

Use of a Single R/U Ratio in Office Buildings

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Many property managers want a floor area measurement method that gives them single R/U Ratio that can be applied to all floors of a building. Compared to the “Strict BOMA” Method that employs a different R/U Ratio for each floor of a building, use of a single R/U Ratio is seen as offering the following advantages:

- During initial lease-up of a new office building and before tenant build-out, it is not uncommon for a landlord to ask a partial-floor tenant to relocate between floors as new tenants are signed and it becomes obvious how the building will lease up most efficiently. Having the same R/U Ratio on all floors makes it easier to do this.
- When a new tenant has a choice of floors on which to locate, a low R/U Ratio on a floor can influence the tenant’s decision about which location to chose, possibly negatively from the standpoint of good tenant planning and future tenant expansion options.
- Existing tenants who have to expand by relocating to a different floor that has a higher R/U Ratio resist it, with the result that the rent rate may be negotiated down or the tenant may look at other properties.
- When multiple brokers are employed during lease-up, multiple R/U Ratios are more likely to lead to mistakes in figuring Rentable Area.
- Under the “Strict BOMA” method, R/U Ratios change over time as corridor configurations change. This makes the table of R/U Ratios for a building time-sensitive, increasing the likelihood that the wrong R/U Ratio will be used because the R/U Ratio Table employed is out of date.
- Many developers publish marketing brochures that quote an R/U Ratio. They dislike the complexity of a table showing R/U Ratios for all floors and want the simplicity of a single R/U Ratio for all floors.
- During lease-up, floors with high R/U Ratios are more difficult to lease.

The current BOMA Standard (ANSI/BOMA Z65.1-1996) is still a floor-by floor measurement method that applies a different effective R/U Ratio to each floor of a building. The BOMA R/U Ratio varies as a function of the amount of corridor that exists on each floor, and other factors.

The use of alternate (sometimes referred to as “Modified BOMA”) methods employing a single R/U Ratio for all floors in a building creates several issues. They are:

1. They are NOT in conformance with the BOMA Standard,
2. They significantly re-allocate Rentable Areas between the floors of a building (compared to the BOMA Standard),
3. They can cause significant fluctuations in the Rentable Area of a building if not implemented properly.

The first issue cannot be helped because the Standard is clear on this point. The Global Summary of Areas on pages 26 and 27 of the Standard are unambiguous about the required math, and the “Overview of Method” on page 4 is likewise clear. Use of a single R/U Ratio on all floors is not the intention of the BOMA Standard. However, there are many features of the BOMA Standard (inclusion or exclusion of space, classification of space, determination of space class boundaries, etc.) that are useful. Therefore it has become common for landlords to cite a “Modified BOMA”

wherein all provisions of the standard are followed except those pertaining to calculation of the R/U Ratio.

The second issue can lead to major liability exposure for landlords if the first issue is not addressed in the lease. This liability occurs in the form of a potential law suit for rent abatement (including past years rent paid) for square footage not calculated under the standard cited in the lease. When such a suit is successful, prior years CAM allocations and escalations also have to be re-figured and adjustments made with all other tenants, triggering concerns from other tenants about square footage calculations.

The third issue requires some compromise on the part of the landlord because of how the math has to work to stabilize the Rentable Area of a building. It is possible to use:

1. One single Single-Tenant R/U Ratio for all floors of a building, in which case the Multi-tenant R/U Ratio must be allowed to vary between the multi-tenant floors of a building.
2. One single Multi-tenant R/U Ratio for all floors of a building (in which case the Single-tenant R/U Ratio must be allowed to vary between the single tenant floors of a building).

It is usually impossible in a high-rise building to use both a single Single-Tenant R/U Ratio for all floors of a building and a single Multi-tenant R/U Ratio for all floors of a building without fluctuation over time in the Rentable Area of the building.

Each alternative works equally well in maintaining the Rentable Area of the building at a fixed number over time. The preference of the property manager determines which alternative is utilized, but most choose to fix the Multi-tenant R/U Ratio because that ratio is necessary on multi-tenant floors and a Single-Tenant R/U Ratio is actually unnecessary for leasing. The Single-Tenant R/U Ratio is an interesting statistic, but the Rentable Area of a floor is what it is on the chart, and you do not have to use the R/U Ratio to compute Rentable Area for a full-floor tenant. Some property managers do not even mention the R/U Ratio to full-floor tenants. If a full-floor tenant wants to know what their R/U Ratio is, their space planner can compute it using their own definition of Usable Area (which they should do anyway).

Although either approach works, those doing the area calculations must follow these procedures for measuring tenant areas on multi-tenant floors:

1. It is essential to maintain complete graphic documentation, either manually or using CAD, to record the usable and common rentable areas and their boundaries on each floor of the property.
2. If the Multi-tenant R/U is used as the single R/U Ratio for the building, A Minimum Multi-tenant Corridor must be defined for every floor of the building where multi-tenant occupancy is feasible, whether or not some floors will be actually leased to full-floor tenants. The Multi-tenant Usable Area on each floor is calculated as the total Usable Area less the Minimum Multi-tenant Corridor.
3. The single Multi-tenant R/U Ratio for the building becomes the total Rentable Area of the Building divided by the total Multi-tenant Usable Area of the building.
4. The Rentable Area for each floor of the building becomes the product of that floor's Multi-tenant Usable Area and the building's R/U Ratio.
5. In figuring individual tenant Usable Areas, always use the Minimum Multi tenant Corridor (not the actual corridor) as the boundary for tenant usable area.

- a. If a tenant's actual Usable Area overlaps with the area of a Minimum Multi-tenant Corridor, that overlap area is "free" to the tenant and is not included in the tenant's Usable Area. This avoids "double-dipping" square footage (not allowed by the BOMA Standard). This might happen if, for instance, a corridor as built is narrower or shorter than the Minimum Multi-tenant Corridor.
- b. If a tenants actual usable area does not extend to meet the boundary of the Minimum Multi-tenant Corridor, a corridor extension is created. The area of the corridor extension is included in the Usable Area of the tenant(s) that require it. If more than one tenant requires a corridor extension, the area of the extension may be allocated to the tenants on one of two basis: The first is to use the number of doors into the corridor extension, and the second is to use the Usable Area of each tenant (net of the extension) to pro-rate the area of the extension. There are more ways to do this conceptually, but these are the two methods that are the most common.

In summary, it is possible to employ a single R/U Ratio in determining Rentable Areas of all multi-tenant suites in a building. This approach can result in many advantages over the life of a property. However there are significant pitfalls to be avoided. The most critical things a landlord must do when employing a single R/U Ratio for all floors of a building are:

1. Make sure that the lease indicates the actual measurement standard employed. The words "Modified BOMA" by themselves are ambiguous and do not suffice. An alternate Phrase would be "Space is measured under ANSI/BOMA Z65.1-1996 with the exception that a single multi-tenant R/U Ratio was employed in conjunction standard minimum multi-tenant corridors to determine the Rentable Area of each floor of the building. This exception does not increase the Rentable Area of the building beyond that allowed under ANSI/BOMA Z5.1-1996". The reader should seek legal advice in the drafting of a lease.
2. It is essential to maintain graphic documentation showing the boundaries of all classes of space on all floors of a building, and whoever does the floor area measurements for leasing should be thoroughly versed and trained on the rules mentioned above for measuring multi-tenant floors.
3. If a Multi-Tenant R/U Ratio is quoted, the Full-floor R/U Ratio must be allowed to vary between floors (and vice-versa).

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