The Total Office Cost Survey Summary
July 2003

based on research by

Actium Consult and Cass Business School

with information supplied by

bennett interior design

BT

Canon

Catering Developments

COFLEX

EC HARRIS
Capital Project and Facilities Consultants

ENERGY PLUS U.K. LTD

ENTERPRISE plants
"improving your working environment"

GL HEARN

INTERIOR

ISS

JOHNSON CONTROLS

Mailroom Management Services

malcolm hollis

Regus

SchlumbergerSema

Steelcase

Willis
The Risk Practice

"With every succeeding edition TOCS becomes more accurate and meaningful. Shared knowledge of this type of quality is the cornerstone of CoreNet Global membership".
Robin Tassell, President UK Chapter, CORENET GLOBAL

CoreNet GLOBAL
CORPORATE REAL ESTATE NETWORK

Introduction

The **Total Office Cost Survey** is based on independent research carried out by a leading UK management consulting practice, a leading European business school and the latest data provided by the foremost advisors and suppliers of real estate, workplace, facilities management and business support services. Our new 6th edition of the survey provides an independent and accurate guide to the total cost of occupying new (2003) and old (1970) office buildings in 40 different locations in the UK.

No other survey captures as much data about office space or provides independent data validation and comprehensive cost definitions. The top line survey results are provided free of charge every six months to property occupiers, corporate real estate departments, facilities managers, property consultants, agents, developers, government departments, government agencies, local authorities, development agencies, universities and service providers. The full survey is now available on the basis of a subscription fee, see below. The purpose of the survey is:

- To measure the real total costs of office occupation
- To provide relevant data to those who are managing office space
- To inform location and procurement decisions in respect of office space
- To help organisations obtain value for money from their existing office space
- To provide relevant information to those who are considering new ways of working
- To enable effective comparison to be made between conventional office space contracts and serviced office space
- To provide a starting point to facilitate cost reduction programmes

Full Total Office Cost Survey now available

This document is just a summary. The full Total Office Cost Survey and data set (25 pages) is now available for the first time at £1000 plus VAT. This includes:

- The full data set of 24 cost items for new (2003) and old (1970) office buildings in 40 UK locations
- Full details of Net Effective Rents and full details of rent free periods being granted to new tenants
- A review by Cass Business School of best practice property cost measurement
- Cost analysis of rent, rates, fit out, furniture, 13 hard FM items, 6 soft FM items and management
- A workstation benchmarking analysis by Bennett Interior Design for six different sectors as applied to net workstation area, storage, meeting rooms, break out area and circulation
- Full TOCS methodology, assumptions, specification and definitions
- A practical guide on how to use TOCS to measure the real total costs of office occupation, to inform location and procurement decisions, and to facilitate cost reduction programmes

We will also provide a half day TOCS briefing session for one nominated representative of your organisation at the Actium Consult offices at 88 Kingsway in London in November 2003 which will cover:

- How to apply TOCS definitions simply, quickly and without fuss
- Using TOCS as an aid to cost reduction by increasing expenditure transparency
- How to use TOCS as a location selector for both upsizing and downsizing
- Applying TOCS to space procurement, new property products and outsourcing deals

A single set of 24 data items for one location is also available at the price of £250 plus VAT.

To buy your copy of TOCS July 2003 and book your briefing session use the order form at the back of this report or order online at www.actiumconsult.co.uk/tocsorder.htm.

Methodology

In order to get meaningful figures for costs, Actium Consult and Cass Business School have specified in detail both the buildings and the services provided. For the first time in this TOCS we have two different buildings, one brand new (New Building), the other built in 1970 (1970 building). We have also this year adopted a new rent methodology utilising Net Effective Rents rather than Headline Rents as this provides a much more accurate reflection of an organisation's occupational costs in line with Accounting Standard Conventions. *This means that TOCS July 2003 and TOCS January 2003 are not directly comparable.* A brief description of each building is as follows:

- New Building: Good quality, air-conditioned, 2003 built B1 self-contained office building of 5,000 m^2 (NIA) built on 4 floors in prime location. Constructed of steel frame, curtain walling and raised floors
- 1970 Building: Unimproved centrally heated 1970 built B1 self-contained office building of 5,000 m^2 (NIA) built on 8 floors in prime location. Constructed of steel frame, with curtain walling and reinforced solid concrete floors. The incoming tenant will be installing suspended ceilings, new floor coverings and recabling with perimeter trunking

Each building is assumed to be let for a 10 year FRI lease with a rent review after five years.

What makes up Total Office Costs?

Total office costs comprise five main elements: Occupational costs, Annualised costs, Hard FM, Soft FM and Management, as shown below. Together these form the total cost of keeping an employee at a fully serviced workstation.
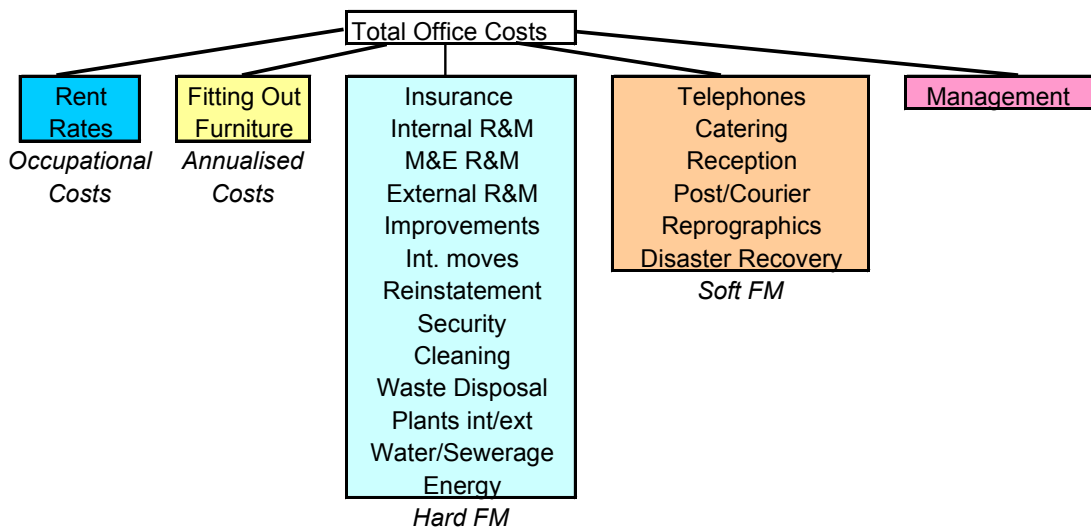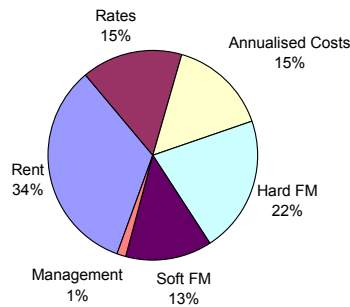

Why use Total Office Costs?

Because Total Office Costs capture the totality of the property related costs, they provide a means of comparing different methods of acquiring workspace. By bringing everything up to the Total Office Cost level, a level playing field is created. This can be particularly relevant in outsourcing decisions – if you do not know your total costs before outsourcing, you will not be in a position to check whether the claimed savings really have been achieved.
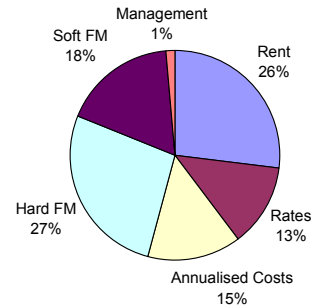
Calculating costs on a per workstation basis also enables you to see the different costs of the various buildings you occupy – this is in line with the modern trend of measuring output rather than input (per square metre), and will take into account the efficiency of layout possible in any particular building.

Average Breakdown of Total Office Cost

New Building - July 2003

Rates 15%
Annualised Costs 15%
Rent 34%
Hard FM 22%
Management 1%
Soft FM 13%

1970 Building

Management 1%
Soft FM 18%
Rent 26%
Rates 13%
Annualised Costs 15%
Hard FM 27%

Total Office Cost per workstation

	1970 Building / New Building	1970 Building £pa	New Building £pa
Plymouth		4,998	5,983
Norwich		5,270	6,085
Milton Keynes		5,430	6,431
Sheffield		4,936	6,529
Nottingham		5,288	6,618
Basingstoke		5,283	6,666
Newcastle		5,663	6,765
Southampton		5,132	6,972
Cardiff		5,187	6,999
Maidstone		5,455	7,166
Cambridge		6,368	7,190
Swindon		5,105	7,193
Liverpool		5,475	7,219
Croydon		5,826	7,447
St Albans		5,954	7,500
Watford		6,027	7,501
Aberdeen		6,336	7,540
Reading		5,735	7,556
Oxford		5,690	7,647
Bracknell		5,584	7,697
Leeds		6,268	7,725
Slough		5,909	7,732
Bristol		5,826	7,772
High Wycombe		5,522	8,052
Crawley		6,462	8,057
Woking		6,350	8,068
Staines		6,129	8,227
Glasgow		6,351	8,300
Manchester		6,291	8,308
Uxbridge		6,152	8,336
Guildford		6,619	8,406
Birmingham		6,000	8,586
Maidenhead		6,262	8,705
Richmond		7,169	8,892
Edinburgh		6,637	9,051
London – Hammersmith		6,959	9,183
London - Docklands		N/A	9,693
London – Midtown		8,046	10,959
London - City		7,484	11,692
London - West End		10,287	14,748

0   5,000   10,000   15,000   20,000

Key Findings

- On average the impact of including Net Effective Rents rather than Headline Rents represents a reduction of 23.6% in rent for a new building
- The largest gap between Headline and Net Effective Rents is in the City of London where a new building Headline Rent is £539 psm but the Net Effective Rent is as low as £323 psm (40 percent difference)
- Space utilisation by occupier sector reflects a wide discrepancy in occupational costs as the Accountancy sector is twice as compact as Law, demonstrating greater occupational density and responding to their different workspace needs
- On average rent represents 34% of the Total Office Cost for a new building, 26% for the 1970 building
- Regional workstation extremes of cost show a 246% differential between Plymouth (£5,893 per w/s pa) and the West End (£14,748 per w/s pa) for new buildings
- For a 1970 building this gap is reduced to 208% (£4,936 Plymouth vs £10,287 West End)
- The average cost per workstation for a new building in Central London is £12,466 pa
- The average cost per workstation for a new building in the rest of the UK is £7,670 pa

Data suppliers

We are very grateful to the following data suppliers for the help and support they have given to this survey and for their specialist input. Our data suppliers have been chosen for their general expertise and direct involvement in service delivery. They have helped us to define the detail of the expenditure heads, for example BT have specified the voice and data capacity for a building with 357 occupiers; Canon have helped us specify the size and type of photocopiers required; and Johnson Controls have specified the Mechanical and Electrical plant normally expected in a building of 5,000 m^2. The data suppliers have provided the most up to date costs with variations as appropriate for the 40 locations specified.

Bennett Interior Design	Workplace	www.bennettinteriordesign.co.uk
	Telecoms	www.bt.com
Canon	Reprographics	www.canon.co.uk
Cass Business School	Effective Rent	www.cass.city.ac.uk
Catering Developments	Catering	www.catdev.com
Coflex	Security, Waste Disposal	www.coflex.co.uk
EC Harris	Building Maintenance	www.echarris.com
Energy Plus UK Ltd	Energy	www.energy1uk.com
Enterprise Plants	Internal plants	www.enterpriseplants.com
GL Hearn	Rates	www.glhearn.com
Interior	Fit Out	www.interiorplc.com
ISS	Cleaning	www.issworld.com
Johnson Controls	Mechanical and Electrical	www.jci.com
Mailroom Management	Post Room	www.mailman.co.uk
Malcolm Hollis	Reinstatement	www.malcolmhollis.co.uk
Regus	Reception	www.regus.com
SchlumbergerSema	Disaster recovery	www.schlumbergersema.com
Steelcase	Furniture	www.steelcase-europe.com/
Willis	Insurance	www.willis.com

Net Effective Rent

The ASB has taken a view of operating lease incentives requiring lessors and lessees to account for the value of incentives. The Board suggests that the benefit of any incentive should be spread on a straight line basis over the period for which rentals will be "other than the market rate. This will generally be the period up to the first review".

In estimating Net Effective Rent, we have used this process and subtracted the value of the incentive from the 'lease rent', to provide a Net Effective Rent. As TOCS is based on a new lease with 5 year reviews, this means that a one year rent free gives a reduction of 20%.

The use of Net Effective Rent allows for more accurate comparison of different methods of procuring workstations and looks at rent from an occupier perspective.

As can be seen from the map, the difference between the Headline Rent and the Net Effective Rent on new buildings varies between 40**%** in much of the South East and 15% in places such as Nottingham. Where a 2 year rent free is available (e.g. Docklands), this begs the question of whether the rental level will reach the Headline Rent in time for the next review, causing problems in terms of accounting treatment. Full details of the Net Effective Rents and Headline Rents are in the full TOCS report (see above).

Sample ratios between Headline and Net Effective Rent:

Aberdeen	15%
Basingstoke	30%
Birmingham	20%
Bracknell	40%
Glasgow	15%
Leeds	30%
London - City	40%
London - West End	20%
Maidenhead	20%
Nottingham	15%
Reading	40%

Percent reduction from headline to net effective rent July 2003
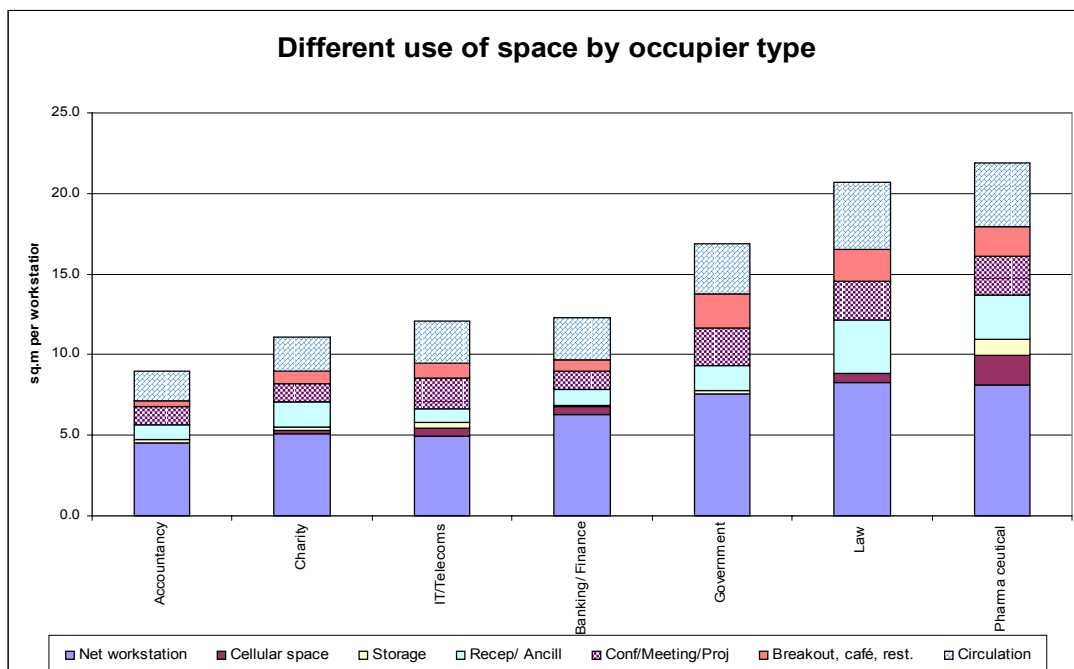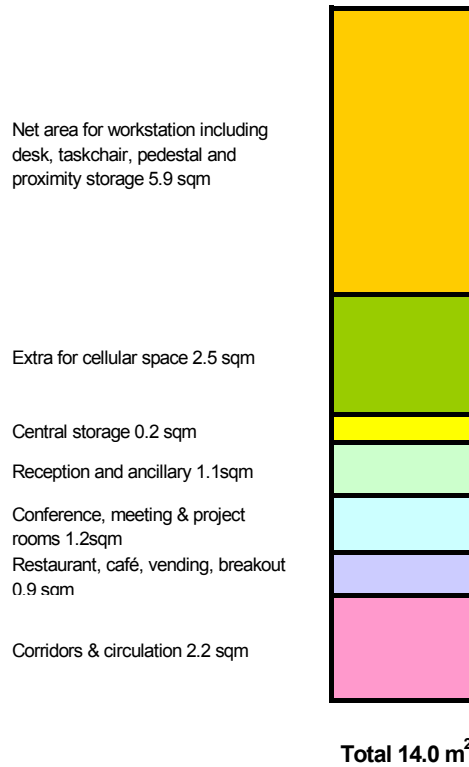
- 10-19%
- 20-29%
- 30-39%
- 40%
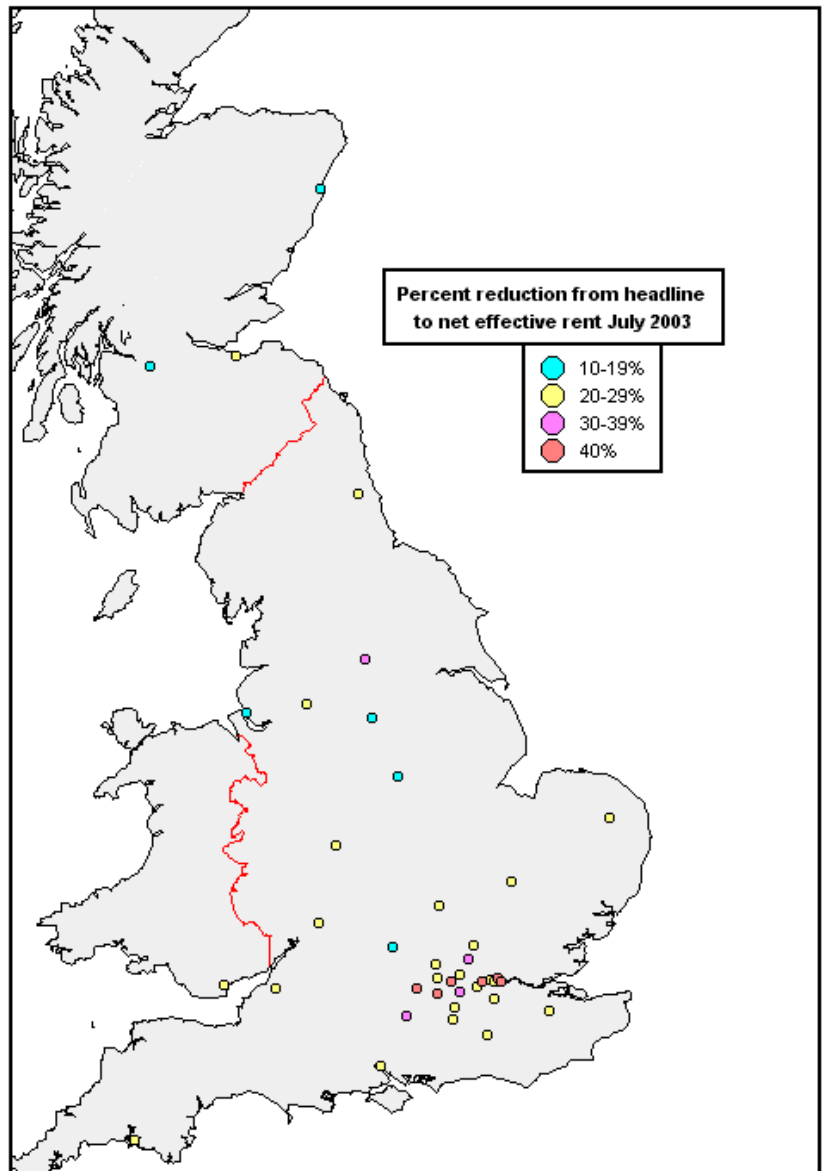
How much space is enough? It depends on what you use it for.

Since the intensity of use in office buildings varies it has become standard practice in the industry when looking at occupancy costs to measure not only price per m^2, but also costs per workstation. For organisations that use a 1:1 ratio for workstations and staff (i.e. no desk-sharing/hot-desking) this measure also relates to cost per staff member. Physically a workstation is the area taken up by someone's desk, chair, pedestal and proximity storage, which comes to approximately 7m^2. Within any one building the identifiable space allocated to individuals may vary from 4m^2 to 15m^2 or more. However, when looking at a complete building, the average space per workstation increases significantly, as the non-productive space (meeting rooms, cafe, reception, corridors etc.) has to be shared among the number of workstations. This survey uses 14m^2 per workstation as a norm - this is at the lower end of the range established in recent research and is in line with recent BCO budgeting recommendations.

The diagram to the right shows the breakdown of the space allocation per workstation in the 5,000m^2 office building.

However, not all businesses have the same space requirements – we asked Bennett Interior Design, part of the TP Bennett partnership, to illustrate the different space requirements of various sectors.

Net area for workstation including desk, taskchair, pedestal and proximity storage 5.9 sqm

Extra for cellular space 2.5 sqm

Central storage 0.2 sqm

Reception and ancillary 1.1sqm

Conference, meeting & project rooms 1.2sqm

Restaurant, café, vending, breakout 0.9 sqm

Corridors & circulation 2.2 sqm

Total 14.0 m^2

This showed a range of office space utilisation ranging from 9 m^2 per person for Accountants to over 20 m^2 for Lawyers, as shown below.

Different use of space by occupier type

sq.m per workstation

Legend: ■ Net workstation ■ Cellular space □ Storage □ Recep/ Ancill ▨ Conf/Meeting/Proj ■ Breakout, café, rest. ▨ Circulation

Categories: Accountancy, Charity, IT/Telecoms, Banking/ Finance, Government, Law, Pharmaceutical

Source: Bennett Interior Design

TOTAL OFFICE COST SURVEY JULY 2003
ORDER FORM
Order online at www.actiumconsult.co.uk/tocsorder.htm or use the form below

To :   Actium Consult
         88 Kingsway
         London WC2B 6AA

Name:
_____

Company:
_____

Address:
_____

_____

_____

Postcode
_____

Telephone:
_____

Email:
_____

The Full Total Office Cost Survey July 2003 for 40 locations costs £1,000 + VAT
A Single Data Line for any one specified location costs £250 + VAT

Item	Price inc. VAT	Number	Total
Total Office Cost Survey July 2003 Full Version	£1,175.00		
Total Office Cost Survey Single Data Line for: (town)	£293.75		

Please enclose a cheque made payable to Actium Consult Ltd

Please tick as appropriate

☐ I would like to take part in a briefing session about TOCS at Actium Consult's offices

☐ I would be interested in a TOCS Conference (subject to sufficient demand)

Copyright and restrictions on use
TOCS is the copyright of Actium Consult and Cass Business School and reproduction in whole or part in any media and use for marketing or publicity purposes in whole or in part are strictly forbidden.

s=reg