



THE SMART MOVE FOR BUILDING OCCUPANCY

Darien Jay, Managing Director of Vixus Property Advisory, explains why the smart service charge is the way forward for the commercial office market.



The corporate office space is on life support. Having been hit with the double blow of flexible space disruptors followed by the Covid-19 pandemic, landlords have faced a huge challenge to lease their buildings.

Grand marble lobbies no longer cut it. Neither does a foosball table in the break-out room. Whilst they are nice to have, landlords need to think outside the box and find ways to incentivise tenants back into the office.

Sustainability has been talked about a lot with many companies working on net-zero carbon strategies and looking at new ways to reduce their carbon footprint. By focusing on sustainability, building owners and managers can introduce measures that offer both environmental and financial benefits - two aspects that remain at the top of potential tenants' wish lists.

Enter the smart service charge. The notion is simple - harnessing data to measure usage of shared services and allocating service charges based on this. This isn't an entirely new concept. Facilities managers have been monitoring energy use by tenants for several years, and this is a widely accepted practice.

Similar technology, powered by the Internet of Things, can be implemented across a myriad of systems, with the price of monitoring software having fallen to the point where it is widely accessible and financially viable. It is now relatively straightforward to measure waste and recycling volumes by the weight of each bin or bag. In its simplest form each tenant is allocated a QR code, which their cleaning team scans when moving waste to the bin store.

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We are working with Principle Cleaning Services that delivers such a model for its clients. By capturing the weight of each bin being collected the company is able to provide detailed reports for the landlord and facilities



manager objectively detailing waste and recycling volumes by tenant. With general waste disposal costs being significantly more than that of mixed recycling, there is a clear benefit in promoting increased recycling rates.

In theory, on receipt of this data from their service provider, the landlord can apportion service charge costs to each tenant based on their overall usage and the split between general waste and mixed recycling, effectively incentivising companies who take recycling seriously and penalising those who don't, to drive improvements.

Another area for the smart service charge is washroom usage, which can be monitored by installing sensors. Most landlords default to washroom cleaning with the same frequency throughout the building. Principle's PCS Connect system, for example, provides footfall and consumables data based on real-time usage, which adds value for clients through needs-based cleaning schedules and stock replenishment. It's possible that such data could be repurposed to authenticate a smart service charge.

Over the course of a year, the cost to the landlord of arranging washroom cleaning on communal floors per day can run into thousands, even though some washrooms are used far less often than others. A consultative approach supported by sensor data would suggest to a tenant that a reduced cleaning frequency is appropriate in some areas.

These are just a few examples that can be adopted. Ultimately, the success of the smart service charge hinges on the landlord, tenant and facilities management service provider all pulling in the same direction.

Whereas a tenant will benefit from a reduced and more equitable service charge, the landlord will aim for greater longevity and less void space. The service provider, through demonstrating the value that they add through data monitoring, will be well positioned to have their contract extended beyond the initial term.

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The smart service charge is the way forward for managing buildings. There are a multitude of applications for the smart service charge using existing software mechanisms and real-time data reporting. By reapportioning costs for services based on use, we can drive efficiencies for landlords and tenants and contribute to fairer practices.

These outcomes should be justification enough. But when we also consider the wider benefits of driving sustainability and moving towards carbon net zero, it seems only a matter of time before the smart service charge is the pervasive model in play.

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