



SERVICED OFFICE REVIEW

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**GREATER LONDON  
Q1 2010**



# GREATER LONDON

## 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 industry.

The report presents results on the following key areas in the Greater 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 from these areas, a detailed overview of the serviced office industry in Greater 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 the Greater London region as areas located within the following postcode prefixes: BR, CR, E, EN, HA, IG, KT, N, NW, RM, SE, SM, SW, TW, UB and W

## HIGHLIGHTS

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

### Q4 09 COMPARED TO Q4 08:

- **Enquiry levels rose by +38%**
- **Serviced office tenants (SOT's) decreased by -11%**
- **The average number of workstations per SOT increased to 5.2**
- **Workstation costs reached £260.00**
- **Initial license agreements decreased to 8.4 months**

**SUPPLY OF SERVICED OFFICE SPACE**

**9 new serviced office buildings added to officebroker.com portfolio.**

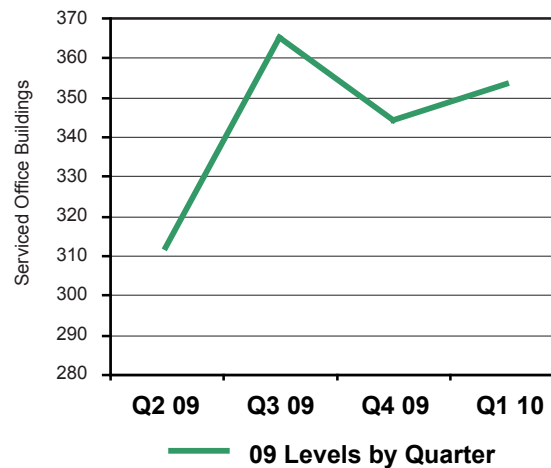
The total number of serviced office buildings reached 353 in Greater London during Q1 10. This peak figure followed the addition of 17 new buildings and the removal of 8 buildings that had ceased to trade during this period. The overall impact of this activity resulted in a net increase of 9 new serviced office buildings being added to the officebroker.com portfolio.

As demonstrated by Fig.1, the number of buildings offering serviced offices in Greater London had declined in 2009 between Q3 – Q4. The 9 buildings added to the officebroker.com portfolio during Q1 10 went some way to restoring supply levels within the region.

The emergence of new serviced office building during the opening period of 2010 is perhaps unsurprising, particularly given the upswing in commercial property deals reported during this time.

As the supply of prime commercial property comes under pressure and with the pipeline of new developments only just showing signs of remobilization, serviced office providers who have invested in new sites during a time when prime rents had seemingly bottomed-out could stand to benefit greatly.

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



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## DEMAND FOR SERVICED OFFICE SPACE

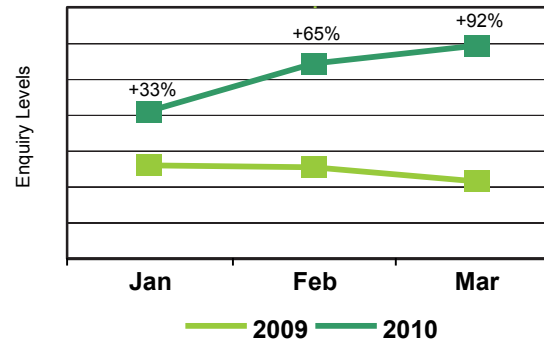
Enquiry levels increased overall by +38% in Q1 10.

The number of new enquiries received by officebroker.com for serviced office space in Greater London increased by +38% overall in Q1 10.

This increase marked the second consecutive quarter of growth in enquiry levels after recording an overall decline of -3% during 2009.

As shown in Fig.2, enquiry levels remained above Q1 09 levels month-on-month in January (+33%), February (+65%) and March (+92%), resulting in the overall increase of +38%.

Fig 2. Greater London Enquiry Levels - Jan, Feb, Mar



The impact of officebroker.com expanding its marketing and affiliate activity\* is clearly demonstrated by the larger increases recorded in February and March.

What is of particular interest however is the +33% recorded during January. This substantial jump in enquiry numbers comes before the implementation of the expanded marketing and affiliate program as detailed below\* and is a clear indication of the increased activity and confidence present in the market at this time.

Such an increase, which should be considered organic, demonstrated the resurgence of businesses actively enquiring about serviced office space as a viable workspace solution. With this high level of

natural growth it would suggest that the growing confidence witnessed in Q4 09 had carried over into Q1 10, adding to the traditionally strong increases that occur annually in the opening period of any given year.

Given the growth seen in January, it is perhaps no surprise that February and March were also high, fed by both the marketing and affiliate activity, the natural growth already highlighted during January and the annual new year surge.

\*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)**

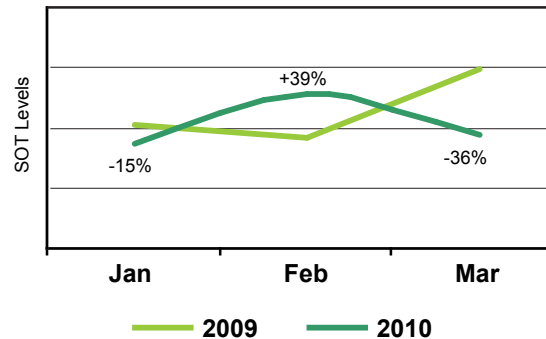
**New Serviced Office Tenants (SOT's)  
decreased by -11%**

The number of new SOTs entering serviced office space during Q1 10 declined by -11% compared to Q1 09 levels. This comes despite quarter-on-quarter rises during 2009 and an overall gain of +43%.

As detailed in Fig. 3, the number of new SOTs fell below Q1 09 levels in both January (-15%) and March (-36%). While the decline seen in March was substantial, its impact was largely countered by the +39% increase recorded in February.

This overall decline comes in spite of the significant gains made during 2009 and runs against the notion of Greater London's seemingly watertight credentials as the heartland of recovery. So what has brought about this 12 month low in new tenants throughout Greater London?

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



Could confidence levels amongst business leaders have fallen during the opening months of 2010? If so it would suggest that the hesitancy that dominated the first half of 2009 could once again be taking hold, driven by uncertainty in the financial climate or maybe even the impact of the forthcoming General Election? The disruptive effects of the prolonged winter weather may also have played its part.



While the total number of placements in Greater London remained higher than in many other regions, placing 3rd nationally during Q1 10, the decrease in new SOT levels is certainly a rarity with the -11% decline falling below the national average of <1% during the same period.

It is also useful to note that the impact of the marketing and affiliate activity is not reflected in the Q1 10 statistics.

Given the current sales cycle of 55 days the impact of this activity will not be seen until Q2 10.

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**AVERAGE WORKSTATIONS PER SOT**

**Average workstations per SOT rose to 5.2**

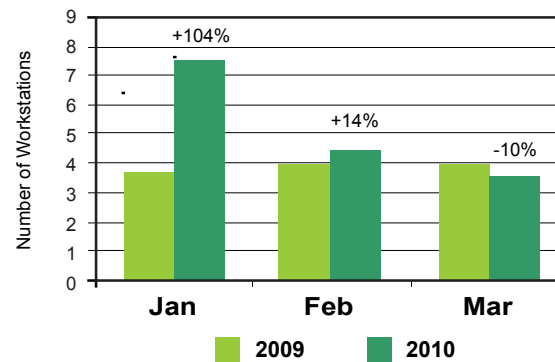
The overall decline in new SOTs during Q1 10 corresponded with a rise in workstation take-up.

As a result of this increase the average number of workstations taken by new SOTs rose from 5.1 to 5.9 during Q1 09 - equating to a +26% increase in average workstation take-up.



As shown by Fig. 4, the increase in average workstations was driven by activity in January, which, due to a series of large placements, saw an increase of +104%.

**Fig 4. Q1 09 vs Q1 10**  
**Average Workstations Placed**



The presence of these large deals will no doubt be welcomed by serviced office providers operating in Greater London, having seen workstation requirements stagnate during 2009.

A primary factor behind the return of businesses seeking larger requirements appears to be a renewed optimism in the financial climate, which has subsequently brought about the return of corporate clients who have begun reviving projects mothballed during the recession.

In comparison to the average number of workstations per SOT recorded nationally during the same period, the rate of 5.9 for Greater London compares favourably. Having seen national averages reach only 4.3, a mere +3% above the national rate of 4.2 recorded during Q1 09.

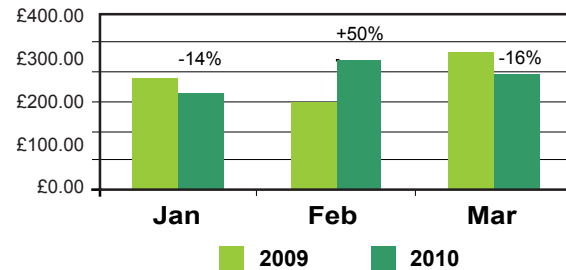
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## SERVICED OFFICE SPACE COSTS

Average price per workstation  
increased to £260.00

In Q1 10 the average price per workstation in Greater London reached £260.00, rising from £255 in Q1 09 and representing an increase of +2%.

Fig 5. Average Workstation Price Jan, Feb, Mar



An analysis of Fig. 5 shows that workstation prices remained below 09 levels in both January (-14%) and March (-16%) but exceeded them significantly during February (+50%).

The overall increase of +2% is clearly the direct result of the increased activity in February, itself the result of a series of higher value deals involving prime office space.

The levels recorded in January and March however are more representative of the overall market, matching the kind of decreases that dominated Greater London throughout the course of 2009, having fallen by an average of -16% quarter-on-quarter.

When taking this twelve month trend into account, it would suggest that workstation prices in Greater London as a whole are still suffering, with the spike witnessed in February being the exception rather than the rule. Hope will remain however that the February spike in workstation prices will be a sign of what is to come.

It is interesting however that this continued lull in workstation prices has corresponded with a drop in the number of new SOTs entering the market. With the falling prices of 2009 having previously been identified as a major force behind the flood of new SOTs that had entered serviced office space during 2009 (+43%).



The average price of £260.00 recorded during Q1 10 exceeded the national average of £242.00, placing workstation prices in Greater London £18.00 higher.

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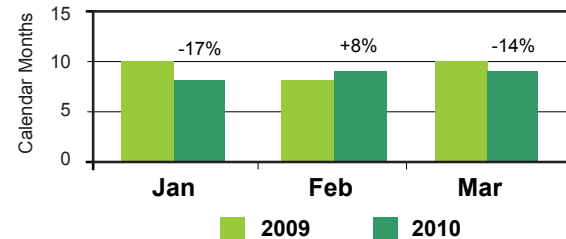
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## INITIAL LICENSE LENGTHS

**Initial license length commitment falls to 8.4 months**

New SOT's are signing initial licences averaging 8.4 months in Q1 10, 0.4 months (-4%) shorter than in the same period of 2009.

**Fig 6. 2009 vs 2010 Initial Licence lengths**



As shown by Fig 6, decreases in licence lengths occurred in both January (-17%) and March (-14%) while February (+8%) recorded a moderate increase. This overall decline of -4% is in stark contrast to the average deficit of -26% recorded quarter-on-quarter during 2009, pointing to a far more stable start to 2010.

In our previous Greater 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, despite a series of positive signs in the Greater London Market, believe that the region still has some way to go before sustained growth manifests itself.

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 grown both organically and through the marketing and affiliate activity carried out by officebroker.com.
2. The overall number of new SOTs has fallen for the first time in over 12 months.
3. Larger workstation requirements have returned to the market, boosted by previously mothballed projects by corporate clients returning.
4. Average workstation prices were boosted by a series of high value placements in prime space but remained low overall.
5. Initial license lengths stabilised after experiencing substantial decreases throughout the previous year.

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## RESEARCH

For more information in relation to officebroker.com's Greater London 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](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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