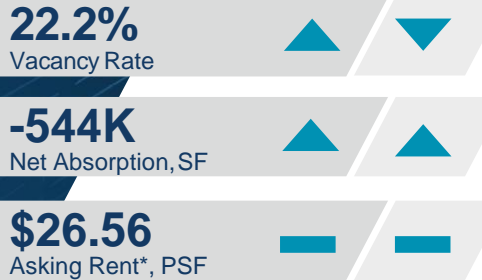
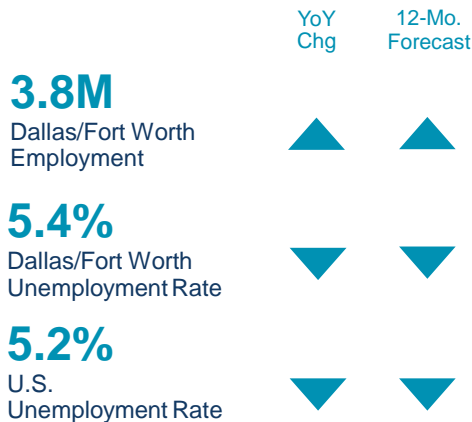


## Office Q3 2021



(Overall, All Property Classes)  
\*Rental rates reflect gross asking \$psf/year

### ECONOMIC INDICATORS Q3 2021



Source: BLS

### ECONOMY

The Dallas-Fort Worth (DFW) economy continued its recovery in Q3 2021. The unemployment rate remains relatively high, but with over 3.8 million people employed, the region is approaching its pre-pandemic levels. DFW's population increased by 97,147 people year-over-year (YOY), and by 26,057 in Q3 alone, continuing a long trend of population growth. As of September 2021, the population reached a new high of over 7.9 million residents.

According to Moody's Analytics, office-using jobs grew by 64,764 positions when compared to Q3 2020, an increase of 6.4%. Office-using roles are described as positions that fall within business and professional services, information/technology, and financial activities. The leading indicator of office demand is driven by business and professional services roles, which account for 62% (667,781 jobs) of office-using employment. The region's office employment totaled 1.1 million jobs as of September 2021.

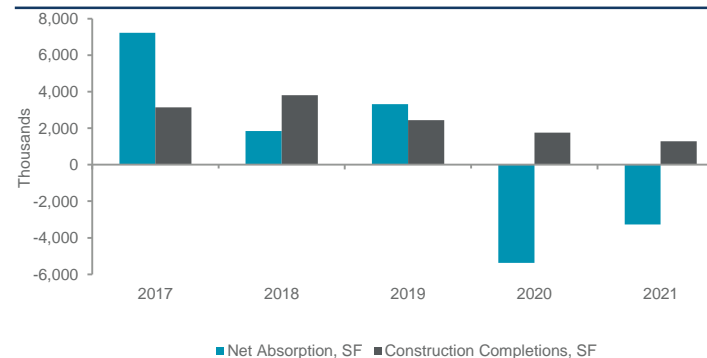
### SUPPLY

Despite supply chain delays and increased costs, construction has continued mostly uninterrupted in DFW in 2021. Though there were no deliveries in the third quarter, the market has delivered 1.3 million square feet (msf) year-to-date (YTD). The largest deliveries this year have both been in the Legacy/Frisco submarket: the Keurig Dr. Pepper HQ build-to-suit at 350,000 square feet (sf) and 5301 Headquarters Dr at 248,662 sf.

The construction pipeline in DFW remains robust, with 4.8 million square feet (msf) to be completed over the next 24 months. The two leading submarkets in construction activity are Uptown/Turtle Creek and Legacy/Frisco, with 1.2 msf and 1.1 msf of under construction space, respectively. The largest under construction project remains The Epic II in Deep Ellum at 470,000 sf in the East Dallas submarket, followed by Victory Commons in Uptown/Turtle Creek at 364,773 sf.

Available sublease space remains elevated in DFW with just over 9.0 msf of sublease inventory. However, just 42.7% of this 9.0 msf is listed as currently vacant, compared to 87.4% of available direct space listed as vacant. This points to a recent trend in DFW; while employees work from home, many companies have listed parts or all their space for sublease to weigh their real estate options without physically vacating existing space.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



# DALLAS/FORT WORTH

## Office Q3 2021

### DEMAND

The DFW office market saw its seventh consecutive quarter of negative occupancy growth and absorbed -543,886 sf in the third quarter of 2021. This number is largely driven by companies downsizing their real estate space by consolidating their employees into fewer locations and/or putting part of their space up for sublease. Below average leasing activity over the previous six quarters has also contributed to falling occupancy in DFW. However, Q3 showed positive signs of increased leasing activity, with nearly 3.9 msf of new leases transacted. This number represented an increase of at least 19.5% over the previous quarter.

The two leading submarkets in overall leasing activity were Las Colinas and Legacy/Frisco, with 899,101 sf and 583,977 sf of leases signed, respectively.

Class A assets remain insulated from falling absorption, as Class A occupancy grew by 241,962 sf in Q3. Class B space continued to drive DFW's rising vacancy with -753,275 sf of absorption in the third quarter. It is important to note that Class A space makes up 59.4% of all inventory in DFW, while Class B makes up just 37.3%. The largest move-ins recorded in the quarter were Peloton (102,000 sf) in Richardson/Plano and UT Southwestern (54,559 sf) in West Love Field. The largest move-outs recorded were JP Morgan (240,000 sf) in Lewisville/Carrollton and Charles Schwab (130,199 sf) in Southlake/Westlake.

Overall vacancy rates climbed 20-basis points from the previous quarter, up to 22.2%. Class B space still holds the highest overall vacancy at 23.0%, while Class A and Class C trailed at 22.1% and 16.4%, respectively. The Dallas submarkets with the lowest overall vacancy rates included Preston Center (12.4%), East Dallas (17.4%) and Uptown/Turtle Creek (18.0%).

### PRICING

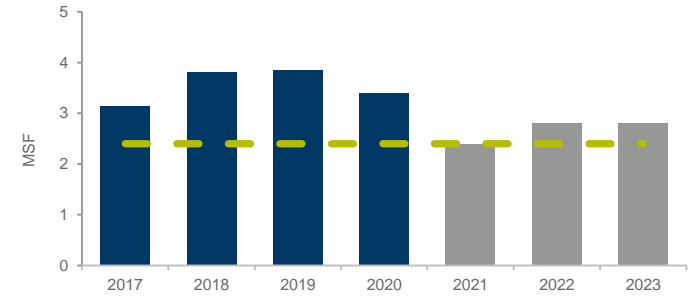
As a result of the 753,275 sf of vacant, Class B space added to the market, overall asking rates remained flat YOY at \$26.56 per square foot (psf) on an annual full-service basis. Landlords have not lowered asking rates in DFW, instead offering competitive concession packages which include free rent and additional tenant improvement dollars. The Uptown/Turtle Creek submarket remained the leader with the highest overall average asking rates in DFW with rents at \$44.41. Preston Center followed at \$43.42 and Legacy/Frisco at \$34.81.

As expected, Class A registered the highest average asking rate, rising slightly to \$31.31 psf, while Class B and Class C reported more economical rates of \$19.97 and \$17.51, respectively.

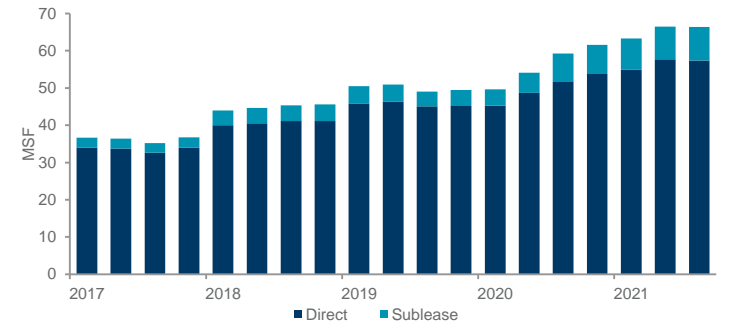
### Outlook

- An increase in leasing activity is often viewed as the first indicator of future occupancy growth. As the number of leases signed increases, so too does the number of tenants that will occupy space in future quarters. Continued levels of high leasing activity bode well for the state of DFW's office market.
- With rising occupancy in Class A space, rental rates for Class A and B space continue to bifurcate as tenants continue to pursue newer, Class A assets.
- Q3 2021 marked a continuation of DFW's recovery. The long-term outlook for the region remains very positive, especially compared to other large, U.S. metro areas.

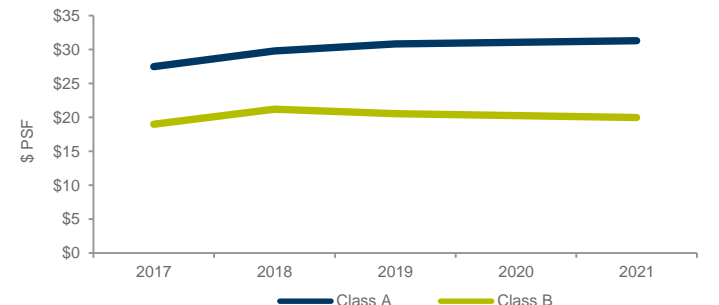
### NEW SUPPLY



### DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



### ASKING RENT COMPARISON



## Office Q3 2021

## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD Core	19,753,564	608,814	5,711,448	32.0%	-22,242	-373,059	492,532	284,600	\$22.40	\$23.03
Arts District	6,601,774	283,804	1,258,015	23.4%	10,312	10,744	272,792	0	\$42.65	\$42.65
West End	1,728,027	5,269	569,487	33.3%	1,463	-40,051	10,947	0	\$28.20	\$42.54
<b>DALLAS CBD TOTAL</b>	<b>28,083,365</b>	<b>897,887</b>	<b>7,538,950</b>	<b>30.0%</b>	<b>-10,467</b>	<b>-402,366</b>	<b>776,271</b>	<b>284,600</b>	<b>\$26.33</b>	<b>\$27.51</b>
North Central Expressway	12,563,533	120,915	2,562,075	21.4%	-20,835	-321,207	540,758	30,000	\$30.64	\$33.10
Preston Center	3,958,259	10,263	481,403	12.4%	-1,834	-48,662	283,006	568,632	\$43.42	\$46.05
West Love Field	10,399,569	19,041	2,224,330	21.6%	43,884	-60,558	214,573	0	\$17.81	\$18.53
LBJ Freeway	18,616,675	139,573	4,277,747	23.7%	7,907	-363,786	738,296	0	\$22.39	\$27.60
Las Colinas	35,258,097	540,439	7,715,955	23.4%	-61,053	-571,064	1,988,416	502,877	\$24.33	\$29.27
Far North Dallas	19,773,684	451,536	4,045,464	22.7%	-166,358	-311,095	970,097	0	\$25.42	\$31.12
Richardson/Plano	26,972,461	647,395	5,243,172	21.8%	-5,999	-338,454	623,654	415,405	\$22.80	\$27.27
Mid Cities	11,109,760	66,437	2,831,522	26.1%	-51,982	-117,247	295,544	0	\$22.94	\$27.30
Lewisville/Carrollton	5,257,694	0	989,555	18.8%	-259,641	-243,937	109,426	0	\$24.20	\$39.94
Southwest Dallas	1,830,500	1535	448,925	24.6%	726	-46,324	14,492	0	\$23.07	\$25.57
Legacy/Frisco	28,236,393	394,958	5,011,131	19.1%	124,080	-81,617	1,155,182	1,113,766	\$34.81	\$39.57
Southlake/Westlake	4,853,602	87,272	1,225,849	27.1%	-96,828	-21,943	182,011	99,980	\$29.70	\$31.25
East Dallas	3,017,207	1115	523,755	17.4%	-12,780	65,275	80,857	470,000	\$30.47	\$58.00
Uptown/Turtle Creek	13,141,462	141,969	2,227,018	18.0%	58,816	-58,564	997,324	1,173,814	\$44.41	\$48.41
<b>DALLAS SUBURBS TOTAL</b>	<b>194,988,896</b>	<b>2,622,448</b>	<b>39,807,901</b>	<b>21.8%</b>	<b>-441,897</b>	<b>-2,519,183</b>	<b>8,193,636</b>	<b>4,374,474</b>	<b>\$26.87</b>	<b>\$32.63</b>
<b>DALLAS TOTAL</b>	<b>223,072,261</b>	<b>3,520,335</b>	<b>47,346,851</b>	<b>22.8%</b>	<b>-452,364</b>	<b>-2,921,549</b>	<b>8,969,907</b>	<b>4,659,074</b>	<b>\$26.77</b>	<b>\$31.39</b>
Fort Worth CBD	9,938,861	79,068	1,649,081	17.4%	-32,272	-139,671	385,966	48594	\$25.40	\$29.42
East Fort Worth	1,813,073	1,900	252,765	14.0%	-15,154	-23,271	48,997	0	\$15.00	18.4339
North Fort Worth	2,265,613	0	233,809	10.3%	0	39,458	6,273	44,000	\$19.73	\$20.00
South Fort Worth	2,253,965	59,403	314,133	16.6%	2,818	-159,832	71,276	0	\$21.01	\$33.36
West Fort Worth	2,920,367	50,720	339,667	13.4%	-46,914	-73,350	112,789	30000	\$21.96	\$25.34
<b>FW SUBURBS TOTAL</b>	<b>9,253,018</b>	<b>112,023</b>	<b>1,140,374</b>	<b>13.5%</b>	<b>-59,250</b>	<b>-216,995</b>	<b>239,335</b>	<b>74,000</b>	<b>\$19.81</b>	<b>\$25.00</b>
<b>FORT WORTH TOTAL</b>	<b>19,191,879</b>	<b>191,091</b>	<b>2,789,455</b>	<b>15.5%</b>	<b>-91,522</b>	<b>-356,666</b>	<b>625,301</b>	<b>122,594</b>	<b>\$23.06</b>	<b>\$28.83</b>
<b>DFW TOTAL</b>	<b>242,264,140</b>	<b>3,711,426</b>	<b>50,136,306</b>	<b>22.2%</b>	<b>-543,886</b>	<b>-3,278,215</b>	<b>9,595,208</b>	<b>4,781,668</b>	<b>\$26.56</b>	<b>\$31.31</b>

\*Rental rates reflect gross asking \$psf/year; YTD Leasing Activity Includes Renewals

## KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
One Panorama Center	Las Colinas (Office Center)	MultiView	82,093	Renewal
Connection Park I	Legacy/Frisco	Octane Lending	77,991	Sublease
Granite Park Seven	Legacy/Frisco	Trintech	71,080	Sublease

## KEY SALES TRANSACTIONS Q3 2021

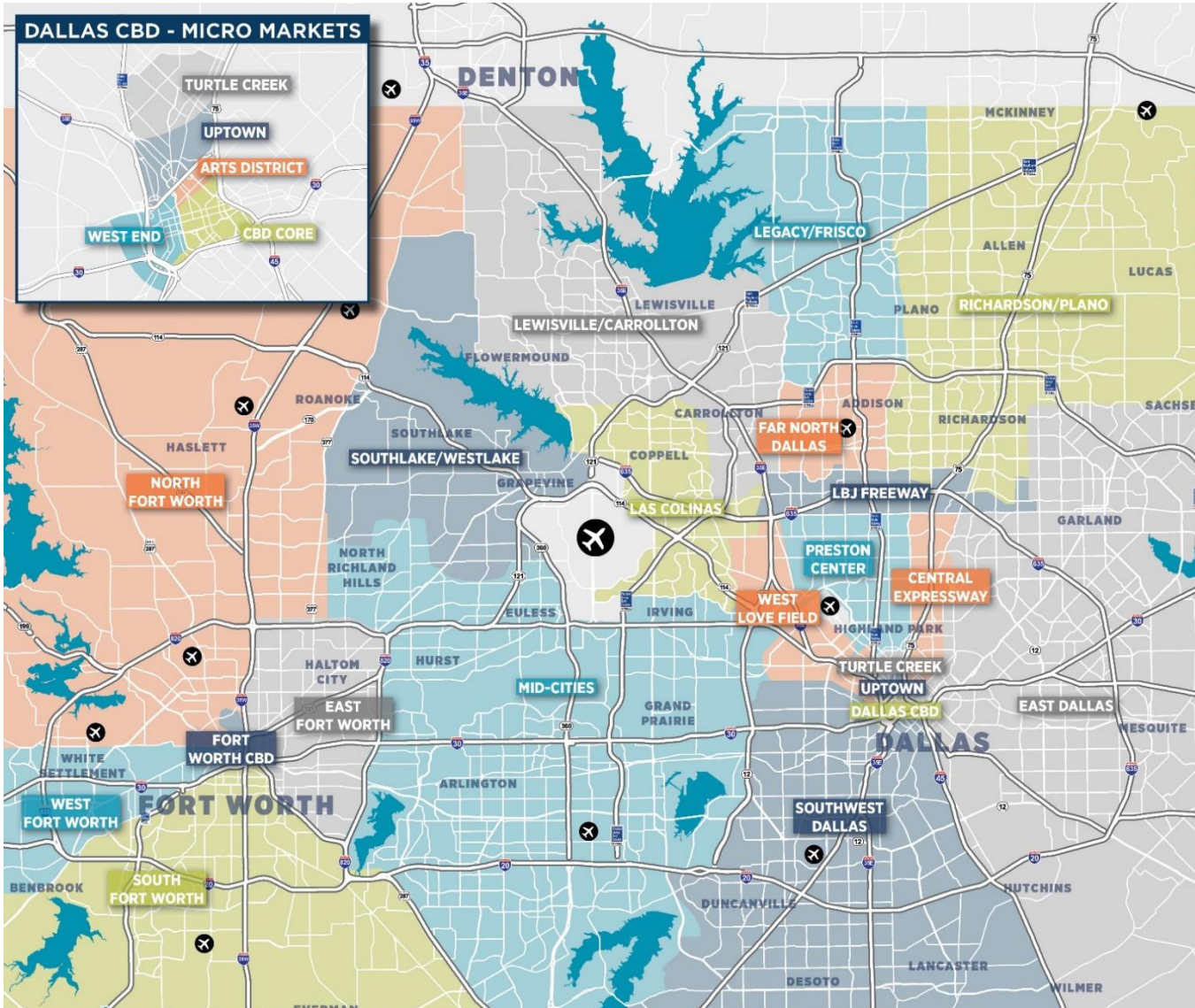
PROPERTY	SUBMARKET	SELLER/BUYER	SF
600 E Las Colinas	Urban Center (Las Colinas)	Pillar Income Asset Management / Dominus Commercial	510,841
International Plaza I	Far North Dallas	Taconic Capital Advisors / The Related Companies	367,251
10000 NCX	North Central Expressway	Westdale / Ray Washburne	306,367



# DALLAS/FORT WORTH

Office Q3 2021

OFFICE SUBMARKETS



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