

Workplace occupancy cost: Belgium out of line with European trend

As it does every year, Colliers International has published its 'Occupier Cost index' (OCI), which calculates the total annual cost of a workstation per member of staff. This index is calculated on the basis of data from over 3,650 buildings across 29 European countries, and representing some 33 million square metres. The OCI involves over 1.7 million employees and is considered as a barometer of real estate costs for the professional property sector.

For Belgium, the workplace cost amounts to 11,263 Euros per FTE (Full Time Equivalent), which is 4%, or 500 Euros, down on last year, per employee. Last year the OCI for Belgium offices had already dropped by 2%. It should be noted that our northern neighbours are 24% less expensive, while our southern neighbours are 30% more expensive. The European average stands at 8,972 Euros against 8,443 Euros in 2015, an increase of 6.26%.

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The cost of a workstation in Belgium is virtually 20% higher than the European average, but this is only half of what it was last year, when the difference was 39%. Belgium is therefore on the right track where strengthening its competitive position is concerned, but there is still very much work to be done.

Margin for improvement

“The cost of a workstation could still decrease by 10%”, states Jeroen Govers, Senior Director, Real Estate Services at Colliers International. “We are doing much better than our French neighbours and than many European countries, which have seen significant rises. In France, there are less and less ‘large’ office areas available, which is causing rental costs to climb. In 2016, France was the fourth most expensive country in Europe. But Belgium is still clearly above the European average, and so there is room for improvement. It is therefore possible to do better, in particular by renegotiating existing lease contracts, by optimising space use and by better adapting services to needs. Renegotiation is unfortunately

not possible at just any time within the contract duration, which explains why this approach is slow to get off the ground”.

Jeroen Govers repeats again what he recommended last year: “The savings potential is substantial for critical contract management”. The problem with the Belgian OCI nevertheless remains the high level of employment charges (management of the company and facilities).

The decrease in the OCI is essentially due to the ‘Personnel and Organisation’ categories (-9.9%), and Central Functions (-9.6%). The decrease in costs for catering should be noted, the result of an offering which has less choice options. Jeroen Govers: “This does not mean that concessions have to be made in terms of quality. The provision of catering during meetings is diminishing. In view of the quest for talent, blind cost reductions which could have a negative impact at this level are not being implemented”.

Sell some property

Despite a slight rise at the end of 2016, interest rates remain particularly low. This enables cheap foreign capital to be attracted. Jeroen Govers: “For companies, the returns from their own core business are higher than those from owned property. This is why the formula of leaving the property to investors, whether under sale and lease back or not, represents an option”. Freeing up cash to invest in the core business provides a better return. Although rents are indexed, increases remain minimal.

Eurospan situation

Belgium ranks ninth in the listing of the highest cost per workstation, out of the 29 countries forming part of the study. The list is headed, as was the case last year, by Switzerland, with an OCI of 18,484 Euros, which is an increase of 3.5%. Bulgaria holds the list up, again as last year, at a cost of just 2,556 Euros (up 1.71%). In Germany, the OCI is lower than here in Belgium, 9,482 Euros. Luxembourg and France are towards the top of the list, with costs of 14,305 Euros per year. Luxembourg is thus 27% more expensive than Belgium.

The Netherlands have changed this year, with an OCI per FTE of 8,564 Euros, which is 3% lower than last year. This is more than 2,500 Euros less per employee than in Belgium, and is even below the European average.

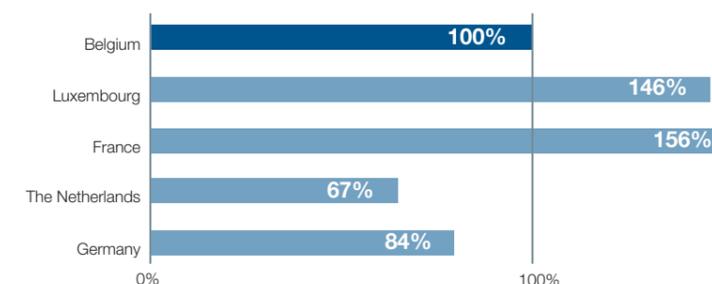
Jeroen Govers: “The low cost per FTE in the Netherlands is above all due to the relatively low rental levels for office space. The Dutch real estate crisis of a few years ago, with many vacant office buildings, made itself felt. Nevertheless, the low point has more or less been reached: the 3% decrease this year is substantially less than last year, when it amounted to 10%. Another explanation is the much lower salary levels in the Netherlands. This had already made a difference in the past”.

The decrease in costs in the Netherlands is to be found in the ‘Personnel and Organisation’ category, and more specifically in the ‘Document Management’ and ‘Security’ departments. This last item is remarkable in view of the terrorist threat which is hanging over the whole of Europe.

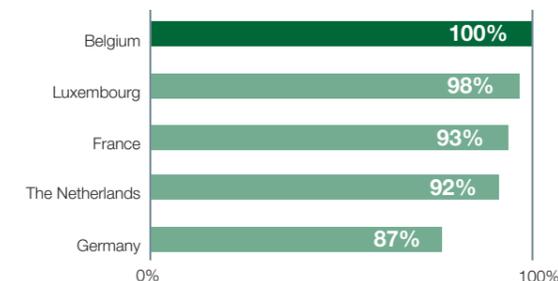
Jeroen Govers concludes: “We can expect a decrease of the OCI in 2017 once again, along with a narrowing of the gap with those countries which are currently the least expensive and where it is in particular costs relative to services which will climb. The focus on cost saving and efficient management of resources remains a priority, independently of the sensitive point of salary costs”.

Eduard CODDÉ

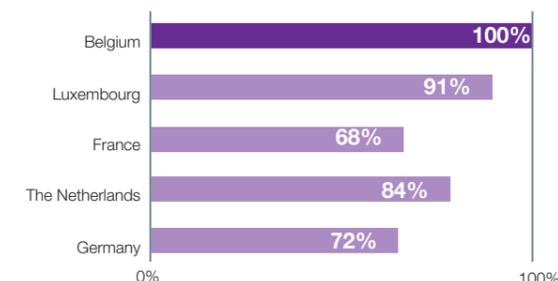
Space and Infrastructure



People and Organisations



Central Functions



Total

