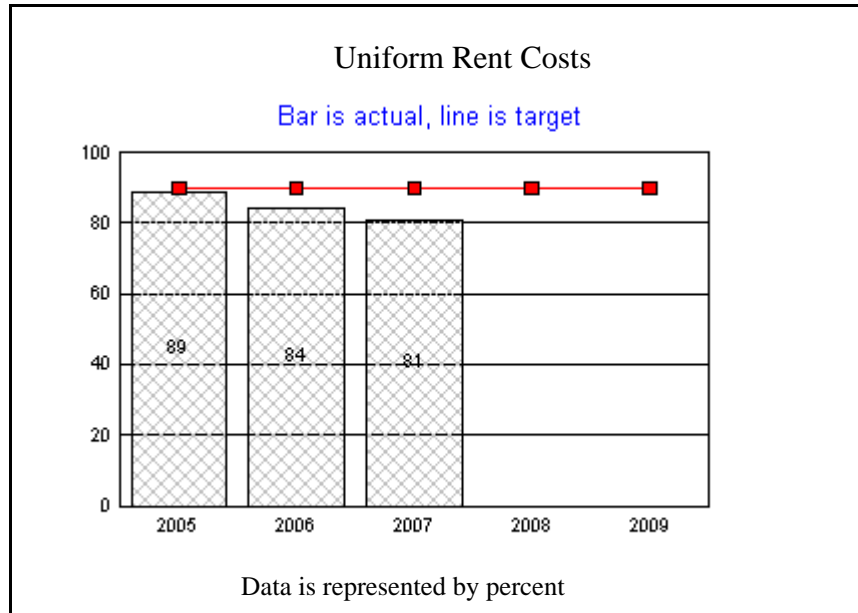


KPM #7	RENT COSTS - Uniform rent costs per square foot as a percent of private market rates.	1999
Goal	Efficient and effective government infrastructure	
Oregon Context	Lead the pursuit of excellence in state government	
Data Source	State office costs compared to the Salem/Keizer Office and Retail Survey, prepared by PGP Valuation Inc.	
Owner	Nancy Brown, Facilities Division, 503-373-7187	



1. OUR STRATEGY

The strategy is to provide efficient and effective government infrastructure through appropriate oversight and cost containment processes.

2. ABOUT THE TARGETS

The measure compares private industry to lease rates in state-owned buildings. State office lease rates are considered equivalent to private market rates when the performance is at 100 percent. In pursuing cost-containment strategies, a target was set at a value below private industry rates. Successful performance achieves a percentage rate that is at or below the annual target rate.

3. HOW WE ARE DOING

For 2007, the goal for Uniform Rent was to be at or below the target of 90 percent; at 81 percent of the private lease rate, the goal was achieved. The mission of DAS Facilities is to provide well-maintained buildings at a good value for the state agencies who are our tenants. DAS Facilities also represents state agencies in leasing privately-owned buildings in the Salem-Keizer market and throughout the state; comparing costs between Uniform Rent and private leases demonstrates DAS Facilities to be a value-oriented building owner while at the same time securing fair and equitable leases in the private sector.

4. HOW WE COMPARE

Private industry is constantly comparing rates through private survey mechanisms in an effort to remain competitive. This measure allows us to check our internal rates against theirs to ensure we are providing good value to state agencies. There are some challenges with making a straight comparison because DAS expects to break even on their services (excess revenues are either returned to the agencies or used for capital expenditures) and provides more services, such as more comprehensive building maintenance and security systems, for their rent cost. There is no other known state government comparator that Facilities might use.

5. FACTORS AFFECTING RESULTS

Supply and demand remains the single largest factor in private office rental rates. A struggling economy often results in lower rent rates; however, building has also slowed; in 2007 private rent rates in the Salem/Keizer area rose 3 percent over 2006. Office vacancy rates in the Salem/Keizer area have fallen to 8.06 percent in 2007, indicating that demand for a limited supply of office space was a contributing factor for higher rents rates in the privately-owned buildings. Lease rates in state-owned buildings are set in advance and are calculated on actual costs independent of supply and demand.

6. WHAT NEEDS TO BE DONE

The Uniform Rent rate has remained level for the past two biennia, but it will be increased to \$1.40 in the 09-11 biennium. This increase is due in part to offset the rising cost of utilities and building materials, but is still below the market average identified in the Powell Valuation Inc. report. The

Facilities Division plans to continue cost containment strategies for state agencies leasing office space in DAS owned buildings.

7. ABOUT THE DATA

The Uniform Rent rate is developed biennially through the budget process as approved by the Legislature, and published in the Price List of Goods and Services. Industry rent rates and vacancy rates are taken from the Powell Valuation Inc. report, published annually in March or April; therefore, the 2008 data will not be available until the spring of 2009. The data is based on an annual survey of commercial lease rates and the report has become an established resource for the public and private sector. DAS selected the Salem/Keizer Office & Retail Survey 2007 study due to the fact the majority of DAS buildings that are charged the Uniform Rent rate are located in the Salem/Keizer area. More information about the survey is available at www.powellvaluation.com.