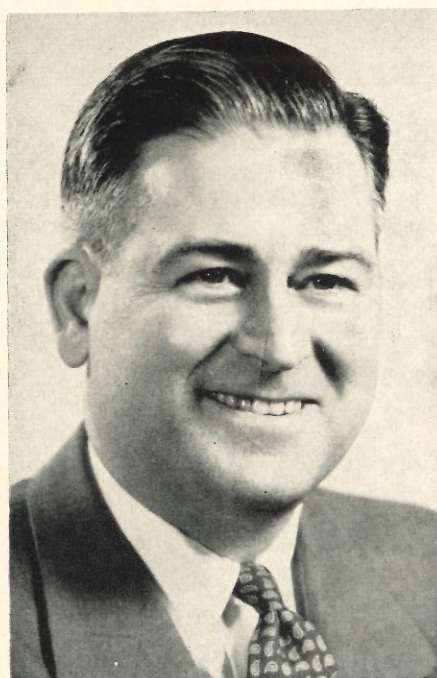


MODERNIZATION is good management



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erate, such a development is inevitable.

The latest study of rental income in office buildings by the National Association disclosed that the average annual square foot rate was \$4.64 in 42 office buildings less than 10 years of age, \$4.59 per square foot in 29 buildings 10 to 25 years old, \$4.17 per square foot in 182 office buildings in the 25 to 40 year bracket and \$3.97 per square foot for 215 office buildings over 40 years of age. Contrasted with the latter figure, 10 relatively new skyscrapers over 40 stories in height showed an average rate of \$5.05 per square foot.

Also, it is interesting to note that a survey by the National Association disclosed that as of October 1962, occupancy was at a level of 92.62 per cent in 1,197 pre-World War II office buildings, 94.50 per cent in 224 buildings constructed since January 1946, and 93.86 per cent in 596 office buildings that have been modernized. As would be expected, their survey also shows that occupancy is appreciably higher in air conditioned office buildings than in non-air conditioned office buildings.

Practically all the properties covered by the survey are managed by members of the National Association or by Realtors and, therefore, it is safe to assume that the effect of obsolescence on income and occupancy has been offset to a much greater extent than in properties without the benefit of such professional management.

Many owners of older type properties have had remarkable success in upgrading them as a result of a carefully planned and executed moderniza-

tion program. There are no hard and fast rules to guarantee success. Each property is a study in itself and should be surveyed to determine the nature of the improvements to be undertaken. A conservative estimate should be made of the additional rental income which will result from the completion of the modernization program. Projections of increased rental income should be realistic and not over stated. The amortization of development costs should be spread over a sufficient number of years so the effect on rental rates can be held within reasonable limits.

Minor alterations or improvements, exclusive of maintenance work, should be expected to pay for themselves out of increased net rental income within three years; more extensive improvements within three to five years, and a major modernization program in eight to ten years.

A careful study should be made to determine what changes, if any, are occurring in the general character of the neighborhood and the facilities which will be required for the type of occupancy that is anticipated. The property, quite obviously, must provide such facilities in order to be successful. Architectural plans should not be prepared until such a basic study has been completed.

In an office building, improvements in lobby areas, public corridors and to the main entrance give the property a new look and create a better public image. Next in order come elevator and toilet room modernization, air conditioning, improved lighting, acoustical ceilings and the installation of new vinyl and asphalt type

floor coverings. The utilization of a decorative plan which will improve the over-all aesthetic appearance of the property is also very necessary.

One of the unseen improvements, but nevertheless still very necessary in a modernized office building, is a high amperage A.C. wiring system. Such a system should be capable of supplying 1,500 to 2,000 watts of power per standard unit of space, exclusive of the power required for air conditioning. Minimum lighting standards call for 60 to 100 foot candles at desk level, depending upon occupational requirements. All lighting circuits should possess sufficient flexibility in switching and arrangement to permit the subdivision of large floor areas without further changes in the wiring.

Air Conditioning

Air conditioning is a study in itself. There is no prescribed rule of thumb method which will assure the selection of the best system. Each building represents an individual engineering study due to variance in exposures, its floor plan, type of construction and occupancy.

An evaluation of the cost of different types of systems must be related to income and the cost of operation. Operational flexibility which enables service to be furnished economically to individual tenants on holidays and after regular business hours, is also a very important factor.

Tenants will pay higher rentals for acoustically treated offices in which the sound level is maintained at 20 to 40 decibels. Therefore, practically no office buildings are constructed or modernized today without some provision being made for acoustic treatment of their interiors. A great deal of research has been done in this field and there is a wide choice of materials of high efficacy. However, a building owner or agent should also give some thought to the ease of maintenance and fire rating of acoustical material to be employed.

Despite statements to the contrary, all acoustic materials must be cleaned or painted periodically to maintain an attractive appearance. Certain materials are much more difficult to clean and paint than others. A single coat of paint, of the wrong type and im-

properly applied, can practically ruin whatever acoustic properties the material originally had.

Automation of Elevators

Most modernization programs include automation of elevators. Here also many technical factors must be considered which vary from building to building. The cost factor will be great, ranging from \$30,000 to \$60,000 per elevator for buildings of approximately 14 stories, depending upon the equipment selected and the extent that existing equipment can be reemployed in the modernization plan. Although tenants know little about the expense or the technicalities involved, they will evaluate the new installation strictly from a standpoint of its appearance and the interval of time they are required to wait for elevator service. They will consider a waiting period of 20 seconds excellent, 20 to 25 seconds good, 25 to 30 seconds fair, 30 to 35 seconds questionable, and it is certain they will be heard from if they have to wait over 35 seconds for an elevator, especially when hurrying home at night.

Good elevator service is governed by the capacity of the car, its speed, the number of floors it serves and last but not least, the type of building occupancy. The best equipment obtainable will be incapable of providing good service if the occupancy of the building is largely of a type which generates an abnormal amount of elevator traffic.

It would be easy to generalize and say that modernization plans should call for elevators rated at 3,000 lbs. capacity and capable of carrying 16 persons, at a speed of 1,000 feet per minute. These specifications, while desirable, are meaningless as they must be related to the size of the existing shafts, the building area, and its height. So, before undertaking an elevator modernization program, it will pay to get the best engineering advice obtainable. Also, don't overlook the fact that most of the money spent for elevator modernization will be for equipment and machinery in the shafts and penthouse and, therefore, unseen by tenants. An investment in highly styled elevator cars, such as those manufactured by W. S. Tyler Company, will serve to drama-

tize the expenditure and will undoubtedly impress tenants and the public.

In addition to appearance, when selecting new floor coverings, give some thought to the cost of maintenance. Certain fragile colors show scuff marks from rubber heels and require too frequent cleaning. The maintenance cost of such improperly selected colors can equal the original installation cost within a period of 2½ years. On the other hand, nothing is to be gained from the selection of a very drab color simply because its use will enable a reduction in cleaning costs. Here, as in most other things in life, it will pay to strike a happy medium as otherwise an investment in new floor covering materials will not be appreciated by tenants.

As to the selection of materials, vinyl is more expensive than asphalt tile, but costs less to maintain if the proper color selection is made. There are also areas in which rubber tile can be used advantageously because of its highly resilient qualities. Nothing does more to improve the over-all appearance of an office than the installation of an attractive floor covering. Modernization funds spent for new floor material are well invested and will help to keep a property well rented.

Maintain High Standards

Funds spent for modernization will not increase the investment value of a property nor will the new facilities be appreciated by tenants unless a high standard is maintained.

The multitude of services required by the occupants of large office buildings places the operation and management of such property in the service industry category. A realization of this basic concept is essential in order to assure success.

During the past 32 years, the annual budget of the Federal Government has had a surplus of receipts over expenditures only 6 times. During the same period, recurring deficits have increased the national debt from \$16 billion to \$305 billion. Against this background, the ownership of real estate has provided a good repository for funds by prudent investors. However, like all other investments, success in real estate requires careful selection, constant supervision and good management.