FMBusinessDaily

Corporate Occupiers dominate London's flex offices activity

1 year ago

Corporate Occupiers have driven an increase in activity in London's flex market, with new flex space requirements and number of desks transacted up 30% year on year, according to CBRE's latest Flex Market Update.

Around 70% of CBRE's Flex transactions were closed on behalf of Corporate Occupiers (businesses with over 1000 employees) in Q1 2024. Of the number of desks secured through flex transactions during the first quarter, 41% involved Technology, Media and Telecoms (TMT) companies, with data also showing an increase in the Energy & Utilities sector acquiring flex space to facilitate project-based work.

More than two-thirds of desk transactions occurred in The City Fringe and West London markets, accounting for 37% and 32% respectively.

The price per square foot rate for flexible office space also recorded a notable increase, with CBRE's data showing a 10% increase in the rates across Central London for Q1 2024 versus Q1 2023. This has been driven by several factors including inflation, increase in build costs, and an increased demand for best-in-class flex space. CBRE's average pricing recorded across its Q1 transactions was £210 per square foot.

Despite increased occupier activity, Operator take-up was slower than anticipated for Q1, with approximately 100,000 sq ft of flex space take-up recorded. However, CBRE expects take-up to grow substantially throughout 2024 and reach one million sq ft by the end of the year.

Michael Glynn, Head of UK Flex at CBRE said: "The market ended last year in a strong position, and it's been really positive to see this momentum continue well into 2024. As an example, we've secured multiple notable transactions, between 50-750 desks, for corporate occupier clients.

“The largest flex transaction this year has been in the City Fringe, with the tenant listing the flexibility of both the term and the fit-out, and its location being close to the company’s HQ, as the key drivers behind the decision. While Operator take up is behind our original forecast, this is likely to change, and we are expecting increased activity from the Investor community.”

Holly Bailey, Director at CBRE added: “In our report, we’ve studied the drivers behind this increased occupier demand, with the biggest influences remaining flexibility of term, a space that will attract and retain talent, and cost certainty. We’re anticipating that corporate occupiers will continue to acquire more flex space to accommodate project space, while operators and landlords are also providing more comfort to these occupiers around legal terms and security.”