



Dallas Office Market

Market at a Glance

The Dallas Fort Worth office market saw moderate movement through the first quarter. Vacancy rates have remained relatively stable and have only increased slightly from 19% last quarter to 20% this quarter. Direct leasing accounted for most of the leasing activity during the first quarter at approximately 2.2 million square feet, which is a decrease from the last quarter where it was 2.5 million square feet. Sublease activity accounted for approximately 327,773 square feet, accounting for a small amount of the market's overall activity. Since first quarter 2020, over 3.5 million square feet has been delivered to the Dallas Fort Worth office market. The Far North Dallas and Uptown/Turtle Creek submarkets account for most of the space being delivered.

Rental Rates & Vacancy Remain Relatively Stable

In the fourth quarter the average asking rate was \$27.54/SF, during the first quarter of 2021 that increased slightly to \$27.72. Submarkets with a relatively high number of new development such as Uptown/Turtle Creek and Far North Dallas are currently outflanking the market with rental rates in the mid \$30.00 to low \$40.00 per square foot range. The suburbs have profited the most from enormous corporate shifts, but the CBD and

Current Conditions

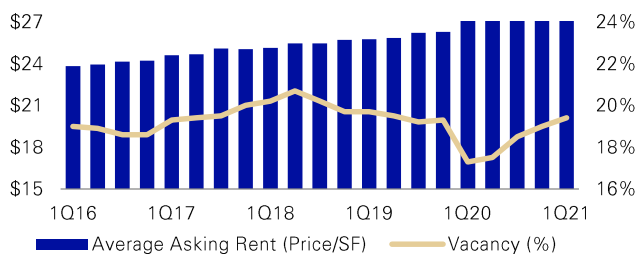
- Rental rates increased slightly but leasing activity is still down from last year.
- Sublease space availability has increased for the straight quarter
- Texas was one of the first states to fully re-open but business and leasing still remains slow.

Market Summary

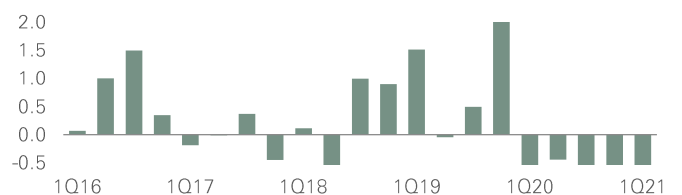
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (SF)	315.8M	315.1M	311.9M	↑
Vacancy Rate	20.0%	19.0%	16.8%	↑
Quarterly Net Absorption (SF)	-2.7M	-925,466	1.8M	↓
Average Asking Rent/SF	\$28.06	\$27.54	\$26.49	↑
Under Construction (SF)	7.1M	6.6M	6.9M	↑

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION



RESEARCH Q1 2021

Uptown/Turtle Creek have pulled in a significant number of migrations and corporate growth too. A handful of submarkets experienced increases in sublease rates including Far North Dallas and Richardson/Plano in the first quarter. The average market sublease rate is \$23.53/SF, which is a slight decrease from the previous quarter in which it was \$23.92/SF. At 20%, the overall vacancy rate has increased since first quarter 2020 when it was 16.8%. The increase in vacancy is due largely to the pandemic. Most submarkets in the Dallas Fort Worth market experienced slight changes in vacancy.

For the first time in ten years, Dallas Fort Worth has experienced four consecutive quarters of negative net absorption. At the same time, the market had over 150,000 square feet of new space delivered. The Far North Dallas submarket experienced the most negative net absorption with approximately 1.4 million square feet. On the other side of the spectrum, Stemmons Freeway and Mid Cities experienced 133,215 and 196,496 square feet of positive net absorption respectively.

During the fourth quarter of 2020, 562 transactions occurred in the metroplex totaling approximately 2.9 million square feet. The number of transactions increased in the first quarter to 615 totaling 2.2 million square feet. Mid Cities and Stemmons Freeway were two of the most sought out submarkets in the first quarter, as rental rates in this submarket ascended over the quarter.

Uptown/Turtle Creek have pulled in a significant number of migrations and corporate growth too. A handful of submarkets experienced increases in sublease rates including Far North Dallas and Richardson/Plano in the third quarter. The average market sublease rate is \$23.92/SF, which is a slight decrease from the previous quarter in which it was \$23.95/SF. At 19.0%, the overall vacancy rate has remained constant since third quarter when it was 19.0% as well. Most submarkets in the Dallas Fort Worth market experienced slight changes in vacancy.

Asking Rent by Submarket

ASKING RENT	1Q2021	1Q2020	
Uptown/Turtle Creek	\$41.09/SF	\$41.33/SF	↓
Preston Center	\$42.21/SF	\$39.88/SF	↑
Ft.Worth CBD	\$27.84/SF	\$29.09/SF	↓
Central Expressway	\$30.82/SF	\$30.57/SF	↑
Far North Dallas	\$31.72/SF	\$31.09/SF	↑

For the first time in ten years, Dallas Fort Worth has experienced three consecutive quarters of negative net absorption. At the same time, the market had over a million square feet of new space delivered. The Far North Dallas submarket experienced the most negative net absorption with approximately 850,000 square feet. On the other side of the spectrum, Richardson/Plano and Mid Cities experienced 139,274 and 124,263 square feet of positive net absorption respectively.

During the third quarter, 508 transactions occurred in the metroplex totaling approximately 1.7 million square feet. The number of transactions increased in the fourth quarter to 562 totaling 2.9 million square feet. Richard/Plano and Las Colinas were two of the most sought out submarkets in the fourth quarter, as rental rates in this submarket ascended over the quarter.

Relocations & Expansions

Dallas Fort Worth continues to be at the epicenter of corporate relocations and expansions. Some of the key attributes that make Dallas Fort Worth attractive to companies are a profoundly talented work force, relatively low price of doing business, and incentives provided by the State of Texas. Relocation activity has slowed since the start of the pandemic as companies reevaluate space and hold off on big moves. Some of the most notable leases this quarter include CarOffer, First Source, and Pasha Group.

CarOffer, the national car trading company will be getting a new home. Caroffer signed a new lease at 15601 Dallas Parkway located in the Quorum/Bent Tree Submarket. The tenant will occupy approximately 62,000 square feet of Class A office space in their new home. The deal was signed this quarter, and the tenant will also move into their turnkey sublease space this quarter.

Vacancy By Submarket

VACANCY RATE %	1Q2021	1Q2020	
Northeast Fort Worth	13.2%	14.2%	↓
Stemmons Freeway	22.2%	22.8%	↓
Dallas CBD	25.7%	23.7%	↑
CBD Total	23.5%	21.1%	↑
Richardson/Plano	18.4%	16.9%	↑

RESEARCH Q1 2021

First Source announced it will be expanding into approximately 50,000 square feet of Class A office space at 3100 Olympus Blvd located in the DFW Freeport/Coppell submarket. The tenant signed in early January but will not move into their turnkey sublease space until second quarter.

The Pasha Group signed a new lease for approximately 45,000 square feet of direct space at their new home located at 222 W Las Colinas which is in the Urban Center submarket. The Class A office building is one of the most sought within its respective submarket. The national logistics company signed their lease this quarter but will not move in until the second quarter.

Sales & Investment

The first quarter of 2021 saw a few notable sale transactions. The most notable sale of the first quarter was the sale of Sherry Lane Place located at 5956 Sherry Lane located in the Preston Cen submarket. The 300,000 square foot Class A office building sold for \$132M or approximately \$437 a square foot. The property was approximately 85% leased at the time of sale and traded with a 5% cap rate.

Another notable sale in the first quarter was the sale of 100 Energy Way. The 409,977 Class A office building sold for \$69.5M

or approximately \$169 a square foot. The 20-story office building was approximately 42% leased at the time of sale. The property is in the West-Southwest submarket. The City of Fort Worth plans to make renovations and turn the property into the new city hall.

Construction Pipeline

Across the market, roughly 192,000 square feet has delivered during the first quarter versus approximately 345,000 square feet last quarter. Most of the space under construction is in the Far North Dallas and Uptown/Turtle Creek submarkets. These are two of the top office submarkets in Dallas Fort Worth, flaunting some of the most noteworthy leases and highest rents in the metro. More than half of the submarket's inventory is class A & B buildings and of that, many buildings are viewed as prize assets. The pandemic and its lingering effects may lead to project delays or a slowdown in groundbreakings over the upcoming months, as owners, lenders, and developers come to grips with the changing economic landscape both locally and nationally.

COVID 19 Still Impacting Dallas

The Covid-19 virus pandemic has spread across the world and has hit the Dallas Fort Worth area also. Some of the hardest hit industries have been the travel, hotel, and restaurant/bar

Lease/User Transactions

Tenant	Market	Building	Type	Square Feet
CarOffer	Quorum/Bent Tree	15601 Dallas Pky	Sublease	61,826
First Source	DFW Freeport/Coppell	3100 Olympus	Sublease	49,992
Pasha Group	Urban Center	222 W Las Colinas	Direct	45,228
Sony	DFW Freeport/Coppell	3501 Olympus	Direct	41,958
Randstad	Upper Tollway/West Plano	5465 Legacy Dr	Direct	31,884

Select Sale Transactions

Buyer/Seller	Market	Building	Sale Price	%/SF
CBRE Global Investors Ltd/JP Morgan Asset Management	Preston Center	5956 Sherry Lane	\$132,000,000	\$437.24
City of Fort Worth/Hertz Investment Group	West Southwest Ft. Worth	100 Energy Way	\$69,500,000	\$169.52
Michael Medford/Kilcrease Damarys & Kirkland	Quorum/Bent Tree	18111 Preston Rd	Undisclosed	TBD

industries. Travel has been restricted or suspended to and from many places and many non-essential businesses are operating at with no restrictions although reporting some of the highest number of Covid-19 cases. Officials have made the tough decision to fully open restaurants, bars, and businesses. All large gatherings in public places have still been frowned upon, such as worship facilities, concerts and sporting events. It is certain the regional economy is going to continue to feel some momentary torment as we adjust to these means to help moderate the spread of this virus. The unemployment rate is over 6%, the unemployment rate was 3.1% this time a year ago. Coworking companies have been hit the hardest by the Covid-19 pandemic as they are slashing salaries and still letting workers go. With a business model based around bringing office workers closer together and sharing space they will struggle to make it through this social distancing time period. With workers being asked an encouraged to stay home the coworking companies will continue to suffer.

Economic Indicators

Traditionally Dallas Fort Worth has performed exceptionally well, with job growth over the past year nearly triple the U.S. rate. This feat is especially noteworthy because DAL is already among the very largest metro areas and divisions in the country, and the nation has been decelerating. Every major industry has increased year over year, outpacing its national counterpart. Such well-paying industries as core professional services, construction, and financial services have led the way, and as a result, growth in the number of high-wage jobs has also been more than twice the national average. The strong job market has been a magnet for new entrants into the labor force.

According to the Dallas Federal Reserve DFW employment growth softened to an annualized 1.4 percent (4,300 jobs nonannualized) in January, marking the ninth consecutive month of job gains since the slump in spring 2020. Payrolls in Dallas expanded strongly at an annualized 3.3 percent (7,200 jobs), while employment in Fort Worth dropped 3.2 percent (-2,900 jobs). Similarly, Texas job growth moderated to 3.8 percent (38,100 jobs) from 6.2 percent in December. The unemployment rate fell to 6.2 percent in Dallas and 6.4 percent in Fort Worth in January, remaining below Texas' jobless rate of 6.8 percent.

When the pandemic hit and shelter-in-place orders compelled many businesses to temporarily close their doors in early spring 2020, payrolls plunged nationally; however, the declines in Texas and DFW were less steep than in the U.S. Employment in DFW

began recovering in May, though in January 2021, it remained 3.7 percent lower than prepandemic February levels; Texas was 4.5 percent below those levels in January, and the U.S. was 6.2 percent lower.

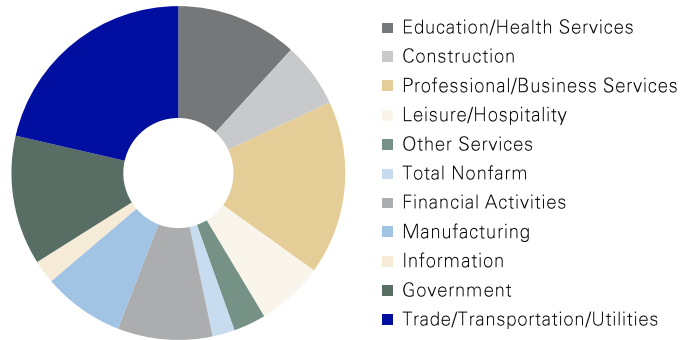
Weekly initial unemployment insurance claims in DFW dropped by 2,378 to 10,437 during the week ended March 6, after briefly rising from mid-to-late February. Since peaking in early April 2020, claims have been on a downward trend. The week-to-week changes have narrowed, and claims have largely stabilized, but they remain stubbornly high—more than double the early-to-mid-March 2020 (pre-COVID-19) levels.

Growth in the business-cycle indexes for DFW was mixed in January. The Dallas index rose an annualized 7.1 percent in January following a strong increase in December. The Fort Worth index was flat in January after expanding moderately in December. Year over year in January, the Dallas index was down 3.4 percent, and the Fort Worth index decreased 4.1 percent. This was due to the COVID-19-related shelter-in-place orders that resulted in a sharp contraction in economic activity last spring.

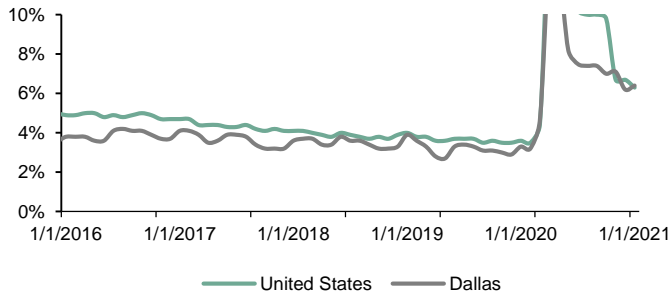
DFW existing-home sales fell in February in part due to Winter Storm Uri that put a damper on sales during the cold snap. Statewide, home sales dropped as well. The three-month moving averages for both DFW and Texas registered steep declines (Chart 4). Despite the dip in February, which is expected to be transitory, activity in the housing market remains strong, supported by record-low mortgage rates and increased demand. According to business contacts, new-home sales have been robust, particularly in suburban locations, and have outperformed expectations since May of last year when COVID-19-related shelter-in-place orders were lifted.

Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Dallas CBD	33,777,926	284,000	25.7%	-466,084	-466,084	\$27.00	\$17.53	\$25.98
Ft. Worth CBD	10,604,418	0	16.4%	-31,511	-31,511	\$27.84	\$27.66	\$27.84
CBD	44,382,344	284,000	23.5%	-497,595	497,595	\$27.11	\$17.67	\$26.20
Central Expressway	13,297,113	30,000	17.8%	-118,167	-118,167	\$31.94	\$22.44	\$30.82
East Dallas	9,075,451	764,116	15.6%	49,208	49,208	\$27.94	29.27	\$27.95
Far North Dallas	62,710,732	2,597,911	22.6%	-1,459,540	-1,459,540	\$32.42	\$27.23	\$31.72
Las Colinas	42,811,182	569,469	19.6%	-401,600	-401,600	\$27.19	\$22.85	\$26.60
LBJ Freeway	22,144,798	107,000	22.3%	-68,486	-68,486	\$23.75	\$21.74	\$23.58
Lewisville/Denton	8,569,630	50,183	13.7%	41,111	41,111	\$25.83	\$19.27	\$25.41
Mid Cities	30,991,676	780,085	16.9%	196,486	196,486	\$25.37	\$20.71	\$24.97
North Ft. Worth	4,274,342	157,000	5.2%	-4,424	-4,424	\$26.76	\$23.72	\$26.72
Northeast Ft. Worth	4,046,901	-	13.1%	51,283	51,283	\$21.08	\$19.55	\$21.07
Preston Center	5,846,273	615,632	11.6%	-25,831	-25,831	\$43.24	\$33.96	\$42.21
Richardson/Plano	38,028,657	146,772	18.4%	-465,584	-465,584	\$24.38	\$20.33	\$23.95
South Ft. Worth	13,643,065	48,594	12.5%	-101,800	-101,800	\$25.07	\$22.56	\$24.89
Southwest Dallas	4,598,032	0	13.0%	51	51	\$23.54	-	\$23.54
Stemmons Freeway	14,479,153	65,000	22.2%	133,215	133,215	\$20.16	\$15.90	\$20.09
Uptown Turtle Creek	15,148,053	1,016,668	17.4%	-72,877	-72,877	\$41.52	\$37.52	\$41.09
Suburban	273,927,442	6,909,950	19.3%	-2,223,485	-2,223,485	\$28.44	\$24.61	\$28.04
Market	315,815,252	7,194,550	20.0%	-2,721,080	2,721,080	\$28.21	\$23.53	\$27.72

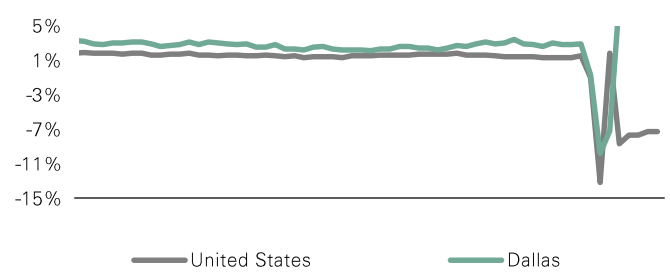
Employment By Industry



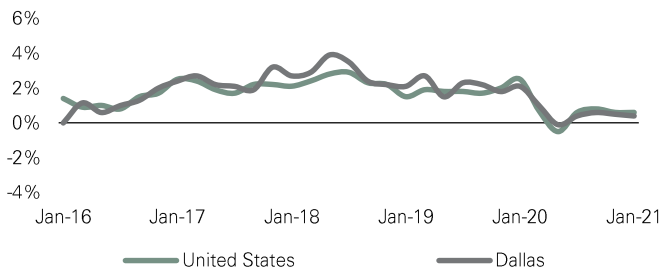
Unemployment Rate



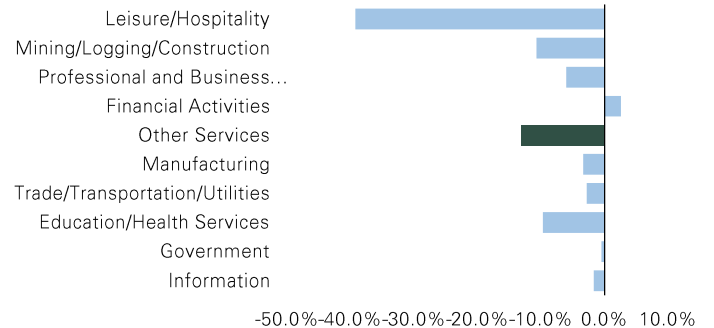
Payroll Unemployment



Customer Price Index (CPI)



Employment Growth By Industry



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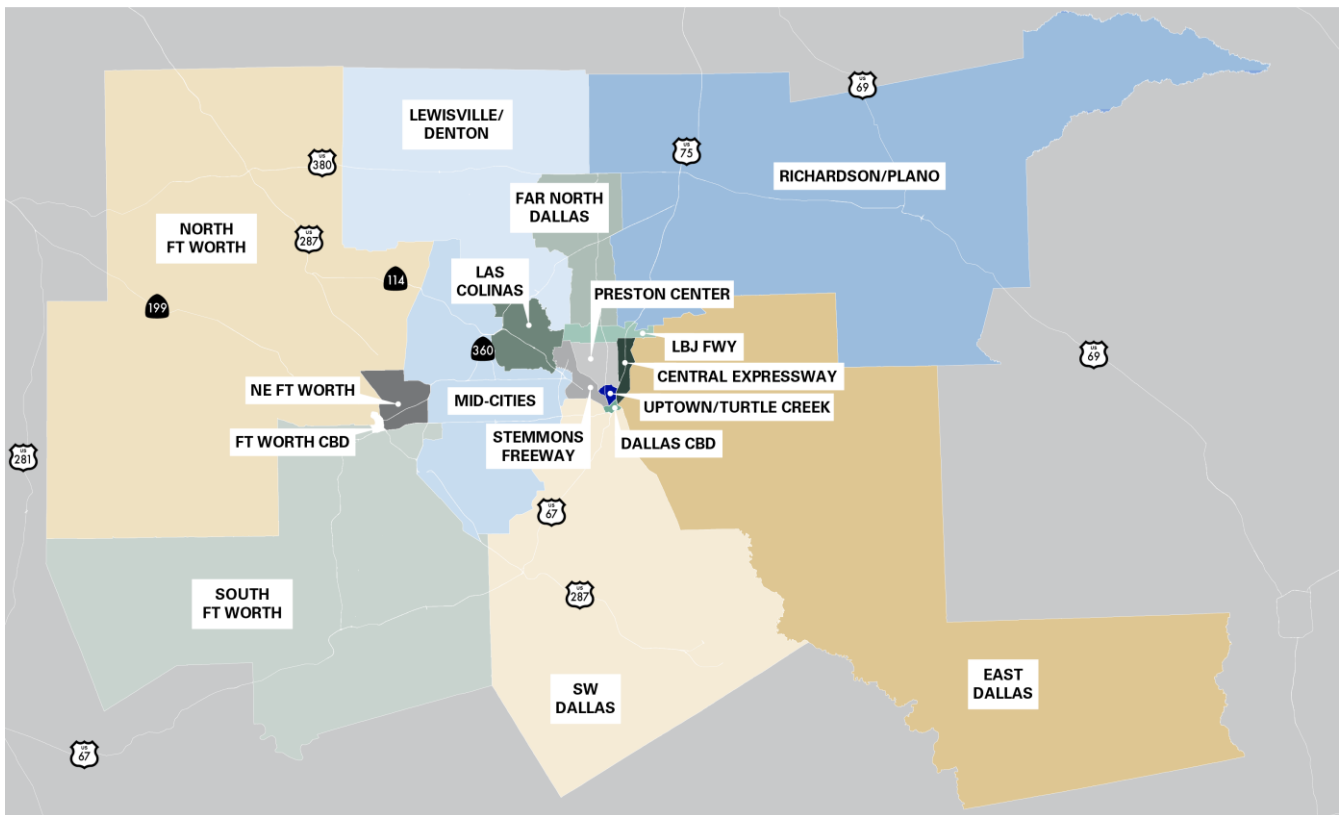
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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at ngkf.com/research.

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