

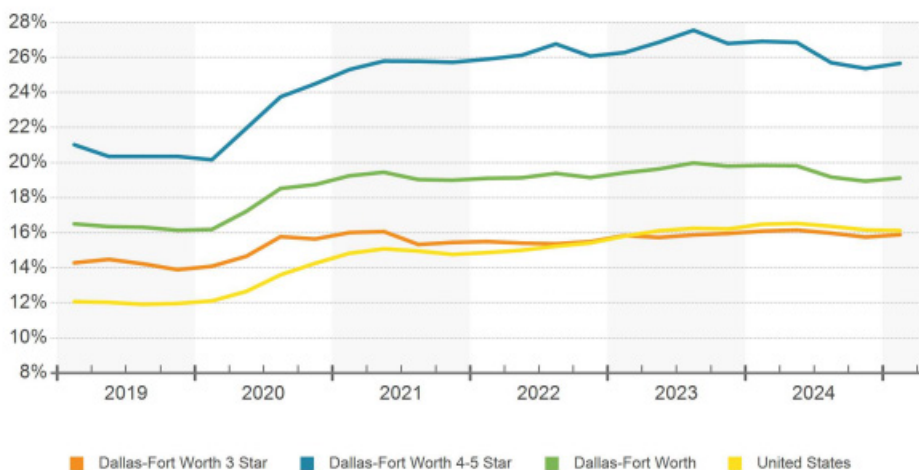
ANNUAL REPORT: DFW OFFICE

EXECUTIVE SUMMARY

The Dallas-Fort Worth (DFW) office market is showing signs of stability, with occupancy losses slowing and net absorption turning positive in 2024 by +1.5 million square feet, driven largely by financial services firms. However, new supply of 3.9 million square feet has pushed overall vacancy to 18.0%, marking an increase of 380 basis points since late 2019. Availability remains near Great Recession highs at 19.1% (83.7 million SF), largely due to aging buildings from the 1970s and 1980s. The market continues to favor tenants, with an abundance of available space—both direct and sublease—shifting negotiating power in their favor, except in high-demand trophy buildings. Tenant Improvement (TI) allowances have doubled compared to pre-pandemic levels, providing tenants with greater leverage in lease negotiations. Despite these challenges, DFW benefits from strong structural tailwinds, including leading population growth and a diversified economy, which continue to attract corporate relocations and provide resilience against more severe downturns seen in other markets.

LEASING AND DEMAND

AVAILABILITY RATE



Renewals & Smaller Footprints:

Tenants are extending leases but often trimming footprints (averaging 4% below pre-2020). Lease volume is 2% above pre-pandemic levels, thanks to smaller, more frequent deals.

Flight to Quality:

Large commitments revolve around Class A and mixed-use projects in Uptown/Park Cities and Collin County. Notable deals: Bank of America's 238,000 SF at Parkside and Deloitte's 104,500 SF at 23Springs.

Suburban vs. Urban:

Suburban vacancies have risen 130 bps since 2019, whereas downtown/urban soared 460 bps. Areas like Frisco/The Colony, Allen/McKinney, and West Plano prosper due to population growth (Collin County +50% since 2010).

Sublease Space:

Over 10.2 million SF is on the sublease market (double pre-2020), offering shorter terms and rent discounts of 6%–38% below direct lease rates.

*All information sourced from the Costar Group

RENT AND CONCESSIONS

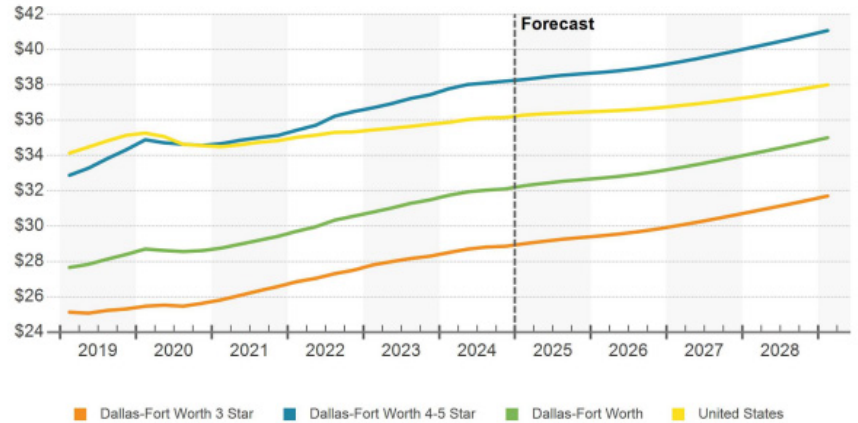
Average Asking Rents:

At \$32/SF overall, DFW remains more affordable than many coastal markets (\$40–\$60/SF). Class A averages around \$38/SF, with trophy properties in Uptown/Park Cities reaching \$60–\$70/SF (triple net).

Higher Concessions, Limited Face Rate Cuts:

TI allowances commonly run \$60–\$70/SF, sometimes exceeding \$100/SF for new construction. Free rent averages about one month per year of term. Annual rent growth is a modest 2.0% and is expected to stay subdued through 2025–2026.

MARKET ASKING RENT PER SQUARE FEET



CONSTRUCTION AND DEVELOPMENT

Tapering Pipeline:

5.3 million SF is under construction—well below the five-year average of 8 million SF. Lending conditions are tighter, slowing speculative projects.

Focus on High-Growth Nodes:

Development is concentrated in Uptown/Turtle Creek and Collin County, especially Frisco and West Plano. Pre-leasing stands at roughly 70%, while 15% is built-to-suit.

KEY PROJECTS

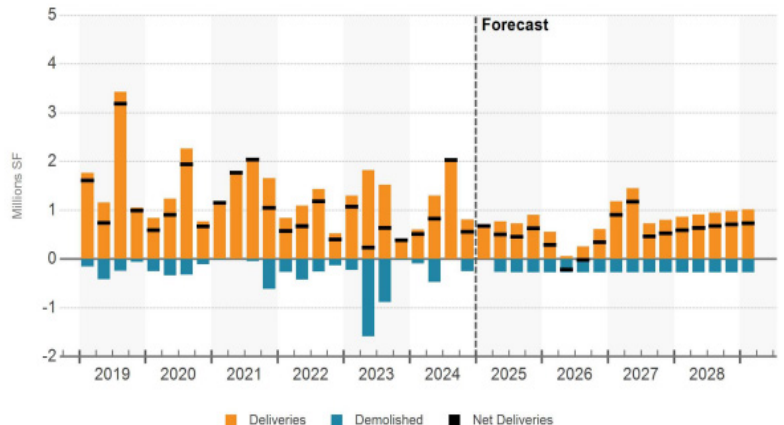
23Springs

(626,000 SF) in Uptown, ~60% leased

Southstone Yards

(242,000 SF) in Frisco, still seeking an anchor tenant

DELIVERIES & DEMOLITIONS



*All information sourced from the Costar Group

INVESTMENT AND SALES

Volume Down, Pricing Uncertain:

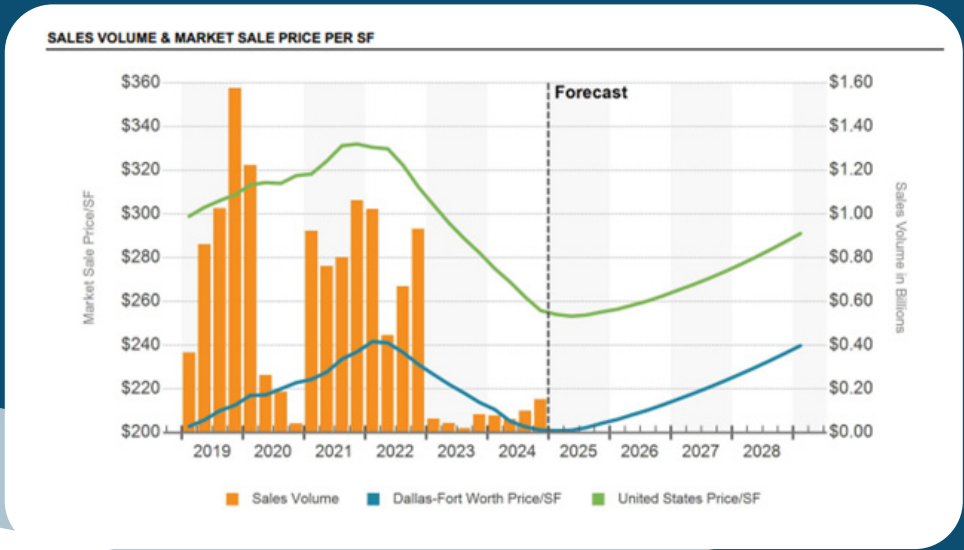
Annual sales of \$4.4 billion are 17% below pre-2020 norms and off 55% from the 2022 peak. A gap between buyer/seller expectations limits deal flow.

Owner-Occupiers on the Rise:

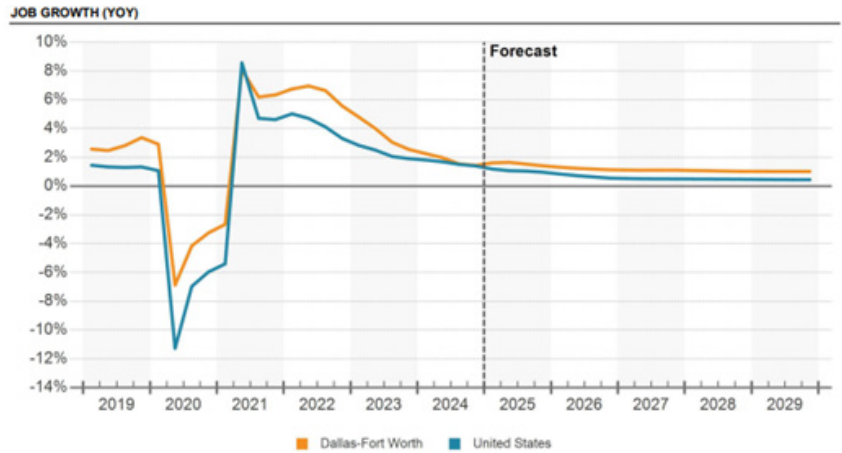
~10% of 2024 deal volume involved users purchasing their own buildings (e.g., Raising Cane’s acquiring a 395,000 SF campus).

Distress & CMBS Risks:

Foreclosures are increasing, particularly downtown. Delinquency on CMBS loans in DFW hovers around 13%, suggesting more distress could emerge if refinancing challenges persist.



*All information sourced from the Costar Group



ECONOMIC DRIVERS

Population & Job Growth:

+153,000 new residents (2022–2023) ranks DFW #1 nationally. Job growth is +1.5% year over year, matching the U.S. trend. Financial services employment is a standout at +4%.

Corporate Relocations:

Major players—Goldman Sachs, Wells Fargo, AECOM, Caterpillar—have deepened DFW roots, attracted by lower costs and a central location.

2024 CASE STUDY

Case Study of Stonebriar Commons on Legacy

In January 2024, we were entrusted with the leasing assignment for a property that had struggled under its previous brokerage firm, with no new leases signed over the past three years.

Property Details:

Located in Frisco, TX, Stonebriar Commons on Legacy is a three-story Class B+ office building surrounded by restaurants, entertainment and hotels.

Understanding the property's potential, our team immediately crafted a dynamic leasing strategy designed to attract tenants and maximize the asset's value. We developed high-impact marketing materials, incorporating professional drone videography to highlight the property's prime location and distinctive features, setting it apart in a competitive market.

In just 9 months, we secured multiple lease renewals and signed 8 new leases, raising occupancy from approximately 65% to an impressive 93%. These efforts have not only revitalized the property but have also **added approximately \$4.8 million in value**, positioning it as a thriving asset with a strong outlook for continued growth. This performance demonstrates our ability to unlock hidden value and drive results for our clients.



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2025 DFW OFFICE OUTLOOK

The Dallas-Fort Worth (DFW) office market is expected to face continued vacancy pressures in 2025, with overall **vacancy rates potentially reaching 19%** by the end of the year. A key driver of this trend is the substantial number of large lease expirations on the horizon, with **40% of pre-pandemic deals set to expire**. This suggests that ongoing downsizing by tenants could contribute to increased availability and prolonged market challenges. Tenant-favorable conditions are expected to persist, driven by an abundance of sublease space and moderate new deliveries. Landlords are likely to continue offering generous incentives such as **tenant improvement (TI) allowances and free rent periods** to attract and retain tenants. While these concessions should help maintain face rents, they will likely constrain significant rent growth in the near term. As a result, tenants will retain significant negotiating power across most property types, with the exception of trophy buildings in prime locations. Despite short-term challenges, the long-term outlook remains positive, supported by its strong **population growth, economic diversity, and business-friendly environment**. These factors have historically made the region a top choice for corporate relocations and expansions, helping to sustain long-term demand for office space. While current market conditions may favor tenants, the region's appeal to businesses should help drive gradual market stabilization in the coming years. Overall, while the DFW office market may experience near-term volatility with rising vacancies and tenant-friendly conditions, its long-term fundamentals position it for eventual recovery and growth. Investors and landlords should focus on strategic leasing approaches and property enhancements to remain competitive in an evolving market landscape.

*All information sourced from the Costar Group

WANT MORE INSIGHTS?

Contact our brokerage team today for personalized insights and hands-on support. With extensive experience in advisory services and a deep understanding of the commercial real estate market, we are committed to guiding you through every step of your investment journey. Let us help you achieve your CRE goals with confidence.

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