

# Serviced offices gain popularity

REAL ESTATE *Two foreign players have already entered the market*

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New Delhi

The recession has thrown open the gates for a new real estate service – serviced office space providers. These firms offer ready-to-use office space, which can be used from day one. Companies seeking office space need not bind themselves to long term leases or invest in office infrastructure.

Serve Corp, one such service provider, entered the Indian market in March 2008 and plans to expand to all metros within two years. Avanta, a UK-based firm, too has set up shop in India. It aims to have 20 serviced office centres up and running in the next two years.

"India offers good business opportunity, especially in the next 2-3 years as companies want to expand without investing too much in office infrastructure due to the recession. The serviced office space market is under-penetrated here" said Meenal Sinha, general manager, Serve Corp India.

According to experts, companies opting for serviced office space can save up to 30 per cent of their real estate costs in the first 3 years as they do not invest in the infrastructure. This is significant as companies across sectors struggle to maintain their bottom lines in the current economic



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A UK-based company, International Business Wales (IBW), opened its office in one of the business centres of Serve Corp in Bangalore in February last year.

"We wanted quick solution to our needs as we have to travel a lot. Buying space in a serviced office business centre was hassle free as we do not have to worry about the infrastructure set up and other problems that come up with

traditional office space", said Kant Singh, vice-president, IBW.

"In India, many multinational companies want to test the ground for business opportunity. However, they do not want to get into long term lease agreements. We provide a perfect solution to such clients as we allow easy entry and exit," said Sean Morgan, managing director, Avanta India.

Serviced offices are leased

on a "per workstation" basis. According to Cushman & Wakefield, the charges may range from Rs 15,000 to Rs 100,000 per workstation, depending on the location. Avanta is charging Rs 55,000 per workstation.

Serviced offices are equipped with office infrastructure and support services and are given out to companies on a pay-per-use basis. The trend has caught on globally with multinational firms,

big companies and startup companies alike.

The concept is likely to become popular in India because the downturn in the economy has made companies unsure of their expansion plans and they do not want to get into long-term lease agreements with the real estate developers. The deal comes without any hassle of long term lease and advance payment of rentals to the real estate developers.

The company can vacate the office after giving a one-month notice. In the conventional lease agreement, a company pays up to six months' advance rental and cannot vacate the space before three years of signing the agreement.

"Usually, real estate developers do not get into short term lease. This has created a market for serviced office space providers who sign long term lease with developers and then sub-lease the space to the end users," said Kaushtav Roy, director (tenant strategies), Cushman & Wakefield India.

Many real estate developers too are looking to lease out their office space to service office providers as they get a better bargain from them. "We are in talks with a leading office space providing company to lease out our office space in Mumbai," said a Delhi-headquartered real estate developer.