

# UK Occupier Satisfaction Index 2007

Executive Summary

**A new index and opinion survey to measure satisfaction amongst customers of the UK commercial property industry**



An independent research study conducted by Kingsley Lipsey Morgan and IPD Occupiers

[www.occupier-satisfaction.co.uk](http://www.occupier-satisfaction.co.uk)

Sponsored by



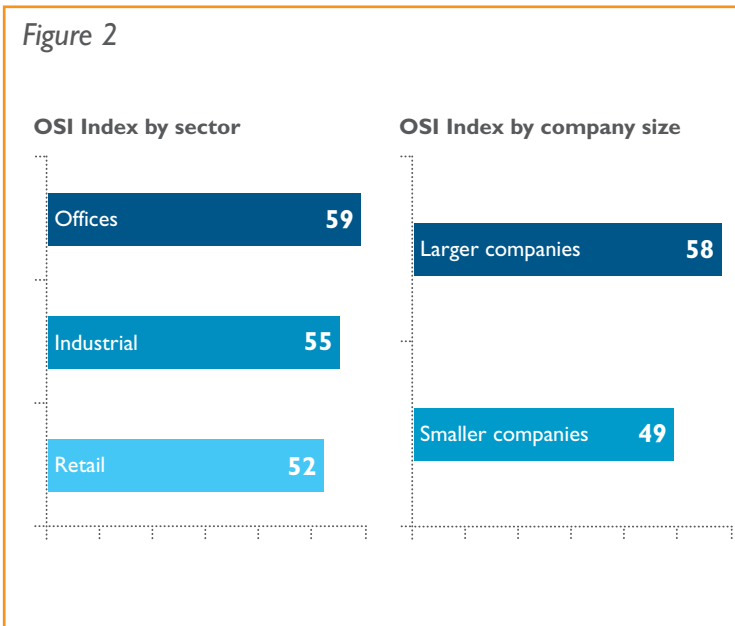
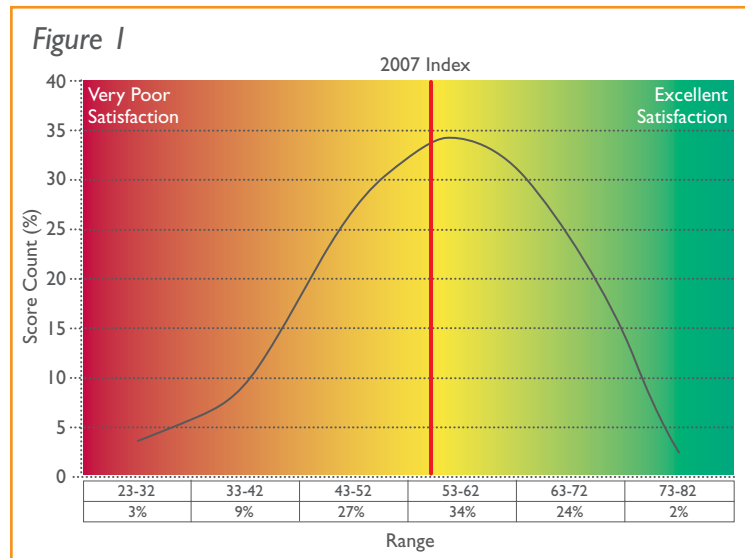
# UK Occupier Satisfaction Index 2007

The UK Occupier Satisfaction Index is a measure of how the service provided by commercial landlords is perceived by occupiers across the retail, office and industrial property sectors.

**The UK Occupier Satisfaction Index for 2007 is 55, where total satisfaction would score 100.**

The graph (Figure 1) shows the distribution of responses by the 237 organisations that contributed to the research programme by way of personal interview.

**The UK Occupier Satisfaction Indices for the office, industrial and retail sub-sectors are 59, 55 and 52 respectively.**



The research highlights significantly different levels of satisfaction between larger (OSI Index 58) and smaller organisations (OSI Index 49), and this is shown in Figure 2 (left). Greater covenant strength, negotiating muscle and property awareness can mean that larger companies are more likely to be made to feel like valued customers of the property industry than their smaller counterparts.

The OSI Index for smaller organisations is strongly impacted by dissatisfaction among small retailers, where the OSI Index is 41; by contrast, the comparable OSI figure for small non-retail companies is 55.

## Why occupier satisfaction matters financially

A number of factors combine to create a prima facie case that a higher level of customer satisfaction will help 'customer-focused' landlords achieve better than average investment returns:

- Shorter leases and higher incidences of break clauses mean that occupiers have more opportunities to exercise judgement between 'good' and 'bad' landlords when deciding whether to stay or quit.
- Landlords who can demonstrate that they provide higher levels of service and value for money are more likely to be 'landlords of first choice'.
- With greater choice and awareness, the variation in void rates between different investors could increase, thus affecting 'income return', a key focus for investors.

The business case for landlords to provide higher levels of service to occupiers is explored in more detail in the main report.

## UK Occupier Satisfaction Index 2007 - Key Findings

The key themes and challenges are summarised below

Industry Challenges	Key Finding	
<b>Challenge 1</b> <i>Flexibility</i>	<ul style="list-style-type: none"> <li>■ The majority of occupiers can secure property of a type, specification and quality that meets their needs.</li> <li>■ Occupiers perceive that flexibility has been achieved when they can match their property commitments to changing business needs.</li> <li>■ Though leases are perceived to be becoming more flexible and better suited to business needs, this can sometimes be at a price which is not perceived to represent fair value for money.</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>2 out of 3</b> occupiers feel that the property industry is not providing property of the right size and quality.</li> <li>■ <b>4 out of 5</b> occupiers feel that the property industry is not providing good build quality.</li> <li>■ <b>1 in 2</b> occupiers are concerned about the length of the lease and the ability to negotiate better terms at the price.</li> </ul>
<b>Challenge 2</b> <i>Partnership</i>	<ul style="list-style-type: none"> <li>■ Occupiers do not feel 'valued customers' and would like their relationship with property owners to be characterised by the term 'business partnership'.</li> <li>■ Occupiers aspire to a modern style of business relationship which is more like the style of relationship they have with their other business suppliers.</li> <li>■ Occupiers want property owners to show a greater understanding of their needs and they would like better communication generally, and, specifically, more direct contact with their landlord.</li> <li>■ Smaller occupiers feel particularly undervalued in the property market.</li> </ul>	<ul style="list-style-type: none"> <li>■ Nearly <b>1 in 2</b> occupiers feel that the property industry is not providing the right level of service.</li> <li>■ <b>1 in 2</b> occupiers feel that the property industry is not providing the right level of service to meet their needs is poor.</li> <li>■ <b>1 in 2</b> occupiers are concerned about the property industry.</li> </ul>
<b>Challenge 3</b> <i>Responsiveness</i>	<ul style="list-style-type: none"> <li>■ Occupiers want the property industry to become more responsive and efficient.</li> <li>■ Some occupiers believe that they are paying for inefficiency through the service charges.</li> <li>■ Occupiers feel frustrated by the lack of responsiveness from property owners and managers.</li> <li>■ Property agents and lawyers could do more to speed up the leasing process.</li> </ul>	<ul style="list-style-type: none"> <li>■ Nearly <b>1 in 2</b> occupiers feel that the property industry is poor.</li> <li>■ <b>2 in 3</b> occupiers are concerned about the service they receive.</li> </ul>
<b>Challenge 4</b> <i>Sustainability</i>	<ul style="list-style-type: none"> <li>■ Environmental issues are becoming increasingly important to occupiers.</li> <li>■ Occupiers want a more innovative approach to be taken by the property industry, and they feel strongly that property owners should at least share the costs of meeting the new standards.</li> </ul>	<ul style="list-style-type: none"> <li>■ More than <b>1 in 2</b> occupiers feel that the property industry is not providing good progress in environmental issues.</li> </ul>
<b>Challenge 5</b> <i>Value for money</i>	<ul style="list-style-type: none"> <li>■ Whilst many occupiers accept that rent is driven by market forces, commercial property in the UK is perceived to be expensive, particularly when compared internationally.</li> <li>■ Occupiers stress the need for the property industry to find ways to keep property costs down, and for price changes to stay in step with the rest of the economy.</li> <li>■ Occupiers place particular emphasis on accountability and transparency in relation to service charges and the cost of granting licences for consent to assign, sub-let and alter.</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>1 in 5</b> occupiers feel that the property industry is not providing value for money for the cost of the rent.</li> <li>■ Nearly <b>2 in 5</b> occupiers feel that the property industry is not providing good value for money for the cost of the rent is poor.</li> <li>■ <b>1 in 2</b> occupiers are concerned about the value for money for the cost of the rent.</li> </ul>
<b>Challenge 6</b> <i>Pace of change</i>	<ul style="list-style-type: none"> <li>■ Occupiers perceive that the UK commercial property industry is becoming more customer focused, but think that the pace of change is too slow.</li> <li>■ Not all landlords are the same. Occupiers perceive that some of the larger property owners are more responsive and willing to change.</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>1 in 3</b> occupiers are concerned about the pace of change in the property industry over the last three years.</li> <li>■ Nearly <b>3 in 5</b> occupiers are concerned about the relationship with the property industry.</li> </ul>

## What Occupiers Say

Occupiers say they are able to find commercial property in a good location.

Occupiers are satisfied with the specifications and quality of the property.

Occupiers are dissatisfied with lease flexibility in terms of lease length and ability to break their lease.

Occupiers think that the availability of flexible lease options and the value they are willing to pay is poor.

Occupiers rate the level and style of communication in the property industry as poor.

Occupiers think the property industry's understanding of their needs is poor.

Occupiers do not feel a 'valued customer' of the property industry.

Occupiers think that responsiveness in the property industry is poor.

Occupiers are satisfied with the facilities services that they receive.

Occupiers think that the property industry has made progress on environmental initiatives.

Occupiers think that the UK property industry provides good value for the rent they pay.

Occupiers say they think the value for money received for their rent is poor.

Occupiers think service charges represent poor value for money.

Occupiers say that their satisfaction has improved over the last five years.

Occupiers say that their business has a stronger relationship with property suppliers other than property suppliers.

## How the OSI Index is calculated

The OSI Index is a composite score, derived from the responses of occupiers to 14 questions, regarding their satisfaction with aspects of the service that they receive.

The responses, measured on a 1 – 5 point scale, where 1 is 'very poor' and 5 is 'excellent', have been weighted to give more importance to the aspects of service which are most highly correlated with high levels of satisfaction.

The responses have each been converted to a satisfaction score out of 100 (see *Figure 1*) and the OSI Index is the arithmetic mean of the 237 responses.

## Research overview

This study explores occupiers' perceptions of the service provided by property owners, property developers, property/facilities managers, professional advisors and leasing agents.

The research programme comprised confidential, in-depth, telephone interviews with property directors and other senior personnel with responsibility for property in 237 organisations. Interviews were carried out within three main property sectors: retail, office and industrial. The views of small businesses, larger corporations and public sector organisations were sought.

Telephone interviews to gather quantitative and qualitative data were conducted by Kingsley Lipsey Morgan between October 2006 and January 2007. Each interview typically lasted about 45 minutes.

## Defining 'customer satisfaction'

We define 'customer satisfaction' as the ability of the supply side of the UK commercial property industry to deliver the products and services that its occupier customers require in a way that meets, and preferably exceeds, their expectations. These products and services include the development and leasing of commercial business space, its handover and subsequent property management.

## The 'supply side' of the UK commercial property industry

This term is used to describe the myriad organisations responsible for delivering customer service to occupiers. These include:

- commercial landlords
- property developers
- property managers
- facilities managers
- construction and fit out companies
- property, design and construction professionals
- leasing agents
- the legal profession

## Introduction by the Sponsors

The Property Industry Alliance, in conjunction with CoreNet Global UK, has commissioned the UK Occupier Satisfaction Index (OSI), an annual programme to measure and produce an index to track occupier satisfaction across the UK commercial property industry. The OSI Index is the first initiative of its type to have been commissioned by representative bodies from both the occupier and the property supply communities. We believe that this report will inform the debate about service standards within the commercial property industry and act as a catalyst for innovation and change.

This research project focuses on the hard, rather than anecdotal, evidence of what occupiers really think and provides a new benchmark which we hope will be of value to the industry and its many stakeholders.

The independent research, carried out by Kingsley Lipsey Morgan and IPD Occupiers, measures how well landlords and other suppliers are meeting the needs of occupiers across the retail, office and industrial property sectors.

The results are, in part, encouraging in that they reveal that positive change is taking place. However, they undoubtedly pose a number of challenges to the industry.

It is clear that the pace of change needs to increase. We will be taking very active steps to ensure that the results are widely communicated and that an industry action plan, responding to the 'six challenges' identified in this report, is drawn up and implemented.

We have asked IPD Occupiers and Kingsley Lipsey Morgan to collect the views of the customers of the property industry again in 12 and 24 months time, and will publish a report on progress.

### Signed, on behalf of the Sponsors



**John Story**  
Chairman of the OSI Steering Group

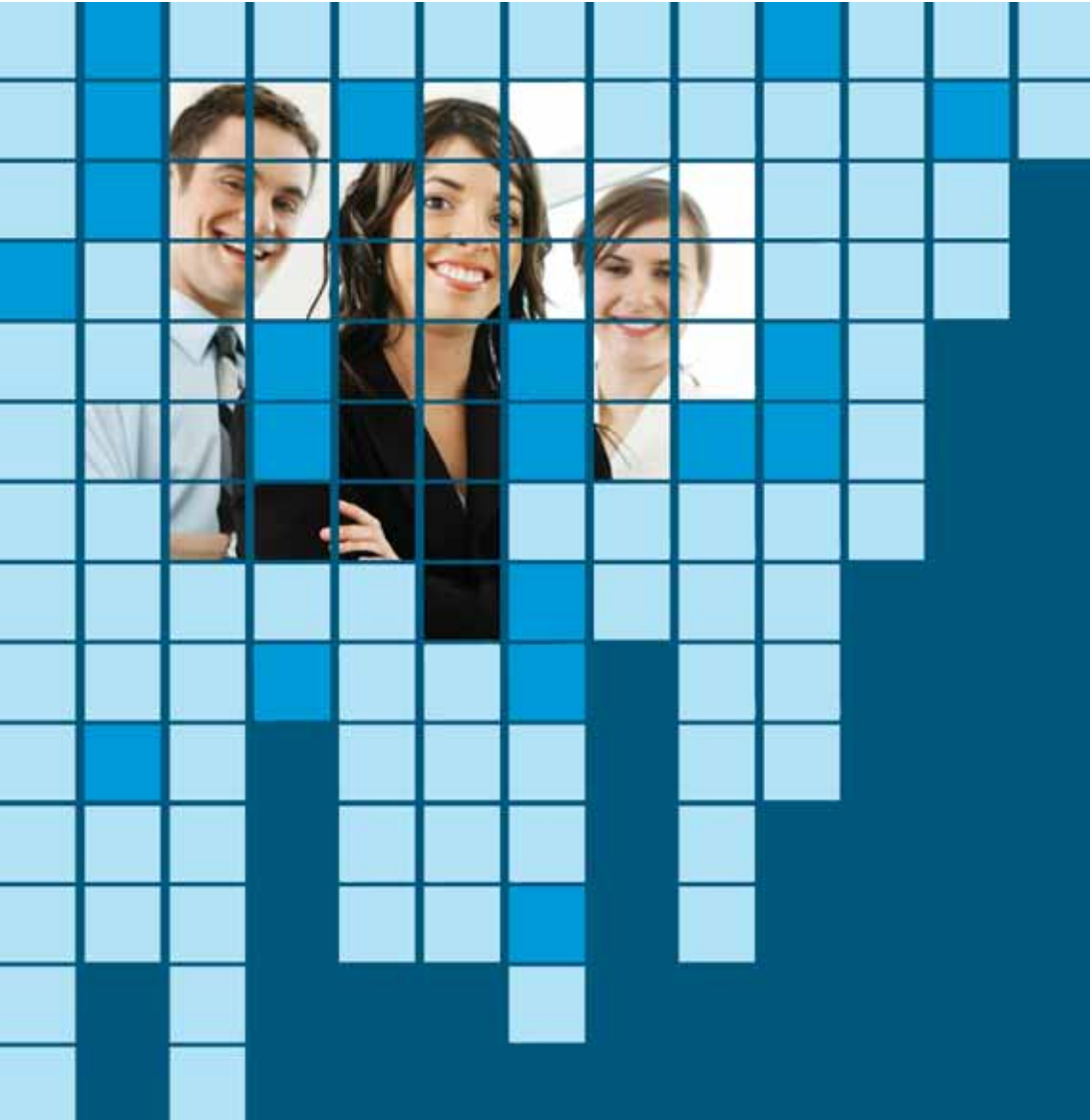
## Supporters

IPD Occupiers and Kingsley Lipsey Morgan would like to thank the following organisations for their support in nominating members to contribute their views as occupiers to this research study:

- Association of Corporate Real Estate Executives (ACRE)
- British Chambers of Commerce (BCC):

Coventry & Warwickshire, Doncaster, Glasgow, Greater Manchester, Hertfordshire, Norfolk, Nottinghamshire, Sheffield, Stockport, York and North Yorkshire

- British Council for Offices (BCO)
- British Retail Consortium (BRC)
- Confederation of British Industry (CBI)
- CoreNet Global UK
- Federation of Small Business (FSB)
- Forum of Private Business (FPB)
- Property Managers Association (PMA)
- Radio Electrical and TV Retailers Association (retra)
- Royal Institution of Chartered Surveyors (RICS)



## The Research Team



**KINGSLEY LIPSEY MORGAN**  
REAL ESTATE PERFORMANCE CONSULTING

[www.kingsleylipseymorgan.com](http://www.kingsleylipseymorgan.com)

**T** +44 (0)20 7887 6155



[www.opd.co.uk](http://www.opd.co.uk)

**T** +44 (0)20 7336 9200



This document contains a summary of the findings of the Occupier Satisfaction Index and opinion survey. The complete research findings can be found in a separate report, available for download at

[www.occupier-satisfaction.co.uk](http://www.occupier-satisfaction.co.uk)