

DOWNTOWN DALLAS

State of the Market



Downtown continues to impress in the third quarter of 2021. 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 3rd quarter of 2021, almost 14,000 people reside in 50 residential properties, including apartment towers, condominiums, and townhomes. We are monitoring activity at 139 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

139
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.



AMLI Fountain Place

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

As of today, the Dallas-Fort Worth market reports almost 30,000 multifamily units under construction, with nearly 600 Downtown.

In addition to new units under construction, Downtown has seen a total of 220 additional units delivered since Q1 of this year.



North Texas continues to be one of the nation's top markets for new multifamily deliveries. While new supply continues to be produced at a record pace, an exceptionally low vacancy rate of 5.6% provides irrefutable evidence that the local multifamily sector will continue to remain strong for the foreseeable future.

This high demand for apartments is apparent among Downtown properties, where vacancy rates average 5.8% among stabilized properties. Recent deliveries continue to lease up nicely, offering fewer renter incentives than we've seen in prior years.

Leasing at recent deliveries has progressed well; AMLI, The National, and Atelier continue to increase their occupancies steadily, while the latest deliveries at Cortland Farmers Market and East Quarter Residences have just begun moving in their first tenants. Still under construction, the Galbraith, by Matthews Southwest, should deliver in early 2022.



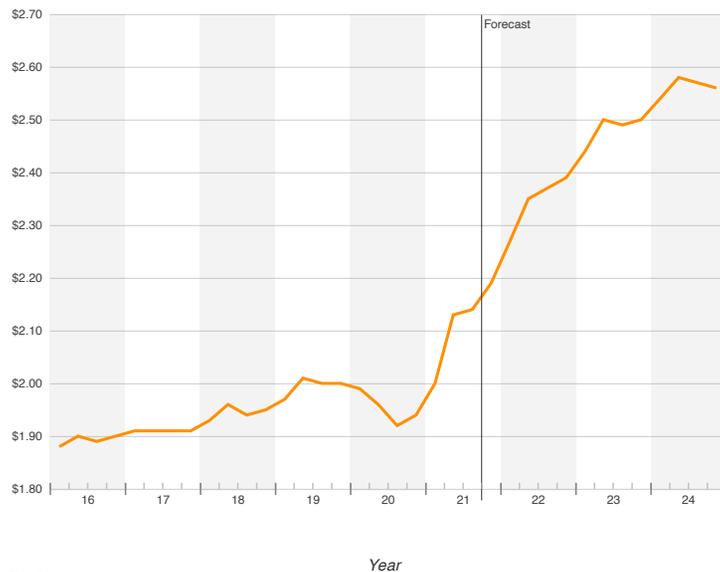
Atelier

Atelier

Demand for Downtown properties remains high and potential tenants have a variety of stock to choose from. The Downtown residential market as a whole continues to provide a broad range of rents from below \$2 per square foot to over \$3 per square foot across a range of properties. This puts average rent per square foot in Downtown at \$2.14, up just .02 cents from the prior quarter. This translates to the market asking rent for a one bedroom at \$1,735. Double digit rent growth is expected to continue into 2022 as demand remains steady and new deliveries come online.

The East Quarter Residences have 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.

Market Asking Rent Per SF



Courtesy of CoStar; Downtown Core Geography



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11/7/2021



East Quarter Residences

Downtown Dallas is home to almost 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 economy continues to expand and the region leads the nation in labor market performance. Job growth and wage growth, combined with relocations, will continue to drive migration and the demand for housing.

The Galbraith (2400 Bryan) is one of the major residential developments still underway with 230 planned units.

After several strong months, economists at the Federal Reserve Bank of Dallas are predicting full recovery for the state by January. **New job growth combined with hiring booms in leisure and hospitality will result in continued high demand for multifamily stock throughout our area.**

Class A deliveries continue to raise the average asking rent. However, additional units may begin to flatten rent growth in 2022.

Current construction projects on the east side of Downtown are quickly approaching delivery. Other projects are still in the planning stage, but the Downtown core may see a lull in new apartment deliveries for the short term. **Strong leasing performance among new deliveries will be a strong signal for additional Downtown residential demand.**

Downtown property managers and landlords report a strong 2021 through the third quarter with little residential turnover, stable occupancy, and a limited need for rent concessions to attract new tenants.

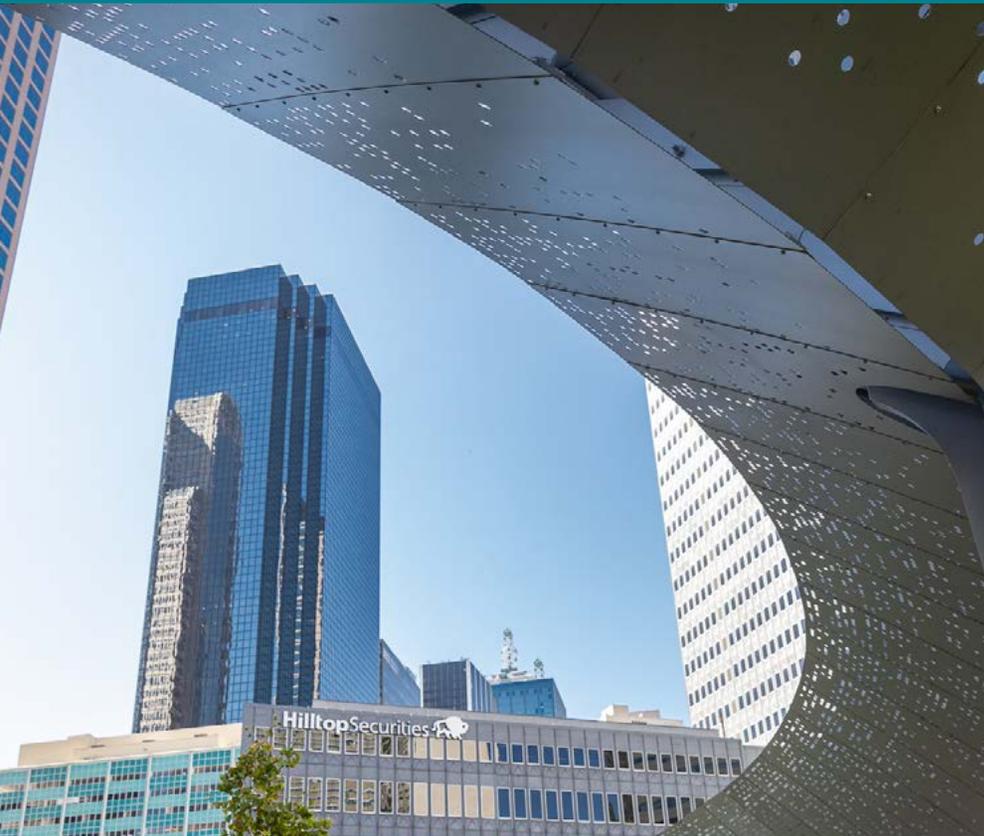
Surrounding districts are showing a similar trend: Victory Park, Uptown, Old East Dallas, The Cedars, and Trinity Groves are reporting 92.5% occupancy and are set to deliver 512 units with many projects still in the planning phase.

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 reporting has shown incredible commercial office performance, compared to the limited space of surrounding markets.

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.



View from Pacific Plaza

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

In Q3 we saw consistent signings with smaller deals. CoStar shows 39 deals signed for Q3 for a total 182,198 square feet. For comparison, in the second quarter, CoStar showed 39 leases for a total 500,287 square feet, led by large deals for the FDIC, Integrity Marketing Group, and Lighthouse Dallas.



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11/7/2021

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

Texas' much lauded business-friendly environment, DFW's central location and logistics hubs, and our city's low cost of living and experienced talent pool make Downtown an enticing destination for corporate relocations and large branch offices.

The average Downtown office deal was 4,671 square feet; the largest deal was a 51,698 square-foot sublet at Trammell Crow Center. Asking rents averaged \$28.08 for Class A space, down \$5.12 from the previous quarter.

Third quarter leases and renewals include JPMorgan Chase at Hunt Tower and more.

JPMorgan Chase	120,000 sf	Hunt Tower
Step toe & Johnson PLLC	14,346 sf	Ross Tower
SoGood	7,462 sf	Adolphus Tower
Ziegler Gardner Bell	7,504 sf	Bank of America Plaza
Bradley Arant Boult Cummings	33,000 sf	Fountain Place
RNA Robotics	3,587 sf	Landmark Center
Cue	23,478 sf	St Paul Place
GM Wealth Group	2,564 sf	Bank of America Plaza
Imaginuity	28,838 sf	One Main Place

Downtown core market office rents remain stable at \$26.37. CoStar foresees modest rent growth beginning in the new year.



This 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 will overlook the future Harwood Park.

Sublease availability has stabilized in DFW at around 9 million square feet, representing 12.7% of total vacancy. Sublet is elevated a bit in the Core, where we are showing 1.5 million square feet of sublet on the market, or 16% of our total vacancy. CoStar shows asking rents in our market still floating around \$26.10 per square foot for all office properties across the board and \$28.24 per square foot for Class A.

Large leases are still looming, with eyes on Downtown.

Large Downtown office leases dominated the headlines in the second quarter. In the third quarter, we saw dozens of smaller deals and office expansions. Ongoing conversations may result in large deals for Downtown in the first half of 2022.

In a recent interview with the *Dallas Business Journal*, DDI's outgoing President & CEO Kourtny Garrett alluded to multiple large deals, relocations, and developments that are currently in the pipeline. She went on to mention DDI's recent relaunch of our national economic development and recruitment initiative, Downtown Dallas Now. To read more, visit downtowndallas.com/about.

Multiple studies and surveys are predicting a large return to office for most employers in the first quarter of 2022. Current expansion and leasing activity signal a busy 2022 for Downtown office brokers.



Skyline at Night

HOSPITALITY

Increased demand and discretionary income fuels more leisure travel in the third quarter.

Downtown boasts 9,000-plus rooms in 28 hotels. The 227-key JW Marriott is still under construction in the Arts District, while other Downtown hotels are reporting increased occupancies and higher rates.

Hotels are seeing more bookings thanks to increased leisure travel and the return of conventions to our market.



SOVA Hotel

Hotel performance continues to improve, welcoming tourists, staycationers, conventioners, and a growing number of business travelers.

The 7,000+ attendee Asian American Hotel Owners Association Annual Convention in August marked the return of corporate events to Downtown Dallas. Since then, groups large and small have continued to fill event spaces and hotel rooms. With a full convention calendar through 2022, hotels will remain busy for the foreseeable future.

VisitDallas is reporting strong numbers from the tourism sector. Occupancy and rates continued to grow through the third quarter, as this sector has fully recovered to pre-pandemic levels.

All indicators point toward a quicker recovery for the hospitality sector than we expected. Downtown hotels will continue to enjoy high occupancies into 2022.

Still trailing is the business sector – multiple studies and surveys illustrate a large return to office for the first quarter of 2022. This should signal a return to business travel and increased rooms from that sector.

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

	Jul-21	Aug-21	Sept-21
Occupancy	43.0%	43.2%	56.0%
ADR	\$167.00	\$170.30	\$183.20
RevPAR	\$71.90	\$73.70	\$102.60
Revenue	\$22.8M	\$23.3M	\$31.5M

Downtown area hotels fared well in the 2021 *U.S. News and World Report* “Best Hotels” report. The Adolphus, HALL Arts Hotel, and The Joule ranked 6th, 7th, and 8th, respectively, for the DFW area.

Downtown welcomed the SOVA hotel, which opened in October. Conceived by 27-year old twin brothers Blake and Brandon Shirk, this 39-key “micro-room” boutique hotel is located in an almost century-old structure at 2105 Commerce Street in the East Quarter. SOVA - which means sleep in Swedish - is marketed toward the budget-minded traveler and offers community, comfort, and cleanliness in a convenient location.

RETAIL

Retail and restaurants saw increased traffic due to openings and events throughout the third quarter.

“The DFW economy continued to recover in the latter half of the summer, as the metroplex saw strong job growth and the unemployment rate decline. Although COVID-19 cases began to rise with the spread of the Delta variant in August, mobility was almost unaffected, down only 5.9% from January 2020.”

*CBRE Marketview Dallas/Fort Worth
Retail, Q3 2021*



Boho Market at Pacific Plaza



Downtown Dallas / State of the Market / 2021 Q3 Update

Consumers continue to have mixed opinions regarding the economy, however, most are ready to get out and shop again.

The State of the U.S. Consumer, published this month by Deloitte, shows a rise in consumer confidence regarding safety as health concerns ease. This trend is illustrated by the aforementioned return to public events, the uptick in hotel occupancy in Downtown, and travel in general.

The report goes on to state this drive to get out again will increase consumer expenditure on restaurants and brick-and-mortar retail, theater, and sporting events, all to the detriment of e-commerce.

Retail sales grew 2% in August, 18.3% higher than pre-pandemic levels. This spending trend combined with DFW's strong job growth and declining unemployment should signal a strong holiday season for personal services, restaurants, and brick-and-mortar retail.

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

Downtown retail vacancy crept up 0.2% from the prior quarter to 4.8% due to new deliveries in the East Quarter. Interest in the core, fueled by activity in the AT&T Discovery District and area hotels, should yield leases by the first quarter of 2022 and beyond.

Restaurants and retailers continue to open and thrive Downtown. Crowds increase daily as more people return to the office and others become more confident venturing out. Downtown events have successfully lured out-of-market consumers into the area and introduced them to unique retailers and restaurateurs.



Passage, a recent art installation at Main Street Garden, drew over 150,000 attendees over six weeks.

Retail asking rents remain steady at an average of \$24.56. 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, and other events have increased foot traffic throughout the market and will continue with more planned into the holiday season.

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.



Boho Market at Pacific Plaza

RESTAURANT

The City Center at large has nearly 500 restaurants and bars, which have shown great resilience.

Retailers have reopened to full capacity and are continuing to adapt to changing pandemic conditions.

Downtown is seeing a steady increase in foot traffic, especially in the evenings and weekends, as people seek opportunities to venture out.



AT&T Exchange

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
National Anthem	East Quarter
Mi Cocina On the Park	Klyde Warren Park
Parterre	Santander Tower
Pegasus Pizza	Omni Dallas Hotel
Rodeo Bar (Coming Soon)	The Adolphus Hotel
Sassetta (Coming Soon)	The Joule Hotel
Toussaint (Opening Soon)	The Cambria Hotel

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

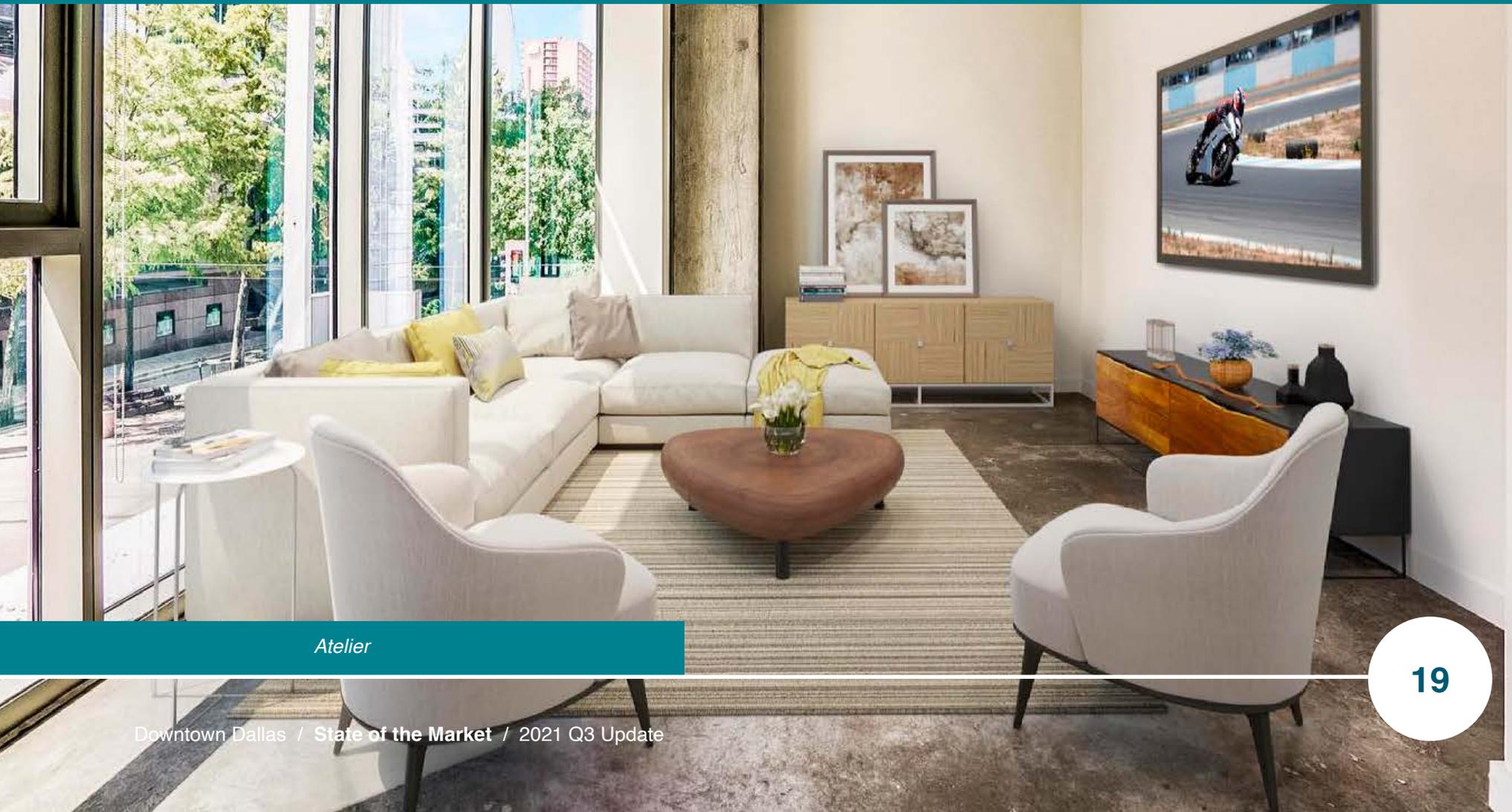
The third quarter welcomed an old friend back to Downtown. At the infamous corner where Ross meets Ervay and Akard, you will find a gold elevator that will take you down about 13 feet. When the doors open, you will be greeted by a pianist and a smiling maître d' ready to seat you at Dakota's, one of 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

Construction continues Downtown, with 2021 a year full of groundbreakings and grand openings.



Atelier



West End Square

Notable projects that continue to move forward include:

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	Parks	0.78 acres
Carpenter Park	Parks	5.6 acres
Harwood Park	Parks	4 acres



AT&T Discovery District

Planned projects press on into Q3.

Developers, the City, and other entities continue planning development projects throughout Downtown. 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.

DART is working diligently on the second light rail alignment through downtown. D2 will be a subway that will run two of the existing rail lines underground, through downtown, from Victory to Baylor.

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 offering apartments, office, and retail.

Hoque Global, in partnership with KDC and Lenoha 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. 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).

Harwood Park Rendering



Harwood Park Rendering

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

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 almost 900 residential units since 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 are beginning 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 the last 20 months, Downtown Dallas continues to be an area that is poised for growth and success across multiple market segments.

Visit DowntownDallas.com to learn more about Downtown Dallas, Inc., and visit DowntownDallasNow.com to explore our premier Downtown Dallas economic development campaign.

DOWNTOWN DALLAS .COM

