

# Q2 MARKET REPORT: DFW OFFICE

## EXECUTIVE SUMMARY

The Dallas-Fort Worth office market is showing early signs of recovery. Leasing activity is gaining traction, vacancy has begun to stabilize, and net absorption has turned positive over the past year. These shifts reflect the region’s underlying strengths—continued population growth, a diversified economic base, and a pro-business environment. On the investment front, sales volume has climbed 35% year-over-year, reaching \$3.9 billion. Despite this rebound, transaction activity remains slow as many owners hold firm on pricing, reluctant to accept discounts of 35–45% below 2021 peaks. As a result, deal flow is increasingly happening off-market or through extended negotiations.

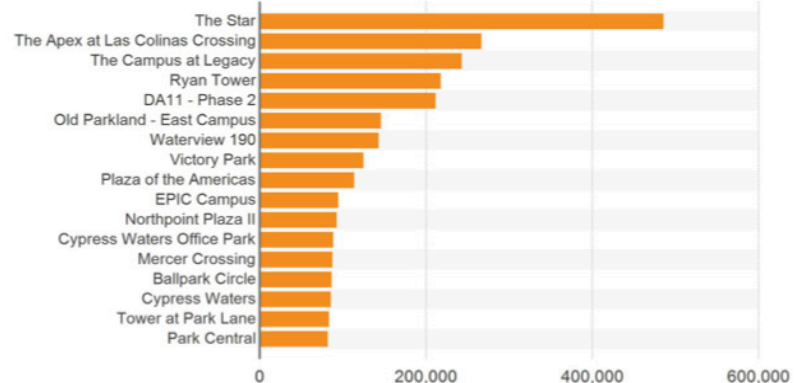
## LEASING AND DEMAND

Leasing volume totaled approximately 20 million square feet over the past year, returning to pre-pandemic norms. Large users are re-entering the market, and expansion activity is on the rise. Notable transactions include:

- **Toyota Financial Services – 240,000 SF at Southstone Yards, Frisco**
- **Bank of America – 10-year renewal for 554,000 SF, Addison**
- **GEICO, Lockton, Sally Beauty – each over 100,000 SF**
- **TIAA – 525,000 SF at The Star in Frisco**

The Dallas North Tollway corridor, spanning from Uptown to Frisco, remains the region’s most active leasing corridor, capturing 40% of activity despite holding only 27% of inventory. Preston Center in Dallas continues to outperform, with vacancy near 6% and steady rent growth, even among older buildings. Tenants continue to prioritize accessibility, best-in-class amenities, nearby restaurants/shopping and quality construction, driving demand toward newer mixed-use projects and high-end suburban assets. Meanwhile, Downtown Dallas continues to see outmigration, with vacancy now at 27%—pressured further by pending relocations like Goldman Sachs’ 2028 move to Uptown.

12 MONTH NET ABSORPTION SF IN SELECTED BUILDINGS



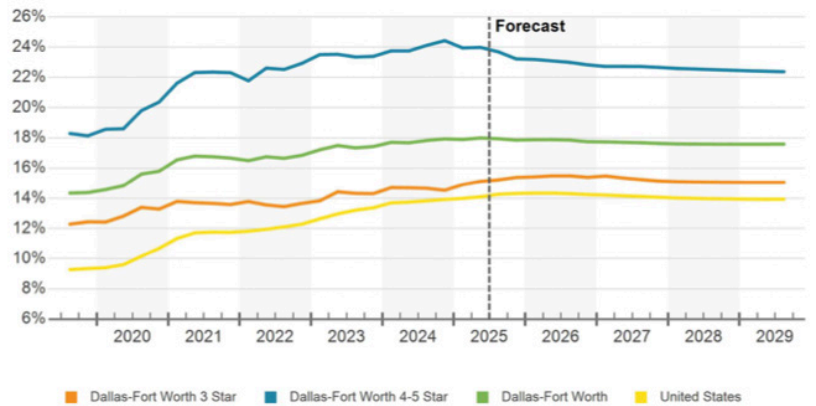
\*All information sourced from the Costar Group

## VACANCY AND SUPPLY

Total vacancy across the market sits at 17.9%, up 380 basis points since 2019. Despite leasing gains, total available space now stands at 83.3 million square feet, roughly 15 million above pre-COVID levels. The oversupply is heavily concentrated in outdated buildings from the 1980s, which account for over 40% of current vacant space.

However, tenant move-outs have slowed meaningfully, and many users are maintaining or modestly expanding footprints. Key suburban nodes and new developments are absorbing more of the market's active demand.

VACANCY RATE



## CONSTRUCTION AND DEVELOPMENT

The new supply pipeline is tightening. Just 5.5 million square feet is currently under construction—38% below pre-2020 levels—and no new speculative projects have broken ground in the past three quarters. Available space in buildings completed within the past three years has declined 17% year-over-year, one of the sharpest drops nationally. The construction slowdown is expected to intensify competition for well-located second-generation assets as supply options narrow in top-tier submarkets.

### KEY PROJECTS

#### 23Springs

(626,000 SF) in Uptown, ~62% leased

#### Goldman Sachs HQ

(800,000 SF) in 2028

#### Wells Fargo Las Colinas Campus

3,000 employee consolidation

#### Lake Carolyn (KDC)

Two 425,000 SF towers, delivering 2025

\*All information sourced from the Costar Group

## RENTAL RATES AND CONCESSIONS

Overall asking rents remain firm at \$32 per square foot, up slightly despite market softness. High-end buildings in Uptown, Preston Center, and Frisco are seeing asking rents range from \$40 to \$80 per square foot NNN, while new trophy assets in Uptown are achieving pre-leasing rates near \$70 per square foot NNN.

Landlords continue to offer elevated concessions:

- TI Allowances: \$60–\$80/SF for existing space, over \$100/SF for new builds
- Free Rent: Generally 1 month per lease year, though terms vary based on ownership structure, TI Allowances offered, and tenant creditworthiness

Sublease availability continues to offer value, with Downtown sublease discounts averaging 38%. A sublease space in Harwood Tower is currently being marketed at \$11/SF NNN, a 54% discount compared to direct space. In contrast, higher-quality suburban product shows minimal sublease markdowns.

## ECONOMIC DRIVERS

The broader DFW economy remains one of the strongest in the U.S. With 8.3 million residents, the region has grown 27% since 2010, driven by major population gains in Collin and Denton counties. DFW remains the top market for domestic in-migration, supporting long-term demand for office and commercial space.

Key strengths include:

- 24 Fortune 500 HQs, including AT&T, McKesson, American Airlines, Toyota, and Texas Instruments
- A growing financial services sector with expansions from Goldman Sachs, Wells Fargo, Charles Schwab, JP Morgan, and Fidelity
- DFW International Airport as a global logistics hub and competitive advantage for corporate relocations
- Over 500,000 jobs added post-COVID, ranking the region among the national leaders in employment gains

Even in a softening national economy, DFW's diversified base and affordability position it for out-performance.

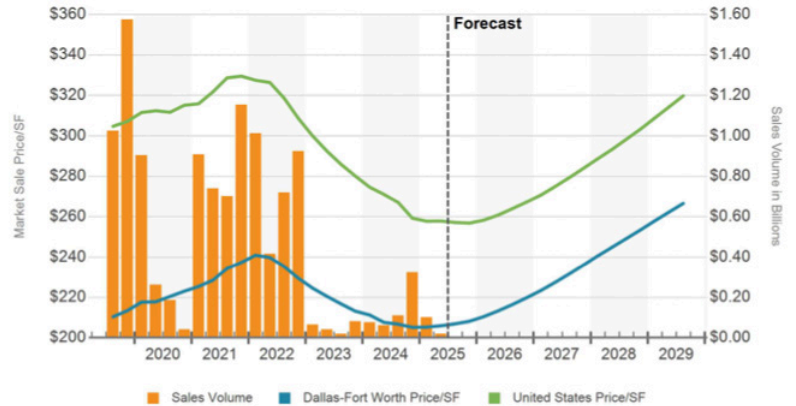
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# BUYER TRENDS AND ACTIVITY

Owner-users now represent 20% of office acquisitions, a dramatic increase from the pre-pandemic norm of 5%. These buyers are seizing the opportunity to acquire well-located buildings below replacement cost, often paying cash or utilizing low-leverage structures to bypass today's restrictive lending environment.

Prominent corporate users like Fisher Investments, Triumph Financial, and Associa have made strategic purchases to secure long-term control of space in key submarkets. Their activity not only absorbs vacant space but also repositions aging assets previously overlooked by institutional capital.

SALES VOLUME & MARKET SALE PRICE PER SF



## NOTABLE TRANSACTIONS

Recent transactions highlight the growing bifurcation in DFW's office market. Preston Commons in Preston Center was acquired by Energy Transfer for \$150 million (approximately \$360 per square foot), reflecting strong pricing in a high-demand, supply-constrained submarket with near-zero vacancy. In contrast, The Tower at Park Lane sold for \$66 million (approximately \$130 per square foot), a significant drop from the \$236 per square foot paid in 2017. With occupancy around 50 percent, the deal underscores the repricing of transitional assets and investor confidence in long-term location strength near NorthPark Center.

## KEY PROJECTS

### Preston Commons

Acquired by Energy Transfer for \$150M  
\$360/SF, with near-zero vacancy

### The Tower at Park Lane

Purchased by Real Capital Solutions for  
\$66M, \$130/SF, 510,000 SF Tower

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# DISTRESSED DEBT AND THE LOOMING RESET

Distress is building—and it's structural, not just cyclical.

- Over \$615M in DFW CMBS office loans will mature by the end of 2025.
- 14% of CMBS-backed office loans in the market are now delinquent, 5 percentage points higher than the national average.

Lenders have shifted tone:

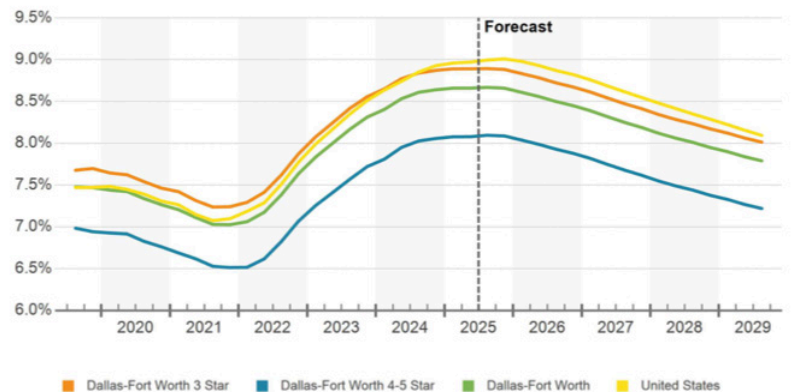
Loan extensions are no longer automatic, and many are beginning to enforce maturity defaults rather than amend-and-extend. Older assets, especially those with high rollover exposure, dated buildouts, or large vacancies, are the first to hit special servicing.

This brewing distress is beginning to unlock deeply discounted opportunities:

- Owners without access to rescue capital are walking away.
- Lenders are preparing to sell notes or take back title.
- Equity recapitalizations are failing due to falling appraisals and DCR shortfalls.

Expect an uptick in note sales, receiverships, and lender-driven dispositions, especially in Class B/C product, CBD high-rises, and suburban campuses with limited tenant appeal.

MARKET CAP RATE



## MARKET METRICS

- **Average Sale Price:** \$184/SF
- **Cap Rates:** 6.7% average (2.9% to 9.1% range)
- **Vacancy at Sale:** 28% average
- **Transactions Recorded:** 991

Many assets are trading below replacement cost, especially those with deferred maintenance or functional obsolescence.

\*All information sourced from the Costar Group

# ANNUAL REPORT: DFW OFFICE

## 2025 DFW OFFICE LEASING OUTLOOK

While Dallas-Fort Worth's office market still faces near-term challenges, the fundamentals are beginning to stabilize. Vacancy is expected to remain elevated around 18% as the market works through existing inventory and lease expirations tied to pre-2020 commitments. Rent growth will likely stay muted in the short term, with continued tenant leverage and elevated concession packages. Speculative development is expected to remain limited due to financing constraints and slower lease-up timelines, while steady leasing demand—particularly in core locations—continues to drive flight-to-quality absorption.

Looking ahead, DFW's long-term outlook remains strong. The region's structural advantages—population growth, relative affordability, industry diversity, and robust infrastructure—are expected to support a durable recovery. Trophy and Class A assets in prime submarkets like Uptown, Preston Center, and Frisco will continue to outperform. With limited new supply projected over the next 12 to 24 months, the stage is set for rent growth to re-emerge by 2026. As other metros grapple with higher costs, tighter regulations, and slower growth, investor and corporate confidence in DFW is poised to rise.

Bottom line: Dallas-Fort Worth is stabilizing. While the market will remain favorable to tenants in the near term, long-term fundamentals suggest a constructive setup for a stronger rebound beginning in 2026.

\*All information sourced from the Costar Group

# ANNUAL REPORT: DFW OFFICE

## 2025 DFW INVESTMENT SALE OUTLOOK

This cycle isn't just a market correction—it's a full reset. For well-capitalized buyers, particularly private investors, family offices, and entrepreneurial sponsors, the current environment presents a rare window to acquire high-quality assets at pricing levels not seen since the Global Financial Crisis. A convergence of factors—rising distress, reduced competition from leveraged buyers, expanding cap rates, seller fatigue, and ongoing tenant flight to quality—has created a generational opportunity to acquire and reposition underpriced office product across Dallas-Fort Worth.

While institutional capital largely remains on the sidelines, those with dry powder and a long-term view are quietly assembling portfolios in premier submarkets like Preston Center, Uptown, Frisco, and along key corridors such as Legacy and LBJ. Success in this market demands a clear repositioning strategy, patience with leasing velocity, and conviction in DFW's long-term fundamentals—continued job growth, strong in-migration, corporate relocations, and sustained demand for quality space.

Bottom line: DFW is entering a phase of price discovery and debt-driven asset turnover. Investors with flexible capital and a sharp eye for value have a rare opportunity to build long-term wealth through strategic acquisitions in one of the country's most resilient office markets.

\*All information sourced from the Costar Group

## WANT MORE INSIGHTS?

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