

# Market Watch

## UK Regional Serviced Offices

Spring 2018

Savills forecast serviced office operators will take 500,000 sq ft across the regional cities during 2018

### Market Snapshot

■ Serviced office take up across the regional cities reached 436,000 sq ft during 2017, a 409% increase on 2016 (Graph 1). This accounted for 7% of the total office take up across the regional cities in 2017, up from 2% in 2016. As a comparison, serviced offices represented 18% of take up in Central London during 2017.

■ Serviced office operators signed for 208,000 sq ft in Birmingham during 2017, accounting for 47% of the UK regional total (Graph 2). The most notable deal was Regus signing for 76,000 sq ft at The Lewis Building during the final quarter. Manchester represented 26% of the UK regional serviced office demand during 2017 as WeWork signed at No. 1 Spinningfields and One St Peter's Square for 56,000 sq ft and 44,000 sq ft respectively.

■ Given the nature of sub-leasing space to multiple tenants, serviced office deals are considerably larger. The average serviced office deal size in 2017 was 20,700 sq ft, 176% above the all sector average deal size of 7,500 sq ft (Figure 1).

■ Regus was the most active operator last year, signing for 127,000 sq ft (31% of the total) last year, whilst WeWork signed for 100,000 sq ft (24%, Graph 3).

### The Hunt for Talent

■ From Savills What Workers Want survey, 18% of our sample office workers spend their work time within serviced offices in the UK.

■ Serviced office providers signed for a higher quality of space than the all sector average last year. 75% of space taken by serviced office operators last year was of Grade A standard, above the all sector average of 55%. High quality space has been key to attracting and retaining

higher end occupiers from a range of business sectors.

■ It is no longer only the tech/creative businesses who are signing for serviced office space. Savills What Workers Want survey shows that 42% of sampled legal workers and 29% of financial services workers operate from serviced offices (Graph 4).

■ Serviced offices have been particularly effective at attracting younger talent pools. 40% of workers in serviced office accommodation are aged between 18 and 34, whilst in traditional offices, only 29% of workers are in this age band (Graph 5). Serviced offices continue to attract younger workers because of creative fitouts and a higher provision of open, collaborative space (Graph 6).

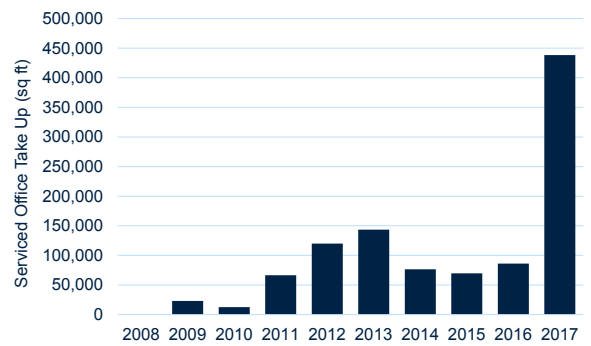
### What Next?

■ Given the letting success of larger operators, we expect serviced office providers to look outside Manchester and Birmingham to increase their regional footprint. With unprecedented levels of requirements, Savills forecast UK regional serviced office take up to reach 500,000 sq ft during 2018.

■ Traditional offices must continue to reinvent themselves in order to remain attractive and compete with serviced offices. Landlords must also adapt as tenants demand increasingly flexible lease terms.

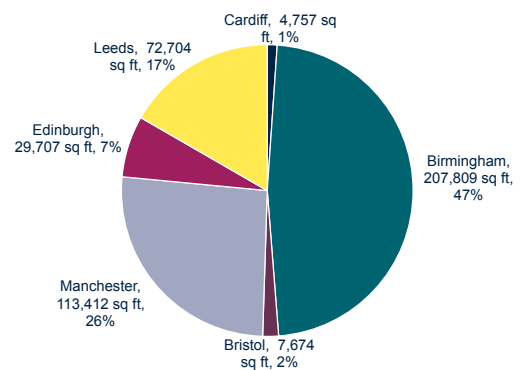
■ Freeholds are also targets, as according to Property Data, WeWork invested £670 million in Central London offices in 2017. With regional office capital values remaining attractive compared to Central London markets, we expect more serviced office operators to look to acquire freehold offices in the regional markets. ■

GRAPH 1  
Regional serviced office take up



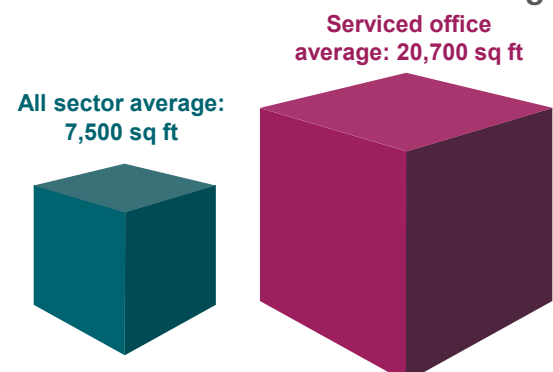
Source: Savills Research

GRAPH 2  
Regional serviced office take up 2017



Source: Savills Research

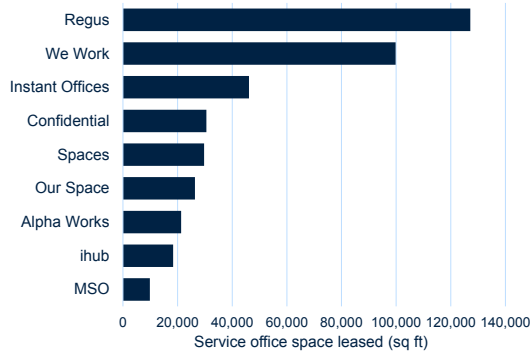
FIGURE 1  
The average serviced office deal size is 176% above the all sector average



Source: Savills Research

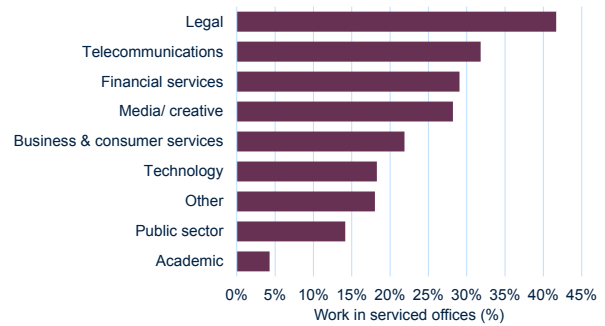
# Key charts and contacts

**GRAPH 3**  
Which operators leased the most space in the regions during 2017?



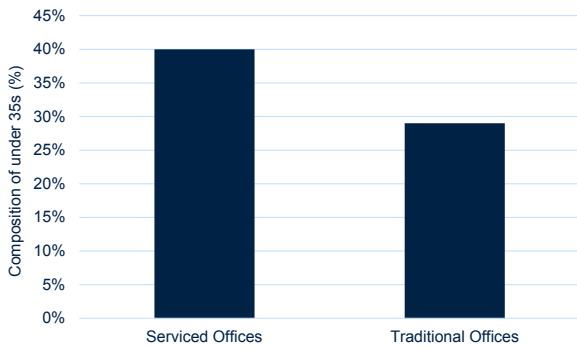
Source: Savills Research

**GRAPH 4**  
Which business sectors work in serviced offices?



Source: Savills Research, What Workers Want

**GRAPH 5**  
Proportion of workforce under age 35



Source: Savills Research, What Workers Want

**GRAPH 6**  
Are you satisfied with the provision of collaborative space in your office?



Source: Savills Research, What Workers Want

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