

## DALLAS OFFICE

### Economic Indicators

	Q3 15	Q3 16	12-Month Forecast
DFW Employment	3.4M	3.5M	▲
DFW Unemployment	4.0%	3.6%	▲
U.S. Unemployment	5.2%	4.9%	▼

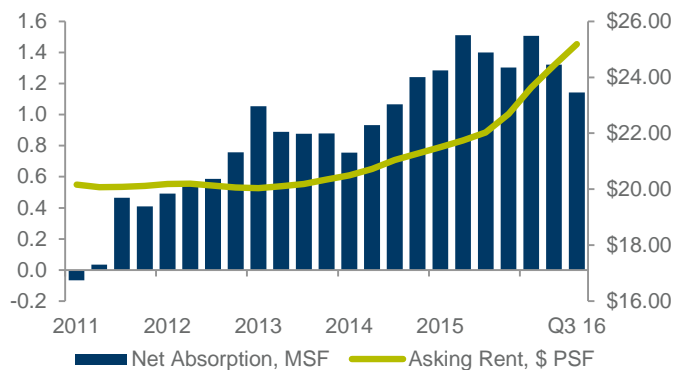
### Market Indicators (Overall, All Classes)

	Q3 15	Q3 16	12-Month Forecast
Vacancy	16.5%	16.1%	▼
Net Absorption (SF)	4.2M	3.6M	■
Under Construction (SF)	6.7M	7.7M	■
Average Asking Rent*	\$22.76	\$25.76	▲

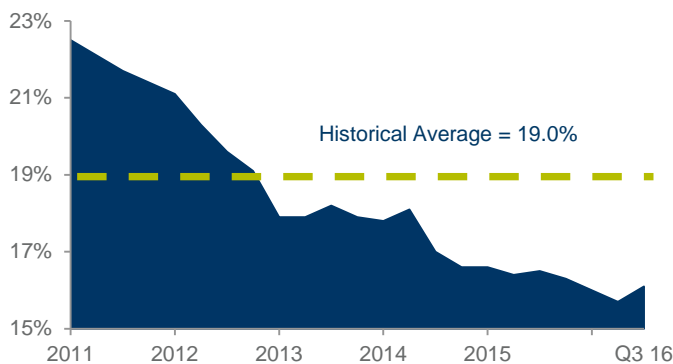
\*Rental rates reflect gross asking \$PSF/year

### Overall Net Absorption/Overall Asking Rent

#### 4-QTR TRAILING AVERAGE



### Overall Vacancy



## Economy

The Texas Workforce Commission reported in August that the Dallas-Fort Worth (DFW) labor market added 120,800 non-agricultural jobs over the last 12 months or 330 net jobs per day. This marked the 80<sup>th</sup> consecutive month of expansion. Employment grew in nearly all industries with the major exception of the manufacturing sector (-1,200). Growth in wholesale trade and the service sector industries helped boost the overall regional employment growth rate to 3.4% annually; higher than Texas' 1.6% and the U.S. rate of 1.7%.

## Market Overview

Leasing activity totaled just under 10.4 million square feet (MSF) year-to-date, a decrease of 5.8% compared to the 11.0 MSF leased this time last year. Class A transactions accounted for 48.7% of the current year's total. Major leases signed this quarter included Verizon's HQ sale-leaseback, Caliber Home Loans, American Airlines, FM Global, Bank of America, Keller Williams, and the U.S. Department of Veterans Affairs.

Overall net absorption recorded 3.6 MSF, 31.6% below Q3 2015 totals. Major tenants occupying space this quarter included Nokia (formerly Alcatel-Lucent), Mortgage Contracting Services, Molina Healthcare, CompuCom and Maxim Integrated Products.

The overall vacancy rate fell to 16.1% with full-service direct asking rental rates across all classes recording \$25.76 per square foot (PSF). This marks an increase of 13.2% over Q3 2015. Class A direct asking rates rose 13.7% over the past year to reach an all-time high of \$31.62 PSF.

## Outlook

The Fed decided at its September meeting to avoid raising rates, however the divided votes among members, along with strong economic data, suggest a hike is nearly inevitable later this year. Labor markets are healthy and growing, and inflation remains below their 2% target. The worst of the Texas oil crisis appears to have passed, largely due to rising oil prices and job growth, especially in the oil & gas sector.

New speculative construction completions this year and deliveries over the next 12 months are likely to put minor upward pressure on vacancy rates while asking rates are expected to hold steady. The North Texas economy continues to outperform the state and national economies, and that trend is expected to last as more corporate relocations and expansions occur in the market.

# MARKETBEAT

## Dallas-Fort Worth

Office Q3 2016



SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Dallas CBD	26,593,111	112,824	6,370,611	24.4%	61,335	-90,149	554,536	261,400	\$27.86	\$32.91
North Central Expressway	11,508,975	6,006	1,664,709	14.5%	-97	421,410	513,034	0	\$27.34	\$29.79
Preston Center	3,628,132	1,896	352,122	9.8%	12,599	-4,087	108,535	186,257	\$37.88	\$39.34
Uptown/Turtle Creek	11,026,831	29,928	1,472,378	13.6%	229,446	371,529	843,153	1,296,193	\$39.09	\$42.87
Stemmons Freeway	10,210,109	20,092	2,185,371	21.6%	-288,563	-210,335	302,946	0	\$15.86	\$21.34
Oak Cliff	555,564	0	25,953	4.7%	0	2,786	3,815	0	\$15.31	N/A
LBJ Freeway	18,048,146	90,207	3,872,320	22.0%	-100,450	159,359	853,354	0	\$23.47	\$31.45
Northeast Dallas	3,056,170	6,409	676,609	22.3%	1,074	147,815	209,833	0	\$16.38	\$21.52
Las Colinas	30,768,710	223,220	3,582,041	12.4%	225,805	1,070,055	2,094,695	1,244,821	\$24.75	\$29.43
Far North Dallas	17,853,180	173,687	2,440,158	14.6%	142,079	-82,710	913,151	0	\$24.88	\$32.70
Far North Central Expressway	21,721,447	88,627	4,170,190	19.6%	-429,875	336,928	660,819	310,000	\$25.11	\$26.18
Mid Cities	8,314,197	103,000	1,394,543	18.0%	2,585	100,391	407,992	274,573	\$21.37	\$26.38
Arlington	6,031,571	43,891	809,512	14.1%	66,062	94,753	292,521	0	\$18.76	\$20.55
Far North Stemmons	3,870,692	0	337,598	8.7%	115,285	182,395	215,871	0	\$17.63	N/A
Southwest Dallas	490,374	0	92,958	19.0%	-3,098	-5,723	15,837	0	\$16.69	\$26.55
East I-30 Corridor	1,211,798	0	91,771	7.6%	-1,812	-6,020	15,163	0	\$19.76	\$34.30
Legacy/Frisco	18,881,279	42,163	2,649,403	14.3%	243,168	853,494	1,824,572	3,681,850	\$31.97	\$34.91
<b>DALLAS SUBURBS TOTAL</b>	<b>167,177,175</b>	<b>829,126</b>	<b>25,817,636</b>	<b>15.9%</b>	<b>214,208</b>	<b>3,432,040</b>	<b>9,275,291</b>	<b>6,993,694</b>	<b>\$25.16</b>	<b>\$31.16</b>
<b>DALLAS TOTAL</b>	<b>193,770,286</b>	<b>941,950</b>	<b>32,188,247</b>	<b>17.1%</b>	<b>275,543</b>	<b>3,341,891</b>	<b>9,829,827</b>	<b>7,255,094</b>	<b>\$25.69</b>	<b>\$31.56</b>
Fort Worth CBD	11,706,229	17,691	1,020,710	8.9%	-3,695	-14,346	260,820	278,000	\$29.97	\$33.51
East Fort Worth	2,268,494	100,000	148,375	10.9%	-12,976	42,433	55,943	0	\$16.02	N/A
North Fort Worth	3,831,888	0	367,900	9.6%	51,751	39,004	165,423	0	\$23.20	\$23.21
South Fort Worth	3,048,556	0	155,958	5.1%	79,482	131,398	59,163	143,291	\$28.89	\$32.18
West Fort Worth	3,020,881	5,507	97,575	3.4%	4,703	25,898	25,510	0	\$27.80	\$24.81
<b>FW SUBURBS TOTAL</b>	<b>12,169,819</b>	<b>105,507</b>	<b>769,808</b>	<b>7.2%</b>	<b>122,960</b>	<b>238,733</b>	<b>306,039</b>	<b>143,291</b>	<b>\$23.55</b>	<b>\$28.72</b>
<b>FORT WORTH TOTAL</b>	<b>23,876,048</b>	<b>123,198</b>	<b>1,790,518</b>	<b>8.0%</b>	<b>119,265</b>	<b>224,387</b>	<b>566,859</b>	<b>421,291</b>	<b>\$27.06</b>	<b>\$32.49</b>
<b>DFW TOTAL</b>	<b>217,646,334</b>	<b>1,065,148</b>	<b>33,978,765</b>	<b>16.1%</b>	<b>394,808</b>	<b>3,566,278</b>	<b>10,396,686</b>	<b>7,676,385</b>	<b>\$25.76</b>	<b>\$31.62</b>

	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	AVERAGE ASKING RENT OVERALL*	AVERAGE ASKING RENT DIRECT*
Class A	98,553,069	594,691	13,533,936	14.3%	911,862	3,106,465	5,059,980	7,555,484	\$31.74	\$31.62
Class B	90,381,234	447,154	16,274,361	18.5%	-218,508	451,706	4,339,419	120,901	\$22.68	\$22.67
Class C	28,712,031	23,303	4,170,468	14.6%	-298,546	8,107	997,287	0	\$17.40	\$17.42

\*Rental rates reflect gross asking \$PSF/year

MARKETBEAT

# Dallas-Fort Worth

Office Q3 2016



## Key Lease Transactions Q3 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
600-700 Hidden Ridge Drive	1,168,920	Verizon	Sale-Leaseback	Las Colinas/DFW Freeport
Point West I	182,700	Caliber Home Loans	Lease	Las Colinas/DFW Freeport
Royal Ridge 3	119,510	American Airlines	Lease	Las Colinas/DFW Freeport
The Ford Center at The Star	79,430	FM Global	Lease	Legacy/Frisco
The Ford Center at The Star	64,000	Bank of America	Lease	Legacy/Frisco
The Offices at Kimball Park	56,920	Keller Williams	Lease	Mid-cities
4040 NCX	52,700	U.S. Department of Veterans Affairs	Lease	North Central Expressway
1920 McKinney	44,600	WeWork	Lease	Turtle Creek/Uptown

## Key Sales Transactions Q3 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Chase Tower	1,400,000	Hines/Fortis	\$280,000,000 / \$200	Dallas CBD
600-700 Hidden Ridge Drive	1,168,920	Verizon Communications/Mesirow	\$344,000,000 / \$294	Las Colinas/DFW Freeport
Portfolio – Las Colinas Tower I & II and Mandalay Tower	811,975	Parmenter Realty/Partners Group AG	Undisclosed	Las Colinas/DFW Freeport
Portfolio – MacArthur Center/Plaza	497,415	JP Realty/Brookwood Financial Partners	\$54,500,000 / \$110	Las Colinas/DFW Freeport
2000 McKinney Avenue	461,350	Corrigan Properties/Union Investment Real Estate of Hamburg	\$227,000,000 / \$492	Turtle Creek/Uptown
2323 Victory Avenue	458,230	Hines/Clarion Partners	Undisclosed	Turtle Creek/Uptown

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