



Serviced Offices: Transforming the Commercial Property Market

Arena Business Centres



Since the early 2000s, the office market within the UK has experienced something of a revolution. The steady rise of the serviced office over the last two decades has transformed the commercial property industry, changing the way many of us think about the workplace. According to a recent PwC report (2018), the serviced offices sector is now the seventh largest subsector of the UK real estate market: a testament to the rapid growth of the industry.

So, what exactly is a serviced office and how does it differ from traditional space?



Studio Office at Arena Business Centres in Ferndown

What is a serviced office?

Put simply, serviced offices are an 'all-inclusive' workplace solution.

Licensees pay a single monthly fee for their workspace, which also includes a plethora of other services and extras. Utilities, cleaning services and buildings insurance are generally included in the monthly fee, as well as air conditioning, security services and the support of an in-house reception/centre management team. Office furniture packages are also available. Consumables such as printing, postage and telephone charges are usually the only additional costs and are charged on a 'pay as you go' basis.

Residents of serviced office buildings are also able to enjoy access to break-out areas, kitchens and meeting rooms – some even have on-site cafés for added convenience.

Another key element of the serviced office product is the relatively short notice period. Providers typically offer agreements with notice periods lasting just a few months, enabling occupants to upsize, downsize or even vacate their office as their business dictates.



Reception at Arena Ferndown

How do serviced offices differ from traditional 'leased' space?

In the past, the only option for office space (aside from purchasing a commercial building outright) was to enter into a leased agreement with a landlord. Traditionally, leases were around 25 years in length and tied occupants into their offices for the duration of the agreement. Whilst modern leases can be a little shorter (with an average duration of 7 years), serviced offices offer greater flexibility, with minimal notice periods.

Another key difference can be found between the written agreements themselves. Leases typically contain break clauses and other complex elements which often require legal professionals to interpret and negotiate on behalf of a prospective tenant. By contrast, serviced office agreements are usually simpler and shorter, meaning that licensees can dispense with the need for legal advice.

However, perhaps the most important difference between leased and serviced space (from a financial standpoint) lies in the liability for repairs and maintenance. Occupants of leased spaces are usually expected to contribute to – or even cover the cost of – repairs and maintenance. This can lead to hefty costs when vacating the space at the end of the agreement. Serviced office providers, on the other hand, absorb the costs associated with maintaining the building and offices, asking only that a given office is cleaned and painted upon vacation of the premises.



Clients Using the Boardroom Facilities at Arena Basingstoke

Who uses serviced space?

Initially (due to the relatively low start-up costs) serviced space was chiefly the preserve of start-ups and SMEs. However, as the serviced office model has matured and become more established, its clientele has started to become much more diverse. Larger corporations are now also turning to serviced office providers in order to benefit from enhanced levels of control over their property portfolios.

Are serviced offices here to stay?

An effective solution to the need for flexibility and cost-efficacy in the workplace, it is likely that serviced offices will remain a mainstay of the commercial property market for many years.

Over 2 million sqft of the available office space in London is already offered by serviced office providers, representing a significant proportion of the market. This has grown from just 200,000sqft in 2010, demonstrating the impressive growth of the model. (WorkPad, 2017) It is small wonder then, that PwC predict the office market will be dominated by serviced space by 2030 - and beyond.

To find out how serviced office solutions can benefit your business, call the Arena Team on 01202 862444. Our experienced team would be delighted to speak to you about your business requirements and assist with finding the perfect workspace for your team.



Business Lounge at Arena Basingstoke

Citations

Financier Worldwide (2018) *The Growth of the Serviced Office* [online]. (Last updated March 2018). Available at: <https://www.financierworldwide.com/the-growth-of-the-serviced-office#.XNPtChRKiUm> [accessed 24th April 2019].

WorkPad (2017) *Why Serviced Office Spaces is Ideal for Brands in Start-Up or Growth Mode* [online]. (Last updated 28th February 2017). Available at: <https://www.workpad.co.uk/serviced-office-space-ideal-brands-start-growth-mode/> [accessed 24th April 2019].