

Office demand differs from downtown to suburbia



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Even though the real estate market in North Texas' suburbs is red hot, office buildings in downtown Dallas are simply seeing red.

At least five Class A office developments are in various stages of development in Richardson, Allen, Plano and Frisco, as cities and developers try to woo corporate tenants shopping for space.

Corporate offices boost a city's tax roll, but the residential and commercial development that follow raise the stakes.

"There's pent-up demand, and absorption has been strong," said **David Craig**, who is the master developer of Craig Ranch in McKinney. "There's not much square footage in the marketplace in the A product, and that's why we're seeing speculative buildings going up."

Craig Ranch sees five to 10 corporate inquiries each week, he said, declining to name the prospecting tenants.

In 2011, the development won its first headquarters with radio-controlled car maker Traxxas, currently in the midst of building a \$40 million campus. Traxxas recently took occupancy of the first of its three buildings, the company's distribution center.

"Companies aren't just tire kicking or out in the marketplace, they have an immediate need," Craig said. "If it's not already built, you're looking at a minimum of nine months if not 12 months to 14 months to design and build a building."

In April, **Jones Lang LaSalle** released a report highlighting vacancy in Dallas' skyline.

Even though collectively downtown's Class A office product is about 80 percent occupied, some skyscrapers are seeing large blocks of empty floors.

Suburban and urban office tenants are completely different, Craig said.

"We're seeing a lot of consolidations, and when you consolidate you have to take into account the drive radius of where employees live," he said. "If it's a consolidation from outside the state, they are looking at somewhere they can call home and offer a quality of life to their employees."

It may not stay that way, said **John Crawford**, CEO of **Downtown Dallas Inc.**, an advocacy group of downtown Dallas.

"The mind-set is changing with younger people wanting to be closer in to the city," Crawford said.

"There will always be some people with an interest in a suburban campus, but we are already seeing a gathering in the urban core."

In the next five years to 10 years, Crawford expects a growing number of companies to consider Dallas' central business district. **Ackerman McClain**, Bain and Co. and TRT Holdings/Omni Hotels and Golds Gym, are some of the companies that recently converted to the lifestyle.

"I think things are going to continue to change," Crawford said. "Not everyone is going to want to move closer to the central city, but that's the reason they made chocolate and vanilla."