

'Excited to go back': How the office environment became a recruiting tool

BY BRANDI SMITH

In today's job market, some employers are leaning into a new recruiting tool, something that has historically simply been a mundane and overlooked factor when trying to lure new talent: the office.

"Let's say a job seeker gets two similar offers when it comes to compensation and benefits, but one company provides a flexible hybrid work environment in a really nice building with amenities, and the other doesn't," says James Stein, Senior Director at Cushman & Wakefield's Dallas office. "Which job would you chose?"

The competitive recruiting in some fields has generated a flight to quality in the office market.

"That concept is pretty straightforward: make going to the office an experience, something that is worthy of an employee's commute," Stein says. "Make sure the building and the space are something that, when the employee gets home, they say, 'I'm excited to go back.'"

Stein says some of the projects getting started in Fort Worth serve as



James Stein
Cushman & Wakefield/Dallas Office

examples of the trend. Additional phases of the mixed use Clearfork development, the new Crescent-Fort Worth project in the Cultural District, and the new Van Zandt building in West 7th all point to demand for newer nicer office options.

"The amount of nicer, newer office product in Fort Worth is somewhat limited, but it does seem like there is demand," says Stein. "Fort Worth hasn't had a lot of new office development in the past 20 years. I think there's room for it, especially as the population and workforces grow, so we'll see. My hope is the success of these new developments creates demand for additional Class A development in Fort Worth."

Data from Cushman & Wakefield backs Stein up. Its research shows demand for Class A office product is on the rise, accounting for 2.2 million square feet

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of leases transacted in Q1 2022. That was also the second consecutive quarter of office occupancy growth for the Dallas-Fort Worth market. It absorbed a total of 192,029 square feet of office in the first three months of the year.

Down I-35, Austin's low unemployment rate (3.4 percent) is an indicator of how well the office market is doing there. Vacancy rates (20.9 percent) are still higher than pre-COVID levels, but they are expected to drop once employees affected by 2021 lease deals start to move into their new buildings. Class A space is now going for \$50.40 per square foot on average, while Class A rates in the Central Business District have risen to \$65.12 per square foot.

Asking rates are also up in San Antonio, where the average asking rent is \$24.56 per square foot. Compare that to Class A rents in the Alamo City's CBD: \$32.72 per square foot. Cushman & Wakefield research points to steady job growth and declining unemployment as some of the forces behind the city's 15.1 percent vacancy rate, which is only expected to drop further over the next 12 months.

Houston, perhaps the Texas office market hardest hit by pandemic shutdowns, may finally be showing signs of recovery. After record negative absorption for two years, Q1 2022 marked nearly net-zero absorption. Pre-COVID, that may have been viewed unfavorably, but is today a welcome sign of progress. Leasing activity is increasing as total employment nears pre-2020 levels.

The construction pipeline in Houston is low. Just 782,000 square feet of



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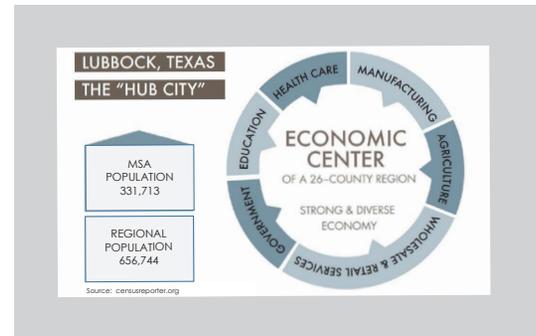
office space is in the works. Meanwhile, other cities such as Austin (4.6 million square feet) and DFW (4.7 million square feet) boast much higher activity. As that new product comes online, Stein is confident it will be used to appeal to workers who have many different options.

"Those companies that are in competitive labor battles want to provide potential workers with a space and an environment that is appealing can be used as another recruiting tool," explains Stein. "The office can be used as a bargaining chip, just like benefits such as vacation."

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