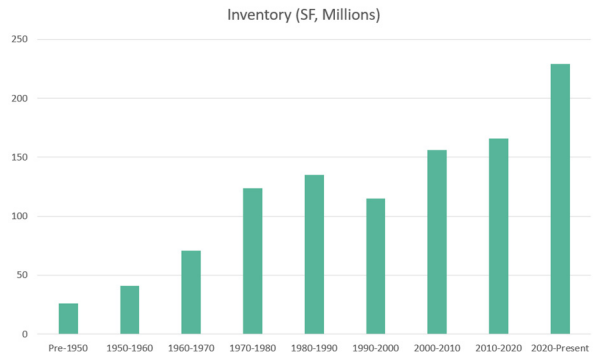
L&B Realty Advisors - Research Insights

June 2025

Not “Your Father’s” Tilt-up Industrial Facility

To the untrained eye, many of the Dallas big-box buildings look similar. Just one more “tilt-up” construction project after another. Not so! The inventory of Dallas warehouse and logistics buildings is undergoing a radical transformation. If it seems as though there is a new warehouse at every Freeway intersection, that is because it is largely true. The DFW market has seen a veritable explosion of new industrial buildings since COVID. The chart below depicts the delivery of DFW logistic buildings by decade. Since COVID the DFW market has delivered close to 230m square feet of warehouse space. To put this into perspective, this square footage is larger than the entire Industrial market in San Diego (Source Costar) Further, during the entire decade, (2010 - 2020) the DFW market delivered approximately 160 msf which was a record pace of new construction at the time.

Industrial Sector (Logistics) Deliveries by Decade

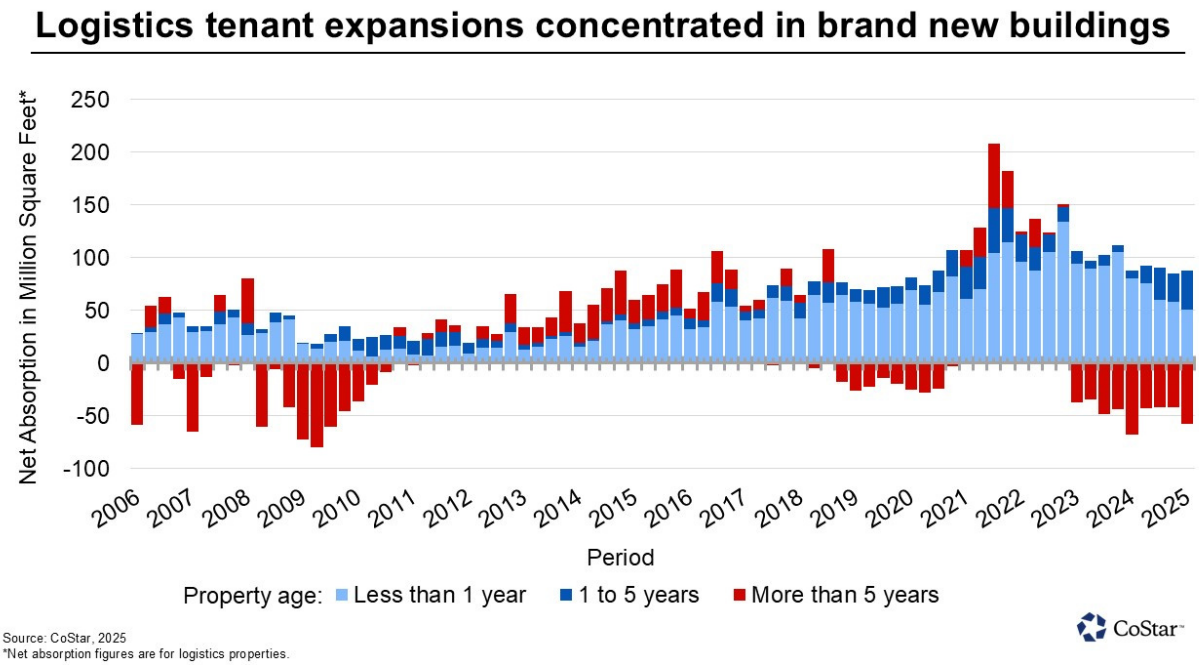


Source: Costar

As stunning as the pace of new construction is, even more incredible is the fact that most of this new space has been absorbed. Beneath the “high-level” absorption numbers are key trends that illustrate a fundamental and rapid shift in how Industrial space is being used. The chart below depicts national logistics net absorption by age of delivery.

- Immediately pre COVID and during the last two years there has been a significant “flight to quality” as Industrial tenants have left older, less functional buildings for new product deliveries.
- The period 2021-2022 illustrates the incredible depth of overall logistics demand as there was significant net absorption even in the older stock of buildings. This strength

of demand in “less than ideal” product created the pent-up demand for the spike in new construction over the last two years.



The pattern of Net Absorption raises the serious question of whether older stock buildings are becoming functionally obsolete. In similar fashion to the old 8ft, popeye ceilings in 70’s & 80’s multifamily buildings, ceiling height requirements in modern industrial facilities are increasingly built to expand upwards rather than out. Taller heights allow businesses to maximize vertical storage capacity and make more efficient use of their footprint. This added height enables flexible pallet rack design, advanced equipment, and streamlined operations, delivering operational and cost-saving benefits. However, vertical expansion also introduces new challenges. Taller buildings seem to offer obvious advantages but as clear heights rise, so do the structural demands placed on pallet racking systems. The higher the racking, the more critical it becomes to address sway, stability, and support. Without proper design considerations, tall racking systems can become vulnerable to movement, collapse risk, and code violations—especially in seismic zones or high-traffic facilities.

Also, pallet racking stability in tall buildings requires more anchor points and the floor slab strength must match the increased vertical load demand. There are also many safety and code issues. When warehouse ceilings climb beyond 36 feet, fire suppression becomes more complex—and more critical. Early Suppression Fast Response (ESFR) sprinkler systems are increasingly used as the primary fire protection solution in high-clearance buildings, offering powerful coverage without requiring in-rack sprinklers. However,

designing tall rack systems around ESFR requires carefully balancing storage configurations, equipment design, and compliance with evolving fire codes.

The need for additional power capacity has been widely written about in the Datacenter space where AI technologies require vociferous amounts of electricity. However, additional power capability and the need for redundant power capacity is now fast becoming the most important attribute not only in pure manufacturing facilities but also in any logistics operation that relies heavily on automation and robotics. Smart buildings powered by Internet of Things (IoT) technology are revolutionizing how commercial spaces operate. These buildings utilize sensors, controllers, and data analytics to optimize energy consumption, enhance occupant comfort, and improve operational efficiency. This includes smart lighting systems and building management systems (BMS) that automate and optimize HVAC operations. Technologies such as occupancy sensors, automated fault detection, and predictive maintenance systems highlight the innovative nature of smart buildings. Ensuring cybersecurity for IoT devices is also critical, as vulnerabilities in these systems can have far-reaching consequences.

These factors are just a few of the sophisticated real estate attributes changing the required elements within those familiar tilt-up wall facades. The negative absorption in older vintage distribution and manufacturing buildings is no surprise and this trend will likely accelerate as the onshoring of domestic manufacturing gains momentum in the years ahead. So, as you drive by the apparently boring concrete facades on the way to the airport, have a thought for the high-tech interiors that are now demanded by the ever-increasing sophistication of the industrial tenant.