

Office Q4 2021

	YoY Chg	12-Mo. Forecast
22.1% Vacancy Rate	▲	▼
888K Net Absorption, SF	▲	▲
\$27.36 Asking Rent*, PSF	▲	▲

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

ECONOMIC INDICATORS Q4 2021

	YoY Chg	12-Mo. Forecast
3.9M Dallas/Fort Worth Employment	▲	▲
4.7% Dallas/Fort Worth Unemployment Rate	▼	▼
4.2% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY

The Dallas-Fort Worth (DFW) economy continued its recovery in Q4 2021. With over 3.9 million people employed, the region has fully recovered the jobs lost at the onset of the pandemic. DFW's population increased by 105,155 people year-over-year (YOY), and by 28,756 in Q4 alone, continuing a long trend of population growth. As of December 2021, the population reached a new high of over 7.9 million residents.

According to Moody's Analytics, office-using jobs grew by 64,186 positions when compared to Q4 2020, an increase of 6.2%. 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 63% (692,104 jobs) of office-using employment. The region's office employment totaled 1.1 million jobs as of December 2021.

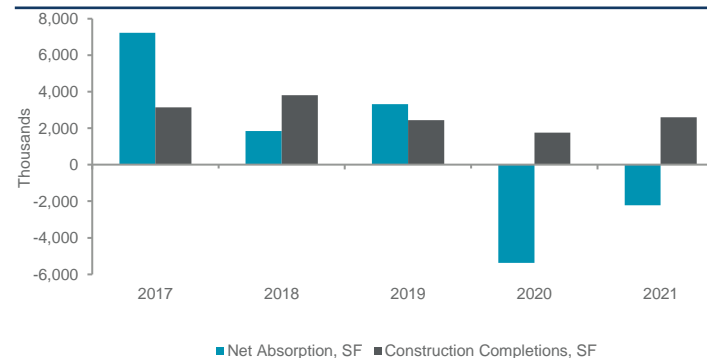
SUPPLY

Despite supply chain delays and increased costs, construction continued mostly uninterrupted in DFW in 2021. In the fourth quarter, 1.3 million square feet (msf) of new inventory was delivered, and the market has delivered 2.6 msf year-to-date (YTD). The largest deliveries in the quarter were Victory Commons (364,773 square feet (sf)) and The Link (292,041 sf), both in the Uptown/Turtle Creek submarket.

The construction pipeline in DFW remains robust, with 4.6 msf to be completed over the next 24 months. The two leading submarkets in construction activity are Legacy/Frisco and Richardson/Plano, with 1.7 msf and 832,404 sf 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 Granite Park Six in Legacy/Frisco at 419,866 sf.

Available sublease space reached a new high in DFW with over 9.3 msf of sublease inventory. However, just 36.0% of this 9.3 msf is listed as currently vacant, compared to 87.0% 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 of 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 Q4 2021

DEMAND

After seven consecutive quarters of falling occupancy, the DFW office market absorbed 888,263 sf in the fourth quarter of 2021. Increased leasing activity earlier in the year drove this number, as the pace of companies moving into space finally surpassed the pace at which leases were expiring. Demand for Class A product continues to drive the market, with nearly 9.5 msf of leases transacted in 2021, or 72.4% of all leases signed.

The two leading submarkets in overall leasing activity were Uptown/Turtle Creek and Richardson/Plano, with 501,914 sf and 402,866 sf of leases signed in the fourth quarter, respectively.

Class A occupancy grew by 1.5 msf in Q4. Class B space continued to drag DFW's overall occupancy with -555,834 sf of absorption in the fourth quarter. It is important to note that Class A space makes up 59.8% of all inventory in DFW, while Class B makes up just 37.0%. The largest move-ins recorded in the quarter were Vistra Energy (403,150 sf) in Las Colinas, Freddie Mac (150,000 sf) in Richardson/Plano and Integrity Marketing (104,379 sf) in the Dallas CBD.

Overall vacancy rates climbed 10-basis points from the previous quarter, up to 22.1%. Class B space still holds the highest overall vacancy at 23.1%, while Class A and Class C trailed at 21.8% and 15.8%, respectively. The Dallas submarkets with the lowest overall vacancy rates include Preston Center (14.6%), East Dallas (18.6%) and Legacy/Frisco (18.9%).

PRICING

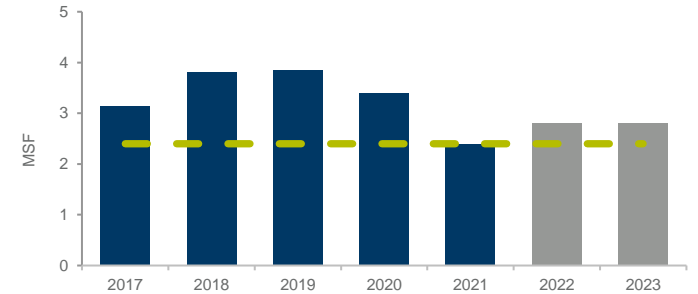
Rising operating expenses, increased asking rates and the addition of 1.3 msf of new Class A product to the market pushed asking rents in DFW to \$27.36 per square foot (psf) on an annual full-service basis, an increase of 2.6% YOY. With the deliveries of Victory Commons and The Link in Q4, rents in the Uptown/Turtle Creek submarket spiked to \$50.99, the highest of any submarket. Preston Center followed at \$44.18 and Legacy/Frisco at \$35.04.

As expected, Class A registered the highest average asking rate, rising to \$32.35 psf, while Class B and Class C reported more economical rates of \$20.22 and \$17.51, respectively.

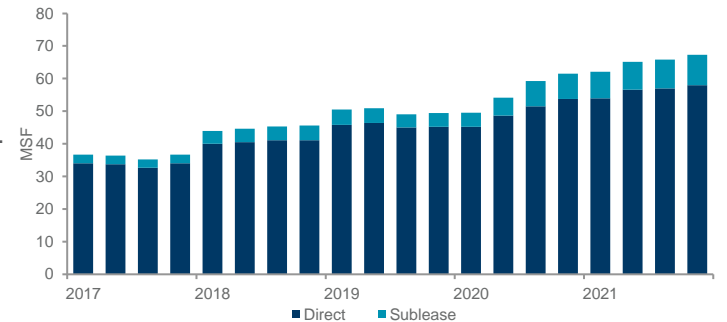
Outlook

- Throughout the office market downturn, landlords did not lower asking rates in DFW, instead offering competitive concession packages which include free rent and additional tenant improvement dollars. Continued expansion in the office market is likely to upset this trend, especially for Class A product.
- With rising occupancy in Class A space, and high demand for newer, Class A assets, rental rates for Class A and B space continue to bifurcate.
- Q4 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.

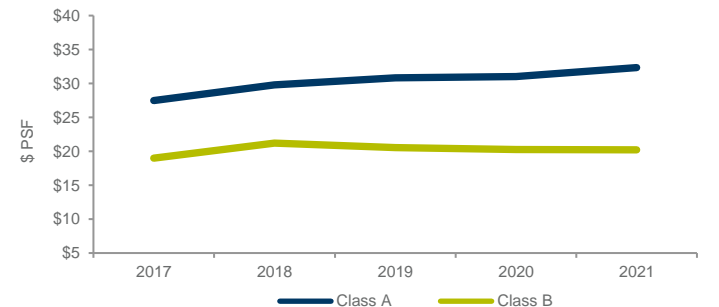
NEW SUPPLY



DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



ASKING RENT COMPARISON



Office Q4 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	19,947,894	601,043	5,917,592	32.7%	76,262	-264,413	592,266	0	\$23.51	\$24.29
Arts District	6,601,774	282,643	1,186,212	22.2%	117,672	95,428	461,713	0	\$42.56	\$42.56
West End	1,728,027	4,000	579,573	33.8%	-16,069	-54,227	38,184	0	\$28.10	\$41.35
DALLAS CBD TOTAL	28,277,695	887,686	7,683,377	30.3%	177,865	-223,212	1,092,163	0	\$26.95	\$28.12
North Central Expressway	12,308,155	112,175	2,416,528	20.5%	132,405	-185,918	760,629	30,000	\$31.31	\$33.87
Preston Center	4,208,259	11,538	604,863	14.6%	121,526	72,864	513,258	318,632	\$44.18	\$47.02
West Love Field	10,399,569	20,881	2,176,976	21.1%	10,258	-49,655	238,882	0	\$17.00	\$18.77
LBJ Freeway	18,616,675	160,630	4,327,760	24.1%	-105,135	-466,048	983,598	0	\$22.55	\$28.19
Las Colinas	35,258,097	406,990	7,251,070	21.7%	545,352	14,766	2,286,353	502,877	\$24.80	\$29.67
Far North Dallas	19,745,896	388,599	4,103,898	22.8%	-57,449	-359,651	1,382,902	0	\$24.85	\$30.19
Richardson/Plano	26,973,048	523,488	5,207,302	21.2%	37,739	-198,596	1,024,111	832,404	\$22.52	\$26.40
Mid Cities	11,234,870	75,689	2,852,086	26.1%	-23,668	-144,658	474,990	0	\$22.66	\$27.31
Lewisville/Carrollton	5,257,694	0	1,023,382	19.5%	-34,906	-277,764	150,188	0	\$24.13	\$39.75
Southwest Dallas	1,830,500	0	405,376	22.1%	886	-24,465	32,408	0	\$23.72	\$25.57
Legacy/Frisco	28,686,028	333,659	5,080,883	18.9%	50,413	-39,217	1,632,558	1,705,631	\$35.04	\$40.10
Southlake/Westlake	4,953,582	108,495	1,189,367	26.2%	106,894	85,564	205,687	0	\$30.30	\$31.48
East Dallas	3,017,207	1,115	560,888	18.6%	-31,124	27,811	130,588	470,000	\$27.58	\$58.00
Uptown/Turtle Creek	13,798,276	121,253	2,754,748	20.8%	68,175	19,380	1,580,834	495,000	\$50.99	\$54.32
DALLAS SUBURBS TOTAL	196,287,856	2,264,512	39,955,127	21.5%	821,366	-1,525,587	11,396,986	4,354,544	\$27.76	\$33.95
DALLAS TOTAL	224,565,551	3,152,198	47,638,504	22.6%	999,231	-1,748,799	12,489,149	4,354,544	\$27.62	\$32.51
Fort Worth CBD	9,938,861	66,843	1,694,414	17.7%	-40,866	-179,944	338,059	48,594	\$24.53	\$27.86
East Fort Worth	1,813,073	3,321	270,131	15.1%	-19,776	-42,058	49,986	0	\$15.92	\$21.77
North Fort Worth	2,265,613	53,236	70,963	5.5%	0	39,458	6,273	182,000	\$19.12	\$20.00
South Fort Worth	2,253,965	59,403	315,767	16.6%	-1,427	-161,466	71,276	0	\$21.09	\$33.36
West Fort Worth	2,920,367	36,197	402,779	15.0%	-48,899	-121,939	112,789	30,000	\$22.46	\$25.45
FW SUBURBS TOTAL	9,253,018	152,157	1,059,640	13.1%	-70,102	-286,005	240,324	212,000	\$20.17	\$24.96
FORT WORTH TOTAL	19,191,879	219,000	2,754,054	15.5%	-110,968	-465,949	578,383	260,594	\$22.79	\$27.30
DFW TOTAL	243,757,430	3,371,198	50,392,558	22.1%	888,263	-2,214,748	13,067,532	4,615,138	\$27.36	\$32.35

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

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
465 Independence Pky	Richardson/Plano	Raytheon	251,347	New Lease
9000 Cypress Waters	Las Colinas	At Home	176,000	New Lease
International Plaza II	Far North Dallas	Interstate Batteries	77,435	New Lease

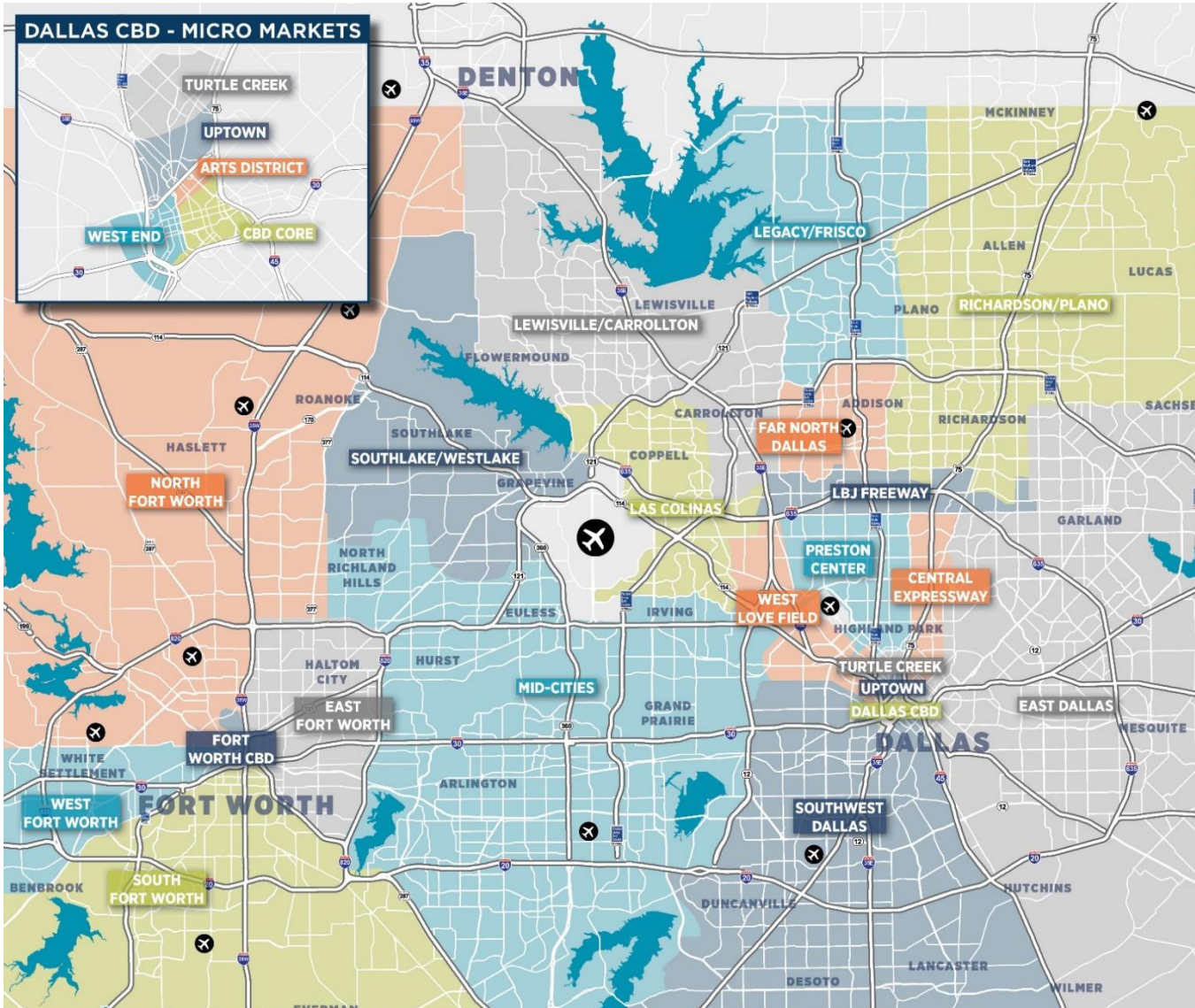
KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER/BUYER	SF
The Campus at Legacy West	Legacy/Frisco	CXA Corporation / Capital Commercial Investments	1,897,984
Park West 1 & 2	Las Colinas	Highland Capital Management / Pratt Street Capital	740,000
The Terraces at Douglas Center	Preston Center	Lionstone Partners / City Office REIT Inc.	171,583

DALLAS/FORT WORTH

Office Q4 2021

OFFICE SUBMARKETS



NICOLAS BELUSIC
 Senior Analyst, Dallas Research
 Tel: +1 972 663 9875
nicolas.belusic@cushwake.com

CHING-TING WANG
 Director, Texas Research
 Tel: +1 972 663 9649
chingting.wang@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in 400 offices and 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2022 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.