

BRIEF | Creating Resilience

In DFW Office Flight to Quality, Finance is a Frequent Flier

By Tishay Davis

In the last few quarters, the flight to quality trend has reached a high altitude in Dallas/Fort Worth. CBRE researched the top 20 office leases in DFW for each quarter between Q1 2020 – Q1 2022 and found that across all industries— primarily financial services, healthcare, and real estate—tenants have sought highly amenitized and newer/renovated office product.

Of the 200 leases surveyed, the tenants’ new locations averaged a 26.4% increase in base rents compared to their former locations. This premium breaks down to a jump from \$21.79 to \$27.55. In this study, financial services was the most active industry for eight of the last ten quarters. In that timespan, the financial services industry alone had a net expansion of 1.2 million sq. ft. A few notable tenants that contributed to the financial flight to quality included Vanguard, Hilltop Securities and Ally Financial.

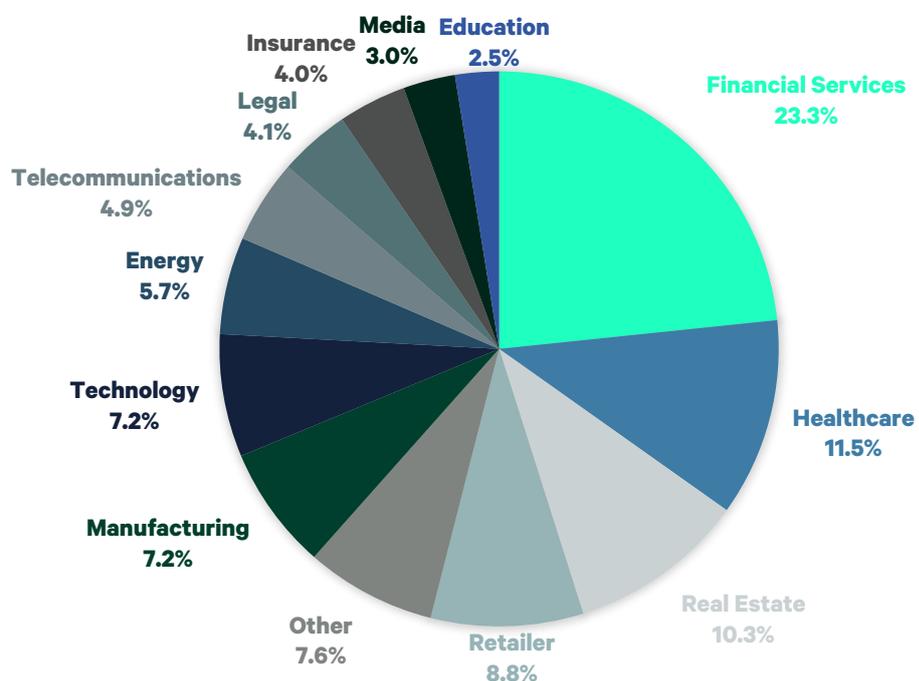
26.4%

Increase in base rents between tenants’ current and former locations

1.2 million sq. ft.

Net expansion of financial services square footage

FIGURE 1: Top 20 Leases by Industry Q1 2020 – Q2 2022



Source: CBRE Research, 2022.

This activity was also in line with job growth. After initially losing 2.2% of jobs at the beginning of the pandemic, the DFW financial activities sector has shown a predominantly continuous increase in jobs gained year-over-year. As of Q2 2022, the year-over-year job growth rate for Financial Activities was 8.4%—more than three times the pace of the 30-year average of 2.6%.

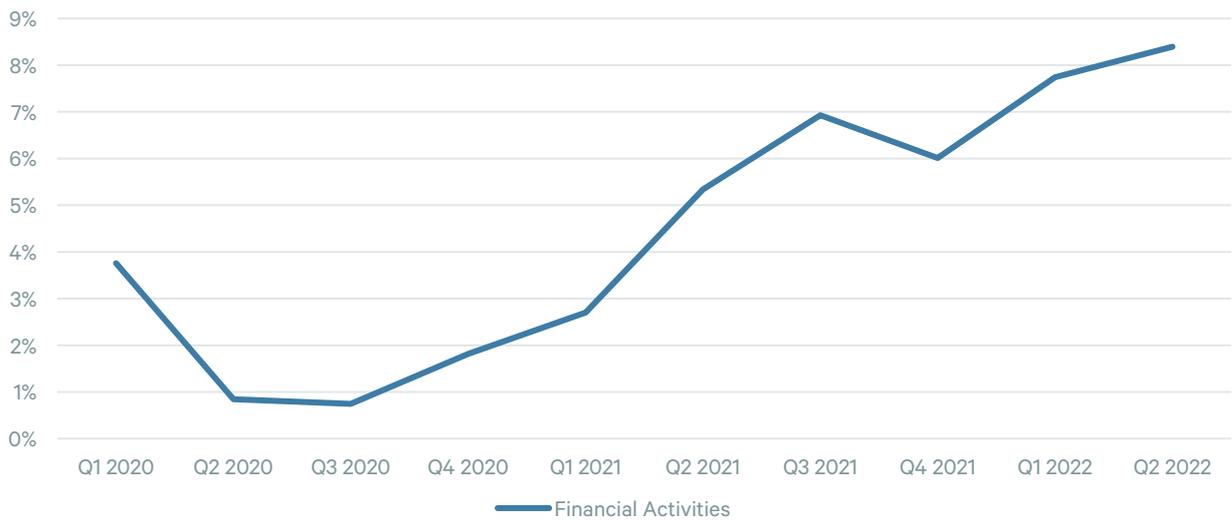
28,500

Financial Activities jobs added year-over-year

8.4%

Financial Activities job growth rate year-over-year

FIGURE 2: Financial Activities Job Growth Q1 2020 – Q2 2022



Source: Bureau of Labor Statistics, 2022.

Despite rising interest rates and overall economic uncertainty, tenants remain motivated to entice employees to return to the office. For that reason alone, this flight to quality trend may continue its ascent in Dallas/Fort Worth for the long-haul.

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