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Taking stock: secondary opportunities and the agile future

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An academic research survey conducted by Northumbria University

Published August 2015

Research USP

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

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

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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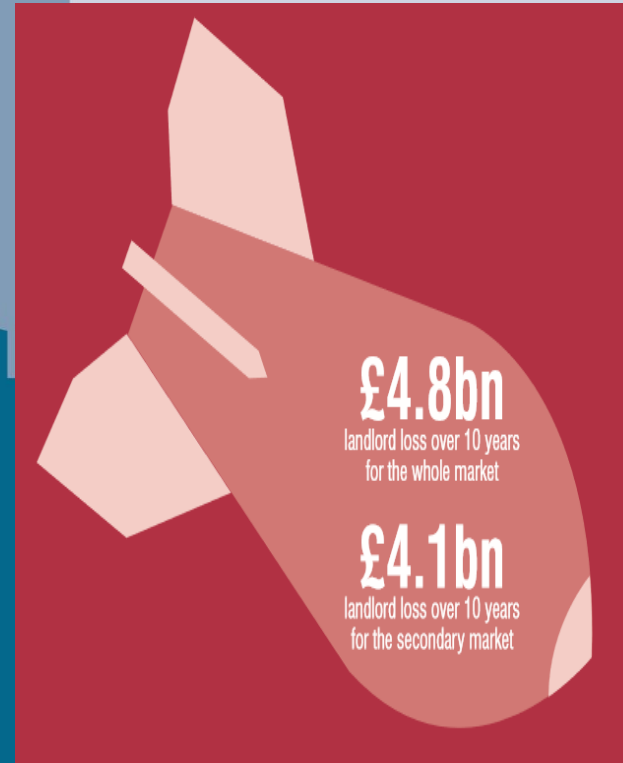


The Value of Secondary Office Vacancy

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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, financiers, landlords and government remove inertia and capitalise on the agile future?

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