

Class A, Class B, Class C – What does that represent?

By Mark Walter

You've seen office properties marketed as Class A, Class B and Class C, but who determines these classifications and what do they mean?

Office buildings are classified according to a combination of location and physical characteristics. Class B and Class C buildings are always defined in comparison to the qualities of Class A buildings. There is no formula by which buildings can be placed into classes; judgment is always involved.

The Urban Land Institute, a noted authority on commercial land uses, says the following about these classifications in its *Office Development Handbook*.

Class A space can be characterized as newer buildings that have excellent location and access, attract high quality tenants, and are managed professionally. Building materials are high quality and rents are competitive with other new buildings.

Class B buildings are typically smaller, and older but have good locations, management, and construction, and tenant standards are high. Buildings should not be out-dated and show very little deterioration. If the buildings are newer then they are typically smaller and not in a prime location.

Class C buildings are typically 15 to 25 years old but are maintaining steady occupancy. Their condition is typically fair but not considered good.

In a normal market, Class A rents are higher than Class B which are above Class C. This makes sense because Class A buildings offer higher quality to the tenants and cost more to provide.

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