

# ANNUAL REPORT 2025: OFFICE

The Dallas Fort Worth office market is in a period of measured rebalancing rather than broad contraction. Over the past year, both leasing and investment activity have shown signs of stabilization, reflecting improved clarity around workplace strategies, capital markets conditions, and long-term occupier needs. While overall fundamentals remain below pre-2020 norms, the pace of change has shifted from decline to normalization.

Tenant decision-making has become more deliberate, with users focusing on quality, efficiency, and long-term positioning rather than short-term extensions. Medical office continues to represent the most stable segment of the broader office landscape, supported by sustained population growth, demographic aging, and the continued shift toward outpatient care models. These structural drivers have insulated medical office from much of the volatility experienced in traditional office.

From an investment standpoint, capital is returning selectively. Institutional investors are reengaging with high-quality, well-leased assets, while private capital remains active across a wider spectrum of risk profiles. Although pricing has reset from peak levels, transaction velocity and underwriting confidence have improved relative to the prior two years.

## LEASING AND DEMAND DRIVERS

Leasing activity across Dallas Fort Worth improved over the past year, with total volume moving closer to historical norms. A notable development has been the return of larger tenants to the market. Organizations that had previously deferred major real estate decisions are now executing longer-term strategies, resulting in an increased share of large-block transactions. This shift signals greater corporate confidence in space utilization planning and long-term workforce models.

Corporate relocations and expansions remain central to demand. North Texas continues to attract firms through a combination of business-friendly policies, workforce availability, and competitive operating costs. Financial services, professional services, and corporate headquarters users remain prominent contributors to absorption.

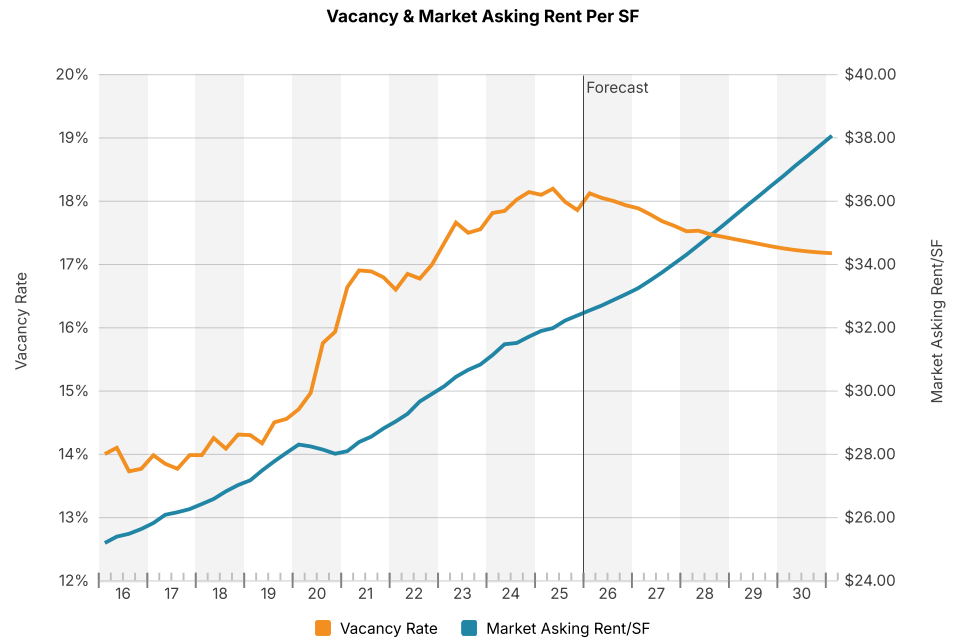
Medical office demand remains particularly resilient. Healthcare systems continue expanding outpatient footprints to align with patient access trends and cost efficiencies. This has supported steady occupancy levels and leasing velocity in well-located medical office assets across the region.

## LOCATION TRENDS

Location dynamics continue to reinforce a clear flight to quality. Tenants increasingly prioritize environments that combine accessibility, amenities, and modern building infrastructure. Properties along the Dallas North Tollway corridor, extending from Uptown through Plano and Frisco, continue to capture a disproportionate share of leasing activity relative to inventory share.

Preston Center remains one of the tightest nodes due to strong demographics, walkability, and proximity to executive housing. In suburban markets, newly delivered towers and mixed-use projects offering integrated retail and lifestyle components are leading leasing momentum.

In contrast, older commodity buildings without modernization or amenity differentiation face extended vacancy and slower absorption. Downtown Dallas continues to experience tenant migration toward newer environments, reinforcing the separation between legacy inventory and high-quality product.



## RENT TRENDS

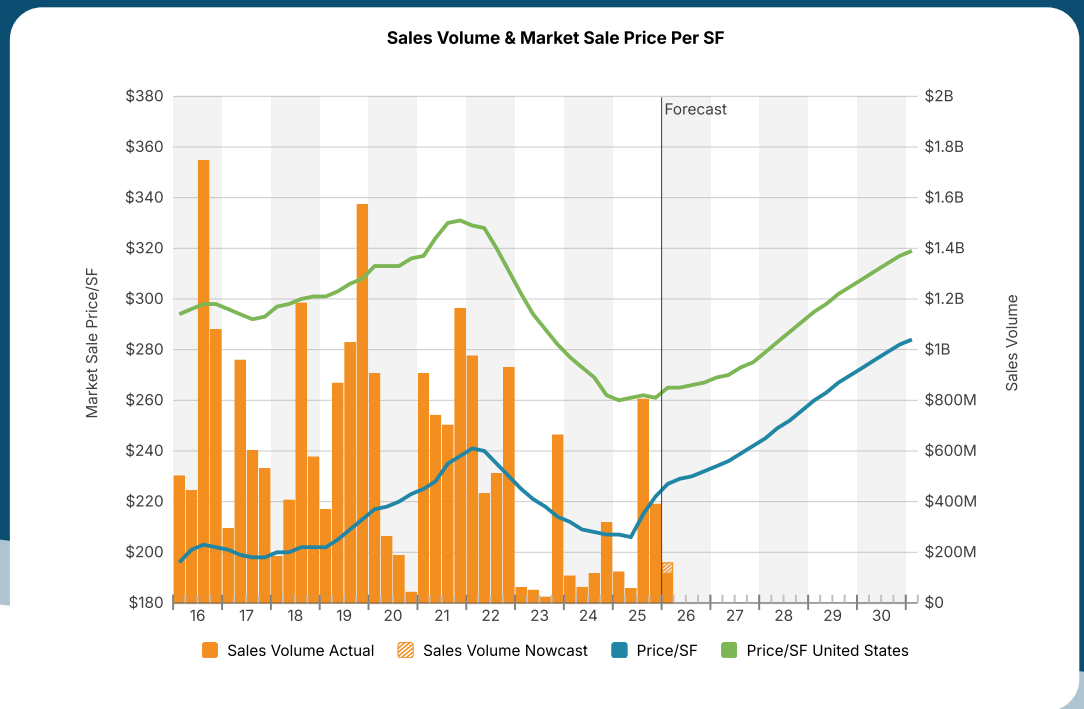
Rent trends highlight the market's bifurcation. Trophy and best-in-class assets in premier submarkets are achieving premium rents, supported by strong tenant demand for quality environments. Conversely, older inventory often relies on concessions to compete. Tenant improvement allowances have increased meaningfully compared to prior cycles, and free rent remains prevalent in transactions where occupancy is a priority.

Medical office rental performance has been more stable. Long-term leases, essential-use tenancy, and healthcare demand drivers have helped maintain consistent rent levels relative to traditional office properties.

## CONSTRUCTION AND SUPPLY

Vacancy and availability remain elevated compared to pre-2020 conditions, largely due to legacy office inventory facing declining relevance. Demand has concentrated in newer, amenity-rich properties, leaving older buildings to compete through pricing.

Encouragingly, new construction has slowed considerably. Fewer speculative projects are entering the pipeline, reducing forward supply pressure. This moderation in development improves the market's ability to absorb existing vacancies and supports gradual stabilization over the coming years.



## INVESTMENT SALES

Investment activity strengthened over the past year, with annual sales volume rising to approximately \$4.2 billion. Average transaction pricing reached roughly \$302 per square foot, though dispersion is significant. Trophy properties in Uptown achieved \$650–\$750 per square foot, while distressed assets traded at deeply discounted levels.

Cap rates average near 7.1 percent, with lower yields for high-quality 4 and 5 Star assets. Owner users accounted for approximately 20 percent of transactions, well above historical norms, providing liquidity for well-positioned buildings and reinforcing demand for functional Class A properties.

## 2026 OUTLOOK FOR DFW'S OFFICE MARKET

Dallas Fort Worth is moving through a disciplined normalization phase supported by long-term population growth, corporate relocations, and economic diversity. While near-term performance will remain uneven, demand continues to concentrate in well-located, high-quality assets that meet evolving tenant expectations. Older properties without modernization or repositioning strategies may face extended leasing timelines.

Medical office fundamentals are expected to remain comparatively stable, driven by demographic growth and continued expansion of outpatient healthcare services. The slowdown in new construction is a critical shift, providing the market with a clearer path to absorb existing vacancies and reduce supply pressure over time.

From a capital markets perspective, improving clarity around interest rates and asset performance should support continued recovery in transaction activity. Investors and owner users are expected to remain active where pricing aligns with fundamentals. Overall, the market is transitioning toward balance, with leasing conditions expected to firm gradually as excess supply is absorbed.

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