

An aerial photograph of London, showing the city skyline with numerous skyscrapers and residential buildings. The image is slightly hazy, suggesting a bright, sunny day. The text is overlaid on the left side of the image.

The flexible workspace boom **in London and beyond**

Introduction

The following report provides analysis and insight of Office Freedom's internal data collected between 2014 and 2018.

Office Freedom is the world's pioneer broker of coworking, serviced and flexible office space.

Background and key trends

Throughout 2018, London continued to be one of the highest growth markets for flexible office space. In 2018 new flexible work spaces in Central London grew by 42%. The London locations recording the most new business centres opening were: W1, Old Street/Shoredich and the City. In 2018 it was reported that more than 1,300 flexible office locations were available across the capital reflecting a 9% year on year growth in stock. Hybrid work centres, that combine coworking and serviced office space, also showed a growing trend in London as existing operators changed their offering to satisfy the growing demand for multi-use space and greater flexibility.

Workstation rates fall

Office Freedom tracked a decline in workstation rates across many key London locations reflecting the marked increase in available stock and attractive terms offered by new

operators. Hammersmith has seen office prices fall by 29% over the last two years and Paddington is 32% cheaper as a direct result of greater availability of flexible office space. However, workstation rates in several other London locations, such as East London and Camden, have shown year on year increases with demand exceeding supply.

Sales continue to grow

Office Freedom have reported significant sales growth over the five-year period and average workstation sales per transaction have increased by 66%. Transactions with the large group operators continue to outweigh those with independents by four to one.

Flexible workspaces are also growing on the global stage, the number of global business centres added to the Office Freedom portfolio more than doubled between 2014 and 2018.

1. Central London / **Average work station rates by area**

In 2018 average workstation rates in London ranged from £328 in East London to £871 in Mayfair. The majority of London locations witnessed a fall in average workspace rates over the past five years but some areas such as East London and Camden recorded sharp increases, with demand

exceeding supply. The increase in availability of flexible space offered by new operators and attractive terms have maintained pressure on work station rates. Office space provider WeWork have been hugely influential in terms of driving and shaping this market.

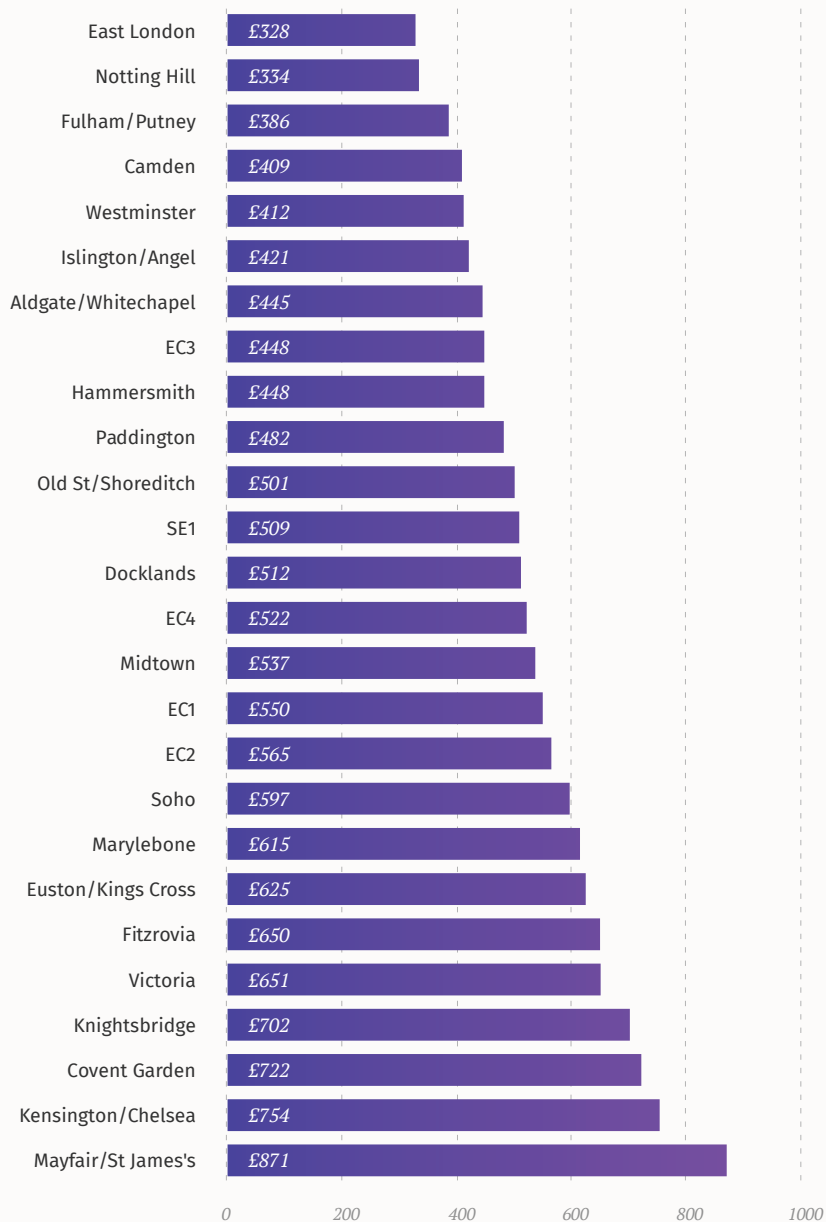
Key facts

- *Mayfair & St James's* (£896) and *Knightsbridge* (£895) have the highest average workstation rates over the last five years. These locations continue to be prestigious and highly desirable, with particular appeal for asset management, financial services and private banking.
- The rates in *Knightsbridge* have dropped by 38% between 2014 and 2018. There has been a marked increase in availability in the Knightsbridge area and neighbouring locations attract many businesses away to cheaper business centres.
- *Mayfair* rates have remained flat across the period.
- *Paddington* has seen a large fall in workstation rate, down 32%. This is likely to be due to new operators opening there, such as WeWork and The Office Group. The Paddington area is also undergoing regeneration work which may also be a factor.
- *Islington/Angel* has seen a recent increase in workstation rate (up 17% between 2017 and 2018). This is likely to be due to increased demand for the area, as there have been no major operators opening centres there in 2018. Kings Cross in particular has limited availability and is expensive.
- *Aldgate and Whitechapel* have seen a 16% increase in rates. 2018 however saw a drop in the rate, the most likely cause being competition between Mindspace, WeWork, Regus and other suppliers.
- *Camden* rates increased by 25%, most likely due to the strength and quality of the LABS flexible workspaces.
- *EC3* has had one of the biggest declines in rates, down 29% from 2014 to 2018. This is likely due to oversupply and increased competition in the area.
- Workstation rates in *Hammersmith* dropped by 29% over the last three years the result of two large WeWork centres opening and offering very competitive rates.

Average rate per workstation - Central London by area (2014-2018)

	2014	2015	2016	2017	2018	5 year variance
Aldgate/Whitechapel	£383	£414	£498	£509	£445	16.4%
Camden	£328	£323	£348	£350	£409	24.6%
Covent Garden	£683	£585	£614	£653	£722	5.7%
Docklands	£476	£443	£377	£426	£512	7.7%
East London	£228	£319	£268	£319	£328	43.7%
EC1	£478	£687	£622	£591	£550	15.0%
EC2	£657	£677	£680	£681	£565	-14.0%
EC3	£636	£703	£731	£582	£448	-29.5%
EC4	£521	£568	£615	£538	£522	0.2%
Euston/Kings Cross	£579	£645	£749	£651	£625	7.9%
Fitzrovia	£656	£649	£526	£698	£650	-0.9%
Fulham/Putney	£370	£460	£333	£371	£386	4.2%
Hammersmith	£490	£605	£631	£510	£448	-8.6%
Islington/Angel	£372	£317	£328	£359	£421	13.0%
Kensington/Chelsea	£634	£758	£817	£641	£754	18.9%
Knightsbridge	£1,132	£1,010	£887	£866	£702	-38.0%
Marylebone	£709	£662	£707	£752	£615	-13.3%
Mayfair/St James's	£883	£983	£838	£899	£871	-1.3%
Midtown	£573	£683	£627	£622	£537	-6.3%
Notting Hill	£345	N/A	N/A	£239	£334	-3.0%
Old St/Shoreditch	£583	£448	£486	£481	£501	-14.1%
Paddington	£705	£645	£530	£591	£482	-31.6%
SE1	£564	£644	£632	£641	£509	-9.7%
Soho	£601	£558	£726	£746	£597	-0.8%
Victoria	£676	£648	£607	£884	£651	-3.7%
Westminster	£387	£356	£1,167	£716	£412	6.4%

Average rate per workstation - Central London by area 2018



Percentage change in average rate per workstation - Central London by area (2014-2018)

<i>Area</i>	<i>5 year variance</i>
Aldgate/Whitechapel	16.4% 
Camden	24.6% 
Covent Garden	5.7% 
Docklands	7.7% 
East London	43.7% 
EC1	15.0% 
EC2	-14.0% 
EC3	-29.5% 
EC4	0.2% 
Euston/Kings Cross	7.9% 
Fitzrovia	-0.9% 
Fulham/Putney	4.2% 
Hammersmith	-8.6% 
Islington/Angel	13.0% 
Kensington/Chelsea	18.9% 
Knightsbridge	-38.0% 
Marylebone	-13.3% 
Mayfair/St James's	-1.3% 
Midtown	-6.3% 
Notting Hill	-3.0% 
Old St/Shoreditch	-14.1% 
Paddington	-31.6% 
SE1	-9.7% 
Soho	-0.8% 
Victoria	-3.7% 
Westminster	6.4% 

2. Central London / **Transactions by area and year**

Overall, Office Freedom transactions grew by 7% in Central London over the past three years. Increases in office space availability and a focus on larger transactions have been key features of business in the vibrant London market.

Key facts

- Office Freedom completed 7% more transactions in 2018 (YTD) compared to 2016. This reflects its success and the growing market in Central London.
- More competition entering the market has tempered the growth of transaction volumes.
- Transactions concluded in Aldgate and Whitechapel increased by 63% between 2017 and 2018 fuelled by greater office space availability.
- Transaction volumes fell by 31% in the Kings Cross area between 2016 and 2018 due to the lack of available office space. However, this is likely to change with recent investment by The Office Group and Breather within the area.
- Old Street and Shoreditch transactions have grown by 69% since 2014. This area has become a significant hub for Fintech companies.



Year on year growth comparison by area - Office Freedom transactions

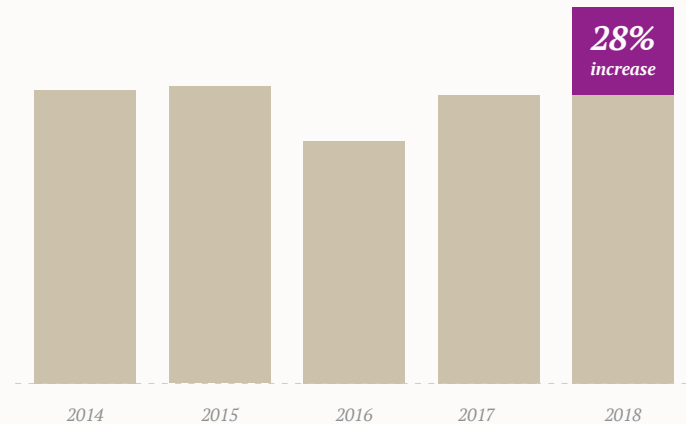
	2015 vs 2014	2016 vs 2015	2017 vs 2016	2018 vs 2017
Aldgate/Whitechapel	-16.7%	6.7%	0.0%	62.5%
Camden	-25.0%	16.7%	-42.9%	75.0%
Covent Garden	-4.3%	-13.6%	-42.1%	63.6%
Docklands	-22.9%	18.5%	-46.9%	-5.9%
East London	-56.5%	-10.0%	144.4%	0.0%
EC1	0.0%	-68.2%	100.0%	14.3%
EC2	-27.4%	-29.5%	2.3%	38.6%
EC3	14.3%	-25.0%	-33.3%	-12.5%
EC4	41.7%	-43.1%	-20.7%	-4.3%
Euston/Kings Cross	-28.0%	-27.8%	-11.5%	-21.7%
Fitzrovia	26.1%	-44.8%	6.3%	41.2%
Fulham/Putney	-4.8%	-20.0%	6.3%	-41.2%
Hammersmith	-40.5%	-50.0%	-9.1%	30.0%
Islington/Angel	53.3%	-13.0%	-55.0%	-11.1%
Kensington/Chelsea	8.3%	-15.4%	-36.4%	21.4%
Knightsbridge	12.5%	11.1%	10.0%	18.2%
Marylebone	-15.8%	-37.5%	3.3%	0.0%
Mayfair/St James's	-18.8%	-21.5%	56.9%	-16.3%
Midtown	-29.4%	62.5%	-10.3%	0.0%
Notting Hill	-100.0%	N/A	N/A	100.0%
Old St/Shoreditch	112.5%	2.9%	-45.7%	42.1%
Paddington	63.6%	5.6%	21.1%	-56.5%
SE1	51.5%	-32.0%	2.9%	34.3%
Soho	-47.2%	-52.6%	22.2%	127.3%
Victoria	-25.0%	14.3%	-45.8%	153.8%
Westminster	-50.0%	-66.7%	600.0%	-57.1%

3. Central London / **Workstation sales by area**

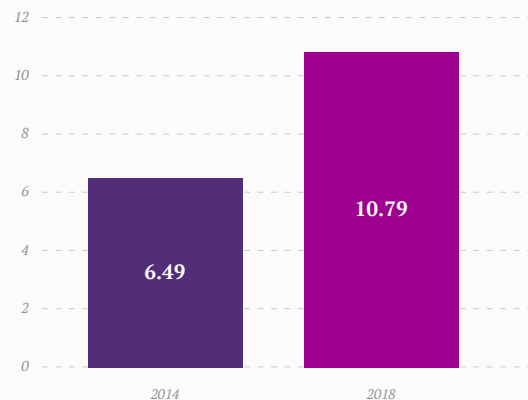
Key facts

- Looking at 2018 data, Office Freedom work station sales grew by 30% year on year. This impressive growth has been fuelled by more operators providing more stock and pre-let opportunities for new inventory.
- Plotting growth from 2014, there has been a 28% increase in workstations sold. An increasing number of transactions with large corporates and larger premises have helped drive this increase.
- EC2 saw a 300% increase year on year and Old St & Shoreditch a 492% increase between 2017 and 2018. These city locations have seen several new buildings come available from key operators including WeWork and Mindspace.
- Soho (27%), Covent Garden (126%), East London (79%) and Victoria (69%), also saw large increases in work station sales comparing 2014 to 2018.
- In contrast, Docklands saw a 62% decline in work station sales from 2018, and a 75% drop since 2014. The decline reflects weakening demand for the Docklands location with many companies preferring to opt for city centre locations with better transport links, vibrant business communities and comprehensive amenities. Tech companies in particular have tended to gravitate towards city locations.
- The average number of workstations per transaction has also increased from 6.49 in 2014 to 10.79 in 2018, +66%.

OfficeFreedom workstations sales growth



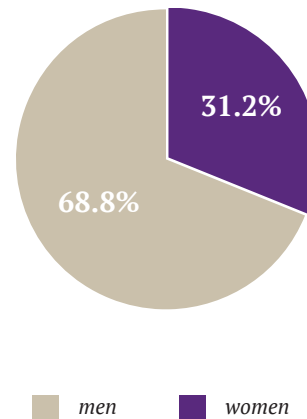
The average number of workstations per transaction



4. Central London / **Decision makers by gender**

Key facts

- In 2018, 69% of Office Freedom company decision makers were men. The reasons behind this skew are unclear but the growth in male dominated tech companies may play some part.
- Fintech and Tech companies are leading way in the demand for flexible office space. However according to industry research less than 7% of tech positions in Europe are filled by women, and worldwide, women are in a minority for tech leadership, accounting for less than 20% in their respective countries. At major global tech companies such as Google, Apple and Facebook women represent less than a third of the total workforce.



Redressing the balance

Office Freedom supports the movement to hire more women in tech leadership roles. With the growing awareness of the gender imbalance, a result of the Global Gender Pay Gap Report, the formation of action plans to address inequality have begun to take shape. These business plans include offering greater provisions in the workplace for employees to care for their children, while maintaining their careers.

Flexible workspaces are starting to respond to challenge.

Office Freedom partner, Blooming Founders is an online and offline incubation platform designed to help female entrepreneurs grow their businesses. They offer flexible space to female entrepreneurs.

Lu Li CEO commented *“we identified within our community of female entrepreneurs that there was a need for flexible workspace – but not the full-time workspace that most providers could offer”.*

In 2018 Cuckooz Nest became London’s first fully flexible Ofsted registered nursery with integrated workspace for parents and children under two. Their mission is to support families and help bridge the gap between work and life.

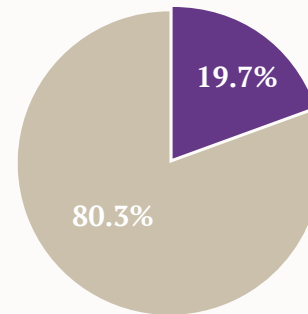
Fabienne O’Neill, Co-Founder & Director at Cuckooz Nest, commented: *“Cuckooz Nest came from our own personal experience after my Co-Founder Charlie struggled to find affordable and flexible childcare when returning to work. We realised that in London, where one in seven freelancers are working mums, she was not alone, so decided to use our business experience to find a solution.”*

5. Central London / **Business centre groups*** vs independents

Key facts

- This balance of transactions between large operators vs independents has remained consistent over the past five years. This reflects the fact that even though business has been increasing with the larger groups (80% of all transactions), it has also been rising with the smaller operators (20% of all transactions).

Share of transactions - Group vs Independents



* *business centre groups are large operators e.g. WeWork*

■ *group transactions* ■ *independents*

6. Central London / **Enquiry to transaction time**

Key facts

- In 2018 it took 62 days on average to conclude a transaction from receipt of the enquiry. This has changed little over time. It suggests that despite transaction sizes increasing, decisions can still be made quickly. Office Freedom has concluded many transactions within a three-week window, however, larger transactions tend to take longer to conclude with corporate clients taking stock of market options before deciding. Corporates generally take longer to sign off and their premises take longer to fit out.

62

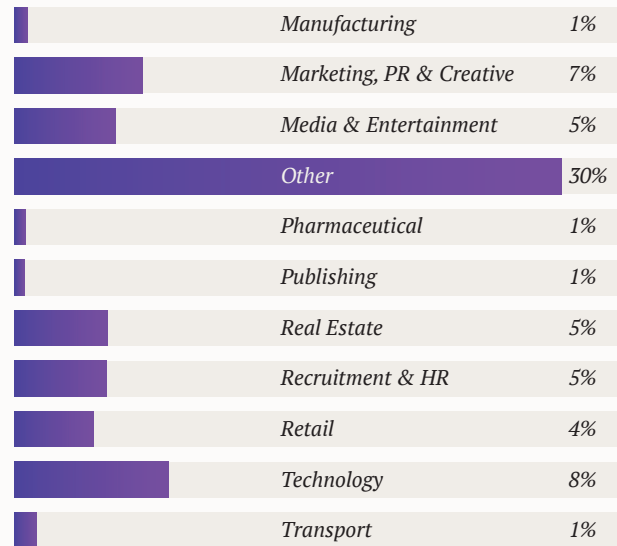
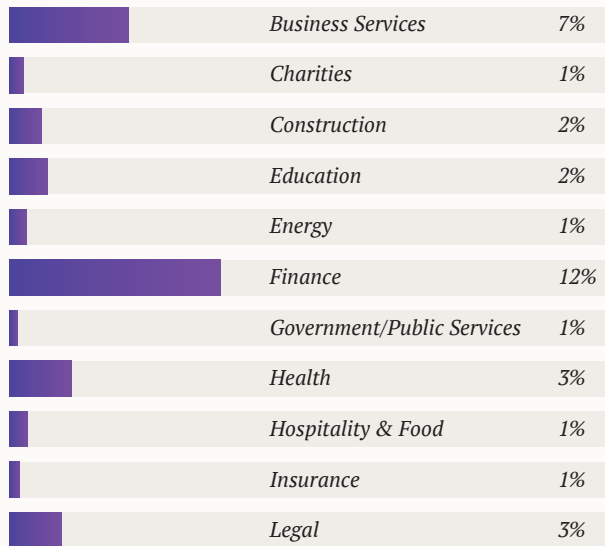
*days on average to conclude a transaction
from receipt of the enquiry*

7. Central London / **Transactions by industry type**

Key facts

- Finance was the leading industry sector in 2018 for completed office transactions with a 12% share. The next largest sector was technology with an 8% share, this has been fuelled by the rapid expansion of fintech, proptech and insurtech companies.
- Technology companies were the second largest industry sector with an 8% share of all transactions. Technological advances have enabled companies to grow faster and disrupt traditional industries.

2018 transactions by industry type



8. Central London / **Business centres**

Key facts

- Office Freedom recorded a 42% increase in the number of new flexible office spaces available in Central London between 2017 to 2018. Major players such as Mindspace, WeWork, The Office Group and Spaces (Regus) all provided additional London inventory.
- From 2014 to 2018 there was a 167% increase in flexible office stock within Central London.

42%

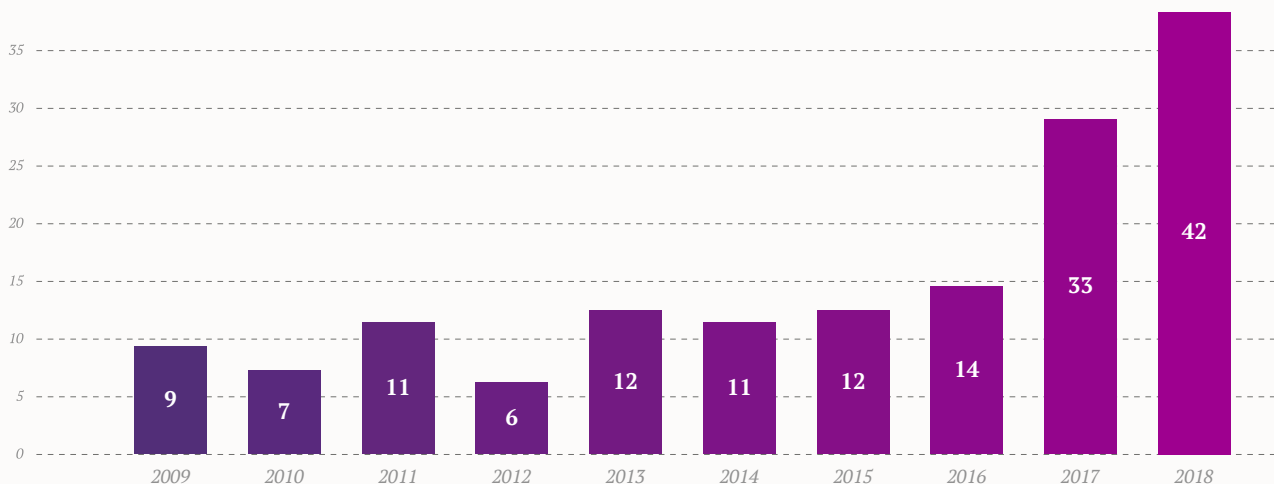
*more new flexible office space
in central london*

9. Central London / **New serviced office operators**

Key facts

- There was a 32% increase in new entrants to the Central London flexible office market from 2017 to 2018 reflecting continued growth in this sector. Knotel, for example, made a number of notable acquisitions in London in 2018 and committed to expand their portfolio throughout 2019.
- Looking at growth from 2014 to 2018, there has been a 281% increase in new operators. The rise in popularity of coworking and growth of commercial property companies (e.g. British Land) in this market are key factors.

Number of new operators in market



10. Global business centres

Key facts

- The number of global business centres added to the Office Freedom portfolio more than doubled between 2014 and 2018. In the last year alone, business centre inventory grew by 45%.
- Comparing 2017 with 2018, business centres in New York increased by 58%. London saw the second highest global growth with a 42% increase.
- Looking across the four-year period 2014-2017, Berlin and Los Angeles had the largest growth in business centres with 36% and 129% growth respectively. Berlin has become a hub for new business, taking advantage of favourable economic conditions and leading the way for Fintech growth. Berlin's popularity has coincided with WeWork opening four new buildings there recently. Los Angeles has seen many more business centres open and remains an attractive destination for film production and media companies. The Los Angeles lifestyle continues to hold huge appeal for start-ups and young businesses.

USA in focus

The USA is the world's largest market for flexible workspace with an estimated 80 million square feet of space. This compares to around 60 million square feet in the UK. Coworking giants WeWork and Regus are reported to manage 23 million square feet in the US between them.

New York remains the coworking capital of the US with over 330 coworking centres. Flexible and coworking operators occupy 9.2 million square feet in the Manhattan office market and in September 2018 WeWork became officially New York's largest office tenant overtaking JP Morgan Chase and Co.

Workspace provider Knotel also recorded strong growth in New York and beyond, the company more than tripled its worldwide footprint in 2018 with over 100 locations worldwide representing 2 million square feet of space.

Demand in New York is very strong and there is huge potential for growth, as flexible office space represents just 2.5% of Manhattan's office occupancy. The growth in demand within the coworking sector is being fuelled not only by freelancers and start-ups, but by large corporations utilising flexible space to expand their business.

Elsewhere in the US, Los Angeles, San Francisco and Chicago have all witnessed more than 15% year on year growth in coworking spaces and now have more than 566 coworking centres between them.

Office Freedom - global growth in new business centres (2017 - 2018)



About Office Freedom

Founded in 1993, Office Freedom was the first ever property consultancy to specialise in serviced offices, identifying a gap in the market to meet the acute need for an agency to help and advise clients seeking greater freedom through flexible workspace.

The Office Freedom team are true pioneers, creating the marketplace for consulting and brokering serviced offices and offering a “concierge style” service for clients.

Office Freedom offers the full spectrum of flexible workspace solutions and takes pride in helping fulfil all requirements:

- *Serviced offices*
- *Coworking spaces*
- *Flexible leases*
- *Meeting rooms*
- *Virtual offices*
- *Hot desking*
- *Business continuity/disaster recovery space*

Having longevity in the industry means Office Freedom has built lifelong relationships with the workspace operators and provides office search, with a personal touch. For further information please contact Office Freedom.

Office Freedom February 2019



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