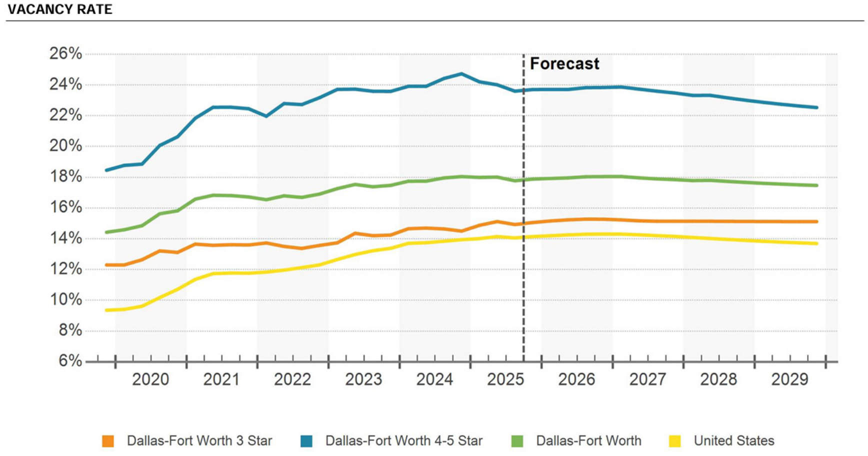
Q3 MARKET REPORT: DFW OFFICE

EXECUTIVE SUMMARY

The Dallas–Fort Worth office market is showing measurable signs of stabilization heading into late 2025 following several years of adjustment. Over the past twelve months, the region recorded 3.2 million square feet of positive net absorption, offset by 3.6 million square feet of new deliveries, pushing overall vacancy to 17.8 percent, roughly 380 basis points above pre-pandemic levels.

Leasing activity has rebounded to 19 million square feet, nearly back to pre-2020 averages, while new construction remains muted with 3.6 million square feet underway, 70 percent pre-leased. Investment volume rose 16 percent year-over-year to $4.2 billion, underscoring improved sentiment among private investors and owner-users. Despite lingering vacancy in older product, tenant retention is strengthening, and employers across the metroplex are reinforcing in-person work policies, driving stability across core submarkets.



LEASING AND DEMAND

Leasing fundamentals have stabilized as tenants reassess space needs and renew leases at higher rates than in recent years. Many companies are opting to stay in place due to elevated build-out costs, limited Class A availability, and the expense of relocation. Demand remains concentrated in modern, amenity-rich environments that promote collaboration and retention.

The flight to quality continues to shape market dynamics, with newly constructed and renovated assets capturing the majority of leasing activity. Submarkets such as Frisco, Legacy, and Las Colinas are benefiting from strong corporate presence and executive housing access, while Downtown Dallas continues to lag with vacancy near 27 percent.

*All information sourced from the Costar Group

INVESTMENT SENTIMENT

Looking ahead, moderate absorption and steady rent levels are expected through 2026 as tenants focus on efficiency and flexibility. Renewals and expansions in premier corridors like the Dallas North Tollway and Far North Dallas are expected to sustain leasing momentum.

Investment appetite is strengthening among private capital and local owner-users, who are capitalizing on discounted pricing and limited new supply. Medical office conversions and value-add repositioning are likely to remain key themes. Supported by population growth, continued corporate migration, and a diversified economy, the DFW office market is well-positioned to outperform many U.S. metros in the coming year.

SALES: MARKET PERFORMANCE

Sales activity in DFW’s office sector has accelerated, signaling renewed investor confidence. Transaction volume reached $4.2 billion, marking a solid 16 percent increase year-over-year. However, pricing remains 35 to 45 percent below 2021 peaks, reflecting re-calibrated expectations in a higher interest rate environment.

Core submarkets such as Uptown, Legacy, and the Upper Tollway Corridor continue to attract institutional and private buyers targeting stabilized Class A assets with strong rent rolls. Meanwhile, secondary markets like Richardson, Irving, and North Fort Worth are seeing increased owner-user activity, driven by cost advantages and access to growing labor pools.

PROMINENT TRANSACTIONS

Toyota Financing Services

240,000 SF Lease at Southstone Yards

Scotiabank

101,000 SF commitment at Victory Commons One

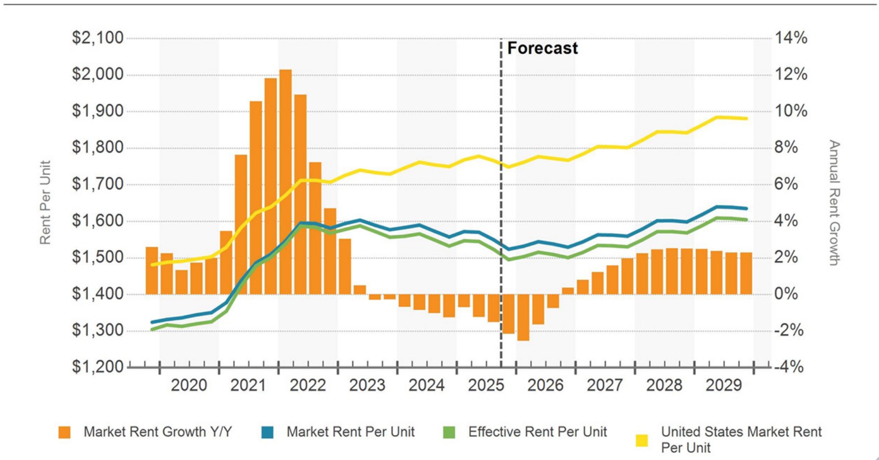
*All information sourced from the Costar Group

CONSTRUCTION AND PRICING TRENDS

Construction has slowed significantly, with new development 38 percent below pre-2020 levels. The majority of projects underway are build-to-suit or heavily pre-leased, limiting speculative risk. Average asking rents remain steady at $32 per square foot, while top-tier product commands $40 to $80 triple net.

Tenant improvement packages have doubled since 2020, now ranging from $60 to over $100 per square foot, and landlords are offering one month of free rent per lease year to remain competitive. Investors are focusing on value-add and medical office opportunities, recognizing long-term upside in adaptive reuse and healthcare-driven demand.

MARKET RENT PER UNIT & RENT GROWTH



ECONOMIC DRIVERS

The Dallas–Fort Worth economy remains one of the most dynamic in the nation, supported by diverse industries, rapid population growth, and sustained employment gains. Now home to 8.3 million residents across 13 counties, the region has expanded 27 percent since 2010, led by fast-growing northern suburbs such as Frisco, Plano, Allen, and McKinney. Its low cost of doing business, central location, and highly skilled workforce continue to attract corporate relocations across technology, finance, healthcare, logistics, and real estate sectors.

With 24 Fortune 500 headquarters, including AT&T, Toyota, and McKesson, the market benefits from a strong corporate base that fuels both office leasing demand and investment stability. Major financial institutions such as Goldman Sachs, Fidelity, and Charles Schwab are expanding regional campuses, while Fort Worth's logistics and aerospace industries drive balanced economic growth. These fundamentals underpin DFW's long-term office market resilience, supporting sustained sales velocity and leasing performance into 2026.

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WORLDWIDE COMMERCIAL

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DFW OFFICE MARKET OUTLOOK

The Dallas–Fort Worth office market enters Q4 on a path of gradual stabilization, supported by a resilient local economy and improving tenant confidence. Leasing velocity remains healthy, led by strong activity in the Dallas North Tollway corridor, Legacy, and Las Colinas, where employers prioritize amenity-rich environments and access to executive housing. Renewals continue to outpace relocations as companies balance hybrid work with cost containment. Class A assets and recently renovated buildings will capture most new demand, while 1980s-era inventory faces slower lease-up cycles and elevated concession requirements. Rents are expected to hold steady, with modest growth in high-demand submarkets.

On the sales side, transaction volume is projected to climb 10–15 percent into early 2026 as pricing stabilizes and private investors reenter the market. Owner-users and value-add buyers will remain key drivers, targeting discounted product with repositioning potential. Construction will stay subdued, keeping supply balanced and supporting long-term fundamentals. With strong population growth, corporate in-migration, and industry diversity, DFW's office sector is well-positioned to outperform national peers, maintaining steady absorption and healthy investor interest through 2026.

WANT MORE INSIGHTS?

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