



What's Happening in the Office Market?

2023 Overview & 2024 Outlook

Office market rental rates have remained relatively flat despite vacancy rates increasing and tenant demand waning.

National vacancy rate has increased by 400 basis points since 2019.

How and why have rental rates remained stable?

- Higher Inflation – Consumer Prices are up 20% compared to 2019
- More Generous Leasing Concessions (TI's , Free Rent)
- Flight to Quality
- Preference for Direct Space

2024 Outlook – What could cause Rental Rates to Drop?

- Higher Construction Costs
- Rising Interest Rates
- High end, fully furnished Subleases (Steep Discounts)
- Landlord's may have difficulty financing TI's and Fees
- Loans Maturing
- Landlord's may not see the benefit in providing big concessions to maintain higher rates
- Decreased pricing in the Capital Markets

Tri-Valley Stats

STAT	Q4 2023	Q3 2023	Q4 2022
Vacancy	↑18.5%	17.9%	13.9%
Net Absorption	(170,630)	(255,281)	(19,637)
Asking Rates	↑\$2.95	\$2.91	\$2.90