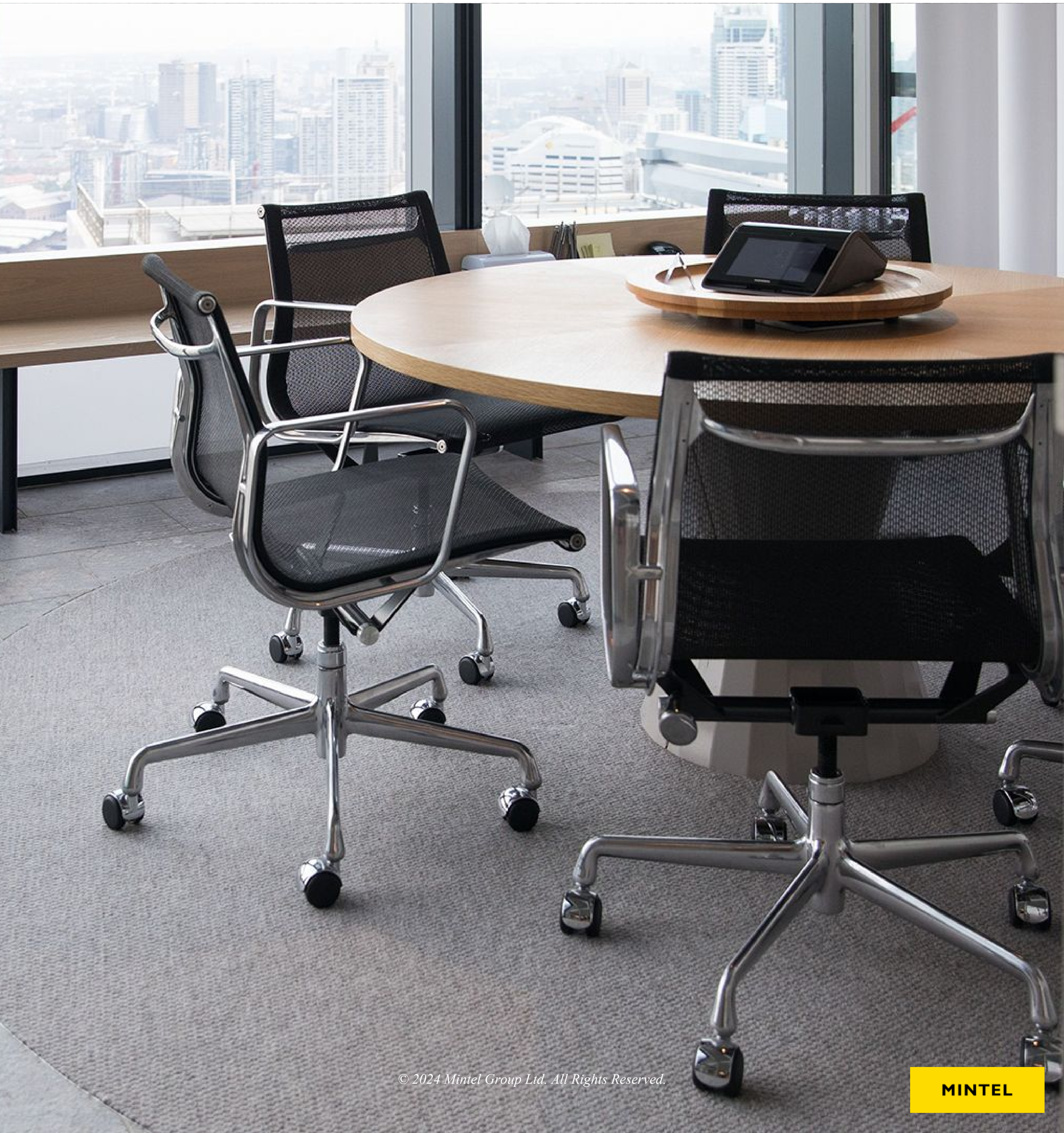
SERVICED OFFICES – UK – 2023

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

A Mintel Analyst, Global Analyst



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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.

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

- 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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