

Additional Rents Are On the Rise – Market Trends for 2023

By now, you will have likely received your 2023 estimates and chances are, they will have increased from last year. With many companies employing a hybrid work strategy and buildings being underutilized, why is your operating cost increasing?



Why your Additional Rent estimates are on the rise

Despite utilization rates, landlords still maintain the fixed costs of running the building and cleaning protocols. While landlords are operating their building more efficiently,

- 1. Inflation has caused rates to increase at a higher rate than previous years.** If your rate increase falls in the average range of 3-4%, while this may feel like a significant increase, which equates to about a \$1 increase per square foot, is below the national inflation rate.
- 2. As companies find the right balance in their hybrid work strategies, landlords are anticipating higher occupancy rates, resulting in higher costs to operate the common areas of a building.**
- 3. Your rate increase depends on your landlord.** Costs for a landlord with single buildings or smaller portfolios are more challenging from an allocation perspective compared to landlords with a portfolio of larger buildings. For example, where the cleaning, labour and insurance costs may be on the rise, spreading these costs over a higher gross rentable area or across a portfolio of buildings, has a lower impact on a per square foot basis.

The 2023 estimates that your landlord provides are just that, estimates. It is the landlord's reasonable guess as to if and how costs will change for the following year and are provided to help tenants plan their own budgets. A reconciliation statement that reflects actual costs is sent at the end of the year.

Contact your Cresa Advisor for more market trends, or to review your 2023 Estimates.