

The economic effects of owner distance and local property management in US office markets

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Abstract

Using a large dataset of US offices we analyse the relationship between investors' distance to their assets and the effective rent of these assets, and study the extent to which property managers can influence this relationship. We construct hedonic rent models to control for other known rent determinants. It turns out that proximity matters: holding everything else constant, investors located closely to their office buildings are able to extract significantly higher effective rents from these assets, especially if these buildings are of low quality. This effect is due to significant differences in occupancy levels. Interestingly, property managers can affect this relationship, mitigating the adverse effects of investor distance on effective office rents. Especially if the owner does not reside in the same state as the building, external property management is of importance, most prominently so for class-B office buildings.

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