

# H1 2021 | DALLAS+FORT WORTH MEDICAL OFFICE MARKET



## Medical Office Continues To Perform In Dallas+Fort Worth

Industry Trends and Regional Growth Create Tailwinds For Sector

### EXECUTIVE SUMMARY

#### Major Market Highlights

- Hospital employment remains flat, but employment in ambulatory health services exceeds pre-COVID levels by more than 5,000 jobs
- Leasing velocity has remained solid over the last 12 months after showing remarkable resiliency during the COVID-19 pandemic
- Strong demand has sustained positive net absorption over the last 24 months
- Vacancy is down 130 bps from last year and is retreating below the long-term average of 13%
- Construction levels remain modest due to headwinds from cost increases. If strong demand continues, rent growth may accelerate and help spur new development

### OUTLOOK

#### Dallas+Fort Worth to Remain Top Market for Medical Office

Medical office performance has remained solid throughout the pandemic due to high growth in outpatient health services. Pandemic-related disruptions to hospital operations with new protocols and the delay of elective procedures may have accelerated this trend and strengthened tailwinds for medical office properties.

Dallas+Fort Worth's economic conditions and business climate have also contributed positively to medical office performance. White collar employment in Dallas is **already exceeding pre-COVID levels** and latest forecasts estimate 224,000 additional jobs will be created through 2022. Job growth has also increased in-migration, and as a result, healthcare demand will also benefit from a population increase of 227,000 new residents through year-end 2022.

Taken together, Transwestern expects medical office—particularly in the Dallas+Fort Worth market—to remain an attractive investment prospect in both the near- and long-term.

### TRENDLINES

5-YEAR TREND      CURRENT HALF

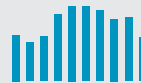
#### RENTAL RATE



**\$27.91 PSF**

Up approximately 2-3% across the market

#### LEASING VELOCITY



**618 KSF**

Remains in-line with average levels

#### NET ABSORPTION



**578 KSF**

12-month net absorption stands at positive 1.3 MSF

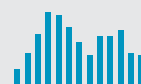
#### VACANCY



**12.9%**

Down 1.3% from last year

#### CONSTRUCTION



**453 KSF**

857 KSF has delivered over the last 12 months

#### UNEMPLOYMENT



**5.4%**

Continuing to recover, down 2.7% from last year

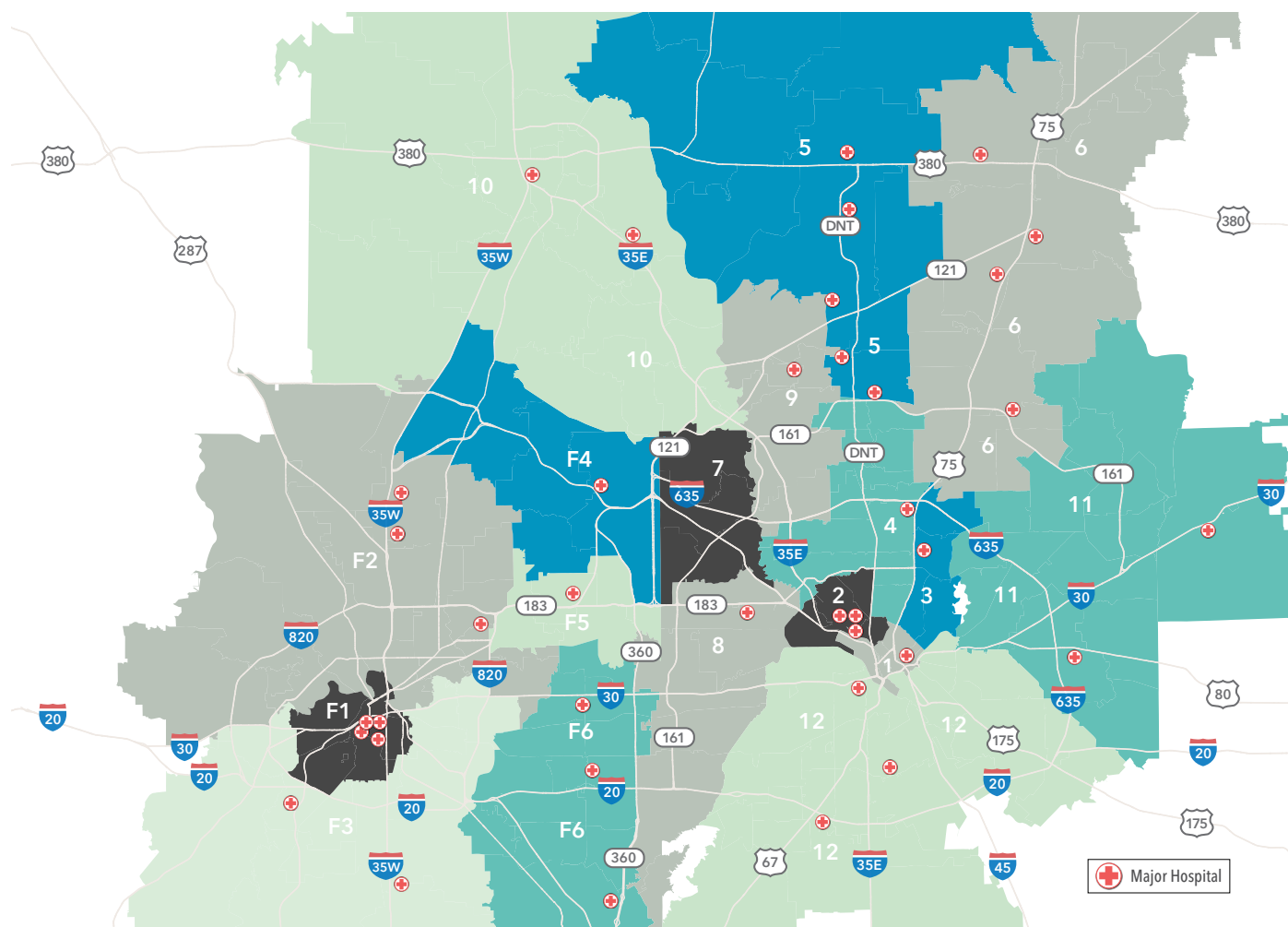
## Medical Office Market Indicators

| SUBMARKET                     | Inventory         | Direct Vacant SF | %            | Total Available SF | %            | 6 Month Net Absorption | 6 Month Leasing Activity | Under Construction SF | Average Gross Rent |
|-------------------------------|-------------------|------------------|--------------|--------------------|--------------|------------------------|--------------------------|-----------------------|--------------------|
| <b>Dallas Market</b>          | <b>29,120,026</b> | <b>4,054,087</b> | <b>13.9%</b> | <b>4,452,710</b>   | <b>15.2%</b> | <b>304,006</b>         | <b>437,701</b>           | <b>267,161</b>        | <b>-</b>           |
| Intown Dallas                 | 3,280,808         | 413,787          | 12.6%        | 406,180            | 12.4%        | 101,175                | 43,909                   | 0                     | \$27.88            |
| Southwestern Medical District | 3,020,999         | 629,705          | 20.8%        | 370,711            | 12.3%        | 28,355                 | 905                      | 0                     | \$27.26            |
| Central Expressway            | 2,924,650         | 297,318          | 10.2%        | 328,665            | 10.8%        | (96,294)               | 11,118                   | 107,000               | \$30.11            |
| Park Cities/North Dallas      | 2,720,120         | 349,449          | 12.8%        | 410,918            | 15.1%        | 111,701                | 63,627                   | 0                     | \$23.13            |
| Legacy/Frisco                 | 4,195,225         | 658,246          | 15.7%        | 762,071            | 17.7%        | 56,789                 | 86,960                   | 112,161               | \$33.35            |
| North Central Expressway      | 3,886,265         | 510,850          | 13.1%        | 556,538            | 14.1%        | (32,958)               | 119,604                  | 48,000                | \$26.97            |
| Las Colinas/Coppell           | 2,369,842         | 301,300          | 12.7%        | 698,155            | 29.5%        | (27,344)               | 1,810                    | 0                     | \$29.88            |
| Irving/Grand Prairie          | 669,076           | 103,959          | 15.5%        | 101,461            | 15.2%        | 12,931                 | 9,990                    | 0                     | \$28.34            |
| Carrollton/The Colony         | 1,334,009         | 56,355           | 4.2%         | 104,130            | 7.8%         | 16,664                 | 9,051                    | 0                     | \$18.66            |
| Denton/Lewisville             | 1,674,677         | 318,745          | 19.0%        | 259,335            | 15.5%        | 48,783                 | 32,993                   | 0                     | \$25.77            |
| East Dallas Suburbs           | 1,720,840         | 358,247          | 20.8%        | 381,997            | 22.2%        | 71,057                 | 57,734                   | 0                     | \$25.85            |
| South Dallas                  | 1,323,515         | 56,126           | 4.2%         | 72,549             | 5.5%         | 13,147                 | 0                        | 0                     | \$23.69            |
| <b>Fort Worth Market</b>      | <b>8,258,770</b>  | <b>754,577</b>   | <b>9.1%</b>  | <b>1,050,116</b>   | <b>12.4%</b> | <b>273,813</b>         | <b>138,693</b>           | <b>185,594</b>        | <b>-</b>           |
| Intown Fort Worth             | 2,675,686         | 115,187          | 4.3%         | 144,548            | 5.3%         | 92,427                 | 63,739                   | 48,594                | \$27.99            |
| North Fort Worth              | 1,144,784         | 61,490           | 5.4%         | 128,390            | 10.5%        | 31,145                 | 4,100                    | 77,000                | \$28.48            |
| South Fort Worth              | 976,557           | 38,967           | 4.0%         | 40,317             | 4.1%         | 37,530                 | 7,438                    | 0                     | \$22.85            |
| Grapevine/Southlake           | 1,040,828         | 245,252          | 23.6%        | 314,740            | 30.2%        | 34,884                 | 19,478                   | 0                     | \$29.40            |
| Mid-Cities                    | 871,004           | 127,641          | 14.7%        | 205,984            | 22.1%        | 56,238                 | 12,614                   | 60,000                | \$25.57            |
| Arlington/Mansfield           | 1,549,911         | 166,040          | 10.7%        | 216,137            | 13.9%        | 21,589                 | 31,324                   | 0                     | \$25.64            |
| <b>DALLAS+FORT WORTH</b>      | <b>37,378,796</b> | <b>4,808,664</b> | <b>12.9%</b> | <b>5,502,826</b>   | <b>14.5%</b> | <b>577,819</b>         | <b>576,394</b>           | <b>452,755</b>        | <b>\$27.91</b>     |

## METHODOLOGY

The information in this report includes investment-grade medical office properties located in the Dallas-Fort Worth metropolitan area. Competitive space in healthcare properties is included, but only rentable area is used in calculations of inventory, vacancy, and availability.

# H1 2021 | MARKET | MEDICAL OFFICE MARKET



## FORT WORTH SUBMARKETS

- F1** Intown Fort Worth
- F2** North Fort Worth
- F3** South Fort Worth
- F4** Grapevine/Southlake
- F5** Mid-Cities
- F6** Arlington/Mansfield

## DALLAS SUBMARKETS

- 1** Intown Dallas
- 2** Southwestern Medical District
- 3** Central Expressway
- 4** Park Cities/North Dallas
- 5** Legacy/Frisco
- 6** North Central Expressway
- 7** Las Colinas/Coppell
- 8** Irving/Grand Prairie
- 9** Carrollton/The Colony
- 10** Denton/Lewisville
- 11** East Dallas Suburbs
- 12** South Dallas

## CONTACT

### Andrew Matheny

Research Manager  
972.774.2529  
andrew.matheny@transwestern.com

### Claire Holland

Research Analyst  
214.292.6453  
claire.holland@transwestern.com



2300 N Field Street, Suite 2000  
Dallas, TX 75201

777 Main Street, Suite 1500  
Fort Worth, TX 76102