



## The Square Foot - Dallas



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### Myers Commercial Analysis of the DFW Area Office Market

Want to save some money? If your lease is up within the next 12-18 months Landlords are willing to reduce rent and take back space, as well as provide other incentives in return for extending the term of your lease. We are presently working on several transactions that address these issues, and have in fact saved one particular tenant \$12,000 per month in rent. Let us use our resources and experience to assist you in your future lease negotiations.

#### So where is the best market to lease space as a tenant?

- The highest rental rates are located in Uptown / Turtle Creek at \$32.50 per square foot.
- Downtown is approaching 30% vacancy, but as always, parking continues to be a problem due to the lack of availability and the cost involved. Class A and B rates range from \$22.36 to \$17.23. psf.
- Downtown, the 7.2 million square feet of vacant office space remains the highest total of any submarket in DFW.
- The Stemmons corridor has the highest vacancy rate at 35.5%. Great rental rates, an abundance of buildings, ample parking, and great freeways. Class A and B rates range from \$16.54 to \$14.48.
- The best submarket for the landlord is Denton with 426,000. sq feet, with a 6.2% vacancy factor.



The Square Foot was originally published in the 1980s to help educate office tenants in the DFW area.

**Today**, there is a total of 184 million square feet of office space in the Dallas / Ft. Worth area, with 21.9% of that space currently vacant.

6.1 million square feet of office space is being sublet and this number is steadily increasing. This represents the highest level in 6 years. Because a rise in sublet space typically indicates north Texas companies are laying off employees, this figure is a great barometer on the health of the local office market.

DFW's office market recorded negative 1.3 million square feet in absorption, compared to a positive 1 million square feet in the first half of 2009. Absorption measures the net change in occupied space.

There is only 2.5 million square feet of office space under construction in the Metroplex, which is less than half of the 6.8 million square feet built a year ago. About 60% of this space is pre-leased.

Newly offered office projects are trading hands for \$130 psf compared to \$190 psf nationally. Investment sales plunged from \$1.5 billion a year ago to \$162 million during the same period this year.

#### Average gross rental rates at midyear, per square foot:

New York	\$59.36
Washington, D.C.	\$35.05
Los Angeles	\$33.97
San Francisco	\$33.78
Miami	\$32.88
Boston	\$31.64
Seattle	\$27.67
Chicago	\$27.02
Houston	\$25.67
Philadelphia	\$22.69
Orlando	\$22.35
Denver	\$21.71
<b>Dallas</b>	<b>\$21.19</b>
Atlanta	\$21.18
Detroit	\$20.46
St. Louis	\$19.98
Cleveland	\$17.56
Minneapolis	\$14.68
Pittsburgh	\$14.57
SOURCE: Jones Lang LaSalle	

### The Rankings

Out of 31 cities included in a recent study, Dallas ranks as the 24th most expensive office market. New York owns the highest average rental rate in the country at \$59.36 psf, Pittsburgh is the least costly at \$14.57 psf, while Dallas sits in the middle of the pack with a \$21.19 psf average.

Dallas' office market is priced so low because of the abundance of space available. The DFW area has the 3rd highest vacancy rate in the country behind West Palm Beach, Florida and Newton, New Jersey.