

# workthere

## VC Investment at an all-time high







## Introduction

2020 has been a challenging year for the economic landscape, but against all odds, UK VC investment has just reached an all-time high of £11.4 bn\*.

VC investment into tech has remained resilient, with the largest amount of investment ever seen. It continues to make up over a third of total investment, this seems one that seems set to continue with the pandemic forcing the adoption of technological solutions. A trend that has been evident this year is the shift towards later stage companies as investors' risk appetite decreased due to the pandemic.

Investment into restaurant technology in particular saw a boom as demand for takeaways increased significantly and nanotechnology saw an even bigger increase.

We expect to see levels of flexible office take-up increase over the course of next year. Companies that have received investment should expand into new space, newly formed companies will look for office space, and social distancing measures should ease.

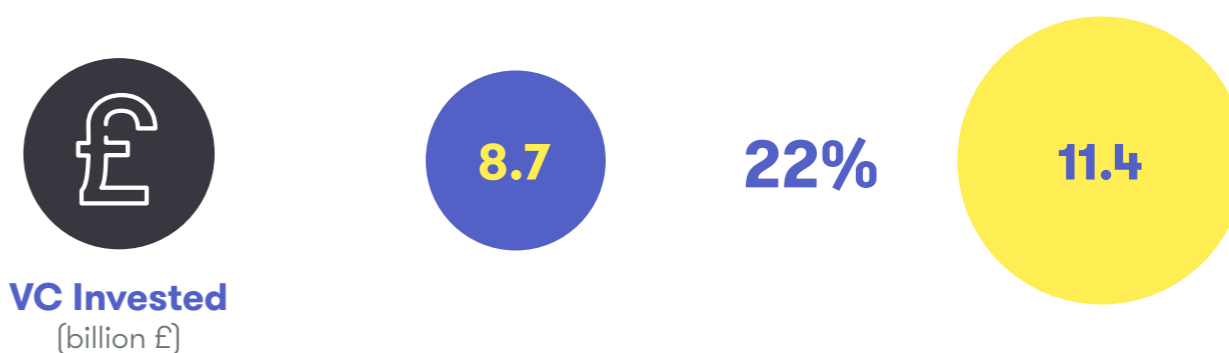
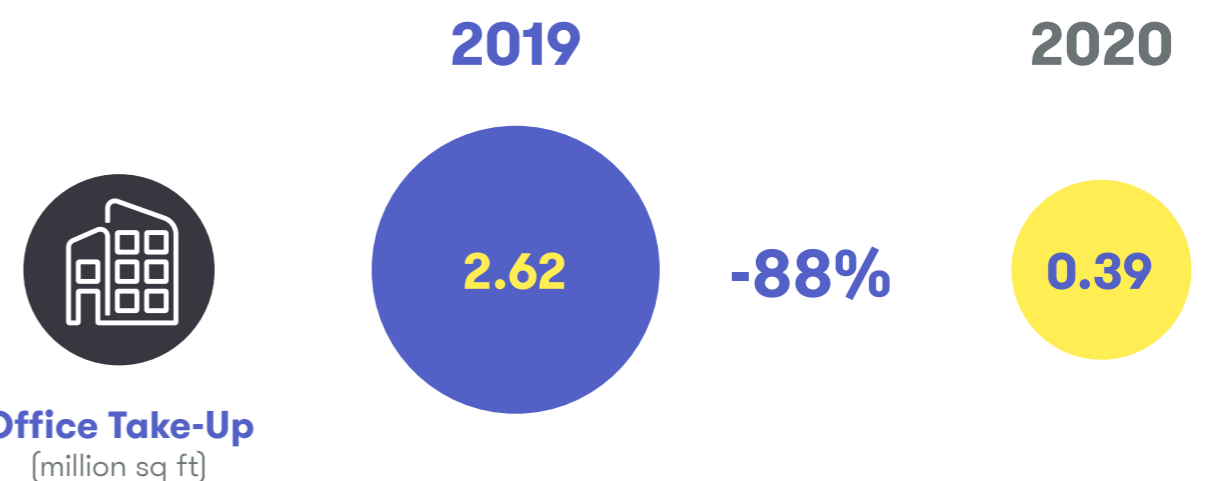
## UK VC investment booming despite Covid

This year has seen the all-time high for VC investment, beating last year's record of £10.6 billion with a figure of £11.4 billion. The higher levels of VC investment this year have not translated to flexible office take-up. Although, this is no surprise given that Q2 saw extremely low levels of transactions, as the UK was in lockdown for the majority of this period.

Increased VC investment does correlate with flexible office take-up, but there are exceptional circumstances where this diverges, such as the events that have occurred this year. We anticipate a spike in flexible office take-up in 2021 as companies with funding look to expand into new space and social distancing measures are eased. This increased demand for flexible office space should, in turn, drive further take-up from providers.

However, the above will be dependent on the UK's economic recovery, as a slow recovery could see companies reluctant to rent space as they maintain work from home (WFH) protocol. In our sentiment surveys, we have seen an increase in both companies and individuals searching for more suburban space. Meaning that, even though companies may be reluctant to take more space, the continued trend of workplace flexibility, or ongoing lockdowns while vaccines are deployed, could cause individual employees disillusioned with working in their homes continue to drive demand for day passes.

### VC investment & flexible office take-up over the first three quarters of the year







Landmark, Hardman Square

## Average deal size increases again

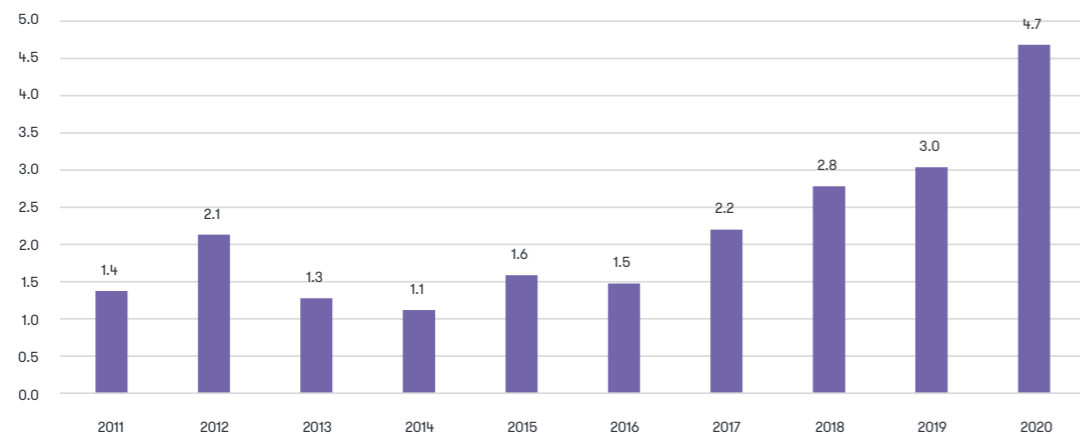
The UK's average venture capital deal size has increased by 56% in 2020. Against the ongoing pandemic, such a sharp increase is surprising to say the least. As we come to the close of the year 2020 outperformed 2019 with an average deal size of £4.75 million with time still left.

The top 5 deals demonstrated a trend towards larger less risky investments. The volume of deals the past 12 months is one thousand lower than the same period last year. This combined with large investment amounts have driven an increase in average investment size that is nearly £40 million larger than that of the top 5 in 2019. Suggesting that although VC firms may have also

had a difficult year, they are keen to deploy money to companies that have been thriving in the pandemic.

Established companies such as Deliveroo, LumiraDx and Revolut have been the benefactors of sizeable investment this year, as investors may feel that they have a track record of delivering. Karma Kitchen (who have capitalised on the lack of kitchen space available for take-away operators) are a less established company that have also driven the average up, but they have utilised a business model that thrived with lockdowns in place across the UK.

### UK VC average deal size (million £)



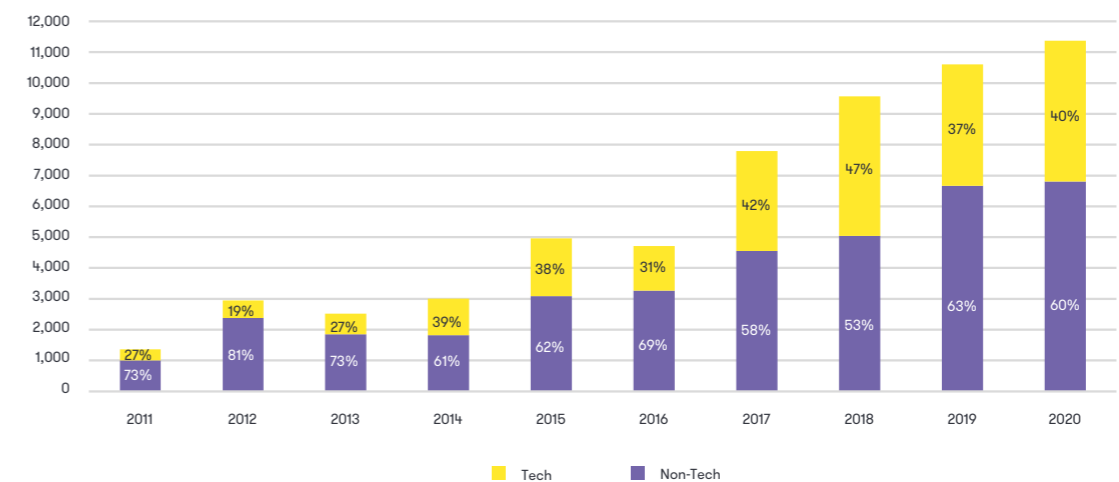
## Tech investment at an all-time high

VC investment into tech has surpassed the all-time high in 2018 by £48m. This year has accelerated the adoption of technology and driven increased investment in the sector, leading to this all-time high.

investment and substantial tech investment looks set to be a continuing one with Crunchbase ranking the UK 6th and London 3rd globally in their 2020 start-up ecosystems list.

It has increased by £629 million compared to last year and since 2017 tech has accounted for over a third of VC investment every year. This trend of increasing

### UK VC deal volume split of tech vs non-tech (million £)



Source: WorkThere and Pitchbook



Alkaloid Networks, John Wesley Dobbs Ave NE



# The Fall of FinTech?

The main story of this year has been that only two core FinTech companies have pushed into the top 10, compared to 8 last year. Although this is definitely not going to be the fall of the industry we may have seen VC investment for FinTech slow slightly as the challenger banks that have emerged over the past decade have become more mature businesses.

Molo Finance, one of the two FinTech companies in this year's top 10 deals, has driven the growth in Mortgage Tech as a vertical. Their £266 million deal accounts for 83% of investment in the vertical, with their online buy-to-let mortgages for first-time buyers (buyers with under 4 properties).

Unsurprisingly, restaurant solutions have garnered larger investment deals in a year where consumers have ordered more take-away with dine-in options shut over lockdowns. Karma Kitchen and Deliveroo have been the benefactors of this both receiving large amounts of investment this year. Deliveroo has nearly single-handedly drove the Restaurant Tech sector with a £471 million pound deal accounting for 90.9% of the vertical's investment.

In a year where Covid has been the buzz word, nanotech has risen to the fore as the virus has gripped the globe. Companies such as Oxford Nanopore and LumiraDx, who have created rapid testing solutions have seen investment and have pushed Nanotechnology to the top growth vertical this year with growth of 2433%.

Riversimple breaking into the top 10 deals for this year with their hydrogen fuel cell offering, combined with Oil & Gas falling into the bottom 5 verticals shows that investor's appetite for sustainability is increasing. It seems likely given the climate crisis that this trend will continue in future.

PropTech and Robotics and Drones have also seen declines in investment levels. However, with the acceleration of companies adopting PropTech this year as well as BNP Paribas' banking arm and Fifth Wall launching a new fund to target PropTech start-ups in the UK and Europe, the sector should rebound next year.

VC firms have likely cut back on robotics as they've looked to fund safer investments that can offer pay offs in a shorter time frame. The industry may also have been impacted by declines in key use industries such as Oil & Gas and Construction.

## Top 10 VC deals in the UK by size.

Ranking	Company Name	Deal Size (m)
1	Deliveroo	£471.65
2	Revolut	£463.01
3	Molo (Financial Software)	£266.00
4	Karma Kitchen	£252.00
5	LumiraDx	£245.22
6	Cazoo	£240.00
7	Oxford Nanopore	£157.90
8	Graphcore	£153.73
9	Riversimple	£150.00
10	Cazoo	£125.00

Source: WorkThere and Pitchbook

## Top and bottom 5 growth verticals 2020

### Top 5 Verticals

	Vertical	% change
1	Nanotechnology	2,433%
2	Mortgage Tech	2,062%
3	Restaurant Technology	1,675%
4	Supply Chain Tech	696%
5	Mobility Tech	322%

### Bottom 5 Verticals

	Vertical	% change
1	Robotics and Drones	-83.6%
2	Real Estate Technology	-76.4%
3	Cannabis	-73.7%
4	Oil & Gas	-73.4%
5	FemTech	-69.8%

Source: WorkThere and Pitchbook

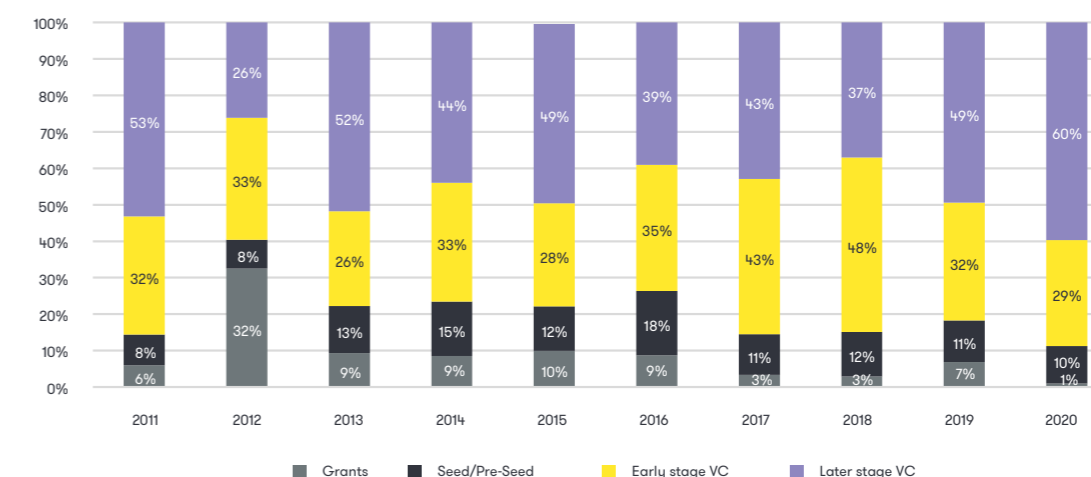


# VC investment by stage

We have seen the proportion of later stage investment increase by 29% from last year, this could lead to companies searching for more space in 2021 as they expand their workforce.

Within early stage investment, accelerator and incubator stage companies have been a beneficiary of the increased investment this year. Investment for these companies has increased by 36% to its highest levels to date, reinforcing the idea that innovation is born out of trying times.

## VC deal volume split by stage



Source: WorkThere and Pitchbook





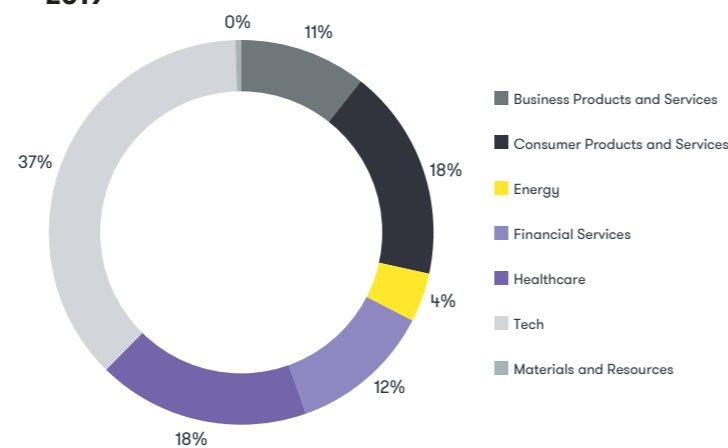
## VC investment by industry

There has not been any significant shift in the sector breakdowns of VC investment. Marginal gains have been made by consumer products and healthcare sectors in a year where spending has further been driven online, and healthcare has become more important than ever. Tech has had a slightly large increase in investment increasing from 37% to 40%, this is has been caused directly by the pandemic which has accelerated the adoption of technological solutions.

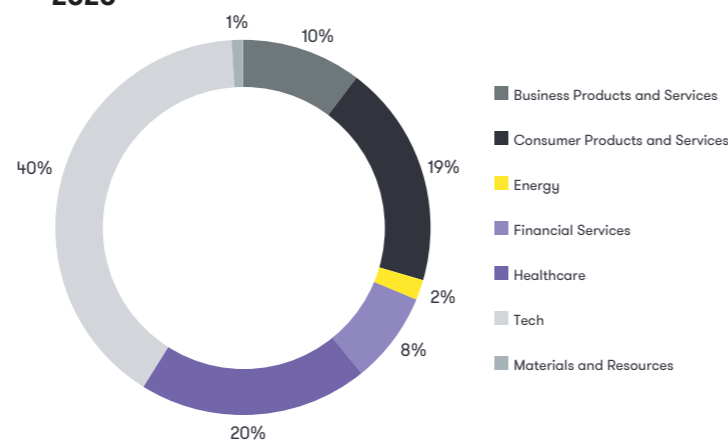
Interestingly this year has also seen a decline in the contribution of financial services to venture capital investment from 12% to 8%, this is likely due to the high base set for FinTech in 2019.

### VC investment by industry

2019



2020



Source: WorkThere and Pitchbook

## UK flexible office desk prices

Prices remained relatively stable over the first 3 quarters of this year despite the pandemic. Drops have been seen in London as people vacated the city, but there has been an increase in Oxford desk prices as a satellite city of London.

The second UK lockdown could lead to desk prices in London falling further, although they should rebound in next year driven a combination of expansion from scale-ups with new funding and emerging start-ups.

### UK flex office desk prices and YoY changes

	Q3 2019 Desk Cost	Q3 2020 Desk Cost	YoY Change
Aberdeen	£250	£250	0%
Birmingham	£350	£350	0%
Bristol	£325	£325	0%
Cambridge	£400	£400	0%
Cardiff	£250	£250	0%
London City	£700	£645	-8%
London West End	£850	£825	-3%
Edinburgh	£300	£300	0%
Glasgow	£250	£250	0%
Leeds	£300	£300	0%
Manchester	£325	£325	0%
Oxford	£350	£375	7%



#### Workthere.com

Workthere is a business by Savills focused solely on helping businesses find flexible office space, whether that's a serviced office, co-working or shared space.

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