CUSHMAN & WAKEFIELD

FEBRUARY 2025

UNPACKING

DALLAS' INDUSTRIAL LANDSCAPE

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INTRODUCTION

Dallas/Fort Worth's (DFW) industrial market has experienced monumental change since 2020. The region's strengths—central location, business climate, excellent infrastructure, and nation-leading growth—captured demand from megatrends such as booming e-commerce and on-shoring. Rents increased 96% since 2019, while vacancy fell to a record low 5.0% in mid-2023. Developers responded by constructing 220.7 million square feet of new Warehouse/Distribution (W/D) space over the last five years—as much as the preceding 15 years **combined**. In 2023, higher interest rates and right-sizing tempered demand as record deliveries came online. As a result, vacancy rose to 14.0% at year-end 2024, the highest level since 2011.

Although market-level statistics suggest developers may have overbuilt, each submarket has a unique supply and demand story nuanced by location, building age, and building size. This report unpacks DFW's industrial landscape, uncovering pockets of outperformance, short-term challenges, and outlook for the future.

CURRENT SNAPSHOT*	
Inventory	**847.2 msf**
Space on Market	**119.1 msf**
Availability Rate	**14.1%**
New Leasing Activity (2023-Present)	**99.4 msf**
Direct Net Rent	**$8.54 psf**

* **Definitions:**

Inventory: Warehouse/Distribution properties built and under construction.

Space on Market: Direct and sublease space available for lease, inclusive of space under construction.

Availability Rate: Space on market as percent of inventory.

New Leasing Activity: New direct leases and subleases since January 1, 2023. Excludes renewals, user purchases, and owner-occupied built-to-suits.

Direct Net Rent: Weighted average of:
(1) Net asking rent of direct space currently on market
(2) Net effective or asking rent of direct leases executed since 2023.

ksf: Thousand square feet.

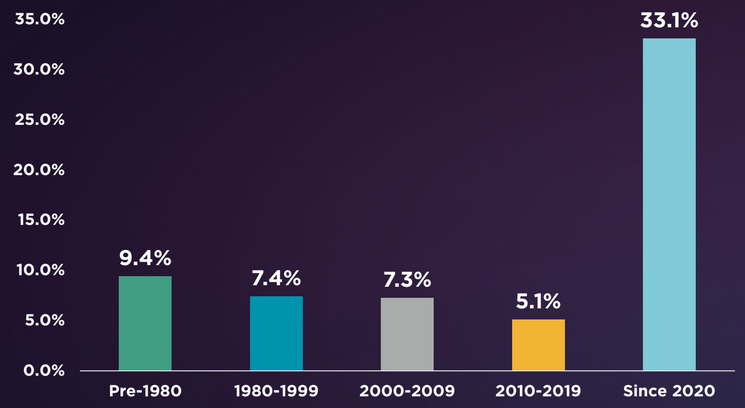
msf: Million square feet.

psf: Per square foot.

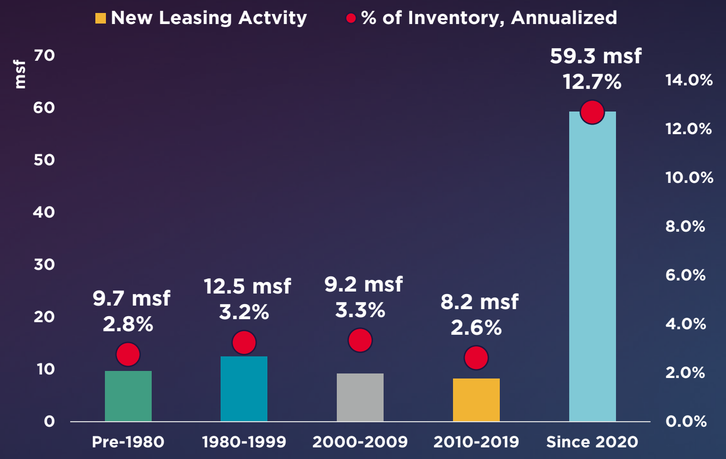
Year Built Comparison

Market fundamentals **segmented by year built** illustrate impacts of supply and demand in new construction.

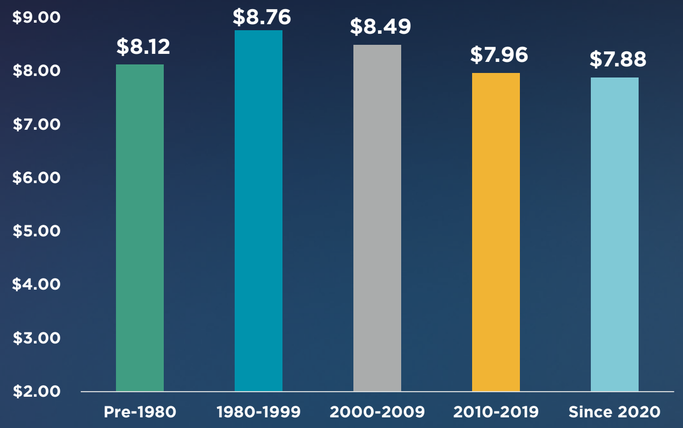
Availability Rate



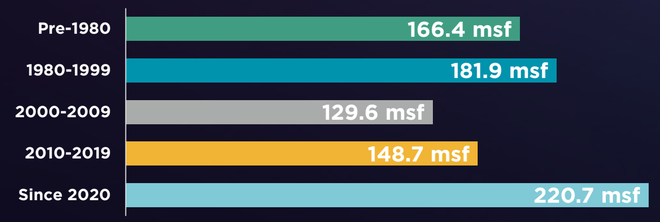
New Leasing Activity (2023-Present)



Direct Net Rent (psf)



Inventory



Roll Over Each Key Takeaway For Context

With 220.7 msf built since 2020, availability is **highest in new construction at 33.1%**. New buildings account for **61.3% of available space** on the market.

New leasing activity in buildings built after 2020 **exceeds 59.3 msf**, accounting for 60.0% of demand over the last two years.

Annualized leasing activity in space built since 2020 has **averaged 12.7% of inventory per year**. If leasing velocity maintains the same pace while construction remains limited, availability could fall from 33.1% to 9.9% **within 21-24 months**.

Buildings constructed before 2020 have single-digit availability rates. Properties built from 2010-2019 have the **lowest availability rate of 5.1%**, reflecting the recent trend of flight to quality.

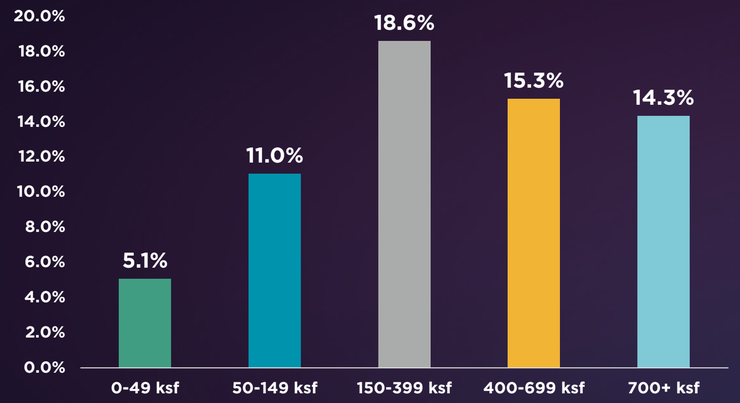
Given tighter market conditions in buildings built before 2020, annualized leasing activity since 2023 is **compressed at 2.6%-3.3% of inventory per year.**

Direct net rents are **lowest in buildings built since 2020**, reflecting supply shifts to lower rent periphery submarkets. Conversely, rents are highest in 1980-1999 and 2000-2009 buildings due to tighter supply and concentration in expensive in-fill submarkets.

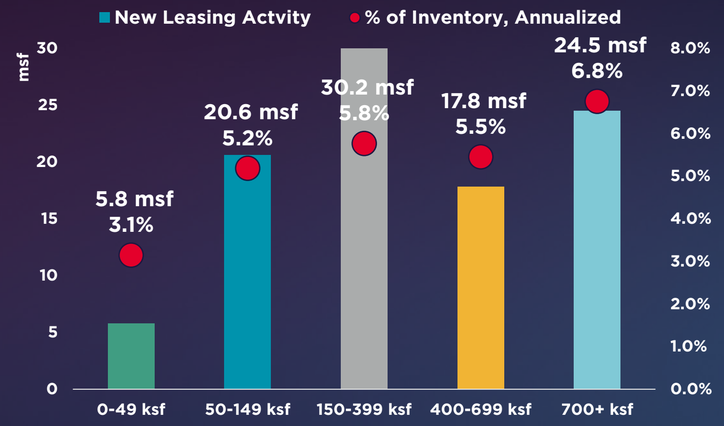
Size Range Comparison

Building size plays a crucial role in understanding availability and tenant demand across DFW.

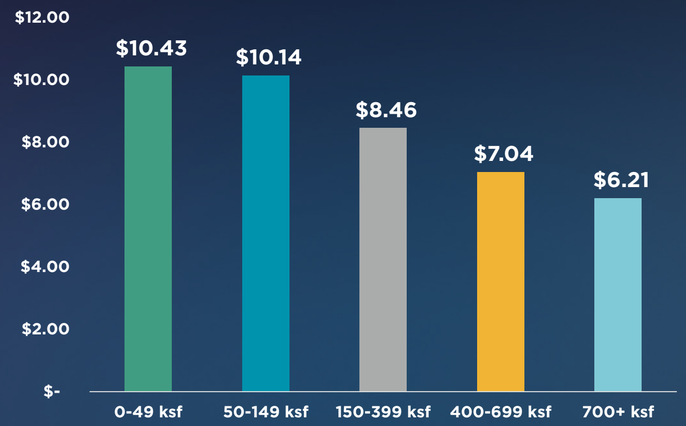
Availability Rate



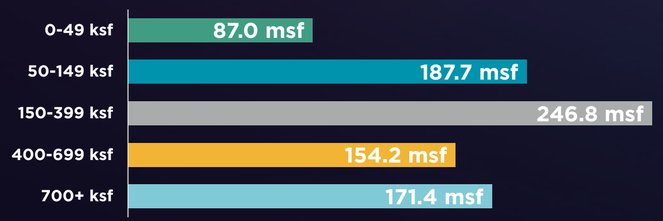
New Leasing Activity (2023-Present)



Direct Net Rent (psf)



Inventory



Roll Over Each **Key Takeaway** For Context

Buildings **150-399 ksf** have **the highest availability at 18.6%**, but this reflects a strong track record of demand that has spurred new construction. Since 2023, these buildings have **received the highest amount of new leasing activity at 30.2 msf**. Annualized leasing activity averaged **5.8% of inventory per year**, implying availability could fall below 10.0% **within 18-24 months** while construction remains limited.

Leasing activity has been **similarly strong in buildings 400-699 ksf and 700+ ksf**, reflecting demand for big box space. Annualized leasing activity has **been strongest in buildings 700+ ksf at 6.8%** of inventory per year.

Direct net rents are highest in smaller properties, reflecting tighter availability rates and a greater concentration of properties located in expensive in-fill submarkets. Conversely, **rents are lower in larger buildings** due to economies of scale and a greater share of inventory in low-cost periphery submarkets.

Flight to Quality = Flight to Periphery

Land scarcity of in-fill locations has driven demand for premium space to periphery submarkets*.

Roll Over Each **Key Takeaway** For Context

In-fill submarkets historically led development in DFW, but **periphery submarkets have taken pole position since 2020**. Land scarcity and affordability in the urban core of DFW have driven population growth, tenant demand, and development to periphery locations since 2010. According to the U.S. Census, DFW suburbs represented **five of the 10** fastest-growing cities in the nation in 2023. **62.6% of space built since 2020 is located in periphery submarkets.**

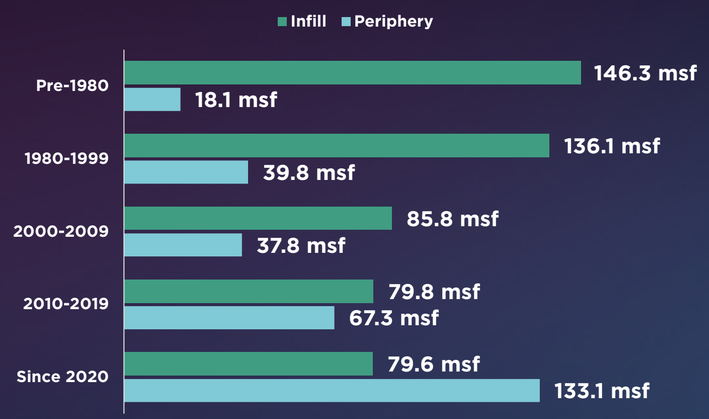
Demand has followed new supply to the periphery. **For buildings built since 2020, 87.2 msf or 62.6% of all leasing activity has taken place in periphery submarkets**, in-line with the periphery's share of inventory.

Availability rates are higher in periphery submarkets because of the greater amount of new buildings delivered there since 2020.

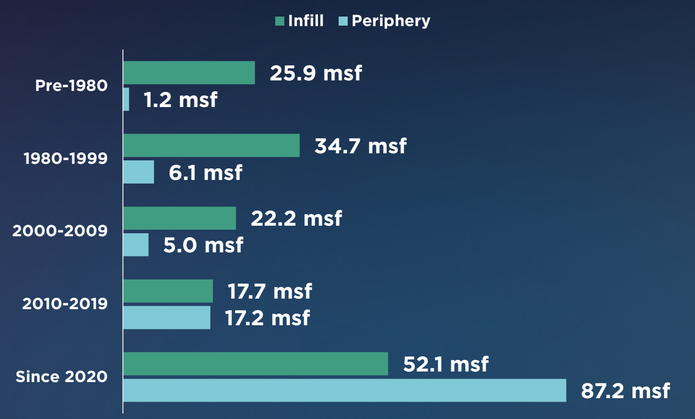
Users have a double incentive to move the periphery: better space efficiency and a significant location discount. Ample land allows developers to deliver greater building depth, taller clear height, trailer parking, and outside storage space that is scare in denser submarkets with older inventory. **Lower land costs allow yield developers to deliver more efficient space to users at a substantial discount to in-fill properties of a similar size.**

*Periphery submarkets are inclusive of Far North/I-35, East Dallas Suburbs, Redbird, South Dallas, North Fort Worth, Alliance, South Fort Worth, and West Fort Worth.

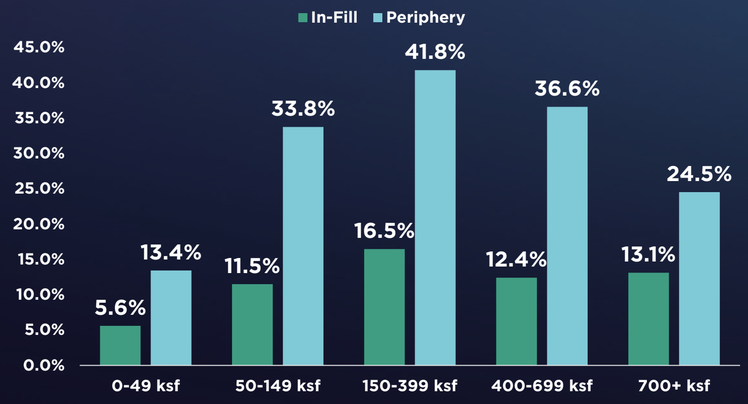
Inventory



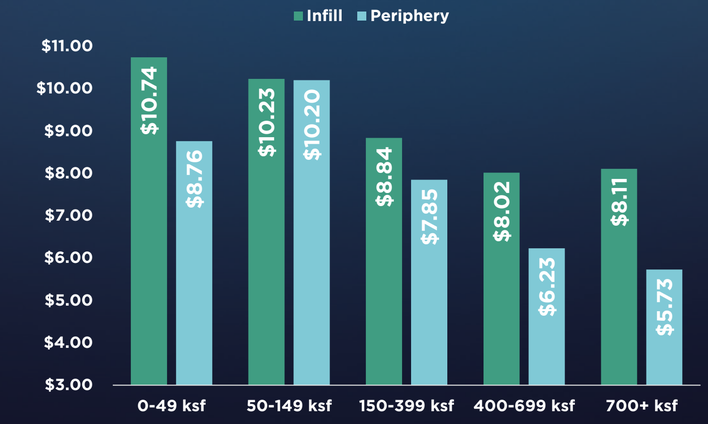
New Leasing Activity (2020-Present)



Availability Rate



Direct Net Rent (psf)



Outlook

Despite short-term challenges posed by a record amount of deliveries, Dallas/Fort Worth retains one of the best long-term outlooks of any U.S. market. Continued population and job growth will allow the region to surpass Chicago as the third largest metropolitan area in the next decade, absorbing recently delivered space and supporting future speculative development.

History Does Not Repeat, But Often Rhymes

Developers overbuilt in 2018 and availability rates spiked to 25.9% in in-fill submarkets and 28.9% in periphery submarkets. Developers became more disciplined with speculative construction, allowing post-pandemic demand to absorb all excess supply by 2021. Developers then ramped up construction as vacancies were approaching all-time lows.

Developers have again recognized supply overshooting demand, allowing construction to fall from 79.4 msf at year-end 2022 to 24.2 msf at year-end 2024. With continued demand, availability in in-fill submarkets fell to 36.0%. Availability in periphery submarkets fell to 31.0%, 320 basis points (bps) above the peak of overbuilding in 2018.

In-Fill Submarkets

Tenants in in-fill submarkets have faced sticker shock, leading some to right-size or relocate to periphery submarkets. In-fill landlords are already shifting their focus from pushing rate to maintaining occupancy and making higher rents palatable with deal terms and concessions.

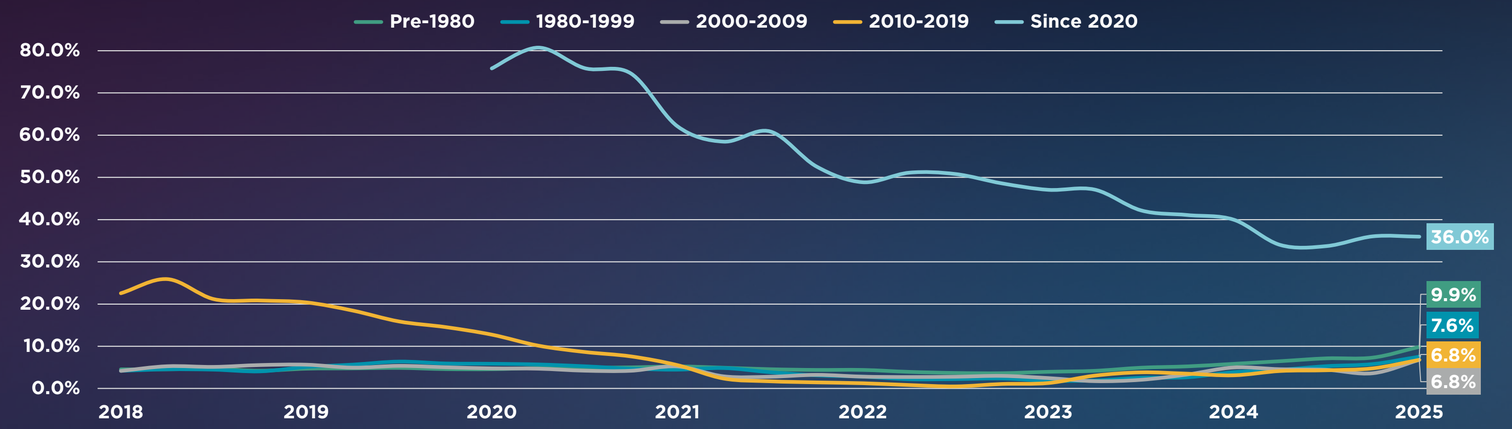
Cushman & Wakefield Research expects this trend to continue over the next 18-24 months until leasing strengthens enough to backfill newly available space. As availability returns to tighter levels, rent growth can re-accelerate.

Periphery Submarkets

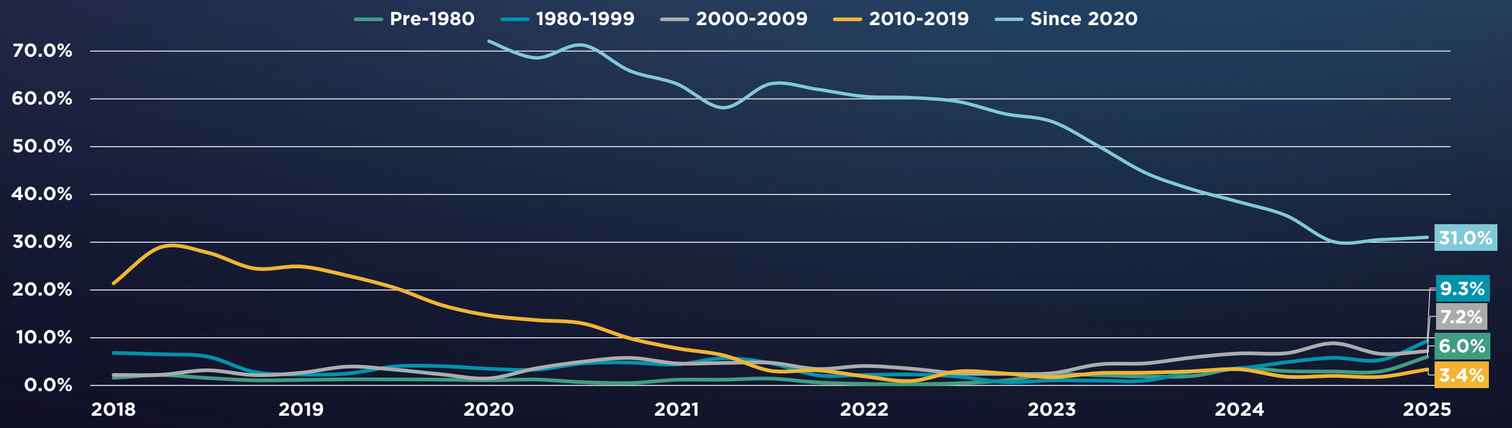
New construction is driving higher availability in periphery submarkets. Cushman & Wakefield Research expects conditions to follow a similar path after the overbuilding of 2018: landlords kept taking rents flat or growing below market, leveraging deal terms and concessions to incentivize demand and achieve higher in-place rents that drive asset prices at disposition.

With construction now at minimal levels in the periphery, availability can tighten over the next 12-24 months until rent growth re-accelerates to a level that supports another wave of construction.

Availability Rate - Infill Submarkets



Availability Rate - Periphery Submarkets



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