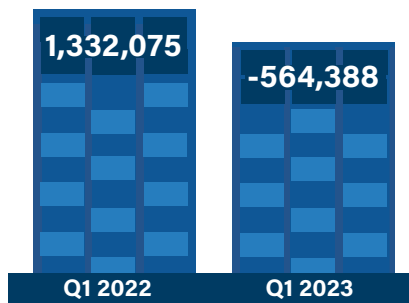


Office Market Report Q1 2023

Published: April 2023

Dallas - Fort Worth Totals

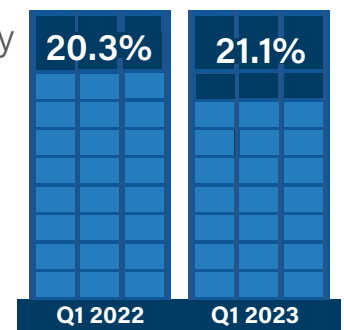
12-Month Net
Absorption



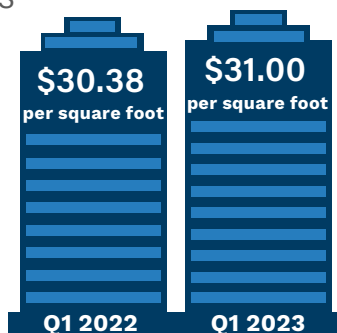
Total
Inventory



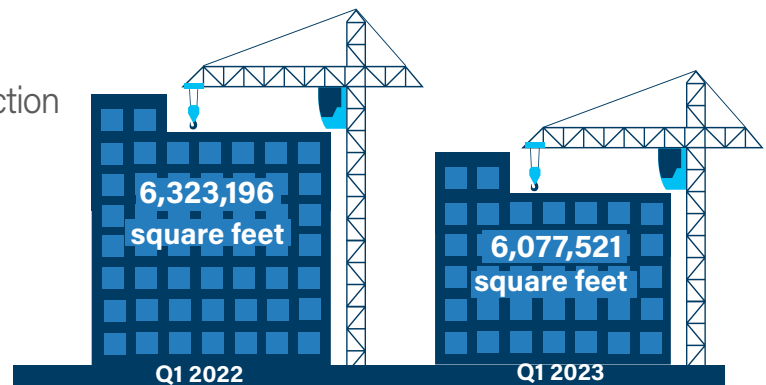
Overall
Vacancy



Average Gross
Rental Rate

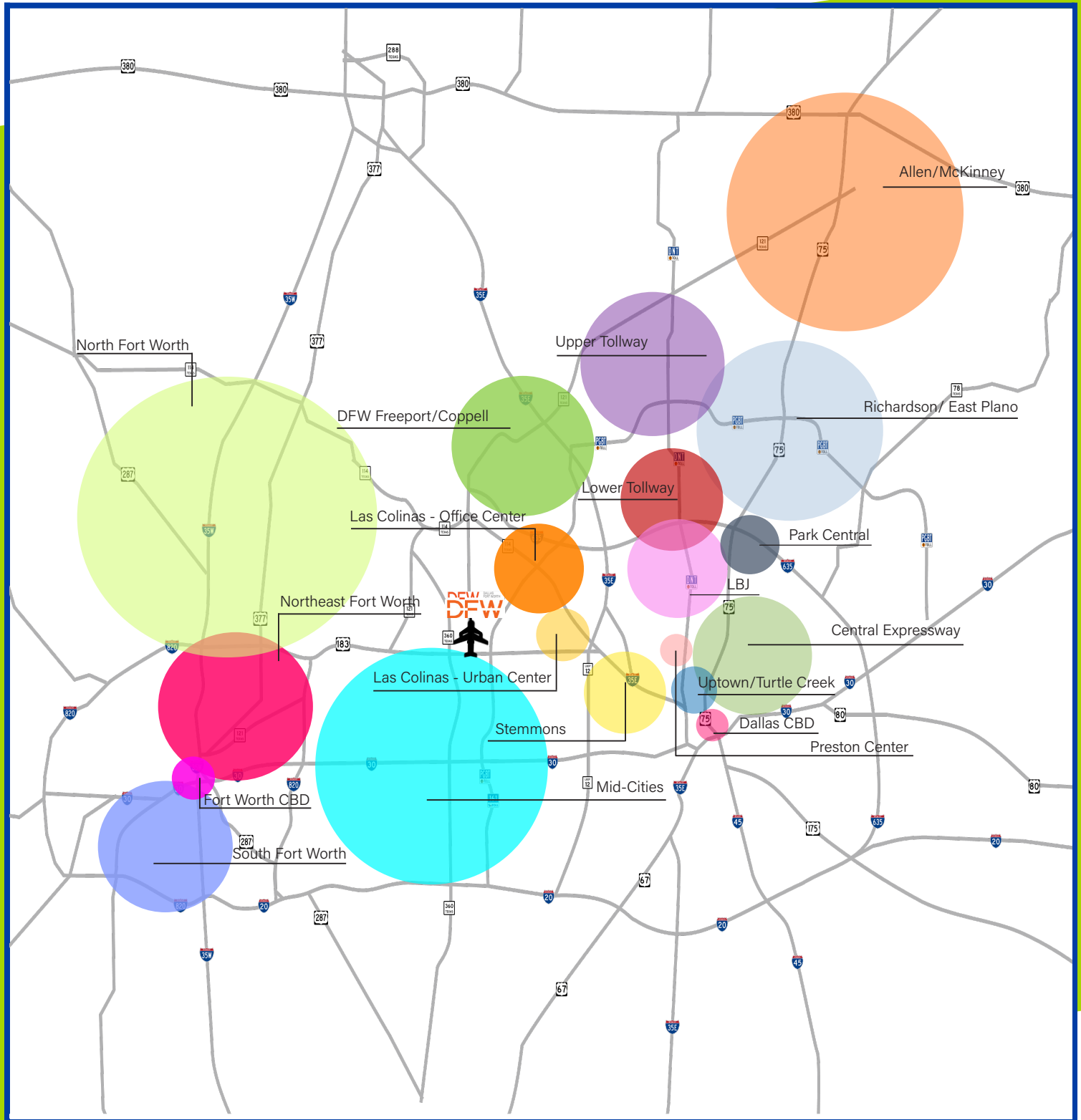


Under
Construction



Dallas - Fort Worth

Office Submarkets



Q1 Dallas - Fort Worth

Office Market Statistics

Submarket	Building Inventory (Sq. Ft.)	Direct Vacancy (%)	Net Absorption (Sq. Ft.)	Deliveries (Sq. Ft.)	Under Construction (Sq. Ft.)	Average Gross Direct Rent (Per Sq. Ft.)	Annual Rent Growth (%)
Dallas CBD	37,938,713	24.2%	-447,180	0	0	\$30.20	1.3%
Uptown/Turtle Creek	15,322,395	17.0%	-84,001	0	1,753,437	\$48.09	5.1%
Central Expressway	11,260,984	20.1%	39,790	0	0	\$35.51	2.1%
Preston Center	3,943,416	9.0%	-66,263	0	318,632	\$47.55	2.8%
Stemmons	11,666,242	21.7%	8,122	0	1,179,311	\$25.01	1.7%
Las Colinas – Urban Center	9,252,610	20.2%	28,154	0	512,269	\$31.18	0.2%
Las Colinas – Office Center	15,563,837	15.2%	-155,586	0	0	\$27.10	0.5%
DFW Freeport/Coppell	15,173,884	21.8%	90,540	176,000	300,000	\$28.33	0.8%
Park Central	6,593,591	26.0%	-28,737	0	0	\$25.83	1.2%
LBJ	7,776,802	23.4%	72,663	0	0	\$20.60	1.0%
Lower Tollway	20,295,323	24.7%	300,889	0	0	\$31.15	1.8%
Upper Tollway	23,376,307	35.5%	-13,822	551,970	1,318,237	\$37.61	1.7%
Richardson/East Plano	26,401,391	17.0%	-92,269	179,766	0	\$23.78	2.0%
Allen/McKinney	5,797,452	10.9%	74,335	0	0	\$31.28	1.4%
Fort Worth CBD	10,209,212	12.6%	212,177	0	0	\$28.18	1.9%
North Fort Worth	3,469,263	10.1%	-39,227	0	192,000	\$29.32	2.5%
Northeast Fort Worth	3,307,093	9.2%	-49,155	0	0	\$22.05	2.4%
South Fort Worth	9,737,256	12.0%	12,174	0	0	\$27.03	2.3%
Mid-Cities	25,664,898	17.1%	94,078	60,000	205,024	\$26.82	2.1%

Statistics derived from all office buildings larger than 50,000 Sq. Ft. in major Office Submarkets.
Major Office Submarkets are considered geographic groups of office buildings totaling more than 3 MM Sq. Ft.
Buildings within the same Submarket have shared area amenities and are typically of similar quality.

Forecast

Office markets across the nation have been fragile since 2020 with the rise of remote working. While hybrid working has gained popularity and we have seen some recovery in demand for office space since the pandemic, new economic headwinds have triggered a setback for Dallas-Fort Worth's office market in the 1st Quarter of 2023. Due to overbuilding in the 1980s, the metroplex has historically had more vacant office space than the rest of the country; however, the current vacancy rate has grown to an all-time high of 21.1%.

Leasing activity has flocked to the newer and more heavily amenitized assets. Despite being more than \$9.00 more expensive per square foot annually, Class A buildings have secured 81K square feet of absorption over the last 12 months while Class B & C product have witnessed a deficit of -654K square feet. This exemplifies the "Flight to Quality" trend, which has also kept new construction afloat. Dallas-Fort Worth currently has 6 Million square feet of office space under construction, some of which has secured leases prior to breaking ground. 25% of that construction pipeline is in the premier Uptown submarket where there is access to a well-educated labor pool seeking walkability and convenience in the workplace.

Market rent growth hovers at 2% year over year, but as periphery markets continue to suffer, we expect this will begin to fall. Strong demand for premium buildings should keep submarkets with a higher concentration of Class A assets from lowering rates through the balance of 2023.

Source: Citadel Partners, Dallas Regional Chamber, and CoStar

Being the better fit didn't happen overnight.

Our Story

1987

Scott Morse founded the Morse Company.

1995

Scott Jessen joined the company, and together, the Scotts began their career-long commitment of taking CRE service and broker value beyond the transaction level and transforming market knowledge into market expertise.

2005

The Morse Company was acquired by Colliers where Morse and Jessen built and led top performing teams. Across North Texas, Morse and Jessen see a growing shift in client needs – strategic alignment of real estate with business performance.

2012

Morse and Jessen launched Citadel Partners, moving beyond the old-school broker model to expand advisor consultative skill sets and services. Citadel develops a proprietary methodology to help clients discover the enhanced value and increased business performance benefits from real estate decisions.

Today

Citadel Partners is an established real estate advisory firm providing strategy based CRE solutions, market insight and expertise, and uncompromised service from its Office and Industrial teams located in Dallas and Fort Worth.