



SERVICED OFFICE REVIEW

SOUTH EAST Q1 2010



SOUTH 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.

The report presents results on the following key areas in the South 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 South 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 South East region as areas located within the following postcode prefixes: BN, CT, DA, GU, ME, MK, OX, PO, RG, RH, SL, SO and TN

HIGHLIGHTS

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

Q1 10 COMPARED TO Q1 09:

- **Enquiry levels increased by +38%**
- **+ 20% increase in new serviced office tenants (SOT's)**
- **Average number of workstations per SOT fell to 4.5**
- **Workstation costs rose to £277.00**
- **Initial license agreements decreased to 7.3 months**

SUPPLY OF SERVICED OFFICE SPACE

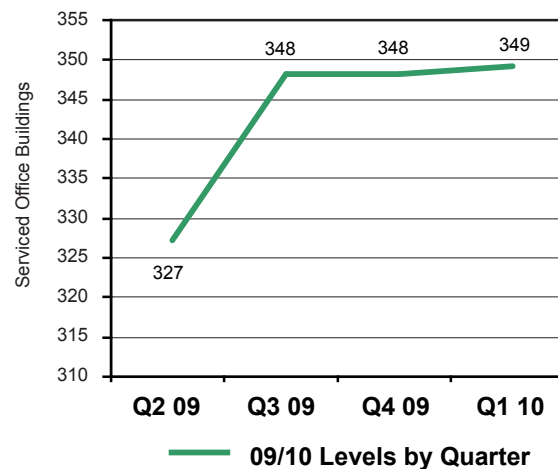
1 serviced office building added to officebroker.com portfolio

The total number of serviced office buildings reached 349 in the South East region during Q1 10. This peak figure followed the addition of 8 new serviced office buildings and the removal of 7 office buildings that ceased to trade during this period. This resulted in a net increase of 1 serviced office building to the officebroker.com portfolio during Q1 10.

As shown in Fig 1, the number of serviced office buildings available in the South East had grown significantly during the previous 12 months. The sharpest increase in supply occurred in the first half of 2009 before entering a relatively static level by Q3 09.

While the overall level of supply appears to have slowed during Q1 10, the nature by which the small net increase occurred, 8 offices added and 7 removed as a result of them ceasing to trade, suggests the market is more volatile for providers than overall supply levels suggest.

Fig 1. Serviced Office Space Growth by Quarter 2009



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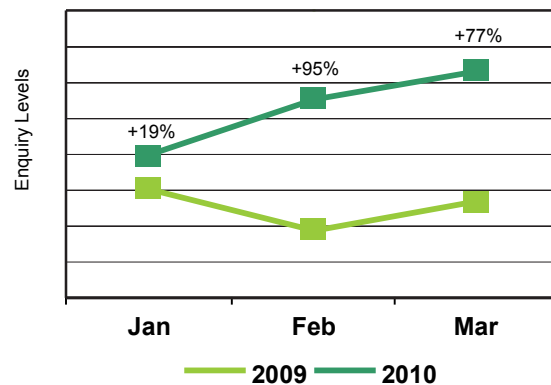


DEMAND FOR SERVICED OFFICE SPACE

Enquiry levels increased by +38%

The overall number of enquiries for serviced office space in the South East increased by +38% in Q1 10 compared to Q1 09. This increase builds on the +7% growth recorded in Q4 09 and completes a six month period in which the number of businesses considering serviced office space as a workspace solution increased.

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 +19% increase while February (+95%) and March (+77%) continued this upward trend.

While the large increases seen in February and March where undoubtedly heightened by expanded marketing and affiliate activity*, the natural growth of +19% recorded in January demonstrated that a strong level of interest in serviced office space from businesses existed from the outset of 2010. The presence of this strong, natural growth in the marketplace suggests confidence levels amongst business owners was high.

*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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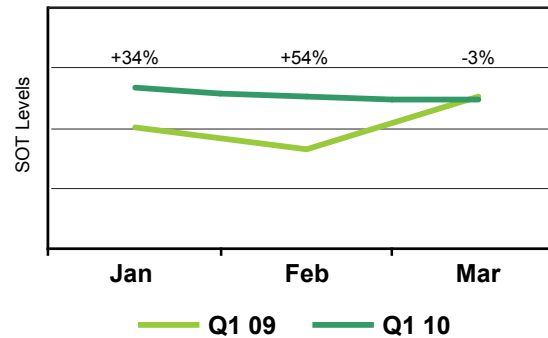
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NEW SERVICED OFFICE TENANTS (SOT'S)

Serviced office tenants (SOT's) increased by +20%

The number of new SOT's entering serviced office space increased by +20% during Q1 10 compared to Q1 09, marking the 3rd consecutive quarter to record such an increase.

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



As shown in Fig 3, the number of SOTs increased in both January (+34%) and February (+54%) before falling slightly behind 09 levels during March (-3%).

As with the increased enquiries witnessed in January, the new SOTs entering the market in both January and February were the result of a natural rise in demand and remained unaffected by the expanded marketing and affiliate activity explored in the enquiry section of this report. The reason for these figures remaining unaffected is that with a start date of the 1st February and an average sales cycle of 55 days, the impact of this activity will not present itself until Q2 10.

The continued increase of new, individual SOTs entering the market in the South East again demonstrates high confidence levels amongst business owners. It also provides evidence that the increased enquiries recorded in Q4 09 have resulted in decisive action during Q1 10, a trend which serviced office providers throughout the South East will hope continues given the increased enquiry rates recorded in Q1 10.

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AVERAGE WORKSTATIONS PER SOT

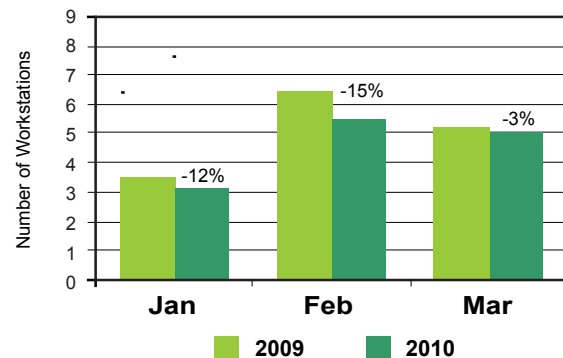
Average workstations per SOT reached 4.5

Despite the overall increase in SOTs and enquiry levels, average workstation take-up in Q1 10 has fallen below that of Q1 09.

As shown by Fig 4, the lower levels of workstation take-up occurred month-on-month, with January witnessing a -12% decline and February registering a fall of -15%. The drop recorded in March was -3%, a level far closer to the annual 2009 average of <1%.

Fig 4. Q1 09 vs Q1 10

Average Workstations per new SOT



Given that overall workstation take-up has fallen by -11% in Q1 10 compared to Q1 09, it would be reasonable to assume that the streamlining and cut-backs witnessed in 2009 may still be affecting the market in the South East despite not being the case in surrounding regions. Despite this the average take-up of 4.5 workstations found in the South East remains above the national average of 4.3 workstations recorded during the same period.

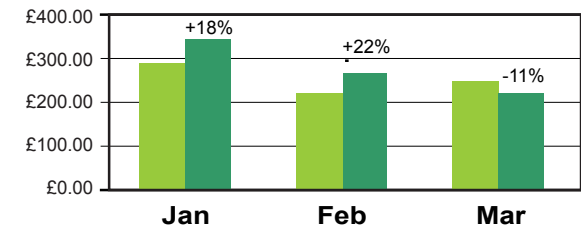
SERVICED OFFICE SPACE COSTS

Average price per workstation increased to £277.00

During Q1 10 the average price per workstation increase to £277.00 from £252.00 in Q1 09, representing an overall increase of 9% during the financial quarter.

A month by month comparison (Fig. 5) of Q1 10 reveals that average workstation costs increased month-on-month during both January (+18%) and February (+22%) but recorded a deficit of -11% during March.

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



The overall increase of +9% during Q1 10 represents the first sustained increase in average workstation prices since 2008, having declined by an average of -23% quarter-on-quarter during 2009.

This upward swing, which will no doubt be welcomed by South East serviced office providers, also placed the average price per workstation (£277.00) above that of the national average (£242.00) for the first time since Q1 09.

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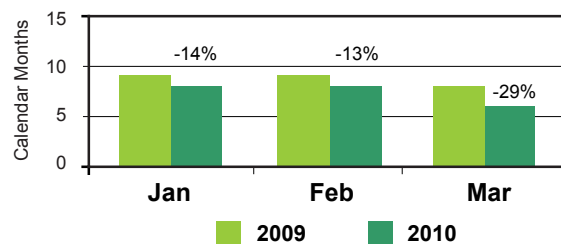
INITIAL LICENCE LENGTHS

Initial license length commitment falls to 7.3 months

New SOT's are signing initial licences averaging 7.3 months in Q1 10, 0.9 months (-10%) shorter than in the same period in 2009.

As shown by Fig 6, a decrease in initial licence lengths occurred month-on-month, with January (-14%), February (-13%) and March (-29%) all falling behind the levels recorded during Q1 09.

Fig 6. Initial Licence Lengths Q1 09 vs Q1 10



This decline, which could be seen as a sign of uncertainty amongst business owners, is still however a marked improvement on the decreases recorded in 2009, having seen initial license lengths fall by an average of -23% quarter-on-quarter.

Given that workstation prices have increased during Q1 10, it is perhaps surprising that initial license lengths have continued to decline, with the direct influence of serviced office providers believed to be a driving force behind keeping license lengths short during a period of low and falling workstation prices. With positive increases in workstation price during Q1 10, it would have been reasonable to assume that this same direct influence would have brought about extended license lengths – this does not however appear to be the case.

Alternatively, a reluctance to over-commit and maintain maximum flexibility from business leaders themselves may be impacting upon this area of the market, perhaps revealing an insight into their long-term plans and prospects.

SUMMARY

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

1. Enquiry levels have continued to increase throughout Q1 10.
2. The overall number of new serviced office tenants rose for the 3rd consecutive quarter.
3. Despite remaining above the national average workstation requirements in Q1 10 continued to decline.
4. Average workstation costs increased for the first time since 2008.
5. Initial license lengths continued to fall.

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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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