

Dallas-Fort Worth



Quick Stats

-3,675,265 sf

Total 12-Month Net Absorption

3,171,724 sf

Total 12-Month Net Delivered

17.3%

Market Vacancy Rate

\$27.55/sf

Average Asking Direct
Gross Rate

7.1%

DFW Unemployment Rate

The Dallas-Fort Worth metro (DFW) saw another quarter of negative net absorption as a result of the COVID-19 crisis. The market finished 2020 with an eye-opening -3,675,265 sf of negative net absorption and -916,382 sf of Q4 net absorption. As a result, the office vacancy rate finished the year to 17.3%

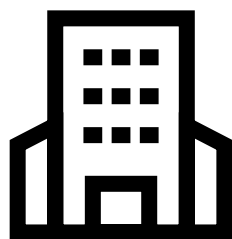
The office market saw a substantial 3.2 msf deliver in 2020. Cranes continue to fill the skyline as construction carried on with 6.6 msf underway; down from the cycle highs of 2016, which saw 14 msf under construction, but still enough to make DFW one of the most active markets in the county. However, COVID-19 has put much of that construction off schedule or delayed, such as Uber's announcement that it was delaying some construction at its Deep Ellum location until 2021.

"Flight-to-quality" trends continued, as Class A product saw the lowest drop in absorption for classes, though even it finished the quarter with -678,211 sf. Economic strain could push more tenants to look at less expensive options in the future. The market's record 9.1 msf sublease space will likely be a defining transaction driver for 2021. Class B and older properties continue to post negative net absorption.

Sales volume also noticeably dropped, as office product only saw \$411M in sales for the quarter, versus the >\$1B/quarter it usually saw.

Before COVID-19, the DFW office market was positioned to maintain steady positive quarterly growth. We will have to wait and see what awaits the market for the coming months.

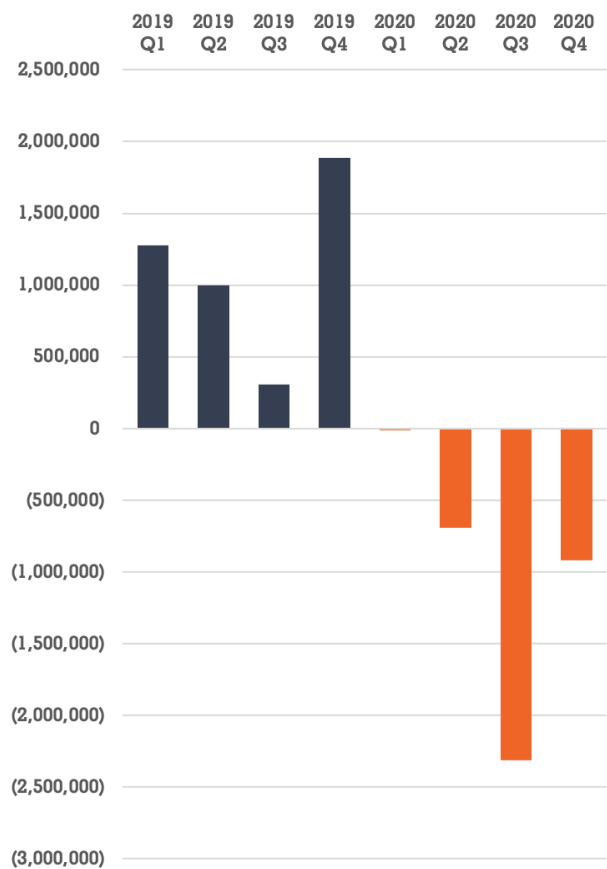
Dallas-Fort Worth Office Summary



-916,382 sf
Quarterly Net Absorption



Quarterly Net Absorption



\$31.05

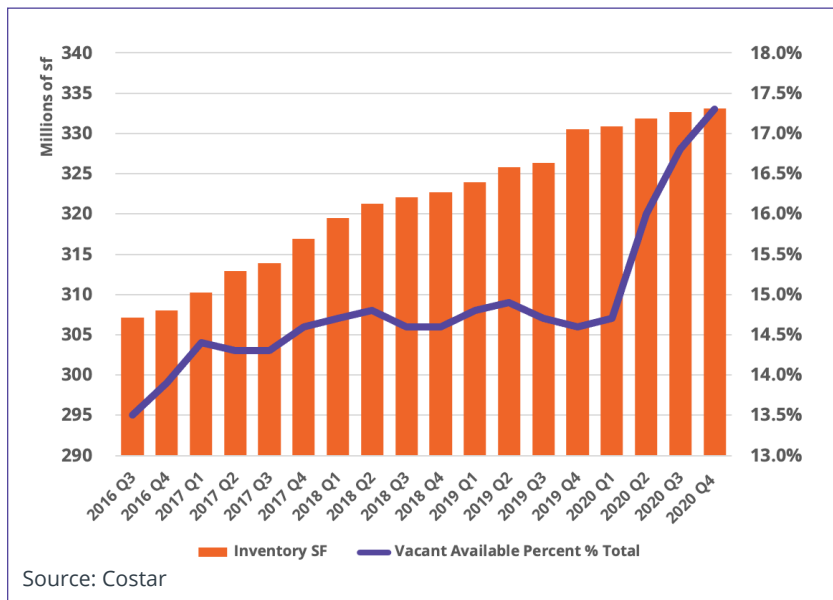
Average Class A Asking
Gross Direct Rate

\$22.34

Average Class B Asking
Gross Direct Rate



Total Inventory vs. Vacancy Rate



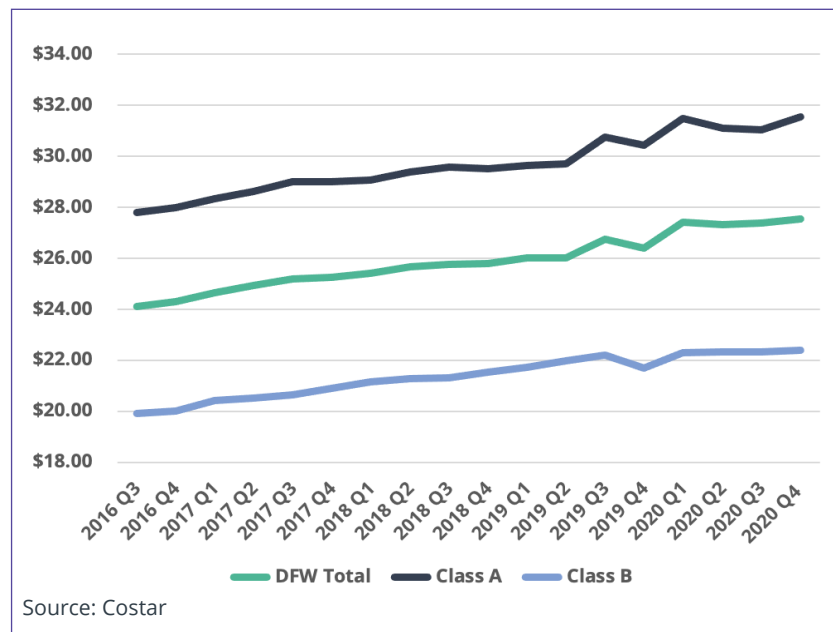
Vacancy

The Dallas-Fort Worth Office market ended the quarter with a vacancy rate of 17.3%. In all, there was 56 msf of **vacant** space available. In all, there is currently 76 msf of total available space in the market.

Looking at which submarkets are struggling the most with large vacancies, the usual suspects stay in sight. Dated product continues to struggle, as evidenced in not just Dallas CBD, but also in submarkets like Stemmons Fwy, LBJ Fwy, and Quorum/Bent Tree. Product from the 80's leads vacancy rates with 22% vacant.

Sublease volume has exploded as well, with 4.4 msf currently vacant, and 9.1 msf total available.

DFW Gross Direct Asking Rent Per SF

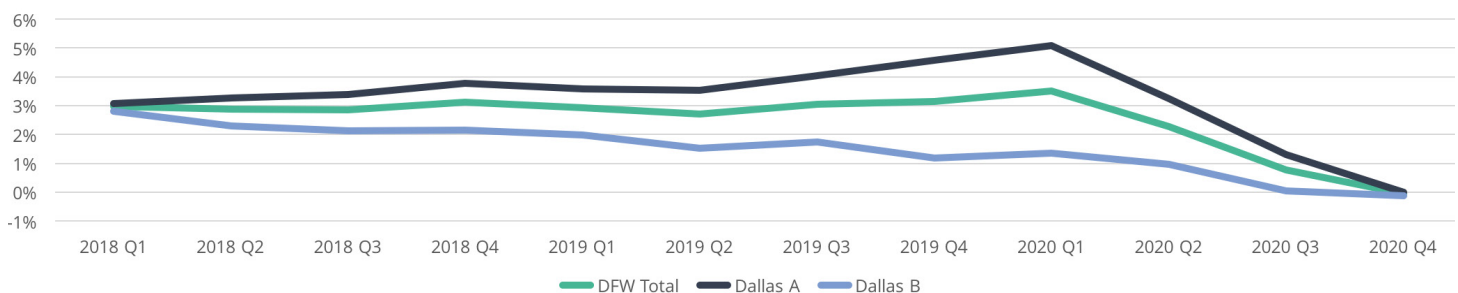


Rental Rates

Annualized rent growth for 2020 was -0.1%, driven down substantially by the harsh drop since March due to COVID-19. Before March, rent growth was mostly stable, as it has been for multiple quarters, but expect rent growth to all but end now. Market-wide, Class A rent growth saw the largest drop in growth for the year.

Premier submarkets such as Uptown/Turtle Creek, Frisco/The Colony, and Upper Tollway/West Plano have seen the strongest growth, with rents now 20% greater than pre-recession peaks.

Annualized Rent Growth

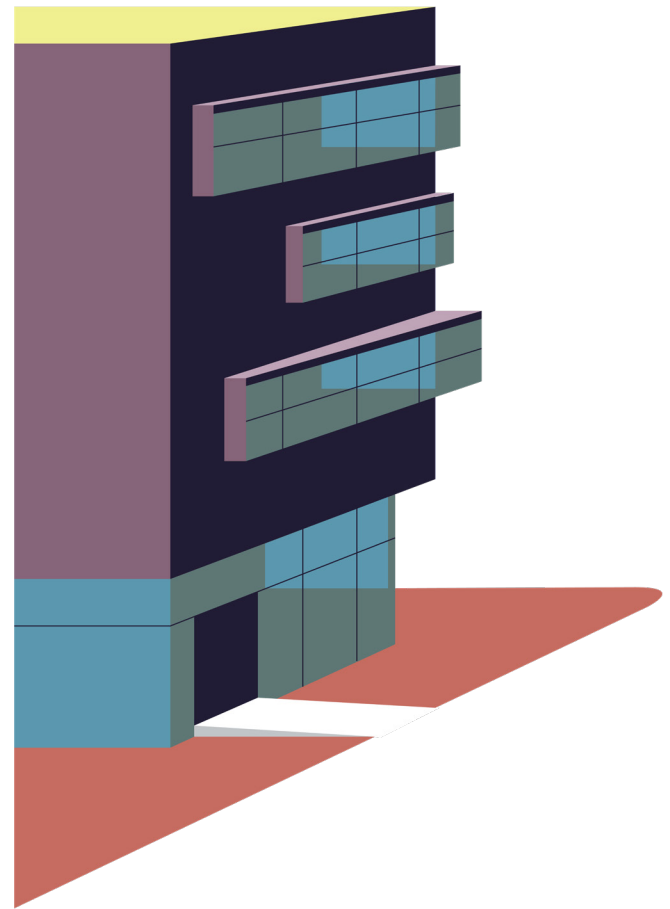


Absorption & Supply

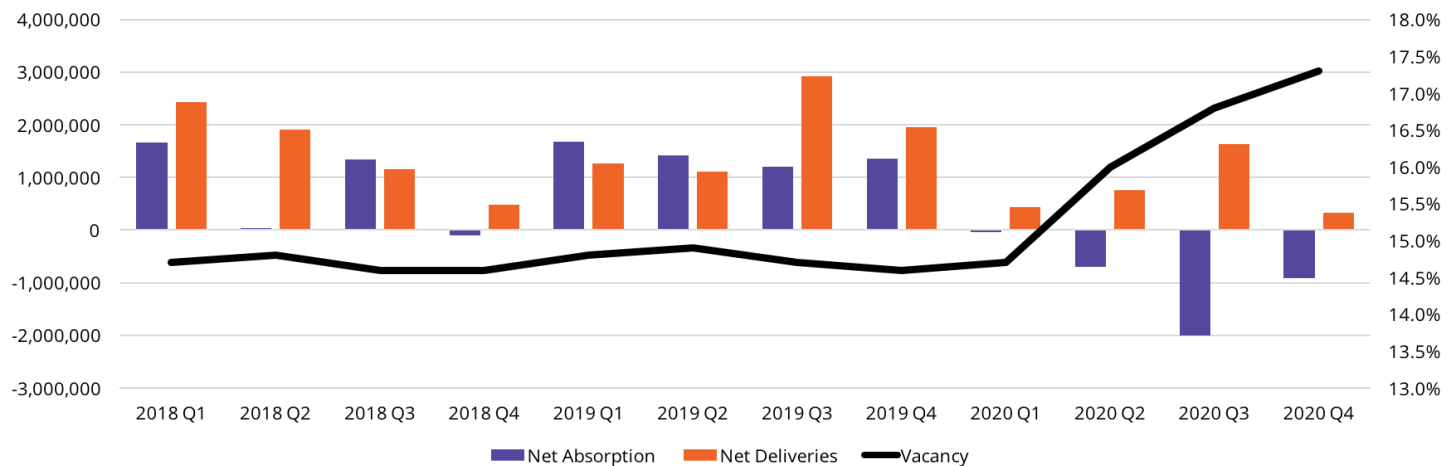
12 month net absorption for the market is -3.7 msf- the worst yearly rate since the dot com bust of 1999 & 2000. Both Class A and Class B inventory saw over -1.5 msf net absorption for the year. Class A inventory 12-month net absorption is worse, ending 2020 at -1.9 msf.

When owner-occupied space is excluded, 12-Month net absorption plummets to -5.2 msf. This shows owner-occupied space has been carrying absorption trends in the metro.

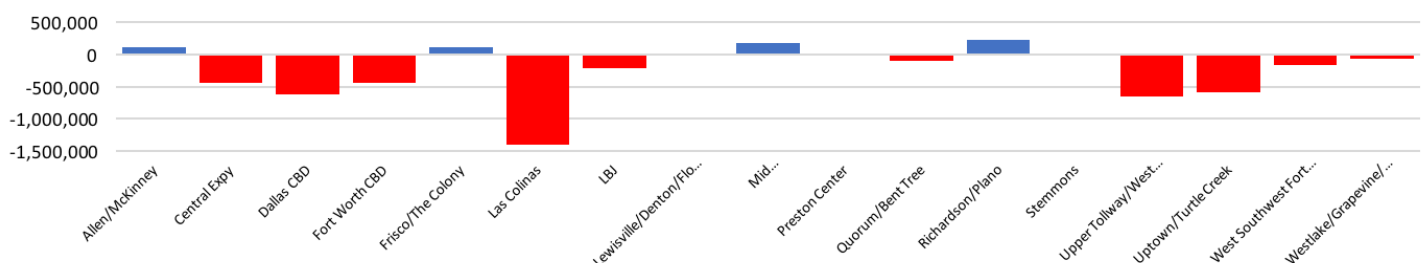
DFW Total 12 Month Absorption (Owner Occup. Included)	
-3,675,265 SF	
DFW Total 12 Month Absorption (Owner Occup. Excluded)	Class A 12 Month Absorption (Owner Occup. Excluded)
-5,224,913 SF	-3,299,817 SF
Class B 12 Month Absorption (Owner Occup. Excluded)	Class C 12 Month Absorption (Owner Occup. Excluded)
-1,891,256 SF	-33,840 SF



Net Absorption, Net Deliveries & Vacancy by Quarter



12 Month Net Absorption by Submarket

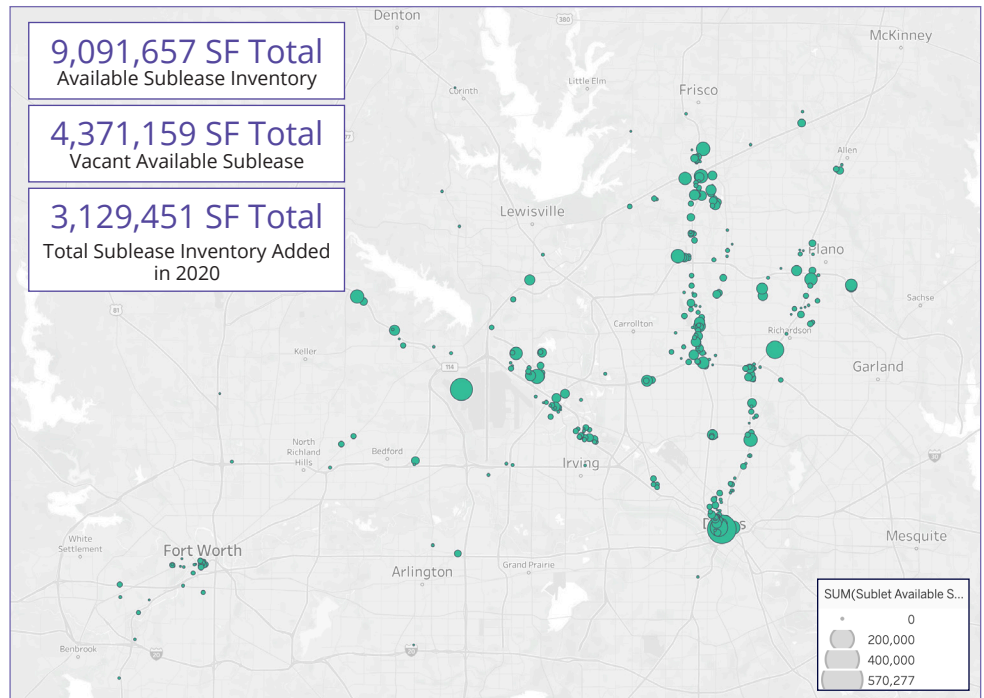


SUBLEASE SUPPLY



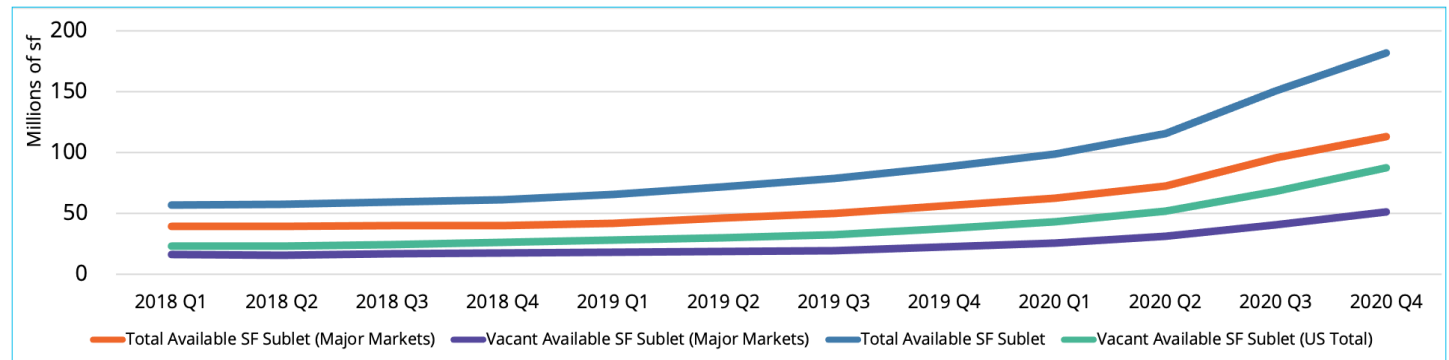
50% INCREASE

in total sublease volume since January



TOTAL YEAR-OVER-YEAR CHANGE IN AVAILABLE SUBLEASE INVENTORY ACROSS US

Across the entire US office market, 12 Month Net Absorption is at -32.2 msf as of Q3 2020, with a year-over-year increase in sublease inventory of 50 msf. (Major Markets: NYC, San Francisco, DFW, Chicago, DC, Los Angeles, Boston, Houston, Seattle, Atlanta, Denver, San Jose, Phoenix)



YOY CHANGE IN TOTAL AVAILABLE SUBLEASE INVENTORY FOR DFW SUBMARKETS

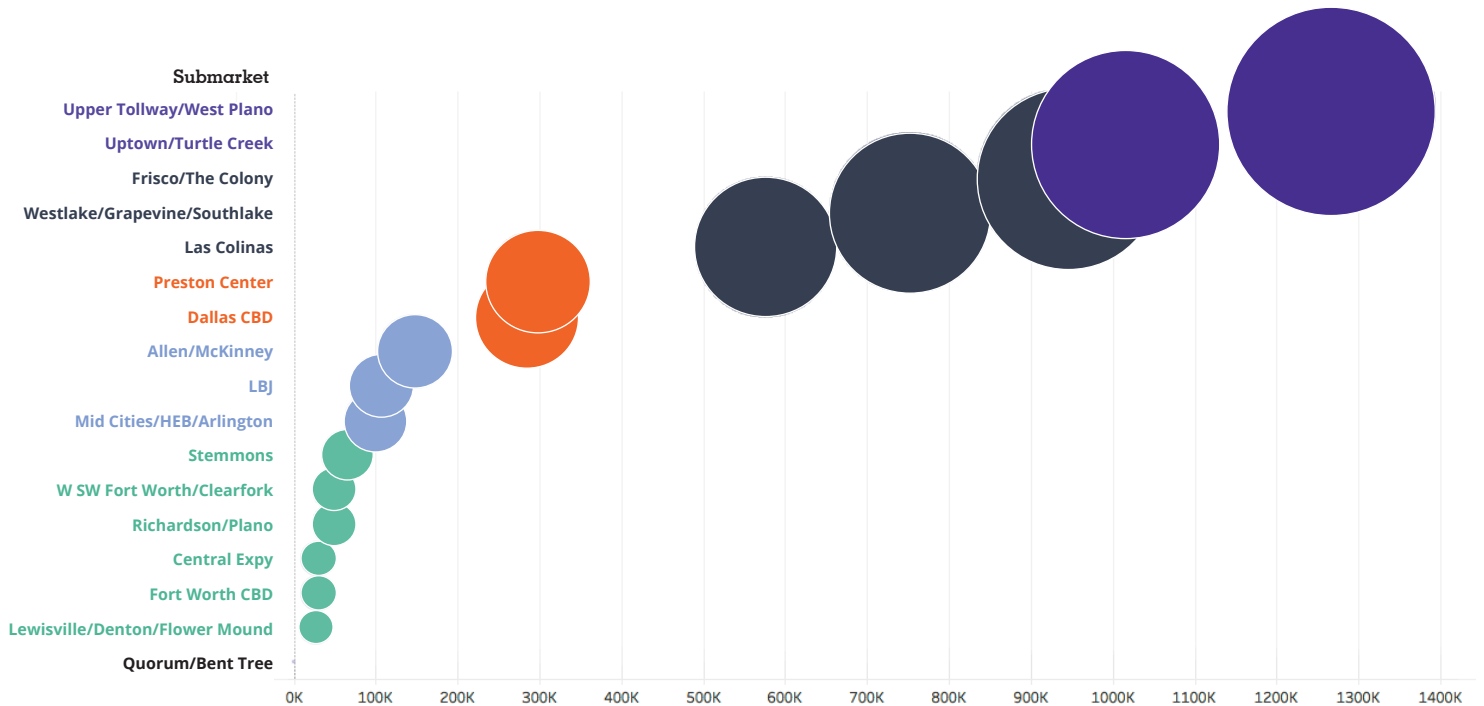
Half of total DFW sublease inventory is concentrated within the Dallas CBD, Upper Tollway/West Plano, Richardson/Plano and Las Colinas submarkets.

DALLAS/FORT WORTH - MARKET TOTAL			
Current	9,091,657		
1 Year Ago	5,962,206		
Delta YOY	3,129,451	52.49%	
CBD			
Current	1,221,002		
1 Year Ago	961,912		
Delta YOY	259,090	26.93%	
UPTOWN/TURTLE CREEK			
Current	478,997		
1 Year Ago	283,807		
Delta YOY	195,190	68.78%	
PRESTON CENTER			
Current	148,235		
1 Year Ago	72,317		
Delta YOY	75,918	104.98%	
LOWER TOLLWAY/QUORUM BENT TREE			
Current	869,656		
1 Year Ago	976,118		
Delta YOY	(106,462)	-10.91%	

CENTRAL EXPRESSWAY			
Current	440,347		
1 Year Ago	258,270		
Delta YOY	182,077	70.50%	
LAS COLINAS			
Current	1,277,706		
1 Year Ago	643,608		
Delta YOY	634,098	98.52%	
WESTLAKE/GRAPEVINE			
Current	682,772		
1 Year Ago	152,348		
Delta YOY	530,424	348.17%	
LBJ FREEWAY			
Current	603,250		
1 Year Ago	337,909		
Delta YOY	265,341	78.52%	
STEMMONS FREEWAY			
Current	69,473		
1 Year Ago	52,111		
Delta YOY	17,362	33.32%	

UPPER TOLLWAY/WEST PLANO			
Current	1,319,187		
1 Year Ago	976,118		
Delta YOY	343,069	35.15%	
FRISCO/THE COLONY			
Current	246,052		
1 Year Ago	238,824		
Delta YOY	7,228	3.03%	
RICHARDSON/PLANO			
Current	943,286		
1 Year Ago	556,801		
Delta YOY	386,485	69.41%	
ALLEN/MCKINNEY			
Current	110,699		
1 Year Ago	89,371		
Delta YOY	21,328	23.86%	
FORT WORTH CBD			
Current	440,347		
1 Year Ago	140,125		
Delta YOY	300,222	214.25%	

Construction totals by submarket



Top leases

	Tenant	Building	Submarket	SF	Lease type
1	Vistra	1925 W. John Carpenter Fwy	Las Colinas	403,150	New
2	Oncor Electric Delivery	777 Main St	Fort Worth CBD	200,000	New
3	Caliber Home Loans	2401 Olympus Blvd	Las Colinas	159,320	New
4	Trinity Industries	International Plaza II	Quorum/Bent Tree	155,185	New
5	Southwestern Health Resources	Browning Place I	Las Colinas	150,000	New

Top sales

	Buyer	Building	Submarket	SF	Purchase price	Price/sf
1	Piedmont REIT	Galleria Towers	LBJ	1,418,470	\$396,000,000	\$279/sf
2	Capital Commercial Investments Inc.	Former American Airlines HQ	HEB/Mid Cities	1,390,000	N/A	N/A
3	KB Asset Management	The Union	Uptown	420,695	\$370,000,000	\$730/sf
4	U.S. Realty Advisors LLC	5543 Legacy	Upper Tollway	230,621	\$119,900,000	\$520/sf
5	Copart Direct	Centura Tower	Quorum/Bent Tree	411,862	\$105,000,000	\$255/sf

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Class A Core Submarkets

Market by the numbers

	Existing Inventory		Vacancy		Absorption		Supply		Gross Rates
Submarket	Bldgs	Total RBA	Sublease	Vacancy	12 Mo. Net	Quarterly Net	12 Mo. Deliveries	Under Construction	Direct Rate
Allen/McKinney	23	2,276,271	8,759	14.2%	57,878	38,039	300,000	0	\$31.66
Central Expy	25	7,336,249	114,798	18.9%	-375,252	-80,767	0	0	\$34.41
Dallas CBD	33	23,860,019	827,598	27.9%	-632,684	42,774	0	284,600	\$28.00
Fort Worth CBD	25	7,336,249	114,798	18.9%	-375,252	-80,767	0	0	\$34.41
Frisco/The Colony	34	4,703,643	58,827	12.3%	176,254	-33,582	35,000	829,718	\$37.13
Las Colinas	103	24,058,222	389,056	16.7%	-806,721	157,025	758,281	575,877	\$31.03
LBJ	39	11,291,819	132,604	19.1%	-49,040	-70,822	0	107,000	\$28.09
Lewisville/Denton/Flower Mound	9	586,863	0	38.4%	58,341	28,480	225,149	0	\$30.83
Mid Cities/HEB/Arlington	27	4,695,472	12,719	8.1%	71,035	43,311	22,000	100,000	\$23.21
Preston Center	24	4,492,579	44,146	9.6%	29,636	-10,453	0	297,000	\$45.77
Quorum/Bent Tree	51	12,242,323	324,775	18.5%	41,550	-41,640	0	0	\$31.30
Richardson/Plano	60	13,365,912	130,831	19.7%	281,087	64,862	0	48,000	\$27.18
Stemmons	13	4,919,369	16,957	15.0%	-14,783	40,545	0	0	\$20.34
Upper Tollway/West Plano	98	24,999,831	340,262	20.9%	-563,733	-585,713	688,545	1,236,062	\$37.59
Uptown/Turtle Creek	54	12,657,281	209,883	16.0%	-462,342	-88,263	0	1,016,688	\$44.12
West Southwest Fort Worth/ Clearfork	28	3,368,210	21,859	13.3%	-247,013	6,978	50,343	48,594	\$27.09
Westlake/Grapevine/Southlake	26	5,375,800	109,094	19.8%	-60,307	-6,843	0	720,085	\$32.42
Totals	672	167,566,112	2,856,966	18.1%	-2,871,346	-576,836	2,079,318	5,263,624	\$32.03

Class B Core Submarkets

Market by the numbers

	Existing Inventory		Vacancy		Absorption		Supply		Gross Rates
Submarket	Bldgs	Total RBA	Sublease	Vacancy	12 Mo. Net	Quarterly Net	12 Mo. Deliveries	Under Construction	Direct Rate
Allen/McKinney	54	4,590,703	38,778	10.1%	46,350	28,946	0	146,772	\$25.57
Central Expy	73	5,572,186	33,724	14.1%	-64,323	16,415	99,422	30,000	\$28.50
Dallas CBD	44	7,381,625	46,480	17.1%	18,230	128,879	0	0	\$20.74
Fort Worth CBD	36	5,143,873	25,621	12.4%	-164,512	-33,404	0	0	\$20.94
Frisco/The Colony	41	1,835,954	5,359	13.1%	-68,102	-38,755	0	114,161	\$30.74
Las Colinas	204	17,674,331	285,091	18.0%	-586,698	-124,087	0	0	\$22.29
LBJ	118	10,440,573	49,741	22.9%	-162,393	-43,076	0	0	\$19.45
Lewisville/Denton/Flower Mound	105	6,730,066	5,844	11.7%	-69,063	-34,590	46,000	26,348	\$24.57
Mid Cities/HEB/Arlington	147	9,290,701	116,184	12.1%	79,954	60,298	161,500	0	\$20.13
Preston Center	19	1,114,319	8,434	15.8%	-45,502	7,553	0	0	\$30.95
Quorum/Bent Tree	139	10,038,318	216,011	22.7%	-145,364	-74,880	48,000	0	\$21.47
Richardson/Plano	195	14,922,821	87,955	14.6%	-65,755	-14,152	52,091	0	\$20.21
Stemmons	85	7,631,099	28,457	19.6%	40,047	-7,033	41,907	65,000	\$18.06
Upper Tollway/West Plano	109	8,118,969	92,885	15.1%	-88,598	-71,459	30,600	32,000	\$27.49
Uptown/Turtle Creek	38	2,233,220	26,692	20.8%	-123,812	-45,214	0	0	\$32.72
West Southwest Fort Worth/Clearfork	118	6,664,305	66,725	12.1%	86,774	18,263	69,960	0	\$24.68
Westlake/Grapevine/Southlake	65	3,363,685	110,005	15.4%	-1,205	19,301	121,259	32,058	\$26.76
Totals	1,590	122,746,748	1,243,986	15.7%	-1,313,972	-206,995	670,739	446,339	\$24.43

Core Submarkets Totals

Market by the numbers

	Existing Inventory		Vacancy		Absorption		Supply		Gross Rates
Submarket	Bldgs	Total RBA	Sublease	Vacancy	12 Mo. Net	Quarterly Net	12 Mo. Deliveries	Under Construction	Direct Rate
Allen/McKinney	81	7,682,140	47,537	10.2%	104,228	66,985	300,000	146,772	\$26.96
Central Expy	107	13,291,197	148,522	16.3%	-434,206	-64,352	99,422	30,000	\$32.09
Dallas CBD	97	33,434,244	874,078	23.7%	-614,454	171,653	0	284,600	\$26.99
Fort Worth CBD	107	13,291,197	148,522	16.3%	-434,206	-64,352	99,422	30,000	\$32.09
Frisco/The Colony	76	6,583,737	64,186	12.5%	108,152	-72,337	35,000	943,879	\$35.71
Las Colinas	323	42,811,269	674,147	17.0%	-1,398,856	27,501	758,281	575,877	\$27.10
LBJ	171	22,313,142	182,345	20.5%	-208,438	-113,898	0	107,000	\$23.90
Lewisville/Denton/Flower Mound	142	8,369,902	5,844	12.8%	-23,448	-15,855	271,149	26,348	\$25.39
Mid Cities/HEB/Arlington	219	15,903,841	128,903	9.9%	174,031	125,962	183,500	100,000	\$20.91
Preston Center	51	5,828,719	52,580	10.5%	-15,866	-2,900	0	297,000	\$42.38
Quorum/Bent Tree	199	22,636,214	540,786	20.1%	-104,599	-119,323	48,000	0	\$26.56
Richardson/Plano	285	29,691,657	219,946	17.9%	220,908	53,277	52,091	48,000	\$23.80
Stemmons	127	13,808,331	47,498	17.4%	-21,166	33,512	41,907	65,000	\$18.76
Upper Tollway/West Plano	212	33,295,050	433,147	19.4%	-652,331	-657,172	719,145	1,268,062	\$35.64
Uptown/Turtle Creek	99	15,147,057	236,575	16.6%	-588,607	-133,477	0	1,016,688	\$41.90
West Southwest Fort Worth/ Clearfork	176	11,177,206	88,584	11.8%	-163,708	26,904	120,303	48,594	\$25.48
Westlake/Grapevine/Southlake	94	8,913,119	219,099	18.1%	-61,512	12,458	121,259	752,143	\$30.69
Totals	2,566	304,178,022	4,112,299	15.9%	-4,114,078	-725,414	2,849,479	5,739,963	\$29.20

Market Totals

Market by the numbers

	Existing Inventory		Vacancy		Absorption		Supply		Gross Rates
Market	Bldgs	Total RBA	Sublease	Vacancy	12 Mo. Net	Quarterly Net	12 Mo. Deliveries	Under Construction	Direct Rate
Class A	699	171,707,105	3,053,088	19.5%	-1,951,949	-678,211	2,736,397	5,972,740	\$31.55
Class B	1,923	143,459,915	1,314,827	15.9%	-1,645,770	-244,300	774,691	626,653	\$22.39
Class A & B Totals	2,622	315,167,020	4,367,915	17.7%	-3,597,719	-922,511	3,511,088	6,599,393	\$26.97
DFW Market Totals	3,011	333,144,514	4,371,159	17.3%	-3,675,265	-916,382	3,171,724	6,599,393	\$27.55



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