

Transwestern's Latest DFW Office Report Shows Strong Close To 2021 And High Hopes For 2022

January 3, 2022 | Olivia Lueckemeyer, Bisnow Dallas-Fort Worth (<https://www.bisnow.com/author/olivia-lueckemeyer-538565>) (<mailto:olivia.lueckemeyer>)

Transwestern (<https://www.bisnow.com/tags/transwestern>)'s latest office report findings (<https://transwestern.com/market-reports?city=Dallas-Fort+Worth&PropertyType=Office>) suggest that predictions of a strong rebound for DFW's office market in 2022 could be more than just industry hot air.



According to the report, a 70,000-job gain in office-using employment over pre-pandemic levels as well as large users re-entering the market are driving a continued trend of positive net absorption, which landed at 854K SF in the fourth quarter.

“The office market has turned the corner and is definitely moving into recovery territory for 2022,” Andrew Methany, Transwestern’s research manager and author of the report, told *Bisnow*. “We really see that in pretty much every metric we track.”

Some of the most notable Q4 leases include 250K SF snapped up by At Home (<https://www.bisnow.com/tags/at-home>) at 9000 Cypress Waters Blvd. in Coppell, and nearly 97K SF signed by Frontier at 1919 McKinney Ave. in the Uptown/Turtle Creek submarket.

The nationwide surge in inflation and shortage of quality space in some DFW submarkets are behind the increase in office rental rates, which landed at 5.5% above pre-pandemic levels in Q4, the report found.

The 7.5% rate of inflation in the Metroplex outpaces the national average of 6.8%, and landlords are responding by charging additional base rates of \$1 to \$2 per SF, doubling the pre-pandemic average, per the report.

“I think we will see more [rent growth] in 2022 just as properties update their [expense] estimates and get new property tax figures for the year,” Matheny said.

Matheny predicts inflation-driven pressure on rents will die down as the year unfolds. However, prices will remain high as the Metroplex’s vacancy rate declines. The 18.1% rate of empty Class-A office space saw no change over the previous quarter, but this stands to change as space leased in Q3 and Q4 becomes occupied.

“Based on what we have seen in the last six months, there is enough momentum there, and it will continue building to [bring] those [vacancy] rates down in 2022.”

According to the report, the average delivery time for new space is at least 12 to 20 months, and there are less than 12 new buildings of 50K SF or more immediately available in the metro area. Some areas, especially in Dallas’ urban core, are facing a temporary shortage of new inventory coming online.

“Everything around downtown is looking [temporarily] undersupplied,” he said.

Some of the biggest Q4 groundbreakings were located in the Plano and Frisco submarkets, including the 422K SF Granite Park Six in Plano (<https://www.bisnow.com/dallas-ft-worth/news/office/construction-begins-on-office-expansion-at-granite-park-in-plano-111194>) and 252K SF Tower at Hall Park (<https://www.bisnow.com/tags/hall-park>) in Frisco. These areas have been preferred sites for large-scale corporate relocations and are poised to see big gains this year as companies resume plans to move to North Texas, Matheny said.

“Those decisions were put on pause over the last 24 months because of the pandemic, but now that those are starting back up, they could see vacancies go down very fast,” he said.

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See Also: EXCLUSIVE: CBRE Reports Improved Office Demand In Half Of Major U.S. Markets (</dallas-ft-worth/news/office/nationwide-study-finds-office-market-demand-in-six-major-markets-meets-or-exceeds-pre-pandemic-levels-111355>)

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