



# DALLAS-FORT WORTH

# OFFICE MARKET REPORT

3<sup>RD</sup> QUARTER 2023



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Dallas-Fort Worth boasts strong employment rates and demographic growth, yet corporate consolidations and downsizing are straining office demand.

## Contents

### **Economic Conditions**

Population and Employment	4
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### **Office Market Conditions**

Supply and Demand	8
Occupancy Trends	10
Rental Rate Trends	12
DFW Under Construction	14
Capital Markets	18
Submarkets	19

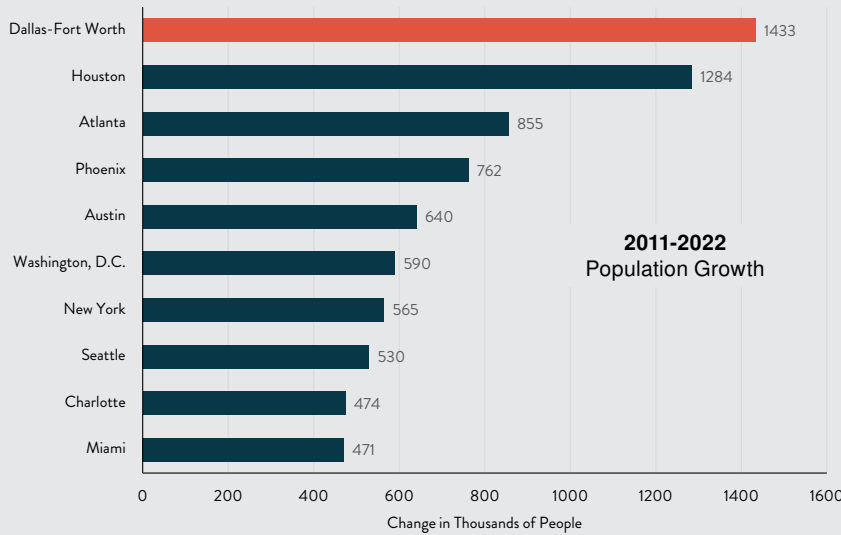
# Economic Conditions

## Population and Employment

Dallas-Fort Worth (DFW) continues to lead the nation in population growth, increasing by 22.0% or 1.4 million people since 2011. The DFW Metropolitan Statistical Area is the fourth largest in the country with a population of over 7.9 million people, expected to grow another 3.4 million people by 2045 (400 people per day), fueled by its economic diversification and continuing job growth.



**Dallas-Fort Worth Population Growth**  
2022 Population: 7.9 million



Source: U.S. Bureau of Labor Statistics (2022)



**2011-2022**

1.4 million people  
(22.0% growth)

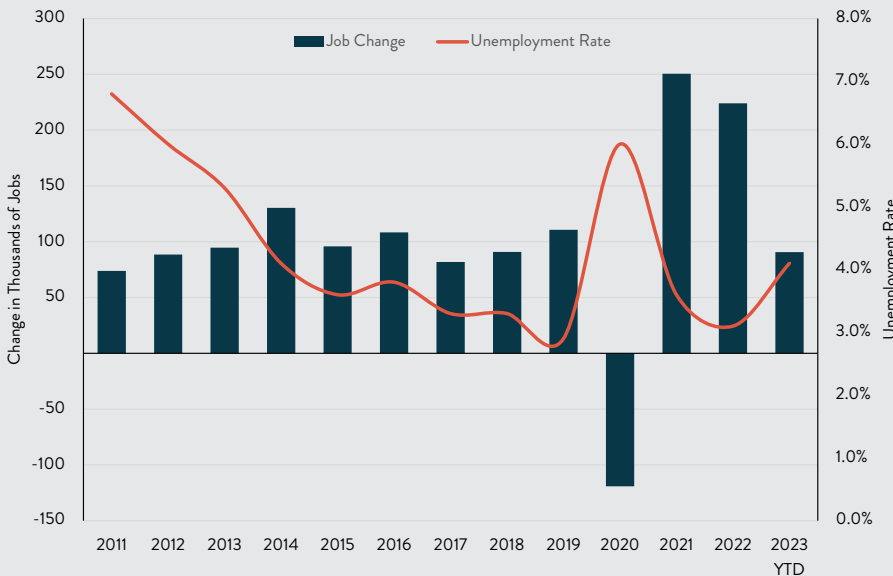


**2021-2022**

170,396 people  
(2.2% growth)

Dallas-Fort Worth sits as the 4th largest metroplex in the country with a population of 7.9 million people and growing. According to the U.S. Bureau of Labor Statistics, DFW's population grew by 2.2% in the trailing twelve months to July 2022. While all major metros saw a rise in population, Dallas-Fort Worth saw the largest annual influx for the fourth consecutive year with the addition of 170,396 people.

**Dallas-Fort Worth Net Job Growth and Unemployment Rate**  
4.3 million jobs | 4.1% unemployment rate



Source: U.S. Bureau of Labor Statistics

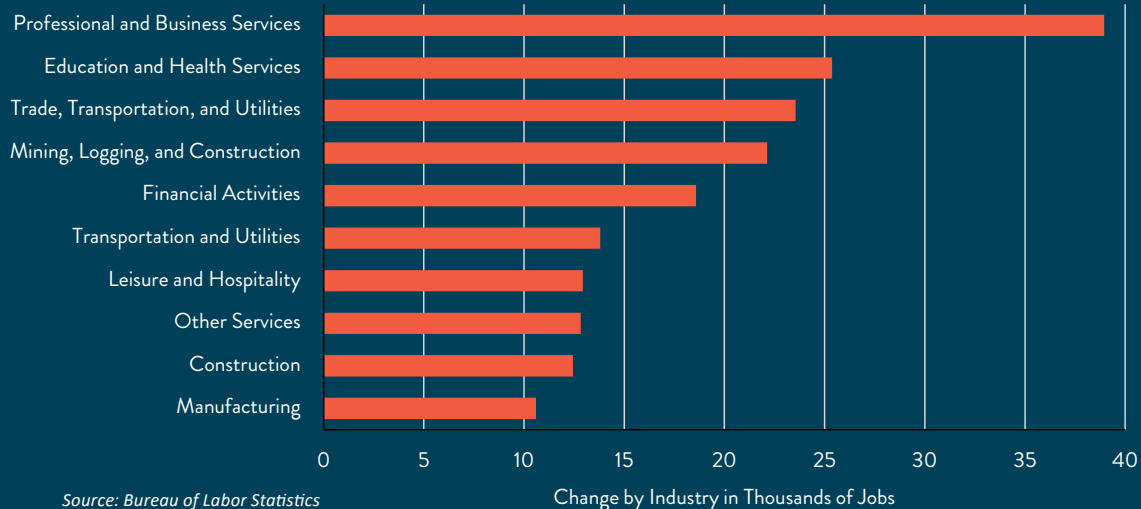


**12-Month Job Gains**

172,700 jobs  
(4.2% growth)

Dallas-Fort Worth's job growth continues to rank at the top of the major markets, recovering past the number of jobs lost during the pandemic. In the trailing twelve months to July 2023, Dallas-Fort Worth added nearly 173,000 jobs – a 4.2% growth compared to the nation's 2.1% increase during the same period. Although still recording historic lows for the metroplex, unemployment increased from 3.7% to 4.1% in the last year, likely due to seasonal factors such as summer vacation.

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



DFW also led the nation in year-over-year employment growth, up 4.2% with the addition of 173,000 jobs through the end of Q2 2023. According to Moody's Analytics, Dallas-Fort Worth's ranks among the top five regions in industrial diversity with an index of .82/1.0, comparing DFW's distribution of employment across industries to that of the nation. Some of the most significant year-over-year changes occurred in Professional and Business Services (38,952), Education and Health Services (25,369), and Trade, Transportation and Utilities (23,556).

# 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 43 headquarters among the Fortune 1000.



# DFW's Global Center

**2nd** Busiest airport  
in the world

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.

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.

 **200K**  
Daily Passengers

 **9.8M**  
Intl. Passengers

 **901k**  
Total Cargo  
(in U.S. tons)

# Office Market Conditions

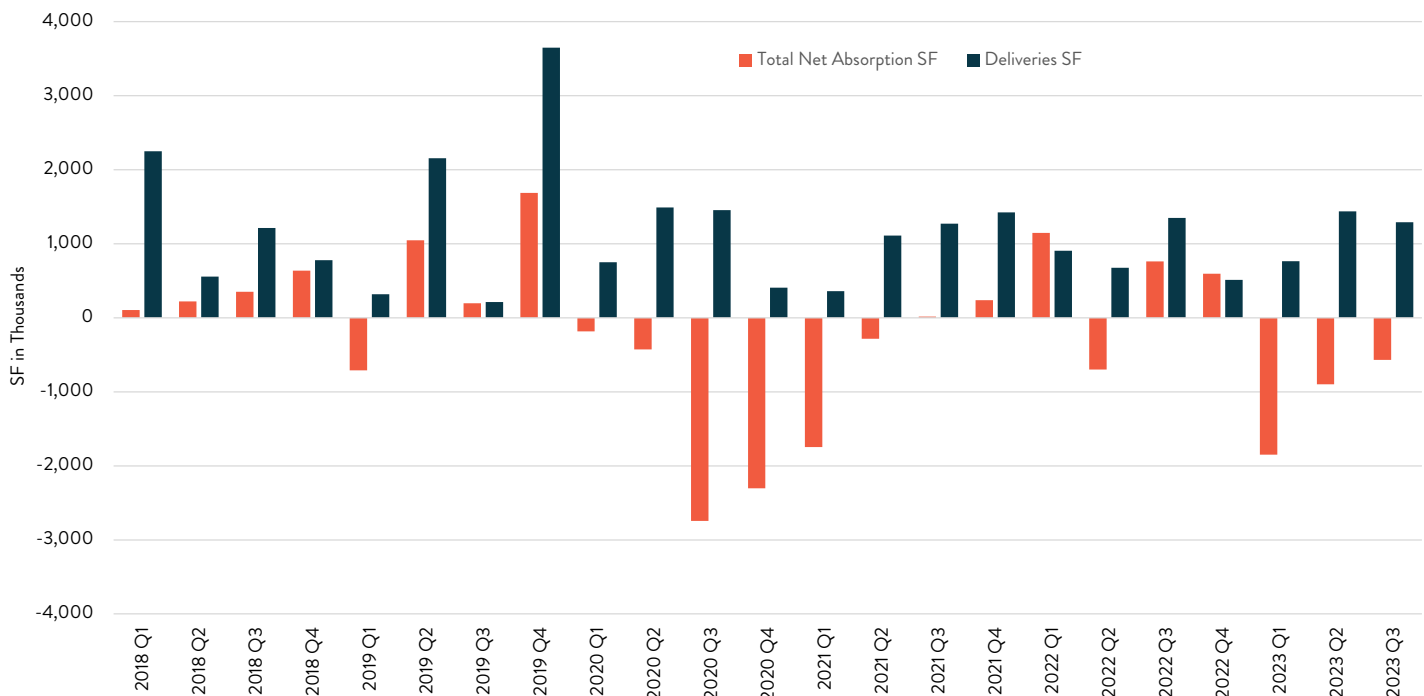
## Supply and Demand

With a continued delay in large-scale leasing activity and companies right-sizing, Dallas-Fort Worth saw a decline in demand for office space with negative 579,875 SF of total net absorption for the quarter. Large corporate vacancies have driven the downward trend, specifically in the campus-heavy Far North Dallas and Las Colinas submarkets where Splunk and Home Point Financial have listed their 83,774 and 64,786 SF vacancies on the sublease market, respectively.

The steady introduction of new sublease space and the completion of 1.3 million SF of new construction contributed to a rise in total vacancy to 21.2% with sublease vacancy increasing by 4.2% quarter-over-quarter compared to the direct vacancy increase of 0.4% within the same period.

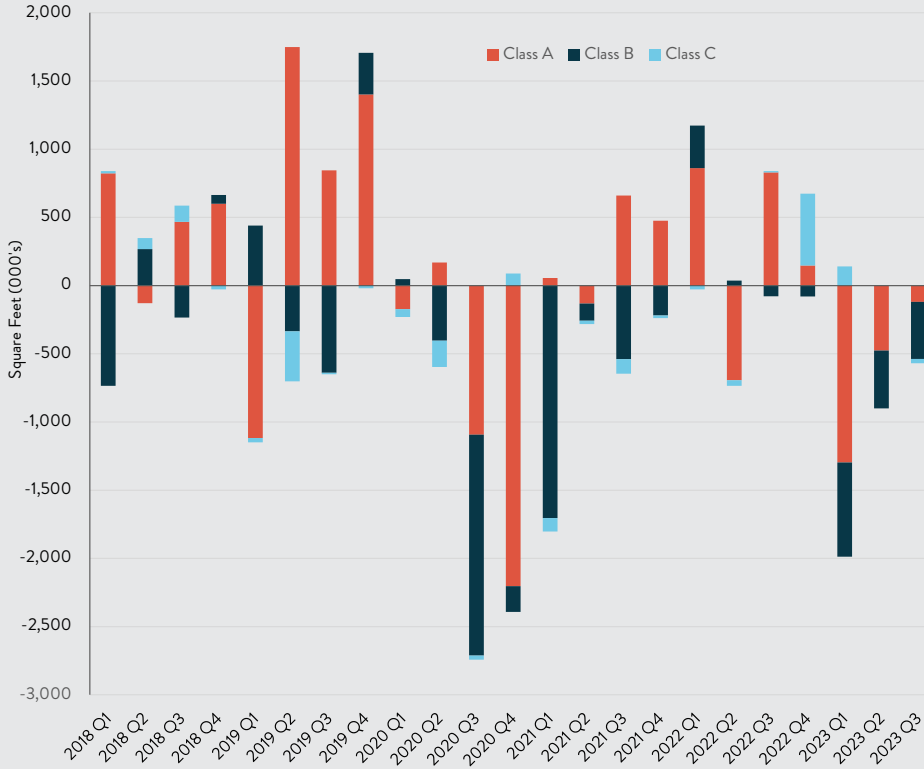
While overall leasing volume is trending downwards, Q3 2023 experienced the highest activity year-to-date at nearly 4 million SF of deals signed 11.6% greater than the previous quarter, led by deals under 15,000 SF making up 94.0% of deals signed and Bank of America's 238,000 SF lease in the 30-story Parkside Uptown tower.

## Net Absorption & Deliveries



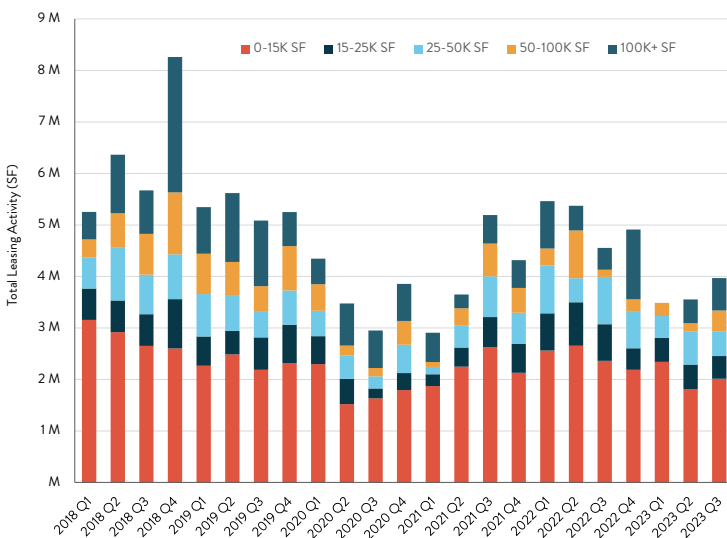


### Class Net Absorption



Overall third quarter net absorption fell by negative 579,875 SF driven by large tenant vacancies taking YTD absorption to negative 3,339,655 SF. Of all the tenant occupancies for the third quarter, 70.2% were in Class A product. Recently delivered assets drove tenant occupancies including Haynes and Boone’s move from One Victory Park to Harwood No. 14, Comerica into The Star Phase IV, and Tolleson into 8111 Douglas. Financial technology firm Jack Henry & Associates, owner-occupier of Enterprise Office Center I & II in Allen caused the largest Class B negative absorption for the quarter while vacating the full 97,800 SF in Center II to consolidate into Center I.

### Leasing Activity



For Q3 2023, Dallas-Fort Worth experienced an increase of 11.6% in leasing activity quarter-over-quarter to nearly 4 million SF of deals signed. Still, total leasing for 2023 through Q3 is down 28.5% compared to this time last year due to continued economic headwinds and the rightsizing of organizations. Smaller deals continue to drive the market aside from Bank of America’s lease at the proposed 500,000 SF Parkside in Uptown, expected to break ground before year-end.

#### Q3 2023 NOTABLE LEASES

Tenant	Deal Size	Type	Building	Submarket
Bank of America	238,000	New	Parkside	Uptown
HF Sinclair	90,609	New	One Victory Park	Uptown
Alkami Technology	83,939	Renewal	Granite Park Three	Far North Dallas
*Nucor Insulated Panels	61,726	New	Lake Vista II	Lewisville/Denton
MCR Hotels	52,117	Sublease	3200 Cypress Waters	Las Colinas
M Financial	52,100	New	The Quad	Uptown
Tailwater Capital	32,000	New	Old Parkland East	Uptown
EMDS	24,400	Renewal	10110 E Arapaho	Richardson
Tower Street Insurance	23,900	Expansion	Providence Towers	Lower Tollway
Moroch	23,400	New	Manufacturing District	Stemmons Fwy

\* Younger Partners Transaction

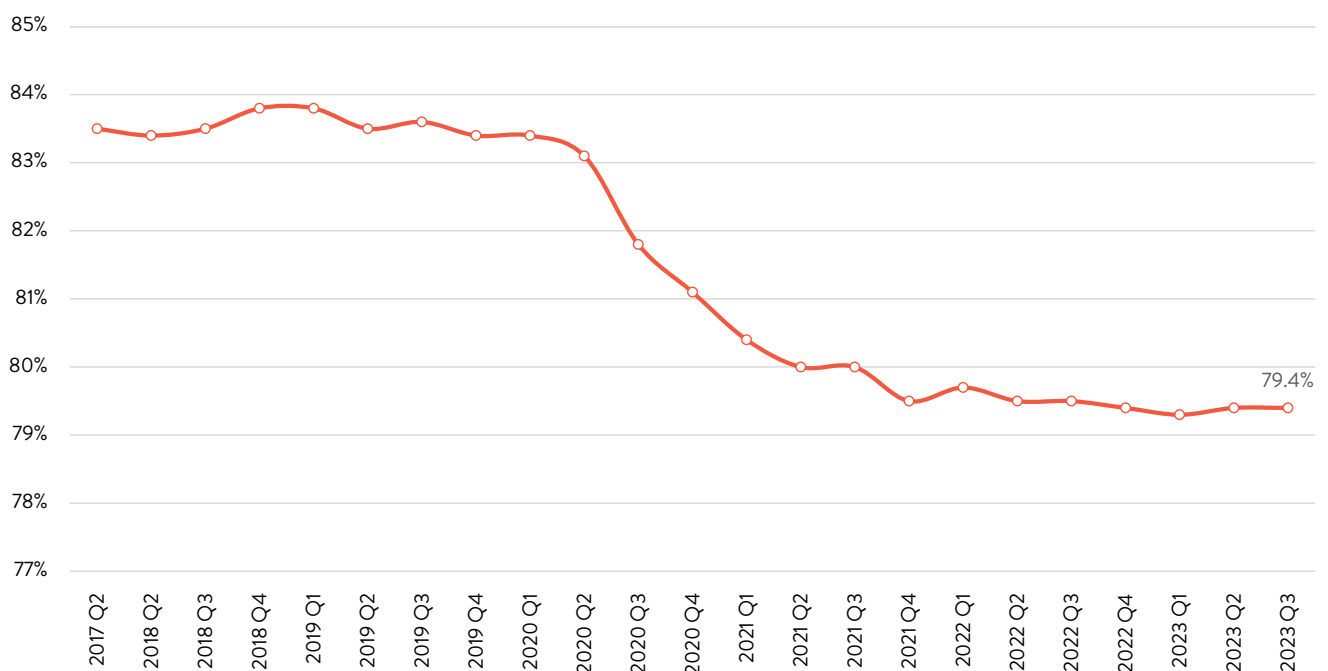


## Occupancy Trends

Office occupancy for the metroplex has held steady over the last few quarters, hovering right under 80%, 4.2 percentage points lower than the pre-pandemic average. New deliveries filtering into the vacancy saturated market and the reduction of corporate footprints continue to lower occupancy rates and challenge properties. An ongoing trend is the conversion of obsolete office space into multifamily, most notably in the Dallas CBD where nearly 4 million SF of space across 7 office assets is undergoing or is planned for conversion into multi-housing and/or hotel uses.

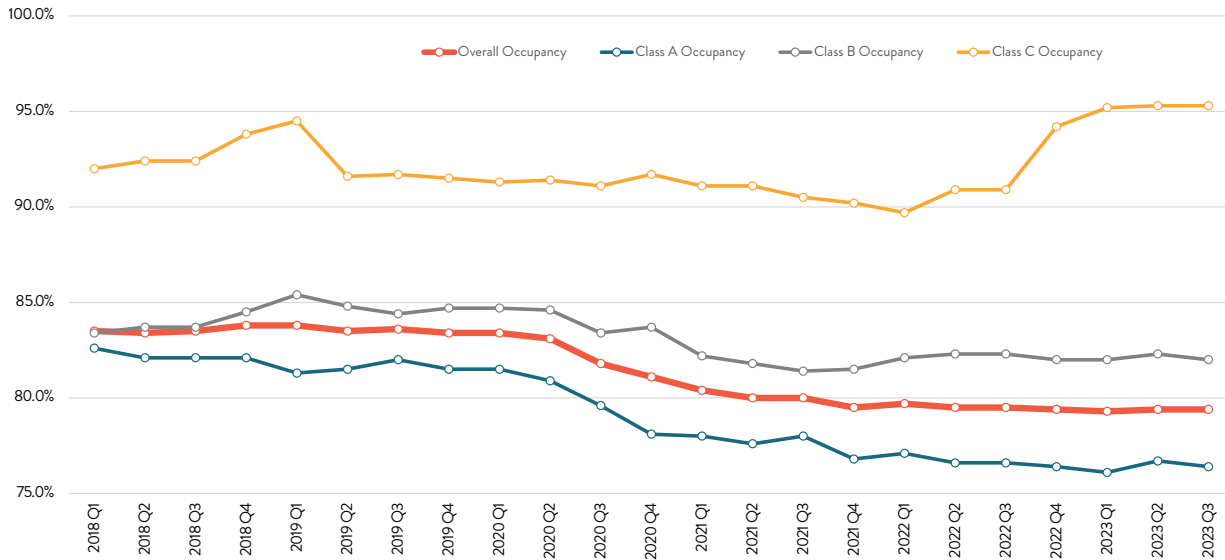
Aside from the Dallas CBD, the largest blocks of office space are concentrated in Las Colinas, Far North Dallas, and Richardson/Plano where primarily Class A single-tenant campuses have experienced full building vacancies including ExxonMobil relocating their headquarters from Las Colinas to Houston and PepsiCo vacating 5600 Headquarters Drive in Plano due to corporate consolidation.

### Occupancy Trends



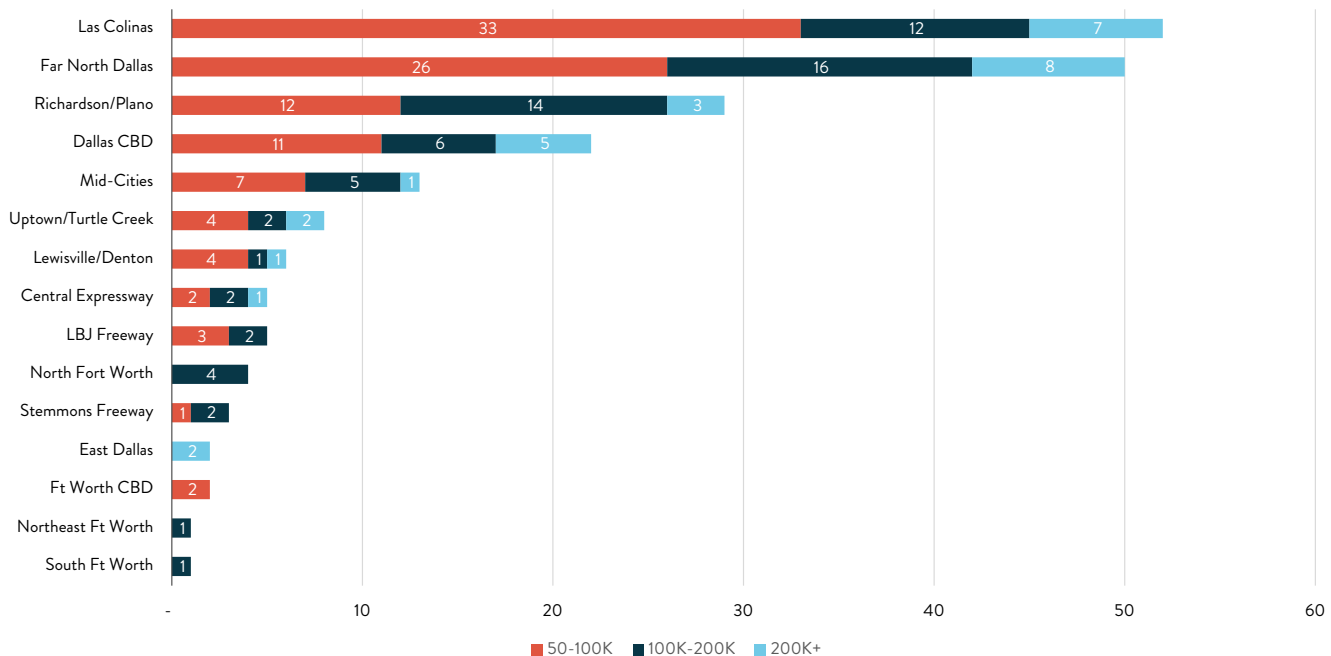
As mid-sized spec construction gains popularity over build-to-suits, the market will likely take in additional space in the coming quarters.

### 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 September 2023, there were 199 big blocks of max contiguous direct and sublease space over 50,000 SF. This is an improvement from late 2022 when there were 213 blocks available.

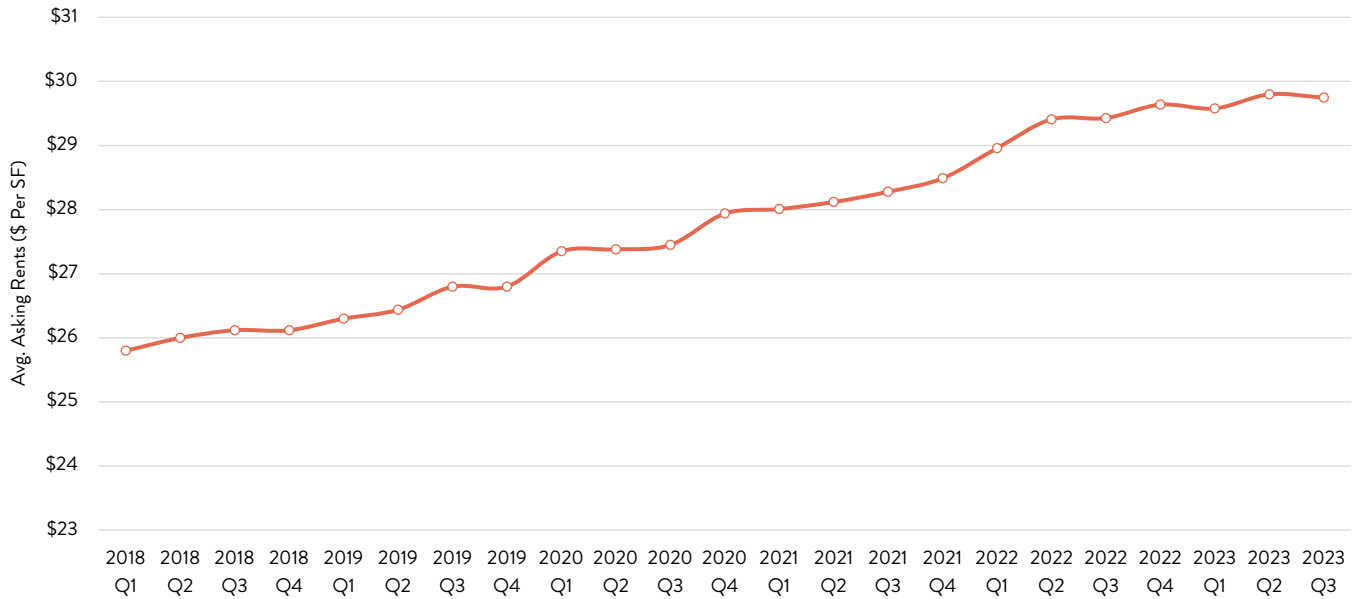
### Big Blocks of Space



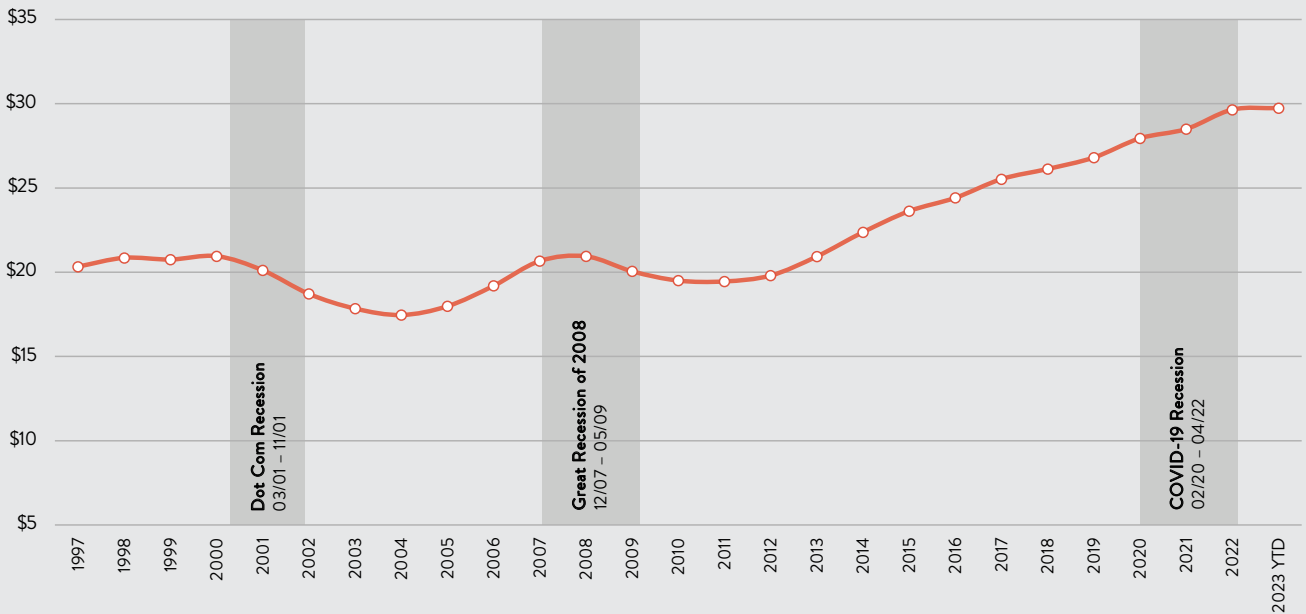
# Rental Rate Trends

Average asking rates have held steady at \$29.75 (Full-Service Gross) with only a slight year-over-year increase of \$0.32. With lower leasing volumes and projects in the construction pipeline, rent growth is expected to further compress in the coming quarters.

## Rental Rate Trends

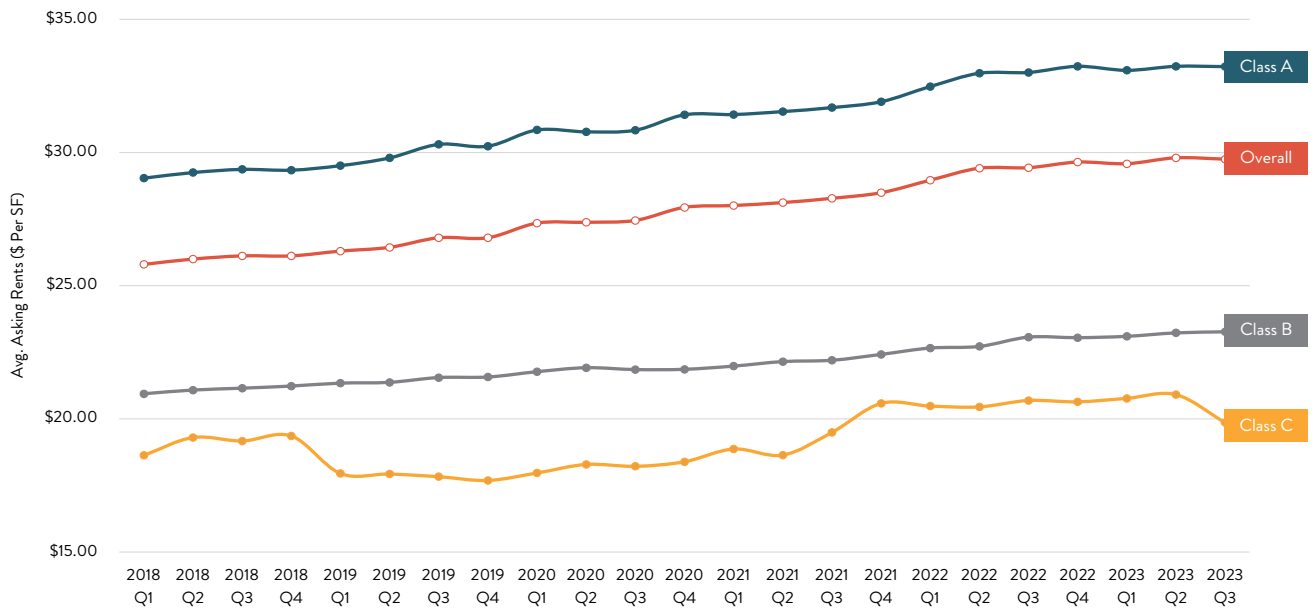


## Historical Rents

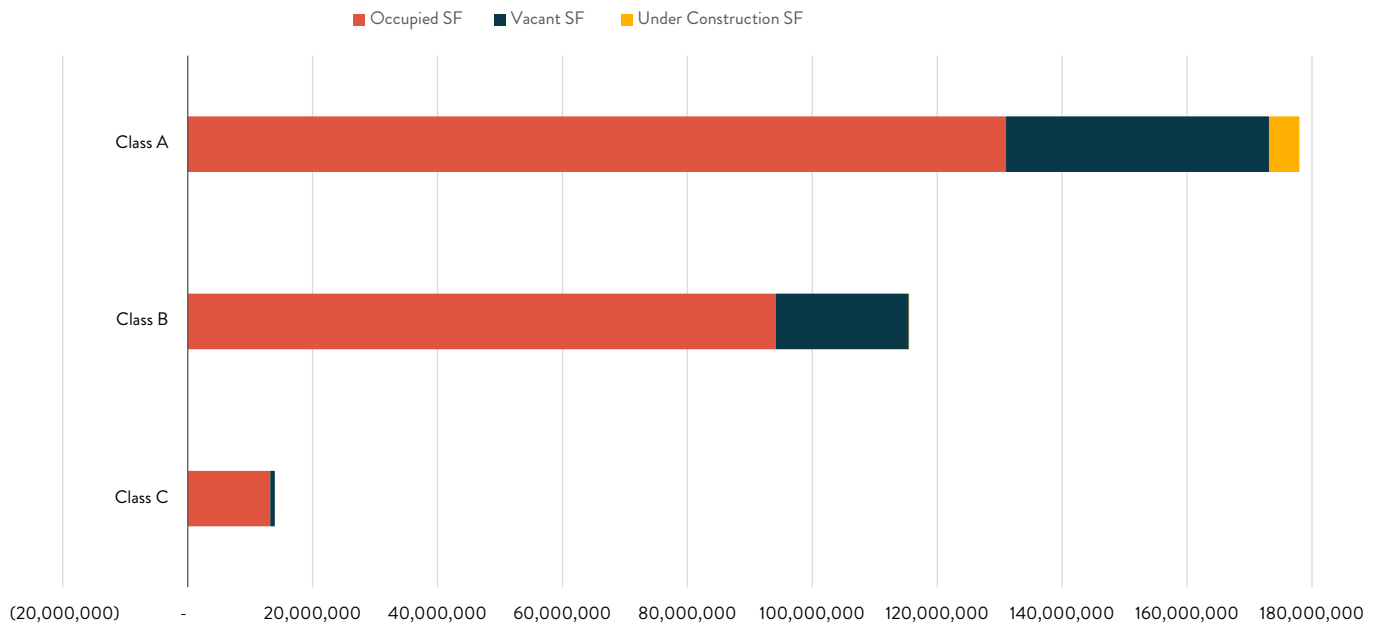


Overall asking rates, which are blended for all property classes, can be broken down as a year-over-year Class A rate increase of \$0.22, Class B rate increase of \$0.20, and Class C rate decrease of \$0.83.

### Class Rental Rates



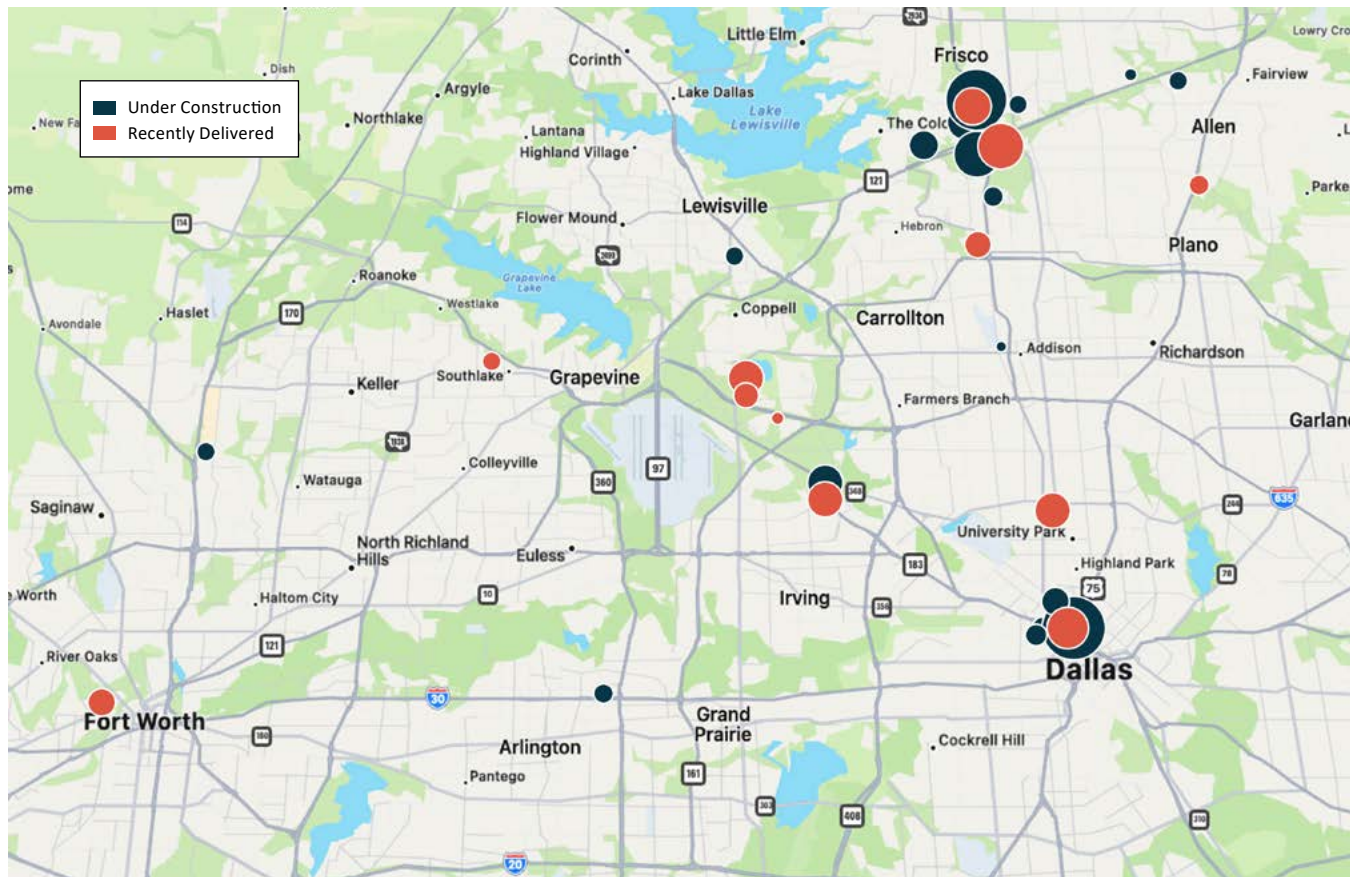
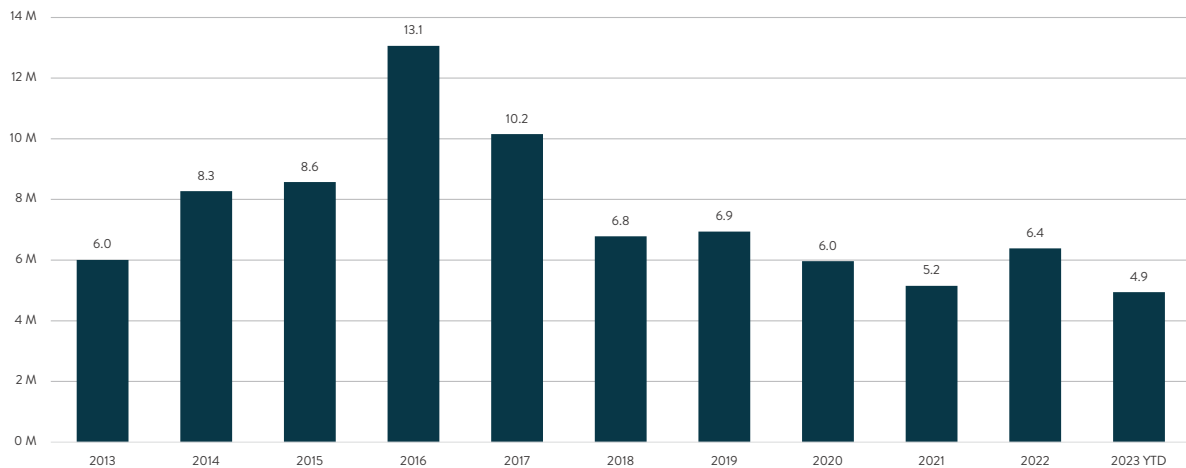
### Key Stats By Property Class



# DFW Construction Pipeline

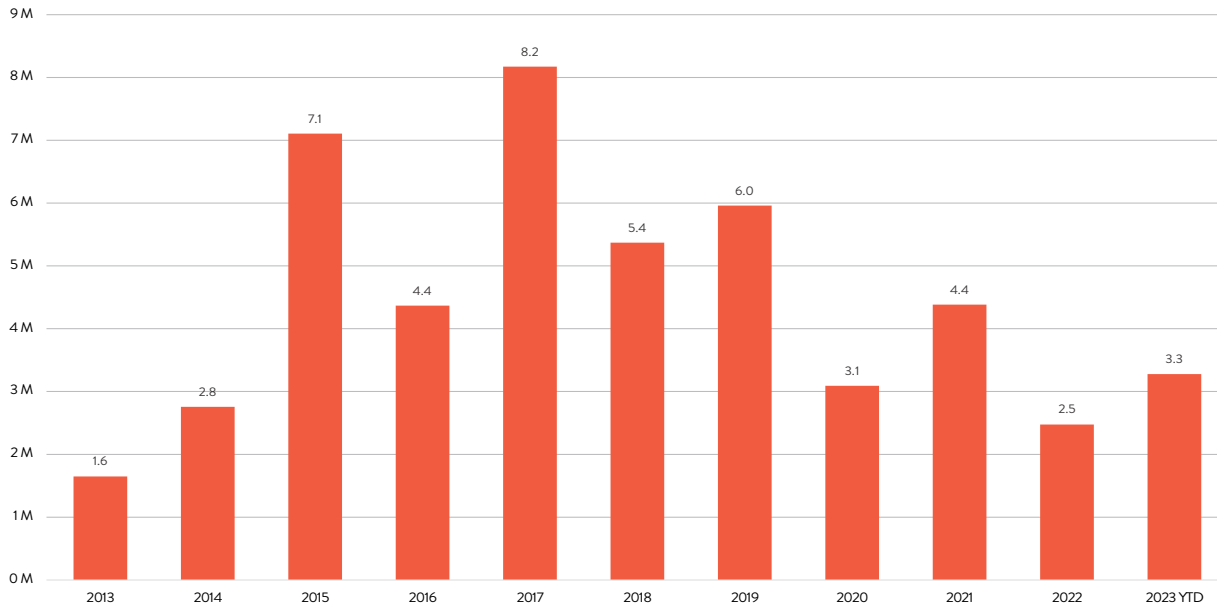
Dallas-Fort Worth ended Q3 2023 with 4,943,000 SF of office under construction. A combination of build-to-suits and pre-leasing accounted for 46.7% of the total, including Wells Fargo's campus in Las Colinas, TIAA's build-to-suit in The Star in Frisco, and Bank OZK pre-leasing at 23Springs in Uptown. Deliveries this quarter include Harwood No. 14, leased to 79.1% led by Haynes & Boone and Granite Park Six leased to 13% by Stonebriar Commercial Finance.

## Under Construction (SF)



# Recent Deliveries (SF)

2023 Year-to-Date



**GRANITE PARK SIX**  
Far North Dallas  
422,109 RBA; 13% Leased  
352,258 Max Contig. SF  
\$41.00-\$42.00 NNN  
Granite Properties



**THE STAR IV**  
Far North Dallas  
299,972 RBA; 91.3% Leased  
11,678 Max Contig. SF  
\$42.00 NNN  
Blue Star Land



**6275 W PLANO PKWY - IBP**  
Far North Dallas  
242,000 RBA; 19.5% Leased  
192,000 Max Contig. SF  
\$33.00 NNN  
Billingsley Company



**ASSEMBLY PARK**  
Richardson/Plano  
179,766 RBA; 0% Leased  
179,766 Max Contig. SF  
Withheld Rent  
Triten



**3300 OLYMPUS**  
Las Colinas  
300,000 RBA; 0% Leased  
300,000 Max Contig. SF  
\$35.50 NNN  
Billingsley Company



**CHRISTUS HEALTH**  
Las Colinas  
456,000 RBA; 100% Leased  
Build-to-Suit  
CHRISTUS Health



**9000 CYPRESS WATERS**  
Las Colinas  
176,000 RBA; 100% Leased  
Build-to-Suit (At Home)  
Billingsley Company



**GRANITE PLACE II AT SOUTHLAKE**  
Westlake/Grapevine  
143,524 RBA; 29.5% Leased  
66,823 Max Contig. SF  
\$40.00 NNN  
Granite Properties



**8111 DOUGLAS**  
Preston Center  
318,632 RBA; 86% Leased  
27,619 Max Contig. SF  
\$60.00 NNN  
Lincoln Property Co.



**HARWOOD NO. 14**  
Uptown/Turtle Creek  
359,914 RBA; 79.1% Leased  
50,110 Max Contig. SF  
Withheld Rent  
Harwood International



**THE CRESCENT FORT WORTH**  
Southwest Fort Worth  
210,000 RBA; 95% Leased  
Withheld Rent  
Crescent Real Estate

# Spec Under Construction



**121 COMMERCE - TERRA**  
Far North Dallas  
104,946 RBA  
13,764 Max Contig. SF  
\$33.00 NNN  
Primera Companies



**121 COMMERCE - AQUA**  
Far North Dallas  
100,000 RBA  
100,000 Max Contig. SF  
\$33.00 NNN  
Primera Companies



**PARKWOOD PHASE II**  
Far North Dallas  
119,445 RBA  
88,920 Max Contig. SF  
\$39.00 NNN  
Cawley Partners



**SOUTHSTONE YARDS**  
Far North Dallas  
241,452 RBA  
241,452 Max Contig. SF  
\$44.00 NNN  
Crow Holdings



**THE TOWER AT HALL PARK**  
Far North Dallas  
386,946 RBA  
386,946 Max Contig. SF  
Withheld Rents  
Hall Group



**CROWN CENTRE II**  
Lewisville  
147,000 RBA  
147,000 Max Contig. SF  
Withheld Rents  
Bright Realty LLC



**FARMWORKS ONE**  
Allen/McKinney  
102,000 RBA; 100% Leased  
34,000 Max Contig. SF  
\$34.00 NNN  
Johnson & Payne



**HILLWOOD COMMONS II**  
Alliance  
135,000 RBA; 100% Leased  
135,000 Max Contig. SF  
Withheld Rents  
Hillwood Development



**THIRTEEN THIRTY THREE**  
Stemmons Freeway  
125,788 RBA  
122,740 Max Contig. SF  
\$50.00-\$52.00 NNN  
QIP



**RIVER EDGE**  
Stemmons Freeway  
146,955 RBA  
146,955 Max Contig. SF  
\$46.00-\$48.00 NNN  
QIP



**THE QUAD**  
Uptown/Turtle Creek  
345,425 RBA  
239,556 Max Contig. SF  
Withheld Rents  
Stream Realty Partners



**MAPLE TERRACE**  
Uptown/Turtle Creek  
136,883 RBA  
126,270 Max Contig. SF  
Withheld Rents  
Hines



**OLD PARKLAND EAST CAMPUS**  
Uptown/Turtle Creek  
289,000 RBA  
173,574 Max Contig. SF  
Withheld Rents  
Crow Holdings



# Under Construction with Leases



**RYAN TOWER**  
Far North Dallas  
409,182 RBA  
205,004 Max Contig. SF  
Withheld Rents  
Ryan Companies



**TIAA**  
Far North Dallas  
500,000 RBA  
Build-to-Suit  
Blue Star Innovation Partners



**STATE BANK OF TEXAS**  
Las Colinas  
56,269 RBA  
Build-to-Suit  
KDC Real Estate



**WELLS FARGO CAMPUS I & II**  
Las Colinas  
800,000 RBA  
Build-to-Suit  
Wells Fargo & Company

## Proposed Construction



**23SPRINGS**  
Uptown/Turtle Creek  
626,215 RBA | Pre-leased w/ Bank Ozk  
516,187 Max Contig. SF  
\$62.00-\$68.00 NNN  
Granite Properties



**FOURTEEN555 - PHASE II**  
Far North Dallas  
239,909 RBA  
239,909 Max Contig. SF  
Withheld Rents  
Cawley Partners



**15555 N DALLAS PKWY**  
Far North Dallas  
504,000 RBA  
338,688 Max Contig. SF  
\$38.00-\$40.00 NNN  
VanTrust Real Estate



**OFFICE AT THE GATE - PHASE I**  
Far North Dallas  
315,000 RBA  
278,000 Max Contig. SF  
Withheld Rents  
Preferred Real Estate Investments



**THE VAN ZANDT**  
Southwest Fort Worth  
114,420 RBA  
107,688 Max Contig. SF  
Withheld Rents  
Goldenrod Capital Partners



**THE IVY**  
North Central Expressway  
269,472 RBA  
191,050 Max Contig. SF  
\$65.00 NNN  
PacElm Properties



**KERA/KAIZEN**  
Uptown/Turtle Creek  
400,000 RBA  
25,000 Max Contig. SF  
Withheld Rents  
Kaizen



**BOA TOWER AT PARKSIDE**  
Uptown/Turtle Creek  
500,000 RBA  
202,538 Max Contig. SF  
BOA Lease Signed  
\$65.00 NNN  
PacElm Properties



**GOLDMAN SACHS**  
Uptown/Turtle Creek  
702,000 RBA  
Lease signed  
Build-to-Suit  
Breaking Ground 10/23  
Hunt Consolidated



**FIELD STREET TOWER**  
Dallas CBD  
529,038 RBA  
529,038 Max Contig. SF  
Withheld Rents  
Hillwood Development



**FIELD STREET DISTRICT**  
Dallas CBD  
500,000 RBA  
500,000 Max Contig. SF  
Withheld Rents  
PacElm Properties



**ONE NEWPARK**  
Dallas CBD  
500,000 RBA  
Hoque Global

# Capital Markets

Office transaction volume remains sluggish through the third quarter of 2023. Transaction levels are down significantly and not far off from the market conditions we saw back in 2008-2009. In general, demand is reflective of the national narrative that office space is a four-letter word and the post COVID / 2020 landscape has changed the way office space is utilized. Additionally, interest rates have spiked and there is a dearth of debt options available for office acquisitions. These two factors have stymied the market for office sales. Through three quarters of 2023, the DFW market has only recorded thirteen sales of office buildings over 150,000 SF. The office buildings that have been sold and or contracted, have been aggressively priced on a “per pound” basis or traded on cap rates inflated to account for higher interest rates.

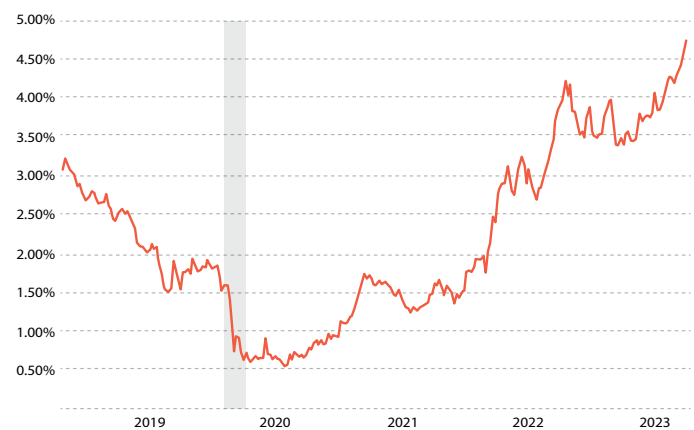
Following the summer, a traditionally slow time of year, the market saw an uptick in new offerings heading into the third quarter. With more and more buildings beginning to price and or head into contract, the market is learning quickly where demand and value intersect.

Approximately \$103B worth of CMBS loans are set to mature during the second half of 2023, and another \$126B is due to mature in 2024, setting the stage for a tumultuous 18 months. DFW is not immune to the coming wave of maturities. Mostly comprised of three large securitizations, roughly \$550M of CMBS loans will mature in the near term. This will force owners to market-to-market and sell or navigate the market to refinance or face foreclosure.

## Notable 3Q23 Transactions

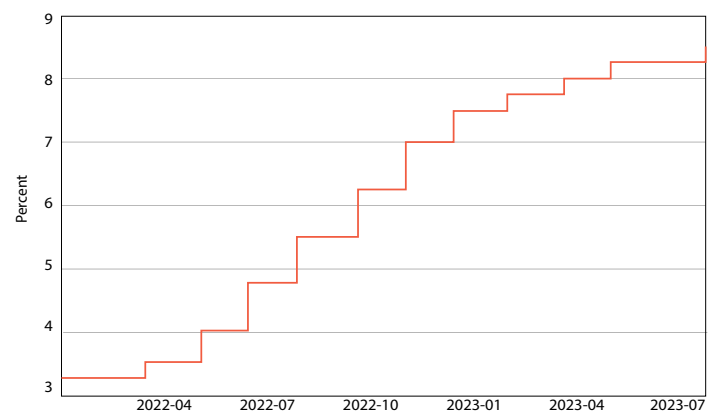
- Signature Exchange 458K SF was recapitalized by Affinius Capital.
- Landmark Center (133K SF) was sold by Spear Street Capital at a significant discount to their acquisition basis.
- Gramercy Center’s (256,155 SF) debt was purchased by Winhall Management.

## 10-Year Treasury Bond Rate



## Bank Prime Loan Rate Changes:

### Historical Dates of Changes and Rates



Source: Board of Governors of the Federal Reserve System (US)

## REIT PERFORMANCE YTD THROUGH 08/31/2023

PROPERTY TYPE	AVG. RETURN	NUMBER OF REITS
Infrastructure	-13.31%	6
Malls	-10.28%	4
Industrial	0.93%	10
Office	-0.91%	20
Manufactured Housing	-7.00%	3
Land	-7.70%	3
Single Family Housing	-3.55%	2
Advertising	-16.11%	2
Multifamily	-2.64%	13
Diversified	-3.87%	13
Self-Storage	-3.33%	5
Health Care	-3.17%	15
Data Center	2.03%	3
Triple Net	-3.44%	17
Shopping Center	-5.04%	18
Timber	-8.30%	3
Hotel	-6.71%	16
Casino	-1.08%	2
<b>REIT Average</b>	<b>-4.13%</b>	<b>155</b>

Source: S&P Global Market Intelligence LLC

# 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	87	11,872,146	2,509,282	21.10%	-17,609	-99,687	0	0	0	\$35.30
DALLAS CBD	89	32,292,614	8,867,517	27.50%	-29,136	-318,094	0	0	0	\$29.08
EAST DALLAS	120	6,172,904	1,130,324	18.30%	26	-187,109	0	0	0	\$33.08
FAR NORTH DALLAS	410	61,697,065	14,976,017	24.30%	-262,235	-575,682	422,109	964,079	1,901,962	\$33.82
FORT WORTH CBD	61	10,406,410	1,301,773	12.50%	6,945	97,208	0	0	0	\$28.58
LAS COLINAS	298	42,933,073	10,372,433	24.20%	-118,646	-758,373	300,000	962,000	856,269	\$27.85
LBJ FREEWAY	131	19,559,307	4,832,679	24.70%	-102,133	43,593	0	0	0	\$26.14
LEWISVILLE/DENTON	114	5,552,017	1,024,398	18.50%	20,707	-269,626	0	0	147,000	\$24.24
MID-CITIES	318	25,303,237	3,741,948	14.80%	-146,789	-372,229	0	165,274	61,500	\$25.52
NORTH FORT WORTH	53	3,893,296	363,439	9.30%	-9,235	13,368	0	0	135,000	\$24.09
NORTHEAST FORT WORTH	49	3,728,222	296,072	7.90%	-6,575	-79,191	0	0	0	\$20.67
PRESTON CENTER	52	6,788,250	794,249	11.70%	132,097	80,149	0	318,632	0	\$43.61
RICHARDSON/PLANO	311	32,875,043	6,313,801	19.20%	-97,567	-435,467	0	277,216	156,003	\$25.31
SOUTH FORT WORTH	172	10,137,160	1,732,124	17.10%	22,918	-14,507	210,000	210,000	15,000	\$26.68
SOUTHWEST DALLAS	59	3,424,908	711,723	20.80%	-2,051	-243,412	0	0	0	\$24.38
STEMMONS FREEWAY	97	9,229,642	1,940,161	21.00%	6,637	-14,028	0	20,000	272,743	\$25.54
UPTOWN/TURTLE CREEK	100	16,352,370	3,098,287	18.90%	22,771	-206,568	359,914	359,914	1,397,523	\$49.33
<b>TOTAL</b>	<b>2,521</b>	<b>302,217,664</b>	<b>64,006,227</b>	<b>21.20%</b>	<b>-579,875</b>	<b>-3,339,655</b>	<b>1,292,023</b>	<b>3,277,115</b>	<b>4,943,000</b>	<b>\$29.75</b>
CLASS A	676	173,101,598	42,113,277	24.30%	-132,378	-1,917,505	1,292,023	3,205,365	4,873,997	\$34.08
CLASS B	1,482	115,251,768	21,217,745	18.40%	-418,760	-1,535,852	0	71,750	69,003	\$23.27
CLASS C	363	13,864,298	675,205	4.90%	-28,737	113,702	0	0	0	\$20.91
<b>TOTAL DFW</b>	<b>2,521</b>	<b>302,217,664</b>	<b>64,006,227</b>	<b>21.20%</b>	<b>-579,875</b>	<b>-3,339,655</b>	<b>1,292,023</b>	<b>3,277,115</b>	<b>4,943,000</b>	<b>\$29.75</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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