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Total collections for suburban office complexes nationwide in 2008 increased a slight 1.3% from 2007 levels to \$19.56 per s/f of net rentable area. In contrast, those for downtown properties experienced a double-digit rise of 10% to \$21.84 per s/f. Total actual collections for downtown properties were 11.7% more last year than their suburban counterparts.

These are among the major findings reported in the 2009 edition of the Income/Expense Analysis: Office Buildings, a new benchmarking study published by the Institute of Real Estate Management. This annual research study, conducted by IREM since 1976, analyzes operating income and costs for 1,850 private-sector office complexes - some containing multiple buildings - in major metropolitan areas and regions in the U.S. It is designed to help property owners, managers, investors, appraisers, lenders, developers and other real estate professionals evaluate their buildings' performance and prepare budget and revenue projections, feasibility studies, etc.

Total Operating Costs Rise Modestly

Total operating costs for suburban buildings in 2008 rose 4.4% from the prior year to \$8.84 per s/f of rentable area, while operating costs for downtown properties increased 9.1% to \$10.29 per s/f.

Nationally, net operating costs for suburban buildings increased a relatively slight 3.4% to \$6.40 per s/f of rentable area in 2008 vs. 2007, whereas those for downtown properties increased 8.7% to \$7.50 per s/f.

Key Expense Comparisons

All major expense categories for suburban properties rose last year except for insurance/services, which declined 3.6% and administration/benefits costs, which remained the same. Real estate and other taxes saw the largest increase, 9.0%, followed by utility costs, up 4.5%, and janitorial/maintenance services, up 2.8%.

Without exception, all major expense categories for downtown properties increased last year from the year prior. Real estate and other taxes rose 7.7% from 2007, janitorial/maintenance costs increased 7.1%, utility costs increased 7.0%, and insurance/services rose 5.8%.

Focusing again on major expense categories, but as a percentage of total operating costs, the IREM study reveals janitorial/maintenance services along with real estate and other taxes accounted for the largest portion of suburban properties' operating costs, 24.5% each. Utilities represented 23.9% and administrative/benefits and insurance/services represented 12.3% and 12.2%, respectively.

Similarly, expenditures for janitorial/maintenance services and real estate and other taxes accounted for the largest portion of downtown properties' operating costs, 26.4% and 24.4%, respectively.

Utilities represented 22.3% and insurance/services and administrative/benefits accounted for 12.3% and 12.2%, respectively.

Overall, downtown properties proved 14.1% more costly to operate in 2008 than their suburban counterparts, with all expense categories less than those experienced by suburban buildings.

Vacancy Rates Rise For Suburban Building, Remain Stable For Those Downtown

The national vacancy rate for suburban office properties in operation for 12 months rose 2.0% in 2008 vs. 2007, whereas the rate for downtown properties remained the same. The 2008 vacancy level for suburban properties was 7.0%; that of downtown properties was 5.0%.

Median Operating Ratios

Though downtown properties reported higher total actual collections than suburban properties in 2008, 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, while the operating ratio at downtown properties was 0.47.

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. 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 282-page Income/Expense Analysis: Office Buildings is available for \$419.95 (plus \$15.50 shipping and applicable state sales tax). The IREM member price is \$209.95 (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. Internet users can order the study in soft cover or in a downloadable format by accessing the Publications section of the IREM Web site at www.irem.org

Four Other 2009 I/E Analysis Benchmarking Studies Available

IREM also has just published new 2009 editions of its four other annual Income/Expense Analysis studies: Conventional Apartments (\$419.95); Shopping Centers (\$419.95); Condominiums, Cooperatives & Planned Unit Developments (\$374.95); and Federally Assisted Apartments (\$374.95). 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.

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