



SERVICED OFFICE REVIEW

NORTH WEST Q4 2009



NORTH WEST

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 North West* 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 the North West was compiled to provide a comparative analysis of the changes within the serviced office market during Q4 09.



* officebroker.com defines the North West region as areas located within the following postcode prefixes: BB, BL, CA, CH, CW, FY, L, LA, M, OL, PR, SK, WA and WN

HIGHLIGHTS

- **35 new serviced offices added to the officebroker.com portfolio in Q4 09**
- **133 new serviced offices added to the officebroker.com portfolio during the entirety of 2009**

Q4 09 COMPARED TO Q4 08:

- **Enquiry levels rose 12%**
- **24% rise in new serviced office tenants (SOT's)**
- **Average workstation price dropped to £188.00 p/m from £279.00 p/m**
- **Initial license agreements decreased to 6 months - down 21%**

SUPPLY OF SERVICED OFFICE SPACE

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

133 serviced office buildings were added to the officebroker.com portfolio during 2009, representing a 38% increase in the number of serviced office buildings available.

The total number of serviced office buildings reached 350 in the North West region during Q4 09. This peak figure followed an addition of 35 new offices to the officebroker.com portfolio during Q4 09.

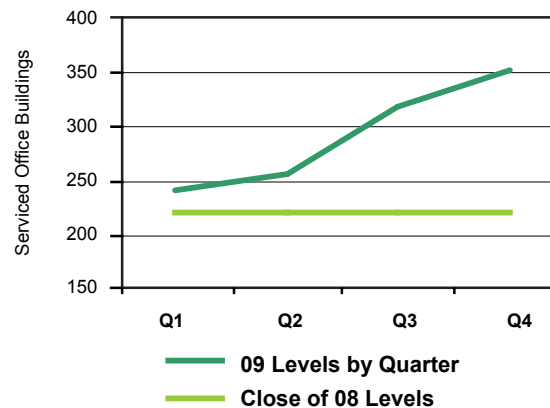
Those 35 serviced office buildings added in Q4 09 were part of 133 buildings added during the entirety of 2009. These additions represented a 38% increase in the number of serviced office buildings available within the North West region.

As demonstrated by Fig.1 the influx of new serviced offices was continuous, with the sharpest increase occurring between Q2 and Q3.

The increase in serviced office space supply throughout the North West could be linked to the rise of cities like Manchester and Liverpool as international business centres. The growth of which has been aided by investment in transportation and infrastructure, the extensive motorway network, international airports and the 50,000 + graduates produced each year by a selection of high achieving universities in the region**.

With these resources and an educated workforce already present it is perhaps no surprise that serviced office providers have increased their presence in the region, positioning themselves to benefit from the regions growing presence on the European stage.

Fig 1. Serviced Office Space Growth by Quarter 2009



DEMAND FOR SERVICED OFFICE SPACE

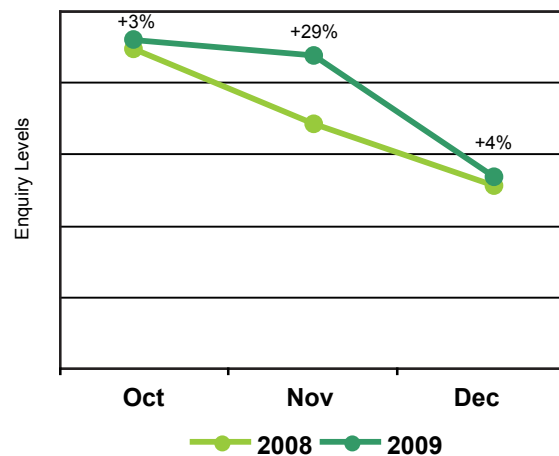
Enquiry levels increased by +12% in Q4 09

NEW ENQUIRIES

The number of new enquiries received for serviced office space rose +12% in Q4 09 and proved to be a continuation of the growth seen in the previous financial quarters of 2009.

Fig 2. North West Enquiry Levels

Oct, Nov, Dec 08 vs 09



In Q4 09 enquiry levels exceeded those of Q4 08 month on month (Fig.2) with November (+29%) revealing the largest increase while October (+3%) and December (+4%) registered more nominal increases.

The positive pattern seen in Q4 09 could reflect the growing confidence levels seen in business owners during this period along with increased financial assistance for SME's.

When comparing results for the North West against national averages for the same period, the North West was only 1 of 5 UK Regions to experience an increase in enquiry levels. Of these 5 regions the North West recorded the second highest rise behind the West Midlands which experienced an increase of +21%.

WORKSTATION ENQUIRIES

Number of workstations, as requested during initial enquiry process, grew 10% above Q4 08

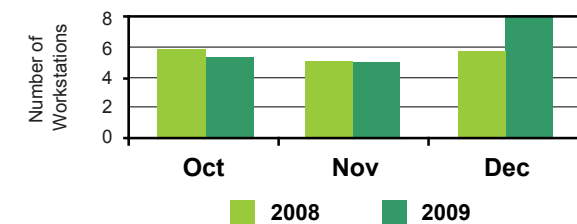
Another market indicator experiencing a slight increase in Q4 09 was workstation size requirements, representing the number of workstations requested by clients during the initial enquiry process.

While October and November remained relatively consistent, fluctuating between 2- 10% below Q4 08 levels, December recorded an increase of 43% leading to the overall rise of +10% for the financial quarter.

This 10% rise represented the first positive result in this area of the market for 2009, with all previous quarters recording an average deficit of -15% below Q4 08 levels and perhaps indicating an increasing level of confidence amongst business owners..

Fig 3. Q4 2009 vs Q4 2008 Initial Workstation

Requirements



NEW SERVICED OFFICE TENANTS (SOT'S)

+24% increase in new serviced office tenants (SOT's)

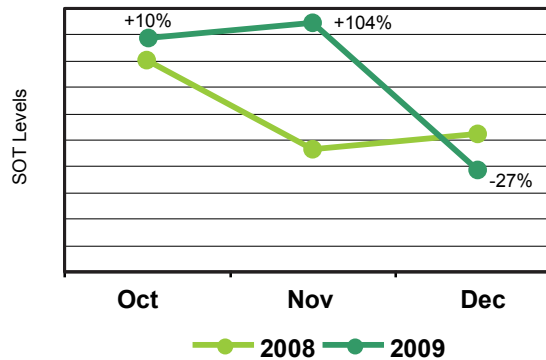
The number of new SOT's rose by +24% in Q4 09 compared to Q4 08. This rise occurred following a +10% increase in October and a substantial 104% increase in November. Results for December did however finish 27% below their Q4 08 levels, demonstrating a drop in the number of businesses seeking to establish premises in the run-up to 2010.

Growth in Q4 09 followed similar rises between Q2-Q3 09, highlighting an influx of new clients to the serviced office market.

Despite the continued growth in SOT's during Q4 09, the +24% increase on Q4 08 figures seen in the North West fell 15% short of the 39% national average recorded during this same period.

Growing exposure to the serviced office market will also have fuelled education levels, creating the opportunity for serviced office providers to capitalise and potentially increase overall market share if client experiences remain positive.

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



AVERAGE WORKSTATIONS PER SOT

Average workstations per SOT reached 5.3 – rising 38% on Q4 08

The overall increase in new SOT's during Q4 09 corresponded with an accompanying rise in the number of workstations per SOT.

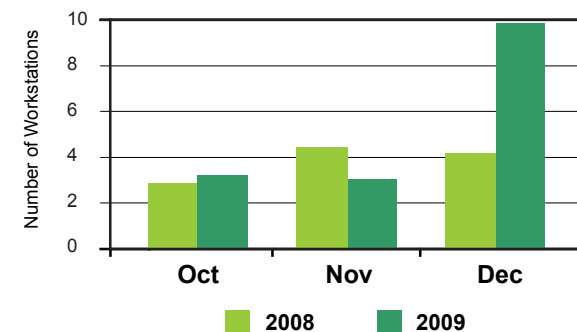
At the close of Q4 09 the average number of workstations per SOT was 5.3, an increase of +38% above the 3.9 workstations being opted for during Q4 08.

This increase places the North West amongst only 5 UK regions to experience a rise in the number of average workstations per SOT during this period.

Smaller workstation requirements have been a growing trend throughout 2009, reducing in the North West by an average of -26% between Q1-Q3 09 and nationally by -26%. In order to match this demand serviced office providers may have felt it necessary to reconfigure office floors in order to secure new SOT's.

This December spike disrupts this pattern however, and as these types of SOT's have proved few and far between during 2009, serviced office providers can take some comfort knowing that SOT's wanting space in greater volume have reappeared in the marketplace.

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



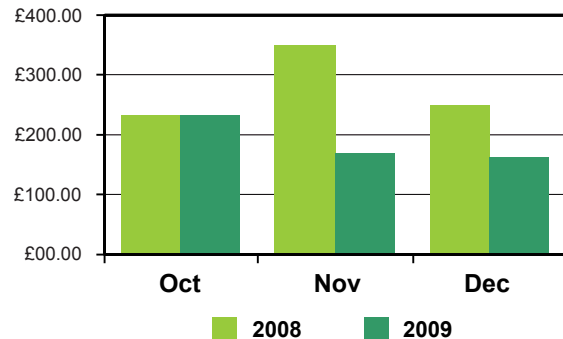
SERVICED OFFICE SPACE COSTS

Average price per workstation fell to £188.00 p/m - Down 33% on Q4 08

Another influencing factor on the rise in new SOT's may have been the competitive prices being offered by serviced office providers.

During Q4 09 the average price per workstation fell to £188.00 p/m from £279.00 p/m in Q4 08. This contributed to the -26% decrease in workstation prices experienced annually in the North West during 2009.

Fig 6. 2008 vs 2009 Average Workstation Price



A month by month comparison of Q4 09 reveals that average workstation costs have continuously fallen below Q4 08 levels, excluding October which remained static.

While such a decline reflects a nationwide trend rather than an exclusive trend in the North West, it would appear that the levels of decline have been felt more heavily within the North West. This heavier impact is reflected in the £70.00 difference between the national average workstation cost of £258.00 p/m and the average workstation cost of £188.00 p/m recorded for the North West.

This continued drop, while positive for buyers entering the market, could mean a long period of recovery will be needed for the serviced office providers.

INITIAL LICENCE LENGTHS

Initial license length commitment falls to 6 months - 21% down in Q4 09

New SOT's are signing initial licences averaging 6 months in Q4 09, 1.5 months (-21%) shorter than in the same period in 2008.

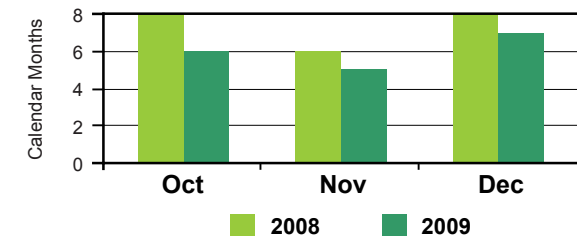
In light of the free-falling workstation costs of Q4 09, it would be reasonable to assume that prospective tenants

may have looked to take advantage, securing longer terms at more favourable rates. The 1.5 month decrease in licence lengths however suggests this has not been the case.

One possible explanation could be a reluctance by business owners to over-commit, particularly with the harsh lessons of a recession still fresh. This reduction in commitment levels could suggest that businesses are unsure about their prospects in 2010.

A secondary explanation could be the direct influence of office providers. If a recovery is to happen in 2010, then allowing occupants to secure terms beyond Q3 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 exceeded 2008 levels.
2. The overall number of new serviced office tenants rose during the financial quarter - highlighting an influx of new businesses into the serviced office industry.
3. Q4 saw a return of SOT's requiring larger numbers of workstations to the market.
4. Average workstation costs continued to fall placing the North West far below the national average.
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:

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

EDITOR'S NOTES

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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.

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