

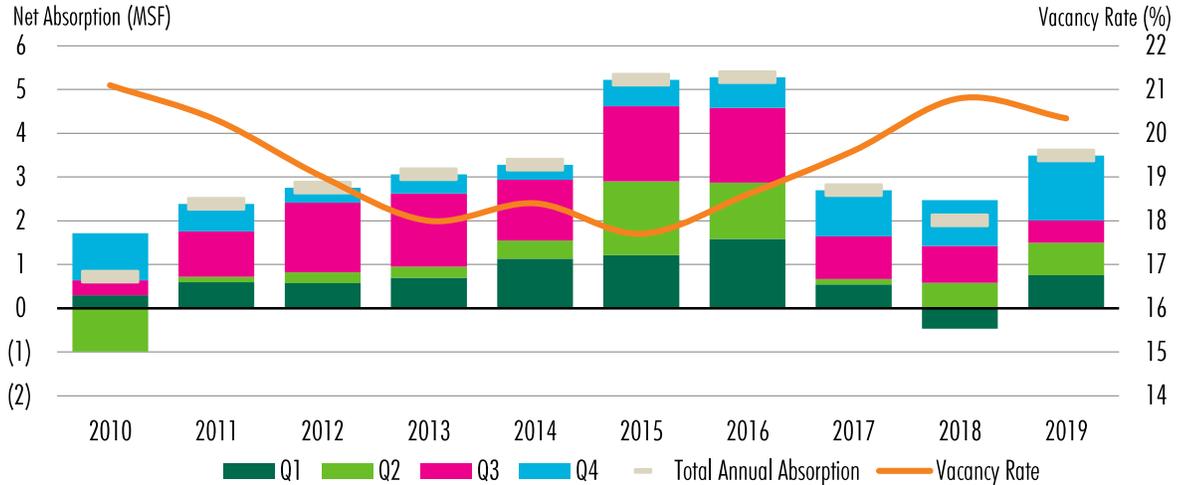
Dallas/Fort Worth Office, Q4 2019

Dallas/Fort Worth boasts 31 MSF of net absorption for the decade

▼ Vacancy Rate 20.3%
▼ Avg. Asking Rate \$25.17 PSF (FSG)
▲ Net Absorption 1,484,079 SF
▲ Deliveries 1,937,856 SF
▼ Under Construction 4,623,194 SF

Figure 1: Historical Absorption and Vacancy Rate

*Arrows indicate change from previous quarter.



Source: CBRE Research, Q4 2019.

A DECADE IN REVIEW

Dallas/Fort Worth had 31 million sq. ft. of net absorption since 2010, remaining resilient despite the decade beginning on the heels of the Great Recession. While the construction pipeline dampened from the previous decade, demand (net absorption) remained positive every year, peaking in 2015 and 2016, at 5.22 and 5.28 million sq. ft. of absorption, respectively. Despite the strong demand, vacancy remained relatively flat, dropping 75 basis points during the past 10 years due to the 25 million sq. ft. of delivered space during that timeframe. Much of this new inventory caused a flight-to-quality (leaving older product vacant) for build-to-suit or speculative projects. Despite the flat vacancy, average asking rents have grown 34% since 2010.

DFW'S LABOR MARKET CONTINUES STRONG

According to the Bureau of Labor Statistics, 107,300 new non-farm jobs were added to the DFW market since October 2018, outlining a 2.9% growth rate year-over-year. As of October 2019, the unemployment rate in DFW is sitting at 3.1%, lower than the national average. Office-using sectors, such as professional and business services, information and financial activities, have continued expanding at a combined job growth rate percentage of 3.1% since last October, with a total of 32,000 new jobs added in DFW.

2019 POSTS THIRD STRONGEST ANNUAL ABSORPTION NUMBERS OF THE 2010'S

Positive absorption continued in Dallas/Fort Worth for the seventh consecutive quarter with 1,484,079 sq. ft. of net demand in Q4 2019. 2019 closed out strong with 3.5 million sq. ft. of absorption for the year, the majority of which was in Class A product. This trend of Class A positive absorption has been driven by the delivery of high-quality space to the DFW market, and many tenants seeking to gain a more efficient space configuration. The biggest move-in of Q4 2019 was Pioneer Natural Resources, which moved into a 1.1 million sq. ft. build-to-suit in Las Colinas.

CONSTRUCTION CYCLE ROLLS ALONG

Construction in Q4 2019 remained solid despite a drop in square footage from last quarter, totaling 28 projects currently being built in DFW. Seven new projects broke ground this quarter, bringing the total to 4,623,194 sq. ft. of new office space underway with a 31% pre-leased rate. The quarter also saw five new deliveries totaling 1,622,856 sq. ft., including Pioneer Natural Resources' 1.1 million sq. ft. build-to-suit in Las Colinas, Frisco Station Two, Offices at the Realm in Lewisville, Westridge Park Phase I in Irving and The Redbird Offices in South Dallas.

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)	Q4 2019 Net Absorption	2019 Total Net Absorption
Central Expressway	10,667,375	14.8	23.2	30.37	30,252	-	(6,727)	15,824
Class A	7,071,930	15.0	22.0	33.18	-	-	(41,002)	42,609
Class B	3,534,897	14.6	24.5	27.01	30,252	-	34,275	(26,785)
Dallas CBD	27,291,948	26.2	32.6	26.61	259,230	-	65,321	49,743
Class A	22,250,909	26.8	34.1	28.98	259,230	-	53,391	22,689
Class B	4,827,682	24.6	26.6	21.20	-	-	11,930	27,054
East Dallas	2,502,155	19.0	19.9	19.79	72,582	-	(56,838)	119,854
Class A	404,820	47.1	16.8	45.80	72,582	-	(7,585)	124,923
Class B	1,780,567	13.2	20.4	19.89	-	-	(17,211)	16,979
Far North Dallas	45,443,437	21.8	26.0	27.28	1,356,098	462,856	(110,546)	515,421
Class A	30,558,728	22.3	27.5	33.35	1,356,098	462,856	(9,392)	784,893
Class B	14,782,613	20.9	23.1	21.67	-	-	(101,154)	(266,372)
Las Colinas	33,041,311	17.4	21.9	25.22	833,806	1,160,000	1,196,388	1,439,456
Class A	19,451,754	17.4	23.0	29.80	730,806	1,160,000	888,014	1,330,508
Class B	12,948,089	17.8	20.8	21.28	103,000	-	282,272	107,463
LBJ Freeway	19,278,656	22.3	24.4	20.66	97,452	-	340,687	74,819
Class A	10,470,780	21.5	22.3	25.20	-	-	102,085	36,048
Class B	8,638,314	23.5	27.3	18.46	97,452	-	238,690	32,802
Lewisville / Denton	3,471,436	7.4	9.6	21.11	220,000	-	6,817	52,234
Class A	189,124	8.4	0.0	21.75	220,000	-	(15,814)	24,810
Class B	3,216,560	7.5	10.3	20.38	-	-	22,631	27,424
Preston Center	4,103,362	13.3	16.0	41.46	297,000	-	(83,504)	(119,759)
Class A	3,474,380	13.5	16.5	46.97	297,000	-	(90,621)	(118,912)
Class B	561,304	12.9	13.6	31.20	-	-	3,383	6,464
Richardson / Plano	23,647,260	22.8	26.1	21.36	600,000	-	(187,932)	(175,386)
Class A	12,240,546	24.4	27.4	25.68	600,000	-	113,740	375,051
Class B	11,089,009	21.3	25.1	18.55	-	-	(69,654)	(288,735)
SW Dallas	1,836,211	23.6	24.6	22.28	-	315,000	29,065	42,535
Class A	280,592	6.9	8.6	20.00	-	-	4,059	23,541
Class B	1,369,965	27.3	28.3	18.89	-	315,000	22,576	49,592
Stemmons Freeway	9,082,026	27.1	28.5	16.78	200,000	-	(18,505)	97,948
Class A	4,230,561	19.8	21.9	20.05	200,000	-	(39,428)	(27,676)
Class B	4,407,786	35.0	35.8	15.65	-	-	18,573	128,132
Uptown/Turtle Creek	12,451,600	14.1	21.5	45.94	656,774	-	168,564	587,989
Class A	10,647,675	13.7	20.8	48.61	656,774	-	148,175	523,516
Class B	1,666,041	18.1	28.1	38.46	-	-	20,389	64,473

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)	Q4 2019 Net Absorption	2019 Total Net Absorption
Fort Worth CBD	8,372,070	16.3	17.8	26.73	-	-	10,618	(30,728)
Class A	5,896,873	16.3	17.8	30.46	-	-	(30,716)	(4,267)
Class B	2,405,886	16.8	18.3	19.96	-	-	41,334	(26,371)
Mid Cities	13,169,771	21.8	24.3	19.23	-	-	142,003	68,256
Class A	4,709,461	28.5	32.1	24.37	-	-	20,691	153,087
Class B	7,721,044	18.6	20.8	17.45	-	-	120,008	(105,197)
North Fort Worth	1,425,879	8.1	9.4	21.95	-	-	(16,544)	98,775
Class A	1,030,812	4.9	6.2	21.5	-	-	0	113,323
Class B	345,043	18.0	19.5	22.22	-	-	(16,544)	(14,291)
NE Fort Worth	2,803,842	19.1	20.1	18.48	-	-	11,466	778,796
Class A	415,921	55.8	57.2	21.38	-	-	4500	-
Class B	2,229,006	12.2	13.2	18.40	-	-	6,966	715,163
South Fort Worth	6,033,555	12.7	17.6	22.58	-	-	(6,254)	(129,027)
Class A	2,259,909	7.3	17.9	26.44	-	-	39,413	16,775
Class B	3,428,414	16.5	18.0	22.72	-	-	(46,931)	(139,493)
Dallas Total	192,816,777	20.8	25.2	25.98	4,623,194	1,937,856	1,342,790	2,700,678
Class A	121,271,799	21.0	26.0	32.16	4,392,490	1,622,856	878,142	2,914,523
Class B	68,822,827	20.7	24.2	20.94	230,704	315,000	466,700	(121,509)
Fort Worth Total	31,805,117	17.8	20.3	21.23	-	-	141,289	786,072
Class A	14,312,976	19.2	22.8	26.20	-	-	33,888	344,398
Class B	16,129,393	17.0	18.7	19.19	-	-	104,833	429,721
DFW Total	224,621,894	20.3	24.5	25.17	4,623,194	1,937,856	1,484,079	3,486,750
Class A	135,584,775	20.8	25.6	31.42	4,392,490	1,622,856	912,030	3,258,921
Class B	84,952,220	20.0	23.1	20.51	230,704	315,000	571,533	308,212

Source: CBRE Research, Q4 2019.

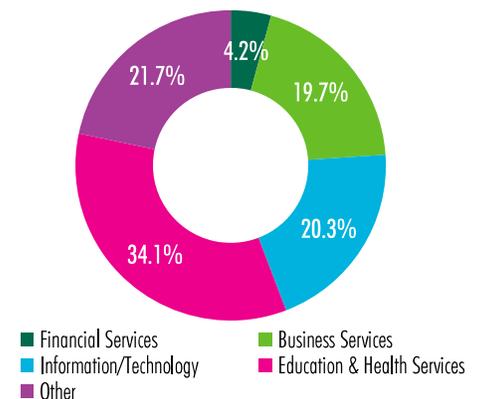
*Although Class C is not shown, totals are inclusive of all classes of data.

Figure 3: Significant Leases / Sales of the Quarter

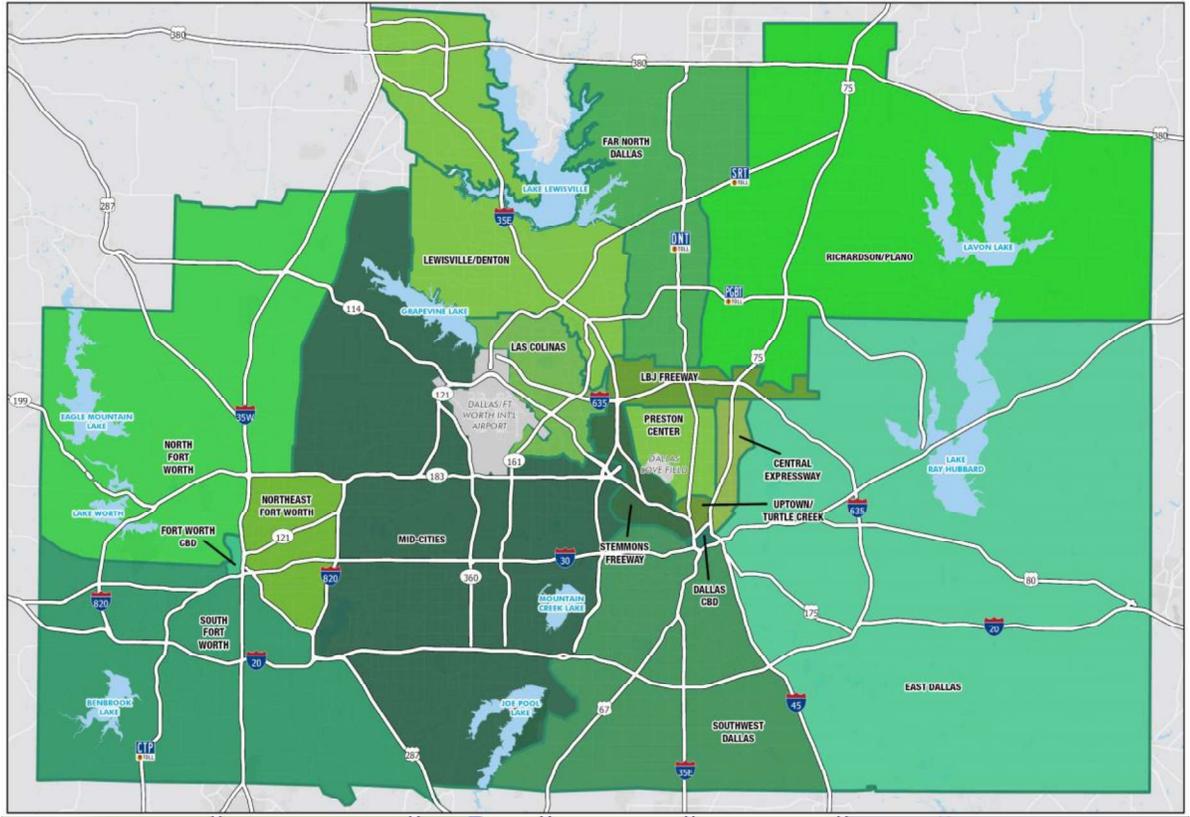
Lease (Tenant)	Building Name	Submarket	Total SF
Reata Pharmaceuticals	Reata BTS	Far North Dallas	327,400
Confidential	Confidential	Far North Dallas	192,212
Alliance RX	The Connection at 8600	Stemmons Freeway	95,000
Sale (Buyer)	Building Name	Submarket	Total SF
JV: PRP Real Estate Riyadh Capital	Pioneer Natural Resources	Las Colinas	1,125,366
Corporación Masaveu	KPMG Plaza	Dallas CBD	500,000

Source: CBRE Research, Q4 2019.

Figure 4: Q4 2019 Signed Leases (20k SF +) by Industry



Source: CBRE Research, Q4 2019.



CONTACTS

Ash Goldfarb
Research Analyst
 +1 214 979 6537
 ash.goldfarb@cbre.com

Lauren Vasquez
Field Research Manager
 lauren.vasquez@cbre.com

E. Michelle Miller
Sr. Manager – Head of Field Research
 michelle.miller@cbre.com

CBRE OFFICES

CBRE Dallas
 2100 McKinney Ave, Suite 700
 Dallas, TX 75201

To learn more about CBRE Research, or to access additional research reports, please visit the Global Research Gateway at www.cbre.com/researchgateway.

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.