



First-quarter momentum tapers as market uncertainty rises

Occupier apprehension stemming from the COVID-19 pandemic has caused a significant slowdown in leasing activity, as decision makers wait for more market and economic clarity before committing to office space. Prior to the outbreak, the metroplex saw a healthy start to the year as first-quarter leasing activity totaled 3.2 million square feet (msf), 64.5% of which occurred in Class A product. However, strong leasing activity seen in the first two months of Q1 2020 lost momentum in March, as stay-at-home orders began to shift occupiers to a remote work environment. Prior to COVID, demand was highest in the North Dallas Corridor submarket which saw 964,000 square feet (sf) of leases signed, 60.0% of which were in Class A product. Also notable, the LBJ submarket posted 486,000 sf of activity - the submarket's highest quarterly total since mid-2017. Even with relatively strong demand, the market saw a 30-basis-point increase in overall availability over the year, now at 24.2%.

Market likely to shift in favor of tenants, increase in asking rents could slow or reverse trend

While the full impact of COVID-19 is yet to be seen, it will undoubtedly place pressure on landlords to attract and retain tenants in a time of uncertainty. As a result, the market is likely to shift to the tenant's favor, which will lead to increasingly generous concessions in the short-term, before rents begin to exhibit a downward trend. Overall asking rents reached \$25.54 per square foot (psf) in Q1, increasing 5.9% year over year. The largest increase was seen in the North Dallas Corridor submarket where asking rents increased 13.2% over the year to \$29.55 psf. This growth is likely to stagnate or reverse as market disruption extends.

Regional fundamentals may provide some market resilience

Population and employment levels, two indicators of demand for office space, have both experienced robust growth recently. Total non-farm employment in the Dallas-Fort Worth metro grew 3.3% in the monthly period ending in January 2020 alone. Population growth of more than 1.2 million people from 2010 - 2019 placed the region as the fastest growing metropolitan area in the nation, according to the U.S. Census Bureau. Considering these two factors, and that Dallas / Fort Worth is a leading metro for corporate relocations, the resiliency of the office market and economic diversity of the region will likely position it to experience a smaller impact from business and economic disruption related to COVID-19 and faster recovery than other markets.

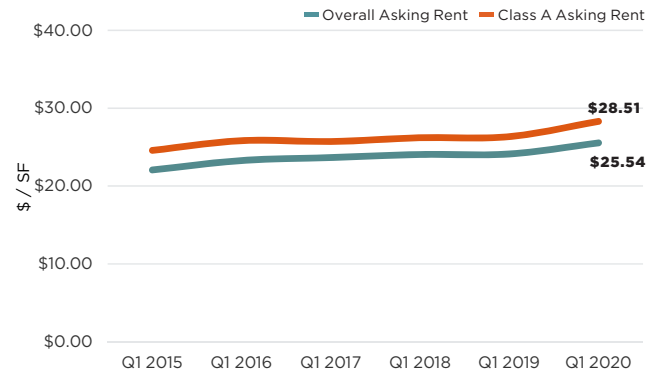
Outlook

- Near-term impacts from COVID-19 are likely to include a pullback in leasing activity over the coming quarter, along with an increase in space options and heightened tenant favorability
- Rising asking rates in high-demand submarkets are expected see a slowdown, or even stagnation, in growth; however, an uptick in concession offerings will come long before any significant decrease in asking rates
- Robust population growth and steadfast economic development efforts have fortified Dallas-Fort Worth's office market resiliency, which could lessen the pandemic's blow relative to other markets

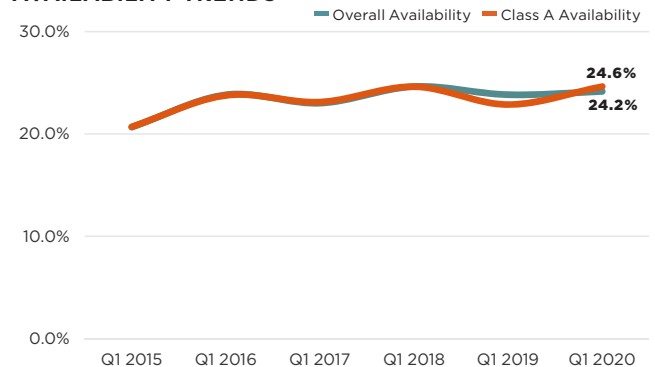
KEY STATISTICS

	Q1 2019	Q1 2020	y-o-y Change
Inventory	205.7 MSF	207.4 MSF	▲
Availability Rate	23.8%	24.2%	▲
Asking Rental Rate	\$24.12	\$25.54	▲
Class A Asking Rental Rate	\$26.35	\$28.31	▲
Quarterly Leasing Activity	3.2 MSF	3.2 MSF	◀▶

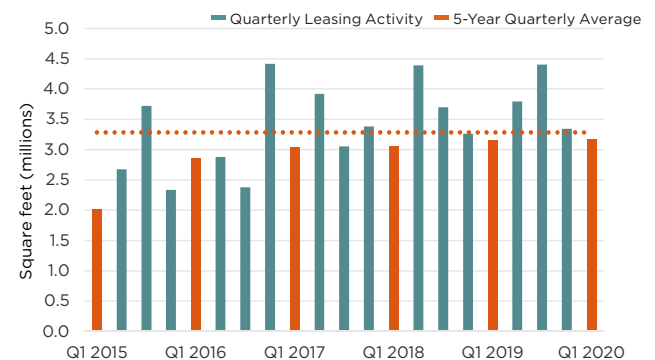
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

35.5%

Of major transactions were relocations

53.0%

of large transactions occurred in the North Dallas Corridor submarket

35.1%

Healthcare represented a combined 35.1% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
USAA	124,366	5543 Legacy Drive	New Location	North Dallas Corridor	Financial Services
Reata Pharmaceuticals	121,903	5320 Legacy Drive	Extension	North Dallas Corridor	Healthcare
TripActions	88,490	1201 Elm Street	Relocation	Dallas CBD	TAMI
Copart, Inc.	78,593	14185 Dallas Parkway	Renewal	North Dallas Corridor	TAMI
Addus HomeCare	75,000	6303 Cowboys Way	Relocation	North Dallas Corridor	Healthcare
Paragon Healthcare	67,926	3033 W President George Bush Highway	Relocation	Richardson Telecom Corridor	Healthcare
RGN-Dallas IC LCC	59,788	5420 Lyndon B Johnson Freeway	Renewal	LBJ	Legal Services
Sheppard Mullin Richter & Hampton LLP	51,804	2200 Ross Avenue	Expansion	Dallas CBD	Legal Services
Appen, Inc.	50,206	3033 W President George Bush Highway	New Location	Richardson Telecom Corridor	TAMI
TransAmerica Corporation	36,995	6600 Chase Oaks Boulevard	Relocation	Richardson Telecom Corridor	Financial Services

Source Savills Research

For more information, please contact us:

Savills

Chase Tower
2200 Ross Avenue
Suite 4800 East
Dallas, TX 75201
+1 972 739 2200

Kelly Winn

Executive Vice President
Co-Branch Manager
kwinn@savills.us

Blake Anderson

Senior Managing Director
Co-Branch Manager
banderson@savills.us

John McWilliams

Research Manager
jmcwilliams@savills.us

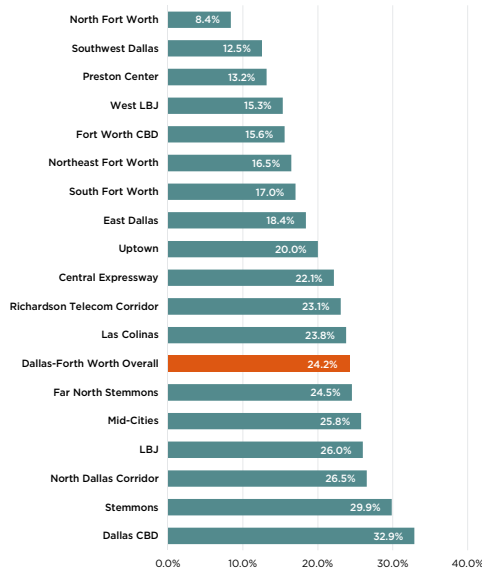
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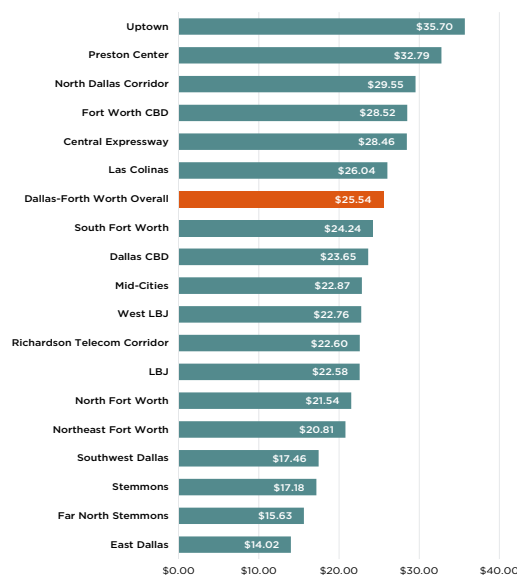
AVAILABILITY RATE COMPARISON

Dallas/Fort Worth Submarkets



RENTAL RATE COMPARISON (\$/SF)

Dallas/Fort Worth Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot (psf). 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.

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