

CLUTTONS

cluttons.com/connectivity

**Others know
how to make
buildings work.
We know
how to make
buildings buzz.**

The connectivity commercial
impact report

BRICKS.

MORTAR.

CONNECTIVITY.

Digital connectivity is a vital part of the UK's infrastructure and key to our future prosperity. This report highlights the growing importance of good connectivity as well as the challenges there are when it comes to providing exceptional, rather than adequate, connectivity. Commercial landlords have now recognised that they can improve asset performance with good connectivity and are taking greater responsibility for ensuring their buildings are better connected. London office occupiers are also placing connectivity higher up the agenda, directly linking it with improved business performance and employee satisfaction.

Connectivity is now more important to office workers than good transport links

A significant majority (87%) of office workers consider the connectivity of their workplace to be very important. For the first time, a well-connected office with high broadband speeds ranked in the top three single most important factors when renting office space, alongside location and actual rental cost, relegating good transport links to fourth in the list.

Office workers link good connectivity with business performance and satisfaction

Crucially, our research also highlights the importance of strong connectivity in the delivery of overall business performance. For 81% of tenants, a well-connected office means a better performing business. In these times when talent is a key aspect of business success, employee satisfaction is critical so we were fascinated to see a clear link between connectivity and team satisfaction. This is backed up by 84% saying that employees are more satisfied in their roles when an office is well-connected, which in turn increases productivity by enabling more flexible working practices.

Landlords are taking the initiative and improving connectivity

The majority (65%) of the UK's commercial landlords we surveyed, have undertaken work to improve the connectivity of their buildings, with the key driver for three quarters (74%) of them being to increase the market appeal, a clear indication that landlords are recognising the importance of connectivity as a vital utility, rather than just a nice to have.

Better financial returns from well-connected offices

At a time when there is a pressure on return on asset value, we have found a positive correlation between connectivity and better financial returns from office assets. By demonstrating improvements in

connectivity, most landlords (77%) have been able to achieve increases in rents, demonstrating the value of well-connected office buildings. The infographic shows how this translates into significant monetary values across London.

The value placed on better connected offices is also reflected in the views of occupiers and the importance to their teams, with over half of the connectivity decision makers expecting their organisations to pay more. A quarter were willing to pay between 2 and 4.9%, 18% would pay between 5 and 10% and 6% said they would be willing to pay a premium of more than 10%.

Good connectivity reduces voids and the risk of obsolescence

The other key benefit of investment to improve connectivity is that 72% of landlords were able to achieve a reduction in voids, and in London and the South East this rose to 76%.

This finding is also supported by just under half (44%) of tenants implying that poor connectivity would have a negative influence on their organisation's decision to renew its lease – an increase of 3% over the last 12 months. Almost three quarters (72%) of tenants said that offices which are not well connected will become obsolete spaces in the future, a significant increase of 10% over the last year and a demonstration of how much more important digital connectivity has become.

London's connectivity still falling short – average isn't good enough

However, despite the unequivocal importance of good connectivity, our research shows that there are still significant gaps which needs to be addressed. Under half (47%) of office workers said their broadband speed was fast and it is a similar picture when it comes to mobile and wi-fi coverage.

Awareness and understanding of 5G is mixed

5G is the next generation of mobile connectivity that will augment existing mobile coverage technology and, in time, replace it. It will provide exponentially faster download and upload speeds. Latency, or the time it takes devices to communicate with each other wirelessly, will also drastically improve. 5G is predicted to be a real driver for change in terms of how we embrace further mobility within our built environment and has the potential to transform businesses. So we asked our responders how aware they were of 5G and its potential impact on their business.

It is perhaps surprising that one third of office landlords have little or no awareness of 5G. However, on a more positive note, 70% said that 5G would have a significant impact on their business, recognising its transformational benefits. Awareness and understanding are even lower amongst tenants with over half (52%) having limited or no understanding of 5G and just two fifths (41%) said that 5G would have a significant impact on their business.

Clearly, there's still a huge education task to be done on the benefits of 5G and how to make the most of what it offers to businesses and consumers alike.

Conclusions

Good connectivity in our workplaces is a win-win for landlords and tenants. Clearly, there's a strong commercial argument for greater investment in connectivity in buildings and we are seeing positive moves from landlords who are taking the initiative, rather than leaving it to tenants, who now expect good connectivity to be a given. This is a significant shift in mindset for the industry which needs to move towards new leasing models, which include adding value where it counts, or risk obsolescence of their spaces.

We are also seeing the increasing value attributed to connectivity from office workers. It is now a key factor when choosing a new office or whether to renew a lease, and is seen as a vital enabler of business performance and employee satisfaction. For London, however, there is still some way to go in closing the connectivity gap and providing businesses with a platform fit for the future.

CONNECTIVITY | DELIVERING CHANGE

81%

Of tenants think a well connected office means a better performing business



3rd

Location
Rent



CONNECTIVITY

Transport
Amenities

Relocation costs
Flexible space
Environment

84%

Employees are more satisfied with their roles



The reasons why landlords are improving the connectivity of their buildings has changed

Increased market appeal

74%

Current tenant demand

49%

Prospective tenant demand

21%

Other

3%

#digitalconnectivity #connectivityreport



72%



Of tenants believe poorly connected offices will become obsolete spaces



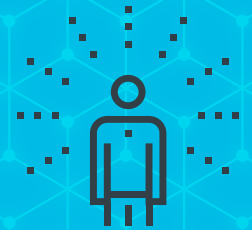
77%

Of landlords have been able to achieve increases in rents



72%

Of landlords have been able to reduce voids



1 in 3

Landlords have low awareness

Hammersmith
£1.00 – £5.00psf

West End
£1.70 – £8.50psf

Midtown
£1.40 – £7.00psf



LONDON



70%

Know it will drive change

INDICATIVE RENT INCREASES AS A RESULT OF IMPROVED CONNECTIVITY

South Bank
£1.18 – £5.90psf

City
£1.20 – £6.00psf

Docklands
£0.75 – £3.90psf

CONNECTIVITY.



The foundation of any successful business lies way beyond its bricks and mortar. Where? In its building's connectivity. Not only does it bring to life culture, connectivity makes the business dynamic and future proof too.

John Gravett, Head of real estate management, Cluttons

Over the past three years we have seen the property industry wake up to the importance of digital connectivity for tenants. Businesses rely on digital connectivity, meaning that there is substantial demand for well-connected and future-proofed buildings. Those landlords that are delivering this are being rewarded with strong returns on their investment – we have seen an average of 4.7% rental value premium for Wired Certified buildings in London.



William Newton, President and EMEA managing director, WiredScore



People using our properties expect robust connectivity as standard, whether it is for business or leisure. Failure to provide this service would have a severe impact on occupancy in the long-term as well as existing customer retention

Alex Cocking, Director of property, Cola Hotels Group

THE C-SUITE CONVERSATION

64%

C-Suite executives have greater levels of knowledge and understanding about 5G



77%

Believe that poor connectivity will lead to obsolescence of office spaces

48%

Believe that new buildings have the very best connectivity – a challenge for landlords of older buildings

Methodology

Research conducted by YouGov between 31 January and 14 February 2019 amongst 200 office landlords who own office space which is rented out to organisations and 1000 London-based office workers.

Our definition of connectivity

We define it as the ease, robustness of service and the convenience with which computers, mobile devices and local area networks connect to the internet – and crucial to business performance.

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