

A high-angle photograph of a modern office lobby. In the foreground, there are two sets of lounge furniture: one with a green armchair and two tan chairs around a small round table, and another with a green armchair and two tan chairs around a larger, irregularly shaped wooden table. In the middle ground, a woman in a blue suit is gesturing towards a man in a light-colored suit who is walking away. The lobby has large windows, a glass entrance, and a clean, minimalist design.

Dallas – Fort Worth office market report

Q4 2022

**AVISON
YOUNG**

Dallas – Fort Worth office market trends

16.2%

Office-using job growth buoys local market

DFW has set new employment peaks in total jobs and office-using employment, over and above the recovery of jobs lost at the start of the pandemic. Of the net new 354,000 total jobs, DFW's office sector has expanded by more than 170,000.

Our take on this trend...

In comparison, the US is up only 4.6% in office jobs. DFW's almost 4-fold growth has positioned the region with a greater demand driver than many US markets that continue to struggle with the ongoing evolution of return-to-work.

25.3%

Average vacancy inches higher, but the story is nuanced

Despite DFW's employment growth, average vacancy inches higher and is at its highest since the 1980s — sublet vacancy is the highest since the 2000's tech downturn. Newer Class A is in high demand, beating these averages by 10+ percentage points.

Our take on this trend...

In addition, space availability is inching higher. Availability currently totals 66 million square feet, up 1.3 percentage points since the end of 2021. While most of that is due to direct space increases, sublet is also rising — suggesting that tenants are still endeavoring to balance their space and workforce with their unique business needs.

-1.1 msf

Negative office absorption trend slowing

The negative absorption in 2020 and 2021, the worst in DFW's history, finally slowed in 2022. The year was choppy, as companies adjusted to hybrid work patterns, although several of the high-demand submarkets saw positive gains in 2022.

Our take on this trend...

Office users continue to wrestle with their unique business needs with some in the office and others remote. The biggest challenge with DFW's ongoing slow demand is the implication to lease-up and stabilization of the development pipeline's 6.1 million square feet that is only 30% leased.

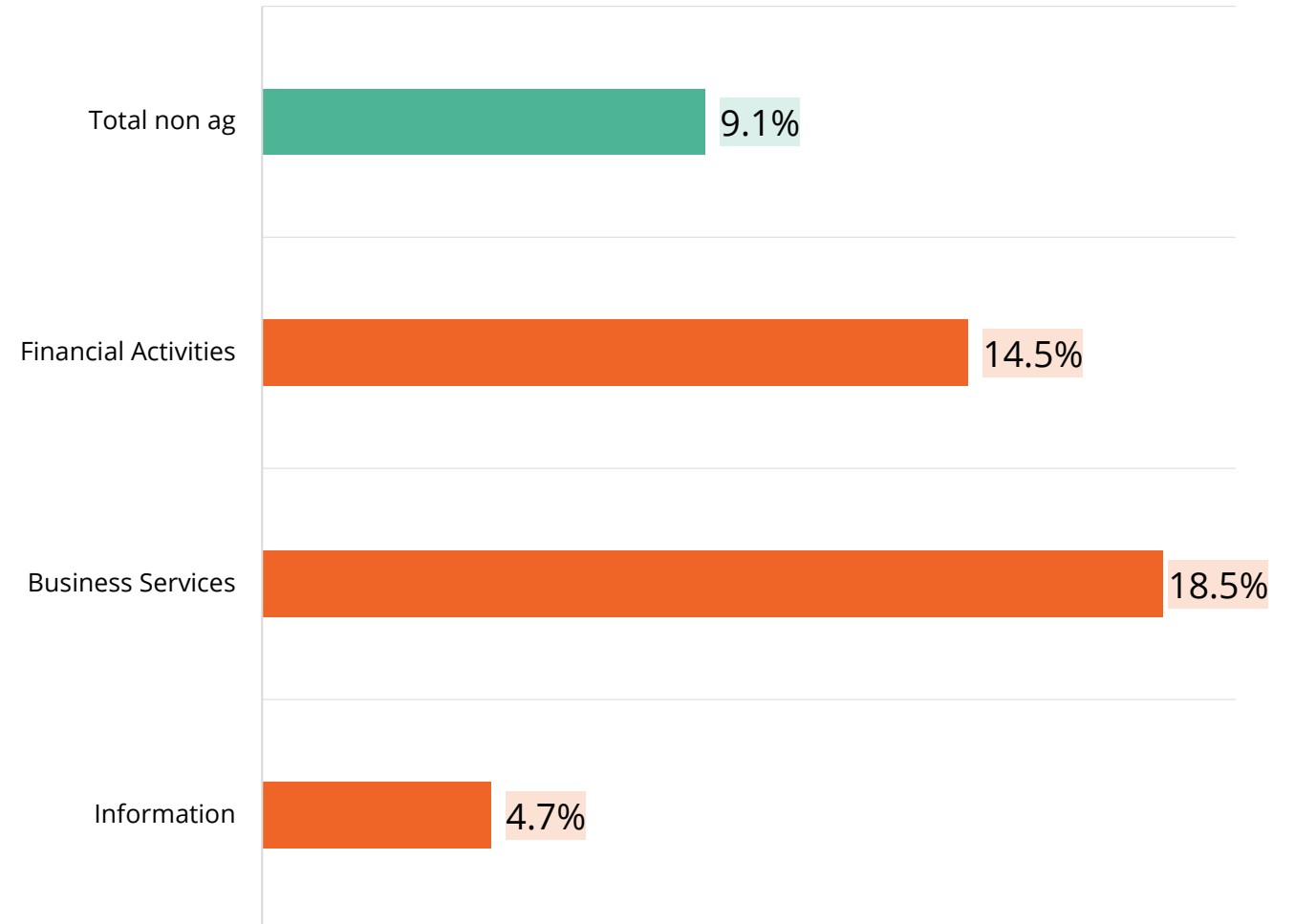
Dallas – Fort Worth office-using job gains

172,500

net new office-using jobs
created since the pandemic.

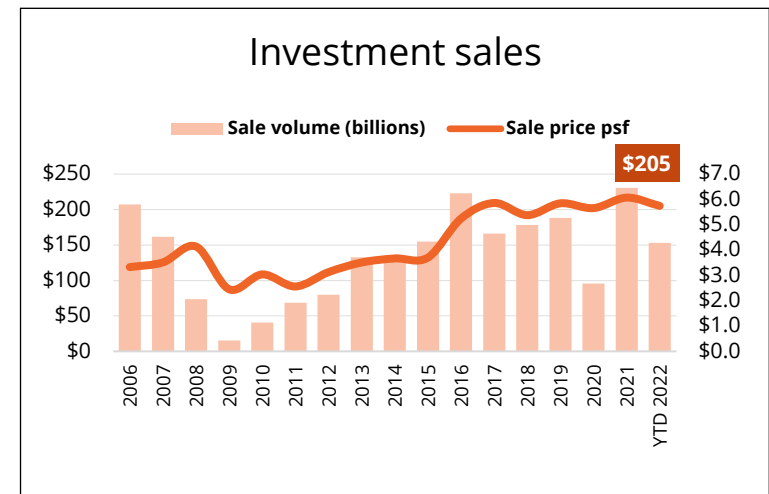
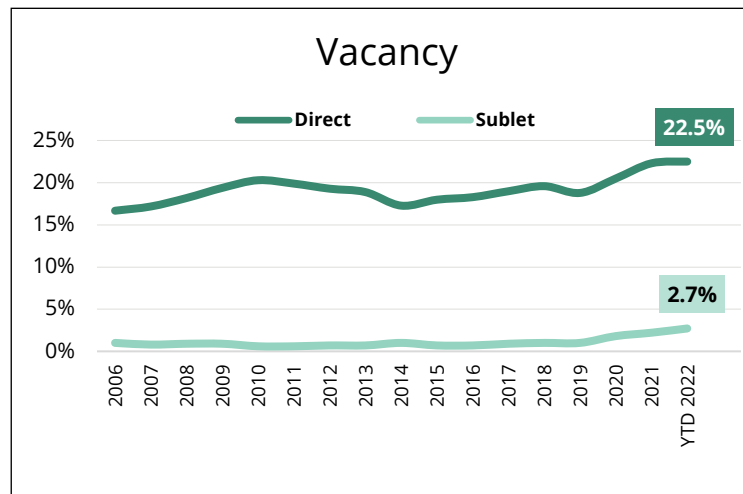
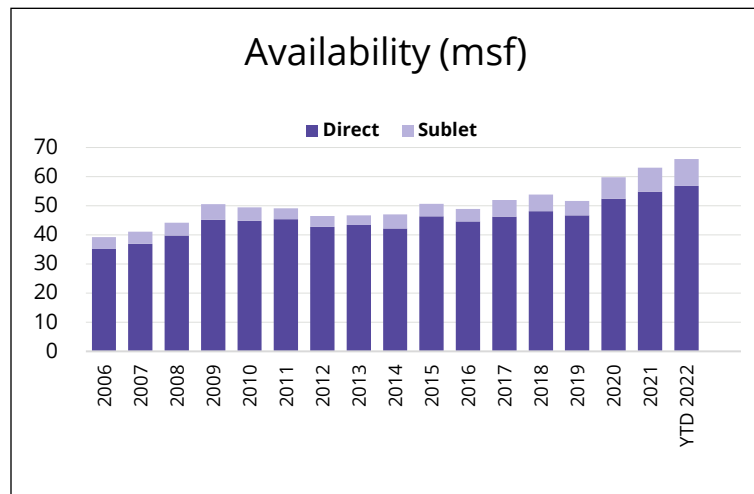
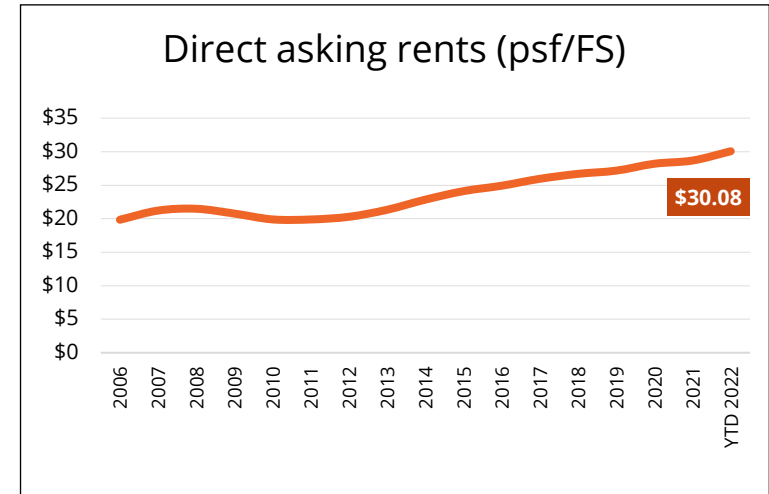
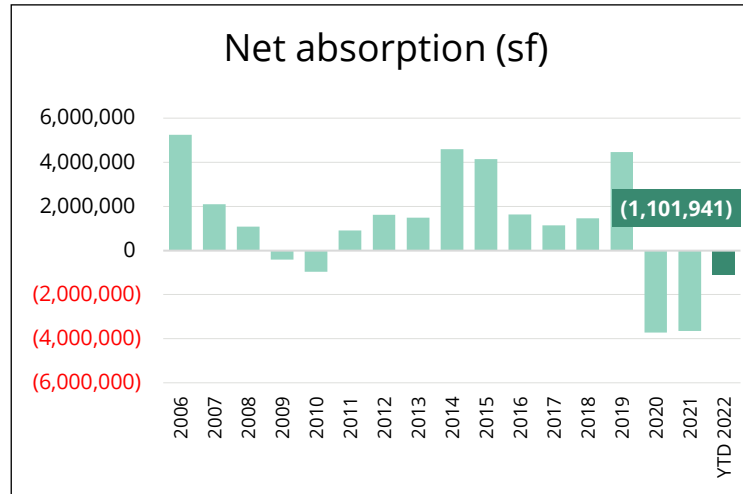
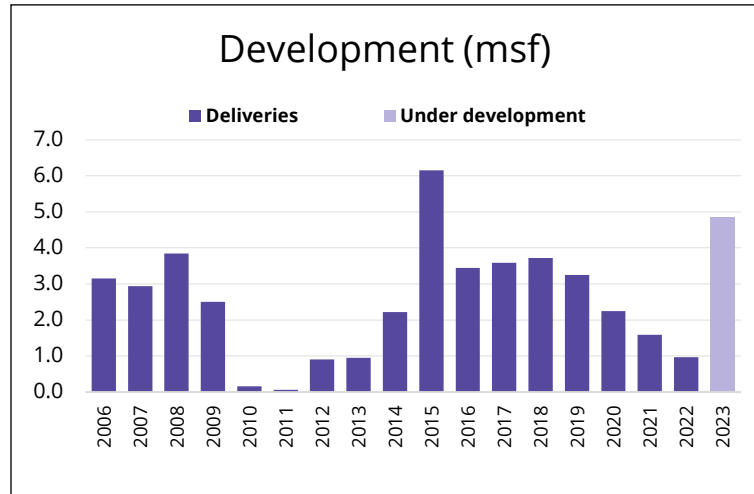
DFW's employment base rebounded quickly from the pandemic downturn. The region has added a total of 354,000 net new jobs over its prior December 2019 employment, or 9.1%. New office jobs have helped buoy the market, increasing 172,500 over that period and reflecting total growth of 16.2%.

Dallas – Fort Worth
December 2019 to November 2022



Source: Bureau of Labor Statistics (as of November 2022)

Dallas – Fort Worth office market indicators

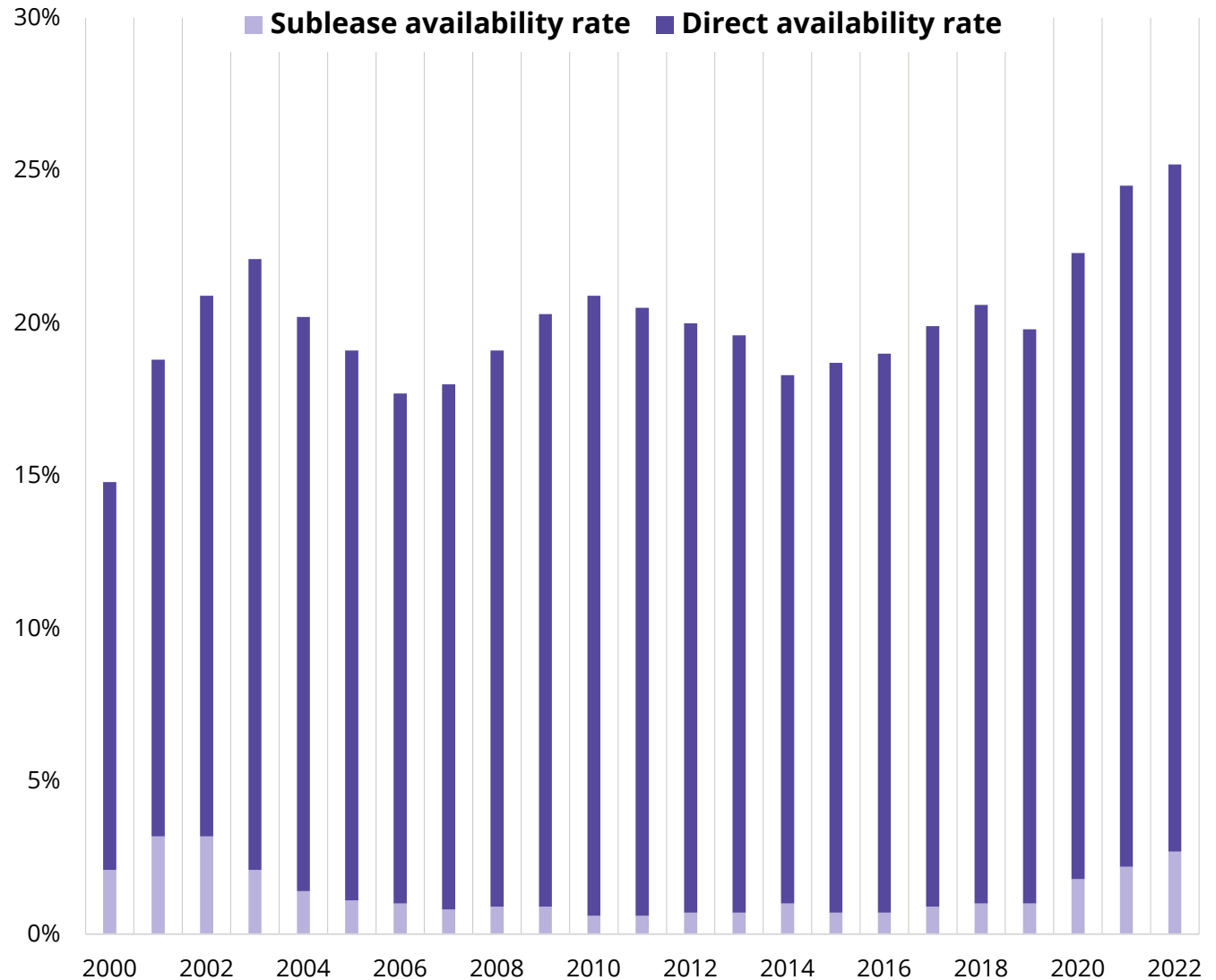


Dallas – Fort Worth availability rate

66 msf

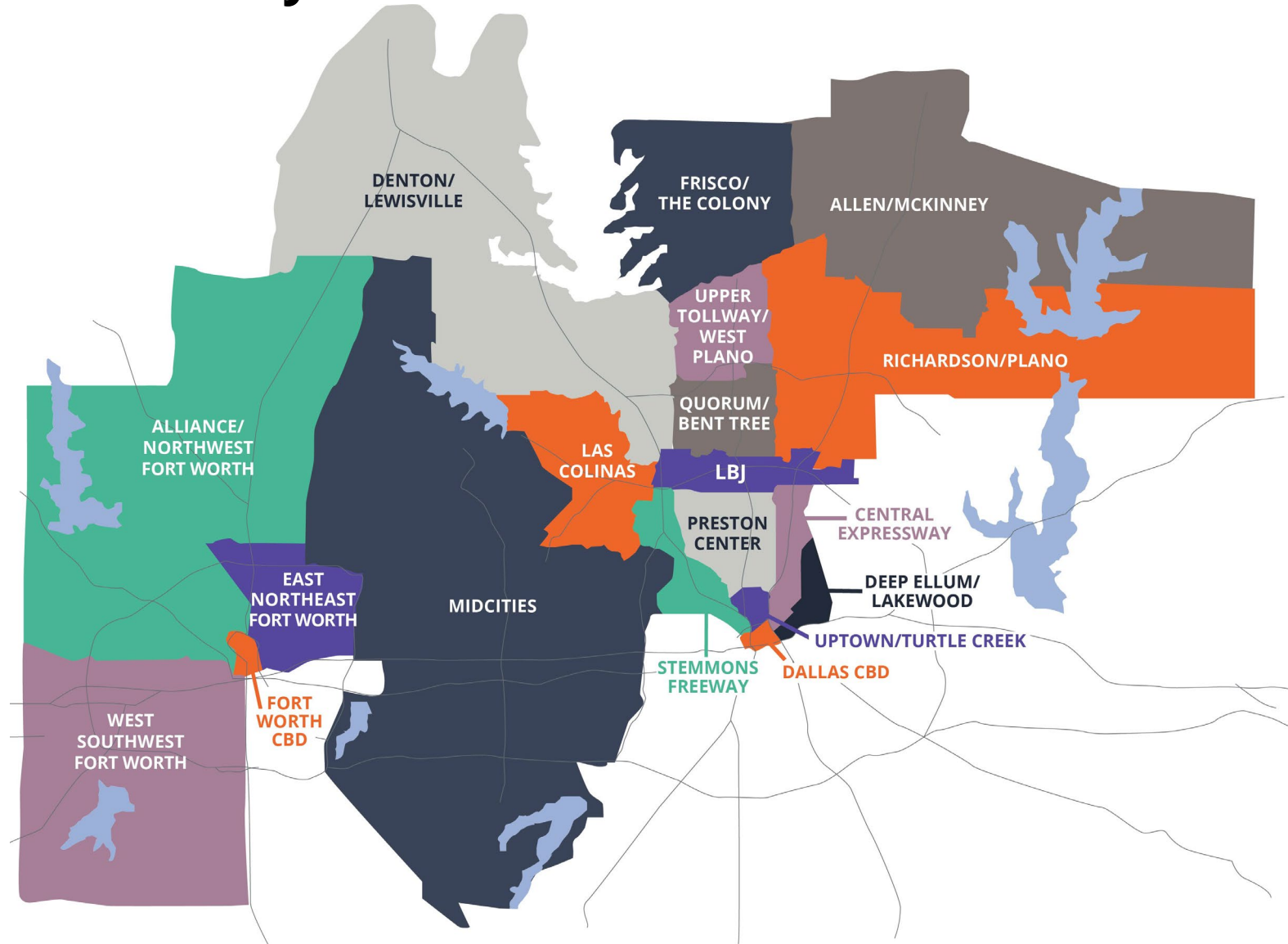
Elevated levels of office space availability, both direct and sublet, continue to weigh on the market.

DFW has always had a relatively high rate of direct space availability, even in the best of economic times. Currently, the complications of the return to office and space users trying to accommodate their hybrid workforces have weighed on the overall sector. This has pushed total availability to its highest level in more than two decades. While sublet space is below the peak reached during the early 2000s tech bust, the current upward direction has not slowed or flattened as of 4Q 2022.



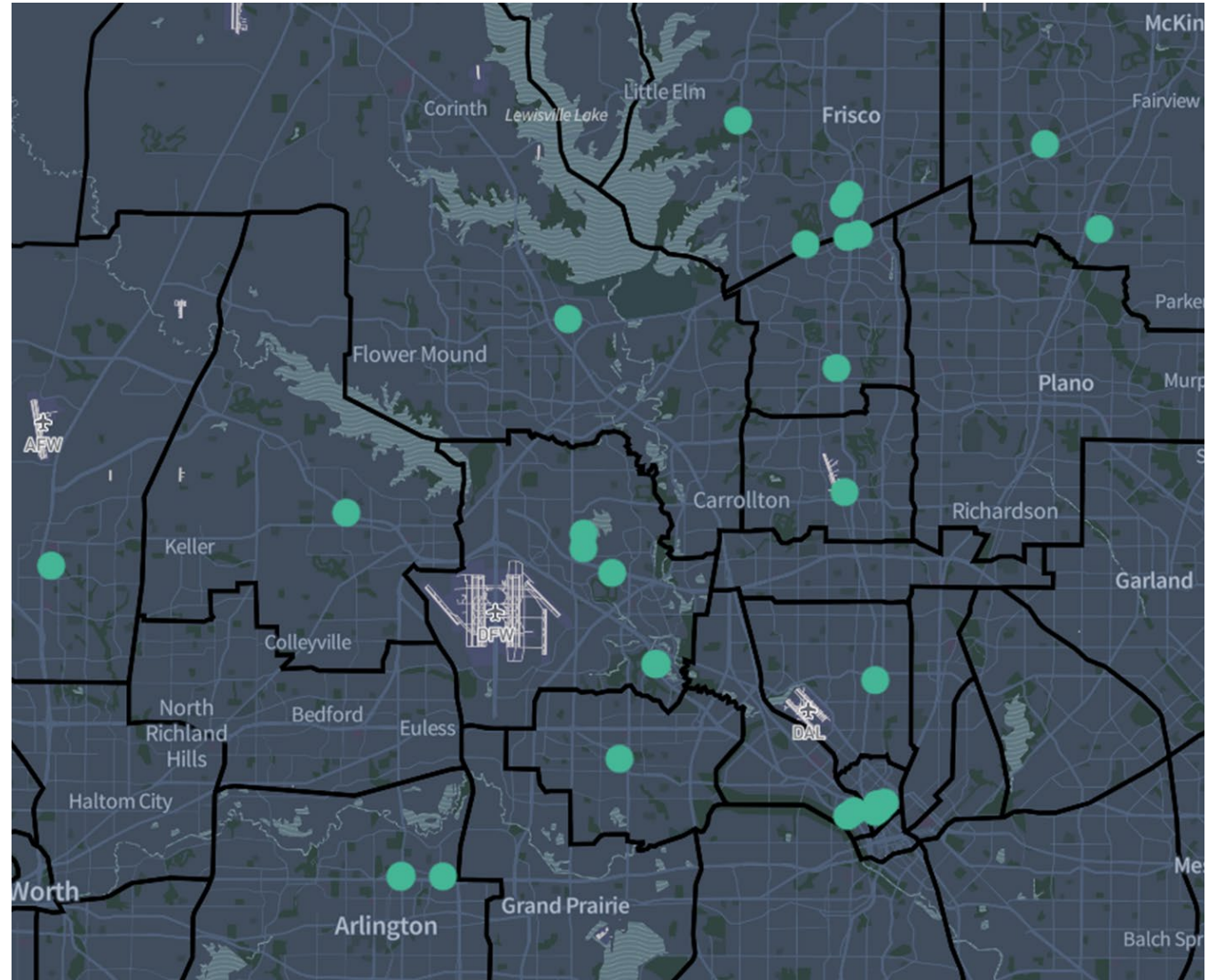
Source: AVANT by Avison Young, CoStar

Dallas – Fort Worth key office submarkets



Dallas – Fort Worth office construction & leasing

Address	Name	RBA (SF)	Leased	Submarket	Delivery
Alma Rd	Building 5S	46,500	0%	Allen/McKinney	2023
28 Prestige Cir	Prestige Office Park	24,560	80%	Allen/McKinney	2023
9810 Hillwood Pky	Hillwood Commons II	135,000	0%	Alliance/NW Fort Worth	2023
6605 Warren Pky	The Tower at Hall Park	386,946	0%	Frisco/The Colony	2023
17 Cowboys Way	The Star - Phase IV	299,970	72%	Frisco/The Colony	2023
NEC Spring Creek & SH 121	Southstone Yards	241,443	0%	Frisco/The Colony	2023
8275 Judges Way		24,450	0%	Frisco/The Colony	2023
3300 Olympus Blvd	3300 Olympus	300,000	0%	Las Colinas	2023
9000 Cypress Waters Blvd		176,000	100%	Las Colinas	2023
1701 Kinwest Pky		30,000	0%	Las Colinas	2023
5101 N O'Connor Blvd		456,000	100%	Las Colinas	2023
O'Connor & Las Colinas Blvds		56,269	0%	Las Colinas	2023
191 W Main St	Building 1	24,000	0%	Lewisville/Denton	2023
N Collins Street & I-30	Building A	248,000	0%	MidCities	2023
2170 E Lamar Blvd		61,500	0%	MidCities	2023
1615 W Irving Blvd		21,750	100%	MidCities	2023
601 State St	Granite Place at Southlake II	160,000	26%	MidCities	2023
N Collins Street & I-30	Building B	248,000	0%	MidCities	2024
8111 Douglas Ave		318,632	73%	Preston Center	2023
4901 Arapaho Rd	One Addison Place	40,000	75%	Quorum/Bent Tree	2023
155 Riveredge Dr	River Edge	145,523	0%	Stemmons Freeway	2023
1333 Oak Lawn Ave	1333 Oak Lawn	125,788	2%	Stemmons Freeway	2023
5525 Granite Pky	Granite Park Six	422,109	12%	Upper Tollway/West Plano	2023
6275 W Plano Pky	International Business	252,000	5%	Upper Tollway/West Plano	2023
8101 Windrose Ave	Ryan Tower	409,182	50%	Upper Tollway/West Plano	2024
2801 N Harwood St	Harwood No. 14	359,914	67%	Uptown	2023
2699 Howell St	The Quad	345,425	6%	Uptown	2023
3001 Maple Ave	Maple Terrace	136,883	0%	Uptown	2023
2323 Cedar Springs Rd	23Springs	626,215	15%	Uptown	2025
2023 deliveries		4,838,662	31%		
2024 deliveries		657,182	31%		
2025 deliveries		626,215	15%		
TOTAL		6,122,059	30%		



Dallas – Fort Worth office market stats - 4Q 2022

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (Q4 2022)	Net absorption sf (YTD)	Direct asking FS
Dallas CBD	26,968,805	0	0	28.0%	3.4%	31.4%	(544,128)	(270,307)	\$29.31
Allen - McKinney	3,848,529	295,345	71,060	18.4%	2.2%	20.6%	31,136	162,818	\$30.41
Central Expressway	9,930,594	0	0	23.0%	1.0%	24.0%	(495)	(215,539)	\$34.99
Deep Ellum - Lakewood	1,616,246	482,416	0	18.5%	29.7%	48.2%	(62,921)	175,749	\$44.94
Frisco - The Colony	4,542,897	0	952,809	12.8%	2.2%	15.0%	19,208	21,051	\$40.31
Las Colinas	33,440,317	0	1,018,269	21.8%	3.4%	25.2%	(486,488)	(901,848)	\$27.42
LBJ Freeway	17,812,607	0	0	24.6%	2.5%	27.2%	(328,096)	(411,008)	\$25.63
Preston Center	4,704,671	0	318,632	10.9%	0.7%	11.5%	34,548	64,691	\$45.60
Quorum - Bent Tree	20,519,578	0	40,000	21.1%	1.7%	22.8%	30,591	289,376	\$28.54
Richardson - Plano	20,685,860	38,000	0	19.6%	2.3%	21.9%	3,013	202,103	\$24.06
Stemmons Freeway	7,086,167	0	271,311	28.3%	0.7%	29.0%	32,722	223,183	\$21.87
Upper Tollway - West Plano	22,121,654	120,000	1,083,291	34.7%	3.7%	38.4%	(338,859)	(298,223)	\$36.26
Uptown	13,948,062	0	1,468,437	16.6%	1.2%	17.7%	109,210	413,347	\$42.99
Fort Worth CBD	8,010,743	0	0	19.2%	1.6%	20.7%	(76,014)	(48,120)	\$27.98
Alliance - NW Fort Worth	1,781,257	0	135,000	10.8%	12.0%	22.8%	7,265	(39,096)	\$25.76
East NE Fort Worth	2,836,384	0	0	7.8%	2.0%	9.7%	494	(16,044)	\$22.98
Lewisville - Denton	3,678,476	30,000	24,000	16.5%	6.8%	23.3%	(50,981)	(447)	\$25.71
MidCities	13,392,794	0	739,250	21.2%	1.9%	23.2%	(88,270)	(582,295)	\$25.27
West SW Fort Worth	6,076,167	0	0	14.4%	0.5%	15.0%	12,109	128,668	\$26.21
Overall	223,001,808	965,761	6,122,059	22.5%	2.7%	25.3%	(1,695,956)	(1,101,941)	\$30.08

Dallas – Fort Worth office market stats by class - 4Q 2022

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Net absorption sf (Q4 2022)	Net absorption sf (YTD)	Direct asking FS
Class A	139,885,604	935,761	2,123,492	22.7%	3.4%	26.1%	(1,056,221)	(364,267)	\$33.64
Class B	83,116,204	30,000	0	22.3%	1.6%	23.9%	(639,735)	(737,674)	\$23.36
Market total	223,001,808	965,761	2,123,492	22.5%	2.7%	25.3%	(1,695,956)	(1,101,941)	\$30.08



Office insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

Dallas – Fort Worth office market activity

Recent leasing activity

Tenant	Address	Sign date	Size (SF)	Transaction type	Lease type	Submarket
Goldman Sachs	Hunt Realty site - Victory Park	Nov-22	960,000	New	Direct	Uptown
Wells Fargo	Mirasol Capital – Northshore District	Nov-22	800,000	New	Direct	Las Colinas
Revantage	The Quad	Nov-22	75,000	New	Direct	Uptown
JCPenney	CALWest Legacy	Oct-22	320,000	New	Direct	Upper Tollway/West Plano

Recent sales activity

Buyer	Property Address	Sale date	Building size (SF)	Sale price (millions)	Sale price psf	Seller
Granite Properties & Highwoods	McKinney & Olive	Dec-22	536,000	\$400.0	\$700	Crescent Real Estate
Larsen Capital	Plaza at Legacy	Dec-22	215,500	--	--	MetLife
Morning Calm	Towers at Park Central 7, 8, 9	Nov-22	845,900	--	--	PIMCO
Blue Vista Capital	Forest Green	Nov-22	173,000	\$12.5	\$70	Pat Davis Properties
HEXP Resources	Brookhollow Riverside	Oct-22	118,200	\$15.3	\$125	SkyWalker Properties

Top projects under development

Property	Address	Delivery date	Building size (SF)	% leased	Developer	Submarket
Hillwood Commons II	9810 Hillwood Pkwy	2023	135,000	0%	Hillwood	Alliance
3300 Olympus	3300 Olympus Blvd	2023	300,000	0%	Billingsley	Las Colinas
The Star - Phase IV	17 Cowboys Way	2023	300,000	72%	Blue Star Land	Frisco / The Colony
8111 Douglas Ave	8111 Douglas Ave	2023	319,000	73%	Lincoln Property	Preston Center

For more market insights and
information visit **avisonyoung.com**

Walter Bialas

Insights

+ 1 214 974 9749

walter.bialas@avisonyoung.com

Greg Langston

Principal, Managing Director

+ 1 214 269 3115

greg.langston@avisonyoung.com