



Leasing activity continues to plummet, sublease space on the rise

Leasing activity across Dallas-Fort Worth, at 1.8 million square feet (msf) in Q3 2020, has decreased by 3.1% over the quarter and plunged 58.6% year over year. With national trends throughout the pandemic proclaiming dismal leasing activity in major markets, the Metroplex presents itself as a prime example of the true weight of COVID-19's impact on the sector. Previously buzzing with activity in Q1 2020, demand is now running on reserves sourced primarily from renewals, extensions and expansions. Slowing leasing activity and increasing sublease availability sets tenant favorability in the market at its peak as landlords face a more a competitive market and tepid demand leading to lower taking rates and increasingly generous concessionary offerings for direct-space deals.

Availability climbs to new heights six months into the pandemic

Market-wide availability reached 27.4% in the third quarter, the highest level observed in at least 16 years. This marks a 300 basis-point increase over the quarter, the largest variance in availability that the Metroplex has seen since Q4 2015 when availability jumped up 340 basis points. To offer further context, the fallout from the financial crisis of 2008 saw availability rates peak at 25.8% in Q2 2010, still 160 basis points shy of where they stand today. The Stemmons and Preston Center submarkets saw relatively little change, whereas the Mid-Cities submarket saw availability increase by 830 basis points, the Fort Worth Central Business District saw a 680-basis-point increase, and the West LBJ submarket saw a 580-basis-point increase.

Dallas-Fort Worth's resilient nature will drive recovery

Dallas-Fort Worth will likely see a more expedient recovery than other large metropolitan areas. The city's deep talent pool, relative affordability, ability to attract organizations and headquarters locations from outside of the market, and ongoing economic diversification will drive recovery on the other side of the pandemic. Occupiers that have been able to weather current circumstances have taken advantage of the currently soft market fundamentals with four of the ten largest leases for the quarter relocating to Class A product and an additional three expanding their existing premises.

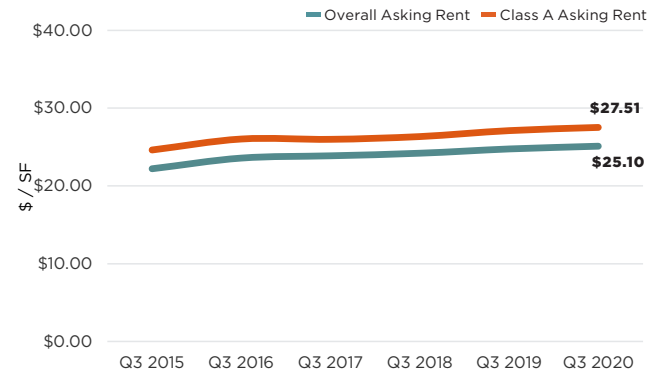
Outlook

- Current market dynamics are highly tenant favorable and are expected to persist in the near- to medium-term
- Minimal movement in asking rental rates is expected, net effective rents are expected to decrease as landlords face competition from both rising direct and sublease available space
- The competitive advantage of Dallas-Fort Worth is not expected to diminish, corporate relocations which have slowed under current market conditions are expected to pick back up as the national economy recovers

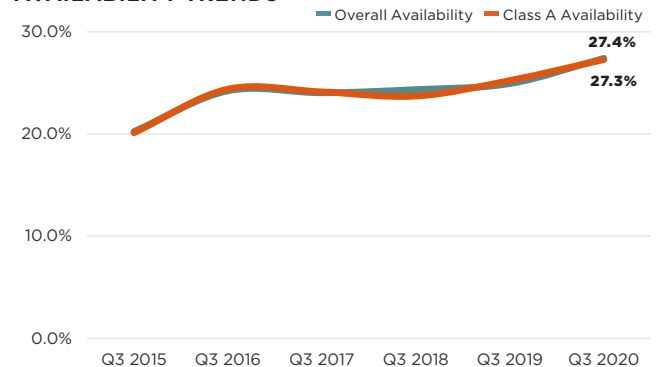
KEY STATISTICS

	Q3 2019	Q3 2020	y-o-y Change
Inventory	205.6 MSF	208.1 MSF	▲
Availability Rate	24.9%	27.4%	▲
Asking Rental Rate	\$24.75	\$25.10	▲
Class A Asking Rental Rate	\$27.11	\$27.51	▲
Quarterly Leasing Activity	4.4 MSF	1.8 MSF	▼

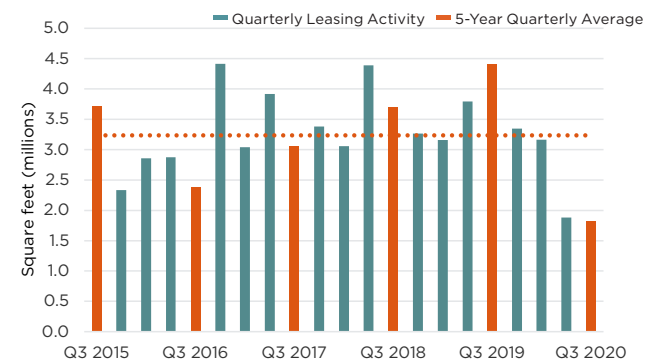
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

42.9%

Of major transactions were **expansions** by square footage

35.4%

of large transactions occurred in the **Dallas CBD** submarket by square footage

28.9%

Financial services sector tenants represented 28.9% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Hilltop Securities	130,756	717 N Harwood Street	Relocation	Dallas CBD	Financial Services
The Michaels Companies, Inc.	123,740	3939 W John Carpenter Freeway	Expansion	West LBJ	Retail
Aimbridge Hospitality	75,000	5301 Headquarters Drive	Expansion	North Dallas Corridor	Real Estate
Faegre Drinker	37,179	1717 Main Street	Renewal	Dallas CBD	Legal Services
Redfin Corporation	36,823	2611 Internet Boulevard	Expansion	North Dallas Corridor	Real Estate
Coca-Cola Southwest	31,862	5420 Lyndon B Johnson Freeway	Relocation	LBJ	Retail
DebtBlue	30,291	1125 E Campbell Road	Relocation	Richardson Telecom Corridor	Professional Services
Texas Excavation Safety System	29,343	1410 E Renner Road	New Location	Richardson Telecom Corridor	Construction
NexBank	27,733	2515 McKinney Avenue	Extension	Uptown	Financial Services
Waddell Serafino Geary Rechner Jenevein, PC	26,597	1717 Main Street	Relocation	Dallas CBD	Legal Services

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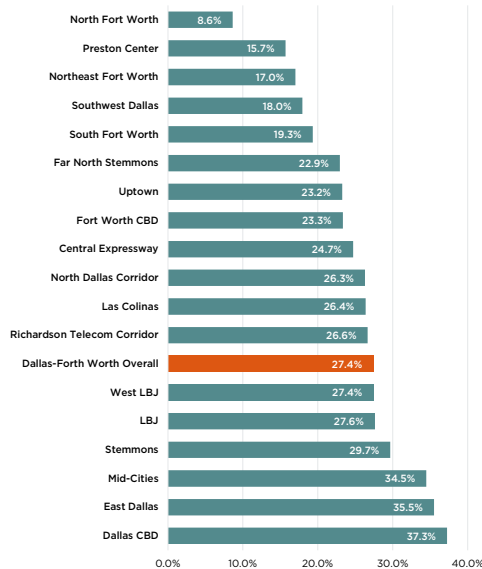
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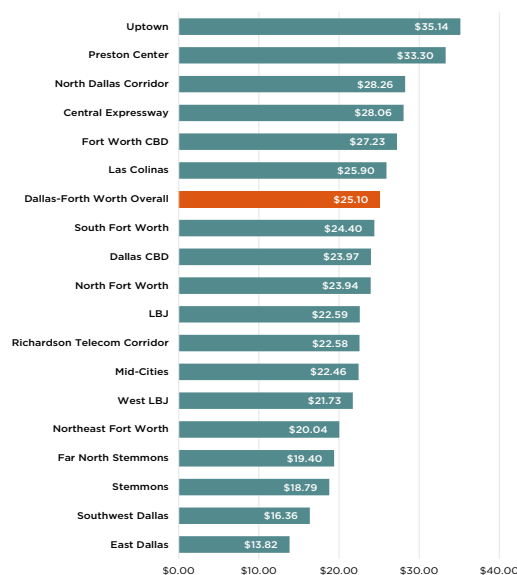
AVAILABILITY RATE COMPARISON

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.

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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