

Warehouse-building binge tops office construction

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The biggest building boom under way in Dallas-Fort Worth is flying pretty much under the radar, without high-flying construction cranes or high-rise profiles.

More than 16 million square feet of industrial buildings are in the development pipeline in the D-FW area. The warehouse-building binge amounts to three times the current office construction.

And by some nationwide measures, the industrial construction in North Texas is second only to what's being built in Southern California.

"Looking at the past 17 years, this is a record year for property under construction through quarter three," said Cynthia G. Jeter, who heads research services in Cushman & Wakefield's Dallas office.

Indeed, Cushman & Wakefield's statistics show that industrial building in North Texas has almost doubled since last year. And new announcements of building projects are being made almost every day.

Just this week, Indianapolis-based Lauth Property Group said it was starting work on almost 1 million square feet of warehouse space in Irving.

Most of the new warehouse construction is near Dallas/Fort Worth International Airport, in southern Dallas County and in the mid-cities.

With all the building, vacancy rates at the end of the third quarter were still down slightly from last year and rents had edged higher.

Net industrial leasing, however, is actually down for the year by about 30 percent from last year. Fortunately, a chunk of the warehouse space being built is already spoken for by companies.

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As long as the local economy keeps humming, expansions of national and regional warehousing operations here should keep the industrial development sector healthy.

But that's the 16 million-square-foot question, isn't it? What's the economy going to do?

Retailers are grumbling about slower sales outlooks, and if the economy continues to soften, business spending for new facilities is likely to slow.

That could leave developers in a pinch if industrial starts continue at their current rate.

Cushman & Wakefield senior director Jean Russo said that so far, leasing has been able to keep up with building openings.

She said the short-term outlook "all depends on absorption at the end of fourth quarter."

"But I predict that the 9.5 percent vacancy rate will definitely be going up significantly."