

CONNECTIVITY INFRASTRUCTURE VITAL TO UNLOCKING FUTURE COMMERCIAL PROPERTY VALUES

Cluttons propose mobile coverage rating to be added to lettable workspace criteria

Telephony and mobile phone connections are typically an after-thought when leasing a property, however with the rise of dependence on SIM-based equipment, Cluttons argues that workplaces should be let with a coverage rating, measuring connectivity within a property.

Mobile and internet connections are the fifth essential utility for the modern environment yet the most overlooked when leasing space. Given the fast-paced evolving nature of the sector, landlords who invest in excellent telephony infrastructure are likely to secure tenants for longer periods and potentially achieve higher rental values. The government is now latching onto the importance of better mobile and internet infrastructure, and it has made it a focal point to extend superfast broadband to 95% of the UK by the end of 2017.

This comes as no surprise given that several emerging markets are leap-frogging the adoption of technology and are quickly outpacing the UK in the sophistication of infrastructure on offer to occupiers. London is ranked near to the bottom of the internet connectivity league table when looking at Europe (see editor's notes), which is both a wakeup call and an opportunity for property developers across the city. Furthermore, Ofcom has confirmed that businesses representing 4.5 million people in the workforce are being severely impacted by poor connectivity.

Ofcom reports show smartphones are the UK users' prime device having overtaken laptops. On average we spend two hours each day on our mobiles thanks to access to 4G; this equates to a staggering 23 days each year. The number of 4G mobile subscriptions has increased from 23.6 million in 2015 to 40 million at the end of 2016. This clearly illustrates that mobile connectivity is central to modern life and the way we conduct business. Furthermore, the introduction of 5G in the coming years will not only evolve the way we do business, but it will also speed up the process of doing business through the enhanced speed of transferring data. In the Autumn Statement, the Chancellor committed a further £1bn investment in full fibre and 5G broadband, highlighting the importance of connectivity in securing the UK's future.

When 81% of 13-18 year olds own a smart phone and 34% of them also own a tablet, then landlords need to consider how this future workforce is likely to operate in a business environment in 10 years' time. If we look across other age brackets that are currently in the workplace, at the end of 2016 91% of 25-35 year olds owned a smartphone, a 4% increase on 2015. Furthermore, the 16-24 year old age bracket saw an 83% ownership in phones, 3% up on 2015. A building with poor reception will hinder this generation's business activity, especially when you consider the rise in the role social media plays in attracting and retaining customers and clients.

We believe connectivity will impact more on vacancy rates and rental levels in years to come, which is why we are campaigning for landlords to future-proof their buildings with the right infrastructure today.

New developments are singled out as the greatest opportunity to installing this infrastructure, without any additional costs to landlords and being much easier than retrofitting buildings. Furthermore, new developments are branded as a 'lifestyle' and in order to complement and portray this type of modern lifestyle one must have the most recent and relevant technology. Cluttons acknowledges however that the critical pathway in delivering modern 21st century telecoms infrastructure lies in the hands of the government with much of the West End for instance lacking the supporting subterranean fibre networks to deliver the office buildings of tomorrow. In parallel, landlords must consider alternatives such as off the shelf wireless solutions, which are widely available, like enhanced wifi networks and on site data centres for example.

For now, a key industry metric is WiredScore. This offers an indication of a building's connectivity. In London, 56 office buildings have been assigned: platinum (20); gold (20); silver (13); or certified status (3). Signature schemes such as The Shard and The Leadenhall Building unsurprisingly fall under a platinum rating. Older buildings generally sit between a silver or certified ranking.

More than 8.2 million square feet of office space is currently under development within the City of London with completion expected by 2019. The general consensus is this offers a great opportunity to ensure the right infrastructure is built into the architecture and

fabric of the building at no cost to the developer as well as ensuring telephony isn't a forgotten utility.

With the impending Brexit negotiations likely to ratchet up the uncertainty, overall market activity is likely to remain stalled. This is set against a backdrop of rising completions and a slight subsequent uptick in vacancy rates, which may well keep rental growth suppressed over the short term. Highly specced technological and telecommunications offerings have the highest potential of any other amenities to emerge as make or break considerations for occupiers toying with the idea of an upgrade, or a move.

It is clear landlords are conscious of the importance of future proofing their buildings and tapping into high growth sectors such as the TMT explosion around Old Street, which has been a star performer for a number of years now. The Canary Wharf estate for instance has recognised the value of this high performing sector and is dedicating its second phase (Wood Wharf) to creating an incubation space for new or start up tech firms. The question however remains whether start-up tech firms from Old Street will be willing to relocate to purpose built high tech vanilla space offices. The allure of promised super connectivity and ultra-modern office space is likely to be too hard to resist, particularly when rents for this space (c.£46 psf) are expected to offer much greater value for money than the City Fringe (c.£55 psf) in general.

The Northern Powerhouse, which is attracting huge commercial and residential property investment across Manchester, Leeds and Liverpool also provides a catalytic opportunity for telecommunication infrastructure upgrades and instalments.

The benefits extend well beyond office and residential buildings, as Cluttons highlights that licence and leisure landlords, such as concert venues and football stadium owners, have a captive audience and can increase their customer experience by providing 'interactive experiences' in the form of texting, tweeting and Facebook or Instagram posting from venues. Public transport providers have already begun advancing their connectivity offerings, with free wi-fi now widely available in Tube stations and on some rail services.

Mylio, an online memory content organiser, states that nearly 80% of all photos will be taken with a mobile phone by 2017. With this being the case, the number of uploaded photos to social media platforms will also increase. This means connectivity in venues will be key to accommodating people's experiences of live interactive moments. Just recently, Instagram and Facebook introduced live video feeds which allow people to upload a live video at any given point in time. The live feed element on Instagram's platform has been used extensively at live music concerts or live sporting events and broadcast across social media. This therefore demonstrates that it is vital for leisure landlords to construct buildings that accommodate the social wants and needs of their clients.

To conclude, Apple Pay, where goods and services are paid for via iPhones, iPads or Apple Watches, was only introduced eight months ago, but has already been widely adopted by UK retailers.

However, this payment method is only possible in outlets that have adequate mobile signals. It's a payment method that's here to stay – and likely one day to replace contactless payment credit cards – so buildings need to upgrade or face losing future revenues. The world is increasingly one market place, and it is very likely to do away with a watch/phone/laptop/wallet and become dependent on the mobile.

We believe that the future of smartphone business interactivity is best illustrated in West African nations; most commerce is transacted via mobile phones whether it be paying an electricity bill, buying clothing or paying for beauty treatments.

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