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Connected development

Connectivity Neil Sagoo addresses the growing importance of reliable, high-speed internet access and its impact on commercial landlords, tenants and developers

Most of us know from our home lives that not all internet provision is the same, be that broadband speed or the effectiveness of tech support or price. But do we spend enough time assessing the equivalent in the commercial premises we build, own and occupy? And what are the key questions we should be considering?

Clients are now being advised to ensure that connectivity issues are addressed at the location decision and heads of terms stage of lettings. As a result developers and landlords are more regularly looking at how their buildings perform on those measures and what can and should be done to improve their competitiveness.

It is difficult to imagine many businesses for which reliable and affordable internet connectivity, both wired and mobile, will not be important to their success. This means that the connectivity of a building will increasingly have a major impact on its desirability to tenants and buyers.

Where are we now?

Across the country the UK's internet provision is respectable on a number of measures. It is (very slightly) better than that in the US and considerably above the global average, but still not in the same league as countries such as South Korea, Sweden, Norway, Switzerland, Hong Kong, Holland and Japan. However, the country-wide figures disguise regional and local variances, even within towns and cities. "Postcode lottery", anyone? Obtaining reliable information on what those differences are now, never mind what they might be in the future, is the challenge that landlords and tenants are increasingly seeking to address.

Another aspect of connectivity which

affects business performance, albeit sometimes to a lesser degree, is the internal WiFi capability. Historically, aside from retail and leisure, this has been seen largely as an occupier's responsibility, and landlords have tended not to get involved beyond granting consent to any related alterations. But even this aspect of connectivity might change. As landlords and developers seek to improve the connectivity offering of their buildings they will consider and factor into their design of the building's infrastructure how to maximise the efficiency of their tenants' internal WiFi provision as a selling point.

Connectivity assessment

The current market leader in connectivity assessments is WiredScore, whose London clients include the owners of 20 Fenchurch Street, EC3; the Leadenhall Building, EC3; City Hall, SE1; CityPoint, EC2; the Buckley Building, EC1; and One New Change, EC4.

It certifies buildings based on five criteria: variety of choice; redundancy; room for growth; high quality connections; and resilience. The idea is that a platinum-rated building is more desirable to buyers and tenants than, say, a bronze-rated or non-certified building. Where necessary, building designers/owners can then set about determining whether and how those assessments can be improved. Some things, such as the cityscape around buildings and trunk cabling, might be outside their control, but choice of building location, on-site cable routing or even materials which might reflect transmissions in different ways often fall within it.

Implications for lease terms

Of course, in a fast-changing technological environment such assessments, to be of real value, will need to be repeated from time to time, and with that comes at a cost. Provision in lease service charges for landlords to recover those costs is not yet commonly included as a specific item, but landlords should be aware that it might become so and therefore consider including it now. Tenants' willingness to pay or contribute to the costs of regular assessments and/or retrofitted upgrades will depend on how much value they place on the information and service provided.

While a landlord's incentive will be to make its building more desirable and success would result in more favourable rent reviews, it seems unlikely that specific rent review assumptions are necessary in the current market. However, in time, some landlords might seek to disregard any adverse effects on connectivity caused by tenants' alterations or behaviour, as sometimes happens now in relation to EPC ratings and environmental performance.

Tenants taking new leases, and sometimes also on lease renewals, need to ensure that not only will their fit-out be ready on time, but also that internet connections will be in place. Often this will include the involvement of a third party, such as BT and/or an internet service provider. Therefore agreements for lease or rent commencement dates that are conditional on being "ready to trade" need to include connectivity as part of what that means.

Looking to the future

Some landlords are finding other ways of providing better connectivity besides connectivity ratings. For example, a Maples Teesdale client at Tower 42, EC2, has installed 4G relays throughout the main tower. Many of us are used to shopping centre landlords providing WiFi and cloud access for tenants and their customers, which not only collects useful data but also encourages shoppers to engage with retailers and other occupiers so as to improve dwell time and promote both in-store and online trade.

One lesson of the past couple of decades is that, as technology changes, the infrastructure of our commercial buildings needs to change too. The wireless workplace of the future is going to need well-located, well-connected kit to make it work and, crucially, flexibility for it to evolve further. The challenge for developers and building owners is to understand better what end users will need and how their buildings meet those needs or can be adapted to do so.

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