

The Case for Consistent Property Measurement Standards – the Dawn of a New Era

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SUMMARY

In real estate, size matters. Regardless of asset class – office, retail, industrial or residential - size affects every element of property decision-making, from appraisal, assessing workspace layout and suitability, to planning and predicting likely running costs fit-out expenses and reinstatement values. It is also a crucial factor in determining the total amount of rent an occupier will pay.

When comparing assets across a portfolio and across geographies -to be able to do so, on a consistent and transparent basis requires a consistent measurement basis to underpin the due diligence. Where there are multiple bases of measurement, which could then be applied or even interpreted inconsistently, comparing properties can often be challenging and decision-making is then neither transparent nor quick.

Research from JLL conducted for the Royal Institution of Chartered Surveyors ('RICS') showed that differing measurement standards between regions could cause variance of up to 24% in floorspace. RICS meanwhile found that, when it came to residential property, the discrepancy could be as much as 58.21%.

For example, a landlord may choose to measure their property on a net basis, that is 100 per cent efficiency. Another landlord may also be quoting the same rate for the same quoted area, but they measure their property on a gross basis, with a 60 per cent efficiency. Effectively, this means that while the unit rate and the quoted area could be the same, the actual price you are paying for the useable space in the second property is not. With different efficiencies being quoted for different buildings, you cannot compare properties using the unit rate without first having made a number of adjustments to the

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figures.

As real estate professionals we have a duty to promote trust in the profession by applying consistent and transparent standards; but with so many potential uncertainties in property measurement this could result in confusion for clients and the general.

Step forward the publication of ‘International Property Measurement Standards (IPMS) All Buildings’ – which will replace asset-specific versions to support international collaboration. As an overarching standard for all buildings, the forthcoming IPMS All Buildings is a culmination of work by the International Property Measurement Standards Coalition (IPMSC) over the past ten years.

A new era of consistency and transparency is here and now, it is the responsibility of real estate professionals to understand and to implement the new standard whilst raising awareness and adoption amongst their client base. The future is now.

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