Instant
RETHINKING WORKSPACE

Q1 2024 UK State of the Flexible Workspace Market

Executive Summary

This state of the market report delves into the data and trends that are re-shaping the UK flex office sector. Two resounding themes have surfaced: supply must grow, and quality is king.

This report identifies markets nearing office space capacity amid increasing flexibility, highlighting strategic investment opportunities to quickly deliver new supply. With a 1.5-year lead time for new flex workspaces, only with the use of market data can operators optimise asset selection and maximise returns.

Despite growing rate pressure across the flex sector, quality Grade A spaces have still seen rate growth amid heated competition. Informed, agile pricing strategies aligned with market dynamics can help maximise revenues in such spaces.

As the market continues to evolve, there is clear opportunity on the horizon for workspace providers to expand. But now more than ever, it is critical to leverage market data to make the right investments in the right places.

Supply must grow

Quality is king

Opportunities await space providers

Data and insights are critical for smart investments

> As one of the most mature markets for flex space, the UK has shown resilience despite macroeconomic headwinds such as rising operational costs and a lagging return-to-office culture. We are yet again seeing pockets of opportunity for providers of office space to capitalise on the evolving demand for flex space in all its varieties. Data and insights are critical to guide smart investment strategies and business decisions that can unlock greater value across flex portfolios for both providers and their tenants.

GAVIN FOREMAN
EXECUTIVE DIRCTOR, PARTNERSHIPS, UK
THE INSTANT GROUP

Key Predictions Shaping the Market in 2024:

Flex providers will invest more in areas beyond the top **10** markets, which now make up 52**%** of all UK flex supply. We predict the total supply outside of the top **10** markets could rise to **55%-60%** by **2030**.

Large companies increasingly using flex space will keep driving the growth of managed space, the fastest-growing flex segment. Currently at **5%-10%** of the total flex market; we expect it could reach **50%** by **2030**.

Demand for top-quality spaces will rise, leading to more competition and higher prices, especially for premium spaces. In London, rates for premium spaces could increase by **48%** if occupancy reaches **90%**.

Amenities will continue to be at the forefront of office selection, with sustainable features, quality, parking, and meeting rooms topping the list of must-haves.

Growing with Confidence

Unlock new location potential with data-led investment decisions.

Some UK flexible workspace markets could max out in the next two years without new supply investment, while others with ongoing investment can meet demand for years to come.

While **39%** percent of flexible workspaces are over **90%** occupied, supply growth has stalled due to rising costs and difficulties in securing capital in the sector.

UK FLEXIBLE WORKSPACE MARKETS NEARING CAPACITY		
City	**Total supply in market (sq ft)**	**Time to market capacity (years)**
Weybridge	113,800	0.5
Huddersfield	154,800	0.6
Cannock	163,400	0.6
Oxford	430,200	0.7
Edinburgh	1,733,000	0.9
Leicester	564,100	1.0
Reading	871,500	1.1
Cheltenham	279,900	1.3
Birmingham	2,940,900	1.3
Liverpool	1,470,700	1.4
Newcastle	1,573,800	1.6
Bristol	2,513,600	1.8
Glasgow	2,373,200	1.9
London	37,502,300	2.0
Leeds	2,524,300	2.2
Nottingham	1,474,900	2.2
Manchester	6,133,400	3.1
Cardiff	1,195,200	5.0

*Data is extrapolated from Instant's proprietary data based on the assumption of 25% conversion rate per year and a 20% annual churn of space.

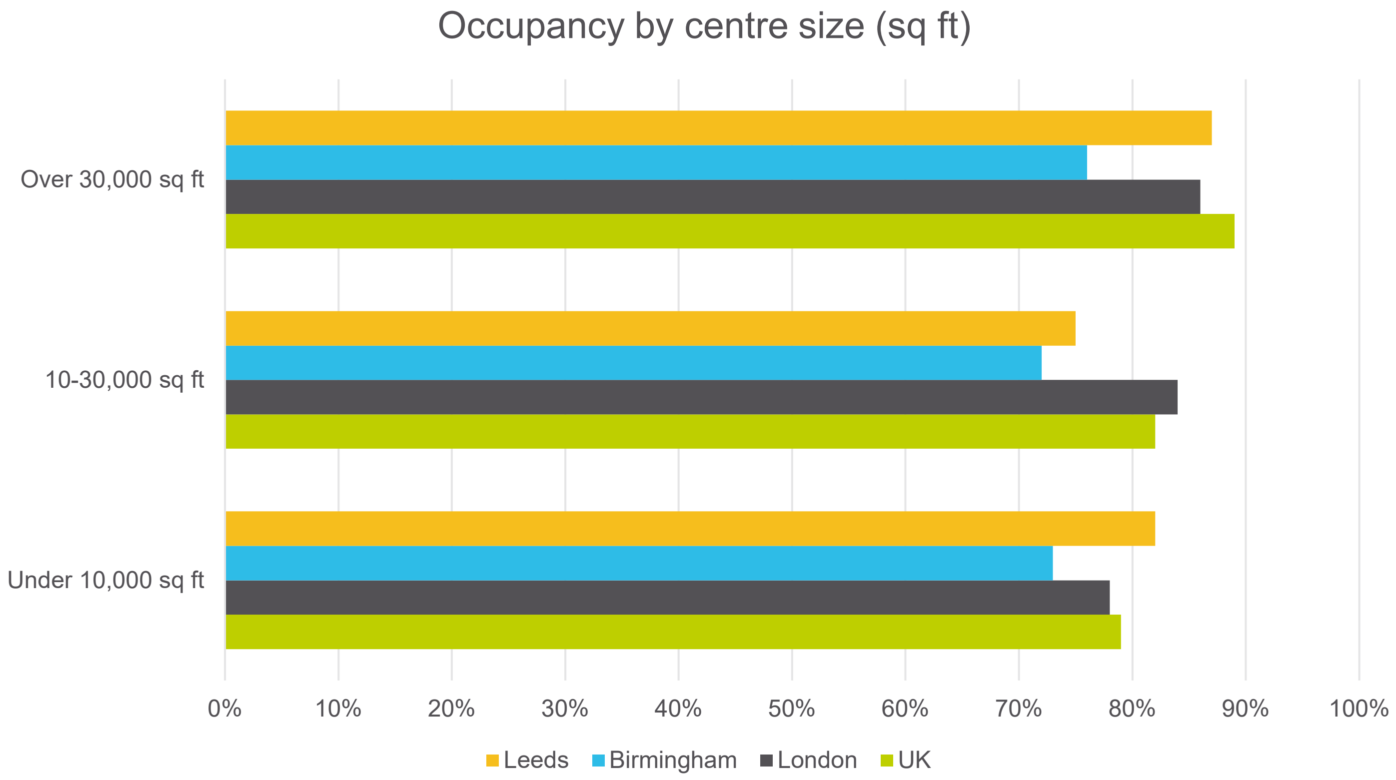
KEY TAKAWAYS:

- Smaller markets, with less flex investment, can reach capacity faster, offering a chance for smarter investments.
- The average UK time to capacity is shortening, down to **1.84** years in **Q1 2024**.
- Market data will positively impact growth strategies and enable operators and landlords to source profitable locations.

Lack of Large Space Supply

More big companies using ready-made solutions means large spaces are getting harder to find. Spaces over **30,000 sq ft** are filling up faster than those under **10,000 sq ft**.

Investment in larger supply is needed to support the continued use of flex by corporate companies.



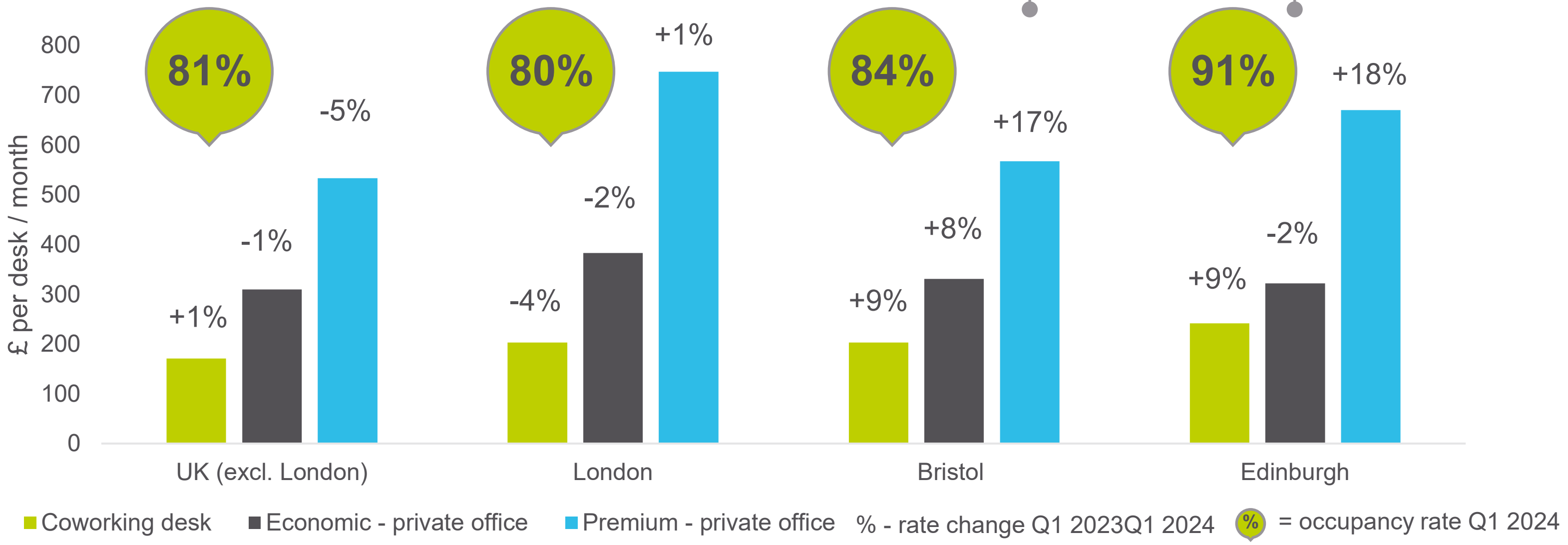
Ensure Product is Aligned to Market Needs

Increase return on investment by growing revenue and improving margins.

Operators are facing rate squeezes, with rates dropping overall. Yet, there are spots where rates are going up, especially in the premium market.

Best-in-class spaces are characterised by lower densities, higher-quality finishes, and high staff-to-customer ratios. Spaces that deliver this are achieving rates up to **60%** above market average across the UK.

Bristol and Edinburgh have the fullest spaces and are experiencing the biggest rate jumps in the top-tier market.



KEY TAKAWAYS:

- Occupancy and desk rates are directly related. We are seeing the highest rate increases in markets where occupancy rates are above 80%.
- The gap between London and the rest of the market continues to widen. Investment in high-end solutions outside the capital is critical.
- If London occupancy hits 90%, we could see up to a 48% uplift over market average for premium space rates based on trends seen in other UK cities.

Products and Amenities Adding Value

Sustainability certified: Demand for buildings that are certified for the Sustainability Index* has increased **9%** from **Q1 2023** to **Q1 2024**.

Premium quality: Rates within premium spaces average **82%**, the highest in the market.

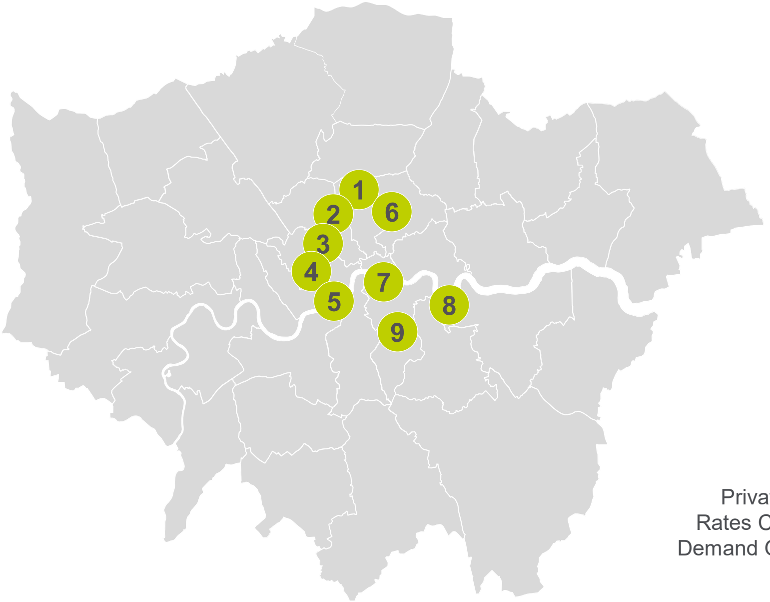
Meeting rooms: Searches for meeting rooms have increased **66%** over the past year.

Parking: Searched for amenity in the UK and is growing in importance, now accounting for **26%** of all amenity searches.

*Instant's Sustainability Index is a unique platform that ensures quality data on building performance, helping operators and occupiers track and report on their sustainability initiatives. Learn more.

London Rates on the Rise

High occupancy directly influences rate hikes as clients stay put.



Private Flex Desk Rate = Q1 2024
Rates Change = Q1 2023 – Q1 2024
Demand Growth = Q1 2023 – Q1 2024
Occupancy Rate= Q1 2024

1. KINGS CROSS / EUSTON

Flex Desk Rate	**£901**
Rates Change (flex)	**-7%**
Demand Growth	**+22%**
Occupancy Rate	**76%**

2. NOHO

Flex Desk Rate	**£767**
Rates Change (flex)	**+13%**
Demand Growth	**+57%**
Occupancy Rate	**78%**

3. SOHO

Flex Desk Rate	**£782**
Rates Change (flex)	**+14%**
Demand Growth	**-35%**
Occupancy Rate	**92%**

4. MAYFAIR / ST JAMES / MARYLEBONE

Flex Desk Rate	**£925**
Rates Change (flex)	**+22%**
Demand Growth	**-75%**
Occupancy Rate	**83%**

5. VICTORIA / WESTMINSTER

Flex Desk Rate	**£768**
Rates Change (flex)	**+25%**
Demand Growth	**-55%**
Occupancy Rate	**83%**

6. CLERKENWELL

Flex Desk Rate	**£678**
Rates Change (flex)	**+26%**
Demand Growth	**-36%**
Occupancy Rate	**86%**

7. CITY CORE

Flex Desk Rate	**£641**
Rates Change (flex)	**0%**
Demand Growth	**+70%**
Occupancy Rate	**85%**

8. DOCKLANDS

Flex Desk Rate	**£515**
Rates Change (flex)	**+19%**
Demand Growth	**+43%**
Occupancy Rate	**80%**

9. SOUTHBANK

Flex Desk Rate	**£635**
Rates Change (flex)	**+4%**
Demand Growth	**-48%**
Occupancy Rate	**85%**

"Our confidence in the sector is stronger than ever, with businesses increasingly selecting high quality, well-located, amenity-led, flexible workspaces across London. The appeal of premium flex workspaces is reflected in occupancy figures returning to, and in our case, exceeding pre-pandemic levels, and the demand for our most recent buildings, including Chancery House in Holborn and The Parcels Building on Oxford Street, which are well above 90% avg. occupancy."

JASON BLANK
CEO
THE OFFICE GROUP

- Robust occupancy rates across London and continued demand for Grade A spaces is pushing up desk rates across the Capital as competition for best-in-class spaces heightens.
- There is significant variation across the market, with location, quality, and several other variables impacting rates.
- Operators can be confident in increasing prices if their product aligns to market demand.

Rethinking Workspace.

Research Methodology

Data and insights from this report are compiled from The Instant Group's proprietary flexible industry database, which tracks supply, demand and transactional data, and primary research, via the Future of Flex survey, conducted in Q3 2023 across 200+ UK operators and landlords.

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Sustainability Index

Validate your sustainability data and align with the sustainability objectives of today's occupiers. Become a sustainability data provider today.

About The Instant Group & Incendium

The Instant Group has been rethinking workspace since 1999 with over 330+ experts across more than 150 countries. Instant enables agility and operational resilience for businesses of all sizes from inception through to delivery and management. The global team advises on commercial real estate solutions from coworking and serviced offices to fully customised managed offices, modular office builds and portfolio strategy. Clients include Amex, Barclays, Prudential, Booking.com, Shell, Jaguar Land Rover and Worldpay. Instant has offices in London, Newcastle, Berlin, Budapest, Haifa, Istanbul, Paris, Dallas, New York, San Francisco, Hong Kong, Kuala Lumpur, Singapore, Sydney and Melbourne.

As part of The Instant Group, Incendium provides clients with real estate procurement, consulting, talent and change management programmes that enable organisations to use real estate as a catalyst of agility, performance and value.

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