



# SERVICED OFFICE REVIEW

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## CENTRAL LONDON Q1 2010



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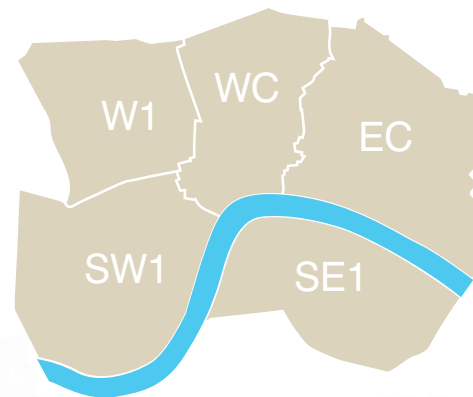
## INTRODUCTION

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

The report presents information on the following key areas in the Central London\*\*\* 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 in these areas, a detailed overview of the serviced office industry in Central London 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 Central London as areas located within the following postcode prefixes: EC, SE1, SW1, W1 and WC

## HIGHLIGHTS

### Q1 10 COMPARED TO Q1 09:

- Enquiry levels increased +35%
- The number of newly signed serviced office tenants (SOTs) grew by +24%
- Average number of workstations per SOT was 5.7
- Average workstation price rose from £418.00 to £514.00
- Average license length fell from 9.5 months to 7.8 months



**SUPPLY OF SERVICED OFFICE SPACE**

**12 serviced office buildings were added to the officebroker.com portfolio during Q1 10. This represented a 5% increase in the total number of serviced office buildings available in Central London.**

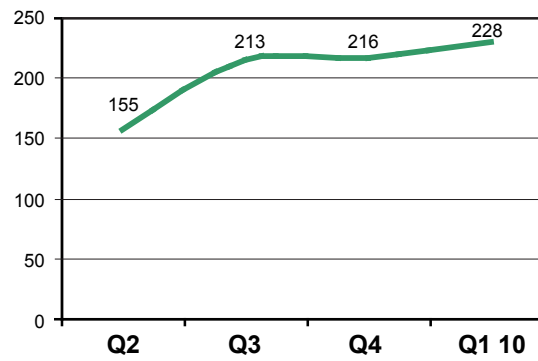
The total number of serviced office buildings reached 228 in Central London during Q1 10. This new peak figure represents a net increase of 12 buildings, equating to a 5% rise in the number of buildings registered by the close of Q4 09.

The rise in serviced office supply within Central London, as shown by Fig 1, has risen continuously during the last twelve months, albeit at a slower rate in the latter half of 2009.

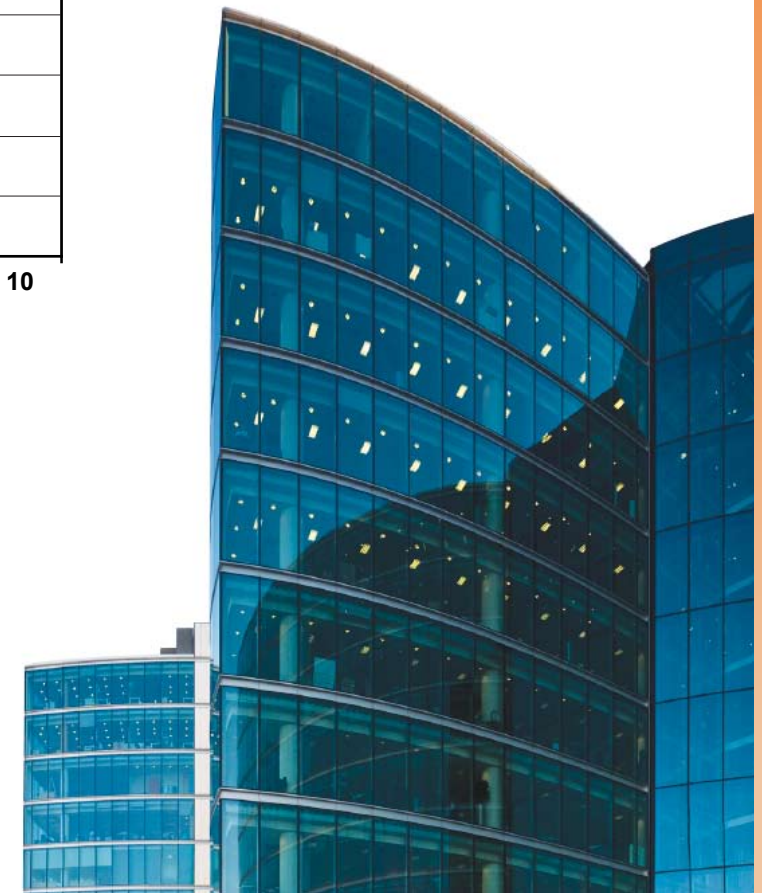
With additional supply continuing to enter the market in Q1 10, it suggests that Serviced Office Providers in Central London are confident that the necessary demand required to fill this space will be delivered as the economy continues to recover.

With the supply of commercial office property already under strain (driven by the lack of property coming to market and many developments being mothballed during the onset of recession), serviced office providers who were able to secure space for additional business centres could stand to benefit greatly.

**Fig 1. Supply Levels Q2 09 - Q1 10**



**Total Serviced Office Buildings Available**



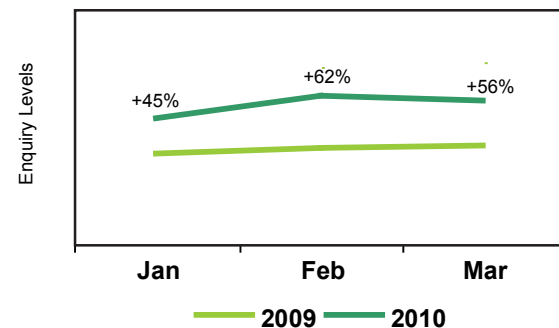
## DEMAND FOR SERVICED OFFICE SPACE

Enquiry levels in Q1 10 increased by 35% compared to Q1 09.

The number of new enquiries received for serviced office space increased by +35% in Q1 10, marking the first sustained period of growth in this area of the market since 2008, having fallen by -17% quarter-on-quarter during 2009.

As shown in Fig.2, enquiry levels exceeded Q1 09 levels in January (+45%), February (62%) and March (+56%).

Fig 2. Central London Enquiry Levels - Q1 09 - Q1 10



While the increases recorded in February and March were undoubtedly heightened by officebroker.com's expanded online and affiliate marketing activity\*, the extent to which this altered enquiry levels in Central London was less severe than in other UK regions. Evidence for which is provided by the +45% increase recorded in January 2010.

With this January growth having occurred outside of the timeframe for officebroker.com's expanded marketing and affiliate activity, the increase in demand can be identified as natural. The presence of this pre-activity growth suggests that the majority of the percentage increases recorded in Central London were also likely to have been natural, with around only 10-15% of these monthly increases estimated to be a result of the marketing and affiliate program.



\*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)

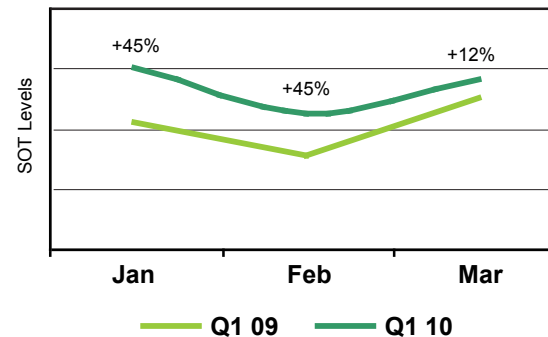
**+ 24% increase in new serviced office tenants (SOT's).**

The number of SOTs increased by +24% in Q1 10 compared to the same period of 09. This continued expansion represented the third consecutive financial quarter in which the number of SOTs rose in the Central London area.

As can clearly be seen in Fig 3, the +24% increase registered during Q1 10 was the result of consistently higher levels of SOTs entering serviced office space in each calendar month.

With January and February both recording a +45% increase in new SOTS, the +12% recorded in March could appear to represent a slow down in the number of new tenants entering the market, particularly when considering the consistently high levels of SOTs that had streamed into the market during Q4 09 (+46%).

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



Consistent activity in this area shows those utilising serviced office space had become increasingly active during the closing quarter of 09 and that this continued into the opening period of 2010. This shows a six month period in which business confidence and financial resources appeared to increase – mirroring the same timeframe in which the UK economy finally emerged from recession.

Predictions that London would show signs of recovery earlier than other regions of the UK would also appear to be supported by our Q1 analysis, with the increase in SOTs recorded in Central London not being reflected throughout the UK, having instead decreased by -1% overall.

Whether this period of growth continues into Q2 may provide insight in to what is in store for the serviced office market during 2010, providing a taster of the growth and confidence that could spread from the capital to regional towns and cities, or the slowing of the market as confidence levels and financial support begins to ebb away.

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**AVERAGE WORKSTATIONS PER SOT**

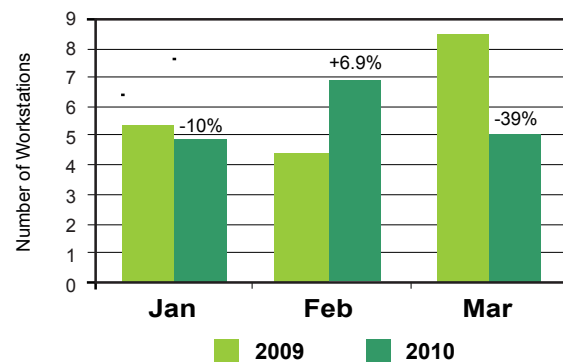
Average workstations per SOT reached 5.7 during Q1 10

The average number of workstations per SOT totalled 5.7 at the close of Q1 10.

This end figure shows the average number of workstations taken by SOTs during Q1 10 to have decreased by -8%, or 0.4 workstations, when compared to the number of workstation per SOT recorded in Q1 09.

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

**Average Workstations per SOT**



As shown by Fig 4, only during February did the average number of workstations increase in Central London, with both January and March falling behind the previous year's figures.

While the decrease witnessed in January still reached -10%, this deficit appears relatively positive compared to the drop of -39% recorded during March. It is likely however that the substantial shortfall shown in March was the result of a series of large placements taking place in March 2009 which did not materialise in 2010. As shown by the +58% increase in February however, businesses with larger requirements are still active within the Central London market.

While the overall size of Q1 10 deals did not reach the same levels as in Q1 09, the average workstation size of 5.7 still marginally exceeded the average of 5.5 recorded for 2009 as a whole – pointing toward stability in this area of the market.



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## WORKSTATION PRICES

**Q1 10 - Average price per workstation rose +19% to £514.00**

During the course of Q1 10 the average price per workstation rose to £514.00 from £418.00 in Q1 09. This change represented an overall increase of +19% in average workstation prices in Central London during the opening quarter of 2010.

This increase in workstation price signals the first sustained period of growth in this area of the market since 2008, with prices having fallen by an average of -23% during 2009.

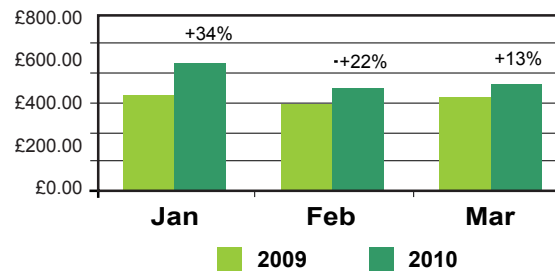
The month-on-month comparison shown in Fig 5, shows that the increases witnessed in workstation price decreased throughout the quarter, following a similar pattern to the decrease in SOTs explored earlier in this report.

While the increases in January (+34%), February (+22%) and March (+13%) represent a twelve month high for serviced office providers operating within Central London, the narrowing in both SOT and price

levels could again provide evidence that the market had begun to slow by the close of Q1 10.

**Fig 5. 2009 vs 2010**

### Central London Average Workstation Cost



## INITIAL LICENSE LENGTHS

**Average license length agreement dropped from 9.5 months to 7.8 months**

In Q1 10 new SOT's were signing initial licences 1.7 months (-18%) shorter than in the same period in 2009, placing average license lengths at 7.8 months.

As shown by Fig 6, the biggest decreases in licence lengths occurred during January (-26%) and February (-27%) while March (-5%) remained comparatively stable. In Q4 09 licence lengths had fallen by -25%,

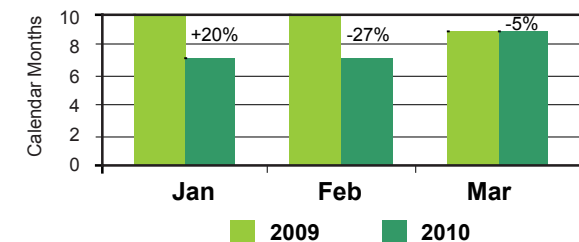
showing the overall decrease of -18% recorded in Q1 10 to be an improvement on the trend witnessed during the final three months of 2009.

In our previous Central London Review one suggestion given for falling licence lengths was the direct influence of serviced office providers, 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. A suggestion which could be supported by the slowing in the market highlighted earlier in this report.

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.

**Fig 6. 2009 vs 2010**

### Central London Initial Licence Lengths



## SUMMARY

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

1. Enquiry levels have recorded their first sustained increase since 2008.
2. The overall number of new serviced office tenants continued to increase throughout the financial quarter – marking the third consecutive quarter in which SOT levels increased.
3. Businesses seeking larger workstation requirements continued to be represented in the market and requirements remained stable compared to the previous quarter.
4. Average workstation costs have increased on a quarterly basis for the first time since 2008.
5. Initial license lengths have continued to fall although at lesser rates than in the preceding financial quarter.

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## RESEARCH

For more information in relation to officebroker.com's Central London 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](http://www.officebroker.com).

## 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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