

# DALLAS / FORT WORTH

Cadence Market Blitz provides a snapshot into the Dallas/Fort Worth real estate market and recent notable Office, Industrial, Multifamily, and Hospitality transactions

## MARKET OVERVIEW

The Dallas/Fort Worth Commercial Real Estate market continues its trend of healthy growth driven by significant population increase, robust job and wage growth, a pro-business environment, relatively low cost of living and its centralized national location.

## KEY ECONOMIC INDICATORS

**128,500** POPULATION GROWTH YOY Q2 2019 (1st in US MSA)

**7.6MM** TOTAL POPULATION (4th in US)

**3.9%** 1-YEAR GDP GROWTH (1st in US)

**3.4%** UNEMPLOYMENT RATE (NATIONAL: 3.6%)

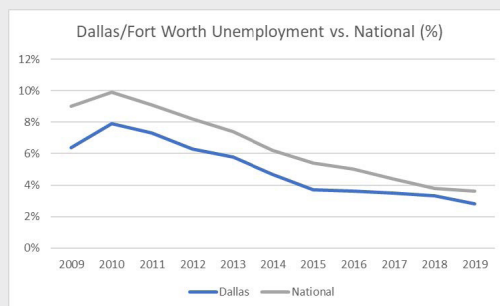
**34.9 YEARS** MEDIAN AGE (NATIONAL: 38.1 YEARS)

**\$67,382 + 3.37%** MEDIAN HOUSEHOLD INCOME (NATIONAL: \$60,336 + 2.51%)

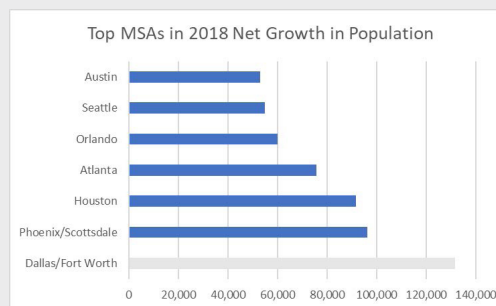
Source: Bureau of Labor Statistics & US Census Bureau

## TOP PRIVATE EMPLOYERS (NON HEALTH/GOVERNMENT)

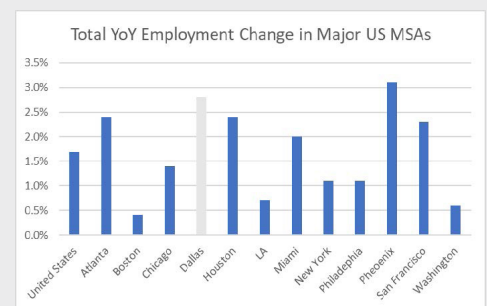
1. AMR Corp (American Airlines) - 24,700 Employees
2. Bank of America Corp - 20,000 Employees
3. AT&T - 15,800 Employees
4. Lockheed Martin - 14,126 Employees
5. JPMorgan Chase - 13,500 Employees



Source: Bureau of Labor Statistics



Source: US Census Bureau



Source: Bureau of Labor Statistics

## OFFICE

The Dallas/Fort Worth office market continued its 5+ year trend of strong growth in Q2 2019 evidenced by increasing rental rates and positive total absorption. YTD through Q2 2019 saw 407 Office transactions accounting for \$918M at an average cap rate of 7.4% and an average price/sq. ft. of \$245.79.

## INDUSTRIAL

Capital continues to pour into the Dallas/Fort Worth Industrial Sector at an unprecedented rate fueled by the area's relatively low cost of living and doing business, centralized location and strong transportation infrastructure. The first half of 2019 saw 503 transactions in the industrial space accounting for \$554M at an average cap rate of 7.8% and an average price/sq. ft. of \$81.61.

## MULTIFAMILY

The Dallas/Fort Worth area remains a national leader in job creation again this year, spurring robust housing demand. Supply has largely kept up with demand keeping vacancies relatively flat and encouraging steady rent growth. Through June 2019, there were 166 multifamily transactions accounting for \$1.26B, an average cap rate of 6.0% and an average of \$146,943/unit.

## HOTEL

The business velocity in the Dallas/Fort Worth Area has translated into solid hotel fundamentals. Occupancy, average daily rates, and revenue per available room are all at or near all-time highs.



# OFFICE MARKET OVERVIEW

DALLAS / FORT WORTH

The DFW office market continued its trajectory of positive occupancy growth and absorbed 125k+ sq. ft. in the second quarter of 2019.

**\$26.93** Q2 2019 AVERAGE ASKING RENT (+1.8% FROM Q2 2018)

**652K+ SF** Q2 2019 OFFICE DELIVERIES

**125K+ SF** Q2 2019 OFFICE NET ABSORPTION

**18.98%** TOTAL VACANCY RATE (+0.5% FROM Q2 2018)

**1.6MM SF** Q2 2019 CONSTRUCTION PIPELINE

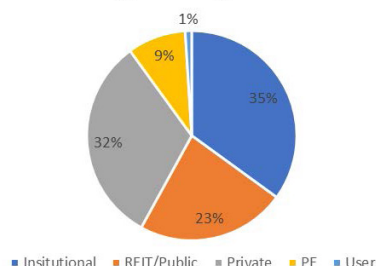
Source: Cushman & Wakefield Office Q2 2019 Marketbeat

## D/FW OFFICE CAP RATES (Q3/Q4 2018)

	Class	%	Change from Q1/Q2 2019 (bps)
CBD	Average	8.34%	-6
	AA	6.00%	-25
	A	7.00%	0
	B	9.38%	0
	C	11.00%	0
Suburban	Average	8.84%	0
	AA	7.00%	0
	A	7.38%	0
	B	9.25%	0
	C	11.75%	0

Source: CBRE Cap Rate Snapshot Report 2H 2018

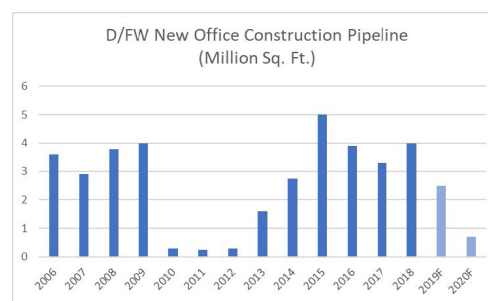
## Who is investing in Dallas/Fort Worth Office?



Source: Avison Young Q1 DFW Office

Period	Sales Volume	Average \$PSF
2018 Q1	\$322,425,988	\$213.77
2018 Q2	\$1,602,418,833	\$215.58
2018 Q3	\$811,291,122	\$216.35
2018 Q4	\$583,670,124	\$217.67
2019 Q1	\$282,852,471	\$197.14

Source: Avison Young Q1 DFW Office



Source: JLL Q2 2019 Dallas Office Report

Class	Buildings	Inventory (SF)	Sublet Vacant	Direct Vacant	Vacancy Rate	Q2 Net Absorption	Under Construction	Completions	Direct Rent
A	523	138,804,850	2,205,459	25,229,881	19.77%	1,779,889	1,494,001	652,643	\$31.36
B	1,221	88,540,250	465,040	15,700,185	18.26%	(1,580,350)	103,000	-	\$21.41
C	193	8,652,249	-	1,194,789	13.81%	(73,795)	-	-	\$16.23
<b>Totals</b>	<b>1,937</b>	<b>235,997,349</b>	<b>2,670,499</b>	<b>42,124,855</b>	<b>18.98%</b>	<b>125,744</b>	<b>1,597,001</b>	<b>652,643</b>	<b>\$30.82</b>

Source: Cushman & Wakefield Q2 2019 Dallas Fort Worth Office Report

## SELECT OFFICE TRANSACTIONS



### 1900 PEARL LINCOLN PROPERTY TOWER

Dallas, TX | 261K SF | 25 Stories  
April 2019

Buyer: State Teachers Retirement System of Ohio

Seller: Goldman Sachs (New York, NY)

Sale Price: \$180MM (\$700 PSF\*)

\*Record in the market

Link: Dallas Business Journal | This downtown Dallas tower just sold for \$700 per square foot | 4.9.2019



### INFOMART OFFICE/DATA CENTER

Dallas, TX | 1.6MM SF  
April 2018

Buyer: Equinix (Bay Area, CA)

Seller: ASB Real Estate Investment (Bethesda, MD)

Sale Price: \$800MM (\$500 PSF)

Link: Cision | ASB Agrees to Sell Infomart Dallas to Equinix for \$800 Million | 2.14.2018

## SELECT OFFICE DEVELOPMENTS



### AMERICAN AIRLINES CORPORATE CAMPUS

Fort Worth, TX | 1.7MM SF

Phase 1 Est. Completion: Q4 2019

Developer: Crescent (Fort Worth, TX/Centennial, CO)

Notes: The 5-phase, \$250MM project includes 600-room hotel, 131K SF conference center, and house 12,000 workers on roughly 300 acres.

Link: Star Telegram | American Airlines to open new Fort Worth headquarters in May | 10.29.2018



### HIDDEN RIDGE

Irving, TX | 1.125MM SF Expansion

Est. Completion: Q3 2019

Developer: KDC (Dallas, TX)

Notes: \$1B mixed use being constructed by Verizon and Pioneer Natural Resources.

Link: Dallas Innovates | Hidden Ridge: Verizon's \$1B, 5G-Enabled Development Rises From its Ranching Roots | 12.12.2018

# INDUSTRIAL MARKET OVERVIEW

DALLAS / FORT WORTH

Capital continues to pour into the Dallas/Fort Worth Industrial Sector at an unprecedented rate fueled by the area's relatively low cost of living and doing business, centralized location and strong transportation infrastructure.

**\$5.18 PSF** Q2 2019 AVERAGE ASKING RENT (-5.8% FROM Q2 2018)

**9.7MM SF** YTD 2019 INDUSTRIAL DELIVERIES

**11.05MM SF** YTD INDUSTRIAL NET ABSORPTION

**6.9%** Q2 2019 OVERALL INDUSTRIAL VACANCY RATE (+0.5 FROM Q2 2018)

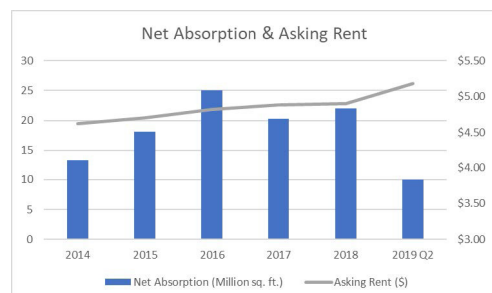
**30.2MM SF** INDUSTRIAL CONSTRUCTION PIPELINE

Source: Cushman & Wakefield Industrial Q2 2019 Marketbeat

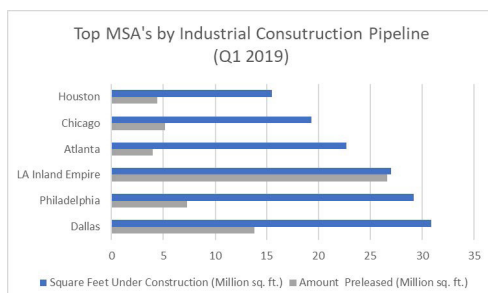
## D/FW INDUSTRIAL CAP RATES (Q3/Q4 2018)

	Class	%	Change from Q1/Q2 2019 (bps)
ALL	Average	6.08%	-4
	A	4.75%	-13
	B	5.88%	0
	C	7.63%	0

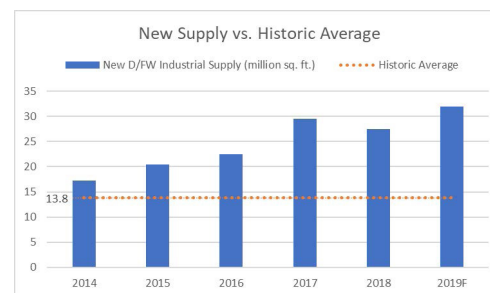
Source: CBRE Cap Rate Snapshot Dallas 2018



Source: Cushman & Wakefield Industrial Report 2019 Q2



Source: JLL Industrial Report 2019 Q1



Source: Cushman & Wakefield Industrial Report 2019 Q2

Submarket	INVENTORY			VACANCY			NET ABSORPTION (SF)			CONSTRUCTION (SF)		
	Buildings	Total SF	%	Direct SF	Direct %	Total %	Q2 Direct	Q2 Total	YTD Total	U/C	Q2 Deliveries	YTD Deliveries
DFW Airport	696	78,376,654	9.9	5,806,067	7.4	7.6	1,236,710	1,358,558	1,451,810	2,329,150	1,543,000	2,059,000
East Dallas	689	37,339,846	4.7	1,686,936	4.5	4.7	(164,672)	(194,977)	815,051	1,217,473	-	877,230
Northeast Dallas	1,740	99,974,274	12.6	5,543,053	5.5	6.5	1,006,935	839,962	778,759	327,354	1,651,166	1,797,296
Northwest Dallas	1,522	110,216,838	13.9	3,906,067	3.5	3.7	760,078	960,116	1,148,796	2,033,944	842,770	842,770
South Dallas	598	77,711,607	9.8	11,555,277	14.9	14.9	588,685	588,685	792,079	3,204,090	404,175	404,175
South Stemmons	2,732	115,690,049	14.6	4,364,733	3.8	3.9	611,536	816,315	276,893	5,315,151	-	-
Great SW Arlington	1,328	111,846,406	14.1	4,178,876	3.7	3.8	277,048	367,992	1,400,296	3,193,726	128,173	593,290
North Fort Worth	671	88,932,481	11.2	5,872,190	6.6	6.9	194,004	237,824	1,727,611	5,593,251	-	289,485
South Fort Worth	1,570	71,418,041	9.0	2,738,720	3.8	3.9	125,826	177,130	264,371	300,000	-	457,745
<b>Totals/Averages</b>	<b>11,546</b>	<b>791,516,196</b>	<b>100</b>	<b>45,651,919</b>	<b>5.8</b>	<b>6.0</b>	<b>4,636,150</b>	<b>5,151,605</b>	<b>8,656,666</b>	<b>23,514,139</b>	<b>4,569,284</b>	<b>9,930,991</b>

Source: CBRE Dallas Industrial Report Q2 2019

## SELECT INDUSTRIAL TRANSACTIONS



### 35/820 @ MERCANTILE CENTER

Fort Worth, TX | 657K SF

April 2018

Buyer: PIRET (Toronto, Canada)

Seller: Hunt Southwest (Dallas, TX)

Sale Price: \$61.4MM (\$93 PSF)

Link: [Commercial Property Executive](#)  
| HFF Arranges Sale of Fort Worth  
Industrial Property | 9.19.2018



### CENTERPORT IV

Fort Worth, TX | 495K SF

January 2019

Buyer: Global Logistics Property  
(Chicago, IL)

Seller: Hillwood Dev Corp (Dallas, TX)

Sale Price: \$33.1MM (\$67 PSF)

Link: [Bloomberg](#) | Blackstone Bets \$18.7  
Billion on Amazon Effect in Warehouse  
Deal | 6.2.2019

## SELECT INDUSTRIAL DEVELOPMENTS



### ACE HARDWARE

Wilmer, TX | 450K SF Expansion

Est. Completion: Q2 2020

Developer: CenterPoint Properties  
(Denver, CO)

Notes: The expansion will add 450,000  
SF to the original 450,000 SF that  
opened in 2014.

Link: [Dallas News](#) | Ace Hardware  
doubling its shipping hub south of  
Dallas | 5.31.2019



### STANLEY BLACK & DECKER

Alliance, TX | 425K SF

Est. Completion: 2020

Developer: Hillwood (Dallas, TX)

Notes: The property will build  
CRAFTSMAN mechanical tools. This will  
complement a previously announced  
1.2MM SF distribution location, less than  
a mile away, opening later this year.

Link: [WBAP](#) | Stanley Black and Decker  
Expanding Operations in Alliance Texas  
| 5.15.2019



# MULTIFAMILY MARKET OVERVIEW

DALLAS / FORT WORTH

The Dallas/Fort Worth area remains a national leader in job creation again this year, spurring strong housing demand. The number of households in DF/W is set to increase by about 60,000 for a second consecutive year, and developers are on track to meet a sizable share of this demand.

**5,311 UNITS** Q2 2019 MULTIFAMILY DELIVERIES

**11,523 UNITS** Q2 2019 MULTIFAMILY NET ABSORPTION

**95.1%** Q2 2019 MULTIFAMILY OCCUPANCY RATE

**3.0%** YOY Q2 2019 RENT GROWTH (\$1.31 PSF/MONTH EFFECTIVE RENT)

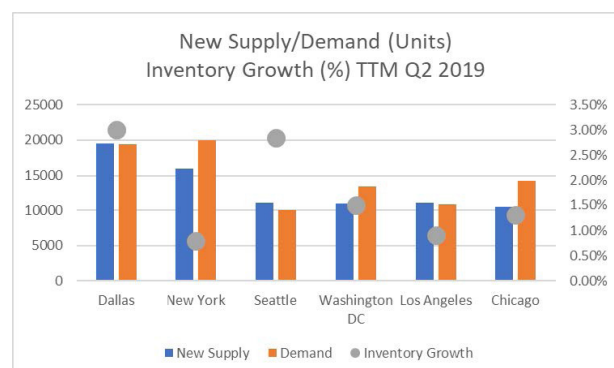
**42,622 UNITS** Q2 2019 UNDER CONSTRUCTION

Source: CBRE Q2 2019 Multifamily Marketview

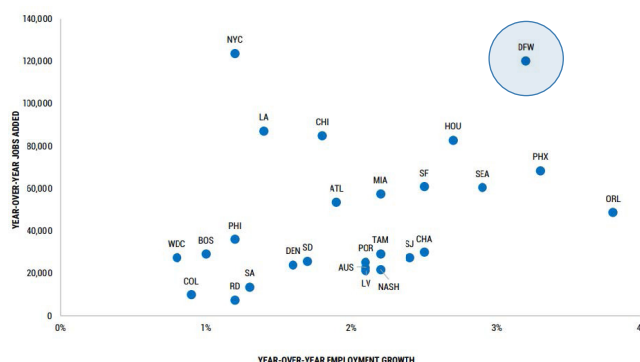
## D/FW OFFICE CAP RATES (Q3/Q4 2018)

	Class	%	Change from Q1/Q2 2019 (bps)
Infill	Average	5.42%	0
	A	4.75%	0
	B	5.50%	0
	C	6.00%	0
Suburban	Average	5.75%	0
	A	5.00%	0
	B	5.75%	0
	C	6.50%	0

Source: CBRE Cap Rate Snapshot Dallas 2018



Source: NGKF Multifamily Capital Markets Report Q2 2019



Source: NGKF Multifamily Capital Markets Report Q2 2019

Market	Unit Count	Effective Rent PSF/Month	Rent Growth YoY	Occupancy	Net Absorption Units	Under Construction Units	Delivered Units
Dallas Total	605,023	\$1.34	2.90%	95.1%	8,739	34,598	3,837
Fort Worth Total	203,314	\$1.23	3.20%	95.1%	2,784	8,024	1,474
<b>D/FW Totals</b>	<b>808,337</b>	<b>\$1.29</b>	<b>3.0%</b>	<b>95.1%</b>	<b>11,523</b>	<b>42,622</b>	<b>5,311</b>

Source: CBRE Dallas Multifamily Report Q2 2019

## SELECT MULTIFAMILY TRANSACTIONS



### MONTECITO CREEK

Lake Highlands, TX | 650 Units

February 2019

Buyer: Exponential Property Group (South Lake, TX)

Seller: Brixton Capital (Solana Beach, CA)

Sale Price: \$48.5MM (\$74.6K/Unit)

Link: [RE Business Online](#) | NorthMarq Brokers Sale of 650-Unit Multifamily Asset in Dallas | 3.5.2019



### VILLAS OF OAK HILL (DIXON AT STONEGATE)

Fort Worth, TX | 583 Units

April 2019

Buyer: Gateway Public Facility Corp (Dallas, TX)

Seller: Calpers Retirement Fund (Sacramento, CA)

Sale Price: \$31.475MM (\$53.9K/Unit)

Source: CoStar

## SELECT MULTIFAMILY DEVELOPMENTS



### DISCOVERY AT THE REALM

Lewisville, TX | 423 Units

Est. Completion: Late 2020

Developer: Bright Realty (Lewisville, TX)  
Notes: Part of a 324-acre masterplanned community including 245K SF of office and 35K SF of retail.

Link: [Multi Housing Pro](#) | Bright Realty breaks ground on 312 new apartments at The Realm at Castle Hills: Phase II of existing 423-unit complex | 6.5.2019



### THE EPIC DEVELOPMENT

Dallas, TX | 310 Units

Est. Completion: Q1 2020

Developer: StreetLights Residential (Dallas, TX)

Notes: 3-building development includes 250K SF of office, 42K SF of retail, and a 165-room hotel.

Link: [Dallas Innovates](#) | 'Epitome of Mixed Use': Old Meets New in Deep Ellum's The Epic Development | 6.19.2019



# HOTEL MARKET OVERVIEW

DALLAS / FORT WORTH

The business velocity in the Dallas/Fort Worth Area has translated into solid hotel fundamentals. Occupancy, average daily rates, and revenue per available room are all at near all-time highs.

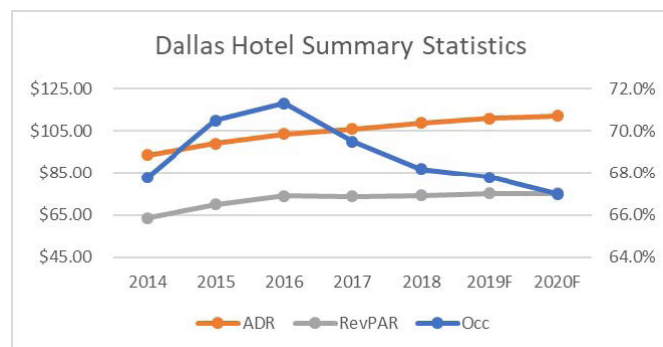
- 1.3%** DALLAS 2019 PROJECTED REVPAR GROWTH (\$74.15 TO \$75.20)
- 2.5%** FORT WORTH 2019 PROJECTED REVPAR GROWTH (\$76.27 TO \$78.16)
- 0.4%** DALLAS 2019 PROJECTED OCC GROWTH (68.2% to 67.8%)
- 0.6%** FORT WORTH 2019 PROJECTED OCC GROWTH (70.3% TO 69.7%)
- 2.0%** DALLAS 2019 PROJECTED ADR GROWTH (\$108.73 TO \$110.91)
- 3.5%** FORT WORTH 2019 PROJECTED ADR GROWTH (\$108.42 TO \$112.22)

Source: CBRE Hotel Horizons Dallas

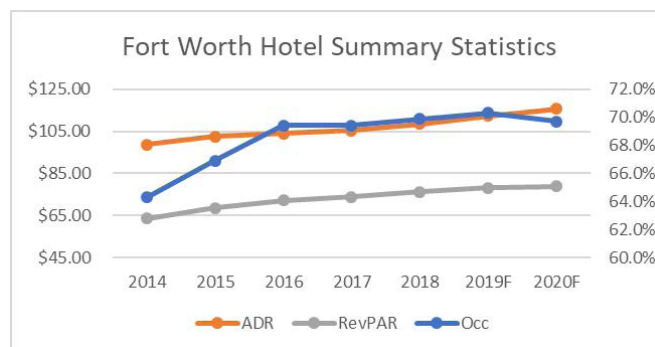
## D/FW OFFICE CAP RATES (Q3/Q4 2018)

	Class	%	Change from Q1/Q2 2019 (bps)
CBD	Average	8.28%	22
	Luxury	8.00%	0
	Full Service	7.25%	50
	Select Service	7.88%	25
	Economy	8.00%	13
Suburban	Average	8.59%	12
	Luxury	8.00%	0
	Full Service	8.25%	25
	Select Service	8.38%	13
	Economy	9.75%	12

Source: CBRE Cap Rate Snapshot Dallas 2018



Source: CBRE Hotel Horizons Dallas



Source: CBRE Hotel Horizons Fort Worth

DALLAS HOTEL FORECAST SUMMARY STATISTICS			
Year	Occupancy	ADR	REVPAR
2014	67.8%	\$93.65	\$63.49
2015	70.5%	\$99.16	\$69.91
2016	71.3%	\$103.59	\$73.86
2017	69.5%	\$106.00	\$73.67
2018	68.2%	\$108.73	\$74.15
2019F	67.8%	\$110.91	\$75.20
2020F	67.0%	\$112.15	\$75.14

Source: CBRE Hotel Horizons Dallas

FORT WORTH HOTEL FORECAST SUMMARY STATISTICS			
Year	Occupancy	ADR	REVPAR
2014	64.3%	\$98.80	\$63.56
2015	66.9%	\$102.43	\$68.48
2016	69.4%	\$103.91	\$72.15
2017	69.4%	\$105.47	\$73.71
2018	69.9%	\$108.42	\$76.27
2019F	70.3%	\$112.22	\$78.16
2020F	69.7%	\$115.64	\$78.85

Source: CBRE Hotel Horizons Fort Worth

## SELECT HOTEL TRANSACTIONS



### INTERCONTINENTAL DALLAS

Dallas, TX | 528 Keys

March 2019

Buyer: **Columbia Sussex** (Crestview Hills, KY)

Seller: **Sunshine Holdings** (Dallas, TX)

Sale Price: **\$95MM (\$180K/Key)**

Cap Rate: **6.3%**

Link: [Hotel News Resource | Intercontinental Dallas Hotel Sold and to Rebrand As Renaissance Dallas Addison | 3.15.2018](#)



### COURTYARD BY MARRIOTT DOWNTOWN

Dallas, TX | 167 Keys

December 2018

Buyer: **Chatham Lodging Trust** (West Palm Beach, FL)

Seller: **PeachState Hospitality** (Warner Robins, GA)

Sale Price: **\$49MM (\$293.4K/Key)**

Link: [Hotel News Resource | New 167 Room Courtyard by Marriott Dallas Downtown Sold for \\$49 Million | 12.6.2018](#)



### VIRGIN HOTEL DALLAS

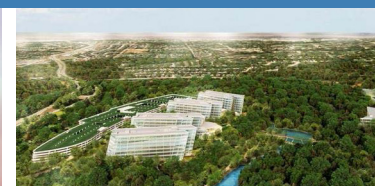
Dallas, TX | 200 Keys

Est. Completion: **Late 2019**

Developer: **Dunhill Partners** (Dallas, TX)

Notes: **Cost to build \$108MM (\$403K/key).**

Link: [D Magazine | Upgraded: Virgin Hotels Heads for Dallas Design District | 10.18.2018](#)



### AMERICAN AIRLINES HOTEL

Fort Worth, TX | 600 Keys

Est. Completion: **Early 2021**

Developer: **Bright Realty Crescent** (Fort Worth, TX/Centennial, CO)

Notes: **The 5-phase, \$300MM project includes 1.7MM SF of office, 131K SF conference center.**

Link: [Construction Dive | American Airlines building \\$250M hotel, conference center | 6.5.2019](#)