

Commercial | Winter 2026

Exploring how Texas businesses are using, building, and rethinking commercial space.

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**PUBLICATION 2481
JANUARY 2026**

COMMERCIAL

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Texas has a lot of empty office space. Over the past five years, 53 million square feet (MSF) of unused space has accumulated throughout most of the state.

This isn't a recent problem. In the five years before the pandemic shutdown, 78.2 MSF were delivered in the four major metros (Austin, Dallas-Fort Worth, Houston, and San Antonio) and only 49.2 MSF absorbed. After the lockdown, the situation worsened significantly. In the last five years, total deliveries dropped 36 percent (50.1 MSF), but net absorption fell even faster to just 14.4 MSF.

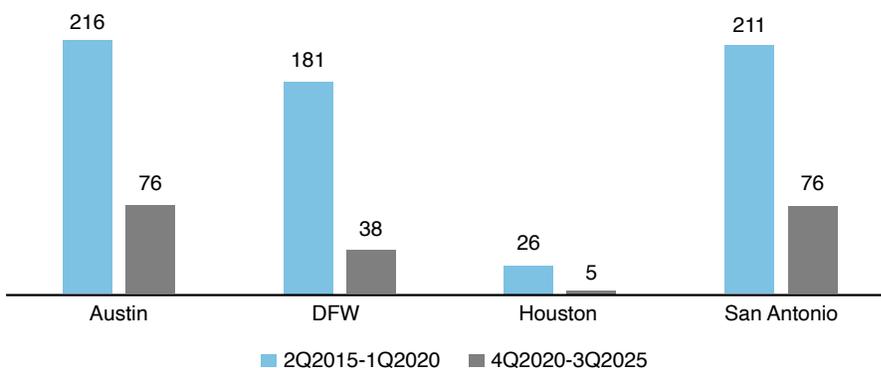
We can't blame the job market for the office glut. Office-using job growth has been steady in the major Texas markets for a decade. Indeed, there were slightly more jobs added in the last five years than in the prior five years. Through August 2025, Austin added 75,700 such jobs, an 8 percent increase over the prior five years. Office jobs were also up in DFW and Houston with total gains of 167,200 (15 percent increase) and 76,000 (14 percent increase), respectively. San Antonio was alone among the big four, adding the fewest jobs with 24,900 new office positions (13 percent decrease).

The chief problem is that "office-using" employment became disconnected from space demand (Figure 1). The space absorbed per new office worker has fallen by more than half in every major market. Work from home was already growing slowly before 2020, and many firms were beginning to face unused space. With the shutdown, offices were vacated, making the current return-to-work trend an uphill battle for many employers.

Higher interest rates also made project financing difficult. In the last five years, compared to the previous five, total deliveries fell by 47 percent in DFW and Houston, 30 percent in San Antonio, and 3 percent in Austin. Unfortunately, net absorption fell faster: 80 percent in Houston, 76 percent in DFW, 69 percent in San Antonio, and 62 percent in Austin. Supply and demand response differed in each market, and surplus space is not spread evenly around the state. If we consider just the net surplus accumulated in the last five

Figure 1. Net Absorption Per New Office-Using Job Has Collapsed

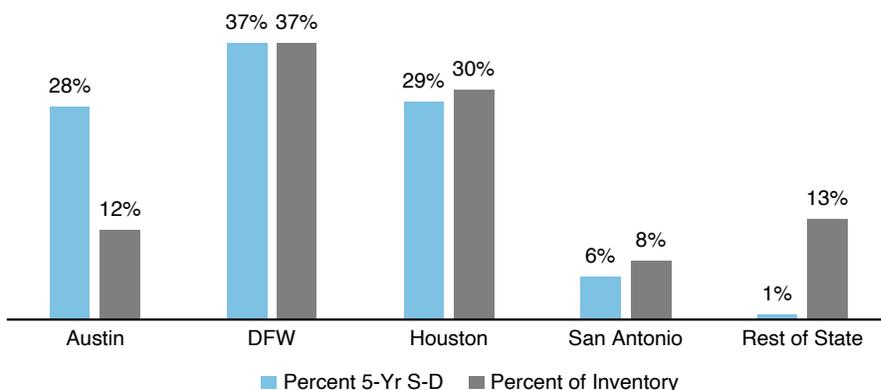
Office net absorption per new office job



Note: Average net square feet absorbed per new office-using job in the MSA.

Source: Texas Real Estate Research Center analysis of CoStar and U.S. Bureau of Labor Statistics data

Figure 2. Austin's Oversupply Represents a Disproportionate Amount of the State Total



Note: Share of statewide 5-year oversupply vs. statewide share of total office space.

Source: Texas Real Estate Research Center analysis of CoStar data

years, we get the results in Figure 2. This chart compares how much of Texas' total inventory is found in each market with that market's share of the recent surplus. The relative overbuilding in Austin is evident as it accounts for 12 percent of all Texas office inventory yet hosts 28 percent of the surplus. The city's technology boom motivated an incredible amount of new construction. Although the region was still adding office jobs through summer 2025, there has been nowhere near enough demand to take up the slack.

DFW's oversupply is in line with its overall office market. It accounts for 37 percent of total inventory and 37 percent of the surplus. Houston and San Antonio have contributed less to the office overhang relative to their share of total inventory. The lack of new investment in the rest of the state stands in stark contrast. Twelve percent of the state's office inventory is in the 21 smaller metropolitan areas, yet they represent only 1 percent of the surplus.

To end on a bright note, Texas is still more successful than the rest of the nation

in office relocations. According to site selector reports, Texas landed a quarter of all major headquarters moves in 2024. The prime office space that was added, mostly in Austin and DFW, is attractive to out-of-state firms. Conversions to other uses, especially residential, may help with the glut. We may also see more demolitions when redevelopment options aren't financially viable. Finally, a slowing job market may give employers more leverage to compel workers back to the office. The combination of fewer starts, economic growth, and conversions and demolitions will eventually restore balance to the market. **TG**

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