



COMPASS COMMERCIAL, LLC An ITRA GLOBAL Partner

Providing commercial real estate services by advocating for our corporate clients' interests and decreasing their expenses.

Office Space Trends in 2023

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One month into 2023, worldwide economic conditions are starting to show signs of improvement and inflation may have peaked, but it's too early to confirm that. If overall economic conditions improve in 2023, historically that would mean office space absorption would increase and rental rates would also increase, however we don't think that is going to be the case this time. The main reason office space absorption and rental rates won't increase this year are both supply side issues and demand side issues.

Hybrid Working Schedule.

While there are some companies pushing the "return to the office," it will be an uphill battle with their employees who have become accustomed to working from home. Low unemployment rates are forcing employers to offer hybrid schedules to keep current employees and recruit new ones, and hybrid schedules reduce office space demand. While unemployment might increase slightly in 2023, no major increases are expected and that will keep pressure on employers to maintain hybrid work schedules.

Corporate Space Users Rightsizing.

Corporations own or lease a lot of real estate, but the switch to hybrid scheduling (and some even have 100% work from home employees) has resulted in a reduced need for space. As a result, they are marketing their owned space for sublease and reducing their leased spaces via subleasing or perhaps early renewals/downsize transactions. Ultimately, this increases the supply of space and at the same time decreases demand, which keeps rental rates low.

New Jobs.

What if the economy blasts off and employers are able to hire lots of people? It's an unlikely scenario based on all of the current statistics, but if it does happen, we think office vacancy and rental rate levels will stay flat (at best) in most markets.

One exception to note: top Class A buildings in many markets have stable occupancy and rental rates as businesses look to lease the highest quality space to attract and retain employees. The remaining office buildings in the market will need to drop rental rates and increase concessions in order to compete for tenants.



In the end, this is good news for most office space tenants as there will be opportunities to reduce rental rate costs for leases completed in 2023 and most likely into 2024. If your company has a lease expiring in the next two years, contact us and we can help you explore the multitude of space options available in your market for lease, sublease, or even off-market opportunities.

Please contact us at info@compass-commercial.com if we can help.

Our Difference is Your Advantage

