

Dallas

Office | Q1 2024 Market Report

Quarterly Snapshot

↑ Average Rent
\$31.04/SF

↑ Vacancy
28.1%

↓ Net Absorption
-2,243,194 SF

Occupier's Perspective

Pricing power skews in favor of tenants, with record level availability of 93 million square feet across the DFW market.

With weaker demand, owners elect to offer generous concession packages in lieu of dropping face rents, placing downward pressure on effective rents.

Counter to market trends, new high-end products and space are pushing thresholds for asking rents in premier urban and suburban office submarkets as the flight-to-quality maintains momentum.

After a slight rebound in 2023, leasing activity softened in the first quarter. Lower levels of leasing have resulted in smaller-sized leases. At 31.2 percent, the vacancy rate ranks among the highest in the nation. However, it is in line with historical trends. Elevated sublet availability, with nearly 11.3 million square feet of sublease space available, also weighs on the DFW market.

Leasing demand continues to be split between the urban core and suburban submarkets. Office demand is expected to remain tepid in the near term as firms continue to assess their office utilization.

Similar to 2023, the pace of construction holds steady with about 8.5 million square feet underway, concentrated in high-quality submarkets like Uptown/Turtle Creek and Frisco/The Colony and Upper Tollway. Conversions are also occurring, with major projects like downtown Dallas' Bryan Tower becoming a 100 percent conversion to multi-family and suburban properties like 4000 Horizon being demolished to make way for industrial development.

Despite sluggish activity, DFW's economy has shown signs of vitality, particularly after adding 150,000 new residents in 2023, leading the nation in population growth. DFW's beneficial business climate, in-migration growth, and stable job growth are all encouraging signs to support the office sector.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Sidley Austin LLP	118,485 SF	Uptown/Turtle Creek	New Lease	Office
Wingstop Restaurants	112,000 SF	Uptown/Turtle Creek	New Lease	Office
Deloitte	104,532 SF	Uptown/Turtle Creek	New Lease	Office
Wells Fargo Bank	88,520 SF	Mid-Cities	Renewal	Office
Invesco	58,464 SF	Uptown/Turtle Creek	New Lease	Office
Boeing	50,711 SF	Las Colinas	New Lease	Office

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
43.1%	▲	\$26.66	Southwest Dallas
21.2%	▲	\$28.08	Richardson/Plano
28.1%	▼	\$28.57	North Fort Worth
26.5%	◆	\$29.48	Mid-Cities
46.5%	▲	\$29.53	Lewisville/Denton
20.6%	▲	\$30.40	LBJ Freeway
6.8%	▲	\$30.83	South Ft Worth
25.8%	◆	\$31.66	Las Colinas
31.3%	▲	\$32.19	Dallas CBD
14.8%	◆	\$33.19	Ft Worth CBD
20.9%	▲	\$33.30	Stemmons Freeway
24.1%	▼	\$35.95	Central Expressway
26.3%	▲	\$37.74	Far North Dallas
37.3%	▲	\$43.29	East Dallas
9.3%	◆	\$50.37	Preston Center
21.2%	▼	\$52.96	Uptown/Turtle Creek