



NEWMARK

*Market Overview*

# Dallas-Fort Worth Office

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1Q26



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# Market Observations



## Economy

- The market's unemployment rate increased four basis points year over year to 4.0%, though it remains well below the five-year average of 4.6%.
- The pace of job growth has slowed to 0.3% year over year in December 2025, continuing a trend of moderate gains in recent years. Even with slower growth, total employment reached 4.3 million in December 2025 and has held above the 4.2 million threshold since mid-year 2023.
- Most sectors reported employment growth, except for the business and professional, manufacturing and financial activities, with the education and health sector leading job gains at 3.2% over the past 12 months.
- Office-using employment recorded its largest annual decline since late 2020, falling 1.8% year over year in December 2025. Despite the pullback, total office-using employment remained elevated at more than 1.2 million jobs as of December 2025, even as only one of the three office-using sectors posted yearly job growth.



## Leasing Market Fundamentals

- Annual full-service asking rental rates increased by 3.0% quarter over quarter and 6.1% year over year to a new high of \$33.16/SF.
- Vacancy improved by 10 basis points quarter over quarter and 40 basis points year over year in the first quarter of 2026 to 24.5%, marking its lowest level since mid-2024.
- For the first time in 30 years, there were no deliveries in the first quarter of 2026, while the construction pipeline inched up to 2.4 MSF, intensifying pricing pressure as demand for premium space remains strong against limited new supply.
- Leasing activity increased 31.7% quarter over quarter to 4.4 MSF in the first quarter of 2026, though it still marked the lowest first-quarter total since 2021. Despite this, average deal size rose by 821 SF from the prior quarter, indicating tenants are gravitating toward larger spaces.



## Major Transactions

- GEICO, a leading U.S. insurance provider, signed the quarter's largest lease, securing 205,376 SF at the Galatyn Commons office park. This marks the second significant transaction at Galatyn in less than a year and expands the company's footprint in the Plano/Richardson submarket, where it will occupy three buildings totaling nearly 600,000 SF, solidifying its position as a major tenant in the submarket.
- The market continued to favor high-quality space, with Class A assets accounting for four of the five largest transactions and representing 61.5% of total leasing activity by square footage for the quarter.
- The top five deals span across four submarkets, indicating continued broad-based demand across the entire market.



## Outlook

- Economic uncertainty has tempered job growth and, alongside broader national headwinds, may slow leasing activity and pipeline development. However, with demand remaining robust, pricing is expected to stay elevated in the short term.
- In the near term, a winnowing construction pipeline will lead to rent and occupancy increases in submarkets with premier office product, as flight to quality persists and supply of these assets become more constrained. Additionally, as office conversions and demolitions continue to take place over the near term, the decrease in existing office inventory may help aid recovery in submarkets with many vacant office buildings and potentially bring greater stabilization to the Class B market.
- The long-term outlook remains positive and competitive, supported by strong fundamentals and a diversified labor pool, and continued elevated office-using employment. These strengths position the market to weather near-term challenges and broader macroeconomic headwinds.

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# 01

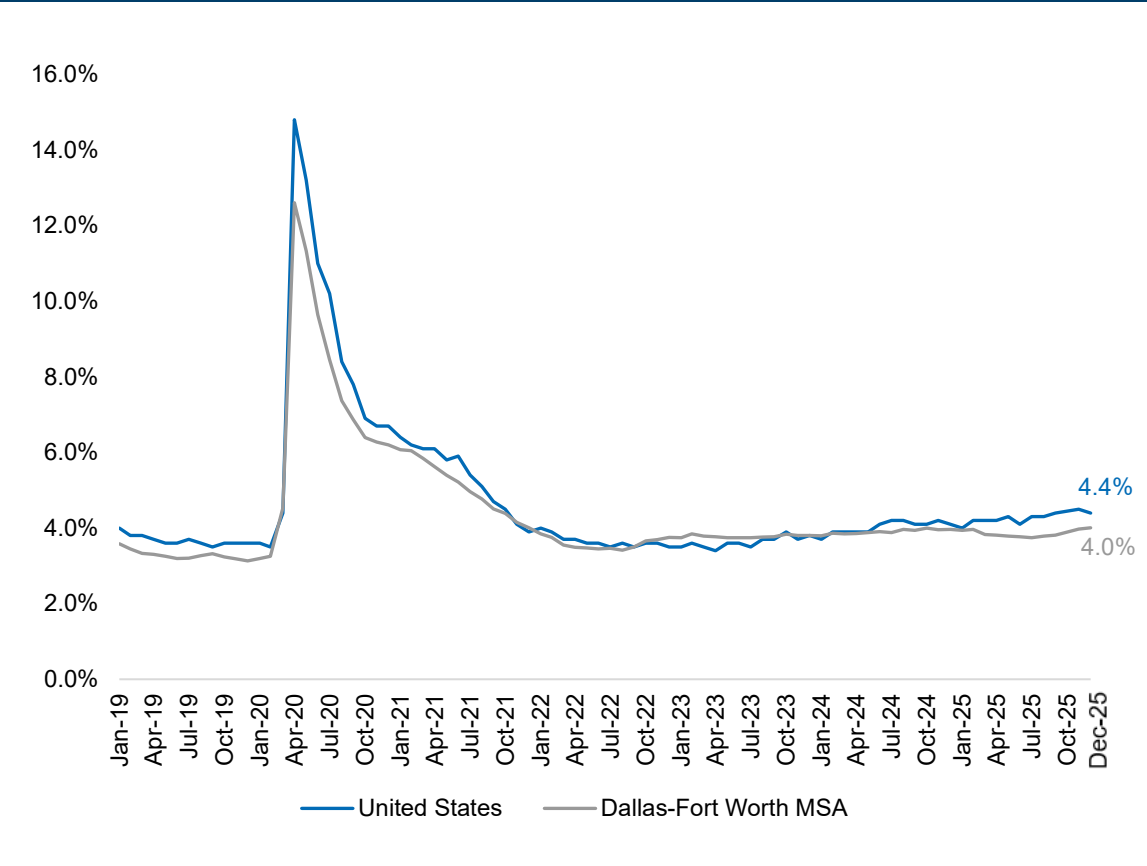
## Economy



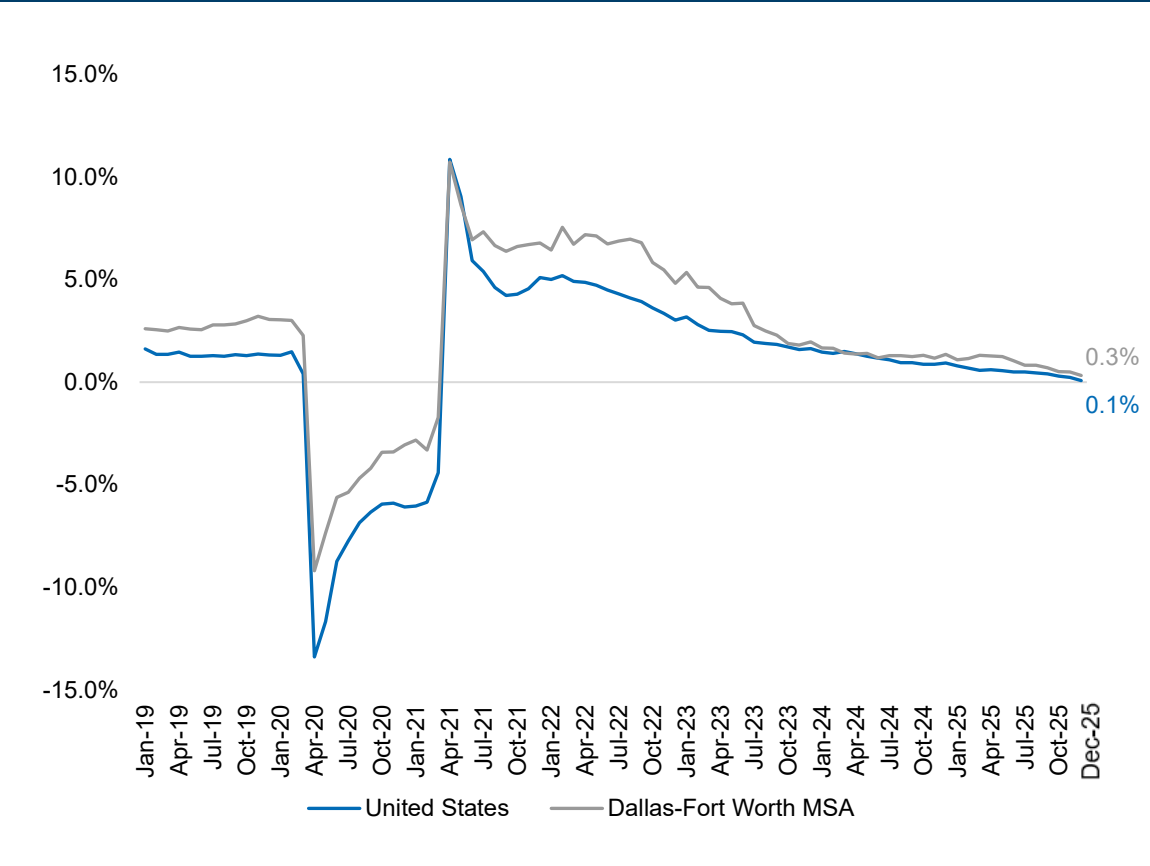
# Metro Labor Market Holds Steady, Outperforms Nation Despite Late-Year Plateau

In December 2025, the market’s unemployment rate held steady at 4.0% for the second consecutive month, marking five straight months without a decline and signaling a degree of labor market stagnation to close out the year. Despite the lack of downward movement, local conditions remain relatively strong, with unemployment tracking 40 basis points below the national average of 4.4% for the same period. The market’s resilience is further underscored by year-over-year employment growth of 0.3%, outpacing the national rate of 0.1% by 26 basis points. Despite ongoing macroeconomic headwinds weighing on national growth, the market has consistently outperformed, exceeding the national average in year-over-year employment growth for 19 consecutive months since May 2024.

**Unemployment Rate\*, Seasonally Adjusted**



**Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change**

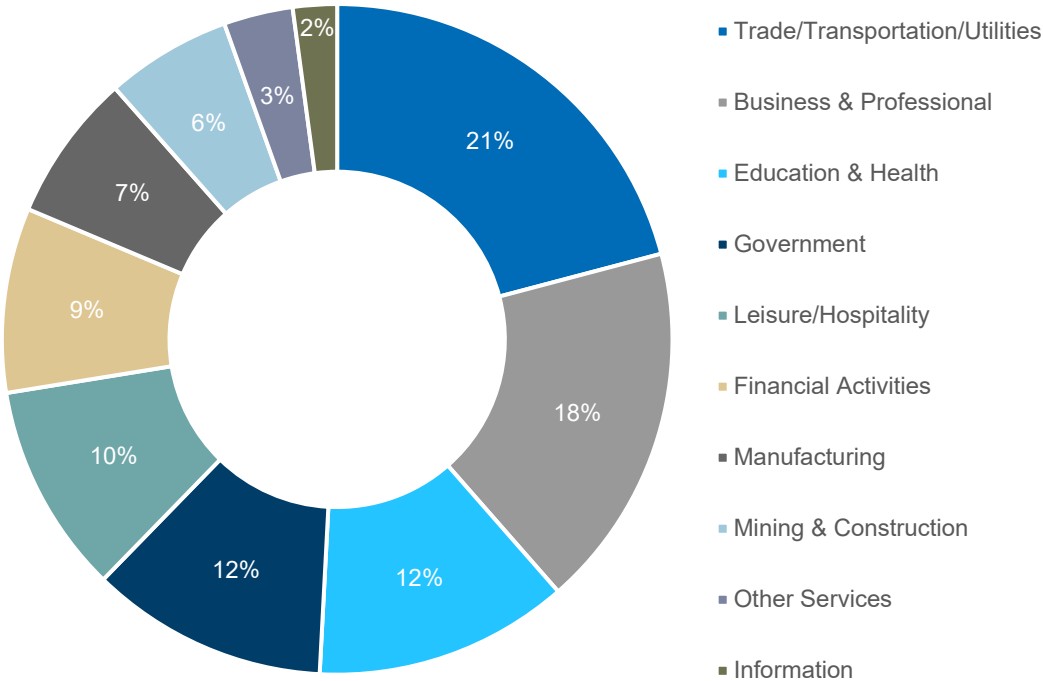


Source: U.S. Bureau of Labor Statistics, Dallas-Fort Worth MSA  
 \*October 2025 government shutdown missing data addressed with duplicating September 2025's data

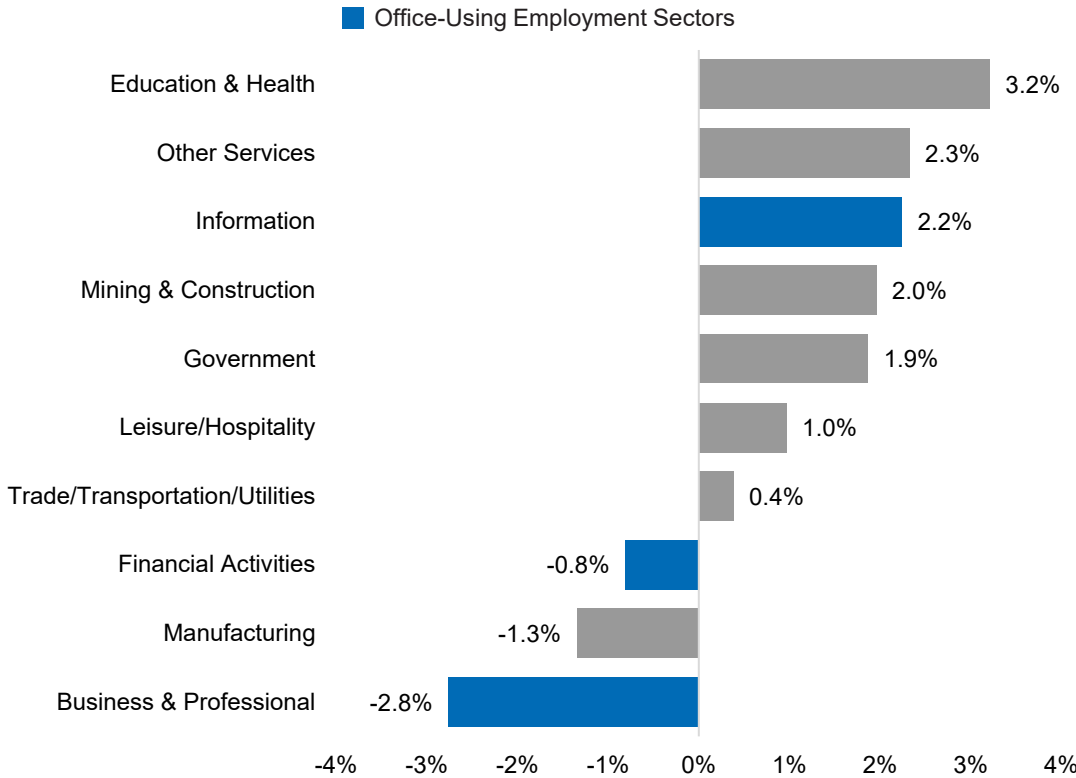
# Information Employment Growth Continues, Other Office-Using Sectors Decline

The Dallas-Fort Worth economy remains well diversified, with its two largest sectors, trade/transportation/utilities along with the office-using business and professional services — accounting for 38.5% of total employment. In aggregate, office-using sectors comprise 28.7% of the region’s workforce, led by business and professional services at 17.6%. Job growth was moderate, with seven of ten sectors recording year-over-year gains. Of the three sectors that contracted, two were office-using industries, as financial activities and business and professional services declined by 0.8% and 2.8%, respectively. On the positive side, the office-using information sector emerged as a relative bright spot among office-using industries, posting a solid 2.2% increase and ranking among the stronger-performing sectors in the first quarter of 2026.

**Employment by Industry, December 2025**



**Employment Growth by Industry, 12-Month % Change, December 2025**

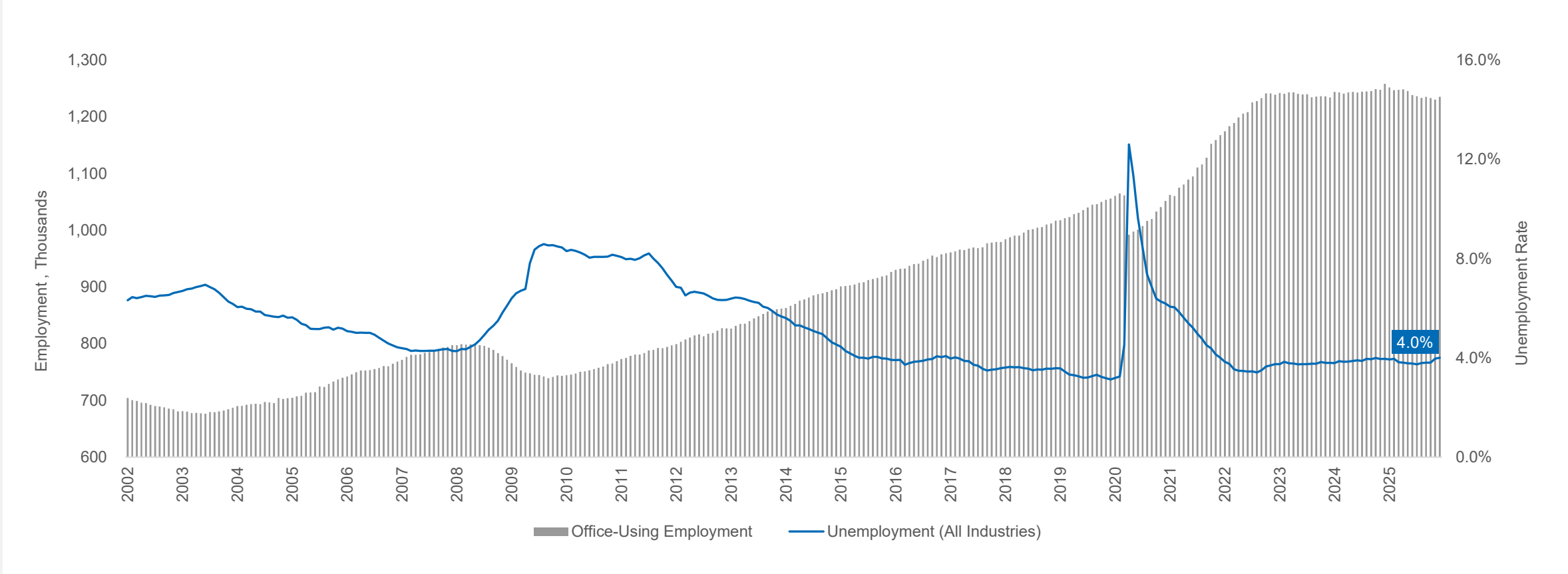


Source: U.S. Bureau of Labor Statistics, Dallas-Fort Worth MSA

# Office-Using Workforce Remains Elevated Despite Recent Year-Over-Year Contraction

Office-using employment recorded its steepest year-over-year decline since 2020, falling 1.8% in December 2025. This contraction was driven primarily by business and professional services, the region’s second-largest employment industry, which declined 2.8% year over year. Despite this pullback, the Dallas-Fort Worth labor market has remained stable, with the unemployment rate holding steady at 4.0% year over year. This stability underscores the resilience and diversification of the region’s economy. Even with the recent decline, office-using industries continue to support a robust employment base of approximately 1.2 million jobs. Sustained in-migration of corporate users reflects the region’s business-friendly environment and depth of office-using talent.

**Office-Using Employment\* and Unemployment Rate\*\* Across All Industries**



Source: U.S. Bureau of Labor Statistics, Dallas-Fort Worth MSA  
 \*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.  
 \*\*October 2025 government shutdown missing data addressed with duplicating September 2025's data

# 02

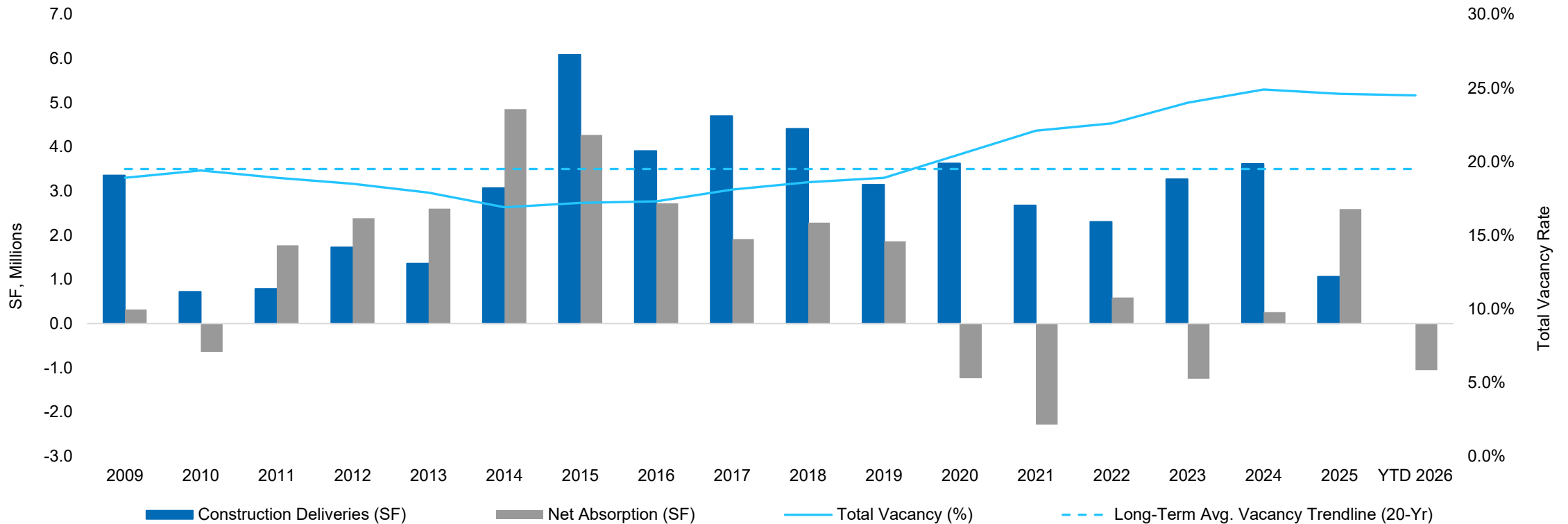
## Leasing Market Fundamentals



# Vacancy Declines Despite Negative Absorption as No New Deliveries Come Online

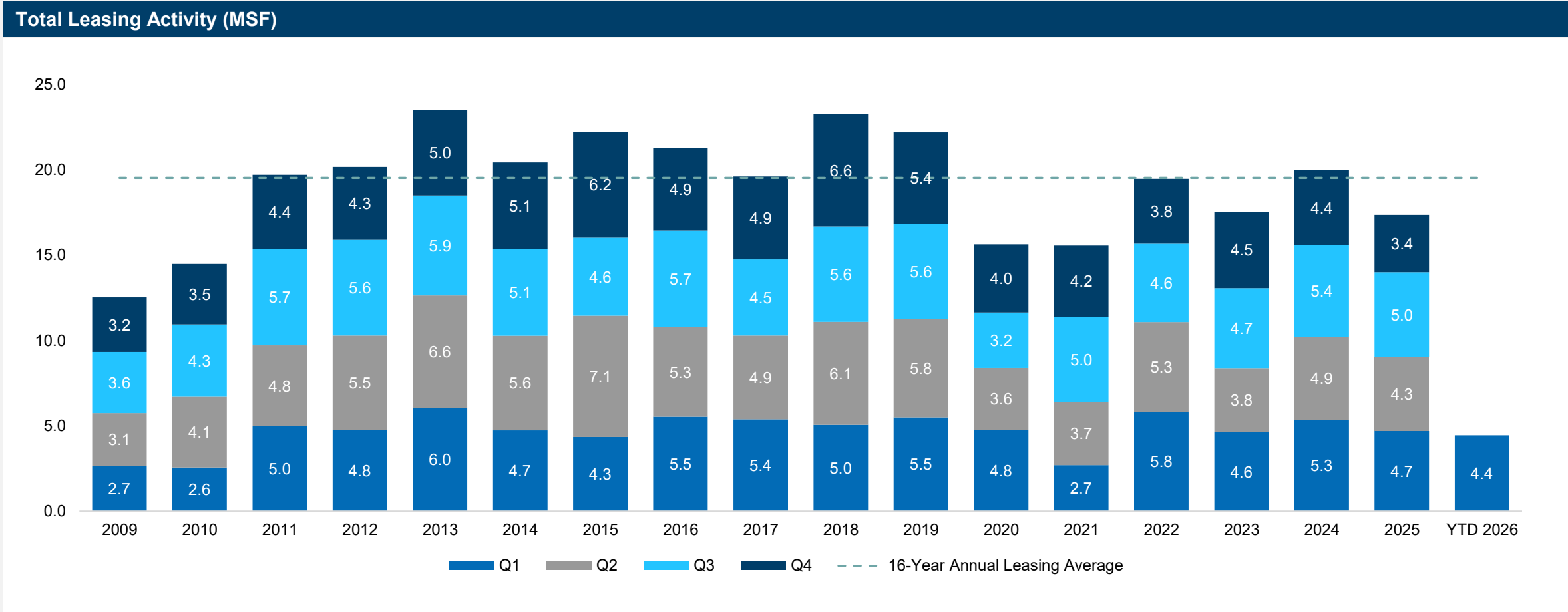
Dallas-Fort Worth recorded no new office deliveries in first quarter of 2026, marking the first quarter without completions since the mid-1990s. Despite the lack of new supply, the market posted its first quarter of negative absorption since late 2024, with 1.1 MSF of losses driven by Pioneer Natural Resources vacating space in the Las Colinas submarket. Excluding this move-out, net absorption was slightly positive resulting in vacancy edging down 10 basis points to 24.5%—its lowest level since mid-2024 but still above the 20-year average of 19.5%. Looking ahead, trends are expected to remain similar, with four projects set to deliver this year, including the fully available 78,758-SF Henderson East. Preleasing for 2026 deliveries stand at 58.1%, while tenants like PowerSchool, which recently signed a 79,371-SF market expansion deal, should help backfill space and support occupancy.

## Historical Construction Deliveries, Net Absorption, and Vacancy



# Early-Year Leasing Gains Signal Renewed Tenant Activity

Leasing activity rebounded from the seasonal lull in the first quarter of 2026, rising 31.7% quarter over quarter to 4.4 MSF. Meanwhile, average deal size increased by 821 SF quarter over quarter, signaling a modest shift toward larger space requirements to start the year. While total leasing volume came in slightly below the 16-year first-quarter average of 4.8 MSF, the quarter-over-quarter increase was the strongest since early 2022, signaling renewed tenant activity and improving momentum heading into the remainder of the year. Demand continues to favor high-quality space, and with four projects set to deliver in the coming quarters, the pipeline is well positioned to meet evolving tenant preferences. As a result, leasing activity is expected to build throughout the year, supported by steady demand for premium product and increasing tenant engagement.

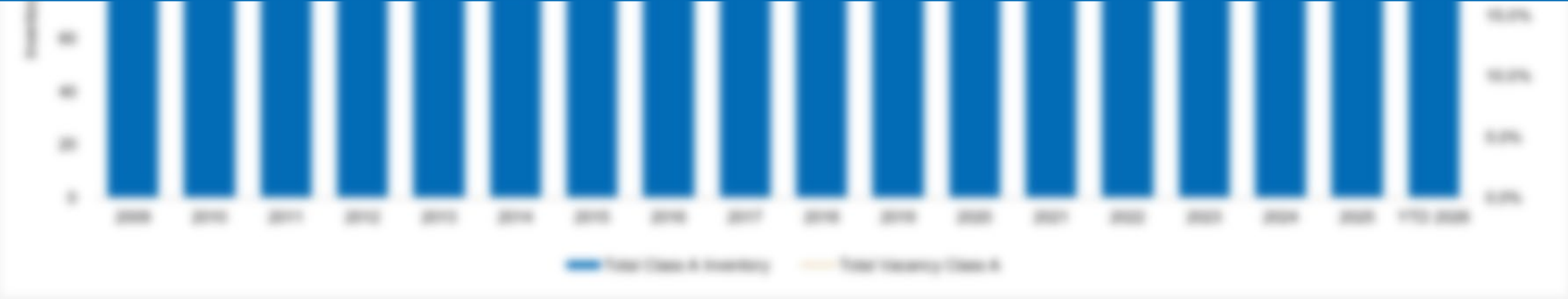


# Flight to Quality Pushes Class A Vacancy Lower Despite Major Move-Out

Class A vacancy declined 20 basis points quarter over quarter to 27.4% in the first quarter of 2024, marking the 10th consecutive quarter without an increase and bringing vacancy back in line with 2022 levels. While vacancy remains elevated, stability across the Prime National Business Center (PNBC) segment, 2.1 MBS, is still 150 basis points below the 2024 goal of 28.2%, reflecting continued demand for top-tier product. Strong performance for high-quality space remains strong, and with limited recent deliveries, many occupiers upgrading have facilitated meeting Class A availability, supporting continued vacancy compression. Looking ahead, approximately 1.4 MBS across 11 Class A projects, 41.2% of which is preleased, is set to deliver in the next year. As new supply comes online, further declines in vacancy are expected to continue, signaling a shift toward more balanced market conditions.

Class A Office Inventory vs. Class A Office Vacancy Rate

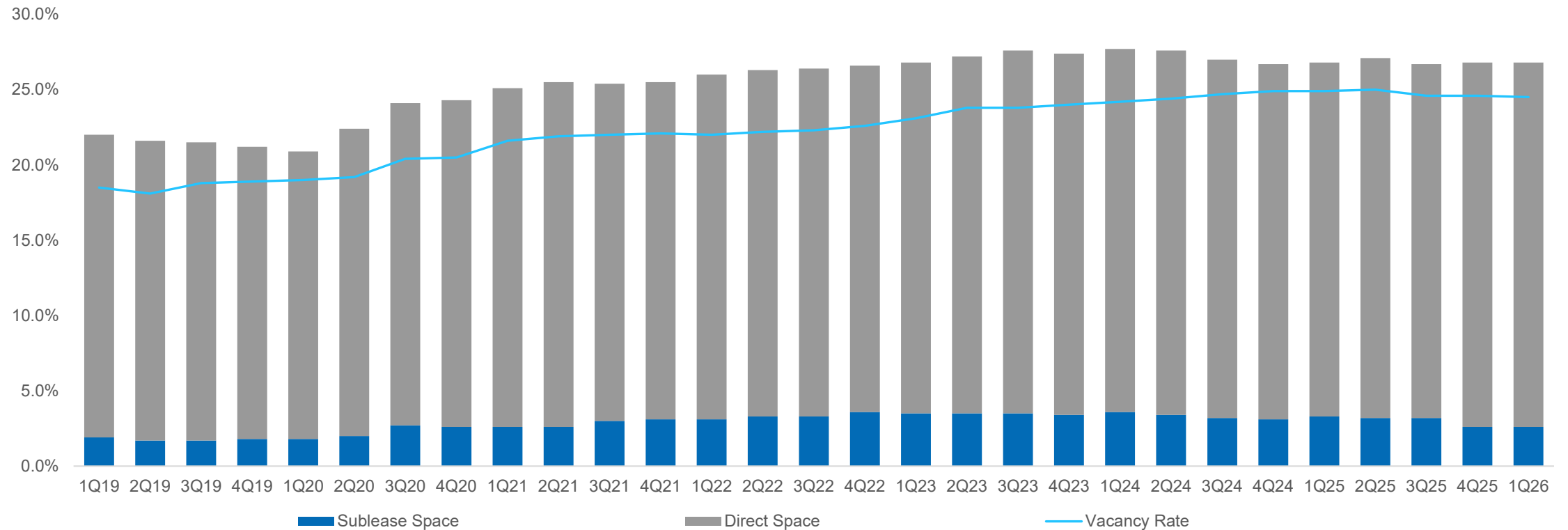
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# Stable Supply Conditions Support Gradual Vacancy Improvement

Direct availability held steady at 24.2% in the first quarter of 2026, matching year-end 2025, while sublease availability was unchanged at 2.6%. Sublease space is now at its lowest level since mid-2021, even as direct availability remains elevated, signaling reduced tenant distress and fewer major footprint reductions. Isolated cases, such as Sabre Corporation marketing roughly 265,000 SF for sublease, have not altered the broader trend. With new deliveries muted, the supply backdrop is largely stable, allowing the market to slowly absorb existing space, as reflected in a 10-basis-point decline in vacancy to 24.5% this quarter.

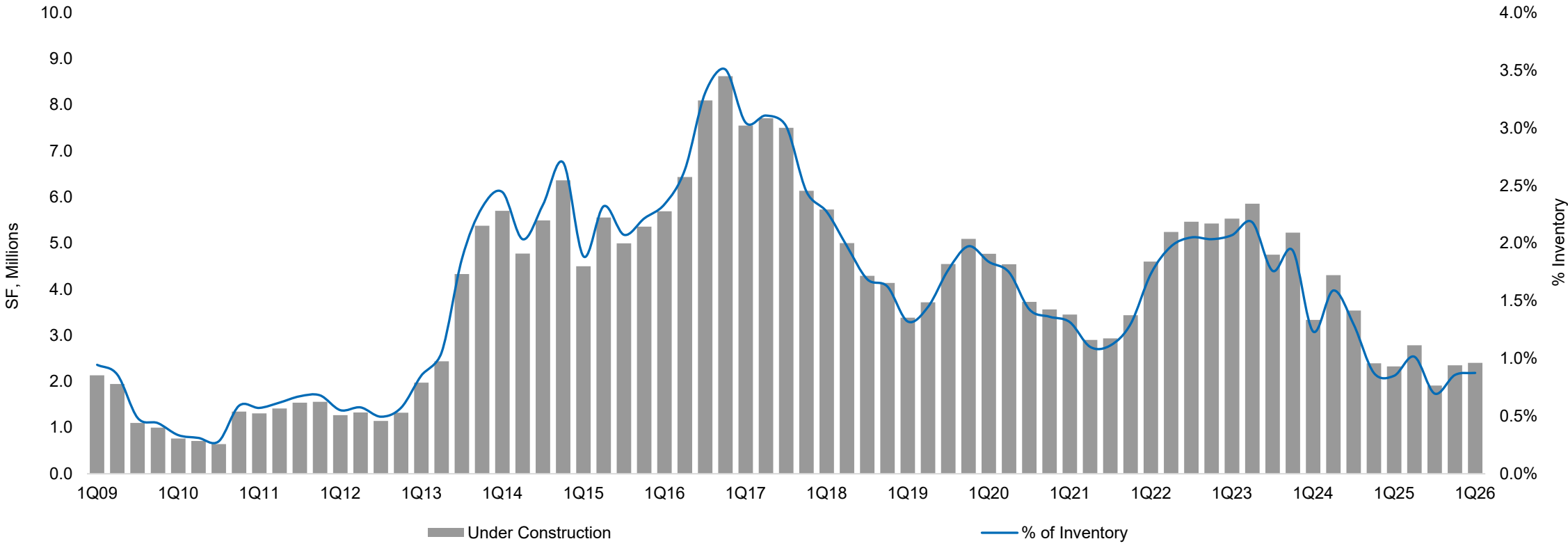
## Available Space as Percent of Overall Market



# Slowing Development Activity Shifts Focus to Existing Inventory

As of the first quarter of 2026, there are 11 Class A projects under construction, totaling approximately 2.4 MSF. The share of inventory under construction remains at 0.9% for the second consecutive quarter, with only one small project added to the pipeline this quarter. The most notable recent addition is the 325,000-SF Fields West development in the Legacy/Frisco submarket, which was the largest project to break ground last quarter. Looking ahead, the pipeline is expected to gradually decline, with four projects scheduled for delivery this year, adding approximately 233,000 SF of new Class A space. This modest and shrinking construction pipeline, points to a more supply-disciplined market in the near term, which should favor existing Class A assets and tenants seeking those spaces.

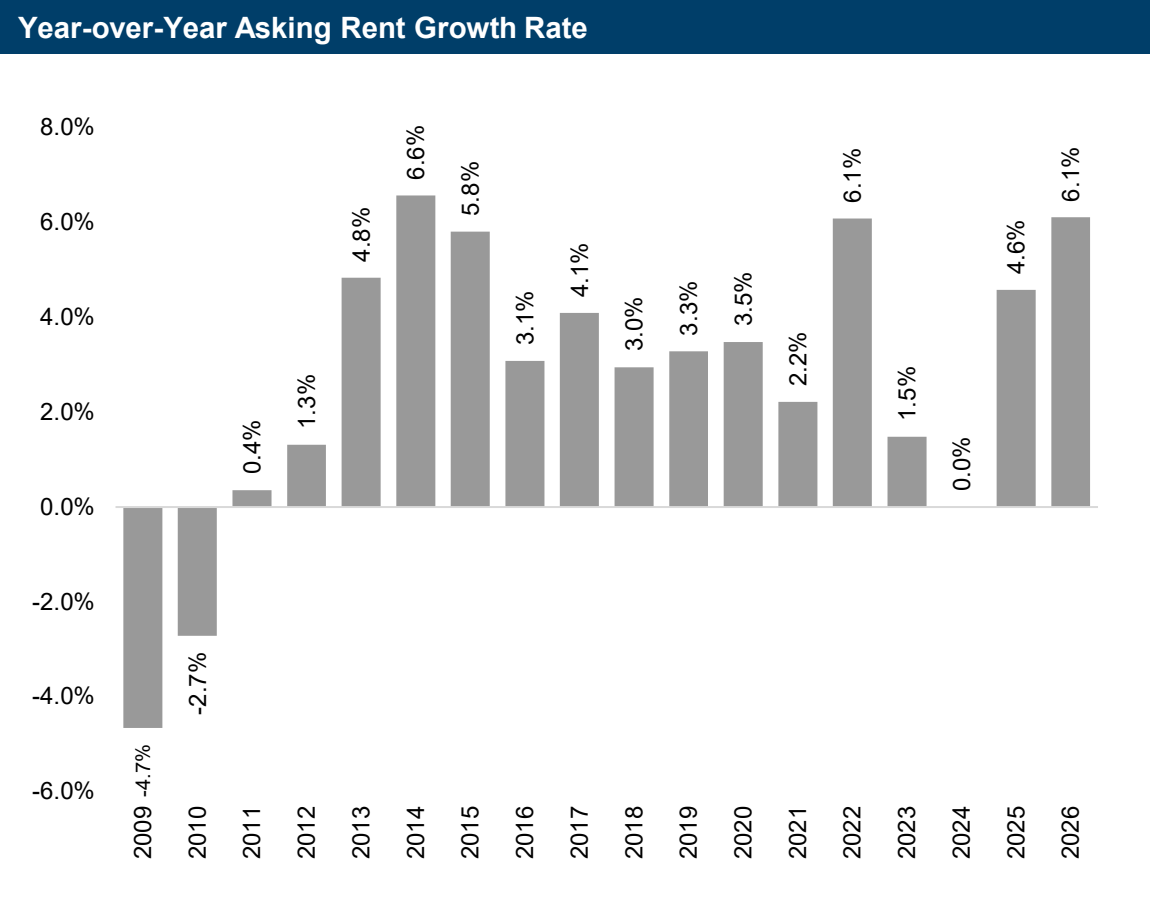
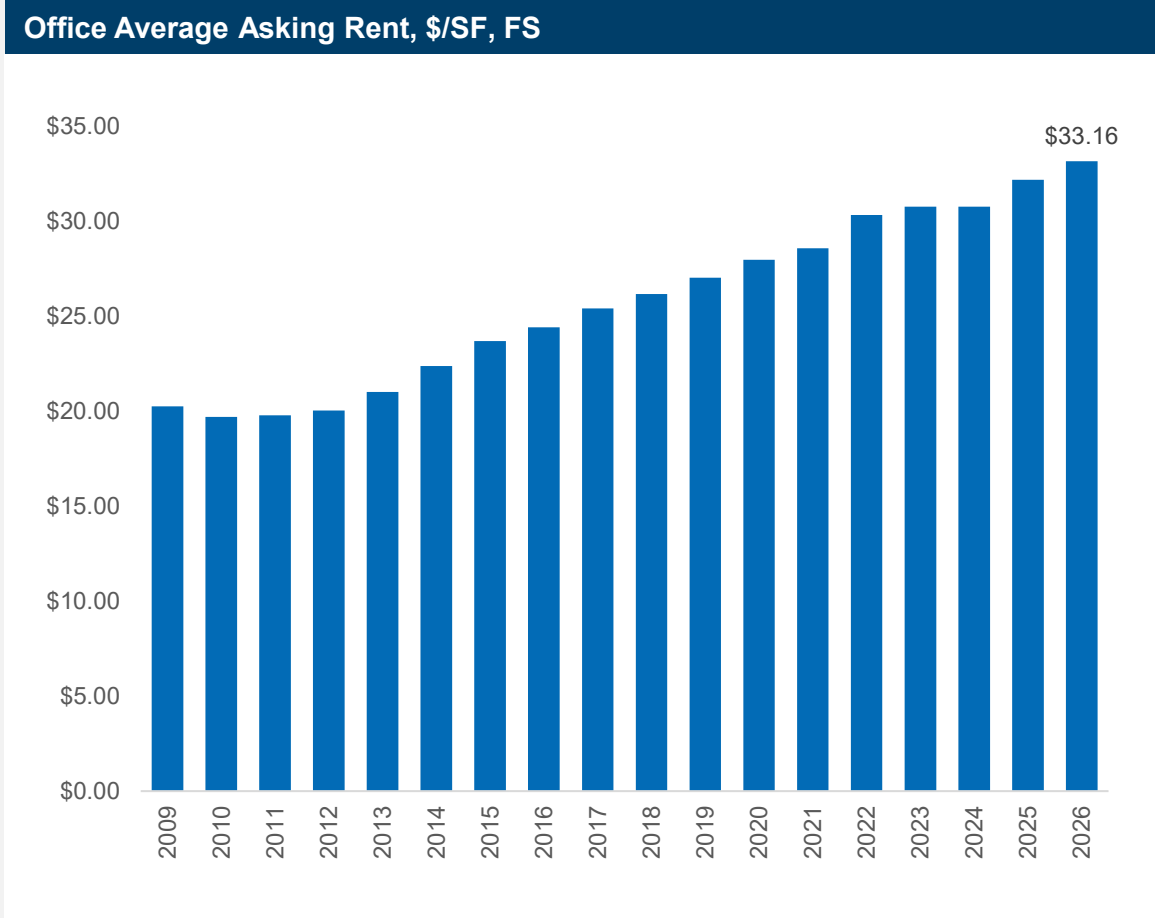
**Office Under Construction and % of Inventory**



Source: Newmark Research, CoStar

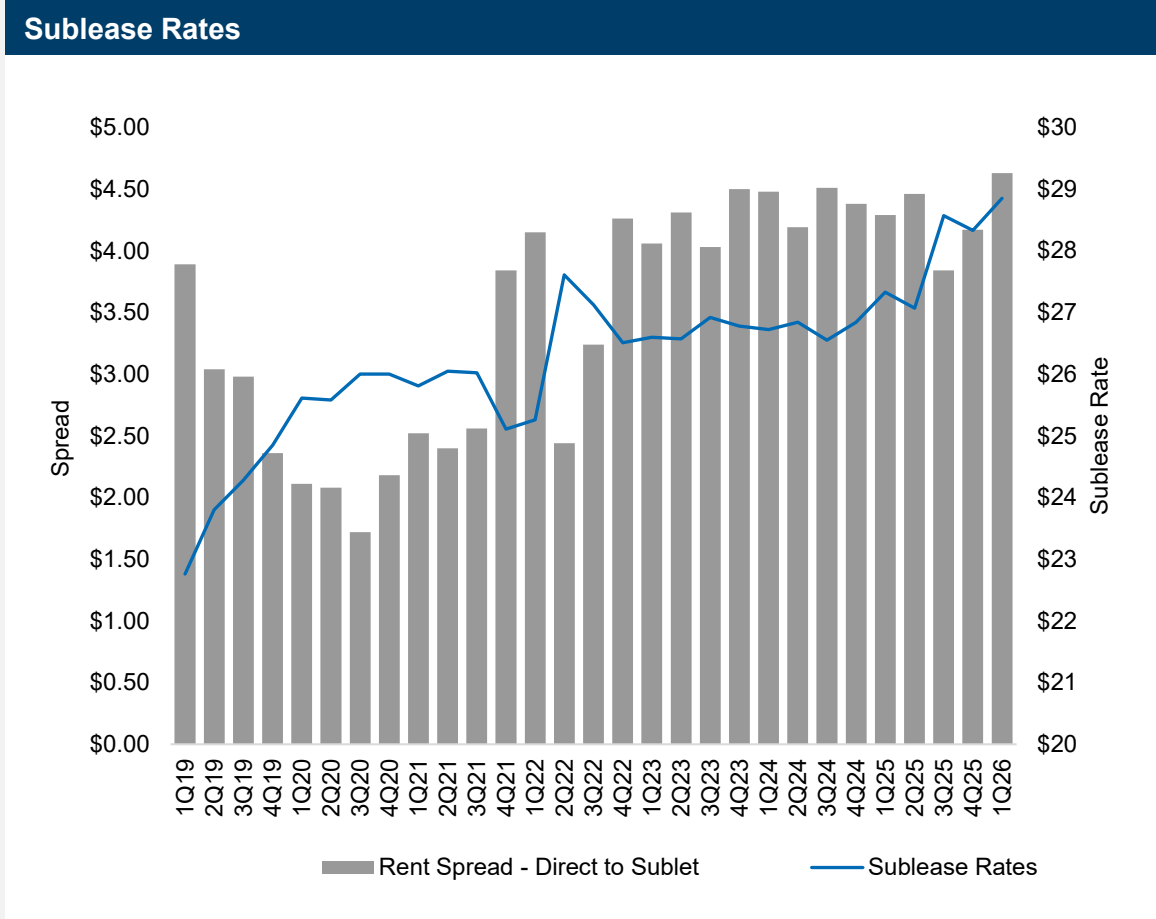
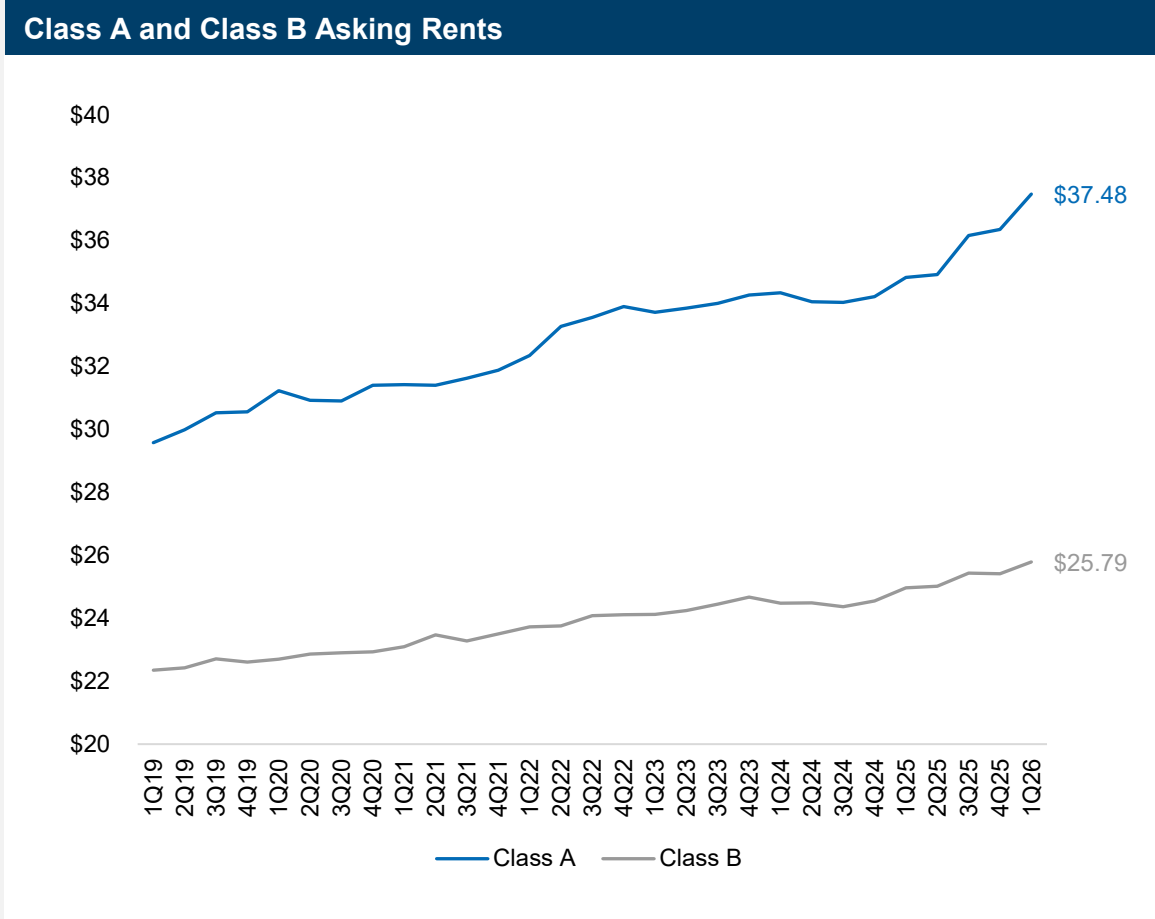
# Rent Growth Accelerates as Demand for Quality Space Continues

Asking rents reached a record high for the third consecutive quarter, climbing to \$33.16/SF in the first quarter of 2026, up 3.0% quarter over quarter. Year over year, rents increased 6.1%, matching the annual growth rate seen in 2022 and signaling a return to stability in the market following a period of modest gains in early 2025. Tenant demand for quality space is supporting rent growth, while limited supply is helping landlords maintain pricing power and reduce concessions over time. With supply remaining constrained, pricing is expected to continue trending upward at a measured pace.



# Class A and B Rents Hit Record Highs as Limited Supply Drives Market-Wide Gains

Both Class A and Class B asking rents reached new highs in the first quarter of 2026. Class A rents set a record high for the fifth consecutive quarter, rising 3.1% quarter over quarter to \$37.48/SF, while Class B rents edged 1.5% higher quarter over quarter to \$25.79/SF. The spread between Class A and Class B rents surpassed \$11/SF for the first time, extending a widening trend that has been in place since late 2024. Sublease asking rents followed suit, increasing 1.8% quarter over quarter to a record \$28.85/SF. Despite this growth, the pricing gap between direct and sublease spaces widened further, with the spread increasing to \$4.63/SF representing a 11.0% increase quarter over quarter. Overall, constrained supply continues to support upward pressure on asking rents across all segments of the market.



# Flight to Quality Endures: Class A Average Lease Size Outpaces Market

In the first quarter of 2026, Class A leasing totaled 2.7 MSF of the 4.4 MSF transacted in the market, accounting for 61.5% of total activity. The concentration highlights continued tenant preference for high-quality space across the market. Further evidence of this trend is seen in deal size metrics, with the average Class A lease reaching 7,857 SF, nearly 3,000 SF larger than the overall market average of 4,871 SF, indicating a clear preference toward larger commitments in top-tier assets.

Notable 1Q26 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
GEICO	Galatyn Commons D	Richardson/Plano	Direct New	205,376
<p><i>GEICO, a property and casualty insurer specializing in auto, homeowners, and specialty coverage, expanded its presence at Galatyn Commons office park, executing the largest lease of the quarter. Following an initial 165,000 SF lease in April 2025 at Building B, the company has now grown into a multi-building presence on the campus. The expansion complements its established regional hub at Campbell Creek Business Park, where the company has occupied approximately 228,506 SF since 2016. These recent transactions bring GEICO's total footprint in the Richardson/Plano submarket to nearly 600,000 SF.</i></p>				
Oncor Electric Delivery	777 Main	Ft. Worth CBD	Renewal	176,816
<p><i>Oncor, the largest transmission and distribution utility in Texas, has elected to remain in the Fort Worth Central Business District, renewing its lease at 777 Main, where it has occupied space since 2020. The company originally relocated to 777 Main after more than 30 years at 115 W. 7th Street, as they were seeking a larger and more efficient workspace at the time.</i></p>				
Undisclosed Tenant	The Connection at 8600	Stemmons Freeway	Sublease	95,000
<p><i>An undisclosed tenant executed a 95,000 SF sublease at 8600 Harry Hines Blvd in the Stemmons South submarket in January 2026. The space had been marketed by Southwest Airlines with tenant occupancy anticipated later in 2026. The remainder of the lease runs through January 2031.</i></p>				
PowerSchool	The Apex I at Legacy	Legacy/Frisco	Direct New	79,371
<p><i>The education technology firm PowerSchool inked a 79,371 SF lease in the Legacy/Frisco submarket at The Apex I at Legacy, marking an expansion into the market. The company will maintain its headquarters in Folsom, CA. This deal represents PowerSchool's second location in Texas, adding to its existing presence in Austin, and further expands its national footprint, which includes offices in Arizona, Georgia, and Virginia.</i></p>				
Jones Day	Knox & McKinney	Central Expressway	Direct New	76,037
<p><i>The global law firm Jones Day will relocate to the Class A Knox &amp; McKinney development upon its completion in 2028. The firm will vacate its longtime office at 2727 Harwood, where it has occupied approximately 87,000 SF for nearly 30 years. While the new lease represents a slight reduction in footprint, the roughly three-mile move shifts the firm out of the Uptown/Turtle Creek submarket, where it will serve as a major anchor tenant within the mixed-use development.</i></p>				

# 03

## Market Statistics & Map



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# Dallas-Fort Worth Office Submarket Map



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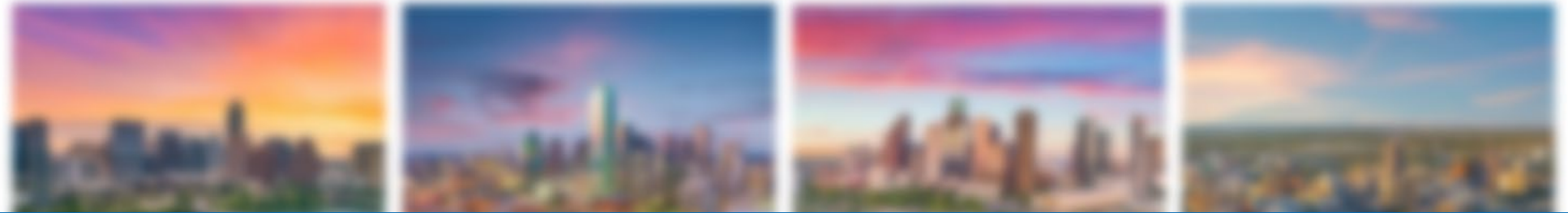
# Dallas-Fort Worth Office Submarket Overview—Class B

Submarket Statistics - Class B						
	Total Inventory (sq ft)	2018 Construction (sq ft)	Total Inventory (sq ft)	2018 Construction (sq ft)	2019 Construction (sq ft)	2020 Construction (sq ft)
Class B	1,200,000	100,000	1,200,000	100,000	100,000	100,000
Class B - Office	1,100,000	90,000	1,100,000	90,000	90,000	90,000
Class B - Retail	100,000	10,000	100,000	10,000	10,000	10,000

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Class B - Office	1,100,000	90,000	1,100,000	90,000	90,000	90,000
Class B - Retail	100,000	10,000	100,000	10,000	10,000	10,000
Class B - Industrial	100,000	10,000	100,000	10,000	10,000	10,000
Class B - Warehouse	100,000	10,000	100,000	10,000	10,000	10,000
Class B - Multi-Family	100,000	10,000	100,000	10,000	10,000	10,000
Class B - Mixed-Use	100,000	10,000	100,000	10,000	10,000	10,000
Class B - Other	100,000	10,000	100,000	10,000	10,000	10,000
Class B - Total	1,200,000	100,000	1,200,000	100,000	100,000	100,000

# 1Q26 Texas Office Market Overview



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Quarter Revenue	1,200,000	1,200,000	1,200,000	1,200,000
YTD Revenue	1,200,000	1,200,000	1,200,000	1,200,000
Quarter Volume	0	0	0	0
YTD Volume	0	0	0	0
Client Retention Rate (CRR)	95%	95%	95%	95%
Market Retention Rate (MRR)	95%	95%	95%	95%
Total Retention Rate (TRR)	95%	95%	95%	95%

# 04

## Supplemental Analysis



# Dallas-Fort Worth Office Market



- Dallas-Fort Worth is a primary market, making it a prime spot for businesses with national operations. Every major city in the continental U.S. can be reached within two hours by air.
- The city boasts a robust and diverse economy, with strong sectors in technology, finance, and healthcare.



- The overall economy and market demand for office buildings, along with an overall strong building and product sales that outpaces other markets.
- The quality of new office construction is declining, which will increase the future supply of prime office space.

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- Continued expansion of the financial sector offers significant opportunities for office space demand as it all comes to full up.
- Dallas is attractive for corporate relocation due to its business-friendly environment.
- Investment in existing office buildings can reduce construction costs in the market.
- A shift toward suburban suburbanities has created new office hubs, expanded the market's footprint and enhanced its appeal to investors, developers, and tenants alike.

- Regional economic uncertainty could reduce office space demand.
- The rise of remote work and corporate "right-sizing" may decrease long-term demand for traditional office space.
- Due to rising costs and not being as cheap as it used to be, office sites with better advantages may attract businesses away from Dallas.
- Talent shortages may impact the growth trajectory potential of office demand in the market.

# Dallas-Fort Worth Gross Metropolitan Product

Despite economic headwinds, the gross metropolitan product for the Dallas-Fort Worth market continues to increase, albeit at a slower pace. Most recently, the gross metropolitan product rose by 1.7% year over year, reaching a new all-time high of approximately \$201 billion.

Economic Overview: \$201 Billion & Up, 1.7% Change

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# Government Agencies Lead Outstanding Debt, Shaping the Five-Year Maturity Curve

As of the first quarter of 2024, government agencies hold 34.4% of total outstanding debt, making them the largest holder and the primary driver of the maturity schedule. Of the \$75.9 billion set to mature over the next five years, 48.7% is held by government agencies and CMBB loans, highlighting a concentration of upcoming refinancing activity within institutional capital markets. Maturities peak at \$14.8 billion in 2025 and are expected to rise to \$14.4 billion by 2026 before tapering up to \$11.1 billion in 2028. Debt maturity will remain significantly following 2025, suggesting refinancing risk remains elevated but concentrated in the near term and likely to subside beyond that point.

Outstanding Debt by Holder

Five-Year Maturity Schedule by Year

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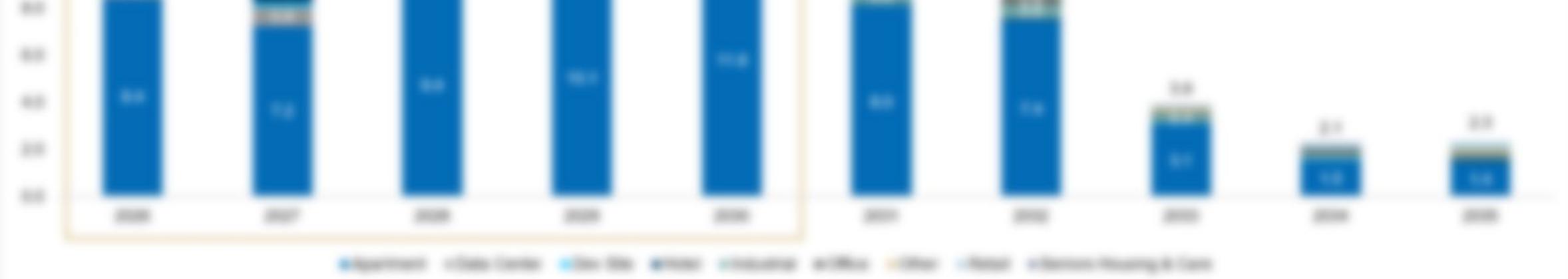


# Multifamily Maturities Particularly Elevated Through 2030, Office Not So Much

As of the first quarter of 2020, office loans represent just 9.2% of the \$75.4 billion in maturities scheduled between 2020 and 2030, reflecting a limited but growing exposure for a sector with relatively stable fundamentals. In contrast, multifamily comprises a much larger share at 48.2%, but strong operating performance as well as continued higher demand have helped keep refinancing risk in check. Overall, these trends underscore a capital market that is increasingly becoming financing asset classes with greater resilience and lower volatility.

## Commercial Mortgage Maturities

Please reach out to your Newmark business contact for this information



**Christopher Bryant**

*Senior Research Analyst*

Christopher.Bryant@nmrk.com

**Ching-Ting Wang**

*Head of Southeast Research*

ChingTing.Wang@nmrk.com

**Neil Matthee**

*Research Manager, Southeast Research*

Neil.Matthee@nmrk.com

**Dallas**

2601 Olive Street, Suite 1600

Dallas, TX 75201

t 313-516-2607

**New York Headquarters**

125 Park Ave.

New York, NY 10017

t 212-372-2000

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