



DALLAS-FORT WORTH

OFFICE MARKET REPORT

1st QUARTER 2024

The background image shows a city square with a large fountain in the foreground. The fountain has several water jets of varying heights. In the background, there are several modern glass skyscrapers with unique architectural features, including cantilevered upper floors. The sky is blue with some clouds. The overall scene is a vibrant urban environment.

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In the face of changing dynamics in employment, population, and real estate, Dallas-Fort Worth continues to demonstrate economic resilience.

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Economic Conditions

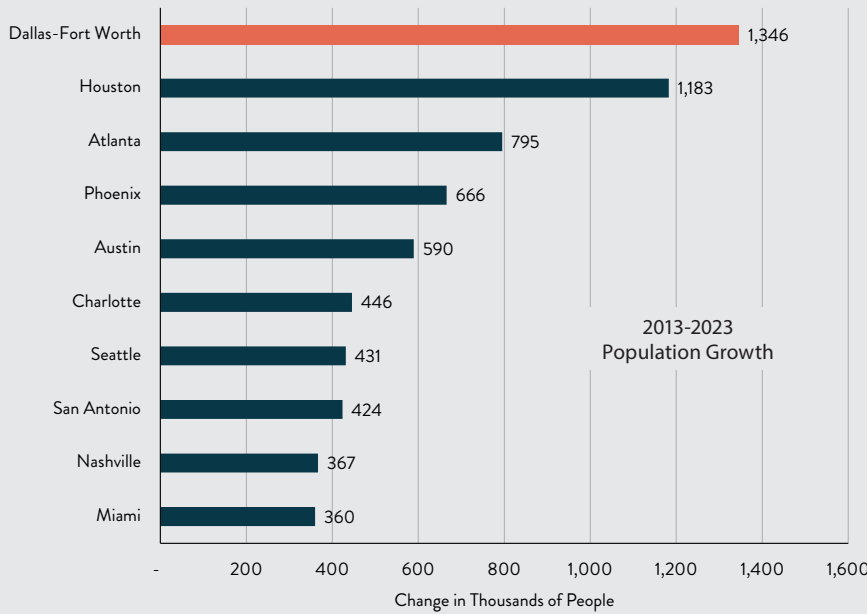
Population and Employment

In the face of changing dynamics in employment, population, and real estate, Dallas-Fort Worth (DFW) continues to demonstrate economic resilience. The DFW Metroplex has now surpassed 8 million residents and expects to continue this upward trajectory to reach 11.3 million residents by 2045. Despite an uptick in layoffs, DFW saw a net increase of 80,400 jobs over the trailing 12 months ending February 2024, notably concentrated in the Education and Health Services sector.



Dallas-Fort Worth Population Growth 2013-2023

2023 Population: 8.1 million



Source: U.S. Bureau of Labor Statistics (2023)



10-Year Change
2013-2023
1.3 million people
(19.9% growth)

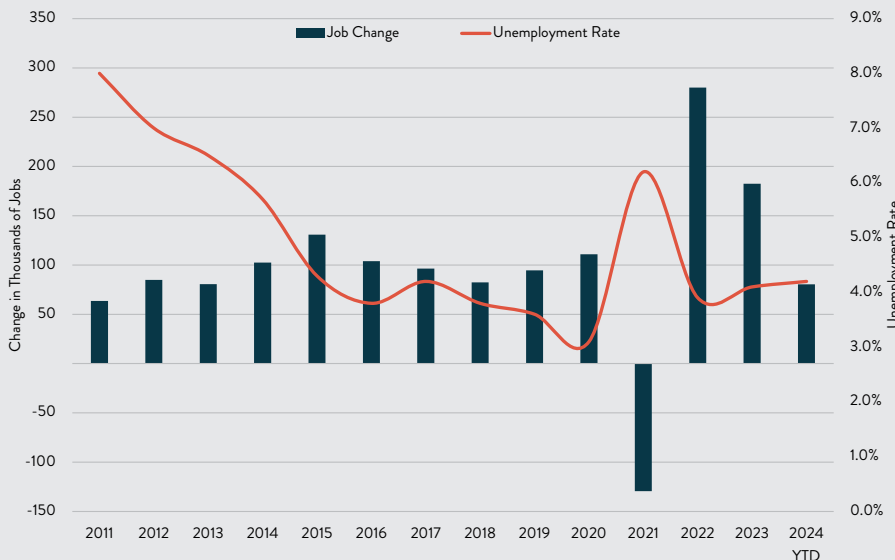


12-Month Change
2022-2023
152,598 people
(1.9% growth)

Dallas-Fort Worth sits as the 4th largest metroplex in the country with a population of 8.1 million people and growing. According to the U.S. Bureau of Labor Statistics, DFW's population grew by 152,598 or 418 residents per day, making up 32.2% of Texas' overall population growth of nearly 475,000 residents between 2022 and 2023.

Dallas-Fort Worth Net Job Growth and Unemployment Rate

4.3 million jobs | 4.2% unemployment rate



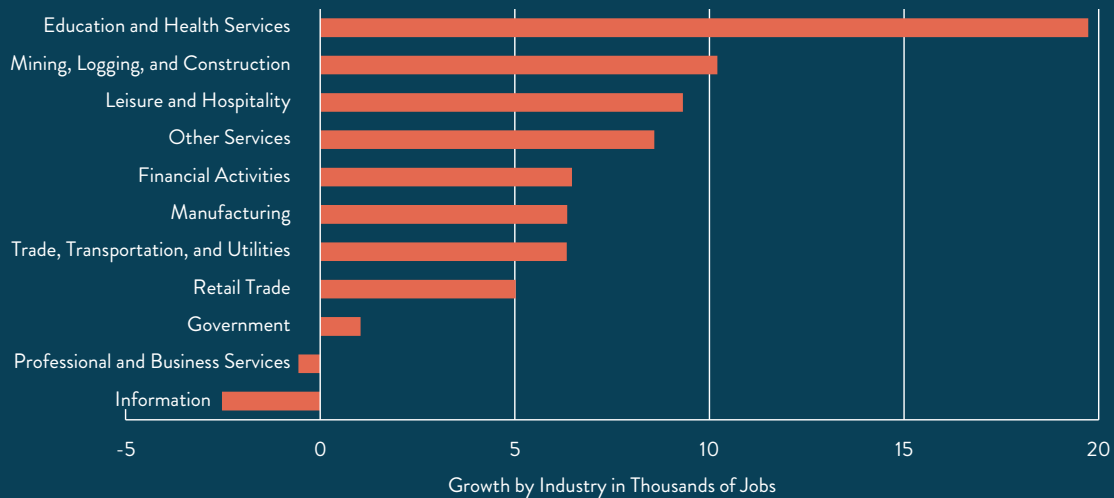
Source: U.S. Bureau of Labor Statistics



12-Month Job Gains
80,400 jobs
(1.9% growth)

The Dallas-Fort Worth metro has added 524,300 jobs since February 2019, the largest five-year growth in the nation by a significant margin, surpassing the next highest job gains of Phoenix by 237,500 jobs. The four major Texas markets continue to rank among the top 15 metros in both 12-month and 5-year percent change through February 2024 with Dallas-Fort Worth ranking 7th and 2nd, respectively. The unemployment rate in the Dallas-Fort Worth area rose to 4.2% through February 2024, a 0.9 percentage point increase quarter-over-quarter, but still below the 5-year average of 4.6% for the market.

DFW Job Growth By Industry (FEB '23 - FEB '24)



Source: Bureau of Labor Statistics

Dallas-Fort Worth maintained positive year-over-year job growth at 1.9% through February 2024, despite experiencing slight declines in Professional and Business Services jobs by 0.1% (564 jobs) and Information jobs by 2.7% (2,527 jobs). A recent uptick in layoff notices could continue softening employment growth, specifically in interest-rate sensitive sectors. In 2023, the DFW Metro area saw 9,600 layoff notices, with an additional 1,830 recorded so far this year - a 47.3% decrease compared to this time last year.

Dallas-Fort Worth Accolades

#1

Nationwide
FOR POPULATION GROWTH

Dallas-Fort Worth consistently ranks among the nation's fastest-growing areas, and continuing job growth is a key factor. The population growth has, in turn, fueled real estate development as retailers and service providers expand to meet increasing demand.



#1

NATIONWIDE
FOR JOB RECOVERY
beyond pre-pandemic high
(4.3 million jobs)

#2

Most Diverse
INDUSTRY IN THE U.S.

Dallas-Fort Worth excels in many important industry sectors. DFW has ranked among the top five regions in 10 of the 12 industries.

LIVING & DOING BUSINESS

Dallas-Fort Worth is one of the most affordable large metropolitan areas in the country. Employees in DFW enjoy a higher standard of living with lower housing costs as well as lower costs for groceries, transportation and health care. The areas relatively low housing prices provide a strong edge for companies that operate here to recruit talent.

2024 HQ Relocation ANNOUNCEMENTS



Dallas-Fort Worth is one of two regions in the U.S. to host two Fortune 10 companies, and only Beijing and Seattle are home to more. Revenues earned by Fortune 500 companies located in DFW total \$1.4 trillion.

24

Fortune 500
HEADQUARTERS

As of 2023 Dallas-Fort Worth has 24 Fortune 500 company headquarters and 49 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 634,000 full-time jobs and attracting \$28B in visitor spending

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.

 **224K**
Daily Passengers

 **11.2M**
International Passengers

 **774k**
Total Cargo
(in U.S. tons)

Office Market Conditions

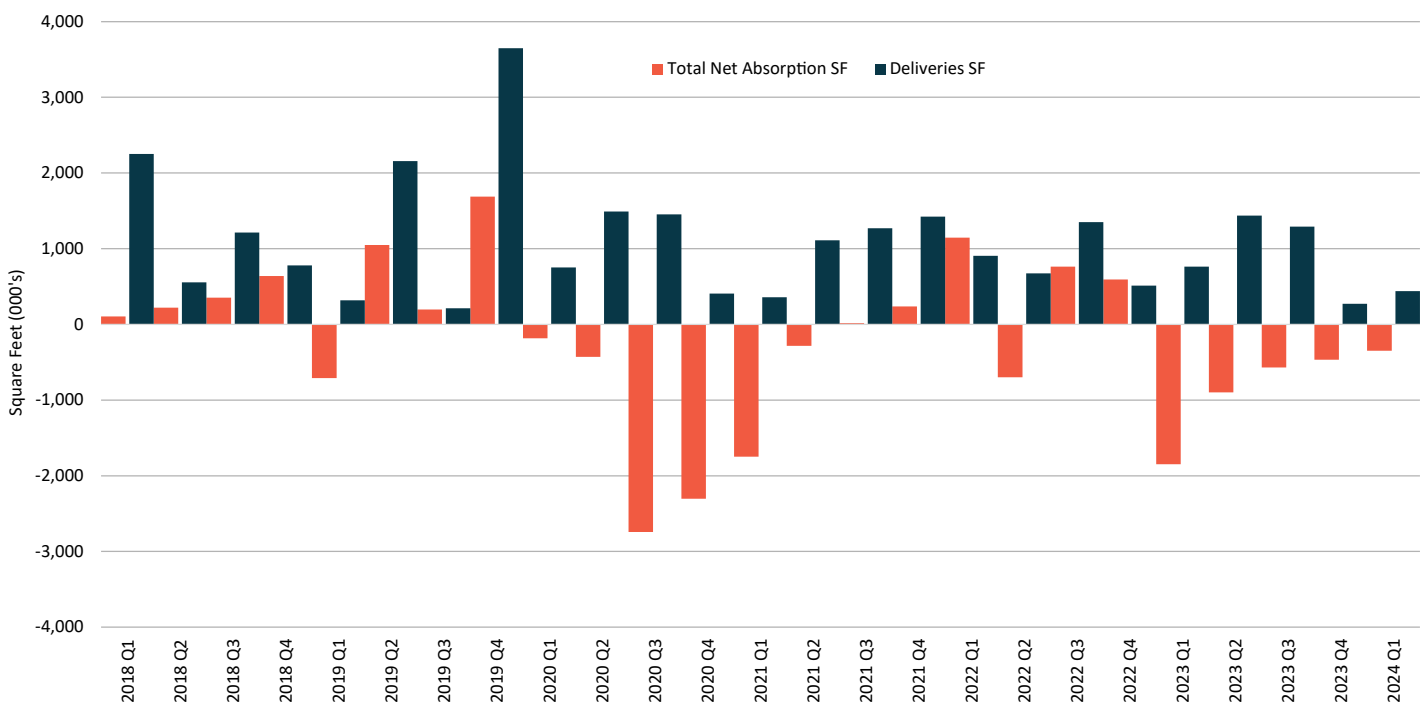
Supply and Demand

Dallas-Fort Worth ended the first quarter with negative 347,297 SF of absorption, 91.4% of which is traced back to Class B inventory. Of this total, buildings built before 2015 contributed negative 614,230 SF of absorption while those built since 2015 contributed positive 266,933 SF, reflecting a consistent trend of flight-to-quality as employers seek new or renovated space with high-quality amenities to retain and attract talent.

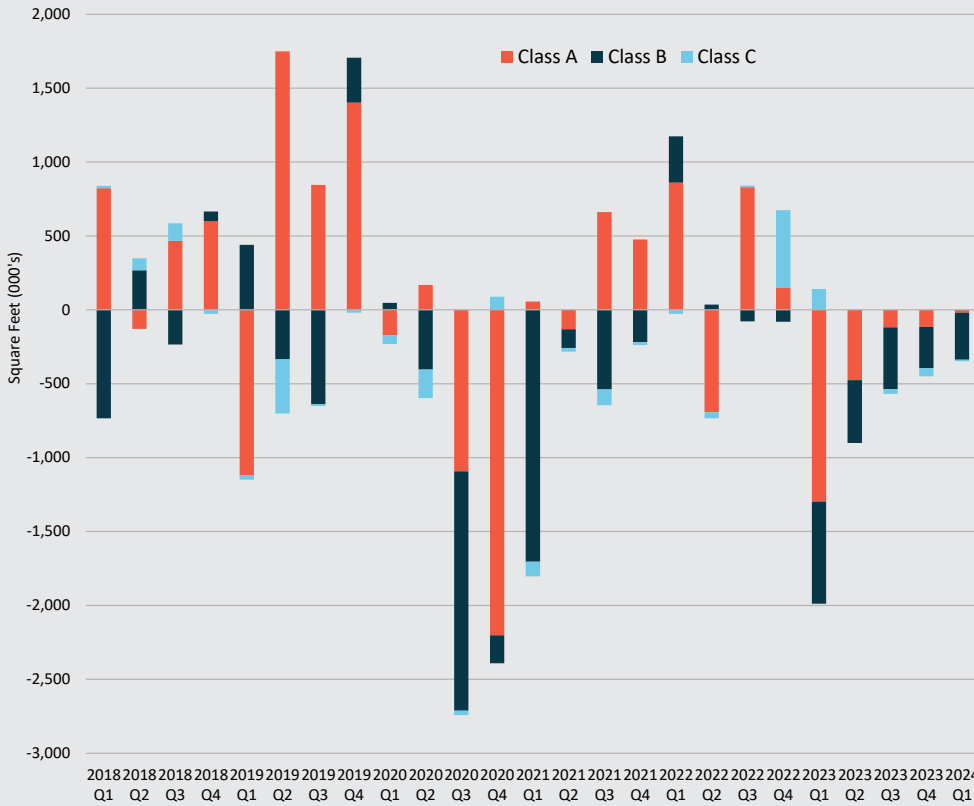
The Richardson/Plano submarket recorded the greatest negative impact on absorption this quarter with Steward Health Care and Raytheon posting their collective 178,000 SF of vacant space on the market, both likely due to financial challenges that have led to planned and/or completed layoffs. Additional move-outs linked to mass layoffs occurred in the corporate campus-heavy Las Colinas submarket where Southwestern Health, Mr. Cooper, and Biogen (formerly Reata Pharmaceuticals) vacated a total of over 230,000 SF in Q1 2024. Nonetheless, the Las Colinas submarket recorded positive absorption for the quarter after leading the market in negative absorption in 2023, primarily due to Javelin Energy and Texas AirSystems occupying space.

While sublease availability remains above 10 million SF, the DFW construction supply also continues to grow, resulting in elevated vacancy rates and further challenging older, vintage assets. Year-to-date deliveries include QIP's Thirteen Thirty Three and River Edge properties in the Design District and Primera's 121 Commerce Center at a total of 3.2% leased for all three buildings.

Net Absorption & Deliveries

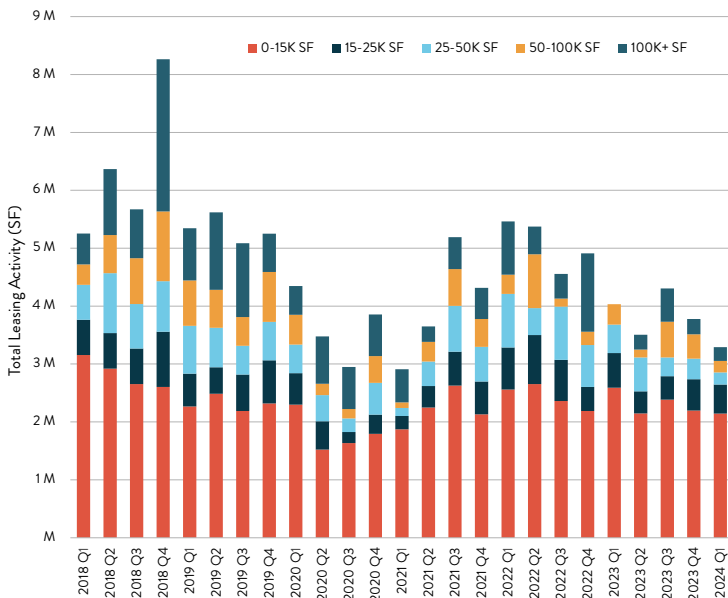


Class Net Absorption



For the fourth consecutive quarter, all classes recorded negative absorption, resulting in a net total of negative 347,297 SF for the quarter. Class B properties played a significant role, contributing 91.4% to the overall negative net absorption.

Leasing Activity



While the office-using sector has seen consistent job gains, leasing activity continues to lag. In Q1 2024, Dallas-Fort Worth saw 3.2 million SF of deals signed, down 19.4% compared to this time last year due to continued economic headwinds and the rightsizing of organizations. Class A accounted for 61.8% of SF signed in the first quarter with an average deal size of 5,697 SF compared to the market average of 3,442 SF.

Q1 2024 NOTABLE LEASES

Tenant	Deal Size	Type	Building	Submarket
Wingstop	120,000 SF	New	One West Village	Uptown/Turtle Creek
Sidley Austin	118,485 SF	New	23Springs	Uptown/Turtle Creek
Wells Fargo	88,520 SF	Renewal*	The Plaza at Solana: Building 1	Mid-Cities
Invesco	58,464 SF	New	The Union	Uptown/Turtle Creek
CheckSammy	48,152 SF	Renewal/Expansion	The Madison	Far North Dallas
JPMorgan Chase	36,000 SF	Expansion	Hunt Consolidated Tower	Dallas CBD
Diamondback Energy	27,619 SF	New	8111 Douglas	Preston Center
Farmers Brothers	25,000 SF	New	14501 North Fwy	North Fort Worth

*Short-term renewal until new campus is completed



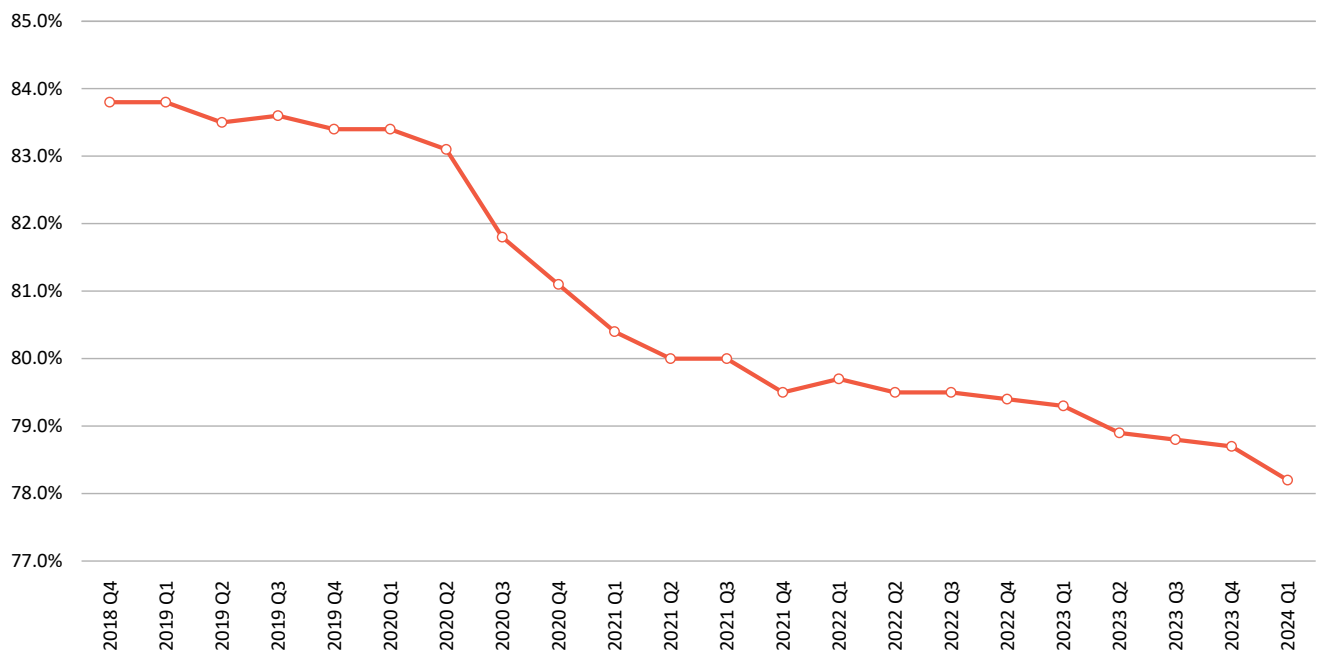
Occupancy Trends

Office occupancy in the metroplex has experienced a decline of 1.1 percentage points year-over-year, sitting at 78.2% for the first quarter. Further reduction in occupancy is expected as new office deliveries enter the market and layoff notices take effect.

The Dallas Central Business District (CBD) submarket maintains the highest vacancy rate in the Dallas-Fort Worth area, standing at 28.0% for Q1 2024. This vacancy is largely attributed to the high concentration of pre-1990s built supply, constituting 93.4% of its overall inventory. While conversions from office to multifamily spaces may help alleviate some of the vacancy concerns in the Dallas CBD, companies relocating to recently delivered or renovated assets carries on. Deloitte and Invesco are the most recent to announce relocations across Woodall Rodgers Freeway into the Uptown/Turtle Creek submarket, signing at 23Springs and The Union, respectively.

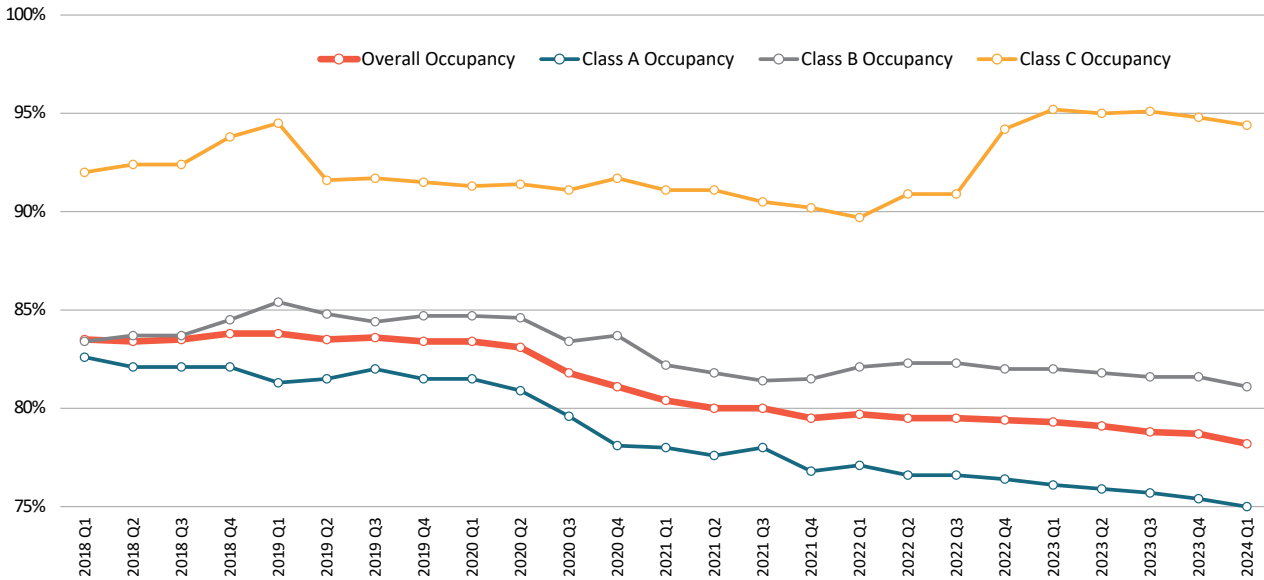
Class A occupancy in Dallas-Fort Worth continues to hold the lowest occupancy rate by class at 75.0% as new construction continues to feed one of the largest construction pipelines in the nation despite softening leasing activity.

Occupancy Trends



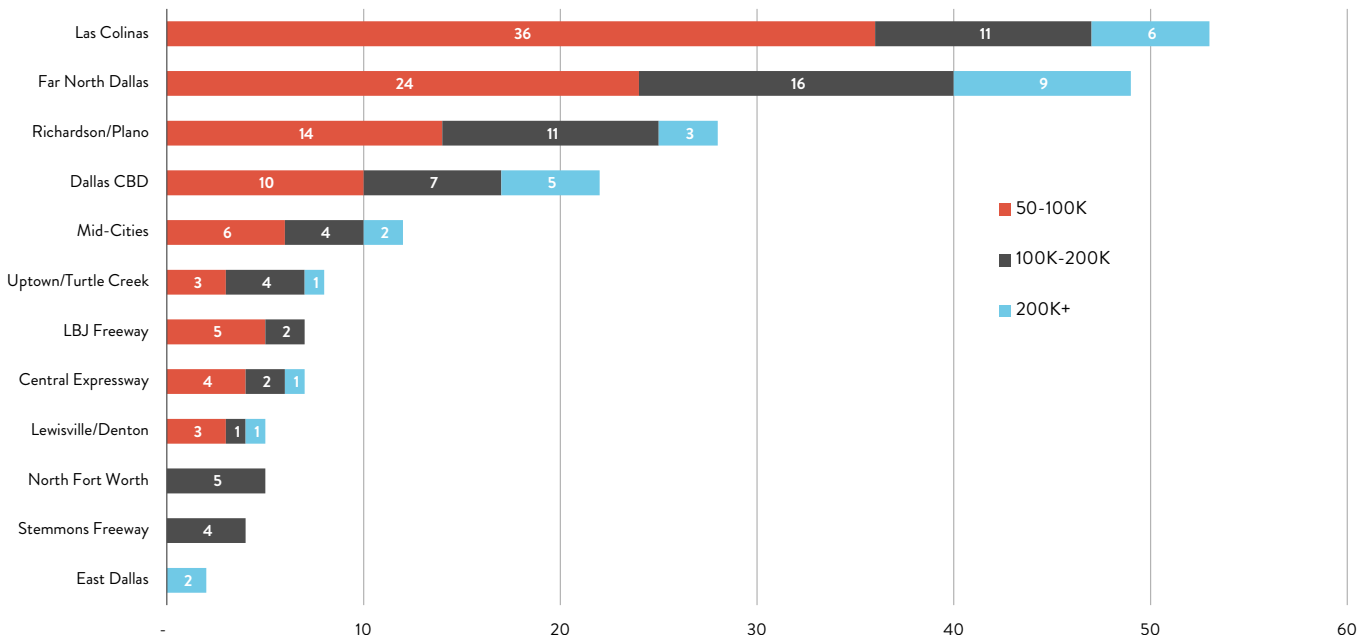
As mid-sized spec construction gains popularity over build-to-suits, overall market occupancy will likely continue to decrease in the coming quarters.

Class Occupancy



Aside from large, second-generation spaces needing to be backfilled, recent deliveries and a high supply of 1980's vintage assets contribute to the big blocks of space in the market. Many of the tenants in large campuses and older, unrenovated assets recently vacated for consolidations, build-to-suit projects, or in preparation for office to multi-family conversions. The first quarter ended with 202 big blocks of direct and sublease space over 50,000 square feet, a slight increase from last quarter. KPMG added a big block of sublease space to the market in Q1 and is planning to give back 63,462 SF across three floors in Dallas CBD's KPMG Plaza.

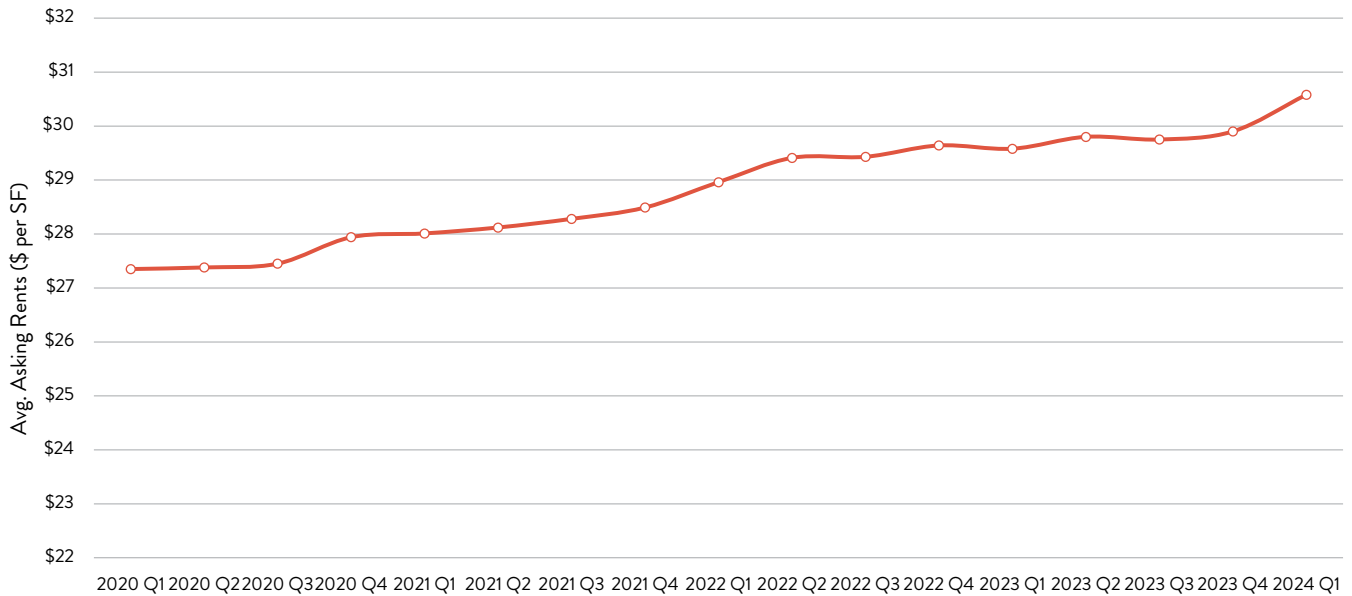
Big Blocks of Space



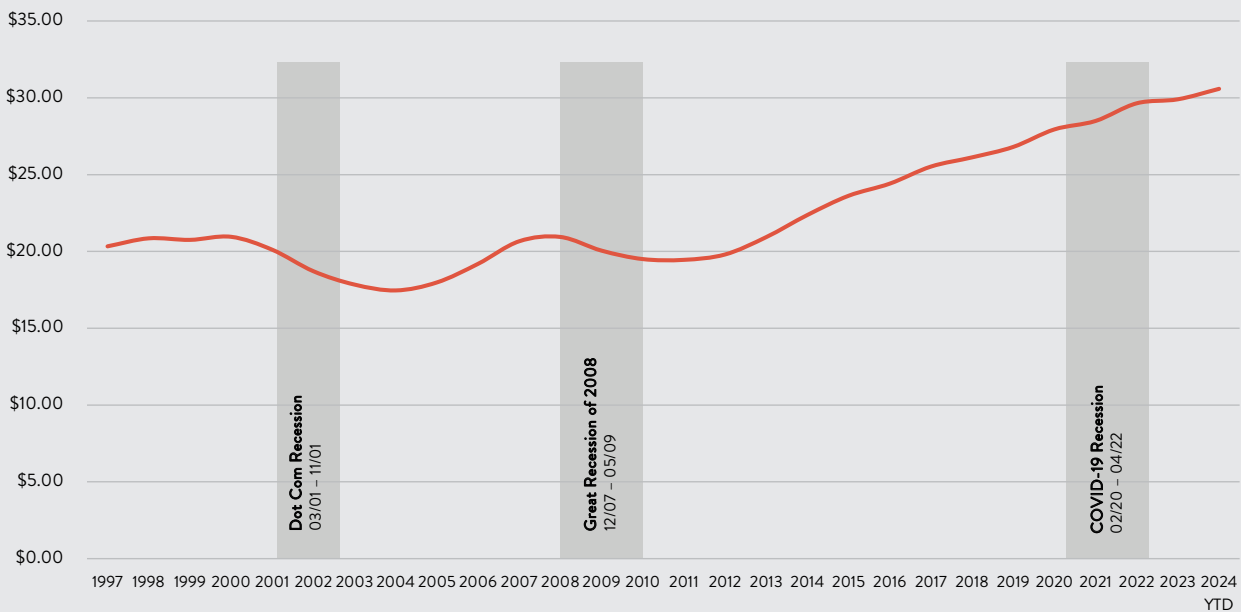
Rental Rate Trends

Average asking rates have increased steadily to \$30.58 per SF (Full-Service Gross) with an increase of \$1.56 or a healthy 5.4% year-over-year. Supply chain disruptions during the pandemic and evolving office environment preferences have contributed to cost escalations in new construction and space renovations. Bank of America Tower at Parkside, a new project recently added to the pipeline, is currently quoting \$80.00 NNN for office space – a historical high for the prime Uptown/Turtle Creek submarket and DFW as a whole.

Rental Rate Trends

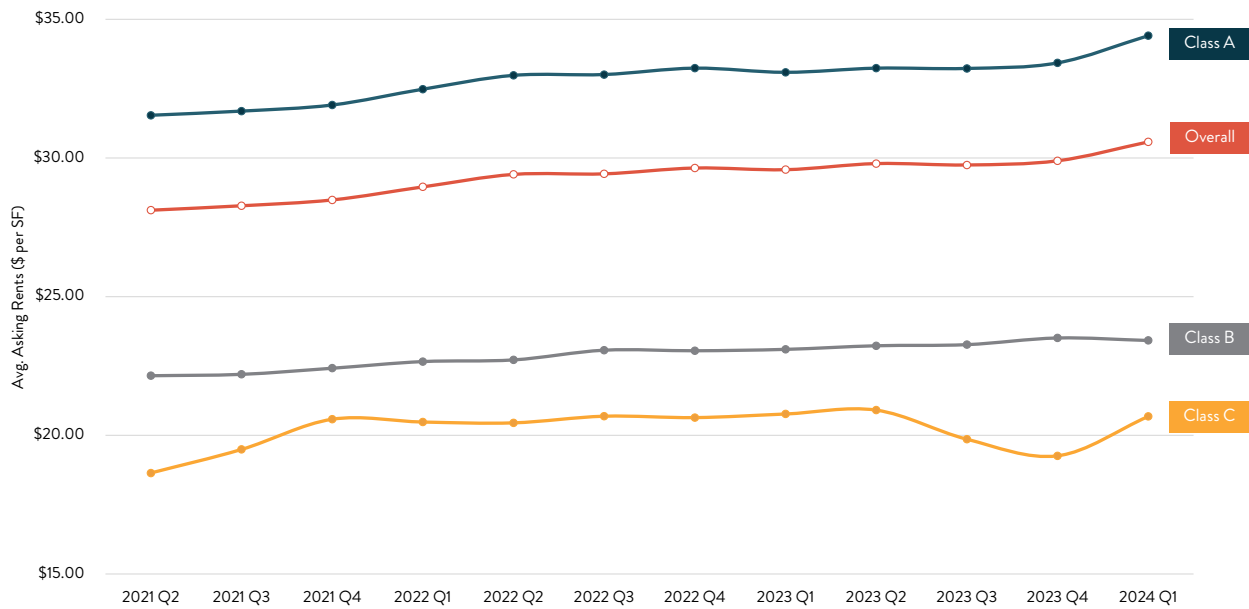


Historical Rents

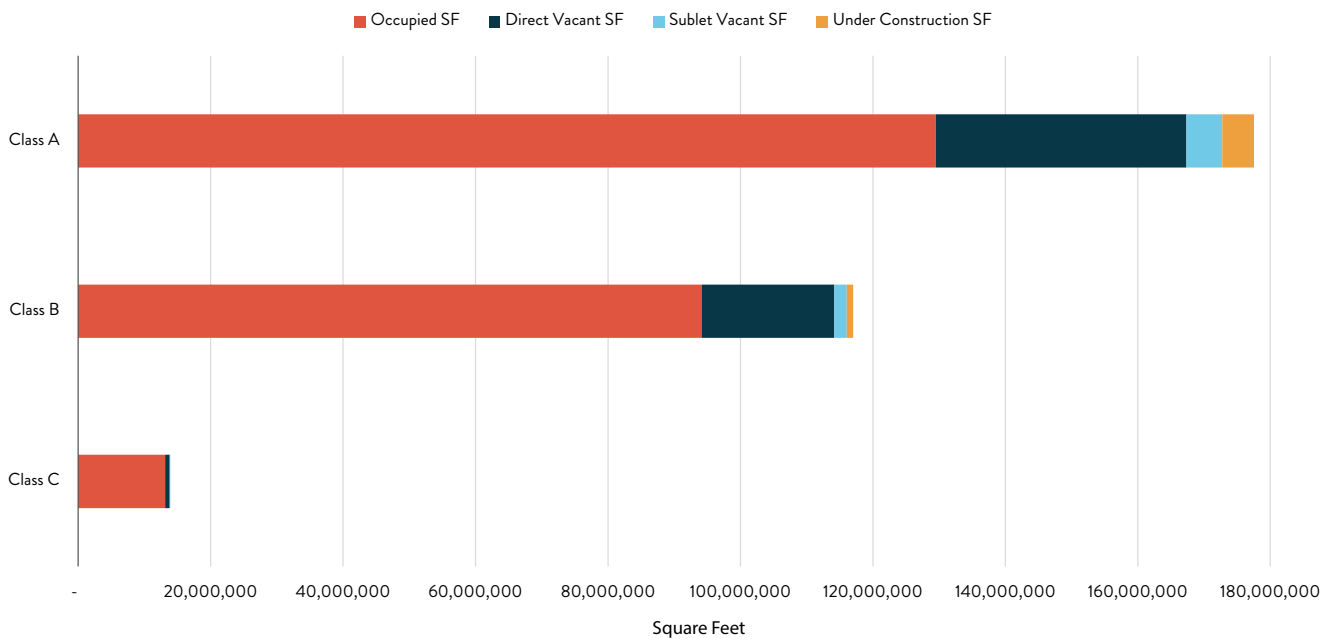


Overall asking rates, which are blended for all property classes, can be broken down as a year-over-year Class A rate increase of \$1.32, Class B rate increase of \$0.32, and Class C rate decrease of \$0.09.

Class Rental Rates



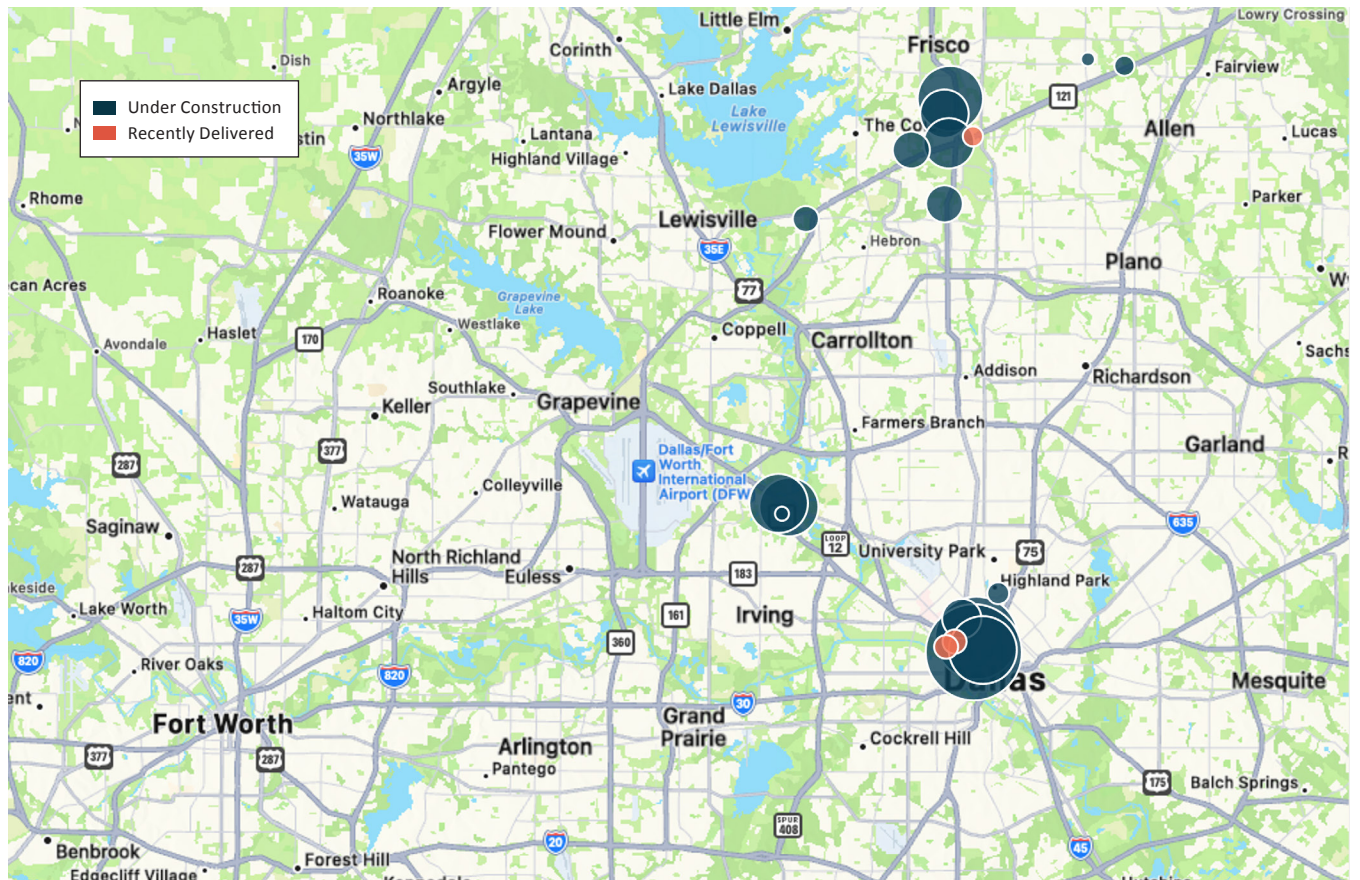
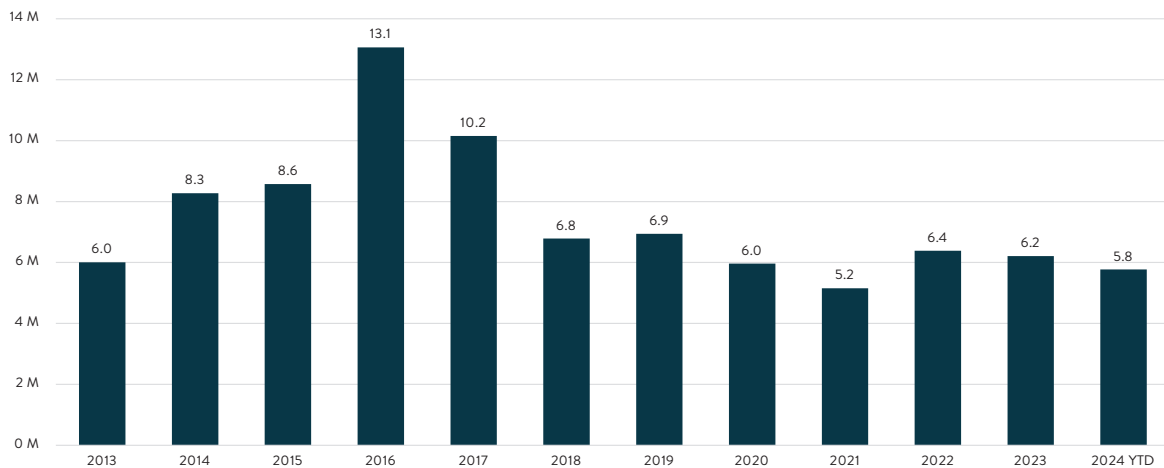
Key Stats By Property Class (SF)



DFW Construction Pipeline

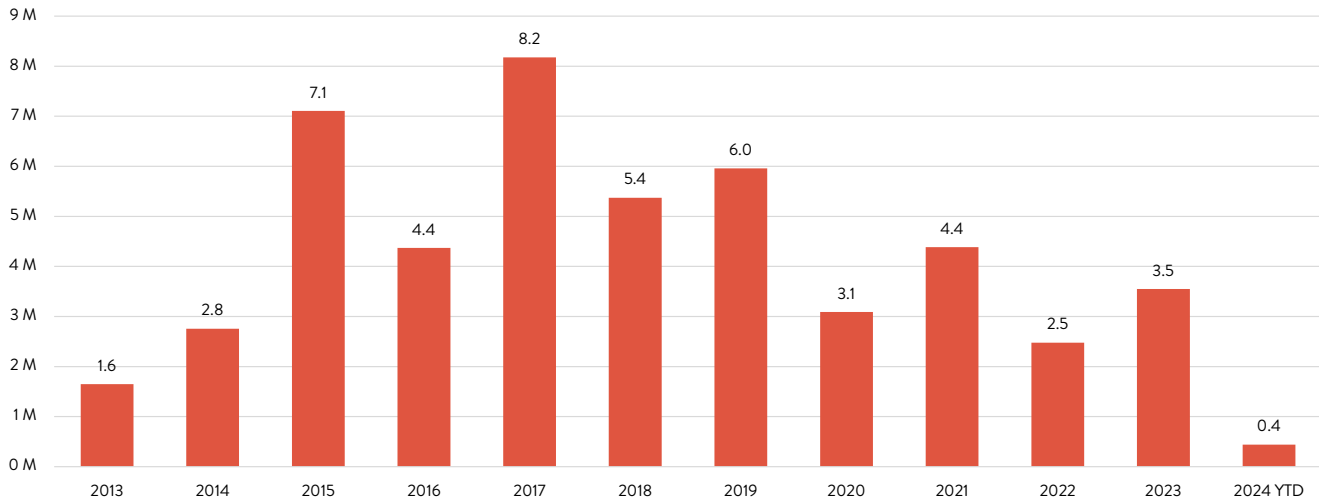
Year-to-date building deliveries totaled 377,689 SF, bringing the under construction pipeline to 5.8 million SF. DFW projects currently under development are 64.1% pre-leased including 23Springs with Deloitte, Sidley Austin and Bank OZK committed to occupying over half of the tower. While QIP's Thirteen Thirty Three and River Edge properties in the Design District and Primera's 121 Commerce Center delivered this quarter at a mere total of 3.2% leased, current demand for new office space is expected to fill these projects quickly.

Under Construction (SF)



Recent Deliveries (SF)

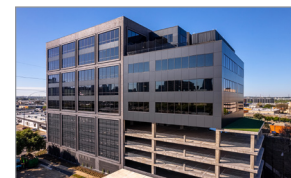
2024 Year-to-Date



121 COMMERCE - TERRA
Far North Dallas/Legacy
104,946 RBA
96,013 Max Avail. SF
\$34.00 NNN
Primera Companies



RIVER EDGE
Design District
146,955 RBA
146,955 Max Avail. SF
\$46.00 - \$48.00 NNN
QIP



THIRTEEN THIRTY THREE
Design District
125,788 RBA
122,740 Max Avail. SF
\$50.00 - \$52.00 NNN
QIP

Spec Under Construction



121 COMMERCE - AQUA

Far North Dallas/Legacy

106,195 RBA

106,195 Max Avail. SF

\$34.00 NNN

Primera Companies



PARKWOOD PHASE II

Far North Dallas/Upper Tollway

252,600 RBA

88,986 Max Avail. SF

\$40.00 NNN

Cawley Partners



SOUTHSTONE YARDS

Far North Dallas/Legacy

241,452 RBA

241,452 Max Avail. SF

\$44.00 NNN

Crow Holdings



THE TOWER AT HALL PARK

Far North Dallas/Frisco

386,946 RBA

386,946 Max Avail. SF

Withheld Rents

Hall Group



CROWN CENTRE II

Lewisville

147,000 RBA

147,000 Max Avail. SF

Withheld Rents

Bright Realty LLC



FARMWORKS ONE

Allen/McKinney

99,381 RBA

99,381 Max Avail. SF

\$34.00 NNN

Johnson & Payne



THE QUAD

Uptown/Turtle Creek

345,425 RBA

233,509 Max Avail. SF

Withheld Rents

Stream Realty Partners



OLD PARKLAND EAST CAMPUS

Uptown/Turtle Creek

289,000 RBA

251,235 Max Avail. SF

Withheld Rents

Crow Holdings

Under Construction with Leases



RYAN TOWER
Far North Dallas/Legacy
409,182 RBA | Pre-leased:
Ryan, LLC
205,004 Max Avail. SF
Withheld Rents
Ryan Companies



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



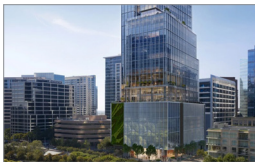
STATE BANK OF TEXAS
Las Colinas
56,269 RBA
Build-to-Suit
KDC Real Estate



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



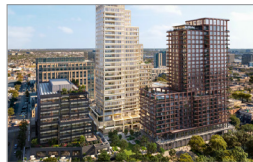
23SPRINGS
Uptown/Turtle Creek
626,215 RBA | Pre-leased:
Bank OZK
302,150 Max Avail. SF
\$62.00 - \$68.00 NNN
Granite Properties



BOA TOWER AT PARKSIDE
Uptown/Turtle Creek
500,000 RBA | Pre-leased: BOA
261,965 Max Avail. SF
\$75.00 - \$80.00 NNN
PacElm Properties



GOLDMAN SACHS
Uptown/Turtle Creek
702,000 RBA
Build-to-Suit
Hunt Consolidated



KNOX STREET MIXED-USE
Uptown/Turtle Creek
150,000 RBA
Pre-leased: ISN Software
MSD Partners, Trammell Crow Co.,
The Retail Connection and Highland
Park Village Associates



FOURTEEN55 - PHASE II
Far North Dallas/Lower Tollway
239,909 RBA
239,909 Max Avail. SF
Withheld Rents
Cawley Partners



15555 N DALLAS PKWY
Far North Dallas/Lower Tollway
264,599 RBA
264,599 Max Avail. SF
\$38.00-\$40.00 NNN
VanTrust Real Estate



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



THE VAN ZANDT
Southwest Fort Worth
111,077 RBA
111,077 Max Avail. SF
Withheld Rents
Goldenrod Capital Partners



CRESCENT OFFICES WEST
South Fort Worth
170,000 RBA
170,000 Max Avail. SF
Withheld rents
Crescent Real Estate



THE IVY
North Central Expressway
269,472 RBA
191,050 Max Avail. SF
\$75.00 NNN
PacElm Properties



KERA/KAIZEN
Uptown/Turtle Creek
400,000 RBA
375,000 Max Avail. SF
Withheld Rents
Kaizen



HARWOOD NO. 15
Uptown/Turtle Creek
330,022 RBA
330,022 Max Avail. SF
Withheld Rents
Harwood International



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



FIELD STREET DISTRICT I
Dallas CBD
500,000 RBA
500,000 Max Avail. SF
Withheld Rents
Woods Capital



ONE UNIVERSITY
South Fort Worth
130,000 RBA
116,044 Max Avail. SF
Withheld Rents
Goldenrod Companies

Capital Markets

Transaction volume in Q1 2024 is reminiscent to what we saw in 2023. Only a handful of transactions were complete in Q1 and year-over-year sales are off over 50%. Market pricing has moved towards a correction but not enough needs-based sellers have transacted to establish new market-clearing value ranges. And while a higher number of distressed sales are expected in 2024, the broader price adjustment is likely to occur gradually.

The era of ultra-low interest rates is over but investors are holding out hope for a Fed rate cut later in 2024. The 10-year Treasury yields remains in the 4-5% range while the market awaits clarity on where rates are headed. Capital markets are expected to gain steam in 2024 but a significant shift isn't expected until well into 2025 as investors and lenders benefit from an increasingly more stable foundation upon which to underwrite.

Real estate values for most property types are unlikely to fully stabilize until mid-2025. Office cap rates rose by at least 200 bps in 2023. This implies a 20 – 30% decline in values. We think cap rates will expand by another 25 to 50 bps in 2024, with a corresponding 5% to 15% decrease in values.

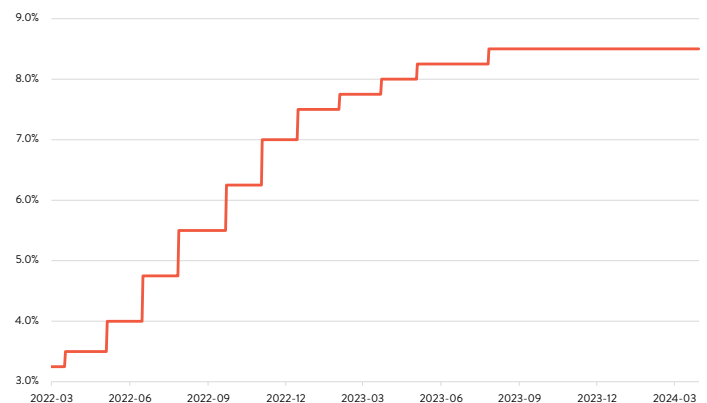
Notable 1Q 2024 Office Investment Sales Transactions

- One Lincoln Park (260K SF) – TBK (User)
- Bent Tree Green (138K SF) – Bradford
- Collins Crossing (300K SF) – Golden Rod / Reserve
- Park Centre IV (153K SF) – BH Properties

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 02/29/2024

PROPERTY TYPE	AVG. RETURN	NUMBER OF REITs
Infrastructure	-20.02%	6
Office	-12.68%	21
Land	-9.61%	3
Self-Storage	-9.37%	5
Triple Net	-8.46%	17
Diversified	-8.11%	13
Multifamily	-7.43%	13
Casino	-6.98%	2
Health Care	-6.36%	16
Shopping Center	-5.18%	16
Industrial	-4.17%	12
Timber	-1.86%	3
Manufactured Housing	-0.84%	3
Hotel	0.26%	15
Single Family Housing	0.96%	3
Advertising	4.55%	2
Malls	5.82%	4
Data Center	10.79%	3
REIT Average	-6.33%	157

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	86	11,816,876	2,709,438	22.9%	-44,039	-44,039	0	0	0	\$33.72
DALLAS CBD	90	32,037,298	8,967,972	28.0%	60,906	60,906	0	0	0	\$30.31
EAST DALLAS	122	5,931,837	1,142,333	19.3%	34,076	34,076	0	0	0	\$31.89
FAR NORTH DALLAS	411	61,919,470	15,551,318	25.1%	-250,462	-250,462	104,946	104,946	1,953,534	\$33.82
FORT WORTH CBD	60	10,146,836	1,176,694	11.6%	25,592	25,592	0	0	0	\$30.08
LAS COLINAS	305	42,546,554	10,721,186	25.2%	28,575	28,575	0	0	906,269	\$27.55
LBJ FREEWAY	133	19,771,255	4,919,819	24.9%	23,392	23,392	0	0	0	\$25.67
LEWISVILLE/DENTON	114	5,505,018	931,536	16.9%	33,542	33,542	0	0	147,000	\$25.50
MID-CITIES	318	25,576,520	3,884,724	15.2%	-68,807	-68,807	0	0	0	\$25.82
NORTH FORT WORTH	53	4,042,937	539,231	13.3%	2,510	2,510	0	0	0	\$24.00
NORTHEAST FORT WORTH	48	3,687,222	302,052	8.2%	12,104	12,104	0	0	0	\$19.57
PRESTON CENTER	51	6,943,166	729,678	10.5%	6,737	6,737	0	0	0	\$44.54
RICHARDSON/PLANO	315	33,231,020	6,749,416	20.3%	-262,292	-262,292	0	0	135,574	\$25.28
SOUTH FORT WORTH	171	9,848,377	1,342,739	13.6%	43,583	43,583	0	0	15,000	\$26.48
SOUTHWEST DALLAS	58	3,425,822	754,291	22.0%	-11,913	-11,913	0	0	0	\$25.16
STEMMONS FREEWAY	102	9,718,175	2,333,772	24.0%	-11,768	-11,768	272,743	272,743	0	\$26.32
UPTOWN /TURTLE CREEK	103	16,553,679	3,198,714	19.3%	30,967	30,967	0	0	2,612,766	\$50.18
TOTAL	2,540	302,702,062	65,954,913	21.8%	-347,297	-347,297	377,689	377,689	5,770,143	\$30.58
CLASS A	682	172,743,670	43,248,158	25.0%	-19,776	-19,776	377,689	377,689	4,811,782	\$34.41
CLASS B	1,494	116,063,944	21,934,393	18.9%	-317,579	-317,579	0	0	958,361	\$23.42
CLASS C	364	13,894,448	772,362	5.6%	-9,942	-9,942	0	0	0	\$20.68
TOTAL DFW	2,540	302,702,062	65,954,913	21.8%	-347,297	-347,297	377,689	377,689	5,770,143	\$30.58

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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