Office Occupiers Continue to Review Their Space Needs

Colliers reported Q3 vacancy rates rose 30 bps; and 50 bps year-over-year.

By Paul Bergeron | November 23, 2022

U.S. office vacancy rose at an increased pace in Q3 2022 and asking rents are mostly holding firm, but generous concessions remain on offer. Meanwhile, sublease space is at record levels, according to Colliers' Q3 Office Report released this week.

However, "it will likely take another 18 to 24 months for economic and business concerns to play out," Colliers writes. "Concurrently, occupiers are reviewing their working practices and office space needs."

The U.S. office vacancy rate stands at 15.4%, an increase of 30 basis points in Q3 and 50 basis points year-over-year.

However, vacancy is still below the peak of 16.3%, seen at the height of the Global Financial Crisis (GFC). Net absorption, which measures the change in occupied office inventory, was positive in just over half (52%) of the office markets tracked in our national survey.

Companies Soon to Move Beyond Short-Term Decisions

Last month, **GlobeSt.com reported (https://www.globest.com/2022/11/01/short-term-office-leasing-decisions-can-extend-for-only-so-long/)** that companies are beginning to be "more confident with how they will operate going forward," according to Jason Wurtz, executive vice president, office services, NAI Hiffman. "The clock is ticking, and short-term decisions can only be extended for so long.

"As more companies right-size, we will see activity in the market as companies decrease or increase their space, although it will be some time before we see positive net absorption.

"As firms continue to evaluate their post-COVID real estate needs, sublease space will remain a cost-competitive, short-term option until there is greater clarity on business direction."

Meanwhile "construction activity continues to slow," according to Colliers, which found 104 million square feet of building is underway, down 36% from this cycle's peak of 164 million square feet in Q3 2020.