

2Q25

# Dallas-Fort Worth Office Market Overview



NEWMARK



# Market Observations



- The market’s unemployment rate ticked down by 9 basis points year over year to 3.8% and remained well below the five-year average of 4.6%.
- The pace of job growth has moderated to 1.3% year over year, down from recent highs reported between 2021 and 2022. Meanwhile, total employment has consistently remained above the 4.2 million employment threshold since mid-year 2023.
- Most sectors reported employment growth, except for the information, manufacturing, and business and professional sectors, with the mining and construction sector leading job gains at 3.4% over the past 12 months.
- Office-using jobs in the market have eased from the all-time high by 1.0%, settling at 1.2 million employees and reflecting a 17.9% growth since 2019.



- AT&T inked the largest deal of the quarter, securing a 186,000-SF lease to occupy seven floors of The Tower at Lakeside. The new lease will consolidate multiple regional offices and accommodate the company’s anticipated workforce growth, which is expected to more than triple.
- Flight to quality continues to remain a central theme in some of the largest and most notable deals signed in the quarter, with four of the five largest deals signed in Class A assets. Overall, Class A assets represent 70.4% of the leasing activity by square feet for the quarter.
- The top five largest deals were spread across four submarkets, with Three Galleria Tower in the LBJ Freeway submarket chosen as the new home for two tenants.



## Leasing Market Fundamentals

- Annual full-service asking rental rates increased by 2.0% year over year to \$31.17/SF but eased by 0.2% from the historical high reported in the previous quarter.
- Despite positive occupancy in the quarter, supply ultimately outpaced demand, causing overall vacancy rates to rise to a historical high of 24.7%.
- The under-construction pipeline increased to 2.8 MSF, up from the recent low of 2.3 MSF reported in the previous quarter.
- Total leasing activity closed the quarter at 3.6 MSF, reflecting declining quarterly leasing activity due to smaller and fewer deals being signed. Leases signed averaged 4,674 SF per deal, with average deal size decreasing by 3.2% quarter over quarter.



## Outlook

- Economic uncertainty due to tariff announcements and implementation may cause leasing activity to flatten and slow as companies might choose to delay decisions.
- 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 given the market’s strong economic fundamentals, such as a diversified labor pool and continued elevated office-using employment, especially in the financial activities sector. These factors will help the market surmount any near-term challenges and macroeconomic headwinds.

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# Economy





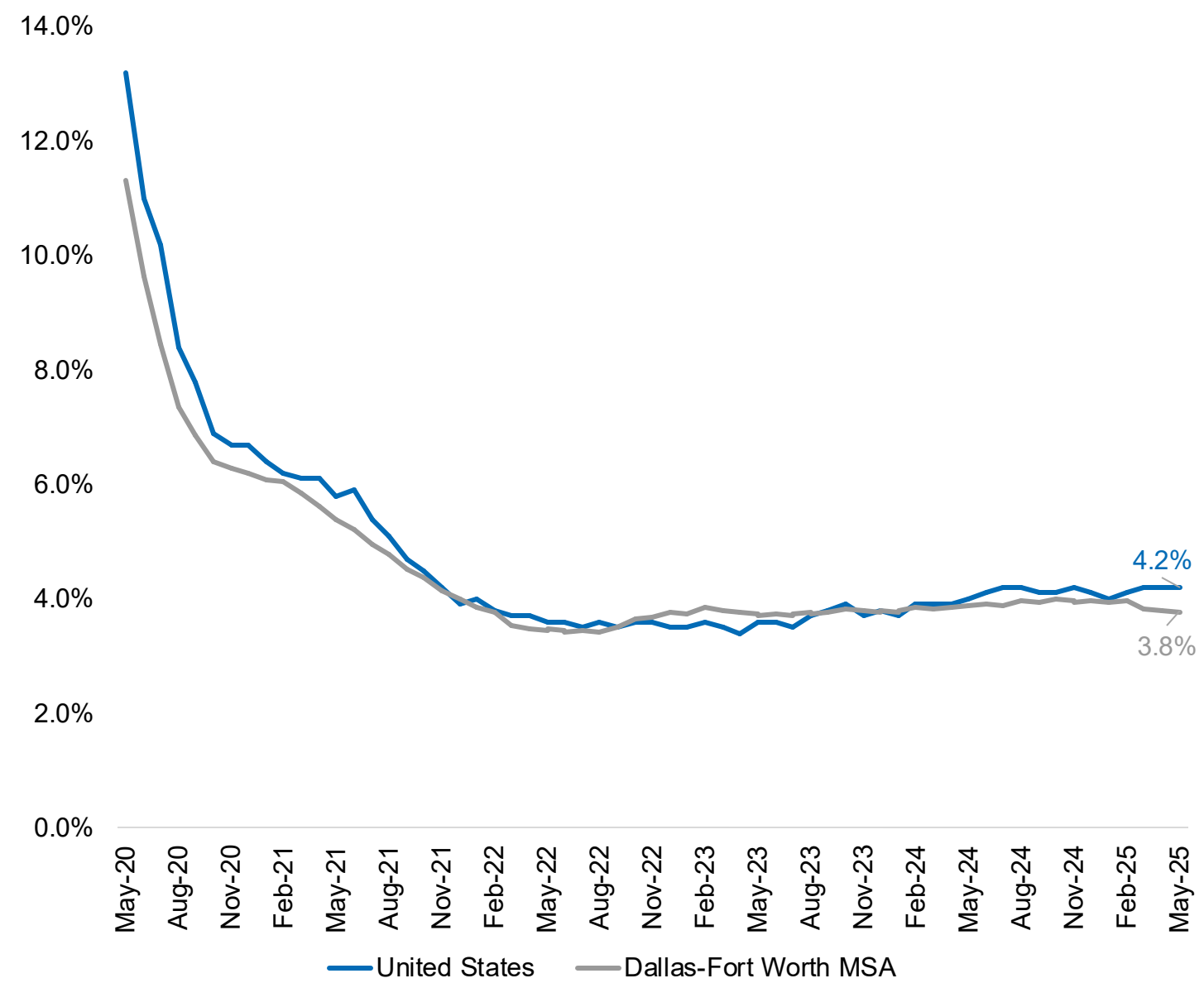
# Dallas-Fort Worth Gross Metropolitan Product

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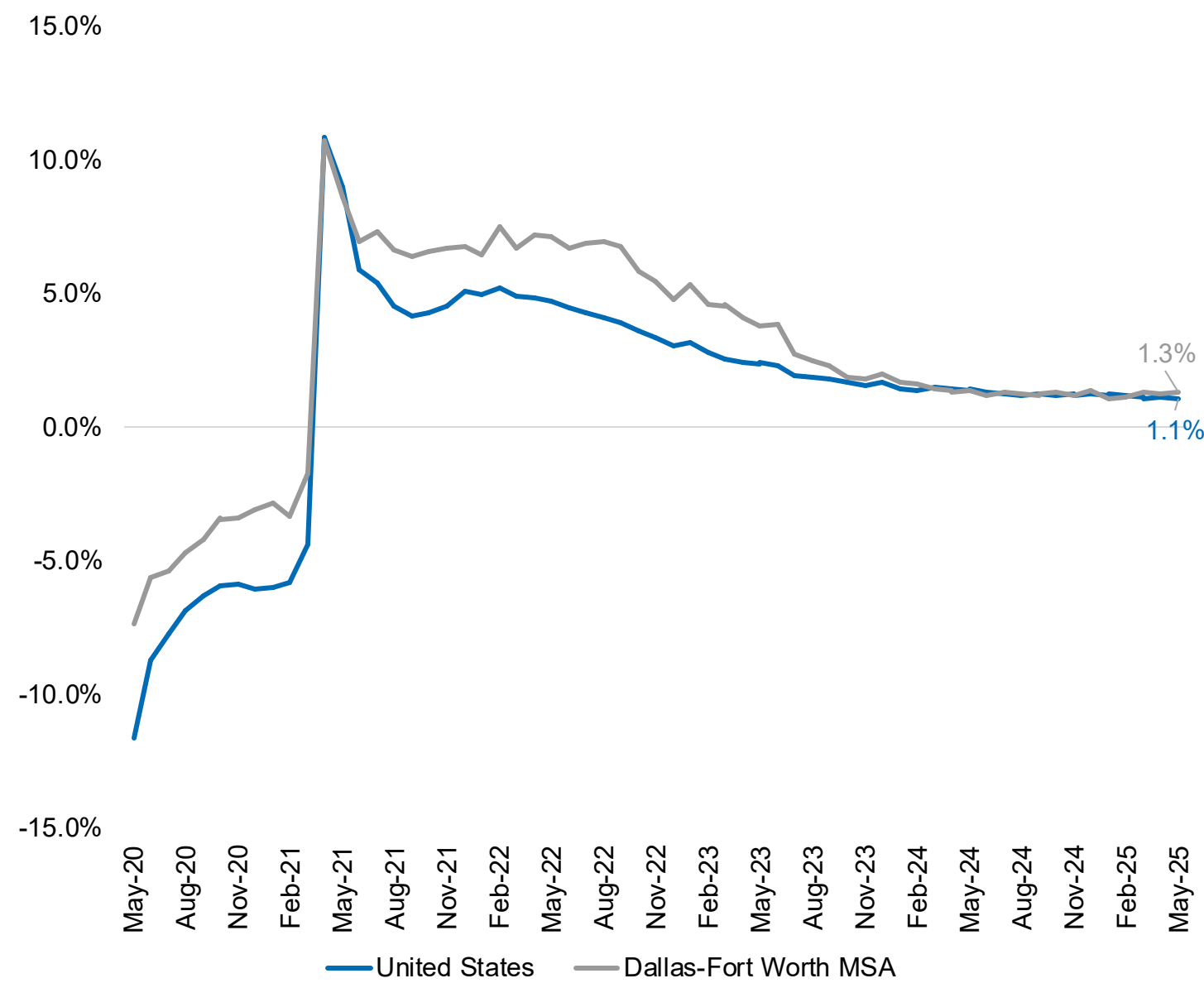
# Metro Employment Trends Remain Relatively Flat

Since late 2021, recent national economic headwinds have caused fluctuations in the region’s unemployment compared to the national rate. More recently, beginning in February 2024, the market’s unemployment rate has consistently remained below the national level. As of May 2025, the market’s unemployment rate stood at 3.8% and is 42 basis points lower than the national average. Historically, the market has generally been an outperformer in employment growth, but economic headwinds have slowed growth rates. In May 2025, the market’s employment growth slowed by 7 basis points year over year yet still reported positive growth of 1.3% year over year, outpacing the nation’s employment growth pace by 24 basis points.

Unemployment Rate, Seasonally Adjusted



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

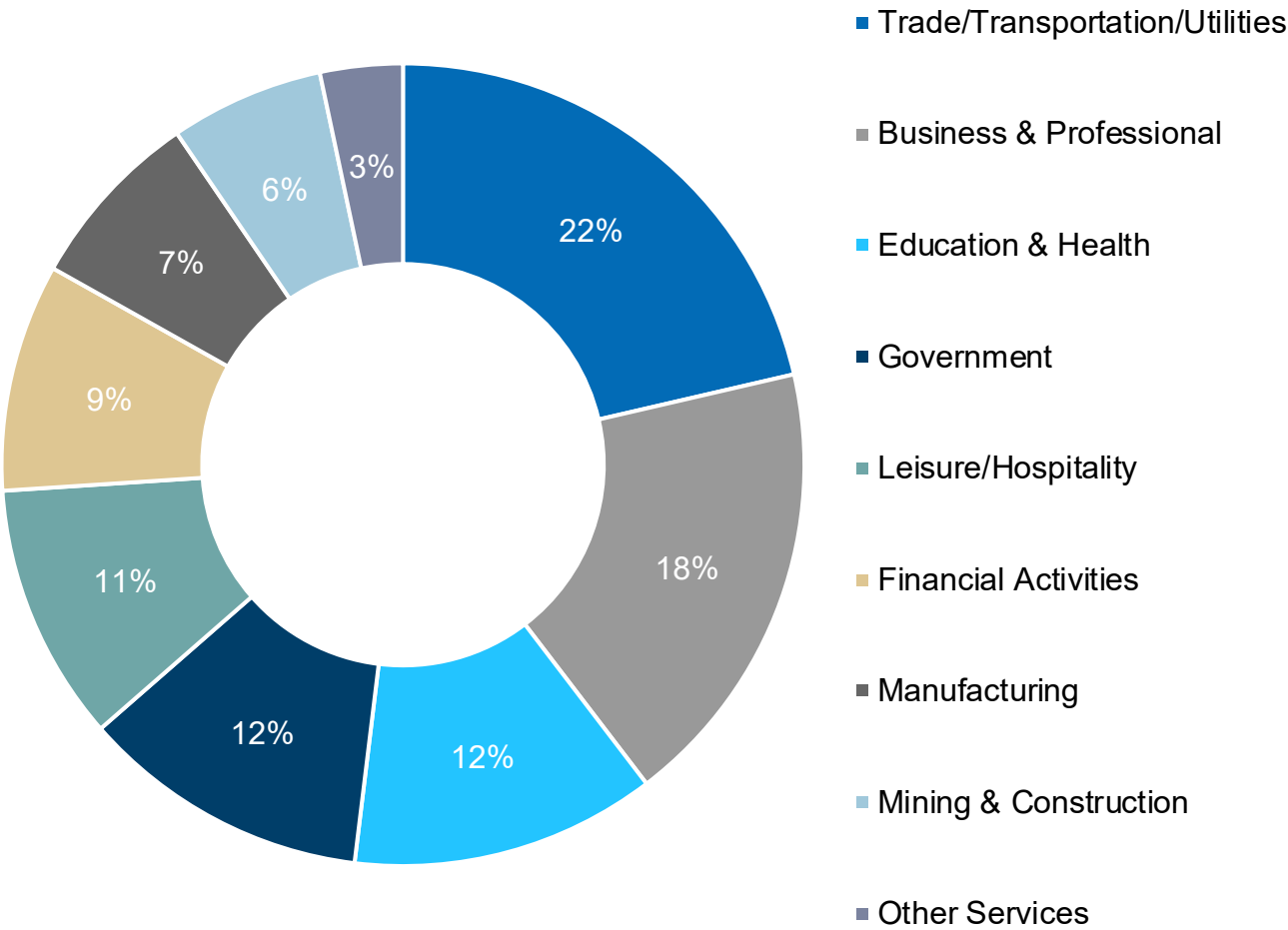


Source: U.S. Bureau of Labor Statistics, Dallas-Fort Worth MSA

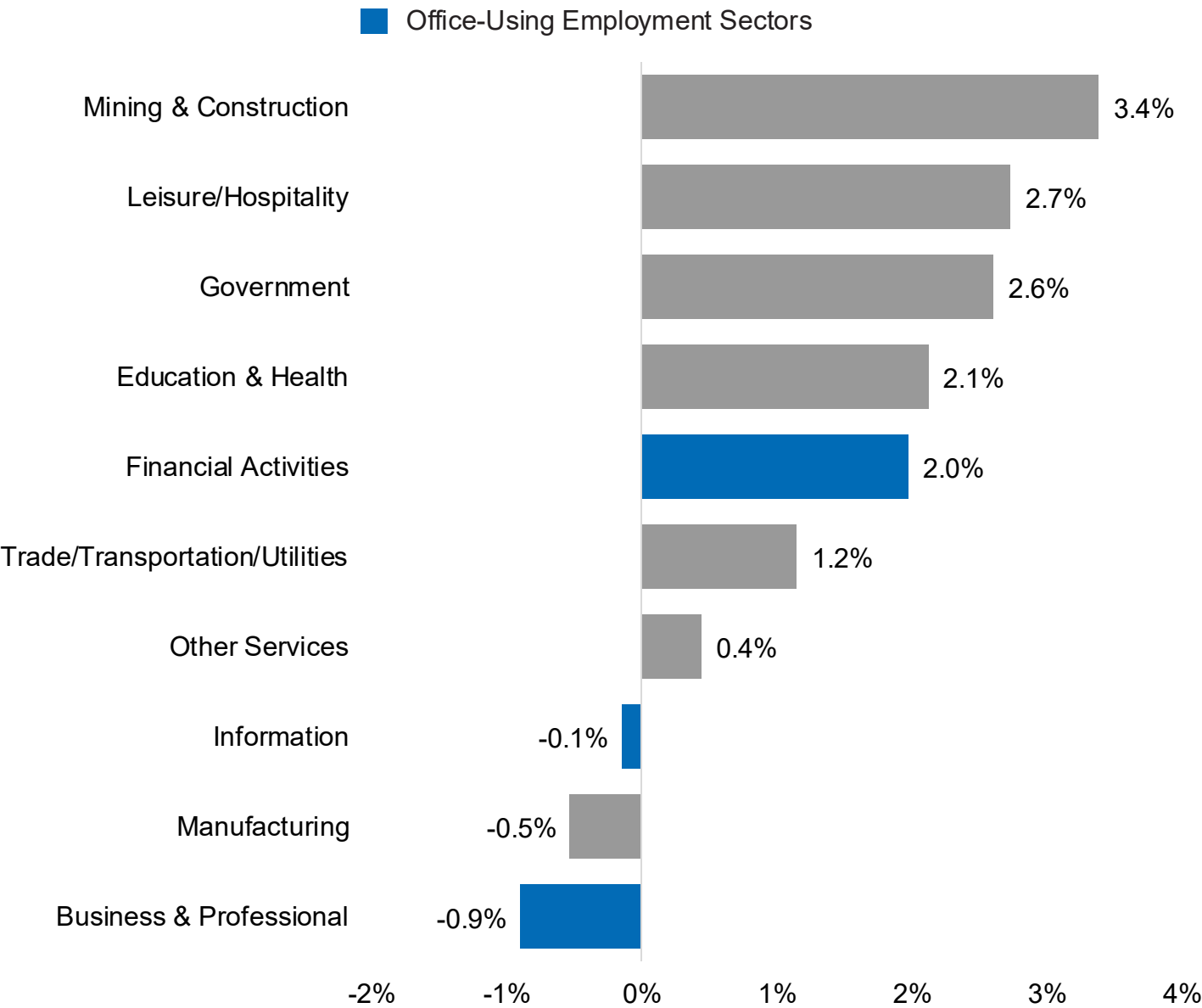
# Employment Growth Continues in the Office-Using Financial Activities Sector

The Dallas-Fort Worth market has a high industry diversity with the top two industries accounting for only 38.8% of the market's industry employment share. The office-using employment's business and professional sector is the second-largest industry sector in the metroplex at 17.9%. Most industries in the metroplex reported growth, while two office-using industries, the information and business and professional sectors contracted by 0.1% and 0.9% year over year, respectively. Meanwhile, the financial activities sector grew by 2.0% year over year.

Employment by Industry, May 2025



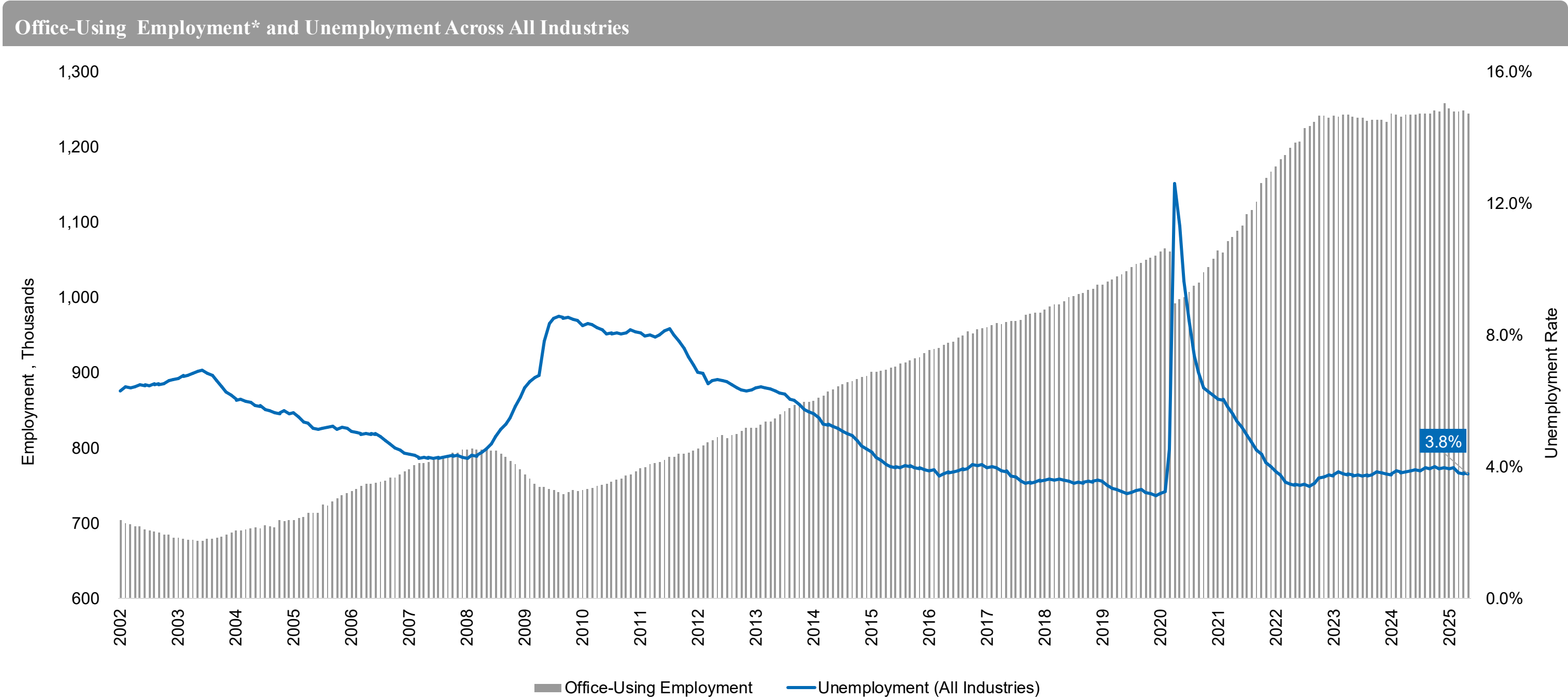
Employment Growth by Industry, 12-Month % Change, May 2025



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

# Overall Office-Using Employment Remains Elevated

Office-using employment in the Dallas-Fort Worth market increased slightly by 0.1% year over year in May 2025, remaining elevated at 1.2 million employees and just 1.0% shy of the all-time high in year-end 2024. Currently, the seasonally adjusted unemployment rate is at 3.8%, above the 3.3% average levels reported in 2019. Despite contraction in three sectors, including the office-using employment’s information and business and professional sectors, the unemployment rate decreased by 9-basis-point year over year over the past 12 months as employment gains outweighed declines.



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.



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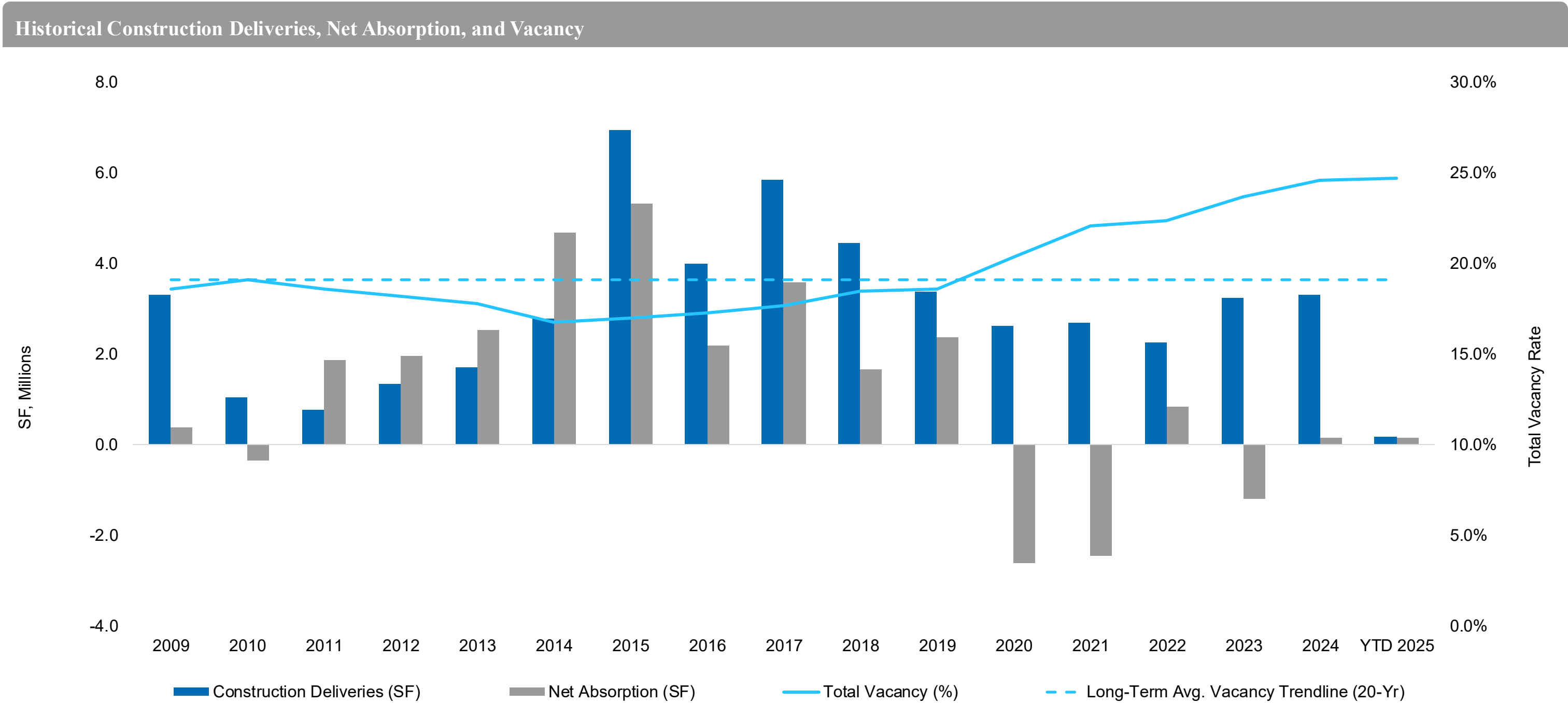
# Leasing Market Fundamentals





# Occupancies Remain Positive in the First Half of 2025

The second quarter of 2025 reported positive occupancies totaling 36,397 SF, maintaining a positive demand trajectory for the first half of the year. Due to supply outpacing demand, the vacancy rate increased by 30 basis points quarter over quarter to a historical high of 24.7%. Vacancy rates have remained elevated in the market as older office buildings sit vacant amid an ongoing flight to quality.

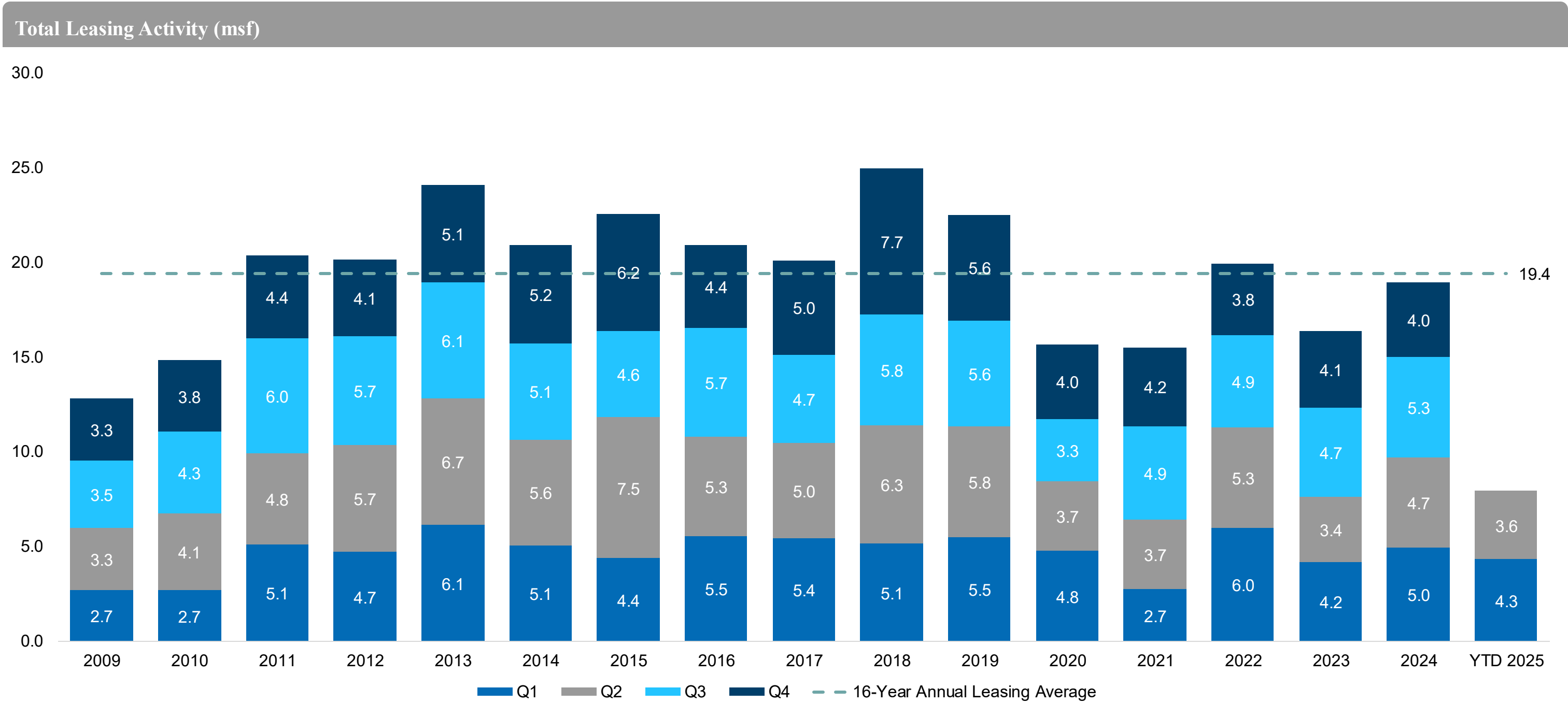


Source: Newmark Research, CoStar



# Leasing Activity Declines as a Result of Smaller and Fewer Deals Signed

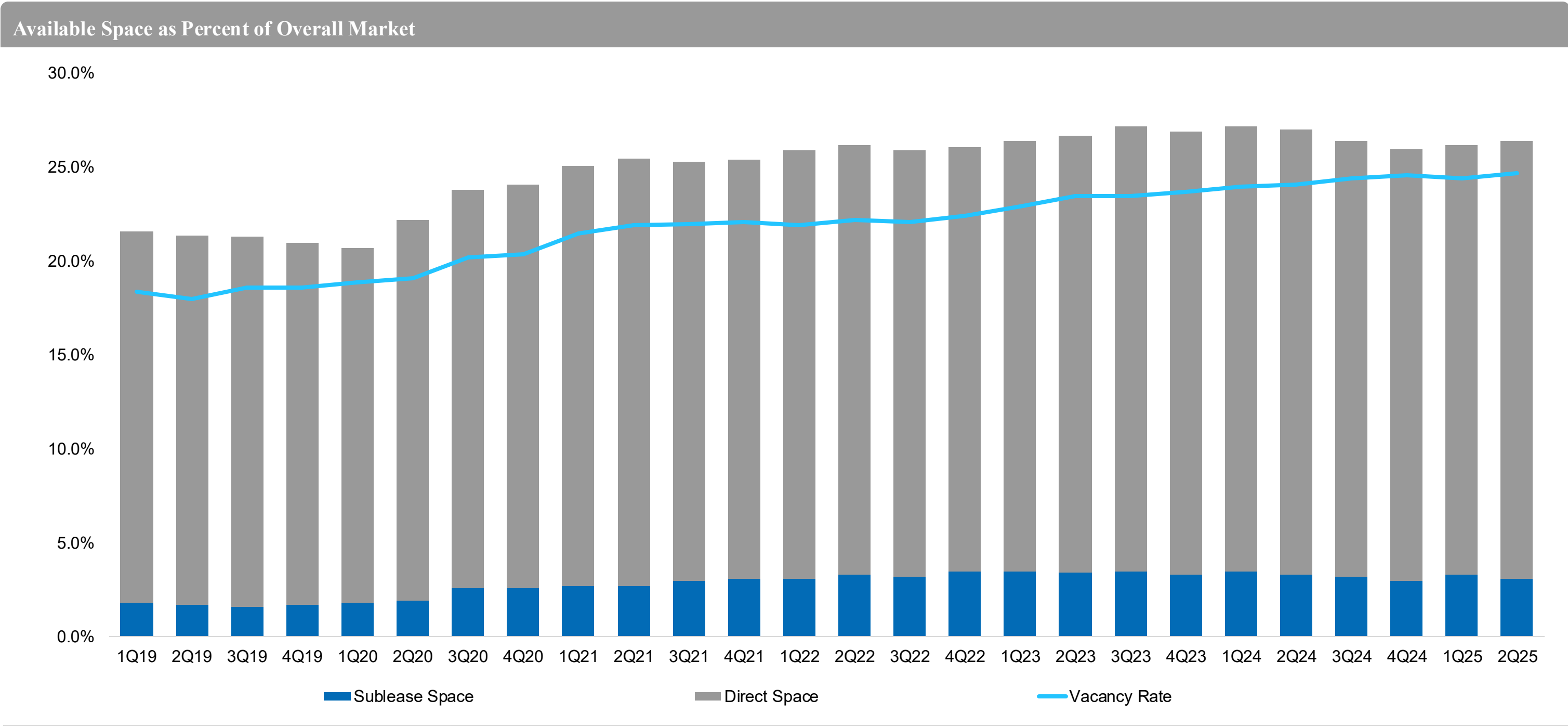
Leasing activity in the second quarter of 2025 totaled 3.6 MSF, significantly lower than the 16-year second-quarter average of 5.0 MSF. The average deal size was 4,674 SF in the second quarter of 2025, a decrease of 153 SF quarter over quarter and 375 SF year over year. Overall deal size in the first half of 2025 decreased by 187 SF compared to the first half of last year, while the number of deals signed fell by 15.1%.



Source: Newmark Research, CoStar

# Availability Remains Below Historical Highs as Vacancy Peaks

Sublease availability in the Dallas-Fort Worth market has been on the rise since the pandemic, staying above the 3.0% mark since late 2021. As of the second quarter of 2025, sublease availability remains elevated at 3.1% but has declined by 40 basis points from the peak in the beginning of 2024. Similarly, direct availability remains elevated at 23.3% but has also declined by 40 basis points from its peak in the second quarter of 2024. Meanwhile, vacancies reached a new high of 24.7%.

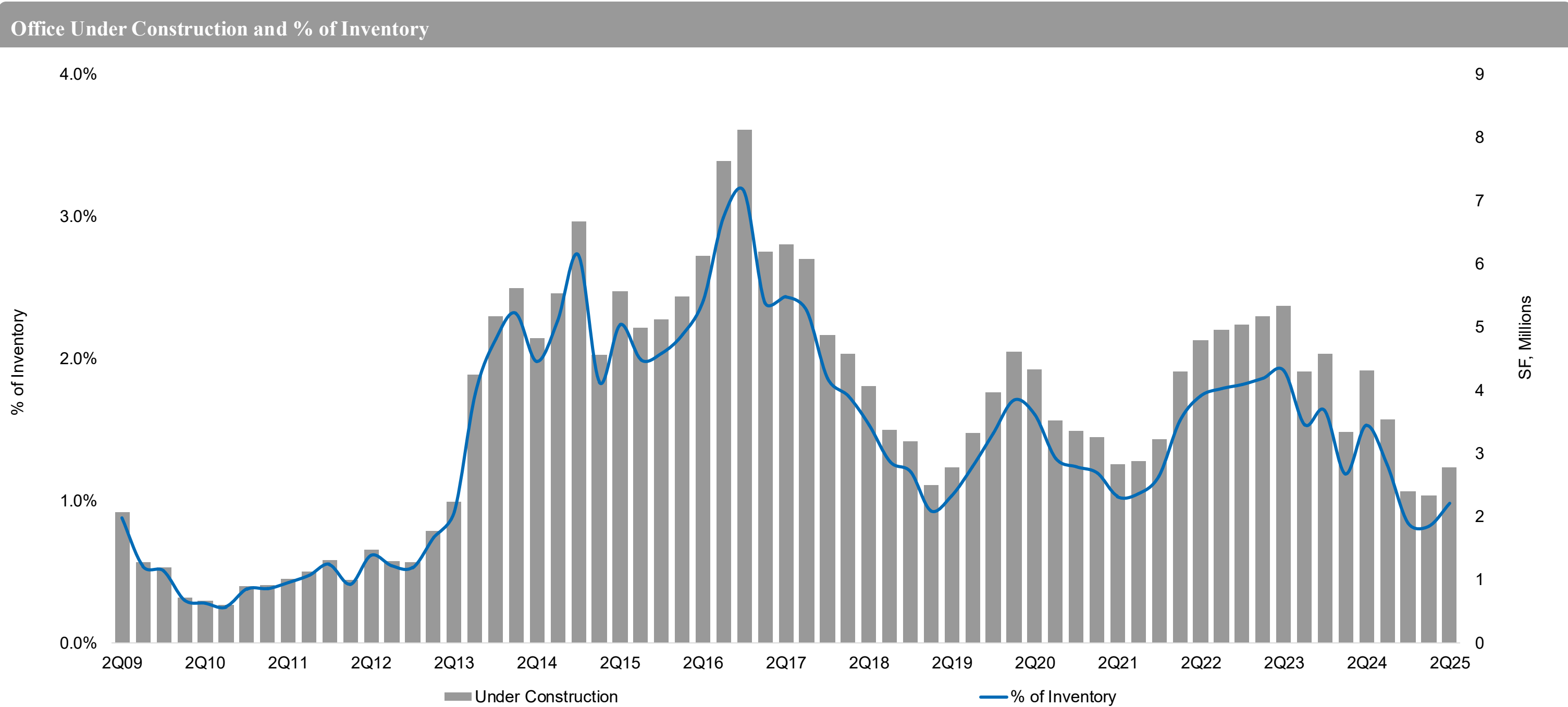


Source: Newmark Research, CoStar



# Construction Activity Rises from Recent Low

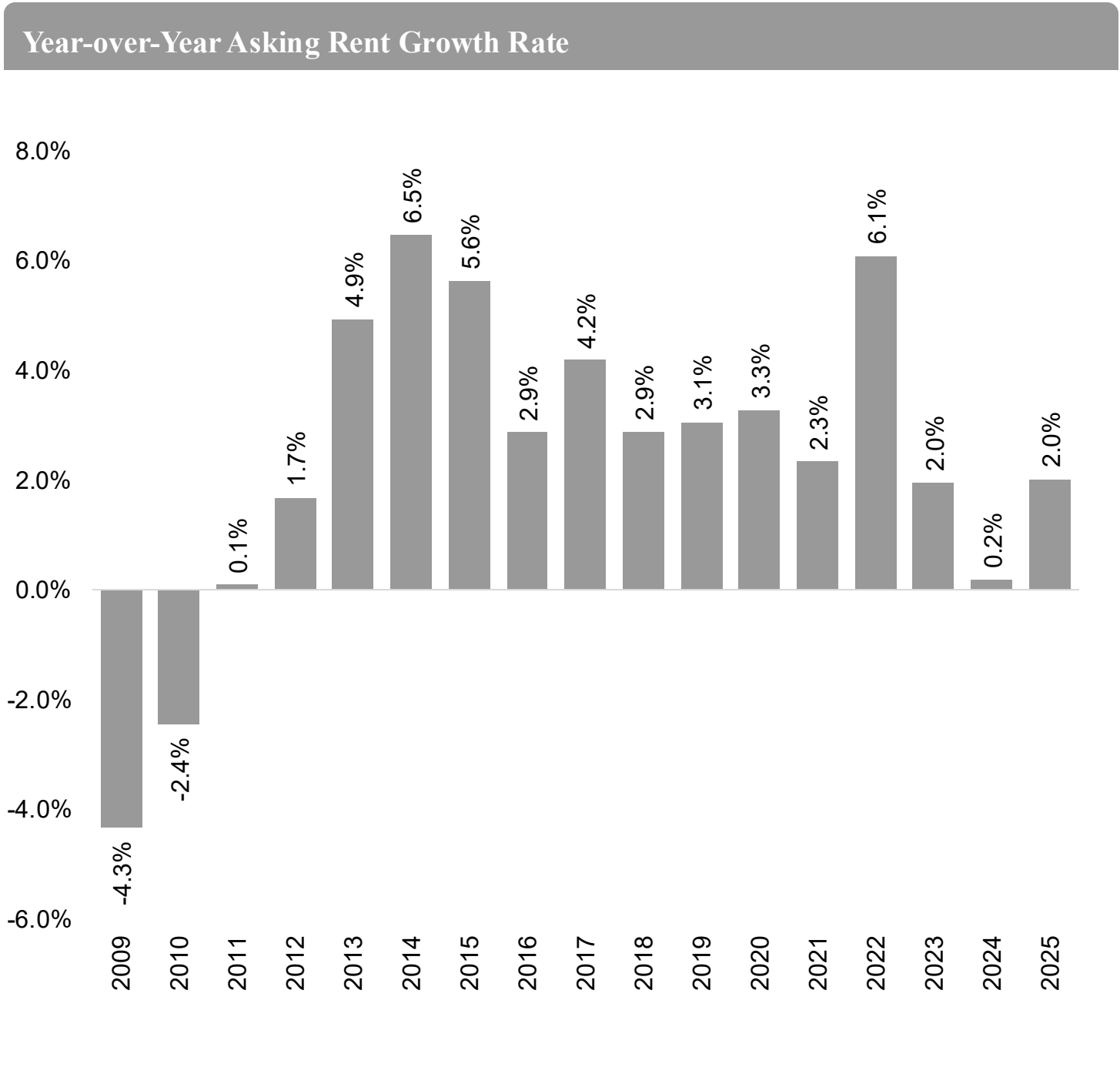
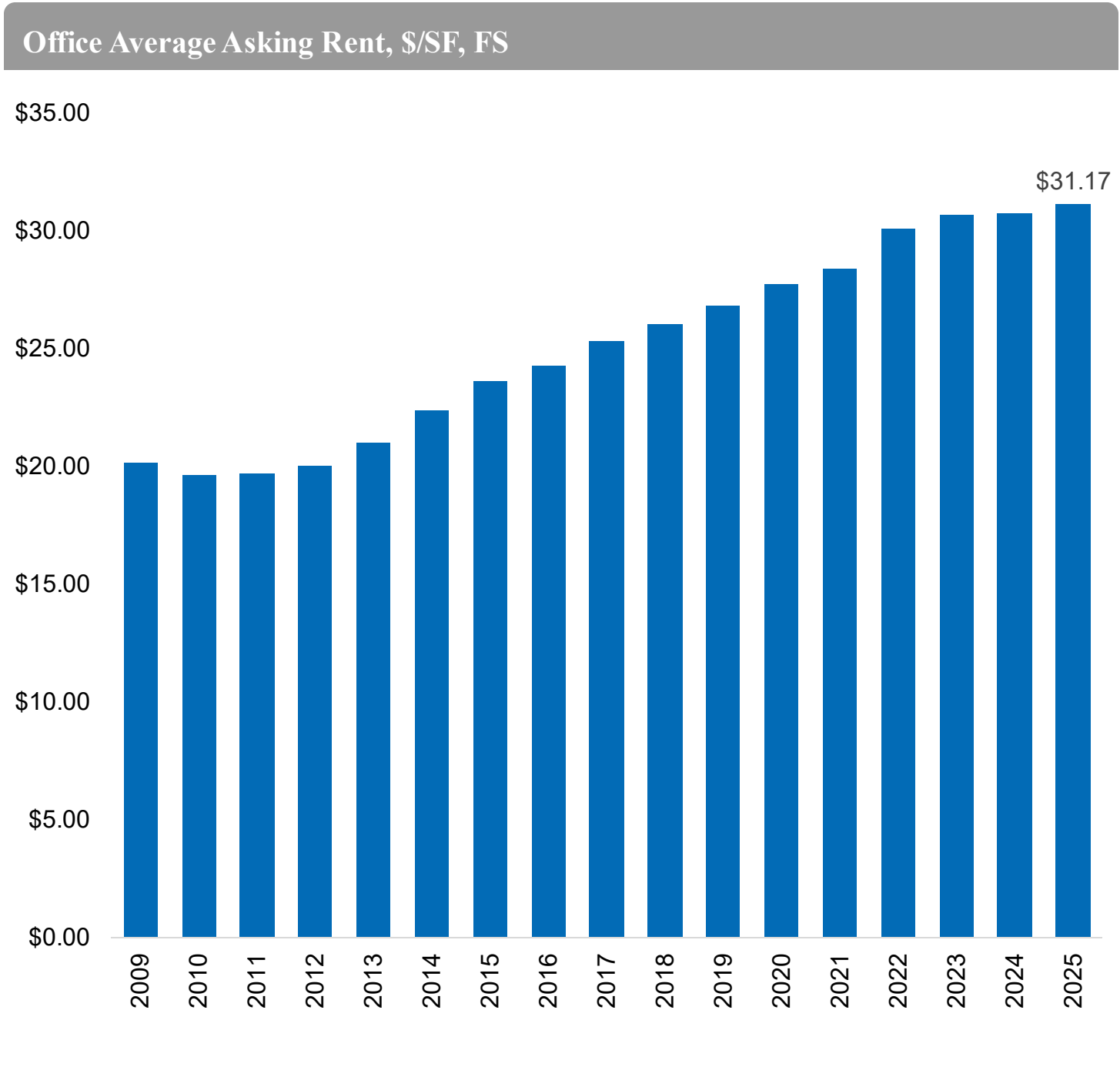
As of the second quarter of 2025, the market had 2.8 MSF under construction, increasing from the recent low reported in the previous quarter. Only 1.0% of the market's inventory is currently under construction, indicating there is less risk of overbuilding. Further reinforcing this point, new construction builds tend to largely be either build-to-suit projects or projects that have pre-leased to large anchor tenants. Flight-to-quality space will continue to drive deliveries in the market, where developers tend to build new product, rather than renovating older, ob solete buildings.



Source: Newmark Research, CoStar

# Asking Rents Remain Elevated, Easing from Previous Quarter's High

Following the previous quarter's historical high, rents edged downwards by 0.2% but increased by 2.0% year over year in the second quarter of 2025 to \$31.17/SF. Rental rates remain elevated, with landlords likely to maintain high rents while offering attractive concessions to offset softer market demand. The pace of rent growth has generally been decelerating since 2014, reaching a recent low of 0.2% in 2024 before rebounding in 2025.



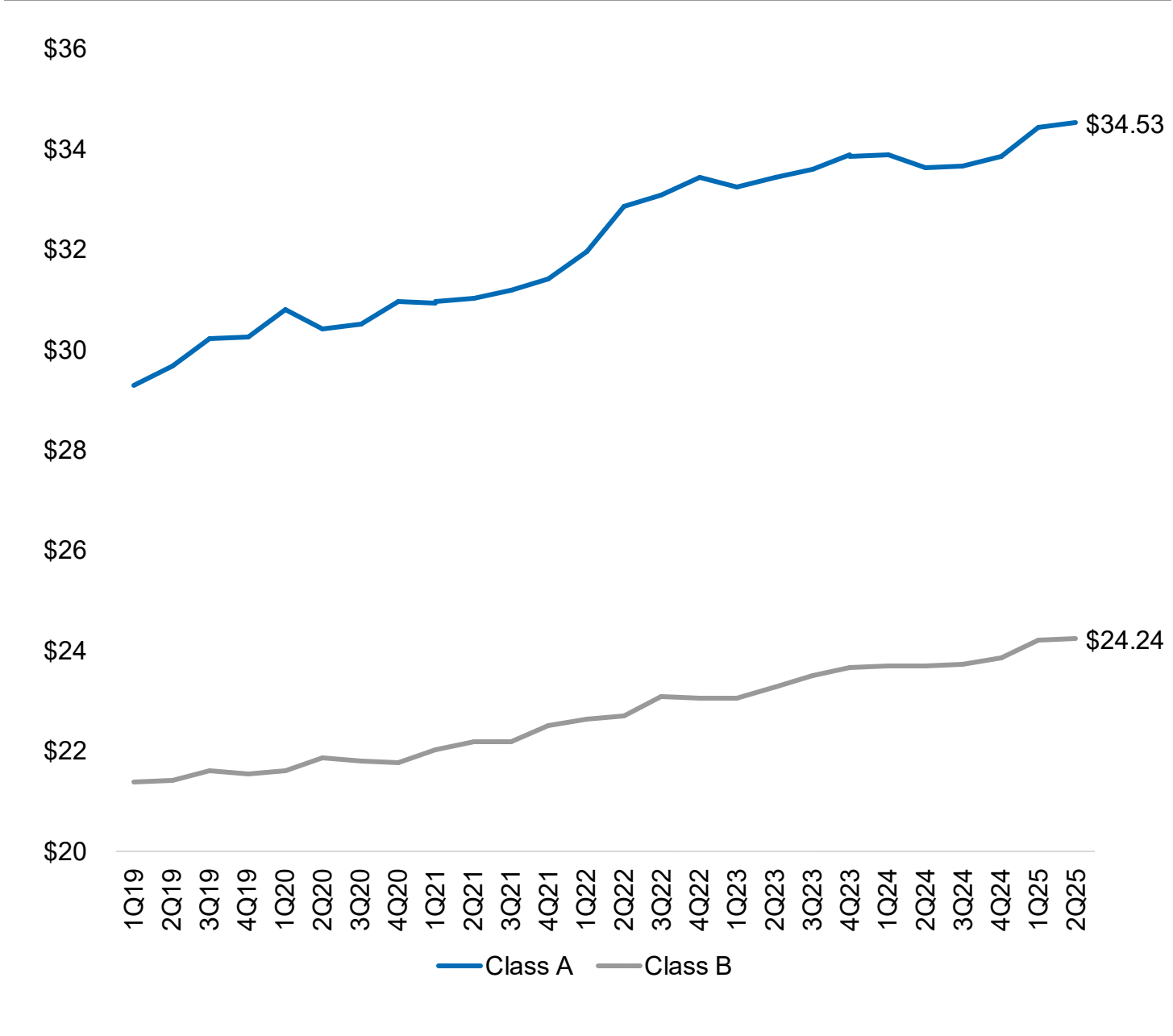
Source: Newmark Research, CoStar



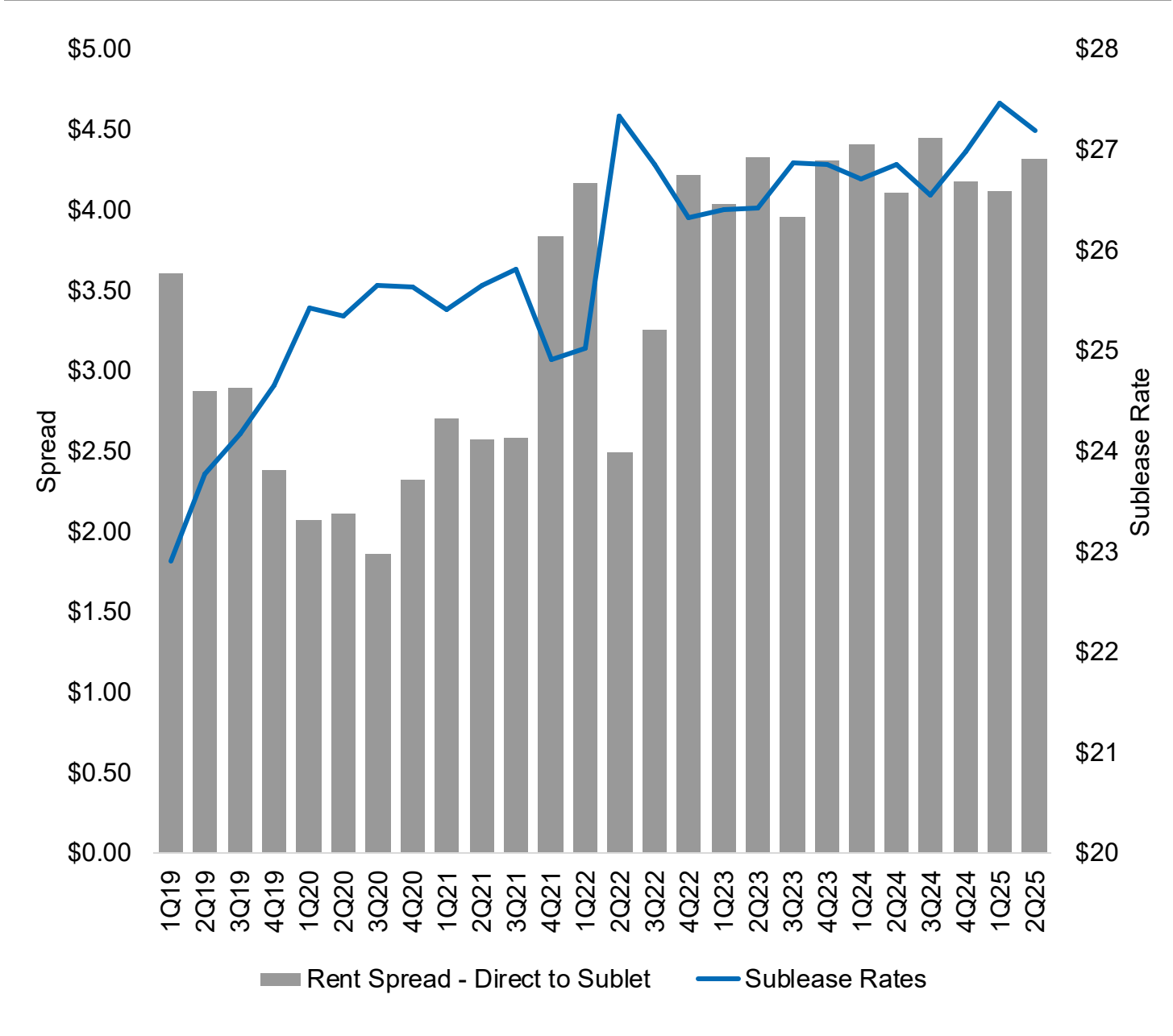
# Asking Rent Spread Continues to Reflect Flight to Quality

The bifurcation in the rent spread between Class A and Class B assets continues to remain wide, above the \$10.00/SF mark. In the second quarter of 2025, both Class A and Class B rents hit record highs at \$34.53/SF and \$24.24/SF, respectively. Due to much higher demand of quality assets, rent difference between the two assets are at \$10.29/SF, reflecting a 18.0% spread increase since year-end 2019. Meanwhile, sublease rates in the second quarter of 2025 decreased by 0.9% quarter over quarter to \$27.20/SF.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

# Flight-to-Quality Leasing Activity Continues

Flight to quality continues to remain a trend in the Dallas-Fort Worth office market. As of the end of the second quarter of 2025, Class A space accounted for 70.4% of the market’s leasing activity by SF, but only 45.3% of the market’s deal volume. Average leases signed in Class A space were 7,274 SF and continued to remain larger than the average market deal size of 4,674 SF.

## Notable 2Q25 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
AT&T	The Tower at Lakeside	Richardson/Plano	Direct New	186,000
Global telecommunications company AT&T signed the largest lease of the quarter to occupy seven floors of 2221 Lakeside Boulevard. The new space will consolidate multiple regional sites while accounting for anticipated growth from 400 employees to 1,400 employees. The deal, inked by Newmark’s Nathan Durham representing the landlord Provident, is the largest new lease closed in Richardson since 2018 and one of the top leases signed in Dallas so far this year.				
Marsh McLennan	Three Galleria Tower	LBJ Freeway	Direct New	92,977
The New York City-based risk management and insurance firm signed a new 10-year lease for floors 11 through 14 at 13155 Noel Rd. The company is spending \$15 million to renovate the floors and plans to occupy in the second quarter of 2026. Marsh McLennan currently occupies 102,732 SF at Walnut Glen Tower.				
JP Morgan Chase	Crescent Offices West	South Fort Worth	Direct New	70,000
JP Morgan Chase signed a new lease to occupy three floors of 3325 W 7 <sup>th</sup> St upon completion in December 2027. The bank will relocate from 420 Throckmorton St. at Sundance Square in downtown Fort Worth and will double its space in the new building to support anticipated growth from 160 to 300 employees. This move is part of a broader trend in Fort Worth’s financial district forming on the west side of downtown.				
Burns & McDonnell	Three Galleria Tower	LBJ Freeway	Direct New	46,000
The engineering consulting company, currently occupying 24,907 SF at Galleria North Tower I, signed a new lease at 13155 Noel Rd. This is the second lease at Three Galleria Tower that is among the top five largest leases signed in the quarter.				
Enovis	Lakeside II	Lewisville/Denton	Renewal & Expansion	45,969
The global provider of orthopedic devices renewed its current 40,624 SF space and expanded by 5,345 SF at 2900 Lake Vista Dr. The deal was inked by Newmark’s Nathan Durham representing the landlord.				

Source: Newmark Research, CoStar



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# Market Statistics & Map





## Dallas-Fort Worth Office Submarket Map

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## Dallas-Fort Worth Office Submarket Overview—All Classes

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## Dallas-Fort Worth Office Submarket Overview—Class A

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## Dallas-Fort Worth Office Submarket Overview—Class B

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## 2Q25 Texas Office Market Overview



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# Supplemental Analysis





# Dallas-Fort Worth Office Market

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# Corporate Office Downsizing has Pushed Class A Vacancy to Near Record High

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