



# SERVICED OFFICE REVIEW

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## **SOUTH WEST Q1 2010**



# SOUTH WEST

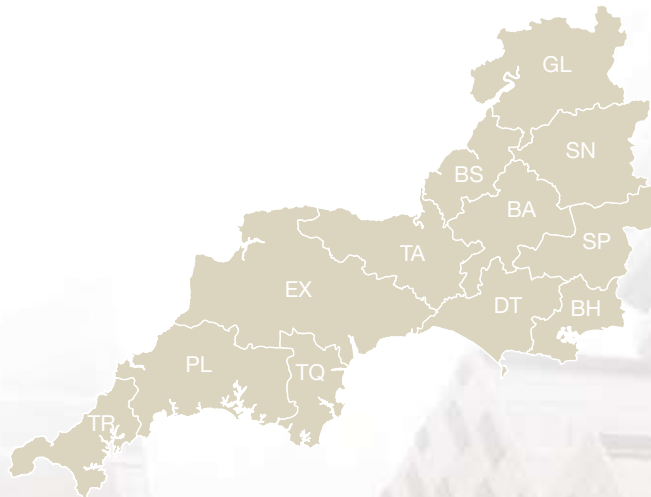
## INTRODUCTION

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 on the following key areas in the South 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 South West 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 defines the South West region as areas located within the following postcode prefixes: BA, BH, BS, EX, GL, PL, SN, SP and TA

## HIGHLIGHTS

- The overall number of serviced office buildings remained static

### Q1 10 COMPARED TO Q1 09:

- Enquiry levels increased by +38%
- New serviced office tenants (SOT's) increased to 6.4
- Average number of workstations per SOT was 3.8
- Workstation costs dropped to £159.00
- Initial license agreements rose to 6.7 months

## SUPPLY OF SERVICED OFFICE SPACE

**The overall number of serviced office buildings remained static.**

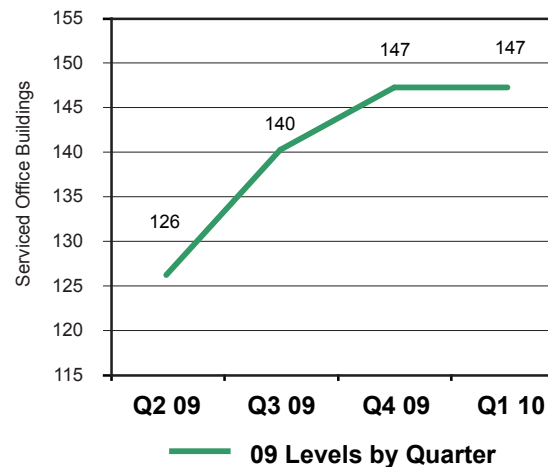
The overall number of serviced office buildings remained static during Q1 10, meaning that a total of 147 serviced office buildings remain on the officebroker.com portfolio, the same figures as at the close of 2009.

Despite the overall supply levels matching those of the previous quarter, during Q1 10 a total of 4 serviced office buildings ceased to trade and were removed from the officebroker.com portfolio. These buildings were subsequently replaced by the addition of 4 new buildings, bringing the total number of serviced office buildings operating within the South West back to Q4 09 levels.

This fluctuation demonstrates that some buildings have been unable to function due to lack of tenants, poor facilities or the economic impact of recession.

But with any loss to supply countered by new buildings being added, it also suggests that there is sufficient demand, either unfulfilled or new, for serviced office providers in the South West to justify this new investment.

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



As shown in Fig 1, the number of serviced office buildings rose sharply between Q2 09 and the close of Q4 09. Given that this expansion has seemingly levelled out during Q1 10, it is perhaps reasonable to assume that the 4 replacement buildings represent the current saturation point for serviced office supply in the South West.

The end to this period of expansion also coincided with increases in commercial property activity, resulting in higher prime rent levels that in turn may have made further expansion financially unviable.

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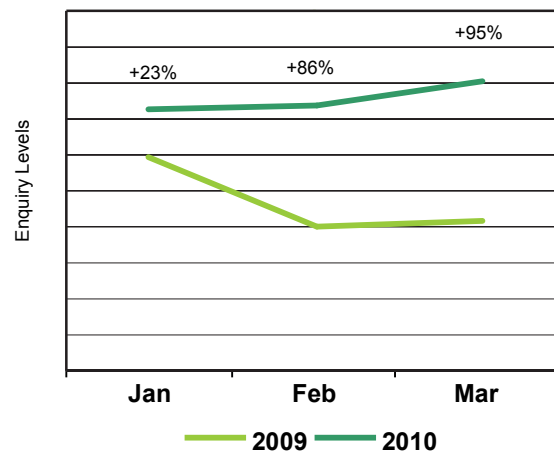
**DEMAND FOR SERVICED OFFICE SPACE**

Enquiry levels increased by +38%

**NEW ENQUIRIES**

The overall number of enquiries received for serviced office space in the South West increased by +38% during Q1 10 compared to Q1 09. This increase marks the second consecutive quarter in which overall enquiry numbers exceeded that of the previous year.

**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 January registering a +23% increase and February (+86%) and March (+95%) continuing this upward trend.

While the large increases seen in February and March where undoubtedly heightened by the expanded marketing and affiliate activity\*, the natural growth of +23% recorded in January shows that a strong level of interest in serviced office space from businesses existed from the outset of 2010.

The presence of this robust, natural growth in the marketplace suggests confidence levels amongst business owners were high during this 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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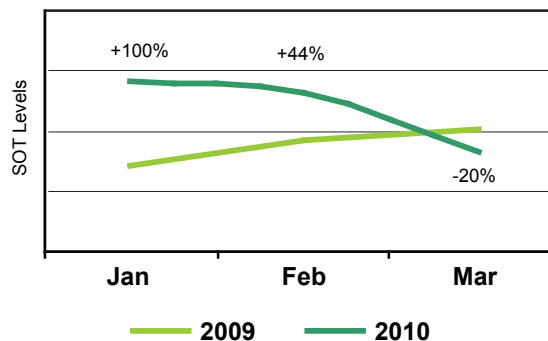
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**NEW SERVICED OFFICE TENANTS (SOT'S)**

**+ 26% increase in new serviced office tenants (SOT's)**

The overall number of new SOTs increased by +26% during the opening quarter of 2010, marking the third consecutive quarter in which the number of SOTs exceeded previous figures.

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



As shown in Fig 3, the number of new tenants entering serviced office space throughout the South West increased during both January (+100%) and February (+44%) before falling below Q1 09 levels during the final month of March (-20%).

This overall increase on 09 levels of +26% was the second largest percentage increase recorded anywhere in the UK during Q1 10, underpinning the region as an area experiencing growing levels of confidence amongst business owners.

Given the nine month period in which SOTs have continued to rise, it is perhaps surprising to see the -20% decrease recorded during March. The most likely explanation for such a dip is the heavy winter weather affected the region during periods of the quarter. With a 55 day sales cycle active during Q1 10, the disruptive effects of this weather could well have deterred, delayed or stopped many proposed completions, resulting in the decline recorded in the wake of this activity. Given the growth recorded in both this and subsequent areas of the market however, it is clear that the impact of this weather was far less disruptive overall in the South West than areas such as the North West and Wales.

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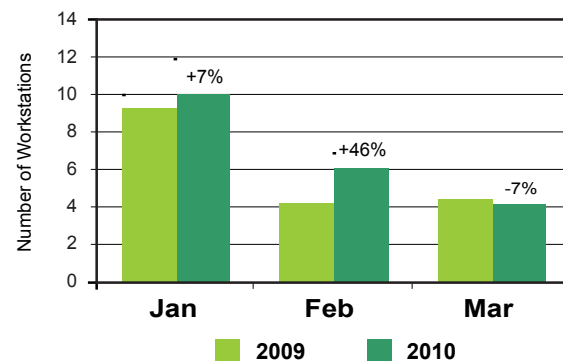
## AVERAGE WORKSTATIONS PER SOT

Average workstations per SOT reached 6.4

The overall increase in SOTs corresponded with a +11% increase in the average number of workstations being taken, rising from an average of 5.7 workstations in Q1 09 to 6.4 workstations during Q1 10.

**Fig 4. Q1 09 vs Q1 10**

**Average Workstations per new SOT**



As can be seen in Fig 4, the overall increase occurred as a result of larger workstation requirements being recorded in both January (+7%) and February (+46%) despite falling by -7% in March.

In recording an average rate of 6.4 workstations per SOT, the South West region enjoyed the largest average workstation rate in the UK during the opening months of 2010, exceeding the national average of 4.3 workstation by +48% and 2.1 workstations.

This jump in workstation requirements amongst SOTs during Q1 10 shows that not only are businesses continuing to enter serviced office space in greater numbers, but that growing confidence levels have also resulted in an expansion of their operations, a marked change from the average requirement of 4.1 workstations in the South West during 2009.

With larger deals being shown to re-enter the market during Q1 10, serviced office providers and landlords throughout the South West could stand to benefit greatly if this trend establishes itself in Q2 10 and beyond, particularly given the strong influx of SOTs that have also continued to enter the market.

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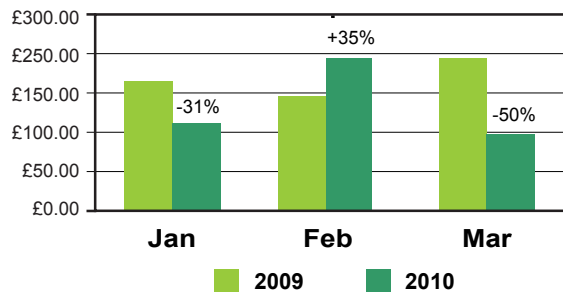
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### SERVICED OFFICE SPACE COSTS

Average price per workstation decreased to £159.00

The average price per workstation decreased by -24% in the opening quarter of 2010, falling from £198.00 in Q1 09 to £159.00 in Q1 10. This decline marked the largest decline in workstation prices in the South West since 2008.

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



Having remained largely unaffected during 2009, with workstation prices falling by only -3% compared to a national average of -16%, the sharp decline recorded in the opening months of 2010 marks an apparent reversal of fortune for the South West region, with this

-24% deficit arriving during the same period in which prices increased by 5% nationally and for the first time since 2008.

Given the previous stability in workstation prices in the South West it may be the case that this decline was simply the result of a high volume of low values placements taking place. Alternatively, given the increase in workstation requirements recorded during this period serviced office providers may have reduced workstations rates in order to encourage and secure these higher capacity deals.

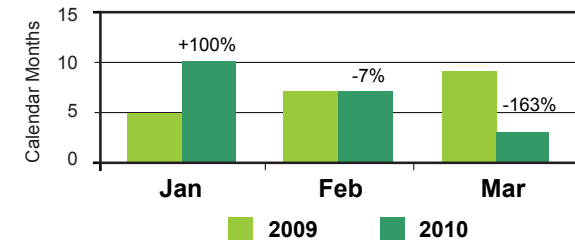
### INITIAL LICENCE LENGTHS

Initial license length commitment increased to 6.7 months

New SOT's are signing initial licences averaging 6.7 months in Q1 10, 1.5 months (+29%) longer than in the same period in 2009.

As is shown in Fig 6, activity in January, which recorded a 100% increase on 09 license lengths, was responsible for raising the overall average license length recorded for the quarter, counteracting declines of -7% and -163% in February and March respectively.

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



Despite achieving this increase as a result of one strong month, the resulting overall increase in license lengths was the first recorded since 2008 in this area of the market, having fallen by -32% during the course of 2009.

Whether this increased commitment from SOTs is to be a one-off or the precursor of future changes in market activity remains unclear, but with both SOTs and prices having shown strong growth increased commitment from SOTs will no doubt be encouraged by landlords and providers of serviced offices throughout the South West.

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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 increased for the second consecutive quarter.
2. The overall number of new serviced office tenants rose for the third consecutive quarter.
3. Larger workstation requirements returned to the market.
4. Average workstation prices decreased substantially and counteracted the stability enjoyed in this area of the market throughout 2009.
5. License lengths increased for the first time since 2008.

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

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