



# Dallas Office Market

## Slow Start to Second Quarter By Metrics Buffered by Strong Close

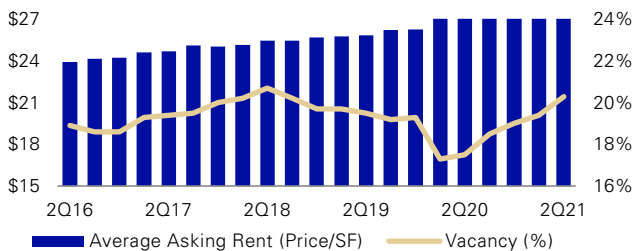
The Dallas Fort Worth office market saw modest movement through the second quarter. Vacancy rates have remained relatively stable and have only increased slightly from 20.0% last quarter to 20.3% this quarter. Direct leasing accounted for most of the leasing activity during the second quarter at approximately 2.8 million square feet, which is an increase from the last quarter where it was 2.2 million square feet. Sublease activity accounted for approximately 239,000 square feet, accounting for a small amount of the market's overall activity. Since second quarter 2020, over 3.3 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 first quarter the average asking rate was \$28.06/SF, during the second quarter of 2021 that decreased slightly to \$27.83. 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.

### Market Analysis

#### ASKING RENT AND VACANCY RATE



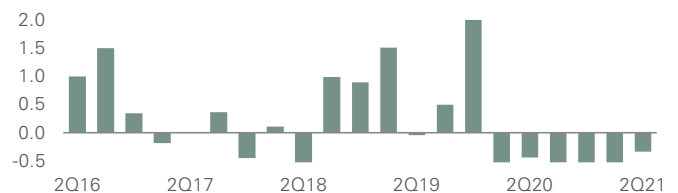
### Current Conditions

- Rental rates increased slightly but leasing activity is still down from last year.
- Sublease space availability has increased for the fourth 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)	317.9M	315.8M	314.2M	↑
Vacancy Rate	20.3%	20.0%	17.6%	↑
Quarterly Net Absorption (SF)	-340,206	-2.7M	-372,403	↓
Average Asking Rent/SF	\$27.83	\$28.06	\$26.49	↓
Under Construction (SF)	6.4M	7.1M	7.6M	↓

#### NET ABSORPTION



## RESEARCH Q2 2021

The suburbs have profited the most from enormous corporate shifts, but the CBD and 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 second quarter. The average market sublease rate is \$23.63/SF, which is a slight increase from the previous quarter in which it was \$23.53/SF. At 20.3%, the overall vacancy rate has increased since second quarter 2020 when it was 16.3%. The increase in vacancy is due largely to the pandemic. Most submarkets in the Dallas Fort Worth market experienced 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 1.0M square feet of new space delivered. The Las Colinas submarket experienced the most negative net absorption with approximately 428,000 square feet. On the other side of the spectrum, Richardson/Plano and Mid Cities experienced 321,652 and 179,776 square feet of positive net absorption respectively.

During the first quarter of 2021, 615 transactions occurred in the metroplex totaling approximately 2.2 million square feet. The number of transactions increased in the first quarter to 821 totaling 2.8 million square feet. Richardson/Plano and Mid Cities were two of the most sought out submarkets in the second 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 American Honda Finance, Fortress Investment Group, and Texas Health Center Surgery Center.

American Honda Finance Corporation, the national car finance company will be staying put for a while. The national company signed a lease renewal at 3625 West Royal Lane located in the DFW Freeport/Coppell Submarket. The tenant will occupy approximately 100,000 square feet of office space on two floors in their existing home.

Fortress Investment Group announced it will be expanding into approximately 48,000 square feet of Class A office space at 3219 Knox Street located in the Preston Center submarket. The investment firm will occupy two floors in their new building. The tenant signed in early June but will not move into their new space until second quarter 2022.

Texas Health Surgery Center signed a new lease for approximately 60,000 square feet of direct space at their new home located at 1434 W Highway 287 which is in the Southwest Outlying submarket. The healthcare company will occupy the entire building. The lease was signed in May, but the tenant will not move into their new home until second quarter 2022.

Asking Rent by Submarket			
ASKING RENT	2Q2021	2Q2021	
Uptown/Turtle Creek	\$41.89/SF	\$41.55/SF	↓
Preston Center	\$42.63/SF	\$40.00/SF	↑
Ft.Worth CBD	\$27.69/SF	\$29.19/SF	↓
Central Expressway	\$30.91/SF	\$30.62/SF	↑
Far North Dallas	\$31.87/SF	\$31.15/SF	↑

Vacancy By Submarket			
VACANCY RATE %	2Q2021	2Q2021	
Northeast Fort Worth	13.9%	14.1%	↓
Stemmons Freeway	23.4%	22.9%	↓
Dallas CBD	27.2%	224.9%	↑
CBD Total	22.3%	21.8%	↑
Richardson/Plano	17.6%	17.2%	↑

## RESEARCH Q2 2021

### Sales & Investment

The second quarter of 2021 saw a few notable sale transactions. The most notable sale of the second quarter was the sale of Burnett Plaza located at 801 Cherry Street located in the Fort Worth CBD submarket. The 1,000,000 square foot Class A office building sold for \$137M or approximately \$134 a square foot. The property was approximately 83% leased at the time of sale.

Another notable sale in the second quarter was the sale of Granite Tower located at 4055 Valley View Lane. The 241,378 Class A office building sold for an undisclosed amount. The 10-story office building was approximately 90% leased at the time of sale. The property is in the West LBJ submarket.

### Construction Pipeline

Across the market, roughly 1.0M square feet has delivered during the second quarter versus approximately 192,000 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 has led to project delays or a slowdown in groundbreakings over the past months, as

owners, lenders, and developers come to grips with the changing economic landscape both locally and nationally.

### COVID 19 Still Impacting Dallas Fort Worth

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 industries. Travel has been restricted or suspended to and from many places and many non-essential businesses are operating at limited capacity. Texas was one of the first states to fully re-open 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 5.6%, the unemployment rate was 12.8% 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.

### Lease/User Transactions

Tenant	Market	Building	Type	Square Feet
FDIC	Uptown	Plaza of the Americas	Direct	163,000
Integrity Marketing Group	Dallas CBD	Fountain Place	Relocation	100,000
American Honda Finance Corporation	DFW Freeport/Coppell	3625 W Royal Lane	Renewal	99,788
Texas Health Center	Southwest Outlying	1434 W Highway 287	Direct	60,000
Fortress Investment Group	Preston Center	3219 Knox Street	Direct	47,846

### Select Sale Transactions

Buyer/Seller	Market	Building	Sale Price	\$/SF
Burnett Cherry Street, LLC/Burnett Plaza Holdings, LLC	Ft Worth CBD	801 Cherry St	\$137,500,000	\$134.2
Granite Tower Investors, LLC/BSP Senita Valley View, LLC	West LBJ Freeway	4055 Valley View Lane	Undisclosed	TBD
Plano Cabosparkles HQ3, LLC/Randy Heady & Company Realtors	Upper Tollway/West Plano	5801 Headquarters Drive	Undisclosed	TBD

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	31,447,838	284,600	27.2%	39,348	-372,029	\$27.09	\$17.59	\$26.01
Ft. Worth CBD	10,302,511	-	17.5%	-63,441	-94,952	\$27.69	-	\$27.69
CBD	32,161,438	224,370	22.3%	-32,465	-640,090	\$27.18	\$17.59	\$26.22
Central Expressway	13,005,730	-	19.3%	-126,297	-241,415	\$32.05	\$21.21	\$30.91
East Dallas	7,648,017	67,776	16.6%	124,058	246,657	\$29.03	-	\$29.03
Far North Dallas	62,998,376	1,480,183	21.3%	47,195	-1,268,236	\$32.62	\$27.21	\$31.87
Las Colinas	41,794,069	906,000	18.9%	-428,694	-872,516	\$27.19	\$22.83	\$26.65
LBJ Freeway	22,144,798	107,000	22.3%	-68,486	-68,486	\$23.75	\$21.74	\$22.89
Lewisville/Denton	7,874,139	80,183	13.9%	25,935	57,357	\$26.18	\$20.60	\$25.45
Mid Cities	28,682,830	876,949	16.6%	179,776	414,906	\$25.97	\$20.69	\$25.59
North Ft. Worth	3,913,481	151,012	5.0%	1,003	16,277	\$27.12	\$16.58	\$27.05
Northeast Ft. Worth	3,636,548	-	13.9%	4,747	54,966	\$21.74	\$19.55	\$21.72
Preston Center	5,624,452	615,632	12.5%	-33,648	-56,997	\$43.23	\$36.22	\$42.63
Richardson/Plano	36,061,161	304,718	17.6%	321,652	-135,384	\$24.86	\$20.67	\$24.44
South Ft. Worth	11,751,660	48,594	13.0%	-77,896	-80,224	\$25.29	\$22.02	\$25.09
Southwest Dallas	3,680,987	-	14.8%	-3,641	-1,995	\$24.42	-	\$24.42
Stemmons Freeway	13,232,799	65,000	23.4%	20,042	-18,475	\$20.83	\$16.74	\$20.77
Uptown Turtle Creek	14,790,330	1,016,668	18.5%	-128,350	-245,882	\$42.07	\$40.58	\$41.89
Suburban	276,239,567	6,208,735	19.6%	-316,113	-2,541,377	\$28.55	\$24.80	\$28.16
<b>Market</b>	<b>317,989,916</b>	<b>6,493,335</b>	<b>20.3%</b>	<b>-340,206</b>	<b>-3,008,358</b>	<b>\$28.32</b>	<b>\$23.63</b>	<b>\$27.83</b>

## Economic Indicators

According to the Dallas Federal Reserve the pace of economic recovery in Dallas–Fort Worth eased in April. Payrolls expanded broadly but at a slower rate than in March. Unemployment dipped, and the business-cycle indexes for both Dallas and Fort Worth rose. Existing-home sales climbed in March and April, and home price gains accelerated further. Recently released data from the Census Bureau show that DFW ranked No. 1 among U.S. metros in net population increase in 2020.

DFW employment grew an annualized 1.7 percent (5,300 jobs, nonannualized) in April following an 8.0 percent increase in March. Payrolls expanded 2.2 percent (4,900) in Dallas and 0.5 percent (400) in Fort Worth. Similarly, Texas job growth moderated to 1.3 percent (13,400) from a 12.3 percent increase in March. The DFW labor market began recovering in May 2020 from pandemic lows; through April, payrolls remained 2.9 percent below February 2020 levels.

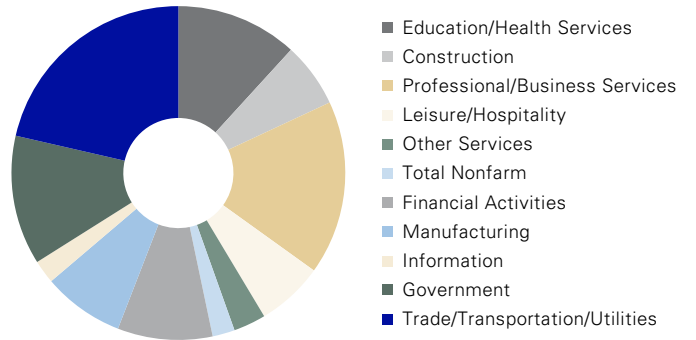
The unemployment rate fell to 5.8 percent in Dallas and 6.1 percent in Fort Worth in April, with both remaining below Texas' jobless rate of 6.7 percent. Initial unemployment insurance claims in DFW edged up to 6,700 for the week ended May 15. Since peaking in early April 2020, claims have generally been on a downward trend outside of a post-winter-storm period in February and March. They have largely stabilized but remain slightly elevated—double the levels in early 2020 (pre-COVID-19).

The DFW business-cycle indexes—broad measures of economic activity—expanded in April, buoyed by recent job gains and unemployment rate declines. The indexes rose 7.5 percent in Dallas and 4.5 percent in Fort Worth in April following robust increases in March. April marked the 12th consecutive month of growth for both indexes, suggesting continued recovery in the DFW economy.

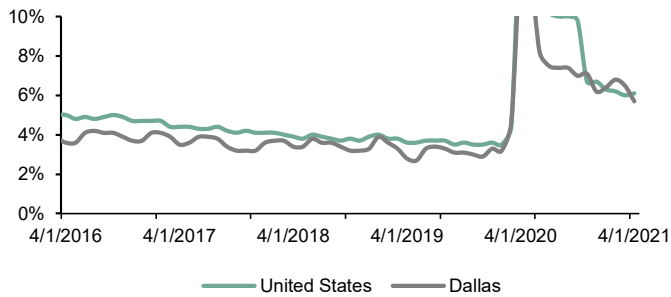
Recently released census data show that from July 2019 to July 2020, the metroplex grew by nearly 120,000 people—the largest numerical increase among metro areas in the U.S., followed by Phoenix and Houston. DFW's 1.6 percent gain was ahead of Texas' 1.3 percent increase last year. Net domestic migration accounted for 48 percent and international migration for 14 percent of DFW's population growth, meaning that approximately 205 people moved to DFW every day last year. Though international migration slowed due to the ongoing pandemic,

domestic migration strengthened from 2019. DFW is the fourth-largest metropolitan statistical area in the U.S., with a population of nearly 7.7 million in 2020. Since 2010, DFW has added 1.3 million residents.

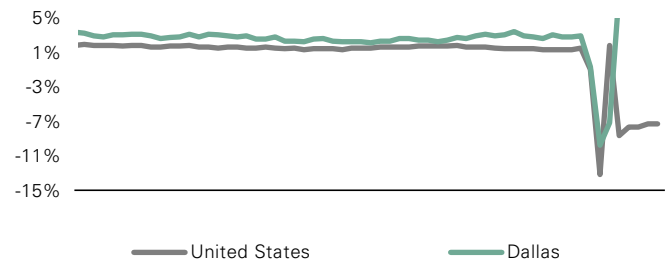
**Employment By Industry**



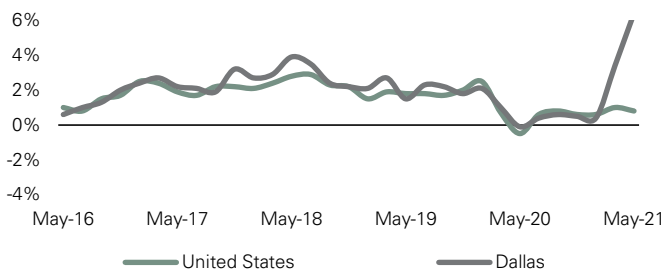
**Unemployment Rate**



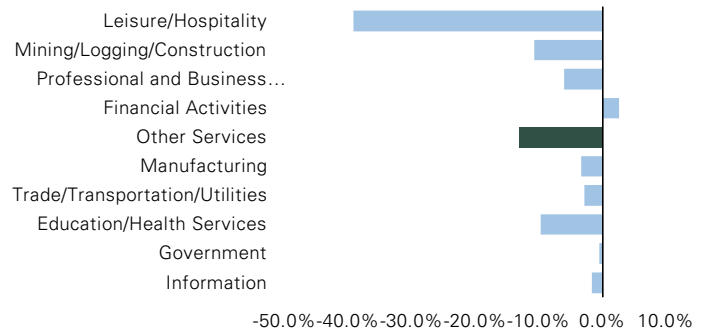
**Payroll Unemployment**



**Customer Price Index (CPI)**



**Employment Growth By Industry**



*For more information:*

**Dallas**

2515 McKinney Ave.  
Suite 1300  
Dallas, TX 75201  
t 469-467-2000

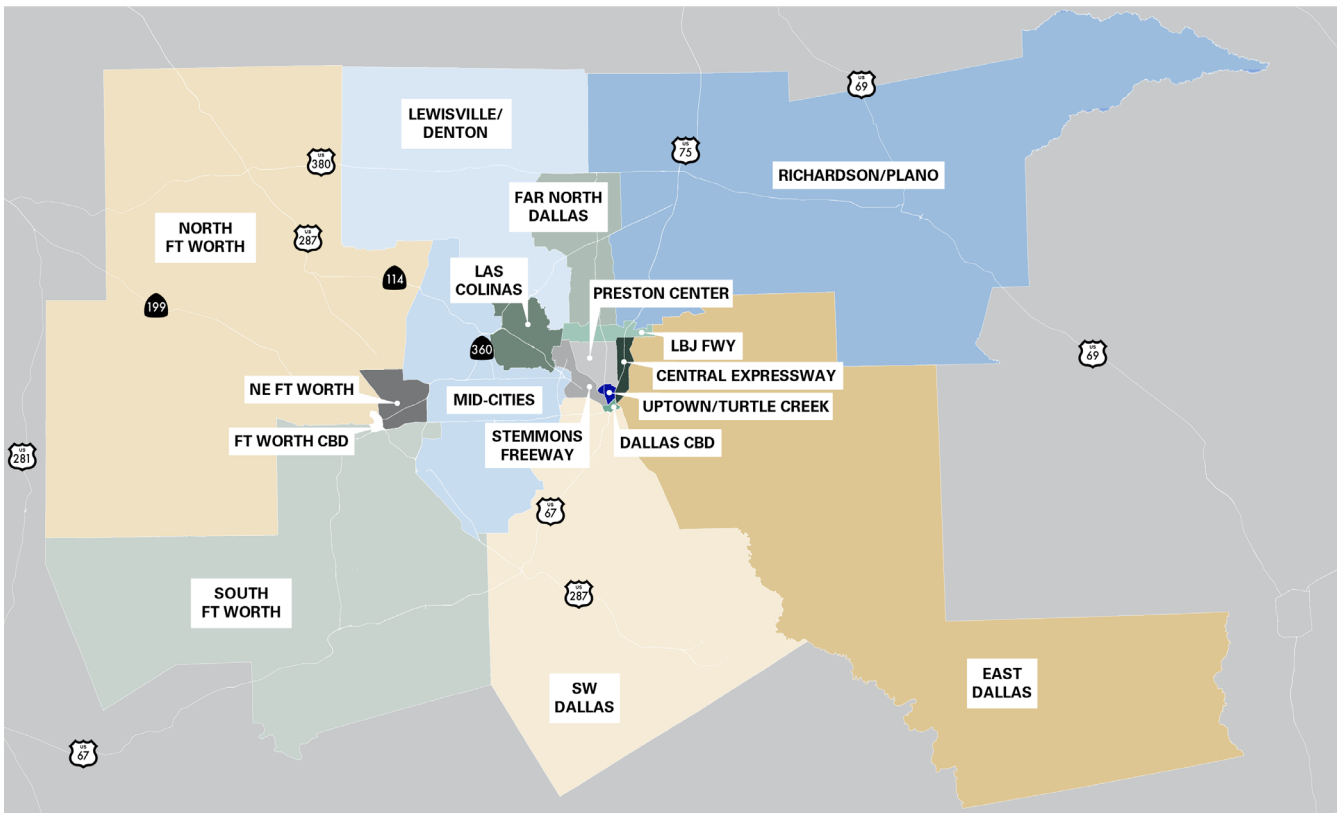
**Graham Hildebrand**

*Director*  
*Texas Research*  
graham.hildebrand@ngkf.com

**Walter Bruton**

*Research Analyst*  
*Texas Research*  
walter.bruton@ngkf.com

[nmrk.com](http://nmrk.com)



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](http://ngkf.com/research).

All information contained in this publication is derived from sources that are deemed to be reliable. However, Newmark has not verified any such information, and the same constitutes the statements and representations only of the source thereof not of Newmark. Any recipient of this publication should independently verify such information and all other information that may be material to any decision the recipient may make in response to this publication and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial and tax aspects and implications. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download or in any other way reproduce this publication or any of the information it contains. This document is intended for informational purposes only, and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter.