



Office Q4 2019

18.5%

Vacancy Rate

YoY
Chg12-Mo.
Forecast**806K**

Net Absorption, SF

**\$26.87**

Asking Rent, PSF



(Overall, All Property Classes)

*Rental rates reflect gross asking \$psf/year

**ECONOMIC INDICATORS
Q4 2019****3.8M**Dallas/Fort Worth
EmploymentYoY
Chg12-Mo.
Forecast**3.1%**Dallas/Fort Worth
Unemployment Rate**3.6%**U.S.
Unemployment Rate

Source: BLS

ECONOMY

The Dallas-Fort Worth (DFW) economy continued to thrive with strong population and employment growth. The region's population increased by 130,800 people year-over-year, equating to an average of 360 new residents per day. As of December 2019, the population reached a new high of 7.7 million residents while the job market grew by 109,700 positions over the past year.

According to Moody's Analytics, office-using jobs accounted for 34,700 (32%) out of the new positions added. Office-using roles are described as positions that fall within the business and professional services, information/technology, and financial activities. The leading indicator of office demand is driven by business and professional services roles, which accounted for a majority of office-using jobs employment at 59% (650,000 jobs). The region's office employment totaled 1,098,700 jobs as of the end of December. With solid increases in employment over the past year, the unemployment rate declined by 30 basis points (bps) to 3.1% and remained below the national unemployment rate.

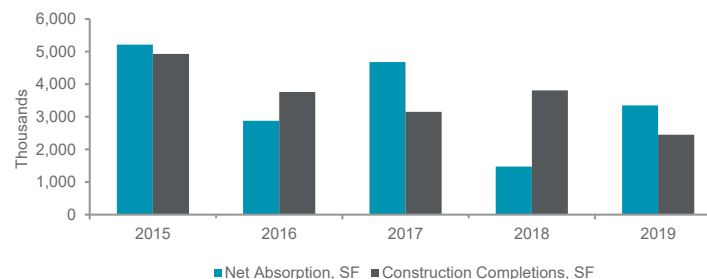
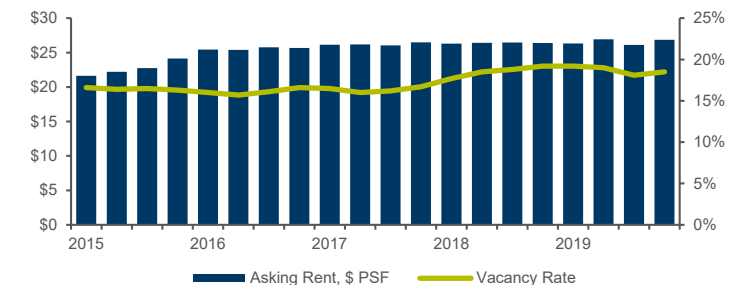
SUPPLY

The DFW office market maintained positive momentum through the end of December with signs of market activity leveling out. The quarter closed with almost 2.0 million square feet (msf) of new product delivered. The largest project delivered was the Pioneer Natural Resources HQ at 777 Hidden Ridge in the Las Colinas submarket. The delivery accounted for 56.8% of total square footage completed in the quarter.

Currently there are 3.8 msf in the pipeline to be completed over the next 12 to 24 months. With less than half of under construction inventory reported as vacant, projects continued to be delivered preleased as occupiers pursued a flight to quality. In turn, this will continue to offset tenant move-outs from third-generation spaces. The Legacy/Frisco and Las Colinas submarkets are the current leaders in under construction activity at 1.1 msf and 652,000 square feet (sf), respectively. The largest under construction project is Victory Commons at 352,000 sf in the Uptown/Turtle Creek submarket.

DEMAND

The DFW office market continued its trajectory of positive occupancy growth and absorbed 806,000 sf in fourth quarter 2019. A total of 10 out of the 20 submarkets in DFW reflected occupancy growth with the highest cumulative increase in Las Colinas (981,500 sf) and Far North Dallas (213,700 sf).

SPACE DEMAND / DELIVERIES**OVERALL VACANCY & ASKING RENT**

DALLAS/FORT WORTH

Office Q4 2019



CUSHMAN & WAKEFIELD

A strong flight to quality persisted with high Class A net absorption at 1.2 msf compared to significant move-outs in Class B and C spaces with a loss in absorption at -323,000 sf and -94,000 sf, respectively. The largest move-in this quarter was Pioneer Natural Resources (1.1 msf) in Las Colinas, Tenet Healthcare (392,000 sf) in Far North Dallas and Nokia (255,000 sf) in Las Colinas. Legacy/Frisco had the highest leasing activity due to T-Mobile's recently inked lease at 3560 Dallas Pkwy. The largest move-ins and top leases signed were in Class A assets, signifying the demand by tenants for quality space.

Direct spaces represented the bulk of the market vacancy at 17.3% (41.2 msf of vacant space), while sublease space represented 1.3% (3.1 msf) of market vacancy. Due to the majority of new projects being delivered are Class A inventory, Class A space held the highest overall vacancy at 19.8%, while Class B and C trailed at 17.2% and 11.3%, respectively. Submarkets with the lowest overall vacancy rates included West Fort Worth (2.7%), South Fort Worth (7.9%), and Lewisville/Carrollton (10.8%).

PRICING

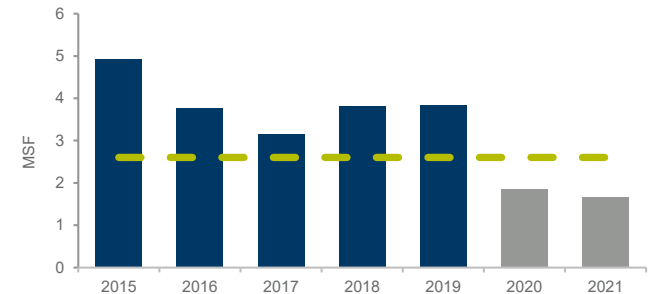
Overall rental rates increased by 1.8% year-over-year to \$26.87 per square foot (psf) on an annual full-service basis. The Uptown/Turtle Creek submarket remained the leader with the highest overall average asking rates in DFW with rents at \$47.24. Preston Center followed at \$39.40 and Legacy/Frisco at \$34.25.

As expected, Class A registered the highest average asking rate at \$30.84 psf, while Class B and C reported more economical rates of \$20.53 and \$16.68, respectively. Demand for Class A space continued to remain strong with rental rates increasing by 3.5% compared to the previous year. The fourth quarter 2019 ended with the highest Class A rents in Uptown/Turtle Creek at \$48.09 followed by Preston Center at \$41.57 and Legacy/Frisco at \$38.50.

Outlook

- Class A office market fundamentals will continue to remain strong as tenants flock to quality assets and move out of older Class A, B and C buildings.
- Bifurcation of Class A and B rental rates in opposing directions will continue.
- Landlords will continue to improve amenities and renovate their buildings to keep up with tenant demands and compete with newer product.
- Overall vacancy will remain relatively steady as strong population and employment growth continue to support the demand for office space in the market.

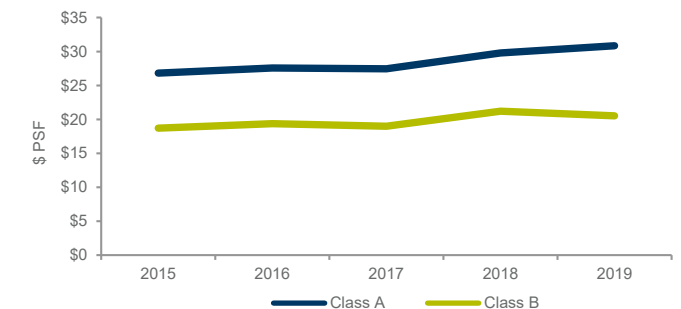
NEW SUPPLY



DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



ASKING RENT COMPARISON





MARKET STATISTICS

SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	VACANCY RATE	Q4 NET ABSORPTION	2019 YTD NET ABSORPTION	UNDER CONSTRUCTION	Q4 COMPLETIONS	YTD COMPLETIONS	OVERALL RATE (ALL CLASSES)	OVERALL RATE (CLASS A)
CBD Core	38	20,096,535	472,417	5,151,765	28.0%	-47,846	388,774	234,710	0	0	\$22.12	\$22.73
Arts District	10	6,601,774	296,851	1,437,646	26.3%	-168,261	-140,128	0	0	0	\$41.03	\$41.03
West End	20	1,723,027	21,442	423,327	25.8%	-60,000	54,792	0	0	102,315	\$31.77	\$38.28
DALLAS CBD TOTAL	68	28,421,336	790,710	7,012,738	27.5%	-276,107	303,438	234,710	0	102,315	\$26.92	\$28.00
North Central Expressway	83	12,829,975	181,063	1,889,211	16.1%	49,655	-30,259	0	0	0	\$29.44	\$31.82
Preston Center	35	4,010,872	40,120	452,232	12.3%	-34,401	56,005	298,000	0	85,000	\$39.40	\$41.57
West Love Field	77	10,152,439	7,238	2,279,928	22.5%	-26,067	-31,373	0	0	0	\$17.04	\$19.17
LBJ Freeway	133	18,627,465	162,461	4,310,060	24.0%	-23,181	-52,305	0	0	0	\$21.50	\$26.06
Las Colinas	251	34,804,917	303,802	5,882,267	17.8%	981,526	795,811	652,000	1,263,430	1,770,542	\$26.80	\$30.20
Far North Dallas	173	19,936,195	304,520	3,840,675	20.8%	213,693	150,373	0	0	0	\$26.17	\$31.62
Richardson/Plano	248	25,413,637	321,455	4,105,788	17.4%	-76,449	351,891	500,000	0	145,145	\$24.06	\$26.87
Mid Cities	132	9,789,043	38,140	1,283,927	13.5%	-28,338	-90,825	0	0	0	\$17.67	\$21.85
Lewisville/Carrollton	88	5,350,687	0	579,540	10.8%	94,235	81,002	120,000	235,921	235,921	\$20.61	N/A
Southwest Dallas	40	2,033,003	0	342,521	16.8%	29,466	51,963	0	270,000	270,000	\$17.02	\$19.00
Legacy/Frisco	202	26,762,264	650,276	3,268,983	14.6%	-183,036	442,340	1,144,675	210,579	528,579	\$34.25	\$38.50
Southlake/Westlake	77	5,277,089	65,295	1,197,477	23.9%	4,589	115,450	0	0	0	\$27.47	\$27.71
East Dallas	75	2,930,300	0	456,260	15.6%	-2,936	32,296	0	0	251,354	\$15.11	N/A
Uptown/Turtle Creek	89	13,227,614	189,158	2,118,460	17.4%	47,591	519,579	567,805	0	256,003	\$47.24	\$48.09
DALLAS SUBURBS TOTAL	1703	191,145,500	2,263,528	32,007,329	17.9%	1,046,347	2,391,948	3,282,480	1,979,930	3,542,544	\$26.97	\$31.86
DALLAS TOTAL	1,771	219,566,836	3,054,238	39,020,067	19.2%	770,240	2,695,386	3,517,190	1,979,930	3,644,859	\$26.96	\$30.92
Fort Worth CBD	76	11,189,476	12,137	1,302,773	11.8%	35,888	107,058	0	0	0	\$27.55	\$29.25
East Fort Worth	29	1,617,379	0	185,094	11.4%	-4,275	-11,458	0	0	0	\$15.22	N/A
North Fort Worth	22	2,268,910	0	489,685	21.6%	5,932	476,187	0	0	200,000	\$20.32	\$26.04
South Fort Worth	21	1,694,918	7,839	126,682	7.9%	1,630	59,330	0	0	0	\$21.90	\$34.43
West Fort Worth	31	2,506,083	2,779	64,560	2.7%	-3,041	21,810	0	0	0	\$21.71	\$24.13
FW SUBURBS TOTAL	103	8,087,290	10,618	866,021	10.8%	246	545,869	0	0	200,000	\$19.44	\$26.09
FORT WORTH TOTAL	179	19,276,766	22,755	2,168,794	11.4%	36,134	652,927	0	0	200,000	\$24.96	\$29.08
DFW TOTAL	1,950	238,843,602	3,076,993	41,188,861	18.5%	806,374	3,348,313	3,517,190	1,979,930	3,844,859	\$26.87	\$30.84

*Rental rates reflect gross asking \$psf/year

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5301 Legacy Dr	Legacy/Frisco	Keurig Dr. Pepper	265,000	Sale-Leaseback*
3560 Dallas Pky	Legacy/Frisco	T-Mobile	199,800	New Lease
Renaissance Tower	CBD Core	Trip Actions	90,000	New Lease

*Sale-leaseback and renewals are not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2019

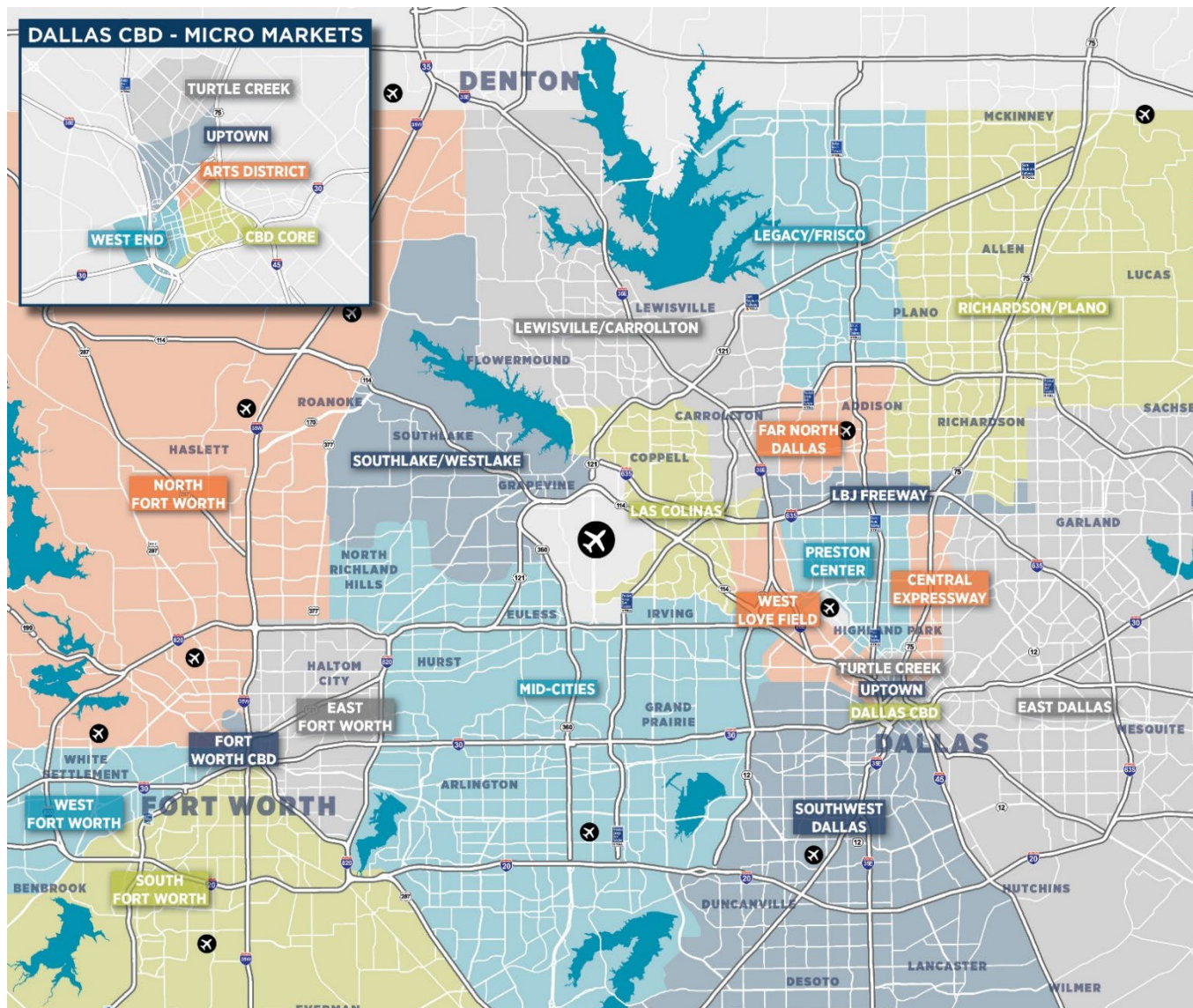
PROPERTY	SUBMARKET	SELLER/BUYER	SF
Pioneer Natural Resources HQ	Office Center	KDC & Verizon/PRP, Riyadh Capital, GMF Capital	1,125,000
KPMG Plaza at Hall Arts	Arts District	Civitas Capital Group/Exan Capital	460,074
Premier Place	North Central Expressway	CBRE Global Investors/GlenStar Properties & CADRE	436,000

DALLAS/FORT WORTH

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**CUSHMAN &
WAKEFIELD**

OFFICE SUBMARKETS



CHING-TING WANG

Director, Dallas Research

Tel: +1 972 663 9649

chingting.wang@cushwake.com

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