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The grey area of measurement

Real estate regulatory authorities need to standardise the way areas are measured

Measurement of area is critical in real estate since selling prices and rental rates are usually based on this measurement. For a buyer to compare two different pieces of real estate unit rate is probably the only way.

Unfortunately, there are no universal standards and even in the same market, different sellers and lessees use different measurements. The buyer/renter must clearly ask the seller/lessee/agent as to how area measurement is defined in each offering.

The first concept to be understood is gross built-up area. This is useful when whole buildings are leased to a single tenant. This is also useful for real estate appraisers/ insurers to calculate the replacement cost of the building. There are usually two measures, one that measures the total area including balconies and other exposed areas and the second which measures the enclosed area only. It is important for market participants to know as to which of these measures are being used.

When it comes to office areas/apartment buildings for multi tenants/ multi buyers, many different measures are used. One is the gross area where in addition to the carpet area, the common areas like corridors, lift lobbies etc. are loaded on to the carpet area proportionally. A multinational company, leasing office space in India, was shocked when they came to know, after signing a lease, that even the car park had been loaded proportionally to the office area. They suddenly found that the area they leased was much smaller than they thought and it was inadequate for their requirement.

A second method is when only the common area on a floor is loaded on to the leasable/saleable area. A third method is when the area inside an apartment/office unit including the balconies is included. External walls thicknesses are added to the unit in full and the shared walls area is added in half. In some cases, an apartment has large balconies and the buyer/renter must understand fully that he is paying full price for the balconies and the apartment is actually much smaller. A fourth method is to use only the carpet area.

There is a tendency for builders/sellers to load more and more “external” area on to the unit so that unit rate looks cheaper. In the same city, different builders/owners use different measures and buyers/renters must clearly understand how area is being measured in each offer before comparing them.

Even after determining the way area has been calculated, buyers/renters must also check to see that the area given by the seller/lessee/agent is accurate. One way is to ask for autocad drawings and get the area measured by an engineering consultant. A second way is to actually take a tape and measure. Electronic tapes are now easily available and measuring is fairly simple.

It is necessary for real estate regulatory authorities in each country, to standardise the way areas are measured, and hopefully some day in the future there will be a universal standard. Till such time, buyers/renters beware. **DER**