



State of the Market 2023

Downtown Dallas, Inc., presents the freshest data and analysis across market sectors.



Updated: April 2023

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Downtown Dallas from across the Trinity River

A Message From The DDI President & CEO



Jennifer Scripps
President & CEO

More than ever, a key part of DDI's job is to use data to tell the story of our successes and to recognize our challenges.

This year marks Downtown Dallas, Inc.'s (DDI), 65th anniversary as the lead advocate for the heart of our city. As part of our celebration, we are taking a look back at how far our city center has come since our founding as the Central Business District Association in 1958. In those early days, our leaders said this organization's purpose was to build a "stronger, greater" Downtown that "will speak for today and tomorrow rather than yesterday."

So much has changed in Downtown over the past six-plus decades. Yet more than ever, a key part of DDI's job is to use data to tell the story of our successes and to recognize our challenges. That is what this State of the Market report, updated throughout the year, aims to do. In the ensuing pages, you will read about our progress in key sectors: office, multi-family, retail & restaurant, hospitality, and development & construction.

You will learn about the success of the striking Luminary building in the West End, a 104,000-plus-square-foot office space now under new ownership and completely filled thanks to recent leases. We will tell you more about the office-to-residential conversion projects drawing national attention. You will get an inside look at the newest small businesses to open--and thrive--in Downtown. And we will explore all that is yet to come, including that \$2.8 billion Downtown convention center redevelopment you may have heard a little something about in recent months.

Our team of economic development and planning experts is always available to delve deeper into these or any other Downtown topics of interest. We look forward to seeing you around Downtown Dallas.

Jennifer

Downtown Dallas By The Numbers

14,528

Residents in the Central Business District

50

Residential Properties

140

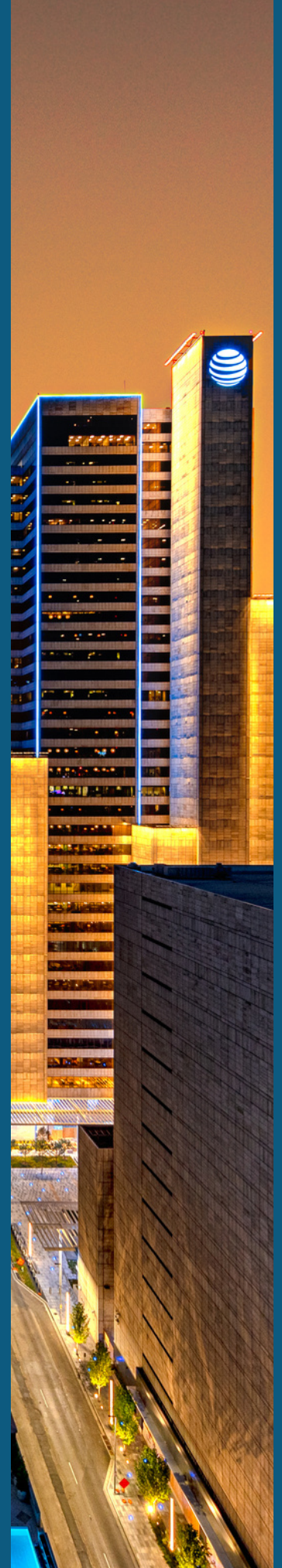
Commercial Office Buildings

30

Hotels

20+

Active Construction & Development Projects



Office By The Numbers

33M

Total Downtown Office Inventory (Square Feet)

72.1%

Total Occupancy

121

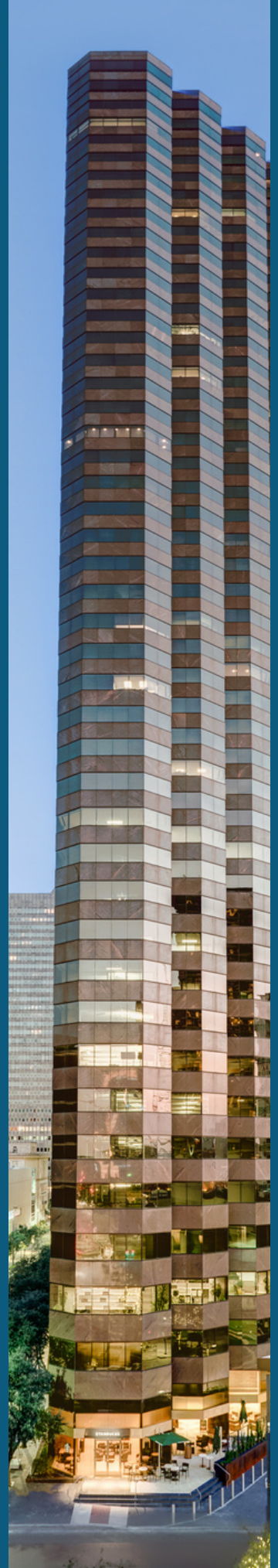
Total leases, 2022

\$31.97

Q4 Market Rent Per Sq Ft

-169,657

2022 year-end net absorption (2021 year-end: -367,851)



Office

Entering 2022, the big question was when -- and if -- workers would return to Downtown offices.

While downtowns across the nation struggled to lure people back to workplaces, our Central Business District saw generous gains over 2021. In 2022, Downtown averaged 50,000 more employees per week between the hours of 7 a.m. and 7 p.m. on weekdays over the same period in 2021, according to location analytics platform Placer.ai.

Last year was also active for office leasing. There were 121 deals in Downtown for 1,044,965 square feet, with gross asking rents as high as \$53.65 per square foot.

However, the Downtown office submarket took a hit in the fourth quarter, with CBRE reporting net absorption of -200,418 square feet. This settles the submarket's annual net absorption at -169,657 square feet. By comparison, the submarket closed out 2021 with -367,851 square feet.

The loss of office occupancy has given Downtown landlords the opportunity to restack office tenants and create contiguous space for multifamily and hospitality conversions.

The Dallas Morning News:

Dallas is one of the top cities for getting workers back to the office

October, 21, 2022

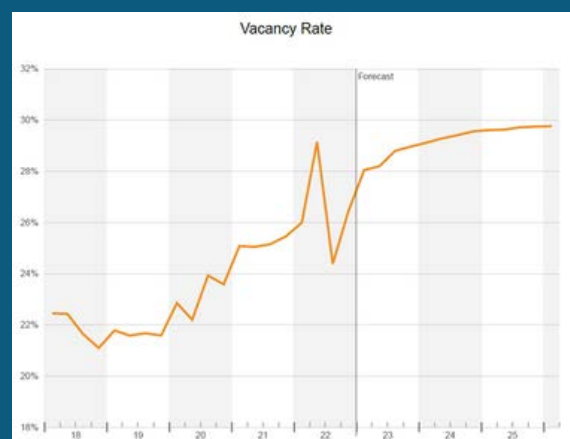
Axios Dallas:

Dallas office occupancy rates are above national average

March 30, 2022



Source: CoStar



Source: CoStar

Office

Downtown saw 121 deals in 2022 for 1,044,965 square feet, with gross asking rents as high as \$53.65 per square foot. Major leases in 2022 included:

Company	Building	Sq. Ft.
Kessler Collins	Ross Tower	13,745
Stinson Llp	2200 Ross	16,732
Tangram	300 Pearl	10,836
Gibson Dunn (expansion)	Trammell Crow Center	26,544
Step toe & Johnson	Ross Tower	14,300
Grant Thorton	Ross Tower	24,600
Godwin Bowman	Ross Tower	24,616
Mint Dentistry (expansion)	Bank of America Plaza	13,762
Frontline Resource Group (expansion)	Bank of America Plaza	10,379
Munsch/Hardt (renewal)	Ross Tower	77,009
Calloquy	The Luminary	10,460
Lument	Plaza of the Americas	22,725
Lerma (expansion)	The Luminary	27,598
Goldman Sachs	717 Harwood	138,451
Dykman Gossett PLLC	Comerica Bank Tower	42,266
Imaginuity	One Main Place	14,003
Altruist	300 Pearl	13,369



Trammell Crow Center



Comerica Bank Tower

Office - Transactions

Twenty buildings also changed hands last year in Downtown. Among those transactions, Newcrest Image sold four hotels from their Downtown portfolio to Summit Hotel Properties. The four structures house 573 rooms. Three of the buildings are on Commerce Street and one is in the West End.

On the larger end, Woods Capital acquired Bryan Tower, a 1.1-million-square-foot office tower situated near the St. Paul DART station. San Antonio-based GrayStreet Partners purchased Renaissance Tower, a 1.7-million-

square-foot behemoth. And Harwood International purchased the Luminary, a 169,000-square-foot office building in the West End that is now fully leased.

Abacus Capital Group out of New York purchased the 31-story Mosaic Apartment building. At 440 units, the Mosaic is second in total units only to the Camden in the Farmers Market. The former 442,545-square-foot office building was converted to apartments in 2007 and houses its own parking garage and almost 20,000 square feet of retail space.

The Dallas Morning News:

Downtown Dallas' Bryan Tower has sold to developers for redo

February 21, 2022

D Magazine:

Harwood Acquires 169,000-Square-Foot Office Building

July 21, 2022



The Luminary

Multi-Family By The Numbers

89.8%

Occupancy

\$2.24

Average asking rent
per square foot

1,097

Total units under
construction

217

Total units delivered
in 2022

Multifamily

DFW apartments have been in high demand for the better part of a decade.

CoStar tracks close to 1 million units in the DFW MSA, reporting a low 8.1% vacancy rate. With demand subsiding, and supply chains opening for contractors, rents are showing signs of stabilization.

In Downtown, our 9,413 units stood 90% occupied at the end of 2022. There are currently 1,097 units under construction that are due to be delivered by 2025. Last year, market asking rent topped out at \$2.35 per square foot before declining to \$2.24 per square foot. With luxury units delivering in the

near term, we see average rents edging up a bit through 2023.

The average asking rent for a one bedroom in Downtown Dallas was \$1,767 or \$2.12 per square foot. However, after removing the top four most recent (and most expensive) deliveries, the average market asking rent recedes to \$1.89 per square foot and one bedrooms are leasing at \$1,615 or \$1.95 per square foot. There are nearly 8,000 units in this price range, and vacancy at those 36 buildings averages under 8 percent.



Source: CoStar



The Galbraith, a 217-unit mixed-income multifamily property on the east side of Downtown opened in 2022. The property contains 51% affordable workforce housing units and features 12,000 square feet of retail space. Tenants enjoy an amenity deck, pool, community space, gym, and more.

Retail & Restaurant By The Numbers

10

Restaurant Openings
in 2022

200+

Restaurants/Bars in
Downtown

New Restaurant	Location
Freebirds World Burrito	2000 Ross
Sweet Tooth Hotel	Elm Street
Blank Canvas	The Atelier 1801 N Pearl
Easy Slider	AT&T Discovery District
ICHI	AT&T Discovery District
The Reserve	Dallas Farmers Market
Birdie	AT&T Discovery District
French Room (re-opening)	The Adolphus
Stepchild	AT&T Discovery District
Brass Ram	East Quarter

Retail & Restaurant

Retail activity picked up in 2022 as more shoppers, office tenants, and visitors returned.

The Downtown Dallas Neiman Marcus flagship location was the top performing Neiman's store in the nation against year-over-year sales. The legendary retailer topped off the year with a special unveiling of a Baccarat crystal Christmas tree featuring special guest Martha Stewart.

Downtown Dallas, Inc., brought the Unbranded pop-up market back with a new location at 1511 Main St. Entering 2023, the shop features Ora et Labora (OETL), Good Cycle Dallas, Good Things Vintage, P.B.N. World, Crescente Patricio, and East on Rodeo. The store operates Wednesday through Saturday from 11 a.m. – 7 p.m.

After shopping at Unbranded, you can enjoy the delicious Italian cuisine of Sassetta at the Joule Hotel on Main Street. The concept closed its location in the Design District in 2020 and opened in the space formally occupied byAmericano in April 2022 under the leadership of executive chef Jason Zygmunt. Sassetta is open for dinner Tuesday through Thursday from 5 – 10 p.m. and Friday and Saturday from 5 – 11 p.m. Lunch service is returning soon.

Other recent additions to the Downtown scene include the Instagram-friendly immersive art spot and bar, Sweet Tooth Hotel. The flagship location of the interactive museum features several rooms of installations from local artists where guests are encouraged to pose, snap, and influence. The attraction also features a cocktail bar, where patrons are invited to sample from their menu of candy-inspired cocktails as well as their recent cookie-flavored cocktails made in partnership with the Girl Scouts of America.

Dallas Observer:

Sweet Tooth Hotel Has a New Dreamland Space Downtown

October 4, 2022



Sweet Tooth Hotel, 1511 Main St.

Paper City:

With a Slick Design and 'Wall Couture,' Sassetta's Downtown Dallas Comeback Commands the Joule Lobby

June 3, 2022



Sassetta, 1530 Main St.

Retail & Restaurant



Starship Bagel, 1520 Elm St., #107



Unbranded, 1511 Main St.



AT&T Discovery District, 308 S. Akard St.

This year, we also welcomed an old friend of the district back into the fold as serial entrepreneur Oren Salomon opened his passion project. Starship Bagels has landed in Downtown Dallas at a location on the Stone Street Plaza next to the Eye sculpture. The shop has been well received by residents and office tenants; even the most critical of Yankee transplants toasting Salomon's mouth-watering bagels and delectable schmears.

Finally, the East Quarter's much-anticipated steakhouse, Brass Ram, has opened its doors. The latest concept from Nick Badovinus debuted on the second floor of the iconic 2130 Commerce Street flatiron building. The restaurant is described as an intimate steakhouse offering USDA prime steaks along with other favorites and a bar menu that features over 70 bourbons and whiskeys.

Market rent for Downtown retail space has been increasing steadily since the opening of the AT&T Discovery District in mid 2020. Reported average asking rents for retail rested at \$26.35 per square foot at the end of the year. Retail asking rents range radically in the submarket, from as high as \$60 to as low as \$17, many landlords are willing to work with a tenant over time to help strengthen the overall market and ensure variety for office and residential tenants and conventioners.



Brass Ram, 2130 Commerce St..

Hospitality By The Numbers

2.9M

Downtown
convention visitors

122

Downtown
conventions in 2022

9,511

Rooms across 28
Downtown hotels

Hospitality

It was a comeback year for the hospitality industry in Downtown, with predictions for a record breaking 2023.

Occupancies were over 60% six months out of the year and were south of 50% only twice. For the year, Downtown hotel occupancy averaged 59.6%. In the fourth quarter, October saw 71.2% occupancy, buoyed by the State Fair of Texas and the annual Texas-Oklahoma game at Fair Park.

Among large conventions were The Society of Office and Industrial Realtors, The Annual Law Enforcement Expo, and the Urban Land Institute's Fall Meeting and Expo. October also saw the year's highest average daily rate, revenue per available room, demand, and total revenue.

	Occupancy	ADR	RevPAR	Room Revenue
October	71.2%	\$250.14	\$178.02	\$55.6M
November	55.9%	\$217.13	\$121.47	\$37.3M
December	43.4%	\$203.78	\$88.47	\$28.1M



The Downtown core is home to almost 30 hotels, housing 9,511 hotel keys. Another 267 rooms are on the way this year with the opening of the JW Marriott in the Arts District. With news of a redeveloped Downtown convention center by 2028, even more hotels are in the planning stages. Pictured above left is the JW Marriott and, at right, the lobby of the Thompson Dallas hotel, which opened in 2020 inside the former First National Bank building, now known as The National.

Look Ahead

Buildings continue to change hands in the Downtown core, with billions of dollars in new developments on the horizon.

The sale of Renaissance Tower to San Antonio-based Graystreet will see the iconic structure re-imagined as a 1.7-million-square-foot vertical mixed-use development in the coming years.

The 440-unit Mosaic apartments also changed hand, purchased by Abacus Capital Group, an investment firm out of New York. The firm manages approximately \$2 billion in assets in over 20 markets.

Many more planned projects are moving forward. Among them:

- The Dallas City Council in June signed off on key funding for DDI Board Member Hoque Global's \$400 million One Newpark development south of City Hall. The company has been working for years on plans for the almost 20-acre district, including a 38-story office, residential and hotel tower to be built in partnership with Omaha-based Lanoha Real Estate Co.

- Woods Capital will be reducing office capacity in favor of residential units at Bryan Tower. The group has hinted that as much as 500,000 square feet of the building could be converted to residential apartments in the near term.
- Chicago-based 3L Living purchased the seven-story 501 Elm Building in the West End. The 119-year-old building, which currently houses creative office suites, will be converted to up to 140 apartment units.
- Woods Capital and Kaizen Development Partners continue to push forward on the Field Street District. The firms are planning to construct a transformative mixed-use development on the parking lots at Field Street and Woodall Rodgers on the north side of Downtown. Boasting a “vibrant, green neighborhood”, the development will contain office, residential and retail. Construction could begin as soon as this year.



One Newpark



Field Street District

Look Ahead

Projects - Under Construction

Project	Developer	Description
Harwood Park	Parks for Downtown Dallas	4 Acre Park
County Garage	Dallas County	Parking Garage & Retail
Santander Tower	Woods Capital	Office conversion 228 living units
1601 Bryan	Todd Interests	293 living units / 495K sf office
JW Marriott	Sam Moon	283 Hotel Keys
Celebree School	Celebree School	13,000 sf day care and school
Modera St Paul	Mill Creek	Mutli-Family
Pearl Street Lofts	Spectrum	100 living units

D Magazine:

Assessing Dallas' Next Convention Center, a Project Worth Billions That Will Change Downtown

February 17, 2023



Convention center renderings courtesy of Visit Dallas

Projects - Announced

Project	Developer	Description
Newpark	Hoque Global	Mixed use
Field Street District	Woods/Kaizen	Mixed use
KBH Convention Center	City of Dallas	Convention and Event Space
Former Dallas Morning News	Charter Holdings	Hotel and Multifamily
Dallas Gateway	Portman	Mixed use
501 Elm	3L Real Estate	Office/Resi Conversion
Green House	Woodfield	300 Living Units
Bryan Tower	Woods Capital	Office/Resi Conversion
Comerica Tower	Woods Capital	Office/Resi Conversion

Closing

We are finally seeing a stabilized market across sectors after more than two years of uncertainty.

New office trends and consumer habits have settled into a steady pattern. Downtown has proven itself to be a draw for workers and companies seeking a vibrant, amenity-rich experience seldom replicated in the region.


With nearly 2 million square feet of conversions underway, Downtown is setting the bar in the national race to build dynamic livable city centers. Over the last two decades, Downtown has shifted from a single-use district to a multisector powerhouse. Our growing neighborhood now boasts nearly 15,000 residents, and over 10,000 hotel rooms in 28 properties, while maintaining the densest geographic concentration of commercial office space in North Texas.

Downtown finds itself in an enviable position in 2023, leveraging these successes and anticipating new ones. This includes the planned opening of Harwood Park, detailed planning for the redevelopment of over 30 acres, and the planned renovation of the Kay Bailey Hutchison Convention Center. Significant development projects include 1100 McKinney in the Field Street District, 2500 Ross announced by Portman Holdings, and the One Newpark development connecting Downtown to the Convention Center and Cedars.

Downtown is in an unprecedented position to continue to be a national model for revitalization and growth.



Carpenter Park, now the largest park in Downtown



This report is created and updated by the Downtown Dallas, Inc., team based on the latest data from CoStar, CBRE, JLL, the DDI economic development team, and public sources. For more information, please visit [DowntownDallas.com](https://www.downtowndallas.com).

To explore our national economic development campaign, visit [DowntownDallasNow.com](https://www.downtowndallasnow.com).

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