



# NEWS Release

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## **TAKING THE MEASUREMENT OF THE NEW INTERNATIONAL PROPERTY MEASUREMENT**

In May 2013, an organization called the International Property Measurement Standards Coalition (“the Coalition”) was formed by a group of professional and non-profit organizations with a stated intent of harmonizing international standards for the measurement of physical spaces across international markets. On November 24, 2014, the Coalition published the first of what will be a series of four measurement standards. Each set is referred to as International Property Measurement Standards (“IPMS”). The first set, which addresses the measurement of office spaces (helpfully titled “IPMS for Office Buildings”), will be followed by residential standards (which are currently under public consultation). Industrial and retail standards are to follow.

Publication of the IPMS for Office Buildings has a few people in the commercial leasing industry scratching their heads about the potential impact of these new standards. The goal of the Coalition is worthwhile – to develop a standard method of measuring physical spaces in an attempt to promote transparency in cross-border property-related transactions – but it seems the ultimate impact of the IPMS may be limited in the Canadian leasing market, as they fail to address some critical leasing-specific concerns.

### **Setting the Standard**

Following suit with the accounting community, which in recent years adopted the International Financial Reporting Standards, the Coalition was founded on the principle that a standardized approach to measuring physical space was needed in an increasingly global marketplace. The Coalition estimates that measurement standards around the world yield area measurement results that vary significantly by market – up to 24%. For example, some practices permit the inclusion of certain off-site areas (such as parking facilities) in the building floor area measurement, while other standards restrict measurement to air-conditioned spaces only. All of this can spawn confusion and disrupt cross-border investment.

The Coalition believes that the adoption of a unified set of inclusions and exclusions in property measurement will increase transparency in property data and will facilitate international transactions.

In Canada, BOMA (which stands for “Building Owners and Managers Association”) is one of the most widely recognized associations dealing with commercial property ownership and management. It advocates and monitors trends, lobbies for legislation, and produces educational materials. BOMA has also established various standards for measuring physical spaces that have been published by the American National Standards Institute (ANSI). Significantly, the adoption of any measurement standard in Canada is voluntary. While measurement standards remain unregulated, it is worth noting that the ANSI-BOMA standards are broadly recognized and used across Canada.

### **Similarities between IPMS and BOMA Standards**

The most recent BOMA measurement standard, published in 2010, provides two methods of measuring building spaces: the “Legacy Method”, and the “Single Load Factor Method”. Under the Legacy Method, the measurement of a tenant’s unit is typically grossed up to include a proportionate share of building amenities and service areas located on the same floor as the unit. Under the Single Load Factor Method, the amenities and service areas across the whole building are taken into account to obtain a single gross-up factor that is applied to all tenants.

The IPMS for Office Buildings is comprised of 3 sets of measurement standards: IPMS 1, IPMS 2, and IPMS 3.

IPMS 1 deals primarily with measuring the area of an entire building (including external walls) and is most relevant in the planning and development stages. This set of standards applies to all classes of buildings. It can be used to get a sense of the physical layout of the building, as well as for costing purposes. IPMS 2 measures the interior area and categorizes the use of space in a building (for example, circulation areas, workspaces, hygiene

areas, structural elements, technical services, etc.). This set of standards is most relevant in providing information with respect to the efficient use of space that prospective tenants and purchasers may wish to use for benchmarking across various properties. IPMS 3 addresses the measurement of areas of the building used exclusively by occupants; it is most relevant to tenants, property managers and owners.

For those familiar with the existing BOMA standards and materials, IPMS 1, 2, and 3 are, respectively, comparable to the definition of “Construction Gross Area” in the BOMA publication “The Gross Areas of a Building: Methods of Measurement”, the BOMA 2010 definition of “Internal Gross Area”, and the BOMA 2010 definition of “Occupant Area”.

It seems the approach taken by the Coalition in promulgating the IPMS will not be entirely unfamiliar to the Canadian market. However, the IPMS do not provide gross-ups for common facilities and service areas and exclude certain areas from measurement (such as balconies, covered galleries, and rooftop terraces).

### **Looking Forward**

The Coalition hopes that the IPMS will supersede BOMA standards. BOMA

has already endorsed the Coalition’s efforts and signed on as a member. It therefore seems likely that future BOMA standards will adopt or integrate the IPMS approach, or at least include standards that are compatible with the IPMS approach. Given that the IPMS for Office Buildings bears a number of similarities with existing BOMA standards, any changes resulting from the publication and/or adoption of the IPMS should be manageable. However, given the differences, it is theorized that although the IPMS may come to play an important role in terms of valuing property, it will likely need to be supplemented to incorporate established methods of grossing-up usable area to pick-up certain common areas, especially in office properties for leasing purposes.

Ultimately, however, none of these standards is mandatory. In Canada, the use of any particular standard of measurement remains up to each property owner, making the actual impact that the IPMS will have on the Canadian market difficult to gauge. In a lease, adoption of any standard is contractual (i.e. it can be negotiated). Based on global forces in the marketplace, it certainly seems likely that the real estate industry might wish to adopt a world-wide standard for property measurement. However, the fact remains that if the IPMS fail to account for the specific needs of the leasing industry, they are unlikely to make a significant impression on the leasing landscape.

## **ANNOUNCEMENT**

Daoust Vukovich LLP is pleased to announce the return of **Kenneth Pimentel** to the DV family. Ken’s practice will focus primarily on real estate transactions, including the acquisition, disposition, financing and development of land involving commercial, retail and industrial properties. Ken can be reached at 416-479-4463 and at [kpimentel@dv-law.com](mailto:kpimentel@dv-law.com).



Our secret for closing files lies as much in what is taken out as in what is put in. By eliminating exorbitant expenses and excess time, by shortening the process through practical application of our knowledge, and by efficiently working to implement the best course of action, we keep our clients’ needs foremost in our minds. There is beauty in simplicity. We avoid clutter and invest in results.

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MARY ANN BADON  
416-598-7056  
[mbadon@dv-law.com](mailto:mbadon@dv-law.com)

FRANCINE BAKER-SIGAL  
416-597-8755  
[francine@dv-law.com](mailto:francine@dv-law.com)

JEANNE BAN KA  
416-597-0830  
[jbanka@dv-law.com](mailto:jbanka@dv-law.com)

CANDACE COOPER  
416-597-8578  
[ccooper@dv-law.com](mailto:ccooper@dv-law.com)

DENNIS DAoust  
416-597-9339  
[ddaoust@dv-law.com](mailto:ddaoust@dv-law.com)

BITALI FIJI  
416-598-7053  
[bitalifi@dv-law.com](mailto:bitalifi@dv-law.com)

GASPER GALATI  
416-598-7050  
[ggalati@dv-law.com](mailto:ggalati@dv-law.com)

S. RONALD HABER  
416-597-6824  
[rhaber@dv-law.com](mailto:rhaber@dv-law.com)

WOLFGANG KAUFMANN  
416-597-3952  
[wolfgang@dv-law.com](mailto:wolfgang@dv-law.com)

LYNN LARMAN  
416-598-7058  
[llarman@dv-law.com](mailto:llarman@dv-law.com)

MIMI LIN  
416-597-8493  
[mimil@dv-law.com](mailto:mimil@dv-law.com)

MEI ISSA M. MCBAIN  
416-598-7038  
[mmcbain@dv-law.com](mailto:mmcbain@dv-law.com)

JENNA MORLEY  
416-597-9225  
[jmorley@dv-law.com](mailto:jmorley@dv-law.com)

JAMIE PAQUIN  
416-598-7059  
[jpaquin@dv-law.com](mailto:jpaquin@dv-law.com)

BRIAN PARKER  
416-591-3036  
[bparker@dv-law.com](mailto:bparker@dv-law.com)

PORTIA PANG  
416-597-9384  
[ppang@dv-law.com](mailto:ppang@dv-law.com)

ALICE PERALTA  
416-597-1536  
[aperalta@dv-law.com](mailto:aperalta@dv-law.com)

KENNETH PIMENTEL  
416-479-4463  
[kpimentel@dv-law.com](mailto:kpimentel@dv-law.com)

NATALIE VUKOVICH  
416-597-8911  
[nvukovich@dv-law.com](mailto:nvukovich@dv-law.com)

DANIEL WALDMAN  
416-479-4355  
[dwaldman@dv-law.com](mailto:dwaldman@dv-law.com)

DEBORAH A. WATKINS  
416-598-7042  
[dwatkins@dv-law.com](mailto:dwatkins@dv-law.com)