

Q4 2023 Dallas-Fort Worth Construction Market Report

An in-depth look at Construction Activity within
Commercial, Industrial, and Multifamily Sectors

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**BOB MOORE
CONSTRUCTION**

I'm pleased to present our Q4 2023 Dallas-Fort Worth Construction Market Report. Overall, 2023 was a year of fluctuations across all sectors. This quarter's data reveals continued strong momentum despite signals of slowing growth on the horizon.

Total initiated project values across commercial real estate hit \$10.813 billion locally, with Retail and office projects leading at 52.1% and 31.1% respectively. Population and job gains continue fueling developer interest, especially in urban core markets like Dallas and Fort Worth proper.

The industrial and multifamily sectors also saw surging construction pipeline value, with \$5.650 billion and \$2.308 billion respectively. Warehouses, distribution centers and garden-style apartments remain highly sought-after, though new projects in 2024 are expected to stay roughly level with 2023's numbers.

Behind the scenes, however, *commodity prices* are exhibiting signs of easing. Weighted construction material costs have only ticked up 2.1% for commercial and industrial buildings while dipping 0.1% for multifamily year-over-year. Recent months show an accelerating downward trajectory as supply chain disruption effects fade.

This likely foreshadows moderation in completions from 2023's scintillating pace. Experts project a circa 10% drop in deliveries across sectors amid rising interest rates and construction costs. Well-capitalized projects in strategic locations should still advance, but marginal starts may face growing feasibility hurdles.

In closing, Dallas-Fort Worth retains enviable real estate dynamics despite fluctuating macro conditions. Our market's tremendous jobs-housing balance and business climate should sustain greater building velocity than peer metros in 2024.

Please reach out with any questions on current developments or how our team can assist with your next project.

Best Regards,

Ed McGuire
Chief Executive Officer
Bob Moore Construction



Producer Price Index by Commodity	Pre-Covid Change*	12-Month Change*	3-Month Change*
Concrete	+35.6%	+7.4%	+0.4%
Asphalt	+25.7%	+2.5%	+0.5%
Steel Mill Products	+59.7%	-5.2%	-4.0%
Lumber & Plywood	+36.1%	-2.7%	+1.4%
Flat Glass	+25.3%	-8.5%	+0.3%
Copper Wire & Cable	+25.1%	-0.8%	-0.8%
Aluminum Mill Shapes	+18.3%	-1.6%	-0.6%
Gypsum Building Materials	+43.4%	-1.7%	-0.0%
HVAC Equipment	+41.0%	+4.0%	+0.6%
Paint & Coating	+37.8%	-1.0%	-0.1%
Switchgear, Switchboard, & Industrial Controls Equipment	+40.1%	+5.1%	+1.7%
Weighted Average for Commercial & Industrial Sectors	40.7%	2.1%	-0.9%
Weighted Average for Multifamily & Interior Sectors	36.3%	-0.1%	-0.1%

* change as reported by the Federal Reserve and Bureau of Labor Statistics

The construction industry has seen significant commodity price shifts compared to pre-COVID levels, the past 12 months, and the past 3 months. According to the Federal Reserve and Bureau of Labor Statistics, the commercial and industrial sectors currently have weighted average prices that are 40.7% higher than pre-COVID levels. Meanwhile, the multifamily and interior sectors have weighted averages 36.3% higher.

Compared to 12 months ago, the commercial and industrial sectors have seen average prices increase by 2.1%, indicating some price stabilization after the initial COVID impacts. However, the multifamily and interior sectors have seen a slight 0.1% price decrease in the last year, suggesting some minor continued decline.

Over the past 3 months, both major sectors have experienced slight declines, with the commercial and industrial sectors seeing a 0.9% weighted average decrease and multifamily and interior sectors seeing a 0.1% decrease. This points to some recent downward price trajectory across construction materials.

Looking at specific commodities, concrete and HVAC equipment are two products that have continued to see gradually slowing price growth even as other materials have declined. On the other hand, steel mill products have experienced needed price drops both in the past being down 5.2% YoY and 4.0% in the last three months.

Overall, the construction landscape has seen commodity prices increase nearly 40% above pre-COVID levels depending on the sector, with uneven trajectories across products in the past year. Recent months indicate the overall continued cooling from peak pandemic-era pricing. Recent reports of the Fed possibly lowering rates in 2024 may finally also provide building owners across the region with much needed relief and flexibility on pricing.



Commercial

Sector Overview

The Dallas-Fort Worth commercial real estate market showed continued momentum in Q4 2023, according to the latest construction data. The total reported valuation of initiated construction projects initiated in the quarter hit \$10.813 billion.

The data reveals 1,326 total new commercial projects initiated in DFW during Q4 2023. Retail made up over half at 50.5%, driven by solid local consumer spending. Office followed at 28.8%, with companies still eager to expand their North Texas footprints. Medical, mixed-use, hospitality, data centers and recreational projects made up the remainder.

Dallas led overall with project investment totaling \$821.9 million, a 246% annual gain. Large increases also came in submarkets like Red Oak, Fort Worth, Garland and Lewisville as capital targets core urban areas. But the broader regional economy remains healthy, with most suburban cities seeing gains.

While 2023 was a standout year, completing a third year of growth growth in commercial sectors, experts foresee some slowing in 2024 after three years of accelerated growth. Total square footage is forecasted to decrease 10% Year-over-Year, while expected to bounce back in 2025 and beyond. Still, diverse sectors like retail, office and hospitality continue attracting investor interest. Strategic, targeted development catering to long-term occupancy needs and workforce accessibility will be key areas to watch.

With its flourishing job market luring residents and businesses, Dallas-Fort Worth looks to maintain its momentum in commercial sectors, even if 2024 sees a slight pullback from breakneck pace of 2022 and 2023.

Commercial Forecast

The commercial real estate market in Dallas-Fort Worth should see a slight decrease in activity in 2024 after three years of continued growth. Total square footage is expected to decrease 10% year-over-year to 32 million. Investor demand remains strong for diverse commercial asset classes like retail, office, and hospitality. However, segments tied to consumer spending may pull back on new builds.

On the retail side, experiential concepts and mixed-use redevelopments are still attracting interest, while big-box stores are less prioritized. For offices, the focus is on amenity-rich, mixed-use business parks near transportation hubs to support hybrid workplace trends. Hotels could see more limited service category projects catering to budget-conscious travelers.

With the Fed *potentially* cutting rates in 2024, borrowing costs may ease to support project feasibility across sectors. Overall, strategic development across the varied commercial sector is key, especially ventures addressing workforce accessibility and long-term occupancy needs.



Commercial Stats at a Glance

- 1,326 projects initiated in Q3
- 52.1% Retail
- 31.1% Office
- 9.1% Medical
- 2.7% Hospitality
- 2.0% Mixed-Use
- 1.7% Recreational
- 0.8% Data Center
- 28.6% Ground Up & Additions
- 71.4% Interior/TI

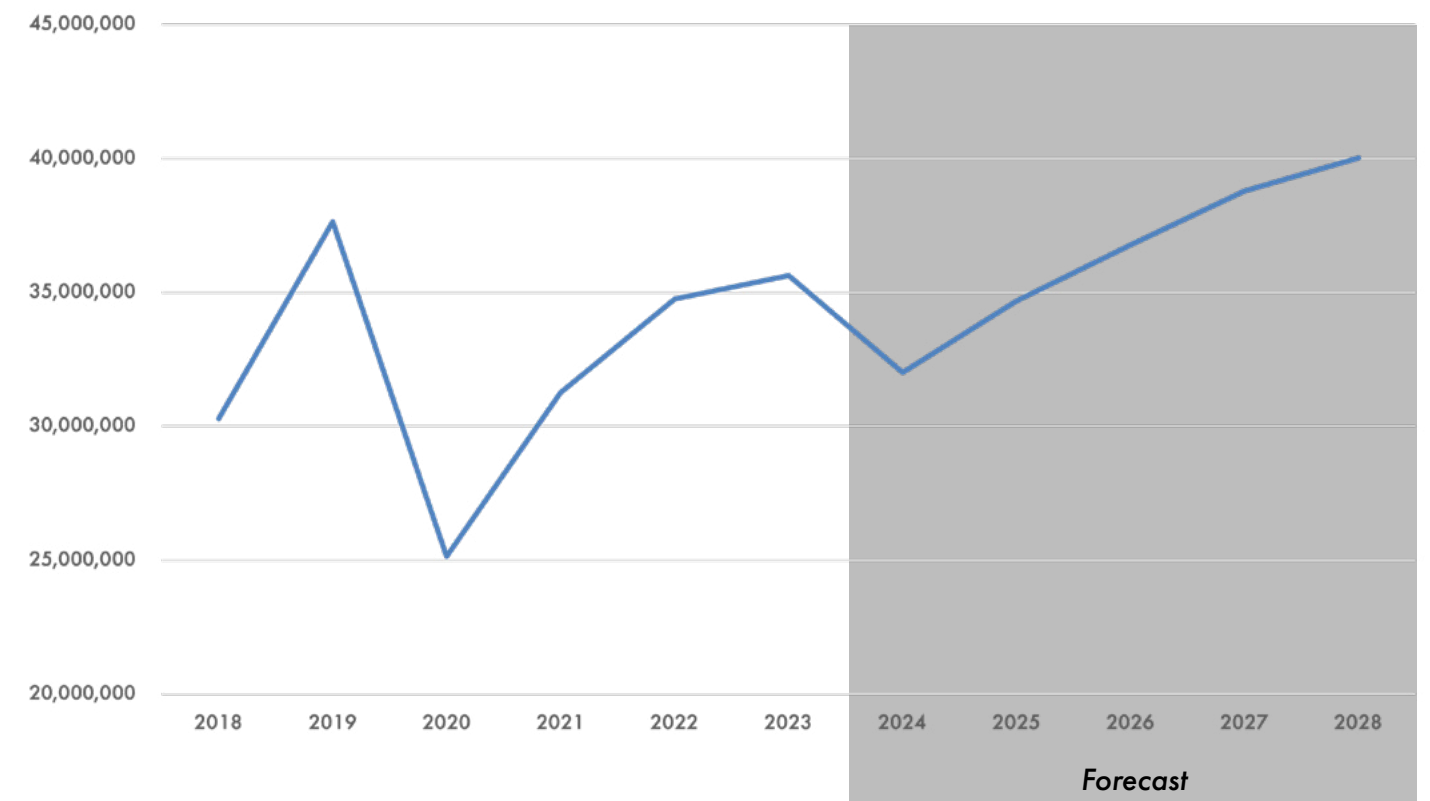
Top Markets, by total reported valuation of initiated projects in Q4

- Dallas - \$821.9 M (+246% YoY)
- Red Oak - \$371.5 M (+217% YoY)
- Fort Worth - \$290.0 M (+81% YoY)
- Garland - \$216.0 M (+2,607% YoY)
- Lewisville - \$179.6 M (+768% YoY)

Bottom Markets, by total reported valuation of initiated projects in Q4

- Murphy - \$1.3 M (+42% YoY)
- Cedar Hill - \$1.2 M (-95% YoY)
- Lavon - \$1.2 M (-96% YoY)
- Bedford - \$1.2 M (+7% YoY)
- Haltom City - \$1.2 M (-7% YoY)

Dallas-Fort Worth Commercial Construction, SQFT



Industrial

Sector Overview

Industrial real estate construction in the Dallas-Fort Worth area grew Q4 2023 compared to Q4 2022, according to the latest data. The total reported valuation of industrial projects started in the quarter hit \$5.650 billion.

A total of 180 new industrial projects were initiated across DFW in the quarter. The vast majority (84%) were warehouses and distribution centers, catering to still-strong consumer demand and retailers' need for increased capacity. Manufacturing made up 13.6% as more producers expand regional operations, while cold storage claimed 2.5% amid an ongoing focus on supply chain efficiency.

Across the region, Fort Worth led industrial development activity in Q4 with project values estimated at \$345.5 million, up 20% annually. Other top markets included Mesquite (+2,292% YoY), Dallas (+3,065%), Grand Prairie (+292%) and Red Oak (+100%)—underscoring robust investment across Dallas-Fort Worth and North Texas along.

By contrast, suburbs like DeSoto, Arlington, Cedar Hill, Wylie and Haltom City saw declines or slower gains in new project funding. Yet with the land scarcity in DFW proper being a painpoint for many industrial projects, most expect development to continue spreading to outlying areas.

Stats at a Glance

- 198 projects initiated in Q3
- 83.8% Warehousing & Distribution
- 13.6% Manufacturing
- 2.5% Cold-Storage
- 51.5% Ground Up & Additions
- 48.5% Interior/TI

Top Markets, by total reported valuation of initiated projects in Q4

- Fort Worth - \$345.5 M (+20.1% YoY)
- Mesquite - \$242.1 M (+2,292.2% YoY)
- Dallas - \$103.8 M (+3,065.2% YoY)
- Grand Prairie - \$95.0 M (+291.9 YoY)
- Red Oak - \$82.0 M (+100 YoY)

Bottom Markets, by total reported valuation of initiated projects in Q4

- DeSoto - \$2.8 M (-89.8% YoY)
- Arlington - \$2.5 M (-91.6% YoY)
- Cedar Hill - \$2.4 M (-87.6% YoY)
- Wylie - \$1.7 M (+41.7% YoY)
- Haltom City - \$1.3 M (+12.3% YoY)



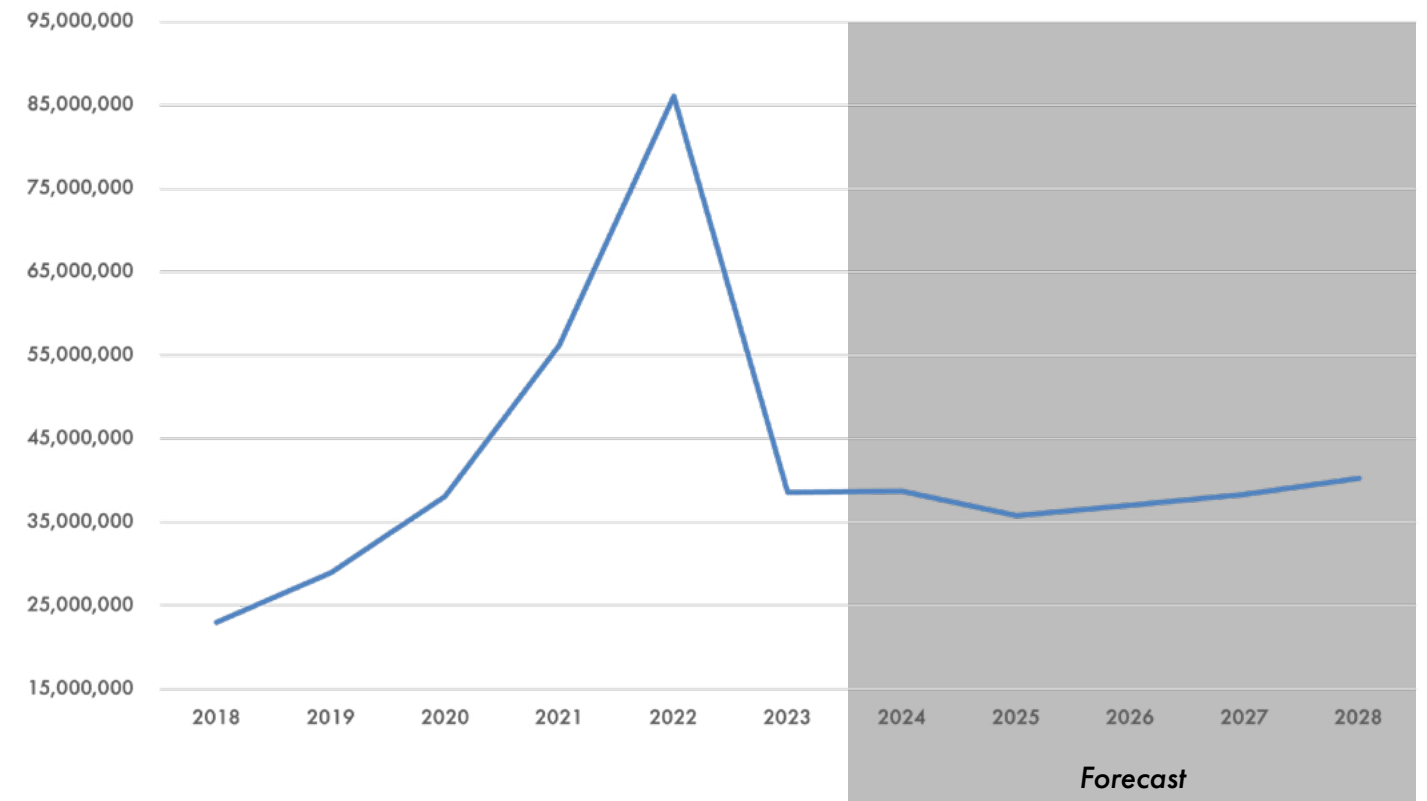
Industrial Forecast

Industrial real estate is expected to remain slightly above pre-covid levels though 2024. Forecasts suggest it may dip slightly to 38.7 million square feet from 2023's year end projection. E-commerce and inventory restocking is powering leasing velocity, especially for warehouses under 100,000 square feet. Speculative projects have decreased due to high interest rates, but active developments continue to push forward.

Dallas-Fort Worth's central location, business-friendly policies, and connectivity make it a prime industrial logistics market. Suburban sites with truck access will be most in demand. While big-box distribution centers grab headlines, smaller infill warehouses better serve emerging same-day delivery.

With industrial rents projected to rise amid limited supply, asset values should hold steady in 2024. Overall, industrial real estate in Dallas-Fort Worth showcase resilience versus other markets moving into 2024.

Dallas-Fort Worth Industrial Construction, SQFT



Multifamily

Sector Overview

The Dallas-Fort Worth multifamily sector showed positive signs in Q4 2023 after a sluggish 2023, according to the latest construction data. The total valuation of multifamily projects initiated in Q4 hit \$2.308 billion.

There were 77 new multifamily buildings kicked off in the quarter across the metroplex. Garden-style properties made up nearly 42% of starts, while mid-rise projects led at 48.1%—reflecting continued developer preference for higher-density housing.

Dallas led Q4 again with \$290.7 million in new projects but was still down 76% year-over-year. Fort Worth followed with \$195.1 million in starts, up 285% from Q4 2022's low base.

Yet suburban areas like Lewisville, Addison and Corinth also saw surging investment, suggesting capital is continuing investment in outer-ring markets as well. Urban experts predict a more balanced approach to development in 2024, as lending environment improves and rents stabilize.

With millennials and job transplants still fueling housing demand across the DFW metro, most project a return to multifamily construction levels to remain steady in 2024—especially mixed-use community concepts offering work-life balance. While 2023 was a down year overall for the sector, the long-term outlook remains strong.

Multifamily Forecast

The strong migration story fueling Dallas-Fort Worth shows no signs of slowing, driving robust multifamily housing construction in 2024. An expected 39.9 million square feet will come online, up 12% from 2023. Strong job growth across technology, finance, and healthcare is attracting new residents, especially renters.

Developers are emphasizing mixed-use apartment projects and student housing near expanding corporate campuses. Rent growth for Class A units continues to lead the country. However, Class B/C suburbs are now seeing renewal increases to retain cost-conscious residents.

Moving forward, deliveries may tilt towards more affordable workforce housing, given high Class A concessions and moderating white-collar hiring. Investors are still piling into multifamily, expecting sustained occupancy and rising in-place rents in 2024. Overall, diverse product across price points is required to house DFW's surging population.



Stats at a Glance

- 77 projects initiated in Q3
- 42.9% Garden-Style
- 48.1% Mid-Rise
- 7.8% Senior Living
- 1.3% Student Housing

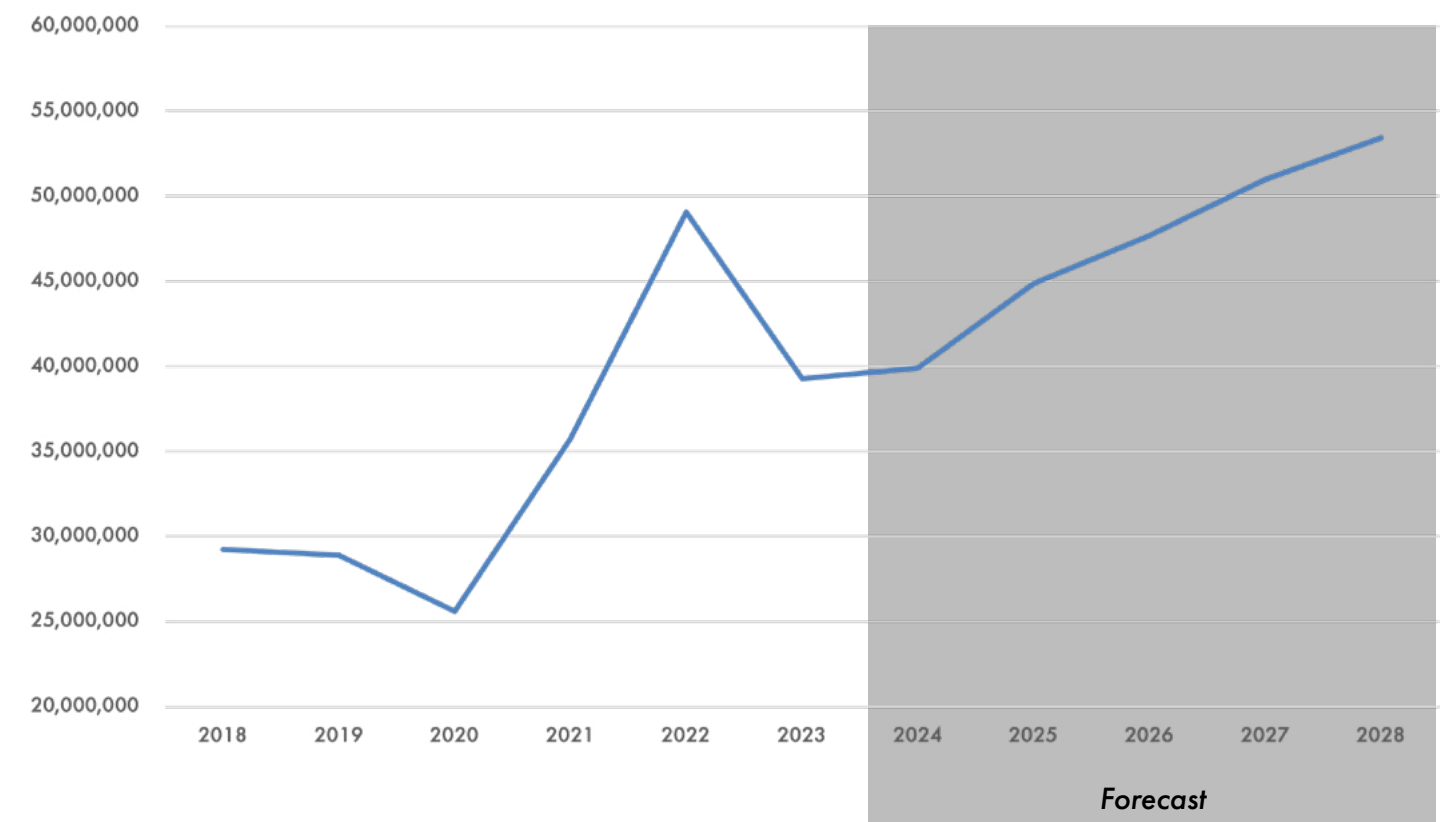
Top Submarkets, by total reported valuation of initiated projects in Q3

- Dallas - \$290.7 M (-76.2% YoY)
- Fort Worth - \$195.1 M (+284.8% YoY)
- Lewisville - \$172.0 M (+3,660.1% YoY)
- Addison - \$170.0 M (+100.0% YoY)
- Corinth - \$191.4 M (+100.0% YoY)

Bottom Submarkets, by total reported valuation of initiated projects in Q3

- Farmer's Branch - \$40.0 M (+0.0% YoY)
- Plano - \$11.4 M (-92.5% YoY)
- Grapevine - \$5.0 M (+100.0% YoY)
- Highland Village - \$2.3 M (+100.0% YoY)
- Denton - \$2.2 (-92.9% YoY)

Dallas-Fort Worth Multifamily Construction, SQFT



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