

Market Insights

Dallas/Fort Worth

Industrial

3Q
2019



Bradford Commercial Real Estate Services
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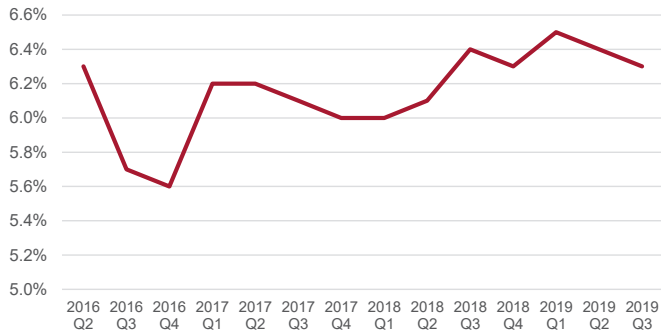
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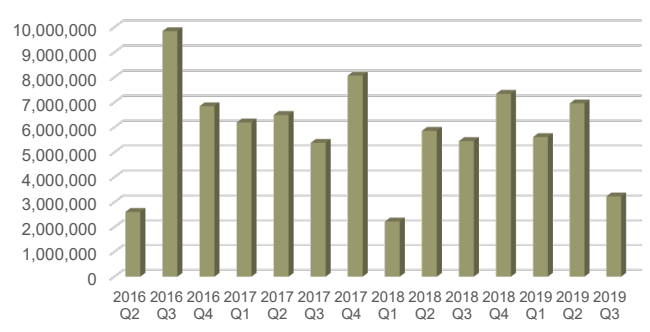
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INDUSTRIAL OVERALL MARKET INSIGHTS

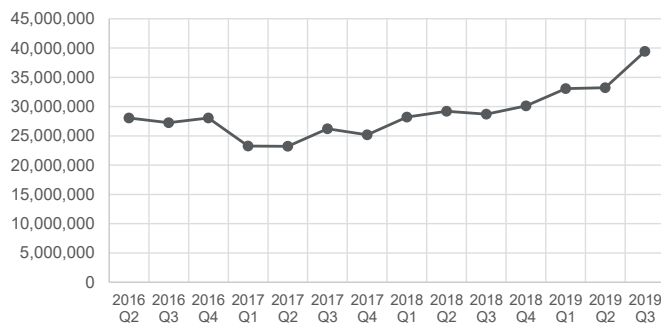
Overall DFW Industrial Vacancy



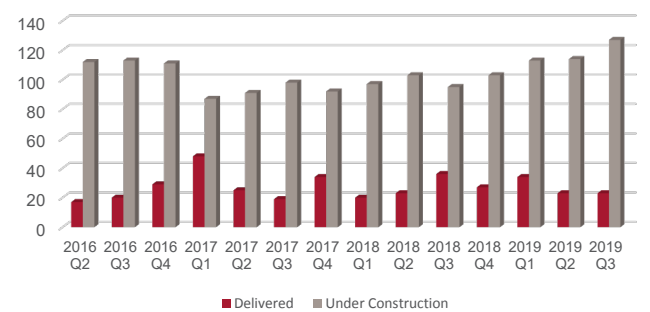
Overall DFW Industrial Net Absorption



Overall DFW Industrial Leasing Activity



Overall DFW Industrial Construction



DFW Industrial Statistics by Market

Market	Existing Inventory		Vacancy		Net Absorption	Deliveries	Under Const SF	Leasing Activity
	# Bldgs	Total RBA	Direct SF	Vac %				
DFW Airport Ind	634	79,871,571	5,997,145	7.5%	569,210	0	5,180,669	1,709,159
East Dallas Ind	615	45,974,034	2,418,902	5.3%	(366,393)	0	2,270,452	752,208
GSW/Arlington Ind	1,133	112,157,359	6,464,891	5.8%	(785,081)	520,901	2,179,203	1,719,320
Henderson Cnty Ind	18	1,204,851	29,387	2.4%	0	0	0	0
North Ft Worth Ind	707	98,386,454	5,888,756	6.0%	1,737,177	653,950	13,780,880	1,957,925
Northeast Dallas Ind	1,487	108,437,881	6,822,668	6.3%	470,835	667,416	1,831,388	932,057
NW Dallas Ind	1,356	109,064,726	4,638,370	4.3%	278,155	377,364	1,845,930	1,682,521
NW Dallas Outly Ind	29	2,285,659	199,086	8.7%	(91,023)	0	0	10,063
South Dallas Ind	691	100,691,287	10,846,324	10.8%	2,205,996	320,000	4,479,992	1,238,036
South Ft Worth Ind	1,447	79,808,434	3,944,990	4.9%	(62,968)	325,000	1,581,827	771,263
South Stemmons Ind	2,080	110,264,199	5,433,586	4.9%	18,419	1	8	5,122,216
Totals	10,197	848,146,455	52,684,105	66.9%	3,974,327	2,864,632	33,150,349	15,894,768

DFW AIRPORT

SUBMARKET

DFW Airport Overview

East DFW Airport/Las Colinas is one of the premier industrial submarkets in the metroplex. In addition to its proximity to the airport, the submarket's easy access to State Highway 114, State Highway 121, and the LBJ Freeway makes it a favorite of developers and tenants. It also boasts a high proportion of newer buildings, with more than half of its industrial inventory—and roughly two-thirds of its big-box stock—built since 2000. As a result, the submarket has a high concentration of efficient product with clear heights and dock configurations suitable for modern distribution.

West DFW Airport/Grapevine has performed well as of late. Vacancies have remained below the metro average due to steady absorption in existing inventory and strong leasing for new speculative projects. Rents are pricier than nearby submarkets, but rent growth remains well above historical norms.

The Dallas/Fort Worth International Airport is the major driver of demand for this submarket. The airport is not only one of the busiest in the U.S. for passenger travel, but it also ranks as one of the largest cargo airports in the country, and roughly one third of the submarket's inventory is within its boundaries. Though most major airport-related distribution facilities and tenants are in the neighboring East DFW Airport/Las Colinas Submarket, many large tenants in West DFW Airport/Grapevine are dependent on air transportation and the logistics industry. This submarket's location also gives tenants access to major arteries including Highway 360, Highway 114, Highway 121, and Highway 183/I-820. Due to its central location, virtually anywhere in the metroplex can be reached within one hour, even in heavy traffic.

Leasing

Facilities in the East DFW Airport/Las Colinas Submarket are well positioned to take full advantage of the superb population growth in North Texas. The submarket runs the gamut in terms of building quality and type, ranging from smaller warehouse/distribution facilities, to larger tenant occupied buildings. East DFW Airport/Las Colinas holds its fair share of third-party logistics tenants, as well as companies involved in air cargo logistics. Notably, part of the submarket is designated as a Triple Freeport tax exemption zone.

Fundamentals in West DFW Airport/Grapevine are strong. Vacancies typically trend below the metro average as well as neighboring submarkets like East DFW Airport/Las Colinas and Upper Great Southwest. The main drawback to this submarket is price—rents are significantly higher than nearby submarkets since the majority of industrial zoned land here falls within the boundaries of the Dallas/Fort Worth International Airport itself. The most common way to build in the submarket is to lease land from the airport, something that can be prohibitively expensive for developers. Also of note, some of that land falls within the airport's Foreign Trade Zone.

Movers & Shakers

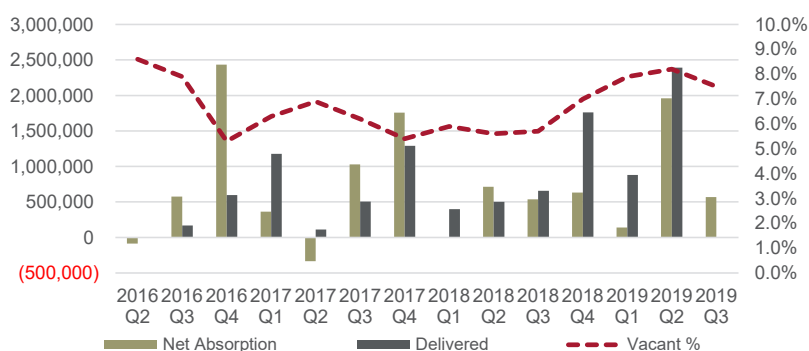
Tenant	SF	Building
American Airlines	394,143	1071 N 24th Avenue
XPO Logistics	298,341	2425 Esters Rd
Alphabroder	169,050	1040 Trade Avenue

Largest Vacancies:

DFW Commerce Center Bldg 1 – 1,000,584 sf
 Gateway Logistics – Building 3 – 375,400 sf
 Gateway Logistics Bldg 5 – 267,575 sf
 DFW Distribution Center – 252,400 sf

Absorption	vs Previous Qtr	vs 12 Months Ago
569,210	1,958,387	537,376
Vacancy	vs Previous Qtr	vs 12 Months Ago
7.5%	8.2%	5.7%
U/C SF	vs Previous Qtr	vs 12 Months Ago
5,180,669	2,578,936	5,031,644
Delivered SF	vs Previous Qtr	vs 12 Months Ago
0	2,392,222	657,920
Leasing Activity	vs Previous Qtr	vs 12 Months Ago
1,709,159	1,072,160	3,924,135

DFW Airport Vital Statistics



EAST DALLAS

SUBMARKET

East Dallas Overview

Vacancies in East Dallas/Mesquite have remained above the metro average this cycle but now closely align with the submarket's historical average. In terms of construction, a large portion of recent new-builds were build-to-suits, including a 352,000-SF facility for FedEx Ground and a 877,000-SF facility for Ashley Furniture. In 18Q2, Exeter Property Group broke ground on a four-building industrial park just west of the intermodal, totaling more than 1 million SF. All of the buildings were speculative, and the project is scheduled to complete in mid-2019.

The submarket centers on the Union Pacific Railroad's intermodal hub in Mesquite. After largely ignoring East Dallas/Mesquite in the '90s, developers ramped up construction in the early 2000s, when the intermodal was being constructed. Nearly half of total inventory here has delivered since 2000, though almost all of that came prior to the current cycle.

Leasing

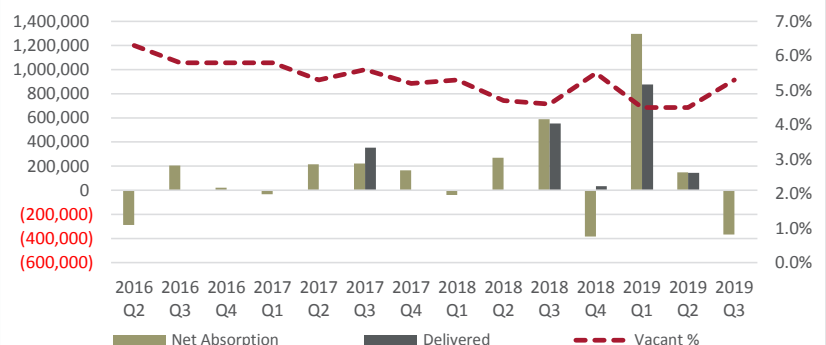
East Dallas/Mesquite is one of four submarkets containing an intermodal terminal in the Dallas-Fort Worth metroplex. Unsurprisingly, the majority of submarket's inventory is clustered around the intermodal. Due to the presence of freight rail, and the vast amount of light industrial and manufacturing space here and in the surrounding area, a large portion of the tenant base consists of 3PLs and manufacturing parts suppliers.

Most tenant movement involves relatively smaller spaces. However, FedEx moved into its new 352,000-SF facility in September 2017, and Elements International took 487,000 SF at the SkylineTrade Center in 18Q3. Also, Ashley Furniture opened a 877,000 SF distribution hub in 19Q1. In terms of move-outs, Shippers Warehouse vacated 420,000 SF at the Eastpoint Business Center in early 2018 for a new facility in the SE Dallas/I-45 Submarket (which also contains a Union Pacific intermodal facility).

Vacancies in East Dallas/Mesquite have trended slightly above the metro average for the past few years. With plenty of speculative supply on the way, vacancies could remain elevated over the next few quarters

Absorption	vs Previous Qtr	vs 12 Months Ago
(366,393)	148,638	587,758
Vacancy	vs Previous Qtr	vs 12 Months Ago
5.3%	4.5%	4.6%
U/C SF	vs Previous Qtr	vs 12 Months Ago
2,270,452	2,270,452	1,888,575
Delivered SF	vs Previous Qtr	vs 12 Months Ago
0	144,900	553,760
Leasing Activity	vs Previous Qtr	vs 12 Months Ago
752,208	574,752	779,048

East Dallas Vital Statistics



Movers & Shakers

Tenant	SF	Building
Hayes Retail Services	208,750	1201 Big Town Blvd
Carlisle Construction Materials	112,400	3000 Apache Trail
World Communication Towers	24,000	706 Rand Rd
Distribution Mgmt	191,360	4695 Clover Haven St

Largest Vacancies:

3000 Skyline Drive - 753,000 sf
 Prologis Mesquite 1 - 442,035 sf
 1515 Big Town Blvd - 232,124 sf
 Peachtree Distribution Center - 156,293 sf
 11202 Russell St - 50,000 sf

GREAT SOUTHWEST

SUBMARKET

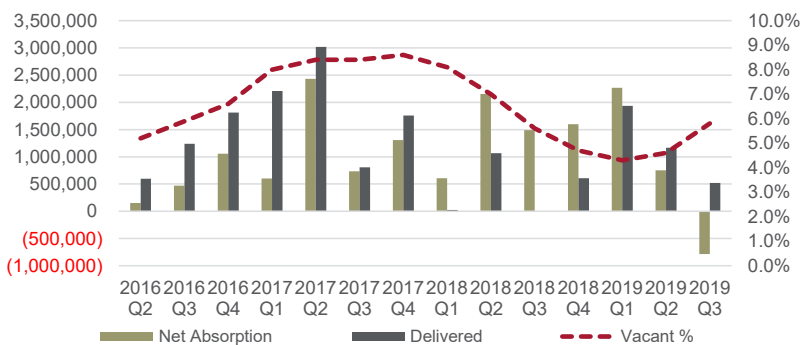
Absorption	vs Previous Qtr	vs 12 Months Ago
(785,081)	753,160	1,490,813
Vacancy	vs Previous Qtr	vs 12 Months Ago
5.8%	4.6%	5.6%
U/C SF	vs Previous Qtr	vs 12 Months Ago
2,179,203	2,700,104	5,133,009
Delivered SF	vs Previous Qtr	vs 12 Months Ago
520,901	1,167,173	0
Leasing Activity	vs Previous Qtr	vs 12 Months Ago
1,719,320	883,422	3,315,184

Great Southwest Overview

Upper Great Southwest is one of the largest industrial submarkets in the metroplex and is often a hotspot for speculative supply. Though occupancies have recovered from the most recent supply wave, with 1.5 M SF under construction, another round of spec projects is set to deliver over the next few quarters, so fundamentals are likely to take another hit, at least temporarily. The submarket is attractive to national retailers and 3PLs, as well as companies focused on local distribution; it offers easy access to the Dallas/Fort Worth International Airport and to highways in all parts of the metroplex. Upper Great Southwest is bound by Texas State Highway 183 (to the north), I-30 (to the south), Texas State Highway 360 (to the west) and the President George Bush Turnpike (to the east).

Vacancies in Lower Great Southwest are well below the submarket's historical average and have leveled off in recent years after compressing dramatically early this cycle. The submarket hasn't seen as much new supply as neighbor Upper Great Southwest, but a handful of major projects have delivered in recent years. Lower Great Southwest was one of the original industrial nodes in North Texas, and is home to a high concentration of manufacturing tenants. However, what this submarket lacks in modern space, it makes up for with location: Its proximity to the metro's manufacturing core is attractive to many tenants, and the submarket has east/west access to major population centers via I-20 and I-30 and direct access to the Dallas/Fort Worth International Airport via Highway 360 and the President George Bush Turnpike. The Arlington Submarket is a secondary distribution node between Fort Worth and Dallas.

Great Southwest Vital Statistics



While industrial inventory is scattered throughout the submarket, most higher-quality stock built since 2000 is at the intersection of I-20 and State Highway 360, which is roughly 20 miles from Dallas, Fort Worth and the D/FW International Airport. After a supply-driven vacancy spike in 2017, occupancies have recovered in recent quarters due to a number of major leases.

Leasing

Similar to in the D-FW metro as a whole, construction in Upper Great Southwest has ramped up in recent years. With about 10 million SF of space delivering since 2015, accounting for about 20% of the total inventory, making this submarket has been one of the most active in terms of construction. Unlike submarkets in South Dallas and North Fort Worth, where massive single-tenant facilities make up the bulk of new supply, new construction in Upper Great Southwest generally consists of multi-tenant properties that target tenants seeking 100,000–300,000 SF. More recently, the General Motors Assembly Plant expansion and two additional industrial projects completed earlier in 2019, totaling 2.2 million SF. Few other projects have entered the market since. Lower Great Southwest is one of the largest industrial submarkets in the metroplex. But despite its location and transportation advantages, the submarket was historically plagued with structurally high vacancies and low asking rents. This cycle has been different, though, as the demand for space with access to both sides of the metroplex and to Dallas/Fort Worth International Airport, has helped vacancies compress to unprecedented lows.

The Arlington Submarket may be large in geographical size, but compared to its neighbors Lower Great Southwest and Upper Great Southwest, it's relatively small in terms of inventory. Other than the area at the intersection of I-20 and State Highway 360, this submarket is primarily residential. However, the submarket's location, directly between Dallas and Fort Worth, makes it attractive for distribution throughout the metroplex.

Movers & Shakers

Tenant	SF	Building
Capstone Global, LLC	248,096	1900 Timberlake Drive
Rooms To Go	242,370	4925 New York Avenue
Builders FirstSource	111,509	1750 Westpark Drive

Largest Vacancies:

14601 Sovereign Rd - 494,518 sf
1102 State Highway 161 - 322,824 sf
14900 Trinity Blvd - 310,000 sf
2911 S Great Southwest Parkway - 271,794 sf
4925 New York Avenue - 242,370 sf

NORTH FORT WORTH

SUBMARKET

North Fort Worth Overview

The NE Tarrant/Alliance Submarket is dominated by Hillwood's 26,000-acre, master-planned AllianceTexas development. Alliance has emerged as one of Dallas-Fort Worth's primary industrial nodes, featuring some of North Texas's newest, most-efficient warehouse product. The submarket is also home to the Fort Worth Alliance Airport, which is dedicated exclusively to air cargo. The success of the airport spurred an expansion of its runway, which completed in early 2018. The extension enables long-haul flights to take off fully fueled, under almost any weather conditions, increasing air cargo capacity at the airport. Also, not far from the airport is another primary demand driver, the Alliance Global Logistics Hub (built around the BNSF Alliance Intermodal Facility), which serves as one of the nation's foremost inland ports.

This submarket has been one of the most active in the metroplex in terms of new supply this cycle, and the newest construction is speculative. Due to all of this spec construction, vacancies generally trend above the metro average, even when net absorption continues to outperform historical norms. Similar to the metro as a whole, year-over-year rent growth averages just about 6%. The high proportion of big-box inventory in NE Tarrant/Alliance makes the submarket attractive to institutional investors, and buildings often change hands as part of national or multi-market portfolio sales.

Meacham Field/Fossil Creek is a large, dynamic industrial submarket north of Fort Worth. The submarket has added a great deal of modern, efficient product in recent building cycles, and close to half of its total big-box inventory has delivered since 2000. Most of this submarket's big-box inventory is located either just east of the Fort Worth Meacham International Airport or at the intersection of I-35W and I-820.

The submarket saw a massive supply spike in 2016, but fundamentals have recovered since then. Vacancies have trended below the metro average in recent years and rent growth continues to well outperform historical norms. Meacham Field/Fossil Creek is one of the more liquid submarkets in the metroplex, as roughly 10% of the submarket's inventory has changed hands on average annually in recent years.

Leasing

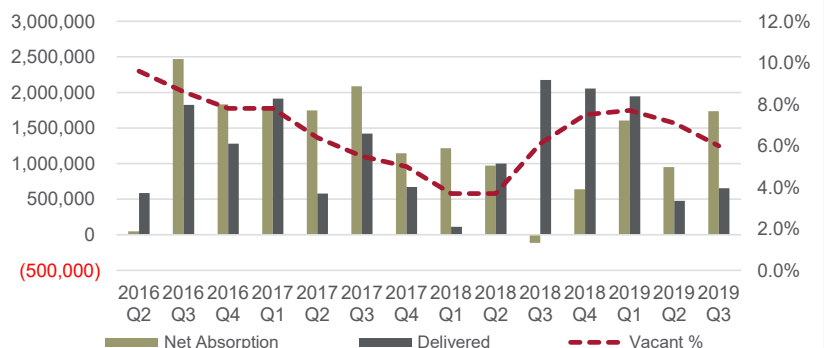
NE Tarrant/Alliance serves as a significant super-regional distribution hub in the northwestern part of Dallas-Fort Worth. While other developers are active in the submarket, it is dominated by Hillwood, which owns and continues to develop a substantial portion of the land here. Over the years, Hillwood has transformed this former prairie into a bustling mixed-use development, including residential, retail, office, and industrial components.

Most of the recent big-tenant moves here have involved significant retailers, e-commerce firms, consumer goods, and regional distribution operations. Both Walmart and Amazon have taken about 2 million SF in recent years, and companies like 3M (603,000 SF in 18Q1) and Stanley Black & Decker (1.2 million SF in 19Q1) have signed on for substantial facilities as well. Amazon Air is planning a major air cargo hub in Alliance, which could spur even more activity at the recently expanded Alliance Airport.

Robust construction has created large blocks of space to proliferate in the submarket, with tenants seeking massive facilities of half a million SF or more often look here or in south Dallas. Including existing facilities and projects under construction, as of early 2019, 12 spaces containing 200,000 SF or more were available for lease, and there were four spaces with 500,000 SF or more. Metro wide, roughly 90 spaces of 200,000 SF and larger and about 25 blocks of 500,000 SF or more were available.

Absorption	vs Previous Qtr	vs 12 Months Ago
1,737,177	950,268	-112,796
Vacancy	vs Previous Qtr	vs 12 Months Ago
6.0%	7.1%	6.1%
U/C SF	vs Previous Qtr	vs 12 Months Ago
13,780,880	10,535,816	5,577,729
Delivered SF	vs Previous Qtr	vs 12 Months Ago
653,950	477,000	2,177,093
Leasing Activity	vs Previous Qtr	vs 12 Months Ago
1,957,925	746,692	895,078

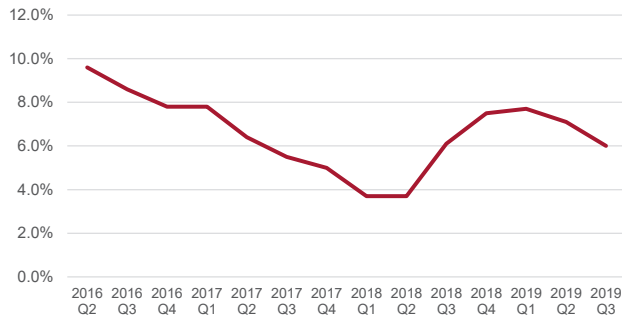
North Fort Worth Vital Statistics



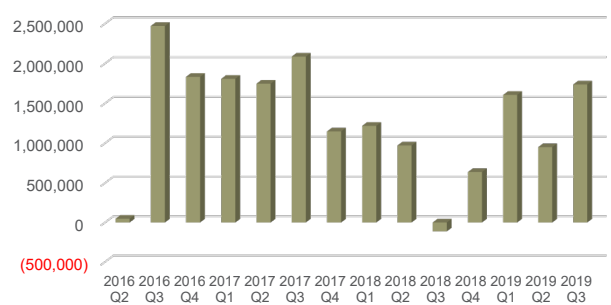
NORTH FORT WORTH

SUBMARKET

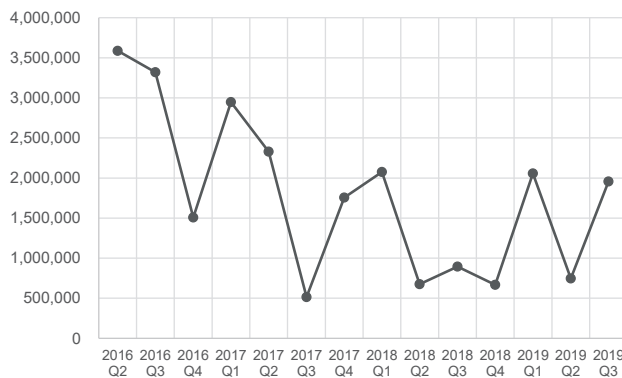
North Fort Worth Industrial Vacancy



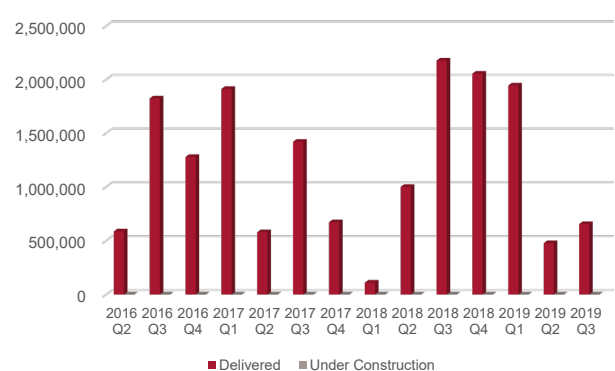
North Fort Worth Industrial Net Absorption



North Fort Worth Industrial Leasing Activity



North Fort Worth Industrial Construction



Meacham Field/Fossil Creek is typically one of the tightest submarkets in the metroplex: Its historical average vacancy is below 6%, while the metro average is north of 8%. Vacancies have generally trended about 2% below the metro average the past two years. Overall the submarket has been experiencing solid rental rate increases after a wave of speculative supply that came to the area in 2016 and 2017. Fundamentals have also been helped by a few build-to-suits for Lego Systems (1.44 million SF in 2016), TTI (600,000 SF in 2017), and Andrews Distributing (538,000 SF in 2019).

Tenants seeking large footprints often opt for build-to-suits due to the scarcity of large blocks of space within the submarket. As of 19Q2, there were two buildings in Meacham Field/Fossil Creek with more than 200,000 SF of contiguous availability. In comparison, northern neighbor NE Tarrant/Alliance had 10 buildings that fit that criteria.

Movers & Shakers

Tenant	SF	Building
CTDI	705,955	1753 Chaplin Dr
Stanley Black & Decker	425,000	N Beach Street
WestRock	362,670	5180 N Railhead Rd
Schluter Systems	500,555	17505 I-35 W N Frontage Rd
Bombardier	234,277	15301 Heritage Pkwy
Walmart Stores	213,000	1201 NE Loop 820
CEVA Logistics	202,000	1101 Interstate 35W

Largest Vacancies:

Trammell Crow at 35 Eagle Bldg A – 1,089,642 sf
 Alliance Northport 1 – 500,555 sf
 Elizabeth Creek Gateway Bldg B – 494,041 sf
 4801 Westport Parkway – 400,000 sf

NORTHEAST DALLAS

SUBMARKET

Northeast Dallas Overview

As one of Dallas' major industrial nodes, NE Dallas/Garland contains a wide variety of inventory. The submarket comprises a mix of '80s and '90s multi-tenant product, in addition to newer, single-tenant buildings with clear heights and dock configurations suitable for modern distribution. Fundamentals in NE Dallas/Garland are in a solid position, with vacancies staying below the submarket's historical average for the past few years.

Richardson, home to the Telecom Corridor, serves as a primary suburban office submarket in Dallas. While the submarket is not much of a warehouse/distribution node, it does hold an abundance of specialized industrial and flex space. Data Centers have accounted for virtually all new construction since 2010, but there are a few smaller speculative non-data center projects that opened in recent quarters. Due to the flex-heavy inventory, rents are some of the highest in the metroplex.

Plano is not often thought of as an industrial hub, as most of the growth in the area is concentrated in the office, retail, and residential sectors. However, this submarket does contain significant industrial inventory, most of which is in the northeast corner of the North Central Expressway and President George Bush Turnpike. Plano's location in the heart of the affluent northern Dallas suburbs also makes it ideal for tenants seeking space for last-mile distribution.

Leasing

The tenant base in NE Dallas/Garland is made up of a mix of consumer packaged goods firms, manufacturers and 3PLs. Virtually the entire big box inventory in NE Dallas/Garland is located just north of the LBJ Freeway (I-635) and west of Shiloh Road. This location gives tenants access to Kansas City Southern's Zacha Junction.

Fundamentals in Richardson have strengthened in recent years. The submarket underperformed the metro benchmark for years, but aside from a recent supply-driven spike, vacancies have roughly matched the metro average since early 2016. Large-scale speculative construction in Richardson is non-existent, most available industrial space in Richardson caters to smaller manufacturing tenants or local businesses. Nearly all tenant footprints within the submarket are smaller than 100,000 SF as well. Due to strong demand and a lack of speculative supply, vacancies have compressed and now sit close to the metro average. In the long run, the Plano Submarket stands to benefit from the continuing emergence of e-commerce and, more specifically, last-mile distribution operations, because it is near some of the most-affluent and fastest-growing suburbs in the metroplex. Since it includes the northern part of the Telecom Corridor, the submarket has a base of high-tech manufacturing tenants, with firms like Texas Instruments, Qorvo, Flextronics, and Raytheon operating facilities here.

Movers & Shakers

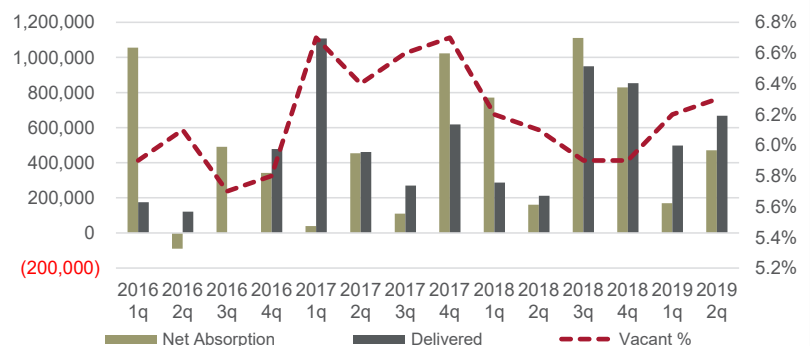
Tenant	SF	Building
KVP International	120,000	Corporate Drive
Carousel Industries	100,000	1801 10th Street
The Home Depot	84,948	8655 Corporate Drive
At Home Stores LLC	555,331	4030-4040 Forest Lane
HEI Rigging & Crating	109,209	910 10th Street

Largest Vacancies:

3000 W Kingsley Rd – 341,840 sf
Garland Logistics Center – 329,091 sf
2922 S Jupiter Rd – 300,000 sf
Parc NorthEast Building I – 136,216 sf
The Rock on Frisco Park 25 – 187,108 sf

Absorption	vs Previous Qtr	vs 12 Months Ago
470,835	169,949	160,390
Vacancy	vs Previous Qtr	vs 12 Months Ago
6.3%	6.2%	6.1%
U/C SF	vs Previous Qtr	vs 12 Months Ago
1,831,388	2,123,804	2,470,067
Delivered SF	vs Previous Qtr	vs 12 Months Ago
667,416	497,681	212,326
Leasing Activity	vs Previous Qtr	vs 12 Months Ago
932,057	1,050,544	2,490,680

Northeast Dallas Vital Statistics

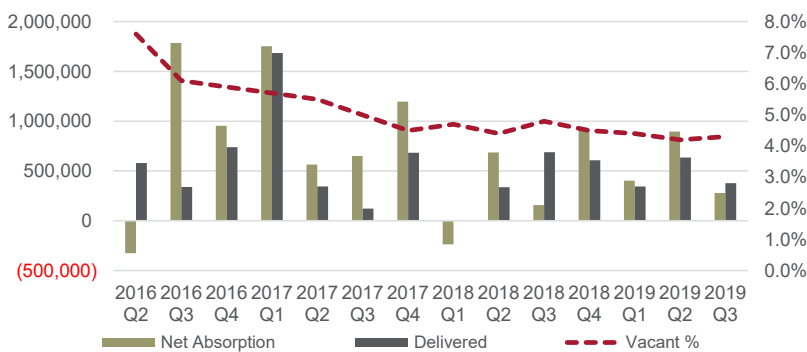


NORTHWEST DALLAS

SUBMARKET

Absorption	vs Previous Qtr	vs 12 Months Ago
278,155	896,795	157,092
Vacancy	vs Previous Qtr	vs 12 Months Ago
4.3%	4.2%	4.8%
U/C SF	vs Previous Qtr	vs 12 Months Ago
1,845,930	2,133,394	1,906,073
Delivered SF	vs Previous Qtr	vs 12 Months Ago
377,364	634,564	689,418
Leasing Activity	vs Previous Qtr	vs 12 Months Ago
1,682,521	1,826,438	3,023,410

Northwest Dallas Vital Statistics



Northwest Dallas Overview

Fundamentals in North Stemmons/Valwood are strong, as tenants have gobbled up nearly all large blocks of space. Though new supply has picked up in recent years, demand continues to keep pace with new deliveries, which should keep vacancies below the metro and historical averages in the near term. Although sales volume has slowed in recent years, North Stemmons/Valwood is still one of the most actively traded submarkets in the metro, and many deals involve national or institutional buyers and sellers.

North Stemmons/Valwood emerged as a major industrial hub during the late 1970s and early '80s, thanks partially to its north/south accessibility via the Stemmons Freeway and east/west access via the LBJ Freeway. The submarket's robust highway infrastructure and the growing importance of the Dallas/Fort Worth International Airport during that era led to a building boom. However, this submarket is almost completely built-out, and large-scale construction in this area of the metroplex has shifted to submarkets like E DFW Airport/Las Colinas and Upper Great Southwest in recent building cycles.

The Metropolitan/Addison Submarket has a dense concentration of both office and

industrial product. Its location near many of Dallas's population nodes makes it an attractive option for industrial tenants seeking access to some of the most affluent and fastest growing suburbs of Dallas. Metropolitan/Addison is largely built out, and only a few buildings have been constructed since 2000. Due to strong demand and a complete lack of new supply this cycle, vacancies in Metropolitan/Addison are below the submarket's historical average.

Leasing

Vacancies in North Stemmons/Valwood trended above the metro average through much of its history. That's changed this cycle, as the submarket has coupled strong demand with a lack of supply, leading to impressive vacancy compression for years. Vacancies on assets larger than 200,000 SF peaked north of 20% in 2009, but after years of steady absorption, they have hovered near 3% since the start of 2017. As of mid-2019 the submarket is experiencing strong positive net absorption, on pace to top 2018. Though much of the submarket's inventory consists of older, lower-functioning assets, its location makes it an attractive option for tenants seeking 20,000–100,000-SF blocks of space in northern Dallas. The existing tenant base is made up of manufacturers, parts and materials distributors, and small businesses.

Movers & Shakers

Tenant	SF	Building
Stanton Wholesale	200,042	4530-4552 Simonton Rd
Carrier Enterprise	184,317	2000 Luna Rd
Universal Display	148,000	1650 Lakeside Parkway
Ericsson	306,280	2601 W Valley Parkway
Benjamin Moore	237,926	2525 E State Highway 121
Maevn Uniforms	68,000	13950 Senlac Drive

Largest Vacancies:

1900 N Josey Lane – 259,900 sf
 1625 Hutton Drive – 235,900 sf
 14325 Gillis Rd – 175,300 sf
 2099 Valley View – 150,000 sf

SOUTH DALLAS

SUBMARKET

South Dallas Overview

Several interstates bisect the submarket: I-20 runs east-west, and I-35E, I-45, and Texas State Highway 175 all connect the Dallas CBD to southern portions of the metroplex. These highways provide access to both coasts, Mexico and the Port of Houston. Highlighting this submarket's importance as a super-regional distribution hub, a large portion of the most recent development has clustered around the Union Pacific Intermodal in Wilmer. Tenants in the SE Dallas/I-45 Submarket also have easy access to the Union Pacific Intermodal in Mesquite, which is a short drive up I-635.

The SE Dallas/I-45 Submarket has received an incredible amount of supply over the past few years, more than doubling its inventory since 2013. As a result, vacancies shot up and have remained high. Since a large portion of the under-construction and recently delivered supply is speculative, vacancies should remain elevated even if absorption continues to perform at or near record levels.

The SW Dallas/US 67 Submarket, like other South Dallas submarkets, has grown considerably over the past few years, as the area has emerged as a super-regional distribution hub. This submarket has two main industrial nodes: One is along I-20, between US Route 67 and I-35E, and the other is along I-35E in Waxahachie. All the large-scale construction this cycle has taken place near I-20, and most of the projects in the pipeline are located there as well.

Vacancies have trended above the metro average over the past few years due to speculative construction. First Industrial Realty Trust recently broke ground on the 863,200/SF First Mountain Creek Distribution Center, located on the southeast the quadrant of Mountain Creek Parkway and I-20. The entire spec property has been preleased by HD Supply and is expected to deliver in late 2019.

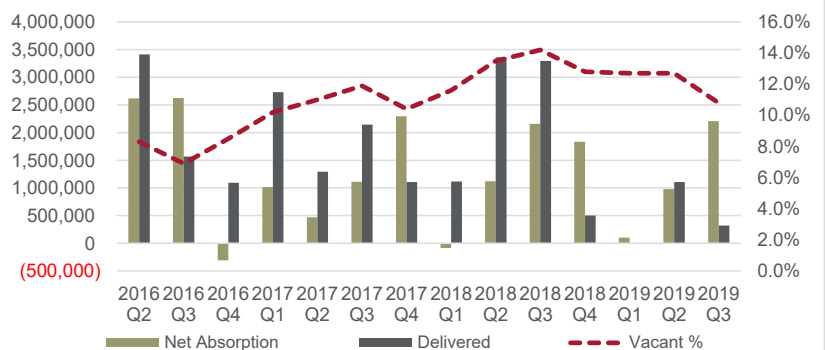
Leasing

The SE Dallas/I-45 Submarket has emerged in recent years as a major super-regional distribution hub. It has great highway access, a major intermodal facility, and a seemingly unlimited amount of flat, buildable land. The submarket has received an incredible amount of supply this cycle, with inventory more than doubling since 2013. It hasn't been unwarranted, though, as the submarket has seen more than 17 million SF of net absorption in that period. However, due to the sheer amount of recently delivered speculative space, vacancies are high. In fact, the submarket has the highest vacancy rate of any industrial submarket with more than 20 million SF of inventory in the entire country.

Despite high vacancies, development is likely to remain robust here and in other South Dallas submarkets, like SW Dallas/US 67, as long as the economy continues to expand both regionally and nationally.

Absorption	vs Previous Qtr	vs 12 Months Ago
2,205,996	979,870	2,156,411
Vacancy	vs Previous Qtr	vs 12 Months Ago
10.8%	12.7%	14.2%
U/C SF	vs Previous Qtr	vs 12 Months Ago
4,479,992	4,799,992	3,972,533
Delivered SF	vs Previous Qtr	vs 12 Months Ago
320,000	1,104,853	3,295,785
Leasing Activity	vs Previous Qtr	vs 12 Months Ago
1,238,036	1,884,885	3,764,916

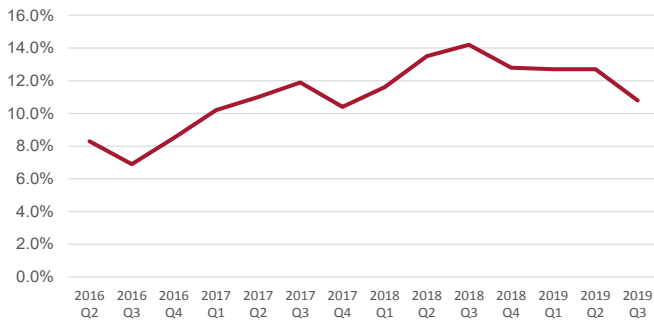
South Dallas Vital Statistics



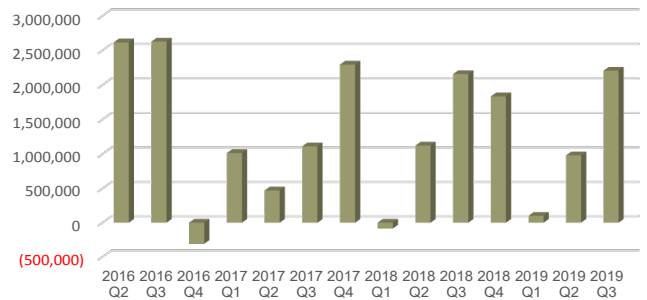
SOUTH DALLAS

SUBMARKET

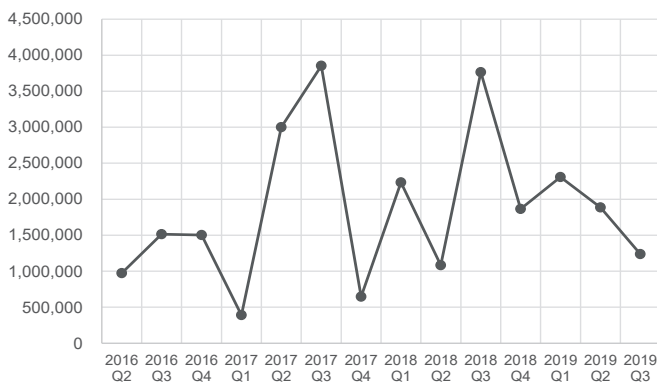
South Dallas Industrial Vacancy



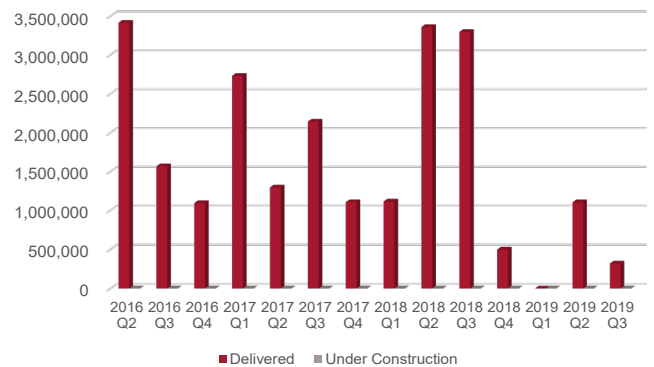
South Dallas Industrial Net Absorption



South Dallas Industrial Leasing Activity



South Dallas Industrial Construction



A number of major retailers and distributors have made their way to SE Dallas/I-45 in recent years, typically taking blocks of space in massive new facilities. In total, there are more than a dozen tenants that each take up more than 500,000 SF here.

SW Dallas/US 67 offers all of the advantages of a South Dallas submarket: great highway access east/west via I-20 as well as north/south from I-35E; an abundance of inexpensive, flat, buildable land; and a robust tenant base including many national retailers and distributors. This submarket has seen significantly less activity in recent years compared to neighbor SE Dallas/I-45 which contains the Union Pacific intermodal in Wilmer. Nevertheless, SW Dallas/US 67 is still an attractive submarket for firms seeking a distribution hub in south Dallas.

Movers & Shakers

Tenant	SF	Building
The J.M. Smucker Co.	1,075,260	1200 Fulghum Road
Georgia Pacific	1,004,674	E Cleveland Rd
Systemax Inc	489,804	2119 N I-35 E
Petmate	468,300	3201 N. Houston School Rd
ICU Medical	610,806	2801 N Houston School Rd
Dallas Polymer Terminal	280,305	1401 W Wintergreen Rd

Largest Vacancies:

SouthLink I – 1,044,647 SF
I-20 Commerce Center – 900,043 SF
Cedardale Rd – 776,630 SF
Southpointe 20/35 – Bldg 2 – 660,312 SF
CrossroadsTrade Center Bldg 3 – 458,576 SF

STEMMONS FREEWAY

SUBMARKET

Stemmons Freeway Overview

West Brookhollow is between the Dallas CBD and the Dallas/Fort Worth International Airport. The submarket is split by Texas State Highway 183, which connects to several highways traveling in all directions through the metroplex. While West Brookhollow is one of the largest submarkets in the metroplex by inventory, most of its stock was built before the 1980s, and most buildings lack the specifications necessary for modern distribution or e-commerce operations. Therefore, manufacturers, suppliers, or local distributors will continue to drive demand.

East Brookhollow is a small, in-town industrial submarket adjacent to Dallas Love Field Airport. Most of the submarket's inventory consists of smaller industrial space, and only about 20 assets are larger than 100,000 SF. Virtually everything in the submarket is occupied, and the submarket's historical average vacancy rate is one of the lowest in the metro. Due to high concentration of flex space and close proximity to downtown the submarket boasts some of the highest rents in the market. Vacancies in West Brookhollow are tight due to a complete lack of new supply coupled with steady demand this cycle.

East Hines North is an in-town industrial submarket and the bulk of its inventory is made up of older industrial facilities smaller than 100,000 SF. Virtually the entire industrial inventory in the submarket runs along Harry Hines Boulevard and the North Stemmons Freeway (I-35), giving tenants access to many of the major population centers in Dallas.

Leasing

Fundamentals in this older industrial node are strong. Vacancies have trended below the metro average for the entire cycle, and considering the lack of developable land in the submarket, supply should be minimal. Most of the tenant movement in West Brookhollow involves manufacturers, wholesale retailers, home fabrication firms and auto parts distributors. The submarket's lack of new space limits its upside in terms of attracting major distributors, 3PLs, and e-commerce firms.

Due to steady absorption and a complete lack of deliveries this cycle, vacancies in East Hines North are tight. Underlying the tight vacancy rate in the submarket is the lack of large availabilities here. Most tenants in East Hines North take up a small footprint, especially relative to some of the major big-box submarkets in the metro. Fewer than 10 tenants occupy more than 100,000 SF in the submarket, and of those, nearly all are owner/users. East Hines North shares many characteristics with northern neighbor North Stemmons/Valwood. Both submarkets have a predominantly older inventory geared more towards manufacturing and local distribution as opposed to big-box logistics facilities. Vacancies are tighter in East Hines North, though, as supply-side pressure is virtually nonexistent.

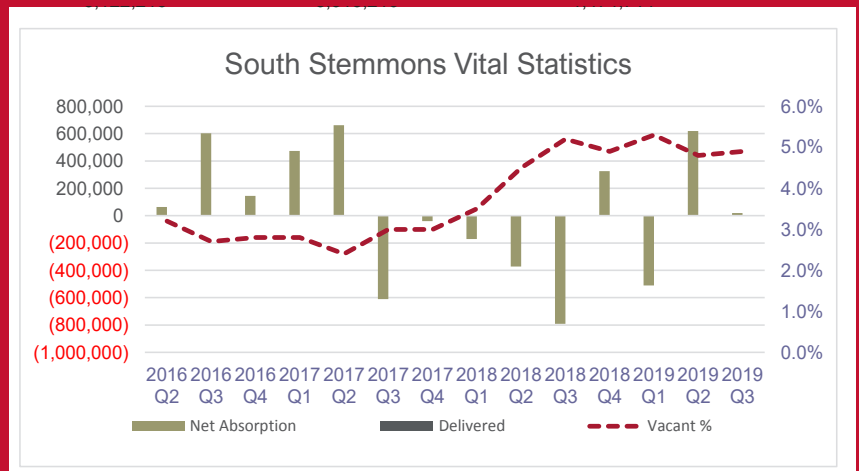
Movers & Shakers

Tenant	SF	Building
Inmar RX Solutions	355,077	3845 Gifford St
Cherryman Industries Inc	189,200	4053 Grand Lakes Blvd
Thrift Books Global	178,200	4445 Rock Quarry Rd
FARO Logistics Solutions Inc	159,120	1415 N Cockrell Hill Rd
Wheelpros	286,680	4025 E I-30
Lonestar Electric	136,362	1242 Regal Row

Largest Vacancies:

1330 Regal Row – 218,536 sf
 8801 Ambassador Row – 183,443 sf
 Central Transportation – 112,000 sf
 101 M Rogers Rd – 75,606 sf
 6334 Maple Avenue – 62,300 sf

Absorption	vs Previous Qtr	vs 12 Months Ago
18,419	619,131	-791,025
Vacancy	vs Previous Qtr	vs 12 Months Ago
4.9%	4.8%	5.2%
U/C SF	vs Previous Qtr	vs 12 Months Ago
8	9	3
Delivered SF	vs Previous Qtr	vs 12 Months Ago
1	0	0
Leasing Activity	vs Previous Qtr	vs 12 Months Ago
5,122,216	5,315,216	1,474,714





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