

Flexible leases and cost-effectiveness are advantages amid tough economic climate

# Serviced offices work out well for tenants

## Fulton Mak

Serviced office providers believe the flexibility and cost-effectiveness of their offering will appeal to tenants not willing to commit to large premises and long leases in the present troubled business environment.

"I think we have some advantages to offer tenants in the present sluggish economic conditions," said Chapman Leung (below), the managing director of Jumpstart, a serviced office provider.

"Some companies might be unwilling to accept the risk of committing to an office lease for three years amid such an uncertain economic outlook and we can offer them more flexible short-term leasing options that are also cost-effective."



The optimism contrasts with a generally bearish view taken by analysts of the demand for office space, especially in Central, because of the negative impact of the global financial crisis on headcounts and new business investment.

Jumpstart rents office space in grade A premises in major business districts and outfits the space into a business centre providing support staff such as receptionists and secretaries, and furnished offices of various sizes which it then sub-leases to tenants on a range of lease options.

While a conventional lease usually locks a tenant into a three-year commitment, such serviced offices can be rented on a daily basis. Mr Leung said this flexibility would appeal to companies in the present environment.

Firms due to quit their long-term leases would be attracted to the sub-leased premises on shorter contracts, he said, since it would allow them to continue their daily operations on a scaled-down and more cost-effective basis.

Jumpstart has business centres in Tsim Sha Tsui and Causeway Bay which can accommodate about 130 people in total, at rentals that start from HK\$5,000 a month for the smallest office accommodating one

person to HK\$19,000 for a five-person office suite.

Its occupancy rate has been above 90 per cent over the past 12 months.

Mr Leung said its tenants were drawn largely from start-ups, foreign companies with small representative offices in the city, and small to medium-sized enterprises whose major business operations are on the mainland and have just two to three administration staff in Hong Kong.

Filippo Sarti, the chief executive for Asia-Pacific at Regus—the world's largest serviced office provider—shared the sentiments expressed by Mr Leung.

"Most companies will be examining their costs in the current economic situation and property forms a substantial element of their fixed costs," Mr Sarti said.

Among the advantages that serviced offices offer is that no upfront capital investment is required. Both space and contract durations are also flexible.

Other expenses including information technology and telecommunications set-ups, maintenance and support staff will account for a considerable expense but are provided in the serviced office leases.

Regus has nine serviced offices in Hong Kong.

Jumpstart finished expansion work last month at its Tsim Sha Tsui centre and aims to open a 130,000 square foot office in Kwun Tong by the end of the month, which will double its capacity to about 200 people.

Mr Leung said the company planned to open two to three more outlets next year, eyeing prime locations such as Wan Chai, Central, Mong Kok and Island East.

It is also looking for expansion opportunities on the mainland or in other Asian countries in the longer term.

Regus, meanwhile, will continue its expansion by opening its first centre in Macau next month.

It has added new centres in Central, Millennium City in Kwun Tong and at the Hong Kong Airport World Trade Centre in the past 12 months.



Jumpstart serviced office (above) and a lounge in the business centre shared by the tenants (right). Photos: Jumpstart



Regus has nine serviced office centres in Hong Kong. Photo: Regus

