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SHOULD I STAY OR SHOULD I GO?

The vast majority of businesses rent their commercial premises, but it's only a small minority that squeeze anything like the full potential out of the space they lease. This leaves most firms carrying unnecessary cost and hampers their ability to improve productivity and realise their full potential.



By Steve Judge
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Whenever a lease comes up for renegotiation, a tenant has to decide whether they should stay or consider moving. Often the fast-advancing deadline concertinas the time that directors have to make a decision and restricts their options in terms of finding alternative premises. It also reduces the time available to analyse the size, layout and daily use of the existing premises and to assess whether the business is really getting the most out of them.

But it's incredibly important that tenants make the right decisions about their lease. Work we've undertaken with Clients over the last three years has found that on average, businesses have 28% more space than they actually need. This additional room can give expanding businesses breathing space for the future, but for those not growing, it is an additional cost to the bottom line.

And the figures quickly add up. In central Edinburgh, for example, the average occupation cost of office space per square foot is between £45 and £65 per annum¹. At the lowest end of that scale, a firm renting 10,000 square feet of space will be paying an annual bill of £450,000. But if they don't need 28% of the space, the 2,800 square feet they're not using is costing them £126,000.

This is money that few tenants can afford to lose and that every business could find a better use for. That's why it's important that businesses start thinking about the premises they're in, whether they're getting the best out of them and what the perfect space would be for them going forward.

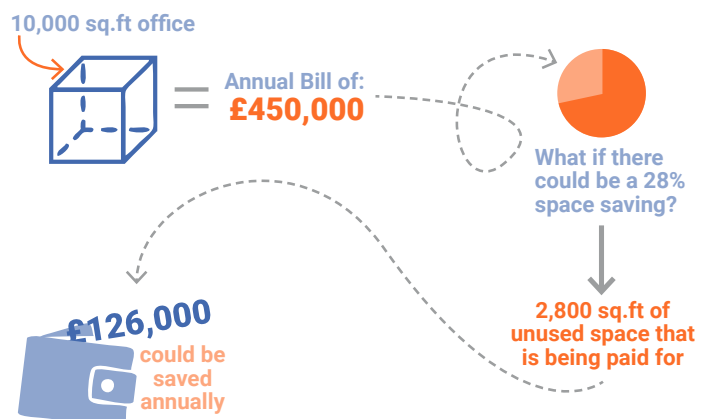
ASSESS YOUR OCCUPATIONAL COSTS WITH OUR COST CALCULATOR

www.spacesolutions.info/cost-calculator



TYPICAL OCCUPATIONAL COSTS INCLUDE:

- Rent
- Rates
- Utilities
- Cleaning
- Insurance
- Security
- Dilapidations
- Maintenance
- Service Charges



Getting to the bottom of these questions takes time and professional advice will help companies understand the different ways they could utilise their space and alter their way of working to become more efficient.

If tenants start looking at this at least 12 months before a lease break event, it will give them plenty of time to get the answers they need. They can analyse their current operations and get an understanding of how much more or less space they'll need in the months and years ahead. They can also assess whether the company has developed or diversified its products or services, putting different demands on their premises and how they are used.

Too often tenants seem ready to make do with the premises they have, rather than actively moulding them to match their needs. Not only will this minimise the amount of space they are paying for, but research from the Centre for Building Performance and Diagnostics at Carnegie Mellon University and Arup shows it can also lead to increased individual performance of 5%, increased team performance of 11% and a jump of 24% in job satisfaction; helping to retain staff, keep hold of expertise and reduce recruitment costs and disruption to business operations.

In recent years the recession has forced tenants to be more introspective and to better understand their cost bases. Many have been very good at this and become leaner and more efficient as a result.

But there is still room for improvement in the way they view their premises and the value they squeeze from them. The first step is to find out when the next lease break or expiry is due and the second is to begin analysing exactly what the business needs from its commercial space.

Only then can be directors be sure they're getting real value out of their lease, giving their employees every chance to excel and ensuring the business has the best opportunity to blossom.

KEY CONSIDERATIONS

- Understand the strategic challenges facing your business in the next 3-5 years
- Assess exactly what the business needs so it can begin searching for the right size and type of property
- Leave enough time to research what's available – the closer the deadline the less time there'll be to find the right space and negotiate the best terms
- Don't make do with an existing office if it's not fit for purpose. Understand, through professional space planning and design, the most efficient way for your business to operate then undertake your commercial property search.

A CoreNet survey found that between 2010 and 2012, office workers were taking up less space and in that time the average square feet per person dropped from 225 square feet to 176 square feet. This number is predicted to drop to as low as 100 square feet per person by 2017. If companies are not reflecting the way that changing technologies and ways of working are reducing the amount of space they need, then they will continue to pay more than they need to for their premises.

Reference

1. Figure based on experience of projects undertaken by Space Solutions



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