

Office Market Vacancy and Absorption Projections

We are in a period of unprecedented global market circumstances as a result of the COVID-19 pandemic. We remind our readers of the limitations of statistical forecasting models (which rely on historical trends) in such atypical circumstances and urge you to read our fundamental insights in the first article of this issue.

Notes on Negative Vacancy: In order to calculate estimated vacancy rates, we adjust beginning inventory for new construction completions and compare that to net absorption (including sublease space). If we show negative vacancy rates, it simply means that given the scheduled supply and growth in expected demand, sufficient demand pressure exists to more than absorb all available space. Of course, negative vacancies cannot occur, as in the face of such demand pressure additional development will occur and rents will increase in order to dampen demand. Therefore, forecasts of negative vacancy should be viewed as a strong excess demand indicator.

