing activity during the first quarter. CBRE Research is currently tracking 32 tenant requirements totaling over 16 million sq. ft. active in the market. This amount is in line with long-term tenant demand observed in Dallas/Fort Worth.

Construction

For five consecutive quarters, developers delivered more product than they kicked off with 14.7 million sq. ft. delivered and 1.8 million sq. ft. in new starts. Consequently, the total amount of under construction dropped from 30.0 million sq. ft. to 18.0 million sq. ft. in active construction. The preleased rate for under construction product decreased from 31.8% to 15.1% at the end of Q1 2024.

▲ 9.5%

Vacancy Rate

▼ 4M

SF Net Absorption

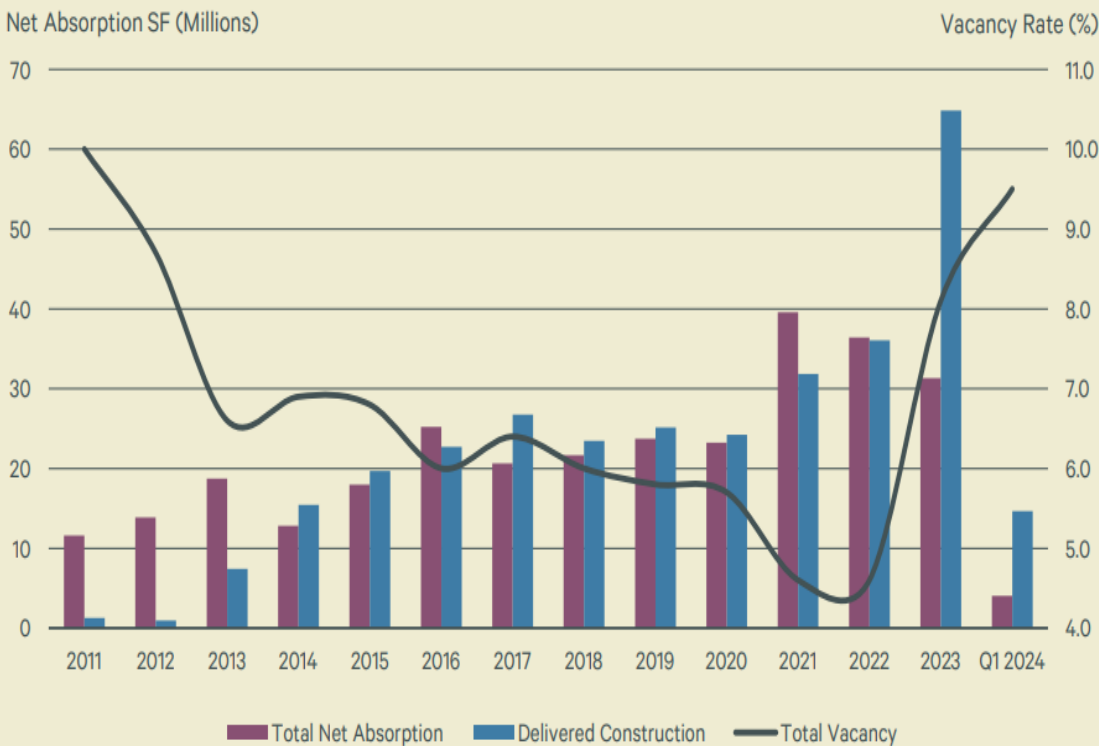
▼ 18.0M

SF Under Construction

▼ 14.7M

SF Delivered Construction

Dallas/Fort Worth Industrial Market (Annual)



Source: CBRE Research, Q1 2024.

Texas Historical Market Statistics

	2017	2018	2019	2020	2021	2022	2023	Q1 2024
DALLAS								
Absorption (Net, SF)	20,662,463	21,218,361	23,732,744	23,241,992	39,574,683	36,415,358	31,355,334	4,020,180
Overall Asking Rent (Gross Avg. Mthly \$/SF)	0.46	0.49	0.52	0.57	0.63	0.73	0.92	0.93
Delivered Construction (SF)	26,771,821	23,373,467	25,149,751	24,246,064	30,797,384	36,069,145	64,852,501	14,680,008
Vacancy Rate (%)	6.4	6.0	5.8	5.7	4.6	4.6	8.1	9.5
HOUSTON								
Absorption (Net, SF)	7,014,323	10,606,134	10,550,411	11,399,584	27,984,953	30,302,889	20,747,594	4,372,091
Overall Asking Rent (Gross Avg. Mthly \$/SF)	0.61	0.62	0.62	0.59	0.65	0.77	0.80	0.80
Delivered Construction (SF)	9,102,389	10,944,886	14,418,700	22,415,873	21,760,670	18,791,638	28,826,276	6,327,737
Vacancy Rate (%)	5.4	5.0	5.9	6.6	6.1	3.8	6.0	6.3
AUSTIN								
Absorption (Net, SF)	698,608	1,785,512	1,307,789	2,083,654	3,566,600	4,234,462	4,558,090	2,568,166
Overall Asking Rent (Gross Avg. Mthly \$/SF)	1.13	1.16	1.10	1.13	1.20	1.26	1.34	1.34
Delivered Construction (SF)	1,797,561	1,751,178	1,891,737	1,508,249	1,857,838	4,297,257	9,823,636	3,074,943
Vacancy Rate (%)	9.9	9.4	10.5	8.2	4.9	5.9	8.1	8.7

Source: CBRE Research, Q4 2023.

	2017	2018	2019	2020	2021	2022	2023	Q1 2024
SAN ANTONIO								
Absorption (Net, SF)	1,148,879	1,142,432	956,507	969,387	4,172,569	10,800,594	4,051,137	352,659
Overall Asking Rent (Gross Avg. Mthly \$/SF)	0.65	0.69	0.67	0.66	0.76	0.79	0.91	0.88
Delivered Construction (SF)	2,229,095	864,234	2,116,011	2,857,981	1,190,939	9,024,290	8,081,283	517,305
Vacancy Rate (%)	9.7	8.8	11.6	14.9	9.9	4.4	7.5	7.7
EL PASO								
Absorption (Net, SF)	914,849	2,469,427	999,990	1,294,813	4,044,804	5,489,125	3,006,905	858,752
Overall Asking Rent (Gross Avg. Mthly \$/SF)	0.46	0.49	0.54	0.56	0.62	0.77	0.85	0.87
Delivered Construction (SF)	475,000	934,407	373,509	499,528	4,443,060	3,778,102	4,451,086	1,503,758
Vacancy Rate (%)	7.5	5.2	4.0	2.8	3.1	1.4	3.7	4.5
TEXAS TOTAL								
Absorption (Net, SF)	30,439,122	37,221,866	37,547,441	38,989,430	79,343,609	87,242,428	63,719,060	12,171,848
Overall Asking Rent (Gross Avg. Mthly \$/SF)	0.54	0.57	0.57	0.58	0.65	0.86	0.91	0.91
Delivered Construction (SF)	40,375,866	37,868,172	43,949,708	51,527,695	60,049,891	71,960,432	116,034,782	26,103,751
Vacancy Rate (%)	7.8	6.9	7.6	7.6	5.7	3.9	7.2	8.1