



# DALLAS-FORT WORTH OFFICE MARKET REPORT

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4TH QUARTER 2022

An aerial view of a city skyline, likely New York City, featuring several tall skyscrapers. A prominent building in the center has a large rainbow flag flying from its top. The sky is a clear, pale blue. The buildings are densely packed, and the perspective is from a high vantage point looking down.

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Flight to quality  
continues to be the  
driving force behind most  
office leasing activity.

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# Economic Conditions

## Population and Employment

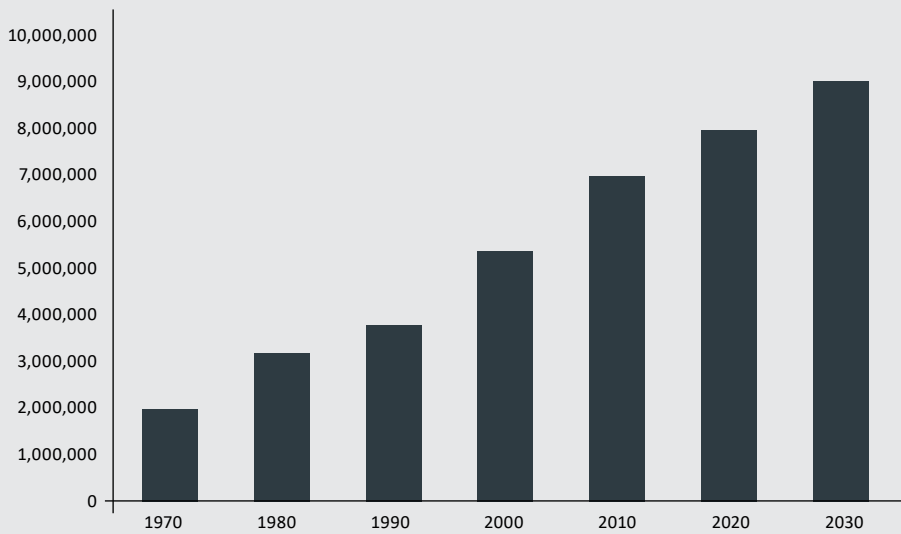
The DFW Metropolitan Statistical Area (MSA) stands strong as the fourth largest in the country with a population of over 7.6 million people. The MSA has grown 23.1% since the 2010 census, which is more than any other metro area in the country over the same time frame.

Boosted by an additional 255,000 jobs over the past year, employment has risen an annualized 6.5 percent 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)*



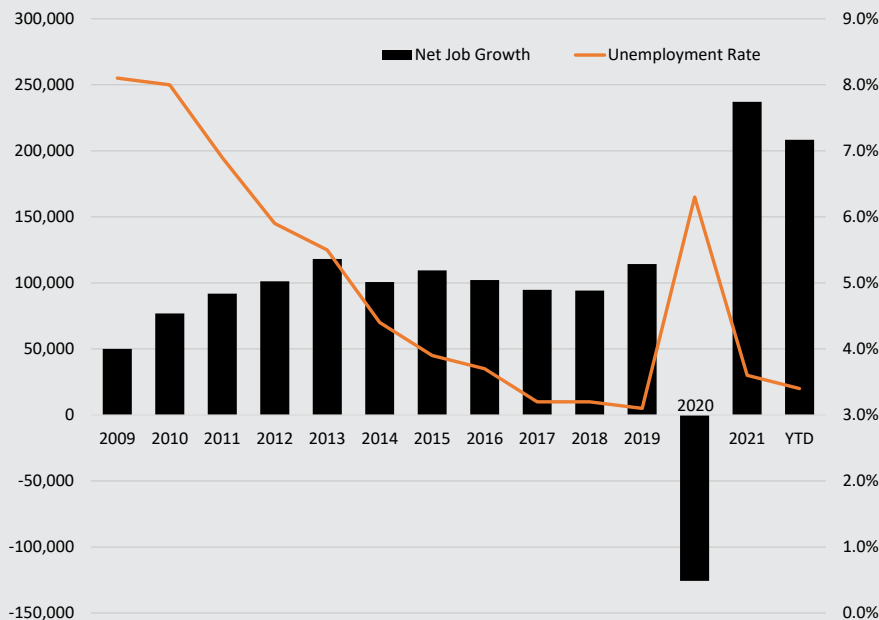
### Dallas-Fort Worth Population Growth



The Dallas-Fort Worth area is projected to grow from 7.6M in 2022 to 12.8M by 2060. The 63.3% projected population growth in the area will result in DFW being the 3rd largest MSA behind only Los Angeles and New York.

Source: 24/7 Wall St.

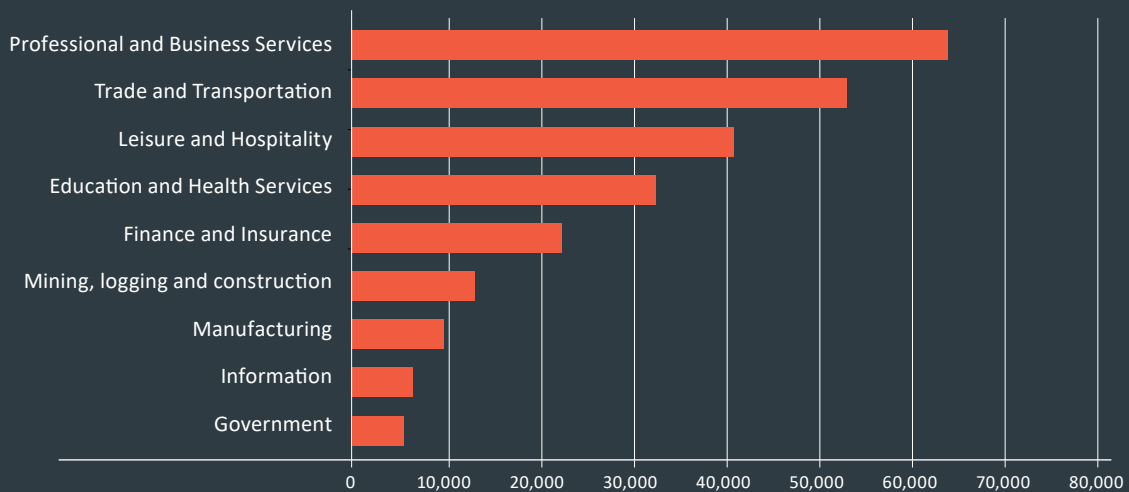
### Dallas-Fort Worth Net Job Growth and Unemployment Rate



DFW is among the Sun Belt MSA where the job market recovered rapidly from the economic woes of the COVID-19 pandemic. DFW is now 155,000 jobs above pre-pandemic levels. A diversified local economy and an extremely business-friendly environment were key drivers to this rapid recovery.

Source: U.S. Bureau of Labor Statistics

### Job Growth By Industry (October 2021 - October 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 November 2022 with total non-farm employment of almost 4.2 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.

**150K+**  
**JOBS**

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

**#1**

**IN THE COUNTRY FOR**  
3-Year job growth (185,600 jobs annually) & full job recovery exceeding 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.

**22**

**FORTUNE 500 HEADQUARTERS**

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

# 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

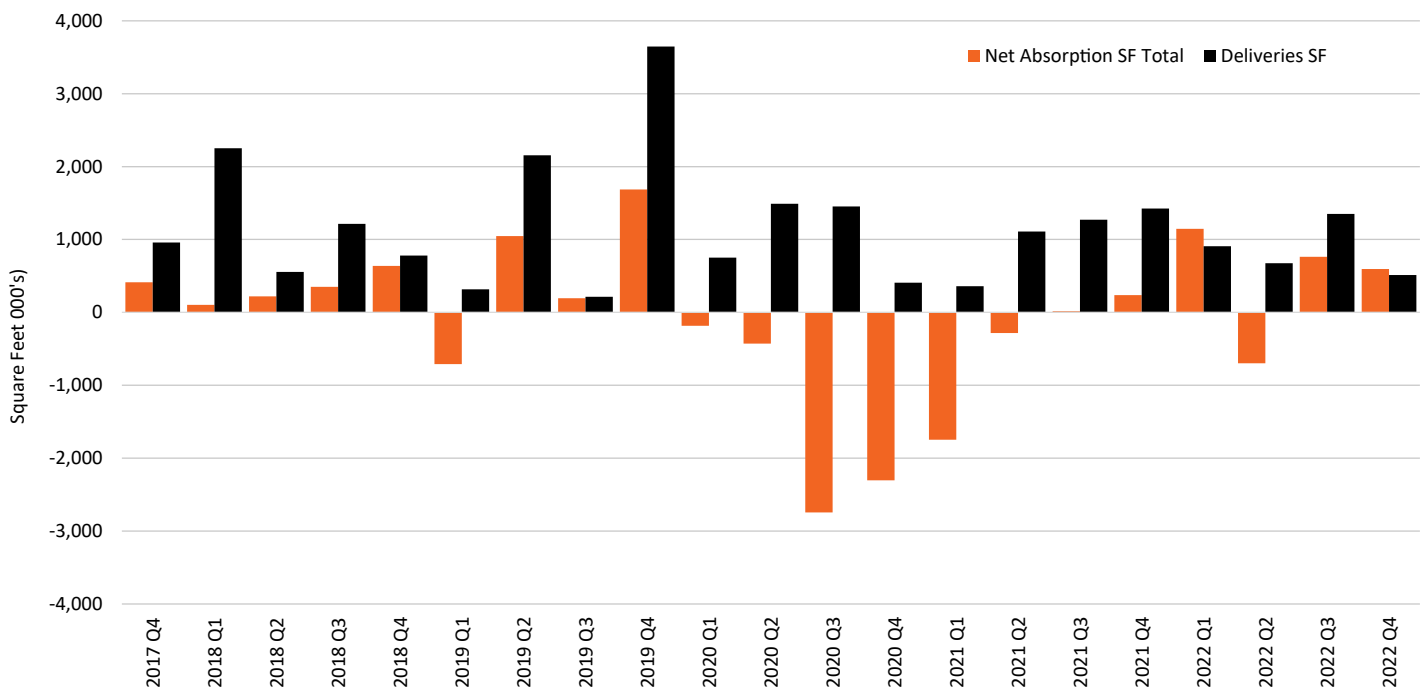
Demand for office space was positive with 594,274 square feet of total net absorption in the fourth quarter, and 1,804,316 square feet for the year. Major move-ins for 2022 include Delta Electronics, PGA headquarters, Paycom, Vanguard, Interstate Battery, Freeman, Envision Dallas Lighthouse and Independent Bank.

Total vacancy rose to 20.6% in 2022 as 3.4 million square feet of new construction outpaced the 1.8 million square feet of positive net absorption.

Sublease space remains a drag on the market with over 10.7 million square feet available at year-end (a record high).

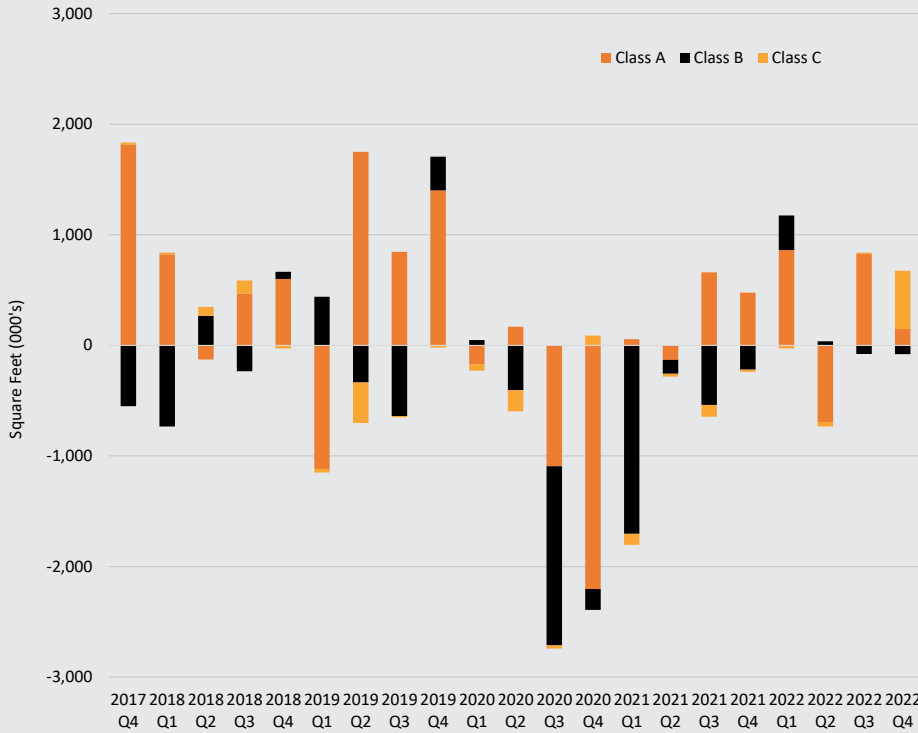


## Net Absorption & Deliveries



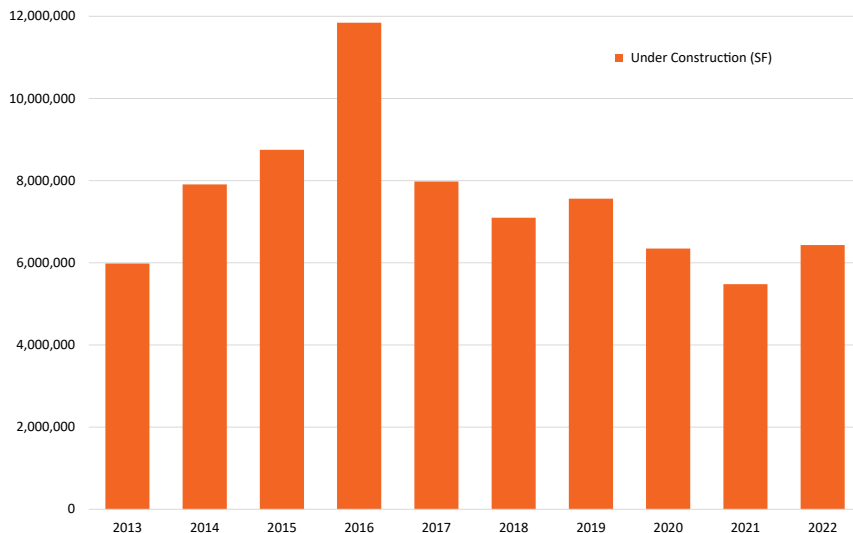


### Class Net Absorption



In the fourth quarter, Class A net absorption was positive with 147,492 square feet, Class B was negative with 80,052 square feet and Class C was positive with 526,274 square feet, due largely to Delta Electronics' occupancy of 601 Data Drive.

### Under Construction



DFW had 6,432,520 rentable square feet of office space under construction in December of 2022. A combination of build-to-suits and pre-leasing accounted for 42% of the total, which is down from 50% in recent years.

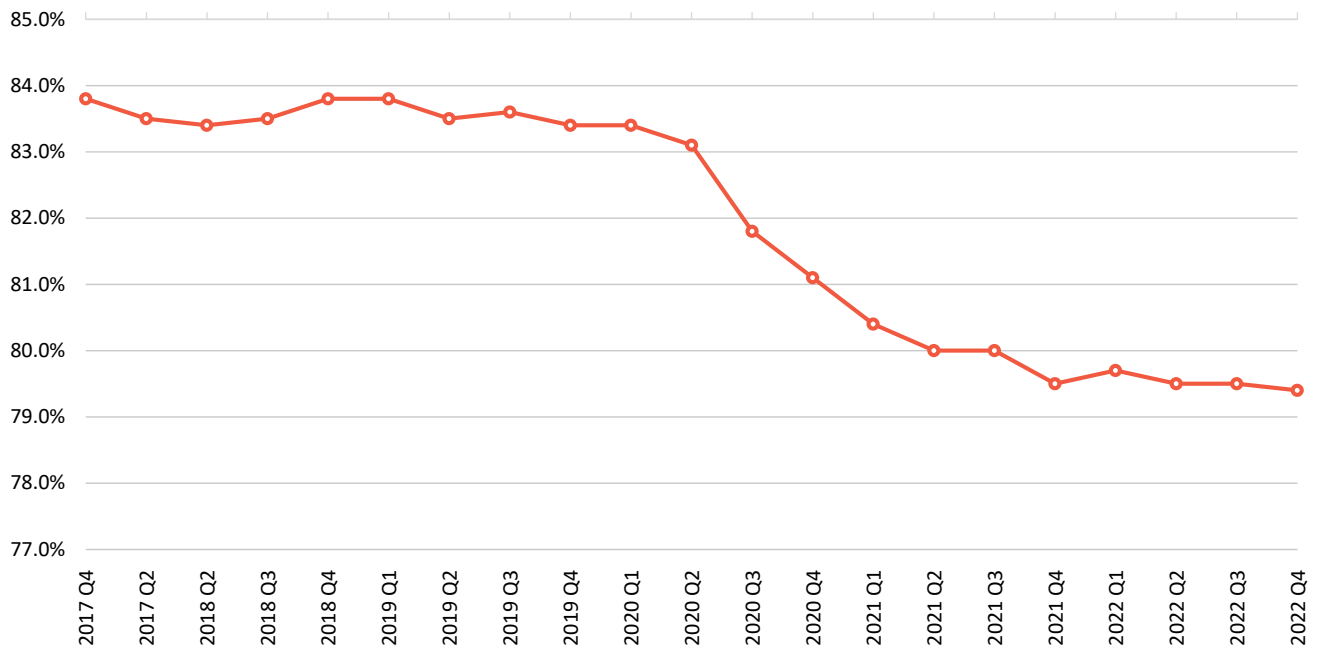


## Occupancy Trends

As vacancy rates in the MSA increased, occupancy fell to 79.4% because of the overpowering amount of new construction. While most properties continue to struggle, some older inventory, like Energy Plaza in the CBD, is being converted to other uses.

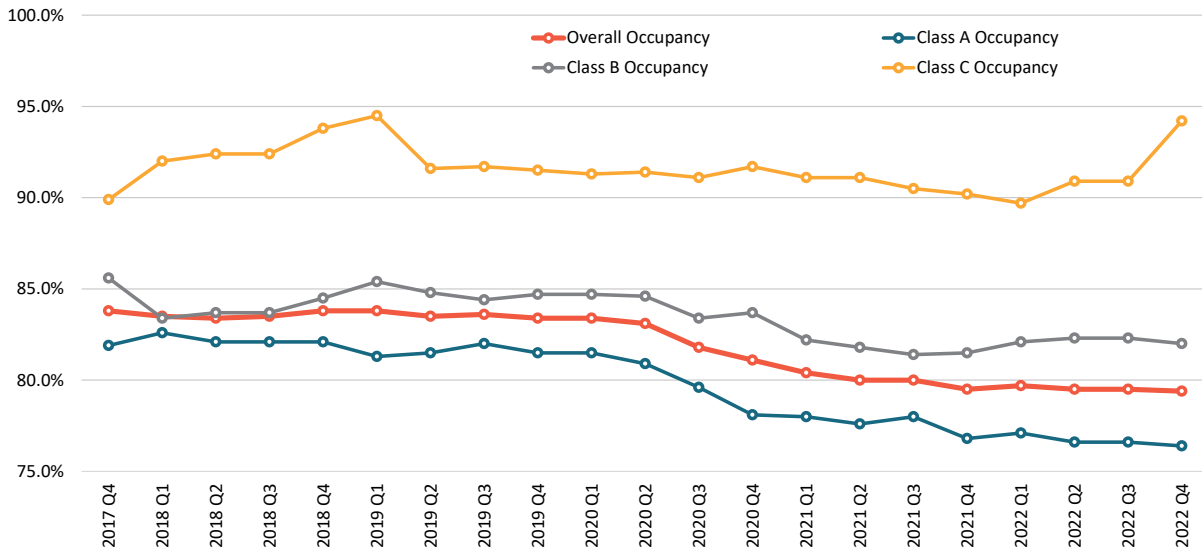
High concentrations of large vacant blocks can be found in the Legacy area of Far North Dallas, Las Colinas, Richardson/Plano and the Dallas CBD.

### Occupancy Trends



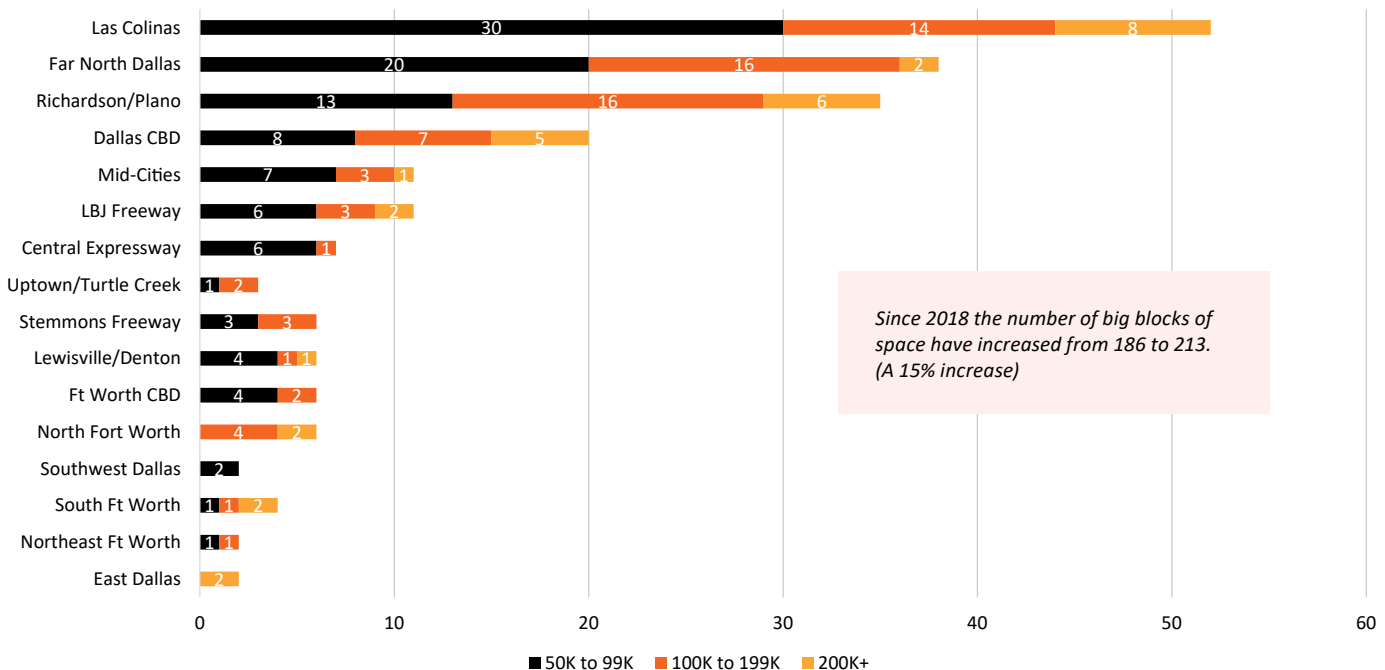
Over recent quarters, the construction pipeline has shifted from large build-to-suits toward mid-sized spec construction and will likely lead to an increase in availability over the next few quarters.

### 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 December 2022, there were 213 big blocks of direct and sublease space totaling over 50,000 square feet. This total does not include properties under construction.

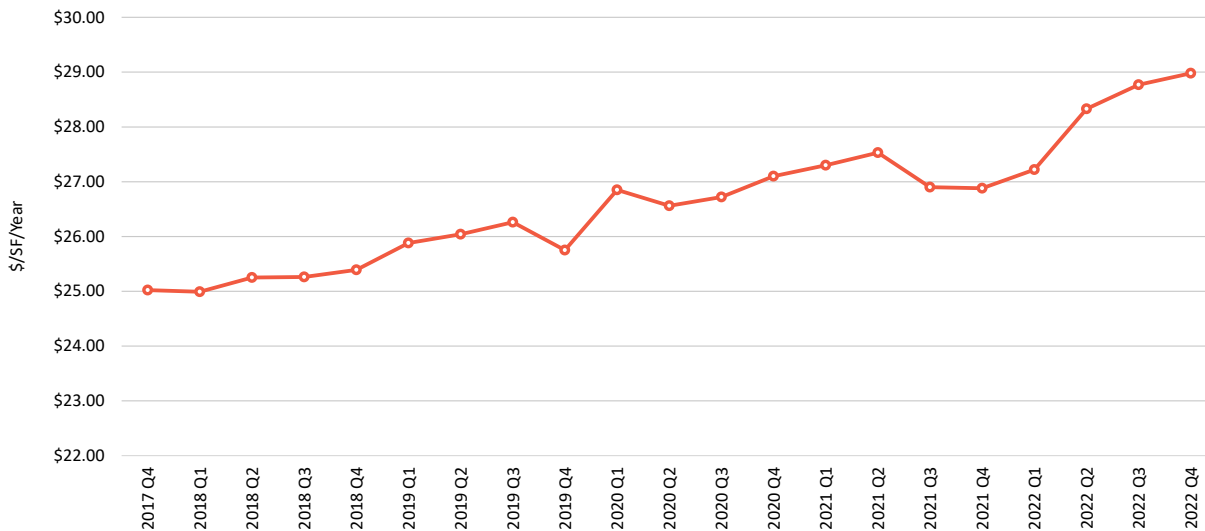
### Big Blocks of Space



# Rental Rate Trends

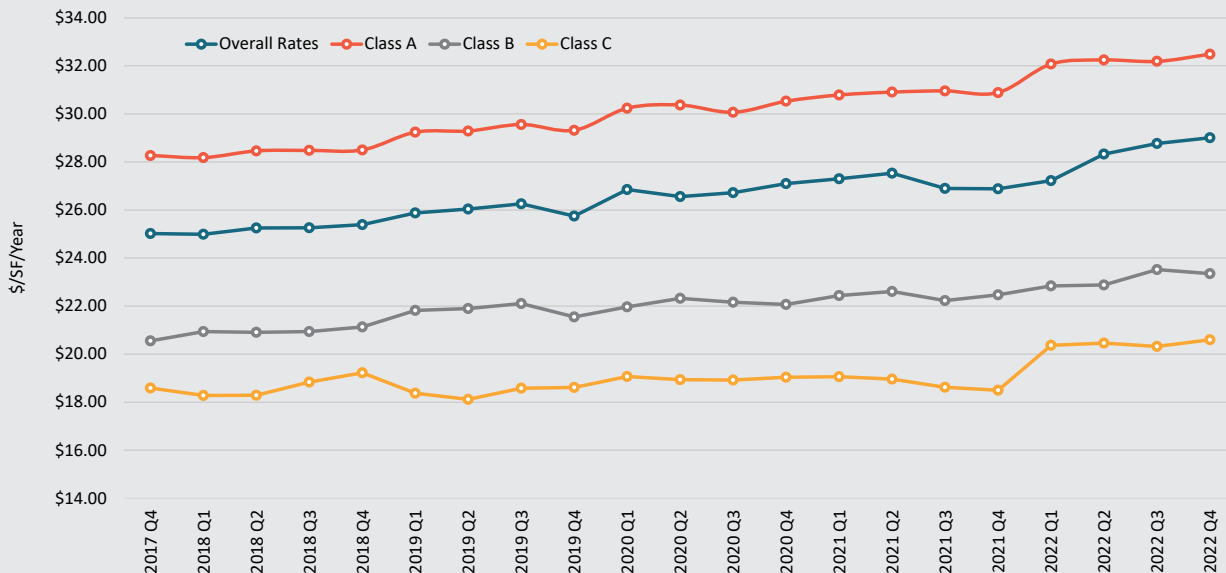
Average asking rates increased to \$29.01 (Full-Service Gross) after a slight decrease in late 2021 because the vast majority of new deliveries in 2022, or 2.7 million square feet, were Class A properties.

## Rental Rate Trends

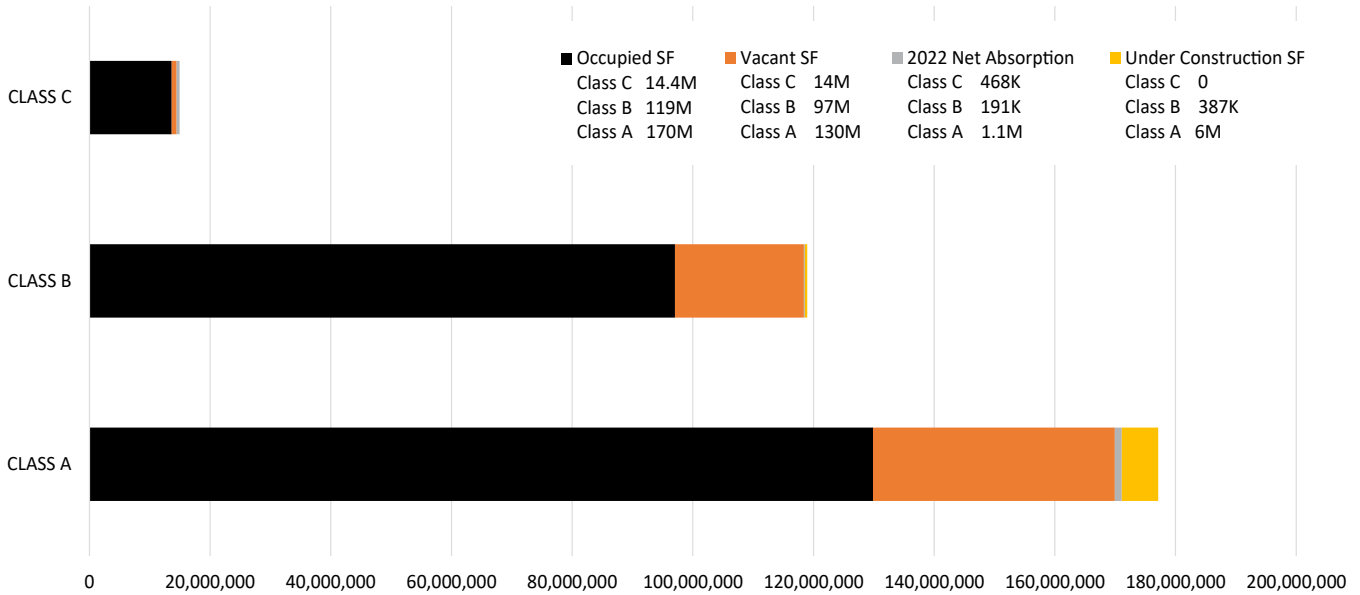


Overall asking rates, which are blended for all property classes, increased this past quarter by \$0.24. Most of the movement has been in newer Class A properties. Class B rates declined by \$0.17 and Class C increased by \$0.28.

## Class Rental Rates

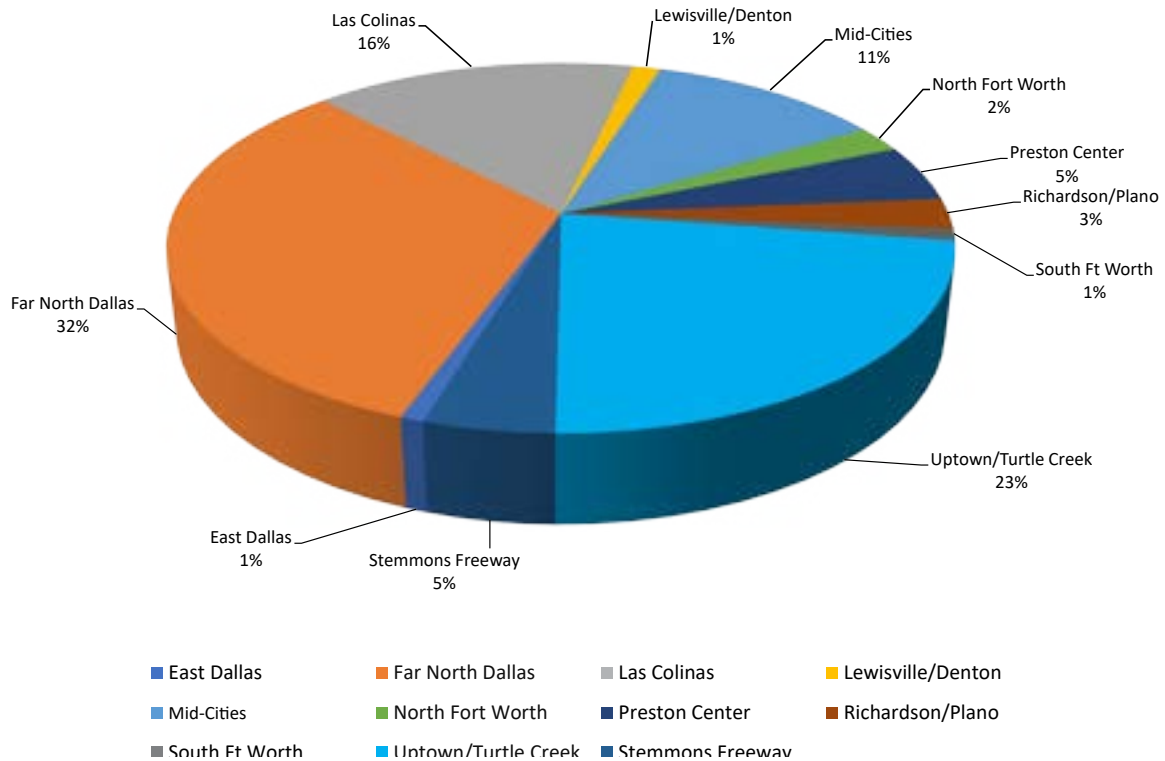


### Key Stats By Property Class



### DFW Under Construction by Submarket

The northern suburban submarkets of Far North Dallas, Las Colinas and Uptown dominate the construction pipeline with notable projects that include Christus Health, Ryan Tower, 23Springs and ongoing buildings in Cypress Waters.



# Capital Markets

The capital market for office properties have been struggling due to elevated debt costs. Very few properties have sold in DFW in 2022 and it has been common for properties to drop out of contract or be pulled from the market. Sales for office buildings have been predominately Class A & Class C buildings, relative to previous years. Sales volume is down by about 20% from the historic norm.

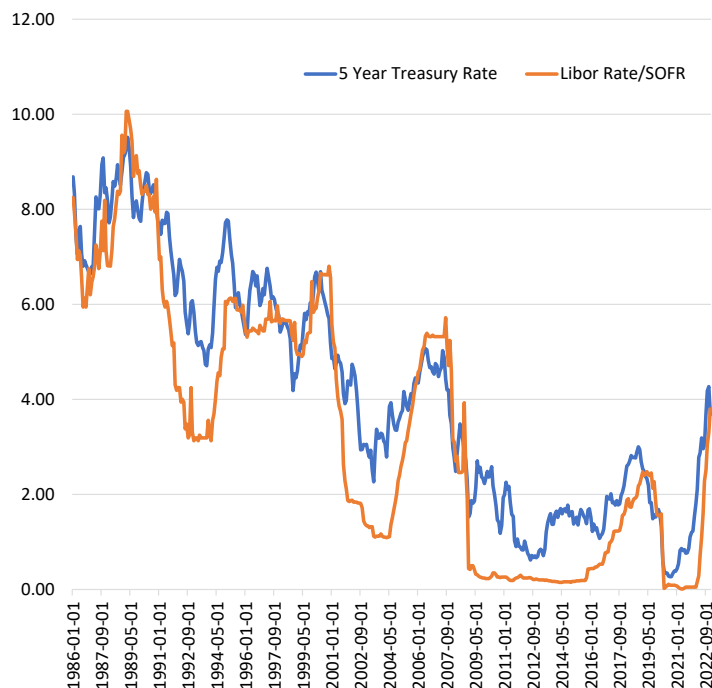
Notable sales in 2022 include: McKinney & Olive, Trammell Crow Center, Wellington Centre, 601 Data Dr, Bryan Tower and HilltopSecurities Tower

*McKinney & Olive*



## REIT PERFORMANCE YTD THROUGH 10/31/2022

PROPERTY TYPE	AVG. RETURN	NUMBER OF REITS
Infrastructure	-43.26%	6
Malls	-35.51%	4
Industrial	-34.41%	13
Office	-33.42%	21
Manufactured Housing	-31.44%	3
Land	-27.72%	3
Single Family Housing	-27.27%	2
Advertising	-25.43%	2
Multifamily	-24.61%	14
Diversified	-23.68%	18
Self-Storage	-21.73%	6
Health Care	-18.58%	16
Data Center	-18.42%	4
Triple Net	-13.29%	18
Shopping Center	-11.09%	20
Timber	-9.14%	4
Hotel	-6.21%	17
Casino	7.15%	3
Student Housing	14.02%	1
REIT Average	-20.99%	175



# 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	11,665,275	2,397,022	20.5%	94,186	4,866	0	30,000	0	\$34.17
DALLAS CBD	94	31,966,175	8,953,907	28.0%	-143,369	-533,692	0	0	0	\$29.22
EAST DALLAS	141	6,237,149	951,602	15.3%	-37,291	346,181	33,394	592,666	51,950	\$34.88
FAR NORTH DALLAS	439	61,470,984	14,622,231	23.8%	-100,320	55,377	155,000	606,612	2,069,657	\$32.78
FORT WORTH CBD	70	10,342,474	1,678,766	16.2%	-61,151	-149,521	0	0	0	\$26.97
LAS COLINAS	300	41,907,081	9,169,519	21.9%	-369,270	5,889	0	749,469	1,018,269	\$27.27
LBJ FREEWAY	149	19,400,561	5,000,019	25.8%	-146,599	-352,024	0	0	0	\$24.45
LEWISVILLE/DENTON	129	6,448,169	954,573	14.8%	157,471	203,122	30,000	30,000	87,412	\$24.93
MID-CITIES	373	26,983,734	4,678,040	17.3%	-26,193	-162,252	0	423,507	739,250	\$25.04
NORTH FORT WORTH	51	3,915,018	393,573	10.1%	34,964	78,418	0	54,000	150,000	\$25.45
NORTHEAST FORT WORTH	52	3,724,967	270,117	7.3%	19,045	45,547	0	0	0	\$21.35
PRESTON CENTER	52	6,385,007	535,787	8.4%	74,430	507,675	0	297,000	318,632	\$42.29
RICHARDSON/PLANO	325	32,934,598	5,965,225	18.1%	545,779	597,503	293,673	529,391	172,602	\$25.19
SOUTH FORT WORTH	178	9,957,642	1,435,445	14.4%	145,027	97,580	0	69,751	65,000	\$25.91
SOUTHWEST DALLAS	75	3,474,608	474,136	13.6%	44,619	134,743	0	60,364	0	\$23.99
STEMMONS FREEWAY	117	9,914,462	2,249,092	22.7%	136,117	306,661	0	0	291,311	\$21.08
UPTOWN /TURTLE CREEK	103	16,448,836	2,794,517	17.0%	83,441	391,414	0	0	1,462,174	\$43.28
<b>TOTAL</b>	<b>2,747</b>	<b>302,796,672</b>	<b>62,296,742</b>	<b>20.6%</b>	<b>594,274</b>	<b>1,804,316</b>	<b>512,067</b>	<b>3,442,760</b>	<b>6,432,520</b>	<b>\$29.01</b>
CLASS A	575	169,946,651	40,088,350	23.6%	147,492	1,145,071	249,465	2,700,151	6,045,306	\$32.49
CLASS B	1,684	118,392,410	21,363,305	18.0%	-80,052	190,953	262,602	742,609	387,214	\$23.35
CLASS C	488	14,457,611	845,087	5.8%	526,834	468,292	0	0	0	\$20.60
<b>TOTAL DFW</b>	<b>2,747</b>	<b>302,796,672</b>	<b>62,296,742</b>	<b>20.6%</b>	<b>594,274</b>	<b>1,804,316</b>	<b>512,067</b>	<b>3,442,760</b>	<b>6,432,520</b>	<b>\$29.01</b>

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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