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I am going to use my keynote address to tell you about some of the issues across the occupational and investment markets that are interesting my clients. I will touch on themes that the two panels will be discussing and debating in much more detail a little later on.

The office sector is undoubtedly evolving as occupiers' space requirements change to meet the needs of their business. Investors and developers must adapt and keep pace to ensure that their buildings are adequately future-proofed as places in which to work. Failure to do so could impact upon the ability to let a building, its income security and consequently market value and investment returns.

A significant proportion of leasing activity, particularly in Central London, is increasingly focussed towards the smaller end of the market fuelled by the growth of start-up companies, predominantly in the tech sector. London has over 275,000 start-up companies which employ nearly 1.5 million people, and this is expected to grow by 8% over the next 5 years. This activity has led to increased demand for a more flexible approach to the way that occupiers lease buildings.

The rise of co-working has had a profound effect on the market and the use of office space. The percentage of lettings in London below 5,000 sq ft has fallen over the last 6½ years from 29% of all deals to 15%. Over the same period, take-up by flexible office operators has risen from 2% - 18%.

Owners of buildings are having to re-think the traditional leasing model, and valuers are having to consider the valuation implications from having a flexible operator within a building. There is a greater acceptance amongst institutional investors towards serviced office operators as tenants within their portfolios however an uncertainty still exists. This can be attributed to covenant strength and the short-term nature of the income often associated with these types of operator. Given the rapid expansion of the sector, there is still a nervousness amongst investors that businesses will fail when the music stops.

A less proven covenant and shorter-term income in a building will almost certainly command higher return expectations to compensate for the elevated levels of perceived risk. That said, a building's value may be enhanced by the higher rental value created from agreeing a more flexible lease structure in part. The improved amenities will also increase the building's appeal to other occupiers. A great example is WELPUT's Orion House in Covent Garden where space has recently been let to The Office Group, who will share the building with more traditional occupiers. Their presence will create collaborative working areas, enhanced amenities and potential over-flow space all of which could benefit the existing tenants.

The concept of flexible workplaces is no longer just about an office building, but about where people want to work. Offices are now becoming a space where people meet to extend conversations and collaborate, having previously established a connection through a digital platform. Companies therefore need to consider how the physical space interacts with the digital space.

Employees want to work collaboratively and share ideas more freely. Creativity needs to be encouraged and enabled. Making the office a better, more enjoyable place to work is at the heart of the wellness concept. My Cluttons colleague, Philip Booth wrote about this last month. He said that companies are adapting and designing their work space to optimise the well-being of their employees, the biggest investment of any organisation. A sense of well-being and a healthy lifestyle increases employee retention and productivity, cuts down the number of days lost through sickness and ultimately benefits a company's bottom line.

These initiatives can range from treadmill desks and standing desks to a cycle-in ramp and basketball court at the Alphabeta building in the City of London. However, not all buildings are new Grade A developments that can incorporate these features within their original design. Simple methods such as increased access to natural light, and the introduction of plants and certain colours can help boost office wellness.

As buildings' gain greater social acceptance as a result of their sustainability rating, a WELL rating for office well-being is fast becoming an industry standard recognised by landlords the world over.

London is seen as the global leader for flexible workspaces, but regional cities in the UK are evolving and operators are becoming more interested in the larger, more established centres as they accelerate their growth plans.

But it is not just the likes of WeWork, with two buildings in Manchester, that is expanding its footprint in the regions. The Sunday Times published its 2018 Tech Track 100 last weekend revealing the UK's fastest growing private tech companies. 42 of these are based outside London, including the top three.

Indeed, 7 million sq ft was let across the UK's ten largest regional centres last year - 1.3 million sq ft above the 10-year average. This was perhaps skewed by HSBC committing to Birmingham and the Government decentralising some of its operations, but it was driven in the main by economic efficiencies given the current political back-drop and perceived impact of Brexit on London.

Added to this has been a notable increase in 'London' quality product in the regions and a renewed sense of placemaking creating cities where people want to live and work. Their relative affordability for young professionals – compared to the capital – is helping to attract and retain top talent.

Investors too have been quick to spot an opportunity.

Whilst Central London continues to attract significant global capital, investment in the regions was up a third last year compared to 2016, with overseas investors accounting for 40% of that. Investors from the Far East have been particularly active in London, investing around £5bn so far this year, but there is evidence of overseas money being placed elsewhere in the UK. The Kuwaities for example have recently committed £90m to offices in Manchester and Stockley Park, near Heathrow.

So, what do I think is driving current investor appetite for regional offices?

There is no doubt that the dynamics of supply and demand play a big part. New job creation aided by the much publicised private and public relocations has led to increased take-up. This, coupled with a lack of new development and conversion of older stock to residential use through permitted development rights, has strengthened the prospects for rental growth.

Regional office markets are not as exposed to Brexit-related concerns as London as they are less reliant on inward investment and more reliant on local economic dynamics.

Whilst devolution of decision making for taxation and spending powers from central government to local authorities has been put on the back burner for now, councils have turned to property investment as a way of raising additional income and taking strategic control for assets in need of regeneration.

Spending on new infrastructure provision is helping to attract international business to the regions. Major projects such as HS2 will connect some of the Northern Powerhouse economies with Birmingham and London and their surrounding areas. The expansion of Heathrow will boost the growth of some regional cities.

Pricing is clearly a key driver. Offices in the top regional centres offer a greater yield discount than those in London and other European cities for product of a very similar quality and income duration. Ordinarily this is needed to compensate for lower rental value growth prospects. However, Capital Economics forecast that regional office rents will out-grow those in London over the next five years, with prospective annualised total returns of more than 6% compared to less than 2% in London over the same period.

At Cluttons Investment Management, we believe that office investments in the top regional cities and parts of the South East offer better relative value than Central London at this point in the cycle. The challenge is sourcing appropriate stock. As the UK faces a period of political uncertainty, we are no different to any other long-term institutional investor in seeking high quality, liquid assets for our clients backed by a stable and sustainable income profile. This will be key to the investment's performance in a low return environment.

As returns from offices in London soften, investors may look further up the risk curve to enhance performance. Development opportunities with a degree of leasing or construction risk, or more secondary assets offering scope for improvement through refurbishment or redevelopment, will be a target for those with a shorter-term performance horizon. Accurate, up front analysis of the costs involved in refurbishing or redeveloping will help to ensure that these risks are minimised and returns are maximised.