Rent forecasts influence nearly every decision in commercial real estate. Investors use them to underwrite acquisitions, developers use them to justify new projects, landlords use them to set asking rents and tenants use them to decide when to sign or renew. Yet no forecast is better than the data behind it. Strong commercial real estate market research depends on gathering the right information, understanding its limits and combining several sources into a coherent view.

An overview of research services that support this work is available at daumcommercial.com/services/market-research/. The sections below explain the main data sources professionals rely on and how they turn that data into rent expectations.

Why Rent Forecasting Is Difficult

Rents respond to the balance between supply and demand, but both sides move for many reasons. Economic growth, interest rates, employment, construction costs and changes in how businesses use space all play a role. Commercial leases are also private agreements, so the true terms of many deals are never published. Forecasting in any field involves estimating future outcomes from past and present data, and real estate adds the challenge of incomplete and lagging information.

For these reasons, experienced analysts treat forecasts as ranges rather than precise predictions and revisit them regularly as new information arrives.

Core Data Sources for Commercial Real Estate Market Research

Professionals typically draw on a combination of the following sources.

1. **Lease comparables:** records of recently signed leases, including rent, term, concessions and improvements. These are the most direct evidence of what tenants are actually paying.
2. **Asking rent surveys:** listed rents for available space. They are easy to collect but often higher than achieved rents, especially when concessions are generous.
3. **Vacancy and absorption data:** occupancy trends show whether demand is outpacing supply, which tends to precede rent changes.
4. **Construction pipeline:** buildings under construction or planned indicate future competition for tenants.
5. **Sublease inventory:** rising sublease space can pressure rents because it often competes at a discount.
6. **Economic indicators:** employment growth, industry trends, population changes and consumer spending drive long-term demand.
7. **Capital markets data:** interest rates and investor demand affect development activity and owner strategy.

Separating Asking Rents From Effective Rents

One of the most important distinctions in rent analysis is the difference between asking rent and effective rent. Asking rent is the headline figure a landlord advertises. Effective rent accounts for free rent periods, tenant improvement allowances and other concessions spread over the lease term.

In soft markets, landlords may keep asking rents steady while increasing concessions. Effective rents fall even though the headline number has not changed. Analysts who rely only on asking rents can miss these shifts entirely. Tracking concession trends alongside asking rents gives a far more accurate view of market direction.

The reverse also happens in recovering markets, where concessions shrink first and headline rents rise only later, so effective rent data often signals a turn before asking rents do.

Turning Data Into a Forecast

Once data is collected, analysts use several methods to develop expectations.

- **Trend analysis:** examining historical rent growth over full market cycles.
- **Supply and demand modeling:** estimating future vacancy based on projected absorption and new deliveries, then linking vacancy to rent growth.
- **Economic linkage:** connecting rent growth to employment in industries that use specific property types.
- **Submarket comparison:** analyzing how rents in one area move relative to neighboring areas.
- **Scenario planning:** building base, optimistic and conservative cases to capture uncertainty.

The Value of Local Knowledge

National and regional data provide context, but rents are set building by building and street by street. Local brokers see deals as they happen, often before they appear in any database. They know which landlords are offering larger concessions, which tenants are in the market and which buildings are losing appeal. That insight fills gaps in published data and helps confirm or challenge model results.

In a market as varied as Southern California, local perspective is especially important. A tenant comparing downtown and Westside options, for https://archercfwc610.theglensecret.com/how-to-reduce-tenant-turnover-in-multi-tenant-buildings instance, might speak with DAUM Los Angeles brokers to understand how recent transactions compare with published averages.

DAUM Commercial Real Estate Services, California's most experienced commercial real estate brokerage, pairs its market research with brokerage and consulting so that rent expectations are grounded in actual transactions.

Frequently Asked Questions

How accurate are rent forecasts?

They are best viewed as informed estimates. Accuracy improves for shorter time frames and when forecasts are based on actual lease comparables rather than asking rents alone.

What is the most reliable rent data?

Signed lease comparables with full details on concessions are the most reliable, though they can be hard to obtain without access to brokerage networks.

How often should forecasts be updated?

Quarterly updates are common, with more frequent reviews during periods of rapid market change.

Reliable rent forecasting depends on combining multiple data sources, understanding the gap between asking and effective rents and adding local insight. Done well, it helps every market participant make better-timed, better-informed decisions.