



Property Council of Australia Limited

# **Benchmarks 2005 Survey of Operating Costs**

## **Canberra Office Buildings**

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ISBN

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**Disclaimer:** Whilst every care has been taken in preparing this report, the Property Council (including its directors, servants and agents) will not accept responsibility or liability to any person or corporation seeking to rely on any information, advice or opinion provided in this publication or otherwise given in any manner by the directors, servants or agents of the Property Council for any loss or damage of whatever nature suffered by any person or corporation.

This handbook presents the results of the Property Council's Benchmarks 2005 Survey of Operating Costs for commercial office buildings in the Canberra Civic and Non-Civic locales.

The handbook is designed to provide building owners and managers with a reliable tool for evaluating the performance of buildings and preparing operating budgets.

The survey sample includes ## buildings (comprising **over ## square metres** of Net Lettable Area (NLA), which represents ##% of the total Canberra office stock.

Information is presented in two formats:

- tables relating to individual cost items; and
- cost data summarised graphically.

**Please note that all expense data are exclusive of GST and are for the budget year ending 30 June 2005.**

The information in this report is organised in a number of different ways to suit the differing needs of users, and the levels of information required, as described below.

Information is presented by building size and quality grade. In each of these reporting categories, information is provided for:

- the median cost per item; and
- a lower and upper range cost per item.

In addition, a series of charts depict:

- the percentage share contributed by each cost to the overall operating cost of buildings in each major category;
- the distribution profile of the key five expenses occurred by buildings in each major category; and
- the proportional share of the contributing statutory charges and key expenses.

Each building category lists costs in sub-headings relating to:

- operating income;
- statutory charges;
- operating expenses; and
- recoverable expenses.

Each cost item has a numbered code that corresponds to the Property Council's *Chart of Accounts (2000)* for Commercial, Industrial and Retail Properties.

Please see the *Methodology* section for further information.

## **How are the statistics presented?**

Data is presented in dollars per square metre of net lettable office area per annum. Area calculations are based on the Property Council's *Method of Measurement*.

## **What is the accounting basis for collecting and collating the statistics?**

Expenses are collected on the basis of the Property Council's *Chart of Accounts (2001)* for Commercial, Industrial and Retail Properties.

Each expense item has a numbered code that corresponds to the Chart of Accounts.

## **How is GST reflected in the statistics?**

All statistics are *exclusive of GST*.

## **Why don't the numbers in each category always add up?**

Totals and sub-totals may not equal the exact sum of their components.

The reason for this is that not all buildings incur the full range of costs published. For instance, many buildings do not provide car parking facilities.

Each statistic, whether an individual category or a total of categories, stands on its own and is an accurate summary of performance within each building category

## **What is a median?**

The median is the exact midpoint of the cost distribution where 50% of buildings incurred a higher result and 50% of buildings incurred a lower result.

## **Summary of Expense Items Graphs**

In order to chart individual line item expenses as a percentage of total expenses, it is necessary to calculate the denominator as the sum of individual line item components. The denominator is calculated in this way because using the reported median total expense would result in the Summary of Expense Items Graphs not equaling 100%.

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### **What are the operating performance ranges?**

The upper and lower performance ranges are based on the quartile results for each cost category.

The lower range figure for a cost item is that point in a dataset where 25% of buildings incurred a lower cost. The upper range figure is that point in a dataset where 25% of buildings incurred a higher cost.

The spread of results reported is accounted for by the wide variety of factors affecting building performance, management styles, type of tenant, building age, design and construction and type of maintenance contracts.

### **Where is the Quality Grade Matrix?**

The Quality Grade Matrix was removed from public circulation in July of 2003. The Quality Grade Matrix was designed to enable the Property Council of Australia to disaggregate data for our research products, thereby increasing the functionality of the information that was provided to the property industry. To this end, the matrix was released to the public to enable users of our reports to understand how we classify commercial space.

The Quality Grade Matrix is still used for the disaggregation of data within the Property Council of Australia's research Reports.

For more information contact National Research on (02) 9033 1900.

# Canberra Non-Civic Summary Table

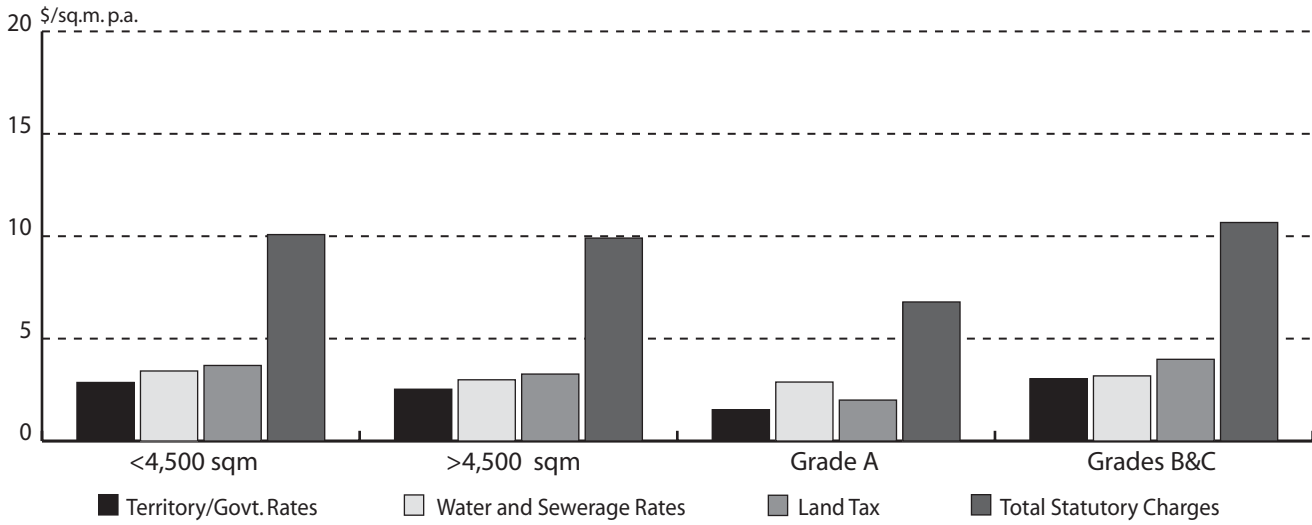
## Non-Civic Buildings

Code	Income/Cost Item	Median Income/Cost Summary (\$/sq.m p.a.)			
		<4,500 sq.m.	>4,500 sq.m.	Grade A	Grades B & C
	<b>Operating Income</b>				
201000	Rental Income				
	<b>Gross Income</b>				
	<b>Statutory Charges</b>				
301100	Territory/Govt. Rates				
301110	Water and Sewerage Rates				
301120	Land Tax				
	Other Statutory Charges				
	<b>Total Statutory Charges</b>				
	<b>Operating Expenses</b>				
302000	Insurance Premiums				
304000	Air Conditioning/Ventilation				
305200	Common Area Cleaning				
418200	Building Supervision				
306000	Car Parking				
401000	Electricity				
402000	Fire Protection/Public Address				
403000	Gas & Oil				
404000	Lifts & Escalators				
405000	Pest Control				
408000	Repairs & Maintenance				
409000	Emergency Generators				
410000	Energy Mgmt/Bldg Automation System				
411000	Security/Access Control				
417000	Gardening/Landscaping				
418000	Administration/Management Fee				
	Miscellaneous				
	<b>Total Operating Expenses</b>				
	<b>Total Expenditure</b>				
	<b>Recoverable Expenses</b>				
305270	Tenancy Area Cleaning				

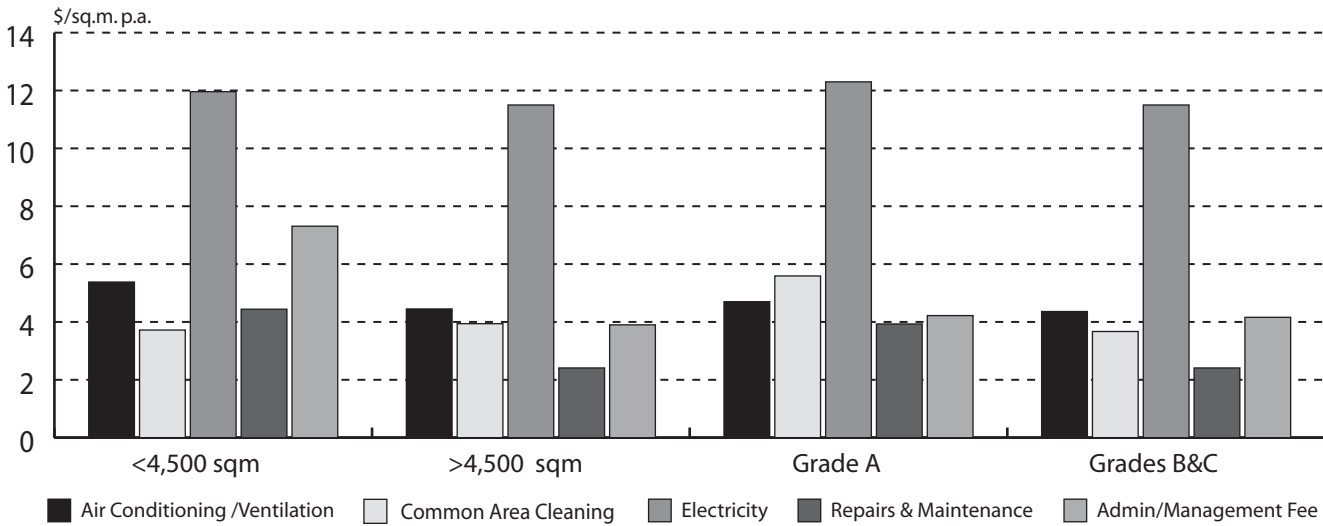
The median is the exact midpoint of the cost distribution (see Methodology).  
 For an explanation of cost categories see the Property Council's Recommended Chart of Accounts.  
 Totals and sub-totals may not equal the exact sum of their components (see Methodology).  
 Where sample sizes are insufficient, results are replaced with "n/a".

# Canberra Non-Civic Summary Graphs

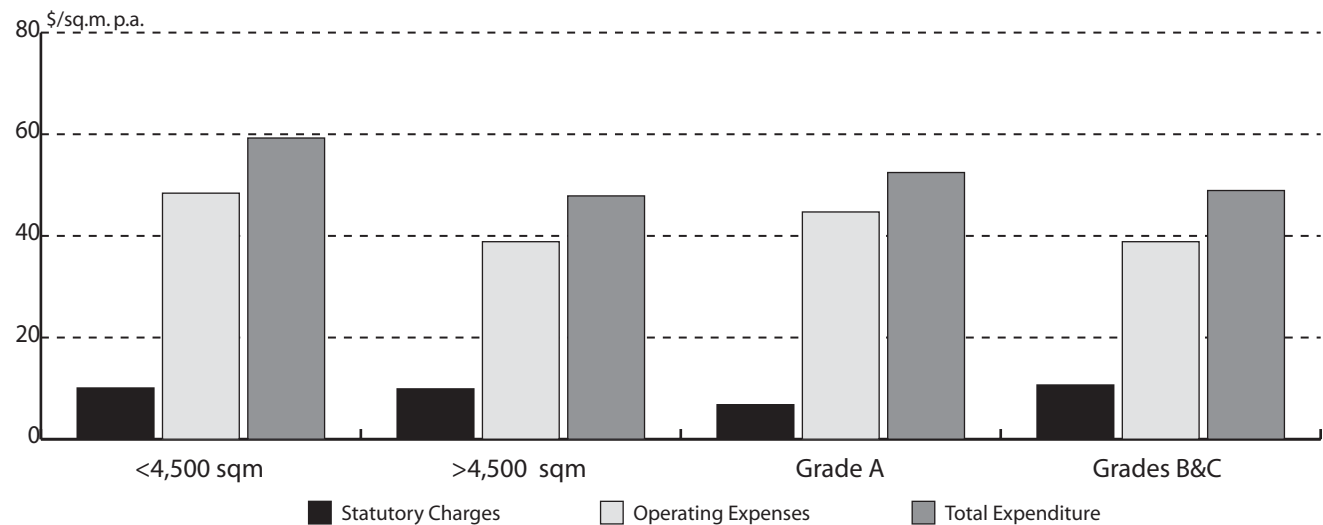
## Statutory Charges by Reporting Category



## Key Expenses by Reporting Category



## Total Expenditure by Reporting Category





# Canberra Non-Civic Operating Profiles

### Synopsis

A summary of the Property Council's Benchmarks 2005 Survey of statutory and operating expenses.

### Features

Information on the expenditure performance of Canberra Non-Civic office buildings.

The reporting categories are based on building size and quality grade. The following categories have been used:

- Less than 4,500 sq.m. NLA;
- Greater than 4,500 sq.m. NLA;
- Grade A; and
- Grades B and C.

The survey sample includes 24 buildings comprising over 265,000 square metres of NLA, which represents 24% of the targeted Canberra Non-Civic office stock.

All statistics are *exclusive of GST*.

### Note

The sample excludes government owned buildings.

Where an insufficient number of properties incurred a particular cost, results have not been published. In such cases, the figures have been replaced with "n/a".

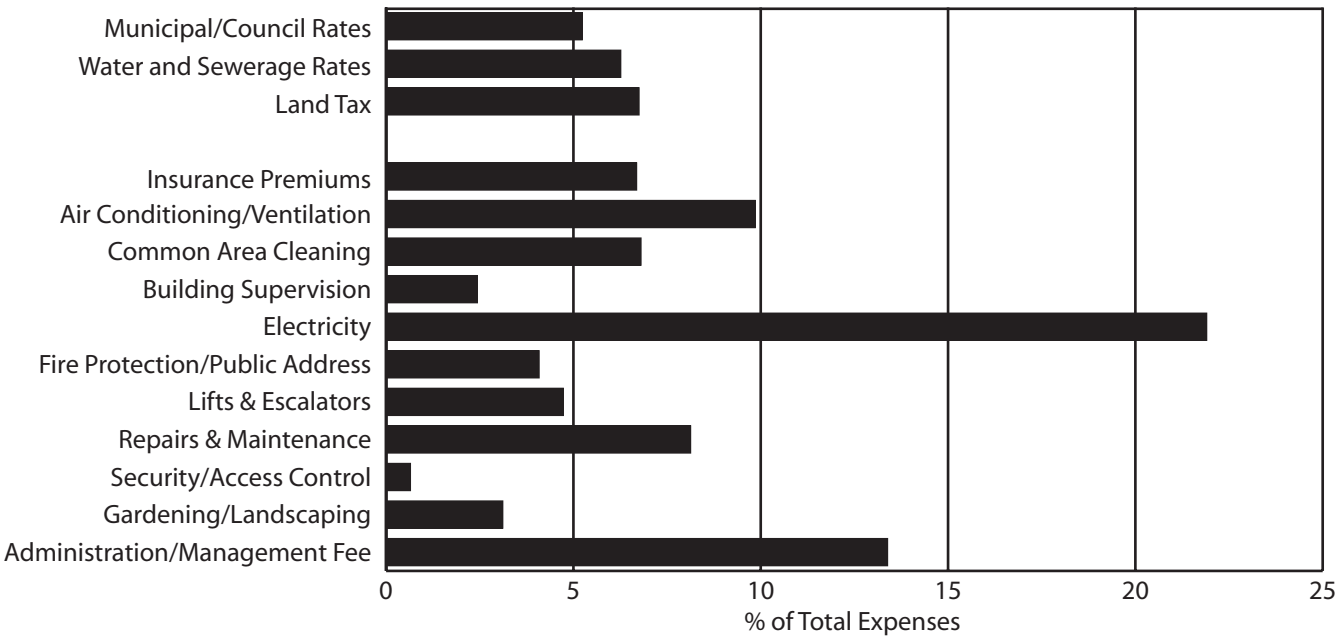
# Less than 4,500 sq.m. NLA

## Non-Civic Buildings

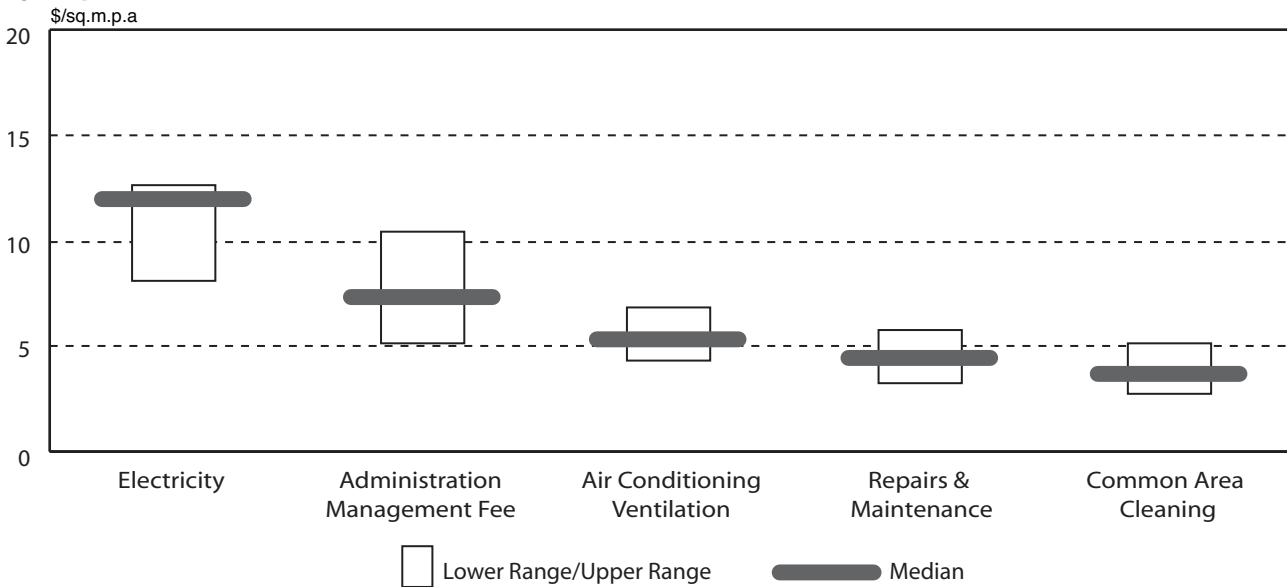
Code	Income/Cost Item	\$/sq.m. Lower Range	\$/sq.m. Median	\$/sq.m. Upper Range
	<b>Operating Income</b>			
201000	Rental Income			
	<b>Gross Income</b>			
	<b>Statutory Charges</b>			
301100	Territory/Govt. Rates			
301110	Water and Sewerage Rates			
301120	Land Tax			
	Other Statutory Charges			
	<b>Total Statutory Charges</b>			
	<b>Operating Expenses</b>			
302000	Insurance Premiums			
304000	Air Conditioning/Ventilation			
305200	Common Area Cleaning			
418200	Building Supervision			
306000	Car Parking			
401000	Electricity			
402000	Fire Protection/Public Address			
403000	Gas & Oil			
404000	Lifts & Escalators			
405000	Pest Control			
408000	Repairs & Maintenance			
409000	Emergency Generators			
410000	Energy Mgmt/Building Automation Systems			
411000	Security/Access Control			
417000	Gardening/Landscaping			
418000	Administration/Management Fee			
	Miscellaneous			
	<b>Total Operating Expenses</b>			
	<b>Total Expenditure</b>			
	<b>Recoverable Expenses</b>			
305270	Tenancy Area Cleaning			
Sample Size Total Office NLA (sq.m.) Median Office Area (sq.m.) % Gross Leases		% Net Leases Median Number of Lifts Ave. Core Operating Hours (per week)		
The ranges represent the lower and upper quartile for each cost item (see Methodology). For an explanation of cost categories see the Property Council's Recommended Chart of Accounts. Totals and sub-totals may not equal the exact sum of their components (see Methodology). Where sample sizes are insufficient, results are replaced with "n/a".				

# Less than 4,500 sq.m. NLA

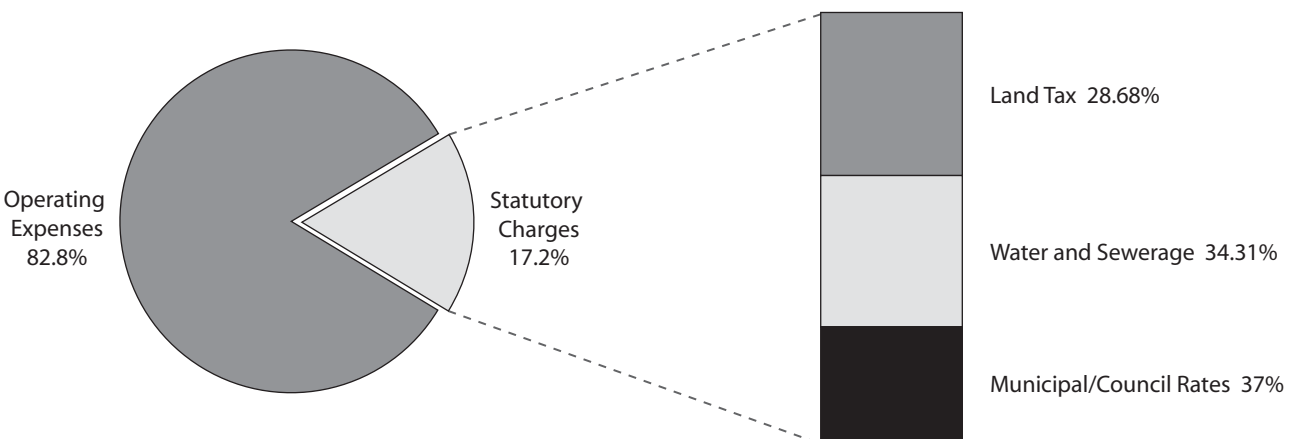
## Summary of Expense Items



## Key Expenses Distribution Profile



## Operating Expenses v Statutory Charges



- A. Methodology**
- B. Property Council of Australia  
Chart of Accounts**
- C. Property Council of Australia  
National Research Team**
- D. The Property Council  
in Brief**

### **The Data Collection Process**

The survey of Canberra Civic and Non-Civic commercial office buildings was conducted between September 2004 and May 2005.

The Property Council collected operating cost information for the budget year ending 30 June 2005. Respondents were asked to provide statistics *exclusive of GST*.

### **Establishing a Working Party**

The National Research Group of the Property Council oversaw the survey process.

### **Design Questionnaire**

The Working Party completed the task in consultation with property managers who were targeted to supply information in the data collection phase. The design objective was to ensure user friendliness and therefore maximise response potential.

### **Sample Selection**

A cross section of buildings were targeted for inclusion in the survey. Property owners and managers were targeted to supply operating cost data. Please note, the sample excludes government owned buildings.

### **Data Inputting and Anomaly Correction**

The data was subjected to the following error checking stages before detailed statistical analysis.

- checking the database for entry error;
- checking the survey data for obvious anomalies, such as mistakes in totalling;
- identifying extreme building performance figures under each cost heading by comparing actual costs with basic descriptive statistics; and contacting survey respondents to correct anomalies.

## **Analysis**

All expense information was converted to dollars per square metre per annum using net lettable area as the denominator.

The sample was disaggregated by building size and quality grade, as presented in the body of the Report.

The median for each expense item was calculated - the median being the most appropriate summary statistic for samples with skewed distributions.

The median is the exact midpoint of the cost distribution where 50% of buildings incurred a higher result and 50% of buildings incurred a lower result.

## **Range Values**

In order to provide an indication of the extent to which costs vary around the median, “upper” and “lower” ranges (quartiles) were calculated for each item.

The lower range figure for a cost item is that point in a dataset where 25% of buildings incurred a lower cost. The upper range figure is that point in a dataset where 25% of buildings incurred a higher cost.

Variations between the range of results and the median are accounted for by the wide range of factors affecting building performance - management styles, type of tenant, position in life-cycle, type of maintenance contracts, etc.

Please note, totals for lower and upper ranges have not been published as the ranges are only a guide to variation in performance of individual cost items.

## Interpretation

Users of the Report may note expenses do not always equal the sum of the component costs. Each statistic, whether for an individual item or a total of items, is calculated without reference to other components - that is, each income or expense component is independent. In addition:

- not all buildings incur the full range of published expenses; and
- cost results cannot be published where there is an inadequate sample group.

It should be noted that these calculations take no account of the quality of services being provided in a building.

The *Benchmarks 2005 Survey of Operating Costs* provides expense data based upon items contained in the Property Council's *Chart of Accounts (2001)* for Commercial, Industrial and Retail Properties. An extract of the categories has been included.

For the purposes of this survey electricity costs for code 304000 and 404000 have been included at code 401000, and public address system costs for code 415000 have been included in code 420000.

## **301100 Municipal Rates**

### **301110 Water and Sewerage Rates**

### **301120 Land Tax**

## **302000 Insurance Premiums**

General insurance, industrial special risk/fire, public liability, machinery breakdown, workers' compensation, brokerage fees and stamp duty.

## **304000 Air-Conditioning/Ventilation**

Contract fees, consultant fees, service calls, wages, materials, equipment lease charges, water treatment. Compilers were asked to exclude energy costs of air-conditioning.

## **305200 Common Area Cleaning**

Compilers were asked to provide cleaning costs for common areas only. Includes contract fees, wages, window cleaning, grease traps, floor/carpet cleaning, toilet requisites, sanitary services, rubbish removal, maintenance of cleaning related equipment.

## **418200 Building Supervision**

All costs of building staff charged to the property. On-costs, wages, mobile phone & pager costs, training, uniforms and travel allowances.

## **306000 Car Parking**

Contract fees, licence fees, signs, uniforms, materials, wages, cleaning.

## **401000 Electricity**

Common area light and power. All electricity expenses for running air-conditioning, lifts and escalators.

## **402000/415000 Fire Protection/Public Address**

Sprinkler systems, fire brigade monitor fee, pump maintenance, music rental.



## **403000 Gas & Oil**

## **404000 Lifts & Escalators**

Contracts fees, wages materials, repairs, inspection and test fees. Compilers were asked to exclude energy cost of running lifts and escalators.

## **405000 Pest Control**

## **408000 Repairs & Maintenance**

Wages, materials, electrical, locks, painting, plumbing, structural.

## **409000 Emergency Generators**

## **410000 Energy Management/Building Automation Systems**

Contract fees, maintenance & service calls, materials and repairs and maintenance associated with energy management and building automation systems.

## **411000 Security/Access Control**

Fees, wages, equipment monitoring fees, phone line rentals, security callout charges, lease charges.

## **418280 Salaries & Wages**

General staff, office staff, superannuation, other staff, payroll tax.

## **416000 Signs**

Leases, maintenance charges, cleaning and repairs, electricity, licence fees.

## **417000 Gardening/Landscaping**

Wages, contractors' charges, materials, reticulation repairs & maintenance, plant hire, equipment lease and landscaping costs.

## **418000 Administration/Management Fee**

Management fees, printing, postage, equipment, office sundries.

## **Miscellaneous**

Auditors fees, licence fees, bank charges, strata levies, leasing fees, agents fees, advertising, valuation, rent review fees.

## **305270 Tenant Cleaning**

Cleaning costs for Tenant Area only. Includes contract fees, wages, floor/carpet cleaning, rubbish removal and purchase/lease/maintenance costs of cleaning related equipment

## Property Council National Research

- David Bishop – Research Manager Systems & Marketing
- Adam Crowe – Research Manager Products
- John Nguyen – Senior Analyst
- Selina Poyner – Senior Analyst

To continually improve the quality of data and the number of reporting categories in the Property Council Benchmarks survey, more information is required.

If you can provide operating performance data for the series of studies, please contact the Property Council – National Research on (02) 9033 1900.

# The Property Council of Australia

The Property Council of Australia represents the interests of the property community, principally those who use land or invest in the built environment to generate economic returns. The Property Council engages in activities designed to meet the needs of the property community.

It aims to create benefits that flow to property owners, tenants and those whose services, products and entrepreneurial skills play a vital role in generating economic returns.

## What the Property Council does for Members

### Advocacy

Only the Property Council of Australia gives voice to your collective interests. It's our job to influence governments and other industry groups. So, while individual firms strive for a competitive edge in the marketplace, only the Property Council of Australia can improve the *total climate for doing business*.

Removing impediments, especially unnecessary regulation and taxes, means more work, better returns and a stronger bottom line.

The Property Council now engages in more active lobbying than ever before – more policy development, more contact with politicians and has a higher profile with opinion makers.

### Networking

Our events are an ideal opportunity to meet with your peers, hear from high profile guest speakers and enhance your business networks. Networking is one of the Property Council's great strengths. More than 40,000 people attend over 350 major activities each year around Australia.

### Information

The Property Council produces more than 60 publications including standards, best practice guidelines, business directories, shopping contracts and due diligence procedures.

"Property Australia" magazine is the leading circulation property business journal in the country and each state produces its own newsletters, information updates, technical alerts and has a strong media presence.

The Property Council's website is constantly evolving, providing cutting edge information to property professionals. Our online information will be expanded over the next 12 months to provide more information segmented into customised "homes".

### Research

Property Council Research is committed to creating an informed marketplace by providing timely, accurate information that improves strategic management and operational decision making within the industry. Our cutting edge research products are as follows:

- *The Australian Office Market Report* is a comprehensive survey of office market conditions around Australia. The respected industry standard, it allows property professionals to review supply and demand trends Australia wide.
- *The Property Council's Shopping Centre Directories* provide a comprehensive listing of major shopping centres in Victoria, Tasmania, Queensland, New South Wales, South Australia, Western Australia, Northern Territory and the Australian Capital Territory.
- *The Property Council's Investment Performance Index* has been established for over 19 years and is Australia's leading and most credible direct property index. Whether it's investment returns, operating performance ratio or valuation details, the Index provides relevant information to assist your decision making process.

### **Professional Development**

Membership of the Property Council of Australia provides access to a growing professional development program that includes seminars, site visits, thought leading conferences and an extensive number of educational courses. Short courses cover topics including Corporate Real Estate, Leasing, Commercial Property Asset Management, and Property Investment and Finance.

Seminars are guided by our team of committee members in specialist areas that provide the industry with professional development that adds value to your business. Our annual Congress Leaders Summit provides thought leadership and the ideal environment for members to network with their peers.

### **Communication**

We've got an important message to sell — the property industry is vital to Australia's future. The best way to improve our image and influence is to educate the wider community about the huge contribution we make to their livelihoods. Property is exciting. The industry's product is tangible; whether it is buildings, harbour tunnels or investment returns that increase personal savings.

The success of the property industry helps determine the success of other wealth creators. It's a message to be conveyed with pride. Our national monthly magazine, *Property Australia*, keeps members and other key players up to date with the latest industry news. In addition, the Property Council's Web Site, lobbying updates, Division newsletters and member forums all serve to keep our message top of mind.

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*Website: [www.propertyoz.com.au](http://www.propertyoz.com.au)*