DEVELOP CROYDON

Office Market

ROUND TABLE

16TH MAY 2024

OFFICE MARKET IN CROYDON:

Office trends in Croydon and the UK as a whole have been evolving over the past few years, driven by technological advancements, changing work cultures, and the ongoing impact of COVID-19.

The pandemic accelerated the adoption of remote work, as many large corporates had already begun to seek savings on the cost on big London offices. There is therefore a greater focus on designing flexible office spaces that prioritise collaboration, creativity, employee well-being, and boost businesses' sustainability credentials.

And as Croydon seeks to change its perception from London's 'back office' to one of the capital's first-choice locations for business, it is needing to pivot its offer to get ahead of the curve.

Develop Croydon

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DEVELOP CROYDON ATTENDEES

JO GUMB
DIRECTOR,
WHITE LABEL CREATIVE /
DEVELOP CROYDON FORUM CIC
(PANEL CHAIR)

CHARLES TWIST
ASSET MANAGER,
SCHRODERS

JO CHESNEY
DIRECTOR,
THE BUSINESS XCHANGE
HUB

VANESSA CLARK
MANAGING PARTNER,
CHASE SINCLAIR CLARK

PAIGE LAWRENCE
BUSINESS CENTRE
MANAGER,
AMP HOUSE

THOMAS TARN
ASSOCIATE,
SHW

PETER SUTCLIFFE
HEAD OF BUILDING
ENGINEERING,
UK & I, AECOM

VIKRAM MUDHAR
DEVELOPMENT MANAGER,
LCR PROPERTY

WILL FOSTER
SENIOR DIRECTOR,
OFFICE AGENCY,
BNP PARIBAS RE

On Thursday 16th May 2024, Develop Croydon welcomed a panel of experts to discuss the area's office market and its scope for growth to further boost the borough's reputation as a business hub.

Key topics discussed included the latest office market trends, such as the need for flexible spaces with shorter leases and the growing role of specific sectors in Croydon, including universities.

Other considerations discussed included the focus on individual workers' wellbeing and the impact of remote or hybrid work on the future of the office market, ESG and sustainability, and Croydon's wider role in helping to grow south London's economy.

What are the current trends shaping for office market in Croydon?

Croydon's economy faces challenges such as gentrification, perception, and sustainability. Speakers emphasized the need for new industries to replace declining sectors and for workspaces that prioritise employee experience and retention, as well as being more sustainable. Also discussed was the need for more flexible lease arrangements while still impressing people when they arrive at the building.

Peter Sutcliffe: "It's important to get people back to offices post-COVID. We are looking at the younger people and the need to get them back to the office – not just for the sector, but for the all the benefits that brings in terms of collaboration, innovation and individuals' wellbeing."

Charles Twist: "A lot is about the quality – if you create the quality, then it increases the opportunity to attract new tenants"

Vikram Muhdar: "Is there a differentiator in the office market that you're not just buying the building and the kind of physical amenities? And so what about the kind of service offering? And you often hear a lot about the phrase "What's the experience?".

Will Foster:"I'ts architecture, it's the soft touches, it's the personnel. It's the management regime. You've got to appoint the right people on the front desk - the gruff, security-cum-reception presence is a huge turnoff. We'll all agree with that."

Peter Sutcliffe: "In the last 10 years, I've seen a change with landlords and that landlord-tenant relationship. It used to be very formal – now, landlords tend to be more customer service-driven. And I think, ultimately, that should be the goal for landlords."

Jo Gumb: "There seems to be agreement that there is now at least as much value now put on the 'soft factors' influencing occupiers - sustainability, wellness, ESG, collaboration - while the 'hard factors' influencing them has also changed; occupiers want shorter leases, the flexibility of 'plug and play'."

Vikram Mudhar: "I think there is an additional point is that sustainability piece. There's a lot of existing buildings here. And I think, from an occupier's perspective, it's probably easier to go to a new shiny building."

Will Foster: "Older buildings can be reinvented to be cool in many ways. They can be cooler than new buildings, to be honest, as it costs a lot to build a cool building. You can make them iconic. But that takes a lot of money through the landlord side."

"part of what we try to gauge for our landlord clients is, when you have that viewing experience of an occupier walking in the front door, you certainly know whether you've got a good shot at it because the body language is immediate. Whether you own it, lease it or just work there, you've got to feel that sense of how you feel when you're approaching the place."

Charles Twist: "Organisations' need for flexibility when it comes to length of leases has changed as well. Some business, often start-ups, will want shorter commitments, but also with strong amenities within their offices. "And perhaps that's where Croydon will find more flexible leasing arrangements and offering in the marketplace as you flex space. In recent years landlords have had to be more open to offering occupiers a range of opportunities."

Will Foster: "Having one layer of service facility is typically seen in the investment world as being attractive. You might have a two-year contract for something that the conventional market might not deliver. That seems to be pretty popular on bigger buildings. I'm sure there probably are other smaller centres and there's a variance of what's offered. Sometimes it's literally telling people 'Here's the room, here's the desks - just bring the laptop in.' Sometimes it's semi fitted, and then you've got the plug and play. So a conventional lease, but everything laid out for you."

Vanessa Clark: "Another of the challenges is perception. I've got grown children and one of them has worked in Croydon and the other one wouldn't come near Croydon; there'd be no credibility in her peer group if she was to come. It's quite extraordinary, really.

"And we've still got the ongoing crime; I came out of the station yesterday, and someone ran in front of me, followed by two transport police officers on radios and within minutes it's blue lights. It's a classic everyday thing, sadly, that seems to happen around us. People see that particularly around the station area, and all of a sudden you've got a perception problem again."

Vikram Mudhar: : "I've grown up in south London and obviously there needs to be a big debate on how you change perception as well as the crime levels themselves. How do you get communities more involved? A problem with redevelopment or regeneration is that it often causes gentrification. And that's not the solution, either."

What are the key factors influencing occupiers' decisions when choosing office space in Croydon? And how has the rise of remote and hybrid working impacted the demand for office space in Croydon?

Jo Chesney: "We are talking to Companies who want to get their staff back into the office. They want their employees to feel comfortable and happy, it's about their wellbeing as well as their productivity. All floors have breakout areas and kitchens, with the ground floor being a Members Area with recreational activities, weekly breakfasts and networking drinks. All value added for companies to offer their employees. This is what clients are asking for."

Paige Lawrence: It's' more than just facilities – it is being personable with your tenure and that atmosphere making sure that they're okay. We do takeaway fruit provided on a weekly basis and so many other attractions to ensure the staff enjoy Croydon has a better offering than other successful schemes outside the borough as it has that city centre living proposition.

What is your outlook for the office market in Croydon over the next few years?

Speakers discussed the benefits of attracting a mix of occupiers, from larger companies to smaller businesses, including start-ups and entrepreneurs. They also talked about the need to adapt to new trends and appreciated the continuing presence of major companies such as engineering firm Mott McDonald while anticipating less demand from insurance companies.

Thomas Tarn: Historically Croydon served as a back-office location for many financial and insurance companies. Post-Covid these functions are much reduced due to the ability for these roles to be conducted remotely. We have seen entities such as LV reduce their footprint already and expect others in the sector to follow suit including AIG, who are presently reviewing their options.

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Charles Twist: "offices are morphing into not just a traditional office - it's a much more collaborative product. People want to work with other people, they want to socialise with other people."

Will Foster: "I think the classic Croydon call centre/customer service relations type offer is already massively shrinking and I think the lesson is when those leases come up, we shouldn't expect some of those occupiers to renew. If these businesses do remain, it's often at a much-reduced scale. I think we will continue to see the shrinking of the insurance sector here."

Who is currently demanding office space in Croydon? Are there particular clusters in terms of sectors?

The panel agreed on the importance of the growing university sector in Croydon, which has expanded from The University of Sussex's presence at the Croydon College site to London South Bank University's new town centre campus.

Panellists mentioned the positive role of Croydon Council in creating a development framework that encouraged business growth. Meanwhile, speakers also raised the need for retail investors to deliver future schemes to boost Croydon's economy. Also discussed was the idea of improving the town's sport and leisure facilities to draw businesses and visitors.

Vanessa Clark: "I think that introducing universities to Croydon was a great plan by the council. All of a sudden we've got a postgrad market, we've got skilled labour, and I think the other sector that's really burgeoning - and it's really overlooked at the moment, because there aren't the buildings to satisfy it - is education. Depending on the level, it's a really difficult thing to put into a multi-let building or, you know, to put into a normal office building. But there are buildings that can be repurposed, you know, those buildings that are struggling with condition with meeting EPC standards. There is an avenue for those buildings. And I think we could see rental growth, even if those buildings don't come up to the highest level. I don't think that matters, educationally. They can create classrooms. And we need that in Croydon as well; it's really important."

Will Foster: "I think the university is the biggest game changer in Croydon in the last five years. I would say that having secured that higher level education base through LSBU, Croydon should then focus on how to retain those students locally after graduation, building a knowledge cluster."

Paige Lawrence: "I'm really interested in how the council can leverage relationship with the university because I think that education thing is taking everything up a step into a league where, you know, we're not trying to compare or compete with other university towns or cities necessarily, but keeping the education local. And that might be delivering student solutions for accommodation and helping with that. If you're at the university campus, you live here, you spend your money locally, you spend more time locally, and that fact is a great catalyst for a more vibrant city centre."

Vanessa Clark: "The local authority can unlock areas, it can assist areas and it can assist investors to develop, to move forward. And it can also encourage sectors. I think at the moment the local authority is going through an exercise to replan what growing looks like going forward. What I really hope comes out of that is that they look at the potential for burgeoning sectors like education, and leisure is another one that is growing. David Lloyd are putting so much money into their leisure product."

Jo Gumb: If you had one ask of what the future Croydon should be, as part of its new regeneration plan, what would it be? Because you are currently ticking all the boxes in terms of working with the community to get skills, working, more education, etc. So what would be your ask of the local authority for the town's future growth?"

Vikram Mudhar: "I think it's creating a destination. It's not just thinking about what's happening during the weekdays in terms of offices and retailers, it's what's happening on the weekend. So, you know, obviously in places like Canary Wharf, they've done so much on the food and beverage side, and there's Battersea Power Station. It needs to hurry up and happen [in Croydon] and I think that comes back to being nimble on the planning and enabling that investment to come forward. Whereas I think a lot of times it's going to take a year or two just to get planning and you know, where else is easier to put that money? I think that's probably a blocker at the moment for people."

Jo Gumb: "With thanks to everyone who has participated today, I think the summary of the debate is that Croydon has already built itself a reputation in housing through BTR by raising the standard. I think that clearly, the office sector is also raising the standard and is much more focused on quality ESG, connectivity with skills, sustainability and place making.

"But there are missing pieces of the jigsaw, in particular retail - that has to step up. And then the place as a destination as a whole has to step up, which will certainly need more funding. But all of the area has to raise its level if Croydon as a whole is going to work as a cohesive market, not just for everybody in this room, but for all the other people who are engaged in ensuring Croydon has a successful economy and community."

KEY TAKEAWAYS:

- Organisations are adapting to changing market demands by offering flexible leasing arrangements.
- Investors prioritise flexibility and ESG in office space, while occupiers seek comfort and collaboration.
- 'Despite the pandemic, perceptions of crime and a shift in how businesses operate, Croydon remains an attractive place to do business and for companies to have their offices.
- Speakers emphasised the importance of creating a positive experience for clients, including the physical space, personnel, and management regime.
- The panel discusses the shift in the landlord-tenant relationship, with landlords now prioritizing customer service and providing a more personalized experience.
- Speakers highlighted the potential of Croydon's university sector to attract talent and drive growth.
- Croydon's longer-term economic prospects would benefit from more significant retail investment.
- The local authority is playing a leading role in unlocking areas for growth and encouraging sectors like education and leisure.