

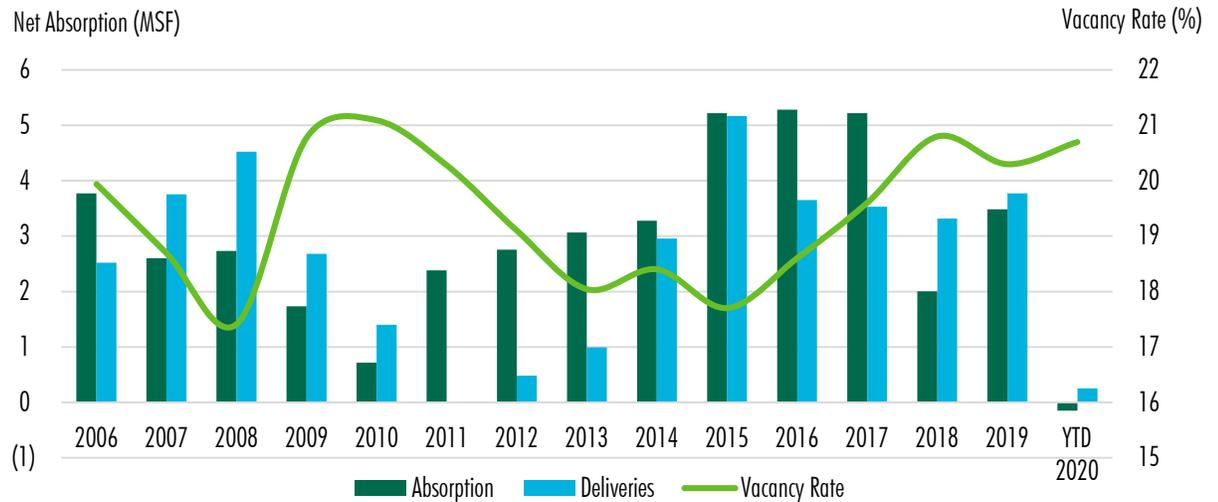
Dallas/Fort Worth Office, Q1 2020

Leasing velocity decelerates to start 2020

▲ Vacancy Rate 20.7%
▲ Avg. Asking Rate \$25.48 PSF (FSG)
▼ Net Absorption (150,751) SF
▼ Deliveries 250,000 SF
▲ Under Construction 5.4M SF

Figure 1: Historical Supply and Demand

*Arrows indicate change from previous quarter.



COVID-19 COMMENTARY

The COVID-19 pandemic has forced some state governments to impose strict stay-at-home orders that are adversely affecting many industries. This is leading the U.S. economy into a recession that will result in very sharp declines in GDP for H1 2020 and in job losses, particularly in the retail, food & beverage and transportation sectors. Office-using employment may be less negatively affected than in recent recessions. But the unique nature of this downturn should result in an unusually swift recovery that could begin as early as Q3 2020. Assuming the coronavirus peaks this spring/summer in the U.S.—mirroring China’s experience—the U.S. government’s fiscal and monetary stimulus will begin to bear fruit. This will be paired with pent-up private demand that could help the U.S. economy return to growth by year-end and drive stronger than previously expected growth in 2021.

PRE COVID-19 EMPLOYMENT

According to the Bureau of Labor Statistics, 119,000 non-farm jobs were added in DFW for the 12 months ending January 2019, resulting in a 3.2% growth rate year-over-year. During this time, DFW was 1st in the nation in absolute job creation. Office-using sectors, such as professional and business services, information and financial activities, had a 3.9% growth over the

same period. Office-using jobs are not expected to decline as steeply as other sectors such as retail and hospitality.

ABSORPTION IN 2020 BEGINS WITH A BLIP

Absorption in the first quarter of 2020 started relatively flat with a lack of significant moves. Posting net absorption of -150,751 sq. ft. for the quarter, DFW had its first negative quarter of net demand in over two years. However, given the economic climate, it should not be a surprise to experience a flat to negative quarter in terms of net absorption. CBRE’s national stance is that we could see a bounce back in fundamental statistics as soon as Q3 2020.

ACTIVE CONSTRUCTION CONTINUES IN DFW

Construction in Q1 2020 ramped up from last quarter with an increase in square footage and a total of 30 projects underway in the Metroplex. The new construction consisted of 5,427,562 sq. ft. of new office space with a 30% pre-leased rate at quarter-end. The majority of new construction underway are speculative projects (80%), with the hope that major tenants will be announced as buildings get closer to completion. This quarter introduced one delivery, 2500 Olympus Blvd, which is part of the successful Cypress Waters development in Las Colinas.

Figure 2: 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)	Q1 2020 Net Absorption	YTD 2020 Net Absorption
Central Expressway	10,420,343	15.4	23.1	31.12	30,252	-	22,727	22,727
Class A	7,091,265	16.1	23.9	34.64	-	-	(31,548)	(31,548)
Class B	3,268,530	14.0	21.8	26.30	30,252	-	54,275	54,275
Dallas CBD	27,232,844	27.9	32.5	27.30	259,230	-	(486,391)	(486,391)
Class A	22,187,805	28.9	34.0	30.01	259,230	-	(463,172)	(463,172)
Class B	4,831,682	24.0	26.7	21.31	-	-	(23,219)	(23,219)
East Dallas	2,420,639	19.9	17.0	19.07	754,893	-	(7,238)	(7,238)
Class A	404,820	47.1	16.8	25.50	754,893	-	0	0
Class B	1,699,051	14.4	16.2	19.54	-	-	(9,475)	(9,475)
Far North Dallas	44,900,221	21.9	25.5	28.37	1,971,607	-	326,505	326,505
Class A	30,686,710	22.4	26.5	34.70	1,923,607	-	268,421	268,421
Class B	14,111,415	20.9	23.6	22.10	48,000	-	58,084	58,084
Las Colinas	33,296,440	17.3	21.7	25.51	583,806	250,000	(110,473)	(110,473)
Class A	19,886,517	17.0	21.6	30.05	480,806	250,000	(261,974)	(261,974)
Class B	12,812,014	18.0	20.9	21.56	103,000	-	151,501	151,501
LBJ Freeway	19,462,472	22.1	25.4	21.40	-	-	94,659	94,659
Class A	10,993,347	20.0	22.7	26.03	-	-	97,767	97,767
Class B	8,265,049	25.3	29.5	18.99	-	-	(788)	(788)
Lewisville / Denton	3,471,336	7.8	11.0	22.41	220,000	-	(14,030)	(14,030)
Class A	189,124	0.0	0.0	21.75	220,000	-	15,814	15,814
Class B	3,216,460	8.4	11.9	20.45	-	-	(29,844)	(29,844)
Preston Center	4,322,779	12.8	15.5	40.98	297,000	-	56,675	56,675
Class A	3,501,535	11.9	14.7	47.46	297,000	-	49,440	49,440
Class B	753,566	17.1	19.4	31.87	-	-	7,235	7,235
Richardson / Plano	23,608,234	22.6	24.8	22.02	600,000	-	46,011	46,011
Class A	12,201,520	23.7	26.1	26.65	600,000	-	85,128	85,128
Class B	11,089,009	21.6	23.7	19.00	-	-	(39,117)	(39,117)
SW Dallas	1,836,211	24.6	26.0	22.27	-	-	(19,131)	(19,131)
Class A	280,592	6.9	8.6	20.00	-	-	0	0
Class B	1,369,965	28.7	30.1	17.83	-	-	(19,131)	(19,131)
Stemmons Freeway	9,082,026	27.8	31.1	17.11	-	-	(58,402)	(58,402)
Class A	4,230,561	19.6	26.0	20.30	-	-	4,590	4,590
Class B	4,407,786	36.4	37.2	15.98	-	-	(62,992)	(62,992)
Uptown/Turtle Creek	12,772,220	16.4	22.5	46.19	656,774	-	(153,436)	(153,436)
Class A	10,861,990	16.0	21.7	48.76	656,774	-	(129,366)	(129,366)
Class B	1,772,346	19.6	29.2	39.59	-	-	(24,070)	(24,070)

Figure 2: Dallas/Fort Worth Office Market Statistics (continued)

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Average Asking Rate FSG (\$/SF/YR)	Under Construction (SF)	Deliveries (SF)	Q1 2020 Net Absorption	YTD 2020 Net Absorption
Fort Worth CBD	8,372,070	15.5	17.7	26.95	-	-	67,811	67,811
Class A	5,896,873	15.0	15.8	31.34	-	-	78,553	78,553
Class B	2,405,886	17.2	22.9	20.14	-	-	(10,742)	(10,742)
Mid Cities	13,141,043	20.3	24.2	22.47	-	-	77,675	77,675
Class A	4,713,652	25.7	31.9	24.72	-	-	8,727	8,727
Class B	7,725,889	17.7	20.5	17.77	-	-	75,058	75,058
North Fort Worth	1,425,879	8.2	8.8	22.47	54,000	-	(2,275)	(2,275)
Class A	1,030,812	4.9	5.4	22.06	-	-	0	0
Class B	345,043	18.7	19.5	22.69	54,000	-	(2,275)	(2,275)
NE Fort Worth	2,772,927	19.0	19.5	18.31	-	-	8,910	8,910
Class A	415,921	55.8	56.5	21.50	-	-	0	0
Class B	2,229,006	12.6	13.1	18.02	-	-	(8,277)	(8,277)
South Fort Worth	6,069,958	12.6	17.2	23.11	-	-	(348)	(348)
Class A	2,259,909	9.7	19.3	26.16	-	-	(53,337)	(53,337)
Class B	3,464,817	14.7	16.2	22.82	-	-	55,795	55,795
Dallas Total	192,825,765	21.3	25.1	26.66	5,373,562	250,000	(302,900)	(302,900)
Class A	122,515,786	21.5	25.6	32.97	5,192,310	250,000	(364,900)	(364,900)
Class B	67,596,873	21.2	24.3	21.32	181,252	-	62,459	62,459
Fort Worth Total	31,781,877	16.9	20.1	26.58	54,000	-	151,773	151,773
Class A	14,317,167	18.1	22.1	26.58	-	-	33,943	33,943
Class B	16,170,641	16.3	18.9	19.27	54,000	-	109,559	109,559
DFW Total	224,607,642	20.7	24.4	25.48	5,427,562	250,000	(150,751)	(150,751)
Class A	136,832,953	21.2	25.3	31.61	5,192,310	250,000	(330,957)	(330,957)
Class B	83,767,514	20.3	23.3	20.79	235,252	-	172,018	172,018

Source: CBRE Research, Q1 2020.

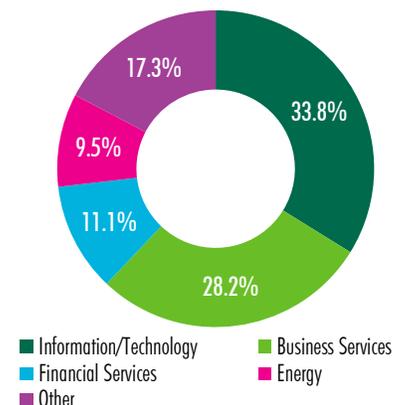
*Although Class C is not shown, totals are inclusive of all classes of data.

Figure 3: Significant Leases / Sales of the Quarter

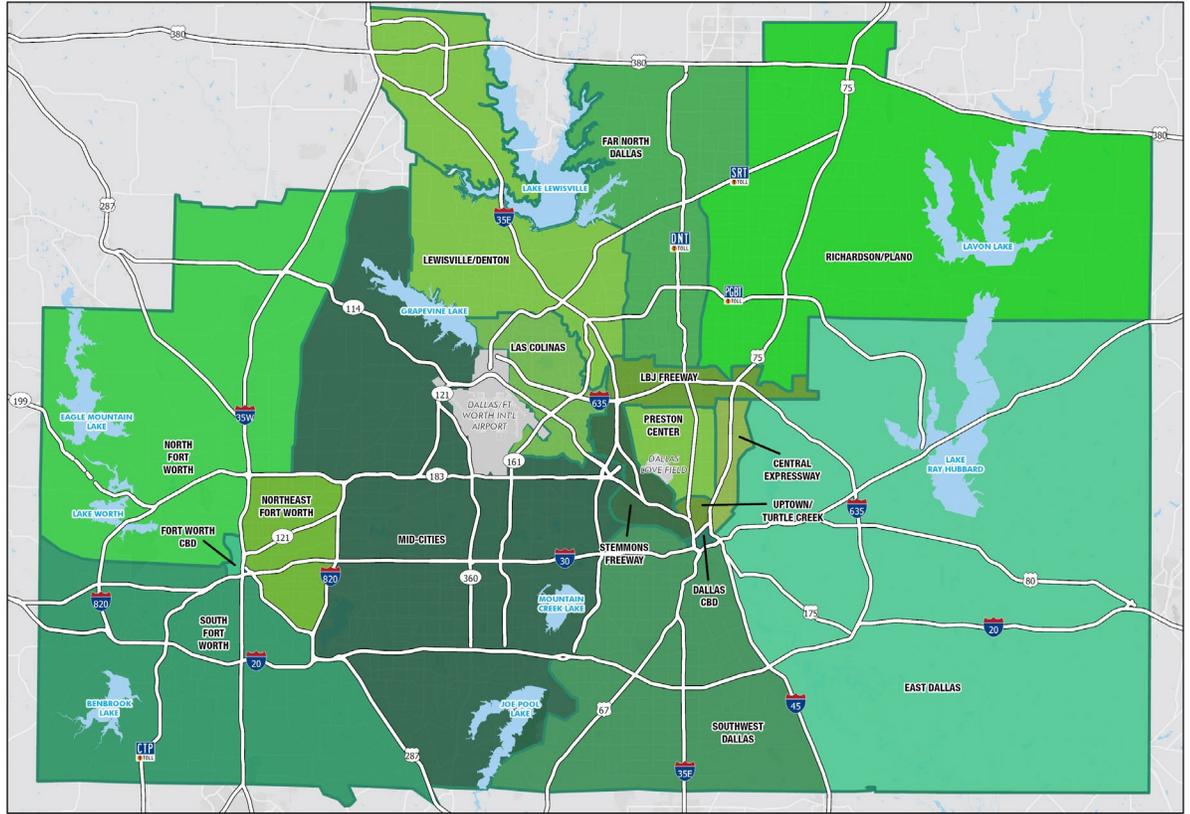
Lease (Tenant)	Building Name	Submarket	Total SF
Oncor Electric	777 Main	Fort Worth CBD	202,000
Confidential	Confidential	Uptown/Turtle Creek	119,526
Sale (Buyer)	Building Name	Submarket	Total SF
Piedmont Office Realty	Galleria Towers I, II, & III	LBJ Freeway	1,466,473
KB Asset Management	The Union	Uptown/Turtle Creek	420,695

Source: CBRE Research, Q1 2020.

Figure 4: Q1 2020 Signed Leases (20k SF+) by Industry



Source: CBRE Research, Q1 2020.



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DEFINITIONS

Average Asking Rate Direct Annual Lease Rates, NNN, Modified Gross and/or Full Service Gross, dependent upon Submarket. *Availability* All existing space being marketed for lease. *Total Vacancy Rate* Direct Vacancy + Sublease Vacancy. *CBD* Central Business District; consists of Dallas' Central Business District only.

SURVEY CRITERIA

CBRE's market report analyzes existing single- and multi-tenant office buildings that total 30,000+ sq. ft. in Dallas / Fort Worth, excluding owner-occupied buildings. CBRE assembles all information through telephone canvassing, third-party vendors, and listings received from owners, tenants and members of the commercial real estate brokerage community.