

DECEMBER NEWS UPDATE

The government is predicting an economic slowdown in 2008. The markets are likely to become more cautious as a result of this and other indicators during this period. This will undoubtedly have an impact on all businesses, especially on their property requirements.

As a business, it is worth considering the following:

Outputs

- Economically 2008 is set for a slow down.
- ING Bank's prediction this will be to around 1.5% which is about half of Q1 and Q2 of 2007. So a marked slow down, but not a recession.
- Interest rates are now unlikely to go up due to the sub-prime lending fiasco.
- Retail spending is still relatively buoyant but expected to slow.
- The City view is one of caution until after next summer.
- Reaction in the City markets will have an effect on the take up of offices in the City and by the financial services sector generally. Already we have seen various banks put expansion plans on hold and have cut head count.

And with regard to property

- Rents are still set to rise in the City, Mid town and West End.
- Although 12m sqft of offices is set to come onto the market, this is only a net of 6m sqft after allowing for obsolescence.
- However a potential over supply of space in the City is forecasted in 2009 and 2010.
- As of today i.e. 2007, demand is simply exceeding supply.
- Supply in the West End is short – vacancy levels are less than 4%.
- Past performance suggests that when supply is less than 4% - rents will rise in the order of 15% -20%.
- Rating revaluation in 2010 will be based on rents of 2008 so the predictions are that **business rates may double** from 2010 to 2015.

Conclusions

For many businesses especially those in Central London, this may mean that you'll have consider your pricing, the way you and your people work and, in extreme cases, even what you sell or services you provide!

If you are an office occupier, as opposed to an investor, the only good news we can offer is that there are lots of ways you can outsmart your competitors. Our advice is that you should plan to do it sooner rather than later.

Haywards top tips

Here are 4 essential tips that will help you gain the inside track next year:

- 1) **Look at your P&L** – can your business survive occupancy increases of between 25-50%? If it can't, then it's time to re-think your strategy.
- 2) If you have a **lease expiry or lease break** in the next 2 to 3 years start planning now. The cost and business implications for all office occupiers are huge.
- 3) If you're based in expensive central London offices then now's the time to face facts. You may need to change tack. **Re-locating** to a town within a 30 mile radius of London that is well-served by a railway line may be a smart move. And if you still need that London address, then a smaller serviced unit on a short lease could be one solution.
- 4) When **planning your space**, consider the amount that is being wasted at any one point in time. A good target is to get each desk being used by 1.5 people. This will cut your final property costs down considerably. But beware! A change like this needs careful preparation and lots of staff buy-in. However the rewards can be great.

Avoid being one of the herd and stay one step ahead!

For further information

For guidance on innovative leasing solutions, practical workplace strategies, flexible working and generally on how to save costs on your property, please do not hesitate to contact **Owen Hughes** on 01494 488 493. Alternatively you can email him on owen.hughes@haywardsltd.co.uk