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ECONOMIC OVERVIEW

KEY INDICATORS

Total Nonfarm Employment



260,200 jobs YOY



ΔQ



ΔY

Office Employment



59,700 jobs YOY



ΔQ



ΔY

DFW Unemployment



5.3%



ΔQ



ΔY

Texas Unemployment



5.9%



ΔQ



ΔY

WTI Crude Oil Spot Price



\$71.18



ΔQ



ΔY

Dallas Business Cycle Index



10.9% YOY

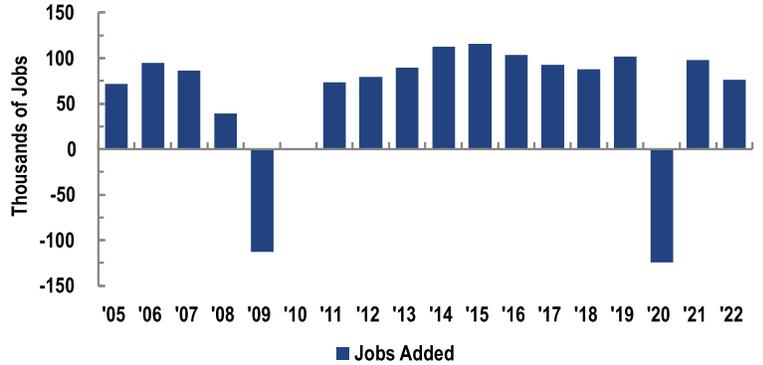


ΔQ

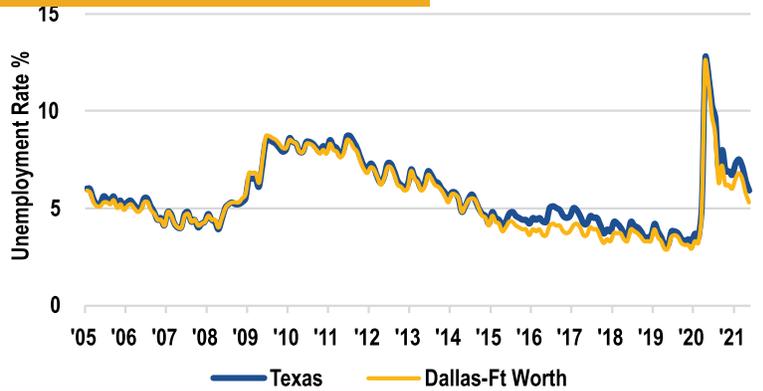


ΔY

EMPLOYMENT TRENDS



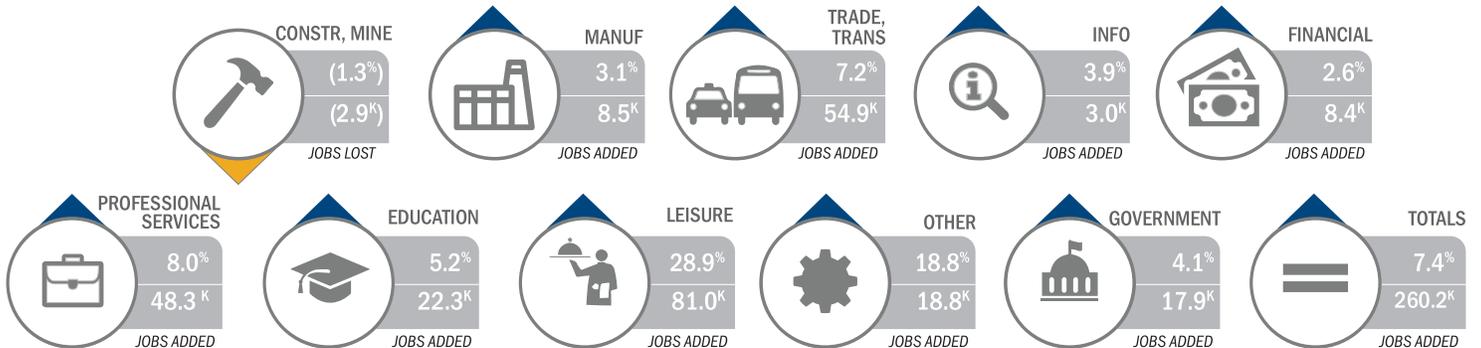
UNEMPLOYMENT

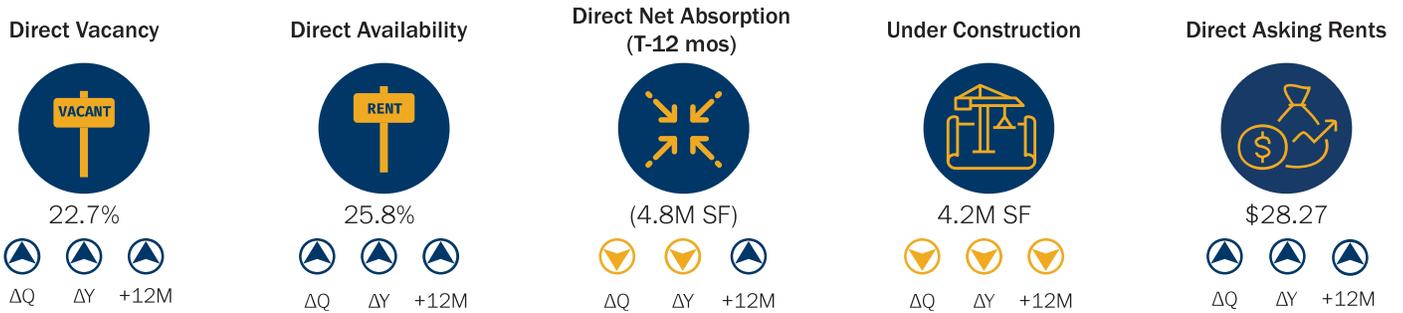


WTI CRUDE OIL SPOT PRICE



EMPLOYMENT GROWTH BY SECTOR

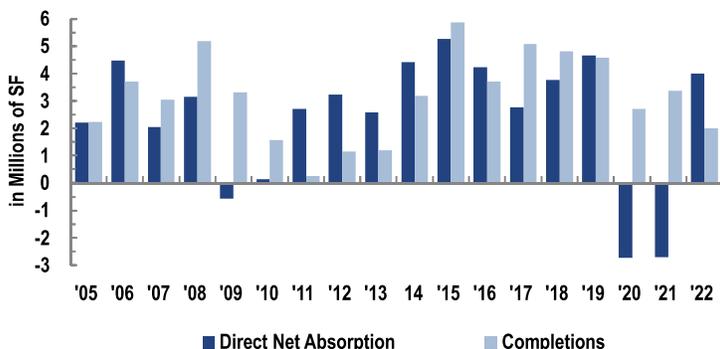




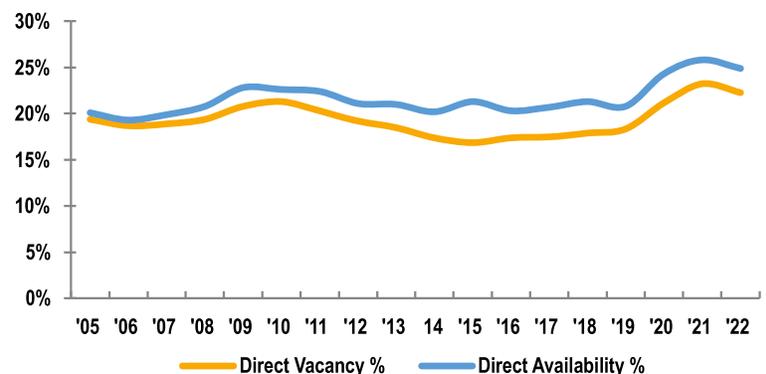
OFFICE MARKET ASSESSMENT

- The DFW office market fundamentals continue to experience downward pressure from the lingering effects of the COVID-19 pandemic, but there are encouraging signs that the rate of deterioration is slowing. The office sector has registered four consecutive quarters of negative absorption totaling 4.8 MSF of red ink over the span, but only witnessed 350k SF of occupancy losses in Q2.
- These significant occupancy losses, coupled with the delivery of 2.7 MSF of new product and renovation completions over the past year, has pushed the citywide direct vacancy rate up 370 bps to 22.7% year-over-year, reaching its highest level since the early 1990s.
- The Class A property sector posted 402k SF of occupancy losses in Q2, bringing the YTD total to 714k SF of red ink. Class B properties managed to bounce back with 49k SF of absorption in Q2 but has experienced 1.2 MSF of red ink YTD as business contractions severely impacted the sector in Q1.
- Leasing volume totaled 2.7 MSF in Q2, up 20.5% from Q1, but still represents a 39.6% drop below its five-year quarterly average. Even though leasing activity still lags its normal pre-pandemic pace, tour activity and inquiries have exhibited signs of picking up as users that had postponed leasing decisions are approaching their lease expirations and are re-evaluating their future space needs.
- Sublease inventory slightly rose by 49k SF in Q2 but has jumped 2.5 MSF year-over-year to hit an all-time high of 9.0 MSF. Additional sublease space could be added to the market in the months ahead as companies formulate return-to-office plans and determine post-COVID headcount.
- Though office rent growth had begun tapering off prior to the on-set of COVID-19, rental rate contraction has been relatively modest, with many landlords offering greater concessions on tenant improvement allowances and free rent in order to preserve face rates.
- Developers delivered 985k SF of new construction in Q2, but there remains nearly 4.0 MSF of competitive product underway. Speculative construction projects that have yet to kick off are likely to remain sidelined in the near term until demand and leasing activity returns to pre-Covid-19 levels.
- The overall direct vacancy and availability rates are expected to climb through the end of the year with 3.4 MSF of office space slated to deliver in 2021. However, trophy and newer buildings are expected to outperform the broader market and experience a faster recovery at the expense of older office buildings as the “flight to quality” trend resumes with the anticipated recovery.
- The full impact of remote work has not yet been felt but occupiers continue to explore ways to increase the flexibility of lease terms and obligations and some landlords are beginning to accept shorter-term lease renewals and extensions as a way to secure tenants.
- It remains to be seen when significant demand will return to pre-Covid-19 levels, but Dallas-Fort Worth is expected to outperform and recover faster than other major markets as pent-up activity and inbound corporate relocations will begin to positively impact the market as we move into 2022.

SUPPLY AND DEMAND



VACANCY AND AVAILABILITY



Net Absorption Trends

CLASS A

(2.5 M^{SF})

T-12 MOS



CLASS B

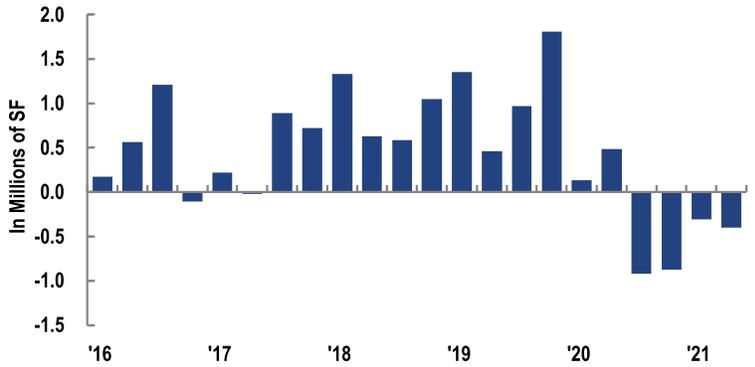
(2.3 M^{SF})

T-12 MOS

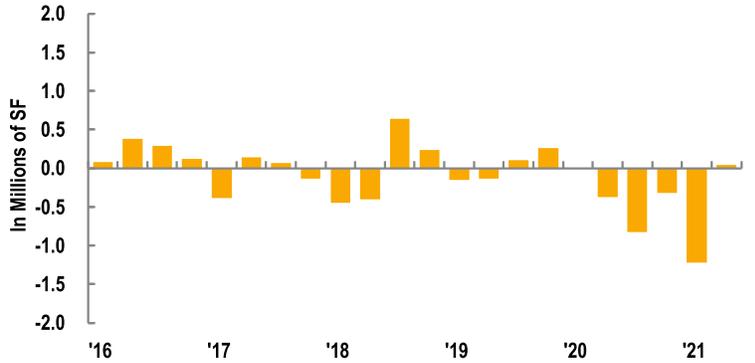


DIRECT NET ABSORPTION

CLASS A



CLASS B



Vacancy and Availability Trends

CLASS A



DIRECT VACANCY

23.8%

35.3 M^{SF}

DIRECT AVAILABILITY

27.2%

40.3 M^{SF}

CLASS B



DIRECT VACANCY

21.8%

22.4 M^{SF}

DIRECT AVAILABILITY

24.6%

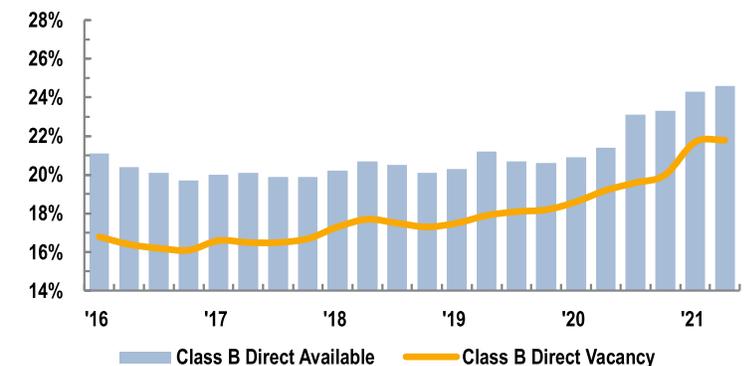
25.2 M^{SF}

DIRECT VACANCY AND AVAILABILITY

CLASS A

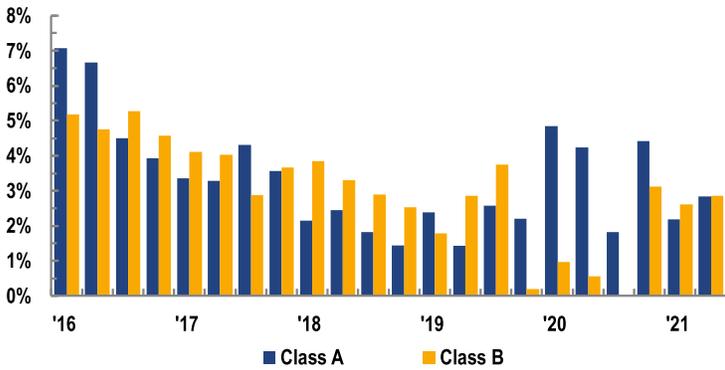


CLASS B



RENTAL RATES

Y-O-Y % Change, Full Service Gross



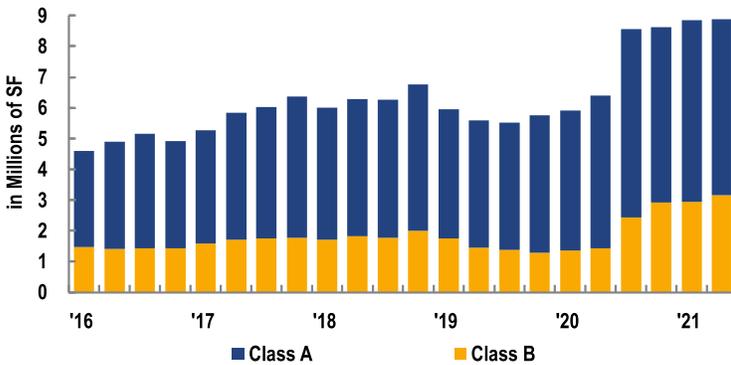
Rent Growth (Y-O-Y)

2.8%
CLASS A



2.9%
CLASS B

SUBLEASE SPACE



Direct Net Leasing Activity

CLASS A

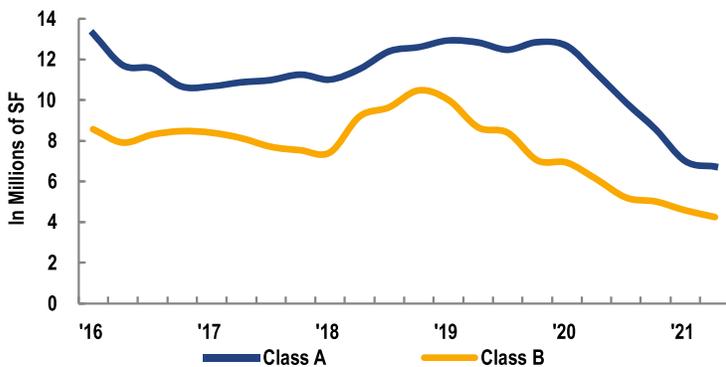
6.7 M^{SF}
T-12 MOS

(40.5%)
Y-O-Y CHANGE



LEASING ACTIVITY

Direct Leasing Activity, Rolling 12 Months



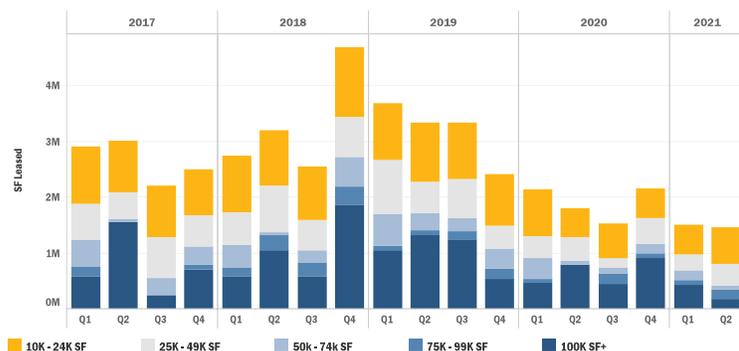
CLASS B

4.2 M^{SF}
T-12 MOS

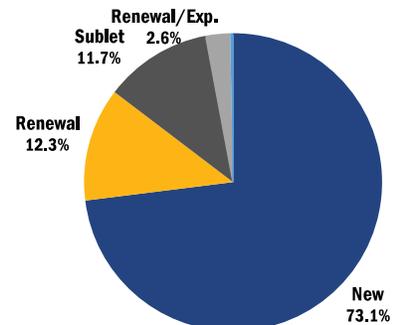
(30.4%)
Y-O-Y CHANGE



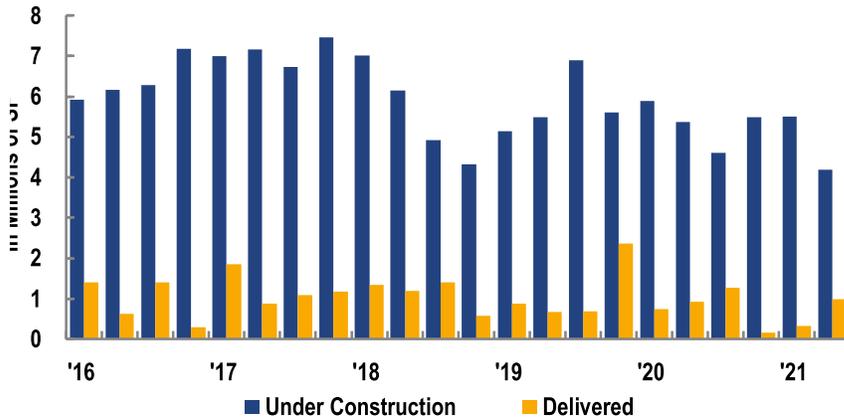
by Size Range



Transaction Trends (T-12 Months)



CONSTRUCTION PIPELINE



OFFICE SPACE UNDER CONSTRUCTION



4.2 M^{SF}
44.5% PRE-LEASED

NEW OFFICE BREAKING GROUND



1.6 M^{SF}
T-12 MOS

FORECASTED SUPPLY IN 2021



3.4 M^{SF}

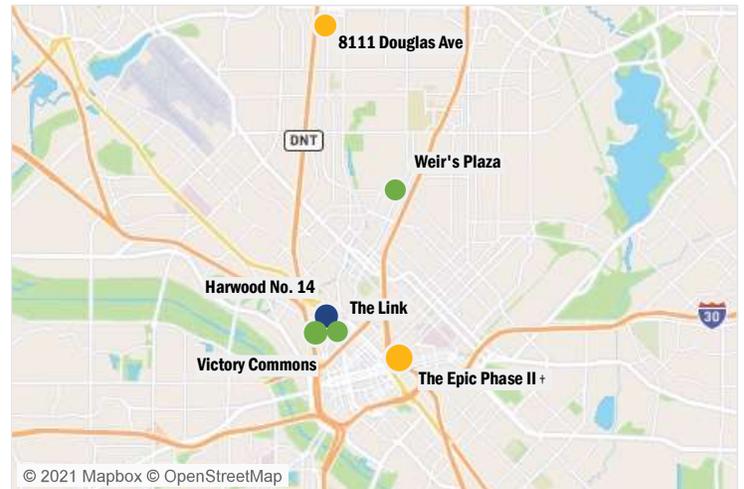
SIGNIFICANT PROJECTS UNDER CONSTRUCTION

Citywide



Scheduled Completion: 2021 (Green), 2022 (Yellow), 2023 (Blue)

Dallas



PROJECT NAME	SIZE (SF)	SUBMARKET	MAJOR TENANT	% PRE-LEASED	DEVELOPER	TARGET DELIVERY
Charles Schwab *	616,999	Mid Cities	Charles Schwab	100%	Hillwood Properties	2021 3Q
Chase Tower-Legacy West *	540,000	Upper Tollway/ W Plano	JP Morgan Chase	100%	KDC	2021 3Q
The Epic Phase II †	469,000	East/South Dallas	Uber Technologies	100%	Westdale	2022 3Q
Christus Health System HQ*	456,000	Las Colinas	Christus Health System	100%	Fidelis Healthcare Partners	2023 2Q
Victory Commons	364,733	Uptown / Turtle Creek	N/A	0%	Hillwood Urban	2021 4Q
Harwood No. 14	359,914	Uptown / Turtle Creek	Haynes and Boone	40%	Harwood International	2023 4Q
Reata Pharmaceuticals †	327,400	Upper Tollway/ W Plano	Reata Pharmaceuticals	100%	Trammell Crow Co.	2022 4Q
8111 Douglas Ave	318,632	Preston Center	Lincoln Property Company	28%	Lincoln Property Company	2022 3Q
2999 Olympus	300,000	Las Colinas	N/A	0%	Billingsley Co.	2021 3Q
Weir's Plaza	297,000	Preston Center	Weir's Furniture	64%	Four Rivers Capital	2021 4Q
The Link	292,041	Uptown / Turtle Creek	N/A	2%	Kaizen Development	2021 4Q

* Corporate-owned † Build-to-suit Note: Corporate-owned office buildings excluded from competitive statistics

SUBMARKET STATISTICS

Submarkets	Total Inventory SF	TOTAL SPACE AVAILABLE		DIRECT AVAILABLE / VACANT		DIRECT NET ABSORPTION		CONSTRUCTION	
		Direct	Sublease	Direct Availability	Direct Vacancy	Current Quarter	Trailing 12 mos.	Completions Current Qtr.	Under Construction
Dallas CBD	27,649,952	9,350,825	1,356,085	33.8%	27.5%	6,830	(785,709)	-	284,600
Uptown / Turtle Creek	12,842,631	3,603,469	337,566	28.1%	19.0%	(93,546)	(422,157)	-	1,016,688
Preston Center	4,819,540	1,029,494	79,653	21.4%	13.4%	(25,493)	(75,256)	-	688,368
Central Expy	11,395,017	2,543,519	335,667	22.3%	20.4%	(138,398)	(546,768)	30,000	0
Quorum / Bent Tree	20,720,075	4,952,569	861,068	23.9%	21.3%	133,125	(356,425)	-	0
Upper Tollway / West Plano	25,950,383	7,418,019	1,284,452	28.6%	30.0%	(314,493)	(1,228,320)	-	527,400
West LBJ	4,076,989	980,497	223,802	24.0%	24.8%	(38,225)	(127,193)	-	0
East LBJ	16,427,750	4,293,936	513,863	26.1%	23.9%	(168,719)	(396,899)	-	107,000
Las Colinas	35,624,354	9,882,113	1,338,056	27.7%	21.6%	(406,009)	(800,007)	96,592	300,000
Stemmons	10,898,896	2,589,697	45,868	23.8%	27.5%	39,683	(19,942)	-	65,000
Richardson	17,734,106	3,905,355	950,334	22.0%	20.2%	67,897	(171,111)	-	0
Allen / McKinney	4,263,660	1,121,678	49,821	26.3%	17.7%	(5,167)	70,535	98,772	121,000
Plano	5,629,759	1,592,734	132,636	28.3%	30.7%	91,587	61,552	-	0
Frisco / The Colony	6,510,869	1,178,293	326,016	18.1%	13.6%	381,006	411,451	560,065	144,622
East / South Dallas	8,307,694	2,209,659	130,542	26.6%	22.7%	60,442	(37,748)	200,127	574,176
Arlington / Mansfield	6,286,028	948,657	6,389	15.1%	12.7%	(3,199)	(35,739)	-	0
Mid Cities	12,391,085	4,421,233	572,870	35.7%	29.2%	188,094	268,605	-	163,086
Ft. Worth CBD	7,780,629	1,822,555	134,961	23.4%	22.1%	(89,033)	(426,759)	-	0
North / Northeast Ft Worth	4,294,149	606,453	6,757	14.1%	10.2%	14,633	145,325	-	148,512
Lewisville / Denton	6,011,105	942,122	129,864	15.7%	15.8%	26,961	75,098	-	0
South Ft Worth	8,440,646	1,280,895	144,582	15.2%	14.9%	(78,456)	(411,974)	-	48,594
Totals	258,055,317	66,673,772	8,960,852	25.8%	22.7%	-350,480	-4,809,441	985,556	4,189,046

Property Types	Total Inventory SF	TOTAL SPACE AVAILABLE		DIRECT AVAILABLE / VACANT		DIRECT NET ABSORPTION		CONSTRUCTION	
		Direct	Sublease	Direct Availability	Direct Vacancy	Current Quarter	Trailing 12 mos.	Completions Current Qtr.	Under Construction

SIGNIFICANT TRANSACTIONS

Tenant	SF	Type	Tenant Industry	Building	Class	Submarket
The Federal Deposit Insurance Corp	163,004	New	Financial	Plaza of the Americas - South Tower	A	Dallas CBD
Integrity Marketing Group	100,000	New	Financial	Fountain Place	A	Dallas CBD
Caterpillar Inc.	81,509	New	Manufacturing	Williams Square - West Tower	A	Las Colinas
Fortress Investment Group	47,846	New	Real Estate	Weir's Plaza	A	Preston Center
FleetPride Inc.	46,785	Renewal	Retailers/Wholesalers	Urban Center	A	Las Colinas
Lighthouse Immersive Inc.	46,564	New	Personal Services	Block House - East Quarter	B	Dallas CBD
Dairy Farmers of America	37,044	New	Manufacturing	One Lincoln Park	A	Central Expressway
HUB Financial	29,074	New	Financial	8222 N Belt Line Rd	B	Las Colinas
RT Specialty	26,199	New	Insurance	3 Park Central	A	East LBJ
TPG	26,000	New	Financial	2100 McKinney	A	Uptown/Turtle Creek



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