

Construction in Metroplex Remains High; Investor Interest Showing Bifurcation

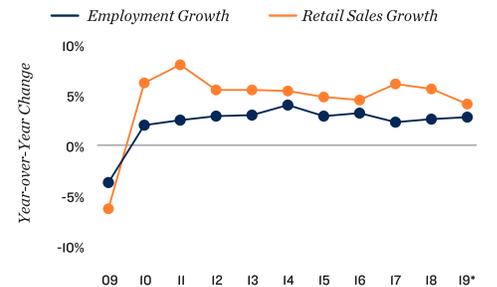
Development kicked up another notch as builders try to stay ahead of demand. The Metroplex continues to experience exceptional inventory growth, remaining well above the national pace over the past six years. While this short-term oversupply has placed some pressure on vacancy, demand drivers remain robust amid high population growth and strong consumer spending. These, along with Dallas/Fort Worth's reputation as one of the nation's premier distribution hubs, keep the development pipeline brimming, with roughly 23.7 million square feet on tap for 2019. One of this year's most notable projects includes the 1 million-square-foot expansion of the General Motors Manufacturing Complex in Arlington, while the largest completion is a 1.5 million-square-foot distribution center by DFW International Airport that is occupied by Peruvian fruit exporter El Pedregal S.A. Submarkets surrounding the airport remain highly targeted by developers due to the proximity to air and rail transport. The I-35 corridor through north Fort Worth will also witness substantial construction, highlighted by two 1 million-square-foot-plus developments, as well as a similar-size project in nearby Justin.

Private capital stays close to the core. Dallas/Fort Worth continues to boast widespread investor demand, keeping transaction velocity stable on an annual basis. Falling interest rates have invigorated additional deals in recent months, further compressing the buyer/seller expectation gap and sparking some renewed investor interest. Private investment remains an integral component of deal flow, with many buyers in this segment focusing on urban infill assets, particularly those in the 15,000- to 30,000-square-foot range. Institutions are generally combing through areas farther from the core, seeking large recently built distribution centers and warehouses. Coppell, North Fort Worth and Plano are among several cities within the metro registering relatively high trading activity. Cap rates for Class A properties in these areas generally sit in the low-6 percent range, about 50 basis points below the market average.

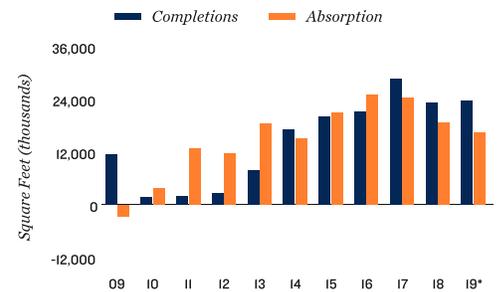
2019 Market Forecast

- Employment**  The Metroplex will continue to boast strong hiring, adding 105,000 jobs in 2019, in line with the previous five-year average.
 - up 2.8%
- Construction**  Development will rise above last year's 23.3 million square feet and stay ahead of the previous five-year average of roughly 22 million square feet as developers complete 23.7 million square feet in 2019.
 - 23.7 million sq. ft.
- Vacancy**  Vacancy is set to rise for the third consecutive year to 7.1 percent as the area's building boom continues. Last year, the figure increased 50 basis points.
 - up 70 bps
- Rent**  The average asking rent will sustain relatively strong growth in 2019, jumping to \$5.74 per square foot, building on a 9.7 percent gain last year.
 - up 5.7%
- Investment**  With limited available assets under 100,000 square feet, private investors will continue to home in on smaller spaces in and around the core, where entry costs are relatively affordable and cap rates can extend into the mid-8 percent realm.

Employment vs. Retail Sales Trends



Industrial Completions



Asking Rent and Vacancy Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; Moody's Analytics

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Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of September 2019. 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 industrial data are made during the third 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.