



A Varied Picture: While downtown office use has declined, some metro areas fare better than others

by: Debra Skodack

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Research shows that while downtown office use has declined, some metropolitan areas have fared better than others.



Jennifer Nakayama. Photo by Gary Barber

Jennifer Nakayama immediately noticed it.

“There was a different energy here,” she said. “Even in the simple things like walking along the street and seeing another person.”

It was 2022. Downtowns still were navigating through the pandemic and, Nakayama remembers, it was common for people to look down when encountering one another.

But not in Oklahoma City where, in 2022, Nakayama was interviewing for a job.

“People lifted their heads and said hello to me,” she recalled.

What Nakayama saw then and has learned since taking the job as president and CEO of the Downtown Oklahoma City Partnership is how that city’s downtown has dealt with pandemic-related changes differently from other areas.

“Things were coming back and going forward here,” Nakayama said. “That was definitely not happening all across the United States.”

A surge in remote and hybrid working is a profound pandemic outcome that downtowns, with their vast office inventories, have had to—and continue to—face, said Kansas City Fed Senior Economist Jordan Rappaport. In an *Economic Bulletin* published in March 2024, Rappaport concluded that downtowns in some medium-sized and large metropolitan areas have seen a big drop in office space demand. However, those declines vary considerably among the downtowns. In addition, there are some downtowns where rented office space actually is higher than before the pandemic, Rappaport’s study found. The full research publication is available at [KansasCityFed.org/research](https://www.kansascityfed.org/research).

In his study, Rappaport noted managed-security firm Kastle Systems’ examination of badge swipes at about 2,600 office buildings that it manages in 10 of the largest metro areas. Right after the pandemic lockdown, office attendance plummeted to 20% of pre-pandemic levels. Rappaport said that the Kastle Systems’ data shows a rebound of nearly 50% in the last few quarters, with some cities on some days reaching as high as 75% of pre-pandemic levels.

Rappaport also looked at a study of rented office space in 52 medium and large metro areas from the first quarter of 2020 to the third quarter of 2023. In some areas, such as San Francisco, the loss has been profound—falling 74% from pre-pandemic levels.

However, Rappaport noted, rented office space increased during that same period in 13 of the 52 downtown markets studied.

Within the Tenth District, rented office space has fallen the most in Denver, to 83% of pre-pandemic levels while in places such as Oklahoma City and Albuquerque it remains solid, Rappaport said.

“A big decline is not every place,” Rappaport said. “Some people say it’s only the large metros, but that’s not true. It’s not like if it is big, it’s going to be bad.”

While remote working has set a new normal for downtown offices, things are still evolving, Rappaport said.

There are factors other than remote working that can affect downtown office space data and health of a downtown, such as crime, the types of jobs within the offices, and the amount of speculative office development.



Civic officials say that downtown Oklahoma City has been boosted by a \$350 million sales tax-funded initiative focused on revitalizing the area. Photo by Gary Barber

Rappaport said lower office attendance brought about by hybrid working is a challenge that can be overcome, both with respect to office space demand and for the broader health of metropolitan centers.

“The important point is it need not be that way,” he said.

And, Rappaport said, most workers are still going into the office at least a few times a week.

“And as long as that’s the case, it is not inevitable at all that you will see downtowns decline. Not at all.”

A view from Kansas City

When Tommy Wilson studies the health of Downtown Kansas City, he looks to a platform that tracks mobile devices.

It shows that 76 percent of the downtown Kansas City workforce is back from pre-pandemic levels.

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“Obviously we are not where we were,” said Wilson, director of business recruitment and research for the Downtown Council in Kansas City. “But struggling is not accurate.”

Wilson said downtowns are still very attractive to younger office workers with nearby restaurants and entertainment, as well as housing.

“They want a fun, vibrant environment not only inside the office but outside as well,” Wilson said.

Downtowns are not all the same, and they are all still evolving from the pandemic and hybrid working trend, Wilson said.

“It will be interesting to see how it plays out.”

A view from Oklahoma City

If Nakayama had arrived even earlier than 2022, she still would have seen a lively downtown, said Travis Mason, director of Commercial Oklahoma in Oklahoma City.

“It was as if we said ‘What’s COVID?’,” Mason said. “Offices were open really quickly. It started in the summer of 2021.”

Mason said downtown Oklahoma City workers were and are needed in their offices, including law, accounting and professional services firms, as well as the oil and gas industries. It is the suburban office spaces—especially those housing call centers—that have experienced a dramatic drop in office space needs, Mason said.

Nakayama said a downtown that invests in itself can help no matter the economic forces.

In Oklahoma City, it’s the Metropolitan Area Projects, a \$350 million sales tax-funded initiative focused on revitalizing downtown.

“It’s working that Oklahoma City reinvests in itself,” Nakayama said.

“Oklahoma City was poised to be ready when the world came back.”

Mason agreed about the importance of the Metropolitan Area Projects program.

A view from Denver

Hybrid working has had its effect on Denver, said Glenn Mueller, professor at the Franklin L. Burns School of Real Estate & Construction Management, University of Denver.

“Downtowns are changing—while millennials still want to live in many downtowns for social and entertainment reasons, they do not want to go to the office daily for work,” he said.

Mueller does think that environmental factors have affected some downtowns.

“Firms that moved into A+ space now have to have employees navigate through difficult and dangerous street situations to come to the office,” he said

“That’s public policy that really worked,” he said.

In addition, Mason said low office vacancy does not spark speculative office space development in downtown Oklahoma City.

“In Oklahoma City, when vacancy hits 10 percent nothing really happens,” Mason said. “And our lease rates typically keep up with inflation, and sometimes not even that.”

By comparison, he continued, “When things go really well in Denver (a larger market), you can make a lot of money. When things go really poorly in Denver, you can lose a lot of money. That’s like a lot of primary markets.”

He offered an analogy: “Buying office space right now is like catching falling knives. If you catch a falling knife, it’s really impressive. But there is also a chance that you’ll cut yourself if you catch it...There is a lot of opportunity out there, you have to be smart about it.”

Downtown Denver is coming back in some ways, said Daniel Ryley, vice president, corporate attraction, at the Metro Denver Economic Development Corp.

He said that foot traffic overall is back to 80% of pre-pandemic levels in downtown Denver, but it is primarily being driven by residential activity and tourism. Office traffic, he said, is only back to 60%.

“We see this slower daytime population activity influencing other environmental dynamics,” Ryley said.

“For example, some restaurants choose to remain closed for lunch, or only open for lunch on Tuesday, Wednesday and Thursday, knowing that Mondays and Fridays are common for remote work and flexible schedule time off.”



Downtown Kansas City's workforce is 76 percent back from pre-pandemic levels, according to data cited by Tommy Wilson, an official with the Downtown Council of Kansas City. Photo by Brett Smith

He said vacancy challenges in Denver are neighborhood- dependent with certain parts – such as Larimer Square and Union Station – doing better than others.

“Areas with more mixed use and residential integration, mobility and access to public transportation, intentional placemaking and public safety are likely to not only attract more leases but also remain more active with in-office users,” he said.

“Additionally, newer and more modern designs that integrate amenities and security seem to be more attractive for tenants.”



Kansas City Fed Senior Economist Jordan Rappaport

Downtown Denver office space has likely been affected by other factors.

“It is possible that some of the institutional investment was in motion years ago when both interest rates and vacancy rates were better and is only now manifesting in new spec product being delivered,” he said. “These large, multistory buildings take several years to plan, permit and construct.”

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Ryley said there are other variables to consider.

“Environmental perceptions, such as public safety, do influence lease decisions and foot traffic, as well as do other factors like active construction zones, walkability and sense of place,” he said. “Overall, neighborhoods that can create connectivity, comfort, modern amenities and low stress are more attractive to tenants and their employees.”

There are positive signals in Denver.

Commercial office brokers are communicating they are seeing more activity in regard to inquiries, site tours and letters of intent, Ryley said.

“Regarding commercial real estate, we believe companies will begin to stabilize and understand their footprint needs,” Ryley said. “We also think that efforts such as the expansion of the Downtown Development Authority, which will make \$500 million available for investment into revitalization, as well as the completion of significant improvement projects like the 16th Street Mall construction, will catalyze more downtown office use.”

Further Resources

To learn more about the study highlighted in this article and see other analysis by the Bank’s economists, go to [KansasCityFed.org/research](https://www.kansascityfed.org/research). Read and download the full Economic Bulletin on downtown office usage and find other in-depth analysis from the Bank’s research team:

- The latest [Tenth District Commercial Real Estate index](#)
- Research on the [impact of hybrid work](#)
- Studies of [labor market tightness and workplace trends](#)