Q1 2020

THE OCCUPIER

THE LONDON COMMERCIAL
REAL ESTATE MARKET UPDATE

'Signalling a phased return to the workplace'

DeVono cresa
COMMERCIAL PROPERTY CONSULTANTS

WHAT'S INSIDE

SIGNALLING A PHASED RETURN TO THE WORKPLACE

Welcome to *The Occupier*,

First and foremost, I hope you and your families are all safe and well.

Since our last edition we find ourselves in the midst of a crisis unlike any we have known before. The Coronavirus pandemic and the measures taken to contain it have forced the country into an extraordinary lockdown situation.

What started as a health emergency, has developed into a global economic crisis. For thousands of businesses, the lockdown has placed immense pressure on the ability to operate. Especially as millions of people are now working remotely from home. The impact on the economy is already being keenly felt and likely to endure for some time to come.

Social distancing under the current lockdown measures which keep us at home has temporarily made the office a silent part of a business' operation. However, many of the costs to maintain such sites continue, impacting crucial cash-flow at a time when a company's survival is potentially at stake.

Here at DeVono Cresa, we have been supporting businesses by providing pro bono advice and support, representing them in dialogue with their respective office landlords regarding the deferment and / or reduction of their real estate liabilities, with the main purpose to positively impact their cash flow, and prevent many businesses, jobs and livelihoods being lost.

For companies up and down the country, business rates are a significant financial burden. The Chancellor and the UK government have already introduced an unprecedented raft of measures to support businesses and workers across the country including offering a rates holiday to all businesses in the retail, hospitality and leisure sectors.

Yet, these are not the only businesses staring down the barrel of the current crisis. Accordingly, we have been lobbying for the business rates holiday to be extended to all business sectors. To lend your support, the petition is available here to sign.

Grappling with real estate at the same time as trying to run a business can be difficult and time-consuming. As part of our recent work, we have been privy to the most pertinent issues being faced by companies today. As a result, we have set up a dedicated COVID-19 webpage to provide a knowledge library for businesses. This includes a live FAQ document which answers a series of questions regarding leased premises, serviced office and coworking spaces, as well as government support schemes for businesses. Whilst we highlight this document in the report, the full version can be found on our website.

The workplace will be different when we return. This will present opportunities for some and problems for others. In this issue, our senior team reflects on the current situation and the impact that this will have on real estate decisions and how it could affect the way businesses use their property in the future. You may remember our predictions for 2020 in the previous edition of The Occupier. Whilst only a few months old, the impact of COVID-19 has ensured that the year will take a different path. As a result, we have revisited those predictions and offer our opinion on what could happen for the remainder of 2020.

Whether it has been at times of historical recession, the GFC of 2008 or even Brexit, DeVono Cresa has supported firms with independent, conflict-free real estate advice - ensuring we act in the best interest of the tenant. The current pandemic is no different. We will ensure that you have the best team and the best tools in which to make the right decisions for you and your business.

However small or large your query, we are here to support you. We are all in this together.

Best wishes and warm regards,

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THE 'NEW NORMAL'

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CENTRAL LONDON OFFICES

MARKET SNAPSHOT Q1 2020

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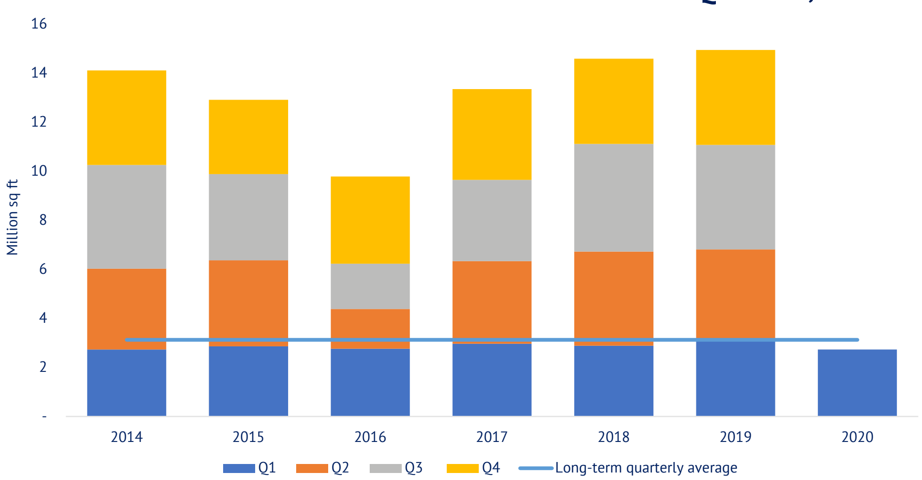
LONDON LEASING MARKET PUT ON ICE

Q1 2020 ended abruptly for the real estate market as the UK entered full pandemic lockdown. Social distancing measures restricted travel, closed workplaces, and for many millions, homes have become the new office. Yet, the timing of the lockdown at the end of March meant for the most part businesses continued to lease space and make real estate decisions, ensuring that activity was as close to a normal level as could be expected.

2.7M SQ FT
LEASED IN Q1 2020 ACROSS CENTRAL LONDON

DeVono Cresa research shows that 2.7 million sq ft was leased across central London in Q1 2020, representing a **drop of 30%** on the level recorded in the previous quarter. Whilst this figure suggests a steep decline, it follows a period of robust leasing. That said, the latest data puts the volume of space transacted shy of the long-term quarterly average of 3.1 million sq ft, but well within the realms of Q1 totals in other years.

CENTRAL LONDON OFFICE MARKET: LEASING ACTIVITY BY QUARTER, 2014-20



Q1 2020 LEASING
13%
BELOW QUARTERLY AVERAGE

LEGAL SECTOR SIGN ON THE DOTTED LINE

The share of leasing by the legal sector in Q1 2020 equated to 16%, up from 5% in Q4 2019, making it the most active sector. Although, the latest data is somewhat weighted by just one deal. Global law firm Linklaters signed a pre-let in February on 310,000 sq ft at the new development, 20 Ropemaker Street. This transaction will see the company occupy the majority of the 27-storey scheme, representing a good example of a where a tenant has secured space at an early stage. So much so, they have announced that they will not occupy the space until 2026, a full three years after the building is scheduled to complete construction.

The number of future requirements stemming from this sector increased in 2019, yet only a few have resulted in sign-off. Whilst the expectation is that some of these could be paused during the current situation, there are others that will need to progress. Especially those searches for firms who are looking in excess of 100,000 sq ft, an area of the market that is being squeezed where pre-letting is possibly the only option.

Linklaters, 20 Ropemaker Street, EC2
310,000 sq ft, pre-let February 2020
Source: EGI

FLEX OPERATOR DEMAND DISSAPATES

In 2019, serviced office operators accounted for 17% of leasing. The picture in Q1 is somewhat different. It is the demand from the serviced office sector that has slumped. Over the past few years, the rapid expansion of the flexible office market has seen several operators add to their portfolio of centres quarter-on-quarter. The latest data shows that this has slowed down considerably, with its share of leasing down to just 3%.

Of those multi-centre providers, Knotel has continued their leasing spree in Q1 with two more acquisitions. Additionally, Pennine Way has also acquired two more sites. Yet it is the absence of WeWork that is noticeable in our data. This is the first time since Q1 2018 that we have not seen any leasing activity in London by WeWork in a single quarter. Whilst this is more of a consequence of recent boardroom and funding issues, the current crisis will not fuel its appetite for further expansion.

SERVICED OFFICE SECTOR SHARE OF LEASING SLUMPS TO 3%

In fact, the curtailing of growth in Q1 by operators is partly derived from the inability to source the right type of space, in the right location and more importantly, at the right price. So, the slowdown in activity may well have come at a perfect juncture as the current pandemic looks set to test the sectors resilience in difficult times.

NEW 'FINANCIAL' KIDS ON THE BLOCK

The financial sector is still up there as a driving force in office take-up, accounting for a 14% share of leasing in Q1. Demand from boutique investment firms and overseas banks alike continued to bolster their base in London. A resurgence in optimism at the end of 2019 ensured that this sector continued leasing, despite Brexit still at the forefront of most financial firms' strategies.

No. of financial firms leasing space down by
DOWN 16% ON Q4 2019

Of the businesses that have committed to office space across London, we have started to see a new generation of firms, such as Tide Banking, leasing bigger spaces. The business, which is only 4 years old, has taken 23,000 sq ft in the City. They join a growing number of business that have benefitted from the growth of online banking, lending and investment. Whilst most are not your typical financial firm, their fast growth, both in terms of customers and staff size, have seen them become a key part of the office community in London. This is especially apparent in the City, alongside relative 'old-timers' like finnCap who have taken 19,600 sq ft at Helical's 1 Bartholomew scheme.

During the last major economic crisis – the Global Financial Crisis (GFC) of 2008-09 – the financial industry was in the eye of the storm. This time round they are impacted in similar ways to other sectors. Yet, the subsequent changes financial firms made to their operations and real estate footprint could serve them well today.

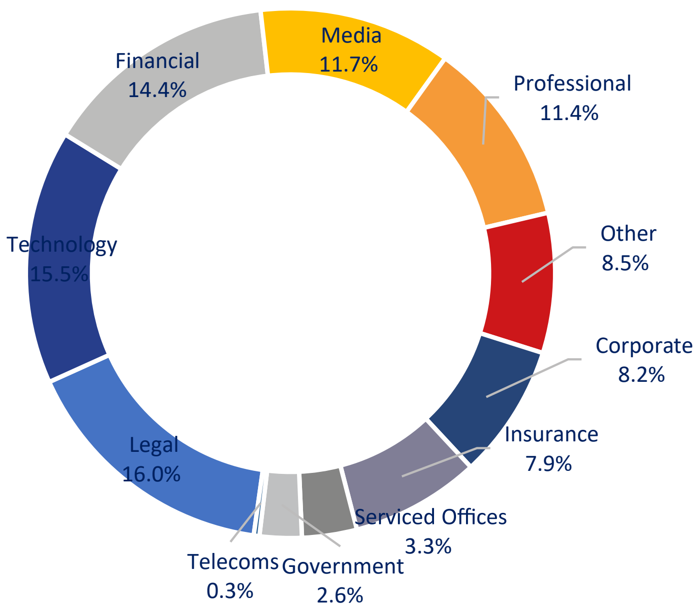
TECH AT THE TOP

In 2019, the share of leasing of office space by technology firms decreased in comparison to other sectors. Whilst the volume of space taken in Q1 shows that this has continued, the share of leasing equates to 15.5%. However, this is largely a result of just one firm, Google. The global tech firm took circa, 182,000 sq ft across three buildings in Q1. The largest of which was short-term space at Euston Tower on Euston Road. Not to discount these deals, but without them it does clearly point to a downward trend of leasehold acquisition by technology firms as we have previously stated.

The use of (for some) new technologies have been a lifeline for businesses throughout the early stages of the pandemic lockdown. A rapid adoption of home-working and the need to operate 'normally' has led to an exponential increase in the use of new software, new functionalities and new working practices. This has not only elevated the

IT department in most companies but has also brought technology firms and their products to the fore. Not least of all, video conferencing providers. Whilst growth for these businesses will not immediately translate into increased office floorspace requirement; it will breed a new cohort of businesses that will occupy space in London.

CENTRAL LONDON OFFICE MARKET: LEASING ACTIVITY BY BUSINESS SECTOR, Q1 2020



SPOTLIGHT ON MEDIA

The number of media firms leasing space jumped from 40 in Q4 2019 to 50 in Q1 2020. This rise has translated into an increase in the share of leasing by this sector to 12% from 4%, across the same period. DeVono Cresa has supported clients – Breakthrough Media and Cineflix – during Q1 to secure space in the Southbank and Midtown, respectively. The firm to take largest space was global media agency, IPGMediabrands. This multi-discipline business has taken 93,000 sq ft at the refurbished 16 Old Bailey, EC4. They will be joined by serviced office operator Knotel in this new space.

The level of real estate commitment by the media industry comes at a time when traditional media/broadcasters such as Channel 4, BBC and ITV are bolstering their footprint around the UK. Yet, it is the digital side of the sector that is fuelling growth, which coincidentally in these current times of lockdown is being consumed more than ever. Whether it is digital marketing, online streaming of music and television, or even the production capability for these services, London continues to be a global hub.

FIVE LARGEST LEASING DEALS IN Q1 2020

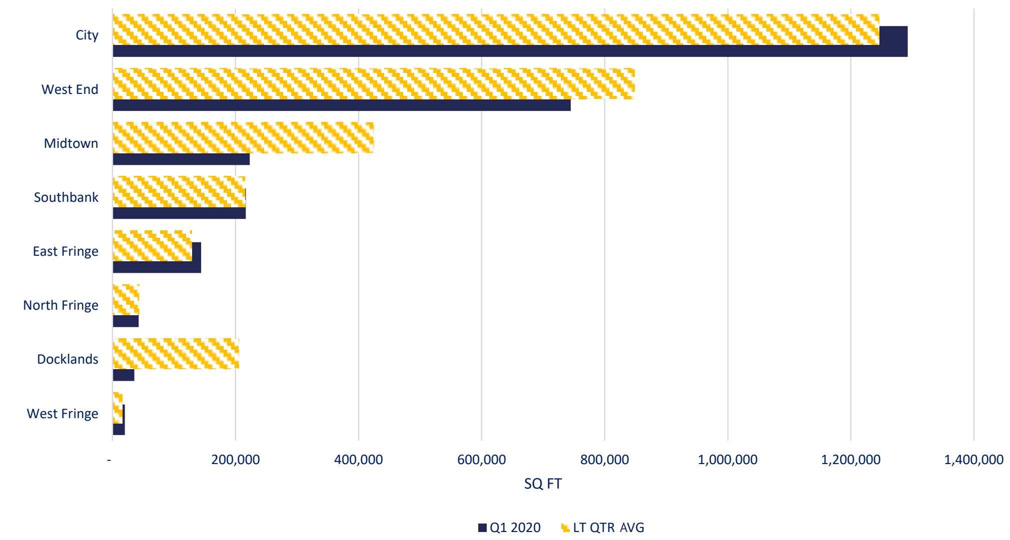
Company	Business Sector	Property	Submarket	Size (SF)	Date Signed
Linklaters	Legal	20 Ropemaker Street	City	310,000	FEBRUARY
AXA XL	Insurance	20 Gracechurch Street	City	155,820	JANUARY
Google	Technology	Euston Tower, 286 Euston Road	King's Cross / Euston	134,860	JANUARY
IPG MediaBrands	Media	16 Old Bailey	City	93,160	FEBRUARY
Queen Mary University of London	Other: Education	Department W, 81 Mile End Road	East Fringe	55,380	MARCH

LEASING ACTIVITY BY OFFICE MARKET

CITY LEASING KEEPS AVERAGE PACE

Notwithstanding the overall fall in leasing activity across central London, the space transacted in the City office market totalled 1.3 million sq ft in Q1 2020, keeping a pace with the long-term quarterly average. In fact, surpassing it by 4%. Tenant attraction to City office buildings has been consistent in recent years, with the latest quarter accounting for 48% of all leasing.

CENTRAL LONDON OFFICE MARKET: LEASING MARKET, Q1 2020 & LONG-TERM QUARTERLY AVERAGE



However, despite the relatively strong showing, the quarterly transaction volume for The City is at its lowest level since Q1 2018. And, with just approximately 500,000 sq ft of space identified as being under offer, expectations for Q2 to match the long-term trend are slim. In the past ten years, the lowest quarterly level of office leasing in the City was 607,000 sq ft in Q3 2016, post the Brexit referendum. Whilst the Brexit demand dip was short-lived, the latest situation is likely to last longer, with the impact on demand remaining uncertain.

Q1 2020 LEASING IN THE CITY

DOWN 25% ON Q4 2019

DEMAND DIPS IN WEST END AND MIDTOWN

Leasing activity across the West End and Midtown is lower than the long-term average level, by 12% and 48% respectively. Whilst the West End has not fallen short of its most recent historic low; this cannot be said for Midtown. The total volume of take-up in the third-largest London office market was 222,000 sq ft, which is the lowest quarterly level since 2013, and marginally below the level recorded during the Brexit referendum.

In the West End, the northern submarkets of North of Oxford Street and King's Cross/ Euston accounted for over half of the leasing in Q1 2020. In the more traditional areas of Mayfair and St James's demand equated to 29% of overall West End leasing activity. Even if the final month of Q1 was not disrupted and the market operated under normal circumstances, the reduced level of supply and increased rents will have certainly continued to affect the volume of demand for both markets.

WEST END LEASING IN Q1 2020 TOTALS

745K SF

Lowest in 3 years

HEALTHY DEMAND FOR SOUTHBANK

Under supply of good quality office stock in the Southbank market has subdued demand for this area of London in recent quarters. However, our research shows that leasing activity increased in Q1 2020 by 12% on the previous quarter - the only core market to do so. This increase ensured that it matches the long-term quarterly average. Encouragingly, the latest data was not a result of an increase in the number of tenants, but a rise in the average size of space leased by 37% to 4,816 sq ft.

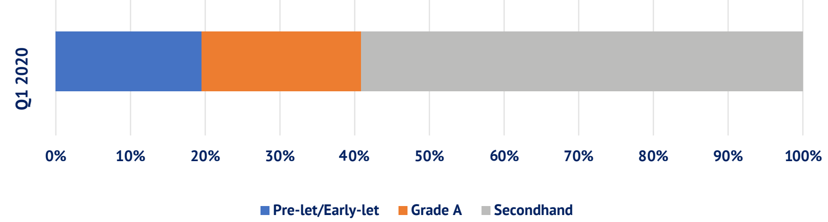
A SHIFT IN SIZE AND QUALITY

CENTRAL LONDON OFFICE MARKET: AVERAGE OFFICE DEAL SIZE 2020

	WEST END	MIDTOWN	SOUTHBANK	CITY	DOCKLANDS	CENTRAL LONDON
Average deal size, Q1 2020 (sq ft)	4,340	3,430	4,816	8,028	5,900	5,785
Long-term average, 2010-19 (sq ft)	6,160	7,330	8,200	9,080	19,650	7,950
Change %	-30%	-53%	-41%	-12%	-70%	-27%

The average deal size in Q1 2020 across all central London submarkets was 27% below the long-term average. This represents a **decrease** of over **2,100 sq ft** in the size of transactions. Whilst this calculation is based on the comparison of just one quarter; we have previously highlighted a downward trend in deal sizes. These latest figures indicate that this has continued and is likely to do so.

CENTRAL LONDON OFFICE MARKET: Q1 2020, LEASING SHARE BY GRADE %



DEAL SIZE DOWN 27% ON LONG-TERM AVERAGE

It is worth pointing out that whilst the average size of a deal has reduced, 58% of space leased in Q1 was in excess of 10,000 sq ft. Those large deals have not gone away with three sized over 100,000 sq ft.

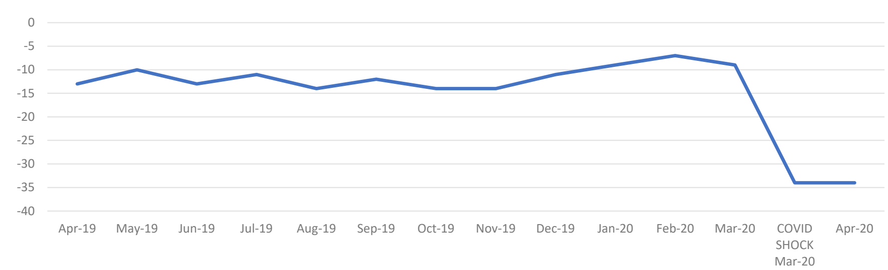
Secondhand space was the flavour of the quarter, as 59% of the space leased was in this category. This is up on the 50% recorded in Q4 2019 and up on the 51% share of 2019 leasing. Whilst the range of secondhand space varies considerably, market conditions (supply & price) have been forcing tenants slowly towards this type of space rather than the brand new.

LEASING OF SECONDHAND SPACE UP 50% on Q4 2019

The size, shape and indeed, the quality of an office will come under scrutiny over the coming months as a result of the economic uncertainty and social distancing measures. There are different schools of thought as to what COVID-19 could mean for the office and the way we work. Some suggest a decrease in space needs following the success of remote working; others believe that keeping distances within the office could increase requirements. As both could be relevant for different types and sizes of businesses, the onus will be on landlords and tenants to undertake space and scenario planning and provide the right type of space that meets business need.

Our leasing data points to a level of positivity and confidence that businesses still held at the beginning of the year; confidence that translated into office leasing. But the dramatic shift in the economic landscape eroded this almost overnight. The latest consumer confidence index by GfK points to the largest single-month dip since the survey began in 1974, down to -34 points. Similarly, the IHS Markit/CIPS UK manufacturing purchasing managers index (PMI) recorded its sharpest reduction in business optimism to a series low as disruption from the lockdown took hold. This will no doubt filter through into businesses appetite for real estate and impact leasing activity in Q2 and the rest of the year.

GFK UK CONSUMER CONFIDENCE INDEX 2019-20



AVAILABILITY

SLIDE IN AVAILABLE OFFICE SPACE HALTED

As a result of the slower pace of demand in Q1 2020, the downward trend in the level of office availability across central London has halted in its tracks. Now at 13.8 million sq ft, this equates to a small rise of 2% on the level recorded at the end of 2019. The direction of travel that office availability has taken was not expected at the start of the year, or even mid-way through the quarter. Then again, most things that we are now doing were not expected.

CENTRAL LONDON OFFICE MARKET: AVAILABILITY BY MARKET 2020

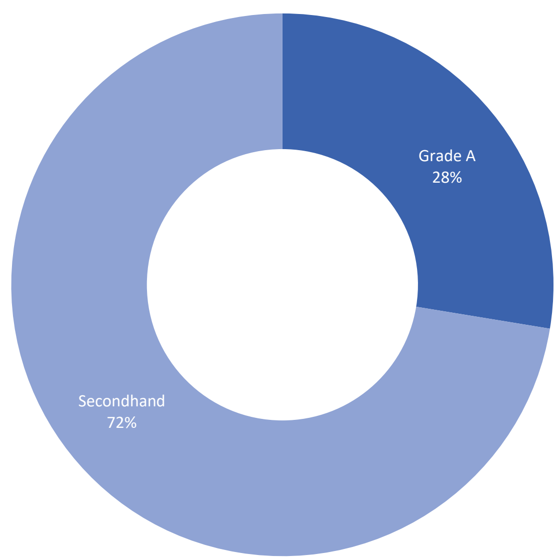
	WEST END	MIDTOWN	SOUTHBANK	CITY	DOCKLANDS	CENTRAL LONDON
AVAILABILITY (million sq ft)	2.9	2.1	1.1	4.9	1.8	13.8
% change Q4 2019 - Q1 2020	-13%	6%	45%	5%	-5%	2%

AVAILABILTY OF OFFICE SPACE UP 2% in Q1 2020

Availability in the core market of the City increased by 5% in Q1, returning it to a similar level to that of Q3 2019, at 4.9 million sq ft. This was mainly a result of an increase in secondhand space.

However, the market also experienced a reduction in the volume of available Grade A space, now down to just 1.5 million sq ft. Whilst the latter would have been boosted by several development schemes scheduled to complete in the first half of this year, a pause on construction will see some completions move out later into 2020 or even 2021. One such scheme that may have a delay to its completion is the 60 storey, 22 Bishopsgate, due to welcome new tenants in Q2 2020. This building or its previous design incarnations have been in the planning for 15 years.

CENTRAL LONDON OFFICE MARKET: AVAILABILITY BY GRADE Q1 2020



Having succumbed to economic crises before, we are sure that this final hurdle will not get in the way.

A rise in availability on the Southbank has taken the volume of office space above the 1 million sq ft level for the first time since 2018. The relative size of this market compared to its neighbours north of the river means that fluctuations in availability are more pronounced. The 45% increase in available office space has like central London, in general, has been fuelled by a rise in secondhand space.

13.8M SQ FT OF AVAILABLE SPACE

The uptick in availability is not quite shared across the various markets across central London. In the Docklands and the West End the volume of available office space declined by 5% and 13% respectively. Although these are not significant shifts, they do highlight the continued squeeze on the choice that occupiers were experiencing. In the West End this is further compounded by the average size of available space which reduced from 4,920 sq ft to 3,550 sq ft. This contraction of the average size of space limits both the number and size of firms

CENTRAL LONDON OFFICE MARKET: AVAILABILITY, 2010-20

Although these are not significant shifts, they do highlight the continued squeeze on choice that occupiers were experiencing. In the West End this is further compounded by the average size of available space which reduced from 4,920 sq ft to 3,550 sq ft. This contraction of average size of space limits both the number and size of firms wishing to take space in this market.

The current 'on hold' situation that the real estate industry finds itself in is artificially masking the direction availability levels will take for the remainder of the year. The closure of offices, the inability to view space in person or even the appetite to want to view, is not akin to any downturn that we have seen in recent times. Whilst a reduction in construction on a site-by-site basis has been seen before, the complete shutdown of industry alongside its supply chain is new. Both these factors will have an impact on demand and choice, which in turn will influence the volume of available office space.

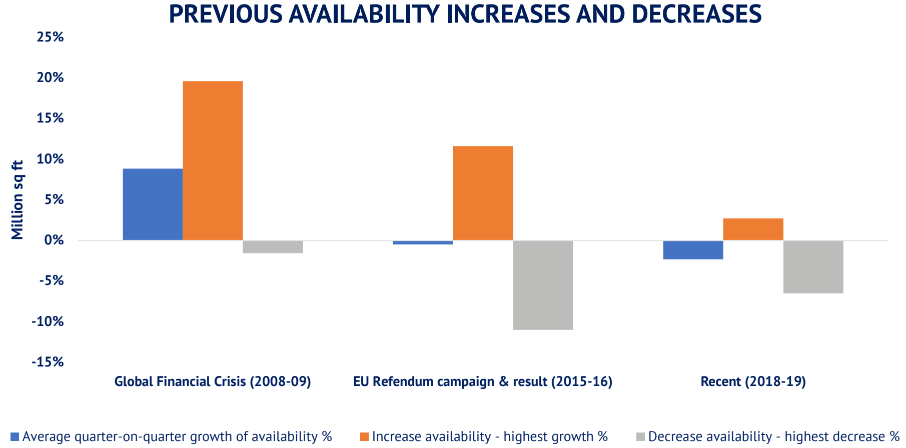
Yet, it is the 'market churn' of office space that will in the first instance start to contribute towards availability levels. Businesses returning their old space to the landlord, having recently committed to new premises, will add to a growing volume of available space – especially if demand is muted. Secondly, businesses who need to contract their real estate footprint, could well go down the sublease, assignment or even surrender route. All of which will fuel the upward movement of availability across London.

Trying to ascertain the impact on the office leasing market in these early days is no clear science and any historical references are based on periods in time that commenced with an economic crash and not the pandemic lockdown that we have today. If we refer to the Global Financial Crisis (GFC), the greatest rise in availability came mid-way through in Q1 2009. The level of available space increased by 20% in a single quarter. On average across the two-year period the level of availability rose by 9% per quarter.

The most recent EU referendum campaign and result led to volatility in the office leasing market. It was in Q2 2016 when the referendum result was announced that led to a 12% increase in availability. However, volatility settled down and the level at the end of 2016 was back at the same level as at the start of 2015.

In 'normal' times when availability levels increase, it will play in the favour of the occupier – giving an increased choice of spaces and higher negotiating power with landlords. However, as the market has effectively been put on ice, the market fundamentals remain the same. Until the market resumes and businesses progress their decisions, the period of hiatus in the leasing market continues. It is over the next six months that we will start to see how the trajectory for demand and supply is formed.

CENTRAL LONDON OFFICE MARKET: PREVIOUS AVAILABILITY INCREASES AND DECREASES



RENTS

BRAKES APPLIED TO PRIME RENTAL

Upward pressure on prime rents was mounting ahead of Q1 2020. Our research suggests that this has not materialised – with only two instances of Prime Grade B rental increases (Mayfair & Aldgate). Overall, this represents an average rental growth of 0% across central London submarkets. Whilst the lower demand compared with previous quarters was a factor in this, it has been the reduced level of leasing activity on prime space and fewer deals transacted in March that has ensured previous rental growth came to a halt.

ZERO PRIME RENTAL GROWTH IN Q1 2020

Whilst several leasing transactions continued to proceed; the office market was effectively put on ice in mid-March. Market fundamentals of demand, supply and rents have gone into lockdown too. The current situation will no doubt significantly dampen demand in the short-to-medium term. We do expect it to return, not least of all because our research shows that between June 2020 and December 2021, there are approximately 1,500 tenants in over 10 million sq ft of office space across central London that have leases due to expire. There is no expectation that these will all translate into new leases as some will renew for ease of continuity, or even just extend in the short-term. However, there will be some who will take this opportunity to re-evaluate their office space – whether the size, location or even the type of space, leasehold or flexible.

10M SQ FT
due to expire across Central London June 2020 – Dec 2021

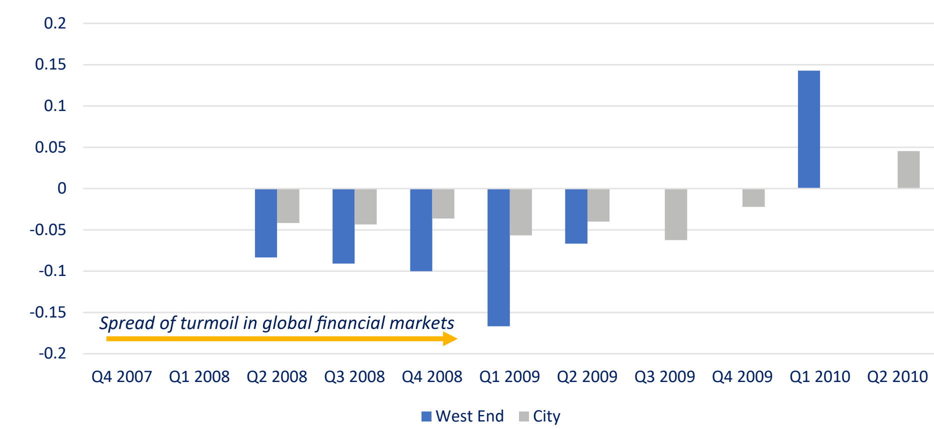
As businesses prepare to make future plans, most will have become increasingly cost prudent compared with a few weeks ago. The current situation where businesses have paid rents and rates on empty office space will have certainly focused a few CFOs and FDs into giving greater scrutiny to the cost of the office. With the rental level being one of the main drivers of leasing decisions, is it too early to have visibility of where rents might be heading?

HISTORICAL CONTEXT?

In short, yes. The current situation we find ourselves in is unparalleled both in its scale and nature. Trying to gauge the impact of a global lockdown and as yet unmeasurable economic downturn on the rental tone is made all the more difficult when there is no comparative data. The closest scenario is that of previous downturns, the most significant of which is the Global Financial Crisis (GFC). Nevertheless, whilst this event had a major impact on the UK economy, it did so with a relatively protracted lead in time, which slowly filtered through to the office market.

Our data series shows that prime rents in the core markets of the West End and the City contracted in Q2 2008 during the GFC. This followed six months of no rental growth whilst the financial turmoil spread around the world. And, even then the decrease was comparatively low with a drop of 8% and 4% respectively in each market. A significant price correction downwards occurred at the start of 2009, when the true extent of the banking crisis hit the economy, jobs and spending. The situation we find ourselves in today is that we have not had the luxury of a lead-in to this crisis and as such, any comparison must be viewed with a heavy dose of caution.

WEST END & CITY OFFICE MARKET: PRIME OFFICE RENT GROWTH (%) DURING GFC 2007-10



The events of the GFC led to a rental decline over two years, with prime rents taking a further five years to get back to the previous level. Whilst a similar scenario cannot be ruled out, there are several factors that suggest the level of rental decline could be different:

- Shutdown of the leasing market and no activity – no budge in immediate rental expectation
- Significant government support given to all businesses to maintain employment and cash-flow
- Financial industry support with loans and payment holidays
- A low level of office availability and below-average level of Grade A office supply across central London
- Pre-COVID-19 office demand deferment – but not disappeared

Market inactivity during Q2 is likely to ensure that we will see another quarter of no rental growth. Thereafter, we could envisage some declines, dependant on the speed and route out of lockdown. Whilst a return to normality as we once knew seems a long way off, landlords and real estate professionals will hold on as long as possible to fully appreciate the leasing landscape before considering reducing rents. Negotiations in the short-term will likely lead to improved incentive packages or the deferring of start dates.

THE B WORD: IT HAS NOT GONE AWAY!

Brexit, possibly one of the most talked-about topics over the past four years, has in the space of two months been relegated by the 'C'word - to just a few column inches a week. The escalating crisis that has impacted all our lives has quite rightly consumed much of the bandwidth of government departments. Notwithstanding the fact that some of the negotiating teams contracted COVID-19, talks on trade and the future relationship between the UK and EU were put on hold mid-March. But the clock continues to tick down to the 31st December deadline and with a tentative return to talks by video conferencing, will Brexit happen, or will we see a request for a 'flextension'?

REALISTIC OR FOOL HARDY TIMEFRAME

The UK government continues to stick to its roadmap that trade negotiations can be completed by the end of the year, and with a deal. Prior to the pandemic, the timeframe was widely criticised for being too optimistic. Throw into the mix a growing economic crisis; you could forgive politicians around Europe who do not see this as a priority at present. Surely the latest obstacles of travel restrictions, corralling teams from both sides (whilst social distancing) virtually or otherwise would at least warrant a delay.

Both sides are continuing, and following a month postponement, talks have since resumed. A new schedule of high-level talks has been diarised, and a new way of conducting negotiations remotely has been put in place. Yet several deadlines remain, not least of all 30th June. This is the date a decision must be made as to whether an extension of the transition period is given, either one year or two years – or not at all. This decision is to be taken jointly by the EU and UK teams.

The EU and a number of member states have already made their position clear that reaching an agreement would be difficult under the circumstances. Germany, who takes over the rotating presidency of the EU, has also suggested an extension would be beneficial. The UK, however, has been clear they would not seek an extension to the transition period.

ECONOMIC GAMBLE?

A lot of ground needs to be covered between now and November when a deal is expected to be drafted for sign-off. But both sides will be wrestling with more than just the fallout from Brexit. Economies across the EU, that are suffering as a consequence of COVID-19, will be bracing themselves for a deep recession. Early indications suggest that the EU bloc of countries has recorded a 3.5% drop in GDP in Q1 2020 with forecasts pointing towards a double-figure drop by the end of the year. France and Italy have already slipped into recession, and with Germany not too far behind, the appetite on the continent for Brexit disruption may not be there.

The same can be said for the UK. The International Monetary fund believes that the UK's economy will contract by 6.5% in 2020, as a result of the pandemic. The impact of a no-deal exit could further exacerbate this by 4.5% in the first half of 2021, according to the Office for Budget Responsibility's (OBR's) pre-COVID-19 estimations. Spending on propping up the nation through this crisis is already estimated to exceed the £330 billion as outlined by the Chancellor at the beginning of April. All these figures make for heady reading. It could be too much of a gamble for the government and hardened Brexiters to take when the economic indicators here and abroad are so precarious.

DEAL OR NO DEAL – TRADE AGREEMENTS

Whether a deal is achieved or not, the UK's need to enter into trade agreements with countries around the globe will grow in urgency- especially if the economy needs to receive a boost in 2021. However, trade negotiations require large delegations, time, and often require frequent travel. All of which are limited at present. Whilst several letters of intent were signed with other countries to adopt fully upon Brexit, key deals with the US and China may not be achievable. The fallback that the country has if a no-deal is pursued would be to undertake trade on a World Trade Organisation tariff basis. Whilst not ideal for some sectors it does provide a framework, pending a greater push for deals in 2021.

No doubt Prime Minister Boris Johnson and his colleagues will want to honour their election pledge of 'Get Brexit Done' and to follow through years of work to get to this point. Yet, the responsibility of protecting businesses, jobs, and people's health will take precedence – something that is recognised on both sides of the Brexit debate. In the meantime, the negotiation process is likely to pick up pace over the coming months as we hurtle towards the "do or don't" date of 30th June. Should a pause on proceedings prevail, then for many business sectors there may be a momentary sigh of relief. If not, then businesses will need to start dusting off their Brexit planning once again.

KEY DATE	ACTIVITY	PROGRESS
2-5 MARCH	First session of talks between UK & EU	✓
18 MARCH	Follow-up session	✗
Talks postponed due to outbreak of COVID-19		
20 APRIL	Talks resume via video conference	✓
11 MAY	Negotiation session	✓
1 JUNE	Negotiation session	Scheduled
29 JUNE	Agreement on financial services equivalence regime	?
30 JUNE	Joint UK/EU committee session to decide on extension to transition period beyond 2020	?
Germany take on presidency of the EU		
1 JULY	Agreement on fisheries policy	?
Continued negotiations towards draft deal		
30 NOVEMBER	Potential deal to be ratified by EU and member countries	?
31 DECEMBER	Brexit and new UK/EU relationship begins	?

CENTRAL LONDON **OFFICE RENT GUIDE**

Q1 2020 – Leasehold & Flexible

MIDTOWN

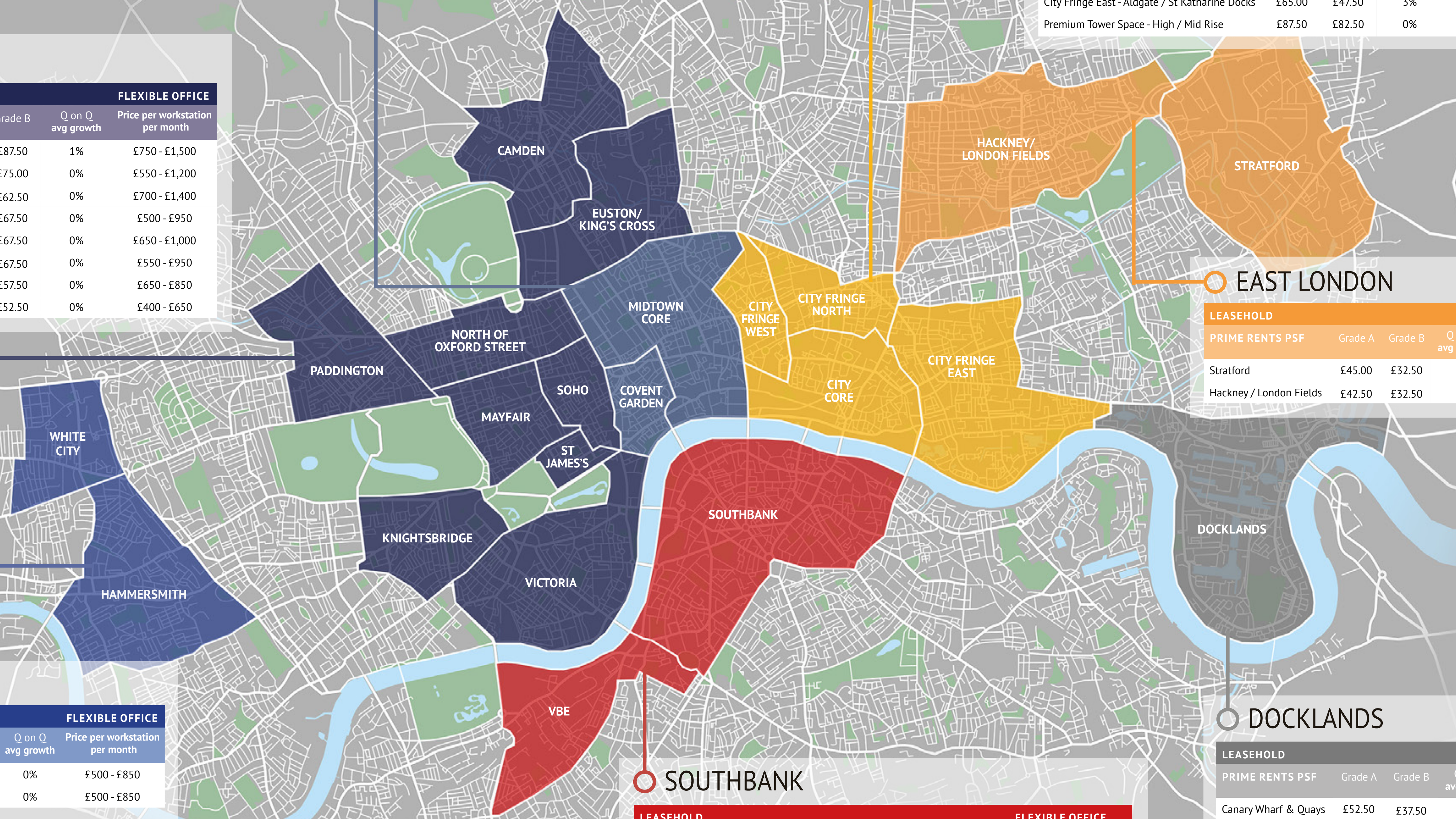
LEASEHOLD				FLEXIBLE OFFICE
PRIME RENTS PSF	Grade A	Grade B	Q on Q avg growth	Price per workstation per month
Covent Garden	£82.50	£67.50	0%	£550 - £875
Midtown Core	£72.50	£65.00	0%	£500 - £850

CITY

LEASEHOLD				FLEXIBLE OFFICE
PRIME RENTS PSF	Grade A	Grade B	Q on Q avg growth	Price per workstation per month
City Fringe West - Clerkenwell / Farringdon	£82.50	£66.50	0%	£450 - £875
City Fringe North - Old Street / Shoreditch	£77.50	£60.00	0%	£450 - £875
City Core	£70.00	£57.50	0%	£400 - £1,000
City Fringe East - Aldgate / St Katharine Docks	£65.00	£47.50	3%	£475 - £975
Premium Tower Space - High / Mid Rise	£87.50	£82.50	0%	–

WEST END

LEASEHOLD				FLEXIBLE OFFICE
PRIME RENTS PSF	Grade A	Grade B	Q on Q avg growth	Price per workstation per month
Mayfair / St James's	£120.00	£87.50	1%	£750 - £1,500
Soho	£97.50	£75.00	0%	£550 - £1,200
Knightsbridge	£90.00	£62.50	0%	£700 - £1,400
North of Oxford Street	£85.00	£67.50	0%	£500 - £950
King's Cross / Euston	£80.00	£67.50	0%	£650 - £1,000
Victoria	£77.50	£67.50	0%	£550 - £950
Paddington	£77.50	£57.50	0%	£650 - £850
Camden	£65.00	£52.50	0%	£400 - £650



EAST LONDON

LEASEHOLD				FLEXIBLE OFFICE
PRIME RENTS PSF	Grade A	Grade B	Q on Q avg growth	Price per workstation per month
Stratford	£45.00	£32.50	0%	£250 - £660
Hackney / London Fields	£42.50	£32.50	0%	£250 - £650

WEST LONDON

LEASEHOLD				FLEXIBLE OFFICE
PRIME RENTS PSF	Grade A	Grade B	Q on Q avg growth	Price per workstation per month
Hammersmith	£55.00	£45.00	0%	£500 - £850
White City	£52.50	£35.00	0%	£500 - £850

DOCKLANDS

LEASEHOLD				FLEXIBLE OFFICE
PRIME RENTS PSF	Grade A	Grade B	Q on Q avg growth	Price per workstation per month
Canary Wharf & Quays	£52.50	£37.50	0%	£450 - £850

SOUTHBANK

LEASEHOLD				FLEXIBLE OFFICE
PRIME RENTS PSF	Grade A	Grade B	Q on Q avg growth	Price per workstation per month
Southbank: London Bridge / Waterloo	£72.50	£60.00	0%	£500 - £950
Vauxhall / Nine Elms / Battersea	£65.00	£40.00	0%	£500 - £850

Data as at the end of April 2020.
Q-on-Q avg growth denotes general rental change from Q4 2019 to Q1 2020.
Serviced office rates are fully inclusive.

Source: DeVono Cresa Insights

2020 PREDICTIONS WEATHER UPDATE

Just a few months ago we launched our predictions for 2020 in what were very different circumstances. Whilst one of our predictions commented on containing the contagion in China, the full blown pandemic that we have today was not foreseen.

What better way to see how our predictions are faring, than by bringing back our predictions weather update.

#	PREDICTION	TODAY	OUTLOOK	UPDATE
1	Merry-go-round politics: Brexit, contagion and US elections			The spread of COVID-19 is all consuming for politicians home and abroad. Not only are governments trying to grapple control of the pandemic but also trying to safeguard against the ensuing economic crisis. The normal order of business has been severely disrupted. Not least of all with the progression of Brexit, which remains in place at the end of 2020, despite stalled trade negotiations. The US elections are expected to take place in November as normal, with Donald Trump now having a clear opponent in Joe Biden. Can we expect less bravado and rhetoric in this election? And, the question of an uncertain economic outlook predicted at the beginning of the looks set to come through, but as a result of different circumstances.
2	London office rental growth to intensify in 2020			Prime rents at the beginning of the year remained the same. Reduced demand, propensity for secondhand space and lockdown in March halted rental growth in its tracks. Q2 is expected to see nil growth as well.
3	Tenant experience to take centre stage			This will remain an important aspect albeit refocused in the short-term to encompass social distancing measures and potential phased returns back to the office. The relationship between landlord and tenant will be key to ensuring a smooth transition. It is expected that the current situation will enhance existing relationships.
4	Green agenda set to influence tenant decisions			A firms Corporate Social Responsibility (CSR) and Environmental, Social Governance (ESG) policies look certain to stay on track even during these uncertain times. It is more likely that a review of these policies could be taken in conjunction review on working practices and wider office operations as a result of COVID-19. Needless to say the green agenda has not disappeared.
5	A regional office renaissance			The UK office market was effectively put on ice mid-March and as a result leasing activity is expected to be subdued in all locations. However, a focus on costs and further devolution of functions and locations within large will see regional office markets outside of London maintain attractiveness.
6	Tech in the work-place - where next?			Workplace technology has never been in demand at one single point as it has been today. Whether it is laptops, video conferencing software, mobile phones or even apps, technology has come into its own. Businesses have quickly adapted to working outside of the office and in millions of homes globally. This will no doubt have a lasting effect on the way people work, whether by choice or not. Technology in the workplace has taken another huge step in its use and acceptance.
7	The ripple effect – the next generation of office markets			Development of the next generation of office markets could be dealt a blow by a worsening economic situation. Whilst many of the 'next-gen' areas are in their infancy in terms of planning and construction – delays are inevitable. In some cases, works could potentially be paused to reflect wider external factors, including funding. As many sites could be low cost alternatives to central London locations – plans could resume regardless.
8	Evolution or revolution of the serviced office market?			The current COVID-19 situation could well push the serviced office market further along its evolution curve quicker than some anticipated. Heralding the closure of some non-performing centres or even prompting the consolidation of operators. A number of providers are strategically reviewing both operations and their offerings in light of the pandemic and social distancing measures. The sector may well be best placed to respond quickly to tenants flexible office needs during the recovery phase.
9	Putting the serviced back into serviced offices			Refocusing operations to be service centric will be paramount for serviced office providers both for retention of existing clients and the attraction of new ones, especially in times of crisis. Improved dialogue and transparency will give customers confidence and reassurance. An area which operators can only improve upon, regardless of the situation.
10	Increasing demand for last mile logistics			Last mile logistics has become a lifeline to many during the lockdown phase of the pandemic. From groceries to medication, clothing to electricals, deliveries to our homes have increased significantly. Last mile logistics and logistics providers in general have come under intense pressure to perform, not least of all from supermarkets. In a short few weeks operations have been ramped – fine tuning this will become paramount going forward.

The Largest Working From Home (WFH) Experiment Ever

The COVID-19 pandemic and the subsequent lockdown measures have meant the home becoming the new office for millions. It has been dubbed the largest work from home experiment ever. This has tested the resilience of businesses, the capability of technology and challenged the workforce to adjust to a new way of working.

Alongside our Cresa colleagues, DeVono Cresa have conducted a global survey, to find out how people are adjusting. The information below provides a snapshot of workforce views following the last few months of WFH.

As businesses start to plan their return to the office, evaluating this period of time will provide key insights in how to develop a long-term workforce and workplace strategy. Please get in touch to if you wish to discuss these results or discuss your return to work strategy.

Are workers keeping to their conventional working hours?

37%	21%	22%	9%	7%	4%
Yes - Still work 8-5	Yes - I have a flexible schedule	No - Get an early start with no commute	No - Get a late start as it's difficult to get going	No - I am now a primary caregiver	No - I get distracted with non-work activities

Whilst the majority of respondents **(37%)** are sticking to their daily routines, working from home is allowing for more flexibility with **43%** restructuring their working day.

Of the UK respondents, **47%** stick to their normal daily routine, compared with the **35%** globally.

Has your organisation implemented any creative 'WFH' strategies?

56%

of respondents have scheduled check-ins with their company

Companies have implemented a variety of initiatives to stay connected with their workforce. These include:

- **Virtual Happy Hours**
- **Virtual Coffee & Tea Meeting**
- **Home Tours**
- **Team Competitions & Quizzes**
- **Remote Exercise Sessions**

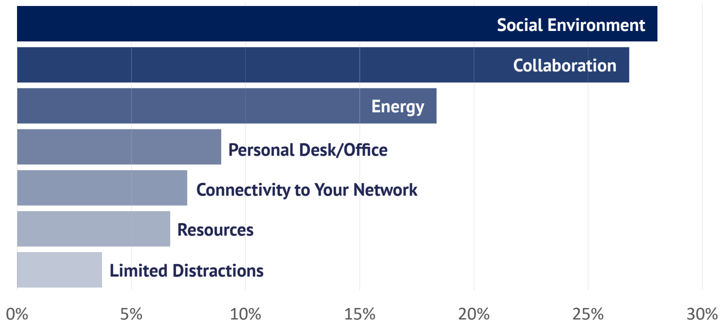
What do you miss most about the workplace environment?

Social Interaction is the most missed element of the workplace

77% ranked **collaboration** in their top three

65% ranked **energy** in their top three

61% ranked **social environment** in their top three



In the UK, **47%** of respondents have ranked the **social environment** as the thing they miss the most

How has 'Work From Home' impacted productivity?

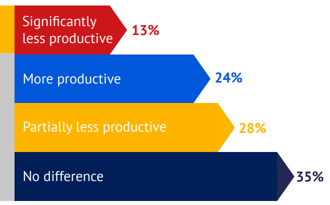
59%

of respondents feel that working from home has either been more productive or has had no impact on their productivity

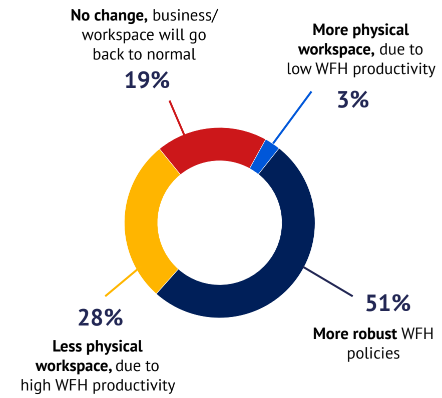
40%

of respondents feel productivity has dropped

Of UK respondents, the figure is marginally lower at 37%



How do you think the future workplace will be impacted?



THE GRADUAL RETURN TO THE OFFICE

SUPPORTING OUR CLIENTS ON THEIR RETURN-TO-WORK

Chris Lewis
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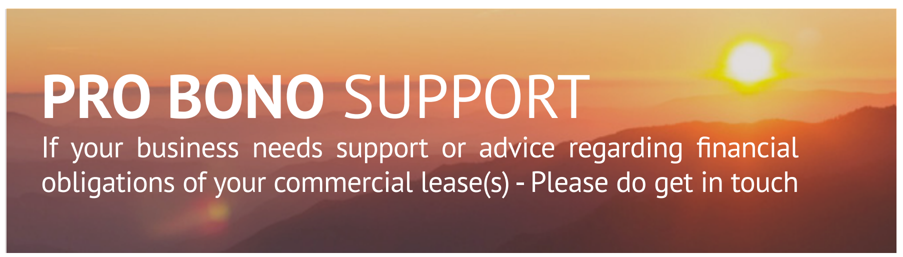
The pace at which COVID-19 arrived in the UK resulted in the most severe lockdown measures since the second world war, taking the country by surprise. Yet, no amount of business planning at the start of 2020 could have accounted for such restrictions on movement and the ability to conduct business. To reverse such actions and get people back into the office will not only be a mammoth organisational task, but it will require authorities and businesses to tread a fine line, as not to risk sparking a second wave of infection. The return to the office will be gradual and as such, could have longer-term implications on how office space is viewed or even retained in the short-term.

RESPONDING TO TENANTS

The timing of the lockdown coincided with the quarterly rent collection period. For many businesses, this could not have come at a worse time. Cognisant of this fact, DeVono Cresa extended the offer of Pro Bono support to all businesses alike and not just our clients, in order to help through this initial period. The subsequent response has been overwhelming. We are currently engaged with over 130 firms who responded to our offer of support – spending the past few weeks working on topics ranging from rent deferment and reduction, business rates and lease breaks, through to space planning.

The next rent collection period is looming. Whilst new government legislation protects commercial tenants from eviction or forceful rent demands as a result of COVID-19 up until 30 June 2020, financial obligation will remain. Recent data from rent collection software company Re-Leased suggests that just 54% of commercial tenants tracked across all property types paid their Q1 rents. Whilst most landlords are supportive and offering various payment plans, this should not be taken for granted and dialogue with your landlord should take place at the earliest point possible.

As the length of the lockdown increases so does the squeeze on cash-flow in Q2. As a result of conversations with tenants, landlords and solicitors, we have produced an FAQ document to help businesses with answering some of those initial questions, that only now may be relevant to them. This document can be found here.



KEEP YOUR DISTANCE – SOCIAL DISTANCING IN THE OFFICE

Maintaining social distancing rules, whether it be 2 metres or less will be the overriding factor that allows us back into the office in the short-term. The practicality of introducing such measures will require substantial planning by businesses, additional costs and another period of adjustment to allow for new models of working. Nevertheless, both industry and government are keen to move to the next phase.

For the office commuter, the daily routine is likely to be more regimented and possibly a lengthier one. As not to repeat scenes of overcrowding, as we did in the initial weeks of lockdown, transport bosses will look to increase the capacity of services, whilst also regulating passenger numbers. In theory, this may work. However, in practice, any system introduced will have its teething problems and will likely impact journey times. These measures may well force travellers to seek alternative transport, increasing the use of cars, bicycles, walking and even electric scooters.

Government guidelines on reopening the office will limit the number of staff that can be in the workplace at any given time. Businesses will be faced with the challenge of ensuring that workers are safely distanced, sharing of equipment is limited, use of communal areas such as kitchens are restricted and there is limited face-to -face interaction. Not discounting the inevitable queue to catch the lift. This will all make the office a very different place to work. To comply with the measures, it is expected that workers will be phased back to the workplace, achieved by rota systems and staggering of working patterns.

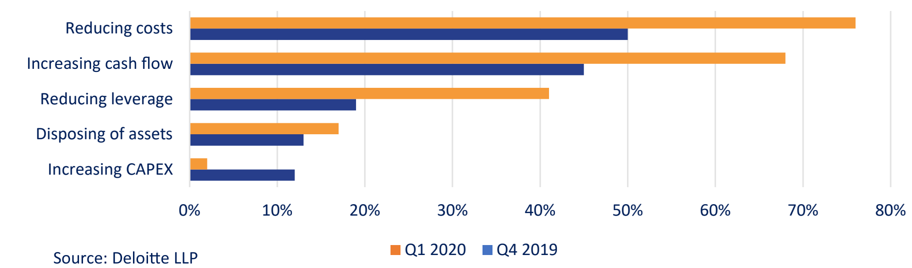
Whether a company has big or small offices, the logistical planning of such a return could be substantial. Bosses must weigh up the pros and cons of remote working, the possible impact on productivity, disjointed hours of working and the impact on staff. All whilst ensuring the business is trying to resume normality. These hurdles may well be overcome in the initial period of re-transition, but in what will become a very cost-conscious environment for businesses, the office as a business tool will come under scrutiny.

RE-EVALUATING THE OFFICE

Both the mainstream and property press have all been busy ruminating on the future of the office and what businesses are going to do about their space. Some of these comments have been knee-jerk reactions during the infancy of the lockdown, largely as a result of the successful introduction of remote working practices. However, there will be an element of validity in the calls to review office space, not necessarily whether to have one or not, but more a review of its use, the size or even location and cost.

The pandemic has forced businesses to be agile and is now forcing them to be cost-conscious. The latest Deloitte survey of Chief Financial Officers (CFOs) shows that businesses have gone into defensive mode – no shock there. But as a result, a reduction in costs has become the top priority of CFOs. This is alongside an increase in focus towards disposing of assets and a reduction in CAPEX spend. Whilst the sentiment is not necessarily directed towards the office, the significant contribution of office costs to overall expenditure will add further weight to calls to review office accommodation.

DELOITTE CFO SURVEY Q1 2020:
CORPORATE PRIORITIES IN THE NEXT 12 MONTHS
% of CFOs who rate each of the following as strong priorities



Source: Deloitte LLP

Businesses will be mindful not to make rash decisions as what happens during 2020-21 may only be temporary and dependant on tackling COVID-19.

So, what could impact business decisions on office space both in the short and long-term?

This list is not exhaustive but indicates the challenges that businesses and the real estate industry will face in ensuring that the office remains relevant and meets not just the needs of today's crisis, but those in the next 2-5 years and beyond.

Cost	Second to the wage bill, the office accounts for a significant chunk of a company outgoings
Health & Wellbeing	Confidence in the ability to provide safe and healthy environment for workers
Scale down	Decreased size requirement due to reduction in staff numbers in the space
Scale up	Not enough space to accommodate people with new social distancing layout
Location	Increased concern for overcrowding on public transport could resort to less central locations or more home-working
Flexibility of leasing and space	The increased use of serviced office space to accommodate more staff agility
Advances in technology	Increased use and acceptance of new technologies and software could see an increase in business promotion of remote working. Everyone can now video call
Productivity	Space change or working practice change could impact staff efficiency
Reduction in global travel	Limited need to accommodate global colleagues and / or visitors. On the flip side, an increased need to accommodate those who would usually travel as part of their daily business
Reduction in entertainment / social space	Change in behaviours and / or social distancing measures to curtail the need for communal space
Increased demand for space on lower floors in buildings	Less need to use lifts
Mitigating risk	More regional spread of offices as not to have main employee base in major cities

Whilst leasing activity of space slowed down to a trickle in many locations as a result of the current situation; businesses are continuing to commit to new space and progressing with transactions. Firms who pressed pause on decision making now have the opportunity to revisit those plans. Likewise, landlords, developers and architects will also be reflecting on the crisis and looking at ways in which the office can not only be adapted to cope with the crisis but evolve into the next generation of the workplace.

This is a time of enormous uncertainty and one that will undoubtedly leave an indelible mark on our industry and change the way we advise, support and ultimately represent our clients and their needs. We stand ready to meet the future.

SERVICING THE FLEXIBLE OFFICE MARKET

Over the past couple of years, The Occupier has highlighted the fast-paced expansion of the serviced office market. The increasing number of providers, geographic expansion and a growing range of space offerings, has enabled the sector to become a more dominant and recognisable form of leasing. However, it has not necessarily been plain sailing for the most recent emergent contingent of coworking spaces, having been tried and tested on numerous occasions. Whilst the premise of taking office space on flexible terms will become increasingly attractive in a post-COVID-19 world; this current situation looks set to shape the sector further. Throwing up several challenges from access, space use, design and even competition from its own clients adopting more remote working from home. So, what are our expectations for the sector in the short-to-medium term?

SUPPORTING CLIENTS IN UNCERTAIN TIMES

Government restrictions on the movement to and from the workplace immediately reduced the use of centres and significantly impacted the ability of operators to provide staff and services. Whilst some have kept centres open by providing businesses with digital access to buildings, the majority remain closed. Therefore, the focus of providers has switched to one of support in the immediacy of this crisis.

This too has been a recent focus of DeVono Cresa. We have been supporting our clients on subjects ranging from monthly payment deferments to re-visiting space requirements upon easing of restrictions. What has been paramount is ensuring that the lines of communication remain open between workplace operators and businesses – facilitating conversations that could potentially offer assurance for occupiers and may well alleviate some burdens.

The financial impact of the pandemic will start to unravel as time passes in lockdown, for both operators and their customers. Whilst government support schemes have been numerous and far-reaching, access to a business rates holiday could give a significant boost. Whilst this has not been forthcoming, the government has recognised that small business in shared serviced offices do need further support. This has led to the creation of a discretionary fund, in which businesses of less than 50 employees can access cash grants administered by local authorities.

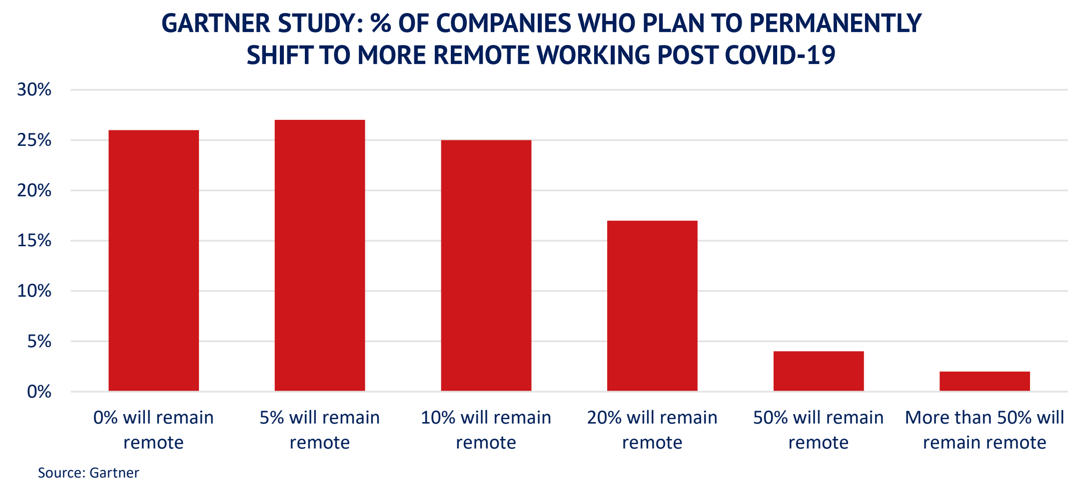
Despite this, the pressure of business rates on a company's cash-flow is very real. DeVono Cresa has led on a petition to lobby the government for such a payment holiday. Our campaigning has seen us join forces with our peers in the industry and numerous operators to ask for further support, like that being given to the retail and leisure industry. We are hopeful of a successful outcome, which would provide businesses that little extra ammunition to battle through the current climate.

THE GREAT OFFICE RE-ENTRY

Coworking spaces have increasingly thrived off its sharing and collaborative approach to office occupation. Shared facilities, a busy calendar for groups and activities have established innovation and collaboration hubs. Whilst this is true for a growing generation of centres, the majority of businesses that occupy flexible workspaces still have their own closed-off and private office space. Yet the community nature, which some in the sector have been fostering, is counter to a 'new world' of social distancing.

Recognising this, operators are working on ensuring that protocols are put in place to allow centres to reopen at a capacity which is safe and not detrimental to the experience. Whilst each provider will have their own plans which will also be dictated by country-level regulations, numerous international firms have formed a working group called the 'Workspace Operator Readiness Council'. This sees a collaboration of industry and health specialists from the US, Europe and Asia on how to deliver a safe workspace. The work from this council is aimed at establishing a collective approach being taken by the industry. And, in a competitive industry, it shows that at times of crisis, people do pull together.

Over the coming weeks, operators will put into practice workable measures to kick-start operations upon easing of restrictions. Yet it is already clear that those operations will not return to the scale we saw earlier in the year. Even though operators will keep customers abreast of the changing situation, maintaining dialogue should work both ways. Managing expectations during these uncertain times will be key to relationships.



THE SHAPE OF THE SERVICED OFFICE SECTOR

And it is those relationships that operators will need to nurture. At the beginning of the year, DeVono Cresa's set of predictions for 2020 talked of "putting the service back into serviced offices". We predicted the enhancing of customer relationships to become more tenant centric improving loyalty and retention. There is no better time to put this in to practice, as action today will pay the dividend on the other side of this crisis.

However, some centres or even operators may not survive the financial turmoil that is expected ahead. Reduced numbers in centres, businesses not wanting to renew at similar levels or even businesses ceasing trading, could all severely impact operating viability. A recent study by Gartner suggested that 74% of companies surveyed would shift an element of their workforce to working from home permanently. If this were to be a reality, this would impact the entire office market, not just the serviced offices. The scale of disruption is not yet manifesting itself. When it does, we could start to see a consolidation within the market. This was already on the cards due to the extent of recent expansion and competition (especially in London). For some, it may come a little sooner.

Those that have showcased coworking and community above all else will now need to rethink this and certain elements within the space to be compliant of the new boundaries. These will not only be ones that have been given but boundaries that people will have developed as a result of lockdown. The serviced office sector will indeed evolve with agility as a result of the pandemic, and the core principle of flexible leasing will remain. No doubt they will attract more businesses as firms review their real estate strategies.

DeVono Cresa's flexible leasing team is available to discuss any matters concerning existing serviced space or future requirements.

Gemma Foord
Head of Flexible Leasing
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THE WORKPLACE – REORGANISATION & REDESIGN

Offices across the UK closed in March, and with many businesses having adjusted to new working practices, the focus is now shifting to the next phase - the return. However, travelling to and from the workplace, sitting at your desk, having physical meetings with colleagues, or even making a cup of tea in the kitchen – are simple parts of our daily life that will have to change. The easing of lockdown measures will bring optimism. However, a continuation of social distancing is likely to make the return feel like a marathon rather than a sprint. As such, businesses will need to ensure they adopt the right strategy and right office environment to safeguard workers.

Government guidelines will largely dictate the extent to which businesses and landlords will have to adapt their office space. Through its work on active projects and on-going conversations with clients, the Dthree Studio team have identified some initial factors that will influence plans being made for the short-term and the subsequent ability to open up the office.

EMERGENCY OFFICE REORGANISATION MEASURES

Social distancing has been the main tool to drive down infection rates of COVID-19 and to gain control of the pandemic. As seen in countries who are starting to ease lockdown, social distancing remains in place. Businesses will need to address some immediate office layout reorganisation.

- Analysis of floorplans to calculate a safe maximum occupancy given the current 2-metre distancing rule
- Understand circulation routes, how staff move to the WCs and communal areas, potential crossing points, how risks can be mitigated
- Open banks of desks to feature easy to clean screen dividers between colleagues
- Working rules on use of communal areas such as kitchens, toilets and meeting rooms. Are the materials in these areas easy to clean (worktops for instance) or do they need to be changed?
- How to reduce the risk of cross-contamination at a work setting: employees to use their own laptop, keyboard and mouse and have somewhere these can be safely stored. Regular cleaning of workspaces and hand washing / sanitising points

MAINTAIN LANDLORD/BUILDING MANAGEMENT DIALOGUE

For most businesses, their office space is within multi-tenanted buildings. This must be factored in when evaluating a return to work; it is, therefore, imperative to maintain a dialogue with building management to understand the measures being taken at a building-level to ensure safety and compliance with your own company expectations. Examples include:

- Entry and exit procedures – avoidance of unnecessary touching of buttons and speed gates etc.
- Increased cleaning and sanitation of communal areas, doors and handles
- Policy on use of lifts and stairs
- Policy on the use of shared amenities with other businesses (reception, cycle storage, showers, WCs, kitchens)

CURRENT AND FUTURE DESIGN AND BUILD PROJECTS

The delivery of projects commenced prior to the lockdown, which had been temporarily halted, have resumed as our delivery teams and supply chain have adapted. There are several new onsite measures we have put in place to maintain a responsible and ethical working environment, adhering with social distancing rules. These measures allow us to continue to deliver projects for our clients in a manner that keep our staff and supply chain safe; the result is that we are seeing construction programmes lengthening. This is just one consideration that businesses will need to allow for in their projects, whilst also recognising broader disruption of the supply chain to the construction industry.

- Designers and contractors ensuring they are able to adapt the design of projects currently in build stage to accommodate new measures
- Re-evaluation of timelines considering downtime, access to site and new working practices
- Suppliers and manufacturers are also facing their own unique problems and as such this could impact existing and future projects timeframes and costs
- Compilation of a risk register to ensure that any materials from overseas that may be delayed are replaced with a like-for-like product or material that is more readily available. Encouraging designers and supply chain to focus more on British suppliers and manufacturers
- Immediate build works for emergency distancing measures may be subject to significant lead-in times due to availability of teams and materials
- Design work is mainly unaffected due to remote working and availability of teams

FINANCIAL CONSIDERATION

Whether it is for existing projects, alterations to accommodate new ways of working or even looking at those longer-term projects, costs will come under scrutiny. The impact of the current economic environment has the potential to apply pressure on some costs, at a time when businesses will be looking to rein in spending.

CAPEX spends on immediate works to ensure the workplace is ready to open may well be unavoidable for some, especially those in smaller spaces. Yet, it could be an opportunity to reassess the use of space considering successful remote working.

REDESIGNING THE OFFICE

Over the coming weeks and months, we will be poring over the impact of COVID-19 on the design of the office. Working with clients and industry peers to fully appreciate changes to the way in which we utilise the office space and interact with colleagues and customers with whom we were used to spending time with.

Source:Third Way

The health and wellbeing of the office was already a significant agenda item for businesses, an area that Dthree Studio has majored on in its previous projects. It will now become even more prominent for future schemes. The focus on items such as ventilation, the density of workers in offices and the extent to which sharing, and community spaces are factored in will certainly evolve design. There is also the mental health of employees to be considered when looking at future office design; the missed social interaction that occurs from home working must be weighed against whether employees feel anxious about travelling into the office.

The points we have covered here are initial factors that could impact the immediate response for the need to safeguard an office. The extent of the challenges that some business may face to get their office space ready is one thing, ensuring they are future-proofed is another. As a result, we have been rolling out online workspace consultancy sessions, where the Dthree team will be available to answer questions. As well as the provision of workplace assessments that can help businesses manage their return to work seamlessly and with their long-term goals preserved.

For more information on Dthree Studio and its service, please contact Ben Grave.

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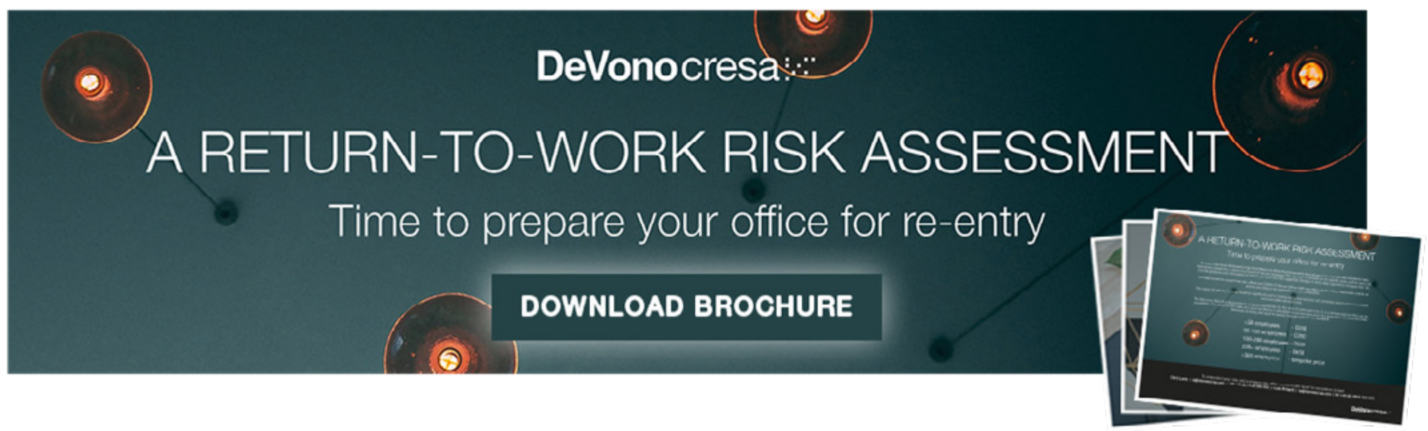

INTRODUCING DEVONO CRESA PORTFOLIO SOLUTIONS

AN INTERVIEW WITH PAUL DANKS & DAN ROBINSON

WHAT MOTIVATED YOU TO JOIN THE REAL ESTATE SECTOR?

Dan: The scope and opportunities in real estate drew me to the sector. I have over two decades of experience working with multinational firms in North America and Europe across corporate real estate, supply chain and logistics, management consulting and restructuring. I have also advised numerous real estate firms on turnaround and restructuring. I spent the last decade building the European practice for Newmark Knight Frank and co-led their global corporate platform with Paul. My real estate specialism lies in supply chain and logistics.

Paul: I had a keen interest in real estate early on in my life. I entered the profession via a traditional route, armed with a degree in real estate. I worked for the UK Government's Valuations Office Agency before moving into the private sector. In the early 2000s, I led the efforts of my then firm in pioneering global portfolio solutions and global logistics & supply chain consultancy. For the last four decades, I developed expertise in advising global corporate occupiers, especially in the industrial and logistics sectors.

WHAT ATTRACTED YOU TO DEVONO CRESA?

Paul: Dan and I come from occupier-centric backgrounds. As DeVono Cresa (DC) solely advises occupiers, it aligned closely with our interests. Alongside this, my previous association and high regard for Cresa's global arm and having worked with their brokers earlier in my career made DeVono Cresa an appealing place to work.

Dan: The main attraction was that DeVono Cresa is expanding its capability and reach. The firm is highly regarded and is already a pivotal firm within the Cresa network. We wanted to support DC in this growth. We also wanted to build upon DC's links with the network of global Cresa offices. The passion of DC's joint-CEOs passion for building an occupier-only business aligned with our goals. So, we decided to accept this challenge and have not looked back since.

WHAT SERVICES DOES THE PORTFOLIO SOLUTIONS (PS) TEAM PROVIDE TO CLIENTS?

Dan: The PS team works comprehensively with clients across multiple geographies. We help them to position and preserve their portfolios to meet the needs of their business. These needs and requirements are not specifically just transactions such as acquiring or disposing of real estate properties. It can involve questions such as 'Where do I go? Why do I go there? What do I need? What are the risks and opportunities for me if I relocate?'

Paul: We help coordinate multiple services and locations under a single umbrella, allowing the client to gain visibility, implement efficiencies and control the cost of occupation of real estate in much the same way as they control other costs within their business. An important element of our work lies in managing multiple relationships. Our client is often both the executives at the centre of the organisation and their operating divisions across the world. As a result, we must be considerate to the matrix of relationships and sometimes competing aims and ambitions and show empathy to each part of the client's business operation, whilst ensuring the desired result is achieved in the most efficient and cost effective manner. To an extent, we achieve this through applying governance and standard systems and processes across the whole portfolio.

HOW DOES THE PS TEAM PROVIDE A FULL SERVICE OFFERING GLOBALLY?

Paul: We strive to put the best in class / expert team in place, regardless of the client's location or sector specialism. We support our clients in the preparation of clear and concise statements of work and then agree on deliverables and timescales. If there is a Cresa office in that geography, we will first connect them. Also given my previous career links and being the President-Elect of the Society of Industrial and Office Realtors (SIOR) in Europe has allowed me to develop numerous international connections. We leverage this and our other global networks to provide an international, full real estate service offering to our clients.

CAN YOU GIVE US AN EXAMPLE OF A CURRENT PROJECT OR CLIENT?

Dan: We are currently working with a leading food and beverage packaging company. The company is environmentally innovative, and its packaging is 100% compostable and reusable. We are providing them with a strategic short-medium-and-long-term view to ensure they cater to their current and future client base. At present, as the client expands their business to Europe, we are helping them to find a short-term solution for their warehouse (approximately 40, 000 sq ft) and distribution needs in the United Kingdom (UK). We will then help them to secure an office.

A part of the expansion plan, we will also be advising on the countries and cities where they may consider for future manufacturing and distribution to serve customers in mainland Europe and the UK. This location strategy, among others, includes evaluating the risk and benefits of the infrastructure in various countries, labour, power supply and water. We will also assess any government grants or incentives that would help attract an organisation of our client's scale or magnitude.

HOW DOES PS HELP IN MANAGING A CLIENT'S PORTFOLIO?

Paul: PS can help measure real estate / business performance in a meaningful way. There are numerous Key Performance Indicators (KPIs), including specific real estate occupational cost-related ones that you can set to manage a business. We help senior leaders and real estate managers to evaluate whether they are operating their real estate efficiently, for example, in terms of space utilisation and business locations. We also leverage platforms such as Valo which is Cresa's Portfolio Management tool.

HOW HAS COVID-19 IMPACTED YOUR CLIENT WORK, AND WHAT ARE ITS SHORT-TERM IMPLICATIONS?

Paul: In our current conversations with clients, we advise them to engage both with their landlords and other bodies to ensure they are obtaining all of the support that is available to them, in terms of rent relief, incentives, grants etc. Looking forward, our clients recognise that the wellbeing of their staff and indeed customers must be a primary objective. Managing "risk" in all its shapes and forms, is now recognised of even greater importance. Thus, we are supporting clients in looking at their overall "supply chain". Our clients will change the way they work, operate, manage their distribution mechanism and the location from which they do it.

Dan: In the short-and-medium term, we anticipate a change in the way we interact with our clients, but currently, we are keeping the dialogue going. In some of the discussions, firms have mentioned that they are thinking about the need for the office versus working from home. However, the camaraderie and morale that you can create in an office environment with colleagues can be hard to replicate at home, which will make decision-making difficult.
We will see offices that are in the Central Business District (CBD) bifurcate, and companies will move to peripheral areas so that their employees do not have to travel into the CBDs. Given the uncertainty and anticipated government safety measures, it is going to be hard on the real estate industry as it is a relationship-based business. It is easier to maintain existing relationships, but in-person meetings help develop new ones and being unable to do so, may make it challenging for real estate businesses.

HOW WILL COVID-19 IMPACT THE LOGISTICS AND SUPPLY CHAIN SECTOR?

Dan: We will see reshoring as companies seek to bring manufacturing closer to home. Additionally, we will see inventories increase, resulting in a rise for the need for warehousing and distribution space. Soon, atypical sites will function as fulfilment, last-mile or click-and-collect centres coupled with a greater need for contactless delivery.

It is a dawn of a new supply chain sector where manufacturers will reshape their portfolio or facility so that they can direct ship. The challenge will be consolidating onsite demand and supply. A new era for the logistics and supply chain sector awaits.

Dan Robinson,
Director, Portfolio Solutions
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Paul Danks,
Director, Portfolio Solutions
pd@devonocresa.com

EXCLUSIVELY WITH DEVONO CRESA AVAILABILITY OPPORTUNITIES

As part of our full portfolio of services, DeVono Cresa has a team dedicated to disposing of occupiers' space. Here is a selection of the currently available disposals, across London's most sought after locations.

To arrange a viewing or to discuss your lease disposal requirements, contact Chris Lewis or Alex Laws, or view the full disposals details and brochures at devonocresa.com.

Chris Lewis
Head of Office Agency & Consulting
cl@devonocresa.com
020 7451 1329

Alex Laws
Surveyor
al@devonocresa.com
020 7451 1325

ONE BARTHOLOMEW, EC1

19,451 SQ FT

RENT: Upon Application | RATES: £22.00 PSF | SERVICE CHARGE: £10.00 PSF

20 WOOD STREET, EC2

12,885 SQ FT

RENT: Upon Application | RATES: £29.00 PSF | SERVICE CHARGE: £12.00 PSF

THE WALBROOK, EC4

7,685 - 10,000 SQ FT

RENT: £57.50 PSF | RATES: £21.66 PSF | SERVICE CHARGE: £10.96 PSF

1 ST MARTIN'S LE GRAND, EC1

8,136 SQ FT

RENT: £41.00 PSF | RATES: £19.20 PSF | SERVICE CHARGE: £10.00 PSF

35 PARK LANE, W1

4,779 SQ FT

RENT: £83.15 PSF | RATES: £48.57 PSF | SERVICE CHARGE: £19.67 PSF

31 VERNON ST & 6-10 SOUTHCOMBE ST, W14

15,370 SQ FT

RENT: £47.00 PSF | RATES: £13.87 PSF | SERVICE CHARGE: N/A

HARLEQUIN BUILDING, SE1

7,302 SQ FT

UNDER OFFER

RENT: £53.40 PSF | RATES: £19.75 PSF | SERVICE CHARGE: £10.49 PSF

12 BERKELEY STREET, W1

1,800 SQ FT

RENT: Upon Application | RATES: £36.87 PSF | SERVICE CHARGE: £15.00 PSF

HARLING HOUSE, SE1

1,591 - 5,000 SQ FT

RENT: £57.50 PSF | RATES: £10.45 PSF | SERVICE CHARGE: £9.52 PSF

** denotes estimated cost*

MEET THE DC TEAM

George Blakemore,
Associate Director
gb@devonocresa.com

Charles Chell,
Associate Director
cc@devonocresa.com

With remote working becoming the new normal, COVID-19 has changed the idea of an office for many. We speak to two members from our Office Agency team to understand the impact of these changes on their daily routine.

1. HOW HAS DEVONO CRESA ADAPTED TO WORKING REMOTELY? WHAT PRACTICES HAVE YOU PUT IN PLACE TO ENSURE THAT YOU STAY PRODUCTIVE?

Charles: DeVono Cresa adapted to the new 'agile working' agenda by utilising remote working platforms and applications. These have enabled us to stay connected with our colleagues and clients. We have a daily meeting, just as we did back in the office, which allows us to catch-up directly with team members. We also have a weekly 'All Company' session, where the various departments discuss current projects and prospective clients, enabling us to share activities and provide an overview of the broader business.

George: Apart from leveraging the tools put in place by DeVono Cresa, to ensure that I stay productive, I try to keep to a similar routine as if I were in office – by structuring my day, breaking for lunch and taking reasonable exercise breaks.

2. HOW ARE YOU PROVIDING THE SAME LEVEL OF SUPPORT AND SERVICE TO CLIENTS REMOTELY?

Charles: There is no denying that these are unprecedented times. However, we are adapting to the challenges ahead of us, and utilising the available technology, enabling us to deliver a seamless service.

We are currently offering our clients 'virtual' viewing tours, of an exhaustive list of suitable properties. We also walk them through '3D Matterport' scans, which are beneficial in providing a more detailed feel for the space. We serve several international clients, and the tools that we put in place earlier for this offering have only helped us during these times.

George: Our support for our clients has not differed, and we are still available to speak to them and advise them when needed. The obvious differences are that we cannot meet in-person and that viewing tours previously could not be undertaken. However, we connect with clients via video calls to ensure that the relationship is still ongoing and operational.

We have also created in-depth 'look books' of properties that are more visual than the standard property particulars and include 3-D Walkthroughs of the spaces on offer.

3. WHAT CHALLENGES DID YOU FACE AFTER SWITCHING TO REMOTE WORKING, AND HOW DID YOU OVERCOME THEM?

Charles: One of the challenges of working from home was dealing with the lack of face-to-face communication. However, connecting with colleagues via daily calls, catch-ups, and an online messenger has helped to keep up the camaraderie and team spirit. I have found it incredibly helpful to set myself daily targets and goals, however small or large. These have kept me motivated and focused.

George: For me, one of the key challenges has been to keep motivation and concentration levels high. A usual day for myself could include pitching to new clients, meetings with current clients, internal meetings or viewing tours – so actual physical time spent at my desk can be few and far between.

This has now been turned on its head, and I find that I have to set myself 'chunks' of time to work too. I sometimes find myself not having got up from my workstation for a couple of hours, which is not suitable for concentration levels. As discussed previously, for me, it is about trying to get as 'normal' a routine as possible.

4. AT THIS UNPRECEDENTED TIME, WHAT GUIDANCE HAVE YOU BEEN PROVIDING TO CLIENTS?

Charles: In these uncertain times, we are being asked a variety of questions about what might be available in the form of rent, business rates and/or service charge relief. We are opening up an immediate dialogue on behalf of our clients with their landlord and/or their managing agent. We are also offering practical advice regarding business rates for those beyond the six sectors that have received relief from the government.

Our goal is straightforward; we want to support our clients to evaluate their real estate outgoings to come through these difficult times successfully.

George: It is important to give balanced and reasoned advice, as the outcome / fall out of what we are currently going through remains uncertain, but what can be managed is people's behaviour in these times. Some landlord and tenants' relationships can be complicated at the best of times. The uncertainty resulting from COVID-19 can test these relationships even further. My advice has been to have constructive discussions, whether it be regarding a rent deferral proposition, or perhaps using some of the tenants rent deposit to cover rental costs. All parts of the real estate market are under pressure – effective communication could make a difference in determining the future.

5. WHAT ELEMENTS OF A PHYSICAL OFFICE SPACE DO YOU MISS THE MOST?

Charles: Quite simply, I miss the daily in-person interaction with colleagues and clients. Though a video call is an efficient tool and one that I believe will be more prolific in the coming years, I do miss the physical aspect of viewing a shiny new office, development, or regeneration area/ scheme. The physical and architectural aspect of our role is incredibly important, and an element I have a particular interest in – the direct contact that comes with being a Chartered Surveyor, one of the reasons that I chose this profession. It is this contact that I hope will return soon.

George: I miss my desk and a proper chair – my back is in pieces! I miss the camaraderie of the office – we perhaps take it for granted, but it's the snippets of information that you can pick up and discuss with colleagues during a coffee break – you don't get that at home.

6. HOW DO YOU SEE THE MARKETPLACE EVOLVE OVER THE COMING MONTHS FOR YOUR CLIENTS?

Charles: The current lockdown is enabling tenants, to undertake the most extensive work-from-home experiment, focusing on how efficiently and effectively their workforce can adapt.

I do envisage that this pandemic will result in an increasing number of businesses committing to a higher degree of remote working for their employees, thus, giving workers greater agility in their daily routine. This could grant organisations the opportunity to reflect on how they occupy space – whether it is providing workstations that are suitable for touch-down staff or giving greater focus to meeting rooms and break out areas. We have already seen the legal sector adapt to more modern ways of working (as discussed in our Q4 2019 edition of The Occupier). We expect to see office design to have greater importance in the coming months.

George: I believe that rents will more than likely hold up. However, the incentives on offer for tenants will more than likely move out again – similar to the months after the result of the Brexit referendum in 2016.

7. HOW HAVE YOU BENEFITTED BY WORKING REMOTELY?

Charles: Living in Oxfordshire,

I must admit that I am not missing the three-hour round-trip daily commute. I did invest in a Brompton bicycle last year, so I look forward to better utilising it in my day-to-day routine – when we finally return to some form of normality.

George: The lack of commute is a significant benefit – getting an extra hour-and-a-half back in the day is appreciated resulting in more time with loved ones. The money saved on travel and meals is also a bonus.

COVID-19

FAQs for Commercial Property Occupiers

DeVono Cresa and Simmons & Simmons have co-authored a briefing document that answers some of the most frequently asked questions by businesses on a range of COVID-19 related challenges.

This document brings together the joint expertise of these two firms in commercial property leasing and contract law, and answers a series of questions regarding leased premises, serviced office and coworking spaces, business rates, as well as government support schemes for businesses.

This is a live document. It will be updated in accordance with announcements made by the UK government as they appear.

You can download the document here.

DOWNLOAD FAQ GUIDE

Do I still have to pay the service charge and other office costs?

According to the legislation, "rent" is all monies payable under a commercial lease, e.g. annual rent, the service charge, insurance, interest, VAT and related costs. However, please note that if your landlord is obligated under the lease to provide services against the payment of service charge, those services could be curtailed, or stopped altogether to offer some short-term cash relief to the landlord. Landlords may also try and recover additional costs through the service charge, e.g. deep cleaning.

My serviced office / coworking space provider has not closed the centre, do I still need to pay?

In most cases, the answer to this would be yes. However, it will depend on the terms of the contract that has been signed. If it is a rolling contract, then you may be able to cancel. Those with a fixed term may not find it so easy. We advise you to check the terms and conditions of your licence agreement - for example, does it include a force majeure or a specific extenuating circumstances clause? If so, the express wording of any such clause will be key and will vary from one contract to another.

DeVono cresa
COMMERCIAL PROPERTY CONSULTANTS

simmons + simmons

ABOUT DEVONO CRESA

COMMERCIAL PROPERTY CONSULTANTS

The workplace is under great pressure to perform and be all things to everyone – and it is our business to understand this challenge.

DeVono Cresa is the UK's leading occupier-only consultancy firm and proud to be part of Cresa, the world's number one tenant only advisory firm.

We specialise in providing real estate solutions to support our clients' complex and specific business objectives.

A significant part of our role is helping our clients to understand and define their occupational requirements. We take into account key factors including talent challenges, headcount forecasts, operational priorities and cost considerations to help craft a brief that is not only fit for purpose today, but will also deliver a sustainable occupational footprint moving forward.

We achieve this level of insight by fully understanding how your business works and where it is headed.

Our team cares about leaving a lasting and positive impact on our clients. Success is not defined by a lease or agreement being signed; it's about a culture being positively influenced, a workforce being engaged and ultimately providing a platform for future growth.

AGENCY

FLEXIBLE LEASING

PORTFOLIO SERVICES

DESIGN & BUILD

CONSULTANCY

OCCUPIER DISPOSALS

BUILDING SURVEYS

RENT REVIEWS

DILAPIDATIONS

INSIGHTS

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Find out more at www.devonocresa.com

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DeVono cresa
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