

Managed business space: eating out on big firm nerves

■ Overall picture looks strong as occupiers settle for juggling different types of space, says David Lawson

ROLLING HEADS ARE A SIGN THAT THINGS ARE NOT going too well. You can't move nowadays for decapitated remains in the City and Canary Wharf. So the demise of managed space veterans Colin Peacock at Stonemartin and Forsyth's Jane Gwillim-David might be seen as a sign of meltdown.

Far from it. The last two months have been the best ever for serviced space, says Rob Hamilton, managing director of Instant Offices Group. Enquiries and deals are up by 20%.

Perhaps Mark Dixon was right after all when he set up Regus, based on the idea that small businesses are unaffected by recession and bigger ones opt for short-term space when times are uncertain. That did not work in the last downturn, but Dixon kept his head, and the theory seems to be holding up this time.

Occupiers are now more comfortable with juggling between types of space, says Officebroker founder Jim Venables, another agent that is experiencing record activity.

Operators are also getting more sophisticated as the market matures. Instead of developing property, then seeing if serviced space will work, they want evidence of demand, which is why Officebroker has launched its Insight service, which shows trends around the UK.

In London, banks and financial services companies have increased take-up by almost 75% as they contend with the credit crunch, says John Spencer, chief executive of MWB Business Exchange (see graph). He expects this to continue after the crisis abates, however, as occupiers learn to better manage property risk.

But not everything is quite hunky-dory. Stonemartin is still active, but a flawed business model has stifled expansion, so founder Colin Peacock is no longer required. Forsyth has abandoned a £200m expansion plan that brought Jane Gwillim-David on board as chairman last year.

'We are no longer looking for leases and freeholds,' says director Scott McCabe.

Forsyth will rely on property being brought in for management.

Evans Easyspace is happy with a 45% increase in enquiries and lettings in 2007, and managing director Tom Stokes sees no evidence of a downturn. Like MWB, he concentrates on small businesses, which ride out economic shocks, and he is continuing to build. But he has stopped buying existing centres until the market bottoms out.

Even the rampaging beast has changed its spots. Sheer size is no longer the driving force behind MLS, says sales director Ian Kibby. He admits the firm has gone for growth to rival Regus as the largest UK operator, but MLS is now 'far more picky' about which projects to take on.

It is still aiming for 200 centres in five years, but it is focusing on sustainable profits. Chasing occupants with reduced fees teaches a harsh lesson when tenants move on after discounts end, he warns.

As ever, David Alberto walks his own path at Avanta. After seeing markets ebb and flow over the last decade, he is underwhelmed by a 10% rise in enquiries and slight rise in fees. But the correction in property values has brought him back into the hunt for new premises. Strictly around London, of course.

Like MWB, he believes regional centres are a

OUT TO THE STICKS

INTEREST IN REGIONAL CENTRES IS TAKING OFF, according to agent Officebroker. While London's SW and W1 postcodes lead the field, with 66% and 58% increases in enquiries last year, the rest of the league is crammed with more surprising names. Warrington rated 54%, Cardiff 46% and Stockport 50%.

Two large players have won accolades in this year's Sunday Times 100 Best Small Companies to Work For awards. Business Environment was placed 52nd and received an 'outstanding' rating.

Instant Offices Group reached 76th place and was rated 24th for leadership.

CHANGES IN SUPPLY AND DEMAND OF LONDON SERVICED OFFICES (000 WORKSTATIONS)



source for management agreements rather than accumulating assets (see box). But he is not convinced they are booming as much as some believe. Unlike Spencer, however, he is looking abroad to hedge against any downturn. While MWB has forsaken overseas ambitions, Alberto is spending half his time in India after opening three centres there, and he has more in the pipeline in areas like the Middle East.

Agents are also spreading their wings. Officebroker is now established in Dallas, while Instant Offices is forecasting a turnover of more than £23m for 2008, as it expands across the world under new chairman Patrick Diggines.

Meanwhile, UK firms are dreaming up ways to broaden appeal. MLS is going upmarket with 'six-star' centres in Birmingham and London. MWB has launched a 'partnership' service, where it leases space if it does not have stock.

The NHS has been provided with 500 desks in its own building, Vantage House, Leeds, in a 10-year management agreement. MWB is also marketing surplus space for clients by using its own network of contacts, rather than agents.

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