

## 2010 Office Tenant Survey

Australian office tenants are again in growth mode, with a quarter of businesses indicating they are planning to relocate within three years, according to the latest **Colliers International Office Tenant Survey**.

Felice Spark, Colliers International Director of Commercial Research, said the 2010 Office Tenant Survey findings showed the Global Financial Crisis is no longer affecting leasing decision-makers, with businesses now actively focused on expansion, securing quality new premises and improving business performance.

"The findings have shown tenants from Brisbane and Melbourne are more likely to relocate in the next three years, while tenants from Perth and Adelaide are more likely to redesign their fit-out in the same time frame," she says.

"Several changes to tenant motivations to move have become apparent between the two surveys, including an increased desire for improved building management."

In a five-year window, being this year and two years either side, 78 per cent of Melbourne tenants will have either relocated or redesigned their workplace, more than any other city.

More than six in 10 organisations have implemented or intend to implement design initiatives that promote team development and collaboration, flexibility to support changing needs, good environmental performance and health and wellbeing of staff.

Simon Hunt, Colliers International Managing Director of Office Leasing, said a prime consideration amongst tenants in workplace redesign is the provision of areas for privacy, which is not surprising when, on average, 75 per cent of an organisation's employees now tend to work in an open-plan environment.

Currently the median workspace ratio is 19.4sq m per person across Australia, while in 2008 it was a smaller 17.6sq m. Canberra and Melbourne currently have the largest median workspace ratio of at least 20sq m and Sydney has the tightest at 16.7sq m.

"The workspace ratio increase has probably been a reflection of the GFC," says Ms. Spark. "During this period many tenants did not relocate and maintained the same net lettable area, but did reduce their headcounts, thus resulting in the inflation of workspace ratios"

Building selection in staff acquisition and retention proved to be a main concern of businesses with a longer lease term (10 years plus) and larger net lettable area (more than 5,000sq m).

"Overall, tenants are telling us that a desirable location leads to happier staff, while a central location improves the ability to attract and retain talent - it comes back to the adage image is important," says Mr Hunt.

"When drilling down to the specific attributes of a building, location to public transport, excellent indoor air quality and thermal comfort, and cutting edge IT and communications capabilities ranked as the top three attributes in building selection for staff attraction and retention," says Ms Spark.

Conversely, attributes such as an on-site gym and childcare facilities took a dip from the 2008 survey, a reflection of the focus on cost savings that dominated during the GFC, with these attributes becoming the "nice-to-haves" during lean times.

Ms Spark also said 72 per cent of tenants indicated they believe staff expectations regarding workplace design had significantly changed over the past three.

"Staff are now more likely to expect new and modern premises to work in and are more environmentally aware.

"In particular, Australian staff say that air conditioning/air quality, bike racks and showers, and access to shops and café are more important factors in 2010 than in 2008."

As Australian businesses become more educated and aware of climate change, the findings have revealed a dramatic increase in the public reporting of their premises' environmental performance.

Forty-five per cent of tenants now also have a process for evaluating the environmental performance of a building before deciding on occupation, and 43 per cent said they now report their environmental performance publicly, up from 35 per cent in 2008. Hand-in-hand, tenants are placing pressure on their landlords to be more environmentally aware.

Forty-eight per cent of Sydney tenants and 45 per cent of those in Canberra rated the efforts of their landlords as good/excellent in improving their building's environmental performance, compared to just 31 per cent in Brisbane, 33 per cent in Perth and 36 per cent in Melbourne.

Overall, though, tenants' ratings of their landlord's efforts to improve building environmental performance had declined in 2010 from 2008.

Operational cost savings and Corporate Social Responsibility were the most cited factors driving tenants' decisions to occupy a green building.

"Fifty-three per cent of organisations think there is strategic value in occupying a green building and would be prepared to pay more rent for this merit, while a majority of those who disagreed cited they were not willing or able to pay a higher rent and also that there is no recognition from clients/public to validate the value," says Ms Spark.

When asked whether they believe it costs more to occupy a green building once cost savings from reduced energy consumption are accounted for, 44 per cent of tenants said no, versus 37 per cent who said yes and 19 per cent who were not sure.

"From talking to major corporates, it's clear they see cost savings and benefits in not only reduced energy consumption, but also other factors such as increased productivity, decreased employee turnover, less sick leave and better morale," Mr Hunt added.

Increasing year-on-year are tenants with a NABERS Energy tenancy rating, escalating from just eight per cent in 2005, to 17 per cent in 2008 and 21 per cent in 2010.

The findings have proven more tenants are familiar with the Green Star Rating scheme than NABERS - at 83 per cent - while 17 per cent said they currently occupy a Green Star rated building.

Tenants in Canberra continued to be the most familiar with the various green ratings schemes for buildings and are the most likely to occupy a green-rated building.

Looking ahead, Mr Hunt said the survey's findings regarding positive growth were backed up by current market activity.

"While the survey found workspace ratios had grown, most likely as a result of companies shedding staff and not space, new enquiry from major corporates would indicate that they are not only already looking to re-hire and re-fill this space, but also expand further," he said.

"This supported the finding that changes in business needs were the overriding most prevalent factor in encouraging relocation or redesign."

Mr Hunt said the positive outlook was also reinforced by the findings regarding where tenants believe Australia is sitting on the property clock, where 12 o'clock is seen as the top of the market and 6 o'clock is the bottom.

"62 per cent of major Australian tenants believe it is between 6 o'clock and 9 o'clock, which is a very positive sign, and reflective of the conversations we are having with occupiers around the country," he said.