Taking stock:
secondary opportunities and the agile future

Conducted by:

Northumbria University Newcastle

An academic research survey conducted by Northumbria University
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Research USP

Conducted by:

northumbria UNIVERSITY NEWCASTLE

Our rationale

- We try and shine a light on these parts of the property market that no one talks about: the biggest parts
- We ask the following question:
  - Why, when we build buildings to last forever, are they regularly obsolete in a matter of years?
- We argue that:
  - Office development and market conventions need to embed the concept of agility in order to benefit from the new economy

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The Research

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Our data base contains:

	(Millions)	(Billions)
Office Space	92m sq m	1bn sq ft
Industrial space	323m sq m	3bn sq ft
Retail space	181m sq m	1bn sq ft

- Our sample, based on 27 locations (15m sq m/163m sq ft), represents approximately 16% of total office stock in the UK
- Therefore, the findings only represent the tip of the iceberg in relation to commercial office vacancy in the UK

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The Quantity of Secondary Office Vacancy

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Within our 27 towns and cities surveyed...

- **Over 29m sq ft of offices are empty**
- **This equates to a vacancy rate of 18%**
- **Approximately 26m sq ft of this space is secondary**
- **This equates to 90% of all vacant stock**
- **The real vacancy rate could be nearer 50% due to:**
  - **hidden vacancy**
  - **empty property rate avoidance**
  - **grey space**

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The Value of Secondary Office Vacancy

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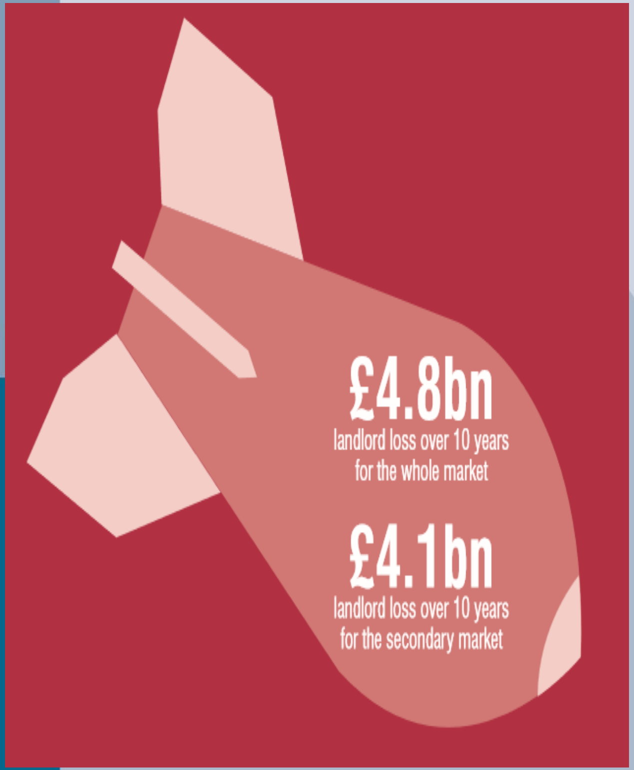
- Landlords are missing out on ~£325m in rent per year
- Landlords are paying ~£158m in holding costs per year
- A compound loss of ~£480m per year
- This would represent a ~£4.8bn loss over the next decade



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** Within the 27 towns and cities covered in this research*

Secondary Opportunities

- Tenants want less space, more from it and on their own terms.

- 34% of secondary office vacancy was constructed during the post war period and 37% during the 1960's and 1970's

- Both eras of construction and their associated locations offer opportunities for the new economy

- They often share:
  - prominent locations
  - buoyant underlying rental levels
  - transferable identity based on rich cultural history
  - good accessibility in terms of public transport and road network
  - walkability to nearby amenities

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Key Challenges

- The world of work has changed forever: How can existing office stock respond to this situation?

- How can traditional market conventions, such as methods of valuation, be revised to account for new market conditions?

- How can we make sure that our towns and cities have an appropriate mixture of use and supportive infrastructure?

- What is the solution to this situation: How can office designers, developers, financers, landlords and government remove inertia and capitalise on the agile future?

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