

# Commercial rental market in midwestern city

[Business](#), [Marketing](#)



To analyze the commercial rental market in a Midwestern city, the cost of 225 office rental for the last two years was statistically analyzed. The analysis has found the primary driving factors for rental cost to be proved the following primary factors in order of importance to be: distance to airport, presence of office wiring, occupancy fraction of offices that are rented, distance to city center, number of elevators, length of lease contract, number of years since last renovations, and age of the building in years.

To identify a bargain when we see one, a mathematical model was created to estimate the cost of rental for different scenarios and thus judge the asking rent of new properties that come on the market. The model predicts 43% of the cost of the rental. The model calculates the per square foot annual rental cost as follows:

$$\begin{aligned} \text{Per square foot annual rental cost} = & 43.12 + 7.47 * \text{Occupancy} - 3.9 * \\ & \text{Wiring} - 0.9 * \text{Distance to City Center} - 0.76 * \text{Distance to Airport} + 0.53 * \\ & \text{Number of Elevator} - 0.35 * \text{Length of Lease} - 0.11 * \text{Years to last} \\ & \text{Renovations} + 0.09 * \text{Building Age.} \end{aligned}$$

For a 3 year lease of 50,000 sqft of newly renovated and wired space that is one mile away from city center and fifteen miles away from the nearest airport, with 75% occupancy, three elevators, four years since last renovations in a ten year old building, the predicted per square foot annual cost of rent is \$34, and predicted total annual cost of rent is \$1,701,712.

An office that is ten miles away from the airport its per square foot rent is valued on the real estate market at \$33, while an office that is twenty miles away from the airport is valued at \$26, with a discount value of 70% per mile. Similarly, the presence of office wiring is valued at \$34.5, while no

office wiring at \$30.6, with a discount value of 10%. An office with 0.75 occupancies is valued at \$29.8 per square foot, while an office with 0.97 occupancies is valued at \$31.5.