

DFW Office

Q1 2025

Dallas-Fort Worth Office | Q1 2025

Quarterly Market Report

DFW Office Market Records Positive Absorption and Increased Leasing Activity in Q1 2025

Executive Summary

Q1 2025 in Review

The Dallas-Fort Worth office market remained stable in Q1 2025, with the total vacancy rate down by 10 basis points to 25.1%, though still higher by 30 basis points year over year. Flight to quality will continue to shape market dynamics as developers deliver new, amenity-rich properties in Uptown and northern suburban submarkets, creating higher vacancy in older buildings in areas like the Dallas CBD, Mid-Cities, and LBJ Freeway.

Leasing activity increased slightly from 3.8 million sq. ft. to 4 million sq. ft., with notable leases including Toyota Financial Services 24,145 sq. ft. lease at Southstone Yards and GEICO's 165,107 sq. ft. lease at Galatyn Commons. Total net absorption turned positive for the quarter at 751,040 sq. ft., which would have been greater if not for the ongoing weakness in Class B properties, which posted -715,239 sq. ft. of net absorption in Q1 20-25. In contrast, Class A properties recorded 1.5 million sq. ft. of positive demand.

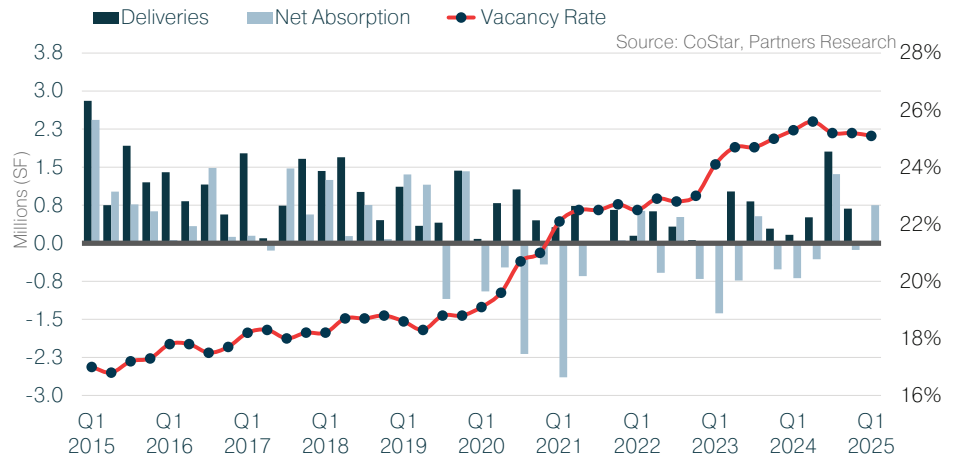
Construction deliveries for the quarter totaled 36,193 sq. ft., down significantly from the previous quarter, reflecting a broader decline in the development pipeline, which now stands at 2.8 million sq. ft., down 50% year over year.

Rental rates rose over the quarter and over the year, increasing to \$31.34 per sq. ft. from \$30.85 per sq. ft. in the previous quarter. Class A gross rental rates hit a record high of \$34.42 per sq. ft. and are forecasted to continue to rise. Although Class B rental rates increased slightly, they remain flat averaging \$24.23 per sq. ft.

Dallas Economic Update

Employment in DFW rose in December after contracting in November. Job growth grew at an annualized rate of 3.5%. Dallas employment grew at 4.4% in December, while Fort Worth grew at a slower pace of 1.5%. The largest gains were in financial activities and leisure and hospitality, while employment slipped in education and health services, construction and mining as well as other services. The unemployment rate in DFW fell to 3.9% in December.

Supply & Demand



Key Market Indicators

	CURRENT Q1 2025	PRIOR QUARTER Q4 2024		PRIOR YEAR Q1 2024	
Vacant Total	25.1%	25.2%	↓	24.8%	↑
Vacant Direct	23.1%	23.0%	↑	22.2%	↑
Available Total	26.7%	26.6%	↑	27.9%	↓
Available Direct	23.4%	23.5%	↓	24.5%	↓
Net Absorption (SF)	751,040	-132,955	↑	-614,817	↑
Leasing Activity (SF)	4,002,231	3,771,051	↑	4,632,798	↓
Construction (SF)	2,787,938	2,894,585	↓	5,545,315	↓
Deliveries (SF)	36,193	682,531	↓	311,901	↓
Avg Asking Rent (Gross)	\$31.34	\$30.85	↑	\$30.79	↑
Inventory (SF)	276,118,069	277,485,043	↓	271,161,213	↓

Market Overview

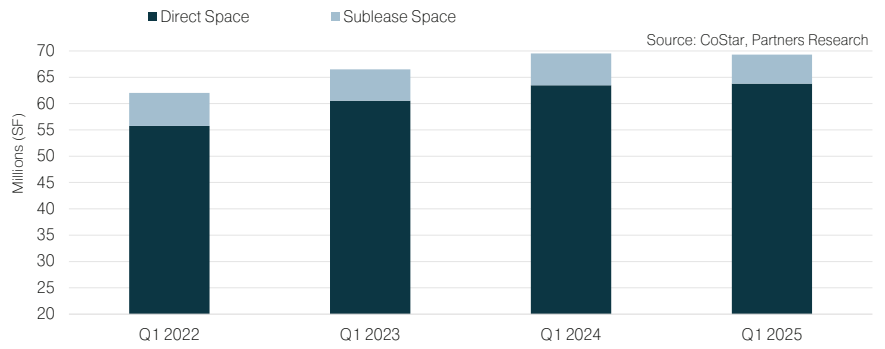
Due to sparse deliveries and a pullback in demand the total vacancy rate remained relatively flat for the quarter, moving down 10 basis points to 25.1% but saw an increase of 30 basis points over the past year. Submarkets with generally older inventory like the Dallas CBD, Far North Dallas, and Las Colinas have some of the highest vacancies (33.0%, 29.0% and 27.7%, respectively) as tenants have gravitated toward newer properties with more amenities, more highly concentrated in Uptown and other some of the northern suburban submarkets.

Construction and Deliveries were Tempered for the Quarter

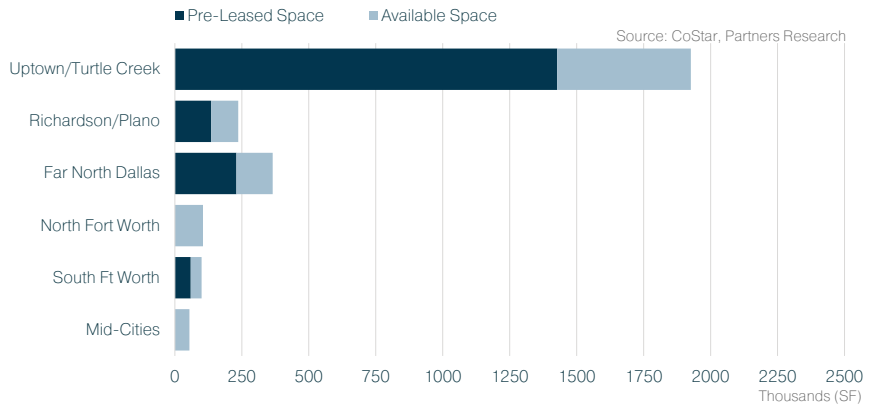
Construction deliveries for the quarter came in at 36,193 sq. ft., this is down 95% from the 682,531 sq. ft. completed in Q4 2024. The under-construction pipeline has been declining over the past few quarters and currently stands at 2.8 million sq. ft., down 49% over the past year. Most of the pipeline under construction is in the Uptown/Turtle Creek submarket (69%), with the remainder situated in the northern suburban submarkets, including Far North Dallas, Richardson/Plano and North Fort Worth.

Leasing Activity Increased Quarter Over Quarter, but Down Year Over Year

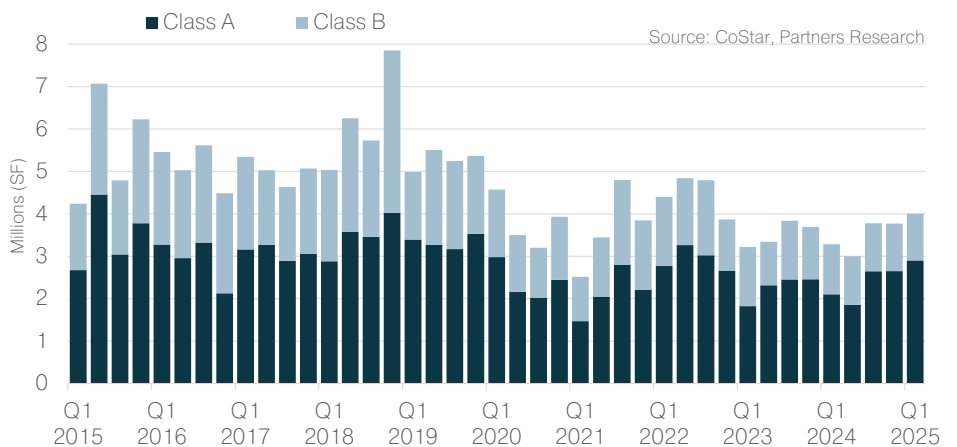
Quarterly leasing velocity, which is comprised of both new leases and renewals, stood at 4.0 million sq. ft. during Q1 2025, a 6% increase over last quarter, but down 16% from Q1 2024. Notable lease transactions in early 2025 include Toyota Financial Service's 241,452 sq. ft. lease at Southstone Yards, GEICO's 165,107 sq. ft. lease at Galatyn Commons and Sally Beauty Supply's 139,068 sq. ft. lease at Liberty Mutual Campus on Windrose Ave.



Construction



Leasing



Net Absorption Turns Positive for the Quarter

Net absorption—move-ins minus move-outs—was a positive 751,040 sq. ft. in Q1 2025, significantly up quarter over quarter and year over year. Tenant movement to newer inventory was a continued trend, with Class A properties having almost a million and a half sq. ft. of positive absorption (1,466,279 sq. ft.), while Class B properties continued to see negative demand, posting a -715,239 sq. ft. Notable move-ins in Q1 2025 included Ryan, LLC moving into 205,121 sq. ft. in their recently completed Ryan Tower in Plano and Merit Energy Company taking 96,874 sq. ft. at Two Lincoln Centre.

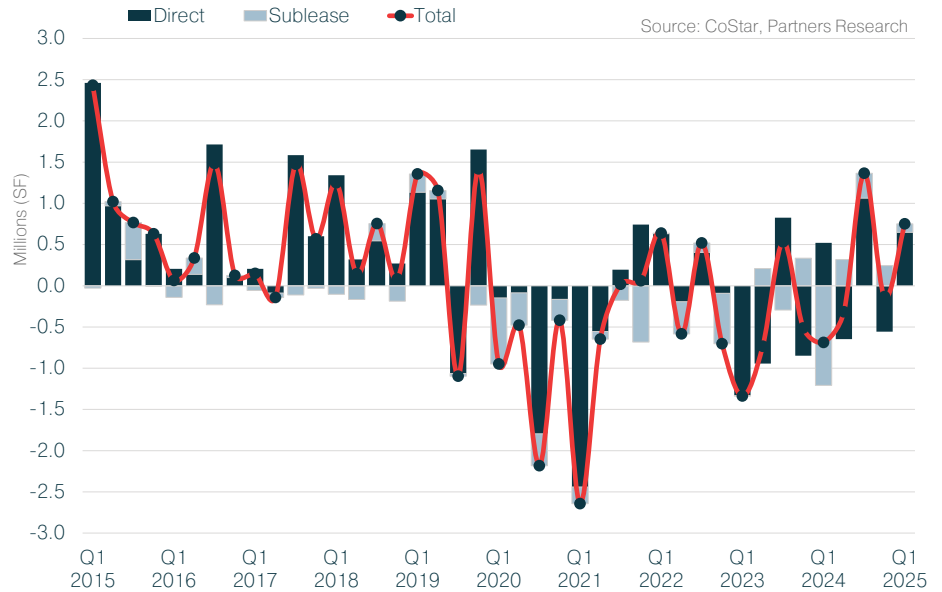
Investment Sales Trends

CoStar Capital Market Analytics reports the cumulative 12-month sales volume at \$454 million in the DFW office market. With 391 deals completed, the average transaction price currently stands at \$194 per sq. ft. with an average cap rate of 6.5%. Notable recent sale transactions in early 2025 include Forefront Commercial Real Estate, LLC's purchase of 4331 Communications Dr. in Pinnacle Park. The 206,040 sq. ft. property was empty when sold for an undisclosed price. Also, Capital Commercial Investments, Inc. purchased the Intellicenter building in Regent Center for an undisclosed amount. The 200,987 sq. ft. building was 19.2% leased at the time of the sale.

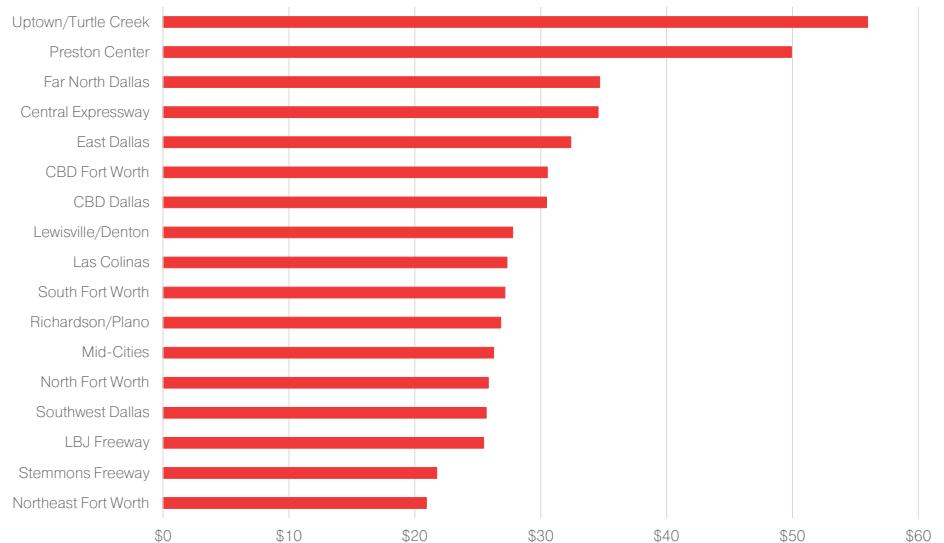
Overall Rental Rates up slightly for Both Class A and B Properties

The average gross rental rate for the DFW office market is \$31.34 per sq. ft., up 1.6% over the quarter and up 1.8% annually from \$30.85 per sq. ft. in Q1 2024. Newer Class A properties are at record highs, while commodity type Class B properties continue to see moderate rate increases, helping to push up the overall average rental rate. The Uptown/Turtle Creek submarket boasts the highest rental rates, with the overall average gross rent currently sitting at \$55.97 per sq. ft. The lowest rental rate is \$20.91 per sq. ft. in the Northeast Fort Worth submarket.

Net Absorption



Overall Gross Avg Asking Rent (\$PSF)



Market Overview

Submarket Stats

Submarket Statistics (Total reflects Class A/B/C)	Total Inventory (SF)	Total Vacancy (%)	Total Availability (%)	Q1 2025 Net Absorption (SF)	2025 YTD Net Absorption (SF)	Q1 2025 Deliveries (SF)	Under Construction (SF)	Overall Gross Avg Asking Rent (\$/PSF)
CBD Dallas Total	26,364,500	33.0	35.7	9,087	9,087	0	0	30.46
Class A	23,081,162	34.6	37.8	25,587	25,587	0	0	30.81
Class B	3,283,338	22.3	20.5	-16,500	-16,500	0	0	25.61
Central Expressway Total	11,485,277	25.5	26.6	-104,592	-104,592	0	0	34.55
Class A	7,266,037	29.4	30.7	-12,357	-12,357	0	0	36.41
Class B	4,219,240	18.7	19.7	-92,235	-92,235	0	0	28.55
East Dallas Total	7,448,502	23.5	23.8	-6,027	-6,027	0	0	32.39
Class A	2,565,882	38.1	39.1	-3,931	-3,931	0	0	40.75
Class B	4,882,620	15.6	15.6	-2,096	-2,096	0	0	20.43
Far North Dallas Total	56,945,818	29.0	28.1	135,583	135,583	0	365,188	34.68
Class A	41,683,004	30.4	28.3	309,581	309,581	0	262,188	37.26
Class B	15,262,814	25.2	27.7	-173,998	-173,998	0	103,000	27.32
Las Colinas Total	36,729,427	27.7	35.5	232,471	232,471	0	0	27.32
Class A	24,179,628	27.2	36.8	680,175	680,175	0	0	29.65
Class B	12,549,799	28.7	33.0	-447,704	-447,704	0	0	22.19
LBJ Freeway Total	20,677,658	26.2	26.3	-151,633	-151,633	0	0	25.46
Class A	11,830,732	20.9	24.0	-114,697	-114,697	0	0	29.85
Class B	8,846,926	33.3	29.4	-36,936	-36,936	0	0	20.45
Lewisville/Denton Total	6,244,261	24.8	25.0	-41,474	-41,474	0	0	27.77
Class A	960,501	49.2	49.0	8,981	8,981	0	0	36.23
Class B	5,283,760	20.3	20.6	-50,455	-50,455	0	0	25.00
Preston Center Total	5,779,257	7.4	9.0	94,823	94,823	0	0	49.91
Class A	3,675,010	6.4	8.8	121,698	121,698	0	0	55.87
Class B	2,104,247	9.3	9.4	-26,875	-26,875	0	0	39.66
Richardson/Plano Total	31,133,751	21.0	23.2	48,385	48,385	36,193	236,800	26.82
Class A	14,736,877	24.4	27.2	-7,421	-7,421	36,193	178,000	29.09
Class B	16,396,874	18.0	19.6	55,806	55,806	0	58,800	23.66
Southwest Dallas Total	2,959,214	20.8	14.8	-61,930	-61,930	0	0	25.67
Class A	981,557	31.2	10.7	3,032	3,032	0	0	24.99
Class B	1,977,657	15.7	16.9	-64,962	-64,962	0	0	26.05
Stemmons Freeway Total	10,963,831	23.7	20.6	4,455	4,455	0	0	21.74
Class A	5,720,024	22.7	21.9	9,424	9,424	0	0	26.73
Class B	5,243,807	24.8	19.3	-4,969	-4,969	0	0	20.44
Uptown/Turtle Creek Total	15,457,882	22.6	25.2	93,878	93,878	0	1,926,341	55.97
Class A	13,626,571	23.0	25.5	93,305	93,305	0	1,926,341	58.13
Class B	1,831,311	19.6	23.0	573	573	0	0	38.86
CBD Fort Worth Total	8,113,986	11.9	10.2	197,033	197,033	0	0	30.52
Class A	5,267,548	11.5	11.6	88,549	88,549	0	0	34.57
Class B	2,846,438	12.4	7.6	108,484	108,484	0	0	23.45
Mid-Cities Total	19,484,660	26.7	26.2	164,955	164,955	0	54,609	26.26
Class A	7,904,337	38.3	38.9	145,931	145,931	0	0	28.16
Class B	11,580,323	18.8	20.7	19,024	19,024	0	54,609	22.44
North Fort Worth Total	3,162,473	24.1	29.6	13,577	13,577	0	105,000	25.83
Class A	1,540,461	28.2	30.3	-1,029	-1,029	0	48,000	28.45
Class B	1,622,012	20.3	29.0	14,606	14,606	0	57,000	24.43
NE Fort Worth Total	3,122,549	13.6	14.9	6,768	6,768	0	0	20.91
Class A	415,921	0.0	0.0	0	0	0	0	-
Class B	2,706,628	15.7	17.2	6,768	6,768	0	0	20.91
South Fort Worth Total	10,045,023	12.9	14.2	115,681	115,681	0	100,000	27.15
Class A	3,806,476	7.3	8.5	119,451	119,451	0	100,000	32.85
Class B	6,238,547	16.4	17.8	-3,770	-3,770	0	0	24.94
Dallas-Fort Worth Market Total	276,118,069	25.1	26.7	751,040	751,040	36,193	2,787,938	31.34
Class A	169,241,728	27.3	29.3	1,466,279	1,466,279	36,193	2,514,529	34.42
Class B	106,876,341	21.7	22.6	-715,239	-715,239	0	273,409	24.23

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