

Special Features

A View From The Field: Dallas / Fort Worth Flex Market

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George Tanghongs is Vice President for Bradford Companies in the Northeast Corridor. George represents Bradford clients in the leasing of industrial and technology portfolio assets.

George Tanghongs has hands on experience in the marketing of over 2,500,000 SF comprised of over 30 projects of industrial and technical facilities in the Garland, Richardson, and Plano area. George was employed at Bradford from June 1995 to December 2001 and rejoined Bradford in 2003. He has successfully leased over 3,791,844 square feet in 367 transactions for more than \$75,944,308 in transaction value in the Northeast Corridor.

George is a licensed real estate broker in the State of Texas, and has a Bachelor of Business Administration from the University of Texas. He is an active member of the North Texas Commercial Association of Realtors (NTCAR).

The 2005 DFW flex market is showing signs of bottoming out. Although the statistics are not nearly where they were in 2000, leasing and sales activities has overall increased. The bad news is that the vacancy rate is still rising, with negative absorption hovering close to 1,000,000 square feet at the end of the first quarter 2005. The good news for landlords is that the quoted rental rates have increased and landlord concessions have decreased. The majority of the flex leasing activity has been in the 10,000 to 25,000 square foot range. The Northeast Dallas market has the highest flex vacancy, while the East Dallas has the lowest vacancy.

Employment growth is one of the main forces driving our economy. In 2000, the DFW unemployment rate was below 3%. That number has risen to as high as almost 8% in the second quarter of 2003. Now that number has dropped to below 6%, which is still more than the national average.

Two new flex projects were delivered in the DFW airport submarket in the first quarter 2005. One is 830 860 Mustang Drive (a 47,714 square foot building that is 30% occupied) and the other is 11214 11224 South Pipeline Road (a 32,000 square foot building that is 16% occupied). As far as speculative flex space under construction, Vantage Company has a 20,000 square foot building in Richardson scheduled for completion in the third quarter of 2005. With land being more limited in the major markets, developers are looking in secondary markets.

In the build-to-suit market, Texas Instruments' new three billion dollar semiconductor plant is scheduled to be completed in the first quarter of 2006. This will bring many ancillary businesses to the North Texas area. The University of Texas at Dallas also plans to spend approximately \$85 million dollars for a new engineering building on campus.

Thus far in 2005, the largest industrial lease signed is 601 807 Parkway Drive located in the lower Great Southwest submarket. Tatung Company of America, Inc. leased 293,727 square feet from the Bradford Companies.

The top flex sale to date in 2005 is located in Carrollton at 1400 Valwood. Americo-Valwood, LP purchased the 352,122 square foot building from Petula Prolix Development Company for \$31,500,000 with a 7.39% cap rate. The deal closed during the fourth quarter of 2004.

All and all, the Dallas Fort Worth flex market is poised for growth in the near future. Rates will continue to rise as the vacancies level off and/or become lower. Many corporate headquarters that now call DFW their home, took into consideration the Metroplex's Central Time Zone, great weather (not too much rain and practically no snow days), low cost of living, educated labor pool, a great network of freeways and highways, and best of all the DFW International Airport. We are the largest city in the United States that doesn't have a deep-sea port.