Emerging Tech Markets Continue to Dominate Office Recovery

Experts are eyeing Oklahoma City as the next big emerging tech hub.

By Lynn Pollack

Emerging and so-called “special mention” tech cities dominated established office markets in Q3, led by new standout Oklahoma City, which posted a 200 basis point drop in vacancy in Q3 ad a cumulative 390 point plunge year over year.

That’s according to a new analysis from Moody’s Analytics’ David Caputo, who notes that Salt Lake City and Greensboro also posted impressive 120 point drops. Oklahoma City added 1,764 new tech jobs in July.

“Oklahoma City is well on its way to being upgraded to an emerging market in Q1 2023,” he says, adding that overall, emerging tech markets posted a drop of 20 bps and special mention market experienced a decline of 40 bps versus an aggregate 30 bps rise in established cities.

“This is now the second straight quarter where emerging market vacancies beat established markets: emerging markets declined by 20 bps and established markets increased by 20 in Q2 2022. Momentum in emerging markets has not ebbed just yet,” he says.

Among established markets, Atlanta and Colorado Springs performed best, with respective vacancy drops of 90 and 80 basis point drop. But the weakest performing tech metros were all established ones, led by Dallas, San Francisco, and Boston with vacancy increases of 200, 80, and 70 bps, respectively. Greenville and Buffalo were the only emerging markets to show upticks, albeit minor, in vacancy, with increases of 30 and 10 bps, respectively while Columbus was the only special mention market to increase with a 10 bps rise.

“Emerging and special mention markets are driving office leasing nationally, while established tech metros are still lagging behind,” Caputo observes. Rents increased the most in Q3 in Nashville, with a 1.1% rent increase, followed by New York City and Denver. Emerging markets Greensboro and Norfolk also posted increases of 0.8% and 0.7%, respectively.