

Unraveling the rentable square-foot mystery

BY ROBERT HOPPER

When is a square foot not a square foot? If you're in the market for office space, the wrong answer can be costly.

Businesses commonly project how many total square feet of office space will meet their current and future needs and concentrate on shopping for a good dollars-per-square-foot rental rate. In fact, rate shopping may not be the best way to minimize expense. "Rentable square feet" includes a lot of space that's not inside your actual office and how much additional space you pay for can vary considerably from one building to another.

Measurement is often via local custom. In California, where the architecture features beautiful overhangs, buildings are measured from drip line to drip line; in New York City the variance is often so high it is joked that landlords measure from middle of the street to middle of the street. Fortunately, neither is the case in Fairfield or Westchester counties, but we have seen recent instances of offices that mysteriously "grow" in size when an unwary new tenant rents the identical space.

The good news is that an experienced broker who knows the history of buildings in our area can steer you clear of these arbitrarily expanded properties. Having a broker that works for you can produce big savings, while the landlord pays the commissions.

Let's take a look at how space is calculated in commercial real estate. "Rentable square feet," the largest number and the one used to calculate the annual rent, includes your pro rata percentage of common areas: hallways, lobbies, cafeterias, building conference rooms. Subtract from that a "building loss factor" and you get the square feet of the space your company actually inhabits. The usable square footage is

calculated from the middle of the glass-line to the middle of the demising wall that cuts your premises out of the building.

Best practices for determining the loss factor, published by the nationwide Building Owners and Management Association (BOMA), are typically employed for large-scale leases to multinational corporations. BOMA calls for the removal of vertical penetrations, electrical closets, fire stairs, etc. For most other local office space users, how many extra square feet are included is often set at the landlord's discretion.

The typical building loss factor in our area can range from 8 percent to 25 percent. Do you really need to pay for that much extra space outside your office? Rentable to usable conversion by itself can be very costly.

The "carpetable space" will likely be smaller yet. After taking into account such elements as wall convection units, column sizes and column spacing, you may find carpetable square footage to be 10 percent (or more) smaller than usable. By now you probably have your calculator out, figuring out how much you could save by finding a way to plug the square-foot leak.

Once you understand the space you are paying for, evaluating your office workflow and its "circulation factor" provides another opportunity to minimize your office expense when you're looking for new space. Different buildings offer different configuration pos-



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sibilities; a space that is perfect for one type of business may not work at all for another.

A law firm, for example, typically requires a perimeter configuration with a ratio of one private office to one cubicle. Each attorney would like to have a perimeter office with a window, while cubicles, libraries and conference rooms can occupy interior space. One corridor can be adequate for moving about, while a second corridor may simply add to the square footage leased and raise the cost of occupancy.

A customer service call center or financial services firm, on the other hand, typically prefers a more open floor plan consisting almost entirely of cubicle spaces. The configuration will need multiple corridors for circulation and flow.

The best "floor plate" for your business will be dimensioned so that you can locate your offices and corridors without wasted space. The building's structural elements will be situated so you don't have to design around columns or leave them in the middle of an office. By finding a building with the configuration that efficiently meets your specific needs, you can actually reduce the amount of carpetable space you require. This can translate into big savings over the life of your lease. Fortunately, a good broker can steer you toward the buildings that will best meet your company's needs.

The fastest way to tilt the economics of a real estate transaction in your favor is to get the rentable square footage right, and a good broker will provide the market expertise you need. By properly managing its space consumption, a 10,000-square-foot user could easily save \$150,000 to \$300,000 over the life of a typical lease.

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