

 **Instant**
Your office. *Our business.*

Global Serviced Office Review **2011**



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Introduction



Since Instant was founded in 1999, we have spent the past twelve years transacting tens of thousands of serviced office deals in over 100 countries around the world. During this time, we have collected a wealth of information about the serviced office sector, which has only evolved to its current form within the past 15 years or so. Unfortunately, the sector has suffered from a lack of quality data tracking its enormous growth over these years. The aim of our report is to begin to rectify this and provide clarity on the changes that have taken place in one of the most exciting and dynamic additions to the commercial property world.

We are delighted to have witnessed the transformation of the scale and importance of this niche market, which now represents a total turnover of more than \$6 billion comprised of over 80 million square feet of office space. More importantly, the sector is growing at 10% per annum, which is truly impressive considering we are three years into a global recession in which rents have fallen by 10%. Fortunately, the recession is enabling the stronger providers to grow more aggressively by leasing and buying extra space at a discount from the rents seen at the top of the market.

It is also interesting to see just how fragmented the market really is. Regus is the dominant brand, yet it has a market share of only 20%. No other provider across the world has a share greater than 2%. New entrants join the market every week, and despite some consolidation, the number of providers in the market continues to grow.

Where will it go from here? I think it is clear that the sector is still in its infancy. Several key changes in the way business is conducted – globalisation, alternative workplaces, a more enterprising culture, the need for agility and flexibility– will ensure that the sector will continue its rampant growth. The range of products in the flexible office market now means that it can be cost effective to take space for 1 to 500 people in markets around the world in a variety of building types.

Serviced offices are reasonably well known by corporate occupiers and SMEs in the UK; however, their utilisation in the rest of the world is still immature. The UK makes up 36% of the global serviced office market. Comprising 2% of the total UK office stock, the sector is far more developed here than anywhere else in the world. I predict continued growth in the UK and other developed markets, but the fastest growth will take place across the emerging markets – particularly Asia and the most developed African countries.

We will continue to produce regular updates that track the exciting changes in the sector. Our goal is to ensure that the wealth of information and collective expertise at Instant will allow our clients to make the most informed decisions on the flexible office market. We hope you enjoy the report, and we welcome your feedback on how we can better serve the market.

Sincerely,

A handwritten signature in black ink that reads "P. Elliott". The signature is fluid and cursive, written over a dark, textured background.

Patrick Elliott
Chief Executive Officer

Key Facts

80

million sq ft
of serviced office
space globally
750,000 total
workstation capacity



324

new centres
opened in 2009
182 centres ceased
operations in 2009

1,431

cities with serviced
office locations

101

total countries with centres

2.6

million sq ft
of serviced office
space in New York.
25,000 – total
workstation capacity

\$1,573*

average workstation
rate in Paris – most
expensive of the world's
50 largest markets.
\$296* Sheffield –
most economical.

*US Dollars



-47%

decrease in average
workstation rates in
Dubai since 2008
+34% – increase in
Kuala Lumpur rates
since 2008

3.3

workstations per contract
globally. **London** has the largest
number of workstations per
contract at **6.7**, and Houston
the lowest with **1.7**.



73%

increase in number
of centres in world's
largest 50 markets
since 2005.

5,484

no. of centres globally

2,388

no. of providers



Regus, the world's
largest provider, has
a market share of

20%

The second largest
provider, Servcorp, has
a market share of **2%**.

36%

of the world's serviced offices
are in the UK.

8%

London's global market share

**New York + Paris
+ Hong Kong +
Tokyo + Sydney =**

London

Combined size of the London
serviced office market

-12.9%

decrease in London
workstation rates
between 2008 - 2009

+12.6%

increase since 2009

In 2011

Shanghai ranks

11th

in the Top 50 largest markets
globally, with a **337%** growth in
numbers of centres since 2005.

38%

centre growth in EMEA
region since 2008.

75% of EMEA centres
are located in
Western Europe.

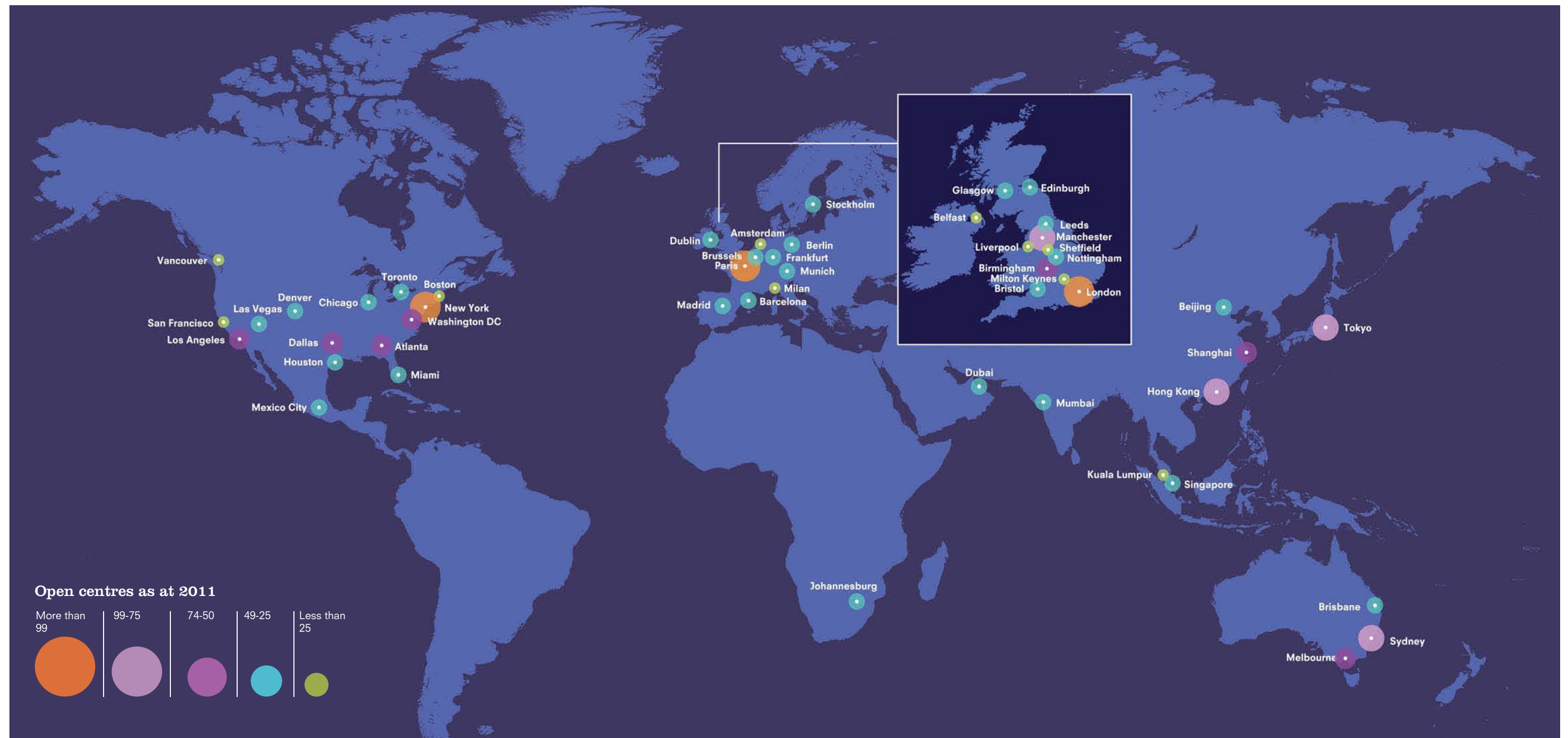


The Global Serviced Office Market



 **Instant**

The Global Serviced Office Market



Serviced offices are one of the fastest growing sectors in the commercial property market. Based on Instant's data, as of July 2011, there were 5,484 centres operating in 101 countries around the world. Since the same period in 2008, the number of centres has increased by 18.5%, and the sector now encompasses over 80 million square feet (7.6 million square metres) of office space with the capacity to accommodate more than 750,000 workstations.

There are over 1,400 cities globally where businesses can utilise the flexibility and convenience of serviced offices, and this number includes the majority of the world's largest centres of business. The 50 largest markets have been

determined based on the number of serviced office centres that are currently operational within these markets. While the actual size of each centre can vary, the total number of centres in a particular market is the best way to determine how well the sector has developed there. These markets offer businesses the greatest selection and provide the most competitive environments. It should be noted that in some cases this method results in markets ranking lower than others despite having a higher overall workstation capacity. With the average serviced office contract providing space for approximately 3 to 4 people, choice within a market is usually more relevant for businesses than a centre's capacity.

In order to review the serviced office sector on a global basis, four regional markets have been determined based on the world's concentration of centres. The United Kingdom has 36% of the world's total centres, and the sector's sheer size allows the country to be considered its own regional market. The United States is the world's second largest market; however, it has 25% fewer centres than the UK, even though its overall office market is considerably larger. The serviced office sector is less developed throughout the rest of North and South America, so both continents are grouped together as the Americas market – with 32% of the global market. The EMEA region is comprised of the European and African

continents (excluding the UK) and the Middle East. The sector has experienced tremendous growth here in recent years, and the region now represents 20% of the total market. The Asia Pacific region, comprised of most of the Asian continent and Australasia, is the smallest with 12% of the global market; however, this region is expected to grow faster than any other in the coming years.

The London serviced office market has 8% of the world's centres. While London figures are included in the United Kingdom regional market, this review provides a separate section analysing this extraordinary market.

The Global Serviced Office Market

The world's 50 largest markets are fairly evenly distributed among the world's four regions with 12 markets in the United Kingdom, 15 in the Americas, 13 in EMEA, and 10 in the Asia Pacific region. These 50 markets have a combined total of 2,523 centres or 46% of the world's total.

Over the past three years the total number of centres in the top 50 markets has grown by 19.5% – slightly faster than the global market over the same period (18.5%). The most impressive growth was between 2005 and 2008, when centre growth increased by 45% in these markets.

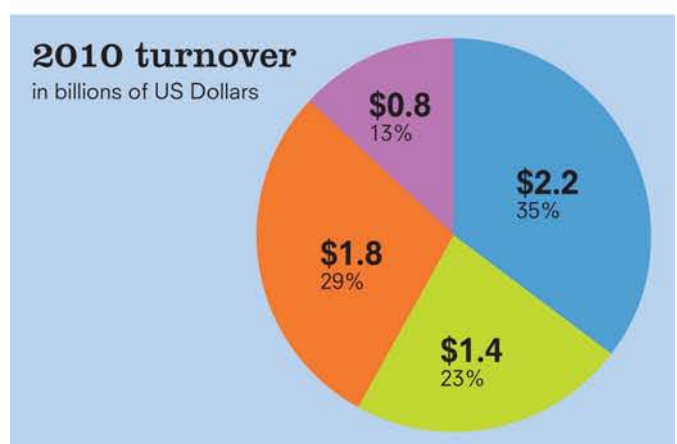
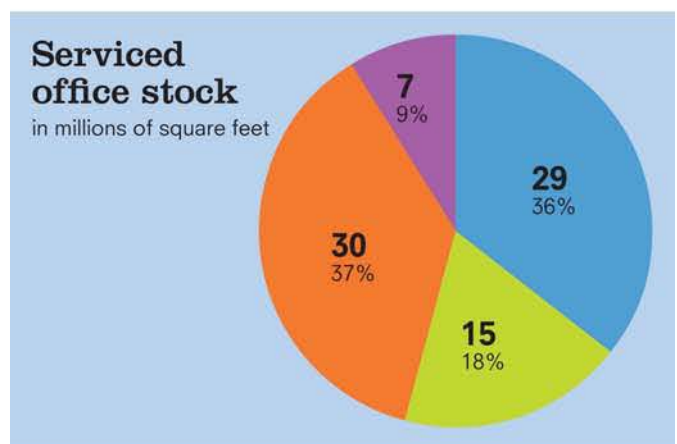
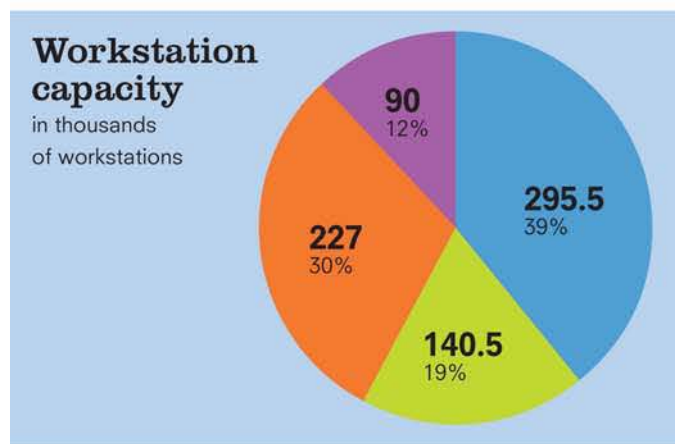
Understanding average workstation rates

Average workstation rates are based on the contract's monthly base office rental divided by the number of desks provided. Base office rental usually includes a fully furnished office, use of common areas in the centre, rates, service charge, maintenance, daily cleaning and building insurance. In most cases IT, telephony and beverage provision is not included in base monthly rental, which averages an additional \$195 per user per month.

The current mean workstation rate for the top 50 markets is USD \$653 per month. Sheffield, UK has the lowest average at \$296, and Paris has the highest average at \$1,573.

Over the past five years, the top 50 markets have a mean of 3.3 workstations per contract. Houston and Miami have the lowest average at 1.7 workstations per contract while London and Leeds have the highest at 6.7. This shows that larger companies are more likely to use serviced offices in markets like London and Leeds than in markets with a lower figure. The more developed the market, the higher the average contract size.

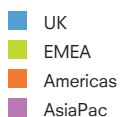
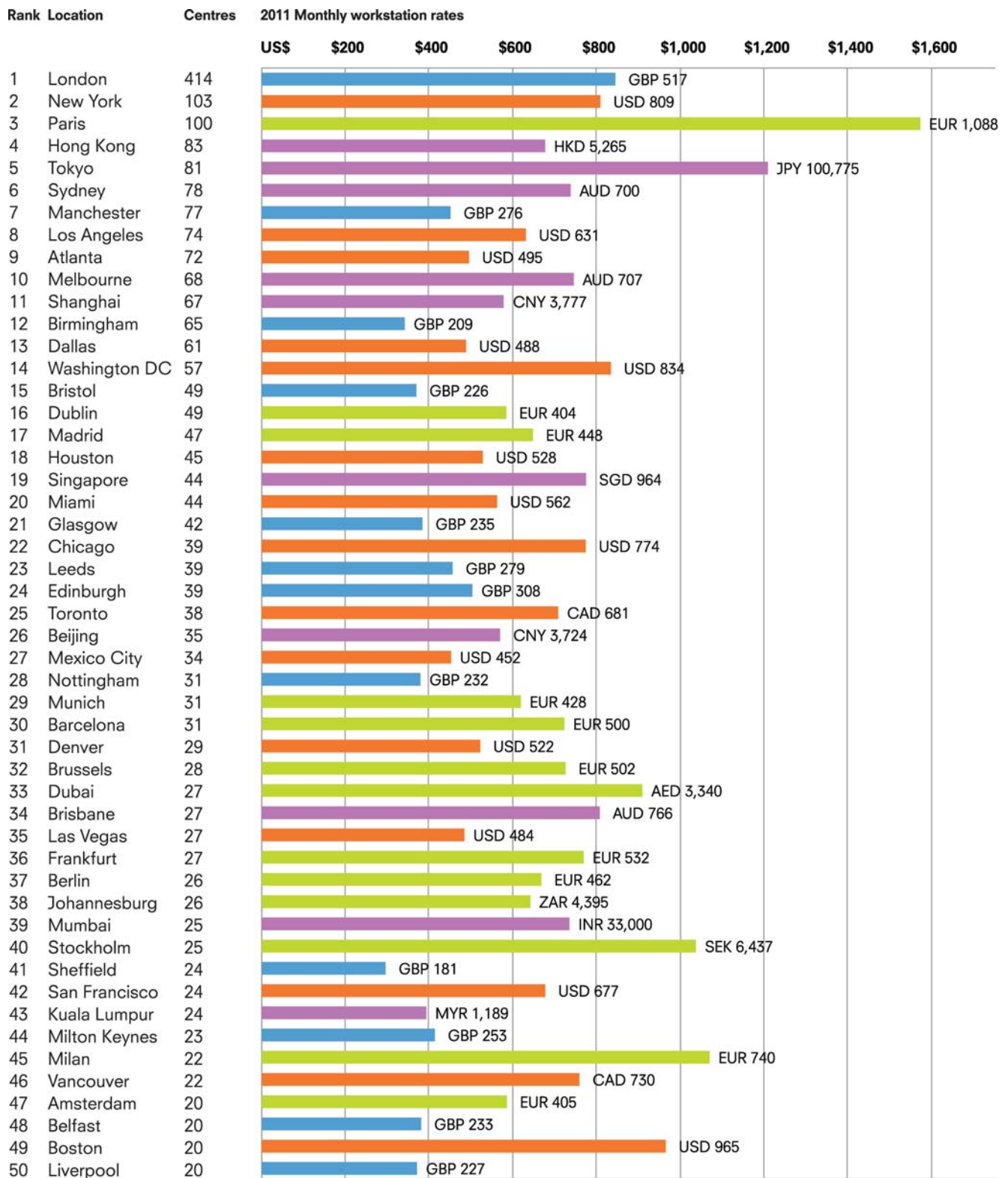
In the Americas, most serviced office users prefer to have their own private office. While these individual offices vary in size, they are almost always large enough to comfortably accommodate two workstations. Adding an additional desk has little impact on the base rental; however, it has a significant impact on the average workstation rate. This practice causes average workstation rates in the Americas to be disproportionately higher than those in the UK and most European markets where users are more accustomed to working together in the same office.



■ UK ■ EMEA ■ Americas ■ AsiaPac

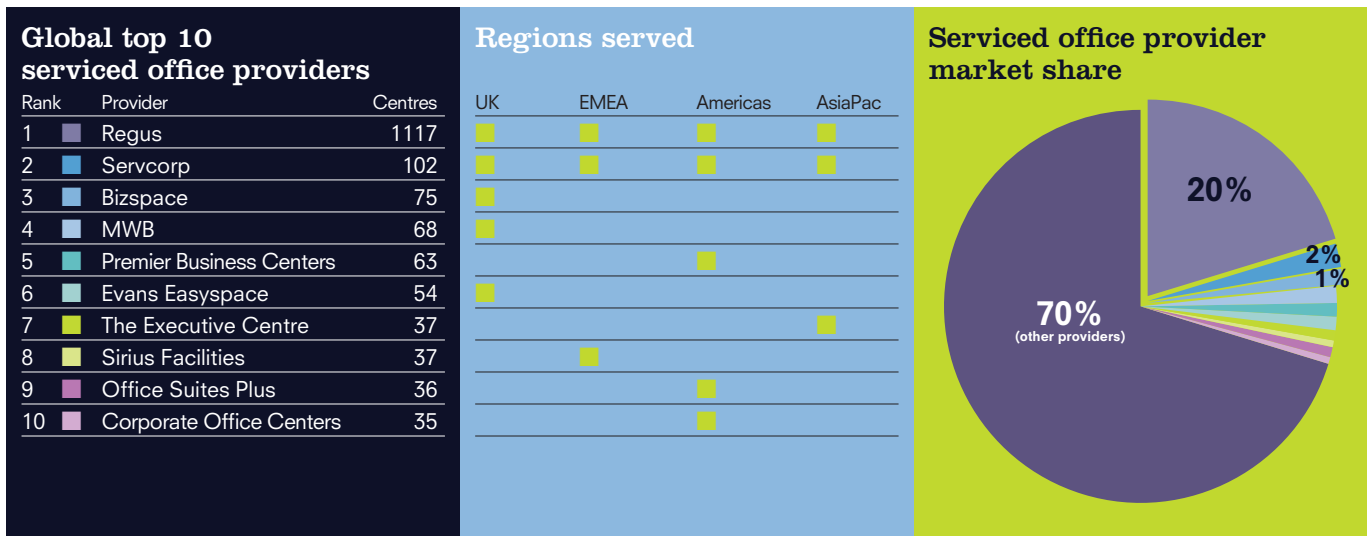
Top 50 Markets Globally

ranked by number of open centres



Serviced Office Providers

Serviced Office Providers



Serviced office providers are the independent companies that lease or own commercial office space and operate business centres within these properties, providing a fully managed turnkey office solution with flexible terms to businesses of all sizes. Currently, there are almost 2,400 providers operating nearly 5,500 serviced office centres worldwide. Each provider operates an average of 2.4 centres, resulting in a market that is extremely fragmented.

While most providers only operate a small number of centres, there are a few notable exceptions. Regus is the dominant provider operating more than 1,100 centres in 88 countries. While the Regus name is synonymous with serviced offices, they only represent 20% of the total market. Since 2005, the number of Regus centres has increased by 69% - through both acquisition of regional providers and the opening of new centres. In addition to Regus, Servcorp is the only other global provider with more than 100 centres in 21 countries. Through organic growth, Servcorp has increased the number of centres it operates by 308% since 2005, yet it still has less than 2% of the global market.

Although there are only two providers with global coverage, there are many providers that have a significant or majority market share on a city, regional or country basis. These providers may enjoy a higher level of recognition locally than the large global providers, but elsewhere they are virtually unknown. Several of these providers are noted in the top 10, but there are more than 60 providers that have 10 or more centres in their portfolio, adding up to 43% of the total market.

The remaining 57% of the market is made up of providers with between 1 to 9 centres in their portfolio. While these providers may not offer an extensive network of their own centres, many of them are associated with global affiliated networks of centres that offer collective benefits to their clients. In many cases, these smaller providers offer a niche product catering to a specific clientele. Some of the world's most exclusive properties are operated by providers with just one or a few centres. For example, Sterling Offices is a premium provider with only two locations – Istanbul and Sofia. Many local elite companies and multinational corporations in the know regard Sterling among the best in market. These providers generally place less emphasis on marketing their own brand. In doing so, their clients tend to have greater autonomy in promoting their own identities while enjoying the benefits of amenities offered by collective space.

Global Serviced Office Providers

Top 10 providers

1. Regus

Founded: 1989

Headquarters: Luxembourg City, Luxembourg

Regus is the world's largest provider of serviced office space with locations in more than 88 countries. They offer a range of options – from centres in economical suburban business parks to prestigious CBD properties. Each centre adheres to a minimum standard of quality. Regus offers the most extensive membership network for accessing office facilities worldwide. The majority of the centres are branded.

2. Servcorp

Founded: 1978

Headquarters: Sydney, Australia

Servcorp is one of the world's most recognised providers of serviced offices. They have a long established presence in Australia and Asia and in recent years have significantly expanded throughout EMEA and North America. Servcorp has a reputation for providing the highest quality IT products and superior levels of customer service. The majority of their centres are located in Grade A city centre buildings offering high quality office environments in a traditional design.

3. BizSpace*

Founded: 2000

Headquarters: London, UK

Bizspace is a leading provider of flexible workspaces throughout the UK. They specialise in affordable business space for both short term occupation and longer term leased solutions. In addition to providing serviced and leased offices, Bizspace offers flexible solutions for warehouse, factory and storage space.

4. MWB Business Exchange

Founded: 1996

Headquarters: London, UK

MWB is the largest provider of flexible office space in London and has a network of centres in other key UK markets. They provide five star serviced offices under the Business Exchange brand as well as a more regionally biased mid-market offer from City Executive Centres. Most centres are unbranded with a contemporary design.

5. Premier Business Centers

Founded: 2002

Headquarters: Irvine, CA, USA

Premier Business Centers is the second largest provider of executive office suites in the United States with locations in California, Texas, Florida, Ohio and Washington. They currently have plans to expand elsewhere throughout the country. Through their mixed portfolio they are able to accommodate both economical and high-end requirements.

6. Evans Easyspace*

Founded: 2000

Headquarters: Leeds, UK

Evans Easyspace has a diverse range of locations throughout the UK and specialises in offering economical serviced offices, storage units, and workshop space. Most locations are found in suburban business parks or in industrial areas.

7. The Executive Centre

Founded: 1994

Headquarters: Hong Kong

The Executive Centre is a serviced office provider with centres throughout Asia and Australia. All of their centres are located in prestigious city centre Grade A buildings. They provide high quality office environments with contemporary design. Their centres have minimal branding.

8. Sirius Facilities*

Founded: 2006

Headquarters: Berlin, Germany

Sirius operates a network of economical centres throughout Germany. Most centres are located in business parks in suburban areas with generous provisions for parking. They also provide workshops and storage space.

9. Office Suites Plus

Founded: 1998

Headquarters: Lexington, KY, USA

Office Suites Plus is one of the leading providers of executive suite space in the United States with a network of centres across the mid-west and south east including Florida, California and Hawaii. They have a range of economical options in both city centre and suburban markets.

10. Corporate Office Centers

Founded: 1992

Headquarters: Arlington, TX, USA

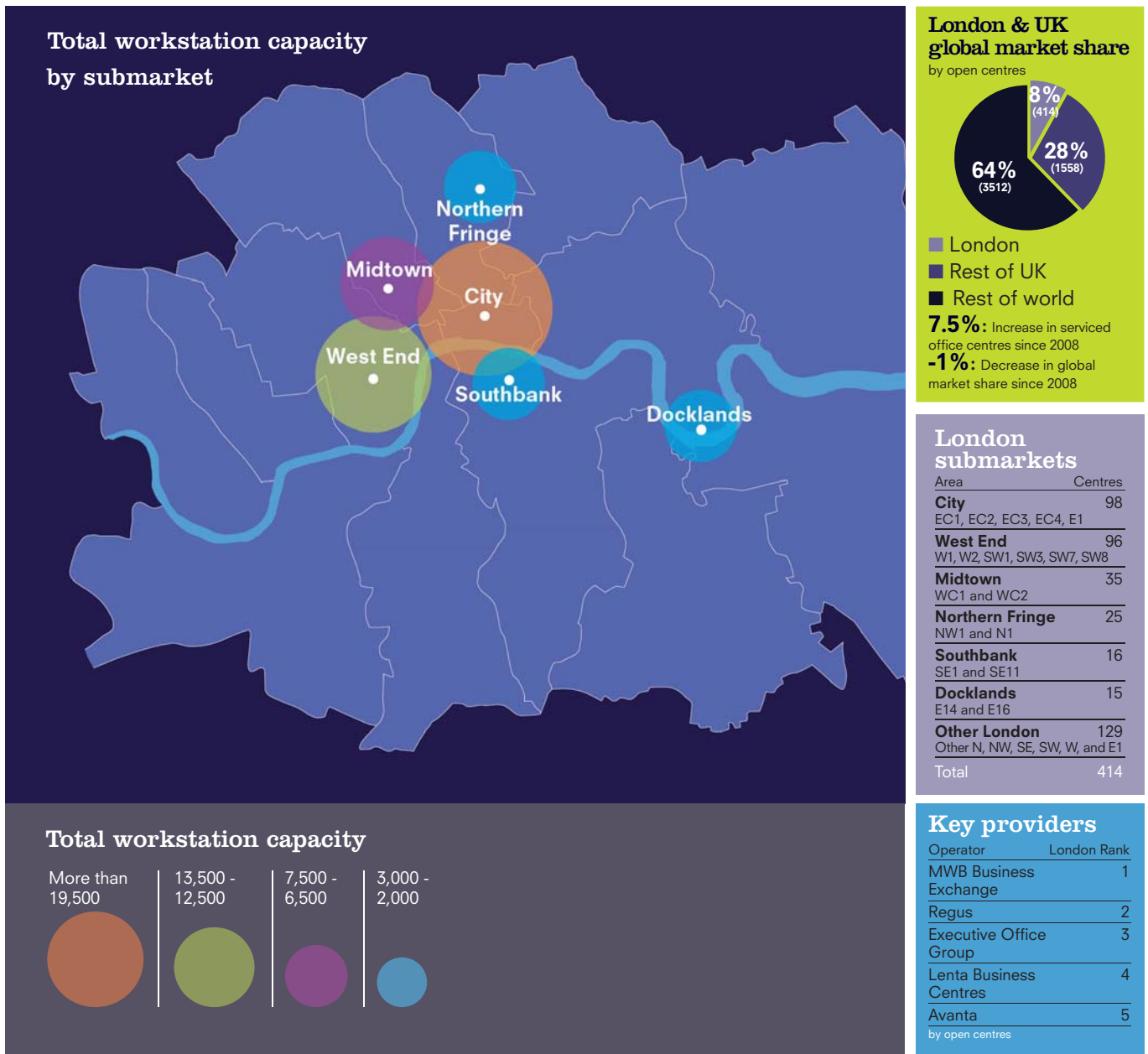
Corporate Office Centers is another leading executive suite provider in the United States with operations in various markets throughout the country. They provide quality offices in Grade A office buildings in both city centre and suburban locations.

*This report only accounts for the providers' centres that offer serviced office accommodation.

The London Market

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The London Market



London is the world’s largest and most developed serviced office market. With over 400 centres offering the capacity to accommodate more than 67,000 workstations, the London market is larger than that of New York, Paris, Hong Kong, Tokyo and Sydney combined. Currently the city has 8% of the world’s serviced offices; however, its global market share is slowly contracting as growth in the rest of the world increases.

London is a mature market. The unique characteristics of the property market have contributed significantly to the sector’s growth for several reasons. The limited amount of land for commercial property and historically long lease terms created a situation where smaller businesses found it difficult to procure office space. The sector offered the perfect solution where large blocks of quality space could be leased, divided up, and rented with short term contracts.

This allowed smaller businesses to enjoy amenities comparable to those of large corporate occupiers. As the amount of serviced office space increased in London, businesses of all sizes began to take advantage of the instant flexibility they provided.

Submarkets in Central London have the highest concentration of serviced office locations, with the City, West End, and Midtown submarkets representing 29%, 19% and 10% of the total available serviced office space in London respectively.

Some areas of London, such as South Bank, Battersea, Clapham, Kensington and Chelsea are undeveloped and lack sufficient supply of quality space despite high demand.

The London Market

Large serviced office transactions – more than 20 workstations – are very common in the London market (8.6% of London transactions), and centres regularly accommodate clients requiring between 100 and 300 workstations (0.8%).

While the majority of all serviced office transactions are small, London has the highest average of 7.27 workstations per transaction in 2011. This is a 15% increase in size from the 2009 low of 6.3 workstations, and is only 5% below the 2008 high of 7.64 workstations per transaction.

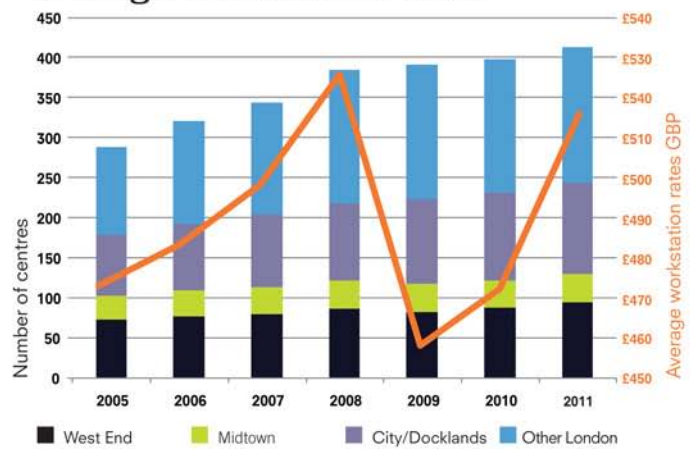
The number of centres in London has increased year-on-year despite negative economic growth. Since 2005, the number of centres has increased by 43% for all of London; however, growth in Central London is slightly lower at 36% for the same period. Some submarkets saw a slight retraction in growth between 2009 and 2010, but overall the market has grown by 7.5% since 2008.

Workstation rates have been more volatile. On average London rates increased by 11% from 2005 to 2008, but dropped by 12.9% in 2009 due to poor economic conditions. Since this low, rates have increased by 12.6% and look set to return to their 2008 high before the end of 2011.

The West End is the most expensive submarket, and average workstation rates are currently 25% more here than in any other Central London submarket. Mayfair and Belgravia command the highest rates that can range from £1,000 to £1,500 per workstation.

Workstation rates in the West End and the City have been the most volatile, but this is due to higher increases in overall supply in these submarkets. Supply in the Midtown submarket has remained largely unchanged over the past 5 years; therefore, rates have been more stable.

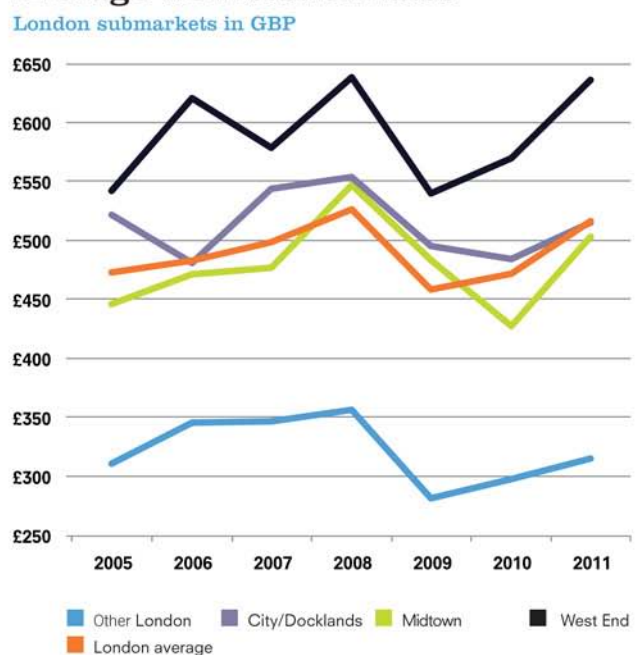
Centre growth and London average workstation rates



Average workstation rates in GBP

	2005	2006	2007	2008	2009	2010	2011
West End	543	621	579	639	540	570	636
Midtown	446	471	477	548	483	428	503
City/Docklands	522	482	544	554	495	485	515
Other Location	310	345	347	357	282	297	315
London Average	474	484	499	527	459	473	517

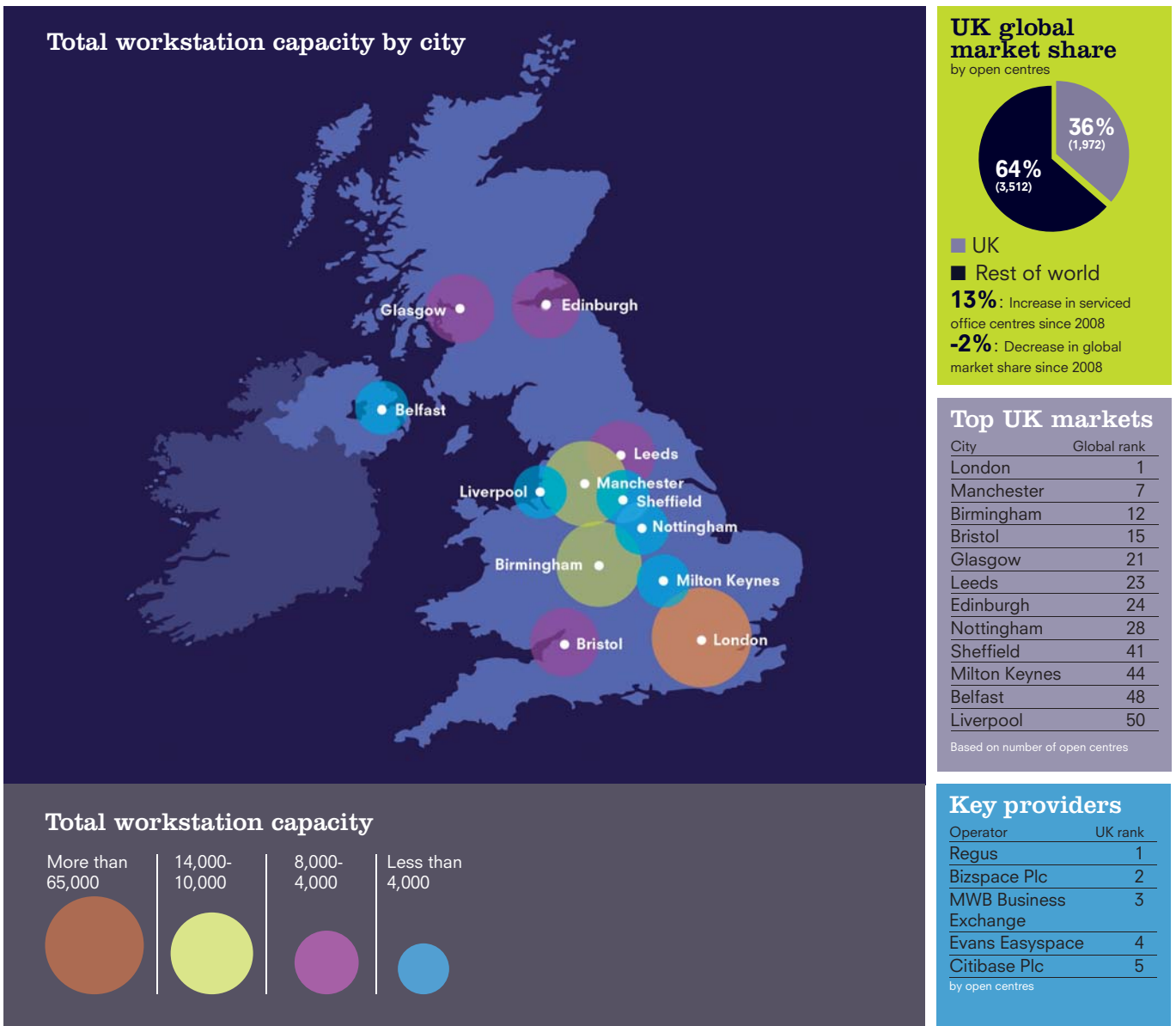
Average workstation rates London submarkets in GBP



Please note: there are different scales used for average workstation rates on these charts; the scale on the right hand side of the top chart amplifies the changes to clarify the trend.

The United Kingdom Market

The United Kingdom Market



The serviced office market in the United Kingdom is so highly developed that the country is tracked on a global basis as its own independent market. Although geographically part of the EMEA region, the United Kingdom has more than twice as many available workstations as the rest of the EMEA region combined. While comparable in overall size and turnover to the US market, the UK has a ratio of 1 serviced office workstation for every 211 people whereas the US ratio is more than 6 times that amount. With almost 2,000 serviced office locations, the UK has more than 1 out of every 3 serviced office centres in the world. While the number of UK centres has increased by 13% since 2008, its share in the global market has decreased slightly due to higher growth in the rest of the world.

The concept of serviced offices is widely understood throughout the UK. While the UK commercial property market shares many of the same characteristics as that in London –

historically longer lease terms and limited availability of land in city centres – the national popularity of serviced offices can primarily be attributed to their overwhelming success in the London market. Important centres of business throughout the UK have embraced the serviced office sector as a proven solution for providing flexible accommodation. Today, serviced offices account for more than 2% of the total commercial property stock (approx 180m sq ft) in the UK, and centres can be found in towns and cities throughout the country.

London is the largest serviced office market in the UK with 21% of the centres and 23% of the total workstation capacity. Manchester and Birmingham are the second and third largest markets with 4% and 3.2% of the centres and 4.4% and 3.6% of the total workstation capacity respectively.

The United Kingdom Market

Since 2005, all of the UK's top markets have more than doubled their total number of available centres with the exception of London (which has grown by 43%) and Edinburgh (which has grown by 50%). Sheffield and Milton Keynes have more than tripled the number of open centres over the same period.

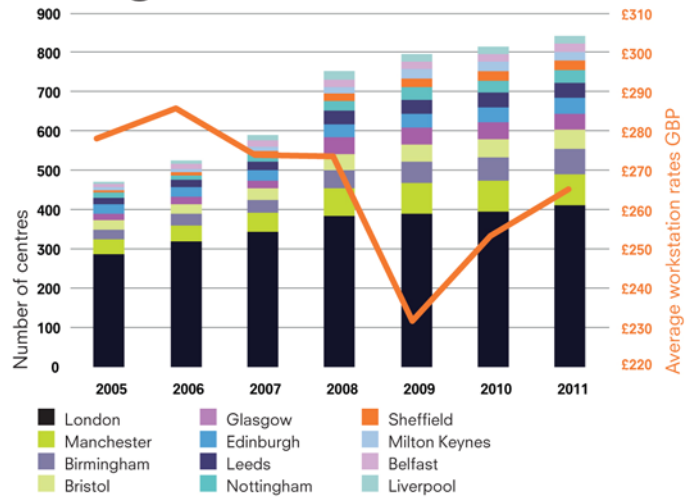
Between 2005 and 2008, the UK's top markets increased their total number of centres by 60% – the fastest period of growth for any market.

Serviced offices in the UK are designed to accommodate the largest variety of requirement sizes – from a single person office to those that can accommodate several hundred people. For 2011, the average contract size in the UK is 6.5 workstations, currently achieving the same level as the high in 2008.

Average workstation rates in the UK remained stable during the economic growth between 2005 and 2008. During this period, market growth was delivering enough new supply to meet or slightly exceed demand. The abundance of new supply left the UK market exposed during the global recession, and average rates in the UK fell by 13.6%. Since 2009, new supply in these top markets has only increased by 5.8%, and average rates are still 6.3% below their 2006 high.

Average rates in the Belfast market have seen the sharpest decline since a high of £375 per workstation in 2006. Before 2006, Belfast had only a few quality serviced office centres, and these centres could command rates much higher than the UK average. As more centres were opened, rates began to fall, and the global recession pushed them down further. Sluggish economic growth has prevented a rebound in rates and supply remains unchanged since 2008. Similar conditions account for the correction of rates in Sheffield.

Centre growth and regional average workstation rates

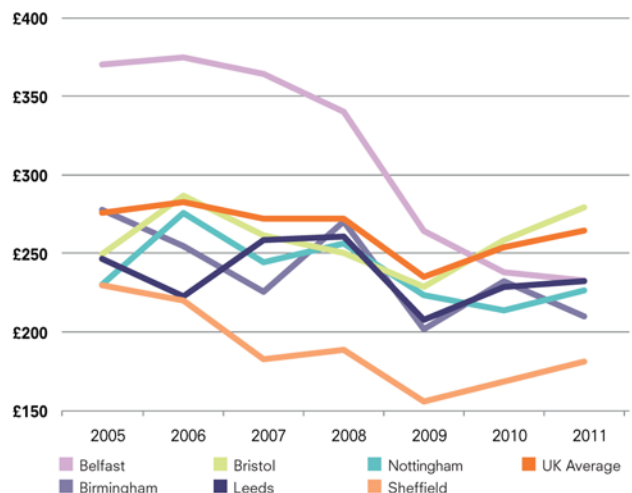


Average workstation rates in GBP

	2005	2006	2007	2008	2009	2010	2011
Belfast	370	375	364	340	264	238	233
Birmingham	278	254	225	270	202	232	209
Bristol	230	276	244	256	223	214	226
Edinburgh	270	277	271	280	240	283	308
Glasgow	236	234	247	221	208	237	235
Leeds	249	287	261	250	229	258	279
Liverpool	190	188	195	194	199	219	227
London	474	484	499	527	459	473	517
Manchester	288	272	260	254	224	243	276
Milton Keynes	250	306	262	223	212	257	253
Nottingham	246	222	258	261	208	228	232
Sheffield	230	220	182	188	156	168	181
UK Average	276	283	272	272	235	254	265

Selected average workstation rates

Select markets - in GBP

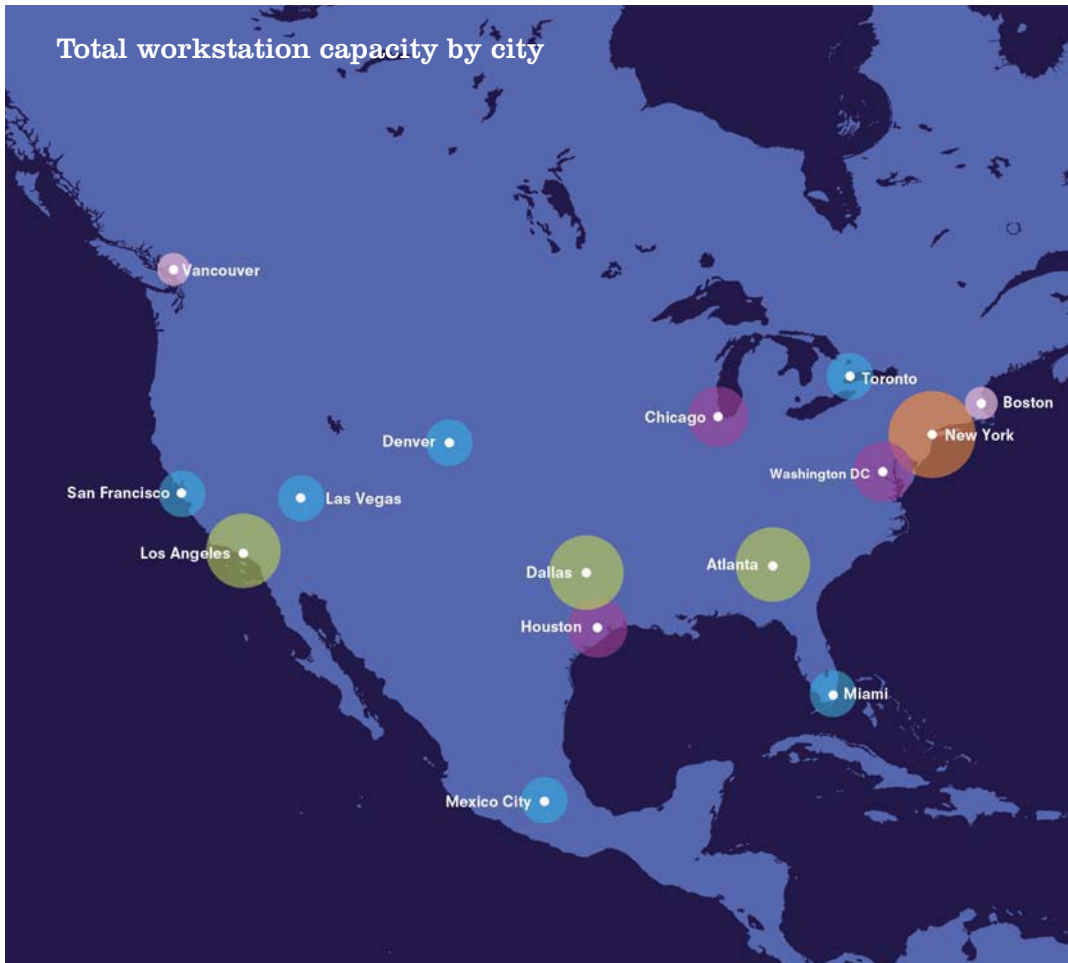


Please note: there are different scales used for average workstation rates on these charts; the scale on the right hand side of the top chart amplifies the changes to clarify the trend.

The Americas Market

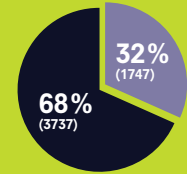


The Americas Market



Americas global market share

by open centres



■ Americas
■ Rest of world

15%: Increase in serviced office centres since 2008

-1%: Decrease in global market share since 2008

Top Americas markets

City	Global rank
New York	2
Los Angeles	8
Atlanta	9
Dallas	13
Washington DC	14
Houston	18
Miami	20
Chicago	22
Toronto	25
Mexico City	27
Denver	31
Las Vegas	35
San Francisco	42
Vancouver	46
Boston	49

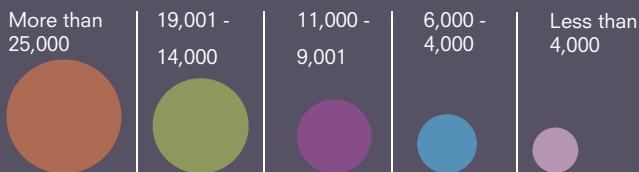
Based on number of open centres

Key providers

Operator	Americas rank
Regus	1
Premier Business Centers	2
Office Suites Plus	3
Corporate Office Centers	4
Carr Workplaces	5

by open centres

Total workstation capacity



The Americas market covers both North and South America; however, the United States, Canada and Mexico dominate the region as having the most developed serviced office sector. Of the world's 50 largest markets, the 15 that are included in this region are in these three countries. The United States has the largest market with almost 1,500 serviced office centres representing 84% of the regional market. Canada and Mexico follow with 7.8% and 3.1% of the region's total centres respectively. The remaining 83 centres are found throughout 12 other countries in the region.

While the Americas represents 32% of the global serviced office market, the sector is far from reaching maturity. The United States has approximately 30 million square feet of serviced office space, which is only a minute fraction of the total commercial property market. When compared to the

UK market, where the sector represents 2% of the commercial property market, the US significantly lacks this level of development. This is mainly attributed to the characteristics of the commercial property market in the region. Over the past decade, lease terms have been more flexible and land more readily available. Smaller businesses have more options for leasing conventional office space, and large corporate occupiers generally have more space at their disposal for expansion. This has resulted in the sector's growth being focused more on the convenience of an all-inclusive office solution and less on necessity. As the sector develops, more companies are starting to realise the benefits that serviced offices provide, and the number of centres has increased by 15% since 2008 amid difficult economic conditions.

The Americas Market

New York is an exception and is currently the world's second largest market. Its development stems more from necessity and can be attributed to many of the same conditions that drive London's market – longer lease terms and limited land for commercial property development.

The number of New York centres has increased by 56% since 2005, and the market now has a capacity of more than 25,000 workstations and 2.6 million square feet of space – approximately the same amount of office space as in the new One World Trade Center.

Increased supply is the largest contributor to variations in average workstation rates in New York. In 2006, the average rate fell by 13% following a 21% increase in supply. Rates recovered to 2005 levels in 2008, but in 2009 the rates fell again by 18% following a 13.3% increase in supply coupled with the global recession. Rates are currently 23% below their 2008 high due primarily to increased supply since 2009 and poor economic conditions.

Average workstation rates in the Americas have remained fairly stable with only a 5.8% decrease between 2008 and 2009. Overall, supply has increased steadily with demand.

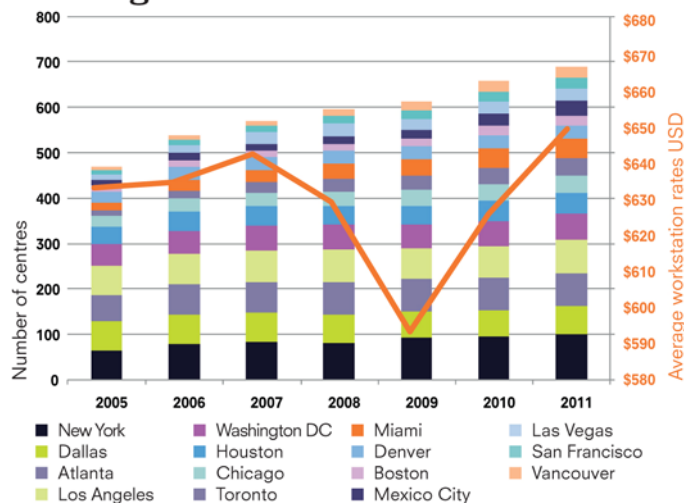
The number of centres in Vancouver, Toronto, Mexico City, Miami, Las Vegas and San Francisco has more than doubled since 2005. The increased supply has caused average rates to fall in San Francisco (-31.5%) and Las Vegas (-9.7%) from their 2005 levels.

Dallas is the only market in the US that has experienced a reduction in the number of open centres.. It now has 7.5% fewer centres than in 2007; however, it still ranks 2nd in the Americas in terms of workstation capacity and 4th in terms of open centres. This decrease in the number of centres has resulted from a more than usually competitive conventional office market in Dallas, with excellent deals being offered even for short term space.

In America, many people prefer to have their own private offices, and most serviced offices are designed to accommodate this preference. A private, one person office can range from 100 to 150 square feet – or the equivalent of a 2 to 3 workstation office elsewhere in the world. The average serviced office contract is 2.35 workstations in the Americas. New York and Mexico City are the highest at 3.4 workstations per contract. Although this is 53% less than the average workstation contract in London, the overall size of the space is roughly the same.

Please note: there are different scales used for average workstation rates on these charts; the scale on the right hand side of the top chart amplifies the changes to clarify the trend.

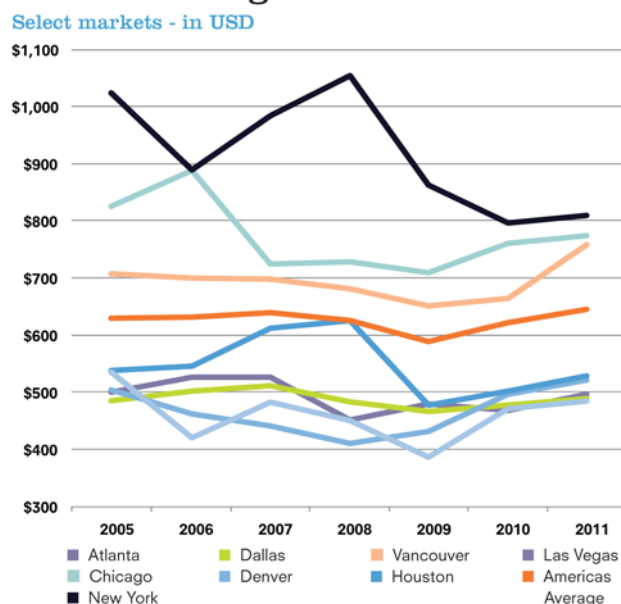
Centre growth and regional average workstation rates



Average workstation rates

in USD	2005	2006	2007	2008	2009	2010	2011
Atlanta	499	527	527	452	479	468	495
Boston	619	742	815	779	854	890	965
Chicago	826	889	724	728	710	760	774
Dallas	484	502	512	483	467	477	488
Denver	504	463	442	411	432	496	522
Houston	537	545	611	626	478	501	528
Las Vegas	536	420	481	449	387	471	484
Los Angeles	517	537	591	522	557	612	631
Mexico City	431	428	445	452	373	453	452
Miami	525	554	550	600	532	556	562
New York	1,024	889	984	1,055	863	797	809
San Francisco	989	783	856	710	621	603	677
Toronto	639	664	676	694	654	728	708
Vancouver	707	699	696	681	652	662	759
Washington DC	604	821	669	738	782	856	834
Americas Average	646	622	589	625	639	631	629

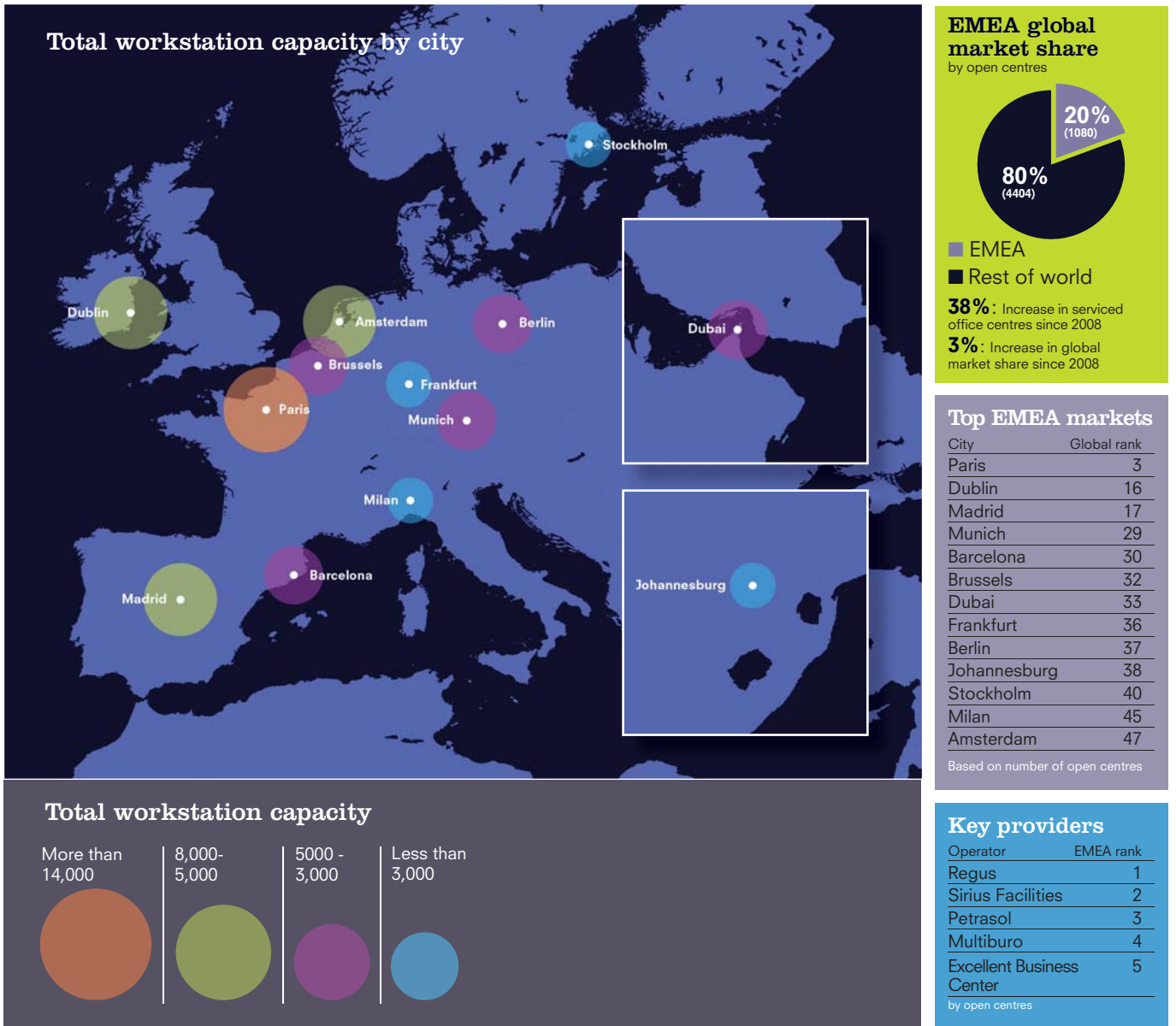
Selected average workstation rates



The EMEA Market



The EMEA Market



The EMEA market includes all countries in Europe, Africa and the Middle East with the exception of the United Kingdom which is reported separately. Since 2008, there has been more growth in this region than anywhere else in the world with a 38% increase in serviced office centres. Western Europe has the most developed market with 11 out of 13 EMEA cities in the world's Top 50 markets. Western Europe has over 800 centres providing more than 100,000 workstations representing 75% of the EMEA market. While the sector continues to expand in this area (37% growth since 2008), the most substantial growth has been in Eastern Europe, the Middle East, and more recently, Africa. These regions currently represent 9.6%, 8.2% and 7.2% of the EMEA market respectively, and have collectively grown by 50% since 2008.

Each of the different areas within the EMEA market has its own unique characteristics that contribute to the growth of the serviced office sector in the region. The sector works

particularly well throughout Europe for many of the same reasons as in the UK – typically longer commercial property lease terms and limited space in city centre locations. In the Middle East and Africa, and to some extent Eastern Europe, many Western companies prefer serviced offices due to their simplified approach to acquiring space and adherence to familiar business practices and standardised legal agreements. Limited quality office stock in these areas also makes serviced offices more appealing – as the centres are typically located in the cities' most modern buildings that comply with Western standards. These characteristics will ensure that the sector will continue to grow throughout EMEA – as is evident by the region's 3% increase in global market share since 2008.

While EMEA has many new emerging markets, it also has some of the most established. Paris is the world's third largest serviced office market with over 100 centres and a

The EMEA Market

capacity of more than 10,000 workstations. Centres in Paris are on average 23% smaller than those in London and New York due to the abundance of commercial property in period listed buildings. The cost of renovating and maintaining these buildings in addition to the limited amount of space results in average workstation rates in Paris being among the most expensive in the world – almost 90% higher than the average for London and New York.

Average workstation rates in Paris increased by 13% from 2008 to 2010, but have fallen by 3.3% in 2011. Even during the global recession, the strong demand for flexible terms prevented average rates from falling in Paris during this period.

Amsterdam has a capacity of approximately 4,100 workstations but ranks last in EMEA's top markets and 47th out of 50 in the global ranking. This market has three centres that have an exceptionally high number of workstations, but the market does not offer the same variety and number of locations found in other markets. In 2011, Amsterdam has 25.6% fewer centres than it had in 2005. Corrections to supply have allowed rates to remain fairly stable.

Average rates in Milan and Stockholm are over US \$1,000 per workstation. This is due primarily to the extremely limited supply of quality city centre serviced offices – where demand is highest.

Workstation rates in Dubai were once the most expensive in the world, reaching \$1,618 in 2008. Rates have since plummeted by 47% due to the economic recession and the Emirate's high debt level.

Average workstation rates in EMEA are still 6.6% below their 2008 high of \$869. A 32% increase in supply during this period has prevented rates in some markets from achieving 2008 levels.

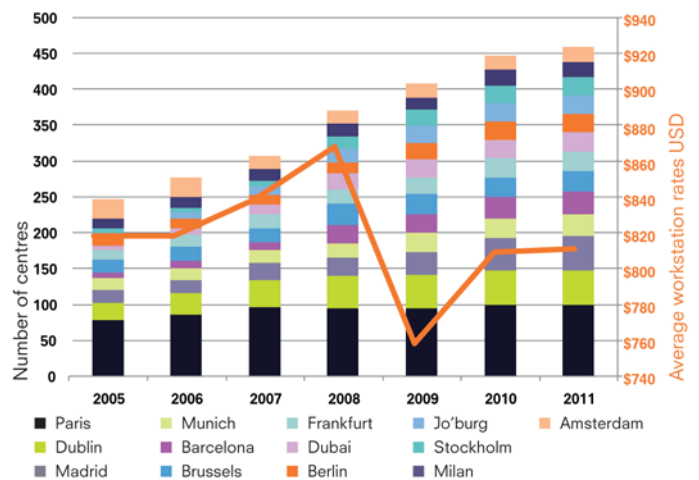
Rates in Germany's top markets (Munich, Frankfurt and Berlin) have been the most stable since 2005 due to the country's consistent economic performance and the introduction of supply to keep pace with demand. The number of centres in these cities has more than doubled since 2005.

In Germany, all serviced offices are required by law to have a source of natural light in every office. Internal spaces are reserved for meeting rooms and other common areas. All the natural light means that most people choose to work throughout the day without ever turning on the lights. Germany is also among the most generous in terms of space per workstation at 8m².

The average EMEA contract for 2011 is currently 2.78 workstations. This is 31.8% lower than the average contract size of 4.08 in 2008. The average contract size in Paris has increased by 29.4% over the same period to 3.83 workstations in 2011.

Please note: there are different scales used for average workstation rates on these charts; the scale on the right hand side of the top chart amplifies the changes to clarify the trend.

Centre growth and regional average workstation rates



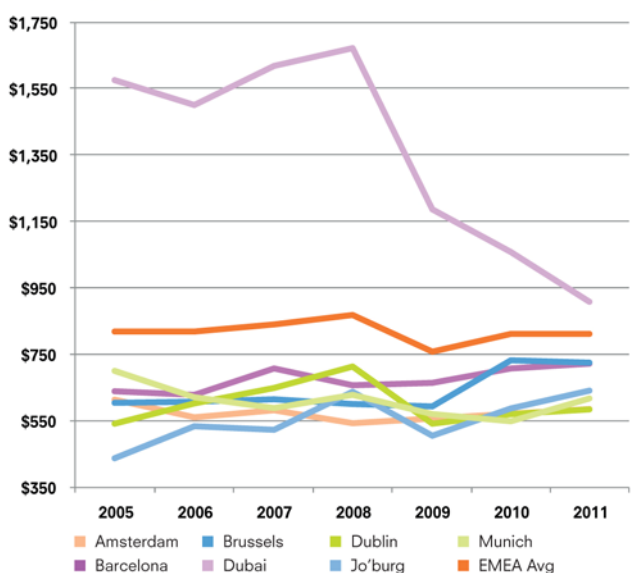
Average workstation rates

in USD

	2005	2006	2007	2008	2009	2010	2011
Amsterdam	614	558	581	544	557	570	586
Barcelona	638	629	708	655	664	706	723
Berlin	708	672	693	776	616	640	668
Brussels	603	604	614	600	594	733	726
Dubai	1,573	1,500	1,618	1,673	1,185	1,055	909
Dublin	542	601	649	714	544	570	584
Frankfurt	743	733	740	745	638	774	769
Jo'burg	438	533	521	635	504	587	642
Madrid	552	596	643	729	535	630	648
Milan	1,068	1,050	1,105	1,129	1,011	1,024	1,070
Munich	701	620	590	629	571	549	619
Paris	1,359	1,437	1,374	1,440	1,557	1,627	1,573
Stockholm	1,105	1,113	1,075	1,034	894	1,064	1,037
EMEA Average	812	810	759	869	839	819	819

Selected average workstation rates

Select markets - in USD

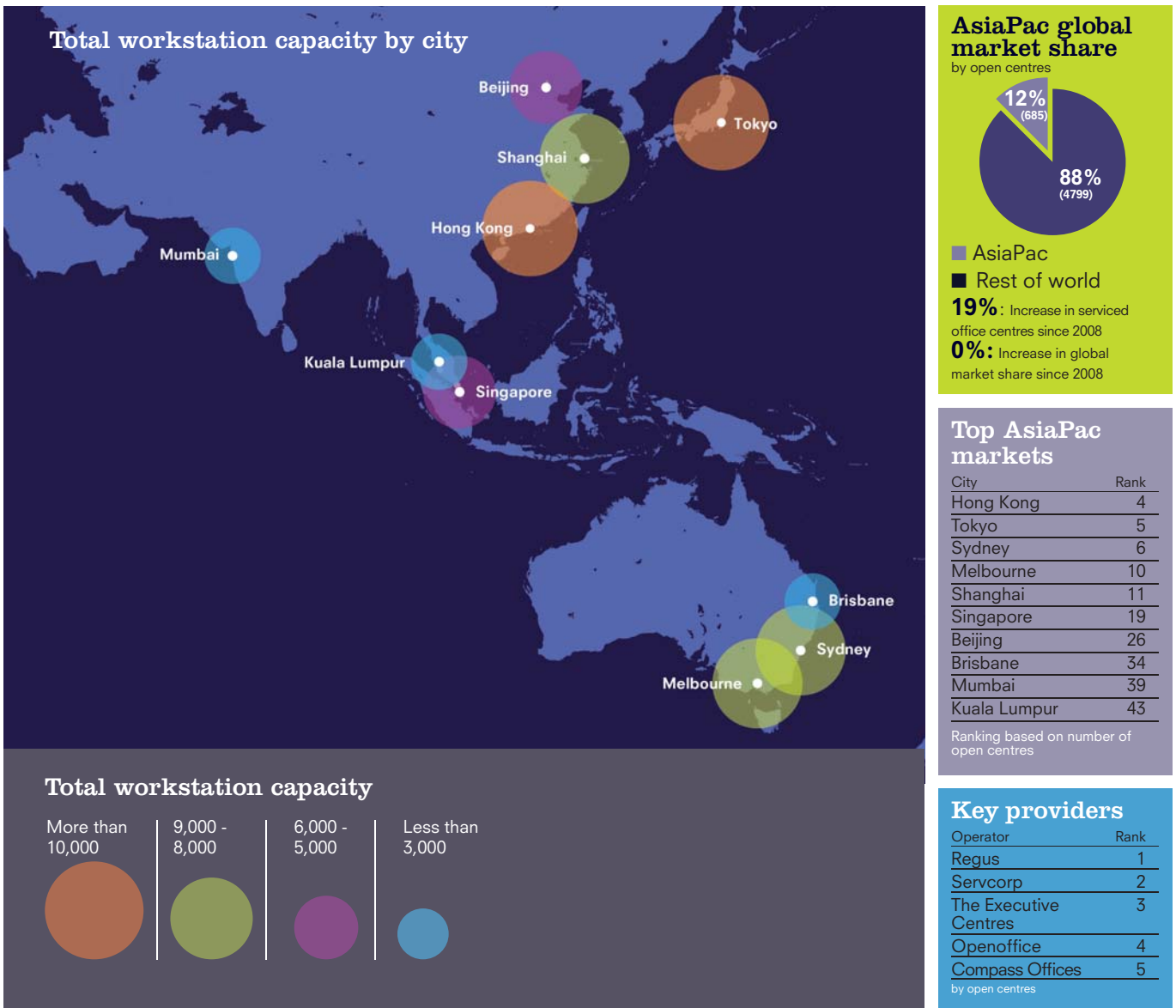


The Asia Pacific Market



 **Instant**

The Asia Pacific Market



The Asia Pacific market includes the Asian continent (with the exception of the Middle East) and Australasia. While the region has the smallest market share of the serviced office sector at 12%, it is one of the fastest growing regions and is expected to double in size by 2016. The region has twelve of the world's 50 largest serviced office markets, and four of these cities – Hong Kong, Tokyo, Sydney and Melbourne – rank in the top ten.

The Asia Pacific market has a combination of both established and emerging markets. The serviced office sector is extremely well developed throughout Australia and in Hong Kong. These markets have 28% and 12% of the region's centres respectively, and the majority of businesses in these markets are familiar with this type of office solution. The sector is becoming increasingly popular throughout China, India, and Southeast Asia. These markets have seen the greatest growth in recent years, and they are expected to dominate future growth in the region.

The serviced office sector in the Asia Pacific market is concentrated primarily in the region's largest and most prominent business and financial hubs – or Tier 1 cities. The high level of population density found in these urban centres results in a limited amount of available land for development and the extensive use of high-rise buildings for both commercial and residential premises. Serviced offices are ideally positioned for this type of environment where larger blocks of office space can be leased and divided into units that are more suitable for smaller businesses.

The booming economies of China and India have resulted in less familiar Tier 2 cities transforming into important centres of business. As these markets grow, serviced offices are becoming an increasingly popular solution – primarily for international companies seeking to establish a presence in these new markets.

The Asia Pacific Market

Since 2005, China's largest markets in Shanghai and Beijing have increased the number of centres by 204% and 337% respectively. Since 2008, 74% of China's growth of the serviced office sector has been in second-tier cities such as Shenzhen, Guangzhou and Chengdu.

Hong Kong is now the world's fourth largest market comprised of 83 centres with occupancy for 10,000 workstations. The number of open centres has grown by 102% since 2008. The increased supply has allowed average workstation rates to fall by 25% from their high in 2007 – when the serviced office market was less than half its current size. Hong Kong's economy has recovered to pre-2008 levels, but average rates are only now starting to increase. With commercial property rates now at an all time high in Hong Kong, centre growth should slow meaning average serviced office workstation rates may rise.

Serviced office rates in Tokyo are still among the most expensive in the world, but rates have fallen by 22% since their peak in 2007 and continue to fall. During this time, the number of open centres in Tokyo has only increased by 9.5%. The decrease in rates is a result of the country's continuing economic troubles and the impact of natural disaster and following radioactive fallout in Tokyo during 2011. Rates are currently 12% below their 2010 levels.

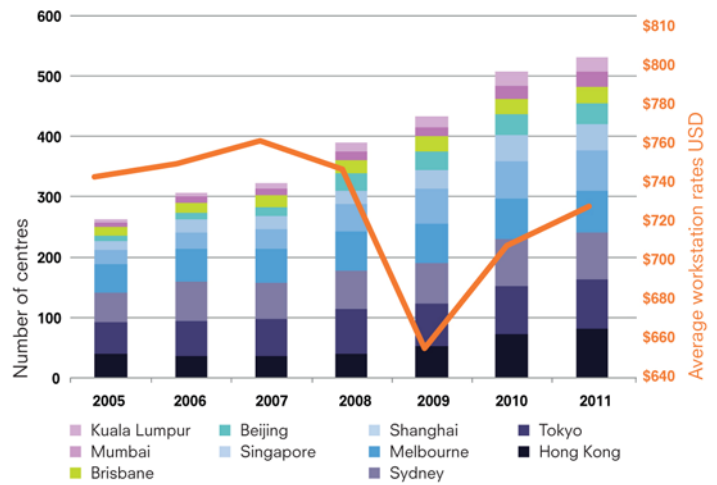
Overall, average workstation rates in the Asia Pacific region have been some of the most stable. Rates fell in the region by 14% from their high in 2007 to their low in 2009. Today, average workstation rates are just 4.5% below their all-time high, and should surpass 2007 levels before the end of the year.

The average Asia Pacific contract for 2011 is currently 2.98 workstations. This is 12.4% lower than the average contract size of 3.4 in 2008. The average contract size in China has increased by 37.5% over the same period to 5.1 workstations in 2011.

Serviced offices in Tokyo have the highest average workstation density in the world at 35 ft² (3.25 m²) per workstation in an open plan layout. Individual offices are also popular in Tokyo. These offices average 55 ft² (5.1 m²) and many have their own private bathroom and shower within the space.

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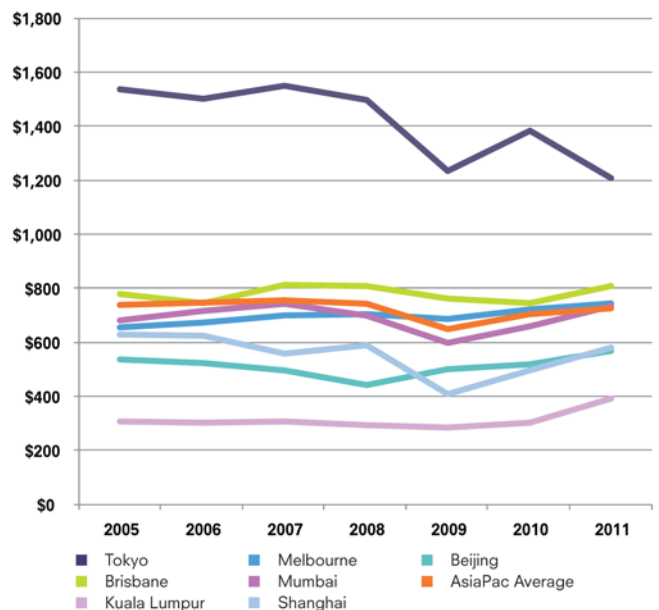
AsiaPac serviced office growth and average workstation rates



AsiaPac average workstation rates in USD

	2005	2006	2007	2008	2009	2010	2011
Beijing	535	523	497	443	502	520	569
Brisbane	778	747	814	805	757	746	807
Hong Kong	748	778	889	811	640	672	677
Kuala Lumpur	308	304	305	294	286	304	393
Melbourne	657	675	701	704	685	722	745
Mumbai	679	715	744	697	599	657	735
Shanghai	630	623	559	590	409	497	578
Singapore	772	819	733	787	722	791	774
Sydney	735	765	775	793	670	735	738
Tokyo	1,537	1,500	1,551	1,495	1,231	1,381	1,209
Asia Pac Avg	738	745	757	742	650	702	723

AsiaPac average workstation rates Select Markets - in USD



Flexible Office Solutions

Flexible Office Solutions

Today, advances in technology have revolutionised the way businesses occupy office space. Large corporate head offices that would traditionally provide a desk for each employee are now reducing the amount of space that they occupy and embracing flexible work practices. This change has allowed workers to have greater flexibility in when and where they work; however, they still require a suitable environment from which to conduct business. As the amount of permanent office space per employee decreases, companies are becoming more efficient with their use of space but also more exposed when sudden increases in headcount are required. The growth of the flexible office market can be attributed to this shift, and the sector now offers a variety of workplace solutions that can easily accommodate this new approach.



▣ Serviced offices

Serviced offices provide an instant workspace for one to several hundred people for a period of a month, a year or even longer. There are minimal costs to set up and exit, and companies can expand or contract as needed. Serviced offices are ideal for requirements for overflow space, swing space during refurbishment, project space, short-term expansion, new business start-ups, new market entries, satellite offices and mobile workforces. With thousands of centres across the world, there is a solution for any requirement.

▣ Managed offices

Managed offices allow corporations to outsource every aspect of setting up and running an office – from finding the right building to emptying the bins – while still allowing a client to create a branded space tailored to their exact needs. Managed office providers place a focus on the occupier, and all decisions regarding the space are made alongside the client. The provider co-ordinates the whole process while meeting all deadlines within an agreed budget. The provider takes the lease for as long as required, plans and fits the space to the client's specification, and then manages the office throughout occupation, even handling delapidations upon exit. These offices can be set up anywhere in the world and provide everything for a fixed quarterly fee.

▣ Hot desking

Hot desking is an increasingly popular option where one desk is shared between several people who use the desk at different times. It is used in places where employees are not all in the office at the same time or for extended periods. Corporate occupiers are offering hot desking options to employees within their own space, and it is also being offered by independent providers focusing specifically on this



type of workplace solution. Various packages are available for a low monthly fee, and clients can have their phone number and voice messages routed to any location in addition to providing secure network access.

Flexible Office Solutions

□ Shared offices

Shared offices provide a client with a dedicated workstation that is within an office occupied by other users. In most cases, this solution is offered by traditional serviced office providers, although there are some companies that focus exclusively on shared office space. The client has all the benefits found in serviced offices without having to pay a premium for a private office.

□ Virtual offices

A virtual office offers all the benefits of a full-time office without the need to rent or lease physical office space. Upon taking a virtual office, the client receives all the benefits of having an actual office, including a prestigious address for company correspondence and a first-class telephone answering service, creating a professional impression to customers. In many cases, virtual office clients can utilise meeting room space or administrative services at the physical office site on an ad-hoc basis.

□ Membership programmes

Membership programmes are a solution where a serviced office provider with an extensive network of centres or an alliance network of smaller providers offers clients a range of options for accessing their facilities in order to conduct business. The most popular programmes offer different tier levels that can provide access to business lounges, meeting rooms, shared office space and private office usage. Some independent exclusive members' clubs also offer similar programmes allowing business executives to work from their facilities. Membership programmes are an ideal solution for anyone that requires occasional access to an office environment or highly mobile employees who travel frequently from their home base.



Serviced Offices and the Global Economy

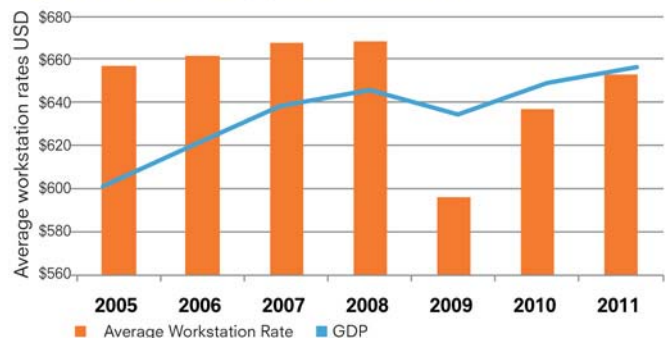
Serviced Offices and the Global Economy

The 2008 financial crises and global recession had a significant impact on the serviced office sector. While workstation rates and overall occupancy levels are still struggling to regain their 2008 levels, market conditions during the recession provided several unforeseen benefits that have helped to strengthen the sector.

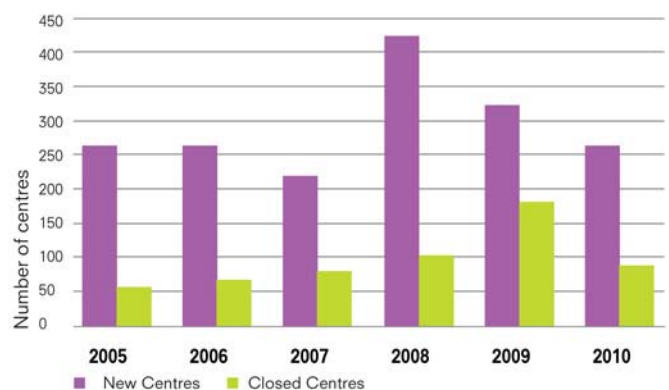
Both average workstation rates and centre occupancy levels peaked in Q3 2008. Between 2008 and 2009, the global average workstation rate fell by 10.8% and overall occupancy rates decreased by 12.6% from a high of 87% to a low of 76% during the same period. As demand for serviced office space decreased, many providers reduced rates in order to improve occupancy levels. This battle proved difficult for many providers to maintain profitable business levels, resulting in the highest rate of centre closures in 2009. During this period, 182 centres in the top 50 markets ceased operations – a 75% increase over 2008 levels. We estimate that 4 out of 5 centres that closed, did so due to poor economic conditions.

While the global economic downturn resulted in many centre closures, the overall number of serviced office centres worldwide continued to increase during this period. This increase may be attributed to the decrease in commercial property prices worldwide. Rental rates in the office market peaked in 2007, followed by a sharp decline. As prices began to fall, serviced office providers with surplus capital began acquiring new space on long-term leases. These favourable conditions allowed providers to maximise returns over the lease period, by dividing up the space and selling it on short-term contracts. In 2008, 424 new centres opened for business throughout the top 50 markets – a 93% increase over 2007 centre openings. This significant increase occurred due to a reduction in commercial property rates in addition to stable economic conditions. Surprisingly, 2009 saw the second highest increase in new centres, with 324 opening amid a retraction in economic growth. New supply in the serviced office sector appears to be inversely related to a decline in commercial property rates and economic conditions.

Top 50 global average workstation rates vs GDP performance



Top 50 global new supply and centre closure



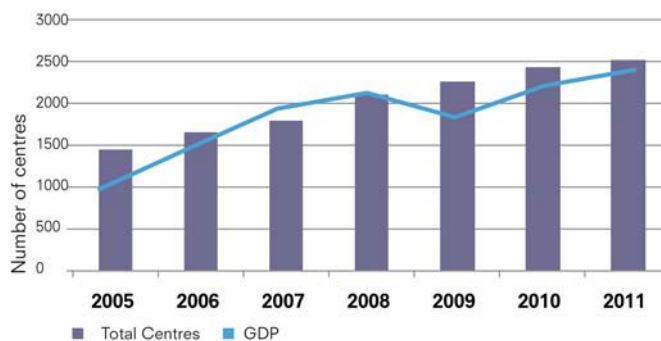
Serviced Offices and the Global Economy

The huge increases of new supply to the market during the recession exacerbated the sector's inability to maintain occupancy levels and average workstation rates. Within the top 50 markets, this high level of supply is still keeping average workstation rates below the peak of 2008, even though demand and overall occupancy levels have increased.

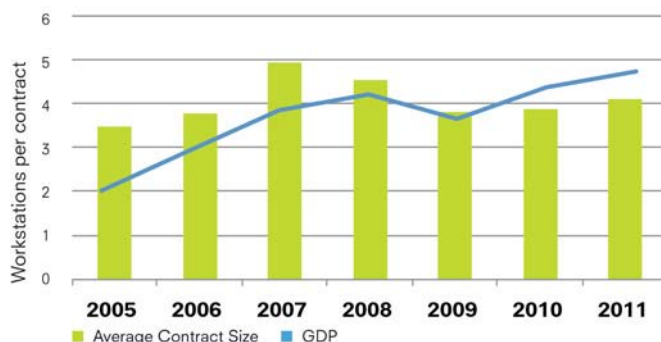
The average contract size – based on the number of workstations per contract – may be an early indicator of future economic conditions. Across the top 50 markets, the average contract size peaked in 2007 at 4.93. Following this, the average client was taking 7.5% less space in 2008 than in 2007 even though economic conditions were stable during this period, suggesting a lack of confidence across businesses of all sizes.

Overall it is true to say that the serviced office sector has proved remarkably resilient throughout the recession of recent years, despite fluctuations in some areas. The forecast remains one of strong growth in both mature and emerging markets, with providers creating more ways to allow businesses to take advantage of technological changes to working practices.

Top 50 global centre growth vs GDP performance



Top 50 global average contract size vs GDP Performance



Markets to Watch



 **Instant**

Markets to Watch

The world's top 50 largest serviced office markets offer businesses a variety of options in which to accommodate their flexible office requirements; however, there are many markets where the serviced office sector is still in its infancy or in need of additional development.

Serviced offices offer an ideal workplace solution for multinational corporations looking to expand their business presence in the world's emerging markets. These offices greatly mitigate the risk associated with entering a new market by providing flexible terms and little if any upfront capital expenditure. As companies look towards more diverse markets, the serviced office sector is quickly expanding to accommodate this demand.

African markets have seen some of the most exciting growth over the past year with new centres opening monthly throughout Northern and Sub-Saharan African cities. Providers familiar with business practices in these challenging markets have been able successful in securing leases for serviced offices premises within the limited supply of quality grade A office stock.

While workstation rates here are among the highest in the world and rents are usually paid quarterly in advance, many companies are rushing to commit to serviced office space ahead of the centre opening dates. New centres are also opening frequently throughout the former Soviet republics in

Central Asia (primarily Kazakhstan, Azerbaijan and Georgia), Tier 2 cities in the more established Asian markets in China, Japan and Korea, and in key cities throughout Central and South America – notably locations in Brazil and Mexico.

There are also many developed markets around the world where the serviced office sector does not provide enough supply to meet growing demand. Even in the world's largest serviced office market, London, there are areas of the city with a major deficiency of quality serviced office space - such as Southbank, Clapham and Kensington & Chelsea. While most major cities in the United States have a good selection of serviced office space, there are many suburban markets within the metropolitan areas where demand is also very high. In many cases, the limited amount of available commercial office property in these areas contributes to the sector's lack of supply; however, providers that do secure space in which to provide serviced office premises in these locations should expect to maintain extremely high occupancy levels.

Based on the high level of enquiries received for certain markets with limited overall supply of serviced office space, Instant has identified key 'Markets to Watch' by region. These locations are a combination of both emerging and established markets where demand should allow the sector to grow over the coming years.

Projected growth markets

The locations listed here are markets that we consider to be under-supplied. Demand is increasing in these markets, and we expect to see new centre growth here in the next 1 - 2 years.

EMEA

Almaty, Kazakhstan
Baku, Azerbaijan
Beirut, Lebanon
Cairo, Egypt
Durban, South Africa
Kampala, Uganda
Luanda, Angola
Moscow, Russia
Riyadh, Saudi Arabia
St. Petersburg, Russia
Tbilisi, Georgia
Zug, Switzerland

Asia Pacific

Adelaide, Australia
Auckland, New Zealand
Pusan, Korea
Canberra, Australia
Hangzhou, China
Hanoi, Vietnam
Ho Chi Minh, Vietnam
New Delhi, India
Osaka, Japan
Tianjin, China

Americas

Brasilia, Brazil
Buenos Aires, Argentina
Burnaby, Canada
Deerfield, IL, USA
Guadalajara, Mexico
Jersey City, NJ, USA
Lima, Peru
Palo Alto, CA, USA
Plantation, FL, USA
Sao Paulo, Brazil

United Kingdom

Barking
Chelmsford
Chertsey
Clapham (London)
Gatwick
Kensington & Chelsea (London)
Luton
Southbank (London)
Staines
Surbiton
Winchester

Definitions and Report Parameters



Definitions and Report Parameters

Serviced office – An office that provides clients with fully furnished and equipped offices in addition to full facility management. They are commonly known as executive suites, executive centres, business centres and managed offices. The data presented in this report pertains solely to this type of office space.

Provider – The company that owns, operates and manages the serviced office business. Providers may have one or multiple sites in their portfolio of properties in which they provide this workplace solution.

Centre – An individual serviced office site within a specific building. Some providers have centres across multiple floors within a building; however, this is only counted as one unique centre.

Workstation – The furniture package that is allocated for each user of serviced office space. As a minimum, this is comprised of a desk, chair, pedestal, and waste basket. Some providers also include additional items such as writing mats, filing trays, desk lamps, and/or bookcases. The number of workstations in an office is usually the same as the office headcount.

Contract size – Serviced office space is usually sold by the number of workstations required and not by office area. The contract size is the number of workstations allocated to a single lease or license agreement signed between a tenant and the serviced office provider.

Average workstation rate –

Total monthly rent for an individual office divided by the number of workstations that the office was designed to accommodate. In some cases, tenants may opt to replace one or more workstations for a meeting table or to create a break-out space within the office. The number of workstations that would normally be accommodated in the space is used to determine the average workstation rate per office.

Currency – In order to compare costs across multiple markets with different contract currencies, the figures in this report have been converted into USD using exchange rates from 15 July 2011. The individual London and United Kingdom market sections are an exception, and figures here are presented in GBP.

Location – This is a city or group of municipalities that together are commonly referred to as a unique major urban area.

Region – The defined geographical areas of the world based on the overall concentration of the serviced office sector. For the purposes of this report, the world is divided into four regions – United Kingdom, EMEA, Americas and Asia Pacific. The report also includes a sub-section of the United Kingdom region focusing specifically on the London market.

About Instant

Instant matches businesses with the perfect flexible office space. The company uses its expert knowledge of availability around the world to broker serviced offices and executive suites, find leased space and operate managed offices.

Instant was founded in 1999 to bring the fragmented serviced office market into one on-line market place. With offices in London, Sydney and Miami and revenues in the current year forecast to exceed £20 million, Instant is the world's leading on-line broker of serviced office space.

Please contact Instant on 020 7298 0674 or email Branton Moore, Head of Research bm@instantoffices.com

www.instantoffices.com

Note: All figures in this report were collated using Instant's proprietary data comprised of all provider details regarding centre and workstation numbers and sales and enquiry data collected between January 2005 and July 2011.

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