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## **Income/expense data on office building performance in new IREM study**

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Total collections for suburban office complexes nationwide in 2009 increased a slight 1% from 2008 levels to \$19.75 per s/f of net rentable area. Downtown properties experienced a mere .2% year-to-year rise to \$21.89 per s/f. Total actual collections for downtown properties were 10.8% more last year than their suburban counterparts.

These are among the major findings reported in the 2010 edition of the Income/Expense Analysis: Office Buildings, a new benchmarking study published by the Institute of Real Estate Management (IREM). This annual research study, conducted by IREM since 1976, analyzes operating income and costs for 1,980 private-sector office complexes, some containing multiple buildings - in major metropolitan areas and regions in the United States. It is designed to help property owners, managers, investors, appraisers, lenders, developers and other real estate professionals evaluate a buildings' performance. The publication also is an invaluable resource to build better budgets; identify ways to grow and trim expenses; market a property more successfully; prepare feasibility studies, appraisals and loan requests; and much more.

### **Operating Costs**

#### **Declines Slightly**

Total operating costs for suburban buildings in 2009 decreased .5% from the prior year to \$8.80 per s/f of rentable area, while operating costs for downtown properties decreased 1.9% to \$10.09 per s/f.

Nationally, net operating costs for suburban buildings decreased 3.1 % to \$6.20 per s/f of rentable area in 2009 vs. 2008, whereas those for downtown properties decreased 4.9% to \$7.13 per s/f.

### **Key Expense Comparisons**

Three of five major expense categories for suburban properties rose last year, with insurance/services experiencing a 6.5% increase, real estate and other taxes rising 6%, and administration/benefits costs rising 1.8%. In contrast, utility costs and janitorial/maintenance services both experienced year-to-year declines of 2.8%.

All but one of the five major expense categories for downtown properties decreased last year from the year prior. The biggest year-to-year decline, 6.6%, was for utilities, followed by janitorial/maintenance services, down 4.4%, administration/benefits costs down 2.4%, and insurance/services down 1.6%. On the upside, real estate and other taxes rose 2.0%

Focusing again on major expense categories, but as a percentage of total operating costs, the IREM study reveals that real estate and other taxes along with janitorial/maintenance services accounted for the largest portion of suburban properties' operating costs, 26.1% and 24.0%, respectively. Utilities represented 23.3% and insurance/services and administrative/benefits represented 13.1% and 12.6%, respectively.

Similarly, expenditures for janitorial/maintenance services and real estate and other taxes accounted for the largest portion of downtown properties' operating costs, 25.8% and 25.4%, respectively. Utilities represented 21.2% and insurance/services and administrative/benefits accounted for 12.4% and 12.2%, respectively.

Overall, suburban properties proved 12.8% less costly to operate in 2009 than their downtown counterparts, with all expense categories less than those experienced by downtown buildings.

#### Vacancy Rates Rise in

#### Both Suburban and

#### Downtown Buildings

The national vacancy rate for suburban office properties in operation for 12 months rose 4% in 2009 vs. 2008, while the rate for downtown properties rose 2%. The 2009 vacancy level for suburban properties was 11%; that of downtown properties was 7%.

#### Median Operating Ratios

Though downtown properties reported higher total actual collections than suburban properties in 2009, the overall operating experience of both downtown and suburban office markets were similar as reflected by their median operating ratio (total operating costs divided by total actual collections). The median operating ratio at suburban properties was .43, while the operating ratio at downtown properties was .46.

#### Study Examines More Than

#### 50 Specific Categories

The IREM Income/Expense Analysis research study contains detailed analyses of office building operating revenues and expenses for major metropolitan areas and suburban markets in the United States. The income and expense data is presented in dollars per s/f for more than 50 specific categories broken out by building size, height, age, and rental range.

#### Four Other 2010 I/E

#### Analysis Studies Coming Soon

Pre-orders are being taken by IREM for its new, soon-to-be available 2010 editions of four other annual Income/Expense Analysis studies: Conventional Apartments (\$434.95); Shopping Centers (\$434.95); Condominiums, Cooperatives & Planned Unit Developments (\$389.95); and Federally Assisted Apartments (\$389.95). IREM Members receive a 50% discount on each study and member and non-member purchasers of all five studies receive a 15% discount on their total order.

#### New Online Lab Tracks Data and Trends Over 10 Years

A new, state-of-the-art companion product to each of IREM's five property sector reports will debut shortly. Called the Income/Expense Analysis Online Lab, an interactive Web site from IREM with unlimited access, the product enables users to download over 10 years of historical data, including over 100 customizable line-item variables, and compare it to the operating data in their portfolio. Specific benefits include being able to (1) make at-a-glance data comparisons by property type, year, line item, and/or location; (2) build and tweak budgets throughout the year; (3) confidently relay precise metrics and trending data to owners and investors.

The price of each Income/Expense Analysis Online Lab ranges from \$292.95 to \$324.95 for IREM members and \$584.95 to \$649.95 for non-members, depending upon the applicable property sector. Purchasers of hard-copy or downloadable Income/Expense Analysis reports and Online Labs will receive a 20 % discount on their total order.

IREM has been the source for education, resources, information, and membership for real estate

management professionals for more than 75 years. An affiliate of the National Association of Realtors, IREM is one of the only professional real estate management association serving both the multi-family and commercial real estate sectors. With 80 U.S. chapters, 12 international chapters, and several other partnerships around the globe, IREM is an international organization that also serves as an advocate on issues affecting the real estate management industry.

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