



## Steep drop-off in leasing activity as work from home efforts persist and real estate decisions are put on pause

The near-term effects of COVID-19 were reflected in office market metrics across the Metroplex during Q2 2020. With employee welfare at the forefront of organizations' reopening strategies, many firms have continued work from home measures and placed occupancy limits on physical locations to reduce virus spread. The economic uncertainty that has followed the virus has caused businesses to reevaluate strategies and turn attention toward cost minimization. As a result, demand for office space significantly declined to just 1.9 million square feet (msf), representing a decrease of 40.6% quarter over quarter and marking the lowest quarterly total in at least 15 years.

### Market fundamentals continue to soften with availability on the rise

Overall availability increased 20 basis points over the quarter, now at 24.4%. Availability is likely to continue to rise throughout the rest of the year as subdued demand is expected, along with sublease additions, and the delivery of several speculative developments. Large blocks that came to market throughout the quarter include 124,734 square feet (sf) at 1500 Solana Boulevard, 88,084 sf at Three Galleria Tower, and 52,470 sf at Legacy Union One. Overall asking rents declined 1.0% over the quarter, now averaging \$25.28 per square foot (psf). Any significant changes in asking rates are likely to lag as owners will first focus on offering more aggressive concessions before lowering starting rents.

### Long-term economic development efforts expected to bolster economic recovery

Robust economic development efforts have become a staple of the Dallas-Fort Worth Metroplex as both private and public practitioners have been playing the long-game in building the regional competitive advantage of the area. Texas's business-friendly disposition and investment in entrepreneurial activity along with ongoing business recruitment, retention, and expansion, as well as infrastructure investment efforts have provided stability that will bolster recovery efforts once the economy reopens in full. Even amid a pandemic, companies from dense urban areas that are characterized with high taxes, such as those located in California, New York, and Illinois, are still looking toward Dallas-Fort Worth for better affordability, quality of life for employees, and incentives.

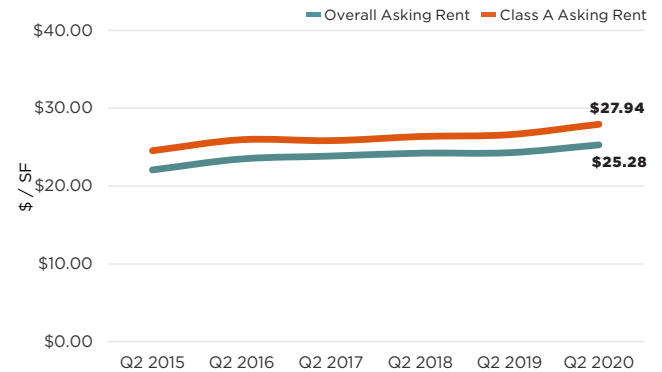
### Outlook

- Availability is expected to rise through the end of the year as demand is likely to remain subdued and new speculative deliveries will come to market
- More aggressive tenant concessions, including improvement allowance, rent abatement, and term flexibility will be seen before landlords make significant adjustments to asking rates
- Companies that previously offshored operations and suffered supply chain constraints due to the pandemic may look to the Dallas-Fort Worth area in onshoring efforts, bringing office-occupying roles to the area to support the industrial-use side of their business

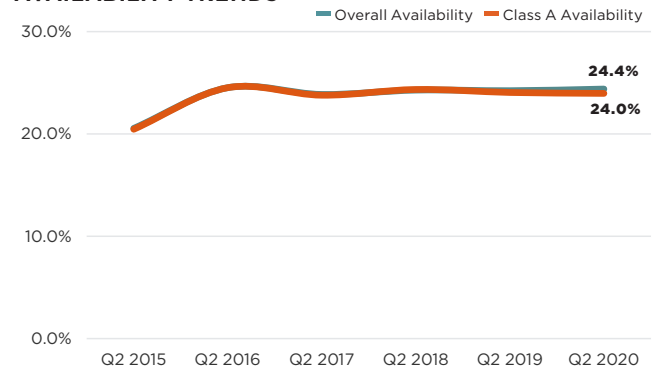
### KEY STATISTICS

	Q2 2019	Q2 2020	y-o-y Change
Inventory	205.7 MSF	<b>207.2 MSF</b>	▲
Availability Rate	24.2%	<b>24.4%</b>	▲
Asking Rental Rate	\$24.28	<b>\$25.28</b>	▲
Class A Asking Rental Rate	\$26.61	<b>\$27.94</b>	▲
Quarterly Leasing Activity	3.8 MSF	<b>1.9 MSF</b>	▼

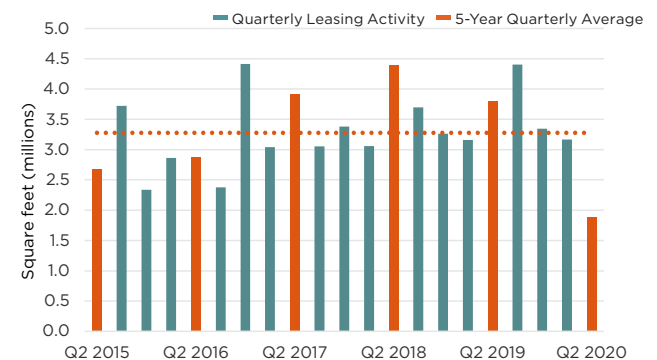
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

6 of 10

Of major transactions were renewals or expansions

57.7%

of large transactions occurred in the North Dallas Corridor submarket

28.6%

TAMI represented a combined 28.6% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Global Medical Response	60,742	4400 Sam Rayburn Tollway	Relocation	North Dallas Corridor	Healthcare
Istation	50,000	8150 N Central Expressway	Renewal	Central Expressway	TAMI
The University of North Texas	36,061	2811 Internet Boulevard	Renewal	North Dallas Corridor	Education
Planet Home Lending, LLC	35,471	5020 Riverside	Renewal and Expansion	Las Colinas	Financial Services
IntelliCentrics, Inc	30,000	777 International Parkway	New	Mid-Cities	Professional Services
Goosehead Insurance	26,173	1500 Solana Boulevard	Expansion	Mid-Cities	Financial Services
Cirro Energy	25,552	2745 Dallas Parkway	Renewal	North Dallas Corridor	Energy
Keller Williams Realty	24,971	18333 Preston Road	Relocation	North Dallas Corridor	Real Estate
Cognizant	23,062	8383 Dominion Parkway	Expansion	North Dallas Corridor	TAMI
Digital Matrix Systems	22,500	4975 Preston Park Boulevard	Relocation	North Dallas Corridor	TAMI

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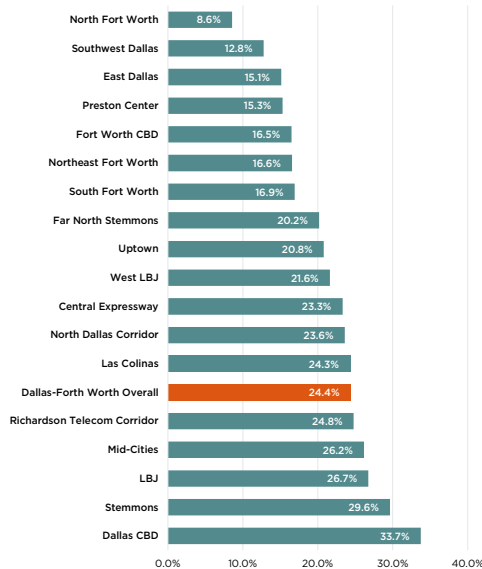
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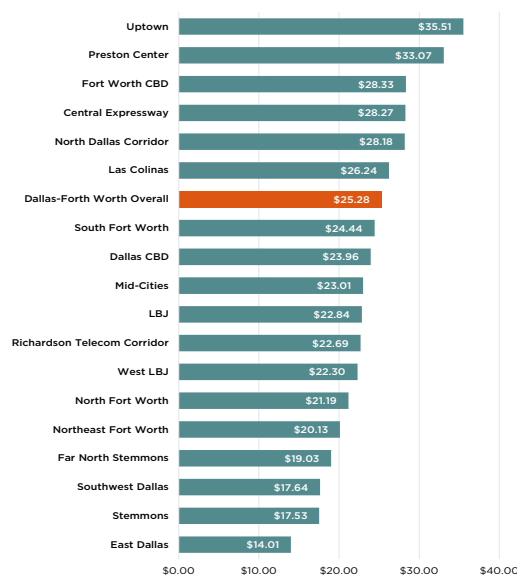
AVAILABILITY RATE COMPARISON

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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