

# DALLAS OFFICE MARKET

Yardi® Matrix

## Market Analysis

Second Quarter 2019

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## Relocations Spur Growth



Dallas continues its office boom, fueled by strong employment gains, growing demographics and increased investor interest in the metro's Class A properties. More than 33,000 office-using jobs were added year-over-year through March, with more gains on the horizon as corporations seek to take advantage of the metro's lower rents and Texas' advantageous tax policies.

The metro's office vacancy rate remained elevated at 17.9% at the end of April, precipitated by tenant shifts and consolidations from outdated Class B space into newer, amenitized assets. As the gap between Class A and B asking rates continues to widen, landlords are likely to invest more in building upgrades and renovation projects to ensure older stock remains competitive. Newly completed properties performed well, as the majority of the 1.2 million square feet delivered this year was fully leased upon completion. This trend is set to continue over the coming quarters, as corporate relocations will help absorb the more than 4 million square feet underway.

Investor interest remains strong, with upwards of \$575 million in transaction volume year-to-date through April. Acquisition yields increased across both Class A and B office assets and are likely to spur increasingly more investment activity through the remainder of the year. While the bulk of transactions occurred outside the urban core, Goldman Sachs' \$180 million sale of the recently completed 1900 North in the CBD highlighted significant interest in centrally located, high-end office stock.