

# **The case for consistent property measurement standards – the dawn of a new era. (12096)**

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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.

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.

The object of the exercise is to give confidence to those who undertake or are users of property measurement services. Without a standardised approach – the chances of practitioner and public confidence being undermined are high, which ultimately places the future of the profession at risk. This paper will highlight some of the issues involved, the engagement process and the status of the new All Buildings standard.

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## **1. BACKGROUND**

- 1.1 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.
- 1.2 When founded, the coalition brought together built environment organisations from around the world to help align measurement practices in a global investment environment. It produced standards for measuring office, residential, industrial and retail buildings.
- 1.3 It had become clear that a global standard was necessary to ensure fairness and transparency for all stakeholders. 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%.
- 1.4 These discrepancies could cause very real practical problems for measurers, 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.
- 1.5 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 figures.
- 1.6 Another example of where confusion may arise is when occupiers are looking at property options. Due to the different methods of measurement that have been applied, an occupier looking for cost savings may end up taking an office at a higher unit rate than they are currently paying, or an occupier looking for a larger office may actually end up in a space that quotes a smaller area than that of their existing premises, although in actual fact it is physically larger (Parker, T, 2020).

## **2. IPMS ALL BUILDINGS**

- 2.1 Many market participants have been awaiting an all-buildings standard before adopting IPMS, according to the executive secretary of the IPMSC Standards Setting Committee

(SSC) and International Valuation Standards Council (IVSC) director of technical standards Alexander Aronsohn. IPMS All Buildings will therefore replace the previous asset-specific standards, making it more user-friendly and enabling easier comparison between buildings.

2.2 Set out below shows high level information as to how IPMS All Buildings relates to other measurement standards. IPMS 1 External Measurement and IPMS 2 Internal Measurement remain effectively the same in the all-buildings standard, although they have been simplified and the way they should be used has been clarified.

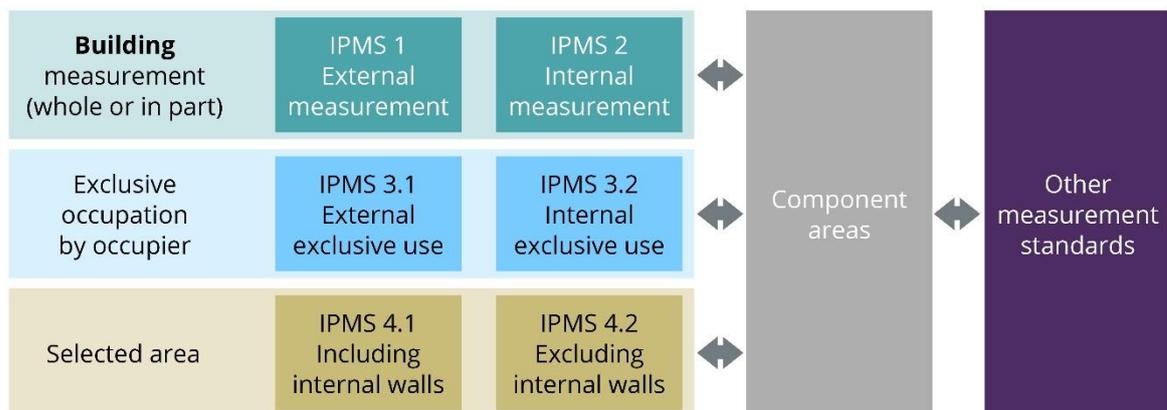
***Structure of IPMS All Buildings and relationship to other standards***

2.3 IPMS 1 and IPMS 2 are external and internal measurements respectively for a whole or part of a building.

IPMS 3.1 and IPMS 3.2 are external and internal measurements respectively required for exclusive occupation.

IPMS 4.1 and IPMS 4.2 are internal measurements required for selected areas, including internal walls and columns and excluding walls and columns respectively.

2.4 The use of component areas is optional; however, they enable analysis of a building and can also be used to convert between IPMS and other standards.



2.5 IPMS 4.1 and IPMS 4.2 measurements of a selected area will be of particular relevance to RICS members. These categories enable them to apply IPMS to an area in a multi-occupancy building let to one occupier, for instance.

2.6 The two measurements can also be used to compare similar spaces, such as patient rooms in a hospital. The provision through IPMS to measure selected areas provides sufficient flexibility to bring measurements into line with an instruction, so RICS members can compare previous measurements with IPMS on a like-for-like basis.

- 2.7 While a unit of measurement is basically the same all over the world, what makes a difference in measuring an asset is what is included in or excluded from it. IPMS therefore uses component areas, which could be described as the 'Lego bricks' of the standards.
- 2.8 These components can be more easily translated into different standards around the world, so members can report easily in whatever form a stakeholder prefers, whether in local standards, IPMS, or both.
- 2.9 The need for IPMS across all markets has never been greater. All organisations, private and public sector will be looking at its space requirements, in light of the legacy changes prompted by the pandemic and the imperative for sustainability. Measurement underpins all of this. An executive team / real estate leader cannot make strategic decisions on real estate without understanding the basics – such as ‘what size is this building? How much space does the organisation use’?’
- 2.10 That strategic aspect is vital for all stakeholders, from investors to facilities managers. With many organisations implementing a hybrid working pattern incorporating the office and home working, there is likely to be an increase in the need for office measurements as investors and occupiers reconsider their space requirements. This reflects a move away from minimising space per occupant to a more nuanced, activity-based approach that focuses on maximising performance.

### ***Promoting international collaboration***

- 2.11 It is hoped that IPMS will show the value of global coalitions in sharing good practice and encouraging adoption.
- 2.12 The first government adoption of the original IPMS was in 2013 by the Dubai Land Department, which was keen to improve transparency in the region. The UK government, Jamaica's National Land Agency and Housing New Zealand were among the bodies and governments to follow in committing to implementation.
- 2.13 Major businesses signed on as partners, agreeing to help establish support for IPMS. Between them, these cover many fields including consultancy, architecture, academia, construction, corporate occupation, data provision and investment.
- 2.14 The make-up of the IPMSC is a key strength. Partners include the Building Owners and Managers Association International, the China Institute of Real Estate Appraisers and Agents, the International Federation of Surveyors, the Council of European Geodetic Surveyors, and senior participants from facilities management, architecture, valuation structural engineering and building surveying. These stakeholders clearly place considerable importance on international measurement standards.

### **3. CONCLUSION**

3.1 Nothing is possible in the built environment without accurate measurement from construction to valuation. If that information is inaccurate at source then it affects the whole chain of value – hence the critical importance of robust international measurement standards.

3.2 The introduction of the new IPMS All Buildings standard will only gain traction in the market if it is properly communicated to all real estate and allied professions such as the architects, contractors, developers and facilities managers. Widespread adoption would serve to improve client confidence and reduce litigation as well as improved market efficiency and transparency.

3.3 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.

#### **Suggested reading**

Claudia Conway, 'IPMS All Buildings set to encourage adoption' RICS Property Journal (2022)

James Vincent, Beyond Measure: The Hidden History of Measurement (2022)

Tom Parker, The case for measurement standards in commercial property, RICS Property Journal (2020)

Dr Lesley Hemphill and Dr Jasmine Lay Cheng Lim, Residential Property Measurement Practice – Evidence from World Regions (2016)

#### **BIOGRAPHICAL NOTES**

As part of the Professional Groups and Forums team at RICS, Nigel sits on a number of commercial property-related panels whose function is to shape industry best practice, raise standards and develop policy. He also has joint responsibility for (and input into) the guidance notes, journals, articles and forums produced and managed by these groups.

Nigel comes from a valuation background, having previously worked at Deloitte LLP. He has experience in valuation for secured lending, risk management and governance. Nigel has experience in the financial modelling of institutional investment in the residential sector and development/estate regeneration advice.

He is keen to drive standards within the industry and raise the profile of the RICS with the membership.

Nigel has been previously involved with the RICS in a number of different guises; as a former RICS Matrics UK Chair (2013-2014), the Matrics global representative on RICS International Governing Council (2013-2014) and the Matrics representative on the RICS Nominations Committee (2011-2013).

## **CONTACTS**

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