

## Office Q2 2022

	YoY Chg	12-Mo. Forecast
<b>21.1%</b> Vacancy Rate	▼	▼
<b>353K</b> Net Absorption, SF	▲	▲
<b>\$28.59</b> Asking Rent*, PSF	▲	▼

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

### ECONOMIC INDICATORS Q2 2022

	YoY Chg	12-Mo. Forecast
<b>4.1M</b> Dallas/Fort Worth Employment	▲	▲
<b>3.7%</b> Dallas/Fort Worth Unemployment Rate	▼	▼
<b>3.6%</b> U.S. Unemployment Rate	▼	▼

Source: BLS

### ECONOMY

The Dallas-Fort Worth (DFW) economy maintained its growth trajectory in Q2 2022. With 4.1 million people employed, the region has stabilized and has hit an all-time high in the number of people employed. DFW's population increased by 118,158 people, year-over-year (YOY), and by 32,965 in Q2 alone, continuing the long trend of population growth. As of June 2022, the population reached a new high of 8.0 million residents.

According to Moody's Analytics, office-using jobs grew by 90,360 positions, an increase of 8.3% when compared to Q2 2021. 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% (738,419 jobs) of office-using employment. The region's office employment totaled 1.2 million jobs as of June 2022.

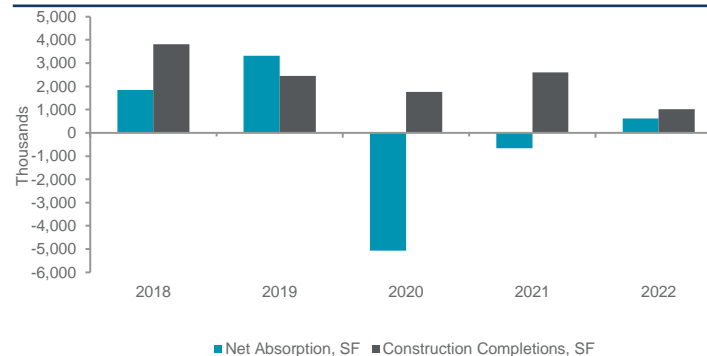
### SUPPLY

Despite ongoing logistic issues and upward inflationary pressure, construction in 2022 has continued mostly uninterrupted in DFW. In the second quarter, a total of 696,622 square feet (sf) of new inventory was delivered with the Epic II (470,000 sf) in East Dallas, The Parkwood (120,000 sf) in Legacy/Frisco, and the PGA of America HQ (107,000 sf) in Legacy/Frisco.

The construction pipeline in DFW remains robust with 5.1 million square feet (msf) to be completed over the next 24 months. The two leading submarkets in construction activity are Legacy/Frisco with 2.6 msf of space under construction and Las Colinas with 678,877 sf of space under construction. The largest under construction projects in DFW are Granite Park Six at 419,866 sf and Two Legacy West at 414,238 sf, both being built in the Legacy/Frisco submarket.

Available sublease space increased in DFW since last quarter to 9.9 msf, 34.2% of which is currently vacant compared to 83.8% of available direct space listed as vacant. The increase in sublease space can be attributed to the recent delivery of Epic II and new sublease spaces coming onto market from Wage Works and Peloton. This suggests a shift in trend from the previous quarter, when there was a slight decline in the amount of sublease space on the market. Companies will continue to reevaluate space needs as they progress into their new normal.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



# DALLAS/FORT WORTH

## Office Q2 2022

### DEMAND

For the third consecutive quarter, the DFW office market saw occupancy grow, absorbing 353,375 square feet (sf) in the second quarter of 2022. Increased leasing activity in previous quarters drove this number, as the pace of companies moving into space surpassed the pace at which leases were expiring. Demand for Class A product continues to drive the market, with nearly 2.6 msf of new leases transacted in the second quarter, or 75% of all leases signed.

The two leading submarkets in overall leasing activity were Legacy/Frisco and Las Colinas with 843,897 sf and 437,662 sf, respectively, of leases signed in the second quarter.

Class A occupancy grew by 523,681 sf in the second quarter while Class B and C spaces saw a net change of -170,306 sf of absorption. It is important to note that Class A space makes up 60.0% of all inventory in DFW, while Class B makes up just 36.5%. The largest move-ins recorded in the quarter were Vanguard (174,695 sf) in Legacy/Frisco, FDIC (162,524 sf) in the CBD Core, and PGA of America (106,622 sf) in Legacy/Frisco.

Despite overall occupancy rising, the delivery of new vacant space in the market caused overall vacancy rates in DFW to increase 10-basis points from the previous quarter, up to 21.1%. Class A had an overall vacancy of 21.9%, while Class B had an overall vacancy of 20.4%, and Class C at 14.2% for the quarter. The Dallas submarkets with the lowest overall vacancy rates include Preston Center (11.7%), Richardson/Plano (17.9%) and Uptown/Turtle Creek (18.8%).

### PRICING

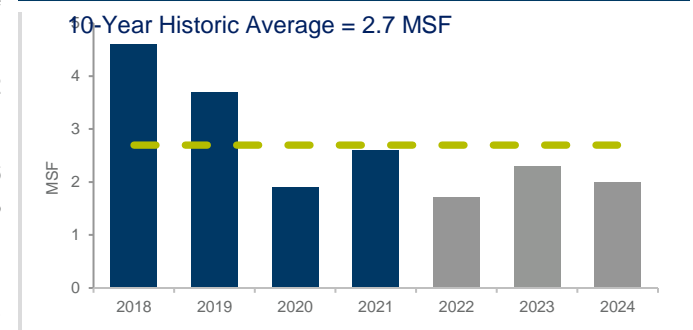
Rising labor and energy costs contributed to an overall increase in operating expenses, pushing annual full-service asking rates in DFW to \$28.59 per square foot (psf), a YOY increase of 4.3%. Rents in Uptown/Turtle Creek and Preston Center saw the highest rental rates in the market at \$49.43 and \$44.72, respectively.

As expected, Class A registered the highest average asking rate, rising to \$33.15 psf, while Class B and Class C reported rates of \$21.30 and \$18.28, respectively.

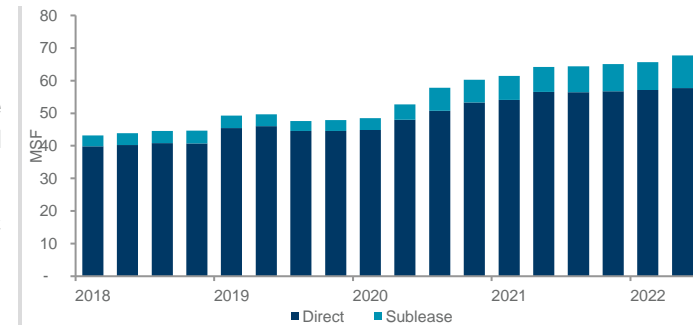
### OUTLOOK

- Q2 2022 marked a continuation of DFW's recovery despite economic headwinds involving inflation and rising costs. The long-term outlook for the region remains very positive, especially compared to other large U.S. metro areas.
- There will be an ongoing flight to quality in new Class A properties as companies look to attract employees back into the office leading to a further divergence of rental rates for Class A and B space.
- Landlords will look to renovate older office inventory and increase amenities to compete with newer, high-quality space to help tenants attract and retain talent.
- Sublease space availabilities on the market will continue to fluctuate as companies recalibrate on space needs.

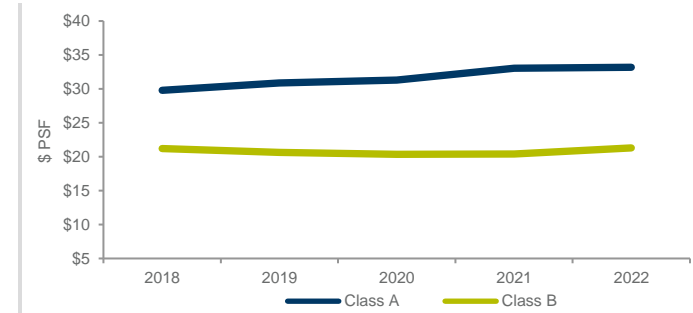
### NEW SUPPLY (msf)



### DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



### ASKING RENT COMPARISON



## Office Q2 2022

## 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	19,975,253	155,241	6,083,474	31.2%	87,626	-1,693	393,305	0	\$24.98	\$25.70
Arts District	6,941,774	270,092	1,178,002	20.9%	-19,105	26,926	96,116	0	\$44.30	\$44.30
West End	1,677,991	4,000	504,854	30.3%	0	-9,906	12,784	0	\$32.12	\$43.60
<b>DALLAS CBD TOTAL</b>	<b>28,595,018</b>	<b>429,333</b>	<b>7,766,330</b>	<b>28.7%</b>	<b>68,521</b>	<b>15,327</b>	<b>502,205</b>	<b>0</b>	<b>\$28.75</b>	<b>\$29.99</b>
North Central Expressway	10,833,267	91,505	2,174,234	20.9%	-152,167	-142,926	267,168	30,000	\$34.49	\$37.22
Preston Center	4,114,825	11,538	471,913	11.7%	31,422	1,075	185,299	318,632	\$44.72	\$48.25
West Love Field	10,377,549	27,244	2,076,869	20.3%	-25,484	13,525	130,489	0	\$17.28	\$19.59
LBJ Freeway	22,969,085	342,221	4,692,229	21.9%	-133,398	-5,870	714,937	0	\$23.71	\$29.24
Las Colinas	35,097,901	318,639	6,696,903	20.0%	-59,587	5,786	1,387,188	678,877	\$26.14	\$30.07
Far North Dallas	17,691,559	209,482	3,773,107	22.5%	-72,564	-51,193	589,523	0	\$26.44	\$31.19
Richardson/Plano	25,727,016	44,493	4,556,612	17.9%	109,743	192,436	757,968	475,405	\$23.27	\$26.34
Mid Cities	11,855,592	52,460	3,045,497	26.1%	-54,745	-210,249	213,042	0	\$22.93	\$27.15
Lewisville/Carrollton	4,475,646	0	851,558	19.0%	-33,239	-45,810	225,517	0	\$22.05	\$36.00
Southwest Dallas	1,858,530	0	395,772	21.3%	-5,371	-18,210	16,006	0	\$24.49	\$25.62
Legacy/Frisco	30,402,630	609,023	5,966,827	21.6%	400,217	485,536	1,658,450	2,611,195	\$37.20	\$40.92
Southlake/Westlake	4,939,607	127,966	1,219,665	27.3%	-11,109	-14,380	148,913	143,500	\$30.56	\$31.86
East Dallas	3,643,481	346,647	448,819	21.8%	154,758	147,139	132,443	0	\$26.16	\$58.00
Uptown/Turtle Creek	14,456,197	96,544	2,617,863	18.8%	186,235	323,393	921,689	495,000	\$49.43	\$53.25
<b>DALLAS SUBURBS TOTAL</b>	<b>198,442,885</b>	<b>2,277,762</b>	<b>38,987,868</b>	<b>20.8%</b>	<b>334,711</b>	<b>680,252</b>	<b>7,348,632</b>	<b>4,752,609</b>	<b>\$28.86</b>	<b>\$34.41</b>
<b>DALLAS TOTAL</b>	<b>227,037,903</b>	<b>2,707,095</b>	<b>46,754,198</b>	<b>21.8%</b>	<b>403,232</b>	<b>695,579</b>	<b>7,850,837</b>	<b>4,752,609</b>	<b>\$28.84</b>	<b>\$33.36</b>
Fort Worth CBD	7,834,738	54,985	1,396,055	18.5%	-62,365	-106,037	79,416	0	\$24.18	\$26.75
East Fort Worth	2,343,561	56,557	109,376	7.1%	-3,358	-5,005	17,737	0	\$14.07	N/A
North Fort Worth	1,944,574	0	88,713	4.6%	-14,329	-18,033	37,884	182,000	\$23.71	\$21.87
South Fort Worth	2,731,339	28,874	237,024	9.7%	16,031	50,397	156,034	48,594	\$22.75	\$26.00
West Fort Worth	4,641,036	37,572	518,757	12.0%	14,164	2,947	179,884	129,400	\$25.22	\$28.85
<b>FW SUBURBS TOTAL</b>	<b>11,660,510</b>	<b>123,003</b>	<b>953,870</b>	<b>9.2%</b>	<b>12,508</b>	<b>30,306</b>	<b>391,539</b>	<b>359,994</b>	<b>\$23.20</b>	<b>\$28.56</b>
<b>FORT WORTH TOTAL</b>	<b>19,495,248</b>	<b>177,988</b>	<b>2,349,925</b>	<b>13.0%</b>	<b>-49,857</b>	<b>-75,731</b>	<b>470,955</b>	<b>359,994</b>	<b>\$23.79</b>	<b>\$27.11</b>
<b>DFW TOTAL</b>	<b>246,533,151</b>	<b>2,885,083</b>	<b>49,104,123</b>	<b>21.1%</b>	<b>353,375</b>	<b>619,848</b>	<b>8,321,792</b>	<b>5,112,603</b>	<b>\$28.59</b>	<b>\$33.15</b>

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

## KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
6501 Legacy Dr	Legacy/Frisco	J.C. Penney	318,067	New Lease
1001 E Lookout Dr	Richardson/Plano	Texas Capital Bancshares	159,597	New Lease
2801 N Harwood St	Uptown	O'Melveny	75,165	New Lease

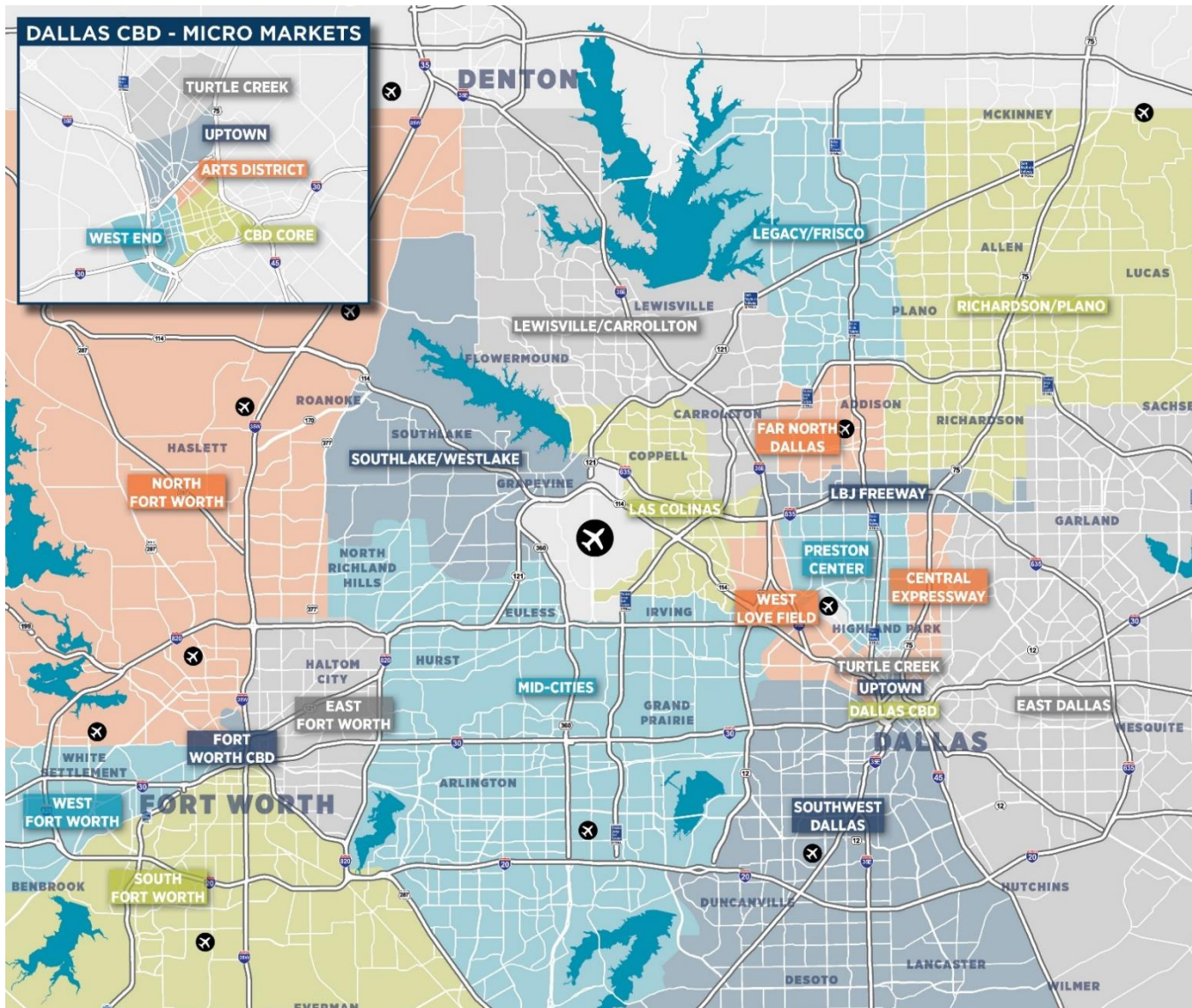
## KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER/BUYER	SF
Renaissance Tower	CBD Core	Square Mile Capital/GreyStreet Partners	1,792,000
HilltopSecurities Tower	CBD Core	World Class Capital Group/Dalan Management	900,000
1925 W John Carpenter Fwy	Las Colinas	JP Realty Partners/Northridge Capital	406,160

# DALLAS/FORT WORTH

Office Q2 2022

OFFICE SUBMARKETS



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