

## Estimating Real Estate Rents for Preschool Facilities

**Introduction.** The cost of facilities can be among the highest costs incurred by preschool providers. An analysis of preschool costs using the default assumptions of the CPQ&R suggest that rent or mortgage payments may be second only to salaries and benefits among the major cost categories. Furthermore, real estate costs can vary widely across the country, which can confound a shared understanding of the “true cost” of high-quality preschool. Because the CPQ&R was developed to be a cost estimation tool applicable for any state or region, the opportunity emerged to improve upon its real estate cost assumptions and provide users with more detailed estimates of rents around the country.

**Approach.** Information on commercial real estate rent per square foot per year is collected by companies engaged in real estate investment or management. This information may not be made available to the public, but several online tools are available free-of-charge that allow users to search for available real estate to buy or lease. One site in particular, CityFeet.com ([www.cityfeet.com](http://www.cityfeet.com)), allows users to search by geography, property type, size, and cost.

Between November 28 and November 30, 2018, CityFeet’s search tool was employed to generate counts of retail properties for rent by state. The same approach could be employed by metropolitan market. Queries were submitted in ranges of \$5, with the first range set at \$1-5 per square foot per year, the second at \$6-10 per square foot per year, etc., up to \$96-100 per square foot per year. All remaining properties priced at \$101 and above were counted as a single group. A histogram was generated for each state, such as the one shown in Figure 1 below:

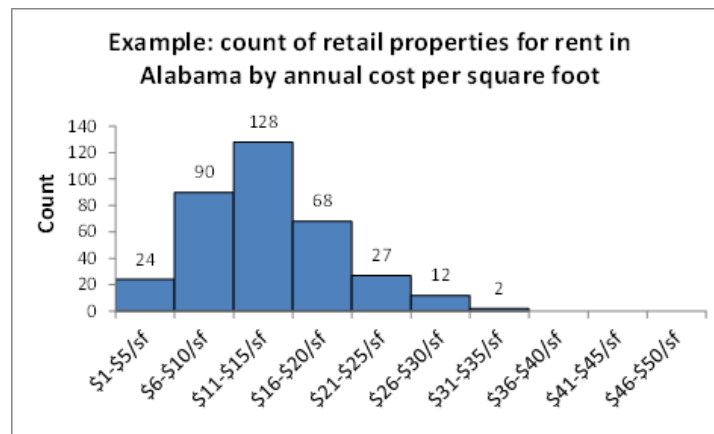


Figure 1

From these histograms a median value can be estimated, which is assumed to be the mid-point of the range of the median bar. Quartile and quintile values can also be estimated. Only retail properties were considered, but no retail properties were excluded; it was assumed that the general shape of the histogram would be similar even if only properties suitable for use as preschool centers were considered.

**Results.** Median retail property rents for all 50 states, as well as first and third quartile rates, are presented in Table 1. The table shows median rents ranging from \$13 to \$43 per square foot per year, with the overall median in the U.S. of \$18 per square foot per year. The most expensive states include California, the District of Columbia, Florida, Hawaii, and New York, each with median rents greater than or equal to \$28 per square foot per year.

Table 1 is now included in the state data provided in the CPQ&R. A second table is also included, showing median commercial office rental rates for 52 major markets in the United States. This second table was published by Jones Lang Lasalle (JLL) for the 3rd Quarter, 2018. In one market, the District of Columbia, Table 1 and the table from JLL overlap: Table 1 shows a median annual rental rate of \$43 per square foot; which is similar to the Jones Lang Lasalle reported rate of \$41.59.

**Conclusion.** Median rent values by state are now included in the default assumptions of the latest version of the CPQ&R. When a user selects a state, the corresponding median rate for that state is automatically populated. Users can override this rate if they choose; for example, they can use the first quartile value if they seek to model rural areas in their state, or refer to the JLL table (also included in the CPQ&R) to find the median rent for a particular metropolitan market.

Varying real estate costs by state increases the utility of the CPQ&R and further delivers on our goal to provide a tool that immediately returns informed cost estimates upon entering a state preschool slot count. By adding real estate costs to the list of default assumptions based on state level data, the CPQ&R can also provide a platform for meaningfully discussing and explaining reported differences in program costs around the country.

	MEDIAN	1ST QUARTILE	3RD QUARTILE
Alabama, AL	\$13.00	\$8.00	\$18.00
Alaska, AK	\$23.00	\$18.00	\$28.00
Arizona, AZ	\$18.00	\$13.00	\$23.00
Arkansas, AR	\$13.00	\$13.00	\$18.00
California, CA	\$33.00	\$18.00	\$48.00
Colorado, CO	\$18.00	\$13.00	\$28.00
Connecticut, CT	\$18.00	\$13.00	\$28.00
Delaware, DE	\$18.00	\$13.00	\$23.00
District of Columbia, DC	\$43.00	\$38.00	\$53.00
Florida, FL	\$28.00	\$13.00	\$38.00
Georgia, GA	\$13.00	\$8.00	\$18.00
Hawaii, HI	\$33.00	\$23.00	\$48.00
Idaho, ID	\$13.00	\$13.00	\$18.00
Illinois, IL	\$18.00	\$13.00	\$28.00
Indiana, IN	\$13.00	\$8.00	\$18.00
Iowa, IA	\$13.00	\$8.00	\$18.00
Kansas, KS	\$13.00	\$8.00	\$18.00
Kentucky, KY	\$13.00	\$13.00	\$18.00
Louisiana, LA	\$13.00	\$8.00	\$18.00
Maine, ME	\$13.00	\$13.00	\$23.00
Maryland, MD	\$18.00	\$13.00	\$28.00
Massachusetts, MA	\$18.00	\$13.00	\$28.00
Michigan, MI	\$13.00	\$8.00	\$18.00
Minnesota, MN	\$13.00	\$13.00	\$18.00
Mississippi, MS	\$13.00	\$8.00	\$18.00
Missouri, MO	\$13.00	\$8.00	\$18.00
Montana, MT	\$13.00	\$13.00	\$18.00
Nebraska, NE	\$13.00	\$8.00	\$18.00
Nevada, NV	\$18.00	\$13.00	\$28.00
New Hampshire, NH	\$18.00	\$13.00	\$23.00
New Jersey, NJ	\$18.00	\$13.00	\$28.00
New Mexico, NM	\$13.00	\$13.00	\$18.00
New York, NY	\$33.00	\$18.00	\$53.00
North Carolina, NC	\$18.00	\$13.00	\$23.00
North Dakota, ND	\$18.00	\$13.00	\$23.00
Ohio, OH	\$13.00	\$8.00	\$18.00
Oklahoma, OK	\$13.00	\$8.00	\$18.00
Oregon, OR	\$18.00	\$13.00	\$28.00
Pennsylvania, PA	\$18.00	\$13.00	\$23.00
Rhode Island, RI	\$18.00	\$13.00	\$23.00
South Carolina, SC	\$13.00	\$13.00	\$23.00
South Dakota, SD	\$13.00	\$8.00	\$13.00
Tennessee, TN	\$18.00	\$13.00	\$23.00
Texas, TX	\$23.00	\$13.00	\$28.00
Utah, UT	\$18.00	\$13.00	\$23.00
Vermont, VT	\$13.00	\$8.00	\$18.00
Virginia, VA	\$18.00	\$13.00	\$28.00
Washington, WA	\$18.00	\$13.00	\$28.00
West Virginia, WV	\$13.00	\$8.00	\$18.00
Wisconsin, WI	\$13.00	\$8.00	\$18.00
Wyoming, WY	\$13.00	\$8.00	\$18.00
<b>US Total</b>	<b>\$18.00</b>	<b>\$13.00</b>	<b>\$28.00</b>

**Table 1: Selected statistics on retail property rent per square foot per year (CityFeet.com, November 2018)**

<sup>1</sup> Jones Lang Lasalle 3Q 2018 Insights and Trends (<https://www.us.jll.com/en/trends-and-insights/research/office-market-statistics-trends>), accessed 11/28/18