

DOWNTOWN DALLAS

State of the Market



Downtown continues to impress, with more than \$4 billion in ongoing or planned projects. Restaurant openings, new tenants, expanding leases, and new developments keep the thriving submarket in the spotlight.

DDI's Economic Development & Planning team is constantly analyzing the freshest data to build a comprehensive picture of both the current state of Downtown, as well as opportunities to enhance and sustain our historic success.

Through the 4th quarter of 2021, 14,000 people reside in 50 residential properties, including apartment towers, condominiums, and townhomes. We are monitoring activity at 140 commercial office buildings and 30 hotels, plus our many retail and restaurant establishments. There are over 20 active construction and development projects Downtown.

In the following pages, we give you our latest information and insights regarding: Multifamily, Commercial Office, Hospitality, Retail, Restaurant, and Construction.

14k
Residents

50
Residential
Properties

140
Commercial
Office Buildings

30
Hotels

20+
Active Construction &
Development Projects

MULTIFAMILY

Our urban core lies at the center of a top-performing multifamily market, setting the bar for multifamily starts nationally.

Downtown Dallas offers a variety of rental, condominium, and attached single-family products.

As of today, the Dallas-Fort Worth market reports over 30,000 multifamily units under construction, with over 300 of those in Downtown Dallas.

In addition to those under construction, Downtown saw a total of 556 new units delivered in 2021.

300 Pearl / East Quarter Residences



Companies continue to relocate and expand in the North Texas market creating inordinate demand for housing and setting vacancy in the region at a staggering 5.7%. Renters won't be without options for long; as multifamily starts are popping up at a rapid clip since the short, pandemic-driven lull.

Downtown properties follow suit reporting a low 5.5% vacancy amongst stabilized properties. CoStar reports a concession rate of 2.07% in Q4 after peaking at 4.5% in Q1 of 2021.

Our newest luxury structures, The East Quarter Residences, The Atelier, The National, and AMLI Fountain Place, are seeing increased leasing activity and are filling up quickly. We should see Matthews Southwest's Galbraith, a mixed-use high-rise next to the historic Dallas High School building, deliver by mid-year 2022.



300 Pearl / East Quarter Residences

Demand for Downtown properties remains high and potential tenants have a variety of stock to choose from. The Downtown residential market continues to provide a broad range of rents from below \$1.50 per square foot to over \$4 per square foot across a range of properties. Last year closed with an average asking rent of \$2.17 per square foot across all Downtown properties. This increased 17 cents from Q1's \$2 per square foot. Currently, the average one-bedroom Downtown is asking \$1,739, \$204 more than Q4 2020.

The East Quarter Residences recently opened at 300 Pearl in the East Quarter. This amenity-rich building offers tenants a myriad of luxuries, including an 8th floor pool deck with cabanas and sky lounge. Tenants will also enjoy the Volta fitness center, on-site dog spa and park, conference rooms, and a bocce ball court.



Courtesy of CoStar; Downtown Core Geography



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2/8/2022



East Quarter

Downtown is home to over 14,000 residents living in one of the most diverse neighborhoods in the city.

New deliveries will continue to be an important data point to track.

DFW's job growth continued to excel throughout 2021 while residential construction lagged due to lingering pandemic issues. This increased demand, combined with a lull in construction, has resulted in increased rents that will remain high until new deliveries reach the market.

The Galbraith (2400 Bryan) is one of the major residential developments still underway with 230 planned units. Recently announced projects from Woods Capital and Todd Interests in the Main Street corridor will bring more residential units and higher density to Downtown. Mill Creek Residential will be building a ground-up project near the Dallas Farmers Market that will enhance an already active district.

Apartment occupancies will stay over ninety percent, rents will continue to increase, and concessions will stay low until new deliveries bring renters more options.

Coastal migrants continue to fuel occupancy in Downtown residential structures through the pandemic.

The fourth quarter Southwest Economy report from the Federal Reserve Bank of Dallas revealed that migration to Texas increased during the past two years. **In fact, the number of individuals migrating to Texas from California (our state's largest population feeder) nearly doubled from 34,000 to 64,000 during the first 18 months of the pandemic.**

DFW, by far, received the lion's share of these new migrations, filling current building stock and fueling the well-publicized rises in area home prices.

Surrounding districts are showing a similar trend: Victory Park, Uptown, Old East Dallas, The Cedars, and Trinity Groves are reporting 92.5% occupancy and are set to deliver 512 units with many projects still in the planning phase.

Builders scrambled for permits as building material prices finally receded in 2021, but they are playing catch-up to record migration that is showing no signs of letting up.

COMMERCIAL OFFICE

Downtown has one of the largest concentrations of office space in North Texas, with 33.6M+ square feet of space in a compact geography.

Recent transactions have placed large office structures under new ownership signaling change on the horizon.

Downtown is the historic commercial center of the region, with one of the largest densities of commercial space available anywhere. Large leases and positive net absorption have signaled a return to the office and a renewed interest in our submarket.

The Luminary

Active leasing throughout the core continues to be a positive signal for long-term recovery Downtown.

Q4 continued a positive trend for office leasing in Downtown Dallas. CBRE reported 64,752 square feet of positive net absorption, **making Downtown the third most active submarket in the region.**



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2/6/2022

Given the Downtown commercial market's persistence, Downtown remains a key relocation focus for national tenants in highly-impacted markets.

In the year's final quarter, the Downtown submarket closed with 27 deals for 422,544 square feet. CoStar reports an average gross asking rent of \$38.94 per square foot. Larger deals include the relocation of Galderma to Trammell Crow Center at 2001 Ross Avenue and Lerma to the Luminary building on Houston Street at Ross Avenue.

Office leasing in Downtown was active in 2021 with 126 reported deals for 1.1 million square feet. CoStar shows the average lease at 8,979 square feet and the average gross asking rent of \$32.09 per square foot.

Dallas Morning News

Global dermatology and skin care products firm Galderma is moving its U.S. HQ to Downtown Dallas

Q4 leases include Galderma in Trammell Crow Center, Lerma in the Luminary, and more.

Tenant	Square Feet	Building
Cue	23,478	St Paul Place
Imaginuity	28,838	One Main Place
Galderma	50,000	Trammell Crow Center
Lerma	27,959	The Luminary
3W Inc.*	6,863	Bank of America Plaza
University Partners	6,526	Bank of America Plaza
Haas Petroleum*	2,232	Saint Paul Place
Beautech Poer Systems	5,635	Trammell Crow Center
Dallas Regional Chamber*	25,436	Ross Tower

* indicates renewal

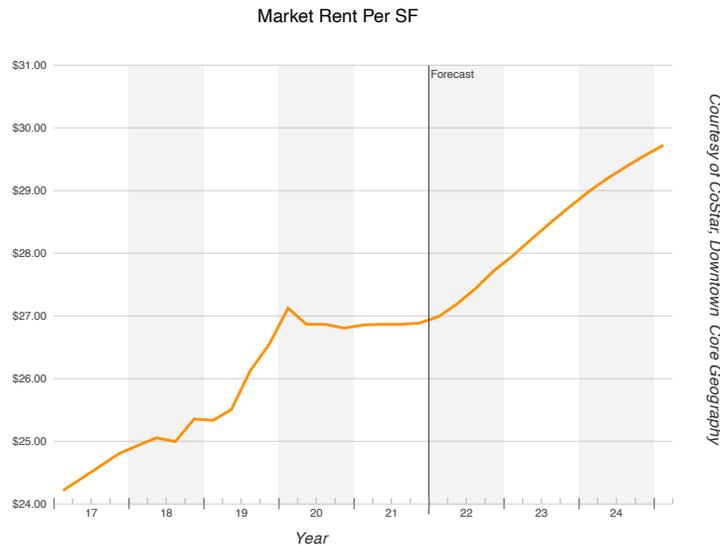
Dallas Morning News

**Growing Dallas
advertising firm heads
Downtown with new
headquarters**

Dallas Morning News

**Major employer trades
office in Cypress
Waters for a new HQ in
Downtown Dallas**

Downtown core market asking rents average \$26.91 per square foot for all property classes. CoStar continues to see modest rent growth throughout the new year.



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Last year started with more cautious employers. Now, we see companies looking to the future, eyeing new Downtown projects – as well as the large, contiguous opportunities currently available in Class A structures.

Among these projects is Todd Interests' 300 Pearl in the East Quarter, offering over 224,000 square feet of Class A office space in a mixed-use development perched on top of several ground floor retailers and restaurants. This location is a short walk from the Dallas Farmers Market and overlooks the future Harwood Park.

Subletting breached 10 million square feet in DFW in the fourth quarter, settling at 10.3 million square feet (roughly 14% of total available space).

Downtown is currently listing 1.1 million square feet on the sublet market, or roughly 12.2% of total available space. Class A rents remain stable in our submarket at \$28.70 per square foot.

Large leases came through for Downtown in 2021.

The Downtown submarket enjoyed a lot of press in 2021 about multiple large leases, new building deliveries, building sales, and a dazzling list of new tenants.

The FDIC and JPMorgan Chase both elected to stay Downtown with leases signed at Plaza of the Americas and The Hunt Building respectively. Headlines were also made when Galderma chose Trammell Crow Center for their U.S. headquarters and Integrity Marketing Group announced that they are relocating from the suburbs to Fountain Place. Therabody placed a second headquarters in the East Quarter in 2021 while creative firms Lerma and Imaginuity found new homes in the Luminary and One Main Place.

These large leases and more are signaling a more complete return to the office in 2022, especially given the unique amenities offered in Downtown to boost in-person interaction, company culture, professional growth, and innovation. CBRE reported that nationally over 85% of companies have adopted some sort of hybrid work model and the best performing buildings are those that invested in quality spaces which accommodate collaboration and experience.

Omicron surges forced some tenants to reconsider a return to office in 2021, however, these surges did not dissuade new leases from executing and new developments continue to press on.



Skyline at Night

HOSPITALITY

Hotel performance continues to improve as Downtown Q4 numbers edge closer to pre-pandemic levels.



SOVA Hotel

Downtown boasts 9,000-plus rooms in 30 hotels. The 227-key JW Marriott is under construction in the Arts District, while other Downtown hotels are reporting increased occupancies and higher rates.

The return of conventions, in-person sporting events, and continued leisure travel are driving improved hotel performance.

Hotels are welcoming tourists, staycationers, conventioners, and a growing number of business travelers.

October brought the return of the State Fair of Texas and the Red River Showdown between Texas and Oklahoma. Throughout the rest of the fourth quarter, Downtown welcomed guests attending a variety of events and conventions as well as sports and leisure activities including: Dallas Mavericks and Stars games at the American Airlines Center, conventions like the Informa Pop Culture Fan Expo at the Convention Center, and Board Game Geek Week at the Hyatt Regency.

All indicators point toward a quicker recovery for the hospitality sector than we expected. Positive signs for Downtown include October's Average Daily Rate (ADR) at \$203, compared to \$204.60 from 2019. November's ADR was \$190.10 compared to \$182.30 in 2019. Occupancy still lagged in both months from pre-pandemic levels, but revenues are increasing. December saw just a 7.6% lag in occupancy (compared to 2019), higher ADR, and slightly better room revenue, showing a return of holiday travel.

"Eighty-eight percent of 2019 revenues [have been] restored, and managed business demand [was] ahead of our expectations for December," stated newly-crowned Southwest Airlines CEO Bob Jordan to *Business Travel News*.

Downtown hotels are showing improvement across the board with occupancy, average rate, and revenue approaching pre-pandemic levels.

	Oct-21	Nov-21	Dec-21
Occupancy	56.0%	57.4%	41.3%
ADR	\$203.00	\$190.10	\$191.00
RevPAR	\$117.80	\$104.00	\$78.90
Revenue	\$37.5M	\$32.0M	\$25.2M

DFW Hotels should continue to perform well as event planners will be considering destinations with warm weather and low operating costs, according to CBRE.

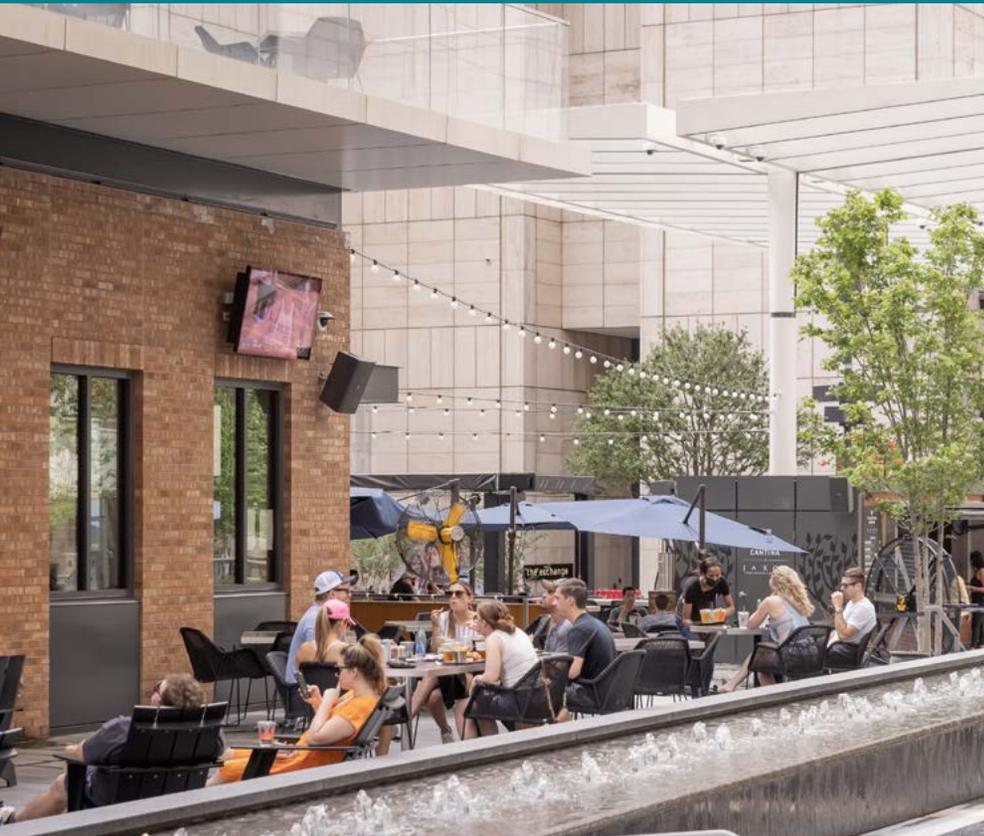
Most airlines foresee a return to profitability in March, meaning hotels will need to continue aggressive hiring to guarantee adequate staffing in the first half of 2022. Downtown hotels are fully opened, offering their entire catalog of services, restaurants, and amenities.

The Omnicron variant continued to be a travel concern.

Airlines, airports, and hotels have implemented safety protocols that encourage many employers to allow face-to-face meetings and limited business travel in the second half of the year.

RETAIL & RESTAURANT

Downtown shops and restaurants are booming, with continued openings and more on the way in early 2022.



Jaxon Beer Garden / AT&T Discovery District

Deloitte's State of the US Consumer report shows a 5% dip in consumers perceptions of safety from late November 2021 to the end of the year, fueled by the Omicron variant.

While those surveyed claimed they felt hesitant about going out to shop, dine, fly, or stay at a hotel, their attitude did not curb spending.

Holiday spending rose 8.5% over 2020, according to Mastercard SpendingPulse.

While there is concern that strong holiday spending could bring decreased traffic in the first quarter of the new year, some experts expect cabin fever combined with holiday gift cards and the usual gift return spike will keep shopping areas bustling in Q1 of 2022.

U.S. News & World Report noted that consumer confidence rose in December and ended the year on a strong note. The Confidence Index sat at 115.8 while the Expectations Index rose to 96.9 from 90.2, showing the positive consumer view of the short-term economic outlook.

“Consumer confidence improved further in December, following a very modest gain in November,” Lynn Franco, Senior Director of Economic Indicators at The Conference Board, an economic research group, said in a statement. “The Present Situation Index dipped slightly but remains very high, suggesting the economy has maintained its momentum in the final month of 2021. Expectations about short-term growth prospects improved, setting the stage for continued growth in early 2022. The proportion of consumers planning to purchase homes, automobiles, major appliances, and vacations over the next six months all increased.”

Retail leasing is up in the City Center with interests from local one-offs, and national credit juggernauts alike.

Retail vacancy crept up a bit from 4.4% to 5.3% mainly due to new space coming online in the East Quarter. Interested tenants continue to look into Downtown spaces in and around the AT&T Discovery District, the Dallas Farmers Market, The Dallas Arts District.

Openings in the third quarter led to more leases in the fourth.

The interactive art exhibit Sweet Tooth Hotel announced that it will open later this year on Elm Street and Toussaint French Brasserie at the Saint Elm Hotel will be open by the time of this publication. More leases and potential pop-ups are in the works to activate Downtown throughout 2022.

CBS Local

Downtown Dallas Is Dazzling Again As A Holiday Destination

PaperCity

Downtown Dallas is a Winter Wonderland...

Retail asking rents remain steady at an average of \$24.79 per square foot. Generous terms offer great opportunities for local startups and other eclectic retailers.

Vacancy within new construction has remained low, with the majority of new projects incorporating various forms of retail and grocery, including Atelier and 300 Pearl. Leasing of existing space continues with new additions like Parterre on Elm Street, Uno Más on Main, and Rokwood nightclub on the west side of Downtown all welcoming guests.

Interest in the market continues to increase as more tours are being conducted and terms are being discussed for available storefronts throughout Downtown.

The bevy of events and programming at the AT&T Discovery District and throughout Downtown including public art, park activations, parades, not to mention Pegasus City Brewery's Octoberfest, and DDI's Trick-Or-Treat and Downtown Stocking Stroll have increased foot traffic throughout the submarket.

A strong close of the year is expected for Downtown retail with new attractions and events in every district. To keep up with events and openings, check out downtowndallas.com.



Downtown Stocking Stroll / City Tavern

The restaurant industry is in a hiring mode now as many eateries are working diligently to hire and train staff.

Along with an increase in lunch, evening and weekend activity, many Downtown restaurants have begun to take advantage of the city's new street seats program to expand their service areas onto parklet patios. **As shoppers and diners return to Downtown streets, they are finding new options.**

Dakota's Steakhouse (New Ownership)	600 N Akard
Elm Street Cask & Kitchen	LTV Tower
Freebirds World Burrito	2000 Ross
Hops and Hens	Omni Dallas Hotel
Jimmy John's (Reopened)	Gulf States
Mi Cocina On the Park	Klyde Warren Park
National Anthem	East Quarter
Parterre	Santander Tower
Rodeo Bar (Now Open)	The Adolphus Hotel
Sassetta (Coming Soon)	The Joule Hotel
Sweet Tooth Hotel (Coming Soon)	Elm Street
Toussaint (Now Open)	The Cambria Hotel

In Dallas' trendy restaurant landscape, sometimes what was old is new again.

The fourth quarter welcomed an old friend back to Downtown. At the infamous corner where Ross meets Ervay and Akard, you will find a gold elevator that will take you down about 13 feet. When the doors open, you will be greeted by a pianist and a smiling maître d' ready to seat you at Dakota's, one of the most unique steakhouses in Dallas. We're happy to welcome Dakota's back with a new owner (Meredith McEneny), new chef (Ji Kang), and new menu.

Another recent opening at another unique intersection: Where Cesar Chavez meets Jackson and Commerce sits one of Dallas' flatiron-shaped buildings, the new home of National Anthem, Nick Badovinus' latest restaurant.

For a complete list of open retailers, please visit: downtowndallas.com/open-businesses.

CONSTRUCTION

Last year was full of groundbreakings and grand openings, with more to come in 2022.



Harwood Park Under Construction

Planned projects press on into Q4.

Recent successes and project completions, and the resilience of the Downtown market, have continued to prompt planning on new ground up proposals and future phases of recently completed projects.

300 Pearl (Now Open)	Mixed Use	519,000 sf
Atelier (Now Open)	Multifamily	468,000 sf
AT&T Discovery District (Now Open)	Retail/Rest.	40,000 sf
Attiva Farmers Market (Now Open)	Multifamily	200,853 sf
The Galbraith (2400 Bryan)	Multifamily	448,500 sf
2000 Ross / JW Marriott Hotel	Hotel	445,000 sf
West End Square (Now Open)	Parks	0.78 acres
Carpenter Park	Parks	5.6 acres
Harwood Park	Parks	4 acres

To learn about these projects and more, please visit our YouTube channel at [youtube.com/downtowndallas](https://www.youtube.com/downtowndallas) or visit the New + Noteworthy page under the business tab on [downtowndallas.com](https://www.downtowndallas.com).



AT&T Discovery District

Dallas Area Rapid Transit (DART) is working diligently on planning the second light rail alignment through Downtown. D2 will be a subway that will run two of the existing rail lines underground through Downtown.

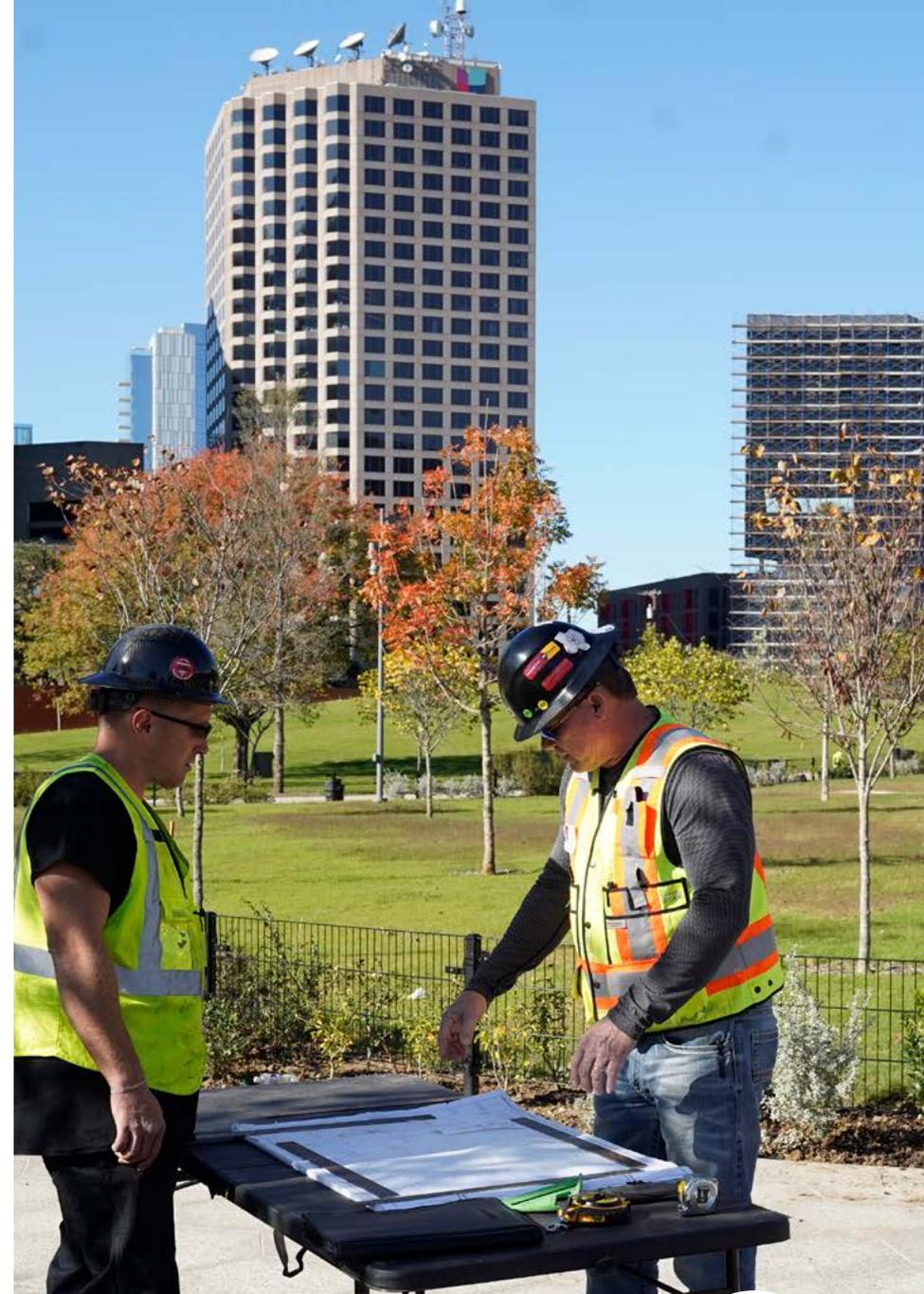
Woods Capital, Kaizen Development, and Dundon Capital Partners continue planning of almost six acres of land at Field and McKinney, known as the Field Street District, a mixed-use development that will offer apartments, office, and retail.

Hoque Global, in partnership with KDC and Lanoha Real Estate, continues planning NewPark, just south of City Hall. The multi-phase mixed-use development will offer a hotel, multifamily, retail, office, and educational facilities. The project includes plans for a new Dallas ISD school campus.

Parks for Downtown Dallas is pushing ahead as Carpenter Park nears completion on the east side of Downtown. The new park will feature public art, sports courts, a large fountain, and more. Q4 also brought another signature park Downtown as Harwood Park broke ground in the East Quarter, near the Statler Hilton. When completed, Harwood will bring much needed greenspace near the Farmers Market and will serve as a wonderful venue for activities, events, and recreation.

Dallas Morning News

**Dallas' Field Street is the new
'center of gravity' Downtown**



Carpenter Park Progress

In a period unlike any other, Downtown Dallas continues to show why we are better positioned than any other market in the country.

We have an invested community, including almost 14,000 residents who call Downtown home. We have small business owners who believe in the center of our city. We have a diverse and resilient economy and major corporations that are committed to Dallas.

With the delivery of over 1,600 units since January of 2020, and recent deliveries asking record-high rents per square foot, the residential outlook Downtown remains extremely strong.

Commercial office tenants are indeed coming back to physical offices Downtown. While companies will continue to allow greater flexibility or hybrid work environments, the notion of abandoning the office permanently has not been seen locally. As corporations continue to evaluate their office holdings and consider expanding or relocating, Dallas is a top contender. The true authentic urban environment that so many regional corporations and employees crave can only be found in Downtown Dallas.

Through all of the turmoil and uncertainty of the past two years, Downtown Dallas continues to be an area that is poised for growth and success across multiple market segments.

This document is created and updated by the DDI Economic Development team. Visit DowntownDallas.com to learn more about Downtown Dallas, Inc., and visit DowntownDallasNow.com to explore our premier Downtown Dallas economic development campaign.

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