



National Center for Real Estate Research

Who are Your Future Tenants? □
Office Employment in the United States 2004-2014 □

□

John Burns Consulting Company □
John Burns, RPA and John McDonald, PhD □
January 2007



NATIONAL ASSOCIATION
OF REALTORS®

The Voice for Real Estate®

**Who are Your Future Tenants?
Office Employment in the United States
2004 – 2014**

**Report prepared for the
National Association of Realtors[®]**

by

**John Burns Consulting Company
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Executive Summary

In March 2006 the National Association of Realtors® issued a request for proposals to undertake research that would identify the primary drivers of the demand for office space. The request stipulated that analysis of office-using industries should be conducted at a low level of industry aggregation, using the North American Industry Classification System (NAICS). Short, medium, and long-term prospects for office demand should be investigated, including impacts of technological changes. Lastly, the research should examine specific geographic markets.

This report has been completed to fulfill that request. However, at the outset it was noted that the Bureau of Labor Statistics of the U.S. Department of Labor had just issued a complete enumeration of detailed occupations data for each industry in the nation for the base year of 2004 and projections for 2014. It was decided that use of data on occupations would provide a reasonably comprehensive enumeration of employment that takes place in offices. This research begins with a listing of all of the office-based occupations, which then produces data on the amount of office-based employment for each major industry category. The report concentrates on those major industries that consist of office-based employment that is above the national average of 41.5 percent of total employment. Each of these major industries is broken down into its component parts to see how the amount of office-based employment varies within the major industry categories. For example, the percentage of office-based employment is uniformly high in all parts of the Finance and Insurance industry, but this percentage varies a great deal within the Information industry category.

The Bureau of Labor Statistics projections for 2014 are used to make projections of office-based employment for 2014, and forecasts from Moody's Economy.com (2006) were used to project the intermediate year 2009. The basic projection is that office-based employment is to increase from 60.04 million in 2004 to 63.96 million in 2009 (an increase of 6.5 percent), and to 68.10 million in 2014 (a further increase of 6.5 percent). Total employment in the nation is projected to increase by 6.4 percent and 6.3 percent over these same five-year intervals, so office-based employment is not projected to increase much more rapidly than total employment. The basic reason for this outcome is that, while many office-based occupations will increase rapidly, the largest office-based occupation group is Office Support Staff, and these jobs are expected to increase relatively slowly because of technical change. The BLS projection for Office Support Staff is an increase of 5.8 percent over the ten years from 2004 to 2014. The shift of office occupations away from support staff towards higher-level occupations would suggest that the amount of office space per employee may increase. However, the trends towards more efficient use of office space and less space needed for storage of paper may offset this effect.

This report provides data on office employment by major industry category for the top 23 metropolitan areas in the nation for the base year 2004. The overall average for office-based employment in the 23 metropolitan areas is 42.6 percent, which is only slightly higher than the national average of 41.5 percent. This average varies from a high of 45.5 percent in metropolitan Tampa and 45.2 percent in the New York metropolitan area to a low of 40.7 percent in metropolitan Houston.

The final sections of the report contain the results of two small surveys that were conducted. One survey solicited the opinions of a select group of office industry experts regarding some of the findings of this research (and a few other questions), and the other survey is of some of the professional literature produced in the industry that pertains to the demand for office space. The survey of industry experts generally confirms the empirical findings of this research, while the examination of the professional literature indicates that the analysis of the demand for office space typically is confined to three major industry categories – Professional, Technical, and Scientific Services; Information; and Finance and Insurance. The findings in this report strongly suggest that a more comprehensive definition of office space demand may be useful.

The NATIONAL ASSOCIATION OF REALTORS® National Center for Real Estate Research supports original, high quality research which contributes to a greater understanding of the real estate industry, the real estate business, housing and homeownership.

Topics of primary interest include, but are not limited to:

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- Housing policy
- Housing markets
- Real estate wealth effect
- New economy / technology
- Cost and impact of regulation
- Land use controls
- Multifamily
- Retail
- Office
- Industrial
- Commercial property finance

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