

Serviced offices

Global companies are entering India to provide ready-to-move offices, says Mahua S Mukherjee

New technology, emerging competition and mergers have changed the way people work around the world. These forces have given rise to a highly mobile workforce that spends less time in the office and more time working from, virtually anywhere they can find an internet connection. This is where serviced offices come into play.

There is a growing need for serviced offices not only for big corporates, but also for small and medium size companies. In major cities across the world, such as New York, serviced offices account for 10% of the total office space available, while in India, the serviced office inventory would amount to only about 0.1%. The serviced offices are spaces equipped with corporate infrastructure and support services and given out to companies on a pay-per-use basis.

The trend has caught on globally with multinationals, big corporates and startup companies looking for serviced offices to set up shop quickly and economically, without capital infusion towards acquiring and leasing of real estate premises. The demand from corporates for serviced ready-to-use offices, instead of conventional office on long-term lease basis, has started gaining momentum and is growing at the rate of 15% to 20%, feel industry experts.

“As of now, with global meltdown hitting the markets, serviced offices spaces are expected to play a very important role in adding speed to business and industry,” says Mrinal Sinha of Servecop - an Australian firm with whom Mumbai based K Raheja Corp has entered into an exclusive franchise agreement.

To cash in on the opportunity, serviced office providers are planning to expand such office centres in India, apart from initiating talks with top builders in order to start serviced office concepts within the latter's commercial buildings. Unlike in conventional lease offices where corporates are committed to pay rent till the long-term lease period ends, organizations using serviced offices can use the space for as short a period as one single day and exit. The users of serviced offices are not committed to paying long-term rent. It is a win-win situation for both the provider and the end user.

Sean Morgan, managing director of Middle East & India, Avanta Management Services India, says: “A company opting for serviced office space can use the facility for three months, three years or even three hours. Whether it needs a full office or merely a virtual presence - company officials just need to walk in, sign an agreement and begin business. A serviced office helps the company focus on more critical issues like planning and developing business, thereby increasing productivity and profitability.”

“Large costs are simply not an option for a lot of firms,” he says.

Over the past six to eight months, Avanta of UK, Servecop of Australia, apart from and The Executive Centre from Hong Kong, have made an entry into the Indian market. The mission of these service providers is to set up office space of all sizes and types, customized for end users with what they really want - well-equipped, nonbranded and high quality office accommodation in

prime locations; flexible services and contracts; transparent pricing and exceptional value for money.

“The trend of hiring serviced offices has picked up in the last few years largely because of high rentals. In the past few years more such offices have come up which means that there is demand for the product,” says Sandeep Goel, managing director, MSX Developers Pvt Ltd. “The credit crunch is forcing businesses to rethink about moving into buildings on a longterm basis, which then need to be fitted out and turned into a safe working environment.”

“In India, the cost per serviced office space could amount to anything between Rs 20,000 and Rs 80,000 and the market is rapidly beginning to double because it is starting from a low base of current serviced office availability,” Morgan of Avanta said.

But will that not push out the Indian companies from the markets?

“Certainly not,” says Mrinal. “Indian companies are new to this concept and it will take a while before you have Indian companies becoming major players - so, there is no harm in having established global players, and, remember, there is a huge gap between demand and supply and the demand is going to grow so fast that there is ample space for everyone,” she adds. Echoing the view, R K Mittal, CMD of CHD Developers, says: “Downturns in markets are cyclic in nature and every downward phase is followed by an upward one. Moreover, it will be a boon for Indian builders who will have a sizeable chunk of their commercial property sold at one go. Also, with the downturn in the global economy, companies have become extremely cost conscious and are looking at innovative solutions to meet their real estate requirements and serviced offices provides the right solution.” With the rise in “On-Demand” real estate products, companies have begun to shed traditional property models and gain the flexibility and cost-savings needed to compete in today’s fast-moving marketplace. Whether it is a large corporation trying to reduce costs and better align the real estate and business strategies, or an emerging business needing to conserve cash and reduce risk, now there are more options to traditional office space and fixed leases.