

There's nothing simple about square footage

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by Eric Gold

If you're an office tenant, "confusing" and "unclear" are two words you definitely don't want associated with your leasing dollars. And yet, those terms very accurately describe today's methodologies for measuring square footage, at least in metro Denver.

The "standard" for measuring square footage in office buildings has always been complicated at best, even for design and real estate professionals. Most reputable landlords today adhere to the Building Owners and Managers (BOMA) standard for measuring office building floor space. But they don't have to. There is no oversight entity instructing landlords as to how they must measure square footage within their buildings.

Consequently, two suites listed as the same size in two separate buildings can vary significantly in physical/usable space, depending on which standard the landlord employs, assuming a standard was used at all. So what is a tenant supposed to do?

First and foremost is to determine how a suite's square footage is specifically defined in the lease document. Generally, "usable" square footage is the space a tenant sets its furniture on, the space a tenant can walk on.



"Rentable" square footage sounds self-explanatory, but it's not. Typically, rentable square footage is the space the tenant actually pays for. But that can be misleading, as well. A 2000-square-foot space almost never adds up to 2000 square feet the tenant can actually use. It's less than that, regardless of what type of measurement is used.

Some methods of measurement call for the rentable area to extend to the inside edge of the suite's glass line. Others use the center line of the suite's dividing walls. Still others tack on rentable square footage from outside of the building.

If that weren't confusing enough, the wildcard in this already unsteady equation is the common area factor. In multi-tenant buildings, common areas can refer to "shared" spaces on the tenant's floor, and in the building as a

Eric Gold whole.

"Circulation" areas within the suite — like corridors and lobbies — can bite off as much as 20 percent or more of the total space. Other common areas within the building can include rest rooms, elevator and main lobbies, conference areas and health facilities, many of which a tenant may never use, but is charged a pro rata share in its lease rate. A multi-tenant building common area factor is about 16 percent on average, but can run much higher.

The common area factor can also be referred to as the "rentable/usable" (R/U) ratio, or the "load factor." The methods used to calculate it can be as arbitrary as those used to calculate rentable and usable square footage. Regardless of which method is used, the common area factor is the linchpin in any square footage negotiation. Or at least it should be.

The most common gripe among office tenants is having to pay for space they don't or can't use. One reason for that is the lack of efficiency in the tenant's specific suite. The circulation factor may have been excessively high, or the space may have just been planned in a way that did not maximize the tenant's operating requirements. And of course, there are amenities.

The more amenities, the higher the common area factor. Tenants are routinely shocked to learn that they're chipping in each month for the cost and maintenance of the building's workout room, child care facility, pool and café, when nobody in their office actually uses any of those amenities. And it doesn't end there.

Common area factors can vary significantly from floor to floor within the same building. So tenants need to be sure about how much usable square footage they really need before making comparisons of any kind, and make certain there are no ambiguities in the lease language.

It behooves landlords to keep the load factor as low as possible for their own marketing purposes, and tenants need to verify the accuracy of that factor.

That is not to imply that landlords and property managers are dishonest when negotiating a tenant's lease. It's simply a fact that much, if not most of the lease language associated with measuring square footage is subject to interpretation. Tenants can ill-afford to guess at a landlord's intent when several hundred thousand dollars of lease payments are at stake.

The only real way to deal with that is to refer to the landlord's documentation, which gets us back to that elusive measurement "standard." Whether it's the current BOMA standard, a modified version, or something altogether different, every landlord should have accurate and up to date documentation of the building's square footage compiled by a qualified architect or space planner.

There's no reason why square footage calculations should not be clearly defined before the lease is signed. For tenants who are committed to lease in a building without documentation, it would be in their best interest to hire their own expert to compile and document those measurements.

At the end of the day, it doesn't really matter if the landlord chooses to use this standard or that standard. What matters is that the space in that tenant's prospective suite be converted to a true cost per usable square foot.

That's the only way to get an apples-to-apples comparison.

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