

LEADING THE CHARGE: OFFICES AND BIKES



Nick Knight,
MD Eco Cycle



Cycle parking can bring financial and sustainability rewards to property investors, and enhanced wellbeing to their tenants. Nick Knight explains the win-win situation.

The cycling revolution is likely to continue its impressive growth trajectory, which is great for a healthy lifestyle, yet it has consequences for the commercial property sector. Corporates' key requirement in searching for premises happens to be satisfying their employees' health and wellbeing criteria enabling them to attract and retain staff. Provision of cycling facilities is an easy win as it satisfies both the Corporate Social Responsibility as well as the individual's wellbeing in one swipe. However, cycling is notoriously difficult to accommodate in schemes as it takes up so much space.

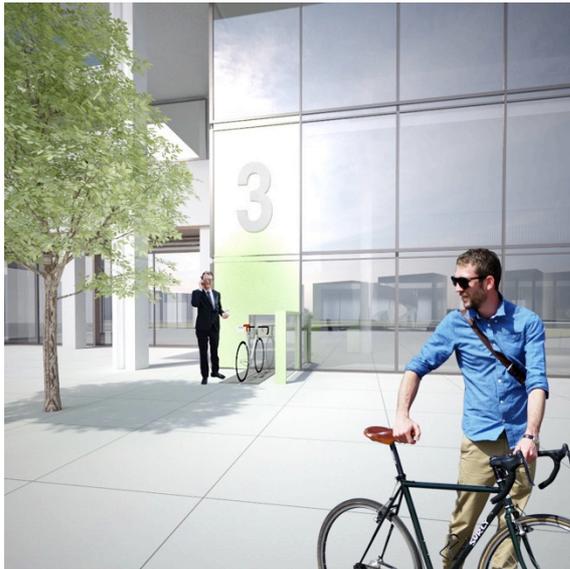
With no national planning policy guidelines on cycle parking requirements within office buildings, it's down to the individual planning authorities to set their own parking ratios, which has led to a very uneven field as most local plans were adopted prior to cycling going mainstream. No matter, both planning and BREEAM are measures that control the quantity of spaces, with little or no direction on the quality of the provision.

How many spaces are sufficient?

Savvy developers and their agents recommend providing a quantum of spaces that they consider befits the location and targeted occupier sector, and use the planning standards as a reference

point only. However, occupiers are rarely asked how many cycle spaces they aspire to offer their staff if they had a clean sheet. Should 10 or 20 percent of their staff be enabled to cycle to work through provision of a parking slot? Or in the age of sustainability, active travel, emissions and health concerns, would the desire for cycle parking actually amount to 30, 40 or 50 percent of their staff?

Either way, the number of cycle spaces to be squeezed into buildings for commuters' use will only increase and developers will be forced to think outside the box. The London Plan, for instance, has a ratio of one space per 90 sqm (Gross External Area), whilst Southwark's draft local plan is looking to double that to 1:45 sqm. In terms of space required for cycle parking, as each bike takes up between 0.65 sqm and 1.15 sqm, it amounts to significant footprint. In terms of staff occupation, the London Plan (FALP, March 2015) equates to 15 percent of occupants having a cycle space (in our hypothetical building), assuming an occupancy ratio of 1:10 sqm. Southwark's draft plan equates to 31 percent of occupants having a space, which is seeking to future proof buildings and clearly shows London's direction of trend, heading towards the provision at Oxford (34 percent), Norwich (35 percent) and Cambridge (40 percent).



A superior solution to parking

As we're at the forefront of the cycling revolution, developers are loath to over-provide spaces only to see them underutilised prior to demand catching up. This opens up a problem with the traditional design of office buildings, as they're nearly all insular. The parking is for the preserve of the occupants only, with security concerns preventing anyone else from entering, and in such a scenario unused spaces remain an empty waste of resource.

Eco Cycle, an automated cycle parking system offers a solution, as the cycle parking is accessed from the ground floor, which could be within the façade of the building and in the public domain. Surplus spaces can be actively monitored and placed within a secure cycle parking network that benefits the public, as well as improving the active travel credentials of the building. There's value at the planning stage as well, as provision of cycle parking for the public is considered to be socially sustainable, offering a tangible entity for the local community.

Eco Cycle takes up significantly less footprint than traditional parking, releasing valuable space. And where there's space to install it outside the building (either below or above the ground), then it can release 100% of the area required to house traditional cycle parking within the building. The system is simple and quick to utilise and offers a more convenient way to park and retrieve bikes (just 13 seconds to get your bike back), with the

additional security meaning that possessions such as lights, trip computers, pumps, pannier bags and helmets can be safely left attached to the bike, avoiding the hassle of carrying the kit with you. It's cool and innovative, and can be included in the realm of the Internet of Things. It also provides the infrastructure that makes buildings and cities Smart.

It's time to make it explicit

At present cycle parking isn't expressly charged for, as it's seen as aspirational. If you have it, then you can offer it, with demand often not being satisfied. However, the balance has changed, as the key requirement for corporates is now health and wellbeing of their staff and they're demanding higher parking levels than those that planning parking ratios provide. There are numerous cases of office schemes that have handed away all of the cycle parking provision to the initial tenants, with the remaining occupiers having to do without. Where feasible, occupiers are subtly renting unwanted car spaces and converting them for parking bikes, which provides some degree of evidence of charging for bikes, which could easily be in the range of between £150 and £350 per space per year.

Where developers used to provide cycle parking as a planning obligation, it's now an occupier necessity. And as both planners and occupiers are seeking provision of more spaces, this has a real cost to the developer that hits the appraisal. However, we're at a tipping point as there's value to be made from cycle parking; for where corporates demand it, they'll need to pay for it, especially as the cost of provision is also rising.



Once developers and agents appreciate this value, then parking provision won't be begrudged, it'll be embraced. At present charging for cycle parking is implicit within the office rent, and where developers look to make it explicit, then opposing agents are seeking to obtain a discount on the office rent to the effect of achieving the same global rental for the space. From a valuation perspective, this makes the headline office rent reversionary from day one, which in theory improves the yield. Where charging is materialising, it makes sense to make provision of cycle spaces explicit within the lease, even if initially charging a zero rent for them. By the time the rent is reviewed the zero rated cycle charge will then rise to a market value, with the office rent being measured with office comparables. Where the cycle parking is within the lease, then the valuers will mark it at the office yield. It's not reinventing the wheel, as exactly the same previously happened with car parking.

Embrace the value of superior cycle parking

Where occupiers are to be charged, then it will be more palatable and easier to accomplish where the facility is of a higher quality and offering additional benefits. As each space within Eco Cycle is uniquely identifiable, it's possible to guarantee occupiers a fixed level of parking that's not at risk of others using it. Occupier's benefit from a more convenient and secure store that can actually entice staff to cycle, and its usage can easily be monitored. When paying for a service,

it's likely to be better utilised than when it's perceived to be free. Being able to see who is and isn't cycling can provide occupiers with information to reward or incentivise staff to cycle, whichever might be appropriate. Real time data can be a valuable CSR tool, able to accurately show the usage of the cycle store as an indicator for KPI's.

In built up areas such as in central London, numerous buildings have little or no cycle parking provision, with many car spaces already having been converted to cycle parking. Development of a single asset is normally ring fenced and looked upon in isolation. However, over-provision of cycle parking can provide a hub for surrounding buildings to utilise and this makes asset management sense, as it can be a boost to development profits and income returns, whilst future proofing the parking within that building. Down the line, buildings that are perceived to be under-parked could suffer in terms of value, if only through increased letting voids; as occupiers will look to join the ride of the cycling trend and could ignore those buildings that can't deliver the quality and quantity of spaces that are desired.

Investors have the opportunity to earn an income from cycle parking, whether from office occupiers or from the public, and the value generated will be significant, both in terms of property returns as well as sustainability and health benefits. Eco Cycle is a superior cycle parking solution that provides a USP and saves footprint, and also has the ability to lead the charge.

