

WORLD RENTAL LEVELS: OFFICES

Richard Ellis Research compiled a guide to office rents in the business centers of the world as of May 1983. In Table 1, rents for each center are given in column 1 in the way they are quoted locally. Practice varies considerably in that some rents include charges for cleaning, lighting and other services, some include rates and property taxes, and some are on a gross floor area that includes elevators, stairs, restrooms and communal parts of the buildings.

To allow comparison, column 2 converts rents into dollars per sq. ft. per annum excluding charges, rates and taxes and discounts any gross floor areas to net rentable areas. The approximate additions to rent for services, rates and taxes are given in columns 3 and 4, and the total costs to the occupier are shown in column 5. The exchange rate used for columns 2 and 5 was taken

from the *Wall Street Journal* on June 7, 1983. The graph depicts the figures in columns 2 and 5.

Table 2 illustrates rental movements in each business center, except Tokyo where an office rental market is only just emerging and certain other centers where the market has been excessively volatile. The table compares compound growth in local rents with local inflation (Consumer Price Index).

(*Real Estate Issues* also published the 1981 and 1982 guides in the Spring/Summer editions of these years.)

Richard Ellis, Inc. is a leading real estate consulting firm with offices throughout the world. The firm provides real estate advice to institutions, major corporations and individuals in the areas of investment, management and development. Donald H. Bodel, CRE, is president of U.S. operations which are headquartered in Chicago.

FIGURE
Prime Air-Conditioned Offices — Rent and other Occupation Costs

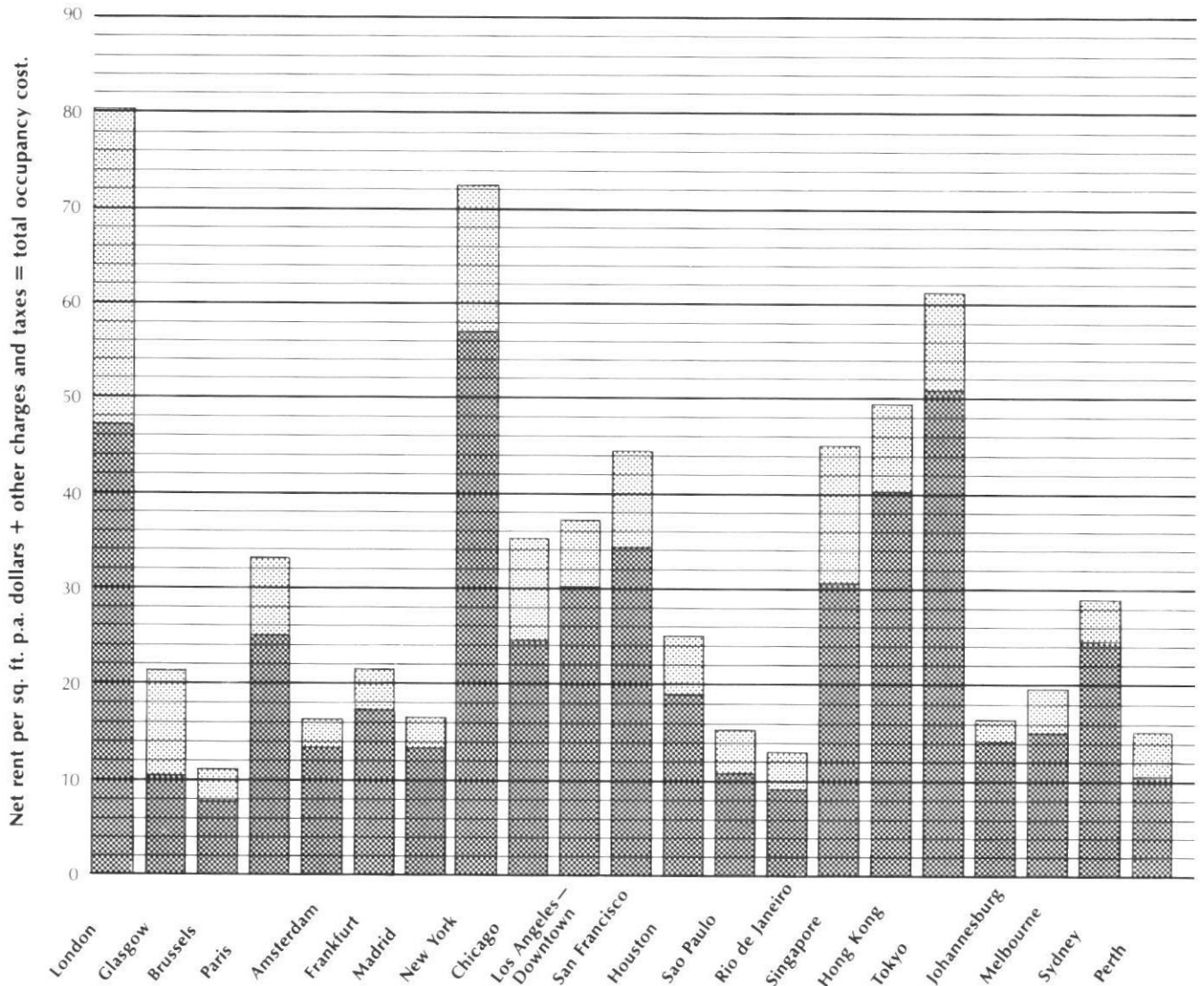


TABLE 1
Prime Air-Conditioned Offices—Rent and Other Occupations Costs
for a Suite of 10,000 sq. ft.

| | Rents as quoted locally i.e. floor area as usually measured, services and tax included if customary (January 1983 rents) | Rent in dollars per sq. ft. per annum of net rentable floor area excluding all charges | Service charge | Rates/ Property tax | Total occupation cost |
|--------------------------|--|--|-------------------|---------------------------|-----------------------------|
| | 1 | 2 | 3 | 4 | 5 |
| London | £30 (£30) per sq. ft. p.a. | \$47.27 | 15 % | 55 % | \$80.35 |
| Glasgow | £6.75 (£6.50) per sq. ft. p.a. | \$10.63 | 40 % | 65 % | \$21.80 |
| Brussels | BF3300 (BF3250) m ² p.a. | \$ 7.96 | 30 % | 12.5% | \$11.34 |
| Paris | FF1800 (FF1800) m ² p.a. | \$25.03 | 25 % | 5 % | \$32.55 |
| Amsterdam | DFL350 (DFL350) m ² p.a. | \$13.28 | 20 % | 0.5% [†] | \$16.01 |
| Frankfurt | DM32 (DM32) m ² p.m. | \$17.38 | 25 % | 0.5% [†] | \$21.80 |
| Madrid | PTS1550 (PTS1550) m ² p.m. | \$13.16 | 20 % | 4 % | \$16.31 |
| New York | \$57.50 (\$57.50) per sq. ft. p.a. | \$57.88 | 12.5% | 12.5% | \$72.36 |
| Chicago | \$28.00 (\$30.00) per sq. ft. p.a. | \$24.66 | 27.5% | 15 % | \$35.13 |
| Los Angeles— Downtown | \$30.00 (\$28.00) per sq. ft. p.a. | \$30.20 | 17.5% | 6 % | \$37.29 |
| San Francisco | \$35.00 (\$35.00) per sq. ft. p.a. | \$34.35 | 22.5% | 6 % | \$44.13 |
| Houston | \$20.00 (\$25.00) per sq. ft. p.a. | \$18.89 | 20 % | 12.5% | \$25.03 |
| Sao Paulo | US\$10.00 (US\$15.00) [†] m ² p.m. | \$11.50 | 30 % | 5 % | \$15.53 |
| Rio de Janeiro | US\$8.50 (US\$11.50) [†] m ² p.m. | \$ 9.78 | 30 % | 5 % | \$13.20 |
| Singapore | S\$6.50 (S\$7.00) per sq. ft. p.m. | \$30.25 | 20 % | 30 % | \$45.37 |
| Hong Kong | HK\$23.00 (HK\$26.00) per sq. ft. p.m. | \$40.32 | 12.5% | 10 % | \$49.39 |
| Tokyo | Y11,700 (Y10,000) m ² p.m. | \$51.39* | 10 % | 10 % | \$61.67 |
| Johannesburg | R13.50 (R13.50) m ² p.m. | \$14.16 | 15 % | Not quantifiable | \$16.29 |
| Melbourne | A\$220 (A\$215) m ² p.a. | \$15.03 | 17.5% | 12.5% | \$19.54 |
| Sydney | A\$325 (A\$350) m ² p.a. | \$24.44 | 12.5% | 5 % | \$28.71 |
| Perth | A\$165 (A\$165) m ² p.a. | \$10.57 | 27.5% | 12.5% | \$14.79 |

[†]Rents are quoted in U.S. \$ but converted to Crz in contract

^{††}Tenants contribution only

*In addition to rent, the tenant makes a deposit equivalent to 15 months rent on which he receives no interest, so that the effective rent is increased by approximately \$4.25 p.a.

TABLE 2
Rental Growth and Inflation through Two Recessions

| | 1970-1975 | | 1976-May 1983 ^(e) | |
|---------------|-----------------------------------|-----------------------------|-----------------------------------|-----------------------------|
| | Annual growth rate of local rents | Annual local inflation rate | Annual growth rate of local rents | Annual local inflation rate |
| London | 6% | 13% | 10% | 12% |
| Glasgow | 20% | 13% | 10% | 12% |
| Brussels | 3% | 8% | (1%) | 7% |
| Paris | 0% | 9% | 9% | 11% |
| Amsterdam | 5% | 9% | 4% | 6% |
| Frankfurt | 0%* | 6% | 3% | 4% |
| Madrid | 37%** | 12% | 10% | 16% |
| New York | 7% | 7% | 10% | 8% |
| Chicago | 11% | 7% | 10% | 8% |
| San Francisco | 3% | 7% | 13% | 8% |
| Houston | 12% | 7% | 8% | 8% |
| Singapore | 14% | 10% | 16% | 4% |
| Hong Kong | 20% | 9% | 15% | 9% |
| Johannesburg | 1% | 10% | 16% | 13% |
| Melbourne | 5% | 10% | 12% | 10% |
| Sydney | (6%) | 10% | 16% | 10% |
| Perth | 4% | 10% | 13% | 10% |

^(e)The Consumer Price Index for May 1983 has been estimated

* Annual growth since 1972

** Annual growth since 1973