



# 2020 OFFICE MARKET PRESENTATION

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# INTRODUCTION

- WHY ME?
- SOURCE(S) OF DATA
- QUANTIFIABLE DATA VS. THOUGHTS/MUSINGS

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# MAJOR THEMES OF 2019

- UNCERTAINTY (AND WHAT DOES THAT MEAN?)
  - OIL & GAS MARKET
  - STATE GOVERNMENT
  - NATIONAL INFLUENCE
- MUSICAL CHAIRS CONTINUE?
- LARGE BLOCKS OF SPACE

# OFFICE VACANCY RATES

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
CLASS A	5.6%	7.2%	13.9%	15.2%	13.0%
CLASS B	5.5%	7.2%	10.9%	12.3%	11.6%
				AVERAGE	12.7%

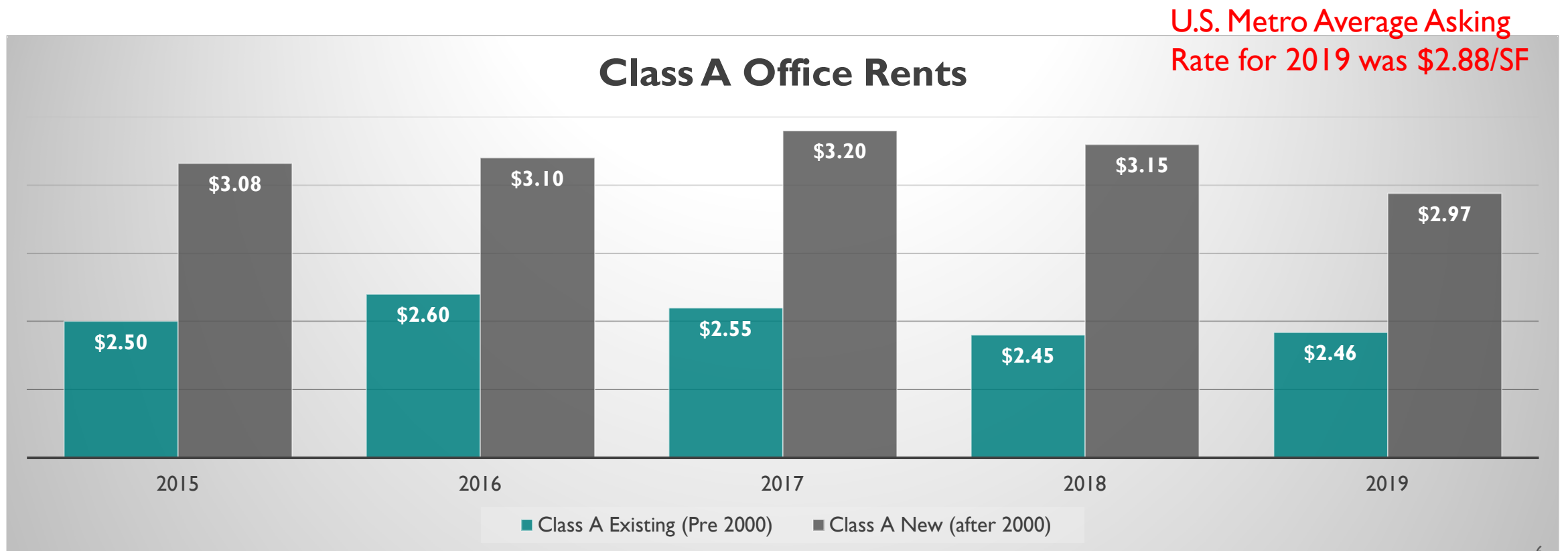
SOURCE: BRANDON SPOERHASE, BSI COMMERCIAL REAL ESTATE

## Office Vacancy By Market

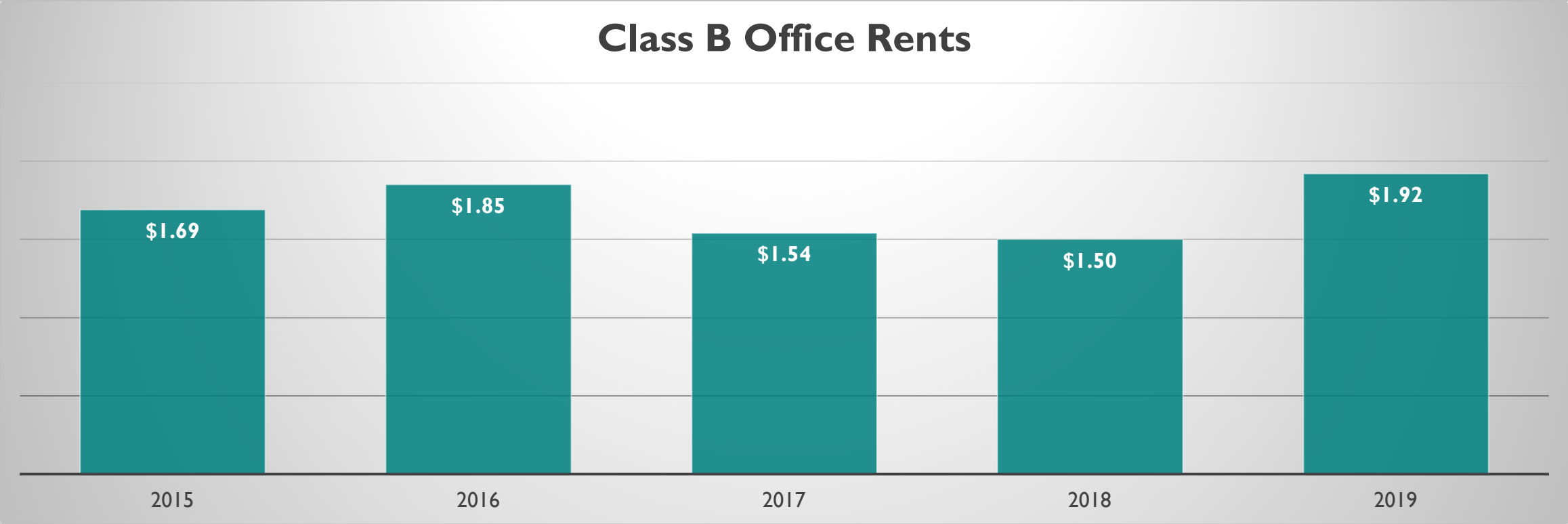


Source: CBRE Q3 2019 US Office Figures Report.

# AVERAGE OFFICE LEASE RATES (\$/SF MONTHLY, FULL SERVICE EXPENSE STRUCTURE)



# AVERAGE OFFICE LEASE RATES (\$/SF MONTHLY, FULL SERVICE EXPENSE STRUCTURE)



SOURCE: BRANDON SPOERHASE, BSI COMMERCIAL REAL ESTATE

# LEASE TERMS

- Lease rate (face rent) vs. lease concessions
- Case specific concessions – Let’s make a deal
  - Advertised TI allowance vs. negotiated TI allowance
  - TI allowances following rising cost of build out
  - New lease concessions vs. renewal concessions
- Shorter average lease terms
- Flight to Quality
  - B to A
  - A to “True” A
  - Occupancy Cost Elasticity



## POSITIVE MARKET SIGNS?

- Musical Chairs is largely over
- Jobs Picture is shifting
- Oil and Gas long-term exploration outlook
- Large Blocks of Space
  - Class A: 13 available spaces over 10k Square Feet, 8 spaces over 15k SF
  - Class B: 5 available spaces over 10k Square Feet, 1 space over 15k SF

# OFFICE MARKET TRENDS

## CURRENT

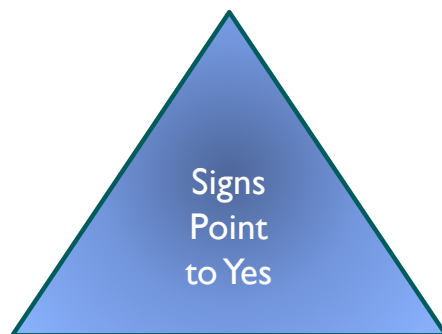
- Consolidation of space
- Build-out costs continue to rise
- Push to standardized build out
- Oil/Gas Market
  - BP/Hilcorp Impact
  - Larger to Smaller Producers/Footprints

## FUTURE???

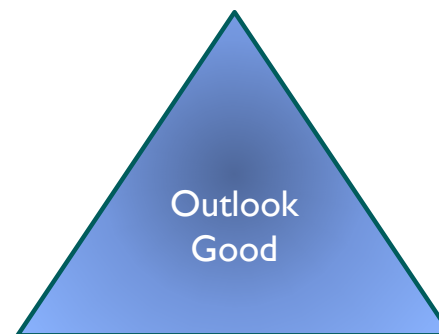
- Office Densification
- Work/Space Sharing (WeWork, Spaces, etc.)
- Telecommuting/Virtual Office environment
- “Creative” office space design as employee enticement

# ASK THE MAGIC 8 BALL....

Will we experience similar Average Rental Rates for Class A Space in 2020??



Will Vacancy remain relatively unchanged in 2020??



*Disclaimer: The views expressed in this slide are those of the 8 ball and are not necessarily endorsed by the presenter.*

THANK YOU!!

