

Dallas-Fort Worth

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Leasing activity remains resilient with occupier flight to quality continuing

The Dallas-Fort Worth office market remains resilient with leasing seeing a 12% increase in 4Q23 compared to prior quarter. Asking rents have increased 9.5% year-over-year, which is primarily driven by Class A properties. Demand for Class A buildings holds firm, as occupiers flight to quality continues. Class A space accounted for approximately 63% of the leasing activity in Q423. Despite the steady leasing activity observed in 2023, the Dallas Fort Worth office market saw an increase in availability of 150 basis points year-over-year. The increasing availability can be attributed to the new supply coming online, with the Dallas Fort Worth office market seeing approximately 5.4 million square feet of office space added over the past 12 months. Given the under-construction pipeline, availability is likely to trend upward over the near term.

Office loan delinquencies an increasing concern among tenants

Based on data provided by TREPP, the Dallas-Fort Worth MSA ranks #6 in CMBS office delinquencies among the 10 largest MSAs by population size, with a delinquency rate of 6.7%. This has resulted in approximately \$185.0 million in CMBS debt on office buildings, considered delinquent within the Dallas-Fort Worth MSA. Concerns about office loan defaults or landlords being unable to uphold their tenant improvement obligations has caused occupiers to be more cautious with their site selection. In fact, some occupiers are looking for assurances that landlords can fund improvements by reviewing landlord financials.

Dallas-Fort Worth economic outlook remains positive as employment fundamentals are solid

The Dallas-Fort Worth market continues to see positive employment growth, with office-using job growth increasing by a strong 4.3% year over year. Finally, the region has fared better than other comparable U.S. office markets in bringing employees back to the office. According to data tracked by Kastle Systems, weekly office occupancy averaged 51% in Q4 2023, which is approximately 430 basis points above the national average although still below pre-pandemic levels.

Key Statistics

	Q4 2022	Q4 2023	Y-0-Y
Inventory	213.6 msf	219.0 msf	+5.4 msf
Availability Rate	28.6%	30.1%	+150 bps
Asking Rental Rate	\$26.61	\$29.14	+9.5%
Class A Asking Rental Rate	\$29.07	\$32.00	+10.1%
Quarterly Leasing Activity	2.8 msf	3.0msf	+0.2 msf
Available Sublease Space	9.1 msf	9.3 msf	+0.2 msf

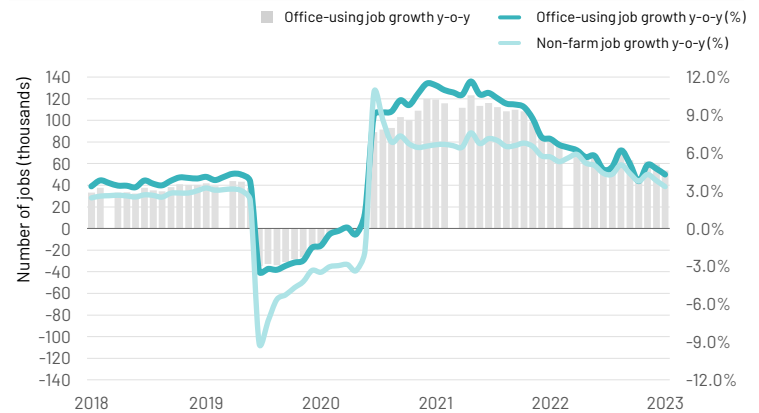
Outlook

01 Class A rents have continued to increase, however, as availability remains high rents are likely to flatline

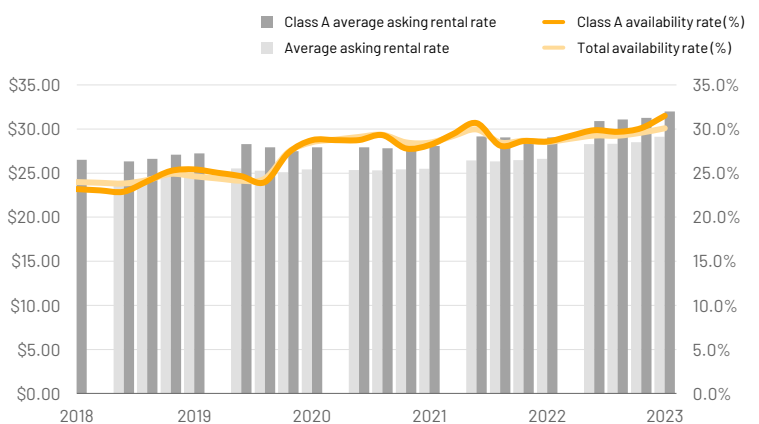
02 Availability is likely to increase over the near term as the supply pipeline remains robust and projects are completed/unleased

03 More office property loan distress is projected as rising interest rates have caused many owners to owe more than their properties are now worth

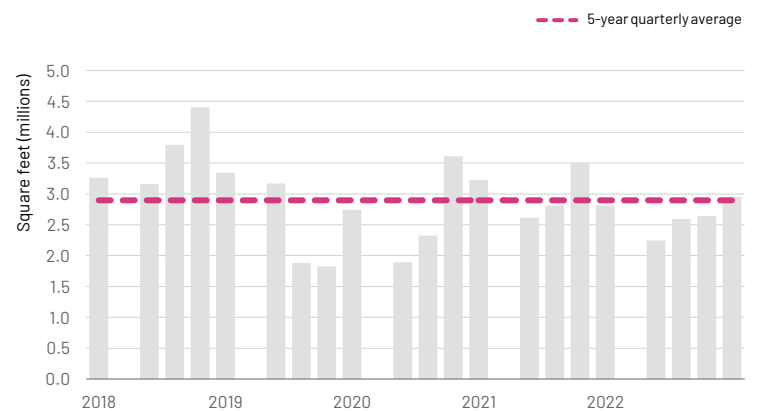
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

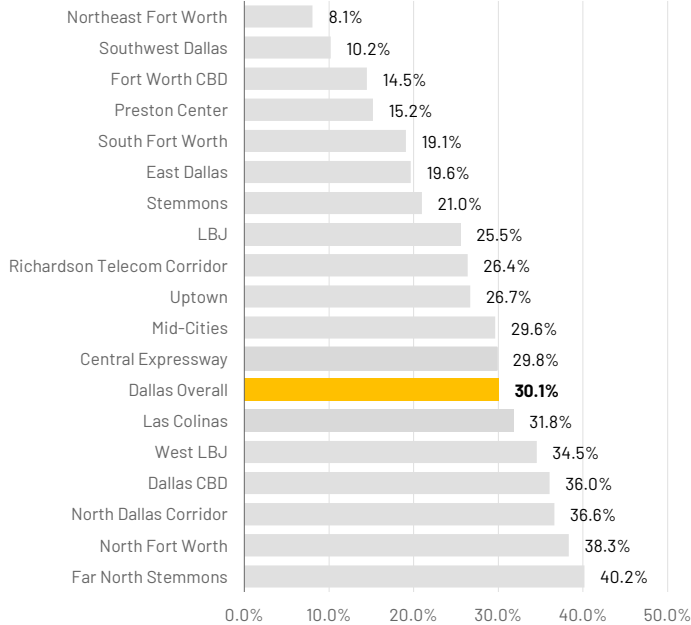
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Mr. Cooper	Financial Services & Insurance	North Dallas Corridor	4000 International Parkway	159,830	New Location**
Westwood Montessori	Education	North Dallas Corridor	14295 Midway Road	98,108	New Location
Alkami Technology, Inc	TAMI	North Dallas Corridor	5601 Granite Parkway	83,939	Renewal
Liquid Agents Healthcare	Healthcare	North Dallas Corridor	6860 Dallas Parkway	83,774	New Location
University of St Augustine for Health Sciences	Education	Las Colinas	901 W Walnut Hill Lane	76,029	Extension
Kimley Horn	Architecture, Engineering and Construction	Fort Worth CBD	801 Cherry Street	69,397	Expansion
7-Eleven	Retail	West LBJ	4795 Regent Boulevard	61,495	Renewal
Learfield	Business, Professional and Consulting Services	LBJ	5400 Lyndon B Johnson Freeway	59,348	New Location
JPI	Business, Professional and Consulting Services	West LBJ	9001 Cypress Waters Boulevard	53,750	New Location
Fay Servicing	Financial Services & Insurance	West LBJ	1601 Lyndon B Johnson Freeway	47,951	New Location

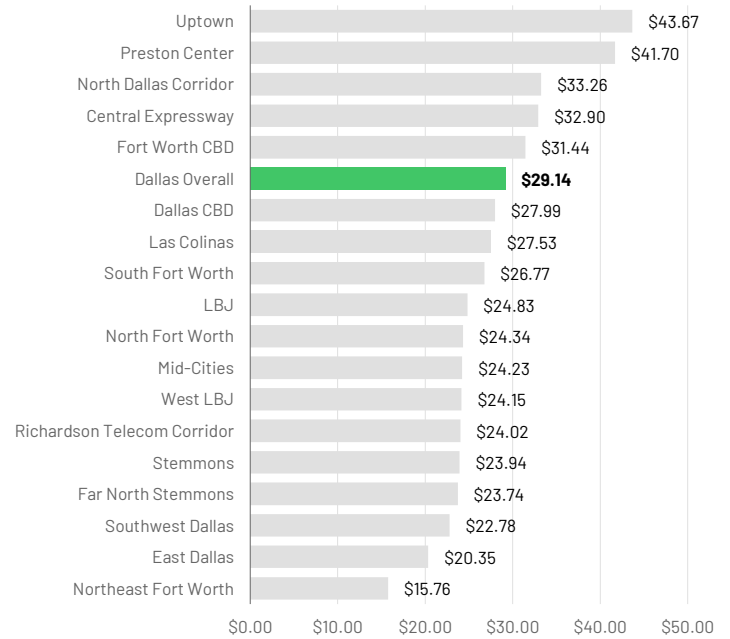
Availability Rate Comparison (%)

DALLAS-FORT WORTH SUBMARKETS



Rental Rate Comparison (\$/sf)

DALLAS-FORT WORTH SUBMARKETS



Dallas-Fort Worth Q4 2023 - Office

For more information, please contact us:

savills.us

Savills/Fort Worth
Chase Tower
2200 Ross Avenue
Dallas, TX
+1 972 739 2200

Kelly Winn
Vice Chairman,
Branch Manager
+1 972 739 2206
kwinn@savills.us

Deandre Prescott
Research Manager
dprescott@savills.us

Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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