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REAL ESTATE UPDATE

Change in BOMA Standards Affects Calculation of Office Rent

The Building Owners and Managers Association International (BOMA) recently released a revised version of its publication *Office Buildings: Methods of Measurement and Calculating Rentable Area*. This publication, often called the BOMA Standards, has been widely used for the calculation of rentable area for office leases since it was first published in 1915.

The significant change from the last published BOMA Standards (1996) is in the method for calculation of the “Load Factor” (also known as the “Common Area Factor” or the “Loss Factor”). The Load Factor is important because it is applied to the “Useable Area” (i.e., the space a tenant can actually use) to calculate the Rentable Area. Rent and the percentage used for calculating a tenant’s share of taxes and operating expenses usually are based on Rentable Area.

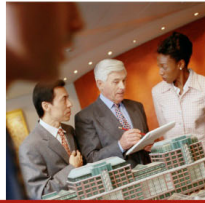
The 2010 BOMA Standards set forth multiple options for calculating the Load Factor:

- “Method A” or “Legacy Method,” like the 1996 BOMA Standards, calculates the Load Factor on a floor-by-floor basis.
- “Method B” provides for the calculation of a single Load Factor for the entire building.
- “Capped Load Factor” allows determination of the Load Factor based on local market conditions (not to exceed the Load Factor produced by Method A or Method B).

Since the 2010 BOMA Standards provide multiple options for determining the Load Factor, landlords and tenants should consider specifying their preferred method when negotiating the letter of intent.

This change likely will not affect office tenants in New York City since the measuring custom there is based on standards published by The Real Estate Board of New York (REBNY). Under current REBNY practice, there is no standard for determining Load Factors, so landlords can set the Load Factors based on market factors. Additionally, this change likely will not affect retail tenants, as Load Factors are not typically used for calculating Rentable Area of retail premises.

In all cases, landlords and tenants are best served if the letter of intent specifies the method of building measurement and its application as to calculations of rent and shared operating expenses.



FOR MORE INFORMATION

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