



Resilience Amidst Change

Recruiter London Office Leasing Trends





London
Office
Market

Recruitment Sector

The job market in the UK has been through quite a shift in recent years, as new employee expectations, evolving skill requirements and wider political/economic uncertainty have created new obstacles for recruitment firms to navigate.

Although the demand for recruitment services, and by extension recruitment sector office leasing, tends to correlate strongly with peaks and troughs in economic activity, there was a strong commitment to the office by recruiters in 2023 despite inflationary and recessionary pressures.

206,110 SF

Leased In 2023 – Up 37% On
The 5-YR Annual Average

43

Deals Transacted In 2023
– Highest Number For Five
Years

City

Largest Share Of
Recruitment Sector Take-Up
(59%)

91%

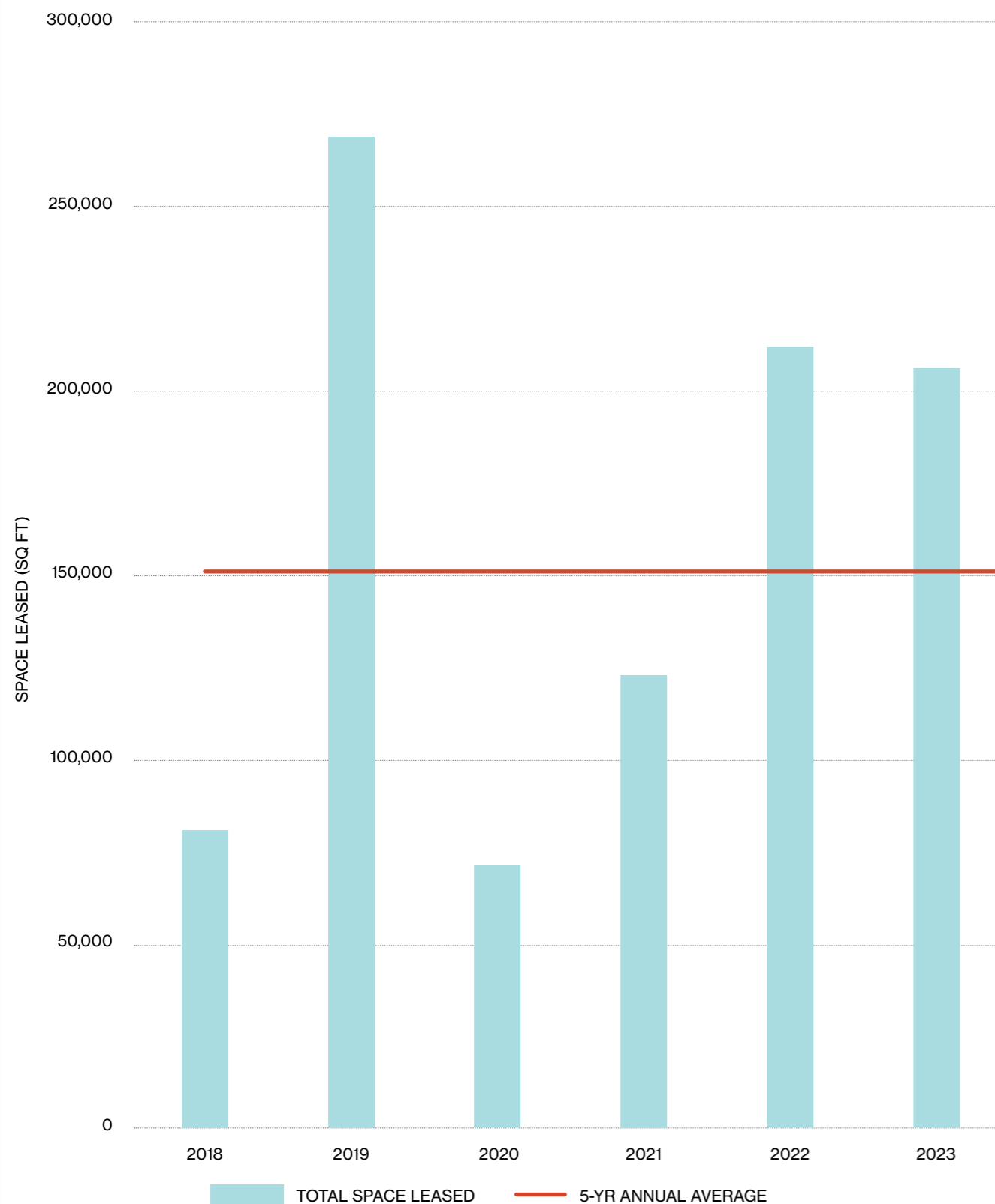
Of Deals Below 10,000 SF

4,793 SF

Average Deal Size – Down
25% On 2022

Robust Leasing

Central London Recruitment Sector: Total Space Leased, 2018-2023



Following several years of significant ups and downs, largely tracking the state of the wider labour market, recruitment sector take-up seems to have stabilised somewhat following the pandemic despite a continuing reduction in the number of job vacancies available.

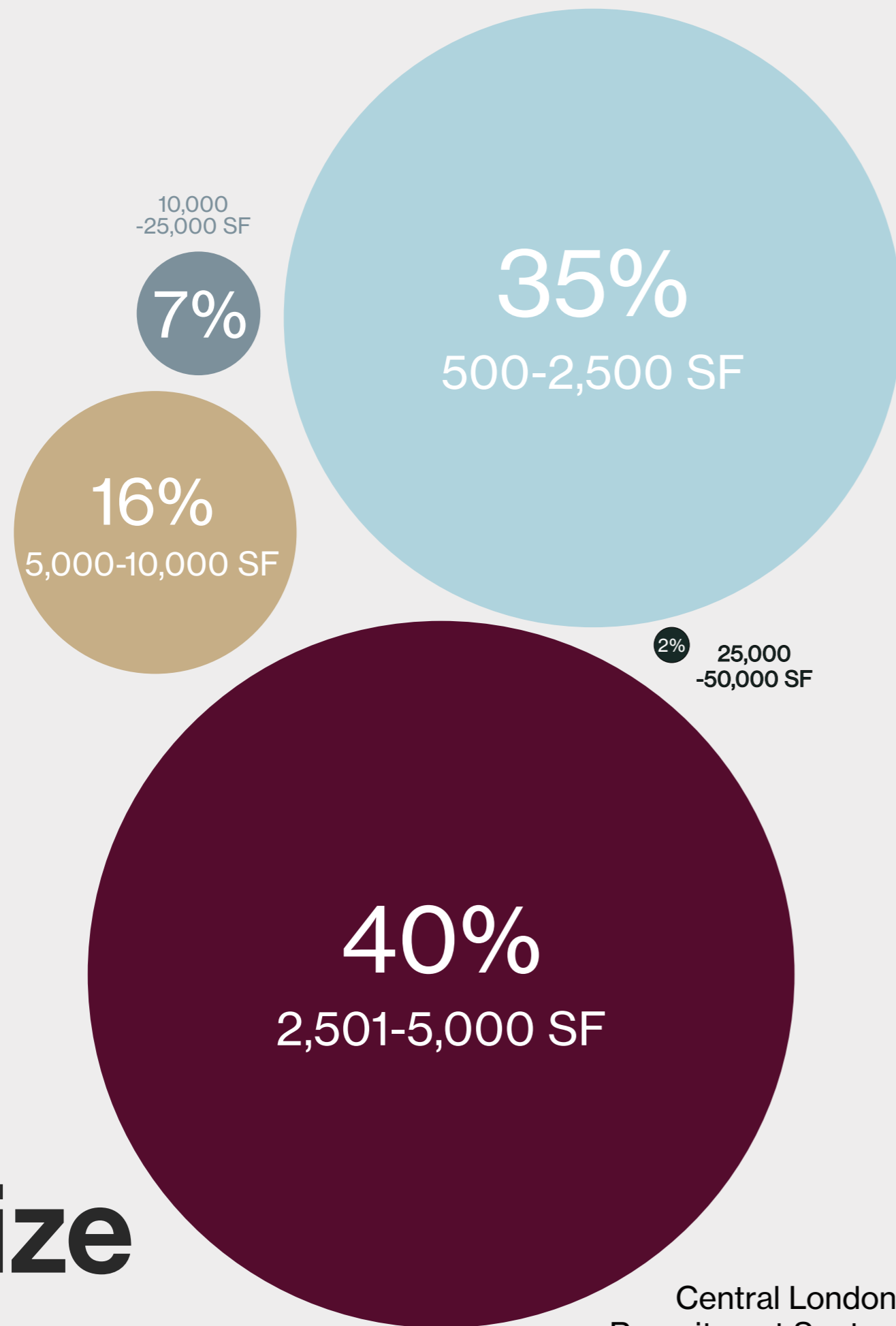
The sector generated 206,110 sq ft of take-up in 2023, down 2% on the previous year yet remaining well in excess of the short-term annual average. In turn, we have actually seen the number of recruitment firms leasing new space in the market increase, with 2023 having marked the largest recommitment of recruitment firms to the central London office market since 2019 with 43 deals transacted.

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Activity from recruitment firms has continued despite the somewhat negative sentiment from recruiters around the state of the job market throughout 2023. This reflects a similar dynamic to that seen in the pandemic years where, despite fewer vacancies being offered, recruiters are aware that to get the right candidates firms will need to retain their services in light of market conditions, specifically the current skills shortage. In turn, this has given recruitment firms the confidence to push forward with their own office moves, even despite weaker market sentiment.

Our analysis shows that recruitment sector take-up has become less responsive to market conditions than according to previous trends.

Size Matters



Central London Recruitment Sector: Number Of Deals By Size Range (%), 2023

When it comes to the office market, the recruitment sector is made up of smaller, more niche firms than other subsectors, with only 3 deals having been recorded over 25,000 sq ft in the last five years, the largest of which was 45,238 sq ft in 2019.

In 2023 this was no different, as while there was some activity from larger recruiters in 2023 with 20,000 sq ft+ deals registered by the international firms Heidrick & Struggles and Spencer Stuart, the majority of the deals (91%) were below 10,000 sq ft.

However, within this sub-10,000 sq ft market, there has been a subtle shift in 2023. Whereas previously we have discussed the emergence of micro-re-

cruiters, those with a headcount of less than 10, such firms seem to have had little sway over the market in 2023, having only represented 12% of the deals transacted.

Leasing activity of sub-2,500 sq ft requirements met the short-term annual average with 15 deals transacted. Yet, the share of total leasing of 35% is smaller than the 42% in 2022 and the five-year average of 47%.

Where we have seen the increase in activity has been among the mid-sized lettings (2,500-10,000 sq ft), with these accounting for 56% of the deals transacted, the highest share for this size range for the past five years.



91%
of the deals were below 10,000 sq ft.



Core vs Fringe



...more firms are considering options outside of the City, yet it is clear that the City is still very much the home of the sector.

As has historically been the case, the City remains the most desirable location for recruitment firms, accounting for 65% of the deals transacted by the sector in 2023.

However, while the 59% share of leasing for the City is up on the 48% in 2022, this is still considerably below the 70%+ shares in 2019 and 2021.

Alongside this we are seeing a greater consideration of Midtown and the West End, although these markets are quite polarised in terms of their appeal. Firstly, we have seen the larger recruiters gravitating to these markets, with each registering one of the two sole 20,000 sq ft+ deals transacted in 2023. However, when looking at the other firms that were active in these markets over the last year, in both the West End and Midtown all other transactions were carried out by more niche, specialised boutiques with requirements below 5,000 sq ft.

As such, it appears that while we are seeing a greater proportion of firms considering options outside of the City, it is clear that the City is still very much the home of the sector, attracting recruiters of all sizes and varieties due to the access that this location allows to businesses from a range of sectors.

Southbank 1%

East Fringe 4%

Midtown 17%

West End 19%

City 59%

Central London Recruitment Sector: Share Of Leasing By Market (%), 2023

Challenges

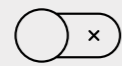
Whether it is grappling with inflationary pressures on budgets, increased competition from peers, or general market lethargy, there are some challenges that all of central London's business community are having to overcome. That being said, there are some that are especially pertinent to the recruitment sector, ones which can influence growth and access to opportunities.



DECLINING VACANCIES

904,000 vacancies across the UK registered in May 2024 – down 14.7% over 12 months (Source: ONS)

Reduced demand for services



ECONOMIC INACTIVITY

9.4M of population now classified as economically inactive (Feb-Apr 2024), 7% up on start of pandemic (Source: ONS)

Reduced pool of talent from which to fill vacancies



SQUEEZED BUDGETS

Constraints in hiring budgets is impacting use of recruitment firms

Higher wage and incentive expectations to affect hiring costs



ECONOMIC UNCERTAINTY

Candidates are increasingly hesitant at moving job roles due to wider economic uncertainty

Greater demand for flexible roles is hampering successful placements



SKILLS SHORTAGE

Rapid demand to fill roles covering: digitalisation, AI integration and green skills

Reskilling Ageing Workforce – increased need to expand on existing skillsets



GENERATIONAL CHANGE

5 generations in the office, creating issues for both recruiters and their clients

Difficulty balancing differing demands from employees and expectations from employers





Outlook

Robust leasing seen in 2023 has continued at the start of 2024, with 53,840 sq ft transacted, up 54% on the Q1 five-year average.

The attractiveness of the City shows no sign of waning, as 50% of the deals transacted so far this year have been for spaces in this market. However, the consideration of other areas is also broadening out beyond the West End and Midtown, with the East Fringe attracting the largest recruitment deal of the quarter, Gravitas Recruitment Group's leasing of 20,274 sq ft at 2 Leman Street.

This strong start to the year is unlike that seen with other sectors which have been more hesitant in their leasing commitment. The expectation is that the recruitment sector's appetite for space will remain buoyant.

Below are some headline factors which we expect to influence recruitment firms' workspace needs.



Leasing to remain steady amidst unwavering appetite for space from recruiters and the desire to align ESG elements with workplace provision.



Recruiters will continue to right-size their office requirements as more firms solidify their in-office working policies.



Recruiters are expected to become more location agnostic, moving away from more traditional locations and embracing areas that deliver on cost, accessibility, amenities and proximity to client base.



Increased appreciation of the wide range of flexible office solutions on offer to firms, allowing for flexing space up and down when required.



Surge in tech-related roles across all industries to see recruiters of all stripes bringing in members with expertise in recruiting more tech-oriented roles.



The use of AI applications to streamline the targeting of candidates will impact current roles and the dynamics of recruiter workforces, ultimately filtering through to space requirements.


Devono Supporting The Recruitment Sector



Available offices to rent *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.

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

 To view the available workspace click on the 360 icon to take a virtual tour.


CITY

UNDER OFFER




The Bower, EC1
29,601 sq ft

WEST END



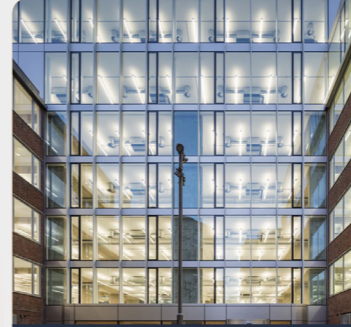
38 Wellbeck Street, W1G
1,886 sq ft

CITY




Alphabeta Building, EC2
Up to 8,990 sq ft

CITY




Sutton Yard, EC1
Up to 8,867 sq ft

MIDTOWN




Woburn House, WC1H, 5th floor
4,287 sq ft

CITY



24 Cornhill, EC3
4,810 sq ft


CITY



60 New Broad Street, EC2
8,729 sq ft


SOHO

UNDER OFFER



12 Golden Sq, W1F
4,192 sq ft


MIDTOWN



The Courtyard Building, EC1
31,582 sq ft


SOHO

MEDIUS




Medius House, W1F
2,314 sq ft

CITY



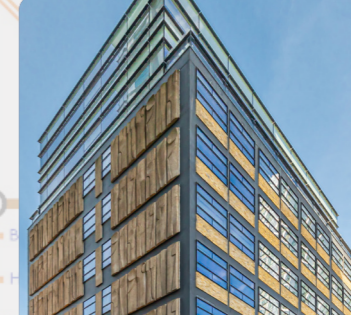
2 Idol Lane, EC3R
2,907 sq ft

CITY




20 Wood Street, EC2
12,885 sq ft

CITY



The Warehouse, EC2
12,430 sq ft

CITY



Bloom Building, EC1
5,882 sq ft



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.

Our ultimate goal as an organisation is to navigate real estate opportunities in such a way as to positively influence a company's culture, productivity and financial performance.

Our Services



Leasehold Office Agency



Service Charge Consultancy



Workplace Consultancy



Design & Build



Dilapidations & Building Surveys



Occupier Disposal



Rent Reviews



Flexible Office Agency



Managed Offices



Contact us



Chris Lewis
Head of Occupier Agency
E: cl@devono.com
T: 020 7096 9911

Shaun Dawson
Head of Insights
E: sd@devono.com
T: 020 7451 1321