

Managed Office Solutions expensive?



New TOCs based research challenges this concept



Organisations such as BSkyB, Provident Financial, and E.ON have recognised that managed accommodation, such as Portal's Occupier Solutions can offer a cost effective alternative to traditional methods of property procurement. However an all-inclusive pricing model can sometimes be difficult for organisations to compare with more traditional property solutions as it is priced on an operational contract that includes all the factors of property acquisition and on-going management.

To overcome this issue Portal investigated its price competitiveness by asking industry authority Actium Consult to carry out a detailed benchmark cost analysis against the industry standard workstation as detailed in their Total Office Cost Survey (TOCS) 2009.

Actium's research revealed that the Portal workstation costs in all of the examples were lower than the equivalent TOCS standard. In addition, they stated that Portal's solution offers a high level of service at a competitive pre-agreed cost, saving the client the time and effort required to procure and then manage the service delivery. The fact that Portal also carry out the fit out has an added advantage, giving the client a one-stop-shop. They concluded that no solution fits everyone but, in their opinion, for those occupiers requiring a rapid bespoke accommodation solution, the Portal offering is certainly one to consider closely.

Andrew Proctor, Managing Director, Actium Consulting said:
"Portal offers a high level of service at a competitive pre-agreed cost, saving the client the time and effort required to procure and then manage the service delivery. The fact that they also carry out the fit-out has an added advantage, giving the client a one-stop-shop."

Rationale

The Total Office Cost Survey (TOCS) by Actium Consult provides an independent and accurate guide to the total cost of occupying a brand new office building in 50 locations across the UK. The survey covers 22 different cost heads including rent and rates, annualised cost of fit out and furniture, hard FM, soft FM and management based on the latest data provided by the foremost advisors and suppliers. It is recognised as the industry standard and is widely used by occupiers and suppliers to benchmark their costs and prices.

Actium's involvement

Actium Consult was engaged to:

- Make a total cost comparison between Portal workstation costs per annum and the workstation costs reported in TOCS 2009
- Make a detailed comparison between all TOCS expenditure heads and output definitions with the Portal total service offer in each location
- Assume that the relevant date for the cost comparison is 1 March 2009 which is the data point for TOCS 2009
- Focus on TOCS evidence based on Nottingham, Sheffield and Maidstone locations for Portal's facilities at Nottingham, Rotherham and Chatham respectively, herein referred to as the TOCS standard cost
- Make a locational adjustment for the assessment of rent and rates, herein referred to as the TOCS adjusted cost
- Provide commentary on any major differences between TOCS assumptions and the Portal service offering
- Make a physical inspection of Chatham and carry out a desk based review of the plans and specifications of Nottingham and Rotherham to ensure that quality of fit-out was factored in

// The cost of Portal workstations are in all examples less than the standard TOCS workstation //

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Actium findings

Portal provides managed office and call-centre buildings with the following characteristics:

- There is a one stop shop for space, fit out and facilities management providing a bespoke, turnkey solution
- The cost certainty of a pre-agreed workstation charge per month
- Flexibility in the number of workstations and (where the building allows) in the space to be taken to accommodate business changes
- A high level of service
- Rapid deployment

Given these features, which individually are often used by suppliers to increase prices, we would reasonably have expected the cost of Portal workstations to be above the TOCS standard costs, especially since the recent falls in rent levels, which came after the deals had been agreed. It is therefore noteworthy that the cost of Portal workstations are in all the examples lower than the standard TOCS workstation.

Portal appears to perform beyond the stated service level and is very responsive to the occupiers' needs.



What did Actium say about Portal at Nottingham?

At 52,000 sq. ft. the Sherwood building is a similar size to the TOCS building and was built to order in a very short time. Additionally, within the 52,000 sq. ft. facility delivered to the client, the original request was for a 5,000 sq. ft. Data Centre. When the centre then doubled in size, Portal's input into the design meant that the workstation density could be increased accordingly, allowing the centre's activity to continue as before.

The Portal workstation cost of £336 is well below the TOCS standard workstation cost of £371 per per workstation pcm, as well as the TOCS adjusted figure of £357 based upon equal density of occupation.



What did Actium say about Portal at Rotherham?

Portal initially took the whole building and allowed the client to expand. The risk taken by Portal and the cost of holding the extra space until needed is reflected to some extent in the overall cost. The ability to expand within the same building but to retain an agreed workstation price, has been very valuable to the occupier and has been achieved at an overall price very similar to the price of workstations in an average building.

The Portal workstation cost of £351 per annum is well below the TOCS standard cost of £449 (based on equivalent services) but is above the TOCS adjusted cost based on an equivalent density of occupation.



What did Actium say about Portal at Chatham?

By delivering a better fit of space to the requirement for workstations, plus a term that was shorter and more in keeping with the client's business horizon, Portal were able to reduce the client's exposure to property to 53% of what it would otherwise have been. The Portal workstation cost of £401 per annum is well below the TOCS standard cost of £442 but is above the TOCS adjusted cost.

It should also be noted that there has been downward pressure on rents since the lease was taken and the agreement made in April 2008; if rents at the time are used, the results compare more favourably.

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