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BOMA Benchmarking Report shows Strong Asset Management balancing Dips in Income Levels

2011 Experience Exchange Report Reveals Dip in Income, Decreases in Utilities and Taxes

(WASHINGTON – June 27, 2011) The private sector of the U.S. commercial real estate industry saw a 1.8 percent drop in rental income levels and a 1.2 percent decrease in total income, according to the 2011 *Experience Exchange Report*[®] (EER), which is released by the Building Owners and Manager Association (BOMA) International in collaboration with Kingsley Associates. This modest decrease in income likely reflects the continuing challenges and uncertainties in the overall economic market. Tempering the negative effects of this dip in income on overall asset financial performance, were notable decreases in utility expenses (-5.5%) and fixed expenses (-9.2%), suggesting that property managers and owners are closely managing their assets and carefully monitoring expenses. Many property professionals are employing low- and no-cost energy reduction strategies to reduce utility expenses, which help offset increases in energy costs, and are making successful appeals of real estate tax bills that don't always reflect the current market value of commercial buildings. Together, fixed expenses and utilities comprise some of the most significant expense outlays in commercial office buildings.

“Strained commercial markets have caused income to become more and more elusive,” noted BOMA International Chair Ray H. Mackey, Jr., RPA, CPM, CCIM, partner and chief operating officer of Stream Realty Partners, LP. “Property professionals realize this, and as the EER indicates, they are taking aggressive steps to ensure that they are operating with as little waste as possible while optimizing their asset management strategies. The EER makes this kind of assessment possible.”

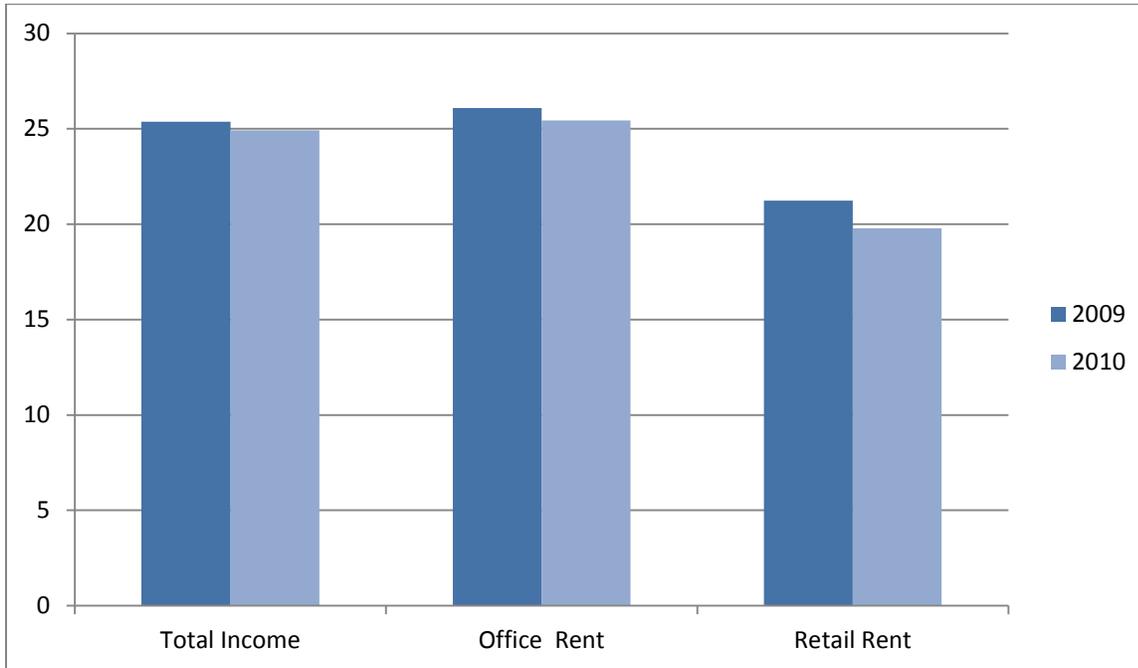
The *Experience Exchange Report* is the industry gold standard for benchmarking income and expense data in commercial building data, providing valuable analytic insight into the performance and efficiency of individual buildings compared to other individual buildings and markets in the U.S. and Canada. This year, the EER database included more than 6,500 buildings (a 46% increase from 2010) from 278 different markets and more than 140 cities. The report includes trends analysis and city-market level reports, as well as reports for special use facilities such as medical office buildings, corporate facilities, financial buildings, agency managed and all electric buildings.

Private-Sector Office Building Income Trends

- Private Buildings in the U.S. saw a 1.2 percent decrease in total income between 2010 and 2009 from \$26.91 psf. to \$26.60 psf. This trend is reflected in the decrease of average office rent, from \$26.09 psf. to \$25.44 psf. (-2.5%), as well as in the decrease in retail rent from \$21.23 psf. to \$19.78 psf. (-6.8%).
- Private Suburban buildings also saw a decrease in both total and rental incomes with a 3.1 percent decrease in total (from \$24.69 psf. to \$23.95 psf.) and a 5.1 percent drop (from \$23.67 psf. to \$22.52 psf.) in rental from the previous year.
- Only private downtown buildings showed a year-to-year increase in income with a 0.55 percent increase in rental income (from \$27.10 psf. to \$27.25 psf.), despite a 1.16 percent decrease in total income, from \$26.91 psf. last year to \$26.60 psf. this year. The overall

decrease in income among private buildings appears to be attributable to the decreases in office and retail income.

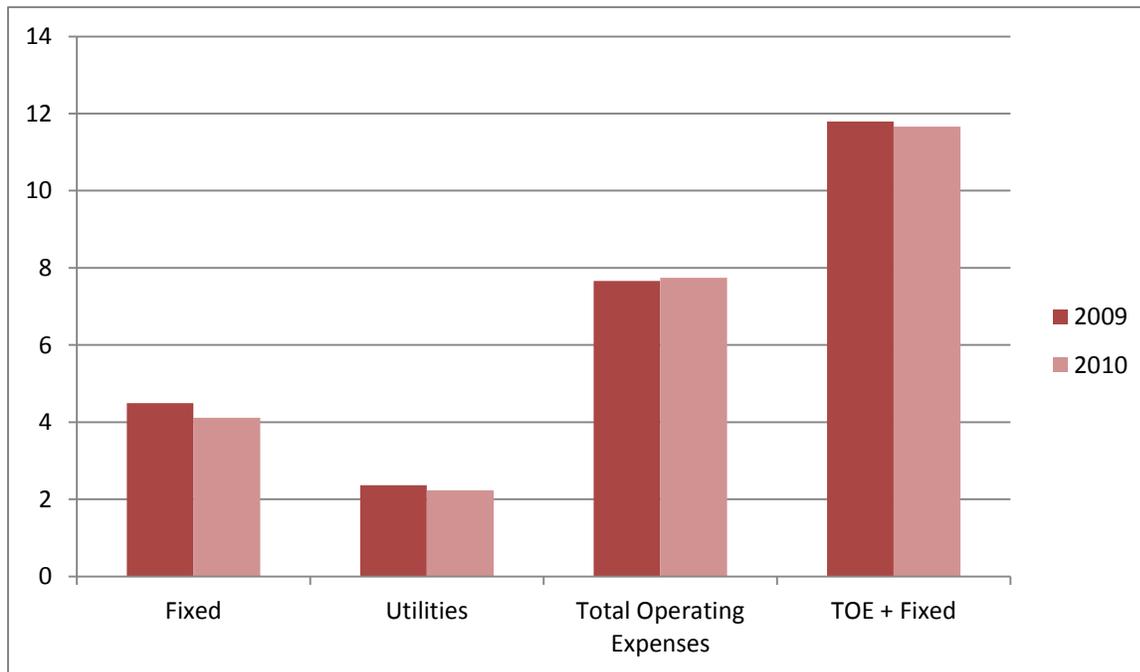
Chart: U.S. Private-Sector Office Building Rental Income



Private Sector Office Building Expense Trends

- Private buildings saw the most significant changes in fixed and utility expenses between 2009 and 2010, with an 8.5 percent decrease in fixed expenses (from \$4.49 psf. to \$4.11 psf.) and a 5.5 percent decrease in utilities (from \$2.36 psf. to \$2.23 psf.).
- The effect of fixed expenses can be seen in the combination of fixed and total operating costs, which decreased from \$11.79 psf. in 2009 to \$11.66 psf. in 2010. Although fixed plus total operating expenses saw a 1.1 percent decrease in 2010, total operating costs saw a 1.0 percent increase (from \$7.66 psf. to \$7.74 psf.) from the prior year.
- Private suburban buildings in particular saw a 2.63 percent decrease in cleaning (from \$1.17 psf. to \$1.14 psf.) and a 2.13 percent decrease in security expenses (from \$0.48 psf. to \$0.47 psf.), which contrasts with the 0.71 percent increase (from \$1.40 psf. to \$1.41 psf.) in cleaning expense and the 1.43 percent increase in security expenses (from \$0.69 psf. to \$0.70 psf.) for downtown buildings.

Chart: U.S. Private-Sector Office Building Expenses – Fixed, Utilities, Total Operating, TOE + Fixed



Now in its 91st year, the EER continues to be the single most detailed and most reputable source of benchmarking data representing the office building industry across North America. In 2009 the EER transitioned to a new online format through the collaboration with commercial real estate research firm Kingsley Associates. The online format allows users to query data by market, submarket, building size, building type, age of the building, ownership type and more. The data can be exported into charts, PDFs and Excel files, allowing users to expedite analysis, build budgets faster and easily create presentations.

The 2011 EER encompasses income and expenses from 2010, reported voluntarily from industry practitioners, and is available now at www.bomaeer.com.

About BOMA International

The Building Owners and Managers Association (BOMA) International is an international federation of more than 100 local associations and affiliated organizations. Founded in 1907, its 16,500-plus members own or manage more than nine billion square feet of commercial properties. BOMA International's mission is to enhance the human, intellectual and physical assets of the commercial real estate industry through advocacy, education, research, standards and information. On the Web at www.boma.org.