



# DALLAS-FORT WORTH OFFICE MARKET REPORT

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1ST QUARTER 2023

A photograph of a city skyline at dusk, featuring several tall skyscrapers with illuminated windows. In the foreground, there are green trees and a park area with a bench. A semi-transparent orange rectangle is overlaid in the center, containing a quote in white text.

“

Dallas-Fort Worth boasts strong employment rates, but corporate departures and downsizing strain office demand.

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# Economic Conditions

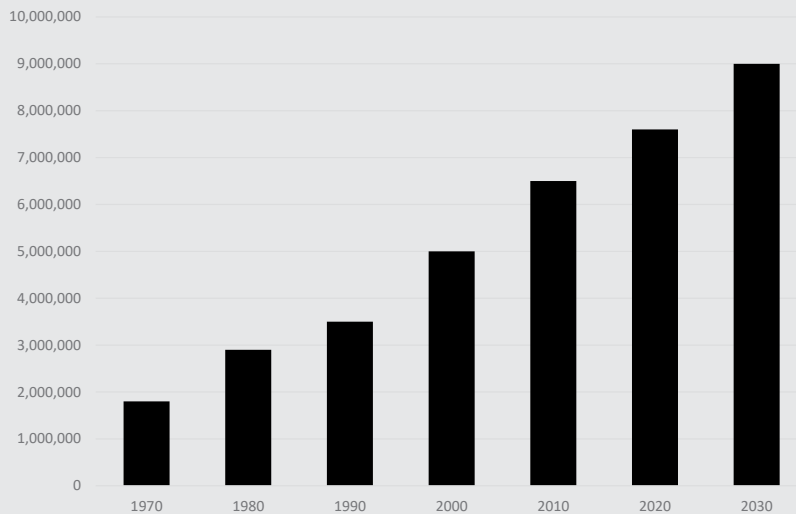
## Population and Employment

Dallas-Fort Worth (DFW) experienced one of the nation's largest year-over-year percentage increases in employment, up 5.9 percent with the addition of 234,700 jobs at the end of 2022, according to the Bureau of Labor Statistics. Some of the most significant changes occurred in Professional and Business Services (43,400), Leisure and Hospitality (41,900), Education and Health Services (40,600), and Trade, Transportation and Utilities (35,900).

The DFW Metropolitan Statistical Area (MSA) has grown 23.1% since the 2010 census, which is more than any other metro area in the country over the same timeframe. The MSA is the fourth largest in the country with a population of over 7.76 million people and has grown three times faster than the average of the nation's 50 largest metro areas.



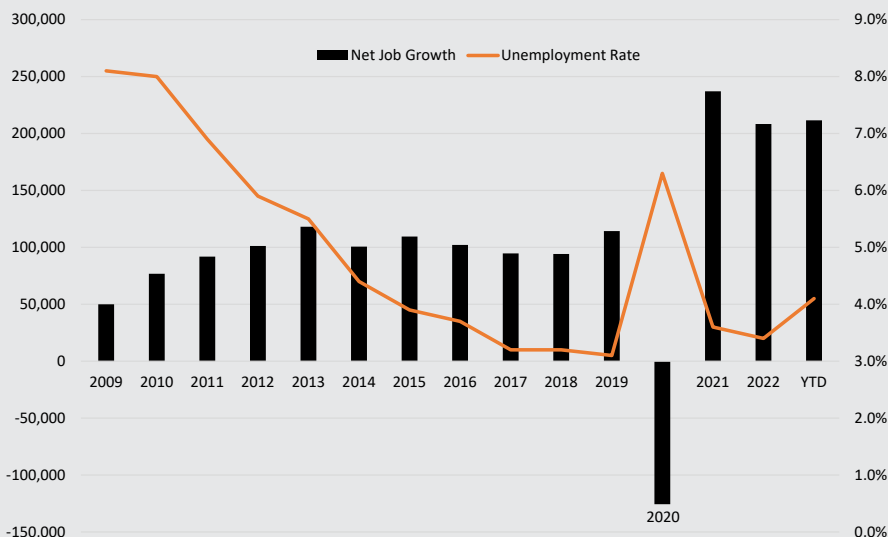
### Dallas-Fort Worth Population Growth



According to the county population estimates released by the U.S. Census Bureau in late March, Dallas-Fort Worth experienced a 2.2% growth, with the addition of 172,506 new residents between July 2021 and July 2022. While all 10 counties in the area saw a rise in population over the year, the suburban areas saw a significant influx of new residents.

Source: U.S. Census Bureau

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

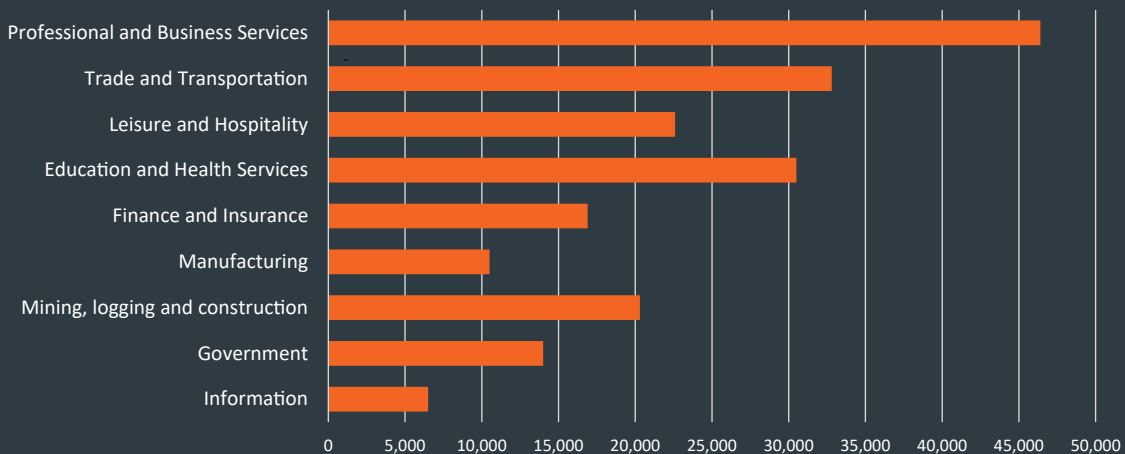


The Dallas-Fort Worth job market continues to exhibit robust growth according to the U.S. Bureau of Labor Statistics. The continued increase is the highest among the most populous metropolitan areas and significantly ahead of the U.S. growth rate of 3.3% during the same period. Furthermore, despite the remarkable job gains, unemployment remains at historic lows in the region.

Source: U.S. Bureau of Labor Statistics



### Job Growth By Industry (February 2022 - February 2023)



Source: Bureau of Labor Statistics

Employment is a key driver for office space demand, especially in the “office-using” industry sectors. For the 12 months ending in February, DFW added nearly 211,600 jobs for an increase of 5.3%, according to the U.S. Bureau of Labor Statistics. The first among large metros to recover from pandemic job losses, DFW added more jobs in the past three years than the next two metros combined.

DFW is the nation’s top employment market with total non-farm employment of almost 4.2 million, according to the Bureau of Labor Statistics. Of this total, roughly 33%, or 72,300 jobs were in the office-using sectors of Professional and Business Services, Financial Activities, and Information.

The area is a magnet for corporate headquarters and major company operations and is home to 23 Fortune 500 headquarters (soon to be 24), trailing only New York and Chicago.

# 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.



**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.

 **#6**  
in the U.S.

72% of DFW higher ed graduates stay and work in the region; the sixth highest retention rate in the U.S.

**#1** **IN THE COUNTRY FOR**  
3-Year job growth (354,000 jobs) & job recovery beyond pre-pandemic high (4,234,600 jobs).

**2023 HQ RELOCATION ANNOUNCEMENTS**



**23**

**FORTUNE 500 HEADQUARTERS**

As of 2022 Dallas-Fort Worth has 23 Fortune 500 company headquarters and 42 headquarters among the Fortune 1000.

 **DFW's Global Center**

**2nd** **Busiest airport in the world**

The DFW International Airport is the highest-capacity commercial airport in the world and one of the two international gateway airports in Texas. DFW's location means time savings when it comes to travel. All major U.S. cities are less than four hours away.

Dallas -Fort Worth International Airport is an economic engine for the region, generating \$37 billion in economic impact, supporting 228,000 full-time jobs and \$12.5 billion in payroll.

 **200K**  
Daily Passengers

 **9.7M**  
Intl. Passengers

 **900k**  
Total Cargo  
(in U.S. tons)

# Office Market Conditions

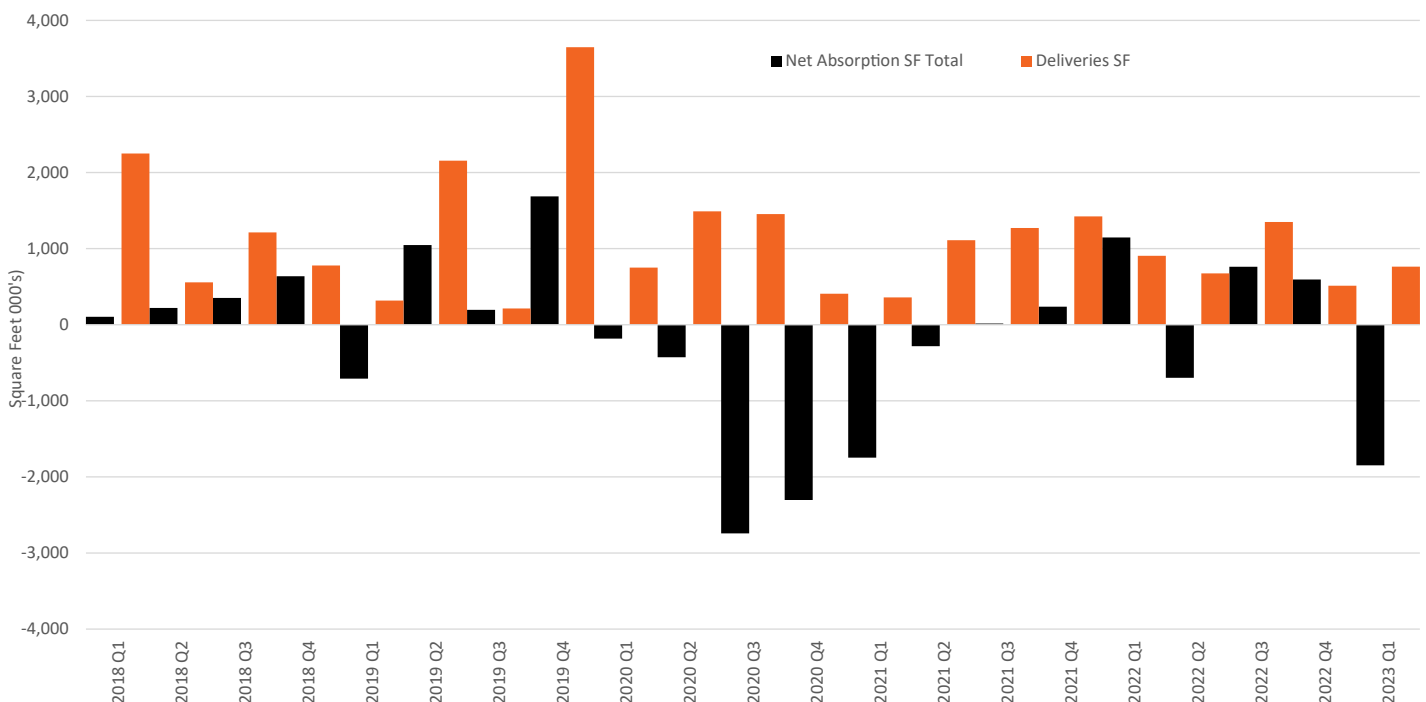
## Supply and Demand

Demand for office space saw a sharp decline in the first quarter with -1,847,331 square feet of total net absorption compared to 1,804,316 square feet of overall positive absorption in 2022. The downward trend was driven largely by ExxonMobil's departure from its former 540,000-square-foot headquarters and the corporate downsizing of both The Richards Group and McAfee, each leaving 140,000 square feet behind.

The introduction of new sublease space, which continues to trend upward, and the completion of 763,526 square feet of new construction contributed to a rise in total vacancy to 20.7%, up from 20.6% at year-end.

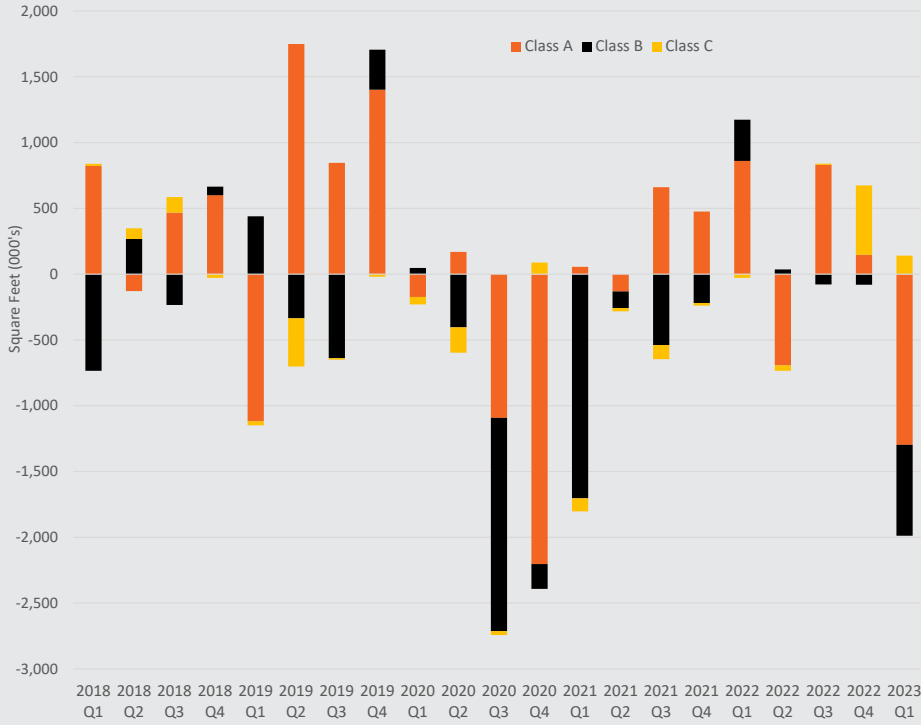
As March began, DFW recorded over 10 million square feet of sublease space in the market. The most recent additions were Gainsco Auto Insurance at 3333 Lee Pkwy (40,822 square feet), US Nuclear Regulation Commission at 1600 E Lamar (22,000 square feet), Flowserve at 5215 N O'Connor Blvd (52,004 square feet), and Trintech Inc. at 5600 Granite Pkwy (25,000 square feet).

## Net Absorption & Deliveries



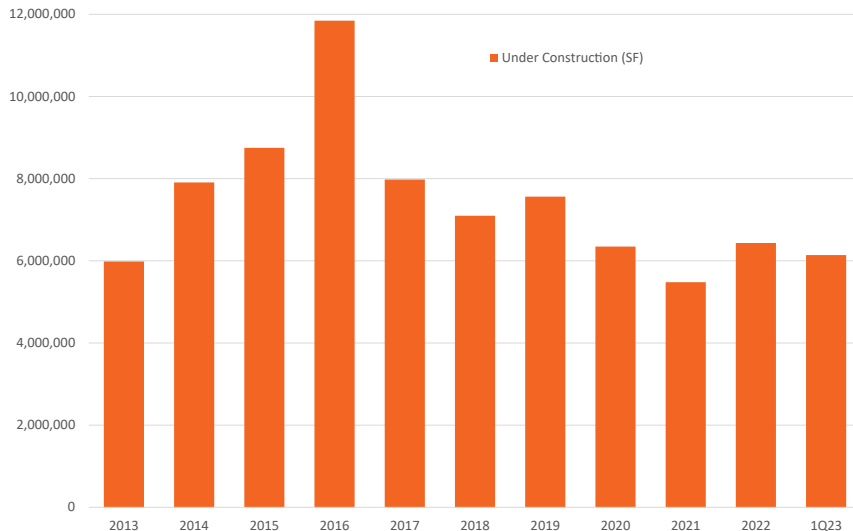


### Class Net Absorption



Class A net absorption fell in the first quarter to -1,296,770 square feet with the vacancies created by ExxonMobil, The Richards Group, and McAfee. Class B space also experienced a sizeable decrease with -691,189 square feet. Class C absorption remained positive, with a conservative increase of 140,628 square feet.

### Under Construction



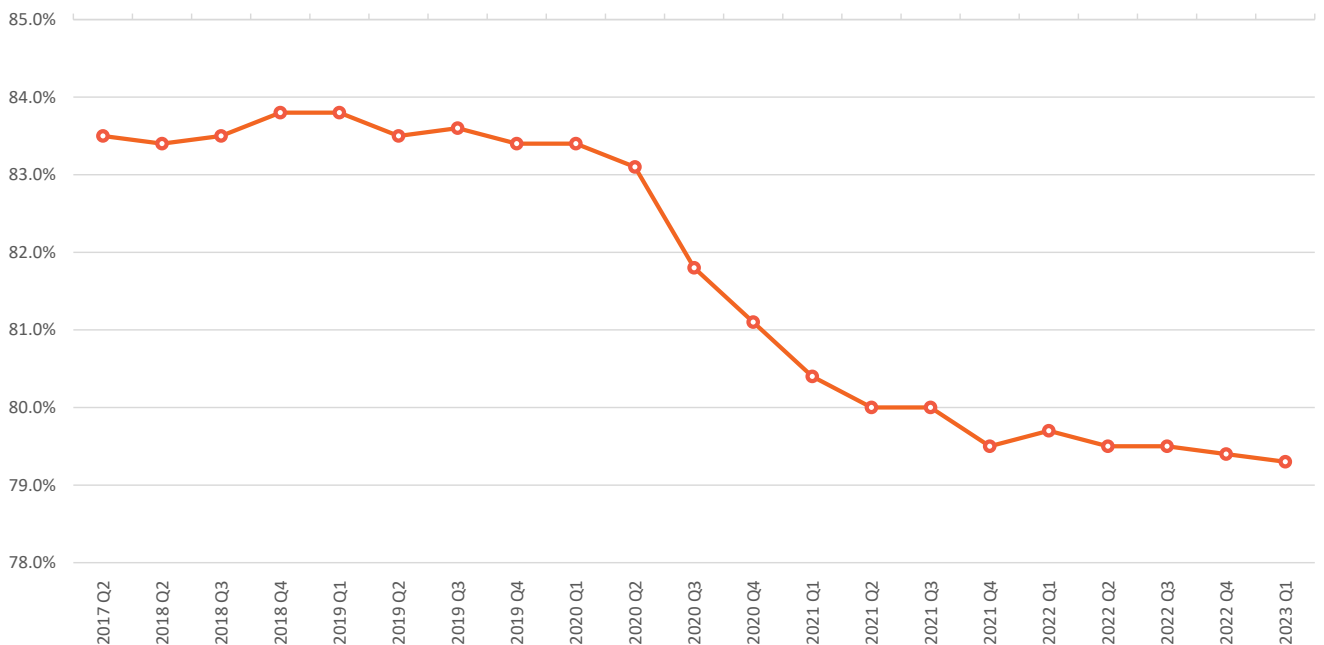
DFW had 6,138,897 rentable square feet of office space under construction in March of 2023. A combination of build-to-suits and pre-leasing accounted for 37% of the total, which is down from 50% in recent years.



## Occupancy Trends

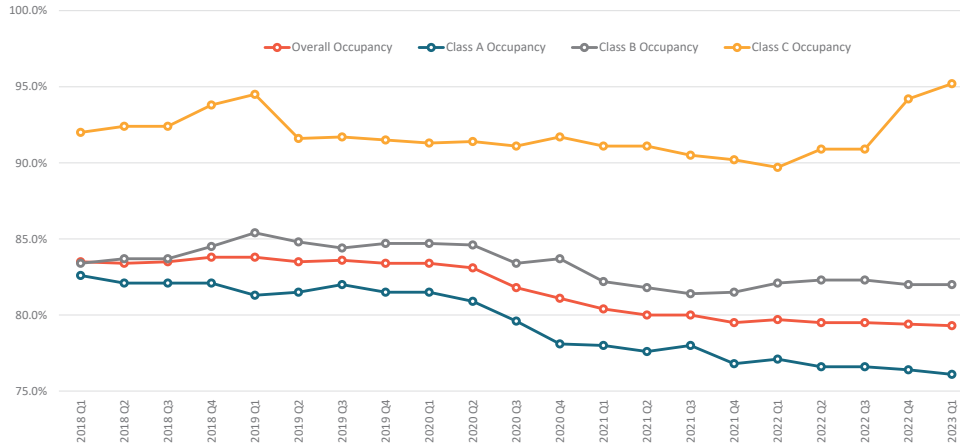
Occupancy fell slightly to 79.3% in the first quarter as new deliveries filtered into a market already saturated with vacancies. Reductions in corporate footprints continue to challenge properties, primarily Class A, with the largest blocks of space open in Las Colinas, Far North Dallas, Richardson/Plano, and the Dallas CBD.

### Occupancy Trends



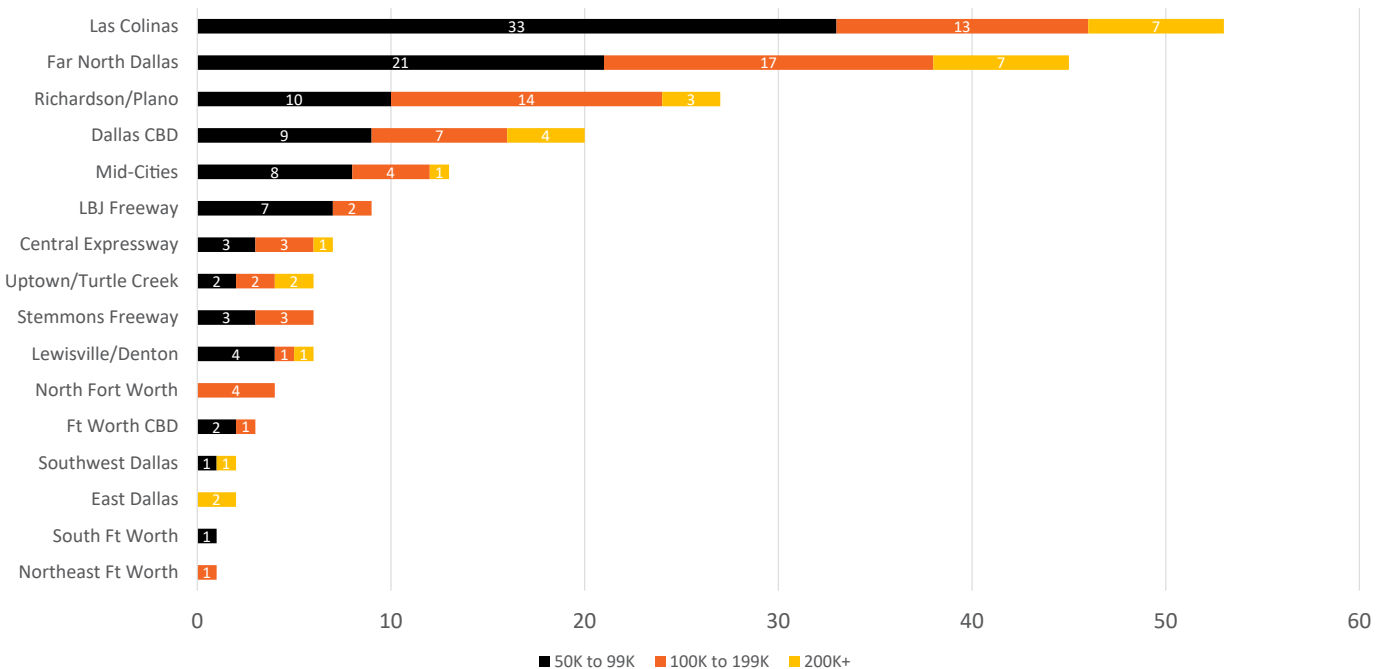
As mid-sized spec construction gains popularity over build-to-suits, the market will likely take in additional space in the coming quarters.

### 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 March 2023, there were 205 big blocks of direct and sublease space totaling over 50,000 square feet. This is an improvement from late 2022 when there were 213 blocks available.

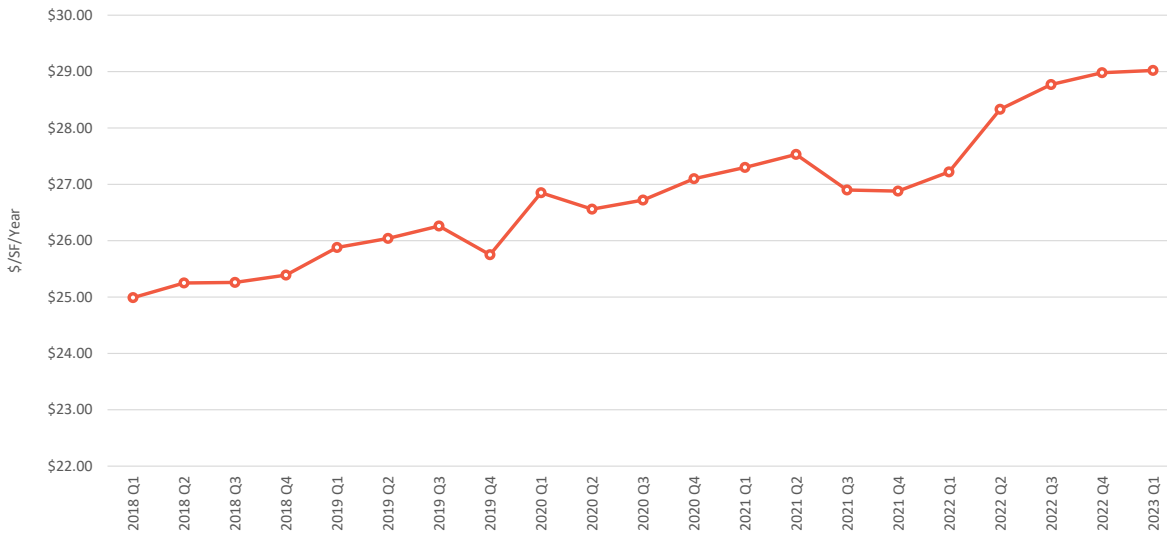
### Big Blocks of Space



# Rental Rate Trends

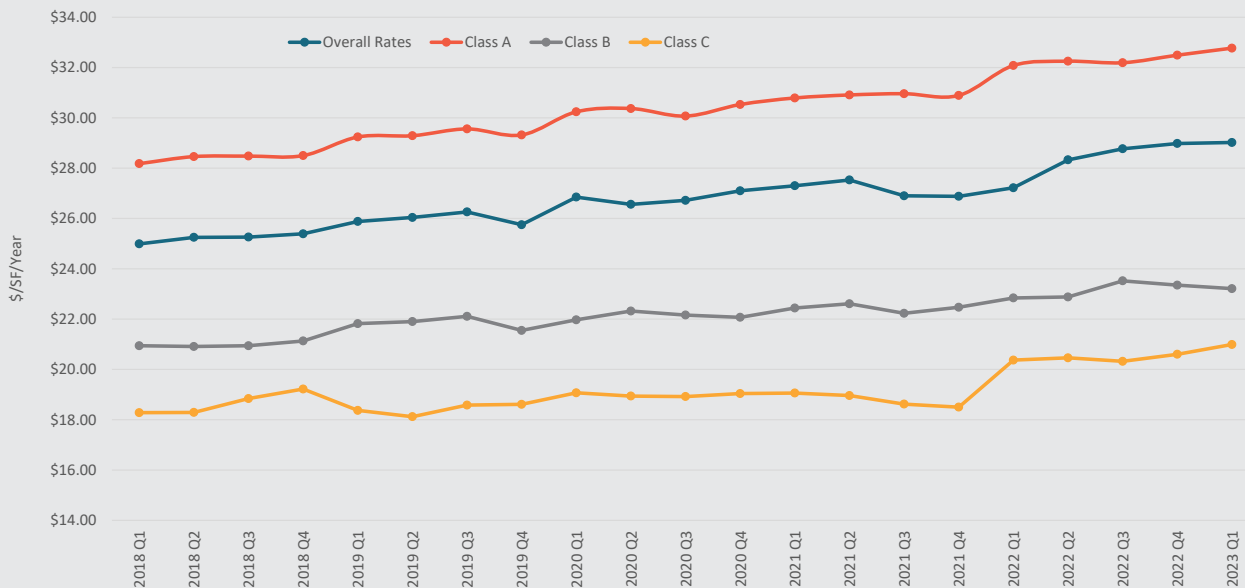
Average asking rates are basically flat at \$29.02 (Full-Service Gross) with only a slight increase of \$0.04 from late 2022 because the vast majority of first-quarter new deliveries were Class A properties.

## Rental Rate Trends

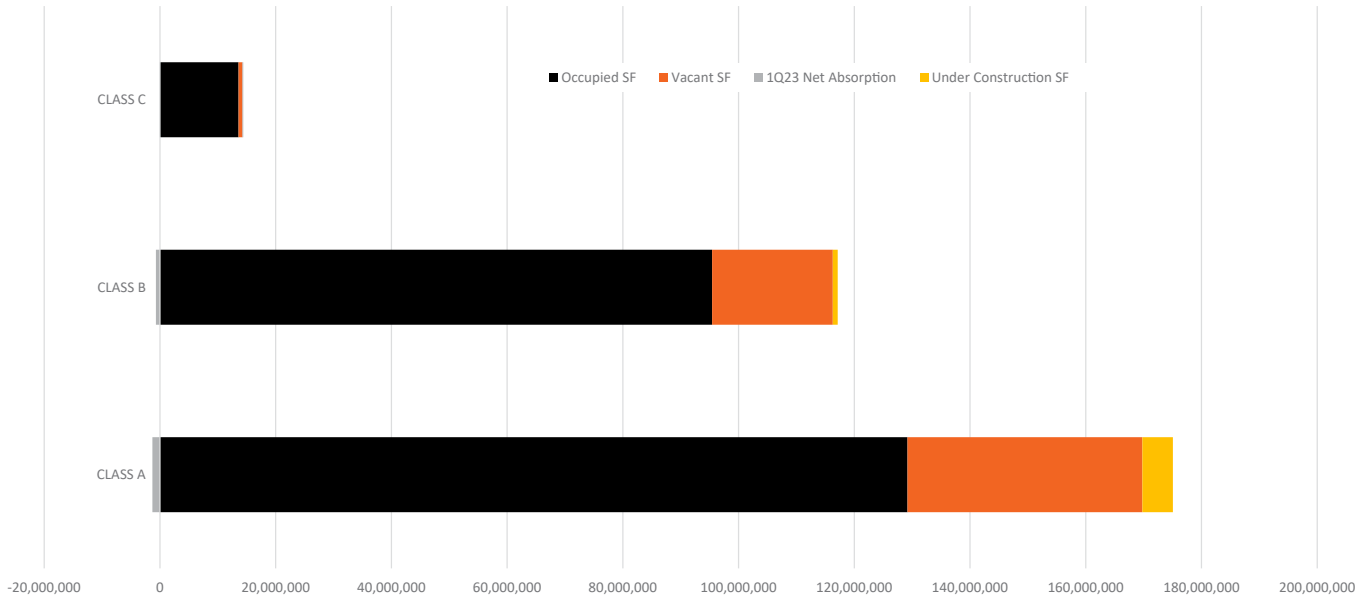


Overall asking rates, which are blended for all property classes, can be broken down as a Class A rate increase of \$0.28, Class B rate decrease of \$0.14, and a Class C increase of \$0.39.

## Class Rental Rates

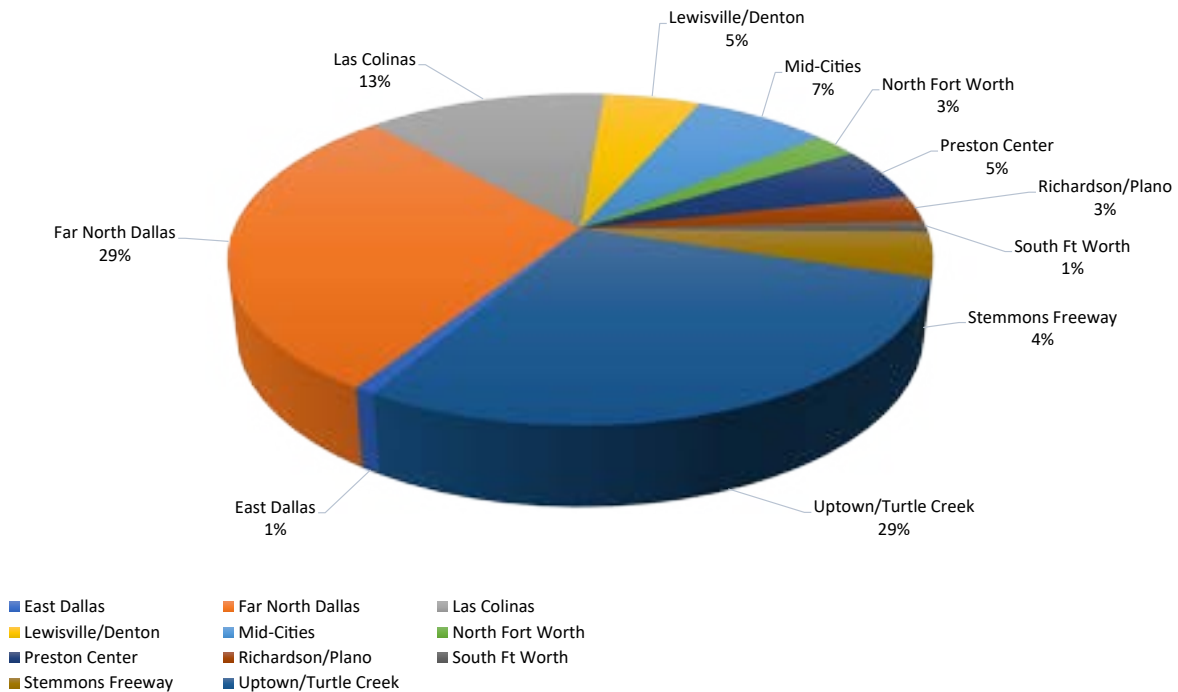


### Key Stats By Property Class



### DFW Under Construction by Submarket

Far North Dallas, Uptown/Turtle Creek and Las Colinas continue to dominate the construction pipeline with the Christus Health, Ryan Tower, 23Springs, and Cypress Waters Office Park projects.





# Capital Markets

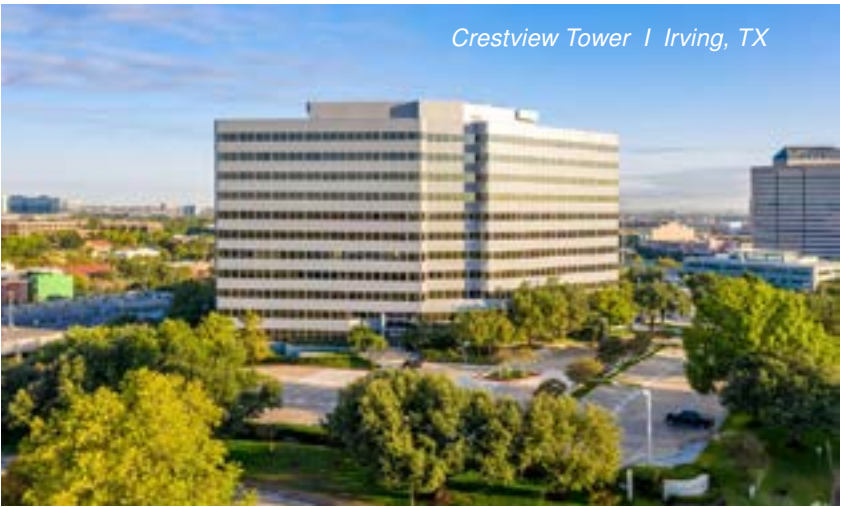
The capital markets for office properties have been struggling from elevated debt costs and the lack of available financing.

While sales volume for office buildings was at a near 15-year historic low in 1Q 2023, some of the most notable sales in DFW were Crestview Tower (262,962 square feet, 78% occupied) and Founders Square (274,010 square feet, 73% occupied). Many of the previously listed properties have been pulled from the market altogether.

An unprecedented amount of U.S. commercial-property loans is scheduled to mature in 2023 and 2024. These mortgages are coming due in a challenging capital markets environment against a backdrop of higher borrowing costs, falling prices, and an increasingly risk-averse attitude among traditional sources of financing,

There are \$91.7 billion in office loans held by non-banks maturing in 2023, which is roughly 22% of the total non-bank office debt outstanding, according to Moody's Analytics.

REIT PERFORMANCE YTD THROUGH 02/28/2023		
PROPERTY TYPE	AVG. RETURN	NUMBER OF REITs
Infrastructure	-5.26%	6
Malls	8.32%	4
Industrial	8.06%	11
Office	0.42%	20
Manufactured Housing	3.93%	3
Land	-4.47%	3
Single Family Housing	4.19%	2
Advertising	8.00%	2
Multifamily	6.82%	13
Diversified	8.47%	15
Self-Storage	15.33%	6
Health Care	7.07%	15
Data Center	4.95%	3
Triple Net	3.17%	18
Shopping Center	2.40%	19
Timber	3.46%	3
Hotel	7.77%	16
Casino	3.46%	2
<b>REIT Average</b>	<b>4.93%</b>	<b>161</b>



Crestview Tower | Irving, TX

# 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	11,684,146	2,369,758	20.3%	27,264	27,264	0	0	0	\$34.46
DALLAS CBD	94	32,182,405	8,977,974	27.9%	-75,870	-75,870	0	0	0	\$29.60
EAST DALLAS	141	5,984,355	1,016,225	17.0%	-135,337	-135,337	0	0	51,950	\$34.68
FAR NORTH DALLAS	439	61,415,052	14,791,057	24.1%	36,578	36,578	441,970	441,970	1,774,396	\$32.90
FORT WORTH CBD	70	10,342,474	1,488,094	14.4%	-12,451	-12,451	0	0	0	\$27.20
LAS COLINAS	300	42,014,255	9,953,505	23.7%	-779,653	-779,653	206,000	206,000	812,269	\$27.34
LBJ FREEWAY	149	19,537,291	4,877,786	25.0%	122,233	122,233	0	0	0	\$24.85
LEWISVILLE/DENTON	129	5,588,421	1,005,857	18.0%	-225,342	-225,342	33,208	33,208	326,064	\$24.21
MID-CITIES	373	25,510,408	3,406,626	13.4%	-135,537	-135,537	21,750	21,750	453,024	\$24.91
NORTH FORT WORTH	51	3,915,018	420,307	10.7%	-26,734	-26,734	0	0	150,000	\$24.54
NORTHEAST FORT WORTH	52	3,681,430	298,065	8.1%	-27,948	-27,948	0	0	0	\$20.43
PRESTON CENTER	52	6,713,786	634,735	9.5%	-98,948	-98,948	0	0	318,632	\$43.26
RICHARDSON/PLANO	325	32,793,889	5,680,943	17.3%	45,963	45,963	40,598	40,598	162,814	\$24.99
SOUTH FORT WORTH	178	10,165,383	1,462,462	14.4%	-27,017	-27,017	0	0	65,000	\$25.97
SOUTHWEST DALLAS	75	3,440,908	673,245	19.6%	-204,934	-204,934	0	0	0	\$23.51
STEMMONS FREEWAY	117	9,224,677	2,197,889	23.8%	-26,890	-26,890	20,000	20,000	271,311	\$21.01
UPTOWN /TURTLE CREEK	103	16,116,879	2,870,396	17.8%	-302,708	-302,708	0	0	1,753,437	\$43.53
<b>TOTAL</b>	<b>2,747</b>	<b>300,310,777</b>	<b>62,124,924</b>	<b>20.7%</b>	<b>-1,847,331</b>	<b>-1,847,331</b>	<b>763,526</b>	<b>763,526</b>	<b>6,138,897</b>	<b>\$29.02</b>
CLASS A	575	169,780,298	40,592,070	23.9%	-1,296,770	-1,296,770	475,970	475,970	5,279,569	\$32.77
CLASS B	1,684	116,275,428	20,854,551	17.9%	-691,189	-691,189	287,556	287,556	859,328	\$23.21
CLASS C	488	14,255,051	678,303	4.8%	140,628	140,628	0	0	0	\$20.99
<b>TOTAL DFW</b>	<b>2,747</b>	<b>300,310,777</b>	<b>62,124,924</b>	<b>20.7%</b>	<b>-1,847,331</b>	<b>-1,847,331</b>	<b>763,526</b>	<b>763,526</b>	<b>6,138,897</b>	<b>\$29.02</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.



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