



DALLAS-FORT WORTH OFFICE MARKET REPORT

3RD QUARTER 2022



Dallas-Fort Worth has grown 23.1% since the 2010 census and continues to draw a steady stream of relocations.

Contents

Economic Conditions

Population and Employment	4
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Office Market Conditions

Demand and Supply	8
Occupancy Trends	12
Rental Rate Trends	14
Submarkets	15

Economic Conditions

Population and Employment

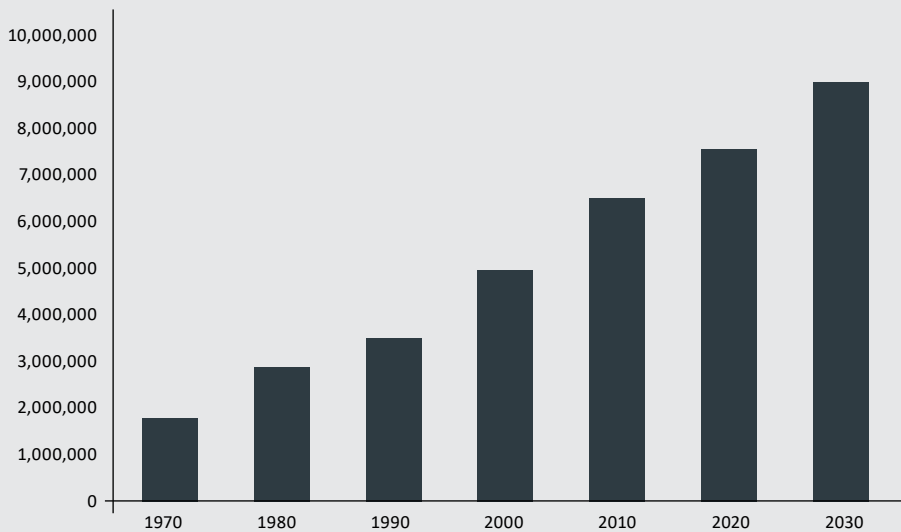
With one of the lowest unemployment rates in Texas and the nation at 3.8%, Dallas-Fort Worth (DFW) continues to add jobs. The local economy was boosted by the addition of 125,800 jobs through August and a steady stream of relocations from across the country, most notably from California.

Employment rose an annualized 7.2% over the past 12 months with the largest changes in Professional and Business Services (65,000), Trade, Transportation, and Utilities (53,900) and Leisure and Hospitality (41,600), according to the Bureau of Labor Statistics.

Dallas Fed Business Index (Dallas-Fort Worth)



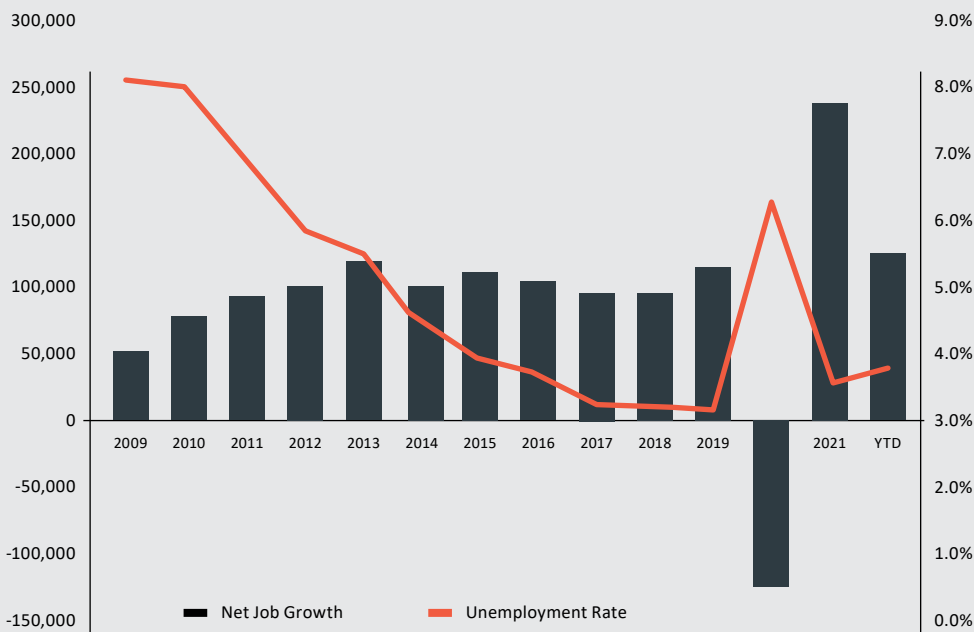
Dallas-Fort Worth Population Growth



The DFW Metropolitan Statistical Area (MSA) has grown 23.1% since the 2010 census, more than any other metro area in the country over the same time period and remains the fourth largest MSA with an estimated population of 7.6 million people. DFW is on pace to surpass Chicago, currently the third largest, within the next ten years.

Source: North Texas Council of Governments; US Census

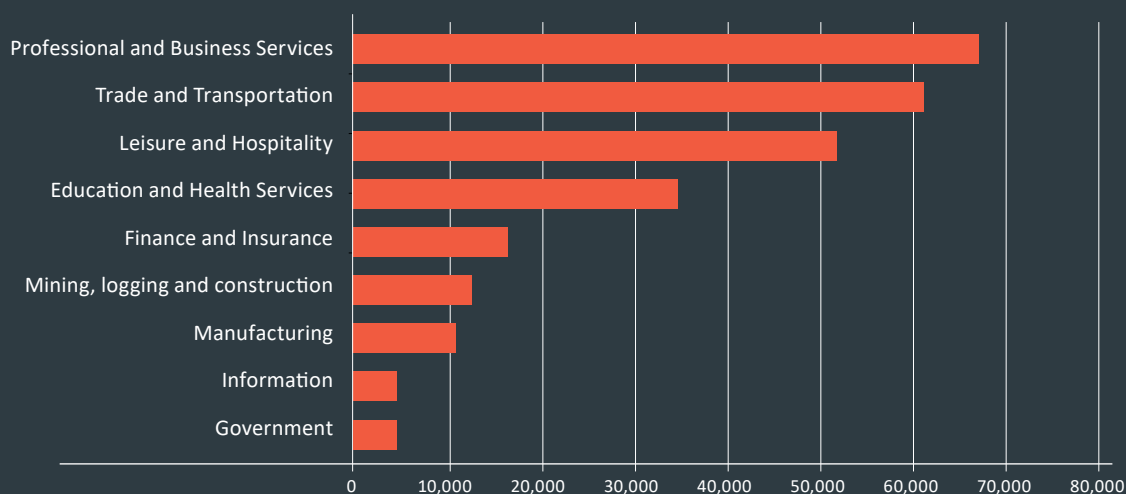
Dallas-Fort Worth Net Job Growth and Unemployment Rate



Two and half years from the onset of the pandemic, Dallas-Fort Worth employment exceeded February's 2020 peak by 6.4% (245,400 jobs). Employment in the Dallas-Plano-Irving was 7.2% (198,100) above prepandemic levels, and the Fort Worth-Arlington employment was 4.3% (47,300) higher than prepandemic levels.

Source: North Texas Council of Governments; US Census

Job Growth By Industry (August 2021 - August 2022)



Source: Bureau of Labor Statistics

Employment is a key driver for office space demand, especially in the “office-using” industry sectors.

DFW was the nation’s fourth largest employment market as of August 2022 with total non-farm employment of almost 4.1 million, according to the Bureau of Labor Statistics. Of this total, 30% or about 1.1 million jobs, were in the office-using sectors of Professional and Business Services, Financial Activities, and Information.

Dallas-Fort Worth Accolades

#4
LARGEST
Metro Area

Dallas-Fort Worth is the nation's 4th-largest metro area. Its central location provides convenient access to all major markets in the U.S. and in the North American trade partnership. The region functions as a logistics and distribution hub, giving businesses an edge by putting key markets within easy reach of air, truck, and rail cargo shipping.

100K+
JOBS

are added annually. More jobs are being created in Dallas-Fort Worth than in any other metro area in the U.S.

22
FORTUNE 500
HEADQUARTERS

As of June 2022 Dallas-Fort Worth has 22 Fortune 500 company headquarters and 45 headquarters among the Fortune 1000.

#1

IN THE COUNTRY FOR
3-Year job growth (185,600 jobs)
& full job recovery to pre-pandemic high (3,951,900 jobs)

2022 HQ RELOCATION ANNOUNCEMENTS



LIVING & DOING BUSINESS

Dallas-Fort Worth is one of the top regions in the nation for business thanks to low cost of living, a business-friendly environment, a strong base of well-educated and skilled employees, and robust access to both U.S. and international markets through its transportation network.

DFW's Global Center

4th Busiest airport
in the world

Dallas -Fort Worth International Airport is an economic engine for the region, generating \$37 billion in economic impact annually.

The DFW International Airport is the highest-capacity commercial airport in the world and one of the two international gateway airports in Texas. The airport has access to any major city in the continental United States in less than four hours.

 **171K**
Daily Passengers

 **6.1M**
Intl. Passengers

 **1M**
Total Cargo
(in metric tons)

Office Market Conditions

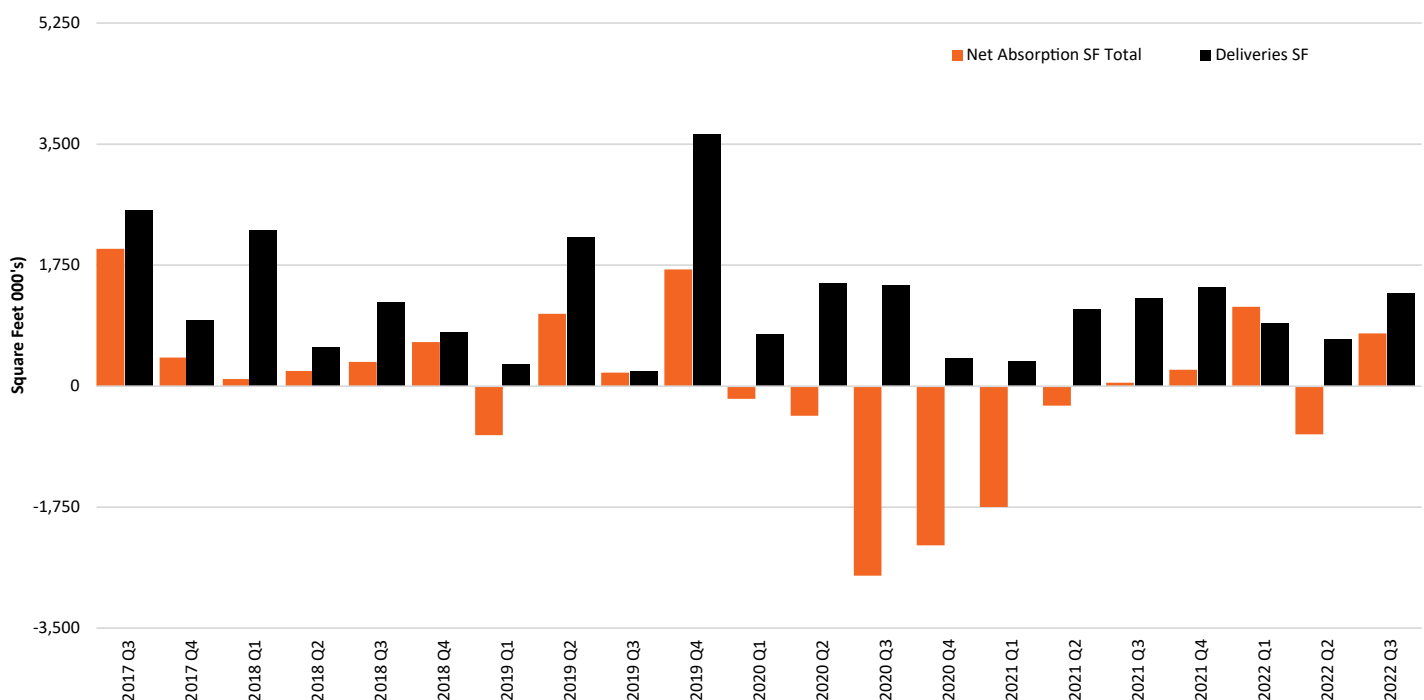
Supply and Demand

Demand for office space rebounded in the third quarter with 761,769 square feet of total net absorption in a large concentration of newly constructed buildings, including occupancy of the PGA headquarters, Paycom and Independent Bank build-to-suits. Year-to-date, 1,210,042 square feet of absorption has been recorded.

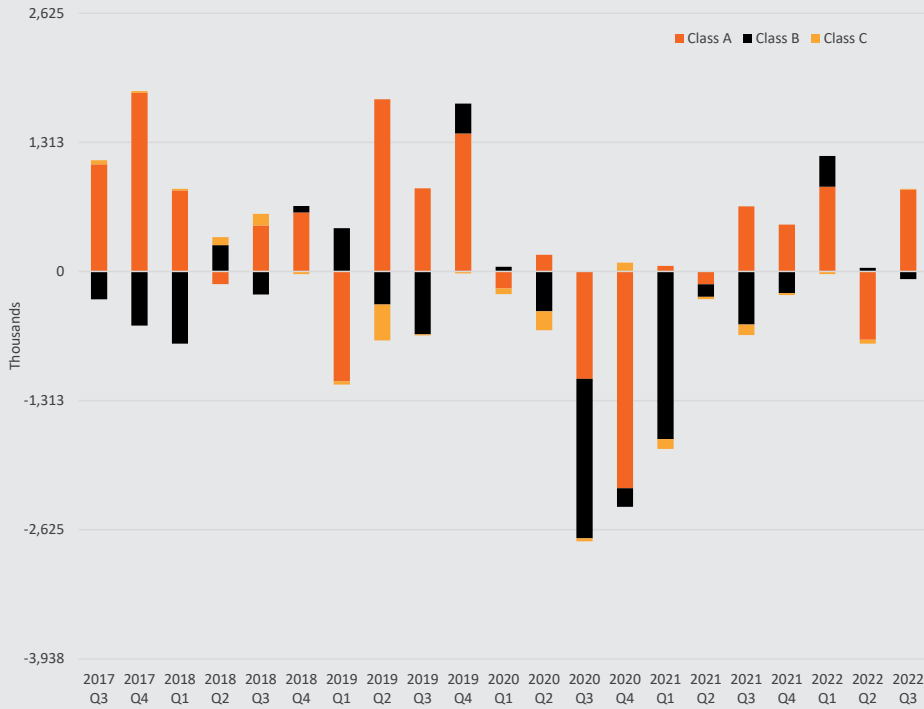
Outside of new construction, absorption was largely flat with a total vacancy rate of 20.5%.



Net Absorption & Deliveries

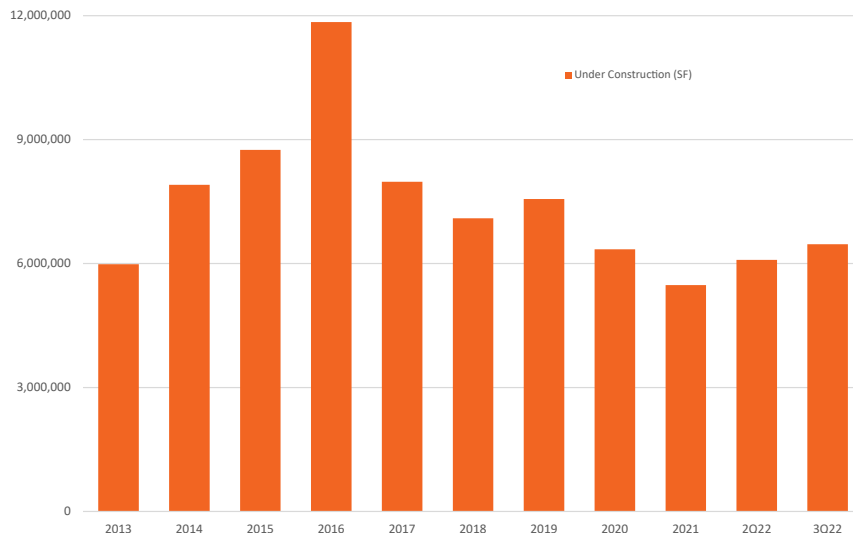


Class Net Absorption



Class A recorded 829,997 square feet of positive net absorption in the third quarter, while Class B was a negative 77,974 square feet and Class C was flat with 9,748 square feet.

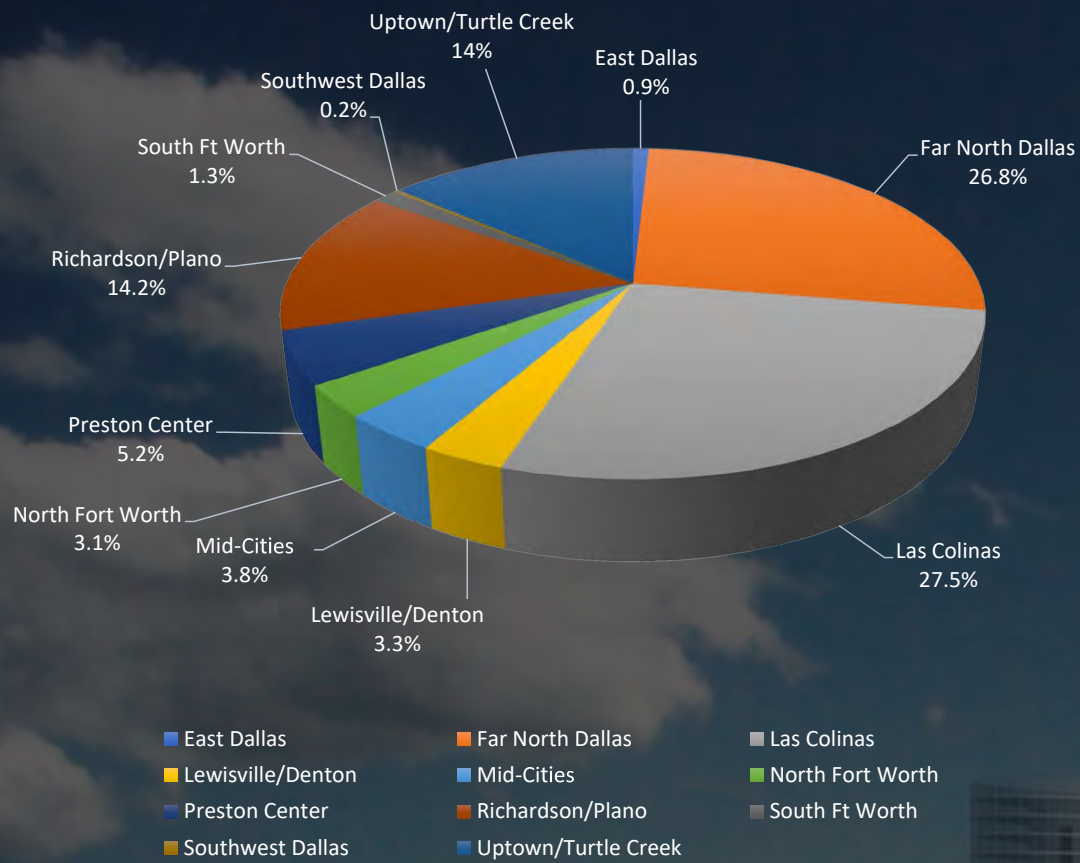
Under Construction



DFW had a total of 6,468,996 rentable square feet of office space under construction in September 2022 with 1.3 million square feet scheduled for delivery in the fourth quarter. Roughly 36% has been accounted for through a combination of build-to-suits and pre-leasing, which is down from 50% in recent years.

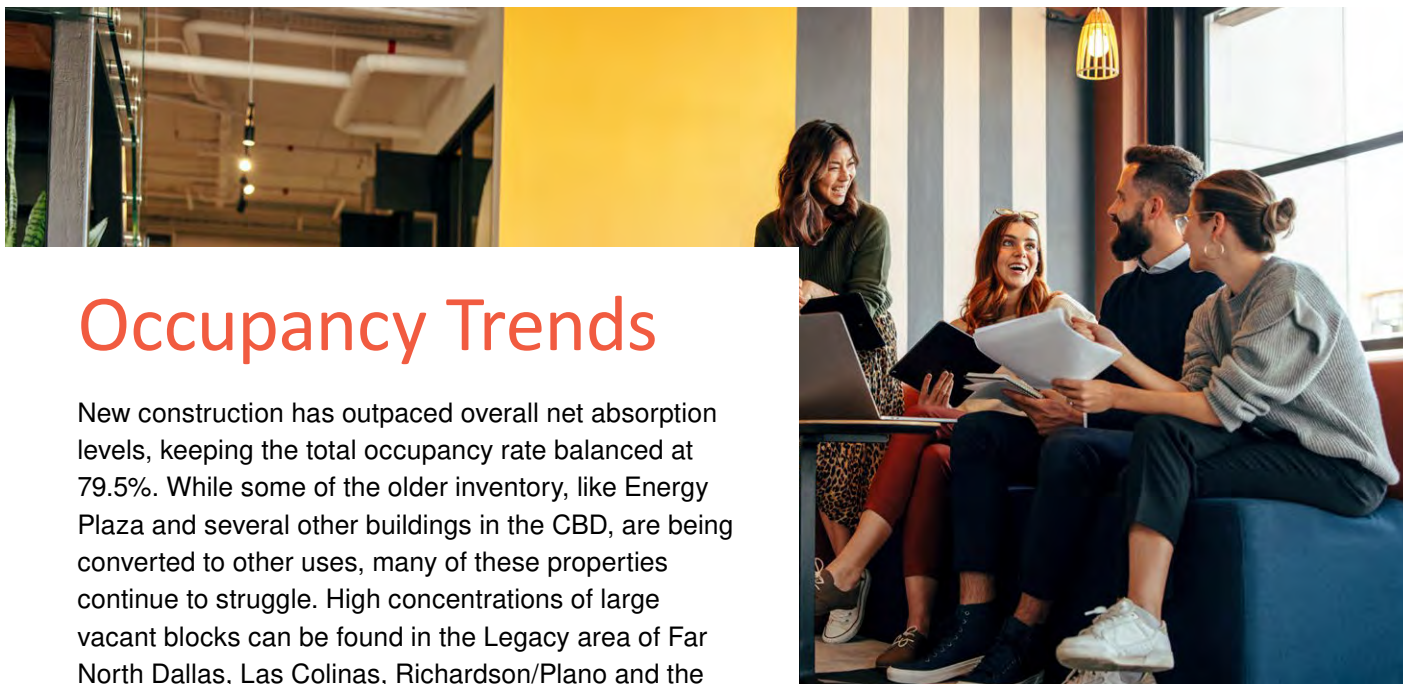
DFW Under Construction by Submarket

The northern suburban submarkets dominate the construction pipeline with notable projects that include Ryan Tower in Far North Dallas, and Christus Health & the Cypress Waters buildings in Las Colinas.



Ryan Tower | Far North Dallas

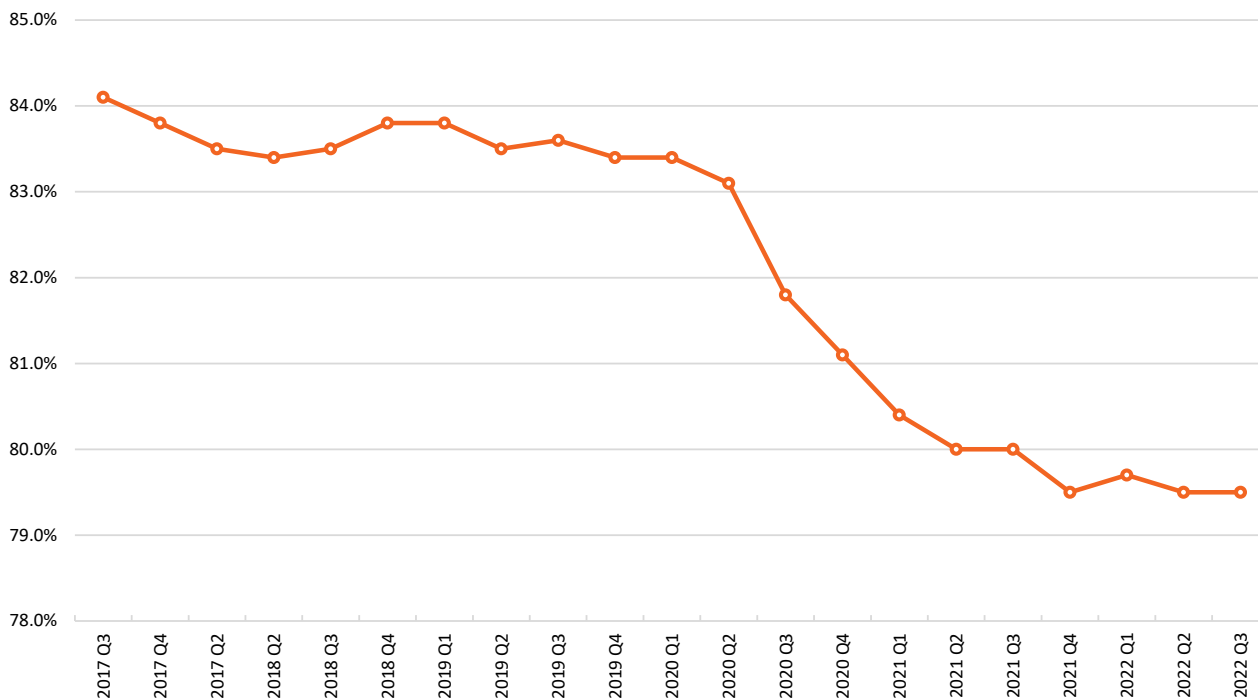




Occupancy Trends

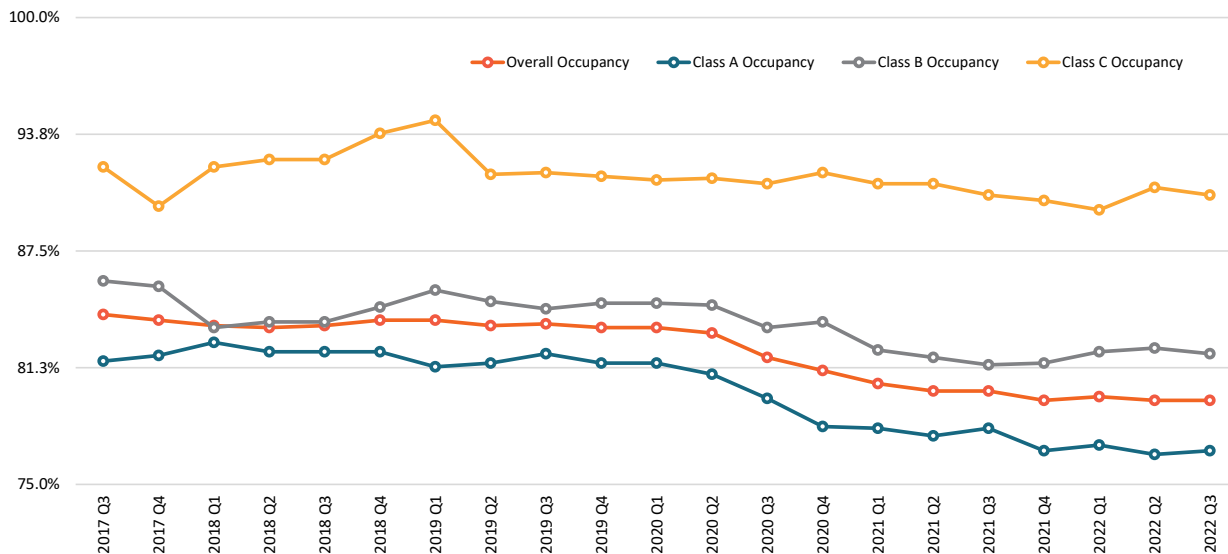
New construction has outpaced overall net absorption levels, keeping the total occupancy rate balanced at 79.5%. While some of the older inventory, like Energy Plaza and several other buildings in the CBD, are being converted to other uses, many of these properties continue to struggle. High concentrations of large vacant blocks can be found in the Legacy area of Far North Dallas, Las Colinas, Richardson/Plano and the Dallas CBD.

Occupancy Trends



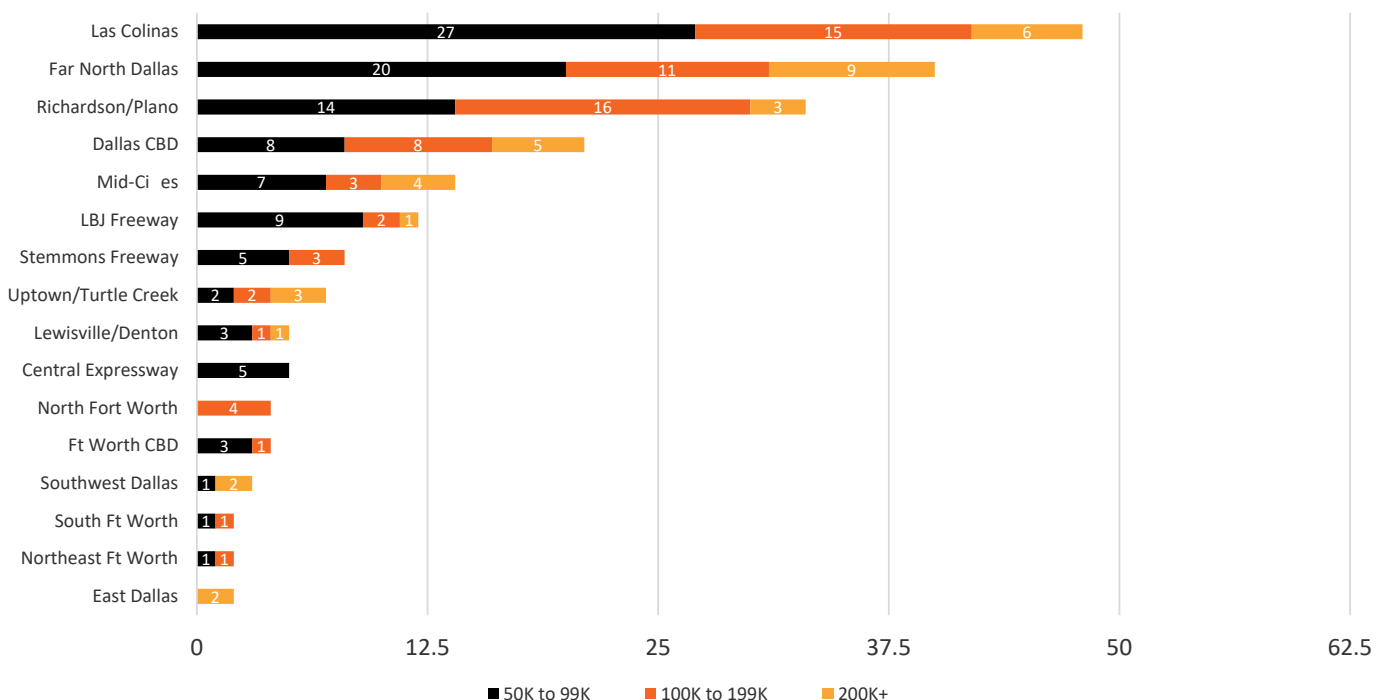
Over recent quarters, the construction pipeline has shifted from large build-to-suits toward mid-sized spec construction and will likely lead to an increase in availability over the next few quarters.

Class Occupancy



Large, second-generation spaces needing to be backfilled pose one of the highest risks in the market. Many were recently vacated for build-to-suit projects. As of August 2022, there were 210 big blocks of direct and sublease space totaling over 50,000 square feet. This total does not include properties under construction.

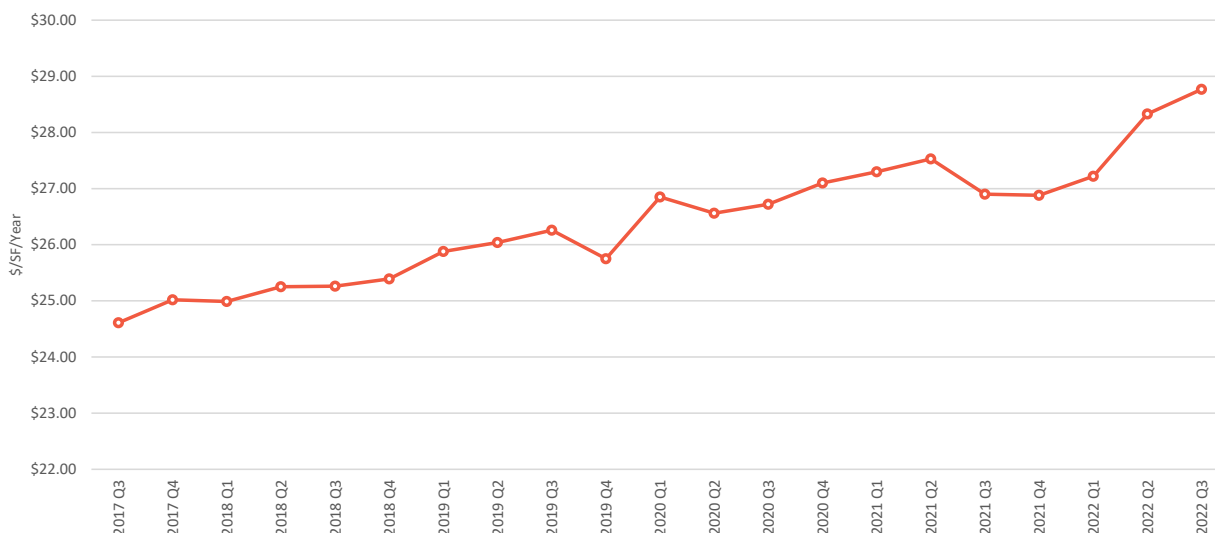
Big Blocks of Space



Rental Rate Trends

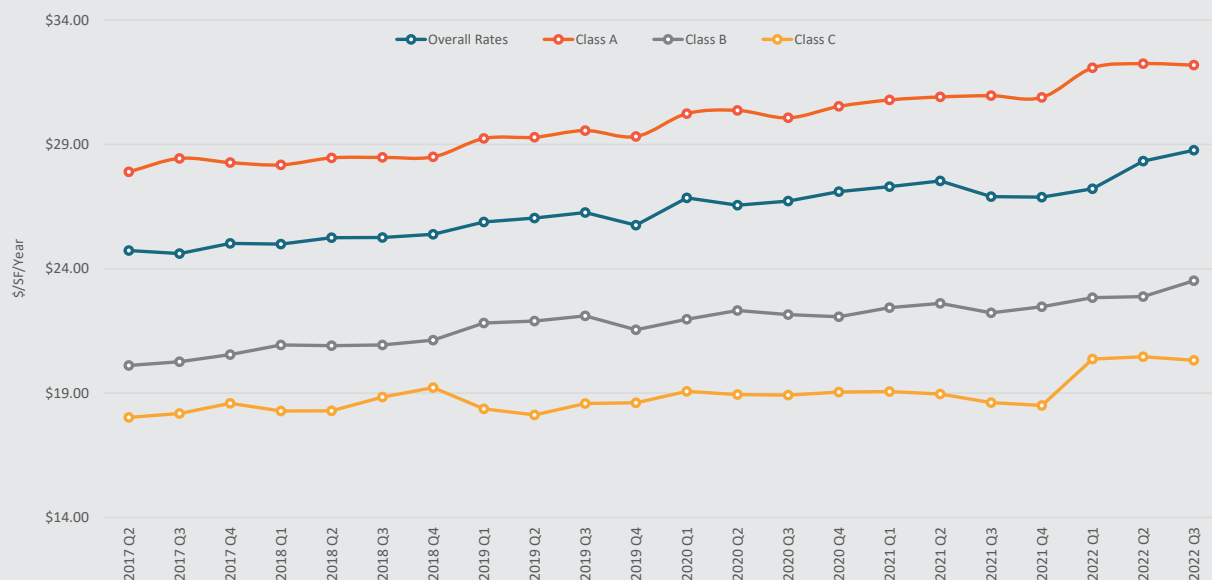
After a slight decrease in rental rates in late 2021, average asking rates increased to \$28.77 (Full-Service Gross).

Rental Rate Trends



Overall asking rates, which are blended for all property classes, increased over the past quarter by \$0.44. Most of the movement in recent quarters has been in newer Class A properties. Older Class A and B properties have been flat, while Class C remained largely unchanged. The slight increase in Class B properties asking rates was largely a result of some functionally obsolete properties (like Energy Plaza) being converted to other uses, removing some of the lowest rates from the market.

Class Rental Rates



Submarkets

SUBMARKET	INVENTORY		VACANCY		NET ABSORPTION SF		COMPLETIONS		UNDER CONSTRUCTION	ASKING RENT
	# OF BLDGS	TOTAL SF	TOTAL SF	RATE	CURRENT QTR	YTD	CURRENT QTR	YTD	AT END OF CURRENT QTR	WTD. AVG. (FS/G)
CENTRAL EXPRESSWAY	99	11,698,686	2,491,208	21.3%	-33,845	-89,320	0	30,000	0	\$34.15
DALLAS CBD	94	32,065,666	8,478,373	26.4%	-50,428	-390,323	0	0	0	\$27.82
EAST DALLAS	141	6,309,707	880,917	14.0%	206,802	383,472	76,856	559,272	66,950	\$35.95
FAR NORTH DALLAS	439	61,244,608	14,516,515	23.7%	232,930	155,697	106,622	451,612	1,879,415	\$32.95
FORT WORTH CBD	70	10,342,474	1,617,615	15.6%	-56,181	-88,370	0	0	0	\$27.20
LAS COLINAS	300	42,167,157	8,861,382	21.0%	190,024	375,159	652,877	749,469	1,018,269	\$27.68
LBJ FREEWAY	149	19,417,804	4,853,420	25.0%	-172,613	-205,425	0	0	0	\$24.74
LEWISVILLE/DENTON	129	6,420,020	1,067,044	16.6%	-79,362	45,651	0	0	200,573	\$25.48
MID-CITIES	373	26,969,328	4,690,747	17.4%	-104,746	-136,059	138,810	423,507	243,250	\$25.17
NORTH FORT WORTH	51	3,893,028	428,537	11.0%	75,053	43,454	54,000	54,000	135,000	\$25.30
NORTHEAST FORT WORTH	52	3,724,967	289,162	7.8%	2,279	26,502	0	0	0	\$20.48
PRESTON CENTER	52	6,384,953	610,217	9.6%	53,897	433,245	0	297,000	318,632	\$40.81
RICHARDSON/PLANO	325	32,544,299	5,976,163	18.4%	272,133	51,724	235,718	235,718	652,685	\$24.23
SOUTH FORT WORTH	178	9,991,401	1,580,472	15.8%	42,471	-47,447	69,751	69,751	45,000	\$25.64
SOUTHWEST DALLAS	75	3,477,958	518,755	14.9%	51,269	90,124	15,000	60,364	0	\$23.89
STEMMONS FREEWAY	117	9,801,032	2,499,856	25.5%	48,645	170,544	0	0	447,048	\$19.62
UPTOWN /TURTLE CREEK	103	16,448,836	2,794,517	17.0%	83,441	391,414	0	0	1,462,174	\$43.28
TOTAL	2,747	302,901,924	2,154,900	20.5%	761,769	1,210,042	1,349,634	2,930,693	6,468,996	\$28.77
CLASS A	575	170,256,646	9,540,803	23.2%	829,997	997,579	983,250	2,450,686	6,151,518	\$32.19
CLASS B	1,684	118,075,480	21,235,276	18.0%	-77,974	271,005	366,384	480,007	317,478	\$23.52
CLASS C	488	14,569,798	1,378,821	9.5%	9,746	-58,542	0	0	0	\$20.32
TOTAL DFW	2,747	302,901,924	2,154,900	20.5%	761,769	1,210,042	1,349,634	2,930,693	6,468,996	\$28.77

For additional information on any of the submarkets shown above, please refer to our Market Snapshot reports.

* Younger Partners' research is based on the CoStar office building database. Inventory includes office buildings containing at least 15,000 rentable square feet; single tenant, multi-tenant, and owner-occupied; class A, B, and C; existing, under construction, or under renovation; and excludes medical office buildings and data centers.



When it comes to analytics, we focus not only on the data, but also the insight behind the data. Information and technology are continuing to progress to a level where data is readily available to everyone. However, conscious interpretation of this data is rare. We specialize in providing an astute understanding into market trends that are often overlooked.”

— Steve Triolet, *Director of Research*



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