

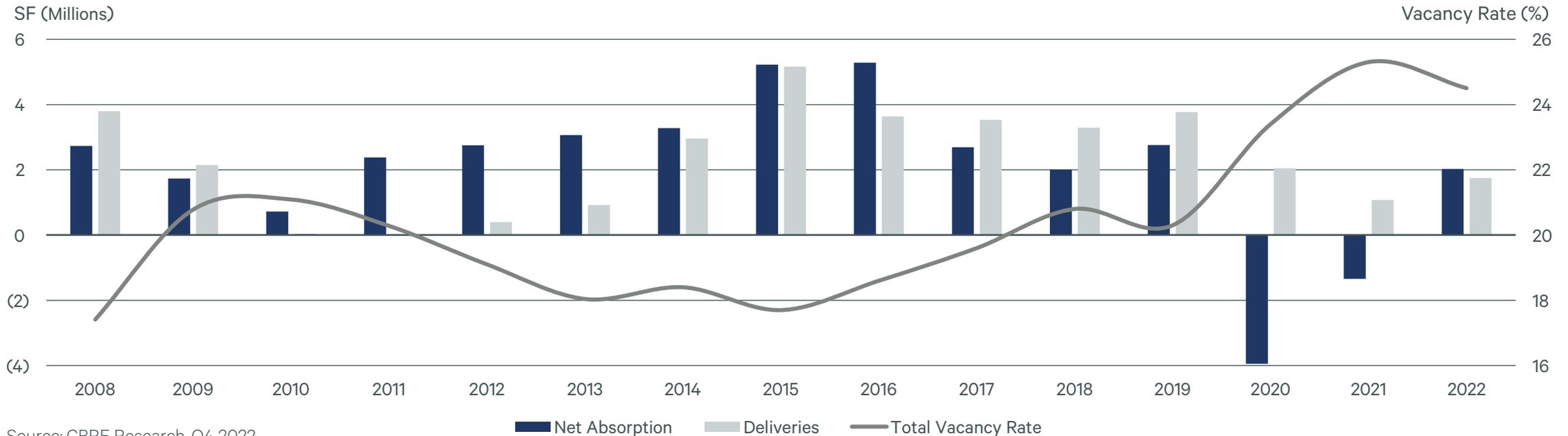
FIGURES | DALLAS/FORT WORTH OFFICE | Q4 2022

# Lagging indicators of demand still positive, although drop in leasing activity indicates slowdown ahead



Note: Arrows indicate change from previous quarter.

Figure 1: Historical Net Absorption and Vacancy  
SF (Millions)



Source: CBRE Research, Q4 2022.

Despite an uncertain economic environment heading into 2023, Dallas/Fort Worth continued to outpace national job growth, as shown by the metro’s annual employment increase of 6.1% from November 2021 to November 2022. This was nearly double the U.S. growth rate and translated to 242,200 non-seasonally adjusted jobs added across North Texas in the trailing 12 months, according to the U.S. Bureau of Labor Statistics. The office-using sector of Professional & Business Services led all other DFW industries in terms of absolute employment gains, adding 51,700 jobs year-over-year at an even higher rate (7.1%) than the overall market. Financial Activities and Information collectively added 24,900 predominantly office-using jobs year-over-year.

Marketwide net absorption, a metric based on physical occupancy, ended the year on a positive note with just over 700,000 SF for Q4 2022, yielding about 1.8 million sq. ft. for 2022. At the close of 2022, total vacancy (direct plus sublease vacancy) landed at 24.5%, which equates to nearly 57 million sq. ft. spread across DFW, mostly concentrated in the submarkets of Far North Dallas, Las Colinas, and Dallas CBD; over half of the market’s vacant space falls within these three submarkets.

The under construction pipeline dipped slightly to just under 5 million sq. ft., with a preleased rate of 18% at year-end. One office project broke ground in Q4 2022, The Offices of Southstone Yards, which is notably the first mass-timber office development in North Texas and is set to deliver 235,000 sq. ft. by Q4 2023. The only completion of the quarter was District 121 West in McKinney, a 190,000-sq.-ft. Class A building delivering at 23% pre-leased.

Sublease availability was essentially flat from Q3 2022 to Q4 2022 with 9.5 million sq. ft. listed throughout CBRE Research’s tracked dataset at year-end, predominantly in Class A properties. As of Q4 2022, sublease availability represented 4.1% of total inventory and 14.7% of total availability; about 63% of the sublease market is vacant and immediately available for occupancy.

Leasing activity, a leading indicator of net absorption, decelerated throughout the latter part of the year, as well as large tenant requirements actively in the market for new space or lease renewals. More broadly speaking, CBRE believes the national economy will face a moderate recession in H1 2023 with Dallas/Fort Worth expected to outperform relative to other metro areas, yet still face headwinds that may impact the office market.

Source: CBRE Research, Q4 2022.

Figure 2: Significant Leases/Sales of the Quarter

Lease (Tenant)	Building Name	Submarket	Total Sq. Ft.
State Farm	Regent Commons	Las Colinas	212,202
Texas Capital Bank	2000 McKinney Ave	Uptown/Turtle Creek	200,000
Sale (Buyer)	Building Name	Submarket	Total Sq. Ft.
Granite Properties   Highwoods Properties	McKinney & Olive	Uptown/Turtle Creek	557,000
TPG RE Finance	The Towers at Park Central	LBJ Freeway	850,000

Figure 3: Sublease Availability

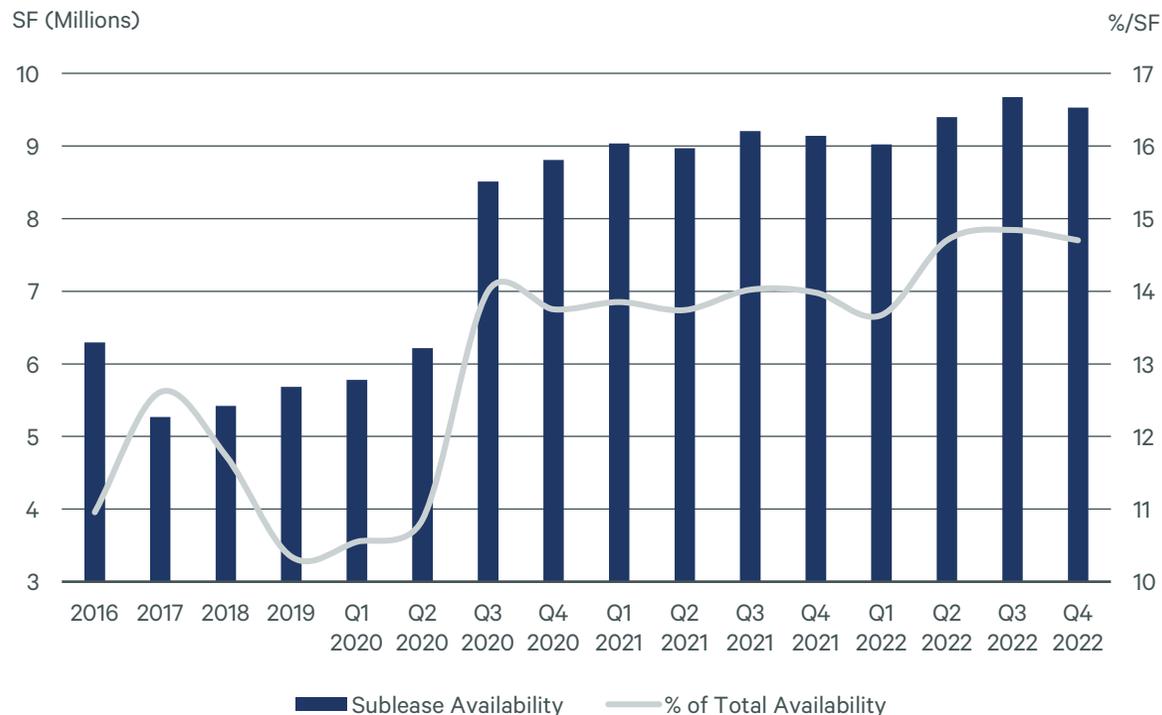


Figure 4: Dallas/Fort Worth Office Market Statistics

Submarket	Net Rentable Area	Total Vacancy	Total Availability (%)	Average Asking Rate FSG (\$/SF/YR)	Under Construction (SF)	Deliveries (SF)	Q4 2022 Net Absorption	2022 YTD Net Absorption
Central Expressway	10,621,882	20.84	25.33	37.51	-	-	98,543	80,921
Class A	7,195,728	22.68	29.26	38.72	-	-	54,759	-102,604
Class B	3,365,606	17.27	17.38	33.10	-	-	43,784	183,525
Dallas CBD	27,094,555	32.00	36.12	31.97	-	-	(200,418)	-169,657
Class A	22,209,762	33.49	37.91	33.55	-	-	(225,704)	-269,916
Class B	4,671,436	25.73	28.59	23.02	-	-	25,286	97,409
East Dallas	3,008,873	32.40	30.70	34.01	-	-	38,440	22,717
Class A	1,048,478	69.68	60.62	41.33	-	-	14,274	18,649
Class B	1,611,627	12.83	14.61	26.93	-	-	24,166	1,446
Far North Dallas	46,177,642	27.18	30.27	33.82	1,547,444	-	85,703	583,192
Class A	32,643,493	29.24	31.86	36.36	1,547,444	-	(14,417)	411,393
Class B	13,502,322	22.27	26.51	27.09	-	-	100,120	242,069
Las Colinas	34,486,714	25.43	31.57	31.27	506,000	-	265,672	-173,111
Class A	21,784,101	22.02	30.61	33.36	476,000	-	189,010	87,065
Class B	12,104,704	30.94	34.55	28.65	30,000	-	76,662	-255,366
LBJ Freeway	18,631,920	26.47	27.08	32.31	-	-	(166,609)	-90,925
Class A	10,618,499	22.75	28.27	35.88	-	-	(28,718)	-8,656
Class B	7,843,859	31.99	25.61	27.10	-	-	(137,891)	-83,527

Source: CBRE Research, Q4 2022.

Figure 4: Dallas/Fort Worth Office Market Statistics

Submarket	Net Rentable Area	Total Vacancy	Total Availability (%)	Average Asking Rate FSG (\$/SF/YR)	Under Construction (SF)	Deliveries (SF)	Q4 2022 Net Absorption	2022 YTD Net Absorption
Lewisville / Denton	3,818,217	17.43	21.98	23.30	-	-	79,531	115,730
Class A	950,194	12.93	14.59	26.67	-	-	72,761	121,447
Class B	2,802,271	19.37	25.00	21.20	-	-	6,770	-5,717
Preston Center	4,518,864	9.63	14.40	47.22	318,632	-	64,012	247,360
Class A	3,713,883	9.29	14.93	49.61	318,632	-	64,012	221,336
Class B	737,303	12.19	13.02	33.41	-	-	0	18,710
Richardson / Plano	25,121,553	19.70	25.29	24.75	478,500	190,406	(27,460)	116,874
Class A	14,288,607	18.61	25.20	26.23	432,000	190,406	85,037	307,932
Class B	10,616,347	21.42	25.73	23.03	46,500	-	(112,497)	-199,161
SW Dallas	1,841,811	20.31	21.82	19.74	-	-	61,511	73,430
Class A	354,088	7.93	66.11	19.54	-	-	12,293	14,784
Class B	1,262,069	26.00	11.90	22.77	-	-	11,354	36,384
Stemmons Freeway	8,588,874	27.66	23.36	19.21	271,311	-	102,176	181,465
Class A	4,063,710	19.55	17.33	19.07	271,311	-	62,630	99,201
Class B	4,126,485	36.92	31.25	19.38	-	-	39,914	58,805
Uptown/Turtle Creek	13,177,942	17.57	21.69	47.07	1,490,129	-	219,173	639,868
Class A	11,532,131	17.72	21.89	48.72	1,490,129	-	182,466	451,370
Class B	1,507,927	18.05	22.13	37.53	-	-	36,707	188,498

Source: CBRE Research, Q4 2022.

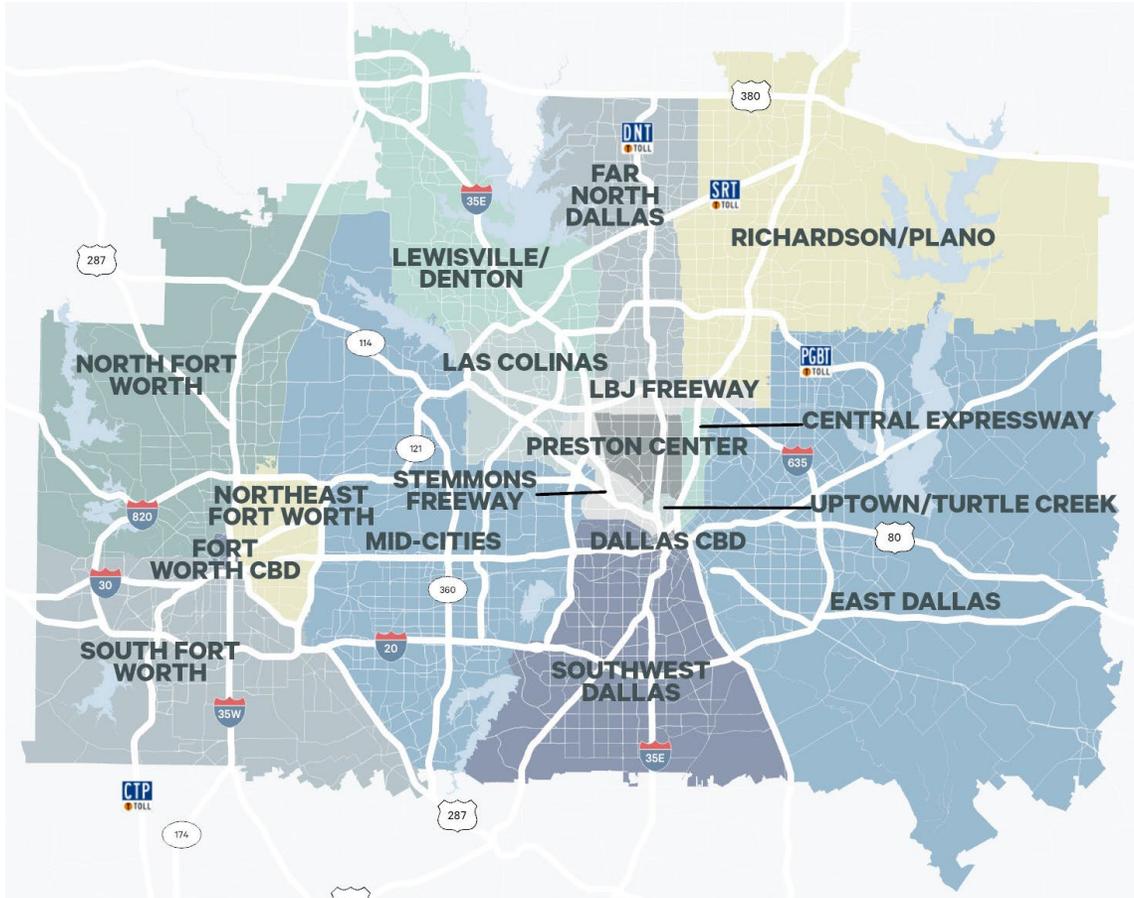
Figure 4: Dallas/Fort Worth Office Market Statistics

Submarket	Net Rentable Area	Total Vacancy	Total Availability (%)	Average Asking Rate FSG (\$/SF/YR)	Under Construction (SF)	Deliveries (SF)	Q4 2022 Net Absorption	2022 YTD Net Absorption
Fort Worth CBD	8,460,077	16.78	17.12	32.05	-	-	(18,044)	188,078
Class A	6,242,460	12.80	13.79	33.49	-	-	15,534	41,020
Class B	2,148,306	28.89	27.35	30.91	-	-	(33,578)	147,058
Mid Cities	15,250,927	27.82	34.36	22.08	221,500	-	87,368	-73,138
Class A	7,148,796	36.54	39.61	23.09	221,500	-	89,595	140,091
Class B	7,531,125	20.94	31.19	20.43	-	-	3,191	-203,019
North Fort Worth	2,782,126	13.99	14.38	22.42	135,000	-	10,082	10,186
Class A	1,198,559	23.78	24.69	23.90	135,000	-	10,000	-7,664
Class B	1,455,543	6.24	6.24	22.64	-	-	450	4,947
NE Fort Worth	1,653,284	10.57	12.45	19.52	-	-	20,965	6,065
Class A	415,921	14.00	14.00	0.00	-	-	-5,000	8,900
Class B	1,068,148	9.33	11.10	19.56	-	-	21,523	3,724
South Fort Worth	5,497,229	18.43	18.24	30.80	-	-	(17,369)	17,116
Class A	2,423,032	21.41	13.98	35.92	-	-	(3,989)	48,759
Class B	2,847,265	15.56	21.45	29.79	-	-	(12,190)	-31,939
<b>Dallas Total</b>	<b>197,088,847</b>	<b>24.98</b>	<b>28.62</b>	<b>32.08</b>	<b>4,612,016</b>	<b>190,406</b>	<b>620,274</b>	<b>1,627,864</b>
Class A	130,402,674	24.96	29.89	35.02	4,535,516	190,406	468,403	1,352,001
Class B	64,151,956	25.38	26.85	26.10	76,500	-	114,375	283,075
<b>Fort Worth Total</b>	<b>33,643,643</b>	<b>21.52</b>	<b>24.66</b>	<b>24.83</b>	<b>356,500</b>	<b>-</b>	<b>83,002</b>	<b>148,307</b>
Class A	17,428,768	24.52	25.16	25.87	356,500	-	106,140	231,106
Class B	15,050,387	18.81	24.96	23.62	-	-	(20,604)	-79,229
<b>DFW Total</b>	<b>230,732,490</b>	<b>24.48</b>	<b>28.05</b>	<b>31.48</b>	<b>4,968,516</b>	<b>190,406</b>	<b>703,276</b>	<b>1,776,171</b>
Class A	147,831,442	24.90	29.34	34.10	4,892,016	190,406	574,543	1,583,107
Class B	79,202,343	24.13	26.49	25.65	76,500	-	93,771	203,846

Source: CBRE Research, Q4 2022.

\*Although Class C is not shown, totals are inclusive of all classes of data.

## Market Area Overview



### CBRE Office

2100 McKinney Avenue, Suite 700

Dallas, TX 75201

To learn more about CBRE Research, or to access additional research reports, please visit the Global Research Gateway at <https://www.cbre.com/insights#market-reports>.

### Contacts

Lauren Vasquez

Field Research Manager

+1 214 979 6347

[Lauren.Vasquez@cbre.com](mailto:Lauren.Vasquez@cbre.com)

Michelle Miller

Head of Field Research

+1214 979 6584

[Michelle.Miller@cbre.com](mailto:Michelle.Miller@cbre.com)

© Copyright 2023. All rights reserved. This report has been prepared in good faith, based on CBRE's current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.

