



Broker Outlook 2007 - Dallas / Fort Worth

The Dallas/Fort Worth office market ended the third quarter of this year with a vacancy rate of 21.2 percent, which was a decrease of 0.2 percent over the previous quarter. According to CoStar's third quarter absorption numbers, Dallas/Fort Worth had 1.1 million square feet of positive absorption. Class A office space rates increased about \$0.50 per square foot, from about \$18.40 per square foot full service



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to \$18.80 per square foot. Class A vacancy remained constant while Class B space had an absorption of approximately 600,000 square feet. Class C had about 39,500 square feet of positive absorption.

Leasing activity in all product types has been steady, but not robust. The Dallas economy has experienced good internal growth and the tenant demand is great among the corporate sector, which has impacted all the

sectors — office, industrial, retail and residential. In addition, the job growth in the Metroplex has been positive through the third quarter, which has had a positive impact on the leasing of commercial real estate.

Tenants moving out of large blocks of space in 2006 include Hunt Consolidated, vacating more than 300,000 square feet in Fountain Place, a 1 million-square-foot office tower in downtown Dallas. Hunt will move into a newly constructed 400,000 square foot corporate headquarters also located in downtown Dallas. In another deal, Valor Telecommunications vacated approximately 60,000 square feet in Las Colinas Towers.

Some of the large deals for tenants moving into Dallas/Fort Worth include Countrywide Mortgage moving into the Richardson Corridor; T-Mobile moving into Frisco; and The Home Depot moving into

the Platinum Corridor (Addison/Tollway). These relocations total more than 400,000 square feet.

The submarket for office that has enjoyed the most growth is Uptown Turtle Creek. This submarket was one of the leading sectors for office absorption and shows a vacancy of 10 percent. Uptown Turtle Creek's major growth in residential (particularly high-rise), retail and grocery stores as well as its close proximity to the central business district (CBD), the Victory development and Highland Park are all joint cards for the market. The Uptown market typically hovers around 10 percent vacant with a historical high of only 18 percent.

In addition to the Uptown market, other submarkets that are poised for growth are Las Colinas and Far North Dallas. All of these submarkets are driven by residential growth, job growth and transportation. For example, the Las Colinas submarket experienced the height of the submarket vacancy rate last year with 33 percent and has reduced that vacancy rate to a current vacancy rate of 22 percent. This is due to the urban center being rezoned for residential, which is driving the resurgence of Las Colinas.

Job growth drives demand, and all indicators are showing that the Dallas/Fort Worth market's job growth is continuing to improve. Plano, Frisco and Flower Mound are all experiencing growth in different product types (office, industrial, retail) — all due to the job growth in those areas. With the continued job growth, the real estate trend will continue to improve. Absorption in specific product types will lead to reduced vacancies. Investment activity is still brisk and will also be driven by the increase in job growth and the demand for product.

— Bernard Deaton is executive vice president and managing partner for Bradford Companies / CORFAC International in Dallas.