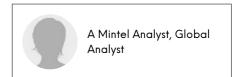
SERVICED OFFICES – UK – 2023

The widespread adoption of hybrid working models continues to fuel demand for flexible workspaces.





Serviced Offices – UK – 2023

This report looks at the following areas:

- Analysis of the size of the market and forecast for the next five years
- How operators should respond to evolving occupier expectations
- · Key market trends and drivers
- Key industry players and competitive strategies



The widespread adoption of hybrid working models continues to fuel demand for flexible workspaces.

Overview

The stagnating economy coupled with inflationary pressures pose a key challenge to operators. Some occupiers will likely reduce their office space requirements, while rising operating costs continue to squeeze margins. Operators need to find a balance between keeping rates affordable for occupiers and addressing higher operating costs.

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Report Content

EXECUTIVE SUMMARY

Opportunities for the Serviced Offices Market

- · Using sustainability as a differentiator
- · Larger corporates are turning to flex space
- · Operators must cater for a diverse workforce

Market Dynamics and Outlook

- · The Five Year Outlook for UK Serviced Offices
- Market Size and Forecast
 - Graph 1: number of serviced offices and forecast, 2019-28
- · Transformation of the serviced offices market
- · Occupiers want more flexible leases
- · Evolving occupier expectations
- · Demand in more regional locations is on the up
- · Operators face competition from traditional landlords incorporating flex office space

MARKET DYNAMICS

Market Size

- Growing supply of serviced offices
- Occupiers are reducing their office space requirements amid move to hybrid working, but there are benefits for serviced office providers
- · Occupiers are drawn to service-led, amenity-rich spaces
- · Operators also face challenges
- While London remains most important market, demand shifts to more regional locations
- · Investment focus in regional locations required
- Serviced office take-up by key regions
 - Graph 2: flexible office operator take-up, 2016-22
- · Larger companies are turning to flex space
- Desk prices recover to above pre-COVID-19 levels

Market Forecast

- Supply set to increase
- · Hybrid work models will continue to fuel demand for serviced offices
- · ESG focus supports the hybrid model

Challenging market conditions will persist in the near-term

Market Trends

- · Use of technology to improve occupier experience
- · Trend towards amenity-rich, service-driven spaces
- · Focus on ESG increasingly significant
- · Sustainability needs to be put at the core of operations
- Examples: How operators are making their portfolio more sustaimable
- · Rise in 'hotelification' within flexible workspace
- Operators offer more flexible memberships

Macro-Economic Factors

- · GDP growth remains sluggish
- Real GDP first quarterly estimates, Q1 2022-Q2 2023
 - Graph 3: real GDP first quarterly estimates, 2022-23
- · Services output
 - Graph 4: services output, month-on-month percentage change, 2022-23
- UK Services PMI
- Inflation expected to ease in 2023
- · Bank rate reaches 15-year high
- · Economic outlook

Market Drivers

- Overview
- Increased demand for shorter, flexible leases
- · One in four workers are now hybrid
- · Factors supporting the widespread adoption of hybrid working
- · Trends in self-employment
- · Nearly two million freelancers in the UK
- Business start-ups up by 6% in 2022/23
 - Graph 5: new companies incorporated, 2015-23
- · Business start-ups by sector
- Tech start-up sector is an important contributor to the rise of flexible office spaces
- UK tech sector shows resilience but more challenging times ahead
- Drivers for regional expansion of operators
- Gen Z's impact on the workplace
- · Providers must cater to different generations

COMPETITIVE LANDSCAPE

Industry Structure

• Industry development: 1980s - 2010

Industry development: 2010s

• Industry development: 2020 and post-COVID-19

· Types of flexible workspace providers

· Key industry players

- Graph 6: key serviced office providers, by number of locations, 2023

- · IWG remains largest industry player
- Increased competition from landlords moving into flexible office sector
- · Traditional landlords with their own flexible office brands
- · Growing popularity of management agreements

Competitive Strategies

· Competitive strategies

Company Profiles

- BizSpace
- Strategy
- Financial information
- Bruntwood
- Bruntwood SciTech
- Bruntwood Works
- Strategy
- Financial information
- Citibase/NewFlex Leases
- Citibase strategy
- NewFlex Leases
- Financial information
- IWG
- · Capital-light franchising strategy
- IWG and the Instant Group combine digital assets in Worka, a fully integrated workspace platform
- · Financial information
- Landmark Space
- Financial information
- · The Office Group
- Merger with Fora

Financial information

APPENDIX

Supplementary Data

- Desk prices in serviced offices
- UK self-employment data
- Labour market by age group

Report Scope and Definitions

- Market Definition
- Abbreviations and TermsText/NumbersCBD

Methodology

• B2B research methodology

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