MARKETBEAT

DALLAS/FORT WORTH

OFFICE Q4 2024

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
25.2% Vacancy Rate	▲	▲
-5.5M YTD Net Absorption, SF	▼	▼
$32.74 Asking Rent, PSF *(Overall, All Property Classes)*	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
4.3M Dallas/Fort Worth Employment	▲	▲
3.9% Dallas/Fort Worth Unemployment Rate	▲	▼
4.2% Country Unemployment Rate	▲	▲

Source: BLS, Moody's Analytics

ECONOMY

Employment continued growing in Dallas/Fort Worth (DFW) region at 1.4% year-over-year (YOY), outpacing the national average by nearly 20 basis points. Unemployment inched up slightly to 3.9% but remains below the national average of 4.2%. Population growth continued at a robust pace of 194,257 new residents over the last 12 months, a YOY increase of 2.3%.

According to Moody's Analytics, office-using employment grew by 12,600 jobs or 1.0% YOY in 2024, above the national level of 0.3% YOY. Professional and business services—the largest sector in DFW—remains sluggish as higher interest rates hamper business expansions. On the other hand, financial activities firms in DFW increased employment by 3.2% YOY, strongly outperforming the national growth of 0.3% YOY. At year-end 2024, DFW office-using employment was 17.6% above pre-pandemic levels.

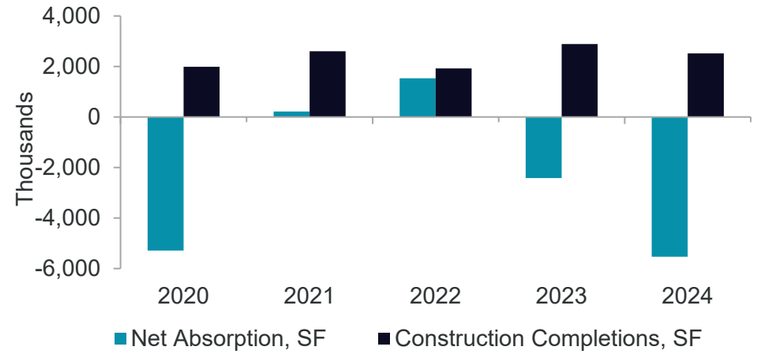
Texas business leaders in the manufacturing and service sectors noted general improvement to their outlooks in each Dallas Fed survey since the election, although some short-term uncertainty exists regarding the incoming administration's trade policy, potential inflationary impact, and a response by the Federal Reserve to hold interest rates higher for longer.

DEMAND

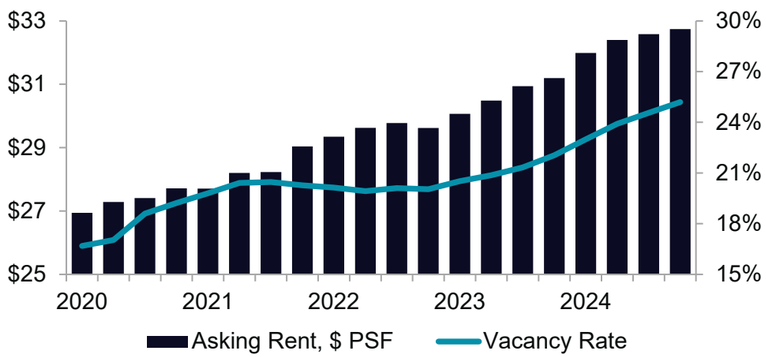
Demand for office space continued to reflect compressed deal activity amid higher interest rates and slowing job growth, as well as the larger trend of right-sizing footprints in light of new work patterns. Overall leasing activity over the last 12 months totaled 15.6 million square feet (msf). New leasing activity at year-end 2024 declined 2.7% YOY to reach 11.5 msf over the last 12 months.

Overall net absorption reached negative 842,900 square feet (sf) in the fourth quarter and negative 5.5 msf over the last 12 months, on par with levels seen in 2020 during the initial onset of the COVID-19 pandemic. Negative absorption was recorded in both Class A and Class B properties. In contrast, high demand submarkets such as Uptown/Turtle Creek and Preston Center ended the year with positive absorption.

SPACE DEMAND / DELIVERIES

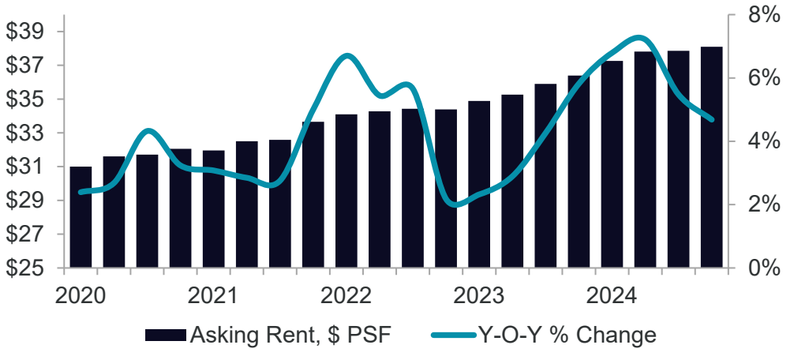


OVERALL VACANCY & ASKING RENT

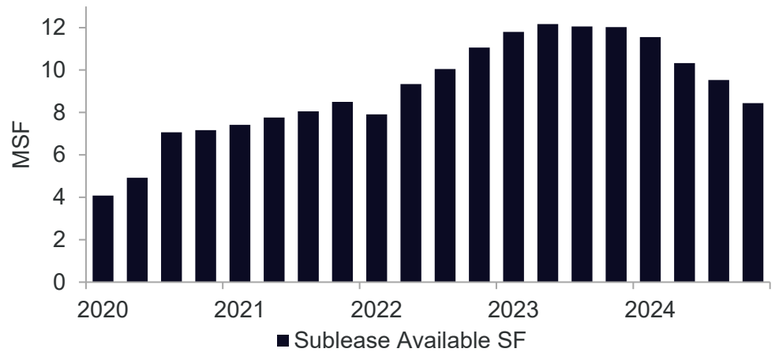


DALLAS/FORT WORTH
OFFICE Q4 2024

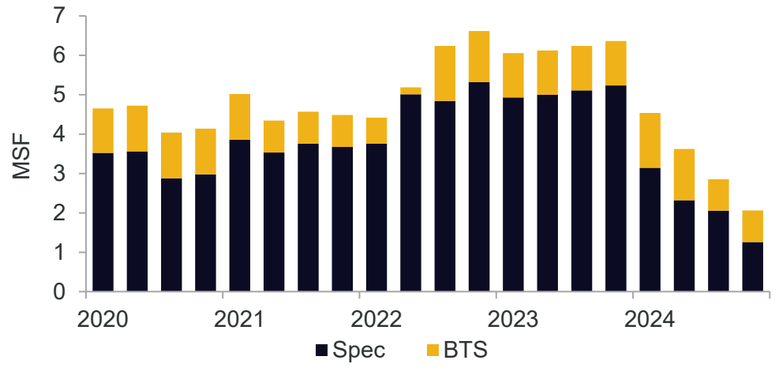
CLASS A OVERALL ASKING RENT



SUBLEASE OFFERINGS



CONSTRUCTION PIPELINE



SUPPLY

Vacancy continued rising in the fourth quarter with negative absorption and speculative deliveries. Vacancy increased 63 bps quarter-over-quarter (QOQ) and 314 bps YOY to 25.2%, the highest level since 2004. Overall vacancy reached 27.3% in Class A and 22.5% in Class B properties. Sublease offerings declined 11.4% QOQ to 8.4 msf, its lowest level since 2022.

New construction continued slowing with just 2.5 msf delivered for the year—the lowest figure in over a decade. Key completions this quarter included Ryan Tower for 408,500 sf in Legacy/Frisco, Old Parkland East for 286,000 sf in Uptown/Turtle Creek, and FarmWorks One for 99,400 sf in Richardson/Plano. This brought construction activity to just 2.0 msf—its lowest level since 2012—and all new construction was concentrated within Uptown/Turtle Creek. Speculative projects underway totaled just 1.6 msf and were preleased at a healthy rate of 59.0% with rents averaging $96.42 per square feet (psf) gross. Only one project is expected to deliver in 2025: 23Springs for 626,200 sf in Uptown/Turtle Creek.

Cushman & Wakefield Research expects construction to remain subdued in 2025 and what little does break ground will likely be concentrated in Uptown/Turtle Creek, notwithstanding Wilks Development's The Offices at Firefly Park in Legacy/Frisco, a 125,000-sf office project at the base of the Dream Hotel that will begin vertical construction in early 2025.

PRICING

Despite rising vacancy rates, DFW office rents continued climbing. Asking rents increased 4.9% YOY to reach $32.74 psf, another all-time high. New construction accounted for more than half of rent growth as rents in properties delivered in 2024 averaged $66.01 psf. Excluding new deliveries, overall asking rent growth was more modest at 2.1% YOY.

Asking rents rose 4.7% YOY in Class A properties to $38.10 psf. Excluding new construction, Class A rents grew at a more modest rate of 1.6% YOY. Class B rents grew 0.5% YOY to $22.39 psf, reflecting weaker fundamentals in commoditized buildings.

OUTLOOK

- Little has changed with office headwinds over the past year. Right-sizing will continue driving negative absorption and higher vacancy over the next 12 months.
- Nevertheless, as more tenants complete adjustments for new work patterns, return to office (RTO) mandates and DFW's strong population and job growth will generate demand for office space over the long-term and return absorption to cyclical patterns.
- As direct vacancy rises in the short term, the number of acutely distressed properties will likely increase.
- Flight to quality will continue bifurcating performance between amenitized buildings and commoditized spaces.
- Current rent spreads support opportunities to reposition viable buildings at a favorable cost basis.
- Disposition of surplus office inventory through conversion, user purchase or redevelopment will continue but require time to improve market fundamentals.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG GROSS RENT	CLASS A WEIGHTED AVG GROSS RENT
CBD Core	18,494,685	6,651,440	36.0%	-66,748	-704,355	619,534	0	0	$28.17	$29.63
Arts District	6,676,713	1,718,419	25.7%	10,818	-217,725	370,816	0	0	$46.65	$47.85
West End	1,347,347	408,008	30.3%	-67,996	-42,582	52,342	0	0	$30.50	$31.62
DALLAS CBD TOTAL	26,518,745	8,777,867	33.1%	-123,926	-964,662	1,042,692	0	0	$32.29	$34.10
Uptown/Turtle Creek	16,022,011	3,631,915	22.7%	65,452	2,451	1,674,807	2,060,626	631,425	$61.15	$64.45
North Central Expressway	14,240,605	3,915,791	27.5%	-45,528	-351,692	813,320	0	0	$34.81	$37.68
Preston Center	4,385,414	494,825	11.3%	123,393	84,177	379,427	0	0	$48.92	$56.55
Deep Ellum/East Dallas	3,584,243	856,137	23.9%	-5,414	-45,337	91,501	0	0	$38.84	$50.02
West Love Field	8,819,717	2,083,375	23.6%	-24,048	-112,211	166,836	0	259,552	$25.39	$42.26
LBJ Freeway	11,349,303	3,181,872	28.0%	-135,675	-312,292	357,034	0	0	$18.50	$21.32
Far North Dallas	23,023,195	5,259,876	22.8%	105,158	-283,570	2,683,481	0	0	$31.25	$35.96
Legacy/Frisco	30,450,733	8,830,413	29.0%	44,924	-391,225	1,992,666	0	1,377,570	$41.40	$44.44
Richardson/Plano	23,598,817	5,338,766	22.6%	-344,558	-772,633	1,629,474	0	99,381	$27.41	$30.45
Las Colinas	36,096,311	9,930,190	27.5%	-446,238	-1,869,242	2,805,479	0	0	$28.96	$32.47
Southlake/Westlake	4,458,379	1,160,793	26.0%	18,425	96,844	368,055	0	0	$34.02	$35.82
Lewisville/Carrollton	5,207,352	1,180,708	22.7%	-153,552	-288,702	153,631	0	147,000	$24.66	$29.84
Southwest Dallas	1,820,100	231,920	12.7%	-18,784	-121,940	43,594	0	0	$25.43	$25.98
Mid Cities	11,423,216	3,061,138	26.8%	24,484	-14,797	515,980	0	0	$23.72	$27.47
DALLAS NON-CBD TOTAL	194,479,396	49,157,719	25.3%	-791,961	-4,380,169	13,675,285	2,060,626	2,514,928	$33.14	$39.20
DALLAS TOTAL	**220,998,141**	**57,935,586**	**26.2%**	**-915,887**	**-5,344,831**	**14,717,977**	**2,060,626**	**2,514,928**	**$33.01**	**$38.25**
Fort Worth CBD	7,534,391	893,864	11.9%	60,800	-105,685	197,531	0	0	$28.80	$33.98
West Fort Worth	4,195,630	819,161	19.5%	30,053	24,563	303,222	0	0	$27.00	$30.09
South Fort Worth	2,703,053	295,821	10.9%	-8,991	-68,095	126,106	0	0	$23.35	$39.00
North Fort Worth	1,925,671	255,280	13.3%	-2,089	-5,723	71,582	0	0	$30.57	$30.92
East Fort Worth	2,343,561	186,262	7.9%	-6,773	-35,204	33,585	0	0	$15.59	-
FORT WORTH TOTAL	18,702,306	2,450,388	13.1%	73,000	-190,144	732,026	0	0	$26.65	$32.50
DALLAS/FORT WORTH TOTALS	**239,700,447**	**60,385,974**	**25.2%**	**-842,887**	**-5,534,975**	**15,450,003**	**2,060,626**	**2,514,928**	**$32.74**	**$38.10**

** Rental rates reflect full service asking rate.*

KEY LEASE TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
KPMG Plaza at Hall Arts / 2323 Ross Ave	Arts District	Jackson Walker	160,162	Renewal, Expansion*
Two Lincoln Centre / 5420 LBJ Fwy	Far North Dallas	Merit Energy Company	104,034	New Lease
Galatyn Commons C / 2380 Performance Dr	Richardson/Plano	Halff	83,981	New Lease

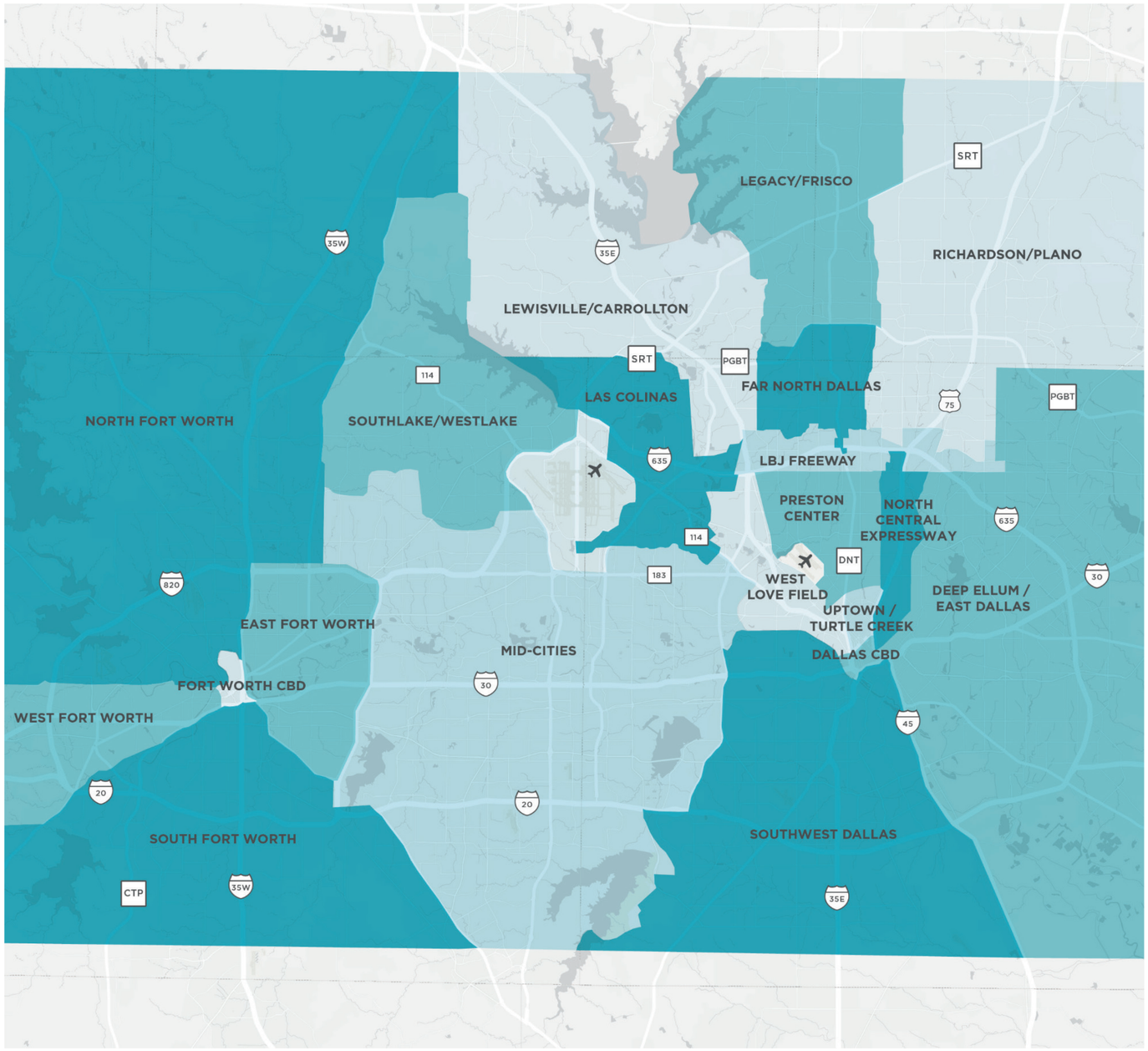
**Renewals included in leasing activity*

KEY SALES TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF
The Lakeside Campus / 2201-2221 Lakeside Blvd	Richardson/Plano	Trigild / Provident Realty Advisors	813,298
Preston Commons / 8111-8115 Preston Rd	Preston Center	KBS Realty Advisors / Energy Transfer Partners	441,131

DALLAS/FORT WORTH
OFFICE Q4 2024

OFFICE SUBMARKETS



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