

# A SERVICE CHARGE EFFICIENCY REVIEW IS KEY TO IMPROVING VALUE IN A COMPETITIVE MARKET



*“Current market conditions are having a knock on effect on tenant demand, which is rapidly declining. It is no longer a buyers market; Tenants are now in a stronger position and are demanding better value from their landlords and from the space that they occupy.”*

Richard Marriott - Partner

Recent research conducted by EC Harris has shown that the lack of value delivered by landlords is a key concern to tenants in today’s business environment.

Our research has shown that those landlords who take the time to get closer to their tenants to gain a real understanding of their needs, are more successful in addressing the current trend in landlord / tenant relationships.

## Opportunity to earn non-rental incomes

By building the trust of the tenants through regular communications, landlords will not only increase tenant satisfaction, but also be able to explore earning non-rental income fees for additional services that suit the tenant’s requirements.

## Measure and value service delivery

The creation of a benchmark standard for landlord service delivery and efficiency will be a sure way to create value for tenants, and reassure them that their needs are being well tended.

It is now more important than ever to ensure that the landlord’s brand promotes a reputation for excellent tenant care, service delivery, charge transparency, and value for money.

The key here is to ensure that the services delivered under the responsibility of the property manager, are delivered to the necessary ‘Key Performance Indicator’ (KPI) standards, at a best value price. Regular satisfaction surveys will then suggest trends or provide ideas for retaining occupiers such as more imaginative renewal terms, the availability of a handyman to attend to basic repairs, greater shared services such as post room or the provision of in house churn and fit out management.

*“Recent research shows that 50% of tenants believe landlords can do more to drive greater value and improve tenant satisfaction.”*

## Reduced service charge through asset planning

Tenant demand for efficiency is creating a need for Landlords to place a greater emphasis on proactive asset planning. The Asset Plan should ensure that the assets are maintained in an appropriate way to enhance their life cycle and reduce the necessity for expensive replacement in the future. Reduced service charge can be attained through using reliability based maintenance of the plant which is more cost efficient than traditional planned preventative maintenance.

Additionally, greater focus should be placed by the landlord on the utilisation of a preassembled supply chain of service providers, with purchasing volume that will provide a more cost effective facilities managements service delivery. The current costs should be examined as soon as possible to establish the correct market value for the services, which are now falling.

## Advising tenants on operating property more efficiently

Landlords should help their tenants use the buildings more efficiently. This should involve more than just producing EPCs. They should offer a regular tenant workshop to find operating cost efficiencies using best practice examples such as T5 lighting or altering the Building Management System (BMS) to better fit their use and occupation.

## Sources of non-rental revenues

Some investors are realising additional revenues, such as providing energy to their tenants from photovoltaic cells energy panels. Currently there are suppliers installing these panels ‘free of charge’ as a roof covering in return for future income streams from energy, shared with the landlord. With rapid technological advancements, tenants are becoming much more reliant on technology to carry out their business operations. By providing technology which allows increased operational efficiency, landlords can support their tenants by fulfilling a direct need, which in-turn creates a new income stream. For example, a technology platform could be provided to deliver multi media advertising revenues, concierge services, cable TV, security integration, tenant alert and self serve facilities management systems.

In conclusion, landlords can improve asset value in this increasingly competitive market by completing an in depth service charge efficiency review.