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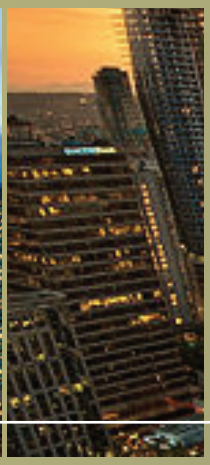
Office Building Classification Guide



BOMA Canada

Index

3 Project Approach

4 Introduction

5 A Guide for Class A, B or C Office Buildings

8 Conclusion

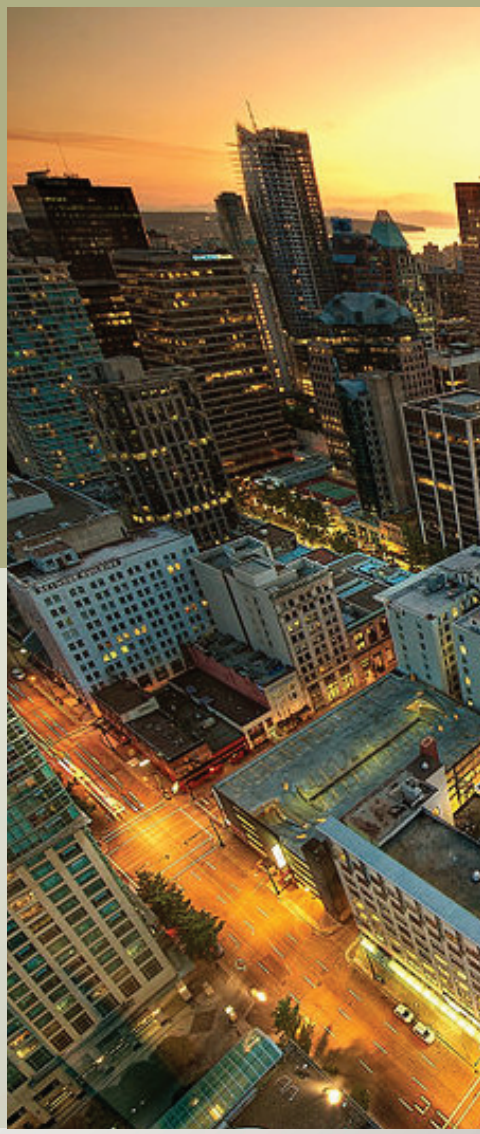
9 References

Special thanks

10 SCHEDULE A – Support Grid For Office Building Classification

Project Approach

The discussion on the need for clarification on office building classification originated within the BOMA Quebec Property Management Committee. This committee's mission is to find new ways to improve BOMA's service offer to its members. Thus in the fall of 2012 a multidisciplinary working group composed of experts from various Quebec-based real estate firms was formed to study this issue in depth.



The working group included the following experts:

Marie-France Benoit, AltusInSite

Christian Charbonneau, CBRE

Sylvain Leclair, Altus Group

Linda Plante, Ivanhoe Cambridge

Linda Rigg, Oxford Properties Group

Dominic Saucier, Avison Young

The main objective of this task force of real estate owners, brokers and appraisers was to come up with an office building classification framework that could eventually be published on the BOMA Québec website for the benefit of its members.

The following document describes in a very simple manner the committee's findings.

Introduction

Building class definitions categorize office buildings as Class A, Class B and Class C. In many markets, Class A can be subdivided into sub-categories such as Prestige, AAA, AA and A. New categories have even started to emerge, such as Class I (industrial converted to office). Commercial real estate agents, owners and managers determine the class of each building. The groups consider several factors when determining the different classes.

The evaluation criteria used to determine a building's classification allow the various actors in the commercial office building sector to share a common language and to identify market conditions per category, in an organized and readily comparable manner.

Keep in mind that class definition is not a science, as there are no formal or international standards established. However, the ratings refer to building specifics. The inventory of office space in a metropolitan market makes a distinction between Class A, B, and C buildings.

Class B and Class C definitions are based on Class A definitions. A building's classification is relative to other properties in a given market. Thus a Class A building in a small town will not share the same characteristics as a Class A building in the heart of Manhattan.



A Guide for Class A, B or C Office Buildings

What does a Class A Building mean? What are the differences between Class A, B and C buildings? When looking for new office space, a tenant will quickly realize most buildings are classified in one of those three categories. The factors that determine a building's class vary in each market, so a Class A office building in a major urban city will be much different than a Class A office building in a small rural town of 30,000 people. There are no definitive formulas used to classify a building, but a general definition for each class is provided in the following.



CLASS A BUILDINGS:

The most prestigious buildings with the most amenities in the best locations. They generally are the most attractive buildings built with the highest quality materials and construction methods. Additionally, these buildings usually have a professional manager, good access, and are typically located in highly visible areas on high traffic streets. Due to their exceptional quality, Class A Buildings are usually leased to reputable tenants at the highest rental rates in the market.

Criteria:

- High-rise building in prime central business district.
- A flagship building in its market.
- Architecture - Concrete and steel construction, distinctive design, attractive look, superior exterior finishes on the curtain wall, superior interior quality finishes in main lobby and common areas, including elevators and washrooms. Fairly recent construction or very well maintained and/or recently renovated building. Well designed and good-size layout to accommodate one or several tenants on the same floor.
- Strong identifiable location (well known address) - Convenient access (public transportation, etc.).
- Managed by a professional firm.
- Premier tenants.
- Highest rental rates.
- Strong market presence.
- State-of-the-art systems that meet industry standards - automated mechanical, electrical and safety and security systems. High capacity back-up power system.
- Elevators - Sufficient number of elevators for the number of floors and building population.
- Environmental - Certification (BOMA BESt, LEED). Responsable sustainability practices in place.
- Security 24/7 – controlled access system, camera monitored. For smaller buildings or those located in a outlying areas, access control system in place as well as alarm system with off-site monitoring.
- Built by reputable developer and contractor.
- Parking - Sufficient private and public parking to accommodate tenants and visitors. 24/7 access for building tenants with security controls in place. Bike stands and electric vehicle charging stations have become the norm.
- Tenant services – Experienced and professional manager providing centralized tenant service call system, including maximum response time, concierge services, tenant relationship program, regular tenant activities such as barbecues and holiday breakfasts, new tenant welcome committee, etc.
- Amenities – Enclosed weather protected walkway connection, conference centre, fitness centre, service oriented retail such as convenience store, cafeteria/food court type restaurants, dry cleaning services, ATM and Wi-Fi. For stand-alone buildings not located downtown, cafeteria/food court restaurants and coffee shops provide above-average services to tenants.



CLASS B BUILDINGS:

These buildings are a grade below Class A. Generally, they are slightly older buildings with good management and quality tenants. It is not uncommon for value-added investors to target these buildings with the intention of renovating them back into Class A buildings. Class B buildings are well maintained overall and quite functional. Class B office buildings commonly have an acceptable curtain wall finish, adequate (but not state of the art) mechanical, electrical and safety and security systems, and a mid-quality level of interior finish. Class B buildings compete for a wide range of users at average rental rates for their market area.

Criteria:

- A grade below Class A.
- Slightly older buildings
  – Good management, quality tenants.
- Building finishes
  – Fair to good.
- Good quality systems
  – Not at Class A level.
- Can be targeted by investors planning renovations to restore them to Class A.
- Well maintained – Functional.
- Average rental rates.

CLASS C BUILDINGS:

This is the lowest grade for useable office buildings. These office buildings are generally older and may be located on less desirable streets in older sections of the city, for example. Many of these buildings usually have higher than average vacancy rates for their market. Older, less desirable architecture, limited infrastructure and antiquated technology define these buildings. For these reasons, Class C buildings offer lower rental rates and can be more difficult to lease. Many times these buildings are targeted for re-development. The curtain walls and the mechanical, electrical and safety and security systems of Class C building are generally dated, and the quality of finish is often below average. These buildings attract tenants who sign short-term leases for functional space at below average rental rates.



Criteria:

- Lowest grade for useable office buildings.
- Older office buildings.
- Located on less desirable streets in older sections of the city.
- Higher than average vacancy rates for their market.
- Less impressive architecture.
- Limited infrastructure.
- In need of extensive renovations.
- Obsolete technology.
- Lower rental rates
  – may be difficult to lease.
- Often targeted for re-development.
- Tenants requiring functional space.

Conclusion

The above descriptions are general guidelines for building classifications, although no formal standard exists. Probably the most important point to remember is that buildings are classified relative to other buildings within their market. A typical commercial real estate specialist will first determine the Class A buildings in a market by their highly desirable locations and amenities, and then classify other buildings in the market in relation to the Class A buildings.



Additional Factors to consider:

- Floor load capacity.
- Ceiling height.
- Improvements to common areas.
- Nearby services (restaurants, business clusters, dry cleaning, banks, ATM, etc.).
- Access (freeway, public transportation).

A summary grid including all above-mentioned criteria for each class can be consulted in Schedule A.

This office building classification guide may be reviewed in the future as needed.

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Special thanks

Project Leader, drafting of report and grid design

Linda Plante, Ivanhoé Cambridge
President, Property Management Committee, BOMA Québec

Co-Project Leader, drafting of report

Linda Rigg, Oxford Properties Group
Vice-President, Property Management Committee, BOMA Québec

Contributing Experts

Marie-France Benoit, AltusInSite

Christian Charbonneau, CBRE

Sylvain Leclair, Altus Group

Dominic Saucier, Avison Young

Project Support

Linda Carbone, General Manager, BOMA Québec

Anne-Marie Guèvremont, GWL
Past-President, BOMA Québec Board of Directors

Benjamin Shinewald, President, BOMA Canada

Ninon Beaunoyer, coordinator - Programs & Events, BOMA Québec

SCHEDULE A – Support Grid For Office Building Classification

	Class A	Class B	Class C
General Comment	Each building classification is relative to its own market, and criteria may vary from one market to another. In specific markets, Class A can subdivide into categories such as Prestige, AAA, AA and A. In some cities, a category called Class I (industrial buildings converted to office) is emerging and starting to compete with the more traditional office building classes.		
Classification Level	Higher Level	Mid Level	Lower Level
General Description	The most prestigious buildings with the most amenities in the best locations. They generally are the most attractive buildings built with highest quality materials and construction methods. Due to their exceptional quality, Class A buildings are usually leased to reputable tenants at the highest rental rates in the market. High-rise building within prime central business district. Strong market presence.	Generally, they are slightly older buildings that still possess good management and quality tenants.	Older, less desirable architecture, limited infrastructure and obsolete technology define these buildings. They have higher than average vacancy rates for their market and leasing them can be a challenge.
Age	Recently built projects with the most advanced standards, and very well maintained older buildings renovated on a continuous basis with up-to-date security and comfort standards.	Recent construction projects with minimal required standards, and well maintained older buildings.	Older office buildings with minimal maintenance.
Location and Access	Generally located in the central business district (CBD) with strong identifiable location (well known business address) and convenient access (public transit facilities, etc.), offering striking views.	Can be located outside of the CBD or within the district of class A buildings. Their location is less identifiable.	Located on less desirable streets in older sections of the city.
Construction and Architecture	Distinctive and classic design, concrete and steel construction, landmark quality, superior exterior finishes for the curtain wall and superior interior quality finishes in main lobby and common areas, including elevators and washrooms. Well designed layout to accommodate one or several tenants on the same floor. Generally built by a reputable developer.	Generic architecture. Curtain wall is acceptable and in some cases the structure can be apparent. Interior finishes are of average quality. It is not uncommon for value-added investors to target these buildings with the intention of renovating them back into Class A buildings.	In need of extensive renovations, many times these buildings are targeted for re-development. The curtain walls, if any, and the mechanical, electrical and safety and security systems of Class C are generally dated and the quality of finish is often below average.

SCHEDULE A – Support Grid For Office Building Classification

	Class A	Class B	Class C
Property Management	Best management practices in the industry, managed by a recognized professional providing on-site services such as security, HVAC, air quality, maintenance, tenant work coordination, local tenant services representative, environmental management, etc.	Well maintained with minimal required standards. Not necessarily on-site staff.	Maintenance often overlooked and deficient.
Tenants	Attract premier, prestigious and financially healthy tenants.	Compete for a wide range of quality tenants.	These buildings compete for tenants seeking short-term leases for functional space at below average rental rates.
Leasing rates	The highest rental rates in a given office market.	Normally get average rents for their market area.	Offer lower rental rates and can be more difficult to lease.
Building Systems	State-of-the-art systems that meet industry standards. Automated mechanical, electrical and safety and security systems. High capacity back-up power system.	Adequate (but not state of the art) mechanical, electrical and safety and security systems. Low to medium capacity back-up power system.	Limited systems and obsolete technologies.
Elevators	Fast elevators in sufficient number for the number of floors and building population.	Generally have slower elevators with older technology.	Obsolete or inexistant elevators.
Security	Security 24/7 – controlled access system, camera monitored.	Security services can be on-site, but generally during business hours only.	May not have security services at all.
Environmental	Generally hold at least one recognized environmental certification (BOMA BESt level 3 or 4, LEED). Responsible sustainability practices in place.	Could have a basic certification such as BOMA BESt level 1 or 2.	Generally, no environmental certification.

SCHEDULE A – Support Grid For Office Building Classification

	Class A	Class B	Class C
Parking	Sufficient private and public parking to accommodate tenants and visitors including VIP, monthly reserved and monthly non-reserved sections, car wash and automated payment services. 24/7 access for building tenants with security controls in place. Bike stands and EV charging stations have become the norm in the A category. Very clean and secure environment.	Generally offer a limited quantity of interior and/ or exterior parking spaces with a monthly non-reserved section. No public parking. Very basic installation.	May not have parking spaces.
Services	Professional and experienced manager providing a centralized tenant call service system including maximum response time, on-site staff (security, maintenance, mechanical, tenant coordination, administration), concierge services, tenant relationship program, regular tenant activities such as barbecues, holiday breakfasts, welcoming committee for new tenants, etc. Additional services - Conference centre, fitness centre, service oriented retail such as convenience store, cafeteria/food court restaurants, dry cleaning services, ATM and Wi-Fi.	Basic services much less sophisticated than in the class A category. Generally an off-site maintenance team.	Very limited services.