JONES LANG LASALLE

Occupier Trends: Serviced Offices

The following analysis is based on Jones Lang Wootton's October 1998 Property Confidence Survey. Over 600 senior executives responsible for property in London and the South East, the North West, Yorkshire and Humberside and the West Midlands responded to the survey. As well as questions regarding business confidence, employment and space requirements, respondents were also asked about a number of key property issues. Below we focus on one of these issues - the use of serviced offices, a form of occupational use increasing rapidly in importance.

Flexibility key for occupiers

Flexibility of occupation both in terms of physical layout and tenancy arrangements, has been a watchword for the 1990s and will continue to be a key issue for occupiers for the foreseeable future. Serviced offices are now clearly an important and growing part of office occupation activity in the UK with operators such as Regus and HQ expanding rapidly and providing ready to use office space in a variety of locations.

Twice as many occupiers would use serviced offices in future

Our survey looked at demand for serviced offices and discovered that while 16% had already used serviced offices, 37% said they would use a serviced office in the future, pointing to apparently enormous potential growth in demand in this area.

National Situation

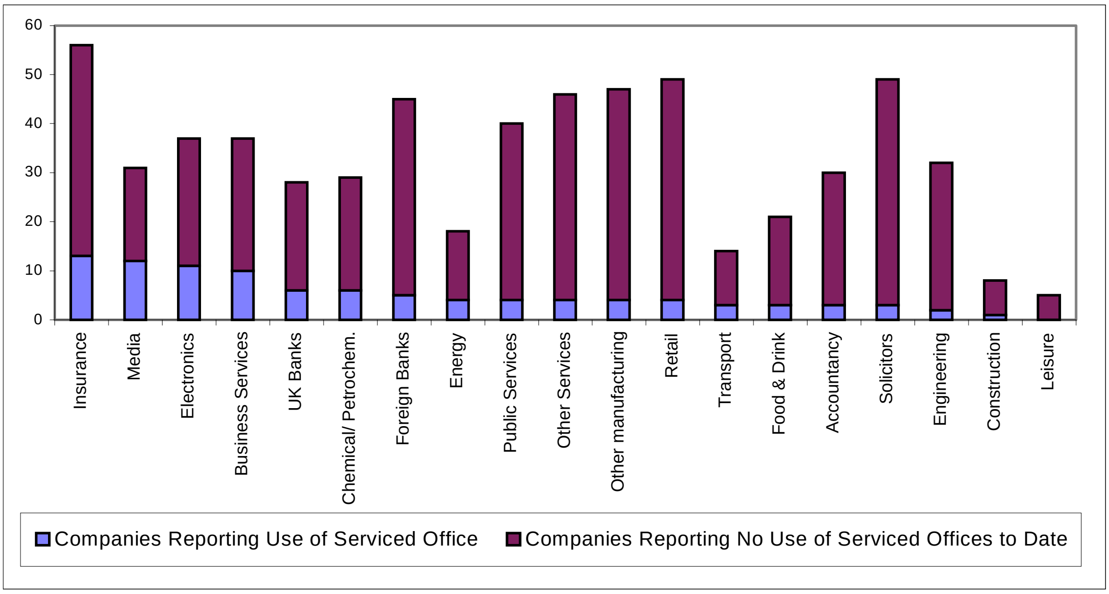
16% of companies have used serviced offices

Of 630 companies interviewed, a majority (54%) indicated that they would be ready to pay a rental premium for a shorter or more flexible lease. While flexibility is desirable to a majority of occupiers, only 16% of companies (101 respondents) had used serviced office space and just 17 companies had a contractual arrangement with a serviced office provider granting preferential terms.

A variety of companies use serviced offices

Financial and Business Services companies, Manufacturers and Other Service companies were equally likely to have used serviced offices, while within these larger groups Insurers, Media companies and Electronics companies were the biggest users. (Figure 1)

Figure 3: Use of Serviced Offices by Company Type, October 1998



Source: Jones Lang Wootton Research

Need for flexibility most important reason for use

Of those respondents who had used serviced office space, the most common reason stated was a need for flexibility (50%) while the readiness for use of serviced offices and availability of office support was also important (23%). Image and good location were less important as reasons for taking serviced office space scoring 9% and 4% respectively.

Cost, security and image seen as less important

Of the 529 companies that had not used serviced office space 75% said that this was due to a lack of short-term requirements. High cost was the reason given by 6% of companies for not using serviced offices while lack of security or confidentiality and the wrong business image were seen as less important reasons scoring 5% and 4% respectively.

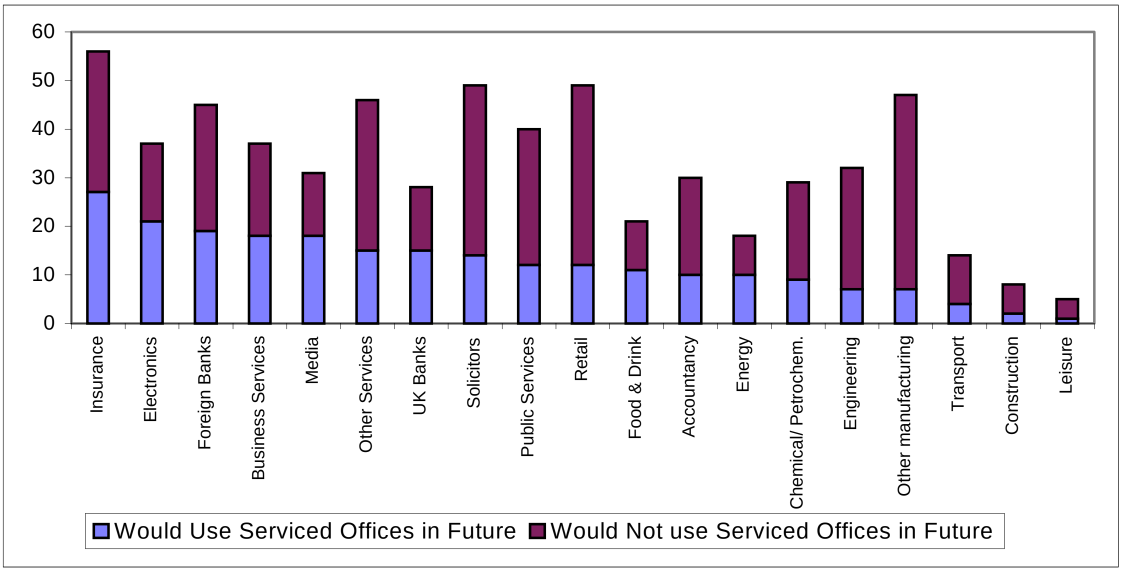
37% of companies would use serviced offices in future...

236 respondents (37%) said that they would use serviced offices in the future especially when they have a need for flexibility and require a ready to use office. A large number of Insurance, Electronics, Foreign Banking and Media companies, saw themselves as possible users of serviced offices in the future. (Figure 4)

...while others cited lack of short term requirements

The remaining 63% of respondents said they would not use serviced offices in the future. The most common reason given for this was a lack of short term requirements (74%), while expense (8%), business image (6%) and security/confidentiality (6%) were relatively minor considerations.

Figure 4: Future Use of Serviced Offices by Company Type, October 1998



Source: Jones Lang Wootton Research

Likely periods of use mainly under two years

Of the respondents who indicated how long they would use serviced offices, 49% said they would use them for up to 6 months, 28% thought they would use them for up to 12 months while 23% said they would use serviced offices for up to 2 years and longer.

Regional Breakdown

Serviced office use most prevalent in the South East.

Respondents in the South East were much more ready to use and to consider using serviced offices, with 28% of respondent companies having already used serviced offices and 15% of these having a contractual arrangement with a serviced office provider. 54% of respondents said that they would use serviced offices in the future. Of those respondents who said they would not use serviced offices in the future, 59% said that this was because they had no short term requirement, while 12% said that serviced offices were too expensive. In the three regional locations surveyed, only a handful of companies had used serviced office space before (4%). However, many more companies said that they would use serviced offices in the future (21%).

Conclusion

Flexibility of occupation continues to make headlines in the property press and our survey confirms the important role that serviced offices have to play in providing that flexibility. There appears to be excellent potential for growth in the serviced office market with Insurance, Media, and Electronics companies, as well as the Banking and Business Services sectors being some of the major serviced office users of the future. Interestingly companies already seem to have recognised the value that appropriate use of serviced offices can offer, with few companies quoting the price of such facilities as a barrier to use.

Contacts:

Rosemary Feenan + 44 (020) 7399 5166 rosemary.feenan@eu.joneslanglasalle.com
Sue Foxley + 44 (020) 7399 5402 sue.foxley@eu.joneslanglasalle.com