The image is a vertical composition. On the left, a modern skyscraper with a dark blue glass facade reflects the sky. On the right, a traditional brick building with white window frames and ornate architectural details is visible. The text is overlaid on the left side of the image.

Deloitte.

Real Estate

The London Business Footprint Mapping change in the office market

A Deloitte Insight report
2014

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Research definitions

Occupier data: Central London office occupiers in units of 5,000 sq ft and over as at 1st July in 2004, 2009 and 2014, comprising circa 18,000 records, data supplied by EGi. Pre-lets are included at the point that the lease was agreed. Business sectors and market boundaries as defined by Deloitte Real Estate research team.

Transaction data: In-house database of office space transactions from 2004, data includes office deals of all sizes and includes pre-let leases. Business sectors and market boundaries as defined by Deloitte Real Estate research team.

Crane Survey data: Biannual survey of all new central London office developments above 10,000 sq ft. It is the most accurate indicator of what is currently under construction, for the purpose of analysis; Q1 survey period in 2004 and 2014 was used.

Business sector – Detailed sector:

Corporate – Industry, retail, transport, construction, recruitment, services

Financial – Banks, investment, property investment, asset managers

Government – National and local government, public bodies and foreign government

Insurance – Insurance brokers, insurance advisors and related companies

Legal – Barristers, solicitors, legal advice and related companies

Other – Education, health, leisure, associations and charities

Professional – Architects, accountants, surveyors, research services etc.

TMT – Technology, media and telecommunications

Central London market areas:

City – EC1, EC2, EC3, EC4 (excluding western fringe in Midtown below)

Docklands – E14

East Fringe – E1

Midtown – WC1, WC2, EC4A, EC4Y, EC1N

North Fringe – N1

Southbank – SE1

West End – W1, SW1, NW1, W2

West Fringe – SW7, SW3

Key findings

How central London's office markets have evolved over the past decade

The rise (and fall) of sectors

Internet related services have seen a **four-fold increase** in their share of office space



Corporate occupiers' share of space **increases by 13%**



Government's share of space across central London falls by **29%**



Locations

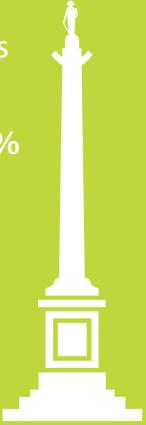
Space occupied by legal firms south of the river is up **5x**



The Southbank, North Fringe and Docklands' share of occupied floorspace **increases by average of 9%**

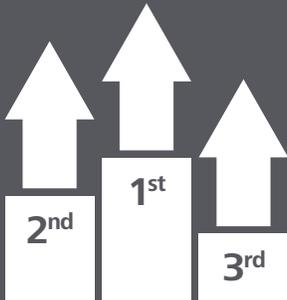


The West End sees its share of occupation **drop by 4%**



Market characteristics

Top 3 sectors' share of floorspace up by **5%**



Serviced office space has **doubled** in the City market



Education's floorspace is up by **204%**



The Deloitte voice

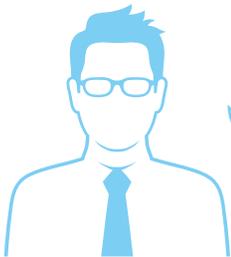


"Deloitte predicts a minimum net growth in London employment of 300,000 by 2020, of which at least 100,000 will be in high-skill sectors."

London Futures – Globaltown: Winning London's critical battle for talent (Deloitte, 2013)

"When vying for top talent, workplace flexibility can be a deciding factor; one in three workers report their being able to flexibly integrate work and life is the most important factor in choosing a job."

Human Capital Trends (Deloitte, 2013)



"56% of generation Y believe mobile working improves their productivity."

Upwardly Mobile Survey (Deloitte, 2013)

"A creative and dynamic work environment' is one of the most attractive attributes of a company for banking-oriented students, but it is not an attribute that banking-oriented students associate with a career in banking (less than 40% do so). This is an area where software companies excel, and perhaps partly explains the relative rise in the popularity of software and computer services against banks in the past five years."

Talent in Banking Survey (Deloitte, 2013)



"Companies need to redefine themselves as platforms for talent development, creating environments where talent can develop and learn more rapidly than anywhere else."

Work Environment Redesign (Deloitte University Press, 2013)

"Through our research of more than 75 companies varying in size, maturity, and industry, we have concluded that redesigning the work environment will be key to achieving sustainable business performance improvement in the future."

Work Environment Redesign (Deloitte University Press, 2013)



Introduction

Any long-term analysis of central London's office markets shows they are constantly evolving. Over time, new office locations gain popularity, business sectors fluctuate in size and prosperity, and the design of buildings they occupy moves with fashion and needs. These changes are easy to spot when looking back many years, but harder to recognise in the moment.

Deloitte Real Estate has undertaken a comprehensive study of office occupation in central London over a ten year period from 2004 to 2014. Creating a database of over 18,000 records of businesses, and the office space they utilise, has enabled us to show how the market has changed, both at a macro and micro level.

Our analysis shows that it has been anything but static. Even amongst the broadest categories of business there have been some notable switches in the types dominating London's main office markets. The first aim of this report is therefore to demonstrate the fluidity and capacity for change that characterises the central London office market.

Understanding how and why the market is evolving is vital, whether for developers looking to build the most desirable product, for investors gauging tenant demand, or for businesses seeking to provide attractive working environments for their staff.

Some changes only become apparent when analysing data in more detail. For example the volume of serviced office space in the City market has doubled over the past 10 years, while the office space taken by educational institutions across central London has risen by 204%. So-called 'hub-effects' have seen sectors such as TMT and insurance forming clusters, but detailed analysis also shows that with virtually no exceptions London's office submarkets have, in fact, become home to a significantly more diverse range of businesses.

The report's second purpose is to use the findings from our analysis, which show how London is changing today, to outline what we believe will drive future changes in London's office market.

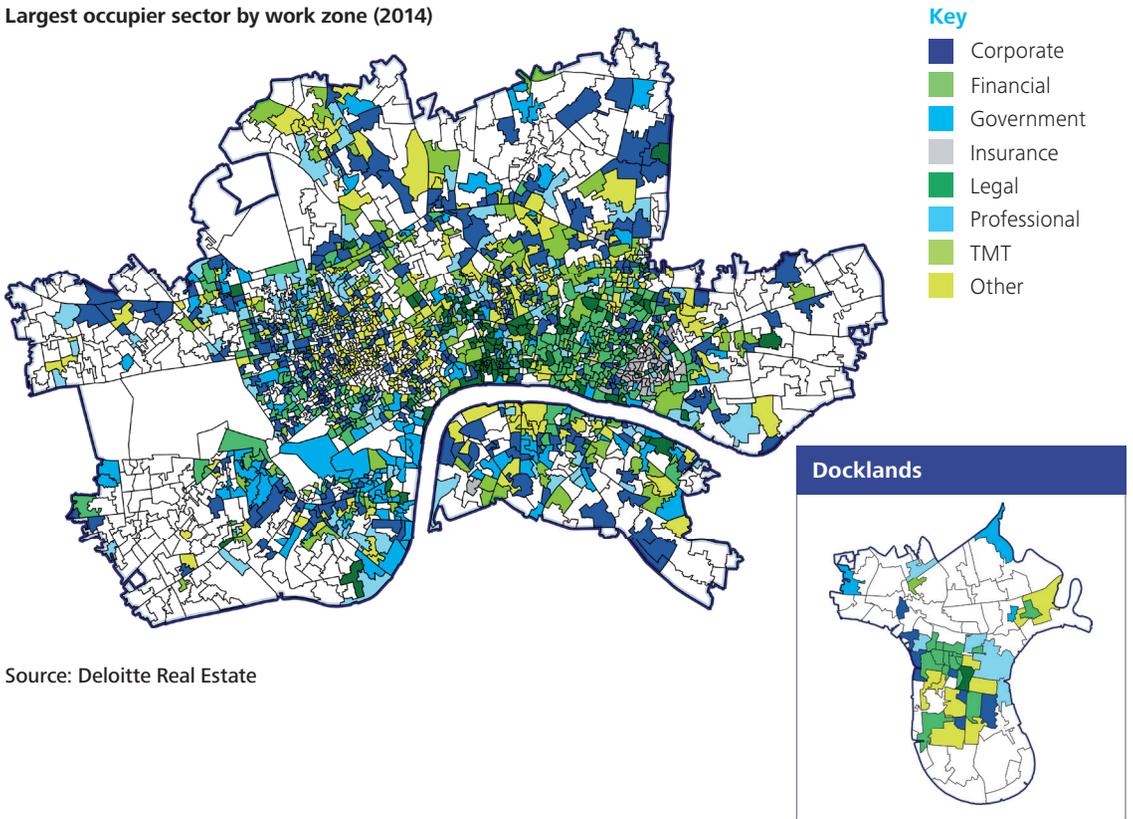
Finally, we recognise that trends in certain business sectors warrant more detailed coverage. Subsequent reports in this series will be devoted to analysis of individual business sectors, drawing on industry expertise from across Deloitte to determine the ultimate impact on London's office market.

The evolving market characteristics

We have conducted an in-depth analysis of the type and location of businesses present in central London, and how this has changed over the past decade. Our dataset (created in partnership with EGi¹) consists of over 18,000 individual records of businesses and the characteristics of the office space that they occupied at three points in time: 2004, 2009, and 2014.

Our research only included businesses using more than 5,000 sq ft of space, allowing us to focus on those with a significant foothold in the capital. We cover the main office markets of central London: the West End, the City, Docklands, Midtown, Southbank, and the East, West and North fringes. Analysing this data allows us to identify a number of significant trends and themes:

Largest occupier sector by work zone (2014)



Source: Deloitte Real Estate

Largest 5 occupier sectors by share of market (2014) (Movement over 10 years)								
	City	Docklands	East Fringe	Midtown	North Fringe	Southbank	West End	West Fringe
1	Financial [Ⓜ]	Financial [Ⓜ]	Legal [⬆]	TMT [Ⓜ]	Corporate [⬆]	Corporate [Ⓜ]	Government [Ⓜ]	Corporate [⬆]
2	Legal [Ⓜ]	TMT [Ⓜ]	Financial [⬆]	Legal [Ⓜ]	TMT [⬆]	TMT [⬆]	Corporate [Ⓜ]	Financial [⬆]
3	Insurance [Ⓜ]	Professional [⬆]	TMT [⬆]	Corporate [Ⓜ]	Other [⬆]	Government [⬆]	TMT [Ⓜ]	Other [⬆]
4	TMT [Ⓜ]	Corporate [Ⓜ]	Corporate [Ⓜ]	Professional [⬆]	Government [⬆]	Professional [Ⓜ]	Financial [⬆]	TMT [⬆]
5	Corporate [Ⓜ]	Legal [⬆]	Other [⬆]	Other [⬆]	Professional [⬆]	Financial [Ⓜ]	Professional [⬆]	Professional [⬆]

Key: [⬆] Increase share [⬆] Decrease share [Ⓜ] No movement

Businesses are on the move

Our data shows that the past decade has seen business sectors migrate between London's office submarkets. This is most noticeable when analysing sectors at a detailed level, rather than broad business groupings: one example is the movement of foreign banks from the City postcode EC2 towards EC4 and Docklands. Accounting firms have also shifted eastwards over time into Midtown and Docklands, whilst legal firms have significantly increased their presence on the Southbank.

However, as the table highlights, it is not necessary to delve very deeply into the data to identify change – in many submarkets, the past ten years have brought a re-ranking of the dominant sectors, even at the broadest categorisation of business.

Fringe markets are rapidly gaining popularity

The continued dominance of the traditional central London office markets is facing a challenge from emerging peripheral office locations.

Analysis of our 2004 data shows that the City accounted for the greatest volume of office space occupied, representing 32% of the total and dominated by the financial, insurance and legal sectors. The City's nearest rival was the West End, accounting for 29% of space, but more heavily weighted towards corporate and government. Ten years ago these traditional markets were considered the primary choices for many occupiers. The Midtown office market, while the third largest in size, was still largely seen as an overspill market. Other markets that were on the fringes were still in their relative infancy. Leaping forward to 2014, what changes have we seen?

At first glance, our analysis suggests that little has changed. The City has strengthened its position, now accounting for 34%, with the West End dropping back fractionally to 28% of office space occupied.

Yet the fringe markets have also begun to solidify their positions as credible alternatives to the City and West End. In particular, our data shows that locations in and around N1, Docklands and Southbank have all grown their occupier base significantly since 2004. In ten years King's Cross has moved from a destination with very limited amounts of high quality office stock to one that can now offer prospective tenants some of the best office space in central London. The continued development in these markets will do much to satisfy future space requirements and attract new firms.

The fringe markets have begun to solidify their positions as credible alternatives to the City and West End.

Office markets are becoming more diverse

Our data shows that a diversification of the sector makeup of submarkets has been a key trend over the past decade. The Docklands can be held as an example of this – while still predominantly financially led, since 2004 other sectors have increased their presence. Corporate, government (public bodies) and education establishments have relocated to the Canary Wharf estate, partly enticed by lower rental levels, but also attracted by the growth of the business community, prospects of further improvements to transport links, and greater investment in the retail and residential offering.

Across Central London TMT businesses in particular have been responsible for some of this diversification, especially in submarkets such as Midtown where the share of TMT occupiers has risen by 11% over 10 years.

The way businesses use space is evolving

The volume of serviced office space has increased by 67% over the past ten years, and in the City market, it has doubled. We believe that this demonstrates a significant change in the way some businesses (and their staff) are seeking to use space, and is one facet of a general trend towards more agile workplaces. Serviced offices provide businesses with a greater degree of flexibility over the amount and type of space taken and the length of lease.

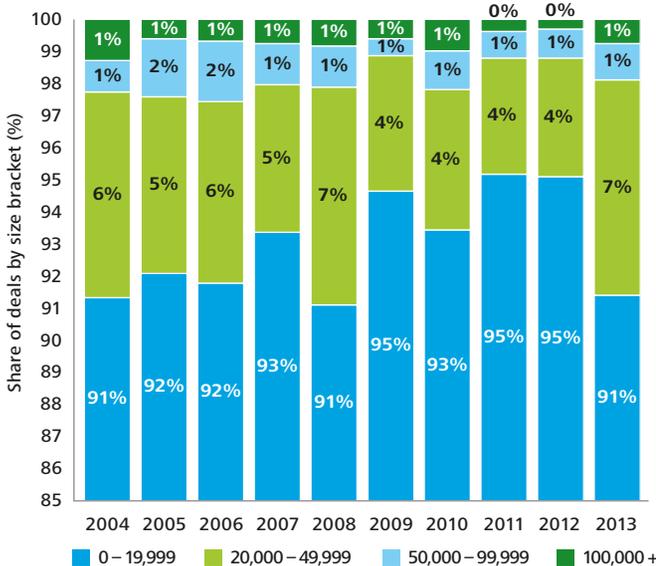
Results from our Winter 2014 London Office Crane Survey show that 42,000 sq ft has been let to serviced office providers across two recently completed buildings, in the City and King’s Cross. The first such lettings since 2011, highlighting the renewed interest for this type of space.

Smaller spaces have maintained leasing activity, but the tide is turning

While the number of businesses taking space post-downturn remained relatively healthy, the amount of space transacted fell. Smaller (sub 20,000 sq ft) office deals have always dominated transaction volumes and have consistently contributed circa 90% of total space taken. Yet in 2013, there was a marked rise in deals in the mid-to-large sized spaces: 68% more deals above 20,000 sq ft were transacted than in 2012. Deals in the 20,000-49,000 sq ft range rose by 75% and the number of 100,000+ sq ft deals by 120%.

Already this year (Q1-Q3) we have recorded the same number of 100,000+ sq ft deals as we did for the whole of 2013. This has been as a result of an increase in pre and early letting activity of new developments, which is likely to continue in 2015.

Figure 1. Share of leasing deals by size bracket (2004–2013)



The business sector footprint

Our database allows us to analyse the individual sectors that make up central London's office occupier community today and observe how their presence has evolved since 2004.

To aid this sector-level analysis we have also interrogated our in-house transactions database, which monitors office leasing deals. This helps to describe the market activity that has taken place and show how we have arrived at today's occupier profile.

Since 2004 over 110 million sq ft of office space has been leased. However, the market has been turbulent: a short boom in 2006 was followed by a long economic storm which saw leasing transaction levels reach their lowest in over 20 years. Our data shows that many sectors held back from making property decisions during this time, but that others found it an opportunity to take space in new locations.

More recently, there has been a resurgence of occupier interest. 2013 saw the largest level of transactions in seven years at 12.7 million sq ft. This is likely to be surpassed at the end of 2014 with volumes for the first three quarters up 7% to 9.9 million sq ft on the same period in 2013.

The financial sector maintains its hold despite the crisis

The financial sector is the largest occupier of office space in central London, accounting for 27% of the total – the same as in 2004. However, this disguises a rising share during 2004 to 2009 and a subsequent fall from 2009 to 2014. The economic downturn and change in space use filtered through to property decisions, with some financial sector companies taking a reduced volume of office space or closing satellite offices around London.

The financial sector's share of leasing activity in 2013 had fallen by 33% since 2004, however data for the first half of 2014 shows that activity is returning with foreign banks especially taking significant tranches of space.

Figure 2. Central London annual office take-up volume (m sq ft)



TMT businesses are driving an eastern expansion

The TMT sector represents 16% of the total share of office space, an increase of 8% in ten years. Whilst this sector has had a long presence in London in the form of telecom firms and large media and advertising companies, the rise in space taken by the sector in the past five years has been led by a surge in technology firms. Our research shows that the share of space leased to technology businesses in 2013 at 6% was more than double that seen in 2004.

The expansive spread of TMT occupiers means that the sector now features prominently in most submarkets. Often associated with the 'hub effect', various locations across London have now become synonymous with specific elements of the TMT sector, with a noticeable move to the east over the past 10 years.

Tech City located in Shoreditch, East London is one of best known hub locations for the digital sector and is now home to some of the most innovative firms in the market. The appeal of Tech City does not lie just with budding young entrepreneurs but also established companies seeking to locate close to pockets of specialised talent. Our research shows that this sector is not just focused on a few hub locations but is becoming more prevalent in the traditional markets such as the City. Here the share of total floorspace occupied by technology companies has risen by 76% since 2004.

With government and industry support, areas such as Tech city in Shoreditch and Here East in Stratford are likely to continue to benefit from a strengthening of the technology sector in London.

As the sector matures TMT businesses are likely to be even more footloose and the direction will not always be eastwards. Ultimately in many cases, there is little history to tie them to one area, and they may move to facilitate expansion or to be closer to clients.

Corporates are increasing their presence in London

Whilst the rise of technology firms has been highly publicised, there has been a quiet influx of corporate occupiers across London, and the sector now features in the top five in all central London office submarkets.

This category covers a broad mix of businesses ranging from retailers to construction companies to oil and gas firms. Since 2004 it has recorded a 13% increase in the share of office space occupied. Whilst the majority of the uplift in occupation was between 2004 and 2009, subsequent growth in the past five years puts the sector in third place up from fourth in 2004. Boosted by London's access to global markets and a supportive business environment, an increasing number of both domestic and global corporates have made London their home.

The confidence of corporate occupiers taking office space in central London has continued to improve over the past five years with average take-up levels now at pre-recession volumes, exceeding 1 million sq ft per annum in 2013.

Retailers, which are included in the corporate sector category, have increased their share of space by 19% across the research period, and now account for 3.1% of office space in central London. Their share has, in part, been boosted by the opening of specific digital offices in and around technology clusters. Retailers are just one of a number of business sectors that have opened offices in such locations to help them access the talent necessary for new, technology-focused aspects of their business.

The government downsizes

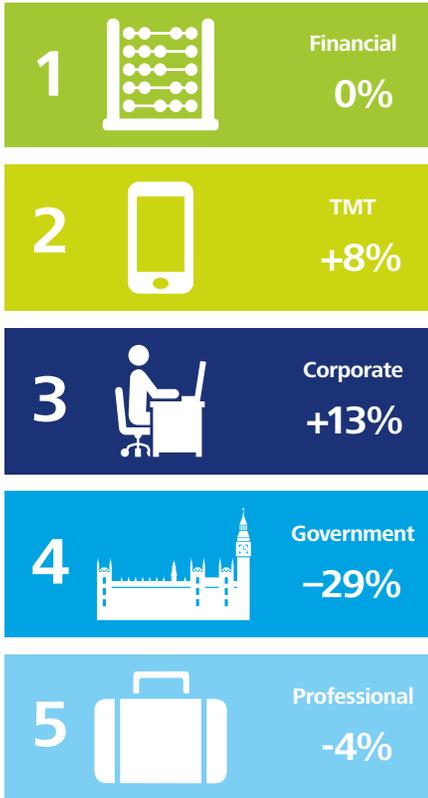
The government sector has seen a sharp decline in the amount of office space it utilises over the past decade. Government occupiers, which comprise national, local, and foreign governments as well as other public services, have recorded a 29% reduction in occupied floorspace since 2004. The largest fall was in the Midtown submarket, where significant occupiers such as the Defence Estates, the Land Registry and a number of government departments have vacated space.

The reduction in space comes as the UK government and local authorities are trying to create a more efficient real estate strategy. The creation of the Government Property Unit in 2010 to coordinate property savings will have driven some of this reduction and a further decrease in space is expected as more savings are identified. As Deloitte's recent State of the State research highlights, the goal of deficit reduction will remain a difficult challenge in the coming five years.²

Despite this, there are still clear pockets of significant government office occupation, notably in Victoria where UK government departments and associated bodies still dominate. Whilst this is likely to continue in the short-to-medium term, any release of space in this part of London will open up opportunities for other sectors, thus increasing diversification.

² The State of the State, Deloitte LLP, 2014

Figure 3. Largest 5 occupier sectors by share of space, 2014 (10yr change %)



Professional firms rationalise space

Professional services including accountants, surveyors and architects, amongst others, has seen a decrease of its share of floorspace over 10 years of 4%. During the early part of the period it grew strongly, but the last five years have seen a distinct decline. In part, this can be attributed to a rationalisation process among large businesses: staff on multiple sites across central London, often the result of mergers and acquisitions, have been brought together with a net space saving. This group is also one of the leading proponents of flexible working.

A diverse range of businesses gain a foothold

In addition to the top five occupier sectors, our analysis also tracks three further broad categories: insurance, legal and 'other'. The 'other' sector comprises occupiers from a number of areas such as education, health, leisure and charities. These three sectors have all seen their share of occupied floorspace increase, yet it is the firms in the 'other' sector that have returned the largest uplift of share among all the business sectors, rising by 37% over the past 10 years.

The increase has been led by growth in education establishments, which saw a 204% rise in office space over the last 10 years. Our analysis has shown that while the education sector's share of office space in central London remains relatively low in absolute terms (3.1 million sq ft – compared with 40 million sq ft occupied by the financial sector, for example) there has been significant growth over the past ten years, and the sector now accounts for 2.1% of the total office space occupied. In particular, universities and colleges have shown healthy growth since 2004, as a number of new occupiers – both domestic and international – have taken space. Having a base in London is seen as enabling universities to attract a higher number of foreign students as well as forge closer links with businesses.

Charities are another major tenant type in the 'other' category, accounting for a quarter of the floorspace. In contrast to the education sector, charities have seen more modest growth, up 16% since 2004. But, with some of the most well-known charities and charitable foundations in the UK, this sector has become an important occupier in London.

Over the past decade, businesses in London have changed the amount, type, quality and location of the office space that they require: their demands today are noticeably different to those of ten years ago. What will drive the changes over the next ten years?

Drivers of future change

Our research shows that many of the changes often associated with future office market trends have in fact already started to take place. Over the past decade, businesses in central London have changed the amount, type, quality and location of the office space that they require: their demands today are noticeably different to those of ten years ago.

Nevertheless, given our position in the economic cycle, the impact of disruptive technologies still yet to be implemented, and the shifting balance of power between employer and employee, it is clear that a further evolution of the market is inevitable.

What then are the factors that are likely to shape the central London office market over the next decade? We have highlighted a number of the most universal drivers, but we also recognise that some industries will have their own specific reasons for undergoing change – these will be covered in more detail in subsequent reports.



Infrastructure improvements will elevate the attractiveness of non-core office locations

Crossrail is due to open in 2018. It will increase London's potential labour force by reducing travel times to reasonable levels for thousands more potential commuters living outside the capital.

Crossrail will also cut travel times across numerous routes within London, and significantly raise the connectivity of many of the stations being upgraded along its lines. These factors mean that the dominance of traditional core office markets will be challenged by some of the newly well-connected areas surrounding Crossrail stations.

For businesses, the improved connectivity between London submarkets will serve to increase the number of potentially suitable office locations, and will be just one of many reasons why the traditional constraints of local geographies are becoming gradually less important.

The extent to which this really does increase options for businesses will in practice partly depend on the availability of suitable stock – not all of the stations benefitting most from Crossrail are in areas in which there is currently an abundance of good quality offices. However, as our recent Crane Surveys have shown, developers are starting to address this issue. Areas such as that surrounding Farringdon station, which will benefit significantly from Crossrail, are a good example of locations in which new office supply is starting to emerge in anticipation of the 2018 completion date.

Many of the areas reaping the rewards of investment in Crossrail will still be within the traditional confines of central London, but others will be further away. Stratford, for example, will emerge as one of the best-connected parts of London, and it would be surprising if this did not interest some businesses normally associated with more traditional office locations in central London.

“Crossrail is the catalyst for transforming areas to become a great place to live and work.”

Jeremy Castle, Director, Central London Planning, Deloitte Real Estate





Business diversity will continue to increase...

Our research has shown that, despite the media coverage given to the growth of technology clusters, for example, the diversity of business types within central London office submarkets has been on the rise.

We believe that this is a trend that will continue: in the short term, the cyclical rise in rents currently underway may prompt some businesses to relocate to cheaper space outside their traditional industry location. In the long term structural factors such as improving technology and transport infrastructure will slowly reduce the requirement to work in particular submarkets.

The pace of change is likely to be relatively slow, particularly for those businesses in which face-to-face meetings are still considered essential. However, even if core elements of these business models do not evolve rapidly, there is still likely to be scope to outsource some staff to cheaper locations, keeping only a small number of employees in the traditional market area, and thus freeing up space to be taken by other business types.

...boosted by a further shift in the sectors driving demand for space

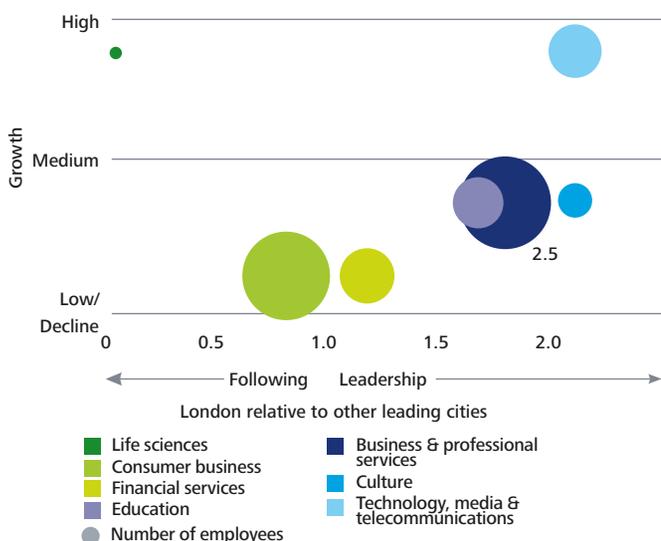
Previous Deloitte research has predicted that London will grow by a minimum of 300,000 jobs by 2020, but that the prospect for jobs growth varies significantly between sectors. The TMT and life sciences sectors have the strongest potential for employment growth over this period, although they will remain relatively small as a share of total London employment. Business and professional services, financial services, and insurance are expected to continue to account for a much larger share of employment, but have weaker growth prospects.³

The implication of this shift in the sectors driving growth is that future demand for office space will come from a more diverse range of businesses. Many of these businesses could have requirements for office space that is somewhat different to that currently available, which is often designed with large financial or business services organisations in mind.

“Prospects for growth and jobs vary between sectors. With differing growth rates set we predict further rebalancing of demand and supply between the knowledge based sectors.”
Angus Knowles-Cutler, London Senior Partner



Figure 4. Growth prospects by sector and London’s global position



Source: London Futures, Deloitte LLP, 2013

³ London Futures, Globaltown, Winning London’s crucial battle for talent, Deloitte LLP, 2013



The use of office space will continue to evolve

The analysis that we have conducted has shown that in many cases, the recession caused

businesses to rethink the volume of office space that they require, with the average size of deals falling during the initial stages of the recovery. This is backed up by data from our recent Crane Surveys, which suggests that consolidation of office space is one of the main reasons businesses give for taking space in new buildings.

In our view, the move towards smaller – yet often higher quality – offices is one that is likely to continue, and not just as a result of economic considerations. Workplace digitisation is freeing up space, both via the reduction in the number of fixed desks necessary for a given number of employees, and also through solutions such as cloud storage, which can reduce the amount of onsite technology space required.

Of course, such benefits have been discussed for many years, and there has been disappointment at the apparent lack of progress. Yet we are now at the stage where those entering the workforce may never use a desktop computer or landline telephone, and are likely to be used to working from mobile devices in a variety of settings outside the office. Such employees will be more likely to accept hot-desking arrangements in which desks are only provided for a percentage of staff, on the assumption that some will be working off-site, or certainly away from a fixed workstation, on any given day. Consequently, we also believe that the volume of serviced office space in London is likely to continue to rise, as it fits the demands of businesses that need a small amount of ‘touch-down’ space in central London.

So workplace digitisation is likely to reduce the number of fixed desks required, but by way of compensation, more attention will need to be paid to the provision of communal spaces for collaboration. This is something that, either formally or informally, many of the TMT businesses taking space in north east London have sought or created.

The types of space required will not only have implications for space design in new buildings and refurbishments but will challenge the traditional type of office fit-out.

“Forward-thinking employers are already beginning to make better and more imaginative use of their premises, to fit with the working practices – and expectations – of their employees.”
Martin Laws, Lead Partner, Occupier Consulting, Deloitte Real Estate



The office will play an increasingly important role in the battle for talent

Businesses are attracted to London for its deep pool of skilled labour, and employees are attracted to London for the breadth of its career opportunities – a virtuous circle that draws both to the capital.

London already leads the world’s greatest cities in 12 of the 22 high-value, high-skill industry sectors such as financial, TMT, professional services and education.⁴

However, as the recovery continues and unemployment falls, hiring new staff will become a greater challenge, particularly for those seeking the very best candidates.

⁴ London Futures, Globaltown, Winning London’s crucial battle for talent, Deloitte LLP, 2013

Businesses recognise that when competing for staff of this calibre they will often be judged on far more than the financial rewards available, with factors such as the location and quality of the workplace also being important considerations. In our Talent in Banking⁵ survey, we found that a creative and dynamic work environment is one of the most attractive attributes of a company for banking-oriented students, but it is not an attribute that banking-oriented students associate with a career in banking (less than 40% do so). This is an area where software companies excel, and perhaps partly explains the relative rise in the popularity of software and computer services against banks in the past five years.

Ultimately, the cost to businesses of compensating for poorer quality offices through higher salaries may outweigh the cost of upgrading to better space.

“The insurance sector is embracing digital technology and is trying to use external symbols such as office layout and décor as tools for instigating cultural change.”
Margaret Doyle, Partner, Head of Financial Services Research



Technology to boost all sectors

The ability to harness technology for businesses now affects all sectors.

Whilst the rise of tech firms in London is well documented, the rise of tech departments within large companies is not. One way to capitalise on the growing technology industry in London, is for these divisions to be immersed into the clusters. Deloitte is one example of a firm that has set up its digital division (Deloitte Digital) in a satellite site amongst other technology firms. Other examples from legal firms, and retailers have shown that it is not just the small start-ups that can benefit from growing tech hubs, and that some of the largest companies in the UK are tapping into this knowledge base.

Yet the dynamism of the sector in London is largely sustained by start-ups, and these firms will remain critical to its success and continued growth. Whilst some companies have grown up and expanded, there is always a fledgling waiting in the wings: Deloitte’s annual research of the fastest growing technology firms in the UK (UK Fast 50 2013)⁶ showed two-thirds are now based in London and the South East, a finding that reflects the growth of TMT firms highlighted in this report.

“The driver of growth for the technology sector is the clustering effect and in particular the opportunities that this gives for staff mobility and development.”
David Halstead, Lead Partner, UK Fast 50



⁵ Talent in Banking, Deloitte LLP, 2013

⁶ UK Technology Fast 50, Deloitte LLP, 2013



New areas, new tenants

The development of new office buildings often provides a catalyst for the regeneration of a wider

area, which in turn can serve to attract new tenants. In using data from the Deloitte Real Estate London Office Crane Survey,⁷ we are able to look at where businesses are taking new space.

Movement to new premises is of course dictated by the location of development schemes, much of which have been concentrated in the core markets over the past decade. Nevertheless, recent Crane Surveys have highlighted the popularity among occupiers of submarkets such as Midtown, Southbank and King's Cross where significant tracts of new office space have been developed. Crane Survey data shows that around half of the new space taken in these locations is by incoming businesses such as those moving from the West End, or from outside London.

Development activity has slowed since the economic downturn, with low levels of construction reducing the amount of new office space available to lease. Yet demand for space is on the rise, and so at present, much of the space being developed has been let prior to completion. Consequently, some businesses have been forced to seek space outside their preferred submarket. Should this continue, property requirements are likely to be increasingly fulfilled in non-core submarkets within central London, as well as potentially further afield in locations such as Stratford, as transport infrastructure improves.

Recent Crane Surveys have highlighted the popularity among occupiers of submarkets such as Midtown, Southbank and King's Cross where significant tracts of new office space have been developed.

The City

Take-up

10-yr avg annual take-up	4.3 m sq ft
10-yr avg annual grade-A take up	2.0 m sq ft

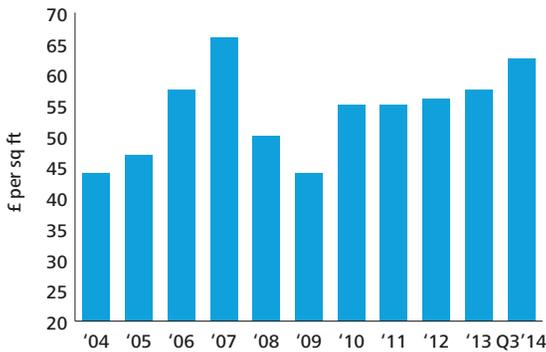
Availability

% Grade A available – Q3 2014	33%
% Grade A available – highest 2009	45%
% Grade A available – lowest 2008	8%

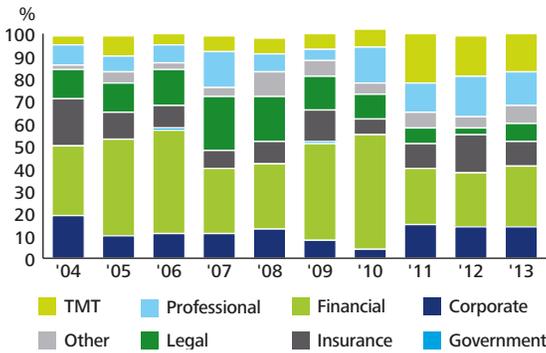
Rents

Prime rent (Q3 2014)	£62.50 psf
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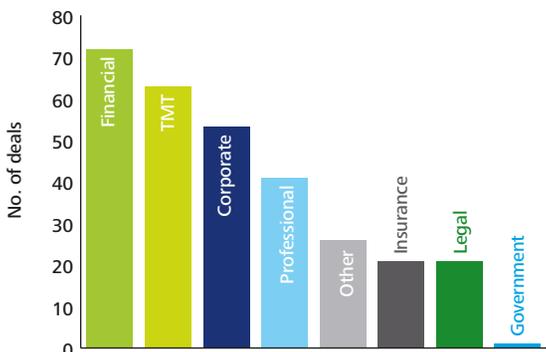
Prime rents



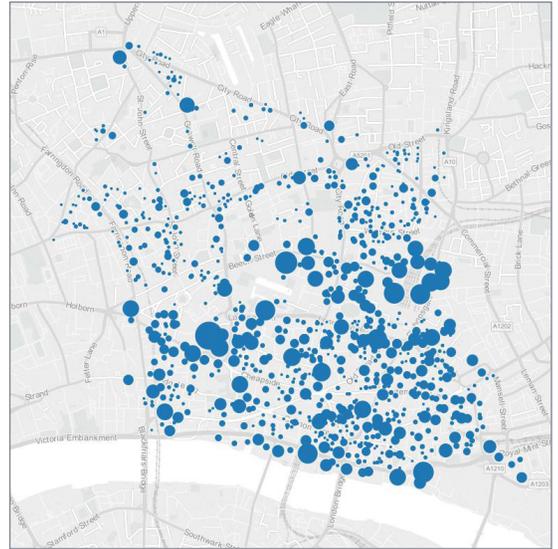
Share of take-up by occupier sector



10 yr average annual no. of leasing deals by occupier sector



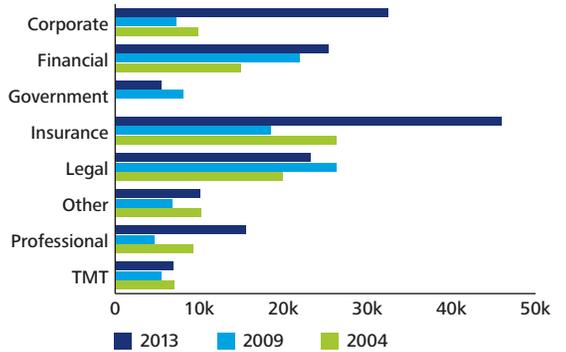
Occupier location (relative size)



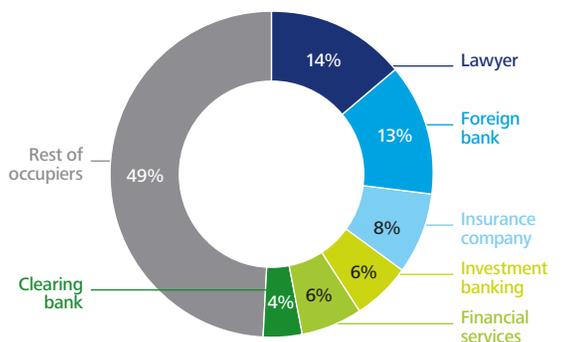
Top 5 major occupier sectors (ranked in order of size)

1. Financial 41%
2. Legal 14%
3. Insurance 12%
4. TMT 11%
5. Corporate 10%

Average space transacted by occupier sector



Detailed occupier sector (2014)



West End

Take-up

10-yr avg annual take-up	3.0 m sq ft
10-yr avg annual grade-A take up	1.0 m sq ft

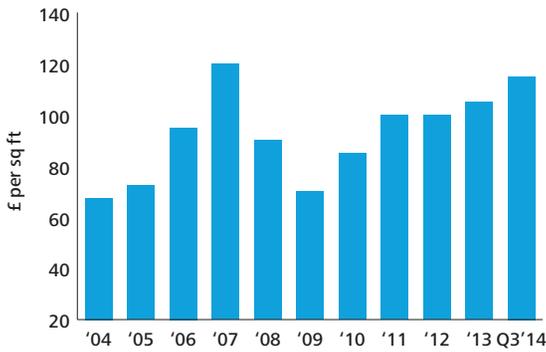
Availability

% Grade A available – Q3 2014	28%
% Grade A available – highest 2009	29%
% Grade A available – lowest 2008	8%

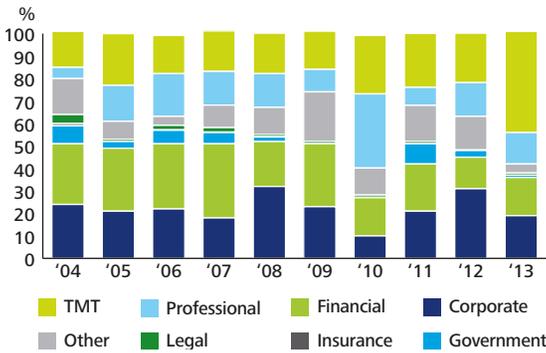
Rents

Prime rent (Q3 2014)	£115.00 psf
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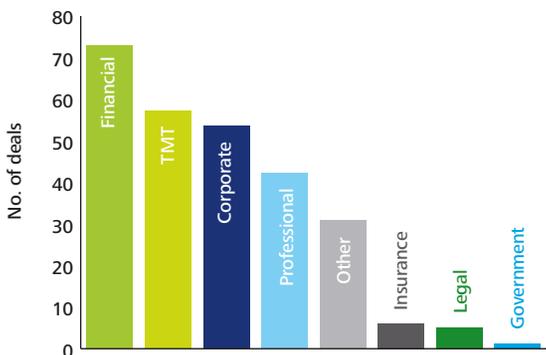
Prime rents



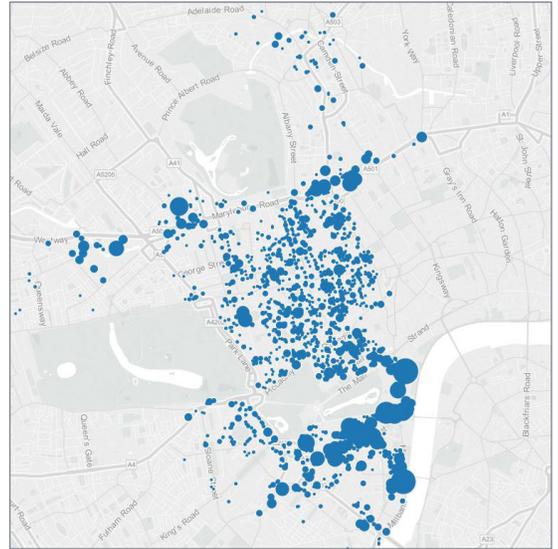
Share of take-up by occupier sector



10 yr average annual no. of leasing deals by occupier sector



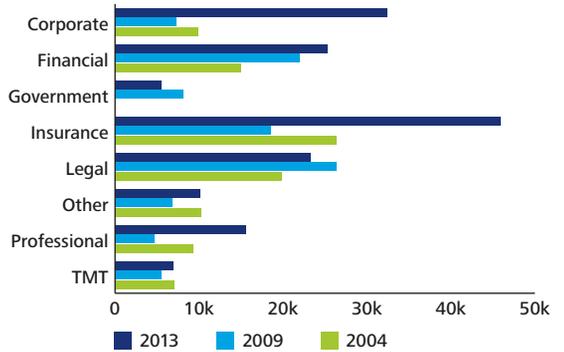
Occupier location (relative size)



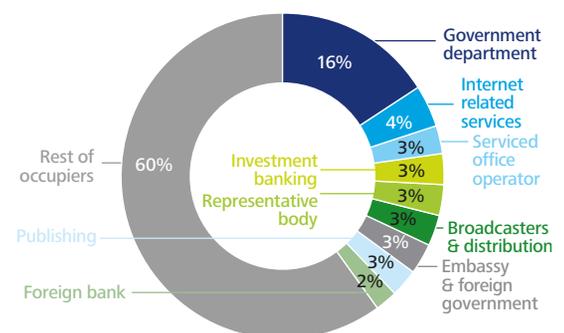
Top 5 major occupier sectors (ranked in order of size)

1. Government 25%
2. Corporate 23%
3. TMT 19%
4. Financial 14%
5. Professional 10%

Average space transacted by occupier sector



Detailed occupier sector (2014)



Docklands

Take-up

10-yr avg annual take-up	1.03 m sq ft
10-yr avg annual grade-A take up	0.59 m sq ft

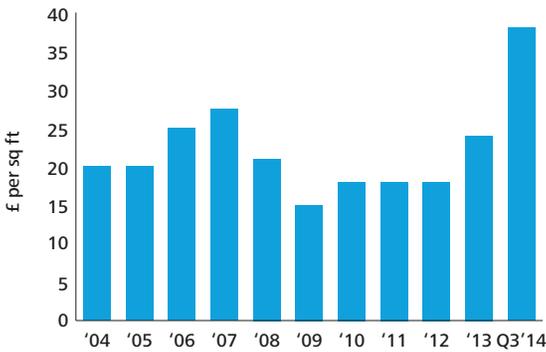
Availability

% Grade A available – Q3 2014	22%
% Grade A available – highest 2009	58%
% Grade A available – lowest 2008	1%

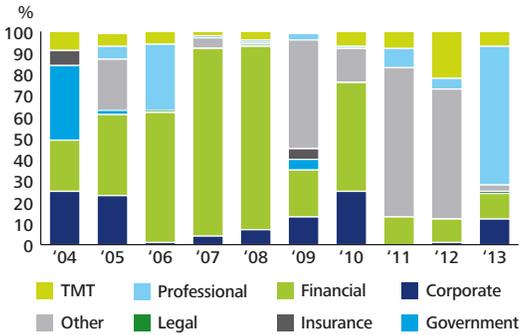
Rents

Prime rent (Q3 2014)	£38.00 psf
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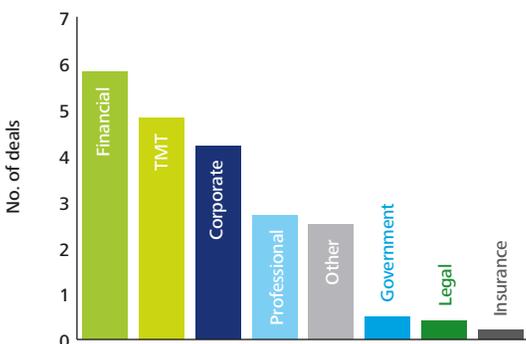
Prime rents



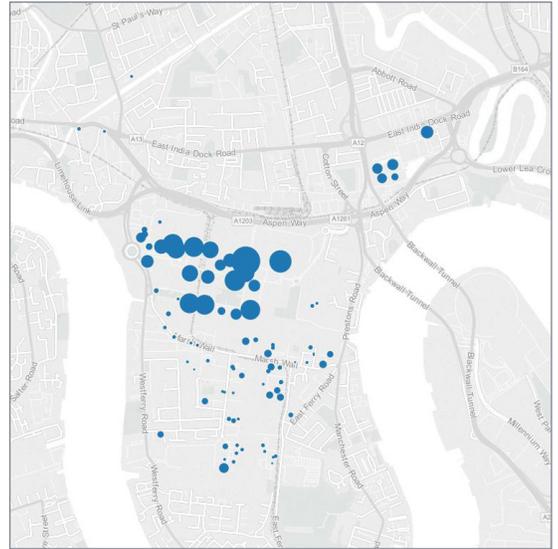
Share of take-up by occupier sector



10 yr average annual no. of leasing deals by occupier sector



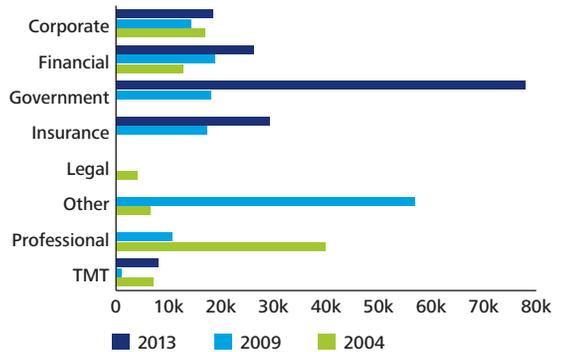
Occupier location (relative size)



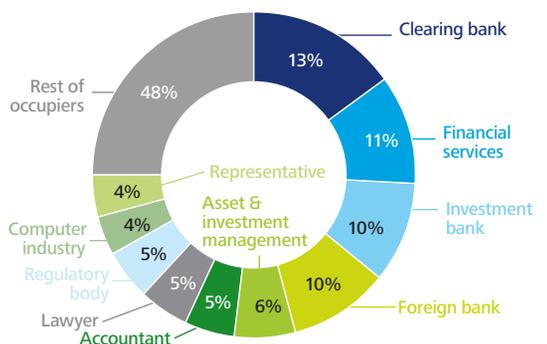
Top 5 major occupier sectors (ranked in order of size)

1. Financial 59%
2. TMT 13%
3. Professional 9%
4. Corporate 9%
5. Legal 5%

Average space transacted by occupier sector



Detailed occupier sector (2014)



Midtown

Take-up

10-yr avg annual take-up	1.33 m sq ft
10-yr avg annual grade-A take up	0.45 m sq ft

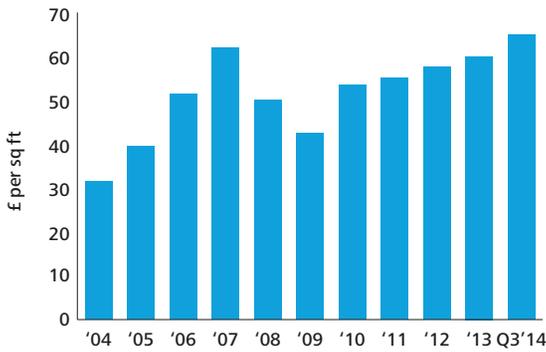
Availability

% Grade A available – Q3 2014	24%
% Grade A available – highest 2009	26%
% Grade A available – lowest 2008	7%

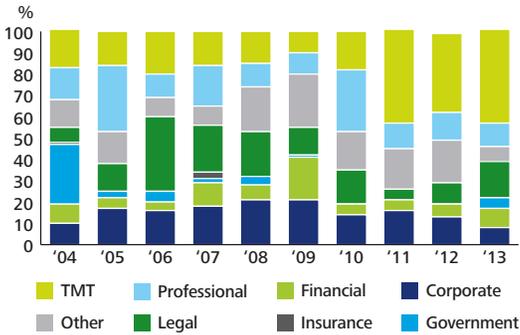
Rents

Prime rent (Q3 2014)	£65.00 psf
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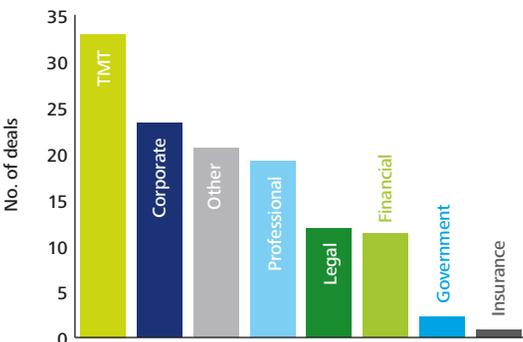
Prime rents



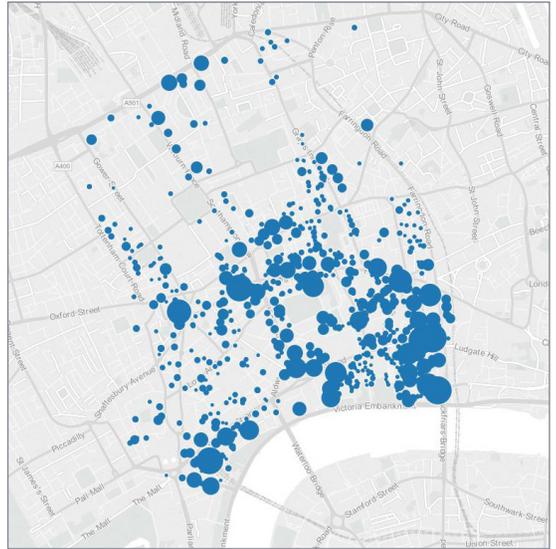
Share of take-up by occupier sector



10 yr average annual no. of leasing deals by occupier sector



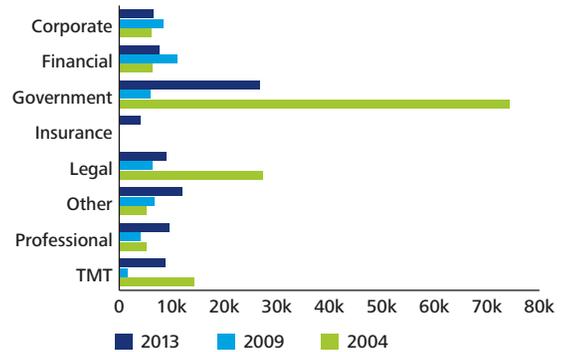
Occupier location (relative size)



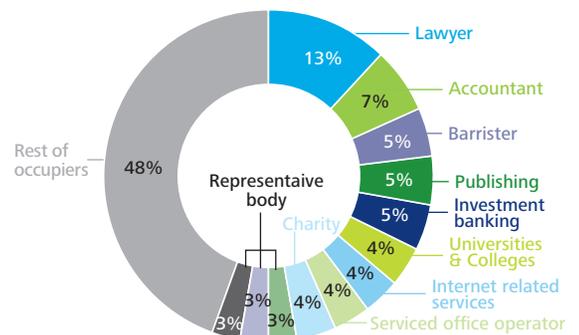
Top 5 major occupier sectors (ranked in order of size)

1. TMT 21%
2. Legal 19%
3. Corporate 15%
4. Professional 14%
5. Other 13%

Average space transacted by occupier sector



Detailed occupier sector (2014)



Southbank

Take-up

10-yr avg annual take-up	0.87 m sq ft
10-yr avg annual grade-A take up	0.44 m sq ft

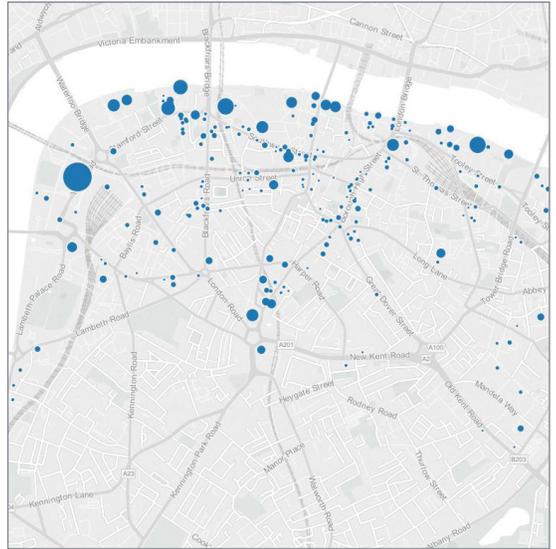
Availability

% Grade A available – Q3 2014	37%
% Grade A available – highest 2009	61%
% Grade A available – lowest 2008	4%

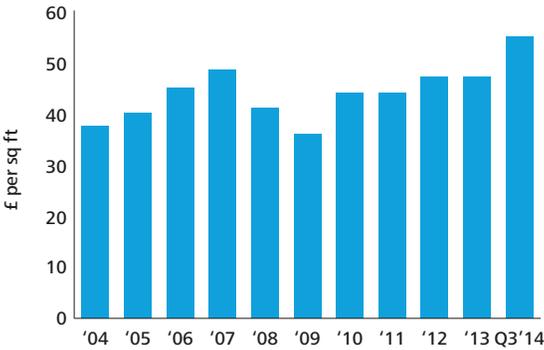
Rents

Prime rent (Q3 2014)	£55.00 psf
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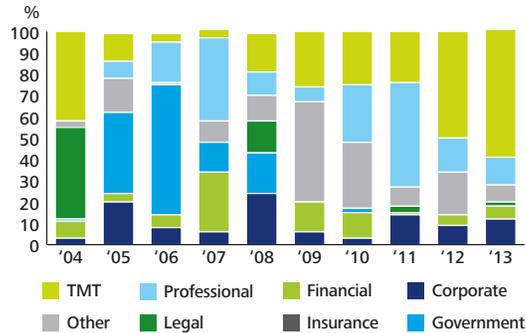
Occupier location (relative size)



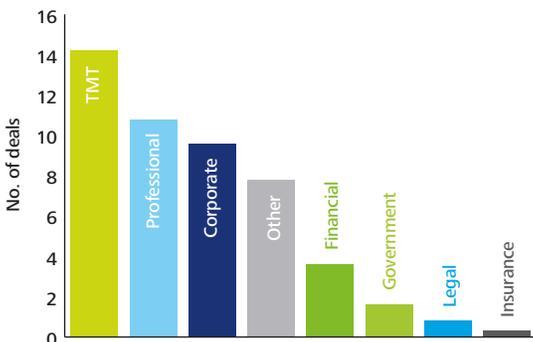
Prime rents



Share of take-up by occupier sector



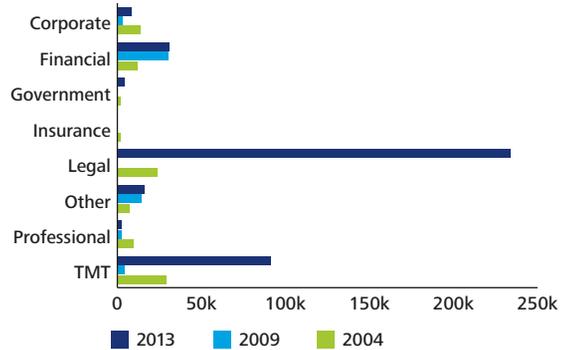
10 yr average annual no. of leasing deals by occupier sector



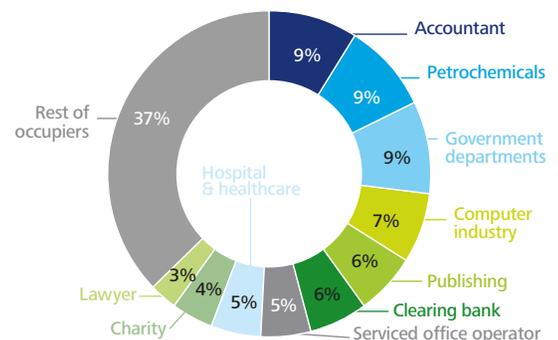
Top 5 major occupier sectors (ranked in order of size)

1. Corporate 22%
2. TMT 21%
3. Government 20%
4. Professional 15%
5. Other 9%

Average space transacted by occupier sector



Detailed occupier sector (2014)



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