



CELEBRATING
55 YEARS

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IREM releases income and expense data on office building performance

December 15, 2011 - Connecticut

Total collections for suburban office complexes nationwide in 2010 decreased 6.5% from 2009 levels to \$18.46 per s/f of net rentable area. Downtown properties experienced a mere 0.1% year-to-year collections' rise to \$21.91 per s/f. Total actual collections for downtown properties were 18.7% more last year than their suburban counterparts.

These are among the major findings reported in the 2011 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 2,215 private-sector office complexes - some containing multiple buildings - in major metropolitan areas and regions in the U.S. and Canada. For the very first time, it also contains financial data for 354 medical office buildings.

The study is designed to help property owners, managers, investors, appraisers, lenders, developers and other real estate professionals evaluate and optimize a buildings' performance. Specifically, the publication is an invaluable resource to build better budgets; identify ways to trim waste, address inefficiencies and make needed improvements; prepare feasibility studies, appraisals and loan requests; and much more.

OPERATING COSTS UP AND DOWN SLIGHTLY

Total operating costs for suburban buildings in 2010 decreased 4.8% from the prior year to \$8.38 per s/f of rentable area, while operating costs for downtown properties increased 0.5% to \$10.14 per s/f.

Nationally, net operating costs for suburban buildings in 2010 decreased 3.7% to \$5.97 per s/f of rentable area, whereas those for downtown properties increased 0.1% to \$7.14 per s/f.

KEY EXPENSE COMPARISONS

Four of five major expense categories for suburban properties decreased last year, with insurance/services costs experiencing a 5.2% decline, real estate and other taxes decreasing 4.3%, and utility costs and janitorial/maintenance services experiencing year-to-year declines of 4.4% and 4.3%, respectively. Only administrative/benefits costs increased, a mere 0.9%, to \$1.12 per s/f of net rentable office area.

In contrast, two of the five major expense categories for downtown properties increased last year versus 2009, with one category experiencing a slight decline and two others reporting the exact same expenses as in 2009. The biggest year-to-year increase, 4.7%, was for real estate and other taxes, followed by utilities, up 1.4%. Expenses for janitorial/maintenance services declined a mere 1.2%, whereas those for administrative/benefits and insurance services were unchanged.

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, 26.3% and 24.1%, respectively. Utilities represented 23.4% and administrative/benefits and insurance/services represented 13.4% and 13.0%, respectively.

Similarly, expenditures for real estate and other taxes and janitorial/maintenance services accounted for the largest portion of downtown properties' operating costs, 26.4% and 25.3%, respectively. Utilities represented 21.4% and administrative/benefits and insurance/services accounted for 12.1% and 12.3%, respectively.

Overall, suburban properties proved 17.4%gs. less costly to operate in 2010 than their downtown counterparts, with all expense categories less than those experienced by downtown buildings.

VACANCY RATES STABLE

The national vacancy rate for both suburban and downtown office properties in operation for 12 months were exactly the same in 2010 as in 2009. Suburban properties experienced an 11% vacancy rate whereas that for downtown properties was 7%.

MEDIAN OPERATING

RATIOS

Though downtown properties reported higher total actual collections than suburban properties in 2010, 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 0.45; the operating ratio at downtown properties was 0.46.

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 U.S. and Canada. 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.

PRICE AND ORDERING

INFORMATION

The 320-page Income/Expense Analysis: Office Buildings is available for \$449.95 (plus \$15.50 shipping and applicable state sales tax). The IREM Member price is \$224.95 (plus shipping and handling). To order, contact the IREM Customer Service Department at 430 N. Michigan Ave., Chicago, IL 60611-4090 or call toll-free to (800) 837-0706, ext. 4650. Credit card orders (VISA, MasterCard, Discover or American Express) can be faxed toll-free to (800) 338-4736 or e-mailed to custserv@irem.org. Internet users can order the study in soft cover or in a downloadable format by accessing the Publications section (click on Income/Expense Analysis Reports on the drop-down menu) of the IREM web site at www.irem.org. As a special incentive, purchasers of the report in print format also can receive it in downloadable Excel file and PDF format for just \$99.99, with the data completely customizable in Excel.