

DOWNTOWN DALLAS

State of the Market



It is exciting and energizing to have joined Downtown Dallas, Inc. as president and CEO during this time of historic momentum and growth for our urban core. Though I am new to DDI, I have spent most of the past 15 years working in and around Downtown, including the last six years based at The Majestic Theatre as the Director of the City of Dallas Office of Arts and Culture. So, I am intimately familiar with the incredible transformation of Downtown and the key role that this 100-person placemaking and economic development nonprofit plays here. I'm also keenly aware that the most successful organizations and cities use clear metrics to measure and report on progress.

That is why I am so excited about this State of the Market series, now in its third year of quarterly publication. In the ensuing pages, our Economic Development & Planning Team brings you the latest information and insights on the performance of sectors including multifamily, commercial office, hospitality, retail, restaurant, and construction.

You will learn more about The Galbraith, the latest Matthews Southwest project that includes much-needed workforce housing for Downtown residents. We will share information on new ownership of three towers and statistics on the rising return of workers to Downtown, the flourishing convention and tourist industry, several hot new restaurants, and the incredible draw that is the AT&T Discovery District. We will take you inside the planned \$3.5 billion Newpark Dallas District on the south side of Downtown, as well as the \$2 billion vision for a convention center that reconnects our City Center to the south. And we will give you a glimpse of the newest – and biggest – park in Downtown Dallas, Carpenter Park – and preview another new park coming about this time next year.



Since my first day on the job earlier this year, our weeks have been filled with grand openings, news of corporate relocations, and development announcements. It is impossible to set foot Downtown and not feel the excitement in the air. We are thrilled to bring you our latest State of the Market update and we hope to see you Downtown soon.

Jennifer Scripps

President & CEO, Downtown Dallas, Inc.

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.



AMLI Fountain Place

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

As of today, the DFW market reports just under 40,000 multifamily units under construction, with over 300 Downtown.

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



Demand for rental housing in the DFW market remained high in the first quarter, with CoStar reporting an overall vacancy of just 6.21% for all properties and just 5.15% in stabilized properties.

In Downtown, recently-completed luxury projects continue to lease well. Current vacancy rate for all Downtown properties is 12.3% and a low 5.8% amongst stabilized buildings. Concessions continue to fall in the first quarter where CoStar reported 1.6% concession rate for Downtown apartments, down from 2.07% in the prior quarter.

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. The Galbraith, Matthew Southwest's 217-unit apartment building just north of Carpenter Park, is open with over 100 units of workforce housing and leasing fast.

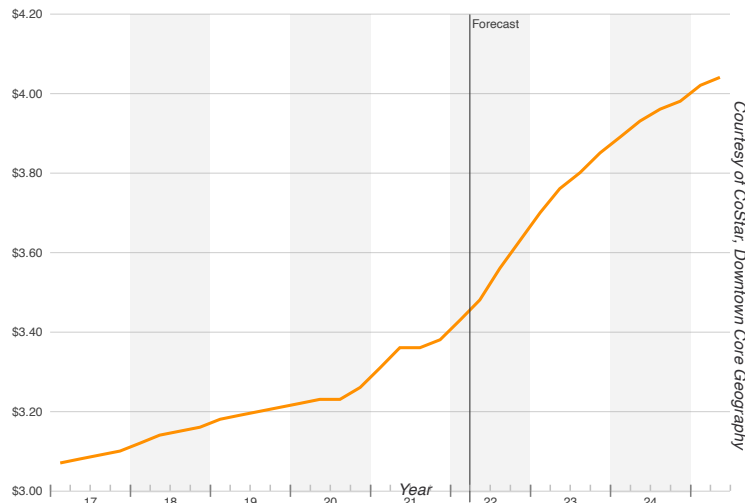


AMLI Fountain Place

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; at the end of the first quarter of 2022, the average asking rent closed at \$2.25 per square foot. This is forecasted to increase until new supply brings some relief for renters.

The AMLI Fountain Place sits on the edge of the Dallas Arts District, just west of Klyde Warren Park. This LEED Gold structure features landscaped terraces with lounge seating, heated pool with private cabanas, and a 45th floor sky lounge with panoramic views of our city. This pet-friendly community also offers grooming rooms and a private dog park, plus coworking spaces with conference rooms for those working from home. AMLI Fountain Place's concierge team and resident lifestyle manager are available to residents and guests.

Market Asking Rent Per SF



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5/27/2022



AMLI Fountain Place

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

We will continue tracking single-family and multifamily starts, including building conversions, in the area. Monitoring living units is crucial as demand continues to rise and job growth in the state increases.

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.

And work has finally started at Centurion's 246-unit building at 2200 Jackson. The new building will sit atop an existing parking garage and will rise seven stories above 6,000 square feet of ground-floor retail. Residents will overlook Harwood Park, also under construction.

We anticipate continued activity in the multifamily sector driven by low supply and high demand. As apartment occupancies stay above ninety percent, rents will also continue to tick higher with concessions remaining low, until new deliveries bring renters more options through planned developments and active construction.

Coastal migrants continue to fuel occupancy in Downtown residential structures.

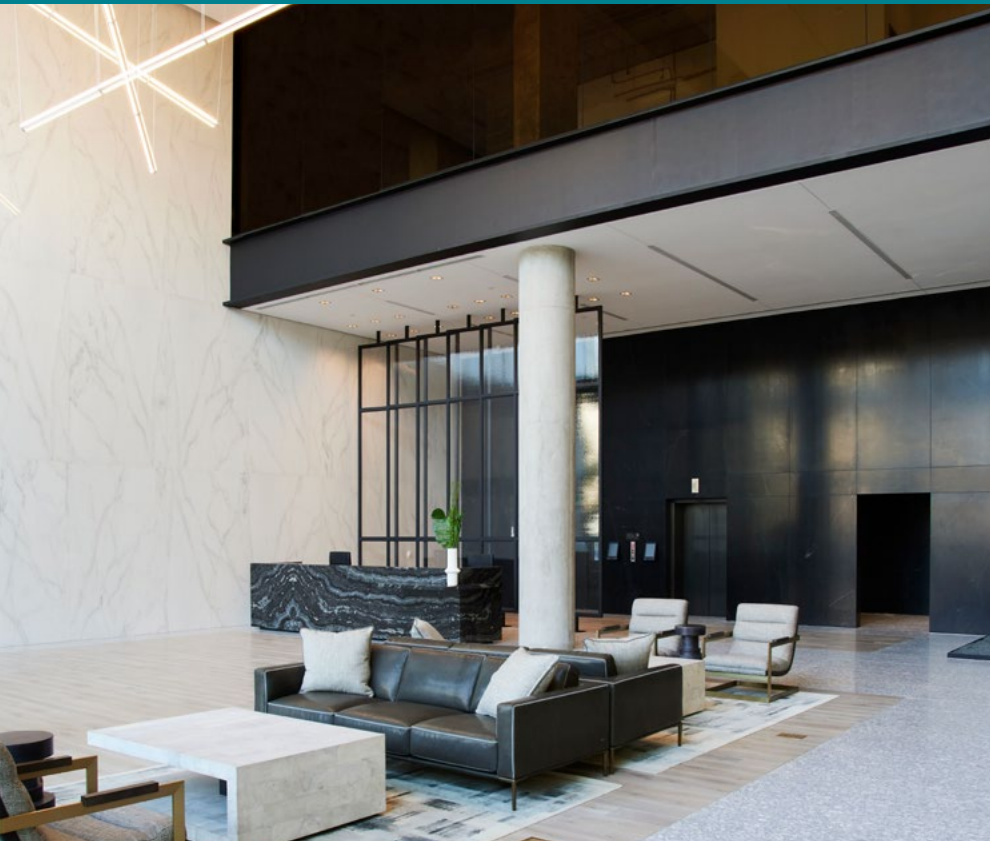
The Dallas Federal Reserve reports that the Texas economy has continued to expand and is one of only four states that has exceeded its pre-pandemic level of employment. This comeback has been led by three sectors: trade, transportation, and utility (+20.2%), professional and business services (+15.3%), and finance (+6.6%). Dallas is a strong market in all of these sectors, and professionals continue to migrate here for employment.

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.** Districts surrounding the core are currently only 8% vacant, and there are over 3,000 new units currently under construction. These projects run from 10 to 500-unit complexes with asking rents still being determined.

Builders continue to monitor material pricing daily while working closely with designers in an effort to lock in low pricing on steel, wood, and appliances well in advance to keep developments on budget. This also applies to skilled labor: we're seeing general contractors locking in their subs up to a year in advance.

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.



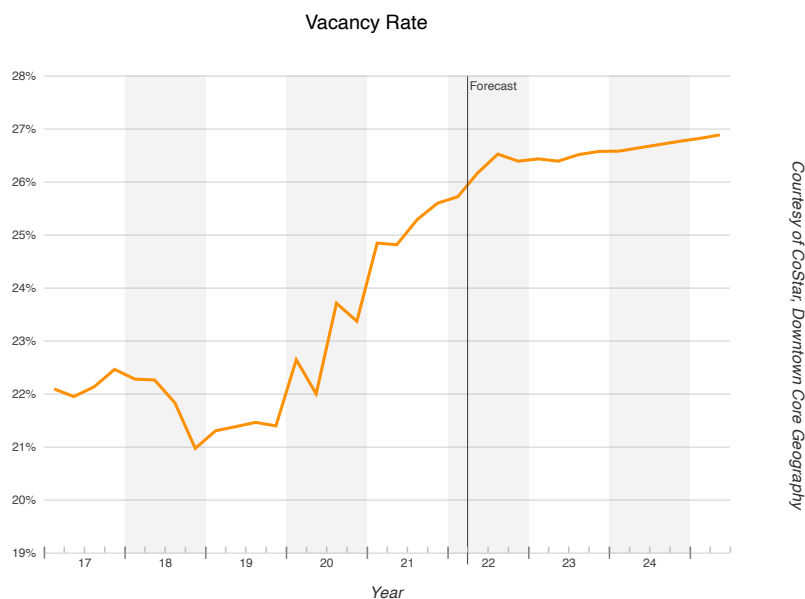
300 Pearl / East Quarter

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.

Recent building transactions show increased interest in Downtown structures.

CBRE showed 108,572 of positive net absorption in Downtown in the first quarter of the year. The submarket continues to draw the interests of firms expanding into the market and regional relocations.



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5/27/2022

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

Brokers were busy Downtown in Q1, inking 34 deals for 238,728 square feet. The largest lease was Gibson Dunn at Trammel Crow Center for 26,544 square feet.

Industries across the board are moving Downtown. The first quarter attracted law firms, financial institutions, accounting firms, consulting groups, and new technology companies.

Dallas Morning News

**Downtown Dallas
Development will Convert
Offices to Apartments and
Add New Towers**

Q1 leases include Gibson Dunn in Trammell Crow Center, Tangram in 300 Pearl, and more.

Tenant	Square Feet	Building
Axis Energy Services	3,677	Bank of America Plaza
CFGJ LLC	4,600	Santander Tower
Digital Verdict	3,017	Bank of America Plaza
Gibson Dunn	26,544	Trammell Crow Center
Kessler Collins	13,745	Ross Tower
Stinson LLP	16,732	Chase Tower
Tangram	10,000	300 Pearl
Zweig Group	3,446	Bank of America Plaza

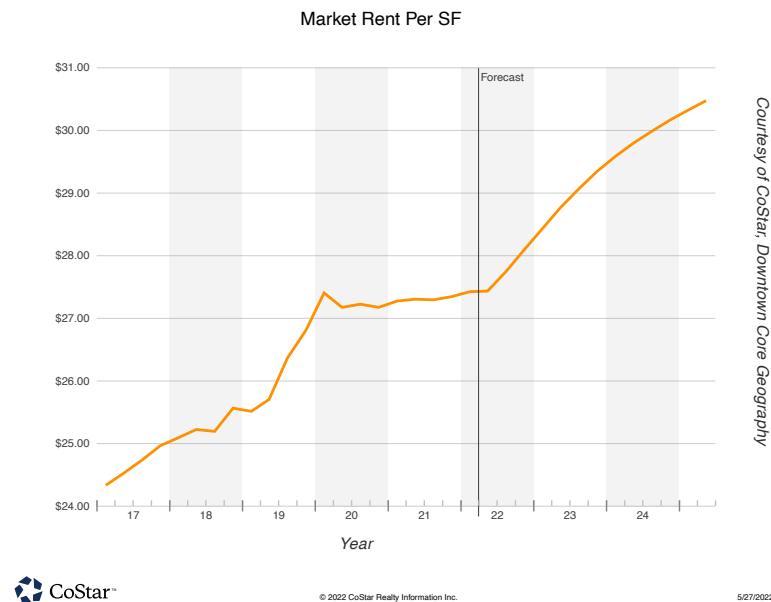
Dallas Morning News

**Law Firm Heads
Downtown with
Lease in the Works
at Chase Tower**

Dallas CultureMap

**Dallas-Fort Worth
Towers Among Top
Commercial Real
Estate Markets
in 2022**

Downtown core market asking rents average \$26.62 per square foot for all property classes. CoStar continues to see modest rent growth throughout the new year.



Last year started with more cautious employers. Now, we see companies looking to the future, eyeing new Downtown projects and 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.

CoStar shows DFW sublets holding steady at 10.4 million square feet or 14% of available space. Downtown is 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 \$29.19 per square foot.

New ownership will refresh and reposition structures in the Downtown core.

Several buildings changed hands Downtown in the first quarter. Landmark structures, including Trammel Crow Center and Bryan Tower, are now under new ownership, as are historic structures.

12 Downtown properties changed hands in Q1 with more currently being negotiated. For many of these structures, this will signal a renovation; for others, a conversion to highly sought-after apartment units or hotel rooms. Downtown and the surrounding submarkets have been attracting new investors, both foreign and domestic, for the past decade.

Four of the properties are hotels: Springhill Suites, Hampton by Hilton, AC Marriott, and Residence Inn – all from the Newcrest Image portfolio to Summit Hotel Properties. There are 573 total keys in the four hotels. Woods Capital has purchased Bryan Tower to convert a portion to multifamily housing. Trammel Crow was purchased by Regent, and Third Rail Lofts on Main have been acquired by New York's Sentinel Real Estate Corporation. They have rebranded the building to Main 3 Downtown. Finally, the former site of Iron Cactus has been acquired by Headington Companies. The three-story 17,224 square foot restaurant sits on Pegasus Plaza and is being actively marketed by CBRE for re-tenanting.



Carpenter Park at Night

HOSPITALITY

Hotel performance continues to improve in Downtown, showing a steady climb back to pre-pandemic levels.



Joule Hotel Lobby

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 report increased occupancies and higher rates.

Pent-up travel demand, rising consumer confidence, and increased attendance at conventions have all contributed to the continued recovery of Downtown hotels.

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

Dallas welcomed 36 conventions in Q1, and 26 of those were hosted within the Downtown Core. Large groups included The Dallas Safari Club, National Cheerleaders Association, Helicopter Association International, and Dallas Auto Show. Downtown's leading attraction, the AT&T Discovery District, welcomed 512,742 visitors in the first quarter. Guests are drawn to the district with live music, sports on the big screen, and an unprecedented mix of restaurant options from a variety of notable restaurateurs.

The hospitality industry continues to improve through supply chain issues, inflation, and staffing shortages. Occupancies are trailing pre-pandemic levels but are increasing each month, apexing in March at 64.1%. This is the highest occupancy rate for Downtown hotels since February of 2020 (77.2%). February saw the average daily rate crest the \$200 mark again, and revenue per available room reached its highest mark in 25 months, peaking in March at \$137.

"Hospitality providers remain optimistic, watching increasing inbound international travel along with more employees returning to the office and large companies lifting travel restrictions. **CBRE now forecasts RevPar to reach 2019 levels by the third quarter of 2022, twelve months earlier than previously predicted.**" *Lodging Magazine*

According to STR and our friends at Visit Dallas, Downtown hotel KPIs continue to improve and are approaching 2019 levels. March ADR and room revenues exceeded 2019 marks.

	Jan-21	Feb-21	Mar-21
Occupancy	41.4%	55.4%	64.1%
ADR	\$193.17	\$209.77	\$213.81
RevPAR	\$79.90	\$116.13	\$137.00
Revenue	\$25.5M	\$33.4M	\$43.7M

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

According to Reuters, increased bookings in hotels during spring break and this summer indicate a stronger year for the travel and hospitality industry as a whole. Demand for domestic travel is rising as fast as fuel prices and is 49% higher than Q1 of 2021.

Hotel numbers will continue to improve throughout the year, and Downtown will continue to welcome tourists and conventioners as the nation relaxes protocols and sanitation standards remain high.

RETAIL & RESTAURANT

Brick and mortar interest increases as new tenants scramble to lock up the best spaces Downtown.



Joule Hotel Shop

New restaurants and retailers are popping up, with more on the way. Growing residential density and heavy pedestrian traffic have increased interest in ground-floor vacancies.

Recent surveys from Deloitte show that discretionary spending has held steady and consumers feel safe out shopping, and **we continue to witness this trend Downtown with increases in visitors and activity driving interest in new ground floor space.**

Consumer spending continues to rise in 2022 as more Texans return to restaurant and shopping centers.

The Dallas Federal Reserve reported an overall rise in consumer spending in Texas, and total debt and credit card spending were up in March – likely due to increased spring break activity.

Despite rising prices and global supply chain issues, The U.S. Census Bureau also reported increased retail activity in the first quarter. National retail sales have improved with each of the last five quarters, as online commerce has dropped slightly from 14.9% of total sales in 2021's Q1 to 14.3% in 2022.

Q1 closed on a high note as consumer confidence rose for the first time this year. Even as gas prices rise and the war in Ukraine lingers, Americans have a generally positive outlook regarding their finances. The Index closed at 107.3 after falling throughout the quarter, bottoming out in February at 105.7. MarketWatch reported that consumers predict inflation rising to 7.9% over the next 12 months.

A strong labor market and a shift in power from management to employees are giving American consumers confidence in their financial futures. This is apparent Downtown where we are seeing increased bookings to the point of sell-outs at personal services and increased traffic in our restaurants and retailers.

Downtown posted positive absorption in the first quarter with leases signed throughout the submarket.

The DFW market echoed the national trend toward brick and mortar retail, showing over 1.6M square feet of positive absorption.

Retailers continue to open Downtown. Recently signed leases and rumors of deals in the works are passed around as construction continues on the much-publicized Sweet Tooth Hotel on Elm Street.

Dallas CultureMap

Immersive Innovative Art Gallery Finds Permanent Digs in Downtown Dallas

Retail asking rents rose 5.4% to \$26.13 per square foot Downtown. Generous terms offer great opportunities for local startups and other eclectic retailers.

Leases are being signed in the East Quarter and Main Street corridor, and we are now anxiously awaiting the announcements that follow. We have also seen increased interest in the Dallas Arts District as the JW Marriott inches closer to opening.

Interest in the market increases as more tours are being conducted, and terms are being discussed for available storefronts throughout Downtown.

There's so much fun Downtown, especially at the AT&T Discovery District and in the parks. DDI's popular programming includes salsa lessons, movies, markets, and concerts. Local retailers continue to promote their businesses through special events and happy hours. Stay tuned to DDI's social media for event announcements.

A strong year is expected for Downtown retail with multiple openings on the horizon and more exciting pop-ups. Check out downtowndallas.com to keep up with events and openings.



Jaxon / AT&T Discovery District

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.**

The Beehive (Now Open)	1514 Elm
Freebirds World Burrito	2000 Ross
Lit Kitchen & Lounge	609 Harwood
Mi Cocina On the Park	Klyde Warren Park
Rodeo Bar	The Adolphus Hotel
Sassetta (Now Open)	The Joule Hotel
Sweet Tooth Hotel (Coming Soon)	Elm Street
Toussaint	Saint Elm Hotel
WICH! by Which Wich (Remodeled)	1410 Main

Downtown restaurants go the extra mile to attract new guests and keep regulars coming back for more.

The new year welcomed back an old friend as the revolving door at the legendary Rodeo Bar at the Adolphus Hotel spun again. After a lengthy remodel, guests are enjoying cold beer, creative cocktails, and a fantastic menu. Peek around the bar and find the downstairs lounge, complete with darts, an all-country jukebox, and a pool table to boot.

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

Dallas CultureMap

**Steakhouse with Celeb Chef
and Wow Factor Debuts in
Downtown Dallas**

CONSTRUCTION

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



Harwood Park Under Construction

Planned projects press on.

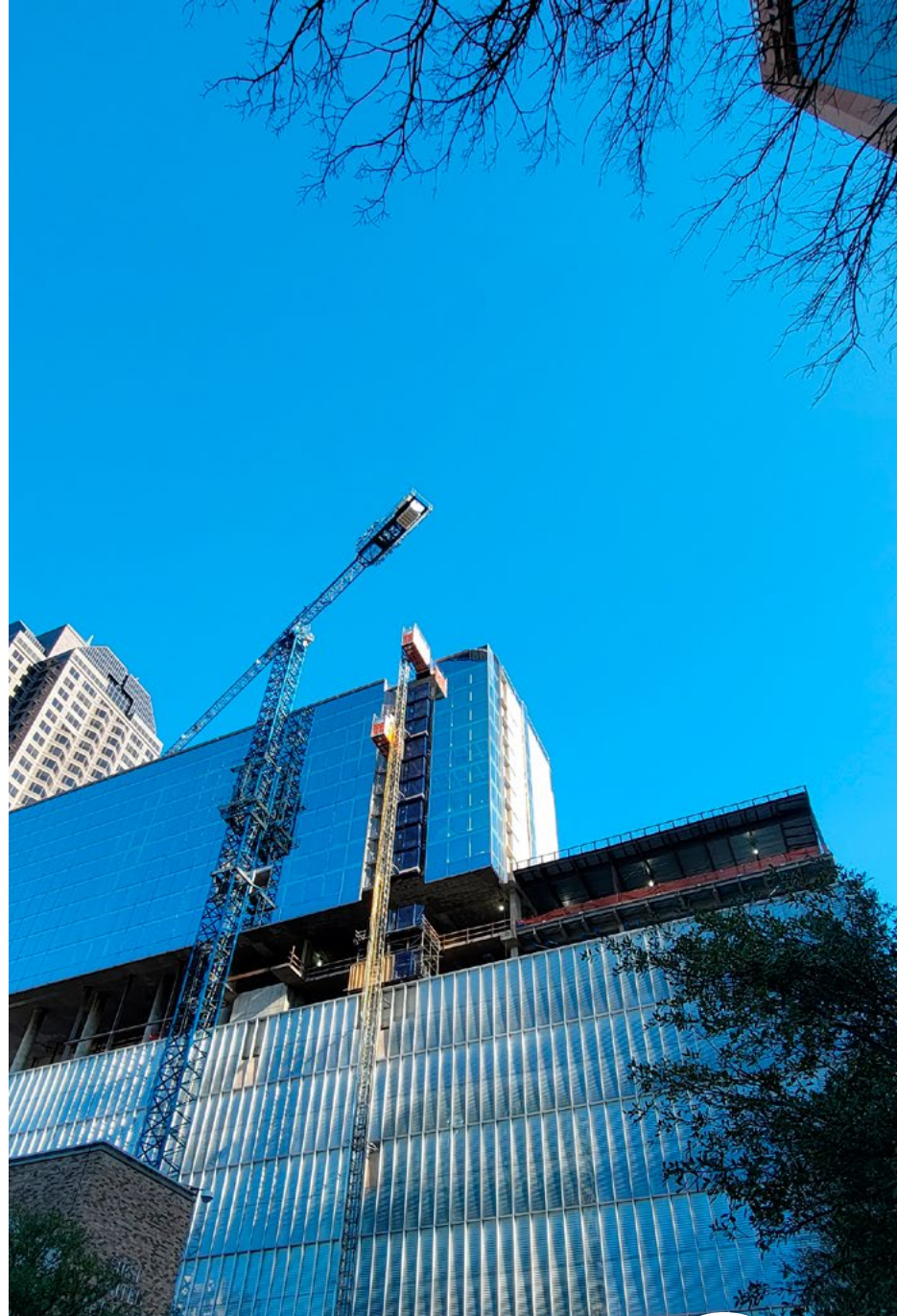
Recent successes and project completions, and the resilience of the Downtown market, have continued to prompt planning on new ground-up proposals and future phases of recently-completed projects.

300 Pearl (Now Open)	Mixed Use	519,000 sf
The Galbraith (Now Open)	Multifamily	448,500 sf
2000 Ross / JW Marriott Hotel	Hotel	445,000 sf
Carpenter Park (Now Open)	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 or visit the New + Noteworthy page under the business tab on downtowndallas.com.

The Dallas Morning News

**Dallas' Field Street is the New
'Center of Gravity' Downtown**



JW Marriott Hotel

Dallas City Council has approved the Kay Bailey Hutchison Convention Center Master Plan. This ambitious plan will reward the city with a state-of-the-art complex that will draw conventions and events from around the globe while catalyzing new developments on Downtown's southern side. On April 27, the City Council elected to ask voters to decide if the hotel occupancy tax should be raised by 2% to fund the new convention center and improvements to Fair Park. The Brimer Bill, as it is known, will be on the ballot for the November 8th election.

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

In partnership with KDC and Lanoha Real Estate, Hoque Global 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.

At newly-opened Carpenter Park, the fountain is flowing, the lawn is lush, and people of all ages are enjoying the basketball court. With the opening complete, Parks for Downtown Dallas turns its attention to the construction of Harwood Park. The 3.8-acre park will be open in 2023 and will be the final jewel in the crown of green space in the urban core.

Dallas Innovates

Dallas Has Opened Its Newest – and Largest – Downtown Park



Carpenter Park

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 1,800 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. Dallas is a top contender as corporations continue to evaluate their office holdings and consider expanding or relocating. 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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