

Occupiers Survey

Spring 2008

Corporate Consultancy



2008 Occupiers Survey

This is the sixth Strutt & Parker Occupiers Survey which, since the first survey in 2001 has tracked the views of Thames Valley Occupiers to commercial property and related topical issues. Once again around 100 companies were surveyed to provide the data on which our report is based.

There continues to be an optimistic business outlook in the region, with 66% of companies indicating that their turnover has increased in the last year, and 68% expecting expansion in the next 2 years. Only 1% of companies anticipated that they would decrease in size over the next 2 years, significantly lower than the 13% and 4% of companies anticipating decreases when surveyed in 2006 and 2007 respectively.

Only one in three of the companies surveyed consider that the recent "credit crunch" in the world markets has had a direct impact on their business.

50% of occupiers were unaware of imminent changes to the empty rates relief for commercial properties which comes into effect from April 2008. Unoccupied properties will no longer be subject to reduced business rates, and companies will pay full rates on all properties owned or let whether occupied or not. Half of companies could therefore be in for quite a shock when their business rates bills come through shortly.

There was a mixed response to recent Codes of Practice which have been introduced to help tenants. 68% of companies were aware of the Code of Practice on Commercial Leases, which was introduced to ensure that tenants are treated fairly when negotiating new lease terms with their landlords. However, 55% of companies were unaware of the Code of Practice on Service Charges in Commercial Property aimed at ensuring that tenants are charged fairly for the services provided by their landlords.

There is continued awareness and support for government initiatives for reducing carbon emissions and the environmental impact in commercial buildings, but nearly half of respondents would not be prepared to pay for such initiatives via their service charge.

In the last two years, those responsible for dealing with property have been at lower than director level. This year sees an increase to 60% of occupiers having directors dealing with their property, which will result in property being considered at board level within the company, reflecting its importance as a major cost within the business as a whole.

Continued Optimistic Outlook

Despite the well publicised economic “doom and gloom” around the world and in the financial markets, there is an optimistic business outlook among companies in the Thames Valley.

66% of companies indicated that their turnover has increased in the last year. Two thirds of companies consider that their business will expand over the next 2 years.

Only 1% of companies surveyed considered that there will be a decrease in the performance of their company over the next 2 years. This is significantly lower than the 4% of companies who considered a decrease in 2007 and 13% from 2006. 1 in 3 companies anticipate that their businesses will continue to perform as they did during 2007.

Only 36% of companies consider that the “credit crunch” which has caused uncertainty in world markets, has had a direct impact on their business.

Property Costs on the Increase

From April 2008, vacant and empty properties will no longer receive the same empty rates relief as they have done.

Whether occupied or not, companies will have to pay full business rates on all commercial properties. Only certain properties will benefit from a brief period of rates relief.

50% of occupiers surveyed were not aware of these changes to the empty rates relief, and could be in for quite a surprise when their business rates bills are received shortly.

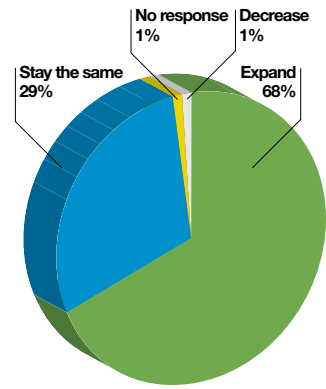
If properties have been vacant for more than three months prior to April 2008, they will immediately incur the full business rates liability meaning a significant increase in the costs attributable to the vacant property. Property is typically the second highest cost of the business after salaries and its percentage of total costs is likely to increase significantly for some companies from April 2008.

Environmental Awareness

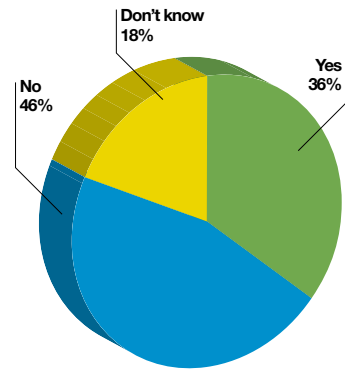
67% of those companies surveyed were aware of proposed government initiatives to combat the environmental impact of commercial buildings, and the publicity surrounding the introduction of measures such as energy performance certificates is therefore having a positive effect.

There is overwhelming support for the code of practice requiring landlords to complete an annual statement on CO2 emissions and energy usage for individual buildings, with 76% of companies surveyed being in favour.

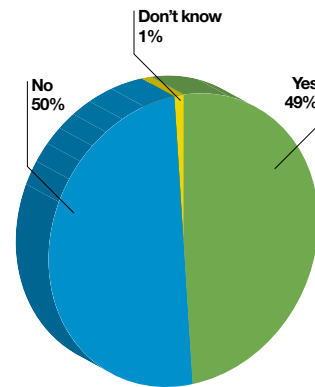
Question:
How do you anticipate your company will perform over the next 2 years?



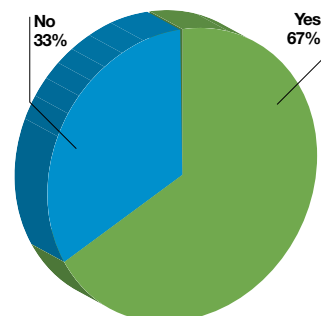
Question:
Do you consider that the recent “credit crunch” in the world markets, has had a direct impact on your business?



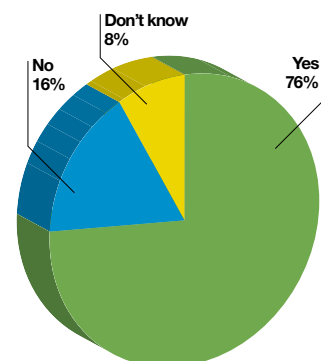
Question:
Are you aware of changes to business rates relief for empty premises which comes into effect from April 2008?



Question:
Are you aware of Government initiatives to combat environmental impact of commercial buildings?



Question:
Would you approve of a code of practice for Landlords to have to complete an annual statement to reduce CO2 emissions and energy usage in buildings?



This however, contrasts significantly with the fact that only 1 in 3 companies would be happy to pay for their landlords to prepare such a statement via their service charge.

Code of Practice on Leasing Business Premises

In 2007, the Royal Institution of Chartered Surveyors (RICS) introduced a Code of Practice on Leasing Business Premises, with the aim of ensuring that tenants are treated fairly when negotiating new lease terms with their landlords.

68% of respondents were aware of the existence of this Code of Practice which will hopefully result in those companies being satisfied with the process of agreeing new lease terms and acquiring new premises in the future, whether represented or not.

RICS Service Charge Code

The RICS will probably be happy to hear that the Code of Practice on Leasing Business Premises (above) is well known amongst those who took part in our survey. However, they will be less pleased to hear that 55% of respondents were unaware of the Code of Practice on Service Charges in Commercial Property.

The Code is not mandatory, but has Best Practice status, meaning that if it isn't followed, a member of the Institution would need to have a good reason not to have followed the guidance.

There is therefore potential scope for landlords to continue to deal with tenants in the way that they currently do, which will not result in the improvements intended by the RICS through the introduction of the Code.

Despite the fact that nearly 70% of our respondents indicated that they had not had disputes with their landlords in relation to service charges, of the 28% of those who had, 1 in 5 indicated that the disputes were not resolved satisfactorily.

Wider knowledge of the Code by tenants, and wider compliance of the code by landlords should help to reduce the significant number of unsatisfactorily resolved disputes.

Seniority of Property Managers

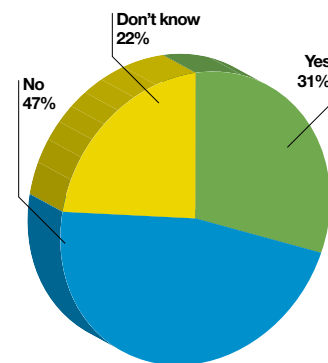
This year saw a welcome rise in the seniority of the staff within companies who deal with property.

Companies who have directors dealing with their property have increased to 60% of those surveyed, up significantly from the 40% of companies in the 2007 survey.

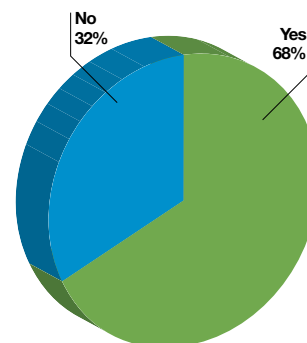
The number of administration staff dealing with property has gone down to below 5%.

Property needs to be dealt with by senior directors within the company, so that it can be taken seriously at board level. Property is a major factor and cost in any business, and in order for it to be considered properly, those dealing with it need to have due influence within the company.

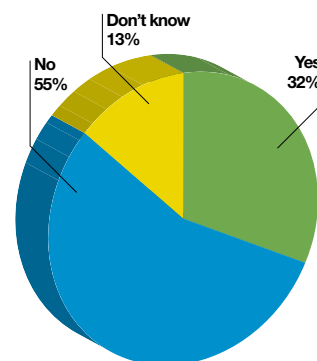
Question:
Would you be happy to pay for this via your service charge?



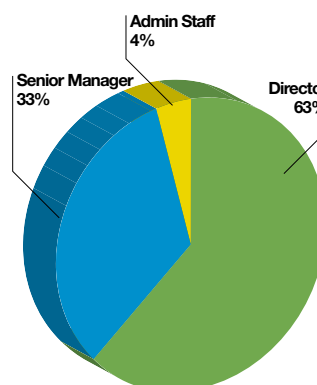
Question:
Are you aware that there is a Code of Practice in place to ensure that tenants are treated fairly when negotiating terms of a new lease?



Question:
Are you aware that your landlord now has to comply with RICS Guidance in the delivery of your service charge?



Question:
Who mainly deals with property within your company?



Strutt & Parker Corporate Consultancy Team

The Strutt & Parker Corporate Consultancy team, based in both Reading and the London Head Office, is dedicated to working solely for occupiers, which is to the benefit of tenants, as it avoids potential conflicts of interest when dealing with landlords.

Our objective at all times is to achieve the best results for our clients, be it in securing the best possible terms upon acquisition of a new property or lease renewal, the lowest rent at review, or rationalising the occupational property portfolio to ensure maximum performance from the company's operational premises.



SPANdirect

In addition, the corporate team has developed SPANdirect, which is Strutt & Parker's web based computer property portfolio management system. The system provides the facility for detailing lease terms and obligations, photographs of the properties, lease and licence documents in pdf format etc.

SPANdirect is an effective tool assisting a significant proportion of our clients in the management of occupational property portfolios and the implementation of proactive property strategies.

Contacts

If you have any queries in relation to the results of our survey, wish to discuss matters concerning your occupational property portfolio, or would like further information on the services we provide, please do not hesitate to contact the Strutt & Parker Corporate Consultancy team:

Reading Office:

Jon Wright MRICS

Tel: +44 (0) 118 900 1755

Email: jwright@struttandparker.com

Richard Elphick MRICS

Tel: +44 (0) 118 900 1756

Email: relphick@struttandparker.com

Nick Wright MRICS

Tel: +44 (0) 118 900 1757

Email: nwright@struttandparker.com

Annabel Oakley MRICS

Tel: +44 (0) 118 900 1758

Email: aoakley@struttandparker.com

Head Office:

Stephen Wolfe MRICS

Tel: +44 (0) 20 7318 5081

Email: swolfe@struttandparker.com

Damien Clarke MRICS

Tel: +44 (0) 20 7318 5114

Email: dclarke@struttandparker.com

Nick Boyle MRICS

Tel: +44 (0) 20 7318 5138

Email: nboyle@struttandparker.com

Head Office

11 Hill Street
London
W1J 5LG

Tel +44 (0)20 7629 7282

Fax +44 (0)20 7629 0387

Reading Office

Davidson House
Forbury Square
Reading, RG1 3EU

Tel +44 (0) 118 900 1750

Fax +44 (0) 118 900 1775

City Office

1 Angel Court
London
EC2R 7HJ

Tel +44 (0)20 7600 3456

Fax +44 (0)20 7600 3330

**STRUTT
& PARKER**

www.struttandparker.com

Disclaimer: Every effort has been made to ensure that the information and statistics contained in this survey are accurate. We have relied substantially on information provided by outside sources and Strutt & Parker takes no responsibility for any damage or loss sustained as a result of its content. No part of this report may be reproduced or transmitted without the prior written consent of Strutt & Parker.