

Rentable Area: Opinion or Fact?

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A flat little shape that measures 12 inches on each of its four sides. It's a fact upon which we all can agree that it constitutes one square foot. Put it in an office building, however, and it becomes the subject of much discussion and opining, even lawsuits. Many attorneys will omit reference to rentable area in leases because there can be so many opinions about it. Why does this happen?

Perhaps the first reason is that there are no statutes that set the boundaries of the rentable area of a building and it sometimes tends to spill out onto the sidewalks and down the stairwells. Of course, there are voluntary standards, most significantly the Building Owners and Managers Association's "Standard Method for Measuring Floor Area in Office Buildings". Although this standard is the dominant one in the United States, it often is used as the starting point for "Modified BOMA" measurements, and that can mean almost anything. Even when some distorted version of the BOMA standard is adopted, its application suffers because most design professionals, who have the best tools (like computer aided design systems) and the understanding of how buildings work, do not take the time, and in some cases aren't inclined, to learn the 27-page standard. Henry Chamberlain, BOMA's President and chief executive officer, has cited this as one of the biggest complaints of BOMA members.

What makes mastering the BOMA Standard do hard? Shouldn't any idiot with a tape measure be able to measure floor area? There are, in fact, two aspects of the BOMA Standard that go well beyond mere dimensions and length-times-width calculations. The first is space classification and the second is allocation of common areas.

Space classification starts with a determination of what is part of the building and what isn't. This distinction is actually quite difficult in multi-use properties in which the BOMA standard is being applied to only the office portion of a property. It is also a challenge when a building sits atop a parking garage (parking is not included in rentable area) that contains many building services like mechanical rooms. Once the building and its total rentable areas are outlined (hopefully within its walls), the next challenge is determining what space to classify as "usable" versus "common". There is great diversity of opinion about what "usable" means and the common sense definition of "space where you can put people and furniture" seems to have gone literally out the window or down the toilet. The BOMA standard includes a clear definition of "usable". A companion document, "Answers to 26 Key Questions about The ANSI/BOMA Standard" is available free from BOMA and is focuses space classification issues like the meaning of "usable".

Unlike measurement standards used in many other parts of the world, the U. S. system incorporates an allocation of common areas in each tenant's rentable area. This is accomplished using a "load factor", called the rentable-usable (R/U) ratio in the BOMA Standard. The load factor can be a sensitive issue in marketing and lease negotiations, so every effort is made to keep it low, inspiring some optimistic definitions of usable area. Also, its application must not

result in variation in a building's rentable area, an important figure not only to a property's financial stakeholders but also to property managers. Finally, application of a load factor must be as simple as possible to avoid mistakes in calculating rentable areas. This last point is at odds with the current BOMA standard, which specifies two load factors, one of which is unique for each floor of a building. A single load factor for the entire building is preferred, but there are mathematical challenges getting this to work without variation in rentable area. The market exhibits boundless creativity in the creation and application of load factors, but for those who adopt it, the BOMA standard is crystal clear in this respect.

These are the reasons that there is so much opinion in the calculation of rentable areas. Given this, the best way of reducing opinion to fact is clear documentation. It's always been a good idea to include a floor plan as a lease exhibit, but because the load factors allocate common areas across all floors of a building, a full set of measurement plans and calculations should be available to tenants. This way, property managers can effectively deal with Daniel Patrick Moynihan's observation that "you are entitled to your own opinion, but you are not entitled to your own facts."

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