



BY MICHELLE TEE

Serviced offices offer a prime business address and a flexible space solution for SMEs

# AT YOUR SERVICE

THE physical location of a company forms an indelible impression on prospective clients and partners, who might judge the company's merit by its business address.

Hence, for some small and medium-sized enterprises (SMEs) and new start-ups that are trying to gain a foothold in the competitive business world, their location and state of office space are important criteria that require much consideration.

Another issue that SMEs and new start-ups have to deal with is their fixed overheads. The cost of setting up business in land-scarce Singapore is extremely high. Aside from scouting for a suitable office space and negotiating a lease as well as

fitting-out the space, business owners also need to source for office equipment and administrative support personnel to carry out daily functions such as answering calls, handling mail, housekeeping, etc.

Hence, for SMEs and new start-ups that prefer to function from a professionally-managed front office, it does make economic sense to move into a fully furnished serviced office that is equipped with a suite of supporting services.

Essentially, a serviced office offers the quality and location that is typically enjoyed by a multinational corporation (MNC) in a suitable size without requiring an enormous budget to fit-out and occupy.

## MORE THAN JUST REAL ESTATE

Serviced offices are fully furnished ready-to-occupy work spaces that are run by a serviced office operator. These operators lease space from building owners, fit-out the space and rent them to companies that are seeking small premises or temporary locations.

A serviced office generally comes equipped with furniture; functional information and communication technology infrastructure; and services such as mail handling, reception and housekeeping. Equipment and facilities such as photocopier machines, meeting rooms, reception areas and pantries are also provided but these are normally shared among occupiers.

The lease term of serviced offices is usually flexible, and can be as short as one month. Typically, the offices are configured to accommodate a range of unit sizes, eg from 60 sq ft to 300 sq ft, providing tenants the flexibility to expand or downsize their requirements to suit fluid and unpredictable business conditions.

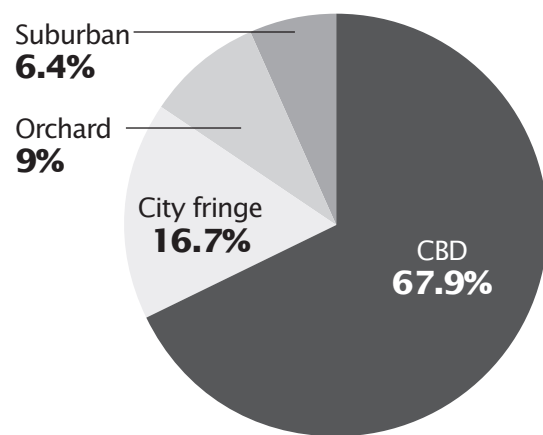
As at November 2014, there were approximately 28 serviced office operators in Singapore running some 800,000 sq ft of office space. This is slightly larger than the entire office space found in Asia Square Tower 2, which has a net lettable area of about 733,000 sq ft, and more than three times the 220,000 sq ft of serviced office space reported in 2003.

## VAST RANGE OF LOCATIONS

The 28 serviced office operators in Singapore operate a total 78 serviced office centres across the island. The majority of the serviced office centres are located within the CBD (67.9 per cent), followed by the City Fringe (16.7 per cent), Orchard (9 per cent) and suburban (6.4 per cent) areas.

To meet the growing demands of new age businesses, more serviced office centres are

### Distribution of serviced office centres in Singapore



Source: Colliers International Singapore Research

increasingly anchored in prominent buildings and are conveniently situated near major transportation links, food and beverage outlets as well as amenities such as clinics and fitness centres.

## ENJOY THE BENEFITS

Serviced offices are suitable launch pads for new start-ups and SMEs as they help firms reduce their start-up costs and lower the risk of being locked in by long-term leases. In contrast, conventional office premises are usually tied to three-year contracts and often require substantial capital expenditures for fitting-out.

Industry players estimate that it will cost about 30-50 per cent less to set up an operation in a serviced office than in a conventional office space due to savings in cost overheads and administrative support staff headcount, among other things.

With the cost of office furniture and equipment as well as administrative support staff all priced into the monthly occupation costs of a serviced office space, budgeting is more straightforward so firms can run their businesses without the day-to-day burdens of operating and managing a conventional office space.

Serviced office operators also provide firms with the flexibility to move out, expand or downsize more easily compared with traditional office leases which typically lock them into large spaces and long leases.

Additionally, as some of the serviced office operators in Singapore have outfits in new Premium and Grade A office developments that are usually only leased to MNCs and well-established companies, start-ups and SMEs can now gain access to such prime addresses through serviced offices.

Some international serviced office operators also offer companies access to their meeting facilities, day offices, business lounges and related services in other cities where they operate.

## SERVICES COME AT A COST

The pricing strategy of a serviced office space is different from that of a conventional office space. For a conventional office space, the occupation

cost is often quoted based on a per square foot and bare unit basis, whereas the charges for a serviced office suite is dependent on the amount of services required by the occupier.

Generally, a tenant is required to pay a basic licence fee to the serviced office operator. This would provide for the use of the office suite as well as office furniture and equipment in the suite. Additional services and facilities such as Internet access, meeting rooms, mailboxes as well as reception, administrative and secretarial support may or may not be included in the base licence fees. Some serviced offices also charge for the usage of printers and paper.

Basic fees can start from S\$2,000 per month for a company with two to five workers in a non-central location, and can go above S\$25,000 per month for a company of 20-30 workers in a Grade A office building in the CBD. The type of fee structure varies among different serviced office operators. The licence fee depends on the length of the lease term, the size of office suite leased and the view offered by the suite.

However, a possible downside of occupying a serviced office space is that there is no privacy.

Confidential information could be compromised due to the open concept, shared resources and services. The shared facilities may not be available when the firm needs to use them. Tenants of serviced offices have less visibility in terms of corporate branding as they are not able to display their logo or brand name at the main entrance compared with a conventional leased or owned office premises.

In today's fast paced and highly competitive business environment, a lower start-up cost and quicker turnover in setting up an office can provide a firm with more time and resources to focus on growing its business. Serviced offices offer new start-ups and SMEs a cost-effective and flexible solution to their space requirements as they are able to commence operations in a shorter timeframe and only pay for what they need and use.

Serviced offices thus play a unique and valuable role in catering to the niche requirements of SMEs and new start-ups in today's business environment, and will continue to remain relevant in the foreseeable future. ■

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