

THEEDGE SINGAPORE | THE WEEK OF JULY 1 — JULY 7, 2002



PICTURES: CHAI JIAK SENG/THE EDGE SINGAPORE

At Wangz Business Centre II, virtual office customers get their own mailboxes as well as the aid of professional secretarial staff

Working on borrowed space

Virtual and serviced offices provide new businesses with cost-saving alternative

BY DARYL LOO

Traditionally, someone starting a company would register the company's name, and then find an office space to start operations. In recent years, there's been a trend where more and more companies, instead of leasing office space of their own, are making use of business centres, in a sense "borrowing" office space from someone else.

In land-scarce Singapore, the cost of setting up a business is extremely high, and costs are apparently still going up even in times of bad business as these. Being able to not worry about finding an empty office, negotiating a lease, and then sourcing for equipment and people to staff it and so on is a welcome relief for many start-ups.

In a report released late last year by the Chartered Institute of Purchasing & Supply (CIPS), surveys show that outsourced offices are "more cost-effective for longer periods, for larger numbers of people and over a wider geographic spread compared with five years ago". CIPS is an international education and qualification body representing purchasing and supply-chain professionals based in the UK.

Titled "The True Cost of the Flexible Office" the report goes on to show that the cost of outsourced offices for both small and large offices has fallen drastically, resulting in significant savings. Previously, it would have cost more than using a conventional office lease.

For example, in 1996 a 10-person serviced office in London occupied for 36 months would have been 6.0 per cent more expensive

than a conventional lease, but today the same 10-person office will realise a 10 per cent cost savings. In the case of an outsourced office for 40 people in London, the company will save 3.0 per cent using a serviced office instead of leasing its own. In comparison, serviced offices were about 47 per cent more expensive in 1996. Hence, "borrowing" office space presents a real benefit to companies which do not want to lease expensive office space.

Borrowed office space can come in two forms. One is the virtual office. Simply put, a company is offered "everything but the office". The most basic package would include just a mailing address and a phone messaging service. The advantage to customers is that they do get to print an address in a prime location without having to pay for the high rentals that the location entails. Most business centres in Singapore are located in office buildings in the central business district (CBD) and in or around Suntec City.

Virtual offices can also provide secretarial support like the receiving and sorting of faxes and mail. Some larger, global firms like Regus can even provide translation services and virtual addresses from their various business



Toh: Signature Space started business in November but is doing so well that it is seeking to expand

centres located worldwide. This provides users of virtual offices with a global presence for their companies, all from the comfort of working in their own homes. A virtual office can be had for as low as S\$350 a month.

Having a serviced office, put simply, is everything like a normal, conventional office, except that you're renting the space from a

business centre rather than leasing it in your company's name. Hence, it offers a lot of flexibility as your contract with the business centre can range from as short as a few hours to as long as three years. "Of course, we prefer our clients to sign longer leases with us, as it means we can offer them a lower price," says Hanisa Khairolazmi, sales and marketing manager of Wangz, a locally owned business centre provider with two locations in Singapore. However, some clients might prefer the flexibility of a short lease so that they can move out easily should they need to expand, for example.

Serviced offices are fully furnished and equipped so that customers can just move in and start work right away. Some business centres also provide an option for potential customers to customise the size, shape and layout of their offices to their liking. For example Diana Ng, owner of DNLH resources, a one-person human-resource consultancy, needed an office that included a partitioned meeting room for conducting interviews. She requested that Signature Space, a business centre located on Cecil Street, customise such an office for her, which it did.

"I moved into the office in May and I've been very happy with it," says Ng. "I find working in an office more conducive compared with working from home, and a serviced office is perfect because I don't have to take care of a lot of things." She is paying under S\$2,000 for her serviced office. Another advantage of a virtual or serviced office is that it can provide expertise in areas that a client does not possess. For example, Ng, who admits to not being very IT-savvy, had her

Being able to not worry about finding an empty office, negotiating a lease, and then sourcing for equipment and people to staff it and so on is a welcome relief for many start-ups

CONTINUES ON PAGE 48

More players entering industry

FROM PAGE 47

e-mail and intranet systems set up by the staff of Signature Space.

Singapore currently has about 30 providers of virtual and serviced offices. Even in the ongoing recession, more players are entering the industry. Signature Space is one such player, having entered the business only in November last year. According to its manager, Toh Hsien Min,

business has not been adversely affected by the recession. "We're performing way above expectations and are even looking to expand," says Toh.

Signature Space, which currently operates from just one location, has 15 serviced office units. "Our business has scaled up very well and we're now at 80 per cent occupancy and still acquiring customers," he says.

Jonathan Lawes, corporate account manager of Regus, offers a reason as to why business centres might not be as adversely affected by the recession as other businesses. "We've seen a lot of interest in our products from white-collar workers who have been made redundant by the recession," says Lawes. Simply put, more people are starting up their own businesses because they have been laid off or their companies have gone bust. Another contributing factor is the government's move to encourage Singaporeans to become entrepreneurs.

Regus opened locally in May 1999 and is now one of the biggest virtual and serviced office providers in Singapore, occupying 86,000 sq ft of office space within the CBD. The offices take up two storeys each in UOB Plaza 1, Centennial Tower and Raffles City Tower. Started in the UK in 1989, Regus now has over 400 business centres in 50 countries, spread out over 180 cities, making it one of the largest outsourced office providers worldwide as well. Although Lawes declined to provide occupancy figures, he says that Regus "has increased our portfolio and desk number in Singapore without affecting our occupancy figures".

Lawes adds that sometimes, customers of virtual office services even grow into customers of Regus' serviced offices. "It happens a lot: You have virtual office tenants when they first start out, but when their businesses start rolling they find that it's no longer possible to work out of their homes," he says. "That's when they realise they need an office quick, and they become our serviced office customers."

Hanisa of Wangz agrees. "A tenant of our virtual office became an in-house customer." In fact, it even

Although IT companies seem to be a major customer base for virtual and serviced offices, providers are quick to add that their clients come from all industries

happens the other way round. "There was a tenant of our serviced office who, because his business partner left the company, decided to 'go virtual' instead because he didn't need so much office space," adds Hanisa.

Wangz's two business centres are located in the penthouse of Suntec City Tower One and the ground floor of The Ritz-Carlton, Millenia Singapore. The first centre in Suntec, named Wangz Business Centre, started in 1997 while the second, named Wangz Business Centre II, started in June last year. According to Irene Ng, assistant centre manager of Wangz, the company has also tied up with Hong Kong-based Plaza Business Centre Management Co Ltd to manage the business centres.

Ng says Wangz Business Centre currently has an occupancy rate of 80 per cent while Wangz Business Centre II is at 70 per cent. "We're proud to say that from 1997 to the end of 2000, we enjoyed full occupancy," says Ng. "But we were

down to 70 per cent overall up to the second half of last year, and after Sept 11, down to 60 per cent." However, Ng says that Wangz's business has since recovered after the decline last year.

Ng adds that Wangz's two centres attract different customers. People who want the convenience of being at the ground floor, or have customers and visitors who stay at The Ritz-Carlton, prefer being at Wangz Business Centre II. There's also the added convenience of a shower facility as well as an outdoor patio for those who might need to work and smoke at the same time.

"Most small- to medium-sized businesses prefer an office with a view, however, and so they tend to take our centre at Suntec," says Ng. "And Suntec is also known as Asia's Silicon Valley, so many IT companies like it there."

Although IT companies seem to be a major customer base for virtual and serviced offices, providers are quick to add that their clients come from all industries. "Our clients are from all walks of life, including IT, shipping and life sciences," says Ng of Wangz. And Regus' Lawes agrees. "Our customers are wide-ranging as they can come from IT, telecommunications, oil and gas, and management consultancies."

Polonius might have told Laertes in *Hamlet* "neither a borrower nor a lender be", but he was a deranged old man who wouldn't know how ridiculously expensive it is to buy property in Singapore. Virtual and serviced offices, while unlikely to be a permanent solution for office space for most companies, play a big part in helping businesses cope because of their flexibility, especially in volatile times such as these. ■

PICTURES: CHU JACE SENG/THE EDGE SINGAPORE



Lawes: Sometimes, customers of our virtual offices even grow into customers of our serviced offices



Regus has three business centres in Singapore occupying a total of 86,000 sq ft of office space