

Get a grip on these crazy service fees

A NEW survey has found that unregulated office service charges are costing commercial property tenants an estimated £3.5 billion each year.

Now Bristol-based Property Solutions is calling for the Government to introduce legislation to regulate the system.

Researchers at Loughborough University's Business School have conducted a survey into how much tenants are paying in service charges.

The findings will be released at the Investment Property Databank conference in Brighton tomorrow.

The survey concerns charges for when a tenant moves into a multi-let

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building which they are required to pay. These costs are in addition to rent and rates.

Service charges include common operating costs such as cleaning and security of common areas, heating, lighting and maintenance. These costs will normally be set out in the tenant's lease.

The research, analysing data from 161 buildings and their tenants, found:

- Many tenants are unaware whether the service charges that they pay are fair or reasonable due to a lack of information available to them.
- There is no standard measurement of service charges. The study

recommends that service charges should be calculated on a pounds-per-square-foot basis in order that cost comparisons can be made.

- There are no economies of scale for the charges that companies pay.
- Tenants do not always receive budget statements in advance of charges being incurred.
- There is no consistency in the classifications of costs.

David Barrass, managing director of Property Solutions, which sponsored the study, said: "The industry really needs urgent action now.

"The Loughborough Study's recommendations have been widely ignored in the office sector and clarity and clear direction is in both tenants' and landlords' interests."