

D

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Economy

A MONTHLY BRIEFING

In this issue of *D Economy* read about a new medical office building in store for Central Expressway near Forest Lane (page 2) and about the current employment picture in Dallas (page 3). Also, learn about the latest commercial real estate statistics in Dallas (page 4).

Dallas Takes the Nation Out to Dinner

The food industry is one of Dallas' key economic sectors and is also one of the city's target industries. Dallas has a history of food delivery innovation: the convenience store, the frozen margarita and the casual dining concept were invented here. Dallas is also a preferred city for testing new food concepts. A diversified production workforce, culinary schools and advanced distribution network all support companies in the food industry.



Figure 1. Dallas-based restaurant On the Border

Dallas manufacturers have a natural logistics edge over the competition due to shorter and more cost efficient transportation networks than many other areas. Some of Dallas' largest food and beverage manufacturers are Pilgrim's Pride, Mission Foods, Quality Sausage, Niagara Bottling, Advanced H2O, Nestlé Waters and Dean Foods. Regionally, the list expands to include Frito Lay, Bimbo Bakeries USA, Dr Pepper Snapple Group and more. DFW has over 148 million square feet of refrigerated warehouse space.

Restaurants and Institutions magazine includes 30 restaurants headquartered in the Dallas area on its list of the top 400 restaurant chains (ranked by sales). Major restaurants headquartered in the city include Chili's Bar & Grill, Maggiano's Little Italy, On the Border Mexican Grill & Cantina (Figure 1), La Madeleine (Figure 2), Ghengis Grill, Dickey's

Barbecue, Dave & Buster's, Pizza Patrón and Tony Roma's. Other major restaurant chains headquartered in the DFW area include Wing Stop, Pizza Hut, Taco Bueno, El Chico, Pizza Inn, CiCi's Pizza, Ponderosa, Cheddar's Casual Cafe, Chuck E. Cheese's and T.G.I. Friday's.

Dallas has a wealth of management and executive talent in the food service and delivery industry. The Dallas region is one of the nation's main test centers for restaurants. Dallas has also been named the "City with The most Restaurants per Capita in North America" by the National Restaurant Association. New firms continue to see Dallas as a strong market. Frozen yogurt chain Red Mango moved its headquarters to the city this summer and will be opening several stores. Guatemala-based Pollo Campero chose Dallas as the center of its U.S. operations in 2007.



Figure 2. Dallas-based restaurant La Madeleine

Dallas has produced many stand-out local restaurants, from the Mansion at Turtle Creek to The French Room to York Street. Several Dallas chefs have become well known nationally and internationally, for example, Dean Fearing, Liza Garza, Stephen Pyles, Paula Lambert, Ken Rathbun and Tre Wilcox.

The Dallas food scene is vibrant and welcome to newcomers and new concepts. As long as people want to eat, Dallas wants to feed them.

-Chris Bartels

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City of Dallas

OFFICE OF
ECONOMIC DEVELOPMENT

Business News

- Fortune Magazine featured two Dallas businesses in its list of America's fastest-growing small public companies. United States Lime & Mineral (Council District 11) and Holly Energy Partners (Council District 14) were ranked numbers 41 and 99, respectively. In total, five businesses in Dallas-Fort Worth and nine in Texas made the list. SOURCE: DALLAS BUSINESS JOURNAL, JULY 15, 2009.
- Executive AirShare is expanding its fleet by three aircraft at Dallas Love Field to bring the total to five. A sixth will arrive by the end of the year. The company manages and operates jet and turboprop aircraft on behalf of other owners. The three additional charter airplanes could bring the company \$1.2 to \$1.5 million a year in revenue. Currently, Executive AirShare has seven employees at Love Field, but that number could increase by 10 to 20 because of the expansion. SOURCE: DALLAS BUSINESS JOURNAL, JULY 17, 2009.
- San Diego-based Digitaria has opened a Dallas office at 3102 Maple Avenue (Council District 14). The digital marketing and technology firm creates digital experiences online through Web sites, intranets, extranets, digital asset management, interactive marketing campaigns and business solutions. The new Dallas office will focus on Fortune 1000 consumer and manufacturing clients. SOURCE: MARKETWIRE.COM, JULY 27 2009.

Southern Dallas News

- Westmoreland Urban Campus is a planned mixed-use development that will go on the site of an old cement plant on Westmoreland Road between I-30 and Colorado Blvd. (Council District 3). The site had become an illegal dumping ground over the years; crews have removed thousands of tires and other debris to prepare the land. Investors INCAP Fund and Stratford Land Company plan to have residential, office and retail space, including a grocery store, at the development. Single family homes, townhomes and condos could all be part of the mix, along with a movie theater, hotels and company headquarters. INCAP estimates the project will create 5,500 jobs and \$270 M in annual retail sales. Construction could begin in a year and a half. SOURCE: CBS11TV.COM, JULY 3, 2009.
- The Tatakis family is opening a new restaurant in Oak Cliff, Greek Café and Bakery, on Davis Street. It's the first Greek restaurant to open in Oak Cliff in close to 25 years. SOURCE: OAK CLIFF PEOPLE, JULY 17, 2009.

Real Estate News

- The owners of the Travis residential tower are re-naming it the Travis at Katy Trail and converting it from apartments to condos (Council District 14). Renovations include simplifying resident access to the popular Katy Trail, updating and expanding the lobby and moving and expanding the fitness center. SOURCE: DALLAS MORNING NEWS, JUNE 30, 2009.
- Neal Richards Group and Staubach Realty Partners have begun construction on a new medical office building northeast of Forest Lane and Central Expressway (Council District 10). It will complement a new surgical hospital next door, the Forest Park Medical Center, which opened in March 2009. The \$50 M, 72,000-square-foot office building is expected to open in June 2010, and it is already 72 percent pre-leased. A second office building and hospital nearby are also in the planning stages. Financing for new construction of medical buildings and facilities is easier to come by than retail and office buildings in today's economy because the health care industry is considered to be relatively recession proof. SOURCE: DALLAS BUSINESS JOURNAL, JULY 6, 2009.
- Saks Fifth Avenue plans to open an OFF 5th store in the Park Lane Development by NorthPark Center across Central Expressway (Council District 13). OFF 5th will be in 29,600 square feet at the mixed use development, opening in November. OFF 5th brings the first phase of the development, which is near completion, up to 75 percent occupancy. Still to come is Sports Club LA, a parking garage and a small amount of retail space, which should all be completed by the end of summer. SOURCE: GLOBEST.COM, JULY 8, 2009.
- Plans to convert some of Cityplace Tower into residential units have been scrapped in favor of continuing it as office space, but with amenity upgrades (Council District 14). Owner Ashkenazy & Agus Ventures bought the tower two years ago, when the departure of 7-Eleven to One Arts Plaza left considerable vacancy. Since then, the owners spent \$7 M in upgrades for a new fitness club and spa, called the Tower Athletic Club & Spa. The club helped attract new tenant Dean Foods, which has leased 240,000 square feet and will move in early next year. Ashkenazy & Agus is also developing plans to build on nearby sites that were part of the original site plan for the Cityplace Tower area, and the construction will likely be mixed-use. SOURCE: DALLAS MORNING NEWS, JULY 24, 2009.

Employment

The unemployment rate for the City of Dallas reached a new high of 8.3 percent in June 2009. This is one percentage point higher than the previous high in May. The MSA and state both increased by 1.1 percentage points to reach the 8.0 percentage mark for the first time. The unemployment rate for DFW MSA and the state in June is 8.2 percent and 8.0 percent respectively. The unemployment rate for the nation increased by 0.6 percentage points, from 9.1 percent to 9.7 percent. (Table 1).

The labor force grew by 8,207 persons (1.4 percent) for the city, and the number of unemployed persons in Dallas also increased by 6,210, or 14.3 percent in June 2008. (Table 2).

The city outperformed the nation's unemployment rate by a 1.4 percentage point positive gap in June (Figure 3). This is the eighteenth consecutive month Dallas has either matched or beat the national rate.

In June, the number of Dallas residents employed was 551,306 (Figure 4). This number is higher than the January 2006 drop to 546,046, but remains below the July 2008 peak value of 574,118.

Jobs in the Dallas city limits increased in spite of the large increase in persons unemployed. Initial Office of Economic Development estimates show payroll employment increased in June to over 1.063 million, following May's revised total of approximately 1.061 million. Educational and Health Services experienced the largest job growth (1,898 jobs), while Trade, Transportation, and Utilities had the largest decrease in jobs with a total of 892.

Table 1.
ANNUAL UNEMPLOYMENT RATES

	2009 Jun	2009 May	Point Change
City of Dallas	8.3	7.3	1.0
DFW MSA	8.2	7.1	1.1
Texas	8.0	6.9	1.1
U.S.	9.7	9.1	0.6
Largest U.S. Cities Avg.*		11.2	

Table 2.
CITY OF DALLAS LABOR FORCE (PERSONS)

	Unem- ployed	Labor Force
2009 Jun	49,644	600,950
2009 May	43,434	592,743
Change	6,210	8,207
% Change	14.3	1.4

SOURCE: TEXAS WORKFORCE COMMISSION, U.S. BUREAU OF LABOR STATISTICS, VALUES NOT SEASONALLY ADJUSTED.
* LARGEST U.S. CITIES EXCLUDING DALLAS ARE: NEW YORK, LOS ANGELES, CHICAGO, HOUSTON, PHOENIX, PHILADELPHIA, SAN ANTONIO, SAN DIEGO, SAN JOSE AND DETROIT.

Figure 3.
CITY OF DALLAS—U.S. UNEMPLOYMENT GAP

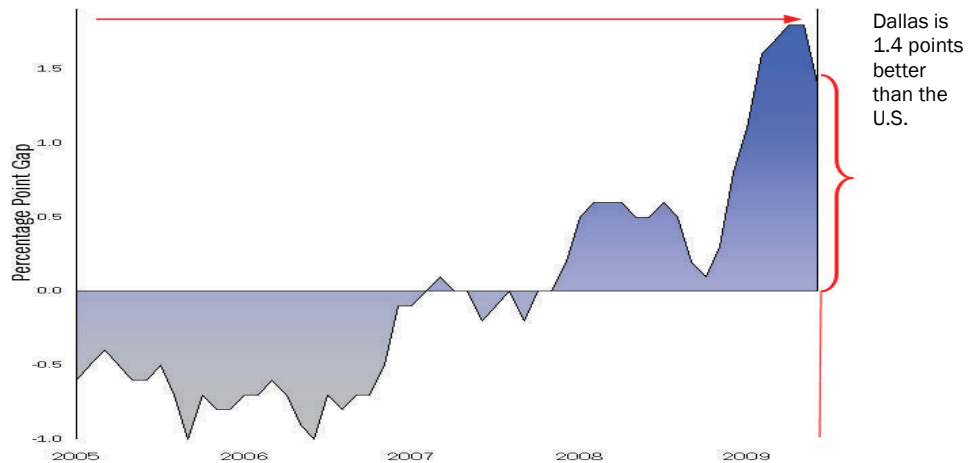
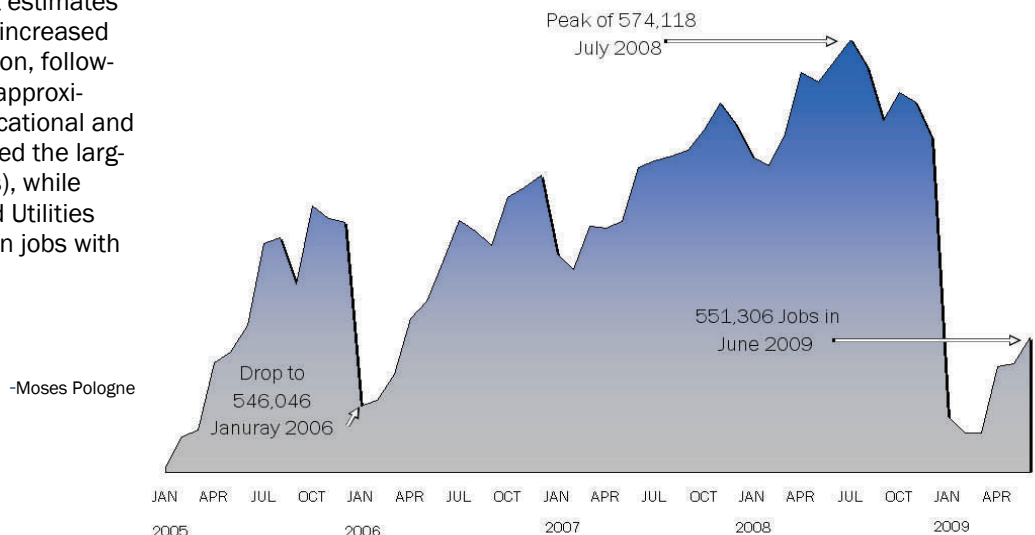


Figure 4.
CITY OF DALLAS EMPLOYMENT



CITY OF DALLAS COMMERCIAL REAL ESTATE MID-YEAR UPDATE

Product Type	Total Inventory (Sq. Ft)	Vacancy Rate	Total Net Absorption (Sq. Ft)	Rental Rate (\$/SF/YR)	Under Construction (Sq. Ft)
■ Total Office Citywide					
Q2 2009	131.8 million	19.1%	-556,126	\$19.76	999,534
Q2 2008	130.8 million	17.5%	980,422	\$20.25	1.8 million
Change	+1.0 million	+1.6 points	-1.5 million	-\$0.49	-849,961
■ Office Class A Citywide					
Q2 2009	60.2 million	19.7%	-234,228	\$22.89	973,950
Q2 2008	59.2 million	17.3%	341,709	\$23.44	1.8 million
Change	+1.0 million	+2.4 points	-575,937	-\$0.55	-836,519
■ Office Class B Citywide					
Q2 2009	55.6 million	21.1%	-253,272	\$16.73	25,584
Q2 2008	55.6 million	20.4%	474,599	\$16.91	39,026
Change	+38,629	+0.7 points	-727,871	-\$0.18	-13,442
■ Office Class C Citywide					
Q2 2009	15.9 million	9.8%	68,626	\$14.66	0
Q2 2008	16.0 million	8.2%	164,114	\$15.00	0
Change	-52,202	+1.6 points	-95,488	-\$0.34	0
■ Total Central Business District Office					
Q2 2009	35.9 million	21.1%	-142,330	\$19.33	0
Q2 2008	35.9 million	19.3%	207,400	\$20.16	0
Change	-20,000	+1.8 points	-349,730	-\$0.83	0
■ Industrial/Flex Citywide					
Q2 2009	212.4 million	7.6%	-352,192	\$4.16	0
Q2 2008	212.4 million	7.1%	208,336	\$4.29	1.9 million
Change	-29,279	+0.5 points	-560,528	-\$0.13	-1.9 million
■ Retail Citywide					
Q2 2009	73.8 million	8.5%	-238,141	\$14.62	755,893
Q2 2008	72.3 million	7.1%	635,127	\$14.50	1.6 million
Change	+1.5 million	+1.4 points	-873,268	+\$0.12	-822,790

Source: Costar, Q2 2009, July 2009.