



SERVICED OFFICE REVIEW

SCOTLAND Q1 2010



SCOTLAND

INTRODUCTION

The following report utilises statistics for Q1 10 from officebroker.com, the UK's leading independent broker of serviced office space, to present findings on activity within the serviced office industry.

The report presents results on the following key areas in Scotland:***

- 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 Scotland was compiled to provide a comparative analysis of the quarter-on-quarter changes within the serviced office market during Q1 10 compared to Q1 09.



*** officebroker.com statistics account for activity within the following postcode prefixes AB, DD, EH, FK, G, IV, KA, KW, KY, ML, PA, PH

HIGHLIGHTS

- The total number of serviced office buildings reduced by 2

Q1 10 COMPARED TO Q1 09:

- Enquiry levels increased by +28%
- New serviced office tenants (SOT's) increased by +12%
- Average number of workstations per SOT rose to 3.2
- Average workstation price increased from £178.00 to £291.00
- Initial license agreements fell by -20%

SUPPLY OF SERVICED OFFICE SPACE

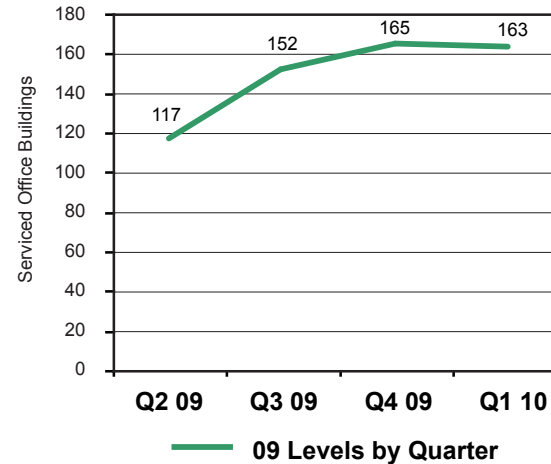
The total number of serviced office buildings reduced by 2.

The total number of serviced office buildings reduced by 2 during the course of Q1 10, representing a -1% decrease in supply levels within Scotland.

Having witnessed the number of individual serviced office buildings grow substantially between Q2 09 and the close of Q4 09, the decline in Q1 10 occurred as a result of 5 buildings ceasing to trade during the period and only 3 new buildings entering the market.

The end of this prolonged period of expansion, which saw total supply in Scotland increase by +37% in 2009, coincided with the wider economic recovery and a revival in the fortunes of the commercial property sector, bringing with it the prospect of increased prime rents that may have deterred providers from continuing the rapid expansion recorded throughout 2009.

Fig 1. Serviced Office Space Growth by Quarter 2009



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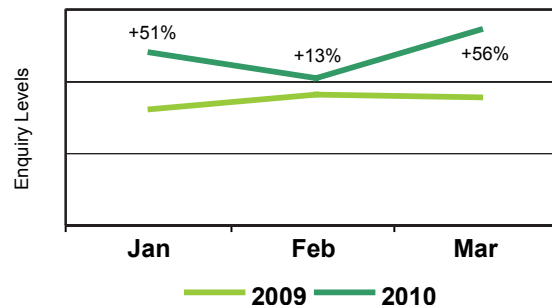
DEMAND FOR SERVICED OFFICE SPACE

Enquiry levels increased by +28% in Q1 10.

NEW ENQUIRIES

The overall number of enquiries received for serviced office space in Scotland increased by +28% during Q1 10, marking the first quarterly increase in enquiry levels since 2008 having fallen by an average of -13% quarter-on-quarter during 2009.

Fig 2. Enquiry Levels - Jan, Feb, Mar



As shown in Fig 2, enquiry levels increased month-on-month during the opening quarter of 2010, with substantial increases occurring in January (+51%) and March (+56%) while February saw a more moderate rise of +13%.

Within several UK regions large increases in enquiry numbers have been seen in February and March as a result of officebroker.com's expanded marketing and affiliate activity*, in Scotland however the growth seen appears to be widely unconnected.

As outlined, the impact of officebroker.com's expanded marketing and affiliate activity did not commence until 1st February. The outcome of this start date shows that the +51% increase seen during January was the result of a natural surge in demand, demonstrating that strong interest in serviced office space existed in the opening period of 2010 - regardless of this activity.

The subsequent increase of +56% in March, which in many other UK regions would be heavily associated with the marketing and affiliate activity, could therefore be a realistic representation of the natural demand for serviced office space taking place within Scotland at this time.

*Effective from 1st February 2010, officebroker.com extensively expanded its online marketing activity and affiliate program.

As a direct result of this activity the number of enquiries received by officebroker.com increased substantially during February and March. Such increases, while generating abnormally large changes when placed against previous data, will ensure that the statistics reported by officebroker.com are an even more accurate assessment of the serviced office market here in the UK.

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NEW SERVICED OFFICE TENANTS (SOT'S)

New serviced office tenants (SOT's) increased by +12%

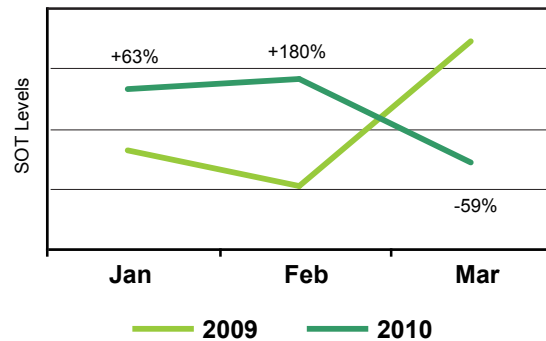
The overall number of new SOTs entering the market during Q1 10 increased by +12% on Q1 09 levels, this rise, which comes after an overall decline of -10% during 2009 marks the first growth in SOTs in over 6 months.

As shown in Fig 3, month-on-month increases occurred in both January (+63%) and February (+180%) but fell short of 09 levels during March (-59%). After the large increases seen during the opening two months of Q1 10, questions remain over why March recorded such a sharp decline.

One possible reason behind the shortfall in March could be the disruptive effects of the severe weather that affected much of Scotland during the quarter. Unlike in other UK regions however, such as the North East and North West, Scotland did not see a decline in SOTs during the heavily affected months of January and February. It is however possible that the decline was a direct result of those businesses which had begun their search for office space in late December

/ January who were then forced to abort the process during the onset of the extreme winter weather.

Fig 3. New SOT's - Jan, Feb, Mar



AVERAGE WORKSTATIONS PER SOT

Average workstations per SOT reached 3.2 – rising +3% on Q1 09 levels

The average number of workstations taken per SOT rose from 3.1 to 3.2 during Q1 10, representing an increase of +3% on Q1 09 levels.

As demonstrated in Fig 4, the average number of workstations per SOT increased during both February (+11%) and March (+10%) despite beginning the year

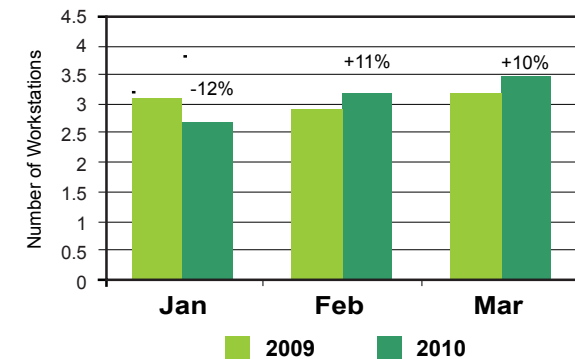
by posting a decrease of -12% in January.

The overall increase achieved during this quarter, which followed an additional increase in Q4 09, marks the second consecutive quarter in which workstation take-up increased.

Having recorded an overall decrease of -26% in workstation requirements during 2009, this sustained period of growth signals the return of both stability and the prospect of easier times ahead for serviced office providers in Scotland.

Fig 4. Q1 09 vs Q1 10

Average Workstations per new SOT



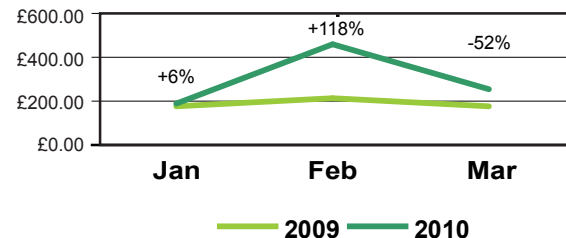
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SERVICED OFFICE SPACE COSTS

Average price per workstation increased to £291.00

The average price per workstation increased from £178.00 in Q1 09 to £291.00 in Q1 10, an increase of £113.00 per workstation and representing a +39% rise.

Fig 5. Average Price Per Workstation Q1 09 vs Q1 10



A month by month analysis of Q1 10 reveals that average workstation prices exceeded Q1 09 levels month-on-month, rising moderately in January (+6%) before recording more sizable increases in February (+118%) and March (+52%).

After seeing prices fall by an average of -20% during the entirety of 2009, this ample increase yet again

provides positive signs for Scotland's serviced office providers as they move into the second quarter of 2010.

It is also important to note that the overall increase of +39% was the largest percentage increase of its kind anywhere in the UK during Q1 10, significantly exceeding the national increase of +5% and helping workstation prices in Scotland to rise above the national average price mark of £242.00 in Q1 10 for the first time since 2008.

INITIAL LICENCE LENGTHS

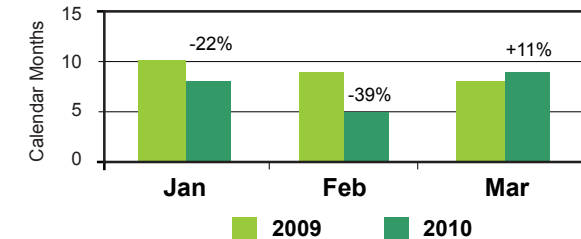
Initial license length commitment drops to 7.5 months

New SOT's are signing initial licences averaging 7.5 months in Q1 10, a decrease of -20% on the average license length of 9.3 months recorded during Q1 09.

Despite decreases in all other areas of the market during 2009, initial license lengths in Scotland had remained solid, recording the highest average license length (8.3 months) of anywhere in the UK and decreasing by only 1% overall compared to a national average decline of -20%.

Given this previous stability, the decline in initial license lengths during Q1 10 could point towards increased caution from the influx of new SOTs entering the market during this time. But with workstation prices having risen to an 18 month high during Q1 10, serviced office providers will no doubt be keen to encourage any future SOTs to show the higher levels of commitment seen throughout 2009 in order to add further stability to the recovering market in Scotland.

Fig 6. Initial Licence Lengths Q1 09 vs Q1 10



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SUMMARY

When taking into account all the information for Q1 10, the following key findings can be drawn:

1. Enquiry levels have exceeded 2009 levels.
2. The overall number of new serviced office tenants decreased significantly.
3. Workstation requirements increased on 09 levels for the second consecutive quarter.
4. Average workstation costs increased for the first time in over 12 months.
5. Businesses have once again begun committing to longer initial licenses.

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

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.

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