

Office Q1 2024

22.0%
Vacancy Rate



-2.1M
Net Absorption, SF



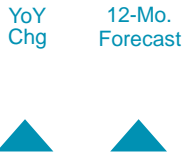
\$30.49
Asking Rent*, PSF



*Overall, All Property Classes
**Rental rates reflect gross asking \$psf/year
***Absorption was revised after all stats were released

ECONOMIC INDICATORS Q1 2024

4.3M
Dallas/Fort Worth
Employment



3.7%
Dallas/Fort Worth
Unemployment Rate



3.8%
U.S.
Unemployment Rate



Source: BLS

ECONOMY

Despite broader economic challenges in 2024, the Dallas-Fort Worth (DFW) economy showcased remarkable resilience. Ongoing challenges, including the rise in inflationary costs, maturation of loans, and escalating labor expenses, continue to endure. Nevertheless, the metroplex experienced a steady employment uptick, with 4.3 million individuals employed, marking a 1.7% year-over-year (YOY) increase. Notably, in the first quarter of 2024, DFW's unemployment rate dropped by 20 basis points (bps) quarter-over-quarter (QOQ) to 3.7%, falling below the national rate of 3.8%. Moreover, the region saw a 1.7% population growth, welcoming 134,631 new residents, pushing the total population past 8.2 million by March 2024. These encouraging trends underscore the robust economic vitality of the area, despite the economic uncertainty faced across the nation.

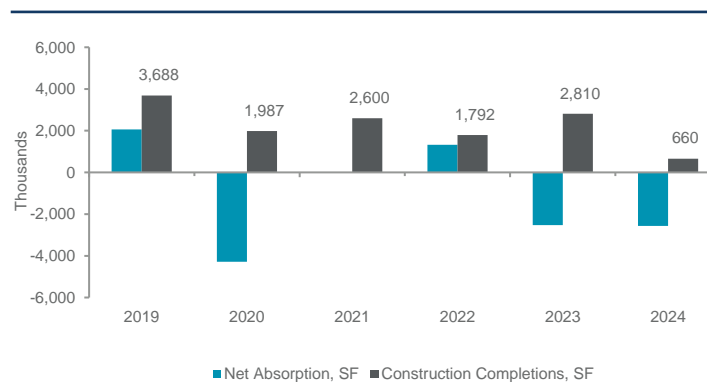
According to Moody's Analytics, in the Q1 2024, office-based jobs, spanning professional/business services, information/technology, and financial activities sectors, expanded by 5,021 positions, marking a 0.3% uptick compared to Q1 2023. Among these sectors, professional/business services, a leading indicator of office space demand, saw a modest quarterly increase of 0.1% (819 jobs). Financial activities edged up by 1.1% (4,017 jobs), while information/technology increased by 0.2% (185 jobs). As of March 2024, the total office-based employment in the DFW area reached 1.2 million jobs.

SUPPLY

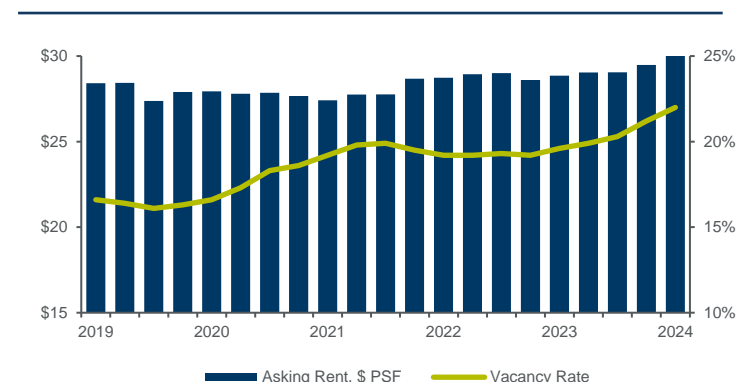
Construction activity in the DFW area remains resilient, though developers are proceeding cautiously due to the high interest rate environment and inflationary pressures. In the first quarter 659,689 square feet (sf) of new office space was added to the market, with Legacy/Frisco and West Love Field submarkets recording 386,946 sf and 272,743 sf, respectively. Moreover, an additional 4.0 million square feet (msf) slated for completion within the next 24 months. Available sublease space in DFW saw a decrease, totaling 11.8 msf.

In the first quarter of 2024, the overall vacancy rate in the DFW area recorded an increase of 120 bps QOQ, hitting 22.0%. Vacancy levels rose across all classes of office properties in the metroplex. Specifically, Class A properties reached 23.2%, Class B reached 20.9%, and Class C reached 14.0%. Notably, certain Dallas submarkets boasted lower vacancy rates during this period. Preston Center led with 12.2%, followed by Lewisville/Carrollton at 16.3%, and Richardson/Plano at 18.0%. Sublease availability percentages were highest in East Dallas, North Fort Worth, and Freeport in Las Colinas, at 13.8%, 12.0%, and 11.4%, respectively.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



DALLAS/FORT WORTH

Office Q1 2024



DEMAND

In the first quarter, DFW recorded a notable decline in office occupancy, marking negative 2.1 msf of net absorption. Class A office buildings recorded a negative absorption of 1.9 msf, while Class B and C spaces also reported negative absorption figures of 620,804 sf and 9,339 sf, respectively. Class A negative absorption can be attributed to large move-outs from AmerisourceBergan Specialty Group (300,000 sf) and Texas Capital Bank (202,204 sf). This trend reflects companies adjusting their space requirements and implementing cost-cutting measures to trim expenses.

Despite the overall decline, demand for Class A properties remains strong, with nearly 1.6 msf of leases signed in the first quarter, accounting for 68.3% of all leasing activity. Notable activity was recorded within the Uptown/Turtle Creek, Las Colinas, and LBJ Freeway submarkets, which collectively recorded 1.1 msf of leasing activity. This represents approximately 45.2% of all leases signed in the quarter, indicating continued interest and activity in these areas.

It's worth highlighting that Class A spaces account for 61.0% of all inventory in the DFW area, with Class B comprising just 35.9%. Notable moves in the quarter included Caterpillar occupying 59,014 sf in Urban Center-Las Colinas, Kimley Horn taking up 41,048 sf in East Dallas, and Everything Breaks Inc. securing 33,573 sf in Mid Cities.

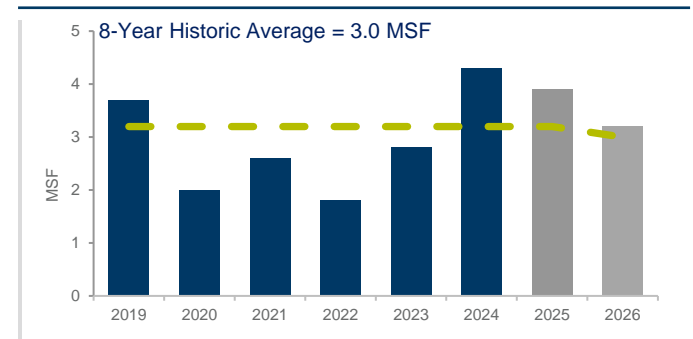
PRICING

Rising costs continue to put pressure on annual full-service leasing rates, now standing at \$30.49 per square foot (psf), reflecting an increase of 3.0% QOQ and 5.9% YOY. Across Dallas, the Uptown/Turtle Creek submarket commands the highest asking rental rate at \$53.83 psf, followed closely by Preston Center at \$46.22 psf. Class A properties lead the pack with an average asking rental rate of \$36.02 psf, while Class B and Class C properties trail behind with rates of \$21.29 psf and \$17.90 psf, respectively.

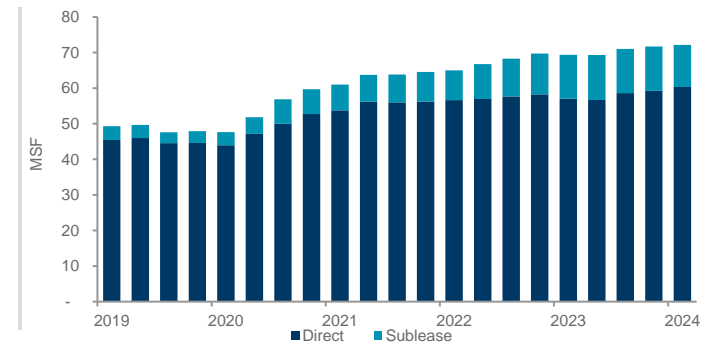
OUTLOOK

- An uptick in availability is anticipated across all office classes (A, B, C) in the DFW market, driven by tenants' ongoing preference for smaller spaces, prompting a shift toward higher-quality alternatives.
- As the number of requirements in the market increase, plug-and-play spaces are favored compared to sublease spaces as tenants shift focus towards move-in ready space.
- Continued population growth will support further corporate relocations to Dallas as occupiers emphasize talent draw.
- With over \$15 billion of office loans reaching maturity within the next 12 months, many office landlords are looking to refinance and integrate unique features to their buildings in order to reinvigorate leasing velocity.

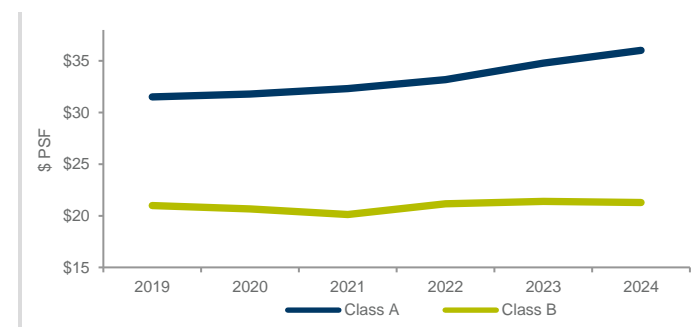
NEW SUPPLY (msf)



DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



ASKING RENT COMPARISON



Office Q1 2024

MARKET STATISTICS

SUBMARKET	INVENTORY	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	QTRLY 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	18,993,681	228,087	5,753,409	31.5%	-42,472	-42,472	67,020	0	\$28.31	\$29.84
Arts District	6,985,424	250,808	1,314,713	22.4%	324	324	0	0	\$44.38	\$44.38
West End	1,677,991	0	403,988	24.1%	3,620	3,620	16,141	0	\$26.48	\$41.93
DALLAS CBD TOTAL	27,657,096	478,895	7,472,110	28.7%	-38,528	-38,528	83,161	0	\$31.37	\$33.52
North Central Expressway	10,843,267	78,459	2,403,954	22.9%	-79,856	-79,856	49,821	0	\$36.92	\$39.65
Preston Center	4,433,457	14,229	531,650	12.3%	-4,067	-4,067	55,739	0	\$46.22	\$50.50
West Love Field	10,751,470	18,177	2,223,670	20.9%	-60,112	-60,112	22,561	0	\$24.30	\$32.63
LBJ Freeway	22,939,901	214,364	5,114,906	23.2%	-174,427	-174,427	295,748	0	\$23.92	\$30.64
Las Colinas	36,781,735	528,830	8,053,484	23.3%	-180,551	-180,551	383,435	0	\$27.41	\$32.42
Far North Dallas	17,524,104	257,362	3,964,966	24.1%	-211,152	-211,152	240,811	0	\$27.43	\$32.57
Richardson/Plano	25,879,870	166,854	4,488,514	18.0%	-340,787	-340,787	167,332	99,381	\$24.48	\$26.67
Mid Cities	11,855,592	33,013	3,143,043	26.8%	-29,398	-29,398	153,845	0	\$23.43	\$27.48
Lewisville/Carrollton	4,552,117	21,036	721,155	16.3%	363	363	40,180	150,000	\$21.24	\$28.77
Southwest Dallas	1,858,530	0	159,714	8.6%	-22,213	-22,213	8,617	0	\$23.96	\$25.61
Legacy/Frisco	32,072,700	645,585	6,798,739	23.2%	-620,740	-620,740	188,581	1,269,943	\$39.25	\$43.78
Southlake/Westlake	5,083,131	62,094	1,086,180	22.6%	48,517	48,517	169,474	0	\$31.50	\$34.49
East Dallas	3,520,128	442,954	332,462	22.0%	10,610	10,610	21,820	0	\$33.18	\$51.67
Uptown/Turtle Creek	14,882,197	77,588	3,169,719	21.8%	-300,417	-300,417	390,955	0	\$53.83	\$58.39
DALLAS SUBURBS TOTAL	202,978,199	2,560,545	42,192,156	22.0%	-1,964,230	-1,964,230	2,188,919	3,875,149	\$30.62	\$36.94
DALLAS TOTAL	230,635,295	3,039,440	49,664,266	22.9%	-2,002,758	-2,002,758	2,272,080	3,875,149	\$30.75	\$36.21
Fort Worth CBD	7,834,738	0	1,079,142	13.8%	-9,631	-9,631	40,858	0	\$27.31	\$30.18
East Fort Worth	2,366,884	2,339	157,686	6.8%	-6,283	-6,283	9,083	0	\$14.81	N/A
North Fort Worth	2,226,574	3,436	254,928	11.6%	-16,942	-16,942	0	0	\$24.60	\$22.56
South Fort Worth	2,779,933	49,452	202,036	9.0%	-14,161	-14,161	16,140	0	\$22.44	\$35.00
West Fort Worth	4,641,036	27,394	735,591	16.4%	-33,245	-33,245	30,135	129,400	\$25.47	\$29.27
FW SUBURBS TOTAL	12,014,427	82,621	1,350,241	11.9%	-70,631	-70,631	55,358	129,400	\$23.56	\$28.41
FORT WORTH TOTAL	19,849,165	82,621	2,429,383	12.7%	-80,262	-80,262	96,216	129,400	\$25.27	\$29.63
DFW TOTAL	250,484,460	3,122,061	52,093,649	22.0%	-2,083,020	-2,083,020	2,368,296	4,004,549	\$30.49	\$36.02

*Rental rates reflect gross asking \$psf/year; **YTD Leasing Activity Includes Renewals; ***Absorption was revised after U.S. Office MarketBeat was released

KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2323 Cedar Springs Rd – 23 Springs	Uptown/Turtle Creek	Sidley Austin	118,484	New Lease
2300 N Field St – The Union	Uptown/Turtle Creek	Invesco Limited	58,464	New Lease
8616 Freeport Pky – Freeport Business Center I	Freeport - Las Colinas	The Boeing Company	50,711	New Lease

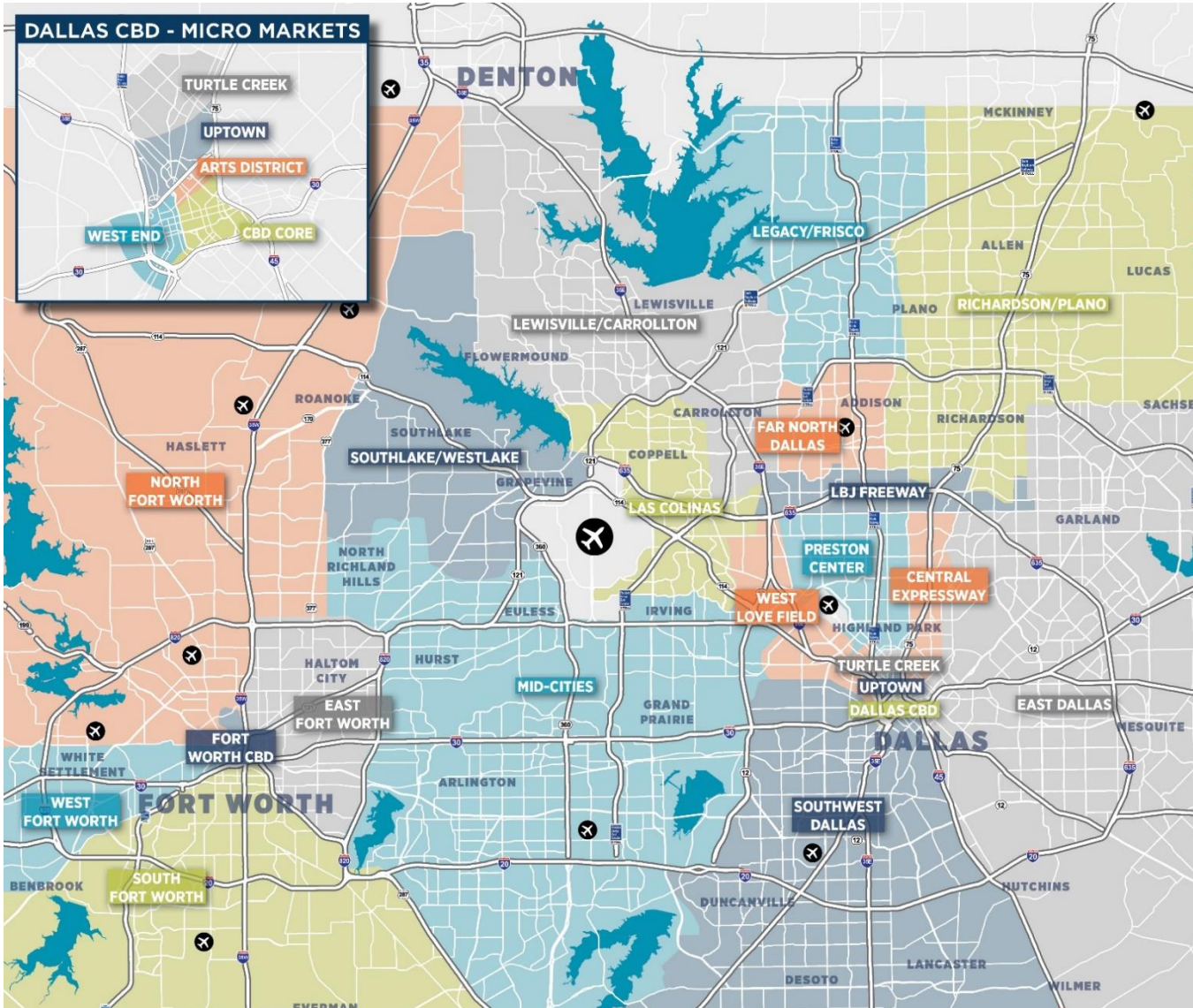
KEY SALES TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF
Collins Crossing - 1500 N Greenville Ave	Richardson/Plano	Franklin Street Properties Corporation/Goldenrod Capital Partners, LP	301,000
4200 Regent Blvd	Freeport – Las Colinas	Property Income Advisors/Capital Commercial Investments, Inc.	166,926
250 E Arapaho Rd - Richardson Commons - Building 1	Richardson/Plano	Gladstone Commercial Corporation/Lucky Property Two LLC	155,984

DALLAS/FORT WORTH

Office Q1 2024

OFFICE SUBMARKETS



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