

A global standard for measuring property? NYC's not buying in

City's real estate industry dismisses universal system for assessing size of office buildings

July 09, 2014 09:00AM

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From left: Kenneth Creighton, Peter Boritz and Marisa Manley

In commercial real estate, size does matter. But a global effort to more clearly define office building size is being seen by New York real estate players as a non-starter.

The International Property Measurement Standards Coalition, a nonprofit group of 45 national and international real estate organizations, is looking to implement a single measurement system for the global office market. The hope is that a common set of standards will function as a sort of lingua franca across different office markets — which often have drastically different measurement methods — and allow investors, landlords and tenants to more accurately compare spaces and buildings.

The coalition first published [a draft set of standards](#) in January. It will put out a second draft next week, with a final version slated for release in November.

“The key point is that with all of these differences in local markets, we’re giving people the option to have comparability,” said Kenneth Creighton, the president of the coalition, which was formed during a meeting at the World Bank last year.

Those backing the standards tout the potential for increased transparency. “The many different ways of measuring space in markets may result in the distortion of true values,” John Saunders, head of Asian real estate at asset management giant BlackRock, said in a statement on the coalition’s website. Executives from international offices of brokerages such as JLL and CBRE also expressed support for the standards, as did Steve Williams, an executive managing

director at New York-based Real Capital Analytics. The government of Dubai has also officially embraced the coalition's standards, and in October the emirate announced that it would officially adopt them.

In New York, however, the reception to the initiative has been far frostier. Those doing the measuring for some of the city's biggest landlords dismissed the need for new standards. The idea that such standards would increase the transparency in the New York market "has no basis," said Peter Boritz, CEO of Real Data Management.

Nationally, most buildings are measured according to guidelines set by the Building Owners and Managers Association (BOMA), which is a member of the IPMS coalition and ostensibly has influence over the standards the coalition will release. In New York, however, most buildings are measured according to REBNY guidelines, which allow for much more aggressive measurements that result [in larger numbers for rentable space](#), as *TRD* reported.

The Durst Organization's One World Trade Center, for example, was initially pegged at 2.6 million square feet, but later shot up to 3 million square feet following a remeasurement based on REBNY guidelines. Tishman Speyer's MetLife Building at 200 Park Avenue is now put at 3.1 million square feet, a 275,000-square-foot increase from a decade ago. The growth in rentable area resulted in a \$24.3 million increase in annual rental income, according to data from tenant advisory firm Commercial Tenant Real Estate Representation.

Representatives for REBNY didn't respond to requests for comment.

If the coalition's standards were applied in New York, they would likely result in a drastic reduction of buildings' rentable areas and thus reduce the value of the assets, according to Boritz. "It could change the investment sales markets," he said. "Certainly, landlords could increase rents substantially to offset this, but that would create an entirely new set of issues."

Creighton said that such statements illustrated a lack of understanding of the coalition's intentions. "We're not talking about value, we're talking about measurement," he said. "The value is set by the market." Having global standards, he said, would simply make it easier for tenants to compare spaces in a more consistent manner.

But some of the city's tenant representatives said that the initiative was a distraction and could further complicate landlord-tenant discussions. "This is absolutely not good for tenants," said Marisa Manley, the president of Commercial Tenant Real Estate Representation. "It creates a distraction and a potential source of friction," she added. "It's kind of like hamsters running on a wheel — there's a certain amount of energy being expended here."

Instead of advocating for new standards, Manley suggested that tenant brokers should focus on building better relationships with landlords, so that they can get meaningful concessions such as tenant improvements and extended HVAC hours.

Another issue with universal standards, said Keith Keppler of tenant representation firm Cresa New York, is that space usage can vary drastically from building to building. "Measurement is irrelevant," Keppler said. "You can put 100 people into 15,000 square feet in one building. In another it could take 20,000 [square feet]."

New York landlords are highly unlikely to embrace the initiative, said David Hoffman, a veteran leasing broker at Cassidy Turley. "If you were a major institutional investor that paid a premium

to buy a trophy asset, and you bought it based on a certain price per square foot and that's how you underwrote it, you'd have a tough time going to your boss with a smaller square footage," he said.

Hoffman finds it interesting that the coalition was taking the time to study global measurement standards and create some uniformity, but said he didn't see the benefit to tenants. Though tenants might be ignorant of New York's high loss factor when they start their space quest, "they're brought up the learning curve" by their brokers, Hoffman said.

Boritz questioned the coalition's motivations. "The forces driving this initiative are primarily large corporate tenants that don't have any real authority and are not any different than a special interest lobbying group," he said.

But Creighton said that New York had to recognize that it was part of the global office marketplace. "If they [New York] think they can be an island and still be a leader in the property market, it's not right," he said. "Instead of fearing the standards, they should be embracing them."

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