3Q25

Dallas-Fort Worth Office Market Overview

NEWMARK

Market Observations

Economy

- The market's unemployment rate ticked down by 18 basis points year over year to 3.8% and remained well below the five-year average of 4.7%.
- The pace of job growth has slowed to 0.9% year over year, down from recent highs reported between 2021 and 2022. Despite slower growth, total employment has consistently remained above the 4.2 million employment threshold since mid-year 2023.
- Most sectors reported employment growth, except for the manufacturing and business and professional sectors, with the education and health sector leading job gains at 3.5% over the past 12 months.
- Despite a 0.8% year-over-year decline and 1.8% dip from the peak in the fourth quarter of 2024, two of the three office-using sectors added jobs, and total office-using employment remains above 1.2 million employees in the third quarter of 2025.

Leasing Market Fundamentals

- Annual full-service asking rental rates increased by 3.2% quarter over quarter and 4.8% year over year to $31.95/SF, setting a record high.
- Vacancy improved by 20 basis points quarter over quarter in the third quarter of 2025 to 24.3%, the lowest level reported since the second quarter of 2024, and the third consecutive quarter without an increase.
- The under-construction pipeline fell to 1.9 MSF following the delivery of 23Springs, marking the lowest level since the first quarter of 2013.
- Leases signed were larger averaging, 5,420 SF per deal - the highest since the fourth quarter of 2024 – and the 20.2% quarter-over-quarter increase in average deal size signals renewed demand for larger spaces.

Major Transactions

- Lockheed Martin, a global security and aerospace company, executed a 455,364-SF renewal at Fossil Creek Business Park – the quarter's largest lease - while reducing its overall footprint. The company is consolidating space in response to a post-pandemic shift toward telework and hybrid schedules.
- Flight to quality remained a central theme this quarter: four of the five largest deals were in Class A assets, each exceeding 100,000 SF, with an average deal size of 183,833 SF. PennyMac's 300,000-SF sublease was the quarter's largest Class A transaction. Overall, Class A assets represent 58.4% of the leasing activity by square footage for the quarter.
- The top five deals span across four submarkets, indicating broad-based demand across the entire market.

Outlook

- Economic uncertainty has slowed job growth and along with other headwinds may cause leasing activity to flatten and slow as companies might choose to delay decisions 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, with eight of ten sectors adding jobs this quarter. These strengths position the market to weather near-term challenges and broader macroeconomic headwinds.

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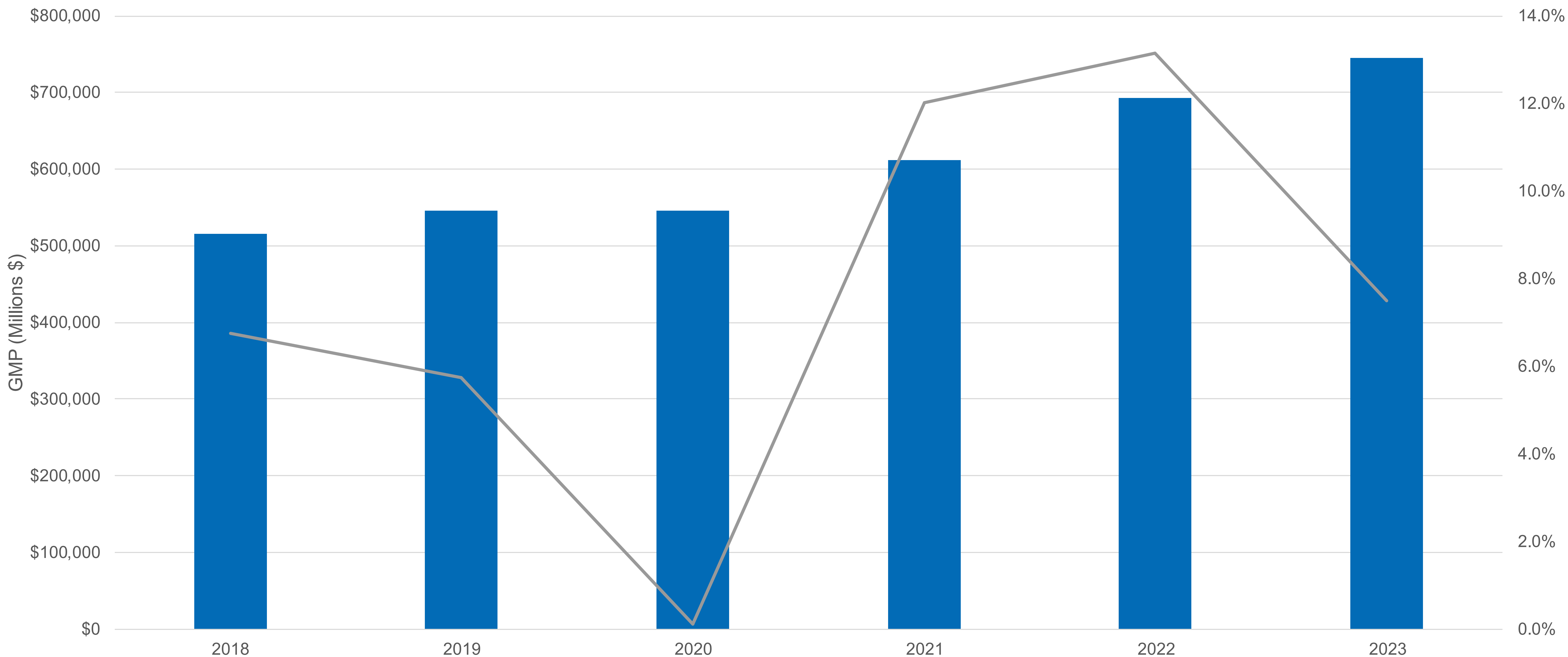
Economy

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 7.5% year over year, reaching a new all-time high of approximately $745 billion.

Economic Overview— GMP (Millions $) VS. YoY (%) Change

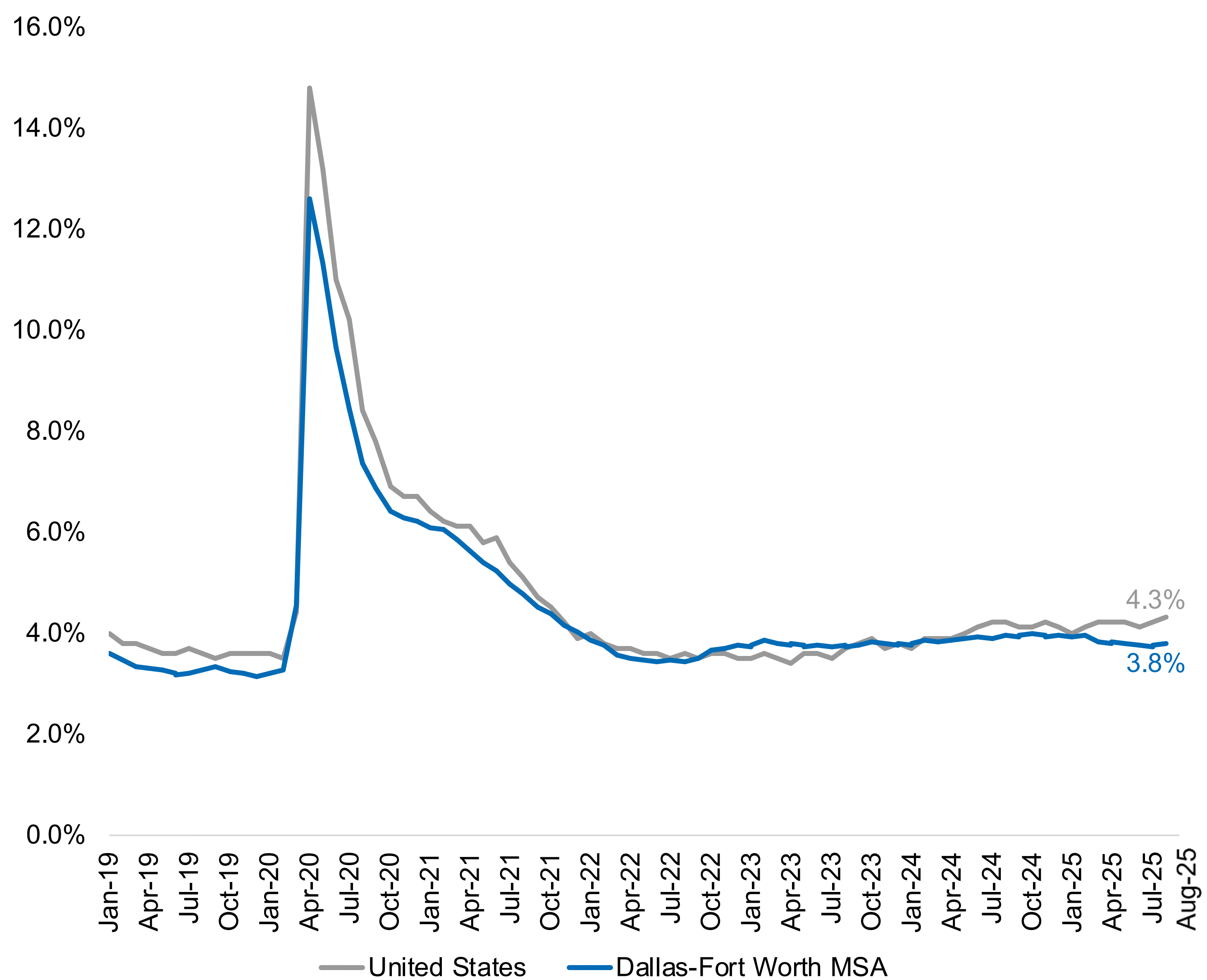


Source: Moody's Analytics

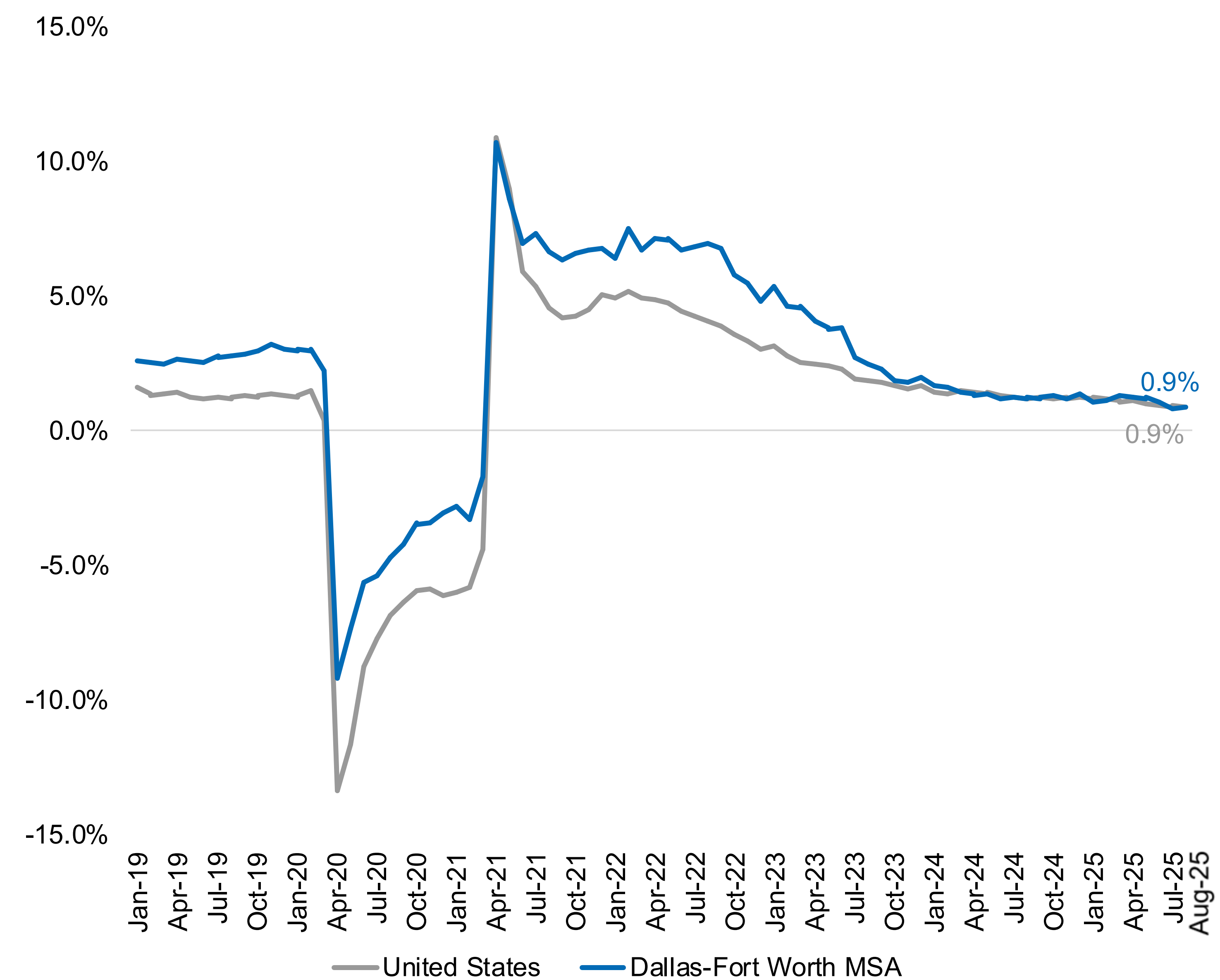
Metro Outperforms Nation on Unemployment Even as Employment Growth Moderates

In August 2025, the market's unemployment rate fell 18 basis points year over year, while the national rate rose 10 basis points over the same period. The rate held relatively flat at 3.8% and is 51 basis points lower than the national average, marking the nineteenth consecutive month of outperformance and underscoring the metro's resilience. Although the market has historically led in job growth, recent economic headwinds have tempered momentum. At the end of August 2025, year over year employment growth eased by 39 basis points to 0.9%, aligning with the national pace. Despite the market's job growth flattening, the metro continued to record over four consecutive years of gains dating back to April 2021.

Unemployment Rate, Seasonally Adjusted



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

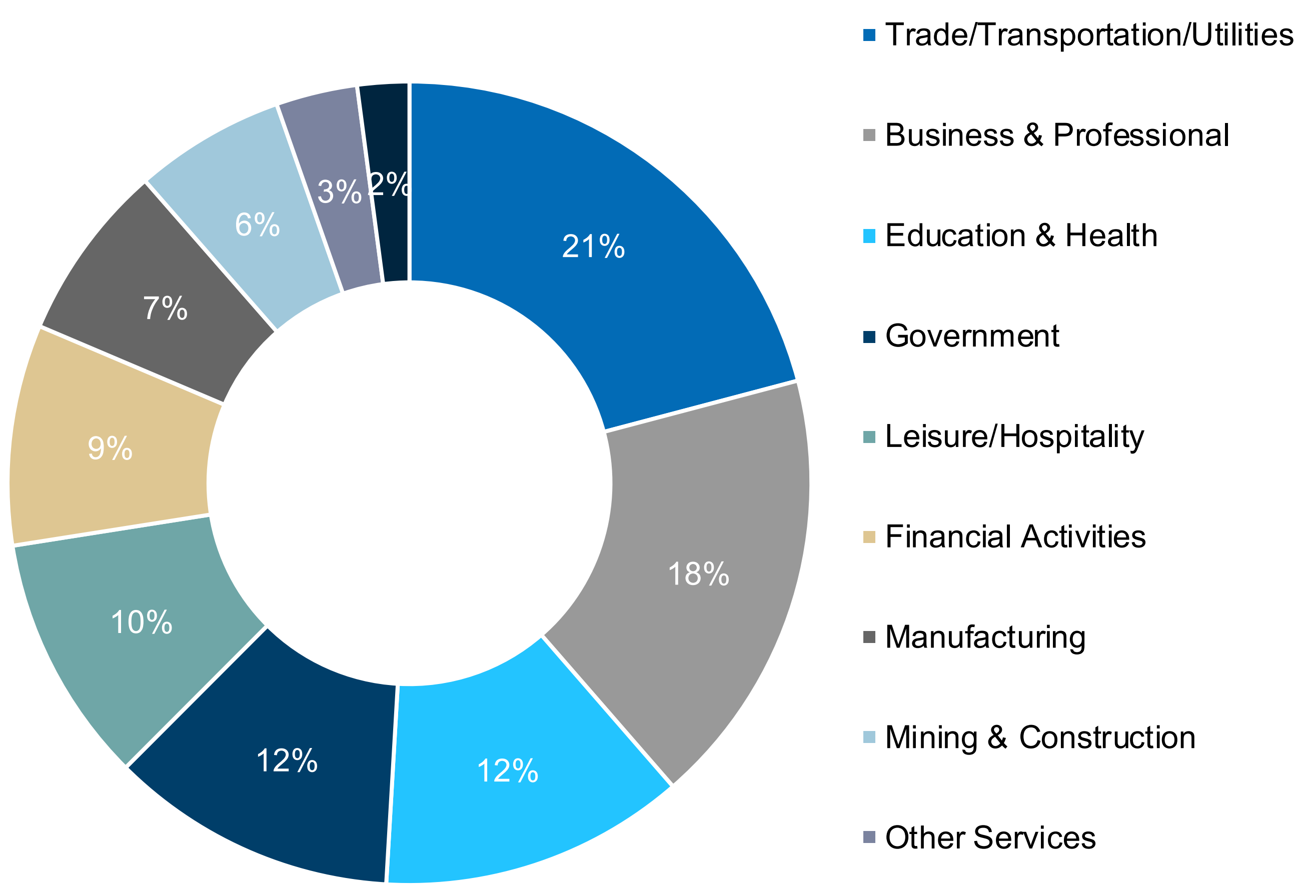


Source: U.S. Bureau of Labor Statistics, Dallas-Fort Worth MSA

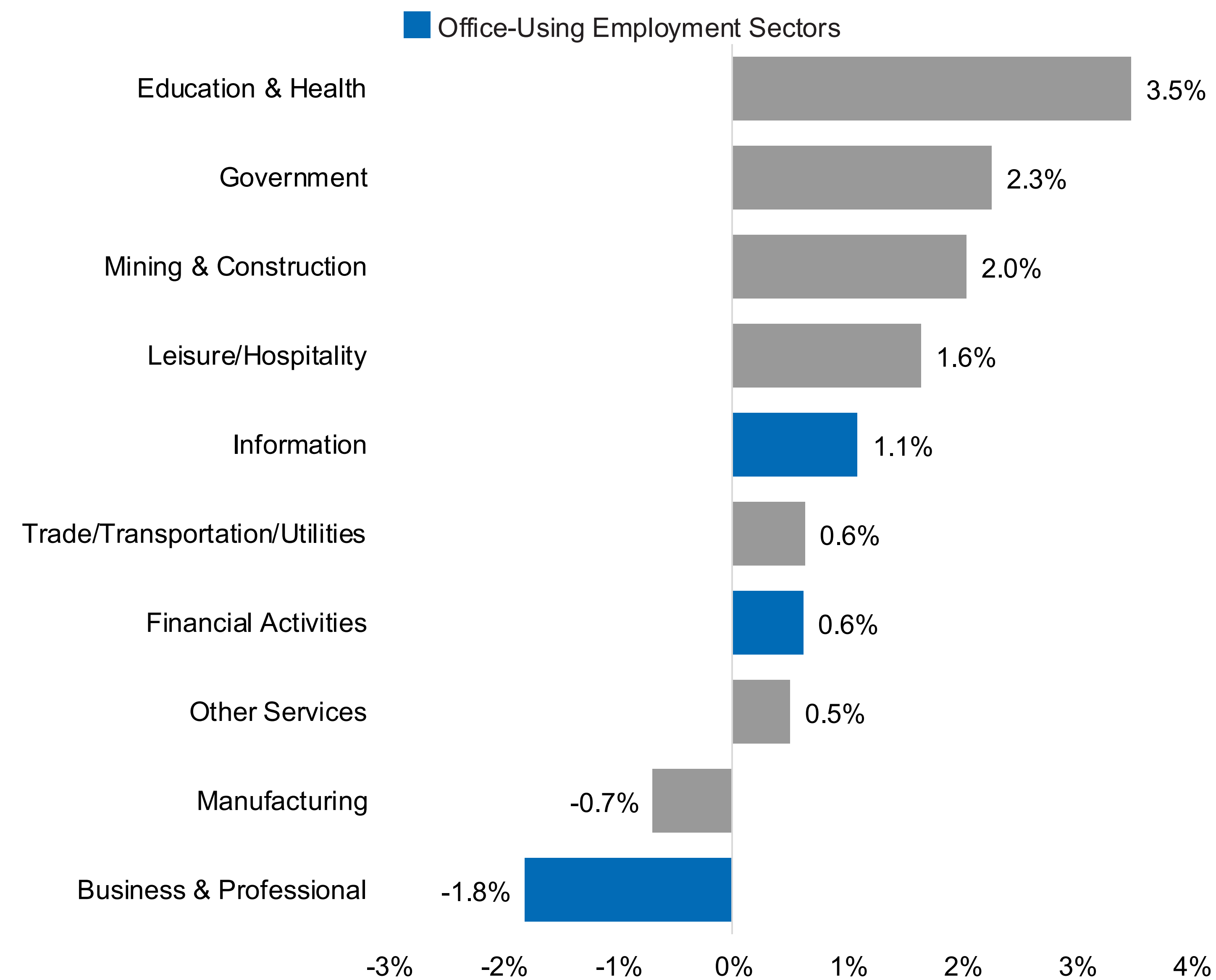
Office-Using Sector Shows Mixed Results Amid Broad Market Growth

The Dallas-Fort Worth market is highly diversified, with the top two industries accounting for only 38.6% of total industry employment. The office-using business and professional sector is the metroplex's second-largest industry at 17.7%. Despite a 1.8% year over year decline in the business and professional sector, overall employment expanded, and most industries posted yearly gains in August 2025. Contributing to those gains are two of the three office-using sectors, financial activities and information which grew 0.6% and 1.1% year over year, respectively.

Employment by Industry, August 2025



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

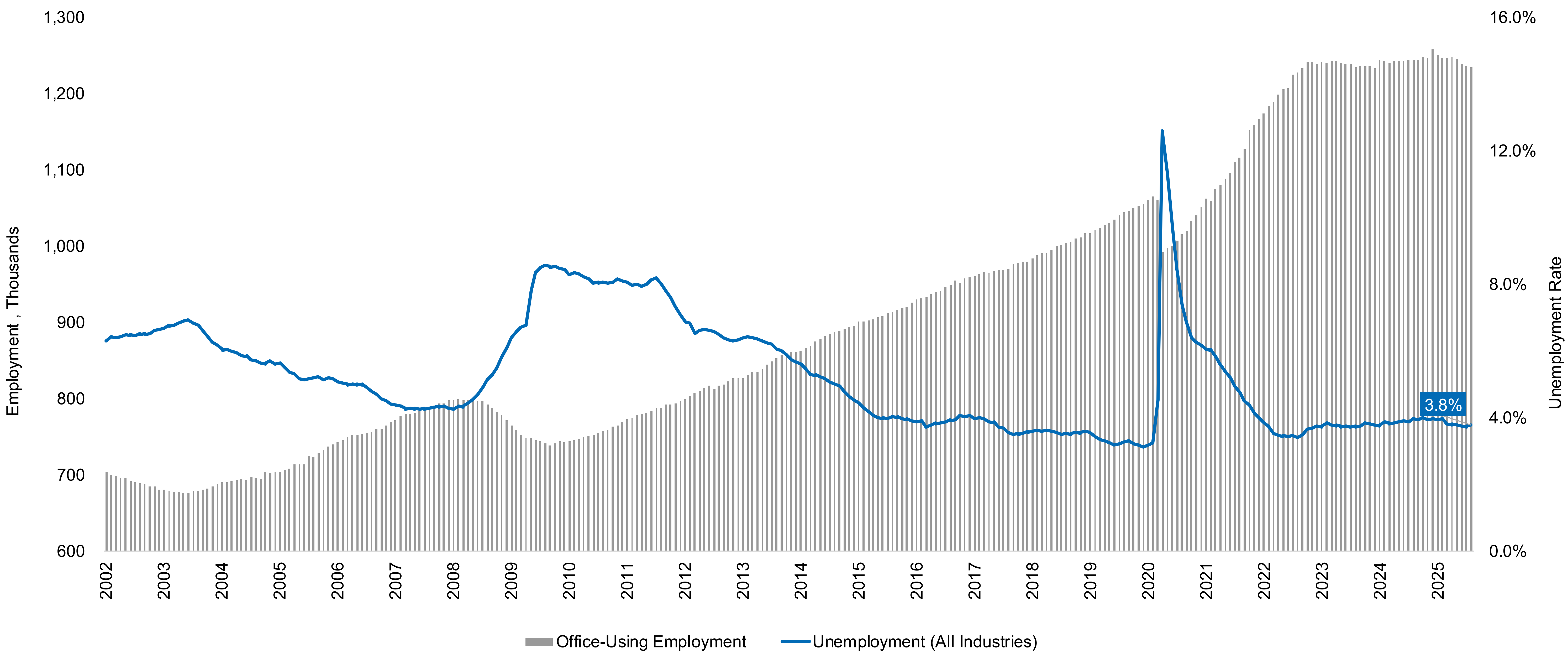


Source: U.S. Bureau of Labor Statistics, Dallas-Fort Worth MSA

Office-Using Employment Remains Elevated Despite Recent Decline

Office-using employment declined 0.8% year over year in August 2025, marking the third consecutive month of annual declines - the first such stretch since the fourth quarter of 2023. Over the same period, the unemployment rate improved by 18 basis points to 3.8%, signaling broader labor-market stability as gains in education and health and government offset office-using losses. Despite the stagnation, office-using employment remains elevated at 1.2 million jobs, a level maintained since the second quarter of 2022. With more than 40 Fortu ne 1000 headquarters in the region, office-using employment is expected to remain resilient.

Office-Using Employment* and Unemployment 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.

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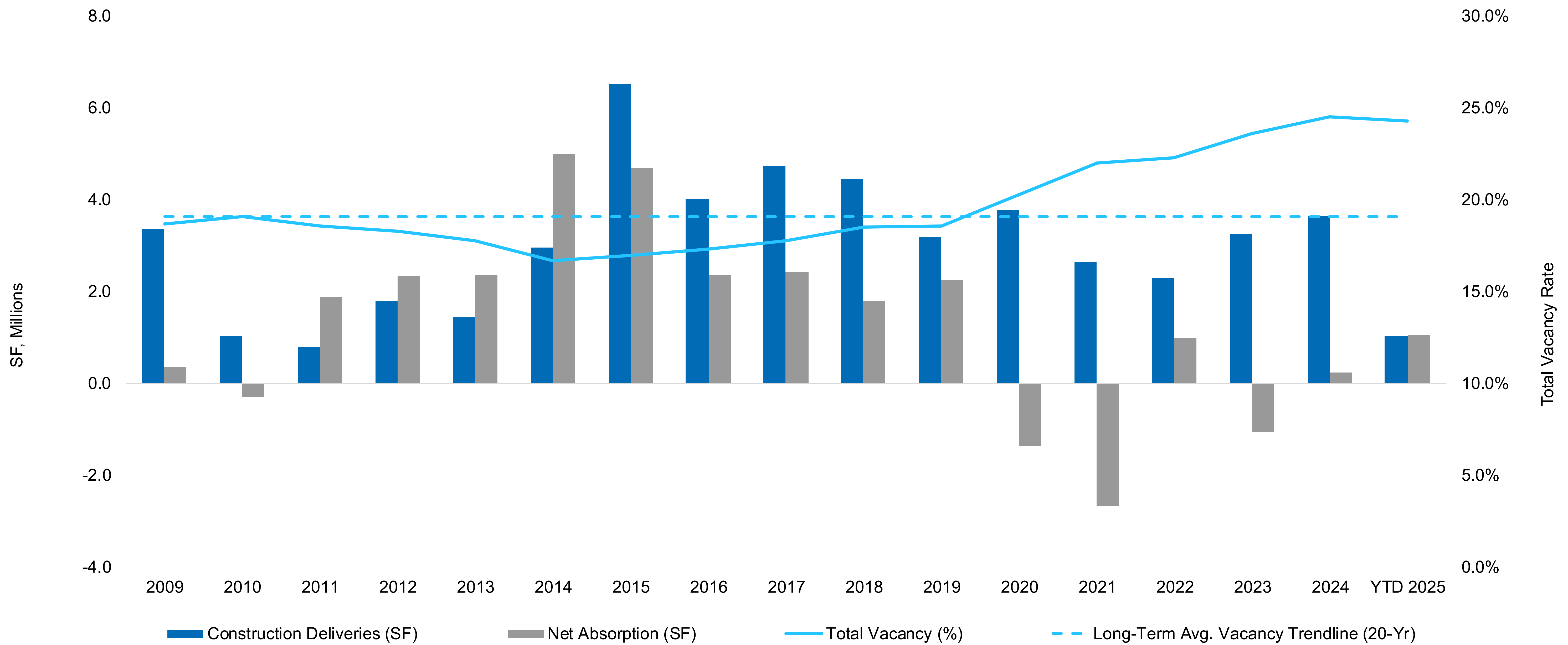
Leasing Market Fundamentals

Move-Ins Accelerate While Influx of New Supply Tempers Vacancy Decline

The third quarter of 2025 recorded positive occupancies totaling 859,914 SF, the strongest quarterly total since the third quarter of 2023. Despite the increased demand, vacancy was largely unchanged, decreasing just 20 basis points quarter over quarter to 24.3% as 898,800 SF of new supply entered the market, led by the 642,000-SF 23Springs in the Uptown/Turtle Creek submarket. Vacancy rates are expected to continue flattening as limited new development redirects demand toward existing space, extending the trend of minimal vacancy changes since mid-2024.

Historical Construction Deliveries, Net Absorption, and Vacancy

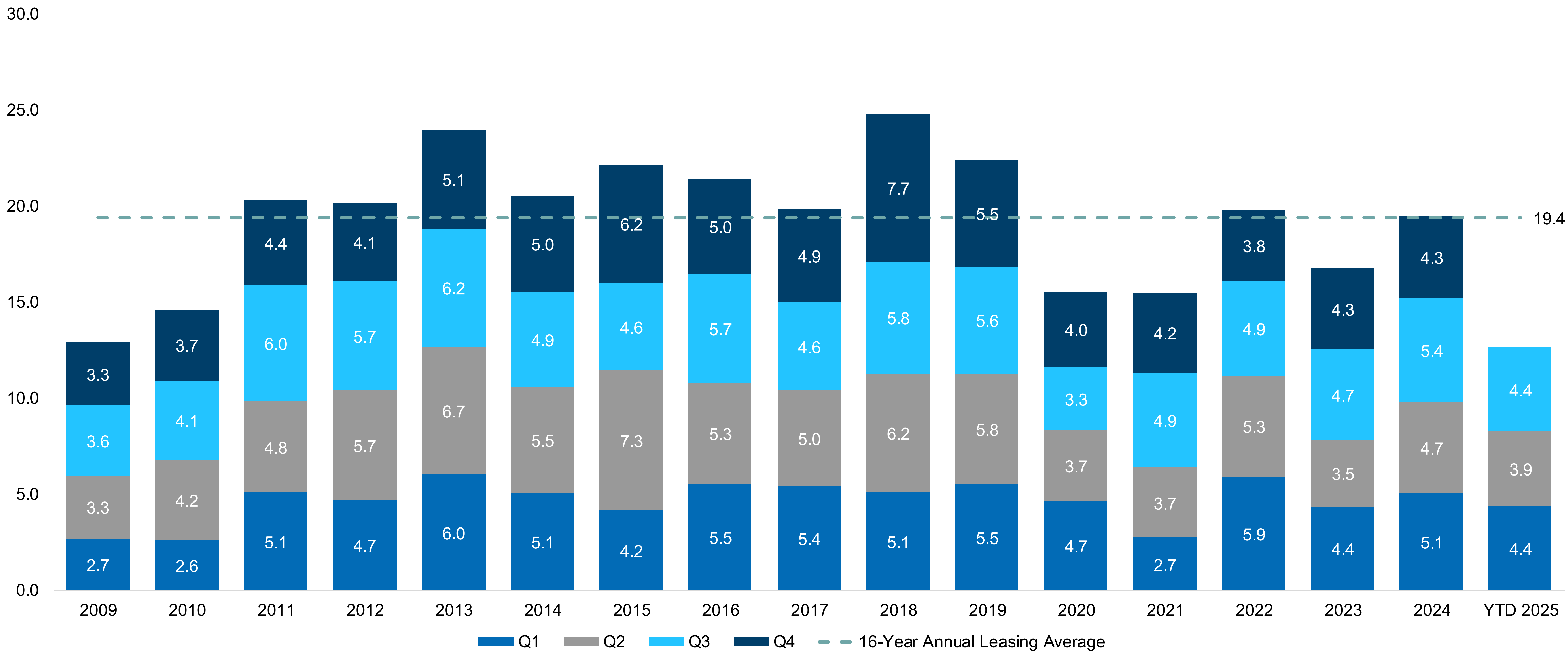


Source: Newmark Research, CoStar

Leasing Momentum Increases as Average Deal Size Expands

In the third quarter of 2025, leasing activity rose 13.3% quarter over quarter to 4.4 MSF. Despite the increase, leasing volu me still trailed the 16-year third-quarter average of 5.0 MSF. Although the number of deals signed decreased 5.7% from last quarter, the average deal size increased by 910 SF quarter over quarter to 5, 420 SF, the largest average deal size since the fourth quarter of 2024. While the average remains 679 SF below year over year levels, the third quarter of 2025 ends a three-quarter streak of declining deal sizes and signals renewed demand for larger space.

Total Leasing Activity (msf)

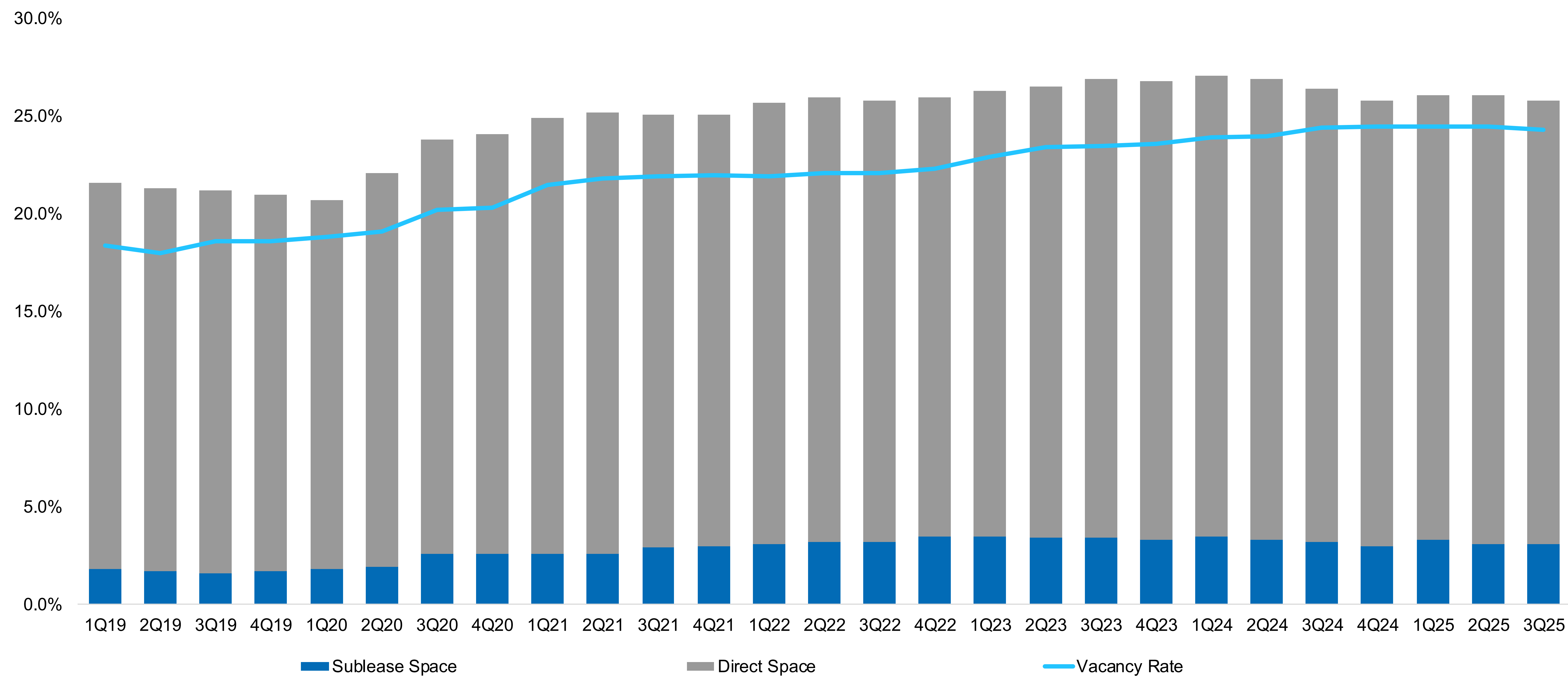


Source: Newmark Research, CoStar

Direct and Sublease Availability Steadies as Vacancy Reflects Modest Improvement

In the third quarter of 2025, direct availability fell 30 basis points quarter over quarter to 22.7%, the lowest since the fourth quarter of 2022, while sublease availability remain unchanged from the previous quarter at 3.1%. Occupancy increased this quarter as evidenced by a continued decline in total availability, falling by 130 basis points from the peak reached in the first quarter of 2024 to 25.8%. Meanwhile, vacancy improved by 20 basis points in the third quarter of 2025 to 24.3%.

Available Space as Percent of Overall Market

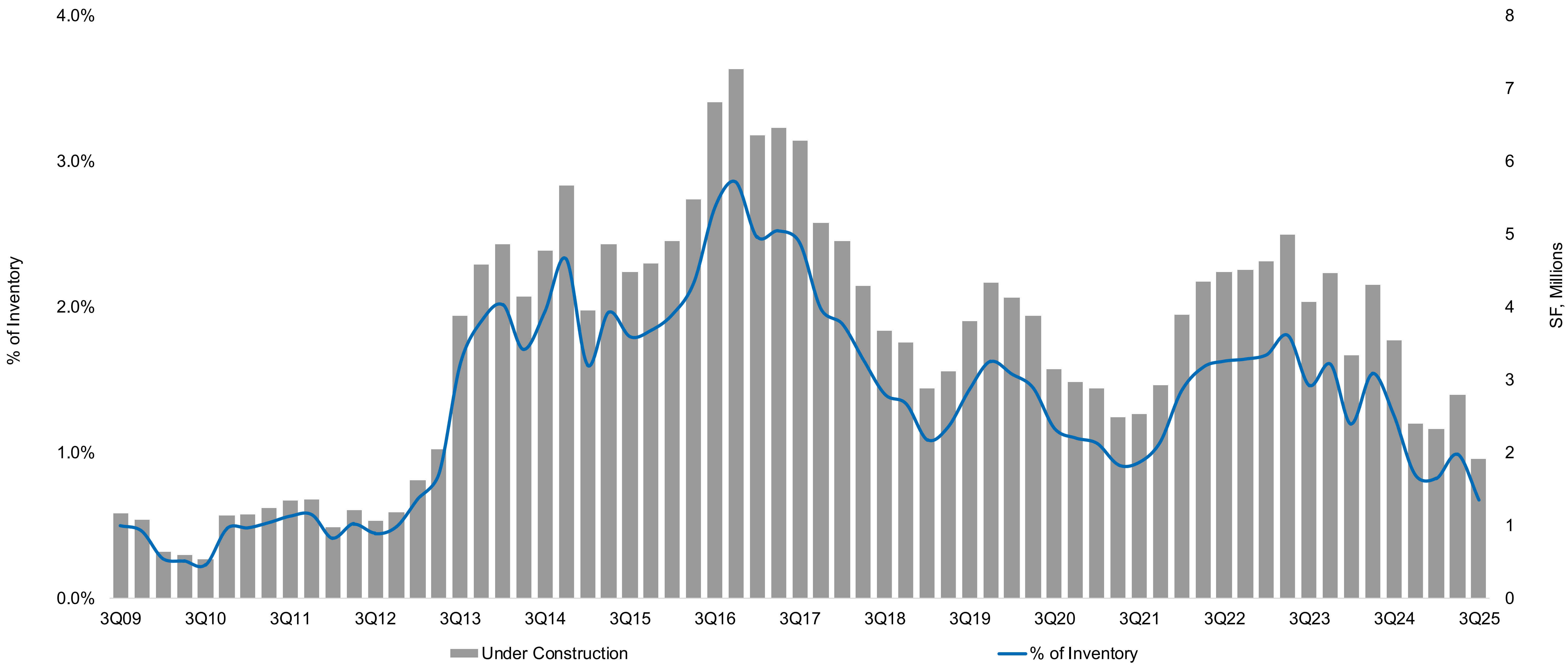


Source: Newmark Research, CoStar

Construction Pipeline Falls to Lowest Point Since 2013

As of the third quarter of 2025, the market had 1.9 MSF under construction, down from 2.8 MSF in the prior quarter and reflecting a 46.0% year over year decline. With projects like the 642,000-SF 23Springs delivering, the market inventory share of under construction fell to 0.7% and is now 30 basis points lower than the previous quarter. This is also the smallest market share reported since the first quarter of 2013. With a limited project pipeline, the market is well-positioned to absorb new inventory that comes online. New deliveries such as 23Springs, which was 63.5% preleased upon delivery, will continue to help drive vacancy down as tenant buildouts are completed and move-ins occur.

Office Under Construction and % of Inventory

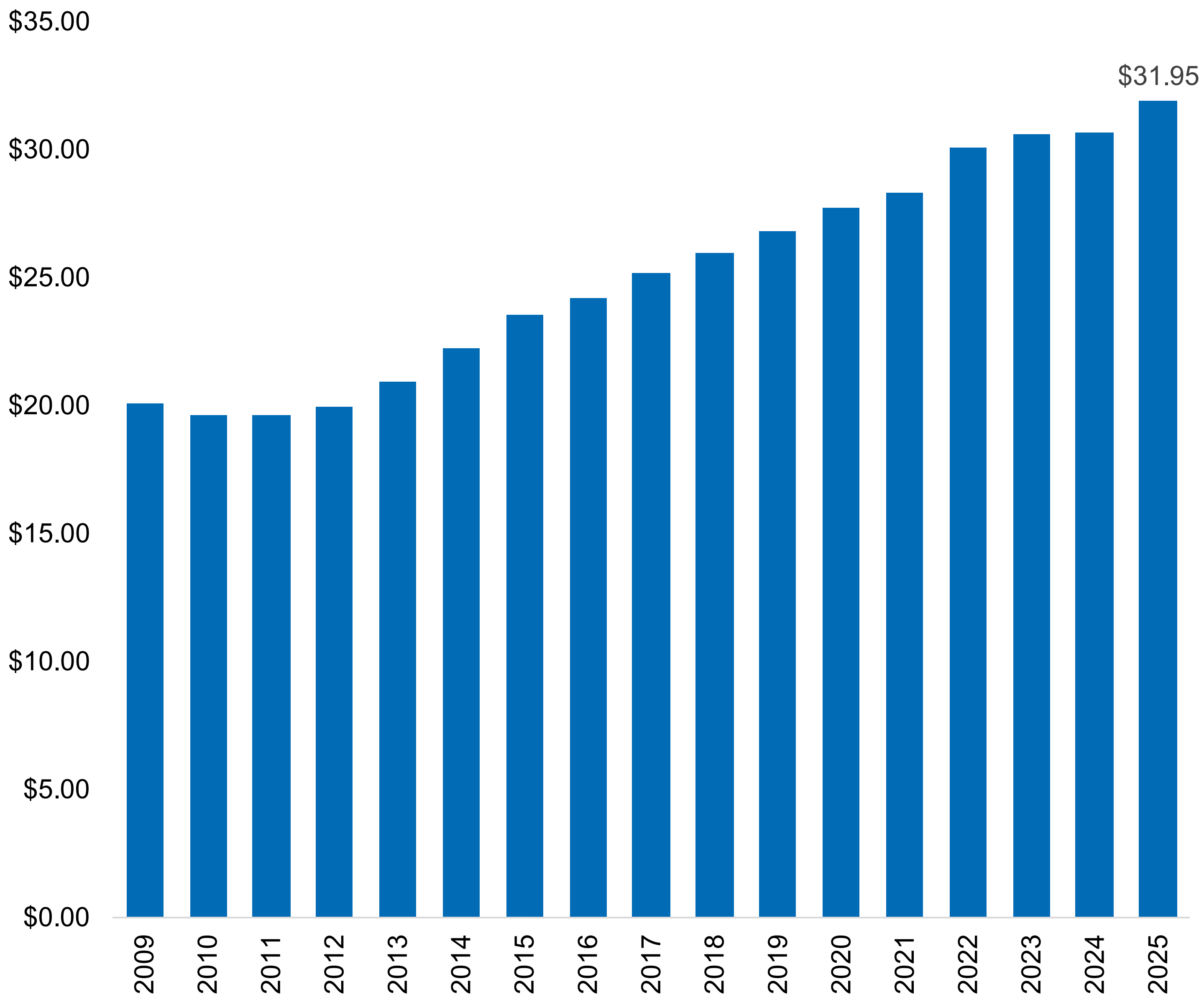


Source: Newmark Research, CoStar

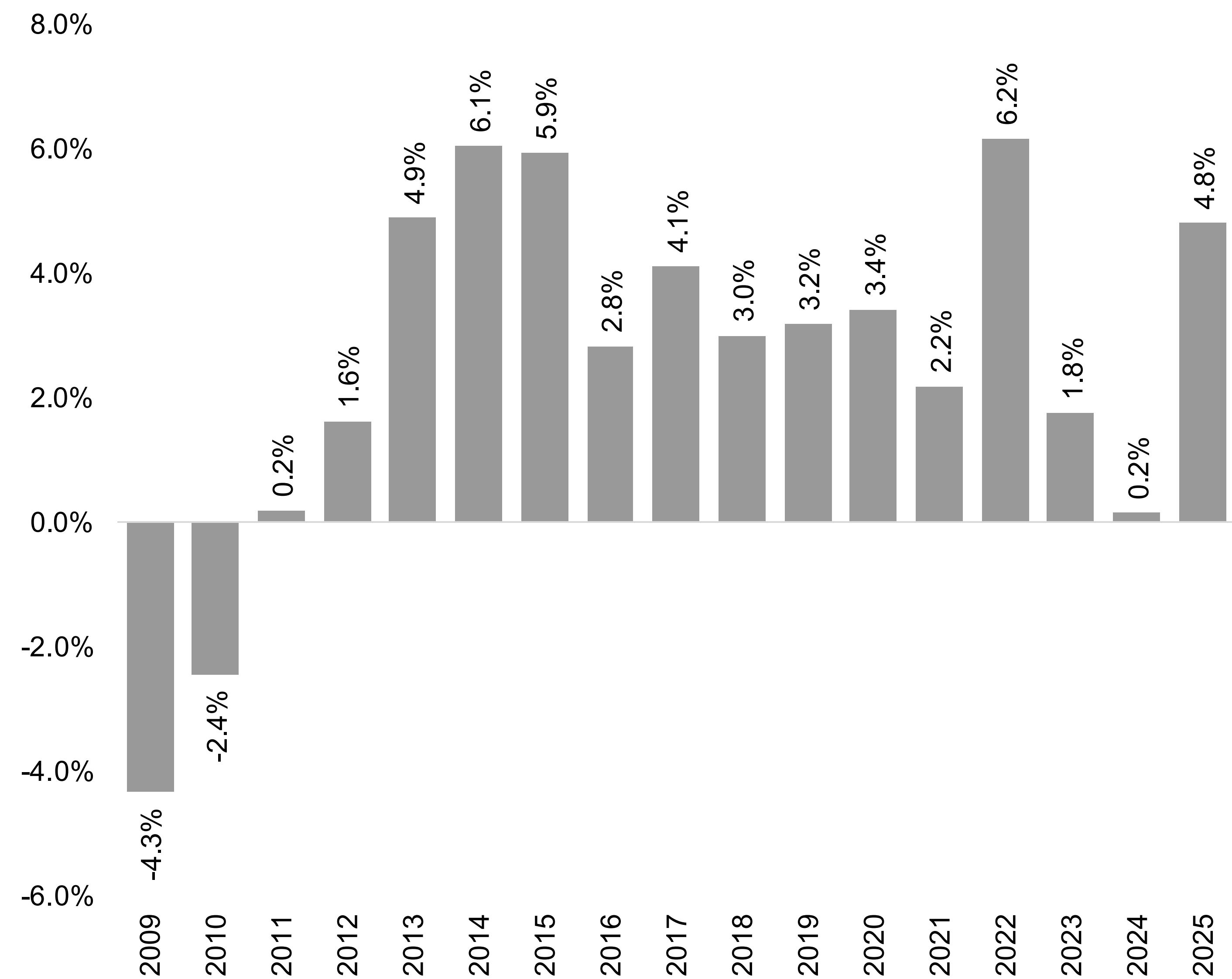
Rents Reach Historic Peak as Growth Outpaces Prior Year

In the third quarter of 2025, asking rents rebounded to a record high of $31.95/SF, up 3.2% quarter over quarter and 4.8% year over year. The annual increase is the largest since the 6.2% gain achieved in the fourth quarter of 2022. Rent growth is on pace to surpass last year's rate for the first time since 2022, underscoring resilient pricing despite elevated total vacancy rates.

Office Average Asking Rent, $/SF, FS



Year-over-Year Asking Rent Growth Rate

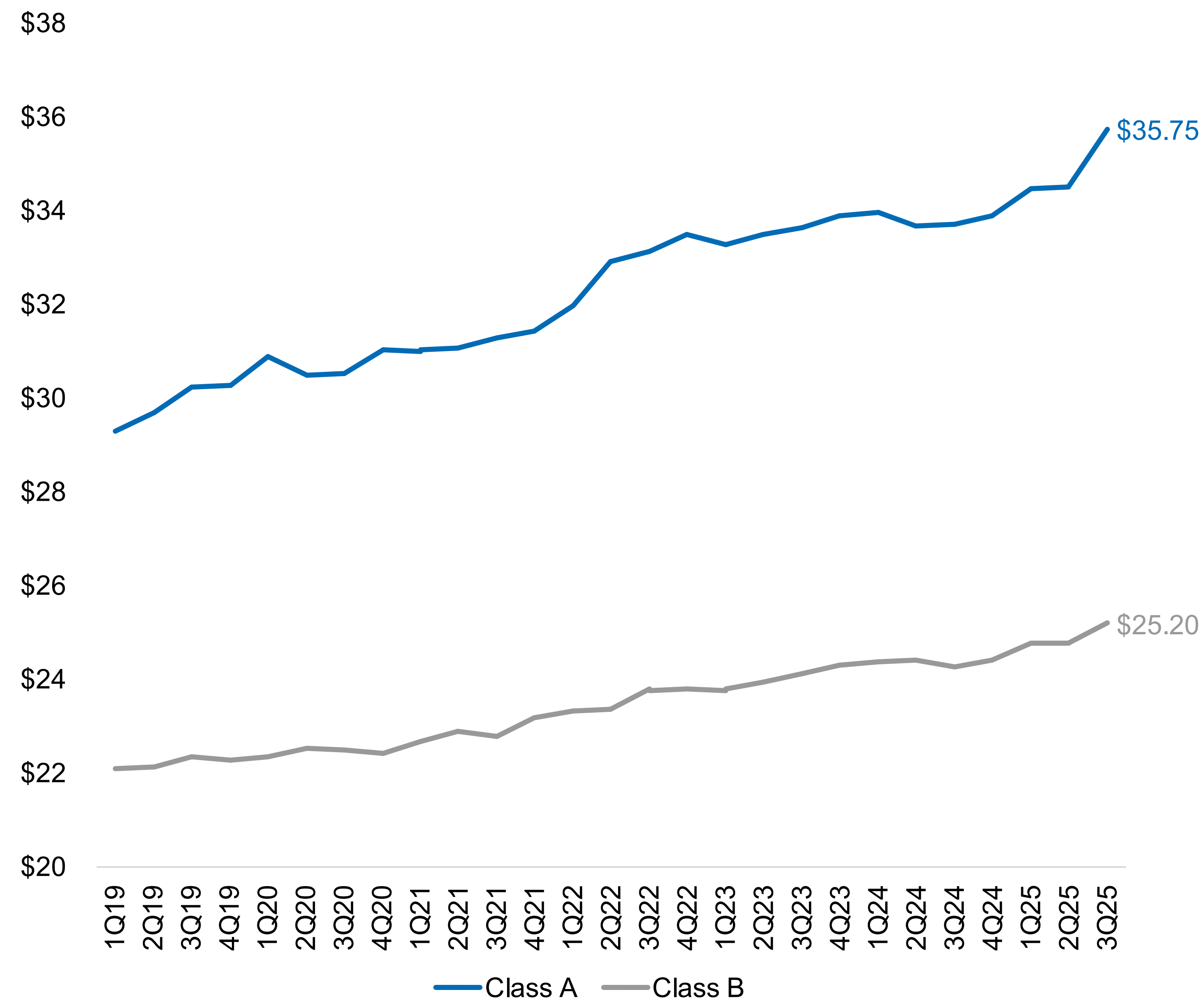


Source: Newmark Research, CoStar

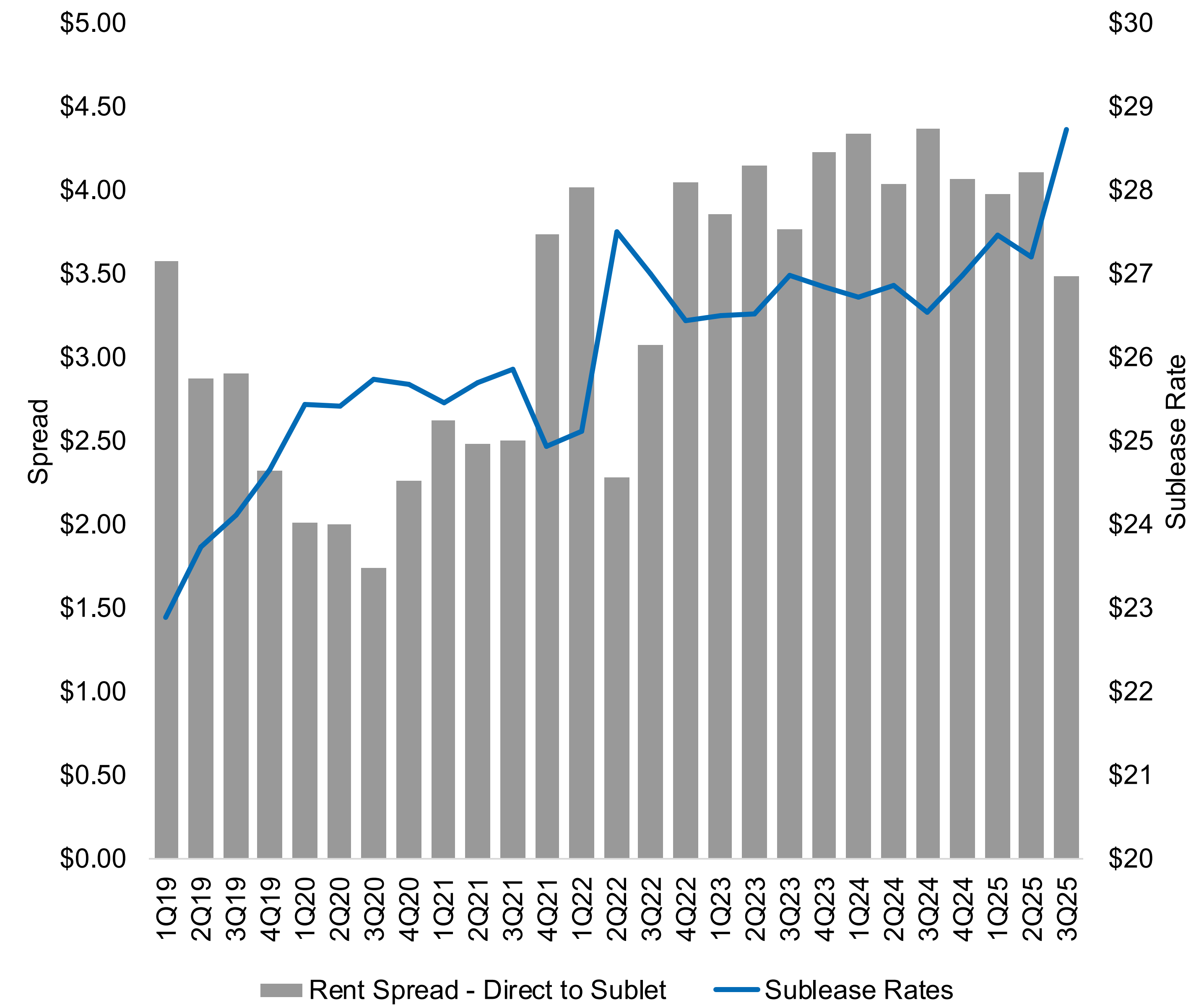
Flight to Quality Widens Asking Rent Spread Between Class A and Class B

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 third quarter of 2025 both Class A and Class B asking rents surpassed the previous quarter's record highs, reaching $35.75/SF and $25.20/SF, respectively. The gap between Class A and Class B rents widened to $10.55/SF, up from $9.77/SF last quarter, reflecting strong demand for Class A space and a 31.4% expansion in the spread since year end 2019. Sublease asking rates also rebounded from their second quarter decline, rising 5.7% quarter over quarter and year over year by 8.2% to a record high of $28.74/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 third quarter of 2025, Class A space accounted for 42.6% of transactions, down 118 basis points from the second quarter, yet captured 58.4% of total leasing activity by square footage. Demand for quality space is further evidenced by larger deal sizes: Average leases signed in Class A space were 7,426 SF and continued to remain bigger than the average market deal size of 5,420 SF.

Notable 3Q25 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Lockheed Martin	Fossil Creek Business Park	NE Fort Worth	Renewal	455,364
Lockheed Martin, a global security and aerospace company, signed the quarter's largest lease at Fossil Creek Business Park while reducing its overall footprint. The company had leased two buildings there in 2018 and 2019 and is now consolidating space in response to a post-pandemic shift toward telework and hybrid schedules.				
PennyMac	5025 Plano Parkway	Legacy/Frisco	Sublease	300,000
PennyMac Financial, a Los Angeles-based mortgage lender, has outgrown its 76,000-SF Plano office and is expanding in their relocation to 5025 Plano Parkway. The firm will initially occupy half of the property, with plans to expand to full-building occupancy and bring 1,800 new jobs to the site by year-end 2025. The four-story building was placed on the sublease market nearly two years ago by former tenant AmerisourceBergen.				
Integrity Marketing Group	Fountain Place	Dallas CBD	Renewal/Expansion	185,233
Integrity Marketing Group, a Dallas-based provider of health insurance, wealth management and retirement planning solutions, is nearly doubling its downtown footprint, after executing a renewal and expansion which added 85,000 SF in the building it has occupied since 2022.				
Scotiabank	Victory Commons One	Uptown/Turtle Creek	Direct New	133,715
Scotiabank, a Canadian financial services company, has established a regional headquarters in Dallas following the City of Dallas's approval of $2.7 million in economic incentives. The bank will occupy four floors at Victory Commons One in Victory Park. The move is expected to create 1,025 new jobs and generate $60 million in capital investment.				
Ernst & Young	One Victory Park	Uptown/Turtle Creek	Renewal	116,382
Ernst & Young, one of the Big Four accounting firms, renewed its lease at the 448,714-square-foot One Victory Park building, extending a presence that began in 2009 and marking 16 years in the building.				

Source: Newmark Research, CoStar

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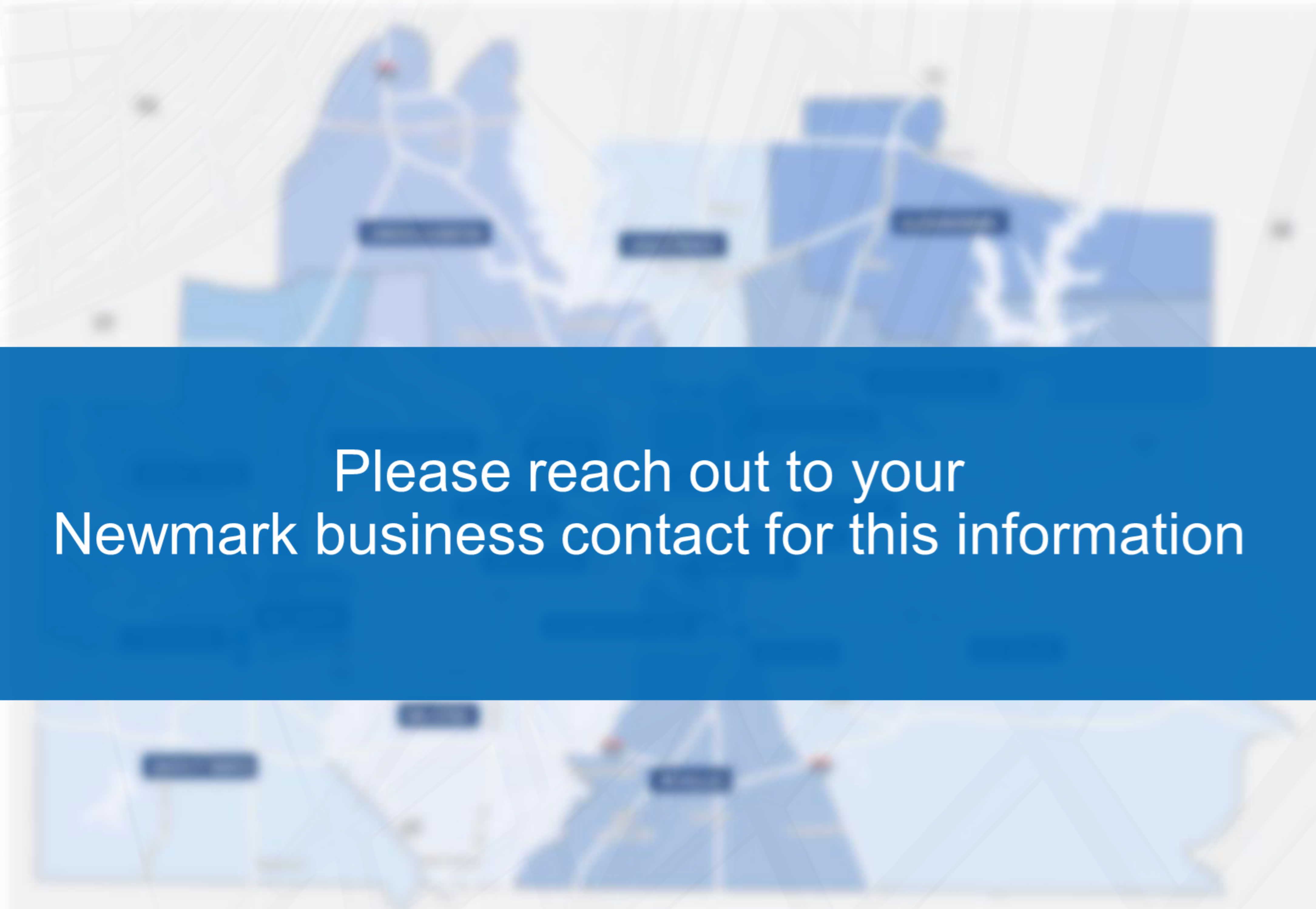
Market Statistics & Map

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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3Q25 Texas Office Market Overview

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Supplemental Analysis

Dallas-Fort Worth Office Market

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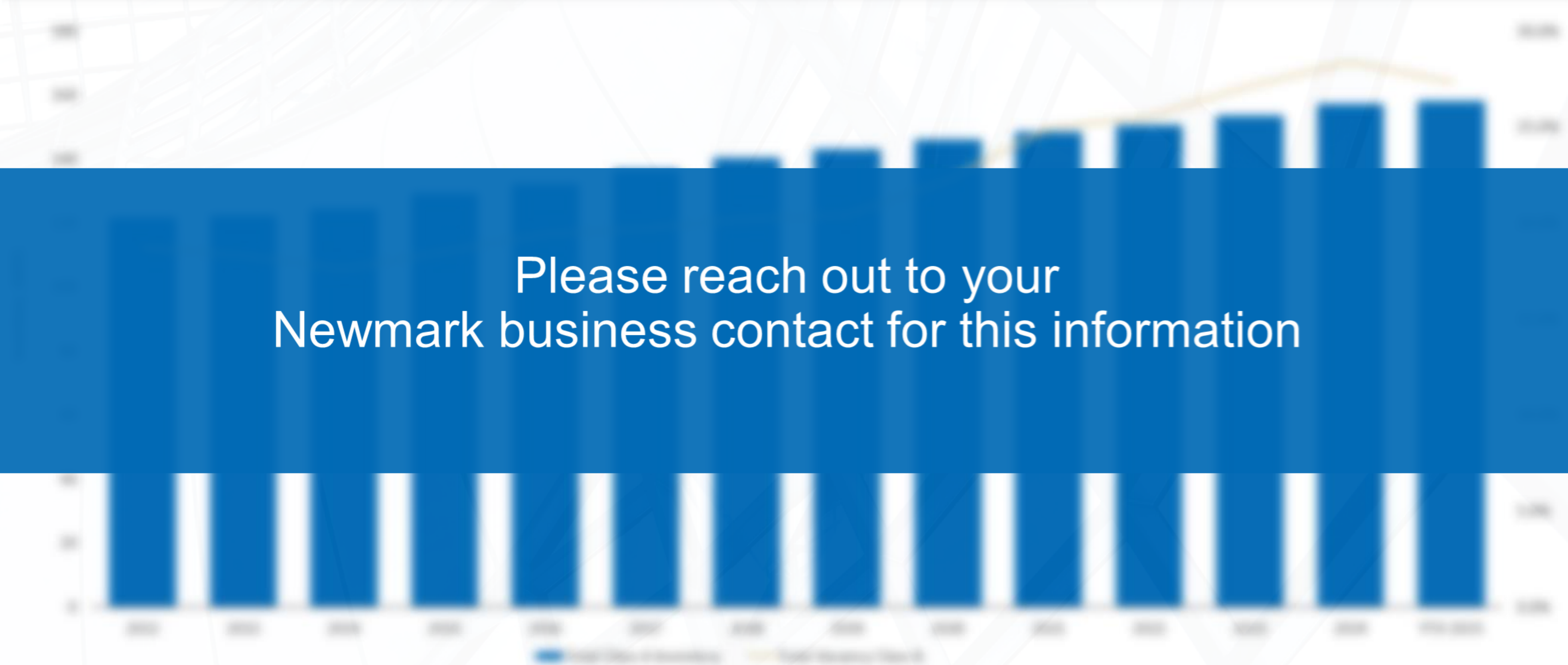
Class A Vacancy Retreats from Record High, Signaling Increased Demand



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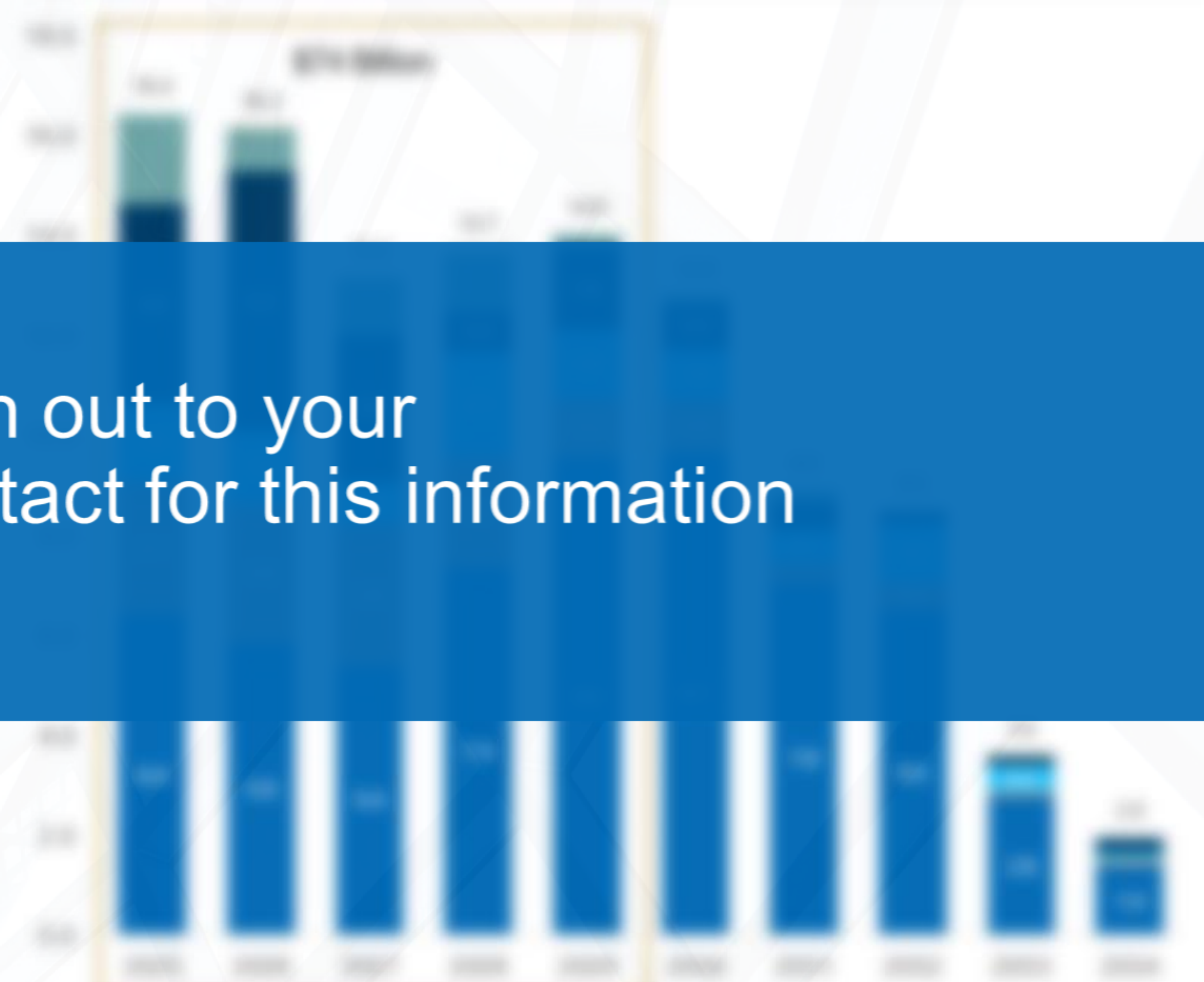
Highest Volume of Debt Maturing in 2025 and 2026



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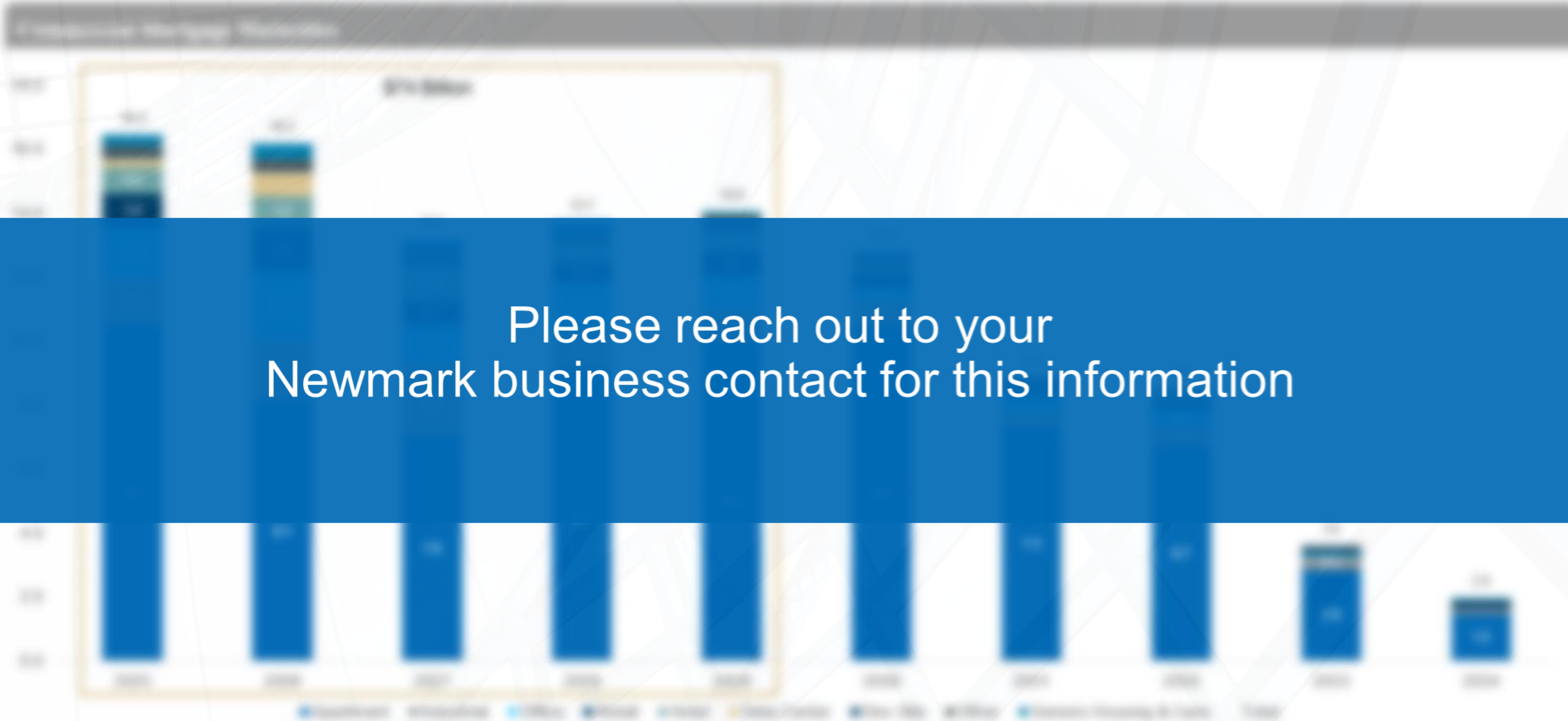
Multifamily Maturities Particularly Elevated Through 2029, Office Not So Much



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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

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