

United Kingdom Flexible Office Space Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 120 pages | Mordor Intelligence

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Report description:

United Kingdom Flexible Office Space Market is expected to grow at a CAGR of approximately 8% during the forecast period (2022-2027).

Like most aspects of work during the COVID-19 crisis, the concept of flexible office space has merely changed. Flexible workspace is still geared toward providing the right environment to employees, but there's more control over how and when they use that space.

Flex offices in regional locations are at a growth stage and will see a wider range of flexible office operators expand in the regions. Demand in central London markets is likely to recover at a slower rate, although the capital will continue to attract international talent in the medium-long term. The recent growth in tenant-controlled supply is unlikely to unsettle the growth of flex offices as companies seek a full-service offering, with the latest evidence in H2 2021 suggesting that tenant supply is beginning to be withdrawn from the market. We anticipate flex offices will reach 10-15% of office demand over the next couple of years in response to the pandemic, and flex offices will reach 20% of total demand in the long term.

UK Flexible Office Space Market Trends

Demand for Larger Spaces driving the market

According to the forecast, the volume of flexible office workspace in the United Kingdom is expected to nearly double between 2019 and 2023, reaching 167 million square feet in 2023. Flexible office space, also referred to as coworking space or shared office space, refers to commercial office space that allows short-term leases to individuals, freelancers, small and medium

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enterprises, and other professionals. In contrast to traditional offices, flexible offices provide equipped and serviced office premises without long-term rent commitment. Between 2015 and 2019, the volume of flexible workspace in the United Kingdom (UK) has increased, reaching 89 million square feet in 2019. As the market is returning post COVID and becoming more and more apparent that 2022 is the year to embrace flex space. With serviced offices filling up and tenants opting out of long-term leases options, they're beginning to return to the city through seeing the benefits to being housed within a flex space.

Increase in demand for flexible office space in London

London office transactions have seen a healthy improvement in activity during 2021 reaching GBP 12.6 billion. While still below 2019 levels, the leap in volumes from 2020 was significant, up by over 30% year-on-year. 61 lots changed hands in Q4 2021 alone with 14 above GBP 100 million at an average lot size of GBP 196 million. Q1 2022 has the potential to be a bumper quarter for activity, with several major lots currently under offer. As per estimation the London-wide total to more than exceed the 10-year quarterly average of GBP 3.9 billion. Also expecting potential for further yield compression off the back of a number of prime assets changing hands in the first half of 2022.

UK Flexible Office Space Market Competitor Analysis

United Kingdom Flexible Office Space Market is fragmented with lot of companies in the industry. The developers are trying to bring new and lower cost products to meet the current demand. Evolving technological advancements such as new proptech solutions are driving the market in terms of increased transactions and better management of the real estate services. Some of the major players in the United Kingdom are IWG, BizSpace, WeWork, Flexspace and Workspace.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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