



SERVICED OFFICE REVIEW

EAST Q1 2010



EAST

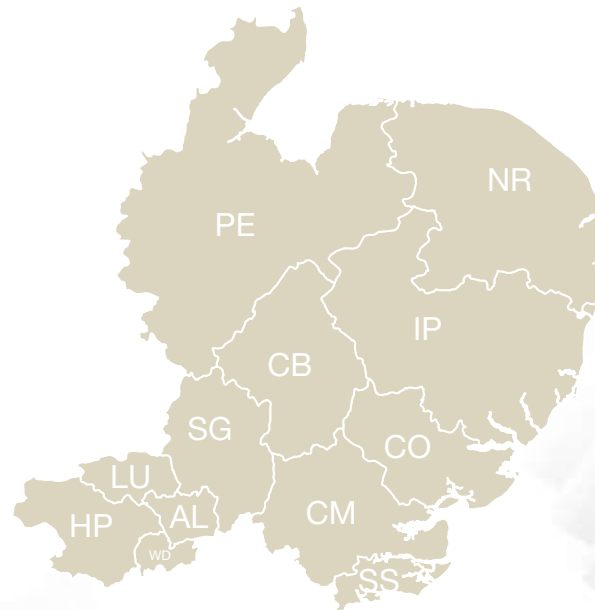
INTRODUCTION

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*** 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 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 region as areas located within the following postcode prefixes: AL, CB, CM, CO, HP, IP, LU, NR, PE, SG, SS and WD

HIGHLIGHTS

- 1 new serviced office building added to the officebroker.com portfolio

Q1 10 COMPARED TO Q1 09:

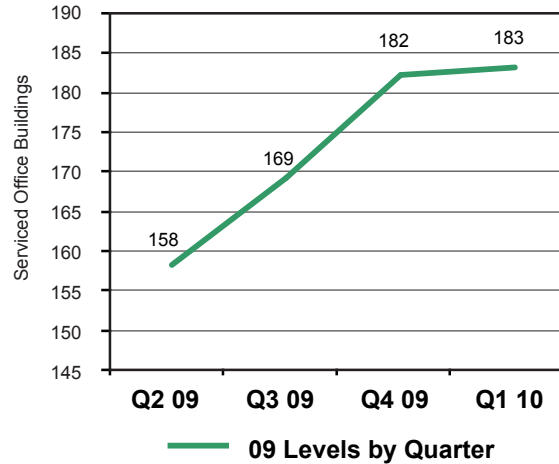
- Enquiry levels increased +40%
- + 8% rise in new serviced office tenants (SOT's)
- Average workstations per SOT decreased to 3.3
- Average workstation price rose from £205.00 to £235.00
- Initial license agreements decreased to 7.6 months

SUPPLY OF SERVICED OFFICE SPACE

1 new serviced office building added to officebroker.com portfolio.

The number of buildings offering serviced office space within the region reached 183 in Q1 10.

Fig 1. Serviced Office Space Growth by Quarter 2009



This new peak figure occurred as a result of 4 new serviced office buildings entering the market and 3 serviced office buildings ceasing to trade during the opening quarter of 2010. This resulted in a net increase of 1 serviced office building to the officebroker.com portfolio.

As can be seen in Fig 1, the number of serviced office buildings operating in the region increased steadily between Q2 09 and the close of Q4 09.

Given the regular growth recorded during this period, the net increase of 1 building during Q1 10 demonstrates a marked change in the levels of expansion undertaken by serviced office providers, suggesting that a saturation point has been reached or that the rally in the commercial property market has raised prime rents to levels that deter serviced office providers from further expansion.

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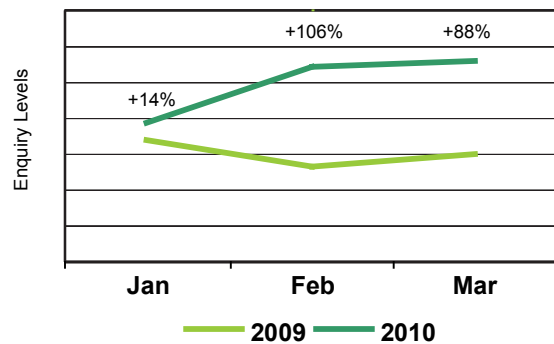
DEMAND FOR SERVICED OFFICE SPACE

Enquiry levels increased by +40% in Q1 10

NEW ENQUIRIES

The number of new enquiries received for serviced office space in the region increased by + 40% in Q1 10, marking the first sustained increase in enquiry levels since 2008 having fallen by an average of -12% quarter-on-quarter during 2009.

Fig 2. Enquiry Levels - Jan, Feb, Mar



As demonstrated in Fig 2, increased enquiries were recorded month-on-month during Q1 10, with January seeing a rise of +14% and February and March building upon this initial rise with increases of +105% and +88% respectively.

While the sharp increases recorded in February and March were undoubtedly the impact of officebroker.com's expanded marketing and affiliate program*, the growth seen in January provides evidence of a natural surge in interest in serviced office space as a viable workspace solution.

Taking into account both the natural and assisted growth, the percentage increase of + 40% recorded in the region during Q1 10 was the second largest increase of its kind recorded anywhere in the UK.



*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)**

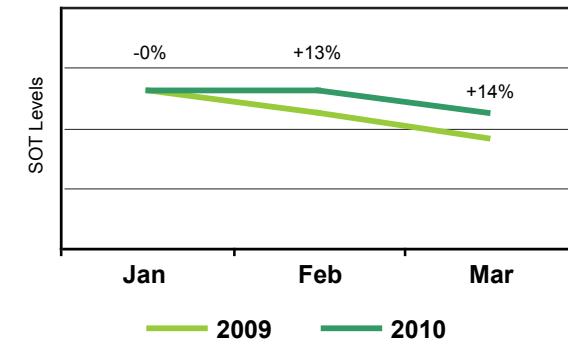
**+ 8% increase in new serviced office
tenants (SOT's)**

The number of new SOTs increased by + 8% in Q1 10 and marked the second consecutive quarter in which the number of new SOTs exceeded previous years figures.

While this + 8% increase was moderate compared to the increases seen in other UK regions during the same period, it builds upon the growth recorded in Q4 09 and helps establish a trend which is far removed from the average deficit of -11% recorded overall during 2009.

As can be seen in Fig 3, the number of tenants entering serviced office space matched or exceeded 09 levels in January (0%), February (+13%) and March (+14%), underpinning the stability and steady growth that has begun to re-enter the serviced office market both within this region and nationally.

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



This return to growth coincided with the UK economy continuing its exit from recession, suggesting that as confidence in the economy increased, the confidence of business owners and the resources necessary to take-up new or additional business premises followed.

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AVERAGE WORKSTATIONS PER SOT

Average workstations per SOT reached 3.3

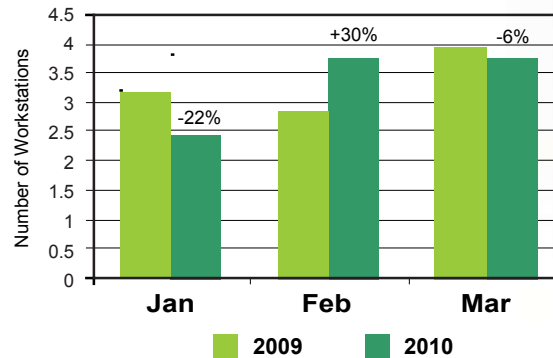
The increase in SOTs was matched by a sense of overall stability in the take-up of workstations during Q1 10, with an average of 3.3 workstations being opted for in Q1 10 compared to 3.2 workstations during Q1 09 – an overall change of less than 1%.

When comparing activity in Q1 10 and Q1 09 month-on-month however, as shown in Fig 4, it becomes clear that overall stability was driven by the + 30% increase recorded during February, counter-acting the deficits that occurred in both January (-22%) and March (-6%).

Regardless of how this stability occurred, the change of less than 1% recorded during Q1 10 is the smallest decrease witnessed since 2008, with workstation requirements having fallen by -11% on average during 2009.

Fig 4. Q1 09 vs Q1 10

Average Workstations per new SOT



As highlighted in the Q4 09 Serviced Office Review Series, workstation requirements decreased throughout 2009 as businesses cut and streamlined their activity in order to protect and preserve their core business. While workstation requirements have risen by + 3% nationally during the opening quarter of 2010, the dominance of smaller workstation requirements is expected to continue well into 2010, placing the activity in this region on track with this prediction. The impact of this requirement by SOTs may mean that providers throughout the region will come under increased pressure to adjust their space accordingly.

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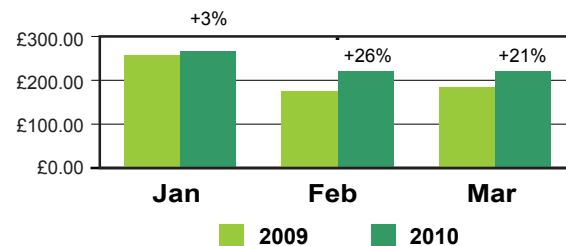


SERVICED OFFICE SPACE COSTS

Average price per workstation increased to £235.00

The average price per workstation throughout the region increased from £205.00 in Q1 09 to £235.00 by the close of Q1 10, representing a quarter-on-quarter increase of +13%.

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



A month-on-month comparison reveals that the workstation prices recorded in Q1 10 exceeded 09 levels in both January (+3%), February (+26%) and March (+21), the first sustained rise in workstation costs recorded since 2008, having fallen by an average of -15% quarter-on-quarter throughout 2009.

Given the rise in SOTs and workstation requirements also recorded during the quarter, the upswing in average workstation prices continues to underpin the serviced office market returning to a period of steady growth after the impact of recession. While this movement is certainly good news for serviced office providers, it is also a reflection of how businesses leaders throughout the region are growing in confidence.

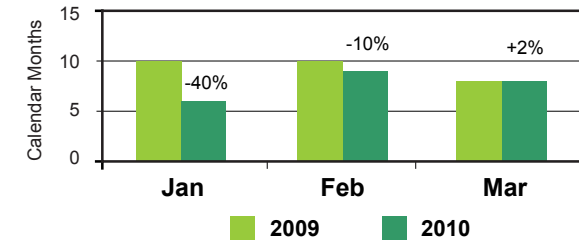
INITIAL LICENCE LENGTHS

Initial license length commitment decreased to 7.6 months

New SOT's were signing initial licences averaging 7.6 months in Q1 10, 1.6 months shorter than in Q1 09. This -18% decrease in initial license lengths falls in line with the -15% decrease recorded nationally during the entirety of 2009.

While this decrease exceeds that recorded nationally during Q1 10 (-2%), it is unlikely to concern serviced office provider operating within the region due to the positive signs recorded in other areas of the market.

Fig 6. Initial Licence Lengths Q1 09 vs Q1 10



If workstation prices and the number of tenants entering the market continue to increase, the signing of shorter license lengths may benefit providers as it will allow them to renegotiate rates at a slightly earlier opportunity and at a time when supply levels could be decreasing, raising the possibility of workstation prices rising yet further during the later half of 2010.

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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 increased for the first time since 2008.
2. The overall number of new serviced office tenants increased for the second consecutive quarter.
3. Workstation requirements remained stable.
4. Average workstation costs increased for the first time since 2008.
5. Initial license lengths fell in line with the levels recorded in 2009.

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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