Office Leasing Trends in DFW

Published July 31, 2024
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

OFFICE MARKET TRENDS

VACANCY - OVERALL DFW

CONSTRUCTION - OVERALL DFW

HoltLunsford 2018
Post-Pandemic Trends in DFW as of Q1 2024
Class A Downtown Metro Absorption Rates as of Q4 2023

Absorption Rates in U.S. (1,000 Sq-ft.)

- San Francisco Bay Area
- East Bay
- Philadelphia
- Chicago
- Los Angeles
- Pittsburgh
- Cleveland/Akron Metro
- Washington, DC
- Houston
- South Florida
- Seattle
- Denver
- Minneapolis-St. Paul
- Charlotte
- Austin
- Boston
- Silicon Valley
- NYC Northern Suburbs
- Kansas City
- Pittsburgh
- Portland
- Baltimore
- DFW
- Fort Lauderdale
- Manhattan
- Dallas-Fort Worth

Statista 2024
Chart 3
Office card swipes hold steady in 2023; Texas metros outpace others

Workplace occupancy (percent of prerecession level)

- Houston
- Austin
- Dallas
- 10-city average
- New York
- San Francisco

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

Federal Reserve Bank of Dallas

Dallas Fed 2024
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

Square feet (millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net absorption</th>
<th>Vacancy rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2024</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

Federal Reserve Bank of Dallas

Dallas Fed 2024
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 Economic Advisors.

*Dallas Fed 2024*
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 tenet 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.
Subscribe to the Economic Development Update, released the second and fourth Wednesday of every month.

Questions or comments? Please contact us at economicdevelopment@utdallas.edu or visit us at https://economicengine.utdallas.edu/