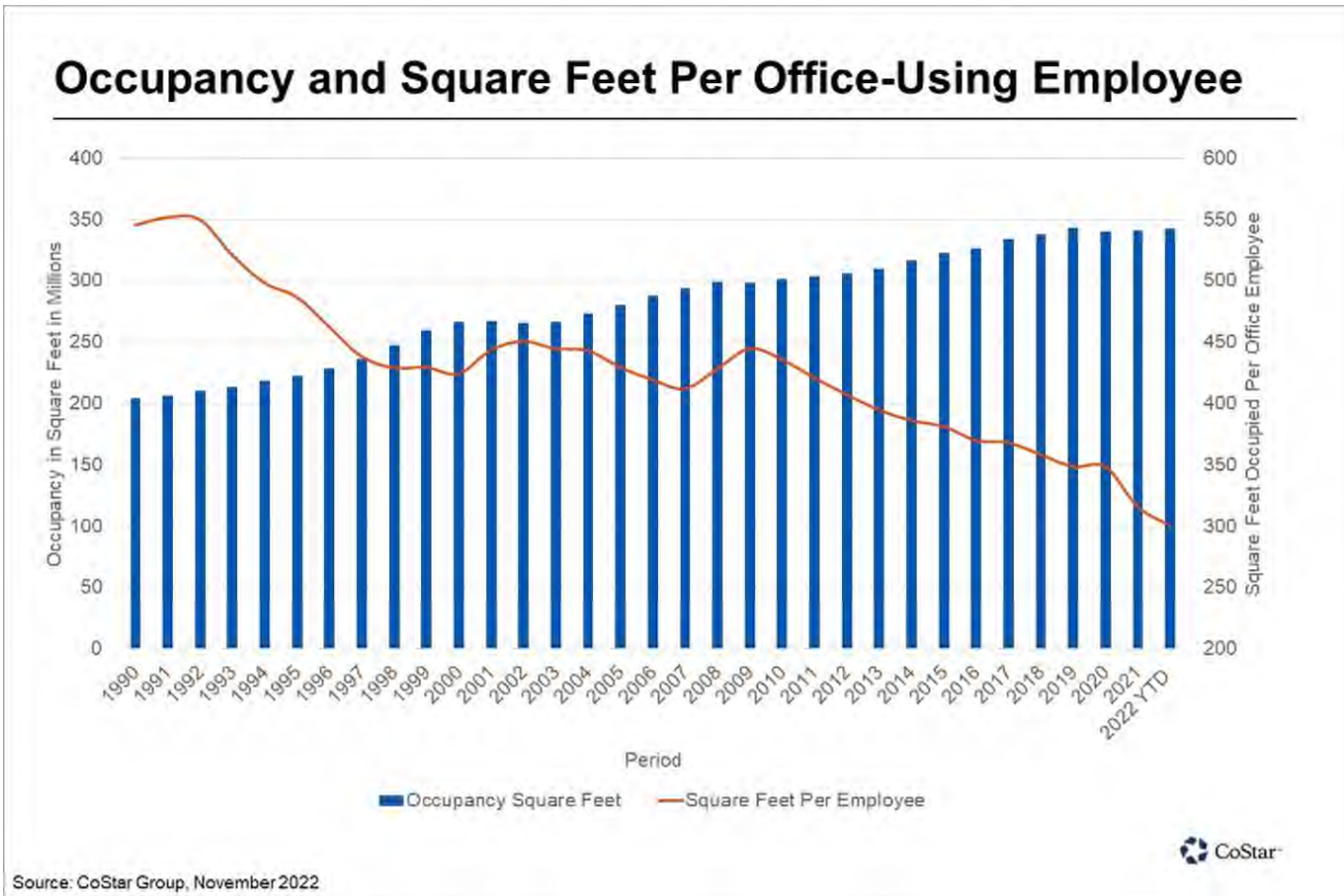




COSTAR INSIGHT

Dallas Office Market Faces Further Test As Trend Toward Smaller Space Accelerates

White Collar Job Growth May Not Be Able to Keep Pace With Shrinking Footprint, Rise of Remote Work



By Paul Hendershot
CoStar Analytics

November 29, 2022 | 10:19 AM

Predictions of a full return to offices have come up empty, even though the pandemic appears more firmly in the rearview.

Occupancy remains stubbornly low in the Dallas-Fort Worth region, with only 55% of workers returning to the office, according to [the most recent data](#) from Kastle Systems, a Falls Church, Virginia security company that keeps statistics on key card swipes at the 2,600 buildings in its network.

So the hybrid work model looks at this point here to stay. While headwinds exist, the Dallas-Fort Worth economy's ability to create office-using jobs should help soften the blow. But is it enough?

The Dallas-Fort Worth economy has experienced decades of impressive growth. Since 1990, the region has added 762,800 office-using jobs as these sectors swelled by 203%. Occupied office space increased by 137.7 million square feet, growing by 67% during the same period.

The disconnect lies in the square feet per office employee. This metric does not concern simply how large an individual's workstation is, but takes a broader view of total occupied space: This includes conference rooms, bathrooms, kitchens, IT closets, storage, lobby space and any common tenant areas in the building.

By this measure, office occupancy in the Dallas-Fort Worth market has been undergoing a dramatic, prolonged contraction over the last three decades that appears to be picking up speed.

For example, in 1990 the average space occupied per office worker was 545 square feet. By the end of the decade, this dropped by 116 square feet to 430 square feet per worker.

Since 2000, this metric has been steadily sliding downward, in spite of several temporary upticks. By 2018, the average office employee required 359 square feet, a 16.5% drop over the average in 2000.

This trend picked up more speed over the pandemic years. As of 2022, the average space per employee in Dallas Fort Worth stands at 301 square feet, about 45% less than the average in 1990.

The declining office usage per worker will have far-reaching impacts across the office universe. The first is the vacancy rate. In 2019 the vacancy rate was 14.9%. Since then, it has increased to a ten-year high of 17.4% CoStar is anticipating this trend to continue into 2023, reaching 18.5%.

Secondly, net absorption has remained sluggish at 1.8 million square feet year to date, well below the 5.4 million square feet the market averaged from 2017 to 2019. As a result, the market is forecast to dip into negative net absorption in 2023. That would be the second stretch of negative net absorption in this decade. The other time this occurred was in 2020.

Over the next five years, the Dallas-Fort Worth region is expected to add 68,100 new office jobs. If the demand per employee added to the local economy remains stable, the metroplex will require 20.4 million square feet of space to house these new workers. There is currently 86.7 million square feet available in the market and 7.9 million square feet under construction.

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