MARKETBEAT

DALLAS/FORT WORTH

OFFICE Q2 2025

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
24.9% Vacancy Rate	▲	▼
728K YTD Net Absorption, SF	▲	▲
$33.25 Asking Rent, PSF *(Overall, All Property Classes)*	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
4.3M Dallas/Fort Worth Employment	▲	▲
3.8% Dallas/Fort Worth Unemployment Rate	▼	▲
4.2% Country Unemployment Rate	▲	▲

Source: BLS, Moody's Analytics

ECONOMY

Job growth continued in the Dallas/Fort Worth (DFW) region at a pace of 1.3% year-over-year (YOY), outperforming the national average. Unemployment decreased 10 basis points (bps) YOY to 3.8%. Population growth was estimated at 159,580 new residents over the last 12 months, a 1.9% YOY increase.

According to Moody's Analytics, DFW office-using employment growth softened to 8,586 jobs or 0.7% YOY, mainly due to revisions. Professional and business services growth was flat YOY amid elevated uncertainty. Financial activities, on the other hand, continued to outperform with a 2.0% YOY increase. At the end of the quarter, DFW office-using employment was 18.0% above pre-pandemic levels and was forecasted to grow another 3.7% over the next two years.

According to Dallas Fed surveys, service sector activity as measured by revenue fell into slightly contractionary territory, likely due to uncertainty around to trade policy, price pressures, and the interest rate environment. Nevertheless, forward-looking indicators most relevant to office demand—i.e., employment and capital expenditures—remain in positive territory indicating slow expansion over the next six months.

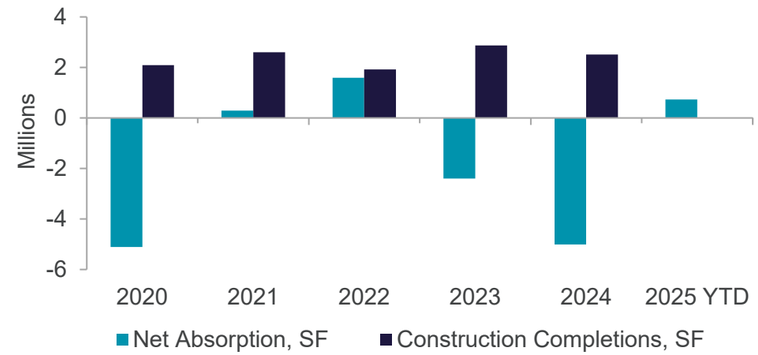
DEMAND

Overall net absorption rebounded to positive 620,227 square feet (sf), the second consecutive quarter of positive absorption since Q2 2023. Year-to-date (YTD) net absorption totaled 728,754 sf, a significant improvement from H1 2024 when net absorption totaled negative 3.5 msf.

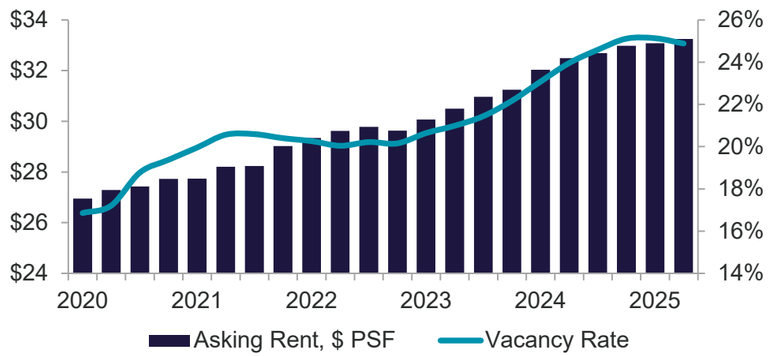
Absorption continued to strengthen across the board; both direct and sublease space showed positive absorption in Q2, the first such instance since Q4 2021. This progress supported Cushman & Wakefield's house view that absorption will continue normalizing throughout 2025 as a growing majority of tenants have already right-sized footprints for remote and hybrid work.

New leasing activity totaled 3.1 msf in the second quarter, bringing YTD new leasing to 6.8 msf, its strongest pace in three years. Leasing activity was healthy in all size ranges. YTD leasing by mid-size tenants (50,000-100,000 sf) was particularly strong at 467,271 sf, or 27.6% above average.

SPACE DEMAND / DELIVERIES

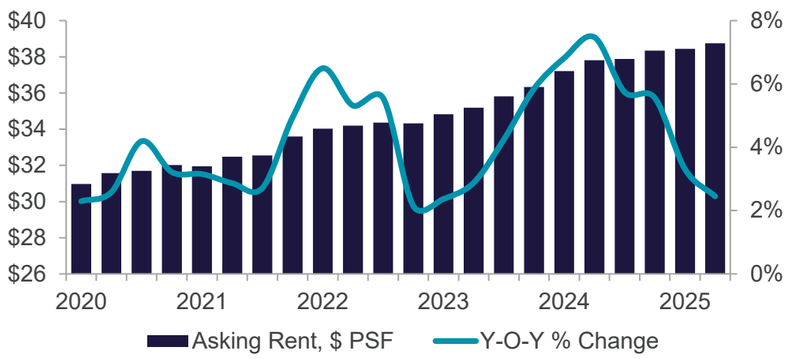


OVERALL VACANCY & ASKING RENT

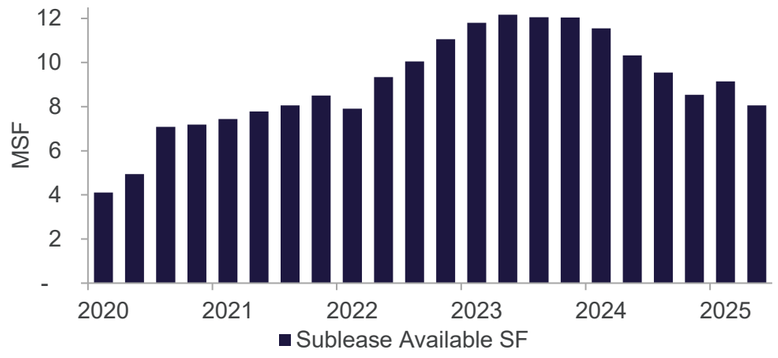


DALLAS/FORT WORTH
OFFICE Q2 2025

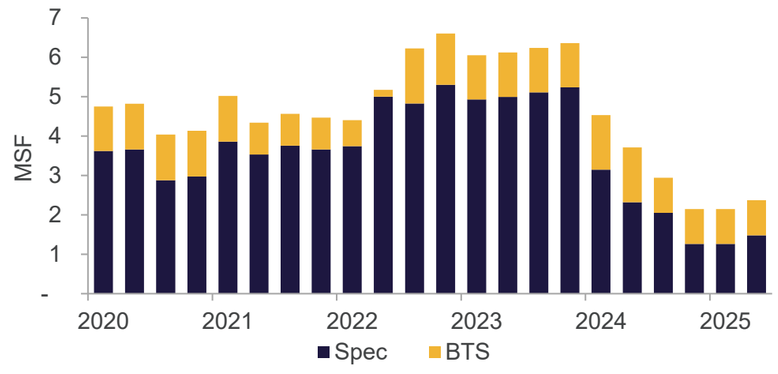
CLASS A OVERALL ASKING RENT



SUBLEASE OFFERINGS



CONSTRUCTION PIPELINE



SUPPLY

Overall vacancy decreased for the second consecutive quarter, falling -0.2% QOQ to 24.9%. Nevertheless, vacancy has still increased +0.9% YOY and remained near its 20-year high. Vacancy remained slightly higher in Class A properties (26.8%) compared to Class B (22.5%) mainly due to large vacant blocks in former single tenant buildings. That stated, Class A outperformed as vacancy fell -0.5% QOQ, its first decrease since 2022 Q4. Conversely, vacancy in Class B properties increased +0.1% QOQ, marking 12 consecutive quarters of rising vacancy.

Sublease availability decreased 11.9% QOQ to 8.1 msf. DFW resumed its trend of declining sublease availability, only interrupted last quarter by two large listings totaling 1.4 msf in Las Colinas. Sublease availability has decreased 33.8% from its peak in Q2 2023 and stood at its lowest level since Q1 2022.

After falling to a cyclical low, construction activity inched up 220,086 sf QOQ to 2.4 msf due to two new starts: Crescent Offices West in West Fort Worth and the next phase of The Offices at Clearfork in South Fort Worth. All other active construction was concentrated in Uptown/Turtle Creek. Speculative projects totaled just 1.5 msf and were preleased at a healthy rate of 60.1%, helping rents to an impressive $92.27 per square foot (psf) gross. Construction will remain unusually low for the foreseeable future. 23Springs will deliver 626,215 sf in Q3 2025 and the only new starts expected over the next 12 months are The Offices at Firefly Park (125,000 sf in Legacy/Frisco), Chalk Hill (400,000 sf in Uptown/Turtle Creek), and 8300 Douglas (290,000 sf in Preston Center).

PRICING

Office rents continued rising despite elevated vacancy, reaching another all-time high of $33.25 psf. Nevertheless, asking rent growth has softened to 2.1% YOY. Class A rents increased 2.4% YOY to reach $38.74 psf, while Class B rent growth was softer at 0.6% YOY to reach $22.53 psf. Trophy properties continue to greatly outperform the market with rents growing 5.1% YOY to reach $72.63 psf.

Concessions remain favorable to tenants while vacancy remains elevated. Landlords continue to offer longer rent abatement periods and greater improvement allowances to maintain occupancy and achieve higher face rates that bolster net operating income. Be that as it may, tenants seeking space in highly sought-after trophy and Tier I properties should make decisions sooner rather than later, as elevated demand and tighter vacancies will allow rent growth to continue outperforming the market.

OUTLOOK

- Absorption will continue returning to its historical correlation with job growth as an increasing majority of tenants have right-sized.
- Nevertheless, slower job growth and consolidations will continue to drag on net absorption until interest rates fall.
- Leasing activity continues to pick up steam, reestablishing healthy post-pandemic market fundamentals.
- Flight to quality will continue bifurcating performance between amenitized buildings and commoditized spaces.
- As vacancy tightens in top tier buildings, tenants will move down the quality spectrum to occupy the next best choices.
- Rent spreads between top tier and older Class A support repositioning viable buildings at a favorable cost basis.
- Disposition of excess office inventory through conversion, user purchase or redevelopment will continue to improve market fundamentals.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD Core	18,317,526	6,662,133	36.4%	15,621	-83,499	148,078	0	0	$28.57	$29.92
Arts District	6,676,713	1,917,298	28.7%	65,681	-19,544	247,575	0	0	$46.73	$47.88
West End	1,347,347	413,831	30.7%	12,806	2,036	33,608	0	0	$31.03	$33.34
DALLAS CBD TOTAL	26,341,586	8,993,262	34.1%	94,108	-101,007	429,261	0	0	$32.79	$34.53
Uptown/Turtle Creek	15,862,508	3,497,602	22.0%	108,864	67,721	628,588	2,150,626	0	$62.72	$65.64
North Central Expressway	14,240,605	3,841,245	27.0%	-12,518	41,612	335,687	0	0	$34.85	$37.94
Preston Center	3,957,615	399,305	10.1%	9,144	80,042	137,179	0	0	$52.99	$61.20
Deep Ellum/East Dallas	3,584,243	868,426	24.2%	10,117	-4,815	37,409	0	0	$38.40	$49.20
West Love Field	8,818,952	2,070,274	23.5%	-65,445	-49,484	69,258	0	0	$25.86	$43.18
LBJ Freeway	10,817,110	3,049,124	28.2%	-55,086	-3,832	489,081	0	0	$19.24	$21.11
Far North Dallas	22,645,374	5,302,863	23.4%	20,844	-140,129	1,004,301	0	0	$31.97	$37.06
Legacy/Frisco	29,395,666	8,481,542	28.9%	108,227	187,770	1,444,874	0	0	$41.78	$44.99
Richardson/Plano	23,161,591	4,921,711	21.2%	160,870	177,648	1,050,169	0	0	$27.06	$30.55
Las Colinas	35,546,165	9,377,332	26.4%	94,829	274,185	1,059,506	0	0	$29.16	$33.14
Southlake/Westlake	4,458,379	1,176,988	26.4%	-25,254	-36,593	112,642	0	0	$35.60	$36.75
Lewisville/Carrollton	5,189,004	1,264,901	24.4%	-10,056	6,530	110,609	0	0	$27.51	$33.91
Southwest Dallas	1,820,100	227,548	12.5%	3,508	11,064	13,153	0	0	$25.49	$26.07
Mid Cities	11,355,563	2,963,852	26.1%	135,345	58,448	347,394	0	0	$25.51	$30.34
DALLAS NON-CBD TOTAL	190,852,875	47,442,713	24.9%	483,389	670,167	6,839,850	2,150,626	0	$33.63	$39.98
DALLAS TOTAL	**217,194,461**	**56,435,975**	**26.0%**	**577,497**	**569,160**	**7,269,111**	**2,150,626**	**0**	**$33.50**	**$38.91**
Fort Worth CBD	7,436,049	877,875	11.8%	-16,191	45,279	108,063	0	0	$29.12	$34.72
West Fort Worth	4,144,532	618,102	14.9%	28,368	98,296	185,505	170,000	0	$28.77	$31.28
South Fort Worth	2,703,053	269,655	10.0%	31,367	32,747	108,965	50,086	0	$23.17	$30.00
North Fort Worth	1,925,671	276,523	14.4%	-3,378	-21,243	22,779	0	0	$29.89	$30.18
East Fort Worth	2,343,561	181,747	7.8%	2,564	4,515	11,482	0	0	$15.59	-
FORT WORTH TOTAL	18,552,866	2,223,902	12.0%	42,730	159,594	436,794	220,086	0	$27.19	$32.91
DALLAS/FORT WORTH TOTALS	**235,747,327**	**58,659,877**	**24.9%**	**620,227**	**728,754**	**7,705,905**	**2,370,712**	**0**	**$33.25**	**$38.74**

** Rental rates reflect full service asking rate.*

KEY LEASE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
3400 N Central Expy	Richardson/Plano	Trinity Universal Insurance Company	67,279	Sublease
Crescent Offices West	West Fort Worth	JP Morgan Chase	63,750	New Lease
The Plaza at Legacy/5465 Legacy Dr	Legacy/Frisco	LoanDepot	61,149	Renewal

**Renewals included in leasing activity*

KEY SALES TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF
Legacy West	Legacy/Frisco	The Karahan Companies JV Invesco	575,033
Galleria North Tower I/13737 Noel Rd	Far North Dallas	Deutsche Bank/WS Development	379,518
The Crossings I/5429 Lyndon B Johnson Fwy	LBJ Freeway	Goddard Investment Group/Skywalker Property Partners	232,541

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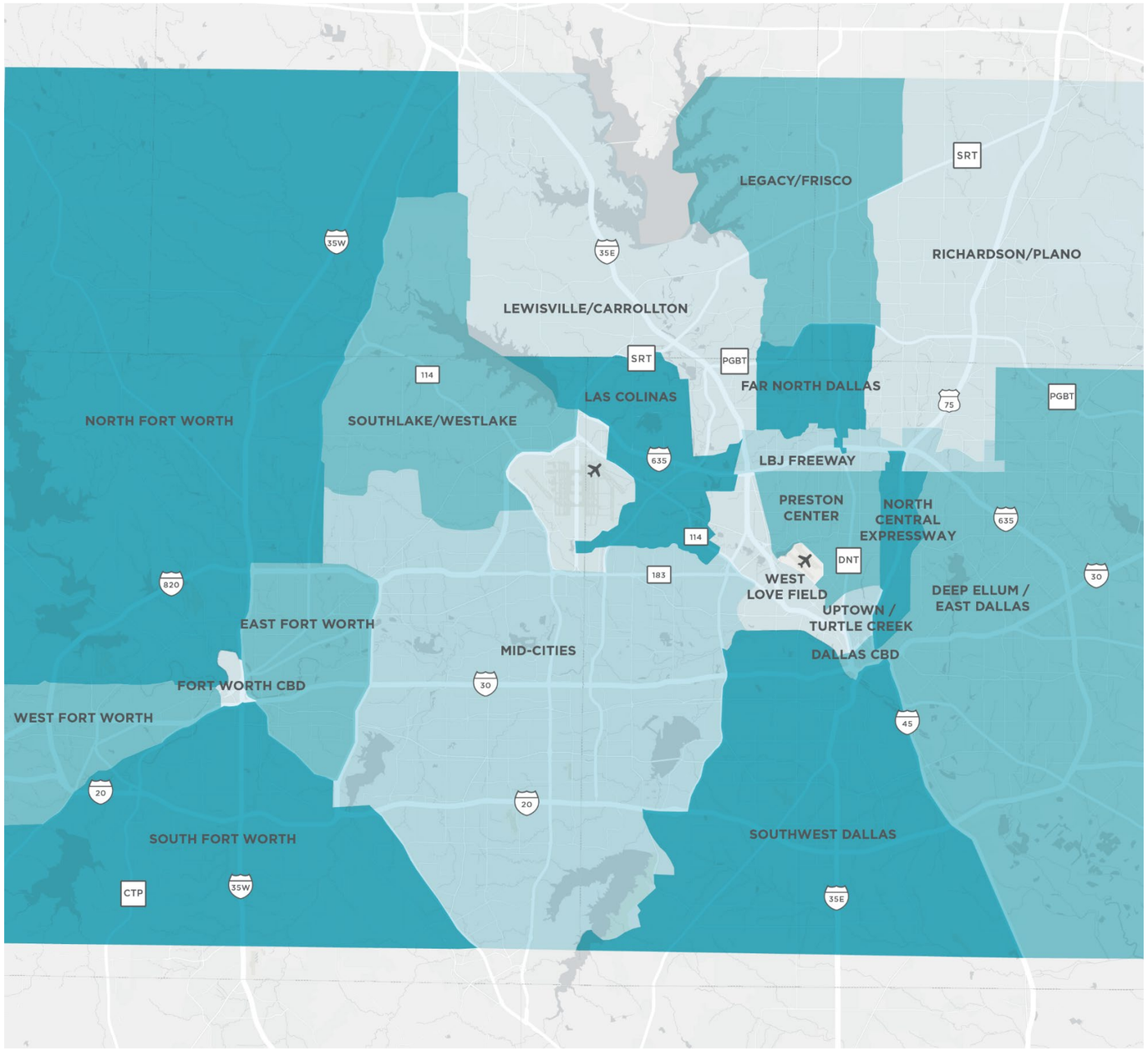
OFFICE SUBMARKETS



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