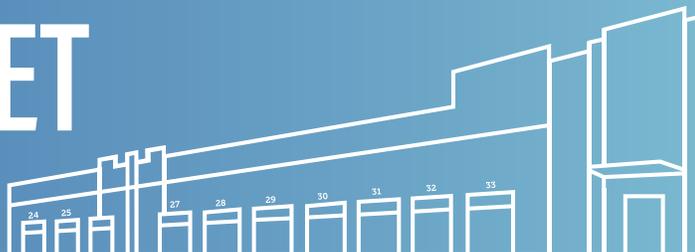


INDUSTRIAL MARKET



D+FW Industrial Market At Equilibrium In Q1 2020

Rents Report Strong Gains Backed By Solid Demand And Disciplined Development

EXECUTIVE SUMMARY

Taking Stock Of The Industrial Market

Major market highlights of the last quarter include:

- Warehouse/distribution rents posted strong annual increases of just over 6%, maintaining a high level of growth
- Absorption remained strong in Q1, registering a positive 8.2 MSF. Leasing activity was robust at 11.8 MSF
- Vacancy is essentially flat with a decline of 20 bps, remaining stable well below the long-term average
- New construction stands at 30.8 MSF with 30% pre-leasing

Demand and supply have been well-matched over the past three years even as the industrial market reached new heights in absorption and deliveries. While it will take some time for economic impacts of COVID-19 to ripple through to commercial real estate, the D+FW industrial market—backed by the region's solid fundamentals—is well-positioned to face whatever the months ahead may bring.

STRATEGY

How Owners & Users Can Maximize Opportunity

- **Tenants:** Evaluate major decisions in the short-term until outlook from COVID clarifies. Strong credit tenants should leverage their strength to potentially obtain a few more concessions or attractive terms that have not been available in the recent past.
- **Developers:** Continue scouting land sites. Consider multiple capital sources for deals in the pipeline as some are on temporary pause. The D+FW industrial market is expected to perform well in the long-term and quality new projects will be in demand.
- **Owners:** Work with existing tenant portfolio to assist those tenants with genuine needs. Obtain lease extensions and/or renegotiate in-place below market terms if a win-win scenario exists.

TRENDLINES

5-YEAR TREND CURRENT QUARTER

ABSORPTION



8.2 MSF

12 month absorption stands at 25.0 MSF

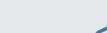
DIRECT VACANCY



6.3%

Stable even with record deliveries

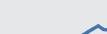
INDUSTRIAL RENTAL RATE (NNN)



\$5.20 PSF

Up \$0.47 PSF from last year

FLEX RENTAL RATE (NNN)



\$10.04 PSF

Up \$0.09 from last year

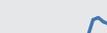
UNDER CONSTRUCTION (ALL SPACE)



30.8 MSF

7 MSF was delivered this quarter

SALE PRICE



\$83 PSF

\$83 PSF on a T-12 basis with a 6.0% cap rate

RENTAL RATES

All Markets Areas Outpacing Inflation

All market areas are currently experiencing rent growth of approximately 4.5-6.5% per year. Although this would typically indicate overheating in the market, stable occupancy and a review of lease comps indicate this rent growth is market-driven and in-line with demand.

LEASING ACTIVITY, VACANCY & ABSORPTION

Leasing Activity & Absorption Healthy

Leases totaling 11.8 MSF were executed in Q1, down from the same time last year but in-line with levels over the last five years. A decline is expected in Q2 with many tenants re-evaluating decisions.

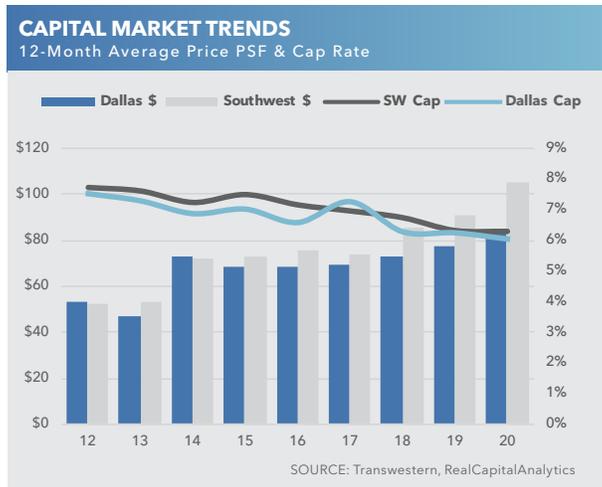
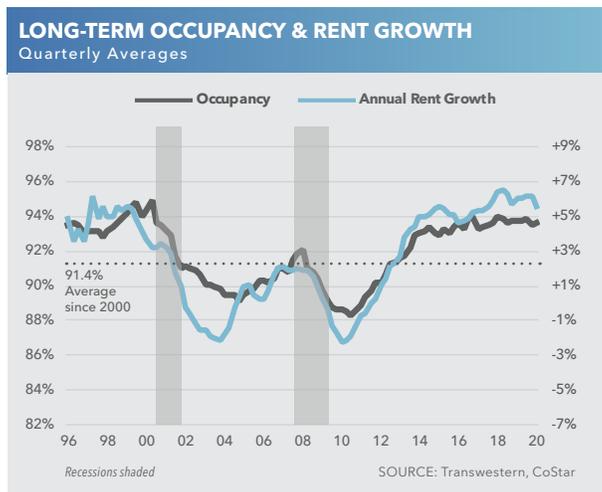
Net absorption registered a positive 8.2 MSF bringing vacancy down 0.2%. The greatest occupancy improvement occurred in South Dallas at +7.0% from last year while the rest of the region showed modest improvement or insignificant decline.

INVESTMENT SALES

Capital Markets Continued At Trend

Total volume reached \$1.5B in the first quarter, a new record. Average pricing was \$83 PSF for the quarter and \$83 PSF on a T-12 basis with cap rates remaining stable at 6.0%.

Top trades in Q1 include Alliance Northport 3 (1.2 MSF), Commerce 30 park (1.2 MSF), Provender Logistics Center (1.1 MSF at \$82 PSF), and Alliance Center park (169 KSF at \$90 PSF).



Notable Lease Transactions

TENANT	SF	DEAL TYPE	LANDLORD	BUILDING	MARKET AREA
Amazon	1,000,584	New	CLX/Goldman Sachs	DFW Commerce Center	DFW Airport
Tempur Sealy	585,910	New	TCC/CBREI	Passport Park 2	DFW Airport
National Distribution Centers	472,500	Renewal	JP Morgan	Alliance Gateway 72	North Fort Worth
Amazon	465,450	New	Hunt Southwest	Interstate Crossing	North Fort Worth
Eatery Essentials	399,971	New	AEW Capital	Stoneridge Business Park	South Dallas
AmerCareRoyal	390,000	New	Scannell	Speedway Logistics Crossing 1	North Fort Worth
Eaton Corporation	358,238	New	NFI Industries	LogistiCenter at Dallas	South Dallas

SOURCE: Transwestern, CoStar

SUPPLY AND DEVELOPMENT

No Indications Of Overbuilding

Over this last cycle, strong demand has absorbed record levels of supply delivered over the last cycle: approximately **79% of space built since 2018** and **30% of space under construction** is already leased.

After 80.1 MSF of deliveries, industrial occupancy remains 190 bps above the long-term average of 91.4%.

To put this in perspective: if all uncommitted space delivered without leasing, market-level occupancy would drop to 92.0%—**60 bps above** long-term average.

OUTLOOK

D+FW Fundamentals Remain Strong

The D+FW industrial market remains well-positioned for four main reasons:

1. The economic engine of D+FW—diverse industry clusters, excellent transportation infrastructure, and cost competitiveness—grew stronger over the last cycle
2. D+FW continues to attract labor from outside the region with a high quality of life and low cost of living, which is why historic lows in unemployment did not hamper industrial users' ability to demand record amounts of space
3. The ability to build quality, affordable, and diverse housing choices for blue collar workers gives industrial users long-term security with a growing labor pool
4. Mid-term and long-term shifts in consumer behavior—such as increased online shopping—benefit the industrial sector, potentially offsetting some impacts of a broader recession

Taken together, the D+FW market will remain a top-tier market for industrial users, developers, and investors for the foreseeable future. ■

Industrial Space Built Since 2018

MARKET AREA	TOTAL SF	% LEASED
South Dallas	19,531,206	77%
Great Southwest	16,011,054	90%
North Fort Worth	15,250,267	65%
DFW Airport	8,933,904	87%
Northwest Dallas	6,668,175	80%
Northeast Dallas	5,178,100	80%
South Stemmons	4,003,568	85%
East Dallas	3,031,742	75%
South Fort Worth	1,541,080	88%
MARKET TOTAL	80,149,096	79%

SOURCE: Transwestern, CoStar

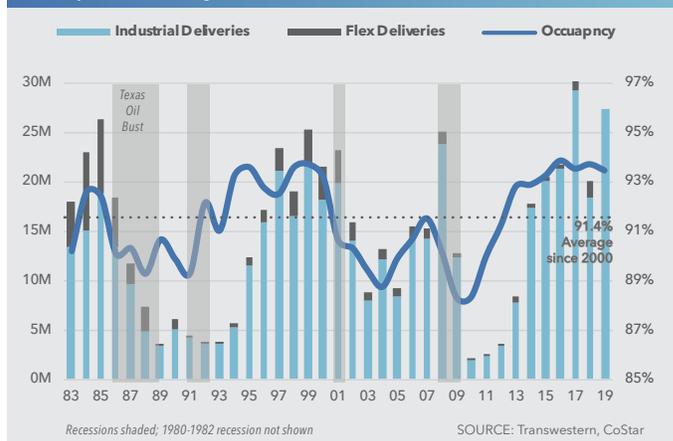
Industrial Space Under Construction

MARKET AREA	TOTAL SF	% LEASED
North Fort Worth	10,952,059	16%
DFW Airport	4,860,439	22%
South Stemmons	3,080,292	91%
South Fort Worth	2,523,603	11%
Northwest Dallas	2,483,634	14%
Northeast Dallas	2,328,056	39%
East Dallas	2,091,300	74%
South Dallas	1,374,237	42%
Great Southwest	977,680	0%
MARKET TOTAL	30,671,300	30%

SOURCE: Transwestern, CoStar

LONG TERM DELIVERY AND OCCUPANCY TRENDS

Yearly Totals/Averages



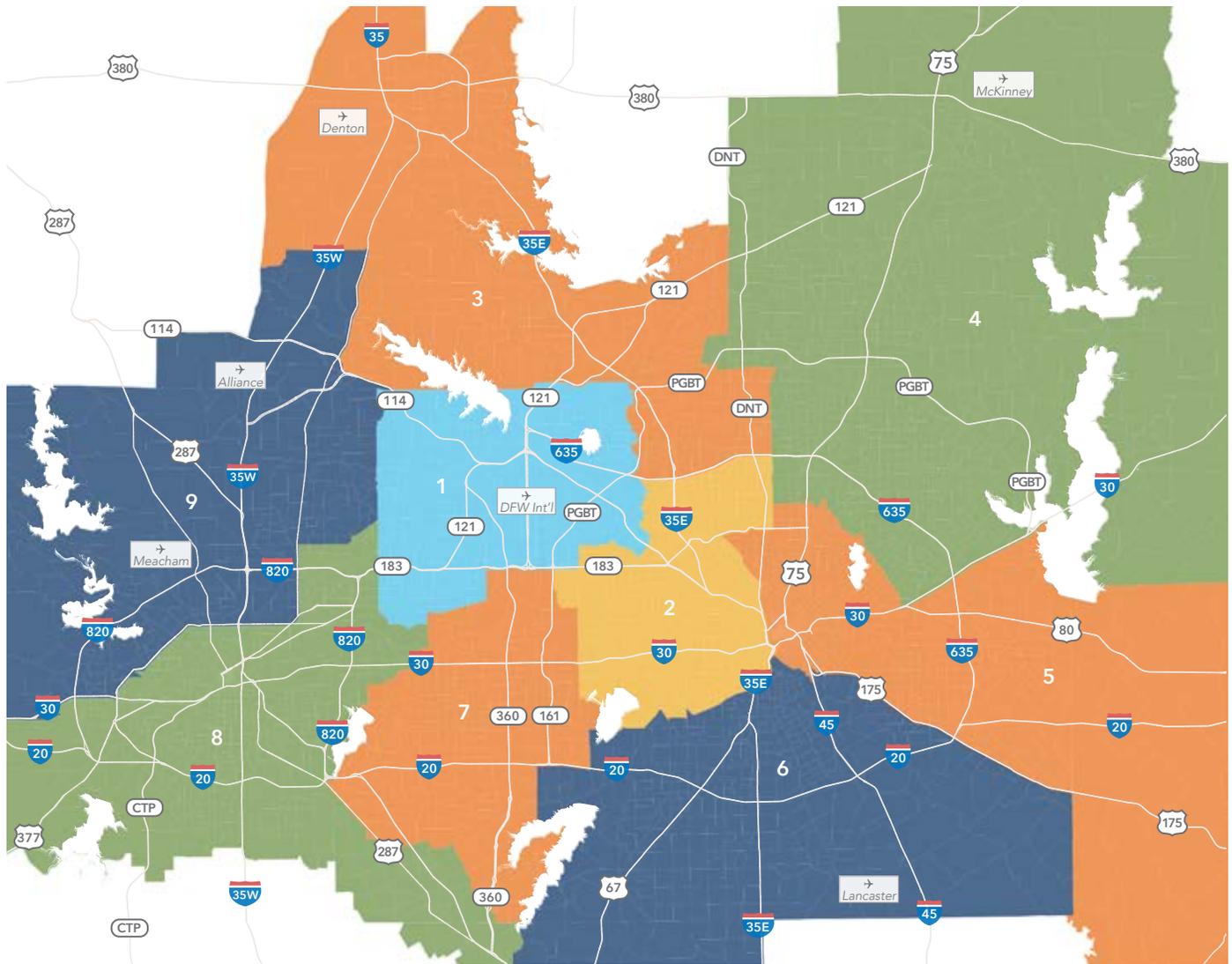
Recessions shaded; 1980-1982 recession not shown

SOURCE: Transwestern, CoStar

Key Market Indicators

	Inventory	SF Occupied	Overall Vacancy	%	Direct Vacancy	%	Under Construction	Q1 Leasing Activity	Q1 Net Absorption	12 Mo Net Absorption	NNN Rents
D+FW Market Total	788,936,845	735,836,013	53,100,832	6.7%	50,078,680	6.3%	30,815,465	11,797,071	8,208,555	25,031,827	\$5.61
Flex/High-Tech	97,731,373	91,768,744	5,962,629	6.1%	5,692,808	5.8%	139,965	941,204	(60,145)	1,211,706	\$10.04
Manufacturing	81,742,679	79,762,996	1,979,683	2.4%	1,591,743	1.9%	1,293,520	127,074	(272,724)	1,568,659	\$6.08
Warehouse/Distribution	609,462,793	564,304,273	45,158,520	7.4%	42,794,129	7.0%	29,381,980	10,728,793	8,541,424	22,251,462	\$5.16
Submarkets											
DFW Airport	75,027,335	69,400,742	5,626,593	7.5%	5,277,928	7.0%	4,860,439	2,445,672	188,439	2,935,007	\$6.51
Flex/High-Tech	6,640,501	5,791,099	849,402	12.8%	808,892	12.2%	0	94,211	7,566	95,732	\$10.18
Manufacturing	2,497,978	2,480,284	17,694	0.7%	17,694	0.7%	319,450	0	0	30,000	\$5.31
Warehouse/Distribution	65,888,856	61,129,359	4,759,497	7.2%	4,451,342	6.8%	4,540,989	2,351,461	180,873	2,809,275	\$6.27
South Stemmons	105,708,168	100,042,140	5,666,028	5.4%	5,454,119	5.2%	3,080,292	853,327	108,468	2,494,038	\$6.83
Flex/High-Tech	19,426,435	18,697,923	728,512	3.8%	701,066	3.6%	0	143,893	156,894	316,923	\$11.37
Manufacturing	8,371,662	7,908,111	463,551	5.5%	463,551	5.5%	199,070	4,300	(264,786)	(145,386)	\$5.50
Warehouse/Distribution	77,910,071	73,436,106	4,473,965	5.7%	4,289,502	5.5%	2,881,222	705,134	216,360	2,322,501	\$6.13
Northwest Dallas	108,941,789	103,221,267	5,720,522	5.3%	5,150,601	4.7%	2,483,834	1,493,739	(127,926)	1,932,230	\$6.37
Flex/High-Tech	18,025,031	16,827,901	1,197,130	6.6%	1,157,558	6.4%	24,000	305,166	(191,715)	(28,681)	\$10.37
Manufacturing	7,651,440	7,536,716	114,724	1.5%	81,224	1.1%	0	10,000	38,208	659,104	\$4.59
Warehouse/Distribution	83,265,318	78,856,650	4,408,668	5.3%	3,911,819	4.7%	2,459,834	1,178,573	25,581	1,301,807	\$5.80
Northeast Dallas	99,530,551	92,147,395	7,383,156	7.4%	6,323,105	6.4%	2,384,246	862,358	510,822	525,394	\$6.87
Flex/High-Tech	25,611,939	23,645,425	1,966,514	7.7%	1,838,379	7.2%	56,190	226,604	(37,866)	(165,520)	\$9.20
Manufacturing	16,352,164	15,646,743	705,421	4.3%	363,581	2.2%	350,000	71,974	(32,555)	(27,738)	\$6.21
Warehouse/Distribution	57,566,448	52,855,227	4,711,221	8.2%	4,121,145	7.2%	1,978,056	563,780	581,243	718,652	\$6.11
East Dallas	43,311,149	40,102,413	3,208,736	7.4%	3,153,368	7.3%	2,091,300	425,747	309,230	(41,433)	\$4.88
Flex/High-Tech	3,585,848	3,508,131	77,717	2.2%	77,717	2.2%	0	6,390	900	16,332	\$7.84
Manufacturing	6,199,879	6,163,203	36,676	0.6%	36,676	0.6%	0	0	(14,500)	7,391	\$4.50
Warehouse/Distribution	33,525,422	30,431,079	3,094,343	9.2%	3,038,975	9.1%	2,091,300	419,357	322,830	(65,156)	\$4.82
South Dallas	89,452,506	81,485,022	7,967,484	8.9%	7,966,023	8.9%	1,374,237	1,327,212	3,470,935	8,726,629	\$3.77
Flex/High-Tech	2,237,025	2,179,997	57,028	2.5%	55,567	2.5%	0	4,673	10,991	(23,808)	\$8.50
Manufacturing	12,428,387	12,362,376	66,011	0.5%	66,011	0.5%	0	17,500	17,500	300,901	\$4.95
Warehouse/Distribution	74,787,094	66,942,649	7,844,445	10.5%	7,844,445	10.5%	1,374,237	1,305,039	3,442,444	8,449,536	\$3.71
Great Southwest	113,154,381	106,972,823	6,181,558	5.5%	5,997,456	5.3%	977,680	1,356,272	1,897,650	3,075,152	\$5.10
Flex/High-Tech	7,522,756	7,012,639	510,117	6.8%	477,420	6.3%	0	64,976	(4,148)	(127,690)	\$10.26
Manufacturing	11,482,260	11,464,160	18,100	0.2%	18,100	0.2%	0	0	0	1,112,500	\$4.49
Warehouse/Distribution	94,149,365	88,496,024	5,653,341	6.0%	5,501,936	5.8%	977,680	1,291,296	1,901,798	2,090,342	\$4.64
South Fort Worth	56,556,480	53,744,273	2,812,207	5.0%	2,783,707	4.9%	2,546,403	355,723	285,523	101,699	\$5.03
Flex/High-Tech	7,863,348	7,454,547	408,801	5.2%	408,801	5.2%	22,800	80,181	42,052	27,719	\$8.55
Manufacturing	9,649,880	9,478,941	170,939	1.8%	170,939	1.8%	0	10,700	(16,591)	(52,946)	\$4.71
Warehouse/Distribution	39,043,252	36,810,785	2,232,467	5.7%	2,203,967	5.6%	2,523,603	264,842	260,062	126,926	\$4.73
North Fort Worth	97,254,486	88,719,938	8,534,548	8.8%	7,972,373	8.2%	11,017,034	2,677,021	1,565,414	5,283,111	\$5.03
Flex/High-Tech	6,818,490	6,651,082	167,408	2.5%	167,408	2.5%	36,975	15,110	(44,819)	1,100,699	\$13.52
Manufacturing	7,109,029	6,722,462	386,567	5.4%	373,967	5.3%	425,000	12,600	0	(315,167)	\$4.99
Warehouse/Distribution	83,326,967	75,346,394	7,980,573	9.6%	7,430,998	8.9%	10,555,059	2,649,311	1,610,233	4,497,579	\$4.90

SOURCE: Transwestern, CoStar



SUBMARKETS

- | | | |
|----------------------------|----------------------------|----------------------------|
| F1 DFW Airport | F4 Northeast Dallas | F7 Great Southwest |
| F2 South Stemmons | F5 East Dallas | F8 South Fort Worth |
| F3 Northwest Dallas | F6 South Dallas | 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 15 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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