THE OCCUPIER

SUMMER 2023 OFFICE MARKET UPDATE

INFLATED PRESSURE ON TENANTS

H1

2023

DeVono

CENTRAL LONDON OFFICE MARKET SNAPSHOT H1 2023

AVAILABILITY

24.4M SQ FT
OF OFFICE SPACE AVAILABLE IN CENTRAL LONDON

VOLUME OF AVAILABLE GRADE A SPACE
INCREASED 11%
IN Q2'23

WEST END OFFICE AVAILABILITY
UP 10%
IN Q2'23 VS Q1'23

CITY OFFICE AVAILABILITY AVERAGE SIZE AVAILABLE DOWN 16% TO
8,383 SQ FT

LEASING

5.3M SQ FT
LEASED IN H1'23

TOTAL SPACE LEASED IN H1'23
DOWN 18%
ON THE FIRST HALF OF 2022

FINANCIAL SECTOR
LEASING FALLS 40%
IN H1 '23 VS H2 '22

WEST END'S SHARE OF LEASING
FALLS TO 26%
IN Q2'23, LOWEST SINCE Q4 2021

RENTS

PRIME RENTS INCREASED BY AN
AVERAGE OF 9%
OVER LAST 12 MONTHS

MAYFAIR PRIME GRADE A RENT
HITS £150 PSF

7 SUBMARKETS REGISTER PRIME GRADE B
RENTAL UPLIFT

FLEX:
AVERAGE GRADE A PRICING INCREASES BY 2% IN Q2 '23

CENTRAL LONDON

OFFICE LEASING

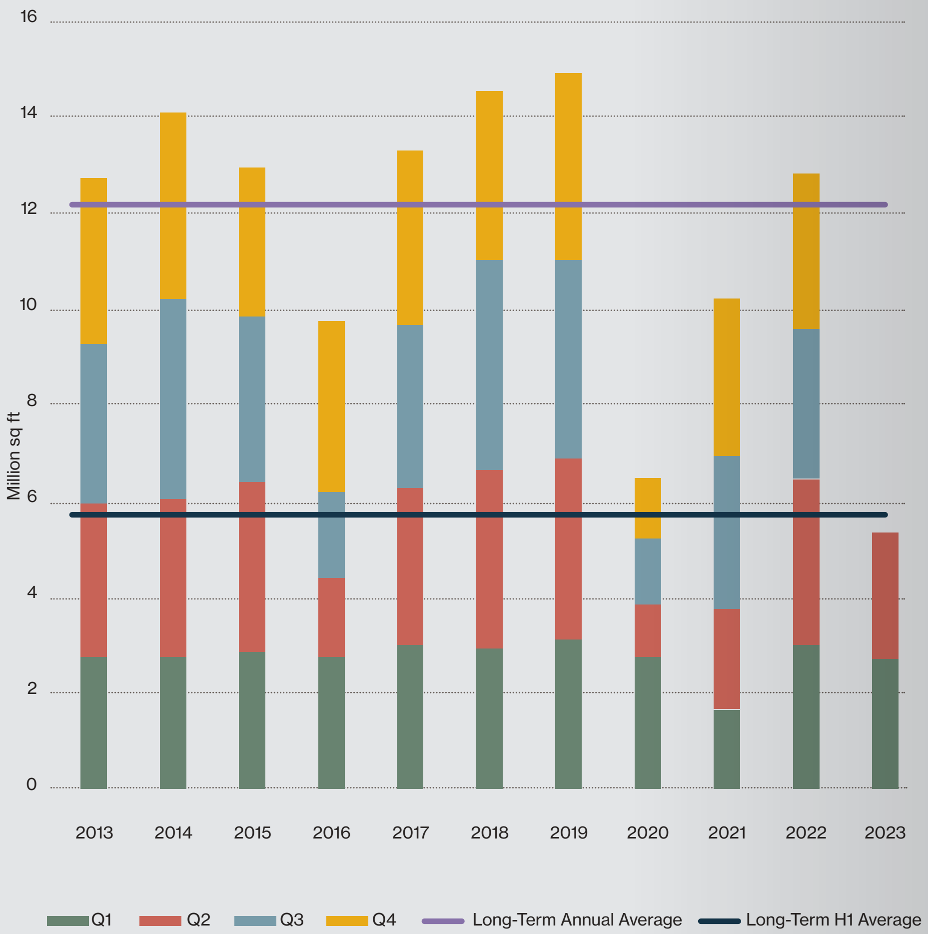
Leasing activity slows down

Wider economic uncertainty which characterised the beginning of the year put a considerable dampener on leasing activity for the first half of the year. Total take-up in H1 2023 was 5.3 million sq ft, 6% below the long term half-yearly average and 18% below the total for the same period the previous year.

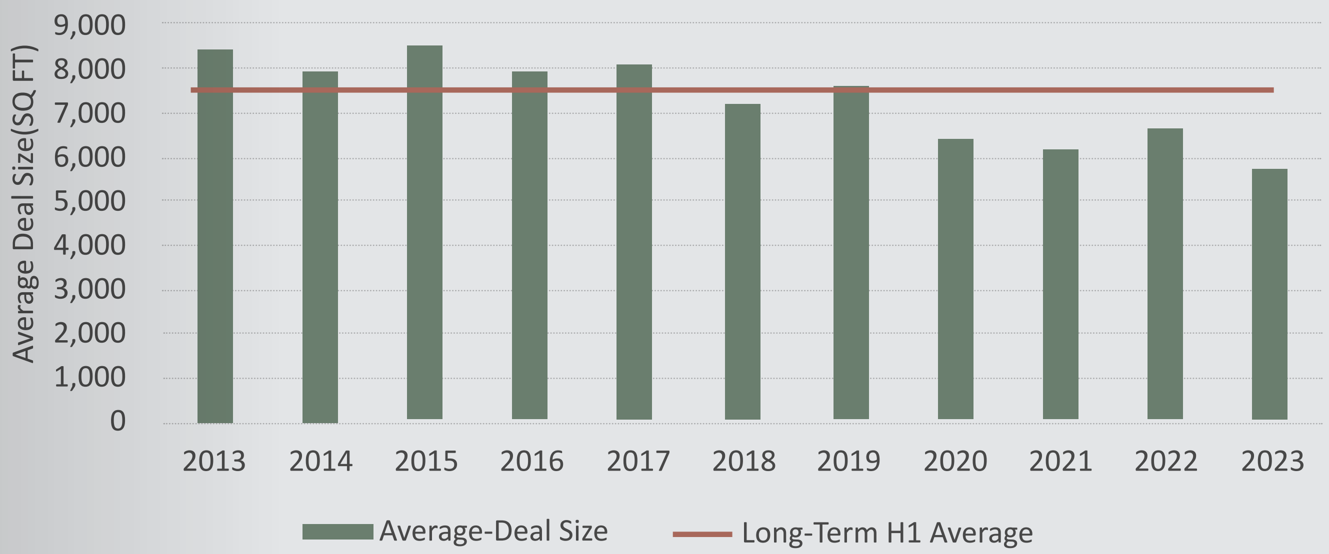
80% of transactions recorded in H1 '23 have been below 10,000 sq ft

While we have seen the total quantity of space leased increase in Q2 2023 up by 5% on Q1, we will need to see considerably more leasing if the year-end total is to match that seen in 2022.

CENTRAL LONDON OFFICE MARKET: TOTAL LEASING ACTIVITY BY QUARTER 2013-23



CENTRAL LONDON OFFICE MARKET: AVERAGE DEAL SIZE IN H1, 2013-2023



SPACE RATIONALISATION TAKES PRIORITY

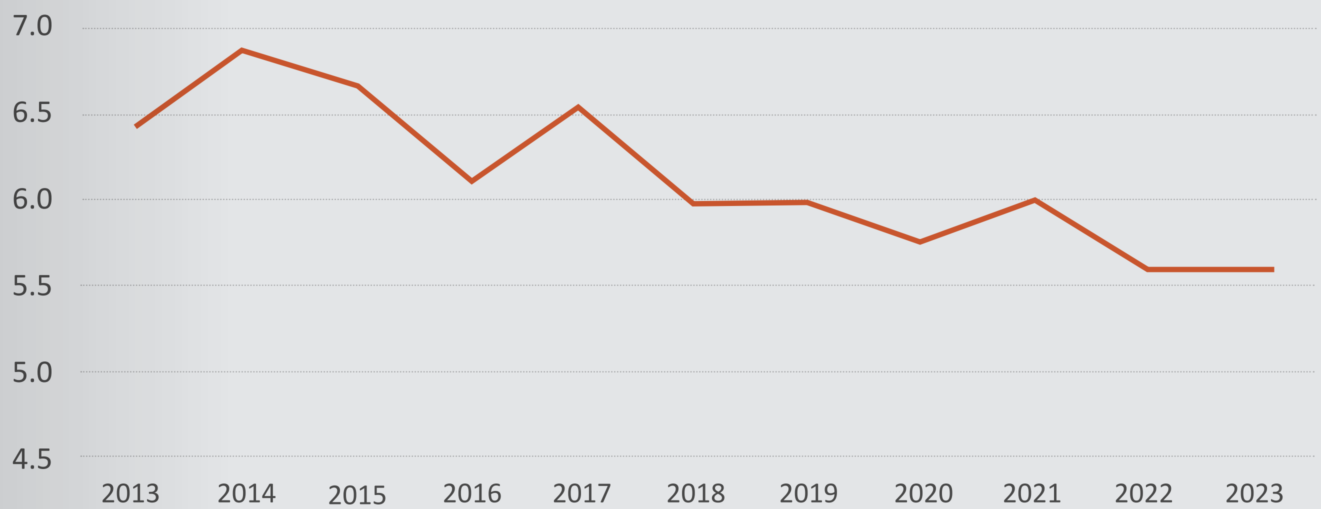
The proliferation of hybrid working continues to influence office space requirements. Leading to a greater need to rationalise the volume of current and future workspace(s) and provide greater lease flexibility. Inflationary pressures on operating expenses have quickly risen in prominence and are now impacting property decisions and space take. Transaction sizes have very much trended towards the lower end of the scale in H1 2023, 80% of the deals recorded having been below 10,000 sq ft.

The average deal size in H1 2023 was 5,605 sq ft, which is not only 15% below that recorded in H1 2022 but is the lowest 'H1' average since 2011, suggesting that space rationalisation plans are filtering through to space taken with fewer big deals.

Although several large companies have been active in the first half of 2023 including TikTok and Pimco, only two mega deals were recorded in H1, both of which were carried out in the first quarter.
The average lease length recorded in H1 2023 was 5.6 years, the same as that recorded during the same period the previous year. This, combined with the lack of pre-letting activity so far in 2023, suggests that firms are factoring some flexibility in their decisions.

Despite tenant attraction to the best-in-class spaces, there may be signs that firms are making compromises on space quality, with Grade A space leased accounting for 38% of take-up in H1 2023, down from 42% in H1 2022.

CENTRAL LONDON OFFICE MARKET: AVERAGE LEASE LENGTH IN H1 (YEARS), 2013-2023



The City: The tenants' choice

Although we have seen little change in which locations have attracted leasing this year, what we have seen is a greater gap emerging between them in terms of the size of their share.

Specifically, we have seen the City's share continue to grow over the course of 2023 while the West End, Midtown and Southbank have all seen their share reduce.

> **Volume of leasing across the City expands by 23% on the share recorded in H2 2022 to 46% in H1 2023.**

The City has retained its position as the most sought after location for office leasing, with its share expanding by 23% on the share recorded in H2 2022 to 46% in H1 2023.

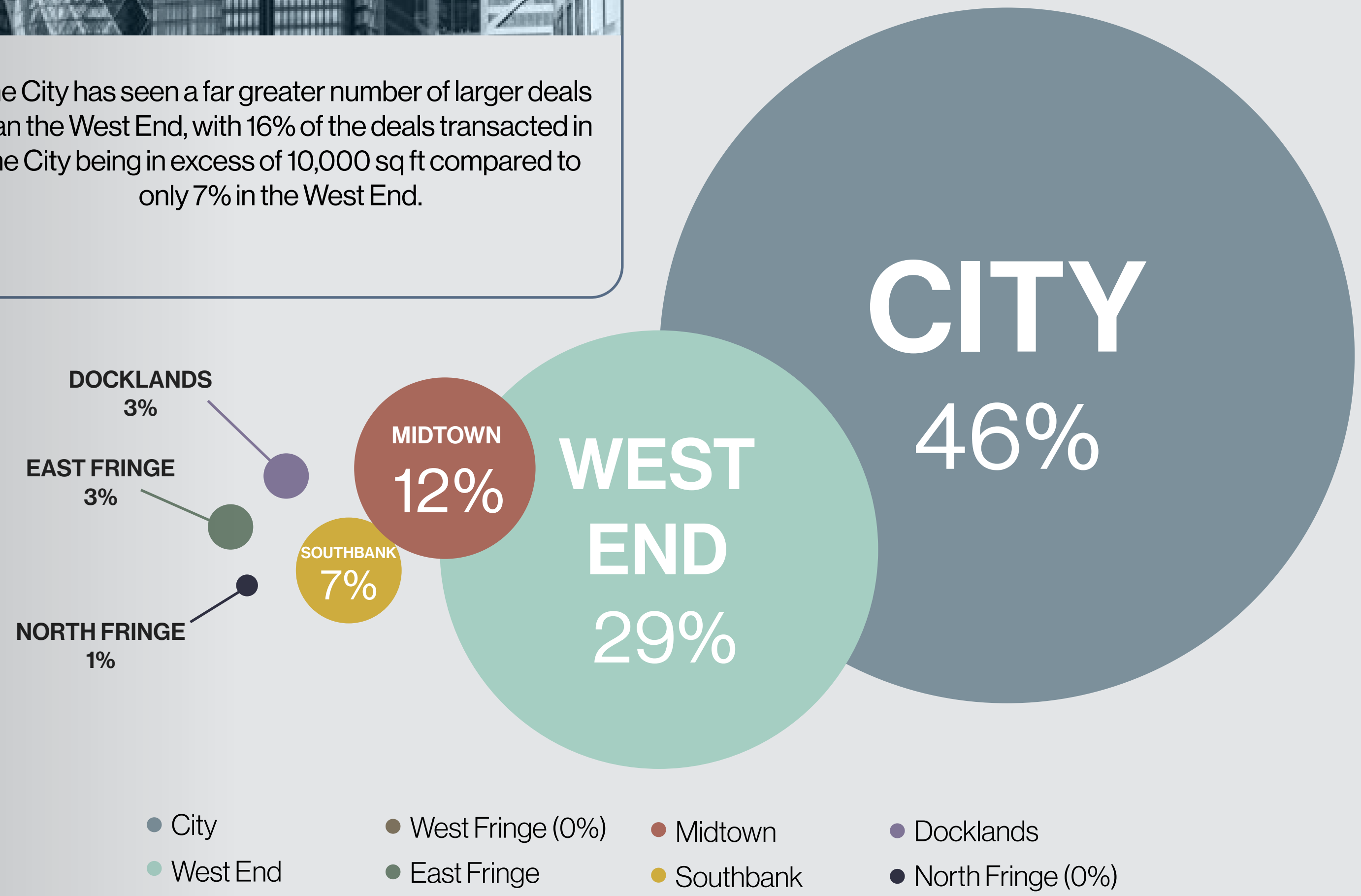
Much like the West End, Midtown leasing has also trended downwards since the end of 2022. This has left take-up down 43% on that recorded at the beginning of the previous year.

On the other hand, leasing in the West End has dropped for the fourth consecutive quarter, bringing its share of total leasing in Q2 to its lowest since Q4 2021. Quick to spring back from the pandemic, a lack of available top-quality spaces and higher rents have restrained leasing activity.

In the Docklands, despite a muted end to 2022 take-up has risen moderately in Q2 2023, by 29%. However, this still constitutes a slower start to the year for leasing in Docklands than in the first half of 2022, with take-up standing 23% below at 143,555 sq ft.

The City has seen a far greater number of larger deals than the West End, with 16% of the deals transacted in the City being in excess of 10,000 sq ft compared to only 7% in the West End.

CENTRAL LONDON OFFICE MARKET: SHARE OF TOTAL LEASING ACTIVITY BY MARKET, H1 2023



WHICH BUSINESS SECTORS ARE LEASING?

While we are seeing similar sectors accounting for the majority of leasing as we did during the latter half of 2022, there has been a certain amount of movement in the size of the shares that these sectors are commanding.

While the financial sector retained its position as the largest contributor to leasing in H1 2023, we have seen its share reduce by 30% to only 20% of total leasing, eroding the sector's dominance. In turn, we have seen the technology and professional sectors fill the vacuum, with their share of activity increasing to 16% and 14% respectively. However, as these sectors have expanded, the legal sector's share has contracted to only 7%, its lowest recorded in H1 since 2019.

CENTRAL LONDON OFFICE MARKET: LEASING ACTIVITY BY BUSINESS SECTOR, H1 2023

SUMMARY OF TOP LEASING SECTORS

FINANCIAL SECTOR

Although the sector has been the most significant source of leasing so far in 2023, financial firms did commit to 33% less space compared to H1 2022, with leasing having fallen for the second consecutive quarter to 397,074 sq ft.

This is largely the result of financial firms rationalising their space requirements, with the average deal size falling to 7,090 sq ft in Q2, its lowest quarterly level since Q3 2021.

The sector's leasing of Grade A space has reduced, with 24% of the best spaces, compared to 51% during the same period in 2022. Additionally, pre-letting activity has dropped to only 16%, a reduction of 40% on the share recorded in H1 2022, suggesting a more cautious approach being taken to committing to space early.

Nevertheless, the reduced leasing on the part of this sector has done little to dissuade the sector's attraction to the West End given that 54% of financial sector take-up was for space in this market in H1 2023.

PROFESSIONAL SECTOR

In 2023, we have seen a greater commitment to the office by the professional sector and on a longer basis too, with it not only being the case that take-up in H1 2023 rose by 33% on H1 2022, but that lease lengths have also increased by 14% to 5.7 years.

Take-up has been concentrated mainly in the City, with 65% of total volume of leasing, with professional firms largely avoiding the West End – with just an 8% share.

However, we are seeing more professional firms attracted to spaces in the Southbank, Kantar took 46,628 sq ft at 30 Stamford Street, pushing the market's share of leasing activity to 19%.

TECHNOLOGY SECTOR

A greater push for a return to the office by major technology companies such as X (formerly Twitter), we are seeing tech firms targeting the best-in-class spaces. Leasing of Grade A office space constituted 49% of take-up in H1 2023 compared to only 32% in H1 2022.

The sector has seen a return of the 'mega deal' again in 2023 following a year in which the sector failed to generate any deals in excess of 100,000 sq ft. TikTok took 139,424 sq ft at 150 Aldersgate Street in Q1, following on from the company's reported curtailing of remote working.

However, it should be noted that 83% of the tech deals in H1 2023 were for spaces below 10,000 sq ft. This suggests that while the larger and more established tech companies are opting for more sizeable spaces, many smaller companies are remaining lean with space needs.

LEGAL SECTOR

Despite the legal sector's strong performance in 2022, its share of activity has reduced in 2023, accounting for only 7% of the total volume of take-up, a drop of 51% on its share recorded in H1 2022.

The reduced size of leasing deals in H1 2023 has meant that the average deal size has fallen by 66% on that recorded in H1 2022 to 13,863 sq ft, recording no deals over 100,000 sq ft.

Whilst the volume of space leased has reduced, the number of firms leasing space in Q2 2023, at 16, is at its highest since Q2 2019.

Consequently, the drop in leasing by the legal sector so far in 2023 is not reflective of a pivot away from the central London office market but instead of a focus on taking smaller, high-quality spaces.

OUTLOOK

As we move further into 2023, we are beginning to see some post-pandemic sensibilities collide with firms' vision for growth and as such we expect that the divergence of working patterns that has been observed this year will continue. Specifically, it is likely that a bifurcation will develop within certain sectors between larger companies that are pushing towards more in-office days for their workforce, and more nascent ones that are looking to take advantage of the cost-cutting possibilities of remote working. This will translate into a widening of the gap between these firms in terms of their size requirements. In addition, we expect that firms will continue to pursue flexibility in their leases, which will keep average lease lengths at the lower level.

Office leasing activity for the remainder of the year is likely to ebb and flow. Leasing lethargy by firms which appears to have set in, at least for 2023, should help alleviate the supply problem of restricted choice, especially of Grade A stock, in certain office markets. However, this may not be for long as businesses wanting to secure spaces with the best credentials, especially those with sustainability and efficiency benefits, may be be forced to show their hand sooner as demand trickles back.

CENTRAL LONDON

OFFICE AVAILABILITY

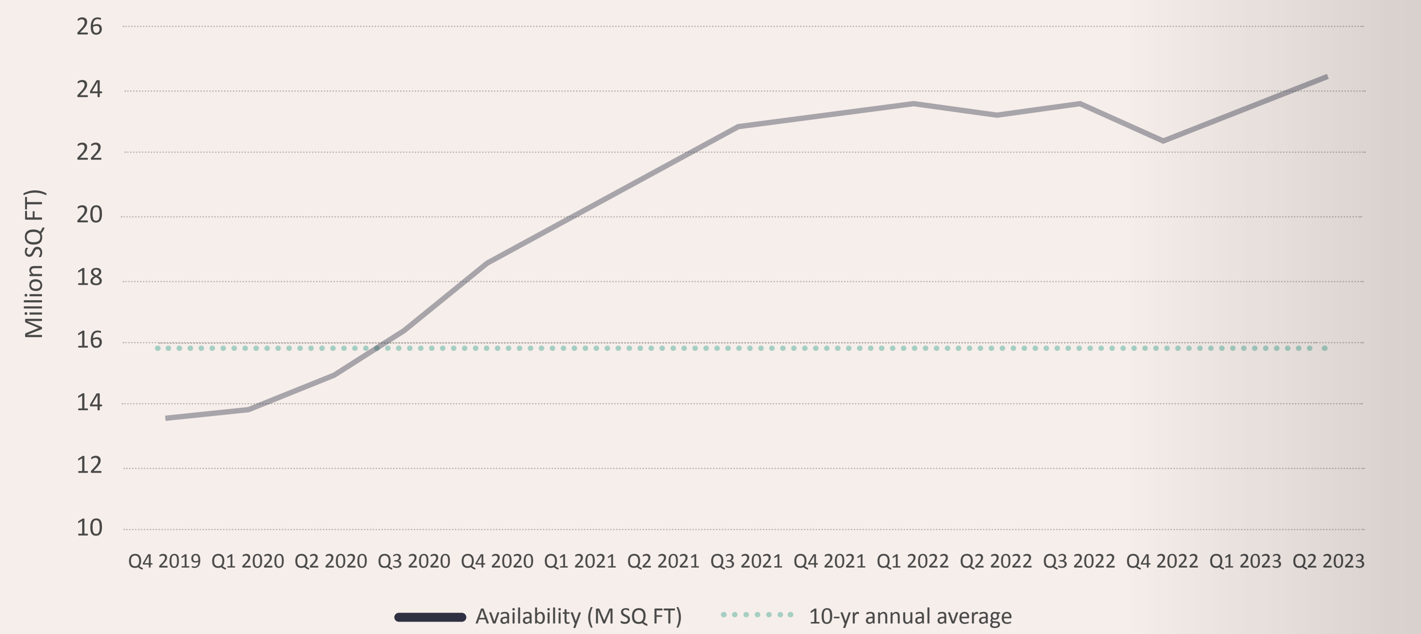
AVAILABILITY LEVELS KEEP ON RISING

The market fundamentals of supply and demand recorded in Q1 2023 have continued into Q2, with a backdrop of reduced demand, smaller deal sizes and the completion of new and refurbished office properties having further compounded the availability level at the end of Q2 2023. A total of 24.4 million sq ft was available, a rise of 4% on the previous quarter.

The level of availability has now consistently remained above 20 million sq ft for 2 and half years, representing the longest run at this level since the period of global financial crisis from 2009-2011. With no sign of a significant shift in tenant appetite, it is unlikely that the level will drop below 20 million until 2025. Contrary to normal market conditions this high volume of available space has not forced rents downwards amidst heavy competition for tenants – quite the opposite, rents have been strengthening.

Whilst the wider central London office market has returned an uplift, three submarkets; Midtown, Docklands and North Fringe have all seen a marginal decline in available space, -4% and -1% respectively.

CENTRAL LONDON OFFICE MARKET: AVAILABILITY, 2019-23



CENTRAL LONDON OFFICE MARKET: AVAILABILITY BY MARKET, Q2 2023

	WEST END	MIDTOWN	SOUTHBANK	CITY	DOCKLANDS	C.LONDON
Availability (million sq ft)	4.6	3.0	2.1	8.7	3.5	24.4
% change Q1 2023 - Q2 2023	10%	-4%	8%	5%	-1%	4%
% change Q2 2022 - Q2 2023	-2%	4%	14%	2%	9%	5%

CENTRAL LONDON OFFICE MARKET: AVAILABILITY BY GRADE, Q2 2023

MARKET MOVEMENTS

THE CITY

- Average size of availability: 11,778 sq ft – down 13% over the quarter
- Share of Grade A space available = 42%
- EC2 postcode registers 37% share of the total City availability, up from 36% in Q1 2023
- Availability across the EC4 postcode up 11% over the quarter

MIDTOWN

- Average size of availability: 8,383 sq ft – down 16% over the quarter
- Share of Grade A space available = 34%
- Covent Garden (WC2) availability up 4% over the quarter
- WC1 availability down 22% in Q2 2023

WEST END

- Average size of availability: 6,940 sq ft – up 10% over the quarter
- Share of Grade A space available = 24%
- Victoria, Mayfair and King's Cross submarkets see greatest rises, 29% for the two former and 25% uplift for the latter
- Reduction in Q2 2023 across Knightsbridge (-30%), North of Oxford Street (-7%) and Paddington (-7%)

SOUTHBANK

- Average size of availability: 12,146 sq ft – up 6% over the quarter
- Share of Grade A space available = 42%
- Average size of Grade A space = 22,131 sq ft, an increase of 7% in Q2 2023
- Number of availabilities up 2% over the quarter

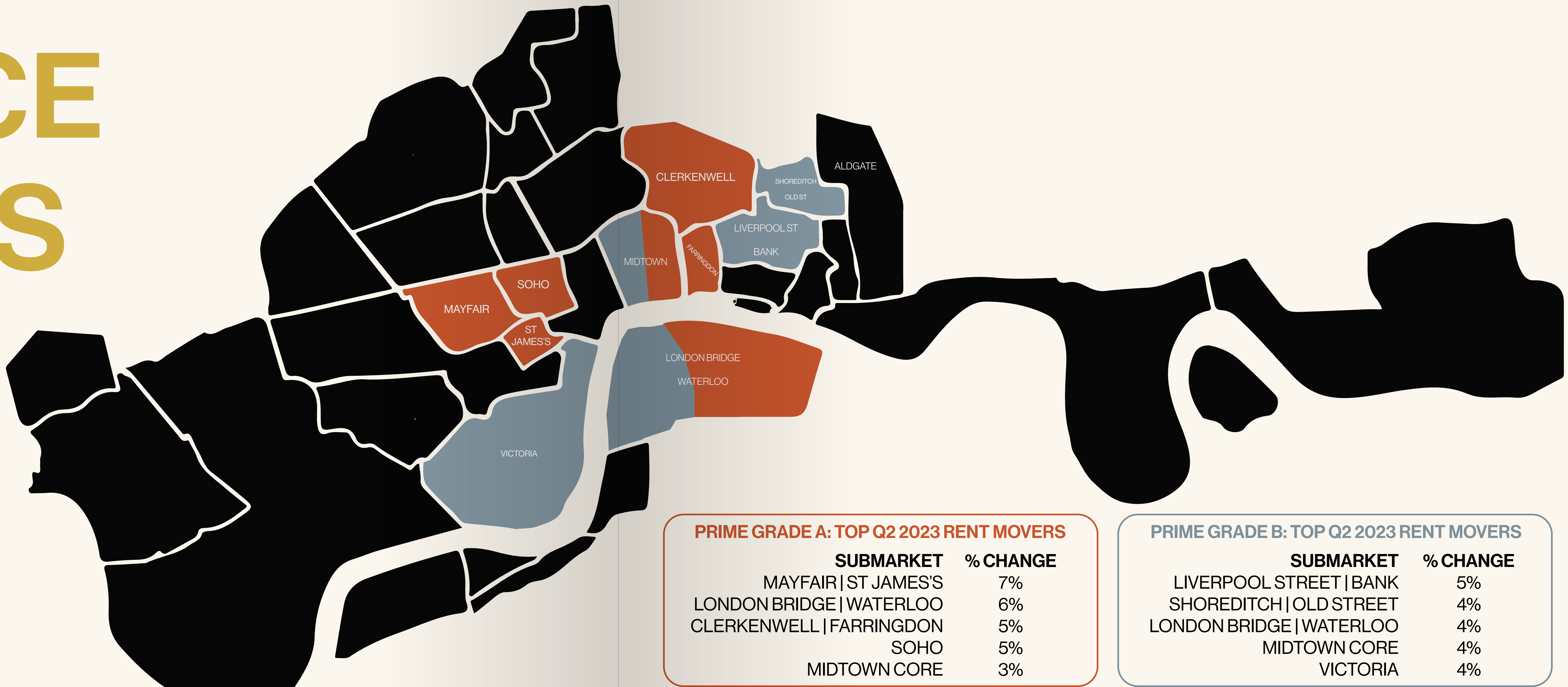
OUTLOOK

Ongoing development activity of both new builds and, increasingly, refurbishments is resulting in a steady uplift in supply, especially during the current period of lower leasing levels where less space has been prelet. In Q2 2023, the volume of available Grade A space increased by 11% to 8.6 million sq ft – a level not seen since 2002-04.

It is inevitable that we will see the volume of Grade A space remain high over the coming years. Not only is there a relatively full pipeline of schemes in development for the next five-years, but there is also a greater urgency to redevelop ageing buildings. The determination from developers and landlords to meet net-zero targets, as well as an adherence to government energy efficiency targets for offices will see a development boost in the short-to-medium term begin. It is the older buildings that are due to be given some attention which will help to nibble away at the stubborn glut of availability. Whilst this will not bring secondhand availability levels down dramatically, it will mean that Grade A supply and ultimately wider tenant choice will be topped up, providing a greater range of spaces, importantly at different pricing levels.

CENTRAL LONDON

OFFICE RENTS



PACE OF RENTAL GROWTH SLOWS

In comparison to the rental growth spurt that we saw at the start of the year, the pace of rent hikes has settled somewhat in Q2. This is not to say that there has not been any movement, 9 submarkets have seen prime rents increase – averaging 2% across all submarkets, both Grade A and B. Although this may come as some comfort to occupiers searching for space, it is clear that the steady march of rental growth continues.

PRIME GRADE A: TOP Q2 2023 RENT MOVERS

SUBMARKET	% CHANGE
MAYFAIR | ST JAMES'S	7%
LONDON BRIDGE | WATERLOO	6%
CLERKENWELL | FARRINGDON	5%
SOHO	5%
MIDTOWN CORE	3%

PRIME GRADE B: TOP Q2 2023 RENT MOVERS

SUBMARKET	% CHANGE
LIVERPOOL STREET | BANK	5%
SHOREDITCH | OLD STREET	4%
LONDON BRIDGE | WATERLOO	4%
MIDTOWN CORE	4%
VICTORIA	4%

CONTINUING TO SET NEW GRADE A RENT HIGHS

Of the rental growth that we have registered across Q2, we have seen some new Grade A benchmarks set. Not quite as many as in Q1, but now means that rents across all submarkets, have increased by an average 9% over the past 12 months. On closer inspection, the rental movements are:

Grade A rental growth in Mayfair shows no sign of slowing down, setting a new benchmark following six consecutive quarters of growth at £150.00 per sq ft.

Soho Grade A rents have broken through the previous high, now at £105.00 per sq ft.

Even the very best super prime buildings in Mayfair have yet to reach a rental peak, increasing 6% on Q1 to £190.00 per sq ft.

The same goes for rents in tower buildings, reaching a new level of £115.00 per sq ft for higher floors, with Grade A rents edged upwards each quarter since Q4 2021.

Clerkenwell/Farringdon Grade A rents are now at the £100.00 per sq ft mark for the first time, as a result of new developments and improved accessibility.

Areas where rental growth has stalled include Paddington and Covent Garden, representing a possible brief opportunity ahead of more growth later in the year.

GRADE B RENT GROWTH GAINS MOMENTUM

In stark contrast to the muted growth recorded in Q1, there has been significantly more movement in Grade B rents this quarter with seven markets having notched up increases.

A new high level as been set for Southbank Grade B prime rents of £62.50 per sq ft.

In the City core, prime Grade B rents are now at £55.00 per sq ft, the highest level since Q1 2020.

Clerkenwell/Farringdon Grade B prime rents have reached £70.00 per sq ft in Q2 2023, a new high.

In the majority of the submarkets where there has been rental movement, we have seen the gap between Grade A and B prime rents widen, especially in submarkets such as Mayfair and Soho where Grade A rents have increased significantly with no movement in Grade B.

Victoria and Old Street/Shoreditch have both registered increases in Grade B rents of 4% in Q2, with the former now back to a level last seen in 2019.

The average Grade B rent, across all central London submarkets, is £55.60 per sq ft, this is up 4% over the course of 2023.

HAS THE ELIZABETH LINE TRANSFORMED THE RENTAL LANDSCAPE?

When it comes to choosing a new office space accessibility is a key determinant for businesses, even more so since the pandemic. Increased occupier demand for the best located spaces is filtering through to rental movement, as those spaces command a higher price. The latest gamechanger with regards to commuting and accessibility in and around London has been the opening of the Elizabeth Line. Now in operation for over a year, and with 8 stations servicing the central London office market, it is evident that spaces that benefit from access to the line now command a premium and contributed to the new high benchmarks.

- In the Clerkenwell/Farringdon submarket, Grade A rents are currently pegged 33% higher than they were 5 years ago having remained at £77.50 per sq ft since Q3 2020 before growing quarterly since Q1 2022. Grade B rents are also at a new high.
- The opening of Bond Street station has supported the growth in prime Grade A rents reaching new highs and boosting landlords' super-prime office rent expectations too.
- North of Oxford Street and Midtown prime Grade A rents are up over the past five years, 19% and 15% respectively.
- Furthermore, both Canary Wharf and Liverpool St/ Bank saw their first uptick in Grade A rents since Q4 2019 in the quarters following the line becoming fully operational.
- Although pre-pandemic Grade A rents were already growing quarter-on-quarter, the growth seen over the course of 2019 constituted only 3%, whereas the growth over the last 12 months has been 25%, a year since the opening of the Elizabeth Line in full.

As such, it seems reasonable to suggest that the Elizabeth Line and its contribution to accessibility has accelerated or at least stimulated rental growth in these markets when compared to previous trends.

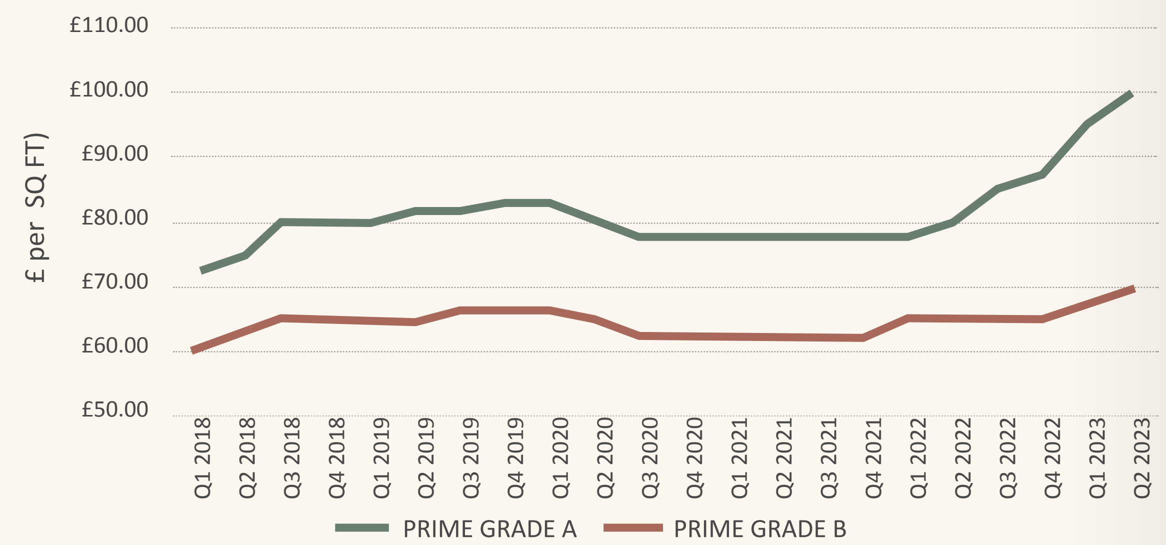
> *Whilst this quarter has represented something of a reprieve from substantial rental growth, it is likely that further significant increases are on the horizon.*

OUTLOOK

The relative calmness of rental growth in Q2 could prompt the suggestion we are reaching a peak in rents. However, despite the historic highs seen in markets such as Mayfair, we believe that there is still room for further rental growth in 2024 and 2025, especially with Grade A spaces. The main factor in this is the continued push towards securing space in best-in-class buildings. Amidst reports that a significant portion of the office stock in central London is not meeting EPC requirements and that businesses are pushing to meet their ESG goals, many firms are more than willing to pay higher rents to secure the most sustainable spaces. Furthermore, talk of a green premium has filtered through to landlords, encouraging them to remain bullish on rents, creating further rental pressure.

As such, whilst this quarter has represented something of a reprieve from substantial rental growth, it is likely that further significant increases are on the horizon.

CLERKENWELL OFFICE MARKET: PRIME RENTS, 2018-23



Q2 2023 MARKET RENT GUIDE

LEASEHOLD £ PSF

	GRADE A	GRADE B	Q/Q AVG GROWTH	GRADE A RENT FREE 10-YR
WEST END				
Mayfair | St James's	£150.00	£85.00	4%	22-24
Super Prime - Mayfair | St James	£190.00	-	6%	22-24
Soho	£105.00	£75.00	3%	22-24
North of Oxford Street	£95.00	£70.00	0%	22-24
Knightsbridge	£95.00	£57.50	0%	22-24
Paddington	£90.00	£55.00	0%	22-24
King's Cross | Euston	£85.00	£65.00	0%	22-24
Victoria	£85.00	£67.50	2%	22-24
Camden	£61.50	£47.50	0%	22-24
MIDTOWN				
Covent Garden | WC2	£90.00	£70.00	0%	22-24
Midtown | WC1	£77.50	£65.00	4%	24-26
CITY				
Clerkenwell |Farringdon	£100.00	£70.00	4%	24-26
Liverpool Street | Bank	£80.00	£55.00	4%	24-26
Old Street |Shoreditch	£75.00	£60.00	2%	24-26
Aldgate | St Katharine Docks	£57.50	£42.50	0%	26-28
Premium Tower Space High Rise	£115.00	-	5%	-
Premium Tower Space Mid Rise	£97.50	-	3%	-
SOUTH LONDON				
Southbank: London Bridge | Waterloo	£85.00	£62.50	5%	24-26
Vauxhall | Nine Elms | Battersea	£60.00	£42.00	0%	24-26
WEST LONDON				
White City	£57.50	£35.00	0%	24-26
Hammersmith	£55.00	£45.00	0%	24-26
DOCKLANDS				
Canary Wharf & Quays	£55.00	£32.50	0%	28-30
EAST LONDON				
Stratford	£42.50	£35.00	1%	28-30
Hackney | London Fields	£42.50	£30.00	0%	24-26

Data as at end of Q2 2023
Q on Q average growth denotes general rental tone change of leasehold Grade A & B combined from Q1 2023 to Q2 2023
Rent-free incentive based on a Grade A, 10-year lease general indication, will vary case by case

AVAILABLE OFFICE SPACES

EXCLUSIVELY

WITH DEVONO

As part of our full portfolio of services, DeVono has a team dedicated to disposing of occupiers' space. Here is a selection of the currently available disposals, across London's most sought after locations. What better way to identify these spaces, than pinpoint them along the London Underground Map.

To arrange a viewing or to discuss your lease disposal requirements, contact David Barrington. View the full disposals details and brochures at www.devono.com/office-disposals-list.

To help visualise the available workspace in each building, click on the 360 icon to take a virtual tour.

CITY

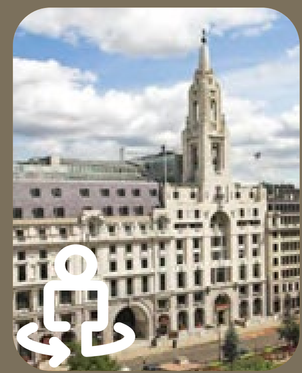
THE BOWER
29,601 SQ FT

WEST END

10 OLD BURLINGTON, W1S
1,543 SQ FT

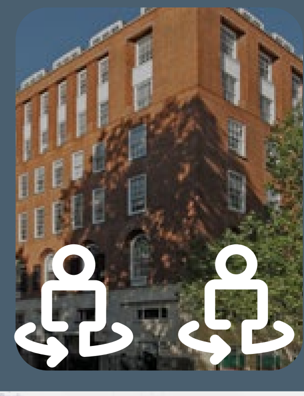
CITY

ALPHABETA BUILDING, EC2
UP TO 8,990 SQ FT



MIDTOWN

WOBURN HOUSE, WC1H
3,527 - 7,814 SQ FT



CITY

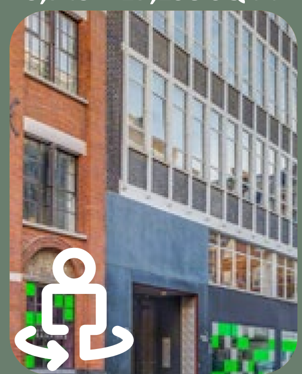
THE HALLMARK BUILDING
EC3
9,190 SQ FT

SOHO

12 GOLDEN SQ, W1F
4,192 SQ FT

MIDTOWN

THE COURTYARD BUILDING, EC1N
3,745 – 17,298 SQ FT

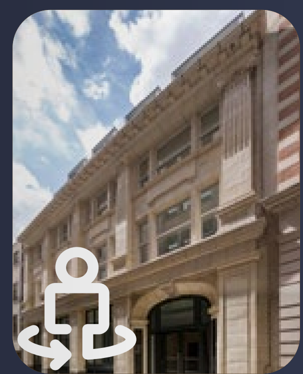


SOHO

MEDIUS HOUSE, W1F
2,314 SQ FT

CITY

2 IDOL LN, EC3R
2,907 SQ FT



CITY

20 WOOD STREET, EC2
12,885 SQ FT

SOUTHBANK

THE HARLEQUIN BUILDING
7,302 SQ FT
2ND FLOOR

CENTRAL LONDON

FLEXIBLE OFFICE PRICE GUIDE

COMPETITION SUBDUES PRICING GROWTH IN Q2

Competition amongst providers has been rife, not just with the launch of new centres, but also retaining existing businesses through renewals. In 2022, the growth in serviced office desk rates picked up pace, averaging 2% per quarter. Growth in pricing for Grade A spaces has been more subdued in 2023, notching up barely 1% in the first half of the year.

Just three submarkets saw an uplift in the average Grade A desk rate in Q2 2023. The average desk rates for Paddington and Midtown are now at £900 and £950 per desk, per month respectively, with Soho now hitting £1,075 per desk, per month.

Devono research analyses the range of products that are available and their associated pricing to establish an average. Although in most cases the upper limit of that range is the figure that shifts out, in Q2 we have seen the lower level of Grade A spaces reduce in the North of Oxford Street submarket and the City core. This has led to our reported average for Q2 for these locations dropping by 3% and 8% respectively.

Taking the latest movements, Grade A pricing is 10% higher than 12 months previously, now at an average across all submarkets of £825 per desk, per month. The greatest uplifts over this period have been in Midtown, Paddington, King's Cross and Knightsbridge – where the latter two are both pegged at £1,200 per desk, per month.

NO MOVEMENT FOR GRADE B

Prime Grade B desk rates have not changed for the second quarter in a row. The average desk rate across central London continues to be £486 per desk, per month. In fact, the average Grade B pricing has reduced by 1% over the past 12 months, dipping below £500 per desk, per month midway through 2022.

London's flexible office market is a relatively mature market, and as such it also suffers from the same problem that the traditional leasehold market does – that of ageing stock. This is reflected in the pricing of some locations such as City core and Canary Wharf where the average pricing has dropped by double digits over the past 12 months. Said movement could open up an opportunity for negotiation on renewals for tenants in those areas.

OUTLOOK

Business optimism and economic uncertainty will continue to present hurdles for serviced office providers. These factors act as both a 'pull' and a 'push' for centre occupancy, with traditional leasehold tenants driven towards flex solutions, and existing flex customers looking to rationalise space further. Further pricing growth in the short-term will highly depend on the post-summer occupier demand and expansion plans of providers and landlords who are increasingly offering flex solutions.

FLEXIBLE OFFICE PRICING GUIDE - Q2 2023

	SERVICED OFFICE £ PDPM		MANAGED OFFICE £ PSF	
	GRADE A AVG	GRADE B AVG	GRADE A	GRADE B
WEST END				
Knightsbridge	£1,200	£625	£180	£140
King's Cross | Euston	£1,200	£525	£200	£130
Mayfair | St James's	£1,150	£700	£360	£170
Victoria	£1,075	£525	£185	£130
Soho	£1,075	£600	£240	£150
North of Oxford Street	£975	£550	£300	£175
Paddington	£900	£600	£160	£125
Camden	£575	£450	£130	£115
MIDTOWN				
Covent Garden | WC2	£850	£550	£225	£150
Midtown | WC1	£950	£525	£175	£130
CITY				
Liverpool Street | Bank	£925	£475	£195	£145
Clerkenwell |Farringdon	£850	£550	£220	£120
Old Street |Shoreditch	£850	£400	£165	£80
Aldgate | St Katharine Docks	£600	£425	£140	£100
SOUTH LONDON				
Southbank: London Bridge | Waterloo	£975	£475	£170	£130
Vauxhall | Nine Elms | Battersea	£625	£425	£140	£95
WEST LONDON				
White City	£550	£425	£105	£85
Hammersmith	£525	£375	£110	£85
DOCKLANDS				
Canary Wharf & Quays	£475	£250	£105	£85
EAST LONDON				
Stratford	£550	£400	£95	£80
Hackney | London Fields	£450	£350	£95	£75

Data as at end of Q2 2023
Serviced office rates are fully inclusive and based on a Per Desk, Per Month rate (£PDPM) average of a range
Managed office prices are for self contained spaces, price per sq ft basis on a two-year contract, prices will vary on longer terms

STAY VS GO IN A FLEXIBLE OFFICE

A serviced office means something different for each business, for some it is a long-term solution, for others it can be short-term and for a growing number it is a new concept being trialled following years of uncertainty as a result of the pandemic. Whatever the reason, they have become a core part of the office market offering. The flexibility that comes with the serviced office product, the question of 'stay vs go' comes up more frequently than with its traditional office lease counterparts, as such business leaders should keep abreast of market conditions, other space providers, and offers more regularly to identify opportunities that could benefit their operations.

ASSESSING YOUR CURRENT SPACE

RIGHT SIZING:

Hybrid working has challenged most businesses and their requirements for office space, not least of all the volume needed. Is your current space too much or too little?

OFFICE USE:

Has the purpose of your office changed? How do you use the space, does it fulfil the needs of the business in terms of layout and amenities?

RIGHT LOCATION:

Is your location the best for both your workforce and clients?

AFFORDABILITY:

Have your businesses financial circumstances changed, do you need to make savings?

RIGHT FIT:

Does your office feel right, is it a good fit with your workforce culture?

STAY

STAYING PUT – HAVING THE RENEWAL CHAT

Having assessed your space needs and decided to stay put you will more than likely need to have a contract renewal chat with your office provider. This is an opportunity not just to talk about the renewal proposal, but to have a more general conversation with the provider, discussing the wider services offered, upcoming plans for the building and any issues that may need to be rectified.

Competitiveness has ramped up between providers in recent months and it would be remiss not to be aware of other solutions, even as a starting point for a negotiation. It is therefore sensible to gauge current pricing of other spaces across the market. Devono's team of flexible office specialists are on hand to support you in this process.
Keeping hold of tenants is paramount to the operation of flexible office providers, therefore some providers are rewarding loyalty to remain. Providers are renewing at a competitive rate, on face value they may initially look high, but relative to the market offers are still good value.

Other points of renewal negotiation include terms, length of tenure, space size to name but a few.

GO

GO!

Harnessing the ultimate flexibility of serviced offices to leave and look elsewhere following a break clause or contract expiry can be a benefit to most businesses. Giving a business the chance to find a space that suits business operations, whether that be cost, size, location or even cultural fit.

Flexibility to go elsewhere allows businesses to challenge the current thinking, which may even include entertaining longer-term commitments with managed office solutions or even leasehold.

The serviced office market continues to evolve, after a hiatus in expansion by providers during the pandemic, 2023 has seen a growth spurt, with new providers (flex and landlords' own product) and new centres launched across London and major UK cities. These new spaces are setting new high benchmarks for workplace sustainability, amenity provision such as wellbeing and activities and space design.

SUPPORTING YOUR DECISION-MAKING PROCESS

As the year end approaches with a plethora of economic uncertainties, we believe that providers will have already prepared to capitalise on such unpredictable times. As the market heats up, we could expect to see an element of cannibalisation with M&A activity in 2023-24. On the face of it, this will be of minimal interest to the end-user, yet it could prove to be advantageous from a cost perspective. This will ultimately flow through to the bottom line and at a time when businesses are looking for any opportunity to get the most out of their real estate.

Devono's flexible office team maintains a relationship with all providers in the market, and on occasions we are privy to exclusive discounts for Devono clients. Connect with our team to find out what opportunities are out there for your business.

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DTHREE

DESIGN & BUILD CONSIDERATIONS FOR TENANTS

As we look back at the year so far, several projects stand out, each one a source of immense pride for the Dthree team. All the schemes, past and present, have not only reshaped our perspective of the market but also deepened our insight into prevailing design trends and, at its core, what businesses are looking for in their next office.

> *harnessing company culture in the design is a priority, which has not changed even with inflationary pressures on costs.*

Large office occupiers and their office transformations inevitably seize the spotlight and captivate market attention, but it's those businesses with smaller footprints (averaging 5,000 – 10,000 sq ft) that have demonstrated dynamism and a willingness to try something new and push boundaries from a design standpoint. For the most part, harnessing company culture in the design is a priority, which has not changed even with inflationary pressures on costs.
However, the design and build journey of an office is not without its stumbling blocks, with the potential to derail the best intentions.

PROJECT CHALLENGES

It would be remiss to say that all projects run smoothly, so it is a design and build firm's pivotal role to ensure that any such hurdles are overcome.

PROJECT RATIONALE:

What doesn't work and what works in a current space is often a good place to start in establishing design principles for the next office. Challenge the current thinking and understanding the differing viewpoints from around the business, both leadership and the workforce, is imperative. Getting people involved at the right stages of the planning process is crucial. The earlier the better, as for designers and creators early exposure means the team can get a greater understanding of the business and its needs.
A design is not for the now, but for what the occupier is going to need for the future. Identifying bad habits and elements that require change will be needed – driving some of that through design.

THE COST:

Justifying the expense of an office move and/or redesign is often difficult, not least of all in the current economic climate. For some it requires a shift in thought process, viewing the project as an opportunity for the business and not a financial headache. However the costs of delivering such projects are being impacted by inflationary pressures and supply issues directly impacting material costs, is essential. Unfortunately, cost increases do filter down to the overall project cost. Whilst our designers and project managers are tasked with keeping them within allocated budgets, some events are beyond anyone's control. Maintaining cash reserves holds particular importance for nearly all tenants, causing increased interest and involvement in pre-designed choices like never before. Have a realistic budget in mind at the initial brainstorming stage, should help keep any impact of 'spend creep' to a minimum.

FACTOR IN HYBRID WORKING:

The expectations that the workforce has on the workplace have largely been a result of technology, demographic and employment changes. It is these factors that have and will continue to evolve the thinking and implementation of design.
The proliferation of hybrid working amongst most businesses is certainly impacting the shape and size of the office space that is now needed by businesses. In order to create and deliver the optimum design for a business, it must first establish the purpose and role of the office.
The challenge is ensuring that the office caters for the type/frequency of users, taking into account any subsequent shift in working policy/strategy and creating a seamless experience for the hybrid worker. Having a good grasp on employee growth (headcount) and future space needs should help.

OPPORTUNITIES

Current economic conditions are putting up a number of hurdles for tenants. This does not necessarily have to be the case with opportunities on hand.

LANDLORD FIT-OUT CONTRIBUTIONS:

Tenant leasing lethargy and increased competition from high availability levels and attraction to serviced offices have prompted landlords to offer a point of differentiation during lease negotiations. In addition to rent and rent-free incentives, a growing number of landlords are now offering contributions towards the fit-out of spaces. This would go some way in helping to overcome the aforementioned hurdle of cost, taking away some of the sting of upfront capex costs.

CHOOSING CAT A+ SPACES:

CAT A+ is often referred to as a 'plug & play' office space. In this situation, the landlord will install all the elements of a CAT B fit-out, meaning typically, a business is ready to go on completion. Whilst tenant input into design could be limited with this option, having early conversations with landlords around tenant's requirements could be entertained. Once again, significant capital expenditure could be avoided.

MANAGED OFFICE SPACES:

The rise of the flexible office has given way to a number of solutions open to tenants; one is the managed office. This offering gives all the benefits of a flexible office service, with the individuality, and privacy of a conventional lease.
In the process of securing a managed office, a business identity and culture is taken into account when designing a space, the costs of which are rolled into the regular cost, spreading the cost rather than stumping cash up front.

The design and fit-out journey should be exciting for businesses and their workforces, wider uncertainties will always throw curve balls to derail projects. Being aware of what they may be and mitigating them from the outset is workplace creators' issue, not yours.

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NEURODIVERSITY IN THE WORKPLACE

DeVono are proud to announce that we are founding members of the Neurodiversity in Business (NiB) - the Neurodiversity Charity

"Neurodiversity describes the amazing variety in human neurology, thinking, communication styles and expression. Those typically excluded are a wide spectrum of neurodivergent conditions, characteristics and expression including conditions such as Autism Spectrum Condition, Attention Deficit Hyperactivity Disorder, Dyslexia, Dyscalculia, Developmental Language Disorder, and Dyspraxia [as opposed to those considered neurotypical]." - Neurodiversity in Business, the neurodiversity charity, 2023

RAISING AWARENESS

The importance of the workplace to people who identify as neurodivergent is finally being recognised, with a growing library of knowledge on the subject. This is in addition to a number of societies dedicated to improving the experience of neurodivergent workers such as Neurodiversity in Business, of which DeVono is a member. However, most businesses are still yet to have taken steps to enhance the experience of their neurodivergent employees, according to Birkbeck University's study which shows that only 1 in 10 organisations have made neurodiversity a key focus of their workplace strategy.

1 IN 7 IDENTIFY AS NEURODIVERSE *[1]

BARRIERS TO DISCLOSURE

64.7% Are worried about stigma and discrimination from management *[1]

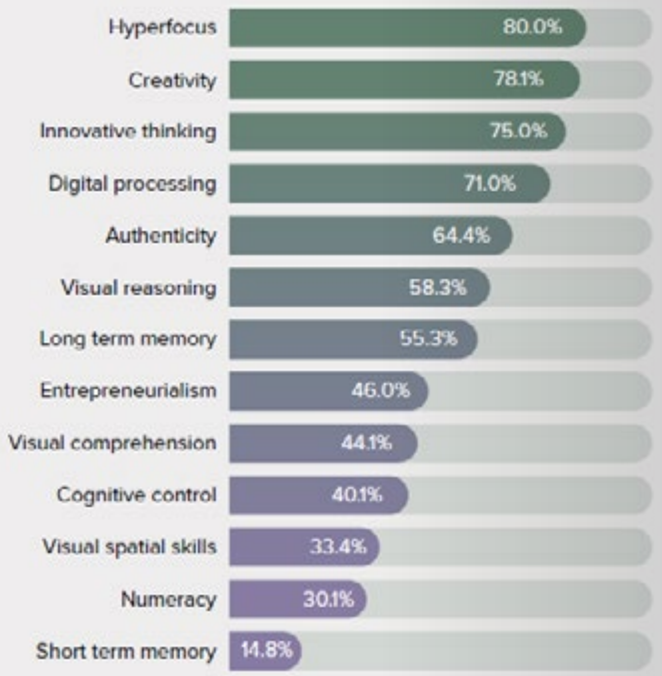
40.5% Say there are no supportive or knowledgeable staff *[1]

UNDERSTANDING YOUR WORKFORCE

Taking steps to understand the requirements of neurodivergent workers and react accordingly can bring big benefits for workplaces. Firstly, from a productivity perspective, creating an environment that is friendly to neurodivergent workers allows them to put their strengths to use without exposing them to situations or environments that make them uncomfortable. For example, those neurodivergent workers that took part in Birkbeck University's study reported hyperfocus as being a key strength while concentration was also a widely experienced challenge, suggesting that designating specific spaces for focused individual work could aid their productivity.

Furthermore, creating a neurodivergent friendly workplace is also beneficial for wellbeing. Being in an environment that is not conducive to one's way of working can be stressful and anxiety provoking. This in turn can translate not only into a disengagement with assigned tasks but also illness, with 24% of those identified in a British Council of Offices study as having been on sick leave due to burnout having previously been diagnosed with ADHD. As such, catering to the needs of neurodivergent staff is a key step in forging a happy and committed workforce. Considering that 1 in 7 people identify as neurodivergent, accommodating neurodiversity needs to be a key priority for firms going forward.

STRENGTHS REPORTED BY NEURODIVERGENT PEOPLE



Weighted averages by type of ND(N=985)

PRACTICAL SUGGESTIONS TO IMPROVE THE WORKPLACE

Look at configuring sources of sensory sensitivity:

LIGHTING
NATURAL, ARTIFICIAL AND EQUIPMENT

ACOUSTICS
REDUCE AND REDISTRUBUTE NOISE

TEMPERATURE
AIR CIRCULATION AND CLIMATE CONTROL

SMELLS
CHEMICAL SENSITIVITY AND ODOUROUS SPACES

Revisit your working practice strategy/policy:

ONBOARDING
Familiarise new hires with the work environment prior to full work

EDUCATION
Educating managers on how to support neurodivergent employees

WORKING PATTERNS
Accommodate flexible working patterns to avoid any anxieties

Consider spatial changes to the workplace:

RESTORATIVE
Provision of dedicated restorative spaces FOR individuals to adjust and recover

FURNITURE
A diverse range of seating options for all individuals to feel calm and comfortable

For a more in-depth explanation around the office design features that can help meet the needs of neurodivergent workers as well as the cultural changes that can be made, read Devono's full report Neurodiversity in the Workplace on our website – www.devono.com

CLICK HERE TO READ OUR FULL REPORT

SUSTAINABLE WORKSPACES BY DESIGN:

HOW BREEAM RESHAPES OFFICE ENVIRONMENTS

NICK DUNBAR, BRE GROUP

Good employers recognise the importance of creating a happy, healthy and sustainable workplace for their staff. Addressing employees' physical needs improves motivation and engagement and stimulates elevated productivity and creativity. A positive work environment is conducive to better mental and physical health whilst actively reducing stress and absenteeism. A sustainable place of work underscores an employer's commitment to our planet. It shows dedication to the wellbeing of its workforce and our collective future. It instils a sense of pride and purpose among employees, as they become part of an organisation that strives to make a positive impact on the environment and society.

WHAT IS BREEAM?

BREEAM, or the Building Research Establishment Environmental Assessment Method, serves as a sustainability compass for construction projects and assets in the built environment. It covers the entire life cycle of an asset, while also creating spaces that occupants can enjoy working in.

Across more than 90 countries, design teams have turned to BREEAM's science-based assessment methods to create buildings that nurture occupants' well-being, while also decreasing their carbon footprint and increasing biodiversity net gain in the surrounding area.

In the face of urgent environmental challenges, BREEAM empowers stakeholders to adopt planet-friendly building practices, significantly reducing an asset's carbon footprint and environmental impact by advocating for energy-efficient designs, integration of renewable energy sources, and responsible resource management.

Design teams play a pivotal role in creating low-carbon structures that contribute to climate change mitigation. Sustainable structures and designs also focus on water conservation, energy efficiency, and waste reduction, fostering resilient and adaptable spaces capable of withstanding the effects of a changing climate.

> Design teams play a pivotal role in creating low-carbon structures that contribute to climate change mitigation.

DELIVERING INCREASED ASSET VALUE

BREEAM champions sustainable building whilst also bringing significant economic benefits for asset owners. Assessed buildings enjoy reduced operating costs owing to enhanced energy efficiency and better resource utilisation, contributing to improved financial performance. In the London real estate market, BREEAM-assessed buildings command a rental premium, ranging from an additional 3.7% to 12.3% over comparable non-certified structures.

BREEAM's emphasis on sustainability enhances marketability, attracting environmentally conscious tenants and investors. Tenants who are happy and productive contribute to higher retention rates, ensuring a consistent income stream for asset owners. BREEAM aligns with Environmental, Social, and Governance (ESG) considerations, helping to meet the growing demand for sustainable investments and expanding access to funding sources like green bonds.

BREEAM serves as a practical risk management tool, shielding investments from climate uncertainties and regulatory changes. As the real estate landscape evolves, embracing BREEAM represents a sound economic choice for asset owners pursuing enduring value and responsible development. BREEAM can also contribute to alignment with the EU Taxonomy. Evaluating and certifying the environmental performance of buildings and infrastructure projects aligns with the taxonomy's criteria for environmentally sustainable economic activities.

CREATING SPACES FOR HEALTH AND WELL-BEING

BREEAM-assessed buildings enable building occupiers to live healthier lifestyles through socially sustainable design choices. Sustainable buildings also benefit the broader built environment, benefiting local communities through health and social impacts. Design teams achieve this by:

- Mitigating future risks and enhancing resilience and safety.
- Ensuring community involvement in asset design through early-stage stakeholder consultation and post-construction aftercare, providing a platform for voicing concerns.
- Encouraging local investment by favouring material selection from local suppliers and improving local transportation, including expanded bus services and provision of EV charging stations.
- Fostering responsible leadership and social justice by promoting responsible construction practices and responsible sourcing of construction products.

A sustainable building's societal impact is not confined to social value alone; it also actively ensures that physical building attributes create a healthy environment for its occupants:

- Plentiful natural light in office spaces, minimising eye strain, reduced glare, and a view outside for building users.
- Management of indoor air quality through proper ventilation measures and the use of non-toxic construction products.
- Comfortable spaces to work in, irrespective of external climatic conditions, allowing users to control internal temperatures.
- Reduction of noise pollution in acoustically sensitive spaces.
- Provision of external spaces for relaxation during break periods, promoting safe and healthy surroundings.

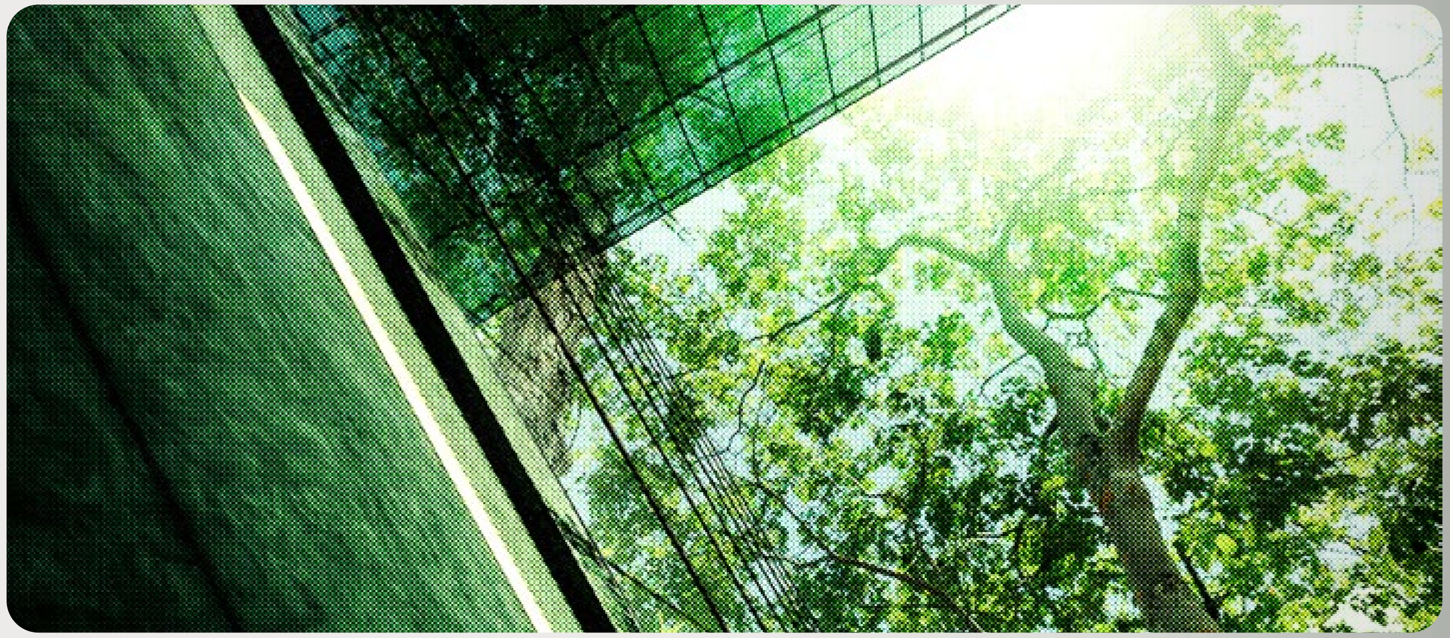
HOLISTIC SUSTAINABILITY WITH BREEAM

In a world where harmonising employee satisfaction and financial feasibility is often complex, BREEAM represents a practical guide that brings all these elements together. BREEAM's approach ensures employees flourish in supportive settings, whilst promoting sustainable practices that are economically viable. This balanced strategy establishes a stage for workplaces that succeed on multiple fronts – elevating staff morale, minimising environmental impact, and catalysing economic growth.

The BREEAM rating of a building is determined based on nine distinct credit categories, each carrying varying weightings and a minimum requirement. Examples of categories include Health and wellbeing, Energy, Landscape and ecology, Pollution and Waste. The cumulative score from these criteria establishes the final BREEAM rating for the project, which can range from Unclassified to Pass, Good, Very Good, Excellent, or Outstanding.

BREEAM's clear benchmarks and adaptable approach enable professionals to make informed decisions and set customised sustainability goals. BREEAM promotes innovation, encourages continuous improvement and fosters a culture of sustainability within the construction industry. Its third-party verification and global recognition ensure credibility and facilitate collaboration, driving the creation of resource-efficient and environmentally responsible buildings. Discover more about BREEAM and its impact on buildings and communities.

Contact us now or call us on 03333218811 if you would like to talk to our team about how BREEAM can support you.



GREEN LEASES – A COLLABORATIVE APPROACH, NOT COERCIVE

STEPHEN NEWSON,
REAL ESTATE PARTNER, MICHELMORES LLP

Making sure that commercial properties are let and managed in an environmentally sustainable way is increasingly in focus. Landlords may want to attract tenants to more efficient and sustainable premises, and Green Leases are one part of demonstrating and helping deliver that commitment and ethos. Occupiers may have their own sustainable agenda and want to move into premises that achieve strong sustainable practical criteria, as well as a joined-up landlord and tenant approach to maintaining and improving those criteria through specific lease commitments. Increasingly stringent regulatory requirements, such as the minimum energy efficiency standards (MEES) and ESG reporting requirements, mean that Green Leases also have a part to play in helping satisfy those external requirements.

Green Leases are not new, but it is taking time for legal practice to reach a level of consistency and commonality. Whilst Green Lease provisions still generally adopt a more collaborative rather than coercive approach, we are seeing a push from larger and more proactive landlords towards active and enforceable obligations. Better environmental credentials attract better quality tenants buying into ESG and paying extra for it, which in turn may lead to increased investment value and financing opportunities for landlords. Ideally, the landlord/tenant conversation around sustainable provisions needs to happen at an early stage (Heads of Terms or earlier) to ensure acceptance and minimise resistance at lease negotiation stage.

Model form green lease clauses were published by the Better Buildings Partnership (BBP) over ten years ago and are now widely available and used by practitioners. The Chancery Lane Project (TCLP) is a global network of lawyers and business leaders who have collaborated in producing green clauses to encourage rapid decarbonisation and reduced climate impact. These include ambitious Green Lease provisions which are intended to deliver faster and more innovative change to sustainable commercial property management through legal drafting.

Michelmores' Real Estate group developed a set of template green leases a number of years ago and we continue to refine and update these for use by commercial landlord clients, appreciating that one size doesn't always fit all. Please do get in contact if you require any assistance in this regard.

In the meantime, some key thoughts to consider when looking at this subject are as follows:

01
CO-OPERATION OBLIGATION:

Is landlord and tenant co-operation enough to have any meaningful impact and achieve behavioural and operational change? Will the landlord and tenant agree to commit to shared aims to improve the environmental performance of the premises or building? For best effect will the parties agree for such aims and obligations to be mutually enforceable? Establishing co-operation and mutuality is as important as the black letters of the lease obligations. Ultimately, the lease provisions need to benefit the parties and the property and not result in mis-matched liabilities.

02
DATA SHARING:

Will the parties share information on energy consumption, water use or waste production at the premises? It is important for both practical assessment and corporate responsibility reasons to know the true position and numbers. Some leases now permit landlords (with tenant approval) to use data collection equipment to build up a real time picture of energy and utility usage.

03
MEES:

As the MEES requirements continue to become more stringent, with a minimum B rating targeted for commercial property by 2030, we are seeing lease terms focused squarely on MEES compliance and cost allocation. In time this may represent another opportunity for landlord and tenant collaboration and cost sharing to achieve a common sustainable aim.

04
ALTERATIONS:

If a tenant wants to change the building for its use, should it be incentivised to do so in a more sustainable way? If alterations may negatively impact the environmental performance, is it reasonable for the landlord to refuse consent? Equally, if the landlord wants to do works to a building or the common parts (which typically it can do with restriction) should there be requirements that it cannot thereby reduce green credentials (or must even seek to increase them)? Some leases may impose a requirement to predominantly use sustainable/recyclable materials when carrying out works to the premises.

05
YIELDING UP:

A lease often requires a tenant to reinstate any tenant's alterations which have been carried out during the lease term. Will the landlord be able to insist these are removed, even if they are positive for environmental reasons, but are perceived by the landlord to be negative for future use or re-letting in some way (perhaps EV charging points or bike racks reducing car parking overall)?

06
EPC/BREEAM:

Will any landlords works (perhaps under an agreement for lease) or tenant's works (perhaps fit out) need to meet requirements of sustainable building schemes to be acceptable. For instance, to reach a certain EPC rating or award under BREEAM? The carbon footprint of building works can be a factor and setting out the requirements will make clear the expectation.

CITY CONVENIENCES VS. HOME COMFORTS:

WHY ARE CENTRAL LONDON'S AMENITIES STRUGGLING?

Like many lockdown buzz phrases, the term "the death of the high street" seems to have succumbed to overuse and passed into obscurity of recent. However, while this expression is somewhat hyperbolic, it is reflective of some real changes that we are seeing now that a degree of home working has become the norm for businesses. This is especially clear in central London where four in 10 Londoners work in a hybrid way according to the Office for National Statistics. And it's not just the high street.

Central London amenities such as gyms, restaurants and coffee shops that rely on lunchtime and post-work trade are all having to grapple with a loss of footfall that equated to 17.8% between 2019 and 2022, according to retail data provider Springboard. The reduction in demand for services is largely the result of three separate trends which home working patterns have encouraged: the concentration of activity only on certain days, a rise in demand for local amenities and a reduction in consumer spending.

At a time when local amenities feature highly on a requirements list for new office searches, alongside greater workplace flexibility, are we in a catch 22 scenario?

CONCENTRATION OF ACTIVITY

Hybrid working has given workers much more freedom to work where they want in addition to the traditional office. A variety of models have emerged as more businesses continue to firm up policies and frameworks. Placemake.io and Visitor Insights have reported that there is a concentration of activity is on Tuesdays, Wednesdays and Thursdays. This correlates with Devono's own workplace analysis of its active client searches which shows that 3 days in the office is the most popular hybrid work model.

For the service sector, this means that Mondays and Fridays represent a significant loss of activity. Whilst an increase in tourism could provide some small respite on those days, it puts additional pressure on businesses to rely on weekend trade, if possible.

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CHANGING HABITS & SPENDING

Since the pandemic, central London has seen its share of consumer activity eroded by the convergence of two shifts in spending behaviour that have been stimulated by working from home patterns.

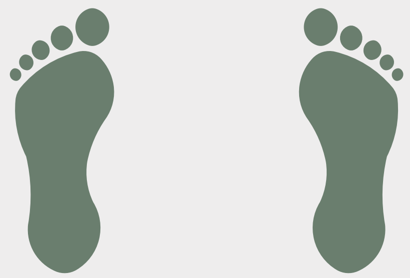
Firstly, Springboard reports a greater engagement with local retailers in outer London due to easier accessibility for those working from home. This has resulted in a share of activity being taken from central London.
Secondly, online retail spending across the UK has maintained a high level since the pandemic, with it having been the case that even with the impact of inflation on spending habits in 2022, online spending still totalled £224 billion. As a result, online retail activity still served to further starve the capital's retailers of spending.

The loss of consumer activity in central London on Mondays and Fridays is made all the more punishing for amenities providers given the way that home working patterns have affected office workers' spending habits. Specifically, when workers do come into the office, they are spending less on food according to research by Centre for Cities. As a result, even on those days when cafes and restaurants seek to capitalise on office trade, they continue to experience a loss of revenue compared to pre-pandemic levels.

LONDON DRINKS SPENDING % RECOVERY IN MARCH 2022 ON PRE-PANDEMIC BASELINE

Source: Centre for Cities/Beauclair

CHANGE IN FOOTFALL FROM 2019 TO 2022 (%)

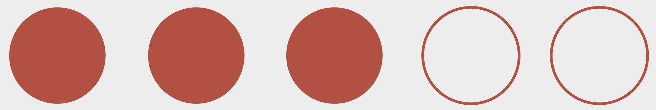


OUTER LONDON -9.1%

CENTRAL LONDON -17.8%

Source: Springboard 2022 Annual Footfall Report

AVERAGE NUMBER OF DAYS SPENT IN THE OFFICE IN LONDON = 3.1/5 DAYS



Source: McKinsey Global Institute

Workers and their demands. How are they impacting businesses today?

FLEXIBLE CHOICE

Workers have been demanding more choice in terms of when and where they work, and now this has extended to when and where they choose to make use of amenities. While it is clear that the uptake of amenities in central London has reduced significantly, this is less about office workers losing interest in the capital's offering and more about taking advantage of the choice that they now have. Specifically, they want the choice between using what is on offer around both the home and the workplace depending on when works best for them. As such, despite the reduced footfall in central London, workers are not so much showing a preference for one location over the other but are now demanding a strong amenities provision from both these spheres.

However, the splitting of the consumer's time and spending between the home and the workplace is having a more detrimental impact on the capital's offerings than in other areas given the higher rents that central London commands.

IMPACTING LOCATION CHOICE

A reduction in the range of amenities on offer in central London will ultimately impact business leaders' decisions concerning where to locate their office. The attraction to secure spaces close to transport hubs is apparent in recent leasing activity, and so any further reduction in local offerings in non-prime locations will make certain areas less attractive to tenants.

As such, while the issue is currently demand-side, this will soon turn supply-side as amenities providers succumb to the pressure. This problem has not gone unrecognised, with key players such as local authorities, landlords and business improvement districts (BIDs) working interdependently to the boost the quality of amenities on offer – benefitting all involved and users.

This will be simpler in markets where these parties share a more unified vision, with the collaboration between Westminster City Council and the New West End Company for the £90M Oxford Street revival being a good example of what can be accomplished with an integrated approach.

What is clear is that much can be said of the death of the high street or even the office, but what is clear is that if one of those elements falters, the other will be impacted too – with the whole business district ecosystem at stake. If so, this will further squeeze a tenant's choice of where to locate.

Workers have been demanding more choice in terms of when and where they work, and now this has extended to when and where they choose to make use of amenities

CHECK OUT OUR OTHER INSIGHTS!

DEVONO PUBLICATIONS

THE CHANGING FACE OF FINANCIAL WORKPLACES

The financial sector is the single biggest occupier sector of office space across central London and in 2022 it reclaimed its crown as the leading business sector leasing office space across central London.

THE CHANGING FACE OF MEDIA WORKPLACES

Demand for office space in London by the Media Sector has started to return following reduced leasing activity during the 'pandemic years'.

STAYING ONE STEP AHEAD OF YOUR RENT REVIEW

As operational expenditure comes under greater scrutiny, the last thing a business wants is a hefty rent increase. This report gives an introduction into the rent-review process, what to expect and a do's and don't list with steps that can be taken in advance of your landlord's proposal.

THE CHARITY WORKPLACE: RISING TO THE CHALLENGE

The Charity sector has been under immense pressure over the past few years. The demand for services offered have increased exponentially, whilst funding has reduced, and operational costs have soared.

INSURANCE SECTOR: TRADITION TO TRANSFORMATION

The London insurance market is the largest of its kind in the world, generating approximately £73 billion in premiums annually and employing over 48,000 people. As such the sector plays a pivotal role in the growth of London and the office market, particularly for the City.

FUELLING THE ENERGY SECTORS DEMAN FOR LONDON WORKPLACES

We have released a comprehensive 1-pager which delves into the market dynamics that influences the energy sector's office spaces, specifically focusing on the unique challenges faced by the Oil & Gas, Utilities, and Renewable Energy sectors.

ABOUT DeVono

DeVono is the UK's leading occupier-only advisory firm. We specialise in advising businesses of all sizes and sectors, on commercial real estate solutions that best support their wider business objectives.

A significant part of our role is helping our clients to understand and define their occupational requirements. We take into account key factors including talent challenges, headcount forecasts, operational priorities and cost considerations, to help craft a brief that is not only fit for purpose today but will also deliver a sustainable occupational footprint moving forward.

DEVONO SERVICES INCLUDE:

- INSIGHTS
- OCCUPIER ADVISORY
- FLEXIBLE LEASING
- DESIGN & BUILD
- WORKPLACE CONSULTANCY
- OCCUPIER DISPOSALS
- BUILDING SURVEYS
- RENT REVIEWS
- DILAPIDATIONS
- SERVICE CHARGE AUDIT