

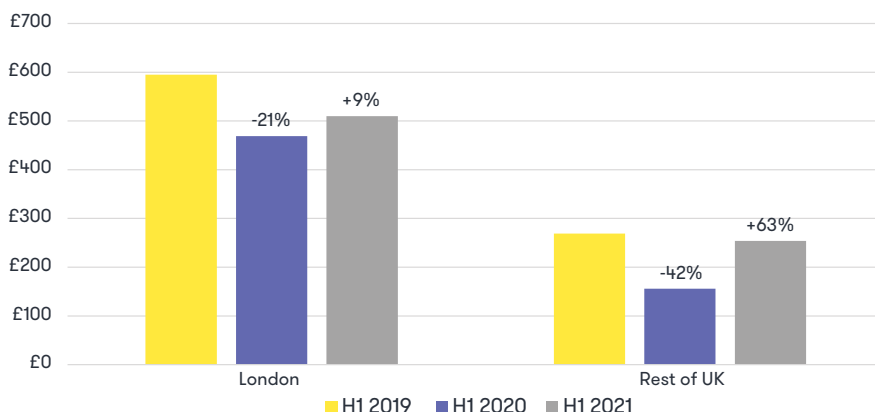
UK H1 2021 flexible office market snapshot

Pricing

- The average cost per private office desk in the UK was £431 in H1 2021, this is up 10.5% on the first half of 2020, but still down on the H1 2019 figure of £464 per desk. We are therefore seeing the early signs of recovery in the market where the return of demand has led to prices beginning to recover from the low of 2020, albeit there is still time for them to reach the levels seen pre-pandemic.
- The average price per private office desk in London has recovered 9% in the first half of 2021 with an average price of £510 per desk, this recovery is not as significant as the price recovery in the rest of the UK which has increased by 63% year-on-year to £254 per private office desk, but still down from £269 pre-Covid (H1 2019). Outside of London, the supply of flexible office space is slightly more constrained. It is therefore no surprise to see it perform better from a price perspective as demand returns.
- The average private office contract term length has increased 0.8% from H1 2020 to 13.3 months. We have seen providers offer incentivised pricing on longer term contracts and therefore it is no surprise to see the overall contract length grow.
- The level of rental discount or incentive from quoting price to achieved price in H1 2021 was 23%, this is up significantly from H1 2020 where the average discount achieved was 8.3%. This reflects the increased number of transactions in the first part of 2021 compared with 2020 and 2019, where as demand returned in Q1 and Q2, operators became increasingly competitive to secure a customer, but without dropping the quoting price as they did in 2020.

Average monthly private office desk cost (£)

	Desk Price	Term	London	Rest of UK	Rental Value Discount
H1 2019	£464	13.1	£595	£269	10.2%
H1 2020	£390	13.2	£469	£156	8.3%
H1 2021	£431	13.3	£510	£254	23%
Change Y-o-Y (%)	+11%	-1%	+9%	+63%	+177%



£431

Average monthly cost per desk in the UK



13.3

Average no. of desks per enquiry in 2020



23%

The level of rental discount achieved by Workthere brokers

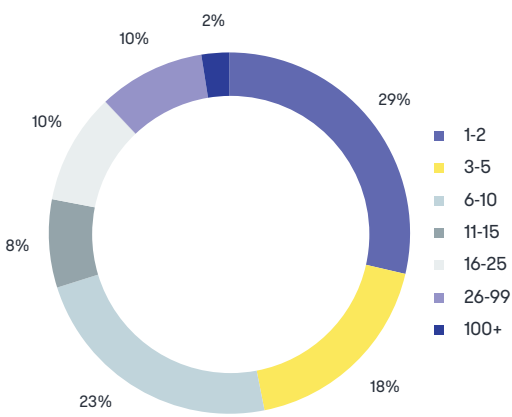
Demand

- One thing is certain, and that is as we expected the serviced office sector is seeing increasing demand as we have eased out of the pandemic. Workthere has seen UK enquiries for flexible office space increase 48% on pre-Covid levels, this is an indicator of the renewed demand in the sector, but also a factor of a high portion of pent-up demand that was waiting to move back to serviced office space having not renewed a contract during the pandemic.
- The average number of desks required by our clients in H1 2021 was 10, this is lower than H1 of last year which was 13. This could suggest that we have seen less large enquiries to Workthere. However, this is not the case, as in H1 2021 we have seen a 19% increase in enquiries larger than 15 desks

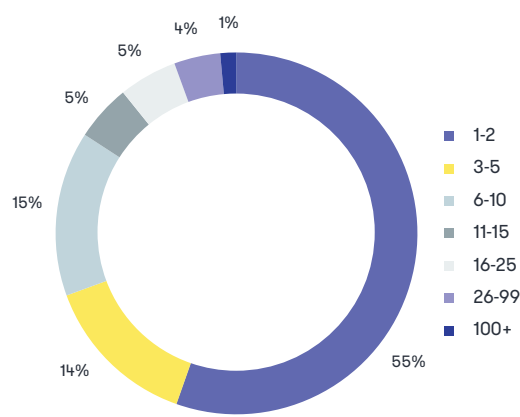
on H1 2020. The average has instead been driven down by the volume of enquiries that we have seen for smaller 1 and 2 desk requirements requirements as people have fatigued from working from home, as shown below 55% of enquiries have been for 1-2 desks in H1 2021, compared with 29% in H1 2020.

- The above narrative is supported by fact that 22% of our demand in H1 2021 came from customers previously working from home but now seeking a co-working desk or private office. It has eclipsed sectors which had seen a larger share of enquiries in previous years, such as expiring lease or new businesses.

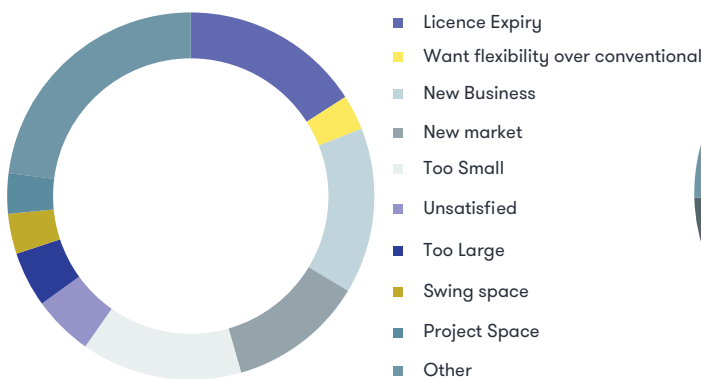
H1 2020 Workthere enquiries - Number of required desks



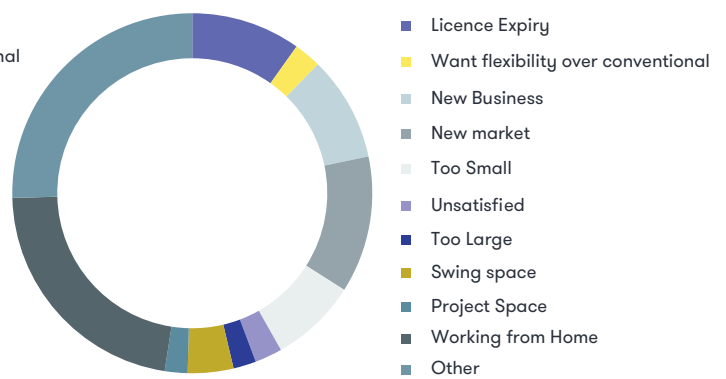
H1 2021 Workthere enquiries - number of required desks



H1 2020 reasons for moving offices



H1 2021 reasons for moving offices



22%

of our demand in H1 2021 came from customers previously working from home



55%

of enquiries have been for 1-2 desks in H1 2021

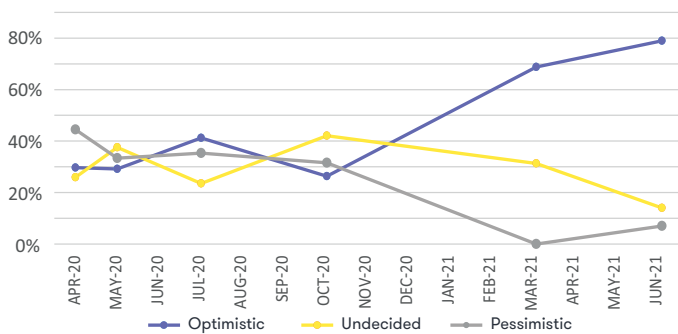
Sentiment

- Over the course of our sentiment surveys we have seen increasingly positive levels of sentiment towards the sector, and in our latest survey this has continued. 79% of the survey respondents are optimistic about the coming 3 months, up from 69% in March, we believe this is because for the first time they can see the light at the end of the tunnel. We have seen increased pessimistic sentiment as well, although this is likely due to the moving back of the easing of restrictions, which were announced just before the releasing of our survey. The longer term positive sentiment has continued to grow, with 100% of respondents now optimistic on the sector over the coming 12 months.
- The increasingly optimistic short-term outlook looks to have been driven by the increasing demand we have seen in the sector and the increasing levels of daily occupancy, which are now averaging 52% double that of a year ago. Although

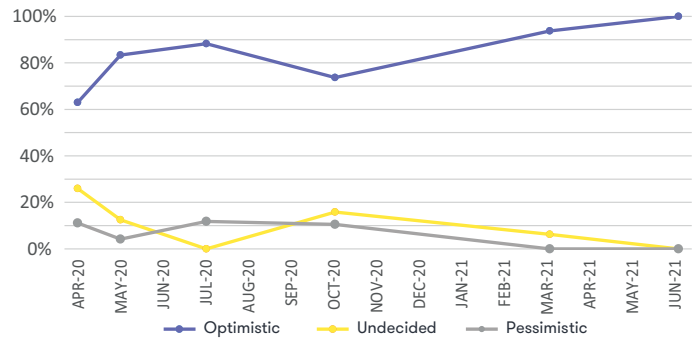
the expected occupancy levels have remained high over the course of our surveys, they now seem achievable on a UK wide basis with the expectation of 68% occupancy at the end of this month. While the market is recovering, it still remains below the average pre-COVID occupancy levels of 86% occupancy, it is encouraging to see the recovery that the market is making so far and barring any further national lockdowns, it is a trend we would expect to continue.

- Another trend demonstrating the market's rebound is the continued downward trend of serviced office members vacating or asking for rent relief. Both have hit the lowest levels over our surveys at 11% and 7% respectively. This is a good indicator that the market is well on the road to recovery, and should see these levels decline further as the economy recovers.

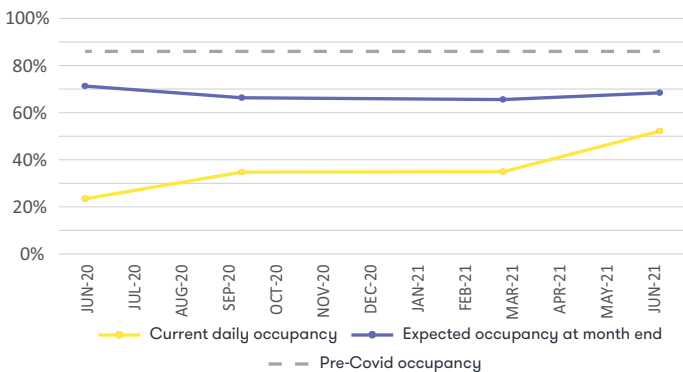
Expectations of UK flexible office providers for the sector over the next 3 months



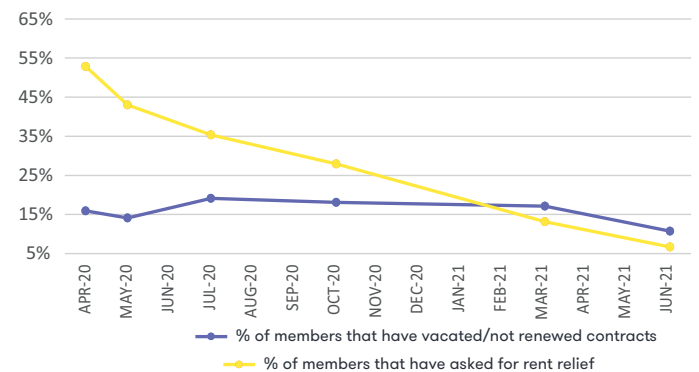
Expectations of UK flexible office providers for the sector over the next 12 months



% current UK daily serviced office occupancy vs expected occupancy at the end of the month



% of members that have not renewed their contracts or asked for rent relief



Workthere.com

Workthere is a business by Savills focused solely on helping businesses find flexible office space, whether that's a serviced office, co-working or shared space.

Get in touch for further information

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