

POST-MUMBAI

Serviced office demand rising as clients avoid long-term deals

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NEW DELHI

India's nascent serviced office space providers are claiming that the economic slowdown is generating new business as potential clients avoid getting locked into long-term deals amid continued uncertainty.

Says Neha Mehta of Vatika

Group: "Companies are wary of going in for long-term lease commitments and incurring expenditure on office fit-outs. Therefore, business centres make sense to most of these organizations." Demand has increased by around 15% in two-three months, says Mehta.

Serviced offices, also referred to as business centres, are office buildings that are fully equipped and managed

by a facility management company, which then rents out space to multiple clients who can typically plug-and-play.

"With the economic slowdown and the recent terror attack in Mumbai, a lot of companies who want to commit to India but don't want to sign three-, six- or nine-year leases are opting for serviced office space instead," says Sean Morgan, managing director for

Middle East and India at Avanta Group.

Avanta has three serviced office buildings in New Delhi and Mumbai and plans to set up some 20 such business centres across India over the next two years at an investment of around \$2.5 million (Rs11.82 crore), per business centre. "We will see the impact of the terror attack in the next month or so," adds Morgan. He said clients like the flexibility of moving "in immediately and exit(ing) when they want to". Reduced upfront costs, including capital expenditure, also make shared offices attractive to some.

"Companies do not want to block capital" at a time like

this, says Meenal Sinha, general manager of Servcorp India, a provider of serviced offices. "So, while (companies) are looking at expanding in India, they are taking on temporary space instead of leasing out office space."

Companies with small teams, especially in private equity or specialized investment banking services, many of which typically have operated from hotels in India because office space was at a huge premium in recent years in large cities such as Mumbai, might also want to move into serviced offices, says Kaustav Roy, an India director at realty consultant Cushman and Wakefield.