

DLINFO PERTH – DECEMBER 09

Focus on Commercial – Workplaces

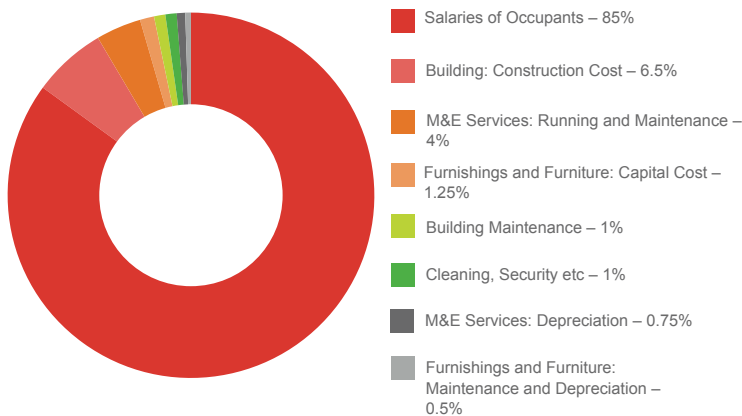
Increases in productivity, lower attrition rates and sick leave have all been linked to the workplace.

A recent Davis Langdon presentation to the Perth market highlighted that companies must consider more than the initial capital cost outlay for the actual construction cost. The presentation highlighted that any company's biggest cost is their staff costs. Looking at an owner-occupier model, staff costs account for 85% of the business over a 20 year period.

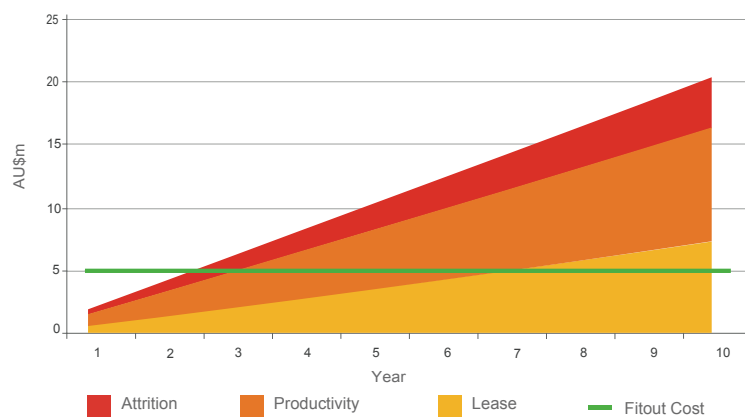
Construction or fit-out costs account for, on average, 6.5%. It is therefore a value argument that the initial investment in the workplace will be more than offset by other factors: more efficient use of space, productivity increase etc.

Based on a typical model and a number of sensitivities, it was highlighted that organisations could get a pay back for their initial outlay in less than three years.

A breakdown of business costs



Indicative payback on initial investment



Retro-Greening our Ageing Stock

Published by Arup, Property Council Australia and Davis Langdon, the recent report 'Existing Building // Survival Strategies' addresses the issues, options and results of building refurbishment.

Currently over 80% of Perth's CBD buildings are facing obsolescence. Next year the Federal Government will introduce 'Mandatory Disclosure', which will 'label' each building on energy performance. These labels will provide prospective tenants a snapshot of where a building rates against the pack.

A business case for upgrading a building needs to consider tenant retention and building value, as payback periods on services upgrades are prolonged.

Another concern for landlords, in either new build or existing buildings, is the impact a tenant's operation can have on the overall building rating. There can be situations where the impact of tenant actions, or inactions, can compromise the green rating of a building.

A position of mutual understanding and commitment to green principles can assist. Parties should consider the use of Green Lease clauses which are available

in the market, such as those from the Royal Institution of Chartered Surveyors (RICS).

Davis Langdon are currently advising on 150 St Georges Terrace and 251 Adelaide Terrace, both of which received Green Building Fund (GBF) grants. The GBF is still open for applications to assist with funding.

From providing initial NABERS audits, selection of upgrade initiatives and delivery, Davis Langdon can provide you with real advice.



Office Vacancy – Make Good

Perth office vacancy rates are rising from historic low levels, rents are in decline and there is a significant volume of new commercial space entering the Perth office market.

Building owners are looking to retain existing tenants, while tenants are looking to downsize or relocate to more economical premises.

A significant implication of vacating a tenancy for both building owners and tenants is the cost of reinstating the leased space to base building condition, commonly referred to as 'make good'.

The costs of vacating a lease can be overlooked by some tenants. Davis Langdon can assist by advising in advance the cost impact of the lease reinstatement costs associated with the relocation decision – for both tenant and landlord.

New tenants should consider 'green make good', which aims to reduce not only costs but also time and waste generated. Guidance is available in the market from RICS through their Green Make Good Paper.



Specification Consulting – Celebrating a Milestone

It's now two years since we established a specification consulting service in Perth, spreading our offering from our Melbourne and Sydney offices.

After two years we can proudly boast an impressive and growing list of clients and involvement

in some major building projects, including the Fiona Stanley Hospital.

Our service offering centres on the timely coordination and production of architectural specifications reflecting the form of contract and procurement process.

New Commissions/ Projects

- > Governor of Stirling High School
- > Ashdale High School
- > Mandurah Private Hospital
- > Albany Health Campus Masterplanning
- > Murdoch University Engineering Building
- > Swan Christian College Library and Art Centre
- > 726 Hay Street, Perth Refurbishment Project
- > The Islands, South Beach
- > Hillarys Old Breakwater Tavern Redevelopment

Publications

Australia

- > The Cost of Green Star Hospitals
- > Hotel Conversion Report
- > Sentiment Findings Report Ten
- > Existing Buildings // Survival Strategies

Global

- > DLS Dynamics October 2009
- > 2009 USA Construction Market Report
- > DLSI Global Sporting Events



For more details on any matters in this issue, or if you have an suggestions for future comment contact Neil Dickson – ndickson@davislangdon.com.au

