

UK OCCUPIER SATISFACTION INDEX 2009

PROPERTY INDUSTRY ALLIANCE
AND CORENET GLOBAL UK

An annual index and opinion survey to measure satisfaction amongst customers of the UK commercial property industry

Occupier satisfaction holds up

The UK Occupier Satisfaction Index (OSI) remains unchanged at 57. This measure of occupier satisfaction has held up despite the economic downturn.

Landlords being more flexible on leases

Occupiers recognise that landlords now offer greater lease flexibility on better price terms. This has been accelerated by market forces.

Relationships improve but slowly

Landlords are getting gradually better at communicating, showing empathy and responding but the property industry still has a long way to catch up with other service industries. Larger landlords are perceived to be leading the way in raising customer service standards.

Cost control is occupiers' top priority

Occupiers want landlords to share this priority, to listen and respond quickly. Many feel that the UK is an expensive place to operate.

Green agenda still alive

Occupiers perceive that the property industry is making progress and many welcome the introduction of EPCs.

Service charge satisfaction gap

Service charges are still considered poor value by 50% of occupiers and progress to improve transparency is not fast enough.

OSI Indices 2007 – 2009

OSI Index	2007	2008	2009
All Occupiers	55	57	57
Industrial	55	54	54
Office	59	61	62
Retail	52	57	55
Small Occupiers	49	51	52
Large Occupiers	58	60	59

The OSI Index is a composite score derived from 13 questions about the level of service that occupiers receive. The responses have been converted to a weighted satisfaction score out of 100. If all respondents rated the industry "excellent" in all 13 areas, the OSI Index would score 100. If all occupiers rated "good" the Index would score 80 and if all occupiers score "average", the Index would score 60.

The complete research findings can be found at
www.occupier-satisfaction.co.uk

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OPINION SURVEY

How customers think the property industry has changed over the past 12 months

TOPIC	SWING (%)	COMMENTARY
Lease flexibility (lease length and ability to break)	+41%	Occupiers think that flexibility has improved gradually over time but believe that market conditions have forced landlords to make even more flexible lease terms available
Progress in implementing environmental initiatives	+36%	Occupiers perceive the industry is making progress e.g. Energy Performance Certificates and new-build low energy design
Availability of lease terms at a price willing to pay	+33%	Landlords are offering more competitively priced lease packages
Information on environmental performance of buildings	+32%	The introduction of Energy Performance Certificates is recognised but occupiers want more information
Lease Code compliance	+19%	Occupiers recognise that the property industry is moving towards greater compliance but still many landlords pay lip service
Service Charge Code compliance	+16%	Progress especially amongst major landlords but service charge transparency remains a major concern
Understanding of occupier needs	+15%	Occupiers would like more contact with property owners, and for them to show more interest, empathy and understanding
Communication	+11%	Communication is perceived to have improved gradually but occupiers would like even more face-to-face contact and proactive relationship building
Overall satisfaction as a customer	+10%	The property industry is perceived to be becoming more responsive to the needs of occupiers but occupiers want far better value for money
Lease flexibility (ability to assign and sub-let)	+9%	The process of assigning and sub-letting is considered frustrating, timely and costly
Responsiveness	+7%	Occupiers see some improvement but many mention having to chase to get things done
Overall value for money (including rent)	+1%	Value for money is the key concern and occupiers do not believe that the UK property industry is reacting fast enough to changes in the economic climate
Service charge value for money	+0%	Occupiers want property suppliers to place greater emphasis on reducing costs and to consult with them more

These figures show the “swing” in perception – the percentage of occupiers who think that performance has got better, less the percentage of occupiers who think performance has got worse, over the past 12 months.

Note: The figures above are not the satisfaction ratings from which the Index is calculated.

THE OCCUPIERS' VERDICT

Lease flexibility

"The current state of the market has made landlords more flexible. We have seen more monthly rents and the increased availability of break clauses."

Business relationships

"More contact from landlords would be good. When we do sit down with a landlord it can really improve the relationship."

Understanding of needs

"I think landlords have had a big wake-up call in the last few months, as a consequence of which they've demonstrated more flexibility and pro-activity."

Value for money

"Our rent has been steadily climbing whilst the High Street is emptying!"

Responsiveness

"Responsiveness varies tremendously. Some landlords are very good at coming back to us with consents; others take forever and demand an arm and a leg."

Service charges

"It's too expensive for what we get. There should be more communication on this."

"Transparency needs improving. This year we will scrutinise it very closely."

The Lease Code

"Landlords are taking the [Lease] Code on board. A couple of times they have done things without being asked. Before, we'd have had to drive them."

How satisfied are UK occupiers with the service they receive?

TOPIC	SATISFIED (%)	DISSATISFIED (%)
Availability of commercial property	43%	22%
Lease Code compliance	40%	34%
Flexibility of leases (lease length and break options)	38%	35%
Feel a valued customer	37%	39%
Service Charge Code compliance	32%	33%
Responsiveness to requests for service	22%	36%
Value for money of service charges	10%	50%

"Satisfied" – % of occupiers that rate the property industry "good" or "excellent"

"Dissatisfied" – % of occupiers that rate the property industry "poor" or "very poor"

Research Overview.

This document reports on the third annual independent research study into occupier customer satisfaction across the UK commercial property industry.

Personal interviews were conducted by RealService with a panel of 231 respondents between January and March 2009. The panel included 129 respondents that also took part in the 2007 and 2008 studies.

The interviews explored a range of topics such as lease flexibility, communication and value for money for service charge. To identify absolute levels of satisfaction occupiers were asked to give ratings on a scale of one to five and, for some questions, they were also asked how they think the industry's performance has changed over the past 12 months.

Customer satisfaction is defined as "The ability of the supply side of the UK commercial property industry to deliver the products and services that its occupier customers require." This includes the development, leasing, handover and property management stages.

Supporters

IPD and RealService would like to thank the members of these organisations for their support:

Association of Charity Shops (ACS)

Association of Corporate Real Estate Executives (ACRE)

British Retail Consortium (BRC)

British Chambers of Commerce (BCC)

Confederation of British Industry (CBI)

Federation of Small Businesses (FSB)

Food Solutions (Small Food Businesses)

Hair and Beauty Industry (HABIA)

Property Managers Association (PMA)

Property Occupiers Network (PON)

Radio Electrical & Television Retailers Association (RETRA)

Scottish Grocers Federation (SGF)

The Property Industry Alliance was set up to address issues affecting the UK commercial property industry. The founding organisations are British Council for Offices (BCO), British Property Federation (BPF), Investment Property Forum (IPF) and Royal Institution of Chartered Surveyors (RICS). The British Council of Shopping Centres (BCSC) joined the Alliance in March 2009.

Corenet Global UK Chapter aims to represent the business and public sector occupier and to unify the profession of Corporate Real Estate through a multi disciplinary approach to education, networking, research and communication.

The Research Team

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This document can be downloaded and the complete research findings found at www.occupier-satisfaction.co.uk