SERVICED OFFICE REVIEW

NORTH WEST
Q1 2010

NORTH WEST

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 covering 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 North West was compiled to provide a comparative analysis of the changes within the serviced office market during Q1 10 compared to Q1 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

- **2 new serviced office buildings added to the officebroker.com portfolio**

Q1 10 COMPARED TO Q1 09:

- **Enquiry levels rose +22%**
- **New serviced office tenants (SOT's) decreased by -71%**
- **Workstation take-up increased to 5.9**
- **Average workstation price increased from £156.00 to £171.00**
- **Initial license agreements rose to 8.3 months**

SUPPLY OF SERVICED OFFICE SPACE

2 new serviced office buildings added to the officebroker.com portfolio.

The total number of serviced office buildings reached 352 in the North West region during Q1 10. This peak figure followed the addition of 5 new buildings and the removal of 3 buildings that had ceased to trade during this period. The overall impact of this activity resulted in a net increase of 2 new serviced office buildings being added to the officebroker.com portfolio.

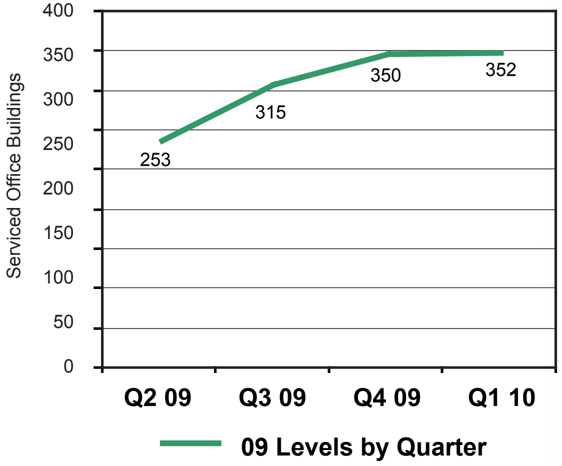
As is clearly shown in Fig. 1, the number of serviced office buildings operating throughout the North West underwent rapid expansion between Q2 09 and Q4 09.

Given the consistent levels of growth recorded during these periods the net increase of only 2 building during the opening period of 2010 demonstrates a significant change.

This sudden shift could suggest North West based providers believe the increase in supply delivered through 2009 has reached saturation level, with insufficient future demand predicted to justify continued expansion.

Alternatively, as the commercial property market begins to recover, resulting in a rise in prime rents, serviced office providers may now feel that their period of expansion should end.

Fig 1. Serviced Office Space Growth by Quarter 2009



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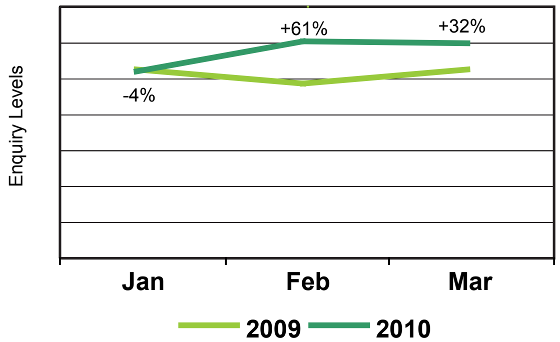
DEMAND FOR SERVICED OFFICE SPACE

Enquiry levels increased by +22%

NEW ENQUIRIES

The number of new enquiries received for serviced office space rose +22% during Q1 09, marking the third consecutive quarter in which enquiry levels exceeded those recorded during the previous year.

Fig 2. Enquiry Levels - Jan, Feb, Mar



As shown in Fig 2, enquiry levels in January 10 did fall -4% below those of January 09, while substantial month-on-month rises occurred in both February (+61%) and March (+32%).

While the -4% decline in January may have been influenced by the severe weather affected the region at this time, it is still perhaps surprising given the steady increase recorded throughout Q4 09.

The subsequent growth in following months, while certainly boosted by the expanded marketing and affiliate activity carried out by officebroker.com*, is perhaps a fairer representation of the continued demand for serviced office space throughout the North West. Building on the above national average performances recorded in the region throughout 2009 despite the economic difficulties.

When considering the information laid-out in subsequent sections of this report, it is necessary to understand that a sales cycle of 55 days existed during this period, meaning the impact of these additional enquiries will not present themselves until Q2 10.

*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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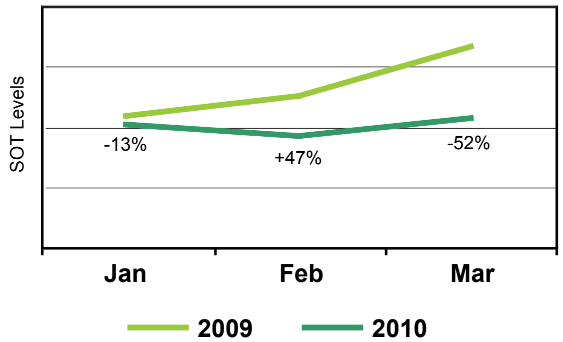
NEW SERVICED OFFICE TENANTS (SOT'S)

New serviced office tenants (SOT's) decreased by -71% overall

The overall number of new SOTs entering serviced office space decreased by a substantial -71% during Q1 10, the first such decrease in over 12 months.

Having increased by +26% on 08 levels during 09, the sudden and sharp downturn seen during the opening period of 2010 brings this positive run for North West serviced office providers to an abrupt end.

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



As demonstrated by Fig 3, the percentage deficit between the higher 09 levels and the lower 10 levels increased month-on-month during Q1 10, beginning with a -13% drop in January before increasing to -47% in February and then -52% in March.

The principle reason behind this shift in activity is once again believed to be the severe weather that disrupted the region on multiple and extended occasions during the quarter. With regional infrastructure heavily affected the opportunities for carrying out successful tours and the necessary preparation to complete the successful occupation of new premises would have been severely limited.

Due to the extreme results shown for the North West during Q1 10 is difficult to assess the overall state of the serviced office market at this time. Having effectively suffered a "false start" to the New Year, the response by North West businesses will perhaps not become fully apparent until Q2 10. It is however still possible that even these results will suffer from a hangover effect brought on by the disrupted start to 2010.

AVERAGE WORKSTATIONS PER SOT

Average workstations per SOT reached 5.9 – rising +44%

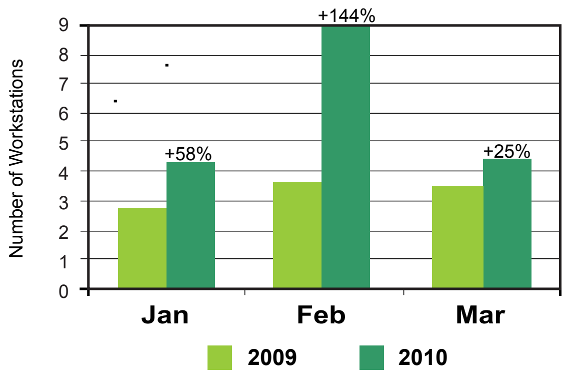
Despite a reduction in the number of individual tenants entering serviced office space during Q1 10, the volume of space taken by those businesses that did was far greater, rising from 3.3 workstations in Q1 09 to 5.9 workstations in Q1 10.

As shown in Fig 4, the overall increase of +44% occurred as a result of consistently larger placements dominating the market in January (+58%), February (+144%) and March (+25%) to provide month-on-month growth.

When compared to UK wide figures for the same period, average workstation take-up in the North West exceeded national averages (4.3) by 1.6 workstations, making the North West one of only five UK regions to achieve this during Q1 10.

Fig 4. Q1 09 vs Q1 10

Average Workstations per new SOT



This continued increase in workstation requirements, having also been seen in Q4 09, marks a six month period in which businesses operating in serviced office space throughout the North West have secured larger numbers of workstations, indicating growing confidence and commitment.

Within both Q4 09 and Q1 10 the percentage increases recorded were the highest anywhere in the UK, significantly outperforming key locations such as Central London (-8%), Greater London (+26%) and the West Midlands (+10%)

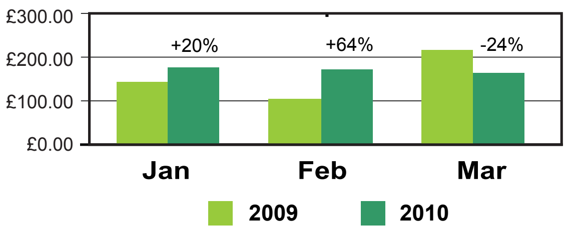
The continued strength of this area of the market is increasingly reassuring given the -26% decline experienced nationally during the course of 2009 and with national workstation requirements increasing by only +3% during Q1 10. With such strong demand not only does it point toward growing confidence, but also toward the possibility of businesses generating new employment opportunities within their expanding operations.

SERVICED OFFICE SPACE COSTS

Average price per workstation increased from £156.00 to £171.00

During Q1 10 the average price per workstation increased from £156.00 to £171.00 during the opening quarter of 2010, representing an overall increase of +9%.

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



The month-on-month comparison shown in Fig 5, reveals that the overall increase in workstation costs occurred as a result of the activity during January (+20%) and February (+64%), while average prices actually decreased during March (-24%).

This overall increase marks the first sustained rise in overall workstation prices in twelve months, having decreased by an average of -26% month-on-month during 2009.

With the increases in both workstation price and size having taken place despite the drop in overall SOTs, expectations for Q2 10 will no doubt be high. If SOT numbers do recover and workstation size requirements remain high, prices are likely to increase yet further as supply levels begin to decrease.

Despite this overall increase the average price per workstation in the North West remains £73.00 below the national average of £229.00.

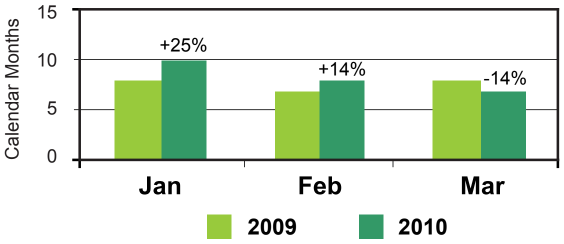
INITIAL LICENCE LENGTHS

Initial license length commitment increased to 8.3 months

New SOT's are signing initial licences averaging 8.3 month in Q1 10, 0.9 months (13%) longer than in the same period of 2009.

When comparing Q1 10 month-on-month with Q1 09, a rise in initial license length agreements occurred in both January (+25) and February (+14%) while falling back during March (-14%).

Fig 6. Initial Licence Lengths Q1 09 vs Q1 10



This overall increase, which when coupled with the rise in workstation take-up and price, once again demonstrates that confidence levels amongst North West businesses appear strong, with these longer more committed license lengths re-entering the marketplace despite having fallen by -20% overall in 2009.

The initial licence length of 8.3 months in the North West was 0.3 months ahead of the national average of 8 months recorded during this period.

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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