TMT COMPANIES WANT TO SEE UK GOVERNMENT HELPING LONDON FINANCIALY TO BECOME SECTOR’S GLOBAL HUB

London TMT companies want to see the introduction of government-backed venture capital funding for technology and media companies, in order to enhance London’s position as a leading global TMT hub, according to new research conducted by BNP Paribas Real Estate (BNPPRE), the leading property adviser. The sector also wants to see an increase in R&D credits or lower corporate tax rates, as well as an increase in infrastructure spending, such as transport network improvements.

BNPPRE commissioned independent consultancy Meridian West to interview more than 100 senior real estate decision makers within Greater London from technology, media and telecommunications (TMT) companies. The sample comprised a cross section of company types, reflective of the diverse range of organisations within the sector, varying from start-ups to more mature organisations.

The research highlighted that the TMT sector will continue to grow over the next three years, replacing banking & finance as the biggest occupier in terms of take up in Central London. The majority of participants plan revenue growth, which will increase on average by 25% over the next 12 months and 44% over the next three years.

More than half of firms surveyed expect to increase London headcount by a one third, with the majority of growth being driven by organic change (89%). This translates into 1.2m sq ft of additional demand, above what the sector currently takes up through churn – equivalent to two ‘Shards’. In total, BNPPRE forecasts TMT sector demand for office space to reach 4.65m sq ft in take up by the end of 2014 - equivalent to eight Shards.

Although London TMT companies want to see the government doing more, they don’t want it to create designated technology hubs, as respondents believe this should be left to the private sector to determine free economics.

The research also revealed that respondents rank London as the world’s second most important TMT hub after New York and above LA, Hong Kong, Tokyo and the Silicon Valley.
Dan Bayley, MD of Central London at BNP Paribas Real Estate, commented: “Central London’s property market is set to gain from the TMT sector’s forecasted growth. So far in 2012, TMT is responsible for 30% of London take up compared to 24% in 2011 and 17% in 2010. In comparison, banking & finance is under 10% in 2012, 18% in 2011 and 41% in 2010. Current TMT occupier requirements for Google, FT, Datamonitor, Microsoft, LinkedIn, Havas, Saatchi & Saatchi and Ogilvy alone add up to over 2m sq ft. However, TMT firms’ expectations of London rents are out of kilter with actual headline rents, an educational issue which landlords need to address.”

“Furthermore, TMT firms are starting to view London as a global hub. Earlier this year we leased space to Pushbutton (Amazon) for its global tech centre in London. We need to build on this perception and as our survey shows, TMT firms want Government help,” added Bayley.

Louis Kenna, Head of Media and Telecom Finance at BNP Paribas in London, concluded: “TMT is important to Britain, not only in terms of the development of our own infrastructure but also in terms of developing an important export oriented industry. Looking ahead, the sector has a strong future, as the demand for broadband across Europe continues to grow exponentially and lessons learnt by the sector during the internet bubble of 2001 have served it well during the recent crisis.”

Those interviewed represented: media & broadcasting 39%; marketing, advertising & PR 21%; software development 14%, publishing 10%, web-based services 6%, other 6%, telecoms 4%.

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About BNP Paribas Real Estate
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