

INVESTMENT FORECAST

Office
Dallas-Fort Worth Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Submarkets Easily Accessible to Suburbs Holding On to Greater Leasing Demand as Investors Return

Strong metrics present in certain areas. Some prominent firms upsizing their space this year will partially offset an overall demand level that is slightly waning. Wells Fargo will be moving into their new campus expansion in Irving by December. Ryan LLC is also upsizing to a 205,000-square-foot space in Plano. Certain parts of the Metroplex have fared better in recent years, as many professionals flocked to the suburbs. Downtown Fort Worth, Lewisville-Denton and Richardson-Plano all held 200-basis-points under the metro mean last year. These areas benefit greatly from their ease of access for workers in nearby suburbs. Additionally, the Fort Worth side of the market entered 2025 with a vacancy rate nearly 1,000 basis points below the Dallas side. While Fort Worth may have only one-fourth of the inventory, the western half of the Metroplex has held a sub-14 percent vacancy rate since 2021. Moving forward, the area's slightly lower operating costs and traffic congestion in relation to Dallas should continue to attract employers.

Buyer demand grows, especially in areas outside of the two CBDs. Sales activity increased in 2024 from the previous year, a trend likely to accelerate as more investors return from the sidelines. Of late, buyers have been active in suburban areas like Far North Dallas, Las Colinas and Richardson-Plano. Collectively, these submarkets saw an overall rise in trades for offices over 100,000 square feet last year, signaling that some larger investors have returned to the market. Buyers seeking stabilized assets may pursue listings in Downtown Fort Worth, where a multi-year downward vacancy trend has dropped the local rate to 10.1 percent. Most properties that changed hands here in the last two years were built before 1985. Class B/C assets in Fort Worth should continue to draw attention, as these often command higher asking rents than their Dallas counterparts.

2025 MARKET FORECAST

+1.4%



EMPLOYMENT: The Metroplex's employment base will grow by 62,000 jobs – the smallest annual tally since 2010, excluding 2020. Additions by traditionally office-using firms will total 10,000 roles.

3,175,000
sq. ft.



CONSTRUCTION: Deliveries will fail to reach the same levels as the last two years, as office inventory is set to expand by only 0.8 percent. Supply additions are concentrated near McKinney.

-20 bps



VACANCY: Total net absorption will trail the previous year's strong showing, but will be robust enough to push the vacancy rate down to 20 percent – 100 basis points above the historical mean.

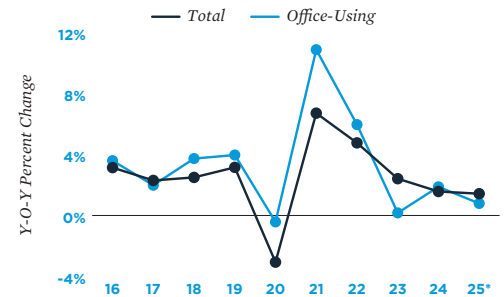
+0.8%



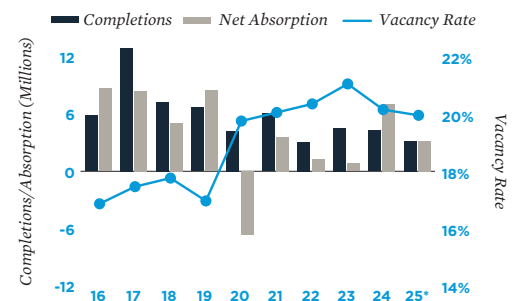
RENT: The metro's 14-year stretch of positive annual rent gains will extend into 2025. Steadfast growth will help the metro's mean asking rate reach \$23.70 per square foot by year-end.

INVESTMENT: Investors seeking properties with higher cash flows may be drawn to the Uptown-Turtle Creek submarket, which boasted both the metro's highest average rents and a vacancy drop of nearly 50 basis points last year.

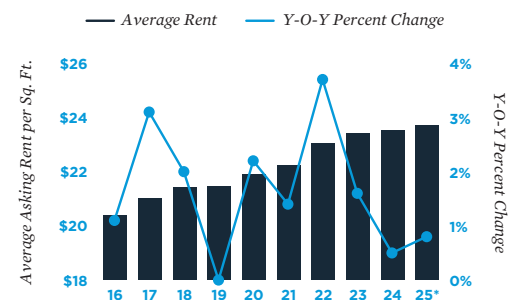
Employment Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.