

## Office Q4 2022

**21.0%**

Vacancy Rate

YoY Chg



12-Mo. Forecast



**-266K**

Net Absorption, SF



**\$28.31**

Asking Rent\*, PSF



(Overall, All Property Classes)

\*Rental rates reflect gross asking \$psf/year

### ECONOMIC INDICATORS Q4 2022

**4.2M**

Dallas/Fort Worth Employment

YoY Chg



12-Mo. Forecast



**3.5%**

Dallas/Fort Worth Unemployment Rate



**3.7%**

U.S. Unemployment Rate



Source: BLS

### ECONOMY

The Dallas-Fort Worth (DFW) economy maintained its employment and population growth trajectory in Q4 2022. The region once again exceeded previous employment levels and hit an all-time high of 4.2 million people employed in the metroplex. DFW's population continued to grow as well, increasing by 116,587 people year-over-year (YOY), and by 30,571 in the fourth quarter. As of December 2022, the population reached a new high of 8.0 million residents.

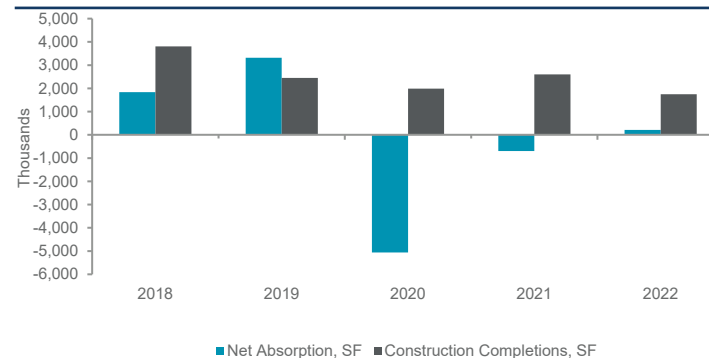
Per Moody's Analytics, office using jobs, positions which fall within business and professional services, information/technology, and financial activities, grew by a total of 71,615 positions, an increase of 6.2% compared to Q4 2021. Each subcategory within office using jobs grew as well. Professional and business services, a leading indicator of office demand, recorded a YOY increase of 6.8% (49,003 jobs), while financial activities and information/technology grew by 5.64% (19,764 jobs) and 3.36% (2,848 jobs), respectively, during the same period. DFW's office-using employment totaled 1.2 million jobs as of December 2022.

### SUPPLY

Despite ongoing inflationary pressure, labor issues, and supply chain constraints, construction in DFW continued mostly uninterrupted in 2022 with 1.7 million square feet (msf) of new office inventory delivered to the market. The construction pipeline in DFW remains robust with 6.1 msf to be completed over the next 24 months. The two leading submarkets with construction activity are Legacy/Frisco with 2.8 msf of space under construction and Uptown/Turtle Creek with 1.5 msf of space under construction. The largest projects in DFW are 23Springs with 623,624 sf under construction in Uptown and The Star Phase V with 500,000 sf under construction in Legacy/Frisco.

Available sublease space in DFW grew to 11.5 msf, an increase of 8.1% from the previous quarter, 26.0% of which is currently vacant compared to 85.2% of available direct space listed as vacant. The increase in sublease space can be attributed to newly added space by Nationstar Mortgage (120,780 sf) in Lewisville/Carrollton, Bestow (94,740 sf) in East Dallas, and Splunk (82,870 sf) in Legacy/Frisco. The rapid growth in available sublease space is a concerning trend for the DFW office market. After slow growth to available sublease space in 2021, a fresh round of new spaces was added to the market in 2022 with signs of further increases on the horizon.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



# DALLAS/FORT WORTH

Office Q4 2022

## DEMAND

For the second consecutive quarter, DFW recorded an office occupancy decrease with negative 265,845 square feet (sf) of net absorption. This is a result of companies right sizing their footprint within the market due to hybrid work options, as well as cost cutting measures to reduce bottom line expenses. Demand for Class A product continues to drive the market with nearly 2.7 msf of leases transacted in the fourth quarter, or 67.8% of all leases signed. The two leading submarkets in overall leasing activity were Las Colinas and Legacy/Frisco with nearly 1.5 msf and 511,205 sf of leases signed, respectively, in the fourth quarter.

Class A occupancy grew by 245,710 sf in the fourth quarter, while Class B and C spaces recorded a net occupancy decrease of 511,555 sf. It is important to note that Class A space makes up 60.4% of all inventory in DFW, while Class B makes up just 36.4%. The largest move-ins recorded in the quarter were Trellix into 75,251 sf in Legacy/Frisco, Retail Services WIS Corp into 70,996 sf in Lewisville/Carrollton, and Apex Capital into 61,944 sf in the Fort Worth CBD.

The overall vacancy rate in DFW increased to 21.0%, a 10 basis-point increase from the previous quarter. This can be attributed to companies right-sizing and shedding underutilized space. Class A had an overall vacancy rate of 21.3%, while Class B held at 21.0% and Class C at 15.2% for the quarter. The Dallas submarkets with the lowest overall vacancy rates include Preston Center at 10.0%, Lewisville/Carrollton at 16.0% and Richardson/Plano at 17.7%.

## PRICING

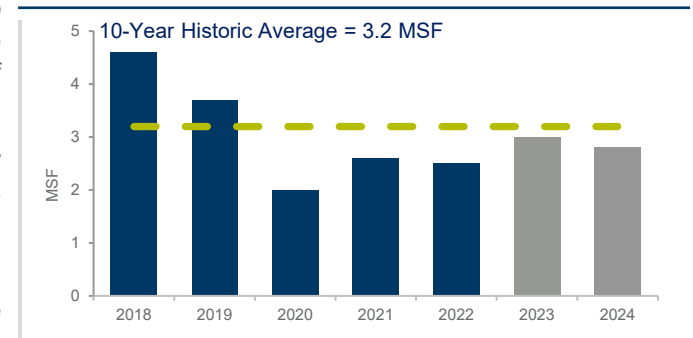
With rising energy costs, operating expenses continued to grow this quarter, pushing annual full-service asking rates in DFW to \$28.31 per square foot (psf), a YOY increase of 0.2%. Rents in Uptown/Turtle Creek and Preston Center recorded the highest rates in the market at \$49.68 and \$45.26 psf, respectively.

As expected, Class A registered the highest average asking rates at \$33.18 psf, while Class B and Class C reported rates of \$20.83 and \$18.55 psf, respectively.

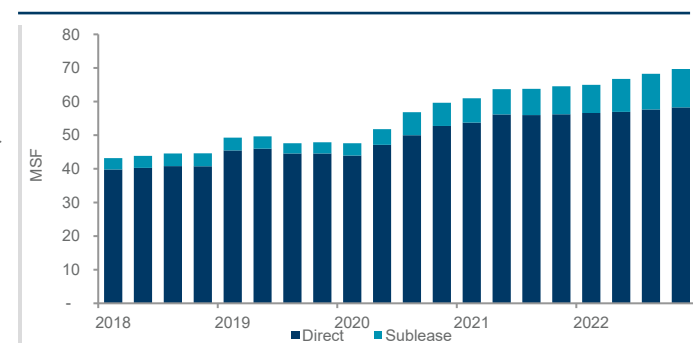
## OUTLOOK

- Despite macro-economic headwinds involving high inflation and rising capital costs, the long-term outlook for the region remains positive, especially compared to other large U.S. metro areas
- As companies look to attract employees back into the office with amenity-rich spaces, flight to quality to new Class A properties will continue to drive a divergence of Class A and B rental rates
- Sublease space availabilities on the market will continue to rise as companies recalibrate their space needs
- Landlords will look to renovate and reposition older office inventory and increase amenities to compete with newer, high-quality space to help tenants attract and retain talent

## NEW SUPPLY (msf)



## DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



## ASKING RENT COMPARISON



## Office Q4 2022

## MARKET STATISTICS

SUBMARKET	INVENTORY	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	Q4 NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CONSTRUCTION (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)
CBD Core	19,670,752	290,899	5,762,572	30.8%	-110,932	-164,342	792,397	0	\$24.63	\$25.51
Arts District	6,941,774	233,591	1,324,255	22.4%	34,804	-102,813	340,216	0	\$43.66	\$43.66
West End	1,677,991	0	470,345	28.0%	-3,193	10,223	90,849	0	\$30.42	\$42.39
<b>DALLAS CBD TOTAL</b>	<b>28,290,517</b>	<b>524,490</b>	<b>7,557,172</b>	<b>28.6%</b>	<b>-79,321</b>	<b>-256,932</b>	<b>1,223,462</b>	<b>0</b>	<b>\$28.74</b>	<b>\$30.18</b>
North Central Expressway	10,833,267	67,524	2,382,228	22.6%	-86,443	-375,816	789,681	30,000	\$35.21	\$38.03
Preston Center	4,114,825	6,194	406,147	10.0%	8,978	64,986	364,482	318,632	\$45.26	\$49.43
West Love Field	10,377,549	24,783	1,905,997	18.6%	105,051	143,399	339,153	253,433	\$17.40	\$19.71
LBJ Freeway	22,969,085	305,291	5,160,918	23.8%	-204,159	-477,888	1,706,657	0	\$23.78	\$29.55
Las Colinas	36,386,873	216,415	7,292,346	20.6%	-112,376	78,273	3,805,756	176,000	\$26.54	\$30.88
Far North Dallas	17,691,559	155,256	3,774,383	22.2%	-9,895	-67,662	1,334,516	0	\$26.65	\$31.96
Richardson/Plano	26,096,421	59,341	4,570,609	17.7%	71,776	400,487	1,387,348	180,000	\$22.98	\$27.22
Mid Cities	11,855,592	49,456	3,050,612	26.1%	-20,958	-240,368	394,226	0	\$23.05	\$27.36
Lewisville/Carrollton	4,475,646	0	716,600	16.0%	65,101	58,469	328,682	450,000	\$21.55	\$36.00
Southwest Dallas	1,858,530	0	390,917	21.0%	2,216	-12,100	29,927	0	\$24.42	\$25.80
Legacy/Frisco	30,402,630	539,336	5,615,818	20.2%	103,029	829,670	3,188,886	2,806,282	\$36.50	\$41.29
Southlake/Westlake	4,939,607	121,860	1,064,789	24.0%	-16,048	-58,320	314,631	143,500	\$29.25	\$30.69
East Dallas	3,520,128	346,647	444,193	22.5%	10,639	14,614	155,794	0	\$18.52	N/A
Uptown/Turtle Creek	14,456,197	50,469	2,540,458	17.9%	39,953	361,880	1,818,986	1,455,624	\$49.68	\$54.17
<b>DALLAS SUBURBS TOTAL</b>	<b>199,977,909</b>	<b>1,942,572</b>	<b>39,316,015</b>	<b>20.6%</b>	<b>-43,136</b>	<b>719,624</b>	<b>15,958,725</b>	<b>5,813,471</b>	<b>\$28.49</b>	<b>\$34.39</b>
<b>DALLAS TOTAL</b>	<b>228,268,426</b>	<b>2,467,062</b>	<b>46,873,187</b>	<b>21.6%</b>	<b>-122,457</b>	<b>462,692</b>	<b>17,182,187</b>	<b>5,813,471</b>	<b>\$28.53</b>	<b>\$33.40</b>
Fort Worth CBD	7,834,738	79,738	1,338,606	18.1%	1,482	-131,331	247,188	0	\$24.89	\$27.05
East Fort Worth	2,343,561	56,557	115,522	7.3%	-1,422	-11,643	47,412	0	\$13.66	N/A
North Fort Worth	2,044,574	0	96,347	4.7%	-16,848	-26,491	59,616	182,000	\$24.59	\$23.21
South Fort Worth	2,779,933	1,429	299,698	10.8%	-2,716	47,989	215,736	0	\$23.78	\$28.00
West Fort Worth	4,641,036	32,607	634,757	14.4%	-123,884	-125,521	313,924	129,400	\$25.22	\$28.72
<b>FW SUBURBS TOTAL</b>	<b>11,809,104</b>	<b>90,593</b>	<b>1,146,324</b>	<b>10.5%</b>	<b>-144,870</b>	<b>-115,666</b>	<b>636,688</b>	<b>311,400</b>	<b>\$23.58</b>	<b>\$28.29</b>
<b>FW FORTH TOTAL</b>	<b>19,643,842</b>	<b>170,331</b>	<b>2,484,930</b>	<b>13.5%</b>	<b>-143,388</b>	<b>-246,997</b>	<b>883,876</b>	<b>311,400</b>	<b>\$24.32</b>	<b>\$27.39</b>
<b>DFW TOTAL</b>	<b>247,912,268</b>	<b>2,637,393</b>	<b>49,358,117</b>	<b>21.0%</b>	<b>-265,845</b>	<b>215,695</b>	<b>18,066,063</b>	<b>6,124,871</b>	<b>\$28.31</b>	<b>\$33.18</b>

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

## KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
220 E Las Colinas Blvd	Las Colinas	Americredit Financial Services	91,887	Renewal
17 Cowboys Way	Legacy/Frisco	Comerica	81,810	New Lease
8900 Freeport Pky	Las Colinas	Nissan Motor Acceptance Corp	60,736	Renewal

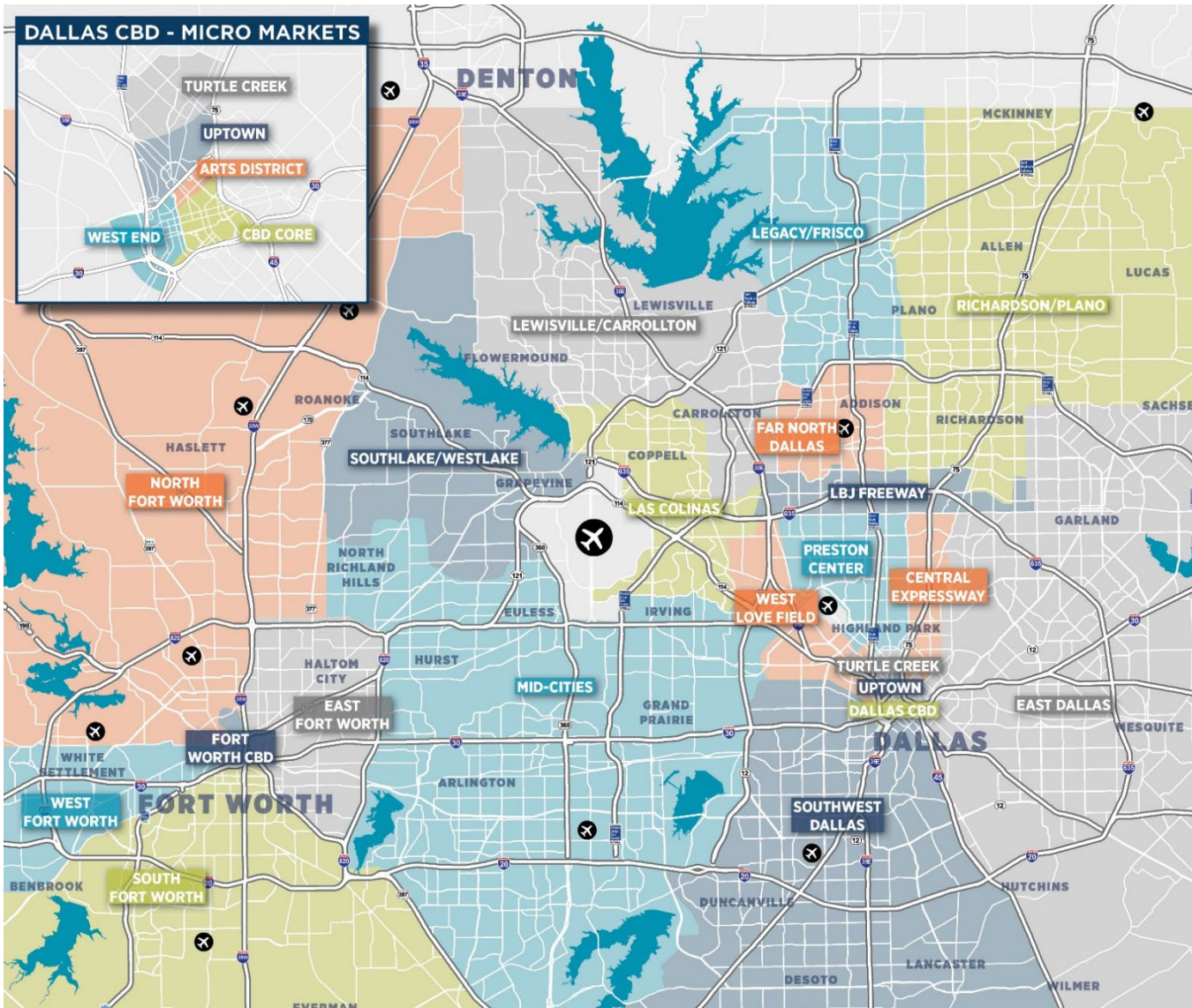
## KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER/BUYER	SF
Exxon Mobil Corporate Headquarters	Las Colinas	Exxon Mobil/Capital Commercial Investments	553,431
McKinney & Olive	Uptown/Turtle Creek	Crescent Real Estate/ Granite Properties	536,000
The Towers At Park Central	LBJ Freeway	PIMCO/TPG Real Estate	365,868

# DALLAS/FORT WORTH

Office Q4 2022

OFFICE SUBMARKETS



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