

Buildings Breathe as Uses Change

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The notion that the square footage of a building can change, even when there are no physical changes to its structure or enclosing walls, seems to be contrary to common sense. Nonetheless, it is a common occurrence in commercial real estate. There are several reasons why this happens, including changes in use and changes in measurement standards. Ignorance of this can have embarrassing and costly consequences for property managers and design professionals.

The commercial real estate market in North America consists of numerous sub-markets distinguished by use and geographic location. By use, the major commercial sub-markets are office, retail, industrial, and multi-unit residential properties. Each of those sub-markets employs measurement practices that are unique to that sub-market.

Office buildings use rentable area as the primary measure of their square footage, but retail buildings generally use gross leasable area, which is measured very differently than rentable area. Rentable area is defined by the Building Owners and Managers Association's "Standard Method of Measuring Floor Area in Office Buildings", but GLA is defined only by customary practices and has many variations. A building that changes use from office to retail will switch from rentable area to GLA as the appropriate measure of its square footage.

Likewise, industrial and residential buildings are measured using standards and practices unique to their sub-markets. BOMA, together with the Society of Industrial and Office Realtors, publishes the "Standard Method of Measuring Floor Area in Industrial Buildings." The National Association of Home Builders Research Council publishes "Square Footage: Method for Calculating" that is intended for use in single family dwellings and row houses, but is widely applied to apartment buildings. To make things even more complex, condominiums are subject to statutory measurement requirements in many states, which are different than practices for measuring apartments.

Building designs and leasing practices evolve over the years. Published measurement standards are periodically updated to stay current, with the result that the square footage of a building can change when it is re-measured under a new standard. One such change occurred in 1996 when BOMA published an updated standard for measuring office space. This new measurement method changed the rentable area of most office buildings in a manner consistent with current leasing practices. BOMA is now working on another new release of their eponymous measurement standard for offices, and is developing new measurement standards for retail and multi-unit residential properties.

Mixed use properties have brought to light many of the measurement differences within the various sub-markets. These properties can offer flexibility in allocation of space between uses but many measurement issues arise when portions of a property do change use or are changed from leased space into condominium ownership. In addition to knowing how to measure each

use, the challenge expands to techniques for segregating uses and allocating areas that are shared between various uses.

All of this makes the task of measuring commercial space challenging for property managers and design professionals. It's not enough to know only the mechanics of measuring distance and calculating floor areas. One must also understand how the methods of square footage measurement differ between each sub-market and how square footage can change as usage changes and standards evolve.

Buildings breathe. Like a reclining person's chest, their square footage rises and falls as their use changes and measurement standards evolve. Ignoring this incurs the risk of realizing less than the full value of a property or the liability of a costly lease audit.

As published in the Colorado Real Estate Journal, February, 2009

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