



SERVICED OFFICE REVIEW

YORKSHIRE & HUMBERSIDE Q4 2009



YORKSHIRE & HUMBERSIDE

INTRODUCTION

The following report utilises statistics for Q4 09 from officebroker.com, the UK's leading independent broker of serviced office space, along with external reports to present findings on activity within the serviced office industry in comparison to Q4 08.

The report presents results on the following key areas in the Yorkshire & Humberside region:

- Supply of and demand for serviced office space
 - In terms of the number of enquiries, the size and shape of those enquiries and the number of placements
- New Serviced Office Tenants:
 - In terms of workstation prices and initial license length commitment

Using the statistics from these areas, a detailed overview of the serviced office industry in Yorkshire & Humberside was compiled to provide a comparative analysis of the changes within the serviced office market during Q4 09.



* officebroker.com defines the Yorkshire & Humberside region as areas located within the following postcode prefixes: BD, DN, HD, HG, HU, HX, LN, LS, S, WF and YO

HIGHLIGHTS

- **28 new serviced offices added to the officebroker.com portfolio in Q4 09**

Q4 09 COMPARED TO Q4 08:

- **Enquiry levels dropped by -10%**
- **+ 63% increase in new serviced office tenants (SOT's)**
- **Average number of workstations per SOT was 4.2**
- **Workstation costs increased to £187.00 p/m**
- **Initial license agreements decreased to 6.8 months**

SUPPLY OF SERVICED OFFICE SPACE

28 new serviced offices added to officebroker.com portfolio in Q4 09

The total number of serviced office buildings reached 224 in the Yorkshire & Humberside region during Q4 09. This peak figure followed the addition of 28 new office buildings to the officebroker.com portfolio during Q4 09.

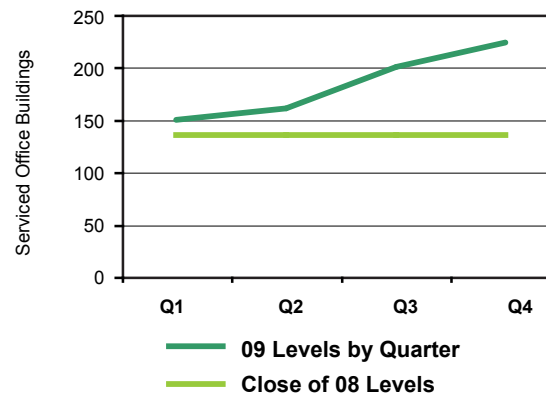
The 24 serviced office buildings added in Q4 09 were part of 89 buildings added during the whole of 2009. These additions represented a +40% increase in the number of serviced office buildings available within the Yorkshire & Humberside region.

As demonstrated by Fig.1, increases in the number of serviced office buildings occurred quarter-on-quarter in 09, with the sharpest rise taking place between Q2 and Q3.

An increase in the amount of new serviced office buildings coincided with prime rent levels in commercial centres reaching what is expected to be their lowest level before beginning to rise once more.

This activity suggests that serviced office providers remain optimistic about the appeal of serviced offices, having taken advantage of the lower prime rents to secure additional commercial property for conversion to business centres. Such investment points toward providers long-term commitment levels and how serviced offices have become increasingly appealing to SME's and business start-ups.

Fig 1. Serviced Office Space Growth by Quarter 2009



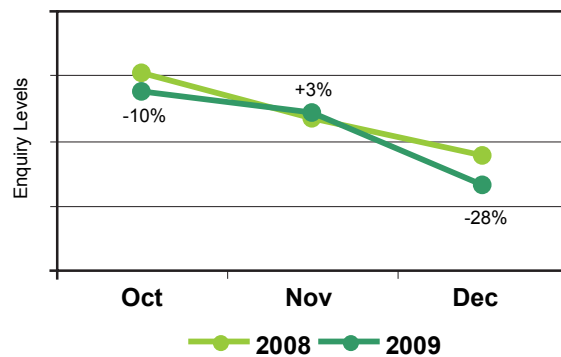
DEMAND FOR SERVICED OFFICE SPACE

Enquiry levels dropped by -10% in Q4 09

NEW ENQUIRIES

The number of new enquiries received for serviced office space decreased by -10% in Q4 09, marking the fourth consecutive financial quarter to record a decline in enquiry levels, with Q1-Q3 09 showing an average deficit of -6% on 08 levels.

Fig 2. Enquiry Levels Oct, Nov, Dec 08 vs 09



As shown in fig.2, enquiry levels fell below 08 levels in both October (-10%) and December (-28%) while registering a minimal increase of +3% during November.

The decline in enquiry levels, such as that witnessed in the Yorkshire & Humberside, is a trend that has been experienced nationally throughout both Q4 09 and 2009 as a whole, declining throughout the UK by -7% annually.

This larger than average drop in Yorkshire & Humberside could indicate the attitudes of business owners within the region, pointing toward a hesitancy or lack of available resources for them to once more begin expanding or founding their operational spaces.

NEW SERVICED OFFICE TENANTS (SOT'S)

+63% increase in new serviced office tenants (SOT's)

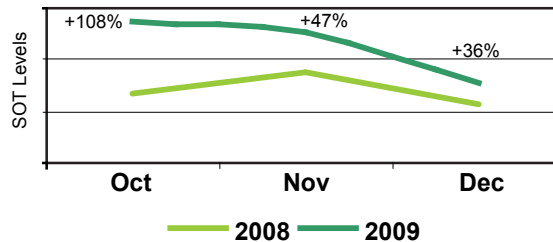
Despite the fall in enquiries during Q4 09, the number of new SOT's entering the market increased by +63%. This increase followed rises of +108% in October, +47% in November and +36% in December above 2008 levels. (Fig. 3)

This increase on 08 levels marked the second consecutive financial quarter to experience growth in SOT's, with Q3 09 having also recorded a +3% increase on Q3 08 levels. This period of growth followed a -39% decline in SOT's during Q2 09.

The continued growth in SOT levels during the final two quarters of 09, shows that a large number of new individual businesses have begun entering the serviced office market despite the reduction in enquiries. Such activity demonstrates that those businesses entering the market have been "serious buyers" and that more speculative browsers have faded away. While the lower levels of SOT's seen in 2008 could reflect how businesses were responding to the

impact of economic recession, with business owners becoming hesitant and less willing to commit due to the uncertainty of the financial climate, the continued growth in this area however shows that any hesitancy has past, with SOT's on the increase in Yorkshire & Humberside and a new influx of businesses taking advantage of the inherently recession and budget friendly nature of serviced office space.

Fig 4. New SOT's Oct, Nov, Dec 08 vs 09



AVERAGE WORKSTATIONS PER SOT

Average workstations per SOT reached 4.2 – increasing by +18%

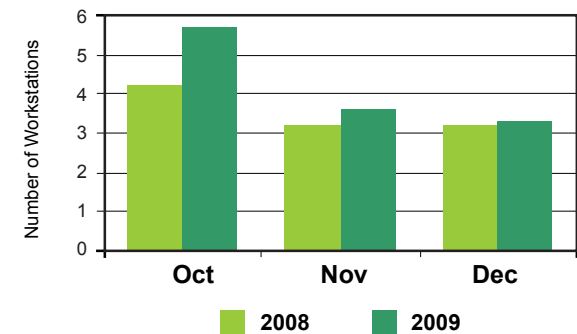
The overall increase in new SOT's during Q4 09 corresponded with a rise in the number of workstations being taken-up per SOT throughout the financial quarter. At the close of Q4 09 the average number of workstations

per SOT reached 4.2, an +18% increase on the 3.5 workstations being taken per SOT during Q4 08.

A month-by-month analysis (Fig. 5) shows that workstation requirements increased continuously throughout the quarter, the overall effects of which were boosted by the +37% increase seen in October and supported by more moderate rises in November (+11%) and December (+2%).

While smaller workstation requirements became a dominant trend during 09, falling nationally by -34% and averaging 3.6 workstations, it would appear that Yorkshire & Humberside has enjoyed a far higher level of growth, further evidence for which can be seen in the +29% increase in workstation sizes also recorded in Q3 09 while continuing to fall nationally by -13%.

Fig 5. Q4 2008 vs Q4 2009 - Average Workstations Placed per New SOT



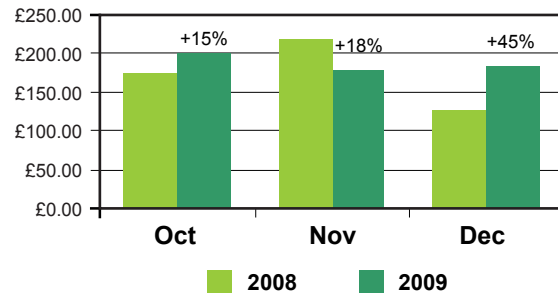
SERVICED OFFICE SPACE COSTS

Average price per workstation was £187.00 p/m - up +8% on Q4 08

During Q4 09 the average price per workstation increased to £187.00 p/m from £173.00 in Q4 08, representing an +8% p/m increase.

A month by month comparison (Fig. 6) of Q4 09, reveals that average workstation costs exceeded Q4 08 levels in two out of three months, with October increasing +15% and December by +45%. November did however record a -18% deficit on Q4 08 levels.

Fig 6. 2008 vs 2009 Average Workstation Price



Average workstation costs decreased by -10% nationally during Q4 09, resulting in the +8% increase recorded in Yorkshire & Humberside being only 1 of 4 UK regions to experience a rise during Q4 09.

The upswing witnessed during Q4 09, which followed a -24% decrease in Q3 09, suggests, particularly when coupled with the rise in SOT's and workstations prices for the same period, that the serviced office market has performed well.

Compared to the national average workstation cost of £258.00 recorded for Q4 09, Yorkshire & Humberside's average p/m cost of £187.00 per workstation places it £71.00 per workstation below this nationwide level.

INITIAL LICENCE LENGTHS

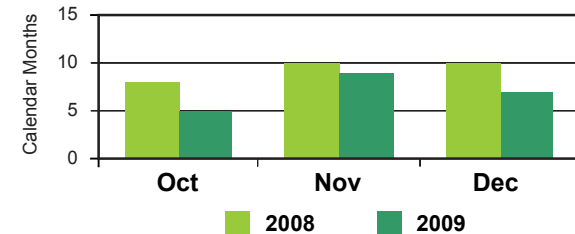
Initial license length commitment falls to 6.8 months

New SOT's are signing initial licences averaging 6.8 months in Q4 09, 2.7 months (-28%) shorter than in the same period in 2008.

One possible explanation could be a reluctance by business owners to over-commit, particularly with the harsh lessons of a recession still fresh, instead focusing on short and mid-term requirements that provide a greater deal of flexibility to their business needs.

A secondary explanation could be the direct influence of office providers. If a recovery is to happen in 2010 and the growth in Yorkshire & Humberside continues, then allowing occupants to secure terms beyond Q2 10 may be counter productive. By encouraging occupants to reduce initial licence length, providers are ensuring the opportunity to renegotiate rates at an earlier juncture. This would allow current market rates to be introduced, creating an environment where profit levels could be raised in line with market demand.

Fig 7. 2008 vs 2009 Initial Licence Lengths



SUMMARY

When taking into account all the information for Q4 09, the following findings can be drawn:

- 1.** Enquiry levels have continued to fall, exceeding the national average for the same period.
- 2.** The overall number of new serviced office tenants rose during the financial quarter – suggesting an increase of individual new businesses entering the serviced office industry.
- 3.** Larger workstation requirements returned to the market, suggesting that businesses are once more expanding their operations.
- 4.** Average workstation costs began to climb, exceeding national averages for the same period.
- 5.** Initial license lengths fell as SOT's failed to capitalise on the lower rates available from serviced office providers.

RESEARCH

For more information in relation to officebroker.com's research, or for further details on any other UK region, please contact us via the following channels:

Simon Jones

simon.jones@officebroker.com

0870 112 3667 (Option 2)

Sir Robert Peel Mill, Mill Lane, Fazeley,
Staffordshire, B78 3QD

officebroker.com research is also available online at www.officebroker.com/resources.

EDITOR'S NOTES

officebroker.com is an independent specialist for serviced office space. Working with over 95% of all UK office space providers, officebroker.com offers free, consultative advice to assist businesses seeking office space in the UK and internationally.

Clients receive expert advice from regional consultants, who offer support and guidance throughout the process of finding office space, arranging a tour, and finalising the contract.

Contact officebroker.com for help finding serviced office space, or to advertise a building online.

REFERENCES

Reproduction of this report in whole or in part is permitted, providing users reference officebroker.com as follows:

- Cite "officebroker.com" as the source of research;
- When reproducing officebroker.com content, quotes or statistics for use in web documents, users must include a link back to www.officebroker.com and/or to the article URL.

Sources

* officebroker.com defines the Yorkshire & Humberside region as areas located within the following postcode prefixes: BD, DN, HD, HG, HU, HX, LN, LS, S, WF and YO



Your office space **search** place