



Understanding Build Out Costs and Operating Costs

What is the cost to build out offices or what are improvements going to cost?

This is a very common question and surprisingly many jobs that get quoted for construction can come back with a wide range of pricing. This is explained simply is there are many different methods or materials that can be used in quoting and who and long it will take get built by vary in cost. Cost of interior construction has increased year over year in the past decade.

Some current rules of thumb for common items are as follows:

- Flooring (standard carpet/vinyl composite tile): \$4-5 per sq. ft. installed
- Painting (office area, trim); \$1.50–4.00 per sq. ft. dependent on size and number of rooms
- Wall Construction (office height): \$200 per linear foot (can again range dependent on size of job)
- Wall Construction Warehouse Height: \$250-300 per linear foot (can vary on size of job and total height)
- Changing or building ceiling (acoustic T-Bar): \$10-13 per sq. ft.
- Standard Commercial Washroom: (\$12,000-16,000) assuming no walls or ceiling exist, will also vary dependent on how accessible plumbing and drainage tie in.

What are operating costs and how do they change?

Also called common costs or additional rent, Operating Costs are made up of the overall costs to run a property exclusive from the rent the Landlord may charge. Operating costs can include a number of different items, dependent on the property. They could include unique costs such as advertising budgets for retail centres or malls or a cost to upkeep an aquarium or pool in a high end office building. However in most cases Operating Costs typically include a minimum of 4 items: Property Taxes, Property Insurance, Property Maintenance, and Property Management. Again some buildings have some or all of the utilities as common in the building and they will be included in the operating costs. It is important for a tenant or Landlord to know what is budgeted and what is included in the operating costs for the building as it can vary from owner to owner or property to property. These costs are typically budgeted based on the last year's actual costs and then at the end of the year the landlord balances the current year on what was collected against the actual costs. The Tenants will then get a bill for the difference, or a credit, along with the new budget for the upcoming year.