Office occupiers in 'dramatic' race to offload space across UK and Europe

Society of Industrial and Office Realtors reporting Covid-19-prompted space rationalisation and changing working habits is fuelling rush to reduce footprints

Businessman talking to receptionist at office front desk

By Paul Norman
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Corporate occupiers in major European cities are already preparing to shed excess space in anticipation of the post-Covid-19 working world, according to office specialists from the Society of Industrial & Office Realtors (SIOR), which have reported a surge in enquiries from occupiers seeking advice on sub-letting surplus space.

SIOR members in cities including Dublin, Frankfurt, London, Paris and Warsaw have highlighted the growing trend in response to fast-changing occupier requirements.

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The members report that "price sensitivity, reduced productivity, employee welfare and more agile working practices" are all likely to contribute towards growing levels of office space being returned to the market over the course of the next six to 12 months.

Based on ongoing discussions with occupiers, SIOR members are predicting that immediate back-to-work occupation regimes will see occupational densities at 25%-30% of pre-COVID-19 levels, rising slowly as companies learn to adapt. The resulting impact on productivity and jobs will result in more space being released to the sublease or grey market.

“The reality is that almost all office occupiers are likely to need less space in the medium-term”, says James Mulhall of Murphy Mulhall. “Large corporates including Barclays and WPP have already announced intentions to scale back and the trend is even more acute among SMEs and start-ups”.

According to Michael Pain of Carter Jonas’ London Tenant Representation Team: “Even before the Covid-19 pandemic struck the UK, a process of rationalisation was underway in the serviced office market to redress the issue of over-capacity. Coronavirus is likely to hasten this process which will further add to vacancy levels.”

According to SIOR, this trend poses a number of questions of both landlords and occupiers. It says landlords will be facing decisions over whether to accelerate new letting or lease renewals now, "taking an immediate hit on returns in exchange for certainty of income". Meanwhile it argues some occupiers will be "questioning whether to stay put, or whether to capitalise on current conditions to negotiate advantageous deals".

The body argues that the most innovative landlords will respond with a product that can continue to attract key occupiers, while best in class flexible and co-working operators will do their best to differentiate themselves through a quality of service. Meanwhile, it says occupiers unable or unwilling to pay a premium will be in "pole position to access attractive deals within the greyspace market".

SIOR feels occuipers will become more cost conscious, but will also emerge with a greater sense of responsibility for the workforce.

It also argues the changing dynamic could see more requirements across lower density regional cities and suburban locations as occupiers seek to reduce their exposure to the largest urban centres.

Nick McCalmont-Woods of McCalmont-Woods Real Estate, said: “Although there are undoubtedly plenty of workers who are keen to get back to the normality of the office, the prospect of boarding a crowded bus or train is only going to increase commuters’ anxiety levels for the foreseeable future, unless it is possible to drive, cycle or walk to work.”

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