

# USHERING UNIFORMITY

The way property assets – such as homes, offices or shopping centres – are measured vary dramatically at present. To resolve the issues related to building measurements, International Property Measurement Standards (IPMS) have been introduced in the market universally for the office space, and are expected to be approved for residential sector by the end of the year.



**Sachin Sandhir**

**B**uying a property today surely requires a humongous cash outgo, which is usually a mix of hard-earned savings of lifetime and loans carrying sky-high interest rates. But, after spending a fortune on a property what does a home buyer want? Adherence to agreed construction standards, timely delivery and promised built-up area are some basic requirements which he wants to be met as promised. While issues with construction standards and delivery of property can be tackled, glitches in definition of built-up/carpet area of a property is something that has confused homebuyers and has helped builders short-change them.

Most of the time, buyer ends up feeling deceived by the builder when he finds the liveable area in his new household is less than what was promised. The issues like this get mired in legal tangles due to absence of property measurement standards.

The above concerns regarding property measurement are not limited to India but exist globally.

If the efforts led by RICS along with organisation including World Bank, IMF have their way, property measurement across all markets would become simple thereby leading to dispute-free property transactions.

The Standard Setting Committee, appointed by International Property Measurement Standards Coalition (IPMSC) - an international coalition of nearly 60 organisations, including RICS and International Monetary Fund (IMF) found that transaction and valuation practices vary substantially across markets, therefore, a mechanism needs to be introduced which will clearly specify various measurement principles under universally-accepted standards.

Today, property measurement practices are highly localised and do not, therefore, offer the transparency and consistency required in a global market. IPMS is being developed now in response to mounting evidence which suggests current measurement practices are leading to confusion and uncertainty in property and

financial markets.

At present, the way property assets – such as homes, offices or shopping centres – are measured vary dramatically. For example, in some parts of the world it is an established practice to include common space (lift shafts; communal hallways etc) in floor area measurements; in others off-site parking might be included or even swimming pools.

Thus, to resolve the issues related to building measurements, IPMS- International Property Measurement Standards have been introduced in the market universally for the office space, and IPMS for residential sector is expected to be approved by end of this year.

IPMS being a new principle-based international standard have set out rules to measure property assets. It means that for the first time, property will be measured in a consistent way around the world. IPMS does not define the units of measurement (e.g. feet and metre) but instead what is included in the measurement of property floor space.



IPMS for Offices have already been launched in 2014, wherein, Dubai Government called it as a mandatory practice to be followed in a built environment. IPMS coalition has called for setting similar standards for residential sector globally, including India. These principle based standards will bring transparency in measuring property by categorising them under one roof.

Recently IPMS coalition (IPMSC) has launched a consultation paper for adoption of new global residential standards. IPMSC, which includes RICS, has tasked its independent standards committee to draft the new residential property measurement standard. RICS is encouraging more than 100,000 chartered surveyors and property professionals from around the world to extend their expert take on this landmark standard.

In India, RICS has been in discussion with key Government stakeholders to seek support of these international standards who remain supportive of the initiative.

Once the draft residential standards are formulated, it will seek formal endorsement from market regulator Sebi and Ministry of Housing.

The Indian real estate stakeholders have highlighted a number of important global residential measurement issues to address the enormous growth required to address the needs of their country.

Their concerns include lack of consistent residential measurement standards, phantom measurements, conflicts in off-plan measurement and consumer protection issues emanating from such inconsistent measurement standards.

- ◆ While issues with construction standards and delivery of property can be tackled, glitches in definition of built-up/carpet area of a property are something that has confused homebuyers and has helped builders short-change them.
- ◆ If the efforts led by RICS along with organisations including World Bank, IMF have their way, property measurement across all markets would become simple thereby leading to dispute-free property transactions.
- ◆ IPMS is being developed now in response to mounting evidence which suggests current measurement practices are leading to confusion and uncertainty in property and financial markets.



Currently in India, over seven different measurement systems exist. However similar problems exist in even developed parts of the world such as United States and Middle East.

The committee discussed global measurement issues and agreed on common standards to bring greater consistency and transparency. These international standards include:

- IPMS1 – similar to super built area in India (external space)
- IPMS2 – similar to built area in India (internal space)
- IPMS3 – similar to carpet area (occupied area)

These globally agreed terms i.e. IPMS 1, 2 and 3 are aimed at defining one common language for international real estate measurement, which would

allow global investors and occupiers to compare and invest in assets in a consistent transparent manner.

According to the committee, Government and industry at large are supportive of these global measurement standards, just like they have been for global valuation and global financial reporting standards.

By adoption of IPMS, Indian market has nothing to lose with a dual reporting system of nationally prevailing terms (such as carpet area) and IPMS. Instead, adoption of this international language of real estate measurement will give confidence to global investors and boost foreign investment in Indian property which in turn benefits Indian developers. **rbm**