

OFFICE MARKET



Leasing Velocity Maintains Pace In Dallas+Fort Worth

New Sublease Listings Decelerate In Second Half Of Quarter

EXECUTIVE SUMMARY

Major Market Highlights:

- Employment in office-using industries is now **flat year-over-year**, after continued hiring in Professional Services and Finance & Insurance has netted out remaining declines in Administrative Services & Information
- Dallas+Fort Worth is a leading metro in various rankings of office occupancy and return to workplaces. Traffic congestion indexes are currently 40% below pre-pandemic levels
- After accelerating sharply in the first half of Q3, new sublease listings slowed considerably in the latter half
- Asking rents remain unchanged in most properties on a direct basis, although some submarkets have seen average rent movement due to sublease availability

RENTAL RATES & AVAILABILITY

Direct Rents Show Little Change, Sublease Listings Slow

Sublease space has contributed to softening of average rents across the market in Class A space, although most properties remain unchanged on a direct basis. Two of the most expensive submarkets—Uptown/Turtle Creek and Upper Tollway/West Plano—saw increases in average rents as sublease space became available in some of the most expensive properties. The Class B segment continues to show normal rent growth as expected.

Sublease availability finished the quarter at 8.9 million SF across the Dallas+Fort Worth market, which represents a 50% year-over year increase or a 31% increase from previous highs recorded in Q4 2018. After accelerating in the first half of Q3, new sublease listings peaked in August and decelerated just as sharply through September and October. At the same time, Transwestern's tracking shows the amount of space coming off the market beginning to increase, which may help return the market to a level that is elevated but closer to average levels during recessionary conditions.

TRENDLINES

5-YEAR TREND CURRENT QUARTER

DIRECT VACANT AVAILABLE

16.2%
Up in Class A and B properties

NET ABSORPTION

(2.45 MSF)
12-month absorption is negative 2.25 MSF

SUBLEASE SPACE AVAILABLE

8.9 MSF
Available space likely peaked in Q3

CLASS A RENTS

\$31.86 PSF
Up 1% from last year, softened by subleases

CLASS B RENTS

\$22.06 PSF
Up 4.4% from last year, maintaining growth

UNDER CONSTRUCTION

5.82 MSF
BTS and speculative projects continue

LEASING, VACANCY & ABSORPTION

Leasing Levels Out, Sublease Impacts Absorption

Leasing activity maintained pace from last quarter to finish at approximately 2.3 MSF. One positive development this quarter was the number of new lease and pre-lease transactions among mid-size and larger users, although these are likely moves from necessity that may not portend a return to normal leasing volumes.

In Dallas, direct net absorption was negative 1.7 MSF, with at least 25% of this new vacancy attributable to move-outs and expirations unrelated to COVID-19. In Fort Worth, direct net absorption posted a negative 369 KSF, driven largely by a handful of Class B buildings in the CBD submarket.

The resulting impacts to space turnover have caused direct vacant availability to increase. Class A in Dallas has increased 110 bps from last quarter to reach 17.5%, while Class B properties have been less sharp at +60 bps to reach 16.9%. Fort Worth, on the other hand, has seen Class A properties remain stable at 12.7% while Class B properties are up 150 bps to reach 11.0%.

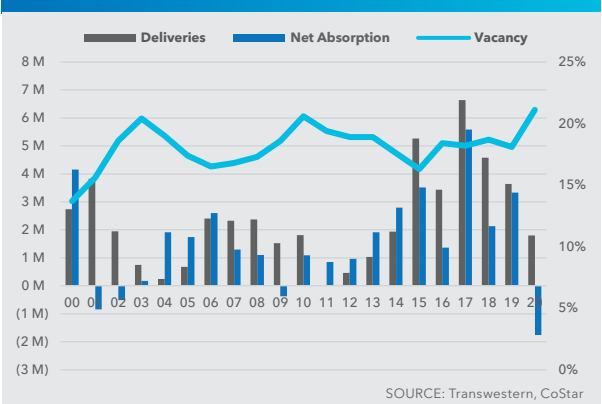
CONSTRUCTION

Construction Pipeline Levels Out

Construction levels maintained levels from the previous quarter as expected. One new speculative project broke ground in Cypress Waters (300 KSF at 2999 Olympus), which has seen momentum with the Caliber Home Loans lease noted below. Beyond this, we expect speculative development to remain limited without significant pre-leasing. ■

HISTORIC VACANCY – DALLAS MARKET

Class A Office



Top Submarkets For Class A New Construction

SUBMARKET	TOTAL RSF*	LEASED
Uptown/Turtle Creek	1,917,079	61%
Upper Tollway/West Plano	1,356,729	56%
DFW Freeport/Coppell	1,303,683	53%
Frisco/The Colony	1,020,494	59%
Dallas CBD	650,256	52%
White Rock	509,936	57%
Allen/McKinney	467,182	55%
Preston Center	415,000	58%
MARKET TOTAL	8,460,958	42%

*Under construction or delivered since 2018

SOURCE: Transwestern, CoStar

Notable Lease Transactions

TENANT	SF	LEASE TYPE	BUILDING	SUBMARKET
Caliber Home Loans	159,320	New	Cypress Waters - 3401 Olympus	DFW Freeport/Coppell
Haynes and Boone	124,000	Pre-Lease	Harwood No. 14	Uptown/Turtle Creek
Hilltop Securities	96,000	New	717 Harwood	Dallas CBD
Wesco Aircraft	53,236	Renewal	Gourley Plaza	Northeast Fort Worth
Godwin Bowman	43,000	Renewal	Renaissance Tower	Dallas CBD
Aperia	31,112	Renewal	The Belvedere	Lower Tollway

SOURCE: Transwestern, CoStar

Dallas Submarkets - All Space

Submarket	Inventory	Direct Vacant Available SF	%	Sublet Available	Vacancy w/ Sublet	Under Construction	Quarterly Leasing Activity	Quarterly Net Absorption	12 Month Net Absorption	Average Gross Rent
Uptown/Turtle Creek	14,976,851	2,094,428	14.0%	515,613	17.4%	656,774	162,962	(229,307)	(320,124)	\$48.00 ¹
Dallas CBD	31,141,609	6,992,623	22.5%	1,199,649	26.3%	284,600	207,530	(568,894)	(769,324)	\$29.14 ¹
Stemmons Freeway	12,094,011	2,541,320	21.0%	72,787	21.6%	65,000	287,949	(81,733)	(154,073)	\$20.61
Preston Center	5,656,117	547,935	9.7%	88,597	11.3%	297,000	91,167	(4,928)	(99,019)	\$42.00
Central Expressway ²	15,725,742	2,580,374	16.4%	631,247	20.4%	30,000	109,825	(304,039)	(381,480)	\$28.39
Deep Ellum/East Dallas	1,890,518	245,350	13.0%	115,995	19.1%	684,116	4,179	(42,393)	(20,302)	\$22.72
West LBJ Freeway	4,340,237	846,669	19.5%	170,343	23.4%	0	12,559	(61,124)	(1,432)	\$18.01
East LBJ Freeway ²	6,228,018	1,488,749	23.9%	18,871	24.2%	0	128,171	(61,295)	(6,655)	\$19.32
Lower Tollway ²	27,479,571	4,700,739	17.1%	1,107,364	21.1%	0	241,248	(185,475)	122,540	\$28.10 ¹
Upper Tollway/West Plano	30,642,323	3,952,257	12.9%	1,224,793	16.9%	1,254,954	154,127	81,918	37,218	\$36.36 ¹
Upper Tollway/Frisco	5,059,517	450,137	8.9%	261,601	14.1%	947,718	21,763	30,334	144,241	\$37.85 ¹
Richardson	20,490,793	3,429,717	16.7%	633,165	19.8%	0	94,019	(26,210)	(326,675)	\$22.94
Plano	6,699,568	1,663,982	24.8%	203,380	27.9%	0	30,368	(38,913)	(84,828)	\$23.97
Allen/McKinney	5,605,352	608,357	10.9%	101,693	12.7%	146,772	44,407	(42,188)	37,431	\$25.76
Las Colinas Urban Center	9,685,424	1,735,197	17.9%	332,230	21.3%	0	27,611	(46,974)	(489,537)	\$29.70
Las Colinas Office Center	16,739,749	2,642,090	15.8%	262,064	17.3%	0	42,633	(163,600)	827,027	\$24.48
DFW Freeport	15,357,455	2,201,824	14.3%	877,061	20.0%	575,877	181,309	(295,967)	(126,562)	\$24.88
South Irving	1,201,180	196,814	16.4%	10,990	17.3%	0	3,241	(5,067)	(27,089)	\$16.31
Lewisville	4,453,970	677,636	15.2%	3,624	15.3%	0	35,140	4,725	(41,247)	\$24.35
Denton	1,536,417	71,215	4.6%	-	4.6%	0	3,115	(12,857)	(13,994)	\$21.75
Garland	937,119	147,437	15.7%	-	15.7%	0	4,799	(6,066)	(36,877)	\$15.01
Rockwall	500,134	8,662	1.7%	1,673	2.1%	104,000	-	0	1,168	\$31.65
Mesquite/Terrell/Forney	540,111	67,766	12.5%	-	12.5%	0	2,632	5,971	5,806	\$21.53
Southeast Dallas	470,734	34,190	7.3%	-	7.3%	0	-	(108)	(8,452)	\$15.22
Oak Cliff	2,478,456	497,542	20.1%	4,116	20.2%	0	24,288	13,538	(44,984)	\$22.80
Grand Prairie	3,581,817	1,539,516	43.0%	6,108	43.2%	0	113,606	(41,181)	(58,616)	\$25.95
DALLAS - ALL SPACE	245,512,793	41,962,526	17.1%	7,842,964	20.3%	5,046,811	2,028,648	(2,081,833)	(1,835,839)	\$28.42

SOURCE: Transwestern, CoStar

NOTES

¹ Gross rents in these submarkets are calculated for each building using expense comps and Transwestern's research on asking rents that are withheld from CoStar² The East LBJ submarket has been reduced. The Park Central micro-market has been moved to Central Expressway and inventory along the Dallas North Tollway has been moved to Lower Tollway. See map on last page for new boundaries

Dallas Submarkets - Class A

Submarket	Inventory	Direct Vacant Available SF	%	Sublet Available	Vacancy w/ Sublet	Under Construction	Quarterly Leasing Activity	Quarterly Net Absorption	12 Month Net Absorption	Average Gross Rent
Uptown/Turtle Creek	12,657,281	1,699,239	13.4%	483,742	17.2%	656,774	134,990	(209,265)	(270,351)	\$50.17 ¹
Dallas CBD	23,860,019	5,780,325	24.2%	1,132,285	29.0%	284,600	191,428	(510,851)	(657,380)	\$30.41 ¹
Stemmons Freeway	4,919,369	800,042	16.3%	41,316	17.1%	0	67,341	(77,606)	(121,867)	\$20.43
Preston Center	4,469,734	394,693	8.8%	72,371	10.4%	297,000	78,681	(137)	(60,489)	\$44.75
Central Expressway ²	11,005,218	1,958,909	17.8%	520,704	22.5%	0	68,140	(279,856)	(334,952)	\$29.51
Deep Ellum/East Dallas	472,678	85,048	18.0%	115,995	42.5%	684,116	-	(31,313)	(18,100)	\$37.39
West LBJ Freeway	1,665,546	380,710	22.9%	127,340	30.5%	0	3,864	4,830	71,400	\$19.45
East LBJ Freeway ²	1,052,689	290,399	27.6%	3,339	27.9%	0	42,171	(22,631)	(59,543)	\$19.11
Lower Tollway ²	16,691,731	2,498,094	15.0%	812,579	19.8%	0	141,165	(127,210)	146,402	\$32.51 ¹
Upper Tollway/West Plano	23,811,350	2,982,424	12.5%	922,327	16.4%	1,220,454	124,901	130,498	119,023	\$38.72 ¹
Upper Tollway/Frisco	3,995,535	328,152	8.2%	259,046	14.7%	913,718	20,338	60,528	192,551	\$38.88 ¹
Richardson	10,828,166	1,767,863	16.3%	217,384	18.3%	0	22,544	49,364	(184,685)	\$25.84
Plano	2,127,555	829,024	39.0%	78,688	42.7%	0	6,568	(31,798)	339,278	\$28.40
Allen/McKinney	1,904,405	282,909	14.9%	57,204	17.9%	0	30,611	1,455	56,494	\$28.86
Las Colinas Urban Center	7,752,626	1,369,045	17.7%	249,546	20.9%	0	23,482	(21,584)	(407,288)	\$31.83
Las Colinas Office Center	9,385,447	1,572,216	16.8%	132,187	18.2%	0	8,760	(105,978)	853,739	\$28.80
DFW Freeport	6,643,738	896,068	13.5%	229,013	16.9%	472,877	162,995	(89,512)	327,742	\$28.68
South Irving	-	-	-	-	-	0	-	0	-	-
Lewisville	434,072	204,596	47.1%	-	47.1%	0	11,574	1,699	6,179	\$30.77
Denton	-	-	-	-	-	0	-	0	-	-
Garland	-	-	-	-	-	0	-	0	-	-
Rockwall	110,000	-	-	-	-	80,000	-	0	-	-
Mesquite/Terrell/Forney	25,000	8,000	32.0%	-	32.0%	0	-	3,400	16,000	\$36.39
Southeast Dallas	-	-	-	-	-	0	-	0	-	-
Oak Cliff	280,592	19,271	6.9%	-	6.9%	0	-	0	(11)	\$20.00
Grand Prairie	1,530,905	1,305,190	85.3%	-	85.3%	0	109,188	(25,649)	(25,649)	\$26.94
DALLAS - CLASS A	145,623,656	25,452,217	17.5%	5,455,066	21.2%	4,609,539	1,248,741	(1,281,616)	(11,507)	\$32.51

SOURCE: Transwestern, CoStar

NOTES

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Dallas Submarkets - Class B

Submarket	Inventory	Direct Vacant Available SF	%	Sublet Available	Vacancy w/ Sublet	Under Construction	Quarterly Leasing Activity	Quarterly Net Absorption	12 Month Net Absorption	Average Gross Rent
1Uptown/Turtle Creek	2,157,014	367,275	17.0%	31,871	18.5%	0	27,972	(17,589)	(45,143)	\$35.37 ¹
Dallas CBD	5,736,415	1,202,722	21.0%	67,364	22.1%	0	16,102	(58,043)	(111,944)	\$21.52 ¹
Stemmons Freeway	6,354,624	1,588,088	25.0%	29,387	25.5%	65,000	219,410	(1,484)	32,993	\$20.96
Preston Center	984,562	145,928	14.8%	16,226	16.5%	0	12,486	(4,791)	(42,264)	\$29.67
Central Expressway ²	4,587,998	621,465	13.5%	110,543	16.0%	30,000	41,685	(24,183)	(46,528)	\$25.19
Deep Ellum/East Dallas	882,350	119,329	13.5%	-	13.5%	0	3,295	(4,370)	1,765	\$18.05
West LBJ Freeway	2,473,994	456,448	18.4%	43,003	20.2%	0	8,695	(74,903)	(77,900)	\$16.69
East LBJ Freeway ²	5,029,155	1,198,350	23.8%	15,532	24.1%	0	86,000	(38,664)	52,888	\$19.37
Lower Tollway ²	10,478,948	2,191,876	20.9%	294,785	23.7%	0	98,941	(53,777)	(20,334)	\$21.41 ¹
Upper Tollway/West Plano	6,726,098	969,833	14.4%	302,466	18.9%	34,500	29,226	(48,580)	(81,805)	\$27.90 ¹
Upper Tollway/Frisco	1,019,842	117,994	11.6%	2,555	11.8%	34,000	1,425	(30,194)	(48,310)	\$30.33 ¹
Richardson	9,239,062	1,634,689	17.7%	414,621	22.2%	0	67,842	(78,587)	(135,750)	\$19.96
Plano	3,806,360	368,770	9.7%	21,627	10.3%	0	23,800	(9,294)	(4,383)	\$20.38
Allen/McKinney	3,649,733	325,448	8.9%	44,489	10.1%	146,772	13,796	(43,643)	(19,063)	\$24.57
Las Colinas Urban Center	1,743,022	366,152	21.0%	82,684	25.8%	0	4,129	(25,390)	(82,249)	\$20.70
Las Colinas Office Center	6,839,109	1,025,632	15.0%	129,877	16.9%	0	33,873	(57,622)	(56,521)	\$21.37
DFW Freeport	8,339,970	1,282,614	15.4%	648,048	23.1%	103,000	18,314	(206,455)	(463,822)	\$22.59
South Irving	1,015,177	138,742	13.7%	10,990	14.7%	0	3,241	(5,067)	329	\$16.87
Lewisville	3,822,804	461,886	12.1%	3,624	12.2%	0	20,942	(2,286)	(38,905)	\$22.49
Denton	1,233,043	61,215	5.0%	-	5.0%	0	1,915	(16,795)	(17,869)	\$23.71
Garland	630,433	135,437	21.5%	-	21.5%	0	4,799	(6,066)	(24,877)	\$15.43
Rockwall	151,516	1,500	1.0%	1,673	2.1%	24,000	-	0	1,168	\$31.65
Mesquite/Terrell/Forney	366,390	19,897	5.4%	-	5.4%	0	1,477	2,571	(5,362)	\$17.60
Southeast Dallas	352,418	24,690	7.0%	-	7.0%	0	-	(108)	(3,452)	\$14.15
Oak Cliff	1,724,015	428,601	24.9%	4,116	25.1%	0	24,288	(4,797)	(59,242)	\$24.15
Grand Prairie	1,978,583	206,010	10.4%	6,108	10.7%	0	4,418	(15,532)	(32,967)	\$20.20
DALLAS - CLASS B	91,322,635	15,460,591	16.9%	2,281,589	19.4%	437,272	768,071	(825,649)	(1,329,547)	\$22.14

SOURCE: Transwestern, CoStar

NOTES

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Fort Worth Submarkets - All Space

Submarket	Inventory	Direct Vacant Available SF	%	Sublet Available	Vacancy w/ Sublet	Under Construction	Quarterly Leasing Activity	Quarterly Net Absorption	12 Month Net Absorption	Average Gross Rent
Fort Worth CBD	9,505,951	1,428,361	15.0%	197,629	17.1%	0	16,299	(193,949)	(70,970)	\$27.98
Southwest Fort Worth	4,767,354	479,125	10.1%	62,067	11.4%	0	92,971	(37,133)	(123,506)	\$23.23
West Fort Worth	2,474,623	213,365	8.6%	308,445	21.1%	23,031	24,625	(67,812)	(180,187)	\$26.73
Northwest Fort Worth	505,993	60,693	12.0%	-	12.0%	0	10,078	(7,599)	(9,125)	\$18.26
Alliance	2,893,740	73,760	2.5%	1,900	2.6%	0	1,700	9,820	6,828	\$26.23
Westlake/Grapevine	7,460,799	1,161,599	15.6%	351,186	20.3%	752,143	13,471	(38,304)	(44,802)	\$29.46
Mid-Cities	5,612,489	457,579	8.2%	34,670	8.8%	0	31,855	46,912	75,695	\$18.96
Northeast Fort Worth	3,595,603	490,805	13.7%	-	13.7%	0	55,700	(9,336)	9,685	\$20.86
Arlington	6,958,785	684,229	9.8%	61,561	10.7%	0	96,256	(44,761)	(39,396)	\$19.69
Southeast Fort Worth	1,091,702	105,803	9.7%	-	9.7%	0	3,094	(26,434)	(34,115)	\$17.20
FORT WORTH - TOTAL	44,867,039	5,155,319	11.5%	1,017,458	13.8%	775,174	346,049	(368,596)	(409,893)	\$25.32

Fort Worth Submarkets - Class A

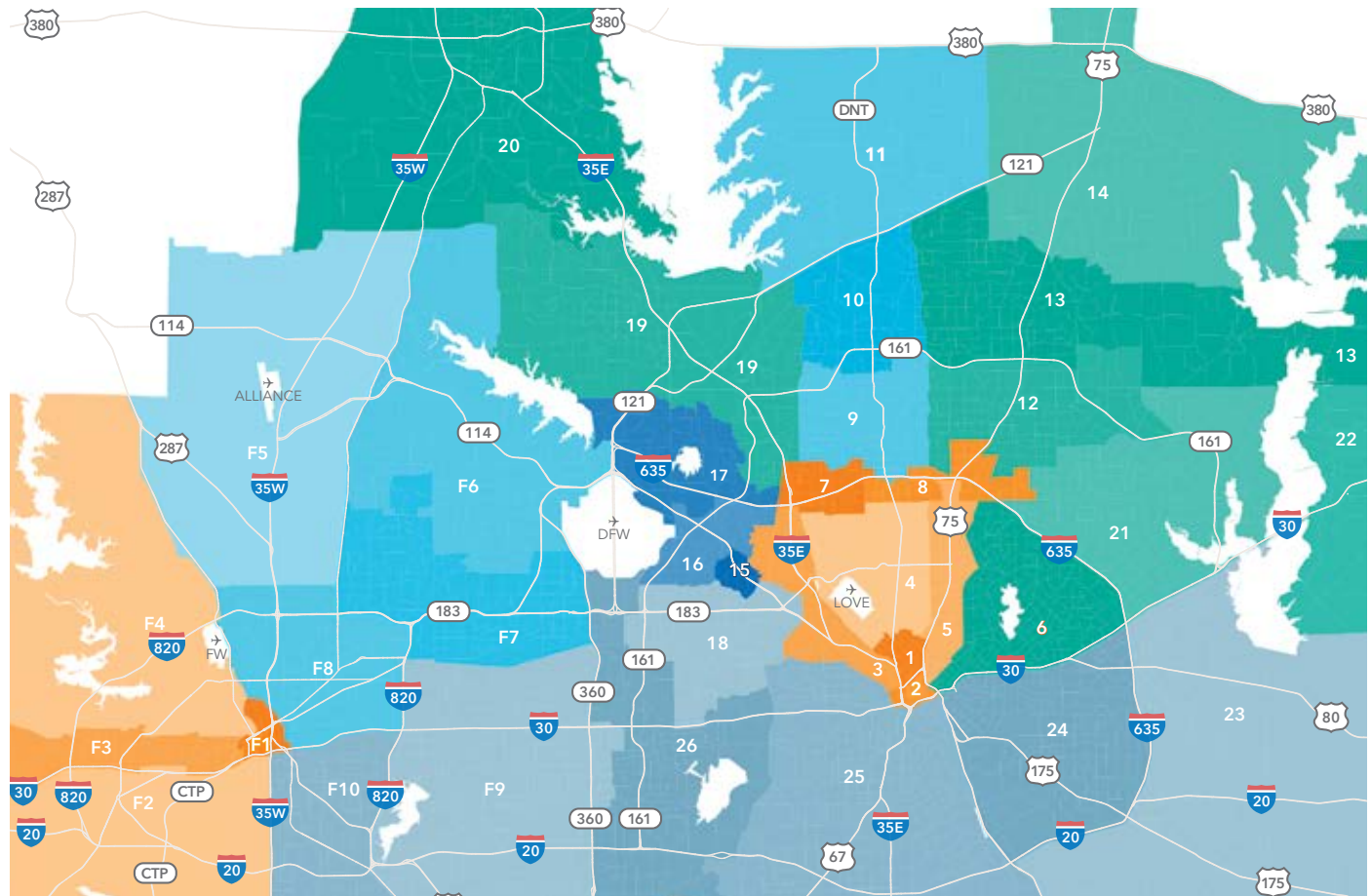
Submarket	Inventory	Direct Vacant Available SF	%	Sublet Available	Vacancy w/ Sublet	Under Construction	Quarterly Leasing Activity	Quarterly Net Absorption	12 Month Net Absorption	Average Gross Rent
Fort Worth CBD	5,683,779	851,181	15.0%	139,008	17.4%	0	10,875	(36,899)	71,041	\$31.57
Southwest Fort Worth	1,502,653	71,919	4.8%	15,965	5.8%	0	71,415	(20,477)	(57,109)	\$26.21
West Fort Worth	881,056	53,970	6.1%	272,909	37.1%	23,031	4,824	(57,815)	(216,614)	\$27.45
Northwest Fort Worth	125,000	1,020	0.8%	-	0.8%	0	479	(541)	(1,020)	\$16.23
Alliance	1,134,559	56,112	4.9%	-	4.9%	0	-	10,820	10,820	\$27.56
Westlake/Grapevine	4,950,687	855,088	17.3%	234,601	22.0%	720,085	-	(27,249)	(34,634)	\$30.43
Mid-Cities	2,137,795	69,518	3.3%	5,109	3.5%	0	1,011	5,949	17,475	\$19.15
Northeast Fort Worth	437,268	229,981	52.6%	-	52.6%	0	53,236	-	2,076	\$21.41
Arlington	2,238,307	310,008	13.9%	35,411	15.4%	0	38,592	(1,864)	(72,695)	\$22.33
Southeast Fort Worth	541,630	-	-	-	-	0	-	-	-	-
FORT WORTH - CLASS A	19,632,734	2,498,797	12.7%	703,003	16.3%	743,116	180,432	(128,076)	(280,660)	\$28.43

Fort Worth Submarkets - Class B

Submarket	Inventory	Direct Vacant Available SF	%	Sublet Available	Vacancy w/ Sublet	Under Construction	Quarterly Leasing Activity	Quarterly Net Absorption	12 Month Net Absorption	Average Gross Rent
Fort Worth CBD	3,601,958	577,180	16.0%	58,621	17.7%	0	5,424	(157,050)	(142,011)	\$21.68
Southwest Fort Worth	2,845,375	345,840	12.2%	46,102	13.8%	0	21,556	(16,260)	(47,395)	\$22.24
West Fort Worth	1,483,806	159,395	10.7%	35,536	13.1%	0	19,801	(9,997)	36,427	\$26.57
Northwest Fort Worth	179,611	57,101	31.8%	-	31.8%	0	5,148	(8,345)	(11,762)	\$18.57
Alliance	1,734,581	17,648	1.0%	1,900	1.1%	0	1,700	(1,000)	(3,992)	\$20.16
Westlake/Grapevine	2,457,918	274,781	11.2%	116,585	15.9%	32,058	13,471	(11,055)	(10,168)	\$26.62
Mid-Cities	3,104,140	372,136	12.0%	29,561	12.9%	0	27,158	32,011	50,299	\$19.09
Northeast Fort Worth	2,861,188	241,900	8.5%	-	8.5%	0	861	(5,103)	(3,636)	\$20.92
Arlington	3,933,308	348,105	8.9%	26,150	9.5%	0	47,897	(52,923)	33,405	\$17.73
Southeast Fort Worth	322,595	78,881	24.5%	-	24.5%	0	3,094	(712)	(8,093)	\$16.94
FORT WORTH - CLASS B	22,524,480	2,472,967	11.0%	314,455	12.4%	32,058	146,110	(230,434)	(106,926)	\$21.56

SOURCE: Transwestern, CoStar

Q3 2020 | DALLAS+FORT WORTH | OFFICE MARKET



FORT WORTH SUBMARKETS

- F1** Fort Worth CBD
- F2** Southwest Fort Worth
- F3** West Fort Worth
- F4** Northwest Fort Worth
- F5** Alliance
- F6** Westlake/Grapevine
- F7** HEB/Mid-Cities
- F8** Northeast Fort Worth
- F9** Arlington/Mansfield
- F10** Southeast Fort Worth

DALLAS SUBMARKETS

- 1** Uptown/Turtle Creek
- 2** Dallas CBD
- 3** Stemmons Corridor
- 4** Preston Center
- 5** Central Expressway
- 6** Deep Ellum/East Dallas
- 7** West LBJ Freeway
- 8** East LBJ Freeway
- 9** Lower Tollway
- 10** Upper Tollway/West Plano
- 11** Upper Tollway/Frisco
- 12** Richardson
- 13** Plano
- 14** Allen/McKinney
- 15** Las Colinas Urban Center
- 16** Las Colinas Office Center
- 17** DFW Freeport
- 18** South Irving
- 19** Lewisville
- 20** Denton
- 21** Garland
- 22** Rockwall
- 23** Mesquite/Terrell/Forney
- 24** Southeast Dallas
- 25** Oak Cliff/Southwest Dallas
- 26** Grand Prairie

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METHODOLOGY

The information in this report is the result of a compilation of information on office properties located in the Dallas-Fort Worth metropolitan area. This report includes single-tenant, multi-tenant and owner-user office properties 20,000 SF and larger, excluding government and medical office facilities.



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