54% of TMT firms expect to grow London headcount on average by one third over the next three years. This translates into 1.2m sq ft of additional demand, above what the sector currently takes through churn – equivalent to two Shards, according to new research conducted by BNP Paribas Real Estate (BNPPRE), the leading property adviser.

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.

In total, BNPPRE forecasts TMT sector demand for London office space will reach 4.65m sq ft by the end of 2014 - equivalent to eight Shards, and half of the total average take up in London per year. In H1 2012, TMT was responsible for 30% of London take up compared to 24% in 2011 and 17% in 2010. In comparison, banking & finance was 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.

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. In terms of location, no one area is preferred, meaning that the entire Central London property market stands to gain from expected growth. However, TMT firms’ expectations of London rents are currently out of kilter with actual headline rents.

Interestingly, the survey also highlighted that TMT firms want the government to input funding to grow this sector in line with its wish to be global number one. They are less convinced of the need for a government-led ‘tech city’, preferring this to be left to the private sector to determine location/demand.
Dan Bayley, MD of Central London at BNP Paribas Real Estate, commented: “The growth in the significance of TMT in London will further increase, creating a challenge for property owners to continue to provide well-priced, raw and edgy space for smaller tech companies. As they grow, these companies need to broaden their geographical boundaries and increase their budgets to secure the right kind of space to attract and retain their talent.”

“The survey shows a huge variety of preferences for building style and location but most TMT firms do recognise property is important to their brand image. Landlords need to be confident in delivering an interesting end product and should recognise that one-size-fits-all will not apply in the future.” added Bayley.

Paul Henwood of BNP Paribas Real Estate’s investment team said: “The predicted growth of the TMT sector provides a positive occupational backdrop to the continued strength of the Central London investment market. The research shows how this key occupier group identifies with emerging locations such as King’s Cross, Southbank, Shoreditch and Stratford. There is a great opportunity for investors to look more seriously at these kinds of locations as well as the traditional core markets, but the entry price will be key factor to a successful outcome”.

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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