

What makes Class A space can be in eye of beholder

Philadelphia Business Journal - August 18, 2006

by [Amy Whaley and Phil Breidenbach](#)

Special to the Business Journal

Many business owners would like to believe their offices are in Class A buildings, the highest-status buildings in the real estate market, but determining whether a building is Class A is almost as objective and logical as the process for choosing Taylor Hicks over Katharine McPhee on "American Idol."

Unfortunately, 30 million groupies with cell phones are not there to text vote on your building. You don't even get a critique from Randy, Paula, or Simon (although you may find a leasing agent who looks like Ryan Seacrest to tell you what you want to hear).

Commercial real estate firms continually research building classifications to understand what determines "top of the market" and rate office buildings using several criteria. As new properties are developed and the market changes, classifications can be a moving target.

Most experts agree Class A space typically makes up the top 10 percent of the market. What experts cannot agree on is what factors are used to determine that top 10 percent.

The benchmark rental rates for any office market are found in the top-performing Class A projects, and those rents set the tone for rates in new Class A projects under development.

To see how your building and others measure up, consider the following elements.

- Location -- There typically are one or two key intersections or thoroughfares in every metropolitan area that everyone agrees are Class A locations that consist of "Main Street" concentrations of developments. All real estate decisions typically revolve around location. Is the property highly visible? Is there easy access? Is the neighborhood conducive to a professional office environment?

And, the most important locational consideration is whether this is the place where your enterprise will achieve the greatest success.

- Design -- The industry generally agrees that today's Class "A" office building has large, column-free floor plans that provide 25,000 to 50,000 contiguous square feet per floor. A central lobby readily guides visitors to their destination; and the building complies with governmental regulations, current zoning and the Americans with Disabilities Act.

While various architectural styles and construction methods may be employed, the building design and materials must have an element of timelessness to be considered among the best in the market. It cannot look "old" in five or 10 years. At the same time, a building does not qualify as Class A simply because it is new construction.

- Infrastructure -- Some of the most important physical features of a Class A building include telecommunications and information technology infrastructure necessary to adapt to modern technology, as well as up-to-date electrical, mechanical and plumbing systems.
- Building operations and management -- Building operations and management may be the most obvious factor in determining if a building fits into the upper echelon of the market. Is there an on-site management and engineering presence? Are common areas and exteriors well-maintained? Most people can sense this by just walking through the building lobby, speaking with tenants or using the washroom.

Class A office buildings should feature an on-site, readily identifiable management staff with daily, ongoing maintenance and cleaning services. Systems should be in place to quickly and professionally address tenant needs. If the building owner is the person who changes light bulbs and unclogs toilets, the building is probably not Class A.

- Amenities -- A long list of popular building amenities exist in Class A buildings, and firms have their preferences. Most agree that on-site or proximate food and sundry services are important, but some also want a health club, valet parking, concierge service, child care, shoe shine, upscale retail, auto detailing and repair services.

What is realistic? Is your ideal environment a trophy office project, a shopping center or a mixed-use project?

Look closely at your company. Class A amenities have a positive impact on employee productivity and enhance the experience your clients have when visiting your office. Amenities also should simplify and improve life for you and your company.

Ultimately, there is only one judge -- the tenant. Office tenants seek Class A office space for many reasons, including upgrading or maintaining their firm's image, providing clients and employees with better amenities or to justify rents at an existing location.

Create your own definition of Class A and find a building that facilitates the success of your business. Speak with your real estate agent and determine the amenities and features that are essential to attract employees, serve your customers and build your business. The companies who pay rent have the power to define a building's class through their checkbooks and tenancy. You are the judge.