

# CASE *in point*

Dallas/Fort Worth Office Market Brief

3RD QUARTER 2011

## FEATURE ARTICLE: **STEMMONS**



The Stemmons Corridor – somewhat overlooked but nonetheless important – remains an essential submarket in Dallas. The market, positioned north of the CBD and east of the Trinity River, lies in the northwest portion of the city. A gateway into Dallas, the Stemmons Corridor encompasses more than 5,000 businesses, 100,000 employees and is an important revenue center, accounting for 20% of Dallas' tax base.

Within the Stemmons Corridor, the Southwestern Medical District, World Trade Center, and Dallas Design District are all developing master plans for growth and expansion in their respective fields. In particular, the Southwestern Medical District area contains a considerable

number of Dallas' most significant medical facilities: UT Southwestern Medical Center, Children's Medical Center, Parkland Memorial Hospital, Texas Woman's University School of Nursing and Texas Scottish Rite Hospital for Children. An increasing number of medical related tenants are creating some positive absorption to the area.

One of the most monumental public works and exciting economic development projects ever attempted for Dallas is the Trinity River Project. Sharing the Stemmons Corridor, the vision of the Trinity River is one that encompasses mixed-use development, pedestrian, bicyclist, and transit access, neighborhood revitalization, recreation, environmental

restoration, and economic development. This ongoing new urban development will create strong demand for multi-housing, retail shops, and restaurants. Residents and visitors will enjoy a new image of Dallas with a new, stimulating place to live, work and play.

### LEASING

As an improving office submarket, the Stemmons Corridor offers opportunity for forward-thinking tenants seeking to reduce expenses and find value priced real estate options. Currently quoting an average rental rate at \$14.18 per square foot, this submarket may be a bargain. With 132 Class A, B, & C office buildings totaling 17.6 million SF, the submarket offers a considerable amount of officetowersandhotels. Businesses enjoy close proximity to Love Field, D/FW International Airport and the Central Business District.

CASE is leasing two Stemmons Corridor assignments: 7929 Brookriver Drive – 156,766 SF with about 108,000 SF of available space – and 1250 W. Mockingbird – 125,924 SF with about 55,000 SF available to lease. These properties are well positioned to take advantage of the changing market condition and to compete for incoming deals. CASE foresees increasing occupancy and value for building ownership. ■

*Buddy Tompkins, Senior Director & Seth Thatcher, Director, are leading the marketing efforts for these two buildings. For more information call 972.759.7800.*

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## RENTAL RATES

The overall average rental rate for Class A, B, & C office buildings in Dallas/Ft. Worth Metroplex continued to drop, though only slightly (.02) to \$19.25/SF at the end of the third quarter 2011 in the Dallas/Ft. Worth market area. This represented a miniscule decrease this quarter in quoted rental rates. This time last year, the average rate was \$19.33/SF. Average rental rates in D/FW have been steadily falling since early 2008.

By class, the average quoted rate within the Class A sector was \$22.04/SF at the end of the quarter, while Class B rates rose to \$17.23/SF, and Class C rates dropped to \$14.77/SF. During this quarter, 8 of 17 submarkets marked decreases in average rental rates, the largest led by Lewisville/Denton with a decrease of \$1.23/SF. The largest increase recorded was Dallas CBD up \$0.71/SF to \$18.73/SF average rate.

## VACANCY

The average vacancy rate has risen to 20.9%, up .6% after four consecutive quarters of decreases; however, those decreases only reflected a total of 1.2% drop. Overall, the D/FW Metroplex is experiencing decreases in both vacancy and rental rates. The highest vacancy being reported in D/FW continues to be Dallas CBD at a vacancy rate of 31.5% up another 2.5%, followed by Richardson/Plano at 25.6%. The top submarkets reporting the lowest vacancy continue to be the three of the four Ft. Worth submarkets. In Dallas, the lowest vacancy is Preston Center at 13.5%. Total vacancy rates broken down by class are: Class A at 21.1%, Class B at 21.6%, and Class C reporting 16.3% vacancy.

## NET ABSORPTION

Net absorption (defined as tenant move-ins minus tenant move-outs) for the Dallas/Fort Worth office market continues to be positive at 1,039,641 YTD, up from last quarter's 687,213 SF. Tracking YTD, the market leader in net absorption is Far North Dallas coming in at 856,451 SF (netting another positive 359,324 SF this quarter). Other market leaders in positive net absorption YTD are Las Colinas at 485,346 SF YTD, and Uptown/Turtle Creek at 307,625 SF YTD. In all, ten submarkets are now reflecting negative net absorption, the largest reflected in Mid-Cities submarket at <341,219> SF.

## NEW DELIVERIES

During the third quarter 2011, six buildings totaling 137,653 SF were completed in the Dallas/Ft. Worth market. Most notable for 2011 include Forest Park Medical Office Building, a 72,000 SF facility within the LBJ market that delivered and is 75% occupied, and 5000 Long Prairie Rd, a 43,447-square-foot building within the Lewisville/Denton market that delivered and is now 58% occupied.

## NEW CONSTRUCTION

The largest projects still underway at the end of third quarter 2011 are the Encana Oil & Gas HQ, a 281,600-square-foot building with 100% of its space pre-leased, and Baylor McKinney Medical Office Building, a 113,700-square-foot facility that is 64% pre-leased.

## TEXAS ECONOMY ON THE RISE

The Texas economy is one of the top performers in the country. Job growth, sales tax collections, and consumer purchases signal that the Texas economy has emerged from the recent recession. Another indicator that the state's economy has been comparatively healthy was the U.S. Bureau of the Census report that Texas added more people (nearly 4.3 million) than any other state between the census counts of 2000 and 2010. Movement in the Dallas Fed's Texas Leading Index suggests 261,000 to 374,000 jobs will be added in the state this year. This pace of growth is consistent with the Texas unemployment rate falling to about 7 percent by the end of 2011.

Texas gained 271,400 nonfarm jobs from August 2010 to August 2011, an annual growth rate of 2.6 percent compared with 1 percent for the United States. The state's private sector added 284,200 jobs, an annual growth rate of 3.3 percent compared with 1.6 percent for the nation's private sector. Texas jobs created from August 2010 to August 2011 accounted for 21.1 percent of total nonfarm jobs created in the U.S. Texas' seasonally adjusted unemployment rate increased to 8.5 percent in August 2011 from 8.2 in August 2010. The nation's rate decreased from 9.6 to 9.1 percent.

In the year to July, the Lone Star State was responsible for one out of every five jobs created in America.

Texas does most of its job creating in its four large metros: Austin, D/FW, Houston, and San Antonio. Over the past year, D/FW and Houston alone accounted for 10 percent of the net job creation in the United States, according to the Bureau of Labor Statistics. ■



## SUBMARKET STATS CLASS A, B, &amp; C

SUBMARKET	# OF BUILDINGS	TOTAL RENTABLE BUILDING AREA	VACANCY			YTD NET ABSORP.	YTD BLDG. DELIVERIES	SF UNDER CONSTRUCTION	AVG QUOTED RATES	CHANGE FROM LAST QTR
			DIRECT SF	TOTAL SF	% VACANT					
Central Expressway	127	14,465,148	2,363,678	2,387,191	16.5%	(93,000)	28,682	0	\$20.82	-.04
Dallas CBD	87	29,691,346	9,098,857	9,347,782	31.5%	(194,925)	0	0	\$18.73	+.71
East Dallas	148	5,661,398	774,970	790,670	14.0%	(15,250)	0	0	\$15.16	+.49
Far North Dallas	391	38,638,067	6,490,628	6,820,299	17.7%	856,451	16,026	281,600	\$20.66	-.21
Fort Worth CBD	61	9,679,996	1,201,860	1,215,282	12.6%	(82,108)	0	0	\$20.69	-.12
Las Colinas	248	29,630,839	6,022,525	6,191,273	20.9%	485,346	26,485	0	\$19.63	-.03
LBJ Freeway	167	21,268,414	5,081,426	5,240,002	24.6%	(19,078)	72,000	0	\$17.16	-.06
Lewisville/Denton	143	6,998,544	1,479,342	1,494,474	21.4%	(9,467)	66,947	100,823	\$18.13	-1.23
Mid-Cities	369	20,807,277	3,363,321	4,012,587	19.3%	(341,219)	26,000	62,130	\$18.58	-.11
North Fort Worth	32	1,434,787	125,124	125,124	8.7%	(17,700)	0	75,000	\$21.23	+.26
Northeast Ft Worth	41	2,181,968	306,737	317,237	14.5%	(16,548)	0	0	\$17.72	+.20
Preston Center	49	4,240,222	564,560	572,147	13.5%	45,386	0	0	\$27.77	+.18
Richardson/Plano	299	22,909,613	5,769,772	5,859,181	25.6%	162,794	16,000	113,700	\$17.90	+.08
South Fort Worth	186	9,616,006	1,142,138	1,173,435	12.2%	33,108	15,843	60,000	\$20.75	+.43
Southwest Dallas	66	2,868,367	374,145	391,512	13.6%	22,378	0	30,290	\$15.37	+.17
Stemmons Freeway	125	17,118,247	3,606,280	3,753,905	21.9%	(84,152)	0	0	\$14.23	+.05
Uptown/Turtle Crk	88	10,903,110	1,939,799	2,084,387	19.1%	307,625	0	0	\$27.60	-.42
<b>TOTALS</b>	<b>2,627</b>	<b>248,113,349</b>	<b>49,705,162</b>	<b>51,776,488</b>	<b>20.9%</b>	<b>1,039,641</b>	<b>267,983</b>	<b>723,543</b>	<b>\$19.25</b>	<b>-.02</b>

## 2011 SELECT OFFICE LEASES

TENANT	BUILDING	SUBMARKET	SQUARE FOOT	TYPE
Hotels.com	Meadow Park Tower	Central Expy	55,000	Renewal
Senior Care Centers	2828 N. Harwood	Dallas CBD	33,297	Expansion
Figari & Davenport	Bank of America Plaza	Dallas CBD	27,746	Renewal
Thompson Coe	Plaza of the Americas	Dallas CBD	69,673	Renewal
Merrill Lynch Co.	2100 Ross Ave	Dallas CBD	47,262	New
USAA	Addison Circle II	Far N. Dallas	72,950	New
Federal Homeland Bank	5000 Plano Pkwy	Far N. Dallas	70,270	Renewal
1st American Payment	3350 Boyington	Far N. Dallas	69,300	New
Pegasus Solutions	Lincoln Centre	Far N. Dallas	45,000	New
Howard Hughes Corporation	Galleria Tower	Far N. Dallas	20,718	New
Frac Tech	Carter Burgess Plaza	Ft. Worth CBD	45,256	New
Star Telegram	Oil & Gas / Commerce Bldg	Ft. Worth CBD	65,000	New
Caliber Collision	401 E Corporate Drive	Lewisville/Denton	16,397	New
Ericsson	2201-2221 Lakeside (former Nortel)	Richardson/Plano	260,000	Expansion
Fossil, Inc.	901 S. Central Expy	Richardson/Plano	535,771	New
Samsung Telecommunication	2505 N. Plano Rd	Richardson/Plano	20,104	New
Chamblee, Ryan, Kershaw, Anderson	2777 N. Stemmons	Stemmons Frwy.	20,419	Renewal
Hospice Plus	Citymark	Uptown/Turtle Creek	48,000	Renewal
Westwood Holdings	The Crescent	Uptown/Turtle Creek	25,555	Renewal
Rose Walker, LLP	3500 Maple	Uptown/Turtle Creek	31,254	Renewal
Highland Capital	The Crescent	Uptown/Turtle Creek	45,000	New

## GLOBAL NETWORK REACH

- 200+ markets
- 4 continents
- 1,200+ professionals
- 80,000,000+ SF under management
- \$20.7 billion in brokerage transactions
- 185 million in self storage transactions



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## inside NEWS ABOUT US

### NEW ASSIGNMENTS

Project Leasing was recently awarded three new leasing assignments totaling over 365,000 SF of office space. The buildings include 7929 Brookriver Drive and 1250 W. Mockingbird Lane, both in Dallas, and Addison Business Center off of Kellway Circle in Addison. Buddy Tompkins, Senior Director, and Seth Thatcher, Director, will handle the marketing and leasing for all three buildings.

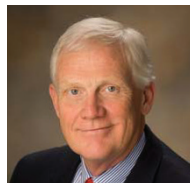
CASE has been awarded the exclusive leasing or sale of 4250 McEwen in Farmers Branch. Ken Walter, Senior Managing Director, and Joe Cavagnaro, Managing Director of Development, will work together to convert the facility to a Tier III data center known as North Dallas Data Center. This 130,174 SF data center will have a critical load rated at 7.2 megawatts, 150 watts PSF, 48,000 SF of raised floor, and will be reinforced to withstand 125 mph winds.

### NEW ADDITIONS



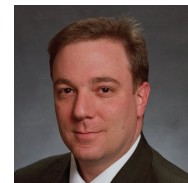
**DALLAS**  
**Bruce Butler** has joined the CASE as a director of investment sales. In this role, Mr.

Butler will specialize in the sale of income properties with an emphasis on triple net offerings for single-tenant retail, office and industrial facilities.



**FORT WORTH**  
**Ted R. St. Clair, Jr.** has joined CASE to provide tenant representation, project leasing and

brokerage services within one of the company's core markets



**FORT WORTH**  
**David Tuttle**, CCIM joins CASE to focus on representing sellers and buyers in the acquisition and

disposition of office assets.

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