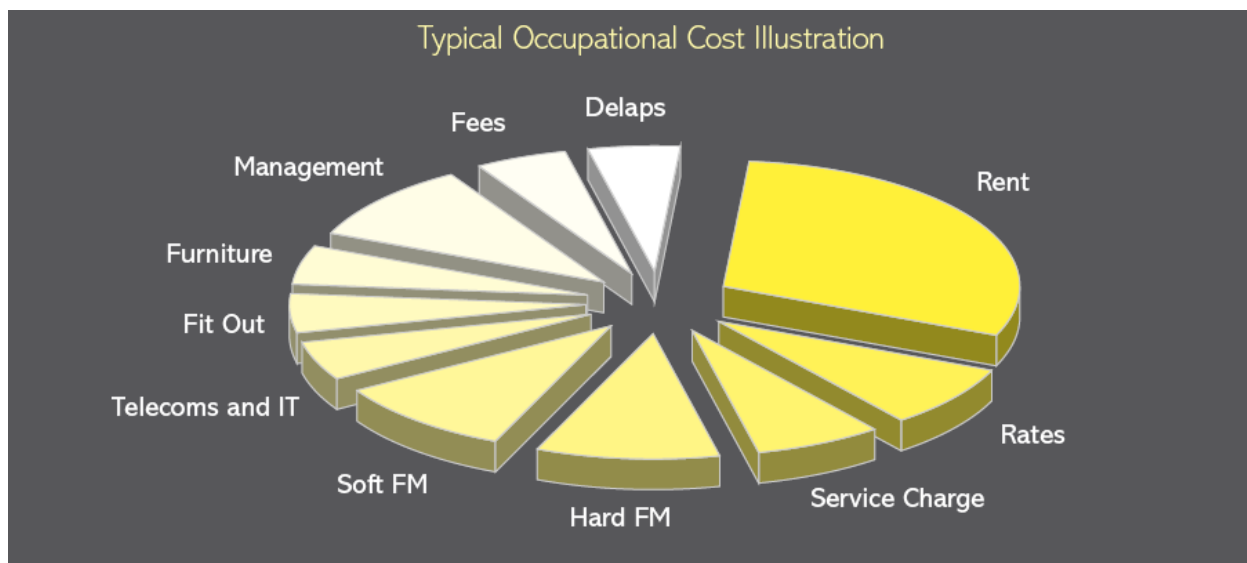


The UK serviced office market comprises some 180,000 workstation and is still less than 2% of the total office market. The market has been growing in capacity at approximately 5% per annum over the last 10 years. It is an established and recognized office solution, particularly for those seeking flexibility in their office solution.

why serviced offices?

The true cost of leasing and occupying an office are readily identifiable. But rarely is the total occupational costs pooled together when making a purchasing decision. When looking at the conventional property market, the tendency is to look at the three major costs of rent, rates and service charge as being the total occupational costs. However, research by the UK Chartered Institute of Purchasing and Supply, together with a number of other studies has shown that these three cost elements only constitute around half of a company's annual total occupational office spend. A serviced office can be 25% cheaper than traditional leased offices when the total occupational cost is taken into account.

With a serviced office solution, all the occupational costs are pooled together into one convenient monthly payment. Plus, clients get a bespoke, serviced solution with added flexibility, allowing them to focus on the needs of their business today. Many companies have found that not only is a serviced office more flexible, but when taking into account all the costs of occupation, it actually saves them money.



A major difference between serviced offices and traditional offices, and unique selling proposition, is the length of the occupation. A serviced office term may be as short as 3 months, or more typically 9 or 12 months. This is very different from the 3-15 year leases normally associated with a traditional office and gives many organisations the much needed flexibility to shrink or expand as their business dictates.

Speed of access and therefore speed to market are often key factors for business. Often planning for traditional space can take months with extended lease negotiations, fit out design, planning and execution, and often very capital intensive. In contrast a serviced office can be viewed, signed for with a license agreement and completed in only a number of hours from initial enquiry to taking occupation. Offices are available instantly allowing clients to focus on what is most important to them, their business.

growth within a dynamic market:

Planning for growth can be difficult for businesses especially in new markets. Serviced offices are designed to allow clients to grow their business in the one building or move in staff from their existing premises. Due to the flexible nature of service offices, businesses can easily adapt in size according with business growth, starting with a one person office they can expand to a 4, 10, 20 person offices with ease. In the long term this will provide substantial cost savings. Large companies needing project space can move staff in on a short notice basis, having their team work on the project for a number of months and then disband the project upon completion, only a serviced office can provide for this.

For many businesses and organizations, the decision whether a new market is worth exploring is dependant on reduced risk and cost to entry. Therefore, cost of property and the length of commitment remain important factors. Serviced offices allow companies to test the market with minimal capital outlay and risk in the short term and then look at traditional space once assessment is complete. For many businesses it is important to have fixed costs that can be budgeted annually allowing them to focus on their targets. Serviced Offices provide the client with a fixed cost which includes virtually all costs with minimal additional costs easy to forecast.

As the serviced office market has evolved the options available to businesses have increased to such an extent that the majority of companies in need of space are considering the serviced / managed office market when looking for new or additional premises. They see key benefits of this over traditional space:

- **Flexible license structure:** Allowing a company to expand and contract as the needs of the business change and staff levels fluctuate.
- **Standard License agreements:** Standard simple license agreements are in place therefore eliminating the need to enter into time consuming lease negotiations as well as instructing solicitors.
- **Ease of Occupation:** The staff that run serviced offices are used to dealing with companies moving into their offices and can provide a solution that will minimise the disruption to a company allowing them to focus on running their business. Mostly available for occupation within 24 hours. Serviced offices provide an ideal solution for disaster recovery.
- **Cost effectiveness:** On agreements of less than 2 years in duration it has been demonstrated by research carried out by the UK Chartered Institute of Purchase and Supply, that substantial cost savings can be achieved by taking serviced offices as opposed to a traditional lease. The cost saving is partly due to the avoidance of building refurbishment at the start of a lease, dilapidations claims at the end of a lease and the inconvenience and cost of having to dispose of a lease mid term should a space requirement change.
- **Ease of entry:** A new company or project may not have a proven track record and trading history which is acceptable to traditional landlords without the need for large deposits (with associated cash flow implications) and personal and director guarantees. With services offices all that is required is a simple deposit which is refundable at the end of the license agreement. Most operators will provide offices with telecoms and broadband connections already in place thus eliminating the need for lengthy run in times for these facilities to be set up.

A growing trend in the UK is the use of more flexible work patterns, this can mean working at home or more remote locations and travelling to head office or metropolitan centres for meetings. Many people are adopting a flexible working pattern which is leading to migration of workers in new ways around the UK. However, many home workers find it hard to work at home where they can feel isolated and distracted, and instead prefer to be in a more communal, commercial setting where they can have interaction with other workers, such as a serviced office.

the current economic impact:

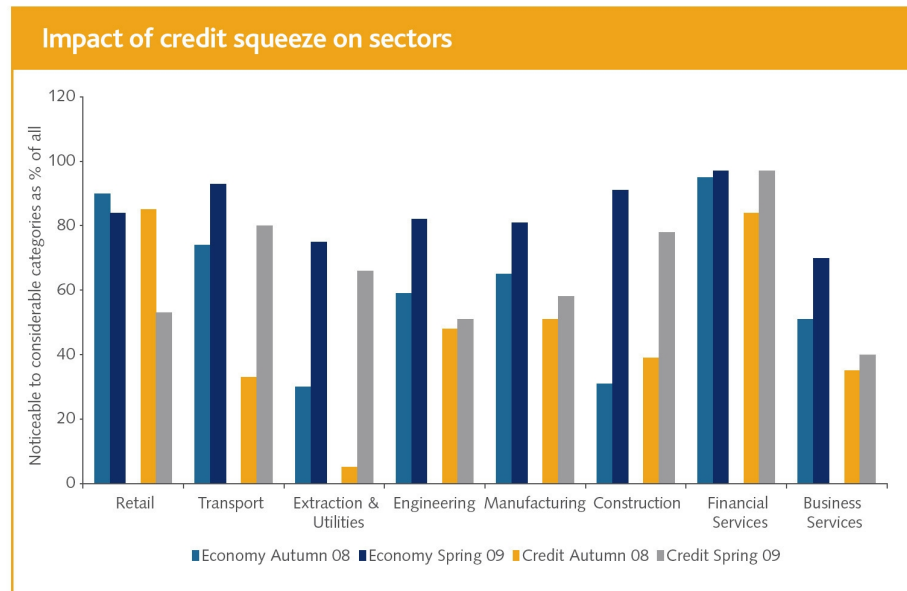
The UK and leading Global economies are in a synchronised downturn, likely to remain in a global and UK recession for at least a year, precipitated by the global credit crunch and banking crisis.

Despite the global credit crunch adversely affecting many market sectors. SME companies seem to be opting for the flexibility that serviced offices provide with the ability to upsize or downsize depending on how their business is performing. They are not willing to purchase freehold property in an environment where asset prices are falling, and look to avoid making long term commitments where there is uncertainty about the severity and longevity of the recession in the UK.

The recession and lack of bank finance will traditionally mean that there will be fewer business start ups and overall slower growth for SME companies as a result of a more cautious lending stance. However, current trends have shown that many of those being made redundant in the coming year from banks and other blue chip institutions will make a lifestyle change and establish their own small enterprises, which will typically be based out of a serviced office.

Overall the serviced office sector is holding up well with occupancy rates and revenues remaining intact and not going into decline as many other business sectors have experienced, such as construction, financial services and retail. There is likely to be price pressure on new workstation sales and renewals, but volumes and occupancy levels are holding up and even improving in some locations.

For more information on Ventia Ltd, or to talk to one of our team please feel free to contact us by calling t: + 44 8454 131910 or e-mail at info@ventia-uk.com.



¹ CBI/GVA Grimley Corporate Real Estate Survey, Spring 2009