



DALLAS-FORT WORTH
OFFICE MARKET REPORT
3RD QUARTER 2024

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Large renewals boost
leasing activity as
companies continue to
monitor market conditions.

Contents

Economic Conditions

Population and Employment	4
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Office Market Conditions

Supply and Demand	8
Occupancy Trends	10
Rental Rate Trends	12
DFW Under Construction	14
Capital Markets	18
Submarkets	19

Economic Conditions

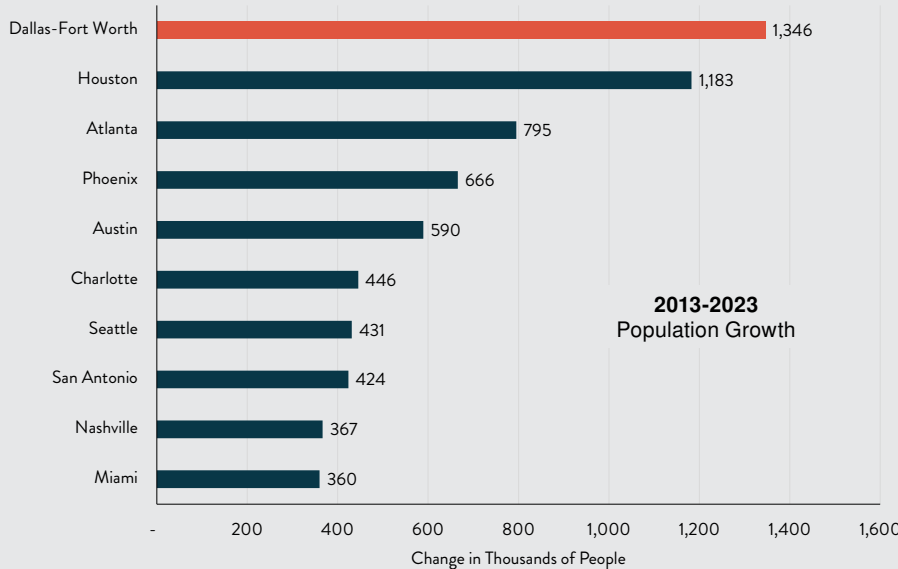
Population and Employment

The Dallas-Fort Worth office market continues to face economic challenges while seeing growth in both labor and leasing activity, particularly through large renewals. Although corporate relocations have slowed since their 2023 peak, the metro area retains its reputation as a resilient, cost-effective business hub, having attracted 94 headquarters relocations since 2018. With a current population of 8 million, DFW is projected to reach 11.3 million by 2045. However, office vacancy remains high at 22.2%, driven by the rise of hybrid work, corporate downsizing, and speculative office developments.



Dallas-Fort Worth Population Growth 2013-2023

2023 Population: 8.1 million



Source: U.S. Bureau of Labor Statistics (2023)



10-Year Change

2013-2023

1.3 million people
(19.9% growth)

(Avg. 2% annually)



12-Month Change

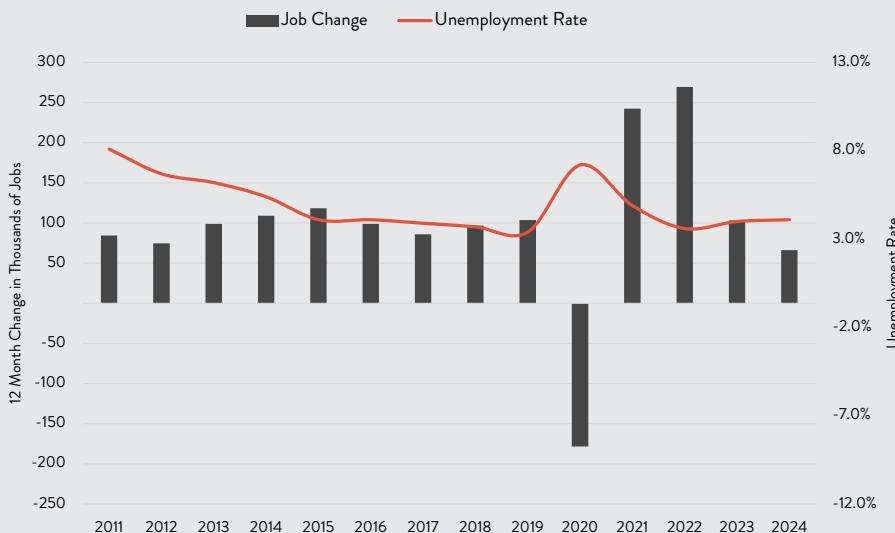
2022-2023

152,598 people
(1.9% growth)

Dallas-Fort Worth sits as the 4th largest metroplex in the country with a population of 8.1 million people and growing. According to the U.S. Bureau of Labor Statistics, DFW's population grew by 152,598 or 418 residents per day, making up 32.2% of Texas' overall population growth of nearly 475,000 residents between 2022 and 2023. Collin and Denton counties were among top 10 counties nationwide to add the most residents through the twelve months ending July 2023, adding 36,364 and 29,943 people, respectively.

Dallas-Fort Worth Net Job Growth and Unemployment Rate

4.3 million total jobs | 4.1% unemployment rate



Source: U.S. Bureau of Labor Statistics



12-Month Job Gains

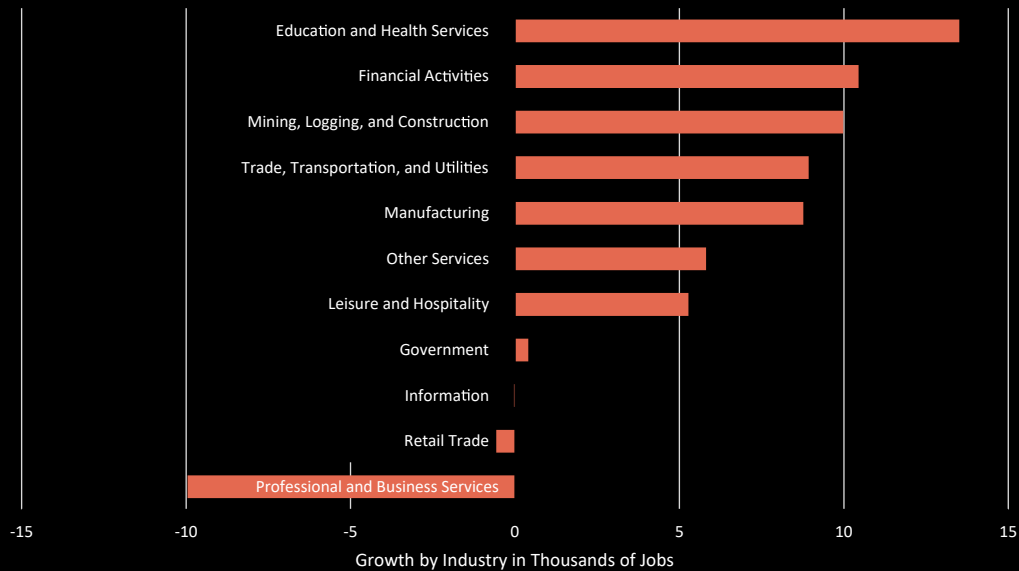
81,900 jobs

(1.9% growth)

The Dallas-Fort Worth metro has added 503,200 jobs since August 2019, the largest five-year growth in the nation by a significant margin, surpassing the next highest job gains of Houston by 216,300 jobs. However, 12-month gains have slowed, growing by 1.6% compared to 7.0% in 2022 and 2.5% in 2023. The unemployment rate has risen slightly to 4.1% compared to the national rate of 4.2%, as interest rates hold relatively steady.



DFW Job Growth By Industry (AUGUST '23 - AUGUST '24)



Source: Bureau of Labor Statistics

The DFW metro experienced employment growth of 66,300 jobs over the 12 months ending in August 2024, with 44% of this growth occurring in August alone. Strong gains were recorded in education and health services by 3.1% (13,500 jobs) and financial activities by 2.8% (10,400 jobs). Employment growth held steady in government and information but declined in professional and business services (-1.3%) and retail trade (-0.1%).

Dallas-Fort Worth Accolades

#1

Nationwide
FOR POPULATION GROWTH

Dallas-Fort Worth consistently ranks among the nation's fastest-growing areas, and continuing job growth is a key factor. The population growth has, in turn, fueled real estate development as retailers and service providers expand to meet increasing demand.



#1

NATIONWIDE
FOR JOB RECOVERY
in the past 5 years
(4.3 million jobs)

#2

Most Diverse
INDUSTRY IN THE U.S.

Dallas-Fort Worth excels in many important industry sectors. DFW has ranked among the top five regions in 10 of the 12 industries.

LIVING & DOING BUSINESS

Dallas-Fort Worth is one of the most affordable large metropolitan areas in the country. Employees in DFW enjoy a higher standard of living with lower housing costs as well as lower costs for groceries, transportation and health care. The areas relatively low housing prices provide a strong edge for companies that operate here to recruit talent.

2024 HQ Relocation ANNOUNCEMENTS



24

Fortune 500
HEADQUARTERS

As of 2023 Dallas-Fort Worth has 24 Fortune 500 company headquarters and 49 headquarters among the Fortune 1000.

Dallas-Fort Worth is one of two regions in the U.S. to host two Fortune 10 companies, and only Beijing and Seattle are home to more. Revenues earned by Fortune 500 companies located in DFW total \$1.4 trillion.



DFW's Global Center

3rd

Busiest airport
in the world

Dallas -Fort Worth International Airport is an economic engine for the region, generating \$37 billion in economic impact, supporting 634,000 full-time jobs and attracting \$28B in visitor spending

The DFW International Airport is the highest-capacity commercial airport in the world and one of the two international gateway airports in Texas. DFW's location means time savings when it comes to travel. All major U.S. cities are less than four hours away.

224K
Daily Passengers

11.2M
International Passengers

774k
Total Cargo
(in U.S. tons)

Office Market Conditions

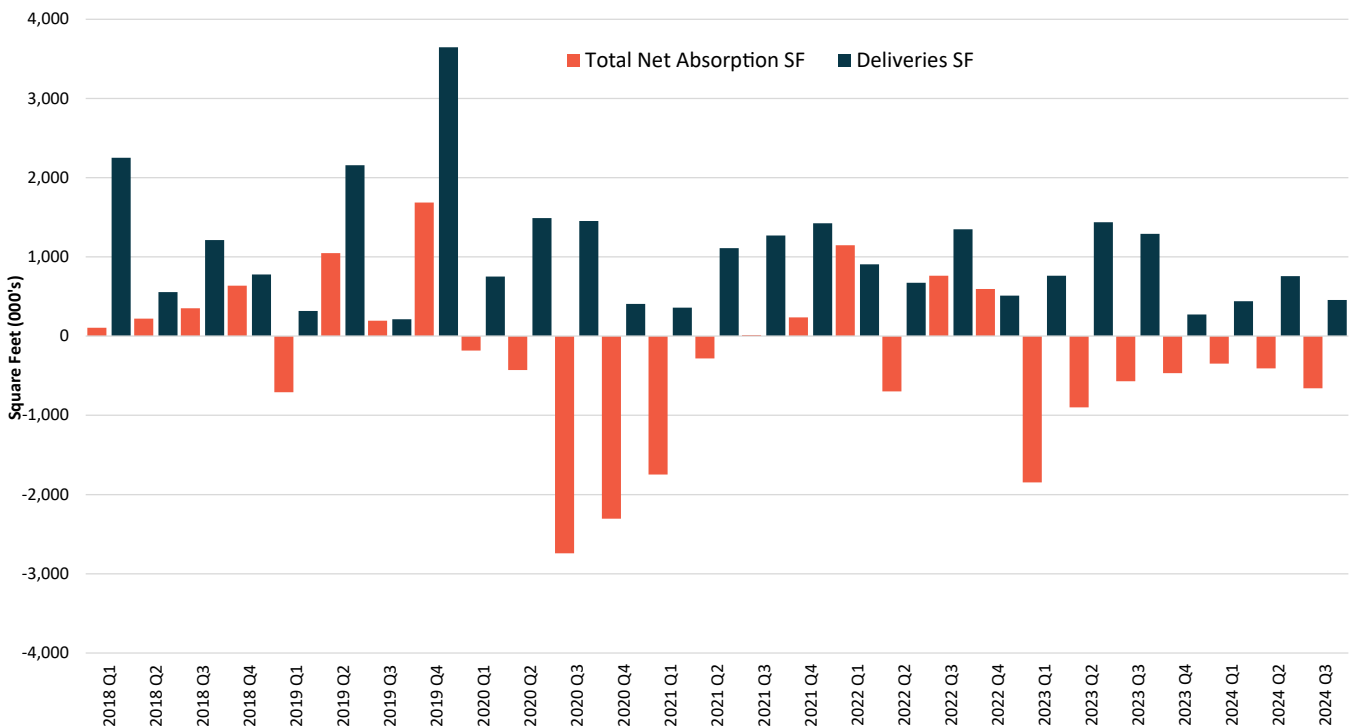
Supply and Demand

Dallas-Fort Worth net absorption stands at -1.3 million SF year-to-date, with -585,650 SF of that occurring in the third quarter. While Class B buildings accounted for the largest share of negative absorption in the first half of 2024, Class A properties narrowed the gap significantly, increasing in share of negative absorption from 13.7% to 88.5% quarter-over-quarter. Although economic challenges impacted Class A buildings more heavily in Q3 than in previous quarters, it's worth noting that the net absorption of -518,411 SF for Class A properties was largely driven by buildings constructed before 2015 (-847,562 SF), whereas those built post-2015 saw positive absorption of 261,912 SF.

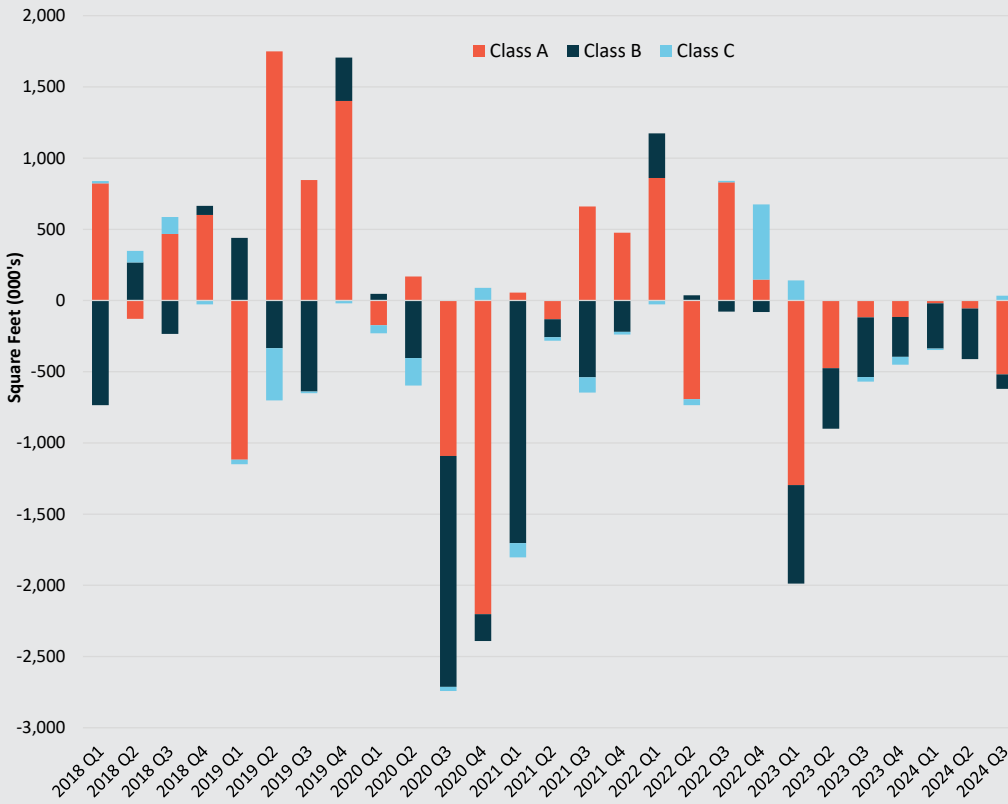
Notable relocations in the quarter included HF Sinclair moving within the Uptown submarket, taking 90,600 SF at One Victory Park, Invesco moving from Trammell Crow Center in Dallas CBD to 58,464 SF in The Union (via Salesforce's sublease), and Munck Wilson Mandala relocating from Banner Place North along LBJ Freeway to 48,421 SF in Uptown's Texas Capital Center.

The third quarter saw a 0.2% quarter-over-quarter increase in vacancy, bringing the total to 22.2%, primarily due to speculative deliveries, corporate rightsizing, and the ongoing demand for hybrid workspaces. Over 1.4 million SF of office space has been delivered year-to-date, including the third quarter delivery of Cawley's The Parkwood Phase II in Plano, currently 25.8% leased. Notable proposed developments include Pillar Commercial and Hall Capital's One Bethany North in Allen (225,000 SF) and Wilks Development's Firefly Park in Frisco, a mixed-use development featuring 150,000 SF of office space in Phase I.

Net Absorption & Deliveries

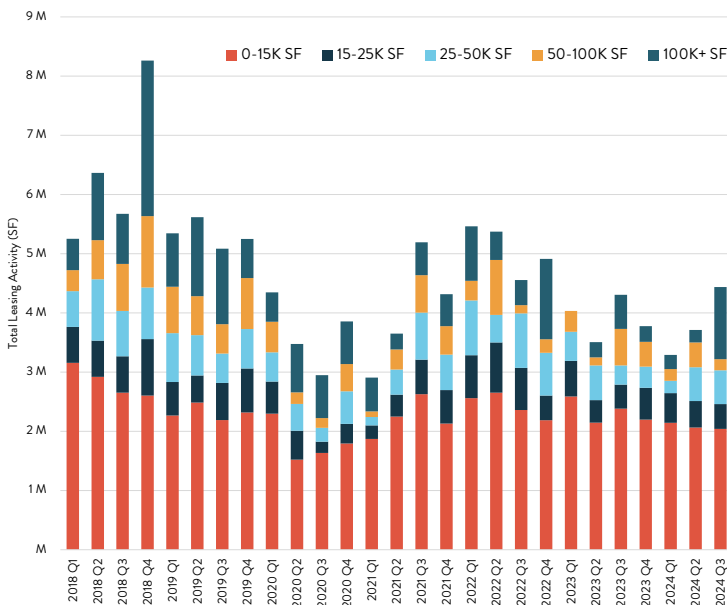


Class Net Absorption



While Class A properties built before 2015 contributed heavily to negative absorption for the quarter, Class B properties continue to play a significant role, contributing 57.8% or -774,929 SF to the overall negative absorption year-to-date.

Leasing Activity



Leasing activity grew by 19.6% quarter-over-quarter to 4.4 million SF, driven by an uptick in deals over 100,000 SF while activity in all other size categories declined. The increase in leasing was fueled by large renewals, including Bank of America's 554,000 SF at Hallmark Center I and Aimbridge Hospitality's 248,662 SF at HQ53, both in Far North Dallas. For Class A properties, the average deal size has dropped by 45.5% to 5,943 SF since 2019, while the share of leases signed has increased by 7.5%.

Q3 2024 NOTABLE LEASES

Tenant	Deal Size	Type	Building	Submarket
Bank of America Corp.	553,799	Renewal	Hallmark Center I	Quorum/Bent Tree
Aimbridge Hospitality	248,662	Renewal	HQ53	Upper Tollway/West Plano
Amazon	241,618	Renewal	Two Galleria Tower	East LBJ Freeway
Mr. Cooper	175,584	Renewal	8950 Cypress Waters	DFW Freeport/Coppell
AIS HealthCare	53,400	Renewal	Gramercy Center South	Upper Tollway/West Plano
Cooper & Scully PC	47,900	Renewal	Founders Square	Dallas CBD
Foot Locker	47,361	Sublease	3001 Hackberry	DFW Freeport/Coppell
Glast Phillips & Murray PC	41,846	New Lease	Quorum Place	Quorum/Bent Tree

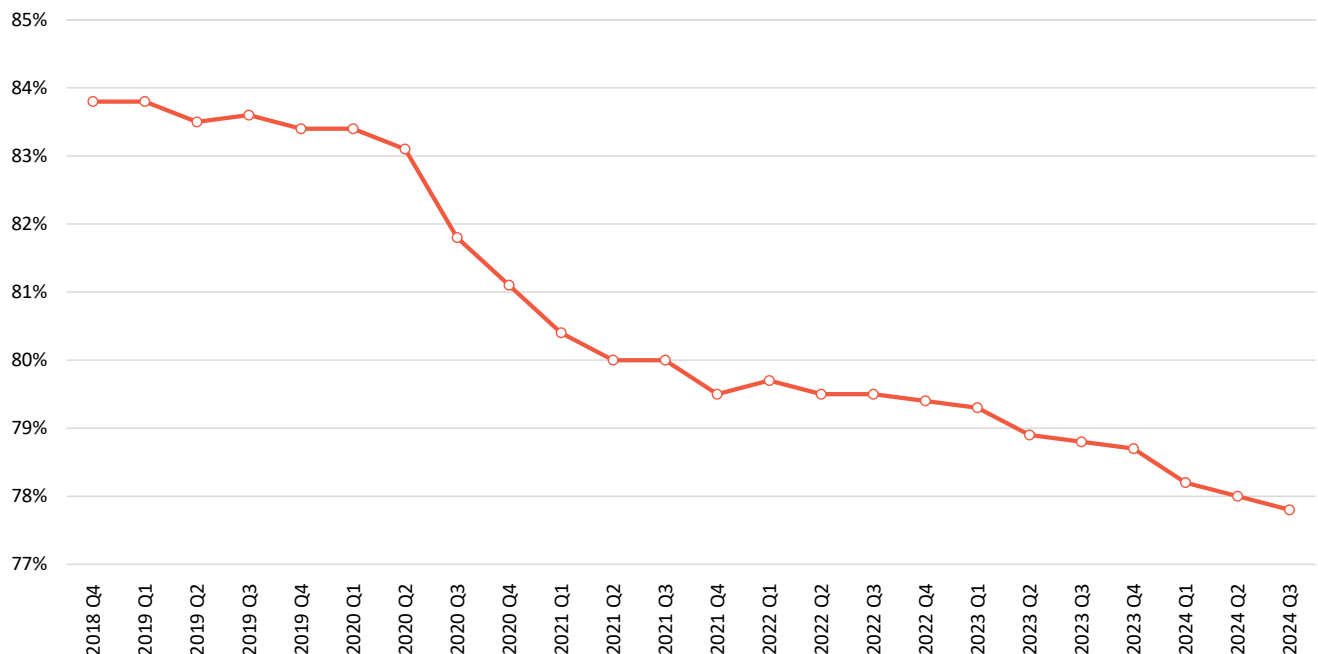


Occupancy Trends

Office occupancy in the metroplex has decreased by 1.0% year-over-year to 77.8%. Further reduction in occupancy is expected as new office deliveries enter the market and the downsizing of companies takes effect.

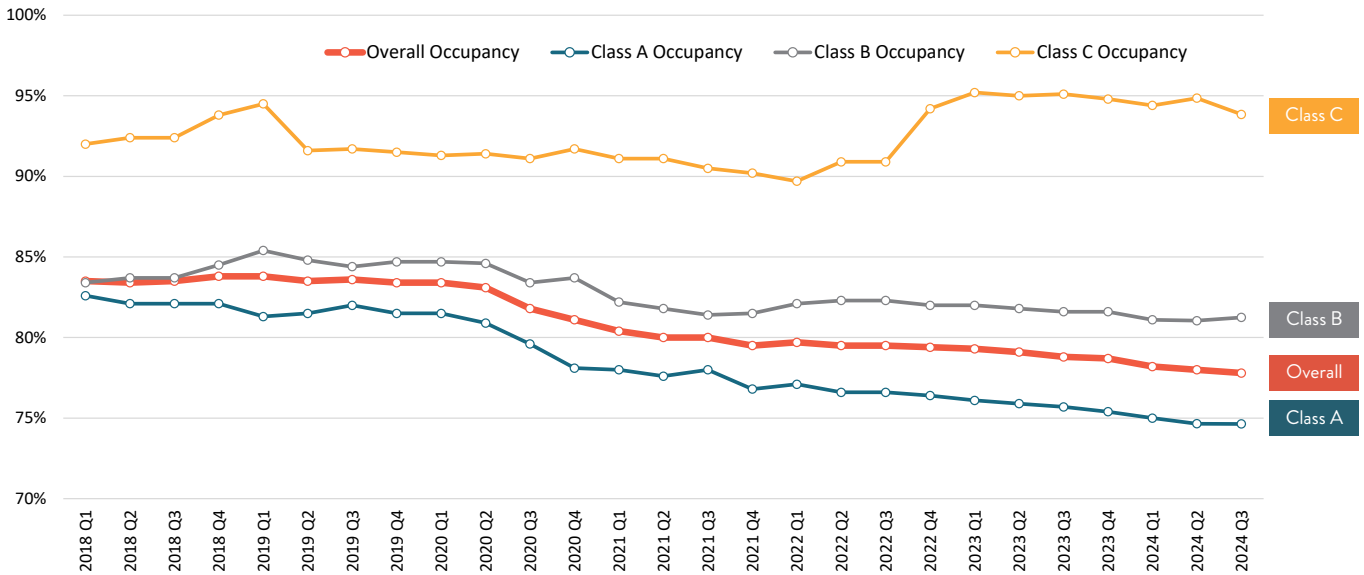
Nearly 50% of the total vacant supply is associated with properties built in the 1980's, of which the Dallas CBD holds the greatest concentration in the market. Bank of America Plaza, built in 1985, is the latest tower to announce plans to redevelop its obsolete office space into luxury hotel units. While conversions from office to hospitality/multifamily spaces may help alleviate some of the vacancy concerns in the Dallas CBD, flight to quality and company rightsizing may tug back to neutralize any potential gains. Sublease availability decreased by 4.5% from the previous quarter, reaching 9.2 million SF, 76.5% of which is concentrated in Class A buildings.

Occupancy Trends



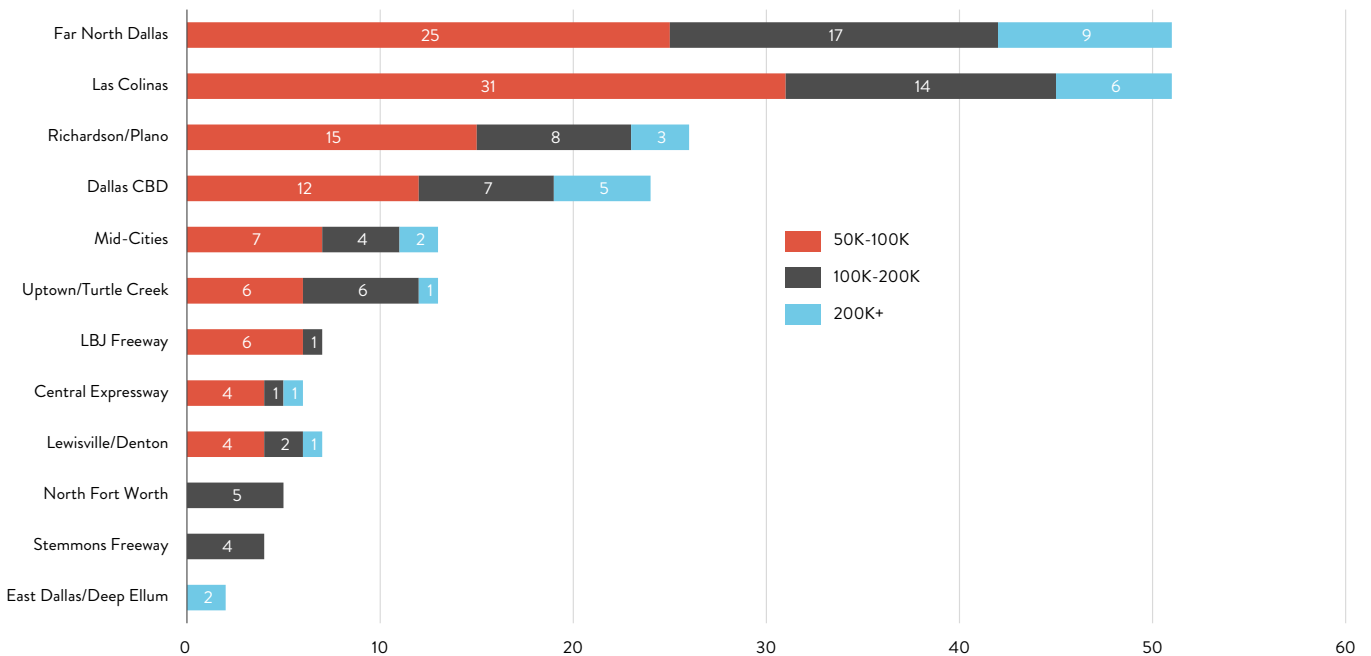
As mid-sized spec construction increases over build-to-suits, overall market occupancy will likely continue to decrease in the coming quarters. Class A office in Dallas-Fort Worth continues to hold the lowest occupancy rate by class at 74.6% as new construction continues to feed one of the largest construction pipelines in the nation. The 1.4 million SF of office that has delivered year-to-date is mainly speculative and currently 21.0% leased.

Class Occupancy



Far North Dallas and Las Colinas are tied with the greatest number of big blocks on the market at 51. Far North Dallas holds the largest inventory of 1980s office buildings and has delivered the most square footage year-to-date, while Las Colinas similarly carries a significant concentration of vintage office, along with companies affected by remote work and layoffs. This includes the layoff of employees following Exxon Mobil’s recent acquisition of Pioneer Natural Resources, many of whom are based at Pioneer’s former headquarters at 777 Hidden Ridge in Las Colinas. The second quarter ended with 210 big blocks of direct and sublease space over 50,000 square feet, a slight increase from last quarter.

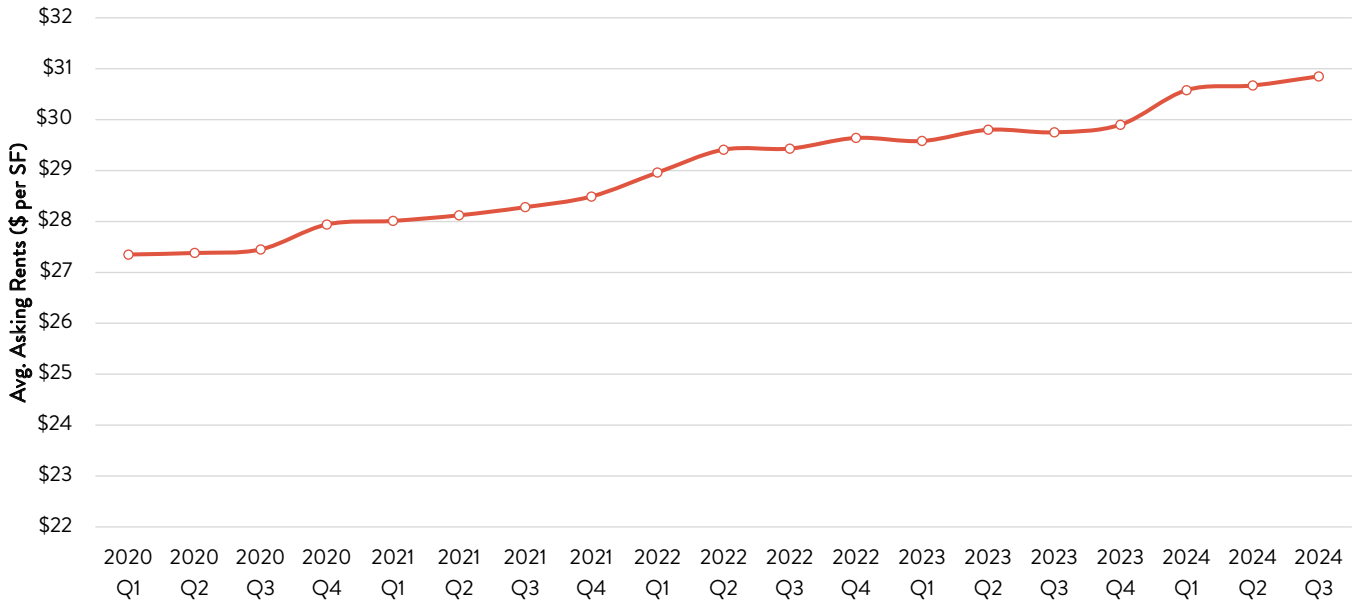
Big Blocks of Space



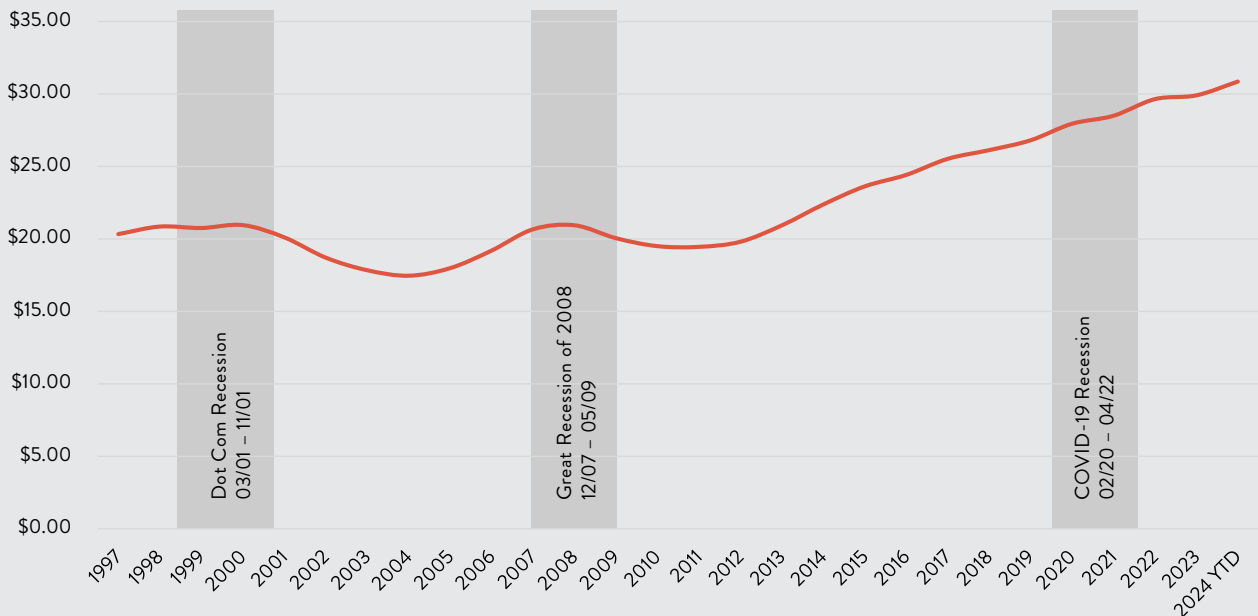
Rental Rate Trends

Average asking rates have increased steadily to \$30.85 PSF (Full-Service Gross) with only a slight year-over-year increase of 3.7%. Inflation, along with rising material and labor costs, has continued to drive up rental rates for new construction and space renovations. Bank of America Tower at Parkside (currently under construction) is nearly 50% pre-leased and quoting the highest rental rates in the market, ranging from \$75.00 to \$80.00 NNN.

Rental Rate Trends

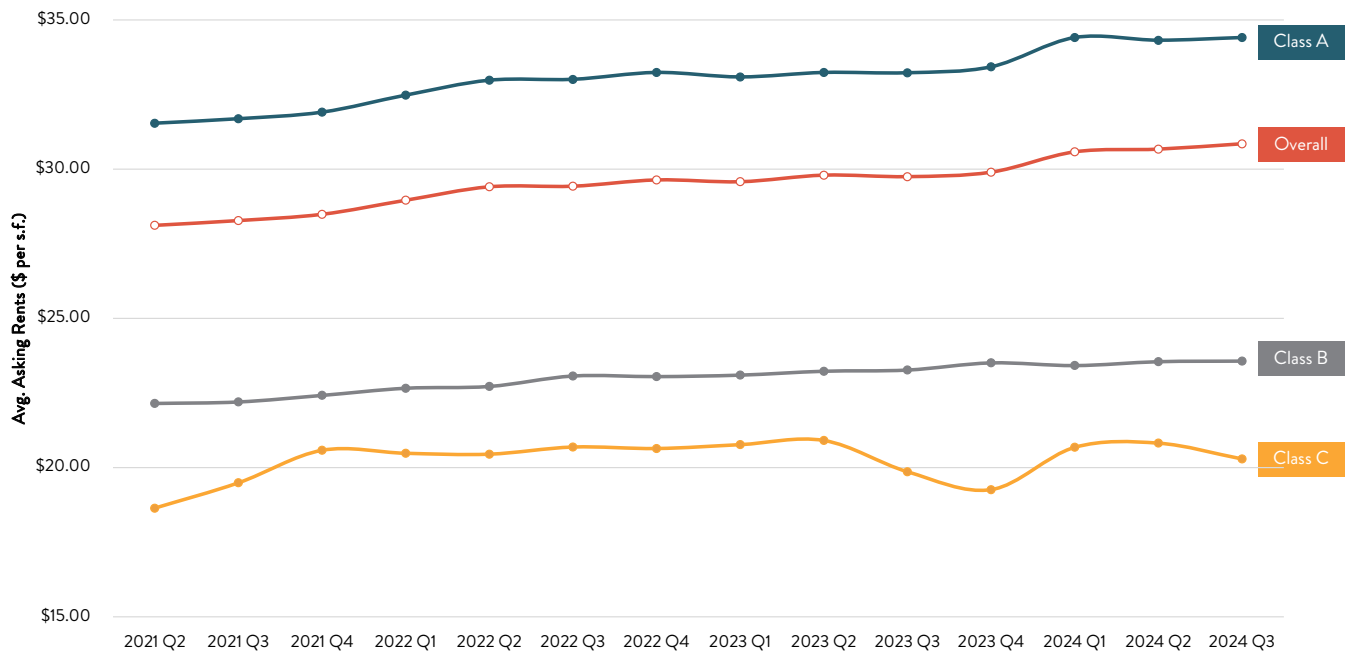


Historical Rents

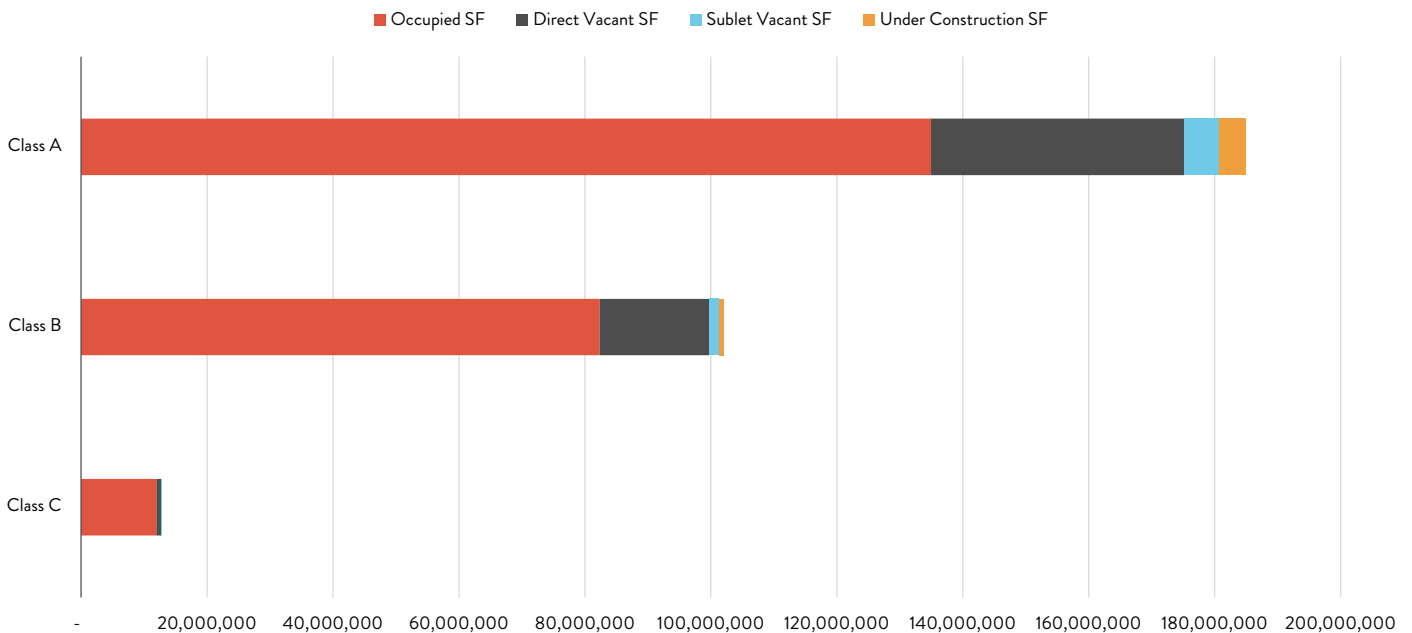


Overall asking rates, which are blended for all property classes, can be broken down as a year-over-year Class A rate increase of \$1.18, Class B rate increase of \$0.30, and Class C rate increase of \$0.43.

Class Rental Rates



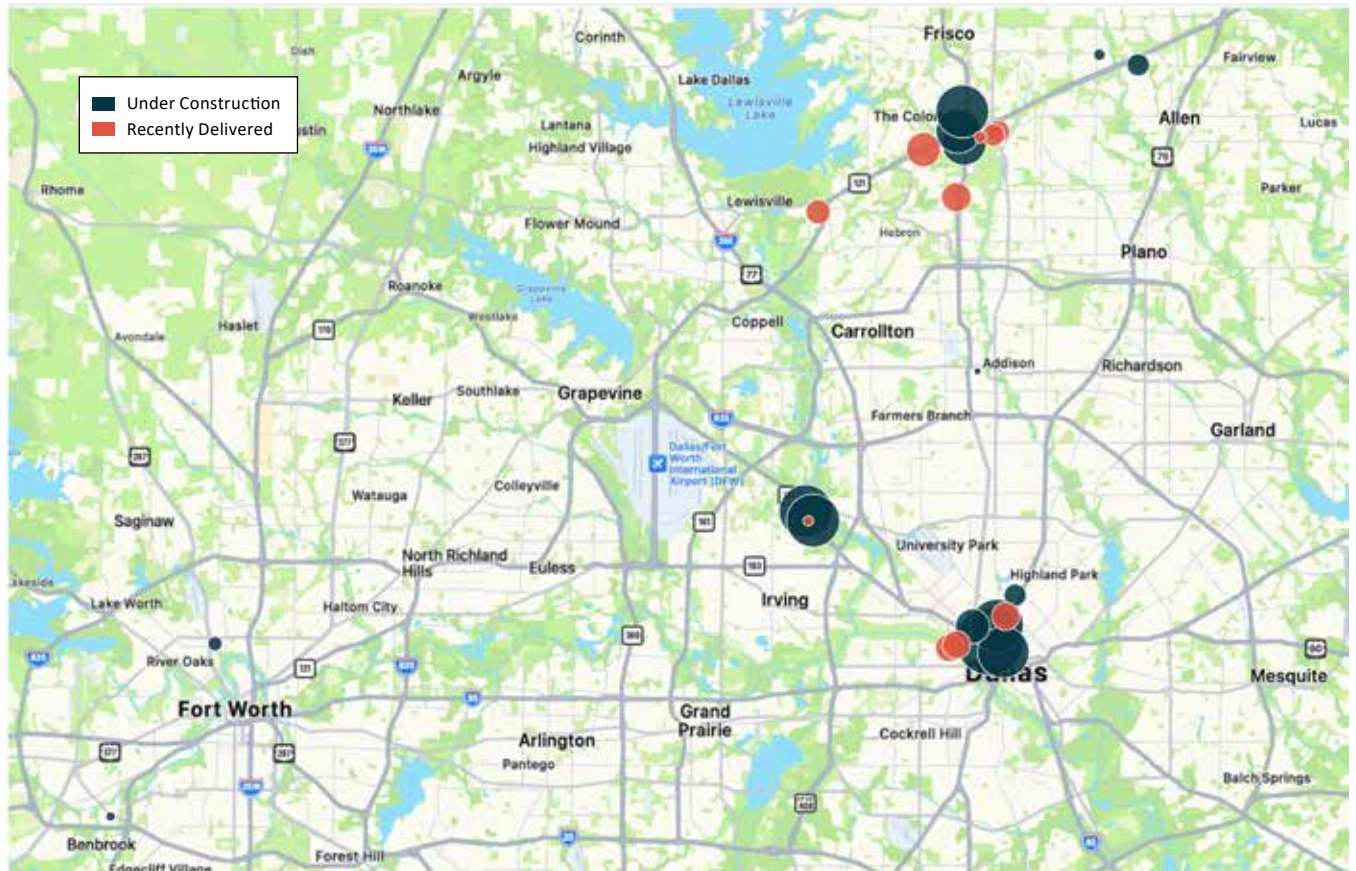
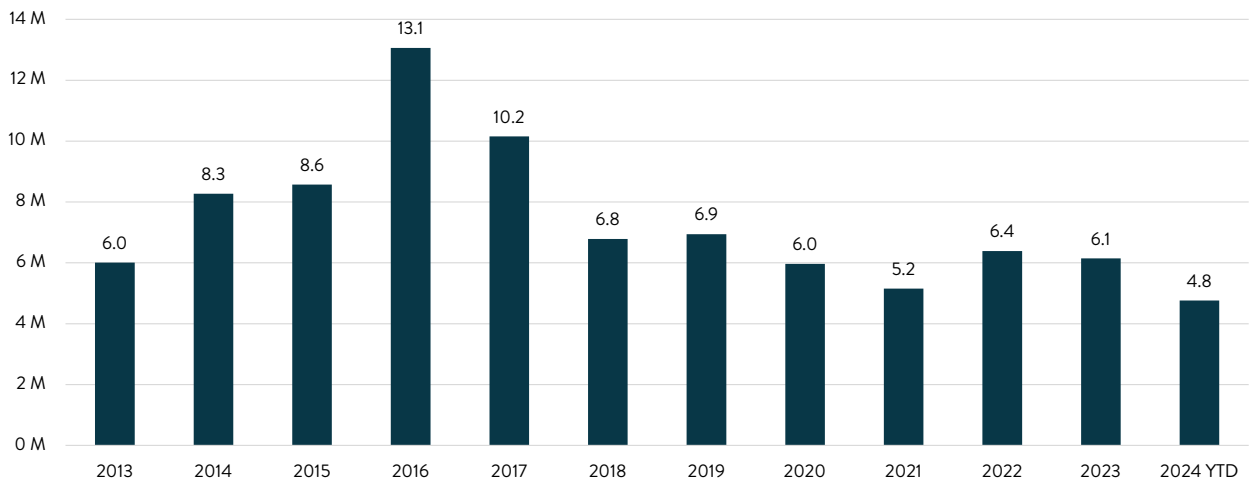
Key Stats By Property Class (SF)



DFW Construction Pipeline

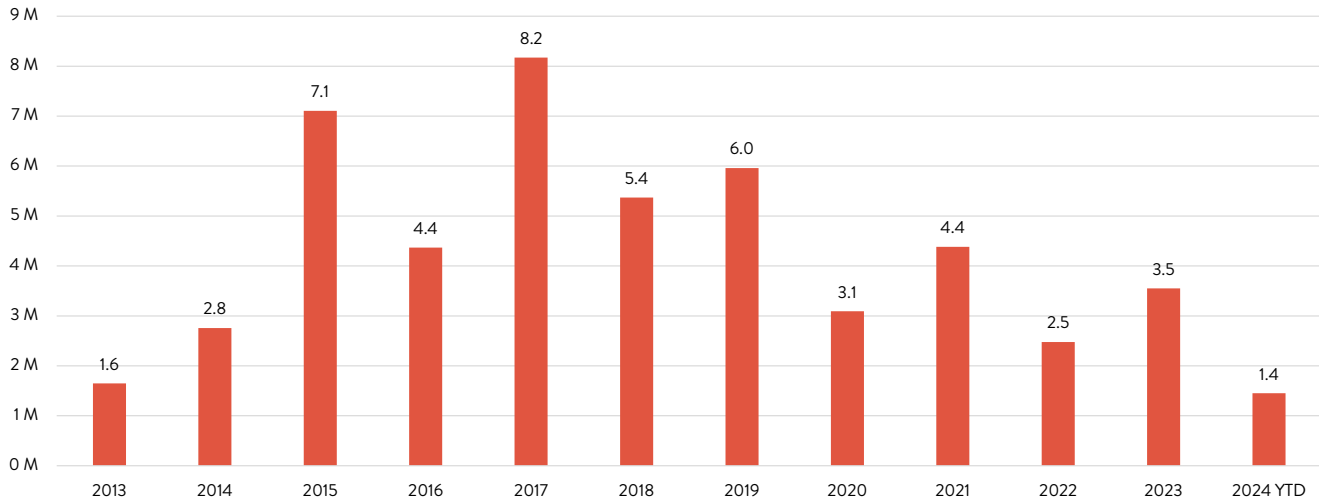
Office building deliveries in the first half of 2024 totaled 1.4 million SF with no ground breakings this quarter, bringing the under construction supply to 4.7 million SF. DFW projects currently under development are 71.2% pre-leased, most recently increased by Fibergrate Structure’s 15,000 SF lease in FarmWorks One in Allen and Polsinelli’s 40,000 SF lease in Old Parkland East with both buildings expected to deliver next quarter. Following an infill of spec construction, two proposed projects in the Uptown/Turtle Creek submarket will be kicked off with leases in place from Stillwater Capital at 4145 Travis and Jones Day at Harwood No 15.

Under Construction (SF)



Recent Deliveries (SF)

2024 Year-to-Date



THIRTEEN THIRTY THREE
Design District
125,788 RBA
122,740 Max Avail. SF
2.4% Leased
\$50.00 - \$52.00 NNN
QIP



RIVER EDGE
Design District
146,955 RBA
144,237 Max Avail. SF
0% Leased
\$46.00 - \$48.00 NNN
QIP



SOUTHSTONE YARDS
Far North Dallas/Frisco
241,443 RBA
241,443 Max Avail. SF
0% Leased
\$45.00 NNN
Crow Holdings



121 COMMERCE - TERRA
Far North Dallas/Legacy
104,946 RBA
13,764 Max Avail. SF
37.5% Leased
\$34.00 NNN
Primera Companies



121 COMMERCE - AQUA
Far North Dallas/Legacy
104,947 RBA
26,608 Max Avail. SF
15.7% Leased
\$34.00 NNN
Primera Companies



STATE BANK OF TEXAS
Las Colinas
56,269 RBA
3,573 Max Avail. SF
93.7% Leased
Withheld Rents
KDC



THE QUAD
Uptown/Turtle Creek
345,425 RBA
131,376 Max Avail. SF
48.7% Leased
Withheld Rents
Stream Realty Partners



CROWN CENTRE II
Lewisville
147,000 RBA
147,000 Max Avail. SF
0% Leased
\$30.00 NNN
Bright Realty LLC



PARKWOOD PHASE II
Far North Dallas/Upper Tollway
120,000 RBA
56,290 Max Avail. SF
64.8% Leased
\$37.00 - \$40.00 NNN
Cawley Partners

Spec Under Construction



FARMWORKS ONE

Allen/McKinney
 107,865 RBA
 82,720 Max Avail. SF
 7.6% Leased
 \$33.00-\$34.00 NNN
 Johnson & Payne



THE TOWER AT HALL PARK

Far North Dallas/Frisco
 386,946 RBA
 269,968 Max Avail. SF
 30.2% Leased
 Withheld Rents
 Hall Group



OLD PARKLAND EAST CAMPUS

Uptown/Turtle Creek
 289,000 RBA
 63,548 Max Avail. SF
 48.7% Leased
 Withheld Rents
 Crow Holdings

Under Construction with Leases



TIAA
Far North Dallas/Frisco
500,000 RBA
100% Leased
Build-to-Suit
Blue Star Innovation Partners



RYAN TOWER
Far North Dallas/Legacy
409,182 RBA | Pre-leased:
Ryan, LLC
205,004 Max Avail. SF
49.9% Leased
Withheld Rents
Ryan Companies



ARMOUR BUILDING
North Fort Worth
57,254 RBA
26,839 Max Avail. SF
53.1% Leased
Withheld Rents
U.S. Energy



WELLS FARGO CAMPUS I & II
Las Colinas
800,000 RBA
100% Leased
Build-to-Suit
Wells Fargo & Company



23SPRINGS
Uptown/Turtle Creek
626,215 RBA Pre-leased:
Bank OZK
172,899 Max Avail. SF
60.1% Leased
\$62.00 - \$68.00 NNN
Granite Properties



BOA TOWER AT PARKSIDE
Uptown/Turtle Creek
500,000 RBA | Pre-leased: BOA
187,272 Max Avail. SF
47.6% Leased
\$75.00 - \$80.00 NNN
PacElm Properties



GOLDMAN SACHS
Uptown/Turtle Creek
702,000 RBA
100% Leased
Build-to-Suit
Hunt Consolidated



KNOX STREET MIXED-USE
Uptown/Turtle Creek
150,000 RBA
Pre-leased: ISN Software
44.4% Leased
MSD Partners, Trammell Crow Co., The Retail Connection and Highland Park Village Associates

**Near-Term
Proposed
Construction**



FOURTEEN555 - PHASE II
Far North Dallas/Lower Tollway
239,909 RBA
239,909 Max Avail. SF
Withheld Rents
Cawley Partners



15555 N DALLAS PKWY
Far North Dallas/Lower Tollway
264,599 RBA
264,599 Max Avail. SF
\$38.00-\$40.00 NNN
VanTrust Real Estate



OFFICE AT THE GATE - PHASE I
Far North Dallas/Frisco
315,000 RBA
278,000 Max Avail. SF
Withheld Rents
Preferred Real Estate Investments



THE VAN ZANDT
Southwest Fort Worth
111,077 RBA
111,077 Max Avail. SF
Withheld Rents
Goldenrod Capital Partners



CRESCENT OFFICES WEST
South Fort Worth
170,000 RBA
170,000 Max Avail. SF
Withheld rents
Crescent Real Estate



THE IVY
North Central Expressway
269,472 RBA
191,050 Max Avail. SF
\$75.00 NNN
PacElm Properties



KERA/KAIZEN
Uptown/Turtle Creek
400,000 RBA
375,000 Max Avail. SF
Withheld Rents
Kaizen



HARWOOD NO. 15
Uptown/Turtle Creek
330,022 RBA
330,022 Max Avail. SF
Withheld Rents
Harwood International



FIELD STREET TOWER
Dallas CBD
529,038 RBA
529,038 Max Avail. SF
Withheld Rents
Hillwood Development



FIELD STREET DISTRICT I
Dallas CBD
500,000 RBA
500,000 Max Avail. SF
Withheld Rents
Woods Capital



ONE UNIVERSITY
South Fort Worth
130,000 RBA
116,044 Max Avail. SF
Withheld Rents
Goldenrod Companies

Capital Markets

As 2024 makes the gradual turn toward the end of the year, the market for office assets remains in a state of price discovery. Debt financing remains limited although lenders will step up for the right deal and the right sponsor. The third quarter saw multiple transactions that should help establish a pricing floor and ceiling heading into 2025. Class A buildings, particularly those with credit tenants and strong Weighted Average Lease Terms (WALT), are reflecting cap rates of 8-9%, with double-digit cap rates not being entirely off the table.

Lenders and special servicers are becoming more assertive in a market where the equity has been wiped out and the original loan is often impaired.

Buyers are looking at cap rates, cash-on-cash returns, return on cost, basis, and even equity multiples. Seller financing remains possible with the right groups, which can help get deals over the threshold.

Notable 3Q 2024 Office Investment Sales Transactions

- International Plaza II - Shorenstein
- Royal Tech Business Park - Entrada
- Churchill Tower – TXRE Properties
- Campus at Legacy – Raising Canes (User)

REIT PERFORMANCE YTD THROUGH 07/31/2024

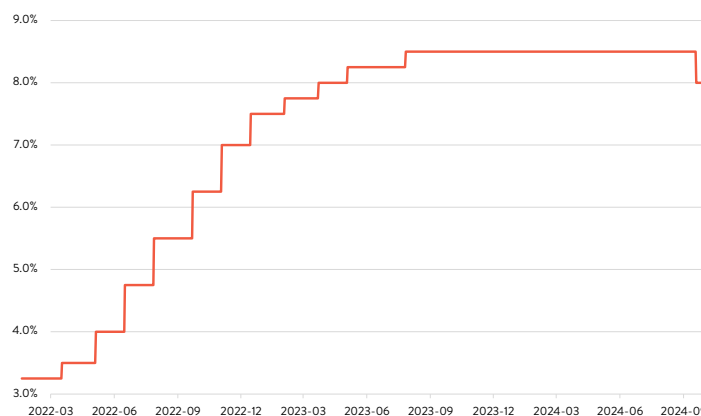
PROPERTY TYPE	AVG. RETURN	NUMBER OF REITs
Infrastructure	-7.80%	6
Timber	-7.50%	3
Hotel	-6.74%	15
Land	-2.68%	3
Office	-1.57%	21
Diversified	0.93%	13
Triple Net	1.61%	17
Casino	3.08%	2
Self-Storage	4.57%	5
Manufactured Housing	4.75%	3
Shopping Center	5.26%	16
Industrial	7.86%	12
Malls	11.32%	4
Health Care	11.74%	16
Single Family Housing	13.42%	3
Multifamily	13.90%	13
Advertising	18.26%	2
Data Center	20.31%	3
REIT Average	3.83%	157

Source: S&P Global Market Intelligence LLC

10-Year Treasury Bond Rate



Bank Prime Loan Rate Changes: Historical Dates of Changes and Rates



Source: Board of Governors of the Federal Reserve System (US)

Submarkets

SUBMARKET	INVENTORY		VACANCY		NET ABSORPTION SF		COMPLETIONS		UNDER CONSTRUCTION	ASKING RENT
	# OF BLDGS	TOTAL SF	TOTAL SF	RATE	CURRENT QTR	YTD	CURRENT QTR	YTD	AT END OF CURRENT QTR	WTD. AVG. (FS/G)
CENTRAL EXPRESSWAY	76	11,497,193	2,860,024	24.9%	-87,466	-138,833	0	0	0	\$34.03
DALLAS CBD	88	31,908,848	9,355,143	29.3%	-183,446	-301,403	0	0	0	\$30.42
EAST DALLAS	106	5,408,866	1,046,456	19.3%	-13,572	8,664	0	0	0	\$30.98
FAR NORTH DALLAS	399	63,207,760	14,752,405	23.3%	-305,545	-715,184	177,168	628,504	1,323,388	\$33.99
FORT WORTH CBD	54	9,864,513	1,250,163	12.7%	-2,962	-41,575	0	0	0	\$30.47
LAS COLINAS	292	41,669,614	10,672,275	25.6%	26,735	-156,500	0	56,269	850,000	\$27.38
LBJ FREEWAY	128	19,227,762	4,941,786	25.7%	-154,699	-93,068	0	0	0	\$25.20
LEWISVILLE/DENTON	105	5,309,987	950,482	17.9%	16,600	119,629	147,000	147,000	0	\$27.79
MID-CITIES	285	23,597,666	3,764,544	16.0%	12,016	3,185	0	0	0	\$25.38
NORTH FORT WORTH	44	3,644,620	489,980	13.4%	3,086	35,854	0	0	57,254	\$24.10
NORTHEAST FORT WORTH	40	3,395,951	286,906	8.4%	-2,405	27,250	0	0	0	\$20.69
PRESTON CENTER	49	6,513,623	651,801	10.0%	8,859	84,614	0	0	150,000	\$44.47
RICHARDSON/PLANO	289	31,629,123	6,535,729	20.7%	-36,631	-312,232	0	0	139,606	\$26.28
SOUTH FORT WORTH	154	9,752,260	1,403,297	14.4%	11,481	-3,261	0	0	15,000	\$26.43
SOUTHWEST DALLAS	48	3,034,758	784,071	25.8%	-1,214	-8,257	0	0	0	\$24.40
STEMMONS FREEWAY	83	8,280,882	2,265,976	27.4%	23,061	-8,912	0	272,743	0	\$20.66
UPTOWN /TURTLE CREEK	100	16,775,153	3,459,137	20.6%	100,452	159,518	0	345,425	2,215,341	\$50.26
TOTAL	2,340	294,718,579	65,470,175	22.2%	-585,650	-1,340,511	324,168	1,449,941	4,750,589	\$30.85
CLASS A	712	180,629,393	45,665,493	25.3%	-518,411	-594,126	267,000	1,392,773	3,849,396	\$34.41
CLASS B	1,327	101,349,788	19,020,252	18.8%	-101,713	-774,929	57,168	57,168	901,193	\$23.57
CLASS C	301	12,739,398	784,430	6.2%	34,474	28,544	0	0	0	\$20.29
TOTAL DFW	2,340	294,718,579	65,470,175	22.2%	-585,650	-1,340,511	324,168	1,449,941	4,750,589	\$30.85

For additional information on any of the submarkets shown above, please refer to our Market Snapshot reports.

* Younger Partners' research is based on the CoStar office building database. Inventory includes office buildings containing at least 15,000 rentable square feet; single tenant, multi-tenant, and owner-occupied; class A, B, and C; existing, under construction, or under renovation; and excludes medical office buildings and data centers.



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