



# THE CONNECTION

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Economic Development and Our Community

*Office Leasing Trends  
in DFW*

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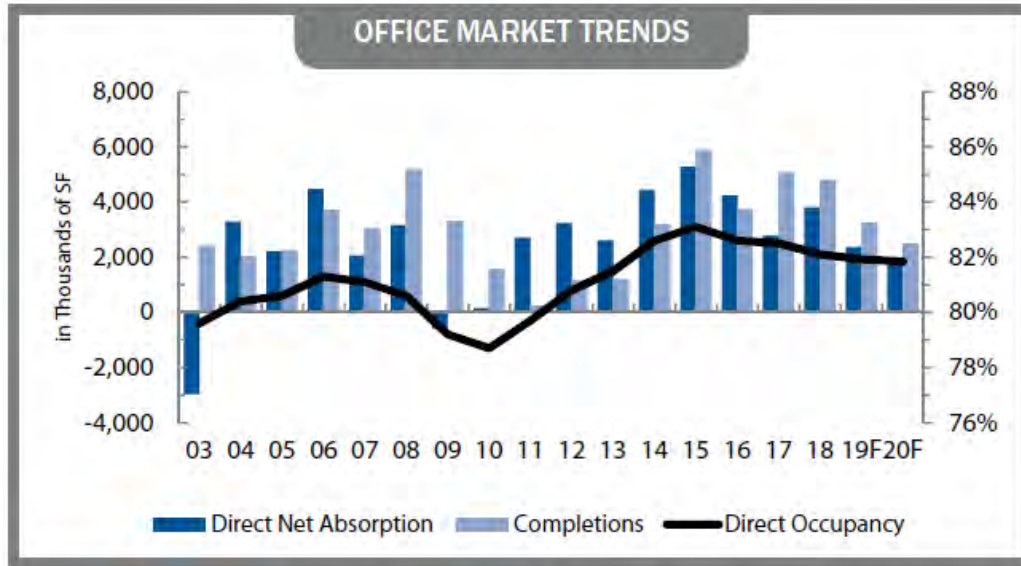
## **Office Spaces and the Local Economy**

As the central hub for most corporate and professional enterprises, the stock and status of commercial real estate for 'office use' can be a useful barometer of the economic pulse of a region.

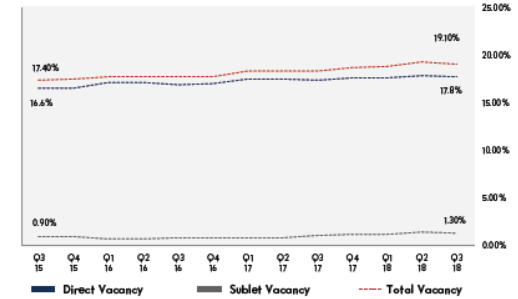
In this edition of the connection, we will examine recent trends in office building construction and leasing in the DFW metroplex.

With over 230,000,000 square feet of office space in inventory, and a higher-than-average weekly office occupancy rate, the metroplex offers an ideal lens with which to assess the impacts of commercial real estate within a dynamic economic nexus.

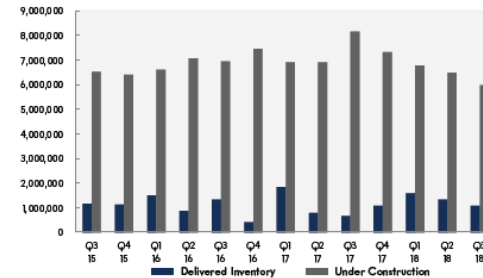
# Pre-Pandemic Trends in DFW as of Q3 2018



### VACANCY - OVERALL DFW

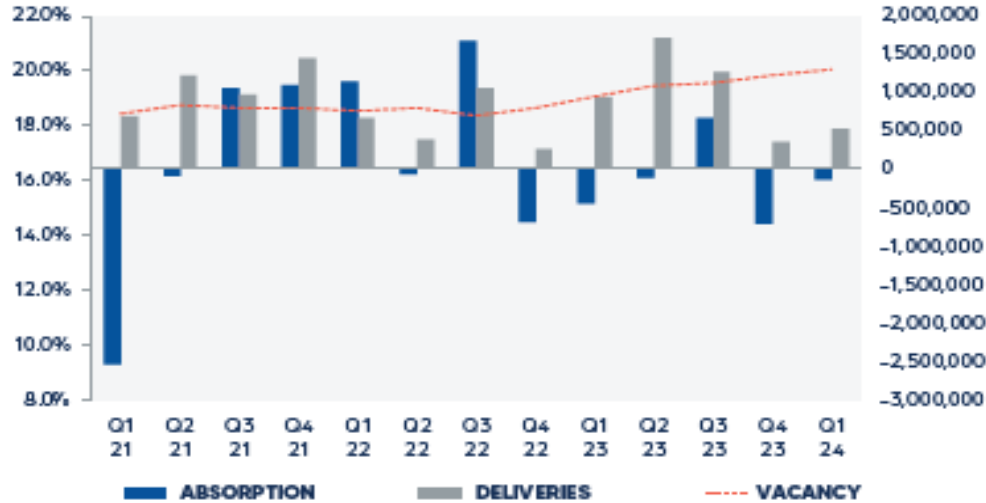


### CONSTRUCTION - OVERALL DFW

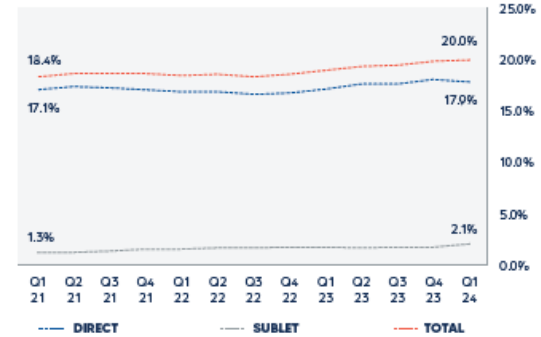


# Post-Pandemic Trends in DFW as of Q1 2024

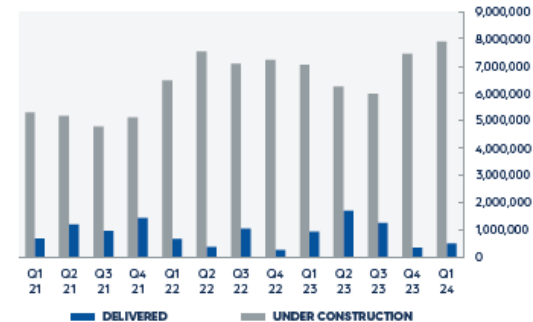
## OVERALL DFW



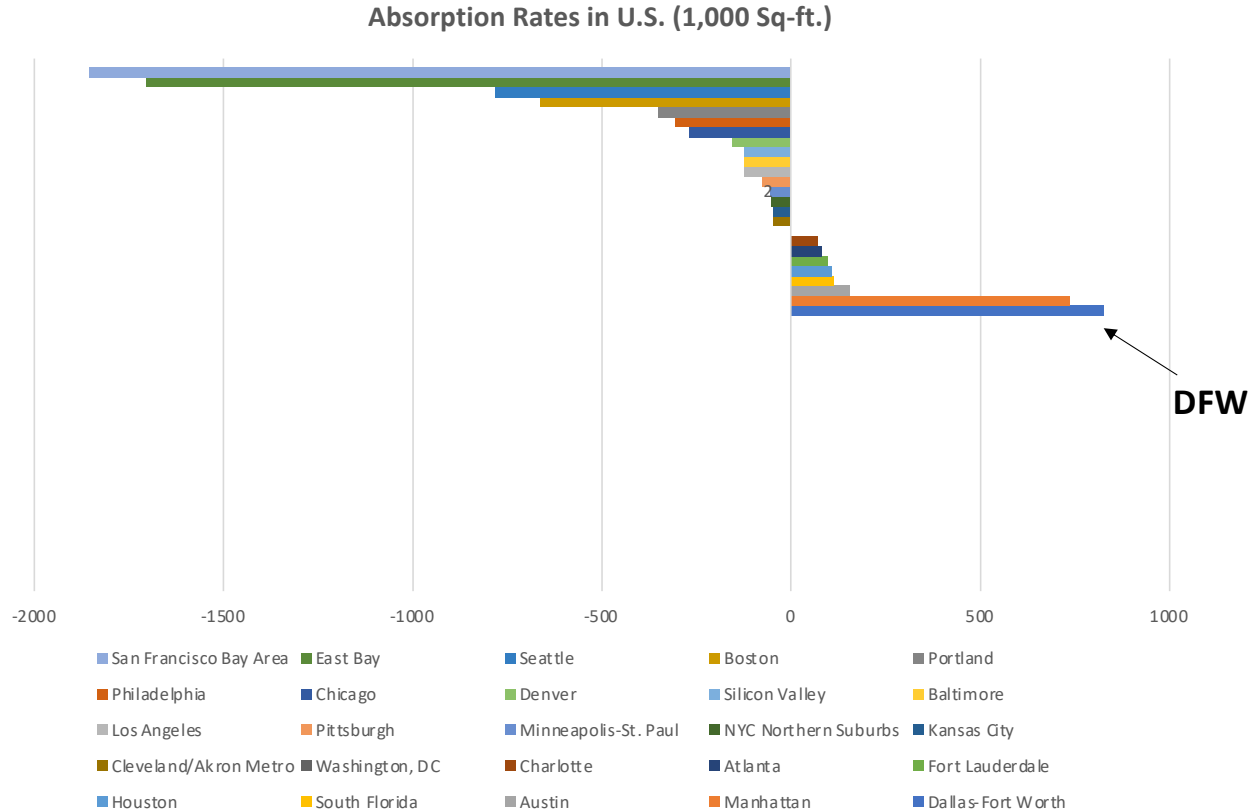
## OVERALL VACANCY



## OVERALL CONSTRUCTION



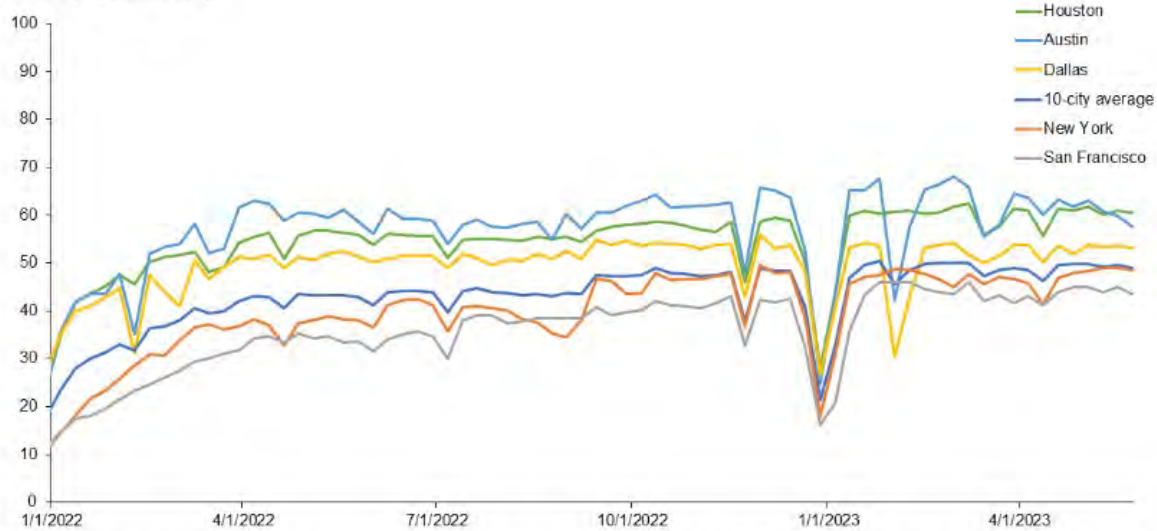
# Class A Downtown Metro Absorption Rates as of Q4 2023



# Class A Card Swipes in 2023

**Chart 3**  
**Office card swipes hold steady in 2023; Texas metros outpace others**

Workplace occupancy  
(percent of prepandemic level)



NOTES: Ten-city average is based on data for Austin, Chicago, Dallas, Houston, Los Angeles, New York, Philadelphia, San Francisco, San Jose and Washington, D.C. Data are through the week of May 24.

SOURCE: Kastle Systems, Return to Work Barometer

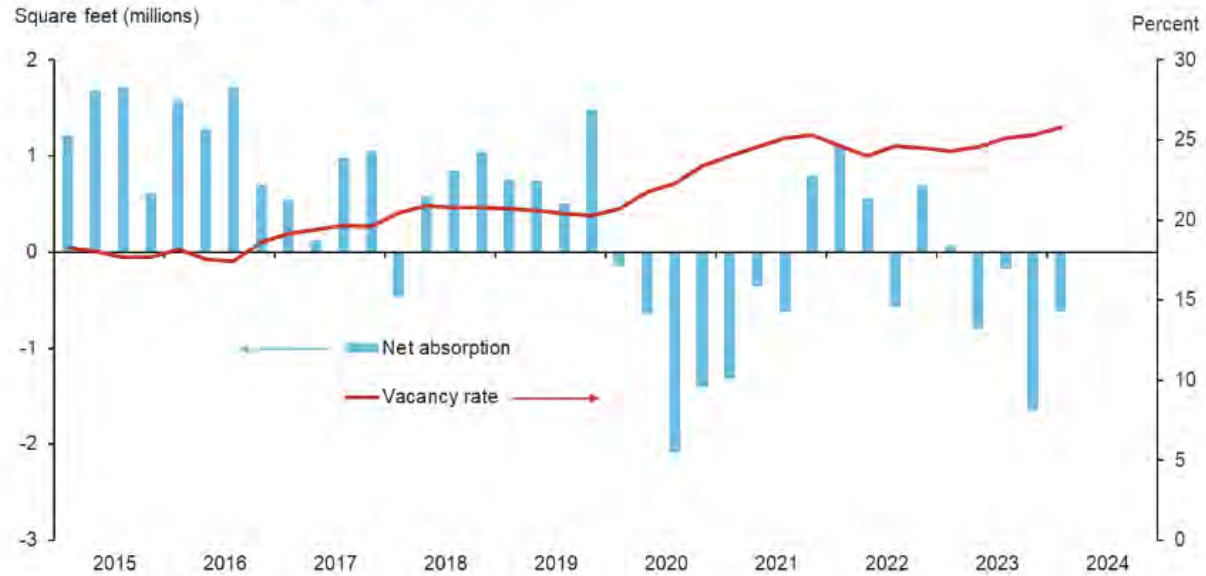
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## Overall Analysis

- Overall vacancy rates in the region have increased since 2018, from around 17% to at least 20% in Q1 of 2024 (some estimates had this hit as high as 25%). This reflects broader technologization and tenet preference trends.
- Construction levels, however, have increased over the same time-span, from about 6 to 8 million square feet overall. This is attributable to continued growth in the local economy.
- DFW boasts a decent Class A (premium tier) absorption rate, reaching over 800,000 square feet as of Q3 of 2023. Class A accounts for about 75% of the metroplex's sublease space as of Q1 2024.

# DFW Net Trends as of Q1 2024

Chart 5  
DFW office net absorption and vacancy rate



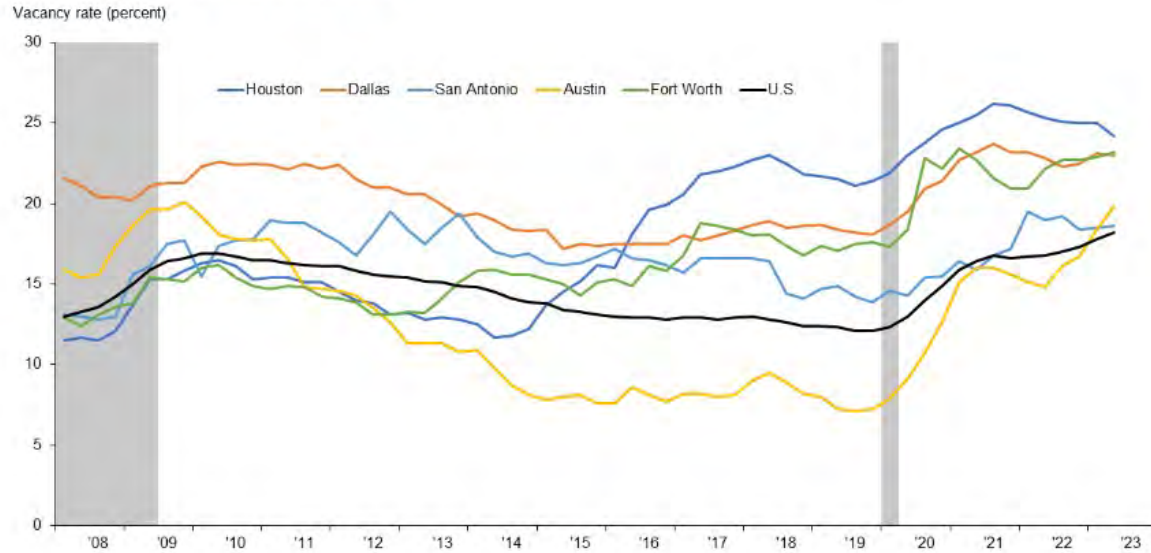
NOTE: Data are for the Dallas-Fort Worth region.  
SOURCE: CBRE Research.

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# Overall Office Vacancy in TX as of Q2 2023

**Chart 2**  
Texas metro office vacancies remain elevated



NOTES: Shaded areas indicate recessions. Data are through second quarter 2023.  
SOURCE: CBRE Econometric Advisors.

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## Robust Leasing Practices

What does the future of office real estate look like? Professional consensus seems to emerge around the impact that a range of factors towards current *overall* vacancy trends have had. However, perhaps one of the most substantial, if not the most salient, contributor of renting patterns in recent years has been tenant preferences for newer and more premium office space located in busier areas. This evolution of preferences is driven by lower necessities for square footage via better technology, newer tastes, and a desire for more energy efficient buildings, among other changes.

If these trends continue, it is reasonable to suppose that those markets that play host to a higher mix of higher end office space will see more stable (and lower) vacancy rates and higher investments in real estate. Currently, the DFW metroplex stands well poised to transition itself into a premium office 'outlet' that can be expected to attract high-paying talent, assist with the revitalization and sustainment of communities, and make a more efficient use of space than has historically been the case.

Questions or comments?  
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