



# SERVICED OFFICE REVIEW

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## **EAST MIDLANDS Q1 2010**



# EAST MIDLANDS

## 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 in comparison to Q1 09.

The report presents results on the following key areas in the East Midlands\*\*\* 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 East Midlands 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 East Midlands region as areas located within the following postcode prefixes: DE, LE, NG and NN

## HIGHLIGHTS

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

### Q1 10 COMPARED TO Q1 09:

- Enquiry levels increased by 37%
- +31% rise in new serviced office tenants (SOT's)
- Average workstation price dropped to £211.00 from £222.00
- Average number of workstations per SOT fell to 2.9
- Initial license agreements peaked at 6.1 months - down 24%

## SUPPLY OF SERVICED OFFICE SPACE

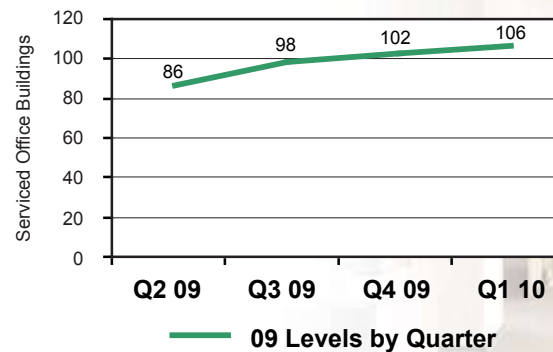
**4 serviced office buildings were added to the officebroker.com portfolio in Q1 10, representing a +4% increase in regional availability.**

The total number of serviced office buildings reached 106 in the East Midlands during Q1 10. This peak figure followed the addition of 6 new serviced office buildings and the removal of 2 buildings that ceased to trade during Q1 10. This resulted in a net increase of 4 serviced office buildings to the officebroker.com portfolio during Q1 10.

As shown in Fig 1, the rise in buildings offering serviced offices had continued to increase steadily during the previous twelve months, albeit at a slower rate from Q3 09 through to the close of Q1 10.

Such activity, while moderate compared to that seen in other regions, suggests that serviced office providers entering or expanding their operations within the East Midlands are confident that sufficient demand will materialise despite sizable declines in SOTs, workstation take-up and prices during the 2009.

**Fig 1. Serviced Office Space Growth by Quarter 2009**



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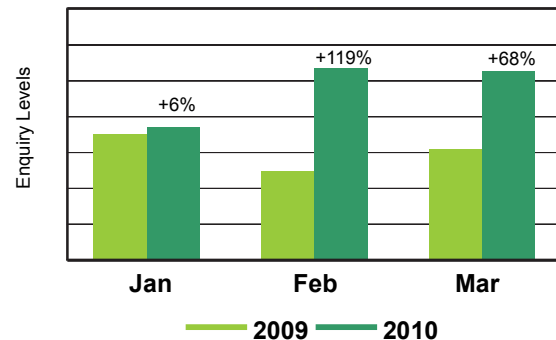
**DEMAND FOR SERVICED OFFICE SPACE**

Enquiry levels increased by + 37%

**NEW ENQUIRIES**

The number of new enquiries received for serviced office space within the East Midlands increased overall by +37% during Q1 10, the largest such rise in over twelve months.

**Fig 2. Enquiry Levels - Jan, Feb, Mar**



While the large increases recorded during Q1 10 are predominantly the result of the marketing and acquisition activity by officebroker.com\*, the activity demonstrates the presence of a strong demand for serviced office space within the East Midlands region.

Evidence of non-acquisition based growth also presented itself in the early stages of the quarter, with a +6% increase recorded during January. This January rise was itself the largest increase in enquiry levels since the beginning of Q3 09.

As shown in Fig. 2, the non-acquisition led growth of January was followed by substantial month-on-month increases in February (+119%) and March (+68) fuelled by the additional channels now feeding into officebroker.com.

Despite the +37% overall increase in enquiries during Q1 10, the East midlands region still however fell short of the +56% average increase recorded nationally during the same period.



\*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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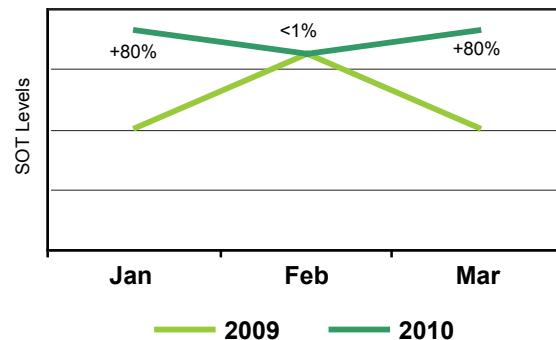
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**NEW SERVICED OFFICE TENANTS (SOT'S)**

**+31% increase in new serviced office tenants (SOT's)**

The number of new SOT's increased by +31% during Q1 10, marking the second consecutive quarter during which the number of tenants entering serviced office space in the East Midlands increased.

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



As shown by Fig 3, the overall increase in SOTs occurred as a result of market activity in January (+80%) and March (+80%), while the number of SOTs entering the market in February (<1%) remained static.

The +31% recorded in the East Midlands during Q1 10 was the largest percentage increase recorded anywhere in the UK, even out-performing Central London (+24%) during the course of Q1 10. While the overall number of SOTs placed in the East Midlands was far lower than that of an area such as Central London, the large percentage increase witnessed underlines a marked change in activity within a region which had previously appeared to have a static, if not shrinking market for serviced office space.

Unlike with the enquiry section of this report, the growth recorded in SOTs during Q1 10 was unaffected by the marketing and affiliate activity here at officebroker.com, with any additional placements resulting from these enquiries not entering our system until Q2 10 as a result of a 55 day sales cycle.

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**AVERAGE WORKSTATIONS PER SOT**

**Average workstations per SOT reached 2.9 – Down -46%**

In Q1 09 new SOT's entering the market took on average 4.2 workstations per placement, but in Q1 10 that number had fallen by -46% to create an average workstation take-up of 2.9 per new SOT.

This near halving of workstation take-up occurred despite rises in both enquiry levels and the overall number of SOTs entering serviced office space in the East Midlands.

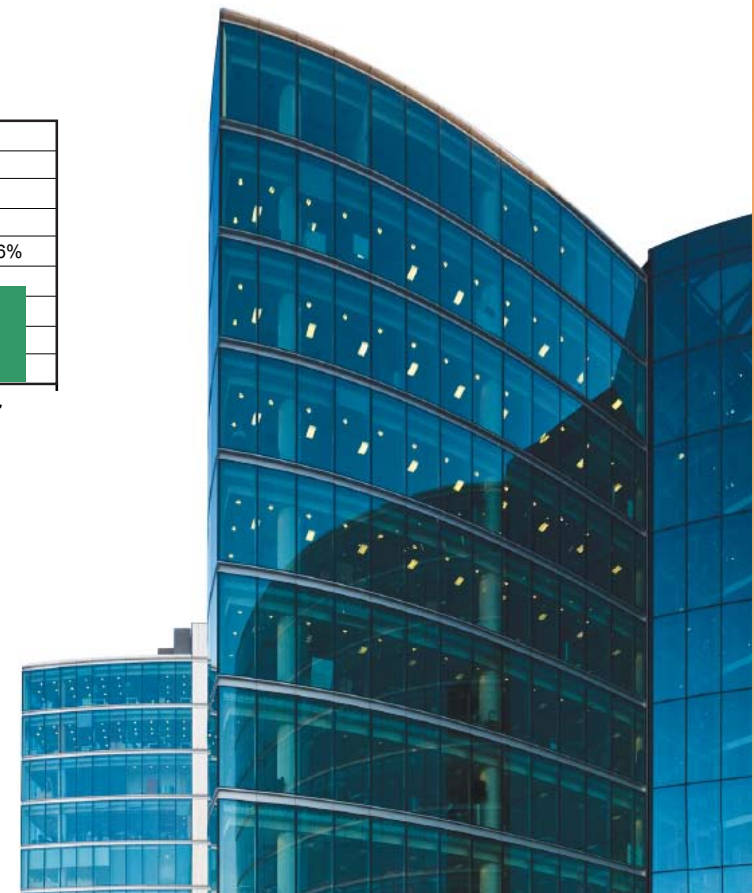
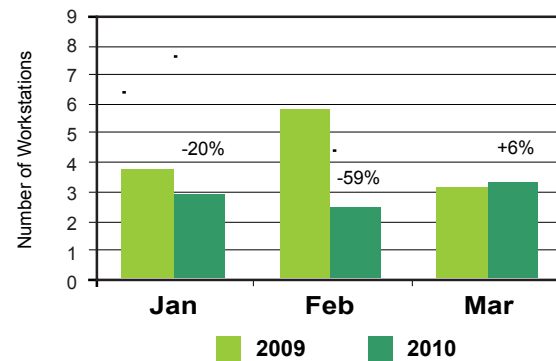
While increases in these other areas have reinvigorated a previously static market, the smaller requirements of those SOTs entering the market will continue to make it difficult for serviced office providers to raise occupancy levels to a profitable level in the immediate future.

As explained in our previous Q4 09 report, one explanation to this trend was that those SOT's entering the market were predominantly start-up ventures. With start-ups naturally requiring smaller

workstation requirements, this could explain why workstation sizes have fallen so significantly. Within the same report officebroker.com also predicted that smaller requirements would remain dominant within the East Midlands for the foreseeable future and that providers may increasingly come under pressure to re-configure office templates in order to match this demand – a prediction which appears to be supported by the activity witnessed during Q1 10.

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**Fig 4. Q1 09 vs Q1 10  
 Average Workstations per new SOT**

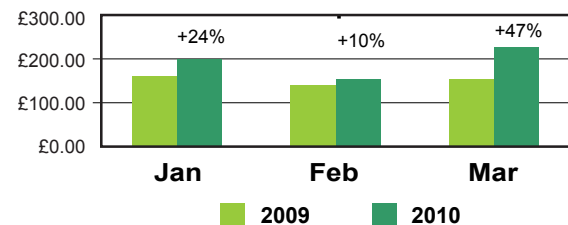


### SERVICED OFFICE SPACE COSTS

Average price per workstation increased from £153.00 to £194.00

Previously, when workstation size requirements have fallen, so have workstation prices - a trend which was seen time and time again throughout 2009. In contrast however, workstation prices in the East Midlands have rallied in Q1 10, recording an overall increase of +21% despite the continued decrease in the number of workstations being taken by SOTs.

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



A month by month comparison of Q1 10 reveals that average workstation costs remained ahead of Q1 09 levels during January (+24%), February (+10%) and March (+47%).

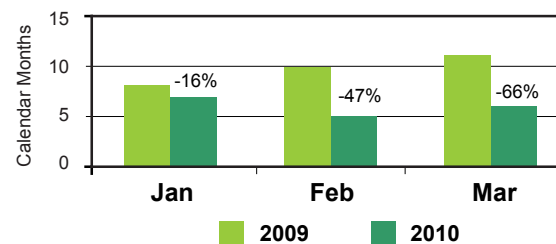
The average workstation cost of £194.00 (+21%), despite remaining £48.00 below the national average of £242.00, represents the second largest percentage increase in terms of price per workstation anywhere in the UK, with only Scotland (+39%) registering a greater increase during Q1 10.

### INITIAL LICENCE LENGTHS

Initial license length commitment falls to 6.1 months

New SOT's are signing initial licences averaging 6.1 months in Q1 10, 2 months (-24%) shorter than in the same period of 2009.

**Fig 6. Initial Licence Lengths Q1 09 vs Q1 10**



As shown in Fig 6, significant decreases in license length occurred in February (-47%) and March (-66%) while the decrease recorded in January (-16%) was less severe.

The overall fall of -24% recorded in the East Midlands during this period was far greater than the national average of -2% recorded during Q1 10, suggesting that businesses with the region remain focused on their short term needs and are not yet undertaking longer term commitments.

In the Q4 09 Serviced Office Review Series it was suggested that falling licence lengths could be being directly influenced by serviced office providers, intentionally keeping licences shorter in order to position themselves more favourably during a recovery. If this factor is indeed dominant, the continued decreases in licence length could suggest that providers do not believe the strong performance of Q1 10 will continue and have maintained this cautious approach into Q2 10.

Alternatively, business leaders themselves may still remain reluctant to over-commit due to continued uncertainty in the economic recovery and the impact of the impending General Election.

## SUMMARY

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

1. Enquiry levels have risen for the first time in over twelve months.
2. The overall number of new serviced office tenants increased.
3. Q4 demonstrated that smaller workstation requirements continue to dominate.
4. Average workstation costs increased despite the continued decrease in workstation size requirements.
5. Initial license lengths continued to fall.

## 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](http://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.

Contact [officebroker.com](http://officebroker.com) for help finding serviced office space, or to advertise a building online.

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## Sources

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