

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%

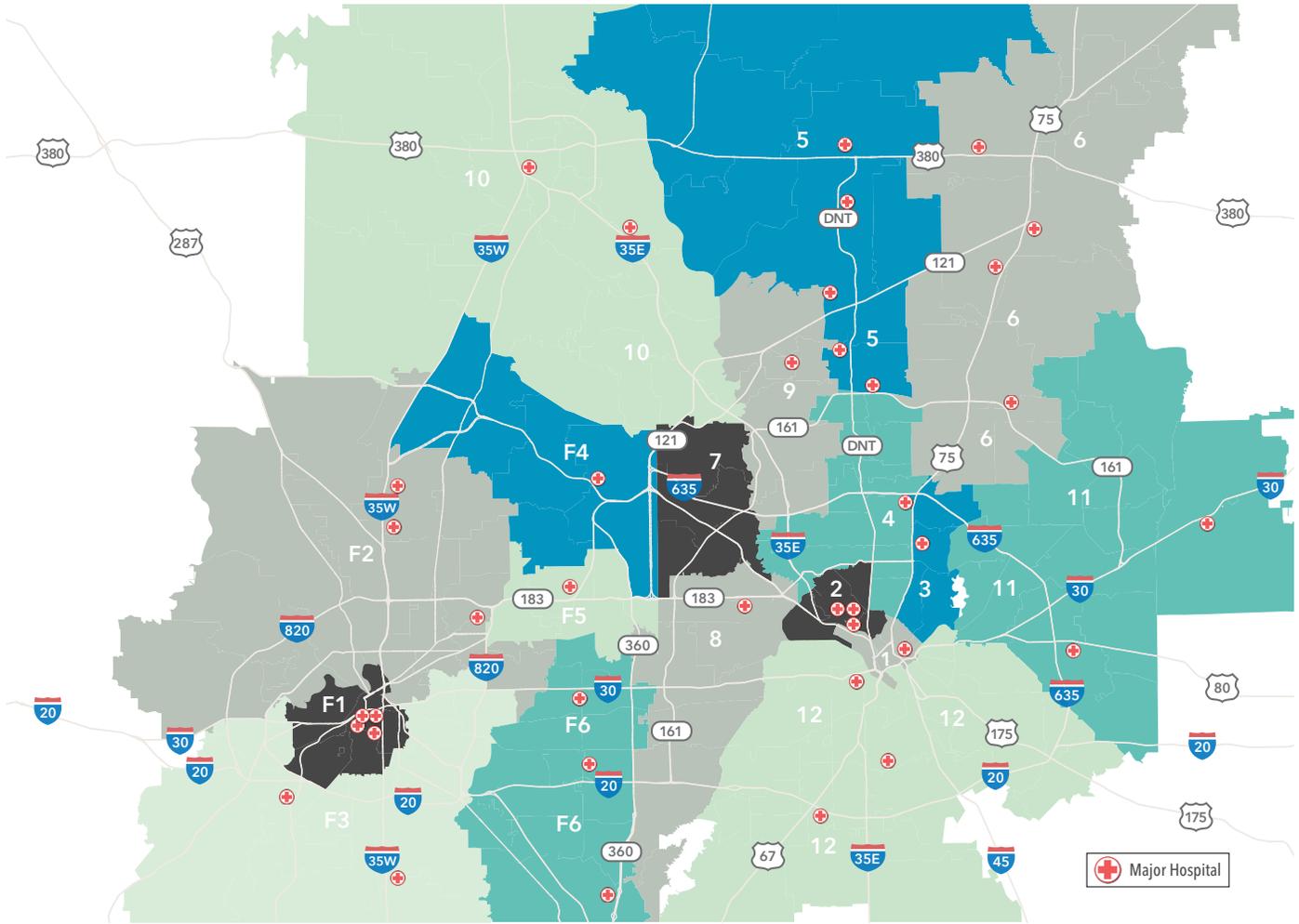
Continuing to recover, down 2.7% from last year

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
Dallas Market	29,120,026	4,054,087	13.9%	4,452,710	15.2%	304,006	437,701	267,161	-
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
Fort Worth Market	8,258,770	754,577	9.1%	1,050,116	12.4%	273,813	138,693	185,594	-
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
DALLAS+FORT WORTH	37,378,796	4,808,664	12.9%	5,502,826	14.5%	577,819	576,394	452,755	\$27.91

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.



Major Hospital

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

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